REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Sec. 5, RA 8367 RR No. 13-2004 RR No. 9-2000 RR No. 9-2004 RMC No. 9-2016
BIR Ruling No. 302-14
I 572-2017
12-7-2017

MEAD JOHNSON NUTRITION EMPLOYEES
SAVINGS AND LOANS ASSOCIATION, INC.
2309 2nd flr MJN Building, Don Chino Roces Ave. Makati City

Attention: **DOMINADOR S. CANEDA**
President

Gentlemen:

This refers to your undated letter received by this Office on April 18, 2013, requesting for Certificate of Withholding Tax Exemption pursuant to Section 30 (B) of the of the Tax Code of 1997, as amended.

It is represented that Mead Johnson Nutrition Employees Savings & Loan Association, Inc. (MJNESLA)[1] (TIN), is a non-stock savings and loans association duly organized under the laws of the Philippines; that it is registered with the Securities and Exchange Commission (SEC) under Registration No. that "the purpose for which the corporation is formed are to instill in the employees the value of forced savings; to have funds available as loans to them whenever they are in dire need of cash; and to engage in other ventures for the furtherance of the benefits of its members insofar as may be permitted by law"; that a Certification was issued by MJNESLA certifying that Bristol-Myers Squibb Employees Savings & Loan Association, Inc. has not availed any of the tax exempt provisions of RA No. 8367; and that it is authorized to operate as a Non-Stock Savings and Loan Association under RA No. 8367 by the Bangko Sentral ng Pilipinas with Certificate of Authority No. dated August 8, 1966.

[1] Formerly: Bristol-Myers Squibb Employees Savings & Loan Association, Inc.

In reply, please be informed that Section 30 (B) of the Tax Code of 1997, as amended, provides, viz:

> *"Sec.30. Exempt from Tax on Corporations. – The following organizations shall not be taxed under this Title in respect to income received by them as such:*
>
> *xxx*
>
> *(B) Mutual savings bank not having a capital stock represented by shares, and cooperative bank without capital stock organized and operated for mutual purposes and without profit;*

Moreover, Section 5 of Republic Act No. 8367, entitled: *"An Act Providing for the Regulation of the Organization and Operation of Non-Stock Savings and Loan Associations"*, provides, viz.:

> *"SEC. 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 Association, as well as the shares of its members from the net income of the Associations shall be exempt from income tax."*

RA 8367 regulates the organization and operation of non-stock savings and loan associations which are exempt from income pursuant to Section 30 (B) of the Tax Code of 1997, as amended. There being no amendment made on the exemption of non-stock mutual savings bank under RA 8424[2], the foregoing RA No. 8367 shall continue to supplement the provision of the Tax Code of 1997, as amended.

Based on the foregoing, MJNESLA shall be exempt from income tax with respect to income it receives, including interest income derived from its deposit and deposit substitutes which shall be exempt from twenty percent (20%) final withholding tax. (BIR Ruling No. 302-14 dated July 24, 2014)

However, any disposition made by MJNESLA of its properties (real or personal) is subject to applicable income tax depending on the classification of its properties either capital or ordinary assets.

Moreover, Section 4 of Revenue Regulations (RR) No. 9-2004, as amended, implementing Section 122 of the National Internal Revenue Code (NIRC) of 1997, as amended, as further clarified in Revenue Memorandum Circular (RMC) No. 9-2016, provides for the imposition of Gross Receipts Tax (GRT) on Non-Bank Financial Intermediaries (NBFIs), thus MJNESLA is subject to GRT on income derived from its operations, unless otherwise exempted under special law.

---

[2] Tax Code of 1997, as amended

As provided under Section 5 of RA No. 8367, MJNESLA is only exempt from income tax. Thus, MJNESLA as NBFI is subject to Documentary Stamp Tax (DST) under the provisions of RR No. 13-2004 implementing Title VII of the NIRC, as amended, particularly on loan agreements, mortgages, pledges, foreclosures and sales, among others.

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.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

K-1-JRC

011650