REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS
Quezon City

October 18, 2004

REVENUE REGULATIONS NO. 10-2004

SUBJECT : **TO FURTHER IMPLEMENT THE PROVISIONS OF SEC. 4 OF REPUBLIC ACT NO. 9238 RE-IMPOSING THE GROSS RECEIPTS TAX ON OTHER NON-BANK FINANCIAL INTERMEDIARIES BEGINNING JANUARY 1, 2004 AND HEREBY AMENDING FOR THE PURPOSE SEC. 4 OF REVENUE REGULATIONS NO. 9-2004 BY INCLUDING PAWNSHOPS UNDER THE CLASSIFICATION OF OTHER NON-BANK FINANCIAL INTERMEDIARIES.**

TO : **ALL INTERNAL REVENUE OFFICERS and EMPLOYEES and OTHERS CONCERNED**

SEC. 1. SCOPE. - Pursuant to the provisions of Section 244 in relation to Section 122 of the National Internal Revenue Code of 1997 (Tax Code), these Regulations are hereby promulgated in order to further implement Section 4 of Republic Act (R.A.) No. 9238 re-imposing the gross receipts tax on other non-bank financial intermediaries, beginning January 1, 2004, and hereby amending for the purpose Sec. 4 of Revenue Regulations (Rev. Regs.) No. 9-2004 by including pawnshops under the classification of Other Non-Bank Financial Intermediaries.

SEC. 2. BASES OF QUALIFYING PAWNSHOPS AS NON-BANK FINANCIAL INTERMEDIARIES. - Whereas, in relation to Sec. 2.3 of Rev. Regs No. 9-2004 defining "Non-bank Financial Intermediaries, the term "pawnshop" as defined under Presidential Decree No. 114 which authorized its creation, *to be a person or entity engaged in the business of lending money,* all fall within the classification of Non-bank Financial Intermediaries and therefore, covered by Sec. 4 of R.A. No. 9238.

This classification is equally supported by Subsection 4101Q.1 of the BSP Manual of Regulations for Non-Bank Financial Intermediaries and reiterated in BSP Circular No. 204-99, classifying pawnshops as one of Non-bank Financial Intermediaries within the supervision of the Bangko Sentral ng Pilipinas.

SEC. 3. IMPOSITION OF GROSS RECEIPTS TAX ON PAWNSHOPS. - Pursuant to the provisions of Section 4 of R.A. 9238 which restored and amended Section 122 of Tax Code and thereby re-imposing Gross Receipts Tax on Other Non-Bank Financial Intermediaries, the Commissioner is authorized to impose the same tax on persons performing similar financing activities particularly on those falling within the definition of the term "Non-bank Financial Intermediaries" under Sec. 2.3 of Rev. Regs. No. 9-2004. By virtue thereof, the Commissioner of Internal Revenue thus, classified the services rendered by pawnshops as those activities being performed by Non-bank Financial Intermediaries, hence, subject to the 5% GRT.

This effectively removed the services rendered by pawnshops from the VAT system unless otherwise a similar legislation is enacted to place it under the VAT system.

SEC. 4. ADOPTABILITY CLAUSE. - The provisions of Rev. Regs. No. 9-2004 and all other revenue issuances, or portions thereof not inconsistent with these Regulations are deemed adopted herein and shall be suppletory in implementing these Regulations.

SEC. 5. TRANSITORY PROVISION. – All pawnshops are required to re-register from VAT taxpayers to Percentage Taxpayers pursuant to the procedures that will be issued later by the Commissioner.

SEC. 6. EFFECTIVITY CLAUSE. – These Regulations shall take effect immediately.

(Original Signed)
JUANITA D. AMATONG
Secretary of Finance

Recommending Approval:

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue