November 22, 2016

BIR RULING NO. 407-16

Sec. 5, RA 8367; RR No. 13-2004; RR No. 9-2000; RR No. 9-2004; RMC No. 9-2016

Science Savings and Loan Association, Inc.
SSLAI Bldg., DOST Cpd., General Santos Avenue
Bicutan, Taguig City

Attention: *AAA*

Gentlemen :

This refers to your letter dated December 23, 2013 duly forwarded by Revenue Region No. 8-Makati City requesting for tax exemption pursuant to Section 5 of Republic Act (RA) No. 8367, entitled: "An Act Providing for the Regulation of the Organization and Operation of Non-Stock Savings and Loan Associations."

It is represented that Science Savings & Loan Association, Inc. (SSLAI) (TIN 000-000-000-000), is a non-stock savings and loans association duly organized under the laws of the Philippines; that it is registered with the Securities and Exchange Commission (SEC) under Registration No. ANO92-001792; that the purpose for which the corporation is formed is to engage in the operations of a non-stock savings and loan association, to encourage industry, frugality and 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 subdivision, instrumentalities or corporations; and generally to exercise and execute all powers, prerogatives and privileges inherent in and granted to corporations and to such savings and loan associations, primarily for the benefit and interest of its members; that BIR Ruling No. DA-236-2004 dated May 7, 2004 had been previously issued by this Office in favor of SSLAI, exempting SSLAI from the twenty percent (20%) final withholding tax on its interest income from bank deposits and deposit substitutes; and that the Director of Integrated Supervision Department I, Bangko Sentral ng Pilipinas certify that SSLAI is a non-stock savings and loan association, authorized to operate under RA No. 3779, as amended by RA No. 8367.

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In reply, please be informed that Section 5 of RA No. 8367 provides *viz.*:

> *"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, SSLAI 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. (BIR Ruling No. 302-14 dated July 24, 2014)

However, any disposition made by SSLAI of its properties (real or personal) is subject to applicable income tax depending on the classification of its properties either 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), thus SSLAI is subject to GRT on income derived from its operations, unless otherwise exempted under special law.

As provided under Section 5 of RA No. 8367, SSLAI is only exempt from income tax. Thus, SSLAI as NBFI 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.

Lastly, pursuant to RR No. 9-2000, if SSLAI is one of the parties to a taxable transaction, SSLAI shall be responsible for the remittance of DST due regardless of who will bear the burden of paying the DST.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be disclosed 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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