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

Section 30(G) of the Tax Code of 1997
BIR Ruling No. 111-2014
#027-2016 1-11-2016

NEGROS WOMEN FOR TOMORROW FOUNDATION, INC.
102 San Sebastian-Verbana Sts., Bacolod City

Attention: **SUZZETTE D. GASTON**
Deputy Director for Admin & Finance

Gentlemen:

This refers to your letter dated December 16, 2013 duly indorsed by Revenue Region No. 12-Bacolod City, requesting for the issuance of a certificate of tax exemption enjoyed by a civic league or organization not organized for profit but operated exclusively for the promotion of social welfare pursuant to Section 30 (G) of the Tax Code of 1997, as amended.

It is represented that Negros Women for Tomorrow Foundation, Inc. with Taxpayer's Identification No. 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:

> To promote the total human development of the women, especially those from low-income and depressed urban and rural communities
>
> In furtherance of the foregoing:
>
> 1) To initiate and sponsor livelihood development projects to generate employment and additional sources of income by, among others, facilitating financial assistance or assisting target-clientele/beneficiaries to avail of financial assistance for livelihood project and the like subject to easy and affordable repayment scheme and to conduct a microfinance operations pursuant to Republic Act No. 8425, the Social Reform and Poverty Alleviation Act;

038001

2) To develop and conduct social awareness, leadership and skills training programs to support the project and organizational development efforts;
3) To organize, strengthened and maintain self reliant community organizations to serve as vehicles for the various projects and programs to be introduces in the areas;
4) To undertake research and documentation programs to support the project and organizational development efforts;
5) To acquire, purchase, own, hold, operate, develop, lease, mortgage, pledge, exchange, sell, transfer or otherwise invest, trade or deal in real and personal property of every kind and character, or any interest therein, in any manner permitted by the laws of the Philippines;
6) To invest such other portions of the earnings of the properties of the Foundation in shares of stock, bonds, time deposits and or such other projects as the Board of Trustees may determine to be advisable or proper to improve the earning base of the Foundation and make more assets available in the future to carry out the purposes of the corporation;
7) In general, to exercise any and all lawful powers whatsoever in connection with the foregoing or which are calculated, directly or indirectly, to promote the interest of the corporation or to enhance the value of its properties and to perform everything necessary and proper for the attainment of its purpose.

In reply, please be informed that Section 30 (G) provides for exemption of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare. An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which operated primarily for the purpose of bringing about civic betterment and social improvements.

A perusal of the documents submitted by Negros Women for Tomorrow Foundation, Inc. shows that it is primarily and actively engaged in microfinancing. Audited Financial Statements disclose that the primary source of its revenues come from interest income and services fees from loans. Such proceeds are being used almost exclusively for the operation of its microcredit activities, and not for the exclusive promotion of social welfare. It appears that this activity is being carried on by Negros Women for Tomorrow Foundation, Inc. in a manner similar to organizations operated for profit. Thus, it cannot be considered as an organization operated exclusively for the promotion of social welfare

Organizations that promote social welfare should primarily promote the common good and general welfare of the people of the community as a whole. An organization is not operated exclusively for the promotion of social welfare if its primary activity is carrying on a business with the general public. An organization that is engaged in microfinance cannot be presumed to be a social welfare organization

038001

under Section 30 (G) of the Tax Code of 1997, as amended because microfinance is a business activity conducted by organizations operated for profit such as banks. *(BIR Ruling No. 111-14 dated April 21, 2014)*

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.

IN VIEW OF THE FOREGOING, this Office is of the opinion that Negros Women for Tomorrow Foundation, Inc. does not qualify for exemption under Section 30 (G) of the NIRC, as amended. It is therefore liable for regular corporate 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

038001
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cc: Regional Director
Revenue Region 12-Bacolod City