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

September 20, 2012

REVENUE MEMORANDUM CIRCULAR NO. 57-2012

SUBJECT : Publishing the Full Text of the Memorandum Circular No. 2012-08 Series of 2012 of the Cooperative Development Authority

TO : All Internal Revenue Officers and Others Concerned

For the information and guidance of all internal revenue officers, employees and others concerned, quoted hereunder are the provisions of the Temporary Recall of the Delegated Function to Register Selected Types of Primary Cooperatives pursuant to Memorandum Circular No. 2012-08 Series of 2012 of the Cooperative Development Authority, to wit:

"Republic of the Philippines
Department of Finance
COOPERATIVE DEVELOPMENT AUTHORITY

Memorandum Circular No. 2012-08
Series of 2012

SUBJECT : TEMPORARY RECALL OF THE DELEGATED FUNCTION TO REGISTER SELECTED TYPES OF PRIMARY COOPERATIVES

DATE : June 15, 2012

Pursuant to the powers vested by Republic Act No. 6939 and RA 9520, the Cooperative Development Authority (CDA) hereby promulgates the following:

Section 1. **Title.** This guideline shall be known as the *"TEMPORARY RECALL OF THE DELEGATED FUNCTION TO REGISTER SELECTED TYPES OF PRIMARY COOPERATIVES".*

Section 2. **Policy.** It is the declared policy of the State to foster the creation and growth of cooperatives as practical vehicles for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice.

Section 3. **Purpose**. This guideline is issued for the orderly registration of purposed primary cooperative in compliance with the requirements as provided under RA 9520, Implementing Rules and Regulations, and relevant administrative issuances by CDA and to ensure that cooperatives are not being used as "Tax-shield" of some *mis-guided groups.*

Section 4. **Coverage.** This guidance shall cover selected primary cooperatives such as *Workers Cooperatives; Service or other types of cooperatives* engage in labor, manpower, health, mining and other related service;

Section 5. **Definition of Terms.** As used in this guideline, the following terms shall be defined as:

(a) *Registration* – is the operative act of the Authority granting judicial personality to a proposed cooperative and is evidenced by the Certificate of Registration.

(b) *Primary Cooperative* – is a cooperative the members of which are natural persons except electric cooperative, water service cooperative and other cooperatives which the implementing rules and regulations of RA 9520 or the Authority may allow.

(c) *Health Services Cooperative* – is one organized for the primary purpose of providing medical, dental and other health services.

(d) *Multipurpose Cooperative* - is one which combines two (2) or more of the business activities of these different types of cooperatives.

(e) *Producers Cooperative* - is one that undertakes joint production whether agricultural or industrial. It is formed and operated by its members to undertake the production and processing of raw materials or goods produced by its members into finished or processed products for sale by the cooperative to its members and non-members. Any end product or its derivative arising from the raw materials produced by its members sold in the name and for the account of the cooperative shall be deemed a product of the cooperative and its members.

(f) *Service Cooperative* - is one which engages in medical and dental care, hospitalization, transportation, insurance, housing, labor, electric light and power, communication, professional, and other services.

(g) *Workers Cooperative* – is one organized by workers, including the self-employed, who are at the same time members and owners of the enterprise. Its principal purpose is to provide employment and business opportunities to its members and manage it in accordance with cooperative principles.

Section 6. **Jurisdiction** – applications for registration of above-mentioned primary cooperative shall be filed with the CDA Central Office (CO).

Section 7. **Number of members required for Registration.** Fifteen (15) or more natural persons who are Filipino citizens, having a common bond of interest and are residing or working in the intended area of operations are required for registration.

Section 8. **Capital Requirements.**

(a) All primary cooperatives shall be organized with share capital. The authorized share capital of a cooperative shall be provided for in its Articles of Cooperation. At least twenty five percent (25%) of the authorized share capital shall be subscribed by the members and at least twenty five percent (25%) of the subscribed share capital shall be paid by the members prior to registration.

(b) The paid up capitalization requirement for primary cooperatives shall not be less than Fifteen Thousand Pesos (P15,000.00) except for multipurpose cooperative which should have at least One Hundred Thousand (P100,000.00) or as required by the feasibility study whichever is higher.

Section 9. **Pre-Registration Requirements.** Primary cooperatives covered by this guideline shall be subjected to verification and validation prior to registration. It shall be conducted by the Regulatory Unit of the concerned Extension Office in coordination with Central Office Registration Division. Report of Verification and Validation shall be prepared and submitted to the Central Office Registration Division five (5) days after the conduct of such verification and validation.

Section 10. **Registration Requirements.** The following documents shall be submitted to the Authority in Four (4) copies except for item (1) below:

1. Cooperative Name Reservation Notice (CNRN); (1 copy only)
2. Economic Survey/Feasibility Studies;
3. Articles of Cooperation and the approved By-laws;

    a. All original;
    b. The Articles of Cooperation shall be signed by all the cooperators on each and every page; and
    c. The By-Laws shall be signed all the members on the adoption page.

4. Treasurer's Affidavit;
5. Surety Bonds of accountable officers;
6. Certificate of Pre-Membership Seminar (PMES) signed by the cooperative Interim Chairman, as validated by the Authority;
7. Undertaking to change name;
8. Undertaking to comply with the auditing and accounting standards prescribed by the Authority
9. Undertaking to comply with other requirements prescribed by the other regulatory agency, when applicable;

10. Favorable endorsement/written verification/authority/pre-feasibility study, if applicable; and
11. Registration fee.
12. Specific Requirements for Multi-Purpose Cooperative

    (a) Detailed feasibility study
    (b) Undertaking to maintain separate books of accounts for each business activity

Section 11. **Submission of Documents.** The documents required for registration shall be printed in an *8.5" x 13" or 8.5" x 14"* and may be written in English or in Filipino or other local dialect with appropriate English translation. As far as practicable, the text should use *bookman old style 12*. In case of confusion in the interpretation of the provisions, the English translation shall prevail.

Section 12. **Common and Preferred Share.**

(a) The share capital of a cooperative may consist of common share capital and preferred share capital if the latter is provided for under the cooperatives' articles of cooperation and by laws. Should the cooperative wish to have common and preferred shares, statements to that effect should appear in the Articles of Cooperation specifying the amount of shares to be offered for common shares and for preferred share. However, it is recommended that only the common share be offered.

(b) Should preferred share capital be offered, the rights and privileges of holders of preferred shares shall be provided for in the By-laws of the cooperative.

(c) Preferred share capital shall not exceed Twenty Five (25%) percent or one-fourth (1/4) of the total authorized share capital of the cooperative.

(d) The paid up and subscription of the common share capital contribution should strictly adhere to the twenty-five percent (25%) requirement based on the authorized capital share.

(e) No member shall own more than Ten (10%) percent of the subscribed share capital of the cooperative.

Section 13. **Bond of Membership.** The bond of membership is categorized into four (4). Only one common bond or field of membership will be adopted by the cooperative. The categories are the following:

(a) *Residential* – members working and/or actually and physically residing in the same place.

(b) *Institutional* – members consist of employees, workers and/or officers of a particular institution.

(c) *Associational* – members come from a registered and/or recognized association, group, club, fraternity, religious group, cultural and other similar aggrupation.

Recognized association means legitimate aggrupation of persons which is validated to be publicly known in a particular community and is able to present certification from applicable government entity or substantial proof of visible activity in the community; and

(d) *Occupational* – members come from same or allied profession or actual occupation.

Section 14. **Area Coverage**. No primary cooperatives as enumerated above shall be allowed to register having nationwide area of operation. However, they can expand their area of operation after two (2) years provided they satisfy the requirements for branching.

Section 15. **Dual Membership.** A prospective cooperative may include in its by-laws a provision not allowing members of existing cooperatives of the same type within the same area of operation to be a member of the proposed cooperative unless they resign from the former.

Section 16. **Bonding Requirement of Accountable Officers / Employees of the Cooperative.** In order to meet any contingency that may arise in the operations of the cooperative accountable officers/employees of cooperatives shall submit a **surety** bond for the faithful performance of their functions in accordance with Articles 14(5) and (56) of the Code and in accordance with the following sub-sections:

(a) The following persons shall be bonded:
1. Chairperson
2. Treasurer and Cashier;
3. Manager
4. Warehouseman;
5. Loan/deposit Collectors;
6. Signatories of checks and other financial instruments, and
7. Such other persons as may be authorized by the cooperative to act as a custodian of funds merchandise, inventories, securities and other assets of the cooperative.

(b) The board of directors shall determine the adequacy of such bonds. For this purpose, the Board of Directors shall be guided based on the initial networth of the cooperative which shall include the paid-up capital, the membership fees and other assets of the cooperative at the time of registration.

Section 17. **Required Period for Approval of Registration.**

(a) An application for registration shall be finally disposed by the Authority within the period of Sixty (60) days from the filing of complete documentary requirements. Otherwise, the application is deemed approved unless the cause of the delay is attributable to the applicant.

(b) In the case of denial by the Authority, appeal of such denial may be sent to the Office of the President within ninety (90) days from receipt of the notice of denial.

(c) The failure of the Office of the President to act on the appeal within ninety (90) days from the filing thereof shall mean the approval of said application.

Section 18. **Repeal.** All previous circulars and/or guidelines issued by the Authority which are inconsistent with this guideline are hereby repealed or modified accordingly.

Section 19. **Effectivity**. This guideline shall take effect immediately upon the approval of the Board of Administrators.

Section 20. **Automatic Review.** this guideline shall be subject to automatic review whenever necessary.

Section 21. **Separability Clause.** If any provision of this guideline is declared null and void or unconstitutional, the other provisions not affected thereby shall continue to be in force and effect.

Approved by the Board of Administrators pursuant to Board Administrators (BOA) ***Res. No. 166, S-2012*** dated ***June 11, 2012.***

For the Board of Administrators:

(SGD.) EMMANUEL M. SANTIAGUEL, PhD.
Chairman"

All concerned are hereby enjoined to be guided accordingly and give this circular as wide a publicity as possible.

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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