REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
**BUREAU OF INTERNAL REVENUE**
**Quezon City**

| Section 30(F) of the Tax Code of 1997 |
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| BIR Ruling No. 228-14 |
| #026-2016<br>1-11-2016 |

**SYCIP GORRES VELAYO & CO.**
6760 Ayala Avenue
Makati City

Attention: **REYNANTE M. MARCELO**
Partner, Tax Services

Gentlemen:

This refers to your letter dated December 19, 2013, requesting on behalf of your client, IT & Business Process Association of the Philippines, Inc. (formerly; Business Processing Association of the Philippines, Inc.) requesting in effect for exemption from the payment of income tax under Sec. 30(F) of the Tax Code of 1997, as amended.

It is represented that IT & Business Process Association of the Philippines, Inc. (TIN: ) is a non-stock, non-profit corporation duly organized under the laws of the Philippines; that it is registered with the Securities and Exchange Commission (SEC) under Registration No. ; and that the purposes for which it was incorporated are the following:

1) Organize the different members of the eServices industry composed of entities engaged in the business of call centers, business process outsourcing, shared services, software development and maintenance, medical transcription, animation services, vendors or suppliers of technology, equipment and services used by the above businesses, business entities engaged in outsourcing of their customer needs, business entities engaged in sourcing of the customer needs of others, venture capitalists and investors in the country, by creating a national organization that will represent the eService industry before government and international business community;
2) Promote the general welfare and promote the welfare of the eServices Industry in the country by prescribing the minimum standard or quality of services to be provided;

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3) Partner with government and promote the welfare of the eServices industry in the country to become major player in the international market by attendance and representation in international business expositions and conferences;
4) Collect and disseminate statistical, trade, management and other valuable business information about or relevant to the delivery of services in the domestic and international eServices Industry;
5) Sponsor conferences, meetings, symposia, etc. to benefit members and other entities interested in the eServices Industry; and
6) Serve as the authoritative channel for information the eServices Industry in the country; and assist member companies in identifying overseas business opportunities and in directing prospective clients to them.

In reply, please be informed that Section 30 (F) of the Tax Code of 1997, as amended, provides, viz.:

> *"(F) Business league, chamber of commerce, or board of trade, not organized for profit and no part of the net income of which inures to the benefit of any private stockholder or individual"*

A business league is an association of persons having a common business interest. Its activities must be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. Its purpose must not be to engage in regular business of a kind ordinarily carried on for profit. Moreover, it must be primarily engaged in activities or functions constituting the basis for its exemption and that its primary activity cannot be performing particular services for members or nonmembers.

Along with police power and eminent domain, taxation is one of the three basic and necessary attributes of sovereignty. Thus, the State cannot be deprived of this most essential power and attribute of sovereignty by vague implications of law. Rather, being derogatory of sovereignty, the governing principle is that tax exemptions are to be construed in *strictissimi juris* against the taxpayer and liberally in favor of the taxing authority; and he who claims an exemption must be able to justify his claim by the clearest grant of statute.

Tax exemptions must be construed strictly against the taxpayer and liberally in favor of the taxing authority. The burden of proof rests upon the party claiming exemption to prove that it is in fact covered by the exemption so claimed. In case of doubt, non-exemption must be favored. Taxes being the lifeblood of the government that should be collected without unnecessary hindrance, every precaution must be taken not to unduly suppress it.

A review of the documents submitted in support of the request shows that the primary activity of IT & Business Process Association of the Philippines, Inc. is the performance of particular services to benefit members and other entities interested in eSErvices industry and that it is a value-added-tax (VAT)- registered taxpayer. VAT is a business tax imposed primarily on those taxpayers engaged in business. This further proves that it is an entity

engaged in business by rendering services to members and nonmembers (Sponsor conferences, meetings, symposia, etc. to benefit members and other entities interested in the eServices Industry). *(BIR Ruling No. 228-14 dated June 25, 2014)*

IN VIEW OF THE FOREGOING, this Office is of the opinion that IT & Business Process Association of the Philippines, Inc. does not qualify for exemption under Section 30 (F) of the NIRC, as amended. It is therefore liable for Income Taxes imposed under Title II of the same Code and other applicable taxes such as Value-Added Tax (VAT) or Percentage Tax.

Very truly yours,

**KIM S. JACINTO-HENARES**
Commissioner of Internal Revenue

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JAN 05 2016

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cc: Regional Director
Revenue Region 8, Makati City