November 19, 2018

BIR RULING NO. 1374-18

Section 30 (E) of the Tax Code of 1997; RR No. 11-2008; RMO No. 20-2013

AAA

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Worldteam USA, Inc.
37 Fordham Street, Saint Ignatius Village
Quezon City 1110

Madam :

This refers to your letter dated May 24, 2017 and supplemental letter dated July 3, 2017 requesting for the issuance of a certificate of tax exemption in favor of **WORLDTEAM USA, INC. under the trade name of "RP BRANCH OFFICE OF WORLD TEAM"** pursuant to Section 30 (E) of the Tax Code of 1997, as amended.

It is represented that Worldteam USA, Inc., a foreign company organized and operated exclusively as a church organization for religious purposes within the meaning of Section 501 (c) (3) of the Internal Revenue Code of 1986, as amended, and existing under the laws of Florida, U.S.A., was duly licensed to establish its branch office in the Philippines; that it is registered with the Securities and Exchange Commission (SEC) under License No. FN201519453 under the trade name "RP Branch Office of World Team" with Tax Identification Number (TIN) 000-000-000-000; and the purpose which it intends to pursue in the transaction of its business in the Philippines is to establish multiplying Bible-based communities of Faith.

In support of your application, you submitted certified true copy of the following documents:

- License to Transact Business in the Philippines
- Board Resolution to establish a branch office in the Philippines
- Amended and Restated Articles of Incorporation

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In reply, please be informed that pursuant to Section 30 (E) of the 1997 Tax Code, as amended, *viz.*:

> ***"SEC. 30, NIRC. Exemptions from Tax on Corporations**. — The following organizations shall not be taxed under this Title in respect to income received by them as such:*
>
> xxx xxx xxx
>
> *(E) Nonstock corporation or association organized and operated exclusively for religious, charitable, scientific, athletic, or cultural purposes, or for the rehabilitation of veterans, no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person;" (emphasis supplied)*
>
> xxx xxx xxx

Based on the above, in order for a religious non-stock, non-profit organization/corporation to be exempt from tax, no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person. For this reason, organizations/corporations which apply for tax exemption ruling must meet the following requirements set forth in Section 6 of Revenue Memorandum Order (RMO) No. 20-2013, to wit:

a. *It must be a non-stock corporation or association **organized and operated exclusively** for religious, charitable, scientific, athletic, or cultural purposes, or for the rehabilitation of veterans.*

b. *It should meet the following tests:*

   i. *Organizational Test — requires that the corporation or association's constitutive documents exclusively limit its purposes to one or more of those described in paragraph (E) of Section 30 of the NIRC, as amended.*

   ii. *Operational Test — mandates that the regular activities of the corporation or association be exclusively devoted to the accomplishment of the purposes specified in paragraph (E) of Section 30 of the NIRC, as amended. A corporation or association fails to meet this test if a substantial part of its operations may be considered "activities conducted for profit."*

c. *All the net income or assets of the corporation or association must be devoted to its purpose/s and no part of its net income or asset accrues to or benefits any member or specific person. Any profit must be plowed back and must be devoted*

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or used altogether for the furtherance of the purpose for which the corporation or association was organized.

d. It must not be a branch of a foreign non-stock, non-profit corporation.

As represented above, Worldteam USA, Inc. is a foreign company organized and existing under the laws of Florida, U.S.A. Being outside the ambit of Philippine taxation, there is no legal basis to grant income tax exemption in favor of Worldteam USA, Inc.

With respect to its branch, the RP Branch Office of World Team, the request for income tax exemption pursuant to Section 30 (E) must likewise be denied. The prohibition under Section 6 of RMO 20-2013 is explicit. In Philippine taxation, for purposes of registration (and convenience), a Branch Office is considered a separate or distinct establishment where transactions are conducted independently from the Head Office. [1] A Branch Office, however, is not a separate legal entity of the parent corporation. RP Branch Office of World Team has no separate and distinct legal personality from its foreign Head Office.

Moreover, while the taxability of foreign corporations engaged or not engaged in trade or business within the Philippines is clearly defined in the 1997 Tax Code, the same Tax Code provides no legal basis to grant income tax exemption in its favor. It follows then that there is also no legal basis to grant income tax exemption in favor of a mere branch of foreign corporation such as RP Branch Office of World Team.

In view of the foregoing, your request for the exemption of Worldteam USA, Inc. under the trade name RP BRANCH OFFICE OF WORLD TEAM as a non-stock, non-profit corporation under Section 30 (E) of the Tax Code of 1997, as amended, is hereby denied for lack of legal basis.

Very truly yours,

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

Footnotes

1. Revenue Regulations (RR) No. 11-2008.

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