BUREAU OF INTERNAL REVENUE
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Republic of the Philippines
Department of Finance
BUREAU OF INTERNAL REVENUE
Quezon City

January 12, 2016

REVENUE MEMORANDUM CIRCULAR NO. 9-2016

SUBJECT : Clarification on Taxability of Non-Stock Savings and Loan Associations for Purposes of Income Tax, Gross Receipts Tax and Documentary Stamp Tax

TO : All Revenue Officials, Employees and Other Concerned

This Circular is issued to clarify the taxability of Non-Stock Savings and Loan Associations (NSSLAs) for income, value-added and documentary stamp tax purposes.

BACKGROUND

Under Section 3 of Republic Act (RA) No. 8367, otherwise known as "Revised Non-Stock Savings and Loan Association Act of 1997", Non-Stock Savings and Loan Associations (NSSLAs) shall mean non-stock, non-profit corporation engaged in the business of accumulating the savings of its members and using such accumulations for loans to members to service the needs of households by providing long term financing for home building and development and for personal finance. For regulatory purposes, NSSLAs are under the direct supervision and regulation of the Bangko Sentral ng Pilipinas (BSP). They are classified as Non-bank Financial Intermediaries (NBFIs) under the BSP Manual of Regulations.

INCOME TAX

Pursuant to Section 5 of RA No. 8367, NSSLA shall be exempt from income tax with respect to income it receives, including interest on its deposits with any bank. However, any income derived by it from any of its properties, real or personal, or any activity conducted for profit, regardless of the disposition thereof, is subject to the applicable income tax and other internal revenue taxes imposed under the 1997 National Internal Revenue Code (NIRC), as amended.

Thus, any disposition made by NSSLAs of its properties (real or personal) is subject to the applicable income tax depending on the classification of its properties either capital or ordinary asset.

GROSS RECEIPTS TAX

Section 4 of Revenue Regulations (RR) No. 9-2004, as amended, implementing Section 122 of the NIRC, as amended, provides for the imposition of Gross Receipts Tax (GRT) on NBFIs. Section 4 of RR No. 9-2004 reads:

> *"**SEC. 4. IMPOSITION OF GROSS RECEIPTS TAX ON OTHER NON-BANK FINANCIAL INTERMIEDIARIES.** – Gross receipts of other non-bank financial intermediaries (non-bank financial intermediary not performing quasi-banking functions) doing business in the Philippines shall be subject to GRT at rates and on items of income provided hereunder:*
>
> *(a) From interest, commissions, discounts and all other items treated as gross income under the Code ---------- 5%*
>
> *(b) On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of the instruments from which such receipts are derived:*
>
> *Maturity period is five (5) years or less ---------- 5%*
> *Maturity period is more than five (5) years ---------- 1%*
>
> *xxxx xxxx xxxx*
>
> *Nothing in these Regulations shall preclude the Commissioner from imposing the same tax herein provided on persons performing similar activities."*

As a NBFI, NSSLA is generally subject to GRT on income derived from its operations, unless otherwise exempted under special rules.

DOCUMENTARY STAMP TAX

As provided under Section 5 of RA No. 8367, NSSLA is only exempt from income tax. Thus, NSSLAs as NBFIs are subject to Documentary Stamp Tax (DST) under the provisions of RR No. 13-2004 implementing Title VII of the NIRC, as amended, particularly on loan agreements, mortgages, pledges, foreclosures and sales, among others.

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Pursuant to RR No. 9-2000, whenever a NSSLA is one of the parties to a taxable transaction, the NSSLA shall be responsible for the remittance of the DST due regardless of who will bear the burden of paying the DST.

Any issuances contrary to the provisions contained herein are null and void for being contrary to the provisions of RA No. 8367 and the NIRC, as amended.

All revenue officers and employees are hereby enjoined to give this Circular as wide a publicity as possible.

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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