November 19, 2018

BIR RULING NO. 1391-18

RA 9520; 000-00

Virac Employees Credit Cooperative
LGU-Virac, Catanduanes

Attention: *AAA*

Gentlemen :

This refers to your letter dated October 10, 2011 duly indorsed by Revenue Region No. 10-Legazpi City requesting for an official opinion/ruling (1) on whether or not cooperatives issued with a Certificate of Tax Exemption and with accumulated reserves and undivided net savings of not more than Ten Million Pesos (P10,000,000.00) are exempted from all national internal revenue taxes enumerated in the Implementing Rules and Regulations of R.A. 9520 including the 10% withholding tax being paid by individual cooperative members and (2) for the refund of the total amount of One Hundred Five Thousand Two Hundred Fifty Three pesos and 65/100 (P105,253.65) representing the 10% withholding tax from the individual member's dividend, specifically on Interest on Capital for FY 2010.

Documents submitted disclosed that on January 4, 2011, Revenue Region 10-Legazpi City issued a Certificate of Tax Exemption to Virac Employees Credit Cooperative (TIN 000-000-000-000) with No. COOP-00026-11-RR-10-RDO-069 pursuant to R.A. 9520 as a cooperative transacting with both members and non-members with accumulated reserves and undivided net savings of not more than Ten Million Pesos (P10,000,000.00) and is registered with the Cooperative Development Authority under Registration Certificate No. 9520-05012814 dated March 22, 2010.

In reply, please be informed that pursuant to the Joint Rules and Regulations implementing Republic Act No. 9520, particularly Section 11 as circularized by Revenue Memorandum Circular (RMC) No. 12-10 dated February 5, 2010.

SECTION 11. Taxability of Members/Share Holders of Cooperatives. —

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All members of cooperatives shall be liable to pay all the necessary internal revenue taxes under the NIRC, as amended, ***except for the following****:*

a) Any tax and fee, including but not limited to ***final tax on member's deposits or fixed deposits*** *(otherwise known as share capital)* ***with cooperatives****, and documentary tax on transactions of members with the cooperative; and*

b) ***Patronage Refund*** *which includes all refunds,* ***returns*** *or rebates of the* ***net savings generated from the operation of the cooperative****.* (emphasis supplied)

The above-quoted provision specifically excepted member's deposits or fixed deposits and patronage refund generated from the operation of the cooperative from taxes, thus the dividends in the form of patronage refund received or to be received by members are not subject to the withholding tax, hence, entitled to the refund of amount of One Hundred Five Thousand Two Hundred Fifty Three pesos and 65/100 (P105,253.65) representing the 10% withholding tax from the individual member's dividend, if any, as computed under RR 2-98, as amended.

Very truly yours,

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

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