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

Bureau of Internal Revenue Ruling

P.D. No. 181; Sections 105 and 236 (I) of the National Internal Revenue Code of 1997, as amended.		#106-2018 1-31-2018

Person to Contact: Chief, Law Division
Tel. Nos. 926-55-36 /927-09-63

INTEGRATED BAR OF THE PHILIPPINES
15 J. Vargas Avenue, Ortigas Center,
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Attention: **ATTY. ABDIEL DAN ELIJAH FAJARDO**
National President

ATTY. JEAN FRANCOIS D. RIVERA III
National Treasurer

Gentlemen:

This refers to your letter dated October 02, 2017, requesting on behalf of the Integrated Bar of the Philippines ("IBP"), for guidance and clarification regarding the proper Tax Registration Status of the IBP *vis-à-vis* its local chapters as well as the proper tax treatment of fees collected from various sources.

Background:

The IBP is the national and official organization of all Philippine lawyers, created by virtue of Republic Act (RA) No. 6397 promulgated on September 17, 1971, and implemented by the Supreme Court thru the issuance of the Rule 139-A of the Rules of Court, pursuant to the rule making power of the Supreme Court of the Philippines under Art. VIII, Sec. 5 [5] of the 1987 Philippine Constitution. On May 04, 1973, the IBP was constituted as a body corporate by Presidential Decree (PD) No. 181, thus:

> *"Section 1. The Integrated Bar of the Philippines is hereby constituted into a body corporate, by the name, style and title of "Integrated Bar of the Philippines," with principal office in the Greater Manila Area."*
>
> *"Section 2. The Integrated Bar shall have perpetual succession and shall have all legal powers appertaining to a juridical person, particularly the power to sue and be sued; to contract and be contracted with; to hold real and personal property as may be necessary for corporate purposes; to mortgage, lease, sell, transfer, convey and otherwise dispose of the same; to solicit and receive public and private donations and contributions; to accept and receive real and personal property by gift, devise or bequest; to levy and collect*

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membership dues and special assessments from its members; to adopt a seal and to alter the same at pleasure; to have offices and conduct its affairs in the Greater Manila Area and elsewhere; to make and adopt by-laws, rules and regulations not inconsistent with the laws of the Philippines or the Rules of Court, particularly Rule 139-A thereof; and generally to do all such acts and things as may be necessary or proper to carry into effect and promote the purposes for which it was organized."

In turn, under Rule 139-A of the Rules of Court, the Supreme Court, together with the integration of the IBP, established Chapters of the IBP over the Philippines, to wit:

"Sec. 4. Chapters. – A Chapter of the Integrated Bar shall be organized in every province. Except as herein below provided, every city shall be considered part of the province within which it was geographically situated prior to its creation as a city.

xxx xxx xxx"

Thus, Section 26, Article IV of the By-Laws of the IBP reflects the foregoing rule, to wit:

"ARTICLE IV (Sections 26 to 29) CHAPTERS

Sec. 26. Chapters. – A Chapter of the Integrated Bar shall be organized in every province existing on the date of the effectivity of the Integration Rule. Except as herein below provided, every city shall be considered part of the province within which it was geographically situated prior to its creation as a city."

To date, the IBP has Eighty-Two (82) local chapters all over the Philippines.

Moreover, the IBP exists to discharge functions that are fundamentally public in character in order to achieve its general objectives, namely, that of elevating the standards of the legal profession, improving the administration of justice, and enabling the Bar to discharge its public responsibility more effectively.

The IBP has also constantly provided legal assistance to the poor and disadvantaged members of the society thru the legal aid offices administered by the national office and its chapters. The IBP has also served as the Supreme Court's arm in supervising and instilling, *inter alia,* discipline, professional integrity, and ethical practices among its lawyer members thru the IBP's Commission on Bar Discipline.

To defray the costs of its operations, the IBP relies on the following sources of funding, namely:

1) Membership Dues collected from its lawyer-members apportioned between the National Office and the Chapters;

2) Subsidy from the Supreme Court to fund the IBP's Legal Aid Center and the Commission on Bar Discipline;

3) Donations, Sponsorships, and Financial Assistance from private and public entities; and

4) Other sources:

   a) Rental payments for properties leased out to tenants;

b) Receipts from registration fees for the conduct of Mandatory Continuing Legal Education for its lawyer-members;

c) Certification fees, i.e. Certificate of Full Payment of Dues;

d) Processing fees for the issuance of IBP Membership Cards; Registration fees for activities for its members, such as fellowship events, national convention of members, sport fest like golf tournaments;

e) Proceeds from sale of souvenir items at these events like mugs, jackets, and other commemorative memorabilia; and

f) Interest income from deposits with banks other financial products, like Unit Investment Trust Funds (UITFs).

At present, the IBP National Office is registered with the Bureau of Internal Revenue ("BIR") under Taxpayers Identification Number ("TIN") whereas a number of its chapters have either recently obtained separate BIR Registration and TINs, or are in the process of obtaining the same. The practice of the IBP for the past several years has been for the IBP National Office to centrally issue receipts for itself and that of its 82 Chapters.

With the objective of achieving full compliance with tax laws and regulations, you now seek the BIR's opinion/guidance on the following issues:

1) Whether or not the IBP National Office and its various Chapters are liable for income tax on the proceeds derived from the following:

A. Membership Dues collected from its lawyer-members apportioned between the National Office and the Chapters;

B. Subsidy from the Supreme Court to fund the IBP's Legal Aid Center and the Commission on Bar Discipline;

C. Donations, Sponsorships, and Financial Assistance from private and public entities; and

D. Other sources:

1. Rental payments for properties leased out to tenants;

2. Registration fees for the conduct of Mandatory Continuing Legal Education for its lawyer-members;

3. Certification fees, i.e. Certificate of Full Payment of Dues;

4. Processing fees for the issuance of IBP Membership Cards; Registration fees for activities for its members, such as fellowship events, national convention of members, sport fests like golf tournaments;

5. Proceeds from sale of souvenir items at these events like mugs, jackets, and other commemorative memorabilia; and

6. Interest income from deposits with banks other financial products, like Unit Investment Trust Funds (UITFs)?

2) *Whether or not the IBP National Office and its various Chapters are liable for value added tax ("VAT") on the proceeds derived from the following:*

   A. *Membership Dues collected from its lawyer-members apportioned between the National Office and the Chapters;*

   B. *Subsidy from the Supreme Court to fund the IBP's Legal Aid Center and the Commission on Bar Discipline;*

   C. *Donations, Sponsorships, and Financial Assistance from private and public entities; and*

   D. *Other sources:*

      1. *Rental payments for properties leased out to tenants;*

      2. *Registration fees for the conduct of Mandatory Continuing Legal Education for its lawyer-members;*

      3. *Certification fees, i.e. Certificate of Full Payment of Dues;*

      4. *Processing fees for the issuance of IBP Membership Cards; Registration fees for activities for its members, such as fellowship events, national convention of members, sport fests like golf tournaments;*

      5. *Proceeds from sale of souvenir items at these events like mugs, jackets, and other commemorative memorabilia; and*

      6. *Interest income from deposits with banks other financial products, like Unit Investment Trust Funds (UITFs)?*

3) *Whether or not the IBP National Office and its 82 Chapters, insofar as its non-exempt sources of funding, must register separately for tax purposes and, hence, obtain separate Taxpayers Identification Number (TIN) and official receipts?*

In reply, please be informed as follows:

I. *Income Tax*

Section 3 of PD No. 181 provides that:

> *"Section 3. **All donations or contributions** which may be made by private entities or persons to the Integrated Bar **shall be exempt from income and gift taxes**...."* (Emphasis and underscoring supplied)

Applying the above quoted provision, the IBP is exempt from income tax on all donations or contributions which may be made by private entities or persons. Thus, the IBP National Office and its various Chapters shall be exempt from the payment of income tax on their proceeds derived from the following:

1. *Membership Dues collected from its lawyer-members apportioned between the National Office and the Chapters;*

2. *Subsidy from the Supreme Court to fund the IBP's Legal Aid Center and the Commission on Bar Discipline;*

3. *Donations, Sponsorships, and Financial Assistance from private and public entities; and*

4. *Registration fees for the conduct of Mandatory Continuing Legal Education for its lawyer-members;*

5. *Certification fees, i.e. Certificate of Full Payment of Dues; and*

6. *Processing fees for the issuance of IBP Membership Cards; Registration fees for activities for its members, such as fellowship events, national convention of members, sport fests like golf tournaments.*

However, the IBP National Office and its various Chapters shall be subject to income tax imposed under the National Internal Revenue Code of 1997, as amended, on their income derived from:

1. *Rental payments for properties leased out to tenants;*

2. *Sale of souvenir items like mugs, jackets, and other commemorative memorabilia during events conducted for its members, such as fellowship events, national conventions, sport fests like golf tournaments; and*

3. *Interest income from deposits with banks other financial products, like Unit Investment Trust Funds (UITFs).*

II. Value-Added Tax (VAT)

Section 105 of the National Internal Revenue Code of 1997, as amended, states that:

> *"SEC. 105. Persons Liable. - Any person who, in the course of trade or business, sells barters, exchanges, leases goods or properties, renders services, and any person who imports goods shall be subject to the value-added tax (VAT) imposed in Sections 106 to 108 of this Code.*
>
> *xxx xxx xxx*
>
> *The phrase "in the course of trade or business" means the regular conduct or pursuit of a commercial or an economic activity, including transactions incidental thereto, by any person regardless of whether or not the person engaged therein is a non-stock, nonprofit private organization (irrespective of the disposition of its net income and whether or not it sells exclusively to members or their guests), or government entity.*
>
> *xxx xxx xxx"*

Accordingly, the IBP National Office and its various Chapters shall be exempt from the payment of VAT on their earnings derived from:

1. *Membership Dues collected from its lawyer-members apportioned between the National Office and the Chapters;*

2. *Subsidy from the Supreme Court to fund the IBP's Legal Aid Center and the Commission on Bar Discipline;*

3. *Donations, Sponsorships, and Financial Assistance from private and public entities; and*

4. *Registration fees for the conduct of Mandatory Continuing Legal Education for its lawyer-members;*

5. *Certification fees, i.e. Certificate of Full Payment of Dues;*

6. *Processing fees for the issuance of IBP Membership Cards; Registration fees for activities for its members, such as fellowship events, national convention of members, sport fests like golf tournaments; and*

7. *Interest income from deposits with banks other financial products, like Unit Investment Trust Funds (UITFs)*

However, the proceeds of the IBP National Office and its various Chapters derived from:

1. *Rental payments for properties leased out to tenants; and*

2. *Sale of souvenir items like mugs, jackets, and other commemorative memorabilia during events conducted for its members, such as fellowship events, national conventions, sport fests like golf tournaments;*

shall be subject to twelve percent (12%) VAT, in case the gross receipts from such sales exceed Three Million Pesos (P3,000,000.00)[1], or to the three percent (3%) percentage tax if gross receipts do not exceed Three Million Pesos (P3,000,000.00).

III. Registration

Section 236 (I) of the National Internal Revenue Code of 1997, as amended, provides:

"SEC. 236. Registration Requirements. –

xxx xxx xxx

(I) Supplying of Taxpayer Identification Number (TIN). –

Any person required under the authority of this Code to make, render or file a return, statement or other document shall be supplied with or assigned a Taxpayer Identification Number (TIN) which he shall indicate in such return, statement or document filed with the Bureau of Internal Revenue for his proper identification for tax purposes, and which he shall indicate in certain documents, such as, but not limited to the following:

xxx xxx xxx

Only one Taxpayer Identification Number (TIN) shall be assigned to a taxpayer. *Any person who shall secure more than one Taxpayer Identification Number shall be criminally liable under the provision of Section 275 on 'Violation of Other Provisions of this Code or Regulations in General'."*
(Emphasis supplied)

Thus, the IBP National Office and its 82 Chapters, insofar as its non-exempt sources of funding, shall not be allowed to register separately for tax purposes and obtain separate TIN and official receipts.

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[1] Republic Act (RA) No. 10963 increased the VAT threshold from P1,919,500.00 to P3,000,000.00 effective January 01, 2018

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With regard to the registration of the IBP National Office as one entity and on behalf of its 82 Chapters, Section 1 of PD No. 181 states that:

> *"Section 1. The Integrated Bar of the Philippines is hereby constituted into a body corporate, by the name, style and title of "Integrated Bar of the Philippines," with principal office in the Greater Manila Area."*

From the foregoing, the IBP was established into a body corporate as a whole. Otherwise stated, the IBP National Office and the 82 Chapters which were created pursuant to Rule 139-A of the Rules of Court, are considered as one entity. Thus, the 82 Chapters shall have to register as branches following the guidelines provided for under Revenue Regulations (RR) No. 07-2012. Consequently, the filing of returns shall be made in accordance with Sections 77 (A), 58 (A), 81, 114 (B), and 200 (C), all of the National Internal Revenue Code of 1997, as amended

Please be guided accordingly.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

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