May 10, 2018

BIR RULING NO. 805-18

Section 30 (E), RA 8424

Sta. Catalina Spirituality Center of Baguio City, Inc.
20 Marcos Highway, Baguio City

Attention: *AAA*

Madam :

This refers to your letter dated January 3, 2013, applying in behalf of **STA. CATALINA SPIRITUALITY CENTER OF BAGUIO CITY, INC.** for a tax exemption certificate under Section 30 (E) of the Tax Code of 1997, as amended.

It is represented that **STA. CATALINA SPIRITUALITY CENTER OF BAGUIO CITY, INC.** with Taxpayer's Identification No. (TIN) 000-000-000-000, is a corporation duly organized under the laws of the Philippines, registered with the Securities and Exchange Commission (SEC) under Registration No. CN200518306 dated October 28, 2005; that the purposes for which it was incorporated are the following:

1. *To provide individual and group retreats, spiritual direction, pastoral counselling;*

2. *To provide facilities for retreats, gatherings, meetings, workshops and seminars for non-profit groups.*

In reply, please be informed that Section 30 (E) exempts from income tax non-stock corporations or associations **organized and operated exclusively** for religious, charitable, scientific, athletic, or cultural purposes, or for the rehabilitation of veterans, no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person.

A common characteristic of the organizations or associations exempt under Section 30 (E) is that they must not be organized and operated principally for profit. Moreover, the last paragraph of Section 30 clearly states that the income of whatever kind and character of these organizations from any of their properties, real or personal, or from any of their activities conducted for profit regardless of the disposition made, of such income, shall be subject to tax.

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A perusal of the documents submitted by **STA. CATALINA SPIRITUALITY CENTER OF BAGUIO CITY, INC.** shows that it is primarily engaged in providing a center/venue and conducting retreats, recollections, seminars, conferences and other similar activities. It fails to prove that it is an organization organized and operated exclusively for an exempt religious purpose to be exempt from income tax. The bulk of its revenues come from payments of participants. Such proceeds are being used for its daily operations. It appears that this activity is being carried on by **STA. CATALINA SPIRITUALITY CENTER OF BAGUIO CITY, INC.** in a manner similar to organizations operated for profit and not merely incidental to an exempt religious purpose. Thus, it is organized and operated principally for profit.

An organization is not operated exclusively for *religious* purposes if its primary activity is carrying on a business with the general public. An organization that is engaged in the operation of spiritual retreats, recollections, seminars, conferences and other similar activities cannot be presumed to be a religious organization under Section 30 (E) because it is a business activity *"conducted for profit."* Submitted documents show that its major source of income comes from the board and lodging collected during spiritual retreats, recollections, seminars for spiritual healing purposes and services.

Along with police power and eminent domain, taxation is one of the three basic and necessary attributes of sovereignty. Thus, the State cannot be deprived of this most essential power and attribute of sovereignty by vague implications of law. Rather, being derogatory of sovereignty, the governing principle is that tax exemptions are to be construed in *strictissimi juris* against the taxpayer and liberally in favor of the taxing authority; and he who claims an exemption must be able to justify his claim by the clearest grant of statute. *(BIR Ruling No. 310-11 dated August 22, 2011)*

The burden of proof rests upon the party claiming exemption to prove that it is in fact covered by the exemption so claimed. In case of doubt, non-exemption must be favored. Taxes being the lifeblood of the government that should be collected without unnecessary hindrance, every precaution must be taken not to unduly suppress it. *(BIR Ruling No. 310-11 dated August 22, 2011)*

IN VIEW OF THE FOREGOING, this Office is of the opinion that **STA. CATALINA SPIRITUALITY CENTER OF BAGUIO CITY, INC.** does not qualify for exemption under Section 30 (E) of the Tax Code of 1997, as amended. It is therefore liable for Income Taxes imposed under Title II of the same Code and other applicable taxes such as Value-Added Tax (VAT) or Percentage Tax.

Very truly yours,

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

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