



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE

February 28, 2017

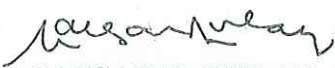
REVENUE MEMORANDUM CIRCULAR NO. 18-2017

**SUBJECT** : Circularizing Memorandum No. 008-2017 dated February 24, 2017 Regarding Issuance of Certificate of Tax Exemption (CTE) to Service Cooperatives.

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

For the information and guidance of all internal revenue officials, employees and others concerned, attached as Annex "A" hereof is the copy of Memorandum No. 008-2017 dated February 24, 2017 regarding the issuance of Certificate of Tax Exemption (CTE) to Service Cooperatives.

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

  
CAESAR R. DULAY  
Commissioner of Internal Revenue  
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REPUBLIC OF THE PHILIPPINES  
 DEPARTMENT OF FINANCE  
 BUREAU OF INTERNAL REVENUE  
 Quezon City



Memo-008-2017

MEMORANDUM

FOR : CAESAR R. DULAY  
 Commissioner of Internal Revenue

FROM : JESUS CLINT O. ARANAS  
 Deputy Commissioner  
 Legal Group

SUBJECT : Service Cooperatives

DATE : February 24, 2017

This has reference to the Memorandum dated February 24, 2015 by former Commissioner Kim S. Jacinto-Henares directing all Regional Directors, Regional Legal Divisions, Revenue District Offices and other Revenue Officials, Employees and other concerned to refrain from issuing Certificate of Tax Exemption (CTE) to cooperatives not specifically identified under Republic Act (RA) No. 9520 such as **labor contracting, professionals, construction, mining and other cooperatives similarly created.**

The Bureau also issued Revenue Memorandum Circular (RMC) No. 12-2012 which circularized the instruction of the Cooperative Development Authority (CDA) to its Regional Directors to refrain from registering the cooperatives (i.e. as labor contracting, professional, construction, mining and other cooperatives similarly created) and conduct inspection/examination and/or investigation and to verify complaints that the cooperatives previously registered were used as tax shield which could be considered as fraudulently registered, one of the grounds for cancellation and revocation of Certificate of Registration.

The affected cooperatives, however, posit that Article 23 of Republic Act (RA) No. 9520, specifically includes a definition of service cooperative as follows:

*Art. 23. Type and Categories of Cooperatives. – Types of Cooperatives-  
 Cooperatives may fall under any of the following types:*

(a) xxx            xxx            xxx  
 xxx                xxx            xxx

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(e) Service Cooperative is one which engages in medical and dental care, hospitalization, transportation, insurance, housing, labor, electric light and power, communication, professional and other services;

xxx                      xxx                      xxx

(u) Other types of cooperatives as may be determined by the Cooperative Development Authority."

Aside from the service cooperatives, other cooperatives not specifically defined under the afore-quoted provision may also be registered as determined by the CDA. Moreover, RA 9520 expressly provides that any doubt in the interpretation and construction of said law should be resolved liberally in favor of the cooperatives, thus:

*"ART. 142. Interpretation and Construction. – In case of doubt as to the meaning of any provision of his Code or the regulations issued in pursuance thereof, the same shall be resolved liberally in favor of the cooperatives and their members.*

It is worthy to note that in two (2) public hearings conducted by the Senate Committee on Cooperatives, chaired by Sen. Miguel Zubiri, regarding Senate Resolution No. 66 (Directing the Senate Committee and Other Appropriate Senate Committees to Conduct an Inquiry, in Aid of Legislation, on the Failure to Comply of the Bureau of Internal Revenue with Republic Act No 9520 or the Philippine Cooperative Code of 2008 by Imposing Unreasonable Requirements Anent the Issuance of Certificates of Tax Exemption in Favor of Cooperatives), the issue, among others, on granting tax exemption to service cooperatives covered by Memorandum dated February 24, 2015 of then Commissioner Kim S. Jacinto- Henares was again brought up by affected cooperatives.

We now seek your guidance on whether or not the tax incentives as provided under RA No. 9520 may be granted to service cooperatives which have been duly registered with CDA.

It is our position that service cooperatives must not be totally prohibited from availing of the tax incentives provided under RA 9520 provided that they are duly registered with the CDA and have been issued Certificates of Good Standing to show that they are bona fide cooperatives falling under RA 9520. Provided, however, that these cooperatives will be subject to post audit verification to check on whether they are just being used as a tax shield to avoid or evade payment of taxes.

It is noted that the CDA issued various Memorandum Circulars (MCs) providing for the guidelines for the registration of the following cooperatives, to wit:

MC No.	Date	Subject
MC No. 2012-11	7-18-12	Guidelines for the Registration of Service Cooperative organized among professionals to practice a particular profession

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**TAX**

MC No. 2012-12	7-18-12	Revised Guidelines in the Registration of Labor Service and Workers Cooperatives
MC No. 2012-13	7-18-12	Guidelines for the Registration of Health Service Cooperative
MC No. 2012-14	7-18-12	Guidelines for the Registration of Small-Scale Mining Cooperative

Accordingly, service cooperatives that fully comply with the guidelines of the CDA may be given tax exemption certificates provided that they also submit the documents required by the BIR under Revenue Memorandum Order (RMO) No. 76-2010 (Prescribing the Policies and Guidelines in the Issuance of Certificate of Tax Exemption of Cooperatives and the Monitoring Thereof) dated September 27, 2010.

For your approval.

APPROVED/DISAPPROVED: *M*

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