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REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE

National Office Building  
Quezon City



REVENUE MEMORANDUM CIRCULAR NO. 090-2026

**SUBJECT :** Clarification on the Certificate of Compliance issued by the Cooperatives and Social Enterprise Authority of the Bangsamoro Autonomous Region in Muslim Mindanao

**TO :** All Internal Revenue Officials, Employees, and Others Concerned

This Circular is issued to clarify and provide guidance on whether the "Certificate of Compliance" issued by the Cooperatives and Social Enterprise Authority (CSEA) of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) can be accepted for the issuance of Certificate of Tax Exemption (CTE) in lieu of the "Certificate of Good Standing" issued by the Cooperative Development Authority (CDA) as required under Revenue Memorandum Order (RMO) No. 76-2010<sup>1</sup>, which prescribes the policies and guidelines in the issuance of CTE of cooperatives.

**Purpose of Certificate of Compliance**

The "Certificate of Good Standing" issued by the CDA is among the documents required to be attached to the letter-application for the issuance of a CTE in accordance with Section 13 of the Joint Rules.<sup>2</sup> The same Section further states that no application for tax exemption shall be issued in the absence thereof.

The "Certificate of Good Standing" issued by the CDA serves as proof that the cooperative has complied with the mandatory requirements under Republic Act (RA) No. 9520, or the Philippine Cooperative Code of 2008, and relevant issuances, and is thus eligible to avail the incentives and privileges under the Joint Rules, in relation to Articles 60 and 61 of the said law.<sup>3</sup>

The CDA now issues a "Certificate of Compliance", instead of a "Certificate of Good Standing", for specific purposes including the availment of the incentives and privileges set forth under the Joint Rules, in relation to Articles 60 and 61 of RA No. 9520.<sup>4</sup>

<sup>1</sup> Dated September 27, 2010.

<sup>2</sup> Joint Rules and Regulations implementing Articles 60, 61 and 144 of Republic Act No. 9520, Otherwise Known as the "Philippine Cooperative Code of 2008" in Relation to RA No. 8424 or the National Internal Revenue Code, as Amended, dated February 5, 2010.

<sup>3</sup> Section 4 of CDA Memorandum Circular No. 2011-16, dated May 6, 2011.

<sup>4</sup> Sections 5 (3) and 6 (2) of CDA Memorandum Circular No. 2015-08, dated September 29, 2015.



## Creation of the CSEA

Section 2 (k) of Article V of RA No. 11054, otherwise known as the "*Organic Law for the Bangsamoro Autonomous Region in Muslim Mindanao*", empowered the Bangsamoro Government (BG) to exercise authority over cooperatives and social entrepreneurship. Pursuant thereto, the BG enacted Bangsamoro Autonomy Act No. 13 or the "*Bangsamoro Administrative Code*" (BAC).

Under Section 57 of Item H, Chapter 3 (Attached Agencies and Offices) of the BAC, the CSEA was created to act as the primary entity to promote the viability and growth of Bangsamoro cooperatives and social enterprises in the Bangsamoro region. The same Section likewise states that the CSEA shall be the *sole agency* of the BG that registers cooperatives and social enterprises. Further, under Section 63 of the Item H, Chapter 3 of the BAC, the Cooperative Development Division of the CSEA is mandated to "*process applications for and thereafter issue Certificates of Registration, and Certificate of Compliance, when warranted*".

Based on the foregoing, the CSEA serves as the agency that administers and supervises the affairs of cooperatives in the BARMM, including registration and issuance of "*Certificate of Compliance*". Eventually, the CSEA was recognized by the CDA as their counterpart agency for the registration, regulation, and development of BARMM cooperatives.

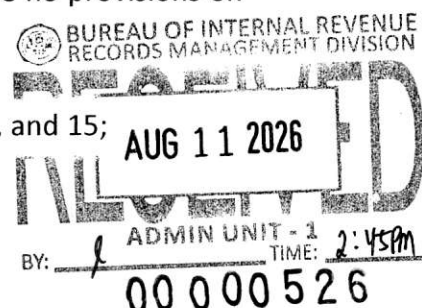
## Applicability of RMO No. 76-2010 on CSEA-registered Cooperatives

It has been argued that the cooperatives in the BARMM were initially registered with the CDA but are now under the CSEA. Hence, the "*Certificate of Compliance*" from CSEA should be accepted as sufficient compliance for the issuance of a CTE. However, it is a basic legal principle that grant of tax exemption is never presumed. Any reduction or diminution thereof with respect to its mode or its rate, must be strictly construed, and the same must be coached in clear and unmistakable terms in order that it may be applied.<sup>5</sup>

The provisions of RA No. 9520 cannot be automatically applied to CSEA-registered cooperatives. Under the BAC or any existing BARMM legislation, there are no provisions on the following which serve as counterparts of RA No. 9520:

- a. Juridical personality under Article 16;
- b. General requirements for registration under Articles 10, 11, 14, and 15;
- c. Registration procedures under Articles 16 and 17;
- d. Tax exemption under Articles 60 and 61; and
- e. Other privileges under Article 62.

Assuming that the BG enacts a Cooperative Code which provides for the grant of tax exemptions similar to those under RA No. 9520, the said grant will fall within the express limitations on the BG's taxing power, as provided under Section 9 (a) and (k) of Article XII of RA No. 11054, which states that the taxing power of the BG shall not extend to Income tax (except when levied on banks and other financial institutions) and taxes, fees, or charges on countryside and barangay business enterprises and cooperatives duly registered under RA No. 6810, otherwise known as the "*Magna Carta for Countryside and Barangay Business*



<sup>5</sup> Floro Cement Corporation vs. Hon. Benjamin K. Gorospe, Judge, CFI of Misamis Oriental, Branch I, and the Municipality of Lugait, G.R. No. L-46787, August 12, 1991.

Enterprises," and RA No. 6938, otherwise known as the "Cooperative Code of the Philippines," as amended.

Furthermore, RA Nos. 6939<sup>6</sup>, 9520<sup>7</sup>, and 11364<sup>8</sup> all provide that the CDA has sole supervision and jurisdiction over all types and categories of cooperatives in the country.

In conclusion, only the "Certificate of Good Standing" (now "Certificate of Compliance") duly issued by the CDA will be recognized for purposes of availing the tax incentives by cooperatives under RA No. 9520. In the absence of an appropriate legislation expressly including the CSEA-registered cooperatives located in the BARMM within the coverage of the tax exemptions under RA No. 9520, said cooperatives cannot avail of the same tax incentives by submitting a "Certificate of Compliance" issued by CSEA.

All internal revenue officials and employees are hereby enjoined to give this Circular as wide a publicity as possible.



**CHARLITO MARTIN R. MENDOZA**  
Commissioner of Internal Revenue

K-1-EACR11



<sup>6</sup> An Act Creating the Cooperative Development Authority to Promote the Viability and Growth of Cooperatives as Instruments of Equity, Social Justice and Economic Development, Defining its Powers, Functions and Responsibilities, Rationalizing Government Policies and Agencies with Cooperative Functions, Supporting Cooperative Development, Transferring the Registration and Regulation Functions of Existing Government Agencies on Cooperatives as Such and Consolidating the Same with the Authority, Appropriating Funds Therefor, and for Other Purposes, approved on March 10, 1990.

<sup>7</sup> Amends RA No. 6938; This law is otherwise known as the "Philippine Cooperative Code of 2008".

<sup>8</sup> Cooperative Development Authority Charter of 2019, approved on August 8, 2019.