REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

Section 30 (E) of the NIRC of 1997, as amended; RMO No. 20-2013; RMC No. 051-14
BIR Ruling No. 466-2014
S30E- 0193-2020
FEB 12 2020

BATANGAS CITY ECUMENICAL COUNCIL (BCEC) INC.
Basilica M. H. Del Pilar St., Batangas City, Batangas 4200

Attention : REV. FR. EMILIANO L. MAGSINO
President

Gentlemen:

This refers to your letter dated June 16, 2016 applying on behalf of **BATANGAS CITY ECUMENICAL COUNCIL (BCEC) INC.** for tax exemption certificate being enjoyed by non-stock, non-profit corporation or association under Section 30 (E) of the National Internal Revenue Code (NIRC) of 1997, as amended, which was forwarded to this Office by Revenue Region No. 9, San Pablo City, through 2nd Indorsement dated September 5, 2016.

It is represented that **BATANGAS CITY ECUMENICAL COUNCIL (BCEC) INC.** with BIR Taxpayer's Identification No. (TIN) and Certificate of Registration No. dated March 27, 2012, 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. ; and that the purposes[1] for which the association was incorporated are:

1. *To initiate, stimulate, encourage, develop, support, undertake, finance programs, plans, projects and activities geared towards the promotion of gospel-inspired relationship in the spirit of unity through ecumenical endeavors between member-religious communities respecting divergences in faith convictions.*
2. *To support and strengthen concerted actions in response to common concerns on social services such as medical assistance, disaster, relief and rehabilitation, protection of children, capability building of the youth and women and access to opportunities in education of underprivileged sector.*
3. *To facilitate and initiate activities on issues and policies for advocacy on the promotion of human rights, justice and peace, good governance and ethical leadership and ecological concerns.*
4. *To develop effective networking strategies and mechanisms for cooperation and sharing with other organizations of similar nature and purpose locally, nationally and internationally.*
5. *To acquire properties, real or personal, to receive contributions, gifts, endowments, legacies and donations of all kinds from donors here and abroad; to invest its funds, monies and properties in such undertaking and pursue such activities as the organization may deem appropriate to carry out any or all of its purposes.*

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[1] Per Amended Articles of Incorporation adopted on May 29, 2018.

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In reply, please be informed that Section 30 of the National Internal Revenue Code of 1997, as amended, enumerates the non-stock and/or non-profit corporations/associations/ organizations that are exempt from income tax in respect to income received by them as such. Section 30 (E) of the National Internal Revenue Code of 1997, as amended, provides, viz:

> *"Sec. 30. Exempt 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;"*
>
> *xxx xxx xxx"*

"Non-stock" means "*no part of its income is distributable as dividends to its members, trustees, or officers*" and that any profit "*obtained as an incident to its operations shall, whenever necessary or proper, be used for the furtherance of the purpose or purposes for which the corporation was organized*".[2] "Non-profit" means that "*no net income or asset accrues to or benefits any member or specific person, with all the net income or asset devoted to the institution's purposes and all its activities conducted not for profit*".[3]

Revenue Memorandum Circular (RMC) No. 51-2014 has clarified that in order for an entity to qualify as a non-stock and/or non-profit corporation/association/organization exempt from income tax under Section 30 of the National Internal Revenue Code of 1997, as amended, its earnings or assets shall not inure to the benefit of any of its trustees, organizers, officers, members or any specific person. The following are considered "inurements" of such nature:

1. *The payment of compensation, salaries, or honorarium to its trustees or organizers; xxx.*

The submitted Financial Statements of **BATANGAS CITY ECUMENICAL COUNCIL (BCEC) INC.** show that it gives gift/tokens to outgoing President. The giving of gifts/tokens to the members of the corporation is considered a distribution of the equity (including the net income) of **BATANGAS CITY ECUMENICAL COUNCIL (BCEC) INC.** This is a form of private inurement which the law prohibits in the organization and operation of a non-stock, non-profit corporation. This act violates the requirement that no part of the net income or assets of the corporation shall inure to the benefit of any individual or specific person. Moreover, the bulk of donations is spent for the snacks during prayer meetings in violation of the prohibition that not more than 30% of the donations shall be used for the administrative purposes. Thus, **BATANGAS CITY ECUMENICAL COUNCIL (BCEC) INC.** cannot be qualified as a non-stock, non-profit corporation under Section 30 (E) of the National Internal Revenue Code of 1997, as amended.

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.*"[4] 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.*

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[2] Section 87, Corporation Code
[3] CIR vs. St. Luke's Medical Center, Inc., G.R. Nos. 195909 and 195960 dated 26 September 2012
[4] Ibid.

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The burden of proof rests upon the party claiming the exemption to prove that it is in fact covered by the exemption so claimed."[5] *(BIR Ruling No. 466-2014 dated November 19, 2014)*

In view of the foregoing, the request of **BATANGAS CITY ECUMENICAL COUNCIL (BCEC) INC.** to be exempted from income tax on its income as a Section 30 (E) corporation is hereby denied as it failed to prove that it is a non-profit corporation. Therefore, **BATANGAS CITY ECUMENICAL COUNCIL (BCEC) INC.** shall be treated as an ordinary corporation subject to thirty percent (30%) income tax rate pursuant to Section 27 (A) and other internal revenue taxes imposed by the National Internal Revenue Code of 1997, as amended.

Please be guided accordingly.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

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COPY FURNISHED:
REVENUE REGION NO. 9 – San Pablo City
Attention: Revenue District Office No. 58 – Batangas City

PHILIPPINE COUNCIL FOR NGO CERTIFICATION (PCNC)
6/F SCC Bldg., CFA-MA Compound, 4427 Interior Old Sta. Mesa Road, Sta. Mesa 1016 Manila

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[5] Quezon City and The City Treasurer of Quezon City vs. ABS-CBN Broadcasting Corporation [G.R. No. 166408, 6 October 2008].