July 12, 2018

BIR RULING NO. 1066-18

RA 7353; BIR Ruling No. 480-14

Misamis Bank, Inc., A Rural Bank
Sebac, Tudela, Misamis Occidental

Attention: *AAA*

Maam :

This refers to your letter dated October 28, 2011 stating that the Bangko Sentral ng Pilipinas ("BSP") approved the consolidation of the Rural Bank of Tudela (Misamis Occidental), Incorporated, and Rural Bank of Kolambugan, Inc. to be known as the Misamis Bank, Inc., A Rural Bank. The Articles of Incorporation and the Articles of Consolidation was registered and approved by the Securities and Exchange Commission ("SEC") on April 19, 2011. The BSP approved the Consolidation and Certificate to Register per MB Resolution No. 413 dated March 12, 2009. The Authority to Operate as a Rural Bank was granted on June 29, 2011. Certification from the Municipal Mayor of Tudela, Misamis Occidental, Mayor Estella R. Obut-Estaño dated July 30, 2012, provides that Misamis Bank, Inc., A Rural Bank operated on January 2, 2012 after the release of its business permit.

Based on the foregoing representations, you are requesting confirmation of your opinion that Misamis Bank, Inc., A Rural Bank is exempt from payment of all taxes, fees and charges of whatever nature and description, such as capital gains tax (CGT) and documentary stamp tax (DST), for a period of five (5) years reckoned from January 2, 2012 pursuant to Section 15 of Republic Act (R.A.) No. 7353.

In support of its request, Misamis Bank, Inc., A Rural Bank has completely submitted on December 12, 2016 the following documents:

1. SEC Registration Certification inclusive of the Articles of Incorporation and By-laws;

2. Copy of the Certificate of Authority dated August 31, 2010 from BSP allowing registration of the bank's Articles of Incorporation and By-laws with SEC;

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3. Copy of the Certificate of Authority issued by BSP on June 29, 2011 granting authority to operate as rural bank under Monetary Board Resolution No. 413 dated March 12, 2009;

4. Copy of Letter to BSP dated October 11, 2011 informing them that Misamis Bank, Inc., A Rural Bank commenced official business on January 2, 2012;

5. Copy of BSP Circular Letter No. CL-2011-094 dated December 6, 2011 circularizing approval of the establishment and authority to operate granted to consolidation of the Rural Bank of Tudela (Misamis Occidental), Incorporated and Rural Bank of Kolambugan, Inc. into Misamis Bank, Inc., A Rural Bank;

6. Certification dated December 9, 2016 from AAA, _____ of Misamis Bank, Inc. that Rural Bank of Tudela (Misamis Occidental), Incorporated and Rural Bank of Kolambugan, Inc. have not availed of the incentives under RA No. 7353; and

7. *Other pertinent documents.*

In reply thereto, please be informed that Section 15 of R.A. No. 7353, as implemented by Revenue Regulations No. 16-93, provides —

> "*Sec. 15. All rural banks created and organized under the provisions of this Act shall be exempt from the payment of all taxes, fees and charges of whatever nature and description, except the corporate income tax and local taxes, fees and charges, for a period of five (5) years from the date of commencement of operations.*
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> xxx xxx xxx"

In relation thereto, Revenue Memorandum Circular No. 066-12 states that:

> "II. Taxation of Rural Banks Formed through Consolidation
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> *Rural banks formed through consolidation ("consolidated rural banks") of existing rural banks ("constituent rural banks") shall not be entitled to the tax exemption under Section 15 of Republic Act No. 7353 in cases when the constituent rural banks previously availed of this exemption. However, should any or both the constituent rural banks not be able to enjoy the tax exemption for the entire five (5)-year period then the consolidated rural bank shall be entitled to the exemption for the remaining period.*"

Hence, rural banks created and organized under the provisions of the said Act are exempt from the payment of all taxes, fees and charges for a period of five (5) years from the date of commencement of operations. Rural banks formed through consolidation may still enjoy the tax exemption for the entire period of five (5) years from the date of

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commencement of operations in case any or both of the constituent banks did not avail this exemption or for the remaining period in case it previously enjoyed the tax exemption under the said Act.

Attached to the records is a Circular Letter No. CL-2011-094 duly issued by the Bangko Sentral ng Pilipinas for the consolidation of Rural Bank of Tudela (Misamis Occidental), Incorporated and Rural Bank of Kolambugan, Inc. into Misamis Bank, Inc., A Rural Bank. Likewise attached is a certification from AAA, _____ of Misamis Bank, Inc., A Rural Bank that Rural Bank of Tudela (Misamis Occidental), Incorporated and Rural Bank of Kolambugan, Inc. have not availed of the incentives under RA No. 7353.

In view of the foregoing and considering that Rural Bank of Tudela (Misamis Occidental), Incorporated and Rural Bank of Kolambugan, Inc. have not yet availed of the tax incentives under R.A. No. 7353, Misamis Bank, Inc., A Rural Bank, a consolidated rural bank is entitled to all the incentives provided in Section 15 of R.A. No. 7353, except the corporate income tax and local taxes, fees and charges. (BIR Ruling No. 480-14 dated December 3, 2014)

Accordingly, Misamis Bank, Inc., A Rural Bank, a consolidated rural bank, is exempt from the payment of gross receipts tax imposed on banks and financial institutions under Section 121 of the Tax Code of 1997, as amended, and from documentary stamp tax for a period of five (5) years reckoned from January 2, 2012.

However, the bank's exemption from documentary stamp tax granted under the Act is subject to the provisions of Section 173 (Stamp Taxes upon Documents, Loan Agreements, Instruments and Papers) of the Tax Code which states that whenever one party to the taxable document enjoys exemption from the tax herein imposed, the other party who is not exempt shall be the one directly liable for the tax.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be disclosed that the facts are different, then this ruling shall be considered null and void.

Very truly yours,

(SGD.) CAESAR R. DULAY
Commissioner of Internal Revenue

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