March 9, 2018

BIR RULING NO. 398-18

RMC No. 9-2016; BIR Ruling No. 415-16

Asla Savings and Loan Association, Inc.
Room UG 16, Globe Telecom Plaza, Pioneer Highland South
Madison St. cor. Pioneer St.
Mandaluyong City

Attention: *AAA*

Gentlemen :

This refers to your letter dated September 4, 2017 requesting for an updated certificate of tax exemption from twenty percent (20%) final withholding tax on the interest income derived from its deposits and deposit substitutes pursuant to Republic Act (RA) No. 8367, entitled: "An Act Providing for the Regulations of the Organization and Operation of Non-Stock Savings and Loan Association."

Documents submitted show that **ASLA SAVINGS AND LOAN ASSOCIATION (ASLA), INC. [Formerly: ACCENTURE SAVINGS AND LOAN ASSOCIATION, INC.]** (TIN 000-000-000-000) is a non-stock savings and loan association duly organized under the laws of the Philippines. It is registered with the Securities and Exchange Commission (SEC) under Company Registration No. ANO9202680 dated September 29, 2010. The purpose for which the corporation is formed is "*to engage in accumulation of savings among the members; to extend loans to members and/or make investments in the securities of productive enterprises or in securities of the Government or any of its political subdivisions, instrumentalities or corporations; and generally to exercise and execute all the powers, prerogatives and privileges inherent in and granted to corporations and such savings and loan associations, primarily for the benefit and interest of its members.*" Bangko Sentral ng Pilipinas issued Certificate of Authority No. 89 dated August 21, 1992 authorizing ASLAI to operate as a Non-Stock Savings and Loan Association under RA No. 3779, as amended.

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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."*

Based on the foregoing, **ASLA SAVINGS AND LOAN ASSOCIATION, INC. (ASLA) [Formerly: ACCENTURE 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 ASLAI 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 ASLAI 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 ASLAI 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.

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Very truly yours,

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

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