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

| Section 30 (J), Tax Code of 1997 |
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| BIR Ruling No. 217-14 |
| S30J-0251-2020 |
| MAY 22 2020 |

**East-West New Orlins Farmer's Irrigator's Association Inc.**
Centro 02, Lasam, Cagayan

Attention: **Ms. Eunice J. Cortes**

Gentlemen:

This refers to your letter dated September 7, 2015, requesting for the issuance of a certificate of tax exemption enjoyed by a non-stock, non-profit corporation or association under Section 30 (J) of the National Internal Revenue Code (NIRC) of 1997, as amended ("Tax Code").

Documents show that **East-West New Orlins Farmer's Irrigator's Association Inc.**, with Taxpayer's Identification No. , is a non-stock, non-profit corporation under the laws of the Philippines registered with the Securities and Exchange Commission (SEC) under Registration No. . The Association is organized to maintain a farmers organization, the net income of which consists solely of assessments, dues, and fees collected from members for the sole purpose of meeting its expenses in accordance with Section 30 (J) of the National Internal Revenue Code of 1997, as amended.

In reply, please be informed that the request of **East-West New Orlins Farmer's Irrigator's Association Inc.** for exemption from income tax as a non-stock non-profit corporation under Section 30 (J) of the Tax Code is denied for lack of legal basis.

Section 30 of the Tax Code, 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. "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" (Section 87, Corporation Code). "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" *(CIR vs. St. Luke's Medical Center, Inc., G.R. Nos. 195909 and 195960 dated 26 September 2012).*

Therefore, 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 Tax Code, 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

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nature:

1. The payment of compensation, salaries, or honorarium to its trustees or organizers;
2. The payment of exorbitant or unreasonable compensation to its employees;
3. The provision of welfare aid and financial assistance to its members;
4. Donation to any person or entity (except donations made to other entities formed for the purpose/purposes similar to its own);
5. The purchase of goods or services for amounts in excess of the fair market value of such goods or value of such services from an entity in which one or more of its trustees, officers or fiduciaries has an interest; and
6. When upon dissolution and satisfaction of all liabilities, its remaining assets are distributed to its trustees, organizers, officers or members. [Revenue Memorandum Circular No. 051-14]

Section 11, Article VIII of the Association's By-Laws provides that subject to availability of funds, the Board of Trustees shall be entitled to honorarium. Since prohibited inurement includes payment of honorarium to trustees that inure to the advantage of private individuals, it follows that **East-West New Orlins Farmer's Irrigator's Association Inc.** is disqualified for tax-exempt status.

Wherefore, this Office is of the opinion that **East-West New Orlins Farmer's Irrigator's Association Inc.** does not qualify for income tax exemption under Section 30 (J) of the Tax Code since it failed to meet the requirements under Section 30 (J) of the Tax Code to be income tax-exempt. It shall, therefore, be taxed like an ordinary corporation subject to 30% rate of income tax under Section 27 (A) of the 1997 Tax Code, as amended.

Finally, **East-West New Orlins Farmer's Irrigator's Association Inc.** is subject to the payment of the annual registration fee of PhP500.00 as prescribed in Section 236 (B) of the Tax Code of 1997, as amended. It is also required under Section 6 (C) in relation to Section 237 of the same Code to issue duly registered receipts or sales or commercial invoices for each sale or transfer of merchandise or for services rendered. [Revenue Memorandum Circular (RMC) No. 76-2003]

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,

**CAESAR R. DULAY**
Commissioner of Internal Revenue

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REVENUE REGION NO. 03 – Tuguegarao City
Attention: Revenue District Office No. 013 — Tuguegarao City, Cagayan

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