



# **Islandwide Forum of Cooperative External Auditors**



## **Handling Audit and Investigation of Cooperatives**

**Dr. Estelita C. Aguirre, CPA, ASEAN CPA**



# Nervous



# Scared



**Confident!!!**

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**Let's go. . .**



# **Presentation Outline**

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- 1. Assessment and Collection of Taxes**
- 2. Due Process in Audit**
- 3. Handling Letter of Authority**
- 4. Handling Subpoena Duces Tecum**
- 5. Handling Informal Conference**
- 6. Protesting Preliminary Notice of Assessment**
- 7. Protesting Final Notice of Assessment//FLD**
- 8. Elevating appeal to the CTA**
- 9. Benchmarking**
- 10. Brief Review of Coops' Taxability/Exemptions**

# Legal References





# Legal References

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**Republic Acts**

**Revenue Regulations**

**RMCS/RMOs**

**BIR Rulings**

**CTA Decisions**

**Supreme Court Decisions**

# Tax Evasion vs. Tax Avoidance

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“**Tax evasion** connotes fraud through the use of pretenses and forbidden devices to lessen or defeat taxes.

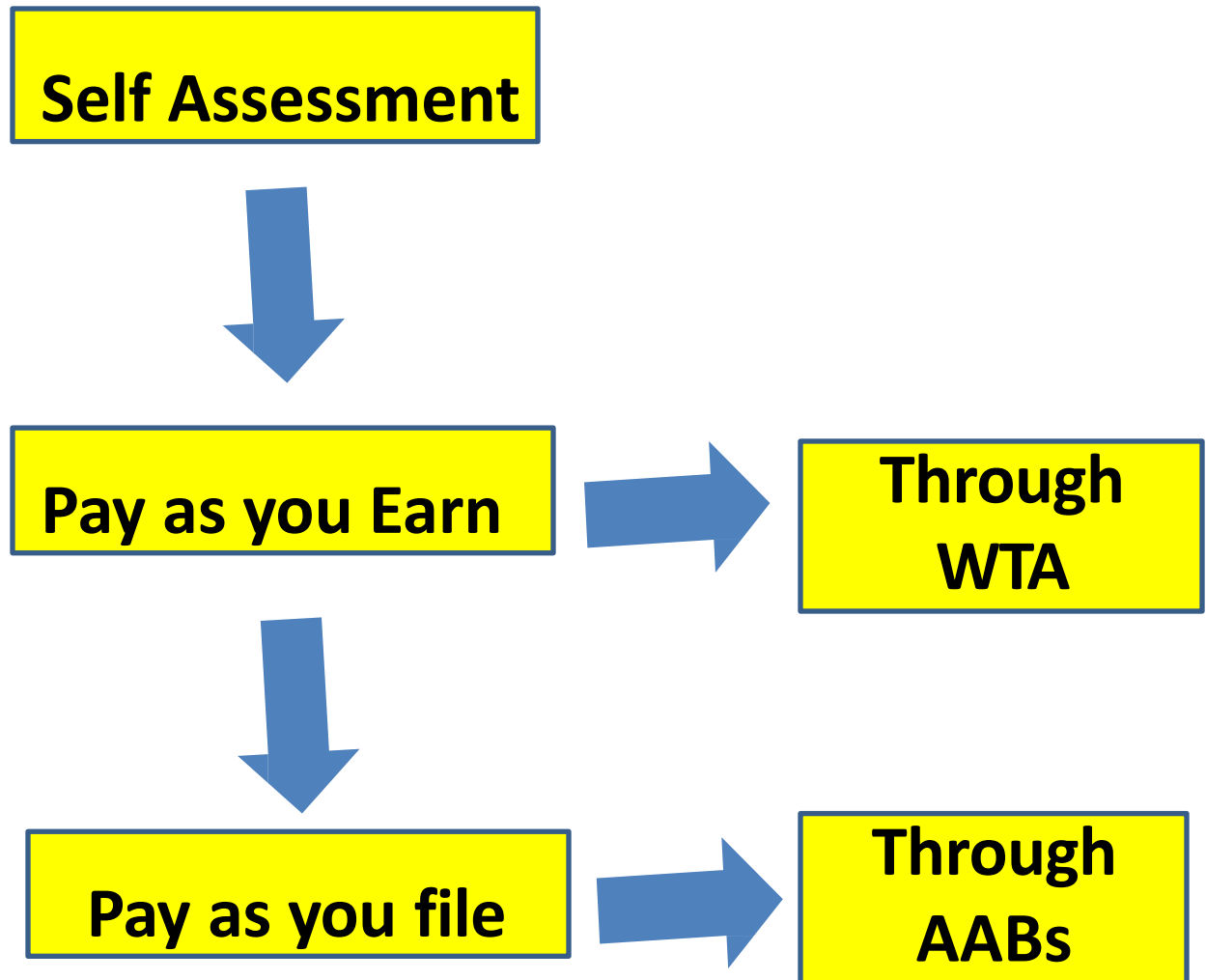
On the other hand, **tax avoidance** is a legal means used by the taxpayer to reduce taxes.”  
(*Benny v. Commr.*, 25 T. Cl. 78)

# Topic 1

## Assessment & Collection Taxes in the Phil



# Voluntary Assessment & Collection of Taxes



# Assessment & Collection Through Audit

**BIR Assessment**

Less

**Self Assessment**

Equals

**No discrepancy**

**Deficiency Tax**

**Refundable/TC**

# Prescription Periods

**Prescription of time to assess** – within 3 years after the last day prescribed by law for the filing of the return. If filed beyond the due date, the 3-year period shall be counted from the date the return was filed. (Section 203)

**Prescription of time to collect** – within 5 years from the time the assessment has become final, demandable and executory. (Section 222c)

**Prescription period to claim for refund** – within 2 years after overpayment or erroneous payment of the tax . (Section 204C)

# Prescription Period for Assessment

## RMC 111-2016

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The issuance of an assessment must be made, generally, **within the three (3)-year prescriptive period**

or

exceptionally, **within the ten (10)-year prescriptive period** pursuant to Sections 203 and 222, respectively, of the Tax Code, as amended.

# Waiver of Prescription

## CTA Case No. 7965 Dec 11, 2012

Next Mobile, Inc. vs CIR

FLD and FAN were received beyond the prescriptive period. BIR argued that assessment was valid since period was validly extended by the various Waivers executed by the Finance Director

The CTA ruled that the **assessment was invalid**. The Waivers were considered to have no binding effect in view of the **absence of a notarized resolution from BOD authorizing the Finance Director to execute the Waiver** (RDAO #05-01).



# Waiver of Prescription

## CTA Case No. 7853 Feb 16, 2012

First Gas Power Corporation vs CIR

**Absence of proof that the Waiver was executed in 3 copies invalidates the Waiver.**

In CIR vs. Kudos Metal Corp, the SC ruled that “the waiver must be executed in three copies, the original copy to be attached to the docket of the case, the second copy for the taxpayer and the third copy of the office accepting the waiver.”

# Waiver of Prescription

## RMO 14-16

The waiver **may be, but not necessarily,** in the form prescribed by RMO No. 20-90 or RDAO No. 05-01., for as long as the following are complied with: The waver

1. shall be **executed before the expiration of the period to assess or to collect taxes.** With the date of execution specifically indicated in the waiver.
2. shall be **signed by the taxpayer himself or his duly authorized representative.** For corporations the waiver must be signed by any responsible official;
3. Shall indicate the **expiry date of the period agreed upon to assess/collect the tax;**

# Waiver of Prescription

## RMO 14-2016

Except for waiver of collection of taxes which shall indicate the particular taxes assessed, **the waiver need not specify the particular taxes to be assessed nor the amount thereof**, and it may simply state "all internal revenue taxes".

Since the taxpayer is the applicant and the executor of the waiver, **he is charged with the burden of ensuring that the waivers of statute of limitation are validly executed by its authorized representative.**

The **authority of the taxpayer's representative** who participated in the conduct of audit or investigation **shall not be thereafter contested to invalidate the waiver.**

# Waiver of Prescription

## RMO 14-2016

The waiver **may be notarized. However, it is sufficient that the waiver is in writing.**

Considering that the waiver is a voluntary act of the taxpayer, the **waiver shall take legal effect and be binding on the taxpayer upon its execution thereof**

It shall be the duty of the taxpayer to submit its duly executed waiver to the CIR or official/s previously designated in existing issuances or the concerned revenue district officer or group supervisor as designated in the LoA/Memorandum of Assignment who shall then **indicate acceptance by signing the same.**

# Waiver of Prescription

## RMO 14-2016

There shall only **be two (2) material dates** that need to be present on the waiver:

**The date of execution of the waiver** by the taxpayer or its authorized representative; and

**The expiry date of the period the taxpayer waives the statute of limitations**

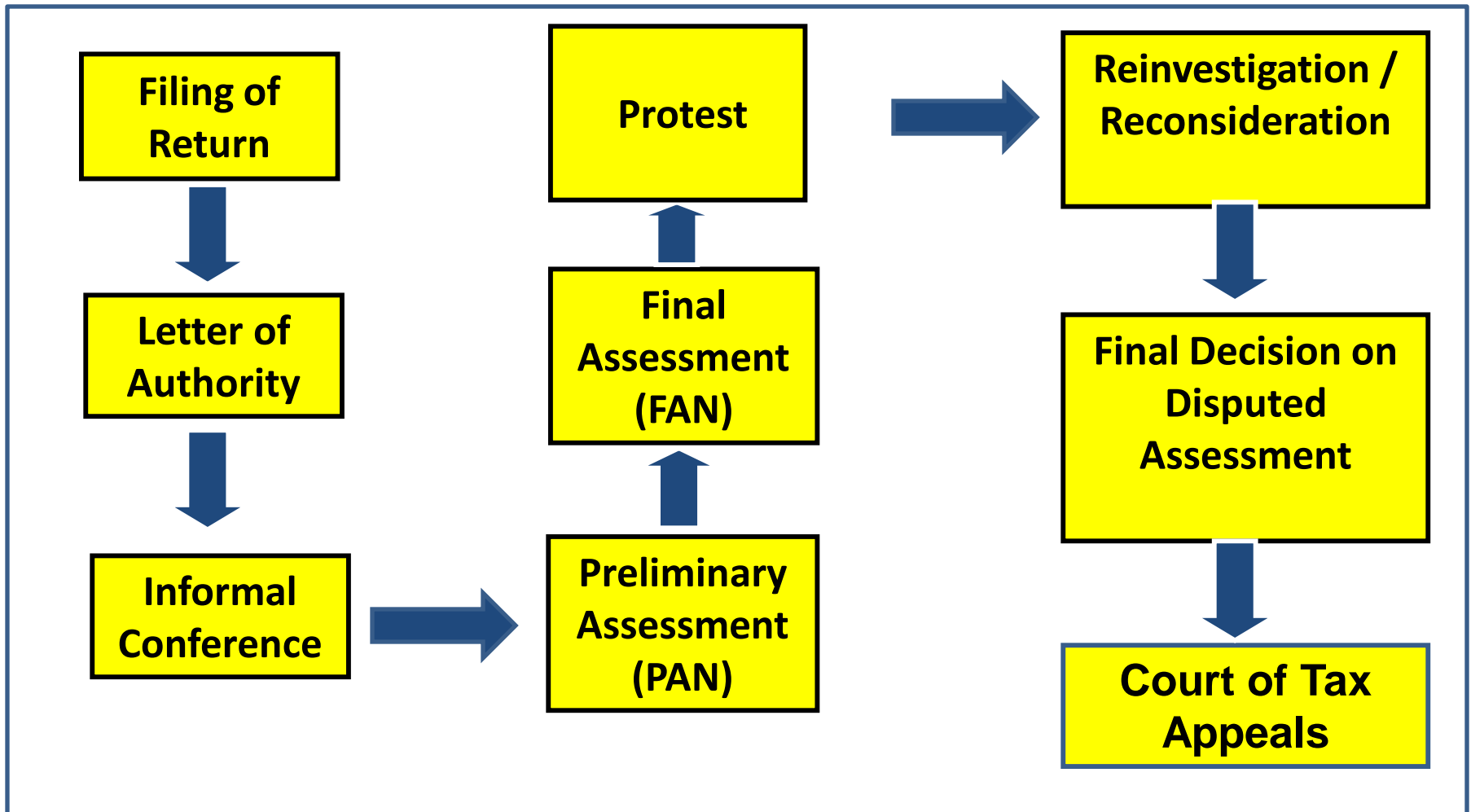
# Topic 2

## Due Process in Audit



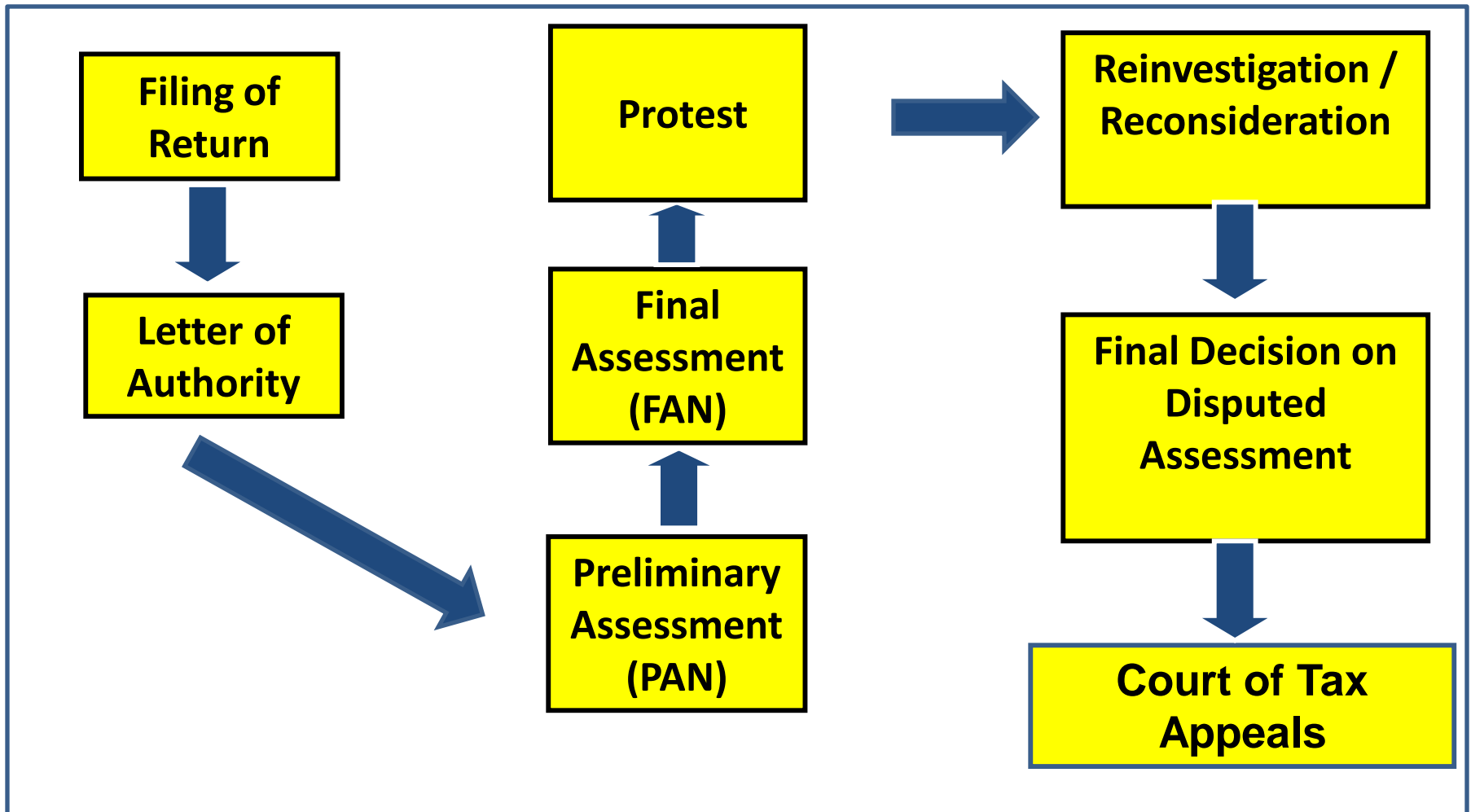
# ASSESSMENT PROCEDURE

## RR 12-99



# ASSESSMENT PROCEDURE

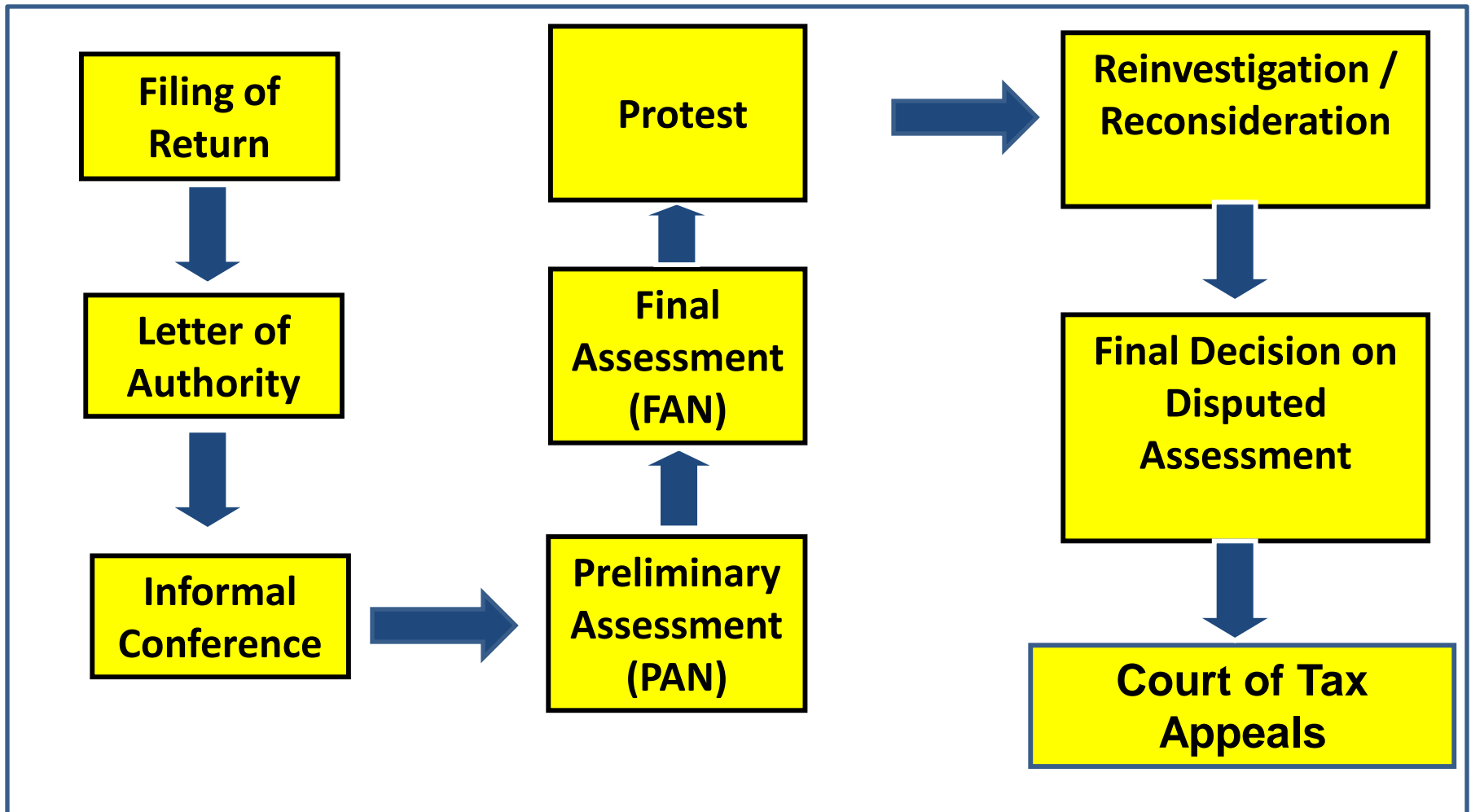
## RR 18-13





# ASSESSMENT PROCEDURE

## RR 7-2018



# Assessments Based on Facts

## G.R. No. L-13656

Assessments should not be based on mere presumptions no matter how reasonable or logical said presumptions may be.

In order to stand the test of judicial scrutiny, the **assessment must be based on actual facts**. The presumption of correctness of assessment being a mere presumption cannot be made to rest on another presumption


# Topic 3

## Handling Letters of Authority



**LA**

**NIC**



**PAN**

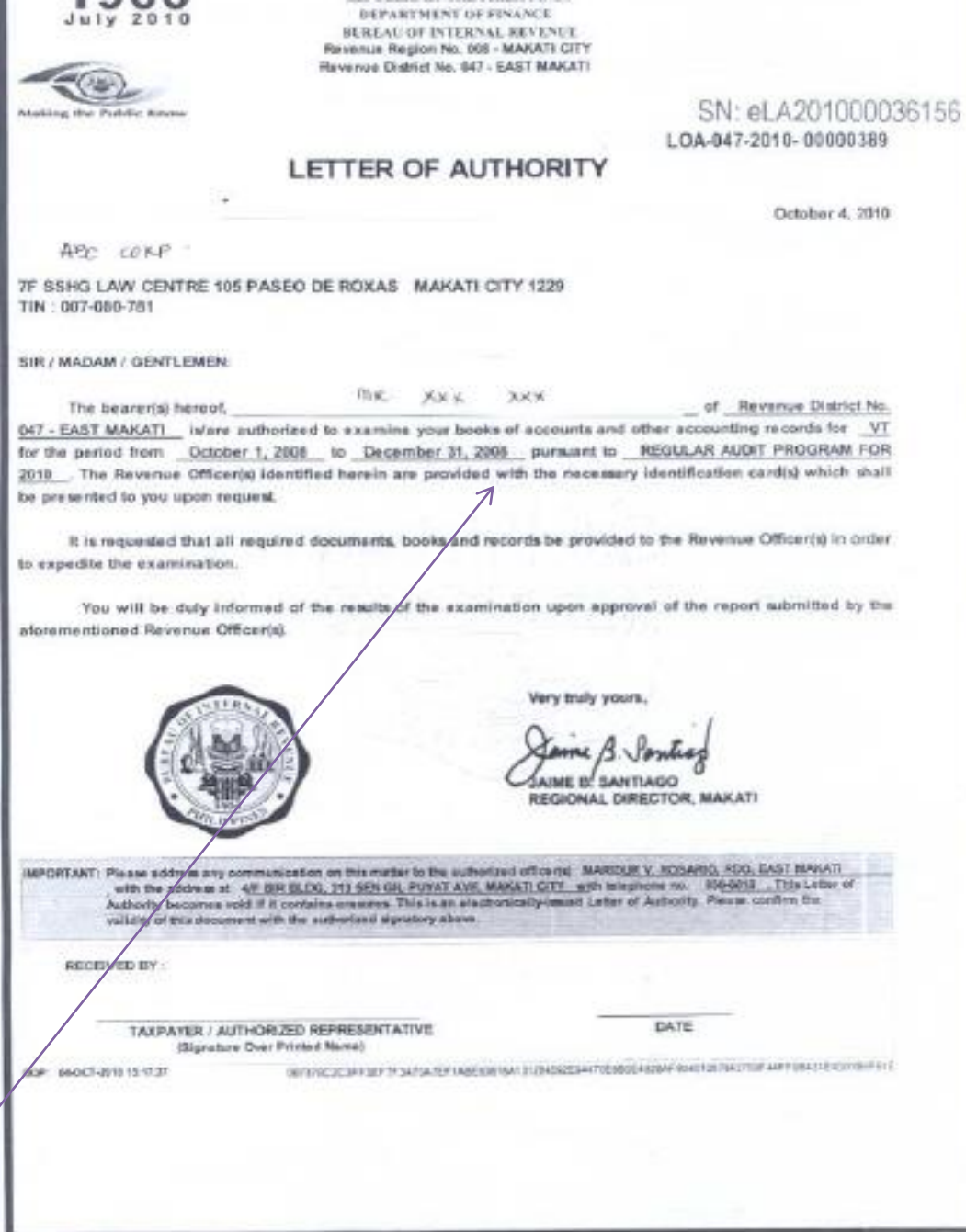
**FAN/FLD**

**15 days**

**15 days**

**30 days**

**Period covered:** Only one taxable year (2008)



# **No LoA, Assessment is Void**

## **RMC 75-2018**

This Circular is being issued to highlight the doctrinal rule enunciated by the Supreme Court in the case of "Medicard Philippines, Inc. vs. Commissioner of Internal Revenue" (G.R. No. 222743, 05 April 2017) on the mandatory statutory requirement of a Letter of Authority (LOA).

**Any tax assessment issued without an LOA is a violation of the taxpayer's right to due process and is therefore "inescapably void."**

# **Electronic Letter of Authority (eLA)**

## **RMO 44-2010**

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**The eLA shall contain the names of the Revenue Officers (ROs) with the first name on the space provided shall be the lead RO; tax types and taxable period to be covered; basis for the audit (i.e., regular audit program, special audit, etc.).**

**No manually-prepared LA shall be issued after June 30, 2010**

# **Conflict in issuance of eLA**

## **RMO 44-2010**

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**In the event that a valid LA has been previously issued by another investigating office for the same taxpayer covering the same tax type(s) and taxable period, the resolution of which investigating office shall handle the audit shall be determined by the CIR, or the designated official.**

# Scope of Letters of Authority

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1. **Audit or investigation** of all internal revenue taxes, including W-taxes.
2. Claims for **tax refund/credit**
3. Audit of taxpayers **retiring from business**



# Revalidation of LA, not needed

## RMO 44-2010

The rule on the need for revalidation of LAs for failure of the revenue officials to complete the audit within the prescribed period shall be **withdrawn, eff June 1, 2010.**

There is **no need for revalidation of the LA even if the prescribed audit period has been exceeded.**

Failure of the RO to complete the audit within the prescribed period shall be subject to the **applicable administrative sanctions.**

# **Taxpayers who Cannot be Located (CBL)**

## **RMC 98-2010**

**Purchases made from CBL taxpayer** whose registration has been recommended for cancellation **shall disallowed as deductions for income tax purposes.**

**Input taxes** from such CBL taxpayers shall also be **disallowed for VAT purposes.**

**CBL taxpayers** whose registrations and invoicing privileges have been cancelled by BIR **shall be published in the BIR Website and in two (2) newspapers of general circulation.**

# Submission of Documents for Audit RMO 45-2010

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**Submit within 10 days** from date of receipt of **LA** and Check list of Requirements

Failure to submit **within 10 days, BIR issues 1st Notice.**

Failure to submit **within 10 days** after First Notice, **BIR issues 2<sup>nd</sup> & Final Notice.**

# Letter Notice

## RMO 13-2012

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If there is an on-going audit pursuant to an eLA) prior to LN assignment, the RO handling the eLA shall be assigned **the LN which shall be consolidated with the eLA.**

The TPI reflected in the LN shall be properly utilized. The policy of non-closure of the eLA without the **resolution of the LN shall be strictly enforced.**

# Letter Notice vs Letter of Authority

## RMC 75-2018

**An LN is entirely different and serves a different purpose than an LoA.** It is not found in the NIRC and is not an authority to conduct an audit or examination of the taxpayer leading to the issuance of deficiency assessments.

Due process demands that **after an LN has served its purpose, the revenue officer should have properly secured an LOA before proceeding with the further examination and assessment of taxpayer.**

# **Implication of Legal Petition Notice (LPN) on Audit Process RMC 38-2013**

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**Receipt of LPN shall not suspend the  
procedures related to audit/investigation  
arising from eLA pertaining to the case.**

# **Implication of Legal Petition on Audit Process Documents RMC 38-2013**

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**Sec 9 of RR 11-2006, clarified by RMC 6-2013:**

**The BIR can refuse to transact official business with tax agents/practitioners who are not accredited before it.**

# Accredited Tax Agent

## RMC 6-2013

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Before engaging the service of a tax agent/practitioner, taxpayers should **secure a copy of his/its BIR certificate of accreditation and take note of the ff: TIN, Accreditation number, Date of issuance and Date of expiry.**



# **Memorandum of Assignment (MOA)**

## ***RMO No. 069-10)***

### **Coverage:**

- 1. Reassignment for the continuation of the audit/investigation to another RO** due to resignation/retirement/transfer of the original RO.
- 2. Assignment to the original RO of returned cases by the reviewing office and reassignment to another RO of returned cases in case of resignation/retirement/transfer of the original RO.**

# Topic 4

## Handling Subpoena Duces Tecum



NATIONAL OFFICE/REVENUE REGIONAL OFFICE

**SUBPOENA DUCES TECUM**

SDT NO. \_\_\_\_\_

GREETINGS:

By the authority vested in me by the provisions of Section 37, Chapter 9, Book 1 of the Administrative Code of 1987, in relation to Sections 5, 14 and 266 of the National Internal Revenue Code, as amended, you are hereby commanded to appear before me at \_\_\_\_\_ on \_\_\_\_\_ at \_\_\_\_\_ a.m. and to bring with you and submit the following:

DESCRIPTION

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

FAIL NOT UNDER PENALTY OF LAW.

Issued this \_\_\_\_\_ day of \_\_\_\_\_,  
LA/TVN No. \_\_\_\_\_

COMMISSIONER OF INTERNAL REVENUE  
By: \_\_\_\_\_

INTERNAL REVENUE OFFICER  
(Signature over Printed Name)

Designation \_\_\_\_\_

Original received at \_\_\_\_\_ m. \_\_\_\_\_.

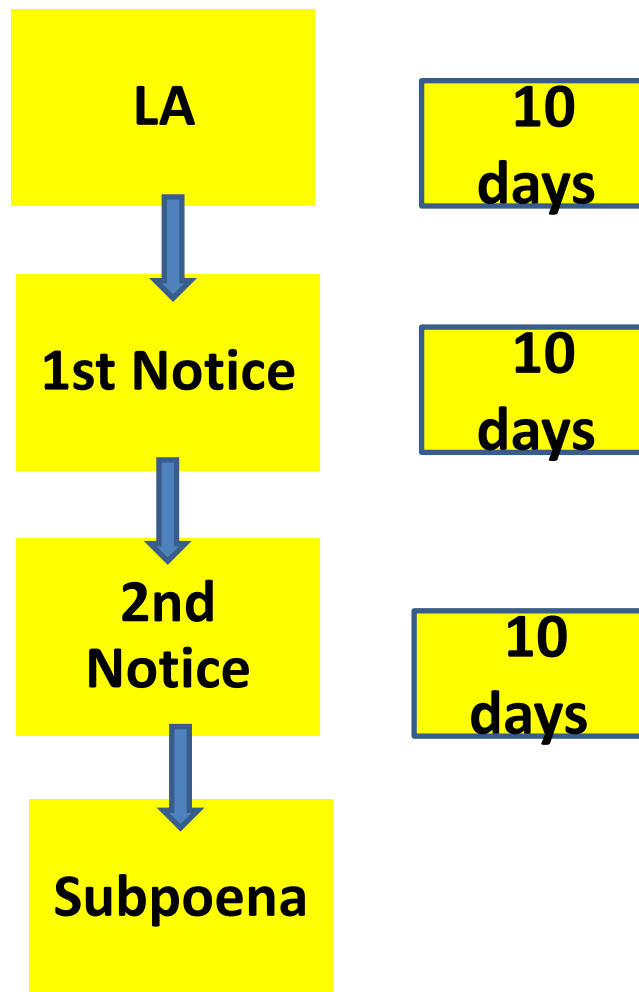
(Signature over Printed Name)

I HEREBY CERTIFY that the original copy of this Subpoena Duces Tecum was duly served by me, same having been received by \_\_\_\_\_ on the date mentioned above.

INTERNAL REVENUE OFFICER  
(Signature over Printed Name)

Designation \_\_\_\_\_  
Station Town/City: \_\_\_\_\_

# Sample SDT RMO 45-2010



# Subpoena Duces Tecum (SDT)

## RMO 45-2010

Failure to submit **within 10 days** after 2<sup>nd</sup> Notice, **BIR issues SDT.**

Failure to comply with the SDT:

1. BIR files a criminal case against the taxpayer
2. Initiate a proceeding to cite the taxpayer for contempt

# **Guidelines for issuance of SDT**

## **RMO No. 10-2013, RMO No. 8-2014**

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Prescribes the revised **guidelines and procedures in the issuance and enforcement of Subpoenas Duces Tecum** (SDT) and the prosecution of cases for non-compliance therewith

# **What is the action of the BIR in case the taxpayer failed to obey SDT?**

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In case there is no submission or incomplete presentation of the required books of accounts and other accounting records, the revenue officers shall work jointly with the action lawyer in documenting/gathering evidence/s for the criminal prosecution of the individual who disobeyed the SDT.

# What is the action of the BIR in case the taxpayer failed to obey SDT?

The person summoned shall be accorded full notice and opportunity to comply with the SDT as detailed herein. Once the Complaint-Affidavit has been filed for violation of Section 266 (“Failure to Obey Summons”) of the NIRC, as amended, **no prosecuting officer of the Bureau shall cause the withdrawal or dismissal of the case, notwithstanding the subsequent submission of documents indicated in the SDT.**

# Topic 5

## Handling Informal Conferences





# **Notice of Informal Conference**

## **RR 7-2018**

**The RO shall state in his report whether or not the taxpayer agrees with his findings that the taxpayer is liable for deficiency tax or taxes**

**If the taxpayer is not amenable to the report of investigation, **the taxpayer shall be informed in writing**, by the RDO or by the SID (in Regional Office) or by the Chief of Division (in BIR National Office) of the discrepancies for the purpose of "Informal Conference," in **order to afford the taxpayer with an opportunity to present his side of the case.****

# Notice of Informal Conference (IC) RR 7-2018

- The IC **shall in no case extend beyond 30 days** from receipt of the notice for IC.
- If the taxpayer is still liable for deficiency tax after presenting his side, and is not amenable to pay, the RDO or the SID Chief, or the Div Chief in the NO, **shall endorse the case within 7 days from the conclusion of the IC** to the Assessment Div of the RO or to the CIR or his duly authorized representative for issuance of a deficiency tax assessment.

# Topic 6

## Protesting of PAN



# Preliminary Assessment Notice (PAN)

## RR 18-2013

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- Notice showing in detail, **the facts and law, rules and regulations or jurisprudence on which the proposed assessments are based.**
- Notice given to the taxpayer prior to the issuance of a Final Assessment Notice (FAN)

# Replying to the PAN

## RR 18-2013

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1. Submit the written reply to the PAN within the 15-day period
2. Address the factual and legal basis of the findings
3. Support the arguments and reconciliations with documentary evidences

# Replying to the PAN

## RR 18-2013

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If the taxpayer, within fifteen (15) days from date of receipt of the PAN, responds that he/it disagrees with the findings of deficiency tax or taxes,

an FLD/FAN shall be issued within fifteen (15) days from filing/submission of the taxpayer's response, calling for payment of the taxpayer's deficiency tax liability, inclusive of the applicable penalties.

# **PAN is Part of Due Process**

## **CTA 8331 Nov 28, 2013**

Yumex Phil vs.CIR

PAN Issued Dec 16, 2010

FAN issued Jan 10, 2011

Both PAN and FAN received on Jan 18, 2011

**Issuance of a FLD/FAN without giving the taxpayer the opportunity to respond to the PAN makes the assessment void.**

# PAN is Part of Due Process

## CTA EB Case No. 878 May 14, 2013

Laurence Lee V. Luang vs.CIR

Petitioner was issued a FLD/ and FAN for the year 2005, without prior issuance of a PAN.

**The Court ruled that the issuance of PAN is an integral part of procedural due process**, laying down the factual and legal basis for the assessment. The Court emphasized the indispensable nature of the PAN in the issuance of assessments and gave emphasis to the fact that the 1997 NIRC provided that the issuance of PAN is mandatory in tax assessments except in five (5) instances, where it is not required. (Read RR 18-2013)



# Exception to the issuance of PAN

## RR 18-2013

1. When the finding for any deficiency tax is the result of **mathematical error** in the computation of the tax appearing on the face of the tax return filed by the taxpayer; or
2. When a **discrepancy has been determined between the tax withheld and the amount actually remitted** by the withholding agent; or
3. When a taxpayer who opted to claim a **refund/tax credit** of excess creditable W-tax for a taxable period was determined to have carried over and automatically applied the same amount claimed against the estimated tax liabilities for the taxable quarter/quarters of the succeeding taxable year;

# Exception to the issuance of PAN

## RR 18-2013

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4. When the **excise tax due on excisable articles has not been paid; or**
5. When an **article locally purchased or imported by an exempt person, such as**, but not limited to, vehicles, capital equipment, machineries and spare parts, **has been sold, traded or transferred to non-exempt persons.**

# Topic 7

## Protesting of FAN



# Final Assessment Notice (FAN)

## RR 18-2013

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**FAN** refers to the document which contains **the final assessment of the BIR** on the taxpayer as regards the taxable year and/or tax under audit.

Taxpayers must be **informed in writing of the law and the facts upon which a tax assessment is based**; otherwise, the assessment is void.

# Delivery of FAN

## RR 18-2013

The notice shall be served through **personal service by delivering personally a copy thereof to the party at his registered or known address or wherever he may be found.**

A known address shall mean a place other than the registered address where business activities of the party are conducted or his place of residence.

In case **personal service is not practicable, the notice shall be served by substituted service or by mail.**

# Failure to File Valid Protest within 30 days

## RR 18-2013

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If the taxpayer **fails to file a valid protest against the FLD/FAN within thirty (30) days from date of receipt thereof, the assessment shall become final, executory and demandable.** No request for reconsideration or reinvestigation shall be granted on tax assessments that have already become final, executory and demandable.

# Decision on the FAN

## RR 18-2013

### **Taxpayer agrees with finding in the FAN**

- Pays deficiency tax inclusive of applicable interest and/or surcharge.
- If there are several issues and taxpayer agrees with the validity of some of the issues raised in the FAN, **the taxpayer shall be required to pay the deficiency taxes on the undisputed issues.**

# Place of Filing Protest Letters

## RMC 39-2013

Letters of protest shall only be filed by **with the Office of the RD, ACIR-LTS and ACIR-ES, who signed the PANs, FANs and FLD, for proper recording of the protests,** and evaluation if in accordance with Section 228 of the NIRC, as implemented by RR No. 12-99 . If procedures are not followed, the letters of protest **shall be considered void and without force and effect.**



# Clarification on PAN/FAN

## RMC 39-2013

The aforementioned revenue officials shall be **primarily responsible in ensuring the preparation of an accurate report on all protests that were filed in their respective offices and the prompt submittal thereof to the CIR every Monday of each week in hard and soft copies.** The format of the Report on Protest Letters Received Covering FANs and Final Decisions on Disputed Assessments is attached as Annex "A" of RMC 39-2013.

# Protesting the FAN

## RR 18-2013

### *Request for reconsideration*

- a plea for a re-evaluation of an assessment
- no need of additional evidence
- may involve a question of fact or law or both.

### *Request for reinvestigation*

- a plea for re-evaluation on the basis of newly-discovered evidence or additional evidences
- may involve a question of fact or law or both,

# Reinvestigation

## RR 18-2013

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***Request for reinvestigation* suspends the running of the 5-year prescriptive period for collection.**

The period between filing of protest and issuance of FDDA is excluded from the 5 years.

# Reconsideration

## RR 18-2013

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***Reconsideration*** merely pleas for a re- evaluation of an assessment, with no documents to submit.

**It does not stop the running of the 5-year prescriptive period to collect.** BIR should be able to initiate collection within 5 years from issuance of FAN

**If not, the BIR losses right to collect** even if the assessment has become final and executory.

# Clarification on PAN/FAN

## RMC 11-2014

An FLD/FAN issued reiterating the immediate payment of deficiency taxes and penalties previously made in the PAN is a denial of the response to the PAN. A final demand letter for payment of delinquent taxes may be considered a decision on a disputed assessment. (CIR vs. Isabela Cultural Corporation; G.R. No. 135210; July 11, 2001).

This includes a disputed PAN. **So long as the parties are given the opportunity to explain their side, the requirements of due process are satisfactorily complied with.**

# Clarification on PAN/FAN

## RMC 11-2014

**An FDL/FAN issued beyond 15 days from filing/ submission of the taxpayer's response to the PAN shall be valid, provided that, it is issued within the period of limitation to assess internal revenue taxes.** The non-observance of the 15-day period, however, shall constitute an administrative infraction and the revenue officers who caused the delay shall be subject to administrative sanctions.

# Clarification on PAN/FAN

## RMC 11-2014

RR 12-99, as amended by RR 18-2013, provides that the taxpayer shall submit all relevant supporting documents in support of his protest within 60 days from date of filing of his letter of protest, otherwise, the assessment shall become final , which means that **the failure of the taxpayer who requested for a reinvestigation to submit all relevant supporting documents within the 60-day period shall render the FLD/FAN "final" by operation of law**

# Clarification on PAN/FAN

## RMC 11-2014

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The notice (PAN/FLD/FAN/FDDA) shall first be served to the **taxpayer's registered address before the same may be served to the taxpayer's known address, or in the alternative**, may be served to the taxpayer's registered address and known address simultaneously.



# Payment Refundable if No FAN Was Issued

## CTA Case No.8147 June 15, 2015

3M PHILIPPINES, INC. vs CIR

The issuance of the FAN/FLD is a due process requirement in assessment cases. Failure by the BIR to comply with this prerequisite, despite payment under protest by the taxpayer, does not toll the prescriptive period.

**In the absence of a FAN/FLD, collection of tax payment on the assessed amount is unauthorized and deemed erroneous.** Hence, the erroneous payment can be refunded to taxpayer.

# Topic 8

## Appeal to the CTA



# Period to Appeal to CTA

## Section 228, NIRC

"If the protest is denied in whole or in part, or is not acted upon within one hundred eighty (180) days from submission of documents, the taxpayer adversely affected by the decision or inaction may appeal to the Court of Tax Appeals **within thirty (30) days from receipt of the said decision, or from the lapse of one hundred eighty (180)-day period**; otherwise, the decision shall become final, executory and demandable."

# Appeal to the CTA

## RR 18-2013

If the protest is denied, in whole or in part, by the CIR's duly authorized representative, the taxpayer may either:

- (i) **appeal to the Court of Tax Appeals (CTA) within thirty (30) days from date of receipt of the said decision;** or
- (ii) **elevate his protest through request for reconsideration to the CIR within thirty (30) days from date of receipt of the said decision.**

No request for reinvestigation shall be allowed in administrative appeal and only issues raised in the decision of the Commissioner's duly authorized representative shall be entertained by the CIR.

# Appeal to the CTA

## RR 18-2013

If the protest is not acted upon by the CIR's duly authorized representative within 180 days counted from the date of filing of the protest in case of a request reconsideration; or from date of submission by the taxpayer of the required documents within sixty (60) days from the date of filing of the protest in case of a request for reinvestigation, the taxpayer may either:

- (i) appeal to the CTA within thirty (30) days after the expiration of the one hundred eighty (180)-day period; or**
- (ii) await the final decision of the Commissioner's duly authorized representative on the disputed assessment.**

# Appeal to the CTA

## RR 18-2013

It must be emphasized, however, that in case of inaction on protested assessment within the 180-day period, the option of the taxpayer to either: (1) file a petition for review with the CTA within 30 days after the expiration of the 180-day period; or (2) await the final decision of the Commissioner or his duly authorized representative on the disputed assessment and appeal such final decision to the CTA within 30 days after the receipt of a copy of such decision, **are mutually exclusive and the resort to one bars the application of the other.**

# Topic 9

## Benchmarking



# Benchmarking

## RR 7-18

**Benchmark is a point of reference** for measurement or a set of standard to be used to measure the compliance of taxpayers in a particular industry.

In this case, **the ratios of Net VAT Due and Income Tax Due in relation to gross sales/receipt**, vis-à-vis profit margin rate is to be used for the purpose of setting the industry standard for taxpayers' compliance.



	OTHER WHOLESALING - GEN. MDSE (NON-IND)	15	47	31.64	1.
5231	PHARMACEUTICALS (IND)	16	56	26.90	0.
5231	PHARMACEUTICALS (NON-IND)	48	44	36.48	1.
2221	PRINTING SERVICES (NON-IND)	38	45	27.60	1.
2221	PRINTING SERVICES (IND)	13	31	40.32	1.
8512	PRIVATE, MEDICAL DENTAL & OTHER HEALTH SVCS (NON-IND)	7	43	75.99	6.
8512	PRIVATE, MEDICAL DENTAL & OTHER HEALTH SVCS (IND)	30	60	100.00	12.
7412	PROFESSIONALS - ACCOUNTING, AUDITING (GPP)	25	48	100.00	0.
7411	PROFESSIONALS - LEGAL ACTIVITIES (GPP)	34	41	84.62	0.
7011	REAL ESTATE LESSOR (NON-IND)	280	39	86.74	8.
7011	REAL ESTATE LESSOR (IND)	53	66	91.15	10.
7012	REAL ESTATE DEVELOPER	95	40	71.59	7.
5521/5529	RESTAURANTS (CAFES / FASTFOOD)	34	32	37.47	0.
5521/5529	RESTAURANTS (FINE DINING)	17	35	47.82	0.
5521/5529	RESTAURANTS (FRANCHISE, FASTFOODS)	22	41	33.23	1.
5521	RESTAURANTS (IND)	19	26	30.56	1.
5521/5529	RESTAURANTS (BARS, CANTEENS)	29	45	39.73	1.
5521/5529	RESTAURANTS (IND)	145	30	37.38	1.
5239	RETAIL - ELECTRICAL SUPPLY (NON-IND)	10	40	20.02	1.
5236	RETAIL - OFFICE MACHINES, EQUIPMENT	13	46	38.69	1.
5235	RETAIL - OFFICE SUPPLIES (NON-IND)	25	56	31.77	0.
5235	RETAIL - OFFICE SUPPLIES (IND)	15	33	27.72	0.
5232	RETAIL SALE VIA STALL & MARKETS	5	60	19.09	0.
5233	SALE OF HOUSEHOLDS APPLIANCES	11	55	41.08	2.
5030	SALE OF MOTOR PARTS (NON-IND)	71	48	33.33	1.
5030	SALE OF MOTOR PARTS (IND)	43	44	34.30	1.

# Topic 10

## Taxability & Exemptions of Coops



# Legal Statutes on Coops

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**RA 6938  
(Cooperative Code of the Philippines)  
(March 10, 1990)**

**Was amended and renumbered  
by**

**RA No. 9520  
(The Philippine Cooperative Code of 2008)  
February 17, 2009**

# **Joint Rules and Regulations DOF, BIR and CDA**

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Circularized by RMC 12-2010  
February 11, 2010

# BIR Issuances on Coops

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- RMC12-2010 Joint Regulations implementing RA 9520
- RMO76-2010 Issuance of CTE
- RMC 81-2010 Clarifying RMO 76-2010
- RMC 64-2009 Revocation of Tax Exemption
- RMC 47-2011 Interest on deposits of coop members
- RMC 12-2012 Coops not specified in RA 9520
- RMC 57-2012 Recall of register function
- RMC 74-2013 NEA Registered Coops
- RMC 72-2003 Tax Implications of Electric Coops

# **RMC 12-2010**

## **Joint RR for Articles 60, 61 & 144**

**Kinds of Cooperatives** under Articles 60 & 61 RA 9520

1. Those transacting **with members only**
2. Those transacting with **members and of non-members with ARUNS of not more than 10 M**
3. Those transacting with **members and non-members with ARUNS of more than 10M**

# **RMC 12-2010**

## **Joint RR for Articles 60, 61 & 144**

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Article 60:

**Coops which transacts with Members only.**

Do not transact business with non-members or the general public

Shall not be subject to any taxes and fees imposed under the internal revenue laws and other tax laws.

# **RMC 12-2010**

## **Joint RR for Articles 60, 61 & 144**

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### Article 61A

**Coops which transacts with Members and Non-Members with ARUNS of not more than P10M.**

Exempt from all national internal revenue taxes as Coops in Art 60.



# **RMC 12-2010**

## **Joint RR for Articles 60, 61 & 144**

### Article 61B

**Coops which transacts with Members and Non-Members with ARUNS more than P10M.**

Exempt from all national internal revenue taxes as Coops in Art 60 with respect to transactions with Members

Subject to NIRC Taxes with respect to transactions with non-members

# RMC 12-2010

## Joint RR for Articles 60, 61 & 144

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### **Exemption** of Coops under Art 60

1. Income tax
2. VAT
3. Percentage Tax
4. Donor's Tax on donations to duly accredited charitable, research and educational institutions re-investment to socio-economic projects within the area of operation of the Coops
5. Excise tax for which it is directly liable

# **RMC 12-2010**

## **Joint RR for Articles 60, 61 & 144**

6. DST provided the other party who is not exempt shall be the one directly liable
7. Annual Registration fee of P500.00
8. All taxes on transactions with insurance companies and banks, including but not limited to 20% final tax on interest deposits and 7.5% final income tax on interest income derived from a depository bank under the EFCDS
9. Electric coops shall be exempt from VAT on revenues on systems loss and on revenues on distribution, supply, metering and lifeline subsidy to their members

# RMC 12-2010

## Joint RR for Articles 60, 61 & 144

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### **Liabilities** of Coops under Art 61B:

1. Income tax – on the amount allocated for interest on capital ; Provided That the same tax is not consequently imposed on interest individually received by the members. Tax base is net surplus arising from the business transactions with non-members after deducting the amounts from the statutory reserve funds

# RMC 12-2010

## Joint RR for Articles 60, 61 & 144

**Liabilities** of Coops under Art 61B:

2. VAT on transactions with non-members, except:
  - i. sales by agri coop to their members as well as non-members ; importation of direct farm inputs, machineries and equipment and spare parts directly used in the production or processing of their produce.

# RMC 12-2010

## Joint RR for Articles 60, 61 & 144

**Liabilities** of Coops under Art 61B (Cont'd):

2.

- ii. Gross receipts from lending activities by credit or multi-purpose coops
- iii. Sales by non-agri, non-electric and non-credit coops, provided that the share capital contributions of each member does not exceed P15,000, regardless of the aggregate capital and net surplus ratably distributed among members.

# RMC 12-2010

## Joint RR for Articles 60, 61 & 144

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### Section 9 **Unrelated Income** of Coops

All income of cooperatives **not related to the main/ principal business/es** shall be subject to all appropriate taxes under the NIRC.

This is applicable to all types of cooperatives whether dealing purely with members or both members and non-members.

# RMC 12-2010

## Joint RR for Articles 60, 61 & 144

### Sec 11. **Taxability of Members/Share Holders of Coops**

- a. Any tax and fee, including but not limited to final tax on members deposits or fixed deposits (otherwise known as share capital) with cooperatives and documentary tax on transactions of members with the Coop; and
- b. Patronage Refund which includes all refunds, returns or rebates of the net savings generated from the operation of the coop.



# Certificate of Tax Exemption

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RMO 76-2010 – CTE for Coops  
September 27, 2010

# Certificate of Tax Exemption

## RMO 76-2010

### General Guidelines:

- All Coops previously registered with CDA under RA 6938 **are deemed registered under RA 9520**, and a new certificate of registration shall be issued by CDA.
- It is **only after a coop has secured a new certificate** of registration that it becomes eligible to apply for a CTE with the BIR.
- All coops registered with CDA are **mandated to update their registration** information with the **BIR**

# Certificate of Tax Exemption

## RMO 76-2010

- A cooperative applying for tax exemption shall be required, as a **condition for the issuance of Certificate of Tax Exemption, to update its BIR Registration with the Revenue District Office (RDO)** having jurisdiction over the cooperative's principal place of business.
- The cooperative's application for Registration Update **may be processed simultaneously** with the cooperative's application for tax exemption.

# Certificate of Tax Exemption

## RMO 76-2010

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The Updated Certificate of Registration shall be issued and released to the cooperative together with the Certificate of Tax Exemption.

The concerned RDO shall endeavour to release the Certificate of Tax Exemption **within ten (10) working days from submission of complete documents by the cooperative.**

# Certificate of Tax Exemption

## RMO 76-2010

Applications for Certificate of Tax Exemptions and its subsequent renewals **shall comply with documentary requirements prescribed in Section. 5 of RMO 76-2010.** The RDO shall refuse to accept the cooperative's application when it is not properly supported by the documents required herein.

# Certificate of Tax Exemption

## RMO 76-2010

For the Original Issuance of CTE

A cooperative shall submit duly accomplished BIR Form No. 1945 together with the ff to the concerned RDO:

1. Certified True Copies of the **Articles of Cooperation and By-Laws**, as certified by CDA;

2. Certified True Copy of the **new Certificate of Registration** issued by the CDA under the new Cooperative Code, as certified by the CDA;

# Certificate of Tax Exemption

## RMO 76-2010

3. Certified True Copy of the **current Certificate of Good Standing** issued by the CDA effective on      date of application; and

4. Certified True Copy of the **BIR Certificate of Registration of the Cooperative.**

5. Original Copy of Certification under Oath of the **List of Cooperative Members with their      respective Taxpayer Identification Number (TIN)      and their capital contributions** prepared by      authorized official of the Cooperative.

# Certificate of Tax Exemption

## RMO 76-2010

For **the initial submission** of this list of cooperative members, **those without TIN may temporarily use NSO number or other government issued ID number or Community Tax Certificate Number.**

**Subsequently, however, the cooperative should require all their members to secure a TIN with the BIR for the updated list of members to be submitted together with the regular filing of the cooperative's annual income tax return.**



# Certificate of Tax Exemption

## RMO 76-2010

### **B. For the Renewal of CTE**

A cooperative shall likewise submit a duly accomplished Application BIR Form No. 1945, with "Annex "A", together with the ff documents to the concerned RDO:

1. Certified True Copy of the COR issued by the CDA under the new Cooperative Code;
2. Certified True Copy of the Latest Articles of Cooperation and the Latest By-Laws of the Cooperative;

# Certificate of Tax Exemption

## RMO 76-2010

3. Certified True Copy of the current Certificate of Good Standing from CDA, effective on the date of application. No application for exemption will be processed in the absence thereof or submission of an expired Certificate of Good Standing; and
4. Certified True Copy of Latest financial statements of the immediately preceding year duly audited by a BIR accredited independent CPA.

# **Certificate of Tax Exemption**

## **RMO 76-2010**

### **Processing of Request for Issuance of CTE**

#### **A. Application and Pre-Evaluation by the RDO**

1. The cooperatives are required to surrender their Old BIR Certificate of Registration and submit an Application of Update of BIR Registration with the RDO where they are originally registered.
2. The cooperative must submit also to the RDO where they are registered a duly accomplished BIR Form No. 1945 with all the requisite documents.

# **Certificate of Tax Exemption**

## **RMO 76-2010**

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### **Application and Pre-Evaluation by the RDO (Cont'd)**

3. The RDO or his designated Revenue Officer of the Day must pre-evaluate the cooperative's submission using Pre-evaluation Sheet of Revenue Officer.
4. Endorsement to the Regional Director:

# Certificate of Tax Exemption

## RMO 76-2010

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If the cooperative's submissions are in order and in compliance with this RMO, the RO of the Day shall prepare a Memo Indorsement Form to the Reg Director recommending issuance of CTE. The entire docket, with the necessary pre-evaluation sheet and endorsement letter report, shall be transmitted within 5 working days from the filing of the duly accomplished BIR Form No. 1945 accompanied by the required documentary requirements to the Office of the Reg Director, through The Chief, Legal Division.

# Certificate of Tax Exemption

## RMO 76-2010

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### Summary of Procedure:

Step 1 Coop files application (Form 1945) with RDO where registered

Step 2 RDO receives request, assigns reference number, pre-evaluates if compliant, transmits to Group Supervisor, then to RDO with endorsement to Reg Director

Step 3 RDO transmit to Legal Division for evaluation .  
Legal prepares appropriate certification .

# **Certificate of Tax Exemption**

## **RMO 76-2010**

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Step 4 Legal Division endorse to Reg Director for signing

Step 5 Regional Director signs certificates and send back to Legal for numbering of certificate

Step 6 Legal Division transmit to RDO for release to Cooperative

# **Certificate of Tax Exemption**

## **RMO 76-2010**

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### **SECTION 8.        Validity of the CTE. —**

Pursuant to Section 14 of the Joint Rules and Regulations, the Certificate of Tax Exemption shall be valid for a period of five (5) years from the date of issue or date of effectivity, unless sooner revoked or cancelled.



# Certificate of Tax Exemption

## RMO 76-2010

### **Yearly Submission together with ITR:**

1. Certified True Copy of the current and effective CGS from CDA;
2. Certified True Copy of Certificate under oath by Chairperson/General Manager stating the ff:
  - a. the type/category of coop and the principal activities/business transactions it is engaged in;
  - b. that the coop is transacting business with members only or both members and non-members, whichever is applicable;

# Certificate of Tax Exemption

## RMO 76-2010

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- c. the amount of accumulated reserves as of the year end concerned;
- d. the amount of the net surplus for the year; and
- e. that at least 25% of the net surplus is returned to the members in the form of interest on share capital and/or patronage refund;

# Certificate of Tax Exemption

## RMO 76-2010

### Yearly Submission together with ITR (Cont'd)

3. Original Copy of yearly summary of records of transactions clearly showing which transactions correspond to members or in case the cooperative deals with members and non-members, yearly summary of records of transactions clearly showing which transactions correspond to members and non-members.

# **Certificate of Tax Exemption**

## **RMO 76-2010**

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### **3. (Cont'd)**

The summary of records of transactions shall specify the nature and subject matter of each transaction, the names and addresses of the parties thereto, the date of the transactions and the amount/s involved. The summary shall follow a format and manner of filing to be prescribed in a separate RMO.

# Certificate of Tax Exemption

## RMO 76-2010

### **Yearly Submission together with ITR (Cont'd):**

4. Original Copy of Certification under oath by the Chairperson/General Manager of the List of Members, their respective Tax Identification Number (TIN) and the Share Capital Contribution of each member as of the year end concerned.

Note: Failure of the cooperatives to comply with the above requirements shall be a ground for cancellation/revocation of the CTE.

# **RMO 81-2010**

## **Clarification on RMO 76-2010**

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On Section 5 (A) of RMO 76-2010:

RMO 81-2010 allows the submission of the **CERTIFIED PHOTOCOPY OF THE LIST OF COOPERATIVE MEMBERS WITH THEIR RESPECTIVE CONTRIBUTION** submitted in obtaining their Certificate of Confirmation of New Registration and CGS to the CDA.

# **Effect of no CTE**

## **BIR Ruling 343-11**

Accordingly, your request for the issuance of Tax Exemption may be granted provided that CALSEDECO's application complies with all the requirements stated in Joint Implementing Rules and Regulations and RMO 76-2010. However, the amount of the income tax assessed is valid prior to the issuance of Certificate of Tax Exemption, but CALSEDECO can apply for tax credit/refund of taxes previously paid from the date of registration with the CDA up to the issuance of the CTE/Ruling, subject to the rules and procedures for processing tax credit/refund.

# Revocation of Tax Exemption

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RMC 64-2009  
Revocation of Tax Exemption  
November 25, 2009



# RMC 64-2009 – Nov 25, 2009

## Revocation of Tax Exemption

Some cooperatives that have been granted tax incentives or exemptions have taken advantage of their favored tax treatment. Abuse and irregularities that may arise include **extending the tax exemption entitlement to non-qualified activities**. Example: Davao Contractors Development Cooperative (DACODECO) which was discovered not complying with the conditions as a tax exempt credit cooperative after its registration..

# RMC 64-2009 – Nov 25, 2009

## Revocation of Tax Exemption

EXCERPTS FROM LETTER BY BIR TO DADECO

Please be informed that based on the investigation conducted by our BIR RDO pursuant to LA No. 47574 dated 24 May 2007, it was discovered that the conditions for which you have been granted a tax exemption by this Office had not been kept. **While you originally registered as a credit cooperative, you later caused your articles to be amended to enable your organization to be engaged in engineering construction and manpower services and in the distribution of construction materials to local government units (LGUs), including the City Government of Davao, which are non-members of DADECO.**

# RMC 64-2009 – Nov 25, 2009

## Revocation of Tax Exemption

EXCERPTS FROM LETTER BY BIR TO DADECO

Your total revenues in 2005 alone, arising from your construction business, had already reached 169.5 Million Pesos. **Such activities, which are basically profit-oriented similar to a taxable partnership or corporation engaged in construction, no longer serve the objectives and purpose of a cooperative, and are therefore subject to the regular taxes imposed under the Tax Code.**

# RMC 64-2009 – Nov 25, 2009

## Revocation of Tax Exemption

### EXCERPT OF LETTER BY BIR TO DADECO

Your financial statements in the years 2004, 2005 and 2006 likewise disclose that your net surplus, in excess of your statutory reserves, were not distributed to your members but were reverted to a liability account of DACODECO in violation of the condition for exemption. To be exempted, it is essential that at least twenty-five percent (25%) of your net income are returned to the members in the form of interest and/or patronage refund.

# RMC 64-2009 – Nov 5, 2009

## Revocation of Tax Exemption

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### EXCERPT OF BIR LETTER TO DADECO

It was likewise discovered based on your 2005 FSs that you have no construction equipment and assets. The fact that your construction services are being undertaken by sub-contractors is indicative of lack of self-reliance.

# RMC 64-2009 – Nov 5, 2009

## Revocation of Tax Exemption

### EXCERPTS FROM LETTER BY BIR TO DADECO

In fact, in your 2005 report to the CDA, from an original membership of fifteen (15) co-operators, there now twenty-one (21) co-operators and sixty-one (61) associate members listed as contractors. Based on the composition of your membership, it is apparent that your business transactions have deviated from the essence of cooperativism, having engaged in transacting business to non-members, such as the LGUs.

# RMC 64-2009 – Nov 25, 2009

## Revocation of Tax Exemption

DACODECO amended its articles to include a business of being engaged in engineering construction, manpower service and distribution of construction materials. Thereafter, DACODECO engaged in said businesses by transacting with non-members of DACODECO. These transactions are basically profit oriented, and does not anymore serve the objectives and purpose of a cooperative. **As a result, the Commissioner of Internal Revenue revoked its tax exemption status.**

# Interest on Members' Deposits

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RMC 47-2011  
October 5, 2011



# RMC 47-2011 dated Oct 5, 2011

## Interest on Deposits of Members

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Circularized the decision of the Supreme Court that the petitioner, Dumaguete Cathedral Credit Cooperative is **not liable to pay the assessed deficiency withholding taxes on interest income from the savings and time deposits of its members.**

# **Non-Registration of Coops Not Identified under RA 9520**

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RMC 12-2012  
March 12, 2012

# RMC 12-2012 – March 12, 2012

## No COR for Certain Organizations

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CDA to refrain from issuing Certificate of Registration to those organizations not specifically identified under R>A 9520 .

Examples: **Labor Contracting, professional, construction, mining and other cooperatives similarly created.**

# Recall of Register Function

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RMC 57-2012  
September 20, 2012

# RMC 57-2012 - Sept 20, 2012

## Recall of Register Function

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Publishing the Full Text of the Memorandum Circular No. 2012-08, Series of 2012 of the CD on the **Temporary Recall of the Delegated Function to Register Selected Types of Primary Cooperatives** pursuant to Memorandum Circular No. 2012-08, Series of 2012 of the CDA

# RMC 57-2012 - Sept 20, 2012

## Recall of Register Function

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Section 3. Purpose. — This guideline is issued for the orderly registration of purposed primary cooperative in compliance with the requirements as provided under RA 9520, Implementing Rules and Regulations, and relevant administrative issuances by CDA and **to ensure that cooperatives are not being used as "Tax-shield" of some misguided groups.**

# RMC 57-2012 - Sept 20, 2012

## Recall of Register Function

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Section 4. Coverage. — This guidance shall cover selected primary cooperatives such **as Workers Cooperatives; Service or other types of cooperatives engaged in labor, manpower, health, mining and other related service.**

# RMC 57-2012 - Sept 20, 2012

## Recall of Register Function

Section 5. Definition of Terms. — As used in this guideline, the following terms shall be defined as:

- (a) **Registration** — is the operative act of the Authority granting judicial personality to a proposed cooperative and is evidenced by the Certificate of Registration.
- (b) **Primary Cooperative** — is a cooperative the members of which are natural persons except electric cooperative, water service cooperative and other cooperatives which the implementing rules and regulations of RA 9520 or the Authority may allow.



# RMC 57-2012 - Sept 20, 2012

## Recall of Register Function

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**(c) Health Services Cooperative** — is one organized for the primary purpose of providing medical, dental and other health services.

**(d) Multipurpose Cooperative** — is one which combines two (2) or more of the business activities of these different types of cooperatives.

# RMC 57-2012 - Sept 20, 2012

## Recall of Register Function

**(e) Producers Cooperative** — is one that undertakes joint production whether agricultural or industrial. It is formed and operated by its members to undertake the production and processing of raw materials or goods produced by its members into finished or processed products for sale by the cooperative to its members and non-members. Any end product or its derivative arising from the raw materials produced by its members sold in the name and for the account of the cooperative shall be deemed a product of the cooperative and its members.

# RMC 57-2012 - Sept 20, 2012

## Recall of Register Function

- (f) **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.
- (g) **Workers Cooperative** — is one organized by workers, including the self-employed, who are at the same time members and owners of the enterprise. Its principal purpose is to provide employment and business opportunities to its members and manage it in accordance with cooperative principles

# RMC 57-2012 - Sept 20, 2012

## Recall of Register Function

Section 6. Jurisdiction. — Applications for registration of above-mentioned primary cooperative shall be filed **with the CDA Central Office (CO).**

Section 14. Area Coverage. — No primary cooperatives as enumerated above shall be allowed to register having nationwide area of operation. However, **they can expand their area of operation after two (2) years provided they satisfy the requirements for branching.**

# Investment in Government Bonds

## BIR Ruling 169-12

Though cooperatives are exempt from certain taxes, nevertheless exemption from final tax of the Coliling Farmer's Savings and Credit Cooperative's investment in government bonds is not among those exemptions granted by law as the investment is not related to the cooperative's principal business.

In view of the foregoing, **the request for exemption from final tax relative to its investment in government bonds is hereby denied for lack of legal basis.**

# eDST

## RMC 024-11

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**a. If the insurance cooperative transacts exclusively with members, insurance policies issued are not subject to DST.** Since said insurance cooperative and its members are not subject to DST, the insurance cooperative is not required to enroll in the eDST System;

# eDST

## RMC 024-11

**b.** If the insurance cooperatives are transacting with both members and non-members and the accumulated reserves and undivided net savings of these cooperatives are not more than P10M, **the transactions with members are exempt from DST. With respect to insurance policies issued to non-members, the subject non-members transacting with the said cooperatives are liable for the payment of the DSTs due** on the said transaction. Thus, considering that the insurance cooperatives are required to collect the DSTs due from their transactions with non-members for remittance to the BIR, they are deemed included in the coverage of taxpayers mandated to enroll in the eDST System.

# eDST

## RMC 024-11

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**c.** If the insurance cooperatives are transacting with both members and non-members and their accumulated reserves and undivided net savings are more than P10M, **all transactions with both members and non-members shall be treated as taxable for DST purposes.** Accordingly, they are under the mandatory coverage of the eDST System under RR No. 7-2009.



# **VAT Passed on to Buyer-Coop**

## **BIR Ruling 353-11**

Accordingly, even if National Teachers & Employees Cooperative Bank enjoys exemption from direct taxes, e.g., income tax, still it cannot claim exemption from the 12% VAT on its purchases of goods/services. This is so, because VAT is an indirect tax and the amount of tax may be shifted or passed on to the buyer, transferee or lessee of goods, properties or services. (Section 105, Tax Code of 1997) (BIR Ruling No. 032-10 dated August 25, 2010)

# **Condonation of Penalties Denied**

## **BIR Ruling No. 174-2012**

If delays in the tax payments are to be condoned, for light reasons, the law imposing penalties for delinquencies would be rendered nugatory and maintenance of the govt and its multifarious activities would be as precarious as taxpayers are willing or unwilling to pay their obligations to the state on time.

Accordingly, your request for exemption/waiver of surcharge, penalties and interest is hereby denied for lack of legal basis.

# **Members' Contribution for Cap Dev**

## **BIR Ruling No. 363-13**

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The MCC or RFSC is collected by electric cooperatives from member-consumers as part of the cost of services rendered by the electric cooperatives. It is payment for services rendered and not capital contribution. This confusion was what prompted ERC to change the nomenclature from Members' Contribution for Capital Expenditures (MCC) to Reinvestment Fund for Sustainable Capital Expenditures (RFSC).

# **Members' Contribution for Cap Dev**

## **BIR Ruling No. 363-13**

Funding or recovery of capital expenditures is not unique to electric cooperatives. Most businesses take into account funding or recovery of capital expenditures in determining the amount they would charge or collect from their customers or clients. For instance, a lessor of a commercial building recovers capital expenditures through rentals. Part of the amount the lessor collects from his tenants are meant to fund future expansion or recover capital expenditures. Such amount is subject to VAT.

# **Members' Contribution for Cap Dev**

## **BIR Ruling No. 363-13**

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Based on the foregoing, this Office rules that the Members' Contribution for Capital Expenditures or Reinvestment Fund for Sustainable Capital Expenditures collected by Ilocos Norte Electric Cooperative and Nueva Ecija Electric Cooperative II — Area 2 from their member-consumers are subject to VAT.

# Advanced VAT on Sugar of Cooperatives

## RR 13-2008

The cooperatives shall submit to the RD/RDO on or before September 15 of every year the list of their members as received by the Cooperative Development Authority (CDA) and can be updated as the need arises. In case, where the person withdrawing the sugar is not a member listed in the submitted list, he shall be required to pay the VAT due from such withdrawal prior to its release from the refinery and/or mill.

:

# Advanced VAT on Sugar of Cooperatives

## RR 13-2008

Every cooperative shall likewise submit monthly information return to the RDO having jurisdiction over the cooperative on or before the 15th day of the following month. The Information Return (Annex "I") referred to herein shall contain the following:

- a) Name, Address, TIN and RDO number of the buyer of the refined sugar;
- b) Number of bags of refined sugar sold to each buyer;
- c) Amount of advance VAT paid on the withdrawal for destination to each buyer;

# **Life of Exemption of NEA Coop**

## **BIR Ruling No. 012-2012**

This Office opines that SOUTHERN LEYTE ELECTRIC COOPERATIVE, INC. (SOLECO) is exempt from income tax. SOLECO is however, subject now to all other national government taxes and fees, including VAT, filing, recordation, license or permit fees or taxes after the thirtieth full calendar year after the date of the cooperative's organization 1 as stated in its registration papers or until it shall become completely free of indebtedness incurred by borrowing, whichever event comes first.



# RMC 74-2013: Nov 26, 2013

## NEA-Registered Cooperatives

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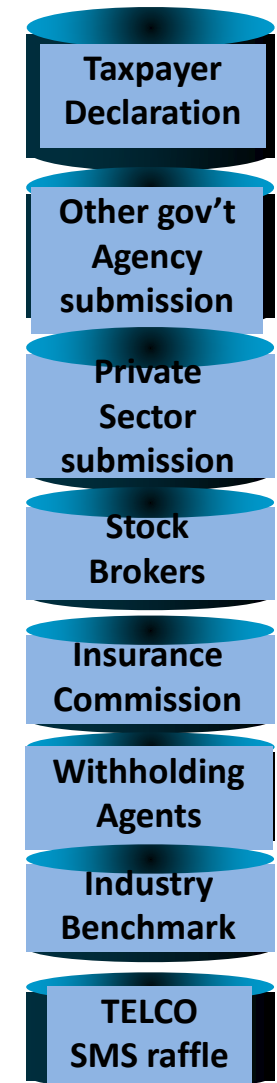
Marinduque Electric Cooperative's income from its electric service operations is subject to income tax beginning Jan 1, 2004, as its exemption ended on Dec 31, 2013, **the 30<sup>th</sup> full calendar year after the date of the cooperative's organization as stated in its registration papers or until it shall become completely free of all indebtedness incurred by borrowing, whichever event comes first.**

# Various Relevant Slides

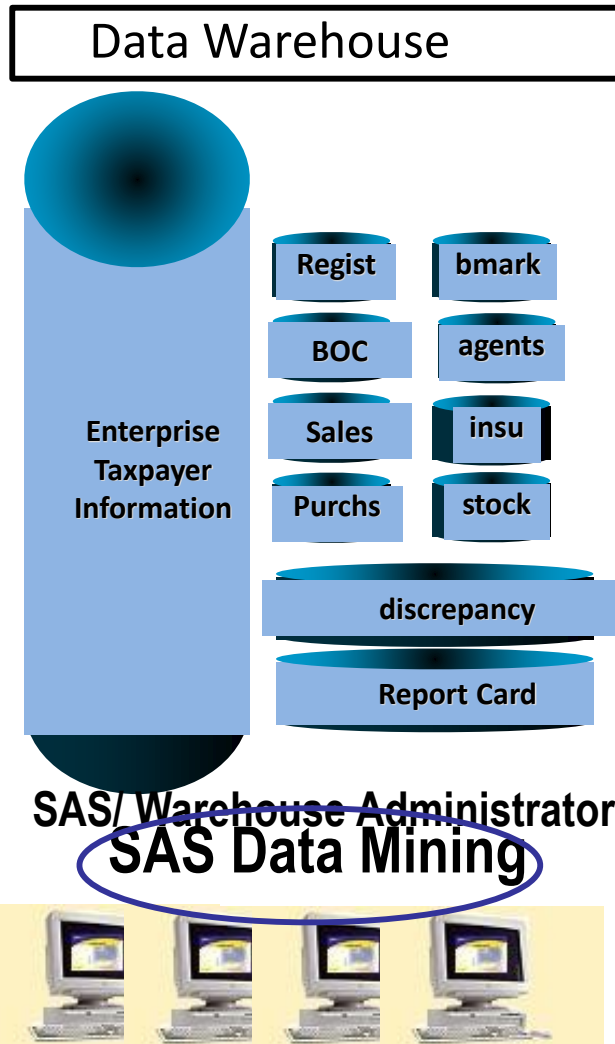




# BIR Analytic Intelligence Framework



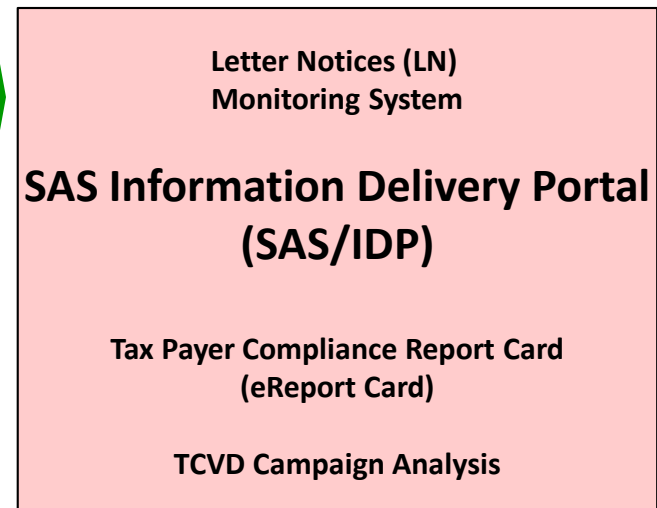
**SAS Access**



**Taxpayer**



**Revenue District Offices**



# W-Tax Rule on Deductibility

## RR 6-2018

**Deductions may be allowed if at the time of audit:**

1. **Payee reported income and pays tax due thereon;**  
W-tax agent pays the tax plus the and surcharges
2. **Payee failed to report the income** on the due date  
but **W-Tax Agent/taxpayer pays the tax, Interest and surcharges**
3. W-tax agent erroneously **underwithheld the tax but pays the difference** including the interest and surcharges

Revoked RR 12-2013

# INTEREST

## RR 21-2018 Implementing Section 249

Interest on unpaid taxes at the **rate of double the effective legal interest rate for loans or forbearance** set by the BSP.

The rate of interest per BSP Circular No. 799 series of 2013 for loans or forbearance of any money **in the absence of an express stipulation is 6%.**

Thus, the rate of legal interest imposable **shall be 12%.**

# **SURCHARGES & INTEREST ON FILING AMENDED RETURNS**

## **RMC 54-2018**

Based on the foregoing, beginning January 1, 2018, the effectivity date of the TRAIN Law, the interest rate shall be 12% per annum, until a new interest rate shall be prescribed by the BSP.

Thus, in an amendment of a return where an additional tax is due per amended return, **25% penalty and 12% interest shall be imposed based on the additional tax to be paid.**

# **Special Disciplinary Committee**

## **RMO 54-2016**

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**This Order establishes a Special Disciplinary Committee for expeditious investigation of revenue officers who failed the test of integrity, competence and efficiency in the performance of their audit functions or conduct of tax investigations, uncovered in the process of implementing RMC Special No. 70-2016.**

# Carrying of the Cross





# Nervous



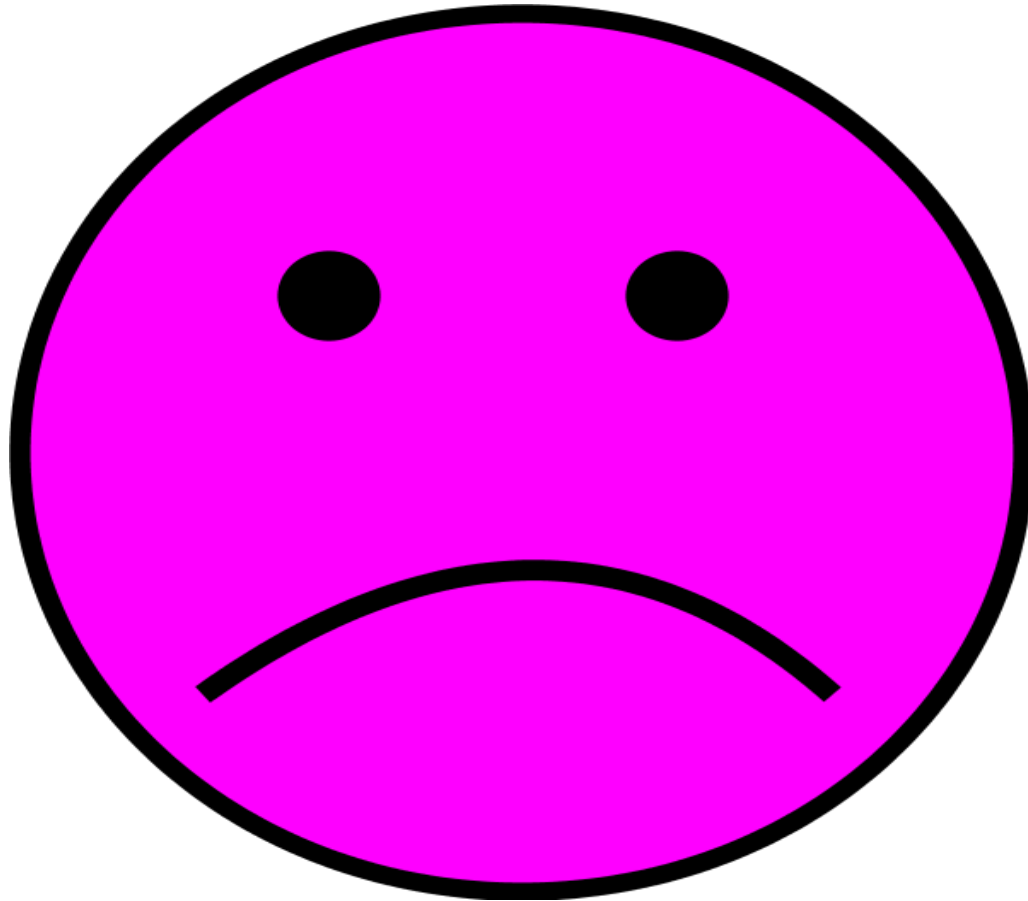
# Scared



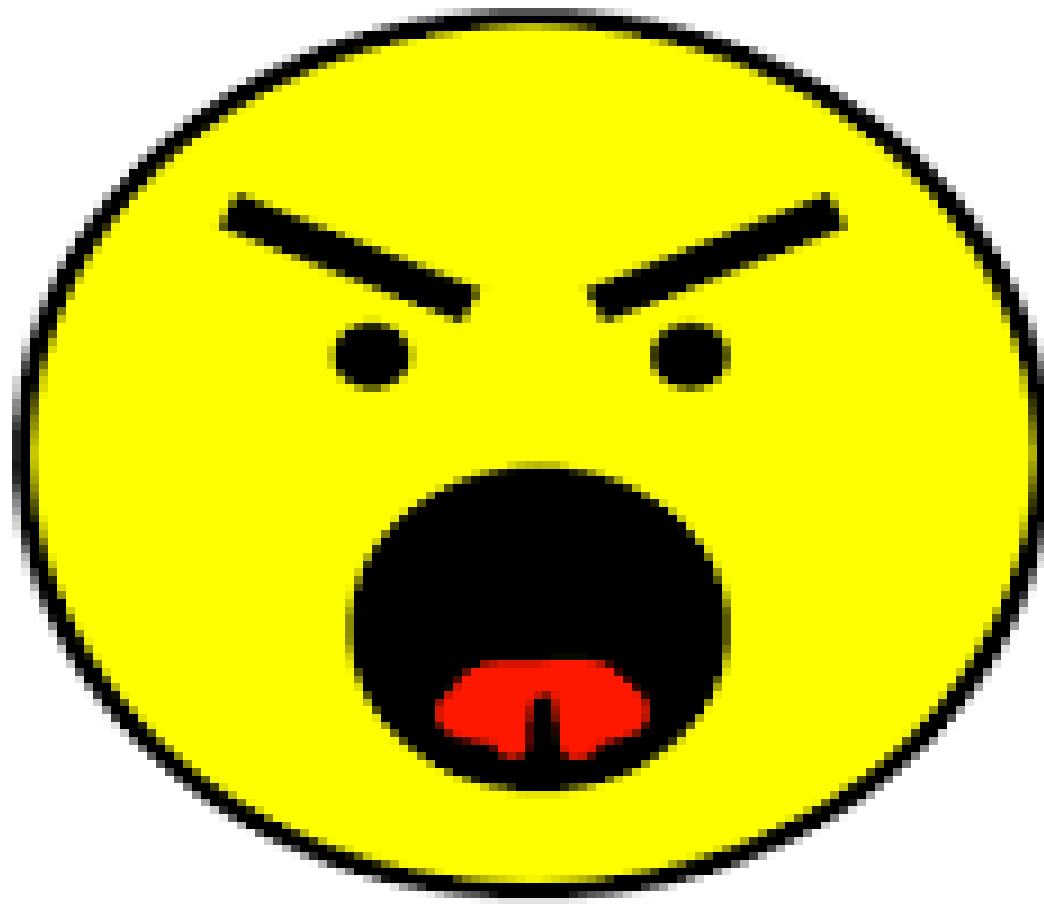
# Worried



**Sad**



# Angry



**Very, very angry**



**Felt like boxing someone**



# Felt sick after





**Felt like crying after**



# Confident



# End of Presentation . . .

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ait.ecaguirre @gmail.com

Land phone No.448-5905

Cellphone No. 0917-858-1779

***“Competence Builds Confidence”***