REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 5, RA No. 8367
RMC No. 9-2016
BIR Ruling No. 046-15; BIR Ruling No. 460-14; BIR Ruling No. 233-14; BIR Ruling No. 384-16
OT-0402-2020
JUL 20 2020

Port Community Savings & Loan Association (PC-SLAI), Inc.
Mezzanine Floor, PPA Bldg., Bonifacio Drive,
South Harbor, Port Area Manila 1018

Attention: AIDA P. DIZON
Chairman & President

Madam:

This refers to your letter dated August 31, 2016 relative to your request from this Office for Certificate of Tax Exemption on behalf of **PORT COMMUNITY SAVINGS & LOAN ASSOCIATION (PC-SLAI), INC.** pursuant to Republic Act (RA) No. 8367, otherwise known as the "Revised Non-Stock Savings and Loan Association Act of 1997."

It is represented **that PORT COMMUNITY SAVINGS & LOAN ASSOCIATION (PC-SLAI), INC.** with business address at Mezzanine Floor, PPA Corporate Bldg. A, Bonifacio Drive, Brgy. 652, Zone 68, Port Area Manila 1018, is a corporation duly registered and existing under the laws of the Republic of the Philippines with the Securities and Exchange Commission under SEC Company Registration No. [redacted] dated March 7, 2000; that it is duly registered with the Bureau of Internal Revenue (BIR) with Taxpayers Identification No. (TIN) [redacted] and Certificate of Registration No. [redacted] dated May 11, 2000; that it was granted Certificate of Authority by the Central Bank of the Philippines on July 18, 2000 to operate as a savings and loan association; and that Article II of its Article of Incorporation states that:

> "The purpose for which the corporation is formed is to engage in the operations of a non-stock savings and loan association; encourage industry, frugality and accumulation of savings among its members, to extend loan to its members and/or make investments in the Government or any of latter's political subdivisions, instrumentalities or corporations."

In reply, please be informed as follows:

Income Tax

Section 5 of RA No. 8367 provides that:

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

Based on the foregoing, **PORT COMMUNITY SAVINGS & LOAN ASSOCIATION (PC-SLAI), INC.** shall be exempt from income tax with respect to income it receives. Also, interest income derived by it from its deposit and deposit substitutes are exempt from twenty percent (20%) final withholding tax. (BIR Ruling No. 046-15 dated February 11, 2015 and BIR Ruling No. 460-14 dated November 13, 2014)

However, any income derived by **PORT COMMUNITY SAVINGS & LOAN ASSOCIATION (PC-SLAI), INC.** from any of its properties, real or personal, or any activity conducted for profit, regardless of the disposition thereof, is subject to the applicable income tax and other internal revenue taxes imposed under National Internal Revenue Code of 1997, as amended. It is subject to the applicable income tax depending on the classification of its properties either capital or ordinary asset.

Gross Receipts Tax

Section 4 of Revenue Regulations (RR) No. 9-2004, as amended, implementing **Section 122 of the National Internal Revenue Code of 1997, as amended,** provides for the imposition of Gross Receipts Tax (GRT) on Non-bank Financial Intermediaries. Section 4 of RR No. 9-2004 states that:

"***SECTION 4. Imposition of Gross Receipts Tax on Other Non-bank Financial Intermediaries.*** — *Gross receipts of other non-bank financial intermediaries (non-bank financial intermediary not performing quasi-banking functions) doing business in the Philippines shall be subject to GRT at rates and on items of income provided hereunder:*

(a) From interest, commissions, discounts and all other items treated as gross income under the Code — 5%

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(b) On interests, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of the instruments from which such receipts are derived:

Maturity period is five (5) years or less — 5%

Maturity period is more than five (5) years — 1%

xxx xxx xxx"

Thus, **PORT COMMUNITY SAVINGS & LOAN ASSOCIATION (PC-SLAI), INC.** is generally subject to GRT on income derived from its operations, unless otherwise exempted under special rules.

Documentary Stamp Tax

As provided under Section 5 of RA 8367, a non-stock savings and loan association is only exempt from income tax. Thus, **PORT COMMUNITY SAVINGS & LOAN ASSOCIATION (PC-SLAI), INC.** as a non-bank financial intermediary, is subject to Documentary Stamp Tax (DST) under the provisions of RR No. 13-2004 implementing Title VII of the National Internal Revenue Code of 1997, as amended, particularly on loan agreements, mortgages, pledges, foreclosures and sales, among others.

Moreover, pursuant to RR No. 9-2000, **PORT COMMUNITY SAVINGS & LOAN ASSOCIATION (PC-SLAI), INC.** is one of the parties to a taxable transaction, it shall be responsible for the remittance of the DST due regardless of who will bear the burden of paying the DST.

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
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