June 28, 2018

BIR RULING NO. 1040-18

Section 30 (F) of the NIRC of 1997, as amended; RMO No. 20-2013; RMC No. 051-14; BIR Ruling No. 466-2014

Academic Libraries Book Acquisition Systems Association (ALBASA), Inc.
Rm. 210 J. Borromeo Bldg., F. Ramos St.,
Cogon Central Cebu City North, Cebu City 6000

Attention: *AAA*

Gentlemen :

This refers to your letter dated March 31, 2014, as indorsed by the Regional Director, Revenue Region No. 13, Cebu City, through 4th Indorsement dated August 12, 2016, requesting on behalf of **ACADEMIC LIBRARIES BOOK ACQUISITION SYSTEMS ASSOCIATION (ALBASA), INC.** for the issuance of a certificate of tax exemption enjoyed by non-stock, non-profit corporation or association pursuant to Section 30 of the National Internal Revenue Code (NIRC) of 1997, as amended.

It is represented that **ACADEMIC LIBRARIES BOOK ACQUISITION SYSTEMS ASSOCIATION (ALBASA), INC.** with BIR Taxpayer's Identification No. (TIN) 000-000-000-000 and Certificate of Registration No. OCN 2RC0000026250 dated November 23, 1973, is a non-stock, non-profit association duly organized and existing under the laws of the Republic of the Philippines; that it is registered with the Securities and Exchange Commission (SEC) under Company Registration No. 53662; and that the purpose for which the association was incorporated are:

1. *To engage in a joint, coordinated and permanent program of library book purchases here and abroad to avail of volume discounts and other technical advantages for members and non-members.*

2. *To present a united front for soliciting book donations for member libraries.*

3. *The study the feasibility of joint book selection and processing to minimize expenses and maximize efficiency.*

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4. *To provide a clearing house for other joint activities among member libraries.*

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 a 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 non-members.

Please bear in mind that, *"being a non-stock and/or non-profit corporation does not, by this reason alone, completely exempt an institution from tax."* [1] Thus, *"statutes granting tax exemptions are construed* ***strictissimi juris*** *against the taxpayer and liberally in favor of the taxing authority. A claim of tax exemption must be clearly shown and based on language in law too plain to be mistaken. Otherwise stated, taxation is the rule, exemption is the exception. The burden of proof rests upon the party claiming the exemption to prove that it is in fact covered by the exemption so claimed."* [2] ***(BIR Ruling No. 466-2014 dated November 19, 2014)***

A review of the documents submitted in support of the request shows that the primary activity of **ACADEMIC LIBRARIES BOOK ACQUISITION SYSTEMS ASSOCIATION (ALBASA), INC.** is to engage in business of purchasing library books here and abroad to avail volume discounts for members and non-members. Its financial statements reveal that it raises revenues from sales of books, service charges & interest charges, as well as membership contribution and donations. Such activity is of a kind ordinarily carried on for profit. Lastly, **ACADEMIC LIBRARIES BOOK ACQUISITION SYSTEMS ASSOCIATION (ALBASA), INC.** is a value-added-tax-registered taxpayer and its financial statements reveal that it recognizes VAT on its sales and purchases. 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 non-members. *(BIR Ruling No. 228-14 dated June 25, 2014; BIR Ruling No. 026-16 dated January 11, 2016)*

IN VIEW OF THE FOREGOING, this Office is of the opinion that **ACADEMIC LIBRARIES BOOK ACQUISITION SYSTEMS ASSOCIATION (ALBASA), INC.** does not qualify for exemption under Section 30 (F) of the National Internal Revenue Code, as amended. It is therefore liable for income taxes imposed under Title II of the National Internal Revenue Code, as amended.

Very truly yours,

(SGD.) CAESAR R. DULAY

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Footnotes

1. *CIR vs. St. Luke's Medical Center, Inc.* [G.R. No. 195909 & G.R. No. 195960, 26 September 2012].
2. *Quezon City and The City Treasurer of Quezon City vs. ABS-CBN Broadcasting Corporation* [G.R. No. 166408, 6 October 2008].

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