January 14, 2019

BIR RULING NO. 111-19

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

Saint Louis University-Extension Institute for Small-Scale Industries (SLU-EISSI) Foundation, Inc.
C-016 CCA Bldg., SLU Campus,
A. Bonifacio St., Baguio City 2600

Attention: *AAA*

Gentlemen :

This refers to the letter of BBB to OIC-RDO, Baguio City, as indorsed by the Regional Director, Revenue Region No. 08, Baguio City, through 1st Indorsement dated September 6, 2016, requesting on behalf of **SAINT LOUIS UNIVERSITY-EXTENSION INSTITUTE FOR SMALL-SCALE INDUSTRIES (SLU-EISSI) FOUNDATION, 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 **SAINT LOUIS UNIVERSITY-EXTENSION INSTITUTE FOR SMALL-SCALE INDUSTRIES (SLU-EISSI) FOUNDATION, INC.** with BIR Taxpayer's Identification No. (TIN) 000-000-000-000 and Certificate of Registration No. OCN 4RC0000955046 dated January 01, 1996, 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. 127583.

In reply, please be informed that non-stock corporations or associations organized and operated exclusively for religious, charitable, scientific, athletic, or cultural purposes, or for the rehabilitation of veterans, whose income or asset or part of it, do not belong to or inure to the benefit of any member, organizer, officer or any specific person are exempt from income tax pursuant to Section 30 (E) of the National Internal Revenue Code (NIRC) of 1997, as amended.

A common characteristic of the organizations or associations enumerated above is

Copyright 2020 CD Technologies Asia, Inc.

that they must not be organized and operated principally for profit. To be entitled to the income tax exemption, the regular activities of the corporation or association must be exclusively devoted to the purposes specified in Section 30 (E) of the NIRC, as amended. Moreover, the last paragraph of Section 30 clearly states that the income of whatever kind and character of these organizations from any of their properties, real or personal, or from any of their activities conducted for profit regardless of the disposition made of such income, shall be subject to tax.

A review of the Audited Financial Statements, however, discloses that the primary revenues of **SAINT LOUIS UNIVERSITY-EXTENSION INSTITUTE FOR SMALL-SCALE INDUSTRIES (SLU-EISSI) FOUNDATION, INC.** are from the seminar, training and management fees, and sales of honey. Such activity is of a kind ordinarily carried on for profit. Lastly, **SAINT LOUIS UNIVERSITY-EXTENSION INSTITUTE FOR SMALL-SCALE INDUSTRIES (SLU-EISSI) FOUNDATION, 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)*

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)***

IN VIEW OF THE FOREGOING, this Office is of the opinion that **SAINT LOUIS UNIVERSITY-EXTENSION INSTITUTE FOR SMALL-SCALE INDUSTRIES (SLU-EISSI) FOUNDATION, INC.** does not qualify for exemption under Section 30 (E) 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.

Please be guided accordingly.

Very truly yours,

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

Footnotes

Copyright 2020 CD Technologies Asia, Inc.

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].

Copyright 2020 CD Technologies Asia, Inc.