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

Section 5 of Republic Act No. 8367
BIR Ruling No. 525-2012
OT- 432 - 2021
NOV 22 2021

BIR Savings and Loans Association, Inc.
1st Floor DPC Bldg., BIR National Office
Compund, Diliman, Quezon City

Attention: **Gealdina E. Reyes**
President

Gentlemen:

This refers to your letter dated September 26, 2021 requesting on behalf of BIR Savings and Loan Association, Inc. (BIRSALA) for revalidation of Bureau of Internal Revenue (BIR) Ruling No. 525-2012, and confirmation of exemption from the Twenty Percent (20%) final withholding tax on its interest income derived from deposit and deposit substitutes pursuant to Section 5 of Republic Act (RA) No. 8367.

It is represented that BIRSALA with Taxpayer's Identification No. (TIN) . 000 and Certificate of Registration No. OCN , is a non-stock corporation duly organized under the laws of the Philippines; that it is registered with the Securities and Exchange Commission (SEC) under Company Registration No. ; and that a Certificate of Authority No. was issued by the Bangko Central ng Pilipinas (BSP) in favor of BIRSALA authorizing the latter to operate as a Non-Stock Savings and Loan Association (NSSLA) under RA No. 8367.

In reply, please be informed that Section 5 of RA No. 8367 provides, as follows:

> *"Section 5. Tax exemption. – An Association shall be exempt from payment of tax in respect to income it receives, including interest on its deposits with any bank: Provided, however, that income derived from any of its properties, real or personal, or any activity conducted for profit, regardless of the disposition thereof, is subject to the corresponding internal revenue taxes imposed under the National Internal Revenue Code.*
>
> *Interest earnings on deposits of members with Associations as well as the shares of its members from the net income of the Associations shall be exempt from income tax."*

Clearly, the law exempts all interest earnings received by an Association, which qualify as an NSSLA, on its income derived from deposits with any bank, as well as, those interest earnings received by its members from their deposit with, and shares from the net income of Association.

OT-032-2021
NOV 22 2021

In view of the foregoing, all interest income of BIRSALA from its deposit and deposit substitutes shall not be subject to 20% final withholding tax. Moreover, all interest earnings received by its members from their deposit with BIRSALA, as well as their shares from the net income of BIRSALA shall not be subject to income tax and consequently to withholding tax.

This ruling is being issued on the basis of 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.

CAESAR R. DULAY
Commissioner of Internal Revenue

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