Bringing In Revenues for Nation-Building

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
National Office Building
Quezon City

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INTERNAL COMMUNICATIONS DIVISION
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BAGONG PILIPINAS

REVENUE MEMORANDUM CIRCULAR NO. 123-2024

SUBJECT : **Clarification on the Validity of a Certificate of Tax Exemption Issued to Certain Corporations**

TO : All Internal Revenue Officers, Employees and Other Concerned

I. BACKGROUND

Section 30 of the National Internal Revenue Code of 1997, as amended, ("Tax Code") expressly exempts the following corporations in respect to income received by them as such, *to wit*:

(A) Labor, agricultural or horticultural organization not organized principally for profit;
(B) Mutual savings bank not having a capital stock represented by shares, and cooperative bank without capital stock organized and operated for mutual purposes and without profit;
(C) A beneficiary society, order or association, operating for the exclusive benefit of the members such as a fraternal organization operating under the lodge system, or a mutual aid association or a non-stock corporation organized by employees providing for the payment of life, sickness, accident, or other benefits exclusively to the members of such society, order, or association, or non-stock corporation or their dependents;
(D) Cemetery company owned and operated exclusively for the benefit of its members;
(E) Non-stock corporation or association 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;
(F) Business league, chamber of commerce, or board of trade, not organized for profit and no part of the net income of which inures to the benefit of any private stockholder or individual;
(G) Civic league or organization not organized for profit but operated exclusively for the promotion of social welfare;
(H) A non-stock and non-profit educational institution;
(I) Government educational institution;
(J) Farmers' or other mutual typhoon or fire insurance company, mutual ditch or irrigation company, mutual or cooperative telephone company, or like organization of a purely local character, the income of which consists solely of assessments, dues, and fees collected from members for the sole purpose of meeting its expenses; and

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(K) Farmers', fruit growers', or like association organized an operated as a sales agent for the purpose of marketing the products of its members and turning back to them the proceeds of sales, less the necessary selling expenses on the basis of the quantity of produce furnished by them.

This provision is implemented in Revenue Memorandum Order (RMO) No. 38-2019 wherein it clarifies the nature, character and tax treatment of such corporations. To ensure that the corporation falls within the contemplation of the Tax Code, the said RMO outlines the guidelines in the processing and issuance of a Certificate of Tax Exemption (CTE).

Also, RMO No. 38-2019 states that a CTE shall be valid for a period of three (3) years from the date of its effectivity, unless sooner revoked or cancelled except for Section 30 (H) of the Tax Code. The CTE may be revalidated under the same procedure set forth in the RMO.

The Bureau of Internal Revenue (BIR) noticed that there is still confusion as to the validity period of a CTE considering the implementation of other laws and revenue issuances. Thus, this Circular is issued to clarify the application of the three (3) year validity period of issued CTEs mentioned in RMO No. 38-2019.

II. CLARIFICATION

Pursuant to prevailing laws and revenue issuances, the three (3) year validity period provided in RMO No. 38-2019 shall not apply to the CTE of the following corporations:

(1) Non-stock and non-profit educational institutions as provided under Section 30 (H) of the Tax Code and RMO No. 044-2016;
(2) Homeowners' Association as provided under Republic Act (RA) No. 9904[1] and Revenue Memorandum Circular (RMC) No. 09-2013, as amended; and
(3) Non-stock savings and loan association as provided under RA No. 8367[2] and RMC No. 9-2016.

Furthermore, the three (3) year validity period shall not apply to the issued CTE, or otherwise known as Certificate of Qualification, of an employees' retirement benefit plan created under RA No. 4917[3] and Revenue Regulations (RR) No. 1-68, as amended by RR No. 1-83.

Therefore, issued CTEs of the above-enumerated corporations and employees' retirement benefit plan shall remain valid and effective unless recalled or revoked by the BIR for valid grounds. If there are material changes in the character, purpose or method of operation of the corporation or in the provisions of the employees' retirement benefit plan which are inconsistent with the basis for income tax exemption, the CTE shall be subject to revalidation.

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[1] An Act Providing for a Magna Carta for Homeowners and Homeowners' Associations, and for Other Purposes.
[2] An Act Providing for the Regulation of the Organization and Operation of Non-Stock Savings and Loan Associations.
[3] An Act Providing that Retirement Benefits of Employees of Private Firms shall not be Subject to Attachment, Levy, Execution, or Any Tax Whatsoever.

All revenue officials, employees, and others concerned are hereby enjoined to give this Circular as wide publicity as possible.

This Circular takes effect immediately.

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

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