March 15, 2018

BIR RULING NO. 525-18

Sec. 238; 000-00

Philippine Children's Medical Center
Quezon Avenue, Quezon City

Attention: *Mr. Julius A. Lecciones*
Executive Director

Gentlemen :

This refers to your letter dated July 25, 2016 requesting, in effect, for a ruling on whether the Philippine Children's Medical Center (PCMC) is an entity exempt from applying for an Authority to Print (ATP) receipts/invoices.

As represented, in view of the computerization of your Billing System, you have converted to use Loose-Leaf Official Receipts which was approved under permit No. LL:038-063-09-2014 dated September 30, 2014. Your printer/supplier, Centurian International Corp. who facilitated your request for an Authority to Print (ATP), through their Liaison Officer, Ms. Vergie D. Palma, informed you that there is no need for PCMC as a government entity to secure an ATP based on Revenue Regulations (RR) No. 18-2012. Your application for an Authority to Print Receipts and Invoices BIR Form No. 1906 then was received by RDO North QC on October 29, 2015 but was not processed. Your loose leaf Official Receipts needs to be replenished soon. Thus, this request.

In reply, please be informed that Section 238 of the Tax Code of 1997, as amended, provides that all persons, whether private or government, who are engaged in business shall secure/apply from the BIR an Authority to Print receipts or invoices and to issue duly registered receipts or invoices, to wit:

> *"SEC. 238. Printing of Receipts or Sales or Commercial Invoices. — All persons who are engaged in business shall secure from the Bureau of Internal Revenue an authority to print receipts or sales or commercial invoices before a printer can print the same.*
>
> *No authority to print receipts or sales or commercial invoices shall be granted unless the receipts or invoices to be printed are serially numbered and shall show, among other things, the name, business style, Taxpayer Identification Number (TIN) and business address of the person or entity to use the same, and such other*

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information that may be required by rules and regulations to be promulgated by the Secretary of Finance, upon recommendation of the Commissioner.

All persons who print receipt or sales or commercial invoices shall maintain a logbook/register of taxpayers who availed of their printing services. The logbook/register shall contain the following information:

(1) Names, Taxpayer Identification Numbers of the persons or entities for whom the receipts or sales or commercial invoices were printed; and

(2) Number of booklets, number of sets per booklet, number of copies per set and the serial numbers of the receipts or invoices in each booklet."

Pursuant to Section 3, RR 18-12, National Government Agencies (NGAs), Government Owned and Controlled Corporations (GOCCs) and Local Government Units (LGUs) engaged in proprietary functions shall apply for an ATP in the printing of their receipts or invoices.

A reading of Presidential Decree (PD) 1631, the law creating PCMC (formerly, Lungsod ng Kabataan) shows that PCMC is a GOCC, administratively attached to the Department of Health. Section 5 thereof provides that PCMC is exempt from the payment of all taxes, charges and fees imposed by the Government or any political subdivision or instrumentality thereof. The hospital is one of the national centers for specialized health care offering a wide array of general and subspecialty services in pediatrics, surgery and allied medicine. It has produced researches relevant to the day-to-day care of the well and sick child.

The issue then before us is whether PCMC is a government entity engaged in proprietary function. If so, then it is required to apply for an Authority to Print receipts or invoices. For this purpose, we need only to look into RR 18-12.

RR 18-12 defines "government proprietary function" as follows:

"x x x when a public corporation or a local government unit acts in its proprietary character, it is regarded as having the rights and obligations of a private corporation. For government entities to be taxable, the following requisites must concur: (1) the government entity concerned must not be performing an essential governmental function; and (2) it must be engaged in similar business, industry, or activity as performed by other ordinary taxable corporations. All income realized from or received in the exercise of its proprietary functions shall be subject to income tax and business taxes in the same manner as other private corporations similarly situated. All income realized from or received in the exercise of its proprietary functions shall be subject to income tax and business taxes in the same manner as other private corporations similarly situated."

One of the functions of the government is to provide public health care services. PCMC is one of the national centers for specialized health care under the Department of

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Health. For this reason, it performs an essential governmental function. However, in respect to the second requisite, PCMC is engaged in similar healthcare business as performed by other ordinary taxable healthcare institutions.

In review of all the foregoing, this Office hereby holds that the Philippine Children's Medical Center is a government entity engaged in proprietary function. Such being the case, it is therefore, required to apply for an Authority to Print receipts or invoices pursuant to Section 238 of the Tax Code as implemented by RR 18-12.

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.

Very truly yours,

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

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