April 5, 2018

BIR RULING NO. 609-18

RA No. 95; RA 1264 & RA 10072

Philippine Red Cross
37 EDSA corner Boni Avenue
Mandaluyong City

Attention: *AAA*

Gentlemen :

This refers to your request for reconsideration of BIR Ruling No. 069-12 dated February 2012, the relevant portion of which states:

> *"(T)he PNRC [1] is exempt only from direct and indirect taxes on its income from operations. Considering that interest income earned from PNRC's currency bank deposits and yield or any other monetary benefit from deposit substitutes and from investments in money market placements, trust funds and/or similar or like arrangements/investments is not part of income from operations, PNRC is neither exempt from income tax nor the 20% and 7.5% final withholding tax under Section 27 (D) (1) of the Tax Code of 1997, as amended."* (Underscoring supplied)

Background:

PRC, which was chartered and organized in 1947 through *Republic Act (RA) No. 95*, as amended, is the premiere humanitarian organization in the country, the main objectives of which are the following:

(a) To provide volunteer aid to the sick and wounded of armed forces in time of war, in accordance with the spirit of and under the conditions prescribed by the Geneva Conventions to which the Republic of the Philippines proclaimed its adherence;

(b) For the purposes mentioned in the preceding sub-section, to perform all duties devolving upon the Corporation as a result of the adherence of the Republic of the Philippines to the said Convention;

(c) To act in matters of voluntary relief and in accordance with the authorities of the armed forces as a medium of communication between people of the

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Republic of the Philippines and their Armed Forces, in time of peace and in time of war, and to act in such matters between similar national societies of other governments and the Governments and people and the Armed Forces of the Republic of the Philippines;

(d) To establish and maintain a system of national and international relief in time of peace and in time of war and apply the same in meeting and emergency needs caused by typhoons, flood, fires, earthquakes, and other natural disasters and to devise and carry on measures for minimizing the suffering caused by such disasters; and

(e) To devise such means as to make every citizen and/or resident of the Philippines a member of the Red Cross.

The **PRC**, as a national voluntary organization, is being financed primarily by contributions/donations obtained through personal solicitation campaigns organized by the Board of Governors and conducted by the Chapters in their respective jurisdictions. Relative thereto, this Office issued BIR Ruling No. 014-99 dated February 1, 1999 confirming the exemption of the **PRC** from the payment of the following taxes:

1. VAT on its importation of goods under Section 107 of the 1997 Tax Code;

2. VAT on the PRC's local purchases of goods or properties, services and use or lease of properties under Section 109(q) of the 1997 Tax Code; and

3. Twenty percent (20%) final tax imposed under Section 27(D)(1) of the Tax Code of 1997 on interest income derived by PRC from its currency bank deposits and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements.

Moreover, the tax exemption privileges of **PRC** have been reiterated by the enactment of Republic Act (RA) 10072, which took effect on June 8, 2010. Section 5 of the said Act provides, *viz.*:

> *"SEC. 5. Privileges. — To allow it to fully realize its mandate under the Geneva Conventions, the Statutes of the International Red Cross and Red Crescent Movement and this Act, the Philippine Red Cross shall:*
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> xxx xxx xxx
>
> *(c) Be exempt from payment of all direct and indirect taxes, all provisions of law to the contrary notwithstanding, including value-added tax (VAT), fees and other charges of all kinds on all income from its operations, including the use, lease or sale of its real property, and provision of services. The Philippine Red Cross shall also be exempt from direct and indirect taxes, including VAT, duties, fees and other charges on importations and purchases for its exclusive use.*
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> xxx xxx xxx"

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However, in BIR Ruling No. 069-12 dated February 2012, this office ruled that interest income earned by **PRC** from its currency bank deposits and yield or any other monetary benefit from deposit substitutes and from investments in money market placements, trust funds and/or similar or like arrangements/investments is not part of its income from operations, thus, **PRC** was ruled to be not exempt from income tax nor the 20% and 7.5% [2] final withholding tax on said earnings.

You now request for the reconsideration of BIR Ruling No. 069-12.

In reply, please be informed that this Office hereby reconsiders its position in BIR Ruling No. 069-12 dated February 2012 and holds that **PRC** is exempt from income tax, and consequently from final withholding tax, on its earnings from its currency bank deposits and yield or any other monetary benefit from deposit substitutes and from investments in money market placements, trust funds and/or similar or like arrangements/investments. The legislative intent of RA No. 10072 is to spare **PRC** from the payment of all taxes in furtherance of its humanitarian undertakings where such savings may be funneled instead for such activities. Subjecting said income from taxes would result to indirect taxation of **PRC** which is not the intention of the law.

Accordingly, BIR Ruling No. 069-12 is hereby amended insofar as it subjects **PRC** to income tax and final withholding tax on its interest income from currency bank deposits and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements.

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

Footnotes

1. Now, Philippine Red Cross (PRC) as amended by Republic Act No. 10072.
2. Now, 15% under Republic Act No. 10963 or the TRAIN Act.

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