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

Bureau of Internal Revenue Ruling

Republic Act (RA) No. 9520; Section 2.57.5 (B), Revenue Regulations (RR) No. 2-98, as amended		336-2018

Date: March 7, 2018

Person to Contact: Chief, Law Division
Tel. Nos. 926-55-36 / 927-09-63

PARAMOUNT HUMAN RESOURCE
MULTI-PURPOSE COOPERATIVE
Unit 1303, The One Executive Bldg.,
Brgy. Nayong Kanluran,
Quezon City

Attention: **RODILYN T. BOTENES**
Chairman of the Board

Gentlemen:

This refers to your letter dated January 16, 2017, seeking clarification whether or not the income payments made to Paramount Human Resource Multi-Purpose Cooperative ("PHRMC" for brevity) by its clients, in consideration of the manpower services rendered to them is subject to two percent (2%) creditable withholding tax, despite the fact that PHRMC is exempted from payment of income tax pursuant to Republic Act (RA) No. 9520, otherwise known as the "*Philippine Cooperative Code of 2008.*"

It is represented that PHRMC, with Taxpayers Identification Number (TIN) is a multi-purpose cooperative registered with the Cooperative Development Authority (CDA) under Registration Number dated January 26, 2010; that its primary objectives are independent job contracting, savings and lending, and other business activities duly authorized by the CDA; that it recruits cooperative members who are skilled workers pursuant to the CDA issued guidelines and the provisions of its By-laws and such members are deployed to different client companies to render specific manpower services through a Contract of Service; and that it was granted Certificate of Tax Exemption No. coop. dated September 7, 2016 pursuant to Section 60 of RA No. 9520.

In reply, please be informed that Section 2.57.5 (B) of Revenue Regulations (RR) No. 2-98, as amended, implementing Section 57 (B) of the National Internal Revenue Code of 1997, as amended, states that:

> *"Sec. 2.57.5. Exemption from Withholding. — The withholding of creditable withholding tax prescribed in these Regulations shall not apply to income payments made to the following:*
>
> *xxx xxx xxx*
>
> *(B) Persons enjoying exemption from payment of income taxes pursuant to the provisions of any law, general or special, xxx xxx xxx"*

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5-7-2018

Accordingly, since PHRMC is a CDA-registered enterprise, enjoying exemption from payment of income taxes for a period of five (5) years from September 07, 2016 until September 07, 2021 pursuant to the provisions of Section 60 of RA No. 9520, this Office is of the opinion as it hereby holds, that PHRMC is exempt from the payment of creditable withholding tax imposed under RR No. 2-98, as amended, on income payments received from its clients from September 07, 2016 to September 07, 2021.

This ruling is being issued on the basis on the foregoing facts as represented: However, if upon investigation, it will be disclosed that the facts are different, then this ruling shall be considered null and void.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

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