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

Section 5, RA No. 8367; RMC No. 9-2016
BIR Ruling No. 046-15; BIR Ruling No. 460-14; BIR Ruling No. 233-14
OT-0454-2020

AUG 18 2020

NPC SAVINGS AND LOAN ASSOCIATION
National Power Corporation Sports Complex,
Quezon Avenue cor. BIR Road, Diliman,
Quezon City 1104

Attention: **ROLANDO T. BACANI**
President

Gentlemen:

This refers to your letter dated September 5, 2013 requesting for reconfirmation of exemption from the twenty percent (20%) final withholding tax on interest income from deposits and deposit substitutes with the banks 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".

It is represented that **NPC SAVINGS AND LOAN ASSOCIATION, INC.** with Taxpayer's Identification No. (TIN) and Certificate of Registration No. dated January 1, 1997, is a corporation duly organized under the laws of the Philippines; that it is registered with the Securities and Exchange Commission (SEC) under Company Registration No. ; that it holds its principal office at NPC Sports Complex, Quezon Avenue cor. BIR Road, Diliman, Quezon City; and that the Bangko Sentral ng Pilipinas (BSP), Integrated Supervision Department I, issued a Certification dated February 13, 205 stating that:

1. **NPC SAVINGS AND LOAN ASSOCIATION, INC.** is a duly registered non-stock savings and loan association, authorized to operate under Republic Act (RA) No. 3779, as amended by RA No. 8367, and continues to operate as a non-stock savings and loan association under the supervision of the BSP; and

2. The Certificate of Authority No. dated March 18, 1974 authorizing the Association to operate as a non-stock savings and loan association, remains to be valid and existing.

In reply, please be informed as follows:

Income Tax

Section 5 of RA No. 8367 provides that:

"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, **NPC SAVINGS AND LOAN ASSOCIATION, INC.** shall be exempt from income tax with respect to income it receives. Also, interest income derived by it from its deposit and deposit substitutes are exempt from twenty percent (20%) final withholding tax. ***(BIR Ruling No. 046-15 dated February 11, 2015 and BIR Ruling No. 460-14 dated November 13, 2014)***

However, any income derived by **NPC SAVINGS AND LOAN ASSOCIATION, INC.** from any of its properties, real or personal, or any activity conducted for profit, regardless of the disposition thereof, is subject to the applicable income tax and other internal revenue taxes imposed under National Internal Revenue Code of 1997, as amended. It is subject to the applicable income tax depending on the classification of its properties either capital or ordinary asset.

Gross Receipts Tax

Section 4 of Revenue Regulations (RR) No. 9-2004, as amended, implementing Section 122 of the National Internal Revenue Code of 1997, as amended, provides for the imposition of Gross Receipts Tax (GRT) on Non-bank Financial Intermediaries. Section 4 of RR No. 9-2004 states that:

"SECTION 4. Imposition of Gross Receipts Tax on Other Non-bank Financial Intermediaries. - Gross receipts of other non-bank financial intermediaries (non-bank financial intermediary not performing quasi-banking functions) doing business in the Philippines shall be subject to GRT at rates and on items of income provided hereunder:

(a) From interest, commissions, discounts and all other items treated as gross income under the Code — 5%

(b) On interests, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of the instruments from which such receipts are derived:

Maturity period is five (5) years or less — 5%

Maturity period is more than five (5) years — 1%

xxx xxx xxx"

Thus, **NPC SAVINGS AND LOAN ASSOCIATION, INC.** is generally subject to GRT on income derived from its operations, unless otherwise exempted under special rules.

Documentary Stamp Tax

As provided under Section 5 of RA 8367, a non-stock savings and loan association is only exempt from income tax. Thus, **NPC SAVINGS AND LOAN ASSOCIATION, INC.,** as a non-bank financial intermediary, is subject to Documentary Stamp Tax (DST) under the provisions of RR No. 13-2004 implementing

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Title VII of the National Internal Revenue Code of 1997, as amended, particularly on loan agreements, mortgages, pledges, foreclosures and sales, among others.

Moreover, pursuant to RR No. 9-2000, whenever **NPC SAVINGS AND LOAN ASSOCIATION, INC.** is one of the parties to a taxable transaction, it shall be responsible for the remittance of the 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 shaft be considered null and void.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

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