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

RA 10026	000-00	335-2016

6-29-2016

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

SOUTHERN PHILIPPINES MEDICAL CENTER
Department of Health
Center for Health Development for Southern Mindanao
Davao Medical Center
Davao City

Attention: **RICARDO SD. JUSTOL, MARE, MPA**
Chief Administrative Officer

Gentlemen:

This refers to your letter dated April 5, 2013, requesting for the issuance of a certificate of tax exemption as one of the retained hospitals of the Department of Health, and therefore a National Government Agency entitled to tax exemption.

Documents submitted disclosed that Southern Philippines Medical Center is a Government hospital under the Department of Health of the Republic of the Philippines; that was created as the Davao Medical Center (then called "Davao Public Hospital") by virtue of Republic Act (RA) No. 1859, enacted on June 22, 1957; and that on November 19, 2009, RA No. 9792 was enacted increasing the number of beds to 1,200 and renamed the hospital as Southern Philippines Medical Center.

In reply, please be informed that Section 1 of R.A. No. 10026 provides as follows:

> *"Section 1. Section 27 (C) of the National Internal Revenue Code (NIRC) of 1997, as amended by Republic Act No. 9337, is hereby further amended to read as follows:*
>
> *"SEC. 27. Rates of Income Tax on Domestic Corporations. —*
>
> *"xxx xxx xxx*
>
> *"(C) Government-owned or -Controlled Corporations, Agencies or Instrumentalities. — The provisions of existing special or general laws*

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to the contrary notwithstanding, all corporations, agencies, or instrumentalities owned or controlled by the Government, except the Government Service and Insurance System (GSIS), the Social Security System (SSS), the Philippine Health Insurance Corporation (PHIC), the local water districts (LWD) and the Philippine Charity Sweepstakes Office (PCSO), shall pay such rate of tax upon their taxable income as are imposed by this Section upon corporations or associations engaged in a similar business, industry, or activity.

The above-quoted provision specifically excepted only five (5) corporations, namely, GSIS, SSS, PHIC, LWD and PCSO from the payment of regular corporate income tax. Thus, Southern Philippines Medical Center falls under "All other government-owned or controlled corporations, agencies or instrumentalities owned and controlled by the government" and is subject to income tax on its taxable income.

Additionally, its charter, RA No. 1859, as amended by RA 9792, is bereft of any provision expressly exempting Southern Philippines Medical Center from Tax.

It is a governing principle in taxation that tax exemptions must be construed in *strictissimi juris* against the taxpayer and liberally in favor of the taxing authority; and one who claims an exemption must be able to justify the same by the clearest grant of organic or statute law. An exemption from the common burden cannot be permitted to exist upon vague implications. (CIR vs. Isabela Cultural Corporation, G.R. No. 172231 dated February 12, 2007)

In view of the foregoing, all other government-owned or controlled corporations, agencies or instrumentalities engaged in a similar business, industry or activity as that of an ordinary taxable corporation, which are not mentioned in Section 27 (C) of the Tax Code of 1997, as amended, therefore are deemed taxable on their gross income, hence, this Office regrets to deny your request for certificate of tax exemption for lack of legal basis.

Very truly yours,

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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JUN 24 2016

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cc: Regional Director
Revenue Region 19-Davao City