Republic of the Philippines
COURT OF TAX APPEALS
Quezon City

SECOND DIVISION

KABALIKAT PARA SA MAUNLAD NA BUHAY, INC.,
Petitioner,

-versus-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA Case No. 8336

Members:
CASTAÑEDA, JR., *Chairperson*
CASANOVA, *and*
COTANGCO-MANALASTAS, *JJ.*

Promulgated:
OCT 0 1 2014
10:25 a.m.

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RESOLUTION

CASANOVA, *J.*:

This resolves:

1. Respondent's Motion for Reconsideration (Of the Decision dated June 20, 2014), filed on July 7, 2014, with petitioner's Comment/Opposition, filed on August 12, 2014; and

2. Petitioner's Motion for Partial Reconsideration, filed on July 8, 2014, without respondent's comment thereon as per Report of the Records Division dated September 3, 2014.

Both parties seek reconsideration of the Decision (the "Assailed Decision") dated June 20, 2014, rendered by the CTA Second Division, the dispositive portion of which reads:

"**WHEREFORE**, the Petition for Review is hereby **GRANTED**. The assessments issued by respondent CIR to petitioner for deficiency income tax, VAT and expanded Withholding Tax (EWT) for CY 2006 in the aggregate amount of P91,275,747.55, inclusive of interest, surcharge and compromise penalties are **CANCELLED** and **SET ASIDE**.

SO ORDERED."

In her Motion for Reconsideration, respondent primarily claims that the subject waiver is valid and enforceable. She asserts that perhaps the Court, in declaring that the subject waiver is void for failing to indicate the date of acceptance by respondent or her agent, overlooked the fact that there were two (2) waivers attached in the BIR records submitted to the Court. One waiver, marked as page 176, indicates no date of acceptance on the part of the CIR, while the other waiver, marked as page 173, shows the date of acceptance. Respondent also claims that RMO 20-90[1] and RDAO 05-01[2] do not require personal appearance of the BIR representative before a notary public for the waiver to be valid. In fact, the alleged non-appearance of Regional Director Jaime B. Santiago before a notary public was not even challenged by petitioner.

Respondent further claims that petitioner's voluntary and unconditional execution of the subject waiver is a clear manifestation of petitioner's renunciation of its right to invoke the defense of prescription. By executing said waiver, petitioner derived benefit therefrom since the timeline for audit process was relaxed and extended. Thus, under the principle of estoppel, petitioner is estopped to repudiate the Waiver of Defense of Prescription under the Statute of Limitations since respondent already relied on the validity of the execution of said waiver in holding in abeyance the issuance of petitioner's final assessment notice.

Likewise, the lack of proof of furnishing a copy of said waiver to the taxpayer is a mere formal defect, which would not affect or invalidate the assessment duly issued against the taxpayer, especially since there were substantial compliance by both parties. There would also be a presumption that they already have a copy of the same since

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[1] Entitled "Proper Execution of the Waiver of the Statute of Limitations under the National Internal Revenue Code" dated April 4, 1990

[2] Entitled "Delegation of Authority to Sign and Accept the Waiver of the Defense of Prescription under the Statute of Limitations" dated August 2, 2001

they are the primary party during its execution and the CIR or her authorized representative has merely acknowledge it.

Lastly, respondent insists that settled is the rule that Government is not bound by the errors committed by its agent. In the performance of its governmental functions, the State cannot be estopped by the neglect of its agents and officers.

On the other hand, while petitioner concurs with the findings of the Court in its Motion for Partial Reconsideration, it still implores that this Court take judicial notice of cooperatives engaged in microfinance activities' exemption from VAT under Revenue Regulations (R.R.) No. 14-2007, which also provides tax exemptions to non-governmental organizations (NGOs) engaged in the same activity. Thus, if credit cooperatives and NGOs engaged in microfinance have common social objectives, petitioner concludes that there is no reason why Microfinance NGOs should not also be accorded with the same VAT exemption.

Petitioner also asserts that assuming it is not exempt from VAT, it is at best subject to 0% to 5% percentage tax under Section 122 of the NIRC. To bolster its claim, petitioner rely on BIR Ruling 159-87[3], where the BIR categorized NGOs engaged in lending activities as a lending investor subject to 5% percentage tax. Petitioner also insists that under R.R. No. 9-2004[4], entities primarily engaged in lending money are considered Non-Bank Financial Intermediaries. Considering that microfinance activities basically involve "extension of small loans" or "lending funds", petitioner's extension of loans to the poor is no different from other entities whose principal function is to lend money.

On a final note, petitioner requests that this Court also take judicial notice of the case *Tambunting Pawnshop, Inc. vs Commissioner of Internal Revenue*[5], wherein the Supreme Court declared that pawnshops are classified as "Other Non-Bank Financial Intermediaries" thereby only subjecting it to 0% to 5% percentage tax on gross receipts.

After carefully weighing the arguments presented by the parties, *We* find both Motions bereft of merit.

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[3] Dated June 9, 1987

[4] Implementing Certain Provisions of Republic Act 9238, Re-Imposing the Gross Receipts Tax on Banks and Non-Bank Financial Intermediaries Performing Quasi-Banking Functions and Other Non-Bank Financial Intermediaries Beginning January 1, 2004, dated June 21, 2004

[5] G.R. No, 179085, January 21, 2010

We shall first discuss respondent's arguments.

In the Assailed Decision, this Court declared the Waiver of Defense of Prescription under the Statute of Limitations as invalid for the following reasons: it did not indicate the date of acceptance by Jaime B. Santiago, BIR's Regional Director; the Acknowledgment portion of the waiver shows that it was only Liza D. Eco, petitioner's Deputy Executive Director, who personally appeared before the notary public; and, respondent failed to sufficiently prove that she was able to furnish petitioner a copy of the said waiver.

Respondent now orates that there are two (2) copies of the subject waiver attached in the BIR records, where one copy indicates the date of acceptance by respondent's Regional Director, which this Court may have overlooked. However, perusal of the case records reveals that respondent did not offer in her Formal Offer of Documentary Evidence[6], either of the copies of the subject waiver which she claims to be found on pages 173 and 176 of the BIR records. Having neglected to do so, she now imputes that this Court "perhaps overlooked" the date of acceptance in said waiver. It must be stressed that the rule on formal offer of evidence is not a trivial matter; the Court shall consider no evidence which has not been formally offered.[7] Any evidence that has not been offered shall be excluded and rejected.[8] By not offering a vital piece of evidence which could have sufficiently answered the question of prescription, creates a cloud of suspicion that evidence willfully suppressed would be adverse if produced.[9]

Anent respondent's claims that RMO 20-90 and RDAO 05-01 do not require personal appearance of the BIR representative before a notary public for the waiver to be valid, and lack of proof of furnishing a copy of said waiver to the taxpayer is a mere formal defect which should not void the waiver since there is substantial compliance by both parties. Moreover, the same are misplaced. This Court deems it best to reiterate the importance of complying with the requirements in executing waivers.

> As to what rights and privileges may be waived, the authority is settled:

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[6] Docket, Vol. II, pp.672-677
[7] Section 34, Rule 132 of the Revised Rules of Court
[8] Heirs of Pedro Pasag vs. Sps. Lorenzo and Florentina Parocha, G.R. No. 155483, April 27, 2007
[9] Section 3(e), Rule 131 of the Rules of Court

> *xxx* the doctrine of waiver extends to rights and privileges of any character, and, since the word 'waiver' covers every conceivable right, **it is the general rule that a person may waive any matter which affects his property, and any alienable right or privilege of which he is the owner or which belongs to him or to which he is legally entitled,** whether secured by contract, conferred with statute, *or guaranteed by constitution,* provided such rights and privileges rest in the individual, are intended for his sole benefit, do not infringe on the rights of others, and further **provided the waiver of the right or privilege is not forbidden by law, and does not contravene public policy**; and the principle is recognized that everyone has a right to waive, and agree to waive, the advantage of a law or rule made solely for the benefit and protection of the individual in his private capacity, if it can be dispensed with and relinquished without infringing on any public right, and without detriment to the community at large.[10] *xxx (Citations Omitted and Emphases Ours)*

The importance of waiver and strict compliance with the rules laid down under RMO 20-90 were fully discussed by the Supreme Court in the case of *Commissioner of Internal Revenue vs Kudos Metal Corporation*[11] (the "Kudos Case"). In the said case, the Supreme Court held that due to the defects noted in the waiver, the period to assess or collect taxes was not extended and consequently, assessments issued by the BIR beyond the three-year period are void. We reiterate the following excerpts from the Assailed Decision where We quoted relevant portions of the Supreme Court decision in the Kudos case to wit:

> "Section 222 (b) of the NIRC provides that the period to assess and collect taxes may only be extended upon a written agreement between the CIR and the taxpayer executed before the expiration of the three-year period. RMO 20-90 issued on April 4, 1990 and RDAO 05-01 issued on August 2, 2001 lay down the procedure for the proper execution of the waiver, to wit:
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> 1. The waiver must be in the proper form prescribed by RMO 20-90. The phrase 'but not

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[10] *Ibid.*

[11] G.R. No. 178087, May 5, 2010

after _____ 19 ____', which indicates the expiry date of the period agreed upon to assess/collect the tax after the regular three-year period of prescription, should be filed up.

2. The waiver must be signed by the taxpayer himself or his duly authorized representative. In the case of a corporation, the waiver must be signed by any of its responsible officials. In case the authority is delegated by the taxpayer to a representative, such delegation should be in writing and duly notarized.

3. The waiver should be duly notarized.

4. The CIR or the revenue official authorized by him must sign the waiver indicating that the BIR has accepted and agreed to the waiver. The date of such acceptance by the BIR should be indicated. However, before signing the waiver, the CIR or the revenue official authorized by him must make sure that the waiver is in the prescribed form, duly notarized, and executed by the taxpayer or his duly authorized representative.

5. Both the date of execution by the taxpayer and date of acceptance by the Bureau should be before the expiration of the period of prescription or before the lapse of the period agreed upon in case a subsequent agreement is executed.

6. The waiver must be executed in three copies, the original copy to be attached to the docket of the case, the second copy for the taxpayer and the third copy for the Office accepting the waiver. The fact of receipt by the taxpayer of his/her file copy must be indicated in the original copy to show that the taxpayer was notified of the acceptance of the BIR and the perfection of the agreement."

Furthermore, the case of *Commissioner of Internal Revenue vs. FMF Development Corporation*[12], should help shed light in the instant controversy considering the similarity in the present case of the arguments raised therein. Thus:

> "Applying RMO No. 20-90, the waiver in question here was defective and did not validly extend the original three-year prescriptive period. **Firstly, it was not proven that respondent was furnished a copy of the BIR-accepted waiver. Secondly, the waiver was signed only by a revenue district officer, when it should have been signed by the Commissioner as mandated by the NIRC and RMO No. 20-90, considering that the case involves an amount of more than P1 million**, and the period to assess is not yet about to prescribe. **Lastly, it did not contain the date of acceptance by the Commissioner of Internal Revenue**, a requisite necessary to determine whether the waiver was validly accepted before the expiration of the original three-year period. Bear in mind that the waiver in question is a bilateral agreement, thus necessitating the very signatures of both the Commissioner and the taxpayer to give birth to a valid agreement."

Worthy to note is that, the Commissioner herself, in Revenue Memorandum Circular (RMC) No. 29-2012[13], clarifies that RMO 20-90, as amended by RDAO No. 05-01, should be **strictly complied** with in order for a waiver to be valid.

With regard to respondent's claim that petitioner's voluntary and unconditional execution of the subject waiver is a clear manifestation of petitioner's renunciation of its right to invoke the defense of prescription, the Supreme Court, in the case of *Philippine Journalists, Inc. vs. Commissioner of Internal Revenue*[14], ruled that a waiver of the statute of limitations under the NIRC, to a certain extent being a derogation of the taxpayer's right to security against prolonged and unscrupulous investigations, must be carefully and strictly construed. The waiver of the statute of limitations does not mean that the taxpayer relinquishes the right to invoke prescription unequivocally, particularly where the language of the document is equivocal. No implied consent can be a

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[12] G.R. No. 167765, June 30, 2008
[13] "WAIVER OF THE DEFENSE OF PRESCRIPTION UNDER THE STATUTE OF LIMITATIONS", dated June 29, 2012
[14] G.R. No. 162852, December 16, 2004

presumed, nor can it be contended that the concurrence to such waiver is a mere formality.[15]

Under the principle of *stare decisis et non quieta movere* (follow past precedents and do not disturb what has been settled), once a case has been decided one way, any other case involving exactly the same point at issue, as in the case at bar, should be decided in the same manner.[16]

Lastly, respondent tried to invoke the principle of estoppel and how the State cannot be estopped by the neglect of its agents and officers in an attempt to convince this Court to side with her.

We are not persuaded.

The Court has consistently held that the doctrine of estoppel is predicated on and has its origin in equity which is justice according to natural law and right. As early as in the case of *Republic of the Philippines vs. Luis G. Ablaza*[17], the Supreme Court limits the application of the said doctrine in cases of tax assessments. Thus:

> "Under the former law, the right of the Government to collect the tax does not prescribe. However, in fairness to the taxpayer, **the Government should be estopped from collecting the tax where it failed to make the necessary investigation and assessment** within 5 years after the filing of the return and where it failed to collect the tax within 5 years from the date of assessment thereof. just *(sic)* as the government is interested in the stability of its collection, so also are the taxpayers entitled to an assurance that they will not be subjected to further investigation for tax purposes after the expiration of a reasonable period of time. (Vol. II, Report of the Tax Commission of the Philippines, pp. 321-322)"

Applying the above doctrine in RMO 20-90 and RDAO 05-01, the Supreme Court held in the aforecited case of *Commissioner of Internal Revenue vs. Kudos Metal Corporation* that doctrine of estoppel cannot be applied in this case as an exception to the statute of limitations on the assessment of taxes, accordingly:

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[15] *See* Commissioner of Internal Revenue vs. Court of Appeals, G.R. No. 115712, February 25, 1999

[16] Commissioner of Internal Revenue vs. Trustworthy Pawnshop, Inc., G.R. No. 149834, May 2, 2006

[17] G.R. No. L-14519, July 26, 1960

"**The doctrine of estoppel cannot be applied in this case as an exception to the statute of limitations on the assessment of taxes considering that there is a detailed procedure for the proper execution of the waiver, which the BIR must strictly follow**. As we have often said, the doctrine of estoppel is predicated on, and has its origin in, equity which, broadly defined, is justice according to natural law and right. As such, **the doctrine of estoppel cannot give validity to an act that is prohibited by law or one that is against public policy**. It should be resorted to solely as a means of preventing injustice and should not be permitted to defeat the administration of the law, or to accomplish a wrong or secure an undue advantage, or to extend beyond them requirements of the transactions in which they originate. Simply put, the doctrine of estoppel must be sparingly applied.

Moreover, **the BIR cannot hide behind the doctrine of estoppel to cover its failure to comply with RMO 20-90 and RDAO 05-01, which the BIR itself issued. As stated earlier, the BIR failed to verify whether a notarized written authority was given by the respondent to its accountant, and to indicate the date of acceptance and the receipt by the respondent of the waivers. Having caused the defects in the waivers, the BIR must bear the consequence**. It cannot shift the blame to the taxpayer. To stress, a waiver of the statute of limitations, being a derogation of the taxpayer's right to security against prolonged and unscrupulous investigations, must be carefully and strictly construed."[18]

Thus, having executed a defective waiver, no valid agreement between petitioner and respondent can be construed to have taken place. A waiver is not a unilateral act by the taxpayer or the BIR, but is a bilateral agreement between two parties to extend the period to a date certain. Consequently, the extension for the period for assessment of CY 2006 until December 31, 2010 has no effect.

We shall now proceed to petitioner's assertions.

In its Motion, petitioner requests this Court to take judicial notice of R.R. No. 14-2007[19], and the case of Tambunting Pawnshops, Inc. vs. a

[18] CIR vs. Kudos Metal Corporation, *Supra 17*
[19] "CLARIFIES THE TAX TREATMENT OF MICROFINANCE SERVICES RENDERED BY NON-GOVERNMENTAL ORGANIZATIONS (NGOS)", dated December 11, 2007

Commissioner of Internal Revenue[20]. Considering that they are official acts of the executive and judicial departments of the Philippines,[21] this Court is required mandatorily to take judicial notice of the same. However, finding its application in the instant controversy is a different aspect.

Having settled that it is not subject to income tax, petitioner now claims that cooperatives engaged in microfinance activities are exempt from VAT under R.R. No. 14-2007, which also provides tax exemptions to NGOs. Thus, the income it derived from its micro-finance activities as NGO should likewise be exempted from VAT.

Unfortunately, it does not follow.

R.R. No. 14-2007 should be read in consonance with R.R. No. 20-2001[22] and RMC No. 76-2003[23]. R.R. No. 20-2001 applies to cooperatives duly registered with the Cooperative Development Authority, and further requires a tax-exemption certificate before being exempted from income or sales tax. RMC No. 76-2003, on the other hand, pertains only to exemption from income tax under Section 30 of the NIRC of 1997, as amended. Both R.R. No. 20-2001 and RMC No. 76-2003 are clear as to their application, there is no room for confusion much less interpretation.

In fact, Section 5 of RR No. 14-2007 only exempts NGOs from payment of income taxes and not VAT, to wit:

> **"SECTION 5. Tax Treatment of Microfinance Services Rendered by Non-Governmental Organizations**
>
> All NGOs falling under the enumeration of Section 30 of the Tax Code of 1997, as amended, **are exempt from income taxes**, in respect of income received by them as such. However, income of such NGOs from microfinance activities and which are not in respect of their registered activities covered by Section 30 of the Tax Code of 1997, as amended, regardless of the disposition made of such

[20] G.R. No. 179085, January 21, 2010
[21] Section 1, Rule 129 of the Revised Rules of Court
[22] Tax Treatment for Credit Cooperatives on Transactions Related to its Microfinance Activities, dated November 12, 2001
[23] Clarifies the Tax Treatment for Non-stock, Non-Profit Corporations in re Section 30 of 1997 Tax Code, and Non-stock, Non-Profit Educational Institutions in re Sec. 4, Art IV of the Constitution, dated November 17, 2003

income, shall be subject to tax under the Tax Code of 1997, as amended.

Similarly, non-stock, non-profit NGOs, whether or not engaged in microfinance activities are still also required to file withholding tax returns and remit withholding taxes on all income payments that are subject to withholding as specified in Revenue Memorandum Circular No. 76-2003." *(Emphasis Ours)*

At the risk of being repetitive, *We* again stress the nature of value added tax. VAT is a form of sales tax. It is a tax on consumption levied on the sale, barter, exchange or lease of goods or properties and services in the Philippines and on importation of goods into the Philippines. It is an indirect tax, which may be shifted or passed on to the buyer, transferee or lessee of goods, properties or services.[24] Thus, the mere fact that petitioner earns interest even at a "minimal rate"[25] is enough for it to be subjected to VAT. In fact, Section 108 of the NIRC of 1997, as amended, defines the phrase "sale of services" as the "performance of all kinds of services for others for a fee, remuneration or consideration." For purposes of determining VAT liability on services rendered, it does not matter whether a profit is realized or not in a transaction. As long as the entity provides service for a fee, remuneration or consideration, then the service rendered is subject to VAT.[26]

Petitioner submits that assuming it is not exempt from VAT, it is at best subject to 0% to 5% percentage tax under Section 122 of the NIRC of 1997, as amended, since under Section 2.3 of R.R. No. 9-2004, it can be considered as a financial intermediary. To bolster its claim, petitioner cites the case of the *Tambunting Pawnshop,* wherein the Supreme Court declared that pawnshops are classified as "Other Non-bank Financial Intermediaries", hence, petitioner is in the opinion that it should be considered the same.

Again, *We* are not convinced.

Section 122 of the NIRC of 1997, as amended by R.A. 9238[27], reads as follows:

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[24] BIR "Tax Information " definition

[25] Page 31 of petitioner's Memorandum, Docket p. 774

[26] CIR vs CA, et al., G.R. No. 125355, March 30, 2000

[27] "AN ACT AMENDING CERTAIN SECTIONS OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, BY EXCLUDING SEVERAL SERVICES FROM THE COVERAGE OF THE VALUE-ADDED TAX AND RE-IMPOSING THE GROSS RECEIPTS TAX ON BANKS AND NON-BANK FINANCIAL INTERMEDIARIES PERFORMING QUASI-BANKING FUNCTIONS AND OTHER NON-BANK FINANCIAL INTERMEDIARIES BEGINNING JANUARY 01, 2004" dated February 05, 2004

> "Sec. 122. Tax on Other Non-Bank Financial Intermediaries. – There shall be collected a tax of five percent (5%) on the gross receipts derived by other non-bank financial intermediaries doing business in the Philippines, from interest, commissions, discounts and all other items treated as gross income under this code: Provided, that interests, commissions and discounts from lending activities, as well as income from financial leasing, shall be taxed on the basis of remaining maturities of the instruments from which such receipts are derived, in accordance with the following schedule:
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> maturity period is five (5) years or less. 5%
> maturity period is more than five (5) years. . 1%
>
> Provided, however, that in case the maturity period is shortened thru pretermination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate shall be applied accordingly.
>
> Provided, finally, that the generally accepted accounting principles as may be prescribed by the Securities and Exchange Commission for other non-bank financial intermediaries shall likewise be the basis for the calculation of gross receipts.
>
> Nothing in this code shall preclude the Commissioner from imposing the same tax herein provided on persons performing similar financing activities."

Under the General Banking Act, financial intermediaries are defined as "persons or entities whose principal functions include the lending, investing or placement of funds or evidences of indebtedness or equity deposited with them, acquired by them, or otherwise coursed through them, either for their own account or for the account of others."

Going back to the instant case, petitioner seeks to align itself with the definition of financial intermediaries to escape VAT liability. It asserts that the activities under its Articles of Incorporation are the same as that of non-bank financial intermediaries.

However, perusal of its Amended Articles of Incorporation[28] reveals that the "lending function" it claims to undertake with the poor falls within the definition of microfinance under R.A. No. 8425[29], Section 3(j) of which provides:

> "(j) "Microfinance" - A credit and savings mobilization program **exclusively for the poor** to improve the asset base of households and expand the access to savings of the poor. **It involves the use of viable alternative credit schemes and savings programs including the extension of small loans**, simplified loan application procedures, group character loans, collateral-free arrangements, alternative loan repayments, minimum requirements for savings, and small denominated savers' instruments;" *(Emphasis Ours)*

Petitioner cannot simply insist that the extension of loans to the poor is no different from other entities whose principal function is to lend money, so as just to fit within the definition of financial intermediaries and consequently be entitled to a better tax treatment.

Further, while it is true that, in the *Tambunting Pawnshop* case the Supreme Court ruled that pawnshops are entitled to percentage tax on gross receipts, the same cannot be given to petitioner.

Section 3 of Presidential Decree (P.D.) No. 114[30] defines pawnshop as "a person or entity engaged in the business of lending money on personal property delivered as security for loans and shall be synonymous, and may be used interchangeably, with pawnbroker or pawn brokerage." Also Section 6 of P.D. No. 114[31] requires registration with the Central Bank before commencement of the pawnshop's operation.

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[28] Exhibit "D", Docket, Vol. I, pp. 332-338

[29] "AN ACT INSTITUTIONALIZING THE SOCIAL REFORM AND POVERTY ALLEVIATION PROGRAM, CREATING FOR THE PURPOSE THE NATIONAL ANTI-POVERTY COMMISSION, DEFINING ITS POWERS AND FUNCTIONS, AND FOR OTHER PURPOSES" dated December 11, 1997

[30] "REGULATING THE ESTABLISHMENT AND OPERATION OF PAWNSHOPS" dated January 29, 1973

[31] ***Section 6. Requirement of registration with the Central Bank.*** Any individual, corporation or association duly registered and licensed to engage in the pawnshop business shall file an information sheet, under oath, with the Central Bank before commencement of actual operations: Provided, however, That pawnshops duly licensed and operating before the approval of this Decree shall, within six months from the date of effectivity of the same, register with the Central Bank. For this purpose, the Central Bank shall furnish pawnshops, upon request, with necessary copies of the prescribed information sheet.

The case of *First Planters Pawnshop, Inc. vs. Commissioner Of Internal Revenue*[32], is instructive as to why pawnshops were classified as non-financial intermediaries. Thus:

> "That pawnshops are to be treated as non-bank financial intermediaries is further bolstered by the fact that pawnshops are under the regulatory supervision of the *Bangko Sentral ng Pilipinas* and covered by its Manual of Regulations for Non-Bank Financial Institutions. The Manual includes pawnshops in the list of non-bank financial intermediaries, *viz.*:
>
> § 4101Q.1 *Financial Intermediaries*
>
> x x x
>
> Non-bank financial intermediaries shall include the following:
>
> (1) A person or entity licensed and/or registered with any government regulatory body as a non-bank financial intermediary, such as investment house, investment company, financing company, securities dealer/broker, lending investor, **pawnshop**, money broker x x x. (Emphasis supplied)
>
> *Revenue Regulations No. 10-2004*, in fact, recognized these bases, to wit:
>
> 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.
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> 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.

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[32] G.R. No. 174134, July 30, 2008

Ultimately, R.A. No. 9238 categorically confirmed the classification of pawnshops as non-bank financial intermediaries."

All told, it is a rule that because taxes are the lifeblood of the nation, statutes that allow exemptions are construed strictly against the grantee and liberally in favor of the government. Otherwise stated, any exemption from the payment of a tax must be clearly stated in the language of the law; it cannot be merely implied therefrom.[33]

WHEREFORE, premises considered, respondent's Motion for Reconsideration (Of the Decision dated June 20, 2014) and petitioner's Motion for Partial Reconsideration are both **DENIED** for lack of merit.

SO ORDERED.

CAESAR A. CASANOVA
Associate Justice

WE CONCUR:

Juanito C. Castañeda, Jr.
JUANITO C. CASTAÑEDA, JR.
Associate Justice

AMELIA R. COTANGCO-MANALASTAS
Associate Justice

[33] Paseo Realty & Development Corp vs. CA, et al., GR 119286, October 13, 2004; CIR vs. Solidbank Corporation, G.R. No. 148191, November 25, 2003