October 22, 2018

BIR RULING NO. 1282-18

Section 236 (B), NIRC of 1997, as amended; RR No. 07-2012

Onesimo Bulilit Foundation, Inc.
#390 Fraternal Street, Brgy. 387,
Quiapo, Manila 1001

Attention: *AAA*

Gentlemen :

This refers to your letter dated February 06, 2017, requesting for clarification if Onesimo Bulilit Foundation, Inc., a non-stock, non-profit organization, is required to pay registration fee as indicated in its Certificate of Tax Exemption No. 015-2017 dated January 27, 2017, particularly Number 4 of the Taxpayer's Duties and Responsibilities.

You alleged in your letter that both Revenue Regulations (RR) No. 11-2008 *(Consolidated Revenue Regulations on Primary Registration, Its Updates, and Cancellation)* dated August 15, 2008, and RR No. 07-2012 *(Amended Consolidated Revenue Regulations on Primary Registration, Updates, and Cancellation)* dated April 2, 2012, exempt non-stock/non-profit organizations not engaged in business from the payment of annual registration fee.

In reply, please be informed that Section 236 (B) of the National Internal Revenue Code of 1997, as amended, states that:

"SEC. 236. Registration Requirements. —

xxx xxx xxx

(B) Annual Registration Fee — An annual registration fee in the amount of Five hundred pesos (P500) for every separate or distinct establishment or place of business, including facility types where sales transactions occur, shall be paid upon registration and every year thereafter on or before the last day of January: Provided, however, That cooperatives, individuals earning purely compensation income, whether locally or abroad, and overseas workers are not liable to the registration fee herein imposed.

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The registration fee shall be paid to an authorized agent bank located within the revenue district, or to the Revenue Collection Officer, or duly authorized Treasurer of the city or municipality where each place of business or branch is registered."

In relation thereto, Section 8 of RR No. 07-2012 partly provides that:

"SECTION 8. Annual Registration Fee (ARF). — An ARF in the amount of Five Hundred Pesos (P500.00) for every HO and/or branch shall be paid upon registration and every year thereafter on or before January 31.

However, the following shall be exempt from the imposition of ARF:

xxx xxx xxx

7. Tax exempt corporations such as those enumerated under Section 30 of the Code, as amended, in pursuance of tax-exempt activities;

8. Non-stock/non profit organizations not engaged in business;

xxx xxx xxx

The exemption from the payment of ARF by GAIs, LGUs, non-stock/non-profit organizations and other tax-exempt entities is predicated on the fact that their undertakings/endeavors are not directed nor intended to generate income/profit. ***Thus, any profit-oriented activity pursued by GAIs, LGUs and/or tax-exempt entity which partakes the nature of an activity similar to those undertaken by those engaged in business shall be treated as an activity in pursuance of a business for which the payment of ARF must be imposed****."* (Emphasis and underscoring supplied)

Under the above quoted provisions, non-stock/non-profit organizations and other tax-exempt entities are exempt from the payment of annual registration fee, since their undertakings or endeavors are not directed nor intended to generate income or profit. However, if such entities are engaged in any profit oriented activity, the payment of annual registration fee must be imposed. In the Statements of Activities of Onesimo Bulilit Foundation, Inc., in relation to the Notes to Financial Statements for the Fiscal Years ended May 31, 2014 and 2013, it was disclosed that its sources of revenue consist not only of donations, which are exempted as stated in its Certificate of Tax Exemption No. 015-2017 dated January 27, 2017, but also other income and bank interest income, which are taxable and is considered as profit oriented activities. Thus, in the same Certificate of Tax Exemption, it states that:

*"**LIABILITY FOR INTERNAL REVENUE TAXES***

1. INCOME TAX

***ONESIMO BULILIT FOUNDATION, INC.** is subject to income tax on all its income/receipts/revenues **not** expressly exempted and stated in the*

Certificate of Tax Exemption. Moreover, it is subject to the corresponding internal revenue taxes imposed under the National Internal Revenue Code of 1997, as amended, on its income derived from any of its properties, real or personal, or any activity conducted for profit regardless of the disposition thereof, which income should be returned for taxation.

Likewise, interest income from currency bank deposits and yield or any other monetary benefits from deposit substitute instruments and from trust funds and similar arrangements, and royalties derived from sources within the Philippines are subject to the twenty percent (20%) final withholding tax: Provided, however, that interest income derived by it from a depository bank under the expanded foreign currency deposit system shall be subject to seven and one-half percent (7-1/2%) final withholding income tax pursuant to Section 27(D)(1) in relation to Sec. 57(A) both of the National Internal Revenue Code of 1997, as amended."

In view of the foregoing and considering that Onesimo Bulilit Foundation, Inc. is engaged in profit oriented activities, it is subject to the payment of annual registration fee of PhP500.00 as prescribed in Section 236 (B) of the National Internal Revenue Code of 1997, as amended.

Please be guided accordingly.

Very truly yours,

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

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