November 15, 2018

BIR RULING NO. 1348-18

RA No. 8367; BIR Ruling No. 415-16

Department of Engineering and Public Works
Savings and Loan Association, Inc.
City Hall, Manila

Attention: *AAA*

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Gentlemen :

This refers to your letter dated January 17, 2014 requesting for a renewal of the certificate of exemption from the twenty percent (20%) final withholding tax on the interest income derived from its deposits and deposit substitutes pursuant to Republic Act (RA) No. 8367, otherwise known as the "Revised Non-Stock Savings and Loan Act of 1997."

Documents show that the **DEPARTMENT OF ENGINEERING AND PUBLIC WORKS SAVINGS AND LOAN ASSOCIATION, INC. (DEPW-SLAI)**, with TIN: 000-000-000-000, is a non-stock savings and loan association organized and operated under Philippine laws. It is duly registered with the Securities and Exchange Commission (SEC) under Company Registration No. 6663. On September 15, 1967, the Central Bank of the Philippines (now Bangko Sentral ng Pilipinas [BSP]) issued Certificate of Authority No. C-019 in favor of DEPW-SLAI. On July 15, 2008, the Bureau of Internal Revenue (BIR) issued BIR Ruling No. DA-(FIT-002)045-2008 exempting it from payment of withholding tax on interest income.

In reply, please be informed that Section 5 of RA No. 8367 provides —

> *"**SECTION 5. Tax Exemption.** — An Association shall be exempt from payment of tax in respect to income it receives, including interest on its deposits with any bank; Provided, however, That income derived from any of its properties, real or personal, or any activity conducted for profit, regardless of the disposition thereof, is subject to the corresponding internal revenue taxes imposed under the National Internal Revenue Code.*
>
> *Interest earnings on deposits of members with Associations, as well as the shares of its members from the net income of the Associations shall be exempt from income tax."*

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Based on the foregoing, **Department of Engineering and Public Works Savings and Loan Association, Inc.** shall be exempt from income tax with respect to income it receives, including interest income derived from its deposit and deposit substitutes which shall be exempt from twenty percent (20%) final withholding tax.

However, any disposition made by DEPW-SLAI of its properties (real or personal) is subject to applicable income tax depending on the classification of its properties either as capital or ordinary assets.

Moreover, Section 4 of Revenue Regulations (RR) No. 9-2004, as amended, implementing Section 122 of the National Internal Revenue Code (NIRC) of 1997, as amended, as further clarified in Revenue Memorandum Circular (RMC) No. 9-2016, provides for the imposition of Gross Receipts Tax (GRT) on Non-Bank Financial Intermediaries (NBFIs). Since DEPW-SLAI is a NBFI, it is subject to GRT on income derived from its operations.

Likewise, it is subject to Documentary Stamp Tax (DST) under the provisions of RR No. 13-2004, implementing Title VII of the NIRC, as amended, particularly on loan agreements, mortgages, pledges, foreclosures and sales, among others.

Finally, if DEPW-SLAI is one of the parties to a taxable transaction, it shall be responsible for the remittance of DST due regardless of who will bear the burden of paying of DST pursuant to RR No. 9-2000.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be ascertained 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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