

AGAINST REPEAL OF COOPERATIVE TAX PRIVILEGE

Taxation is an inherent power of the state not only for purposes of raising revenues but also to distribute equally the wealth of the nation and protect certain industries by granting exemptions. This is so because it is the primordial duty of the State to alleviate the lives of the people from poverty. The 1987 Constitution itself provides that the goals of the national economy are a more equitable distribution of opportunities, income, and wealth to raise the quality of life for all, especially the underprivileged. Accordingly, the Constitution further requires the promotion of the viability and growth of cooperatives as instruments for social justice and economic development.

Pursuant to the Constitutional mandate, the Philippine Cooperative Code was created and declared the policy of the State to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice. One of the ways to attain such policy is to grant cooperatives the privilege to be exempted from tax. And this has been proven to be the most effective way.

The grant of this privilege to cooperatives may not literally help the government raise revenue, but it fulfills the mandate of alleviating the lives of the people from poverty, which is the ultimate goal of raising revenue. The Code requires the cooperatives to set aside thirty percent (30%) of their profit to be reserved for specific purposes. They cannot spend anything from their money until and unless the requirement on statutory reserves is complied with. These reserves will redound back to the members themselves and the community as a whole, through certain projects specifically required by law. Only the excess of which may be returned back to the members or finance the operations of the coop.

The primary purpose of cooperatives is to provide service to their members. The purpose of gaining profit is only a consequence thereto in order to meet the need to serve the members. Being community based, the services that their members expect from the government are given directly to them by their cooperative through easiest, fastest and most accessible way. Hence, cooperatives are but partner-instruments of the State in promoting equity, social justice and economic development.

Again, cooperatives are created by mostly poor individuals who contributed small amount to the organization on one collective purpose which is to alleviate them from poverty, with less financial support from the Government but the tax exemption. This tax exemption is a social justice measure and can never be considered as fiscal incentive to business. It is clearly provided under the Cooperative Code which is a legislative measure.

Although the general rule is that tax exemptions are not favored and are construed *strictissimi juris* against the taxpayer, this, however, does not apply when the exemption is in favor of cooperatives. The general when dealing with cooperatives is that they are exempted from tax. In a case it decided, the Supreme Court opined that “if there is an express mention or if the taxpayer falls within the purview of the exemption by clear legislative intent, the rule on strict construction does not apply (Comm. Vs. Arnoldus Carpentry Shop, Inc., 159 SCRA 19)”. The tax exemption privilege under the Code was made to enable the cooperatives develop into viable and responsive economic enterprises and thereby fulfill its purpose of serving the need of the members.

Cooperatives conduct their business activities not for profit but for the sustenance of its members. The sound construction of the principles outlined in the Code must be that the powers the law confers are to be carried into execution which will enable the cooperative to perform the high duties assigned to them in the manner most beneficial to their members and to the community as a whole.

Wherefore, removing tax exemptions of cooperatives will deprive poor people the only organization that knows their conditions and which provides them what they need; hence it is heretofore strongly and unyieldingly opposed.


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