REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

June 16, 2004

REVENUE MEMORANDUM CIRCULAR NO. 36 – 2004

TO	**:**	All Internal Revenue Officers, Employees and Others Concerned.
SUBJECT	**:**	Supreme Court Decision that Pawnshops are Not Subject to the 5% Lending Investor's Tax.

For the information and guidance of all revenue officials, employees and others concerned, the Supreme Court on July 15, 2003, in the case *Commissioner of Internal Revenue vs. Michel J. Lhuillier Pawnshop, Inc. (G.R. No. 150947)*, declared Revenue Memorandum Order No. 15-91 and Revenue Memorandum Circular No. 43-91, describing the pawnshop business as akin to the lending investor's business and therefore subject to the 5% lending investor's tax, null and void. As a result thereof, the Supreme Court then decided that pawnshops are not subject to 5% lending investor's tax under then Section 116 of the National Internal Revenue Code (NIRC) of 1977, as amended by Executive Order No. 273.

In view of the said Supreme Court decision, all assessments on pawnshops for percentage taxes as lending investors are hereby cancelled. This Circular is being issued for the sole purpose of resolving the tax liability of pawnshops to the 5% lending investors tax provided under the then Section 116 of the NIRC of 1977, as amended, and shall not cover issues relating to their other tax liabilities. All internal revenue officials are enjoined from issuing assessments on pawnshops for percentage taxes on lending investors, under the then Section 116 of the NIRC of 1977, as amended.

For purposes of the gross receipt tax provided for under Republic Act No. 9294, the pawnshops are now subject thereof. This shall however, be covered by another issuance. This Circular is to be given a wide publicity as possible.

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