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

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| R.A. 7353; Sec. 2(B) of RR 16-93 |
| BIR Ruling No. 480-14 |
| #272-2017 |
| 6-7-2017 |

**CAMALIG BANK, INC. (A RURAL BANK)**
Rizal St., Brgy. Ilawod East
Legazpi City, Albay

Attention: **Jose Misael B. Moraleda**
President/CEO

Gentlemen:

This refers to your letter dated July 3, 2015 requesting Tax Exemption Certificate on behalf of **Camalig Bank, Inc. (A Rural Bank)**, pursuant to Sections 15, 20 and 21 of R.A. No. 7353, otherwise known as the Rural Banks Act of 1992.

It is represented that the Rural Bank of Camalig (Albay), Inc. [TIN: ] and Rural Bank of Ocampo (Camarines Sur), Inc. [TIN: ] are the constituent banks in the Plan of Consolidation and Agreement and Articles of Consolidation executed on April 29, 2014; that the consolidated bank will be known as Camalig Bank, Inc. (A Rural Bank) [TIN ]; that the Securities and Exchange Commission has issued the Certificate of Filing of the Articles and Plan of Consolidation and the Certificate of Incorporation of Camalig Bank, Inc. (A Rural Bank) on May 5, 2015 under SEC Reg. No. , that a Certificate of Authority was issued by the *Bangko Sentral ng Pilipinas* (BSP) on June 2, 2015 granting its authority to Camalig Bank, Inc. (A Rural Bank) to operate as a rural bank pursuant to R.A. 7353 and Monetary Board Resolution No. 1260 dated August 14, 2014; that Camalig Bank, Inc. (A Rural Bank) commenced its operations officially as a rural bank on July 1, 2015; and that the constituent banks did not previously avail or enjoy the tax exemption granted under R.A. No. 7353.

In reply thereto, please be informed that Section 15 of R.A. No. 7353, as implemented by Revenue Regulations No. 16-93, provides—

> "Sec. 15. All rural banks created and organized under the provisions of this Act shall be exempt from the payment of all taxes, fees and charges of whatever nature and description, except the corporate income tax and local taxes, fees and charges, for a period of five (5) years from the date of commencement of operations.
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> x x x"

In relation thereto, Revenue Memorandum Circular No. 066-12 states that:

> "II. Taxation of Rural Banks Formed Through Consolidation
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> Rural banks formed through consolidation ("consolidated rural banks") of existing rural banks ("constituent rural banks") shall not be entitled to the tax exemption under Section 15 of Republic Act No. 7353 in cases when the constituent rural banks previously availed of this exemption. **However, should any or both the constituent rural banks not be able to enjoy the tax exemption for the entire five (5)-year period, then the consolidated rural bank shall be entitled to the exemption for the remaining period.**" (Emphasis Supplied)

Hence, rural banks created and organized under the provisions of the said Act are exempt from the payment of all taxes, fees and charges for a period of five (5) years from the date of commencement of operations. Rural banks formed through consolidation may still enjoy the tax exemption for the entire period of five (5) years from the date of commencement of operations in case any or both of the constituent banks did not avail this exemption or for the remaining period in case it previously enjoyed the tax exemption under the said Act.

In view of the foregoing and considering that both the constituent banks have not yet availed of the tax incentives under R.A. No. 7353, Camalig Bank, Inc. (A Rural Bank) is entitled to all the incentives provided in Section 15 of R.A. No. 7353, except the corporate income tax and local taxes, fees and charges. Accordingly, Camalig Bank, Inc. (A Rural Bank) is exempt from the payment of gross receipts tax imposed on banks and financial institutions under Section 121 of the Tax Code of 1997, as amended, and from documentary stamp tax for a period of five (5) years reckoned from July 1, 2015.

However, the bank's exemption from documentary stamp tax granted under the Act is subject to the provisions of Section 173 *(Stamp Taxes Upon Documents, Loan Agreements, Instruments and Papers)* of the Tax Code which states that "whenever one party to the taxable document enjoys exemption from the tax herein imposed, the other party who is not exempt shall be the one directly liable for the tax."

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be ascertained that the facts are different, then this ruling shall be considered null and void.

Very truly yours,

**CAESAR R. DULAY**
Commissioner of Internal Revenue

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