RULES, REGULATIONS, CIRCULARS FOR COOPERATIVES

Atty. Elizabeth O. Batonan
Director, Legal, Registration and Regulation Department
Cooperative Development Authority
Article 61 (3) of RA 9520

“x x x x Provided further, That nothing in this article shall preclude the examination of the books of account or other accounting records of the cooperative by duly authorized internal revenue officers for internal revenue tax purposes only, only after previous authorization by the Authority.”

Section 6 (A) of RA 10963 (TRAIN ACT)

“After a return has been filed as required under the provisions of this law, the Commissioner or his duly authorized representative may authorized the examination of any taxpayer and the assessment of the correct amount of tax, notwithstanding any law requiring the prior authorization of any government agency or instrumentality. x x x x”
The Chairman
Cooperative Development Authority
CDA Central Office
2327 Barangay Jirillo Concepcion
Aurora Boulevard, Cubao
Quezon City

May 15, 2015

Sir:

In line with the present program of the national government to maximize tax collection, may we request from your good office authorization to investigate upon the following cooperatives under your jurisdiction for the taxable year 2016:

- 7931-0742073
  DOH Window, Negros Oriental
- 109-0742229472
  Dumaguete City, Negros Oriental
- 10-03052297223
  Coop. Fed. of Negros Oriental, Negros Oriental

This request is made pursuant to the provisions of Revenue Memorandum Circular No. 19-2016 pertaining to Tax Investigation of Cooperatives.

Your cooperation will be highly appreciated.

Very truly yours,

COMMISSIONER OF INTERNAL REVENUE

By:

Revenue District Officer

24 May 2016

To:

Chief
Cooperative Development Authority
No. 807 Aurora Blvd., Cubao, Quezon City

March 25, 2015

Access Letter

Pursuant to Section 5.3 of RA 8497, National Internal Revenue Code, please extend to this office the cooperation and assistance under Group Supervisor to have access to your records and gather necessary information by providing this office the Articles of Cooperation and By-Laws and Certificate of Audit Investigation. Should there be no records available in your office premises, the above-named taxpayer, a Certification to this effect is hereby requested.

I am assured that whatever data or information that may be obtained from your records will be kept strictly confidential, exclusively for internal tax purposes and will not be divulged to any other person.

Your cooperation on this regard will be highly appreciated.

Very truly yours,

Chief
Cooperative Development Authority

In reply, please refer to:

RO: 01 April 2016
GS: 01 April 2016
Tel. No. (044) 691-36-98
Section 109 (l) of RA 10963 (TRAIN ACT)

“Sales by agricultural cooperatives duly registered with the Cooperative Development Authority to their members as well as sale of their produce, whether in its original state or processed form, to non-members, their importation of direct farm inputs, machineries and equipment, including spare parts thereof, to be used directly and exclusively to the production and processing of their produce.”
Section 109 (m) of RA 10963 (TRAIN ACT)
“Gross receipts from lending activities by credit or multipurpose cooperatives duly registered with the Cooperative Development Authority; “

Section 109 (n) of RA 10963 (TRAIN ACT)
“Sales by non-agricultural, non-electric and non-credit cooperatives duly registered with the Cooperative Development Authority: Provided, That the share capital contribution of each member does not exceed Fifteen thousand pesos (P15,000) and regardless of the aggregate capital and net surplus ratably distributed among the members.”
Section 108 (A) of RA 10963 (TRAIN ACT)

“There shall be levied, assessed and collected a value added tax equivalent to 12% of gross receipts derived from the sale or exchange of services including the use and lease of properties:

sale of electricity by generation companies, transmission by any entity and distribution companies, including electric cooperatives.
Section 116 of RA 10963 (TRAIN ACT)

“SECTION 116. Tax on Persons Exempt from Value added Tax (VAT). Any person whose sales or receipts are exempt under Section 109 (BB) of this Code from the payment of value-added tax and who is not a VAT-registered person shall pay a tax equivalent to three percent (3%) of his gross quarterly sales or receipts:

Provided, That cooperatives, and beginning January 1, 2019, self-employed and professionals with total annual gross sales and/or gross receipts not exceeding Five hundred thousand pesos (P500,000) shall be exempt from the three percent (3%) gross receipts tax herein.”
Section 5 (b) of RA 10963 (TRAIN ACT)

Provided, That the Cooperative Development Authority shall submit to the Bureau of Internal Revenue a tax incentive report, which shall include information on the income tax, value-added tax, and other tax incentives availed of by cooperatives registered and enjoying incentives under Republic Act No. 6938, as amended:

Provided, further, That the information submitted by the Cooperative Development Authority to the Bureau shall be submitted to the Department of Finance and shall be included in the database created under Republic Act No. 10708, otherwise known as ‘The Tax Incentives Management and Transparency Act (TIMTA)’.
JOINT ADMINISTRATIVE ORDER NO. 1-2019

RULES AND REGULATIONS IMPLEMENTING SECTION 3 OF REPUBLIC ACT (RA) NO. 10963, OTHERWISE KNOWN AS THE “TAX REFORM FOR ACCELERATION AND INCLUSION LAW” IN RELATION TO SECTION 5(b) OF RA NO. 8424 OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED
To promote fiscal accountability and transparency in the grant and management of tax incentives by developing means to promptly measure the government’s fiscal exposure on these grants and to enable the government to monitor, review and analyze the economic impact thereof, and thereby optimizes the social benefits of such incentives.
Key Players

Upon request and Joint Congressional Oversight Committee

COOP
**Compliance Requirements for Registered Cooperative**

**Filing of Tax Returns and Payment of Tax Liabilities**

- All registered cooperatives shall file their tax returns and pay their tax liabilities, if any, on or before the deadline as provided under the NIRC, as amended, using the electronic system for filing and payment of taxes of the BIR.

**Submission of Annual Tax Incentives Report**

- All registered cooperatives which were issued a Certificate of Tax Exemption (CTE) and availed of tax incentives shall submit to the CDA the Annual Tax Incentives Report.
It refers to the report submitted by the registered cooperatives to the CDA containing claims for income-based tax incentives, value-added tax and duty exemptions, and other tax incentives as well as other information as may be required by the CDA.
Required Info

- Name of Cooperative
- Registered Address
- CDA Certificate of Registration (No. Date)
- TIN
- Type Of Cooperative
- Category of Cooperative
- Business Activities

Amount of General Reserve Fund

Transacting with Members only or Members and non-member (Please check)

Amount of Sales or Receipts (Members and Non Members)

Net Sale / Services / Interest Income/ Other Income (a)

Cost of Sales /Services (b)

Gross Revenue  c (a-b)

Expense (d)

Net Surplus for allocation e (c-d)

Net Surplus for Distribution of ISCPFR (f)

Income Tax paid

Vat Payment
<table>
<thead>
<tr>
<th>Accounting Period</th>
<th>Year Ending On</th>
<th>Period of Submission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calendar Year</td>
<td>December 31</td>
<td>April 30 of the succeeding year</td>
</tr>
<tr>
<td>Fiscal Year</td>
<td>January -November</td>
<td>15 days from the deadline of filing of Annual Income Tax Return</td>
</tr>
</tbody>
</table>
Role of CDA

- Submit to the BIR, the Registered Cooperative Master List within 30 days after the close of the calendar year.
- Submit to the BIR the Consolidated Annual Tax Incentives Report within sixty (60) days from the statutory deadline for filing of Annual Income Tax Return and payment of taxes due thereon, if any.
- Issue a Memorandum Circular (MC) to all cooperatives for the implementation of this JAO.
- Submit to the BIR a Master List of Cooperatives which failed to submit the Annual Tax Incentives Report.
Role of BIR

Submit to the DOF, the Registered Cooperative Master List within 60 days after the close of the calendar year.

Submit to the DOF on or before August 15 of the current year, the Consolidated Annual Tax Incentives Report (Annex “B”) submitted by the CDA.

Submit to the DOF within 90 days after the lapse of the close of each calendar year an updated report with income based tax incentives as evaluated and determined by the JAO.

Collate the list of cooperatives which are non-compliant with the submission of the required Annual Tax Incentives Report required under Section 2 of these Rules, for endorsement to the concerned Revenue District Offices (RDOs) for assessment and collection of applicable taxes.
Role of DOF

Include in the database created under RA No. 10708 the reports herein submitted by the BIR to the DOF.
Upon request and Joint Congressional Oversight Committee.
NONCOMPLIANCE WITH THE REPORTORIAL REQUIREMENTS

**1ST OFFENSE**
CTE shall be deemed revoked and registered cooperative shall be prohibited to avail of tax exemption for a period of one (1) year from the date of revocation.

**2ND OFFENSE**
CTE shall be deemed revoked and registered cooperative shall be prohibited to avail of tax exemption for a period of three (3) years from the date of revocation.

**3RD OFFENSE**
CTE shall be deemed revoked and registered cooperative shall be prohibited to avail of tax exemption for a period of five (5) years from the date of revocation.

**4th OFFENSE**
CTE shall be deemed revoked and cooperative shall be prohibited from re-application.
Registered cooperatives shall be liable for the payment of taxes immediately upon revocation of the certificate of tax exemption, inclusive of surcharge, interest and compromise penalty. Upon payment of taxes, registered cooperatives can re-apply for the issuance of certificate of tax exemption which shall be effective only upon the lapse of the period of prohibition to avail of the tax exemption.
False and Misleading Information

Pursuant to Art. 140, 6 (b) and (f) of RA 9520, providing information, reports or other documents to the CDA which the person knows to be false or misleading, and failure to comply with an order or written instructions issued or given by the CDA are punishable by imprisonment of not less than one (1) year nor more than five (5) years or a fine of not more than Fifty thousand pesos (P50,000.00) or both at the discretion of the court.
Penalty for Non-compliance of Government Official or Employee with the provisions of this JAO.

Any government official or employee who fails, without justifiable reason, to provide or furnish the required tax incentives report or other data or information within the prescribed period as required under this Joint Administrative Order shall be penalized, after due process, by a fine equivalent to the official’s or employee’s basic salary for a period of one (1) month to six (6) months or by suspension from government service for not more than one (1) year, or both, in addition to any criminal and administrative penalties imposable under existing laws.
Transitory Provision: 2018

2018-2019 CDA MEMORANDUM
CIRCULARS ISSUED
CDA-NCIP JOINT MEMORANDUM CIRCULAR NO. 01
Guidelines Governing Promotion, Organization, Registration, Development and Regulation of Cooperatives to be Established by Indigenous Cultural Communities (ICCs)/ Indigenous Peoples (IPs).”

Provides for the orderly promotion, organization, registration, development and regulation of cooperatives organized by and among Indigenous Cultural Communities (ICCs)/Indigenous Peoples (IPs), taking into consideration their unique culture, tradition, customary laws and practices.
Cooperators

At least 30 Cooperators, 100% are co-owners of the Ancestral Domain if within the AD. If outside the AD, 100% are IP/ICC

Bond of Membership

Residential, Associational, Territorial and Ethnicity

Cooperative Name

Shall beat the name of ICC/IP group, the phrase “Indigenous Peoples” and the type of cooperative,

Unique Features

Priority in the Developmental Programs of CDA and NCIP

Settlement of Dispute (NCIP/IPS or CDA)
MC 2018-01 | REVISED GUIDELINES ON SOCIAL AUDIT OF COOPERATIVE

2 PHASES

Performance Assessment

Social Impact Assessment
MC 2018-01 | REVISED GUIDELINES ON SOCIAL AUDIT OF COOPERATIVE

KEY AREAS

- Vision, Mission, Core Values and Social Goals;
- Policies and Guidelines on Social Development;
- Social Development Program for the Cooperative and the Community;
- Utilization of Community Development Fund.
MC 2018-01 | REVISED GUIDELINES ON SOCIAL AUDIT OF COOPERATIVE

SOCIAL AUDIT WORKING PAPER (Annex A)

SOCIAL AUDIT REPORT (Annexes B and C)

MANAGEMENT SOCIAL PERFORMANCE REPORT (Annex C)

social-audit-working-docs-report.pdf
MC 2018-04 REGISTRATION OF TRANSPORT COOPERATIVES / TRANSPORTATION SERVICE COOPERATIVES BY THE CDA-CENTRAL OFFICE, REGISTRATION DIVISION

MC 2018-05 | GUIDELINES FOR REGISTRATION OF CREDIT SURETY FUND COOPERATIVES (CSF COOPERATIVES)

MC 2019-03 | GUIDELINES GOVERNING THE ONLINE PAYMENT OF CDA REGISTRATION FEES THROUGH THE LANDBANK LINK.BIZPORTAL
Applies to all micro cooperatives registered with the Authority with at least one (1) year of operation.

If less than one year of operation, MC 2016-07 (7.5)

Micro Cooperatives are those cooperative whose assets size are three million (P3,000,000.00) and below exclusive of the land on which the particular cooperative's office, plant and equipment, if any, are situated.
## Required Reports to be submitted by Micro Coops

### Copy of the electronically encoded Cooperative Annual Progress Report (CAPR)

### Original Copy of the Audited Financial Statements (Shall also be encoded in the CAFSIS)

- Statement of Financial Condition
- Statement of Operation
- Statement of Changes in Equity, Donations and Grants and Statutory Reserves
- Statement of Cash Flow
- Notes to Financial Statements

Audited by any of the ff:
1. External Auditor accredited by BOA;
2. Audit Committee of the Cooperative
3. Audit Committee of the federation or union where the coop is affiliated

### List of Officers and Mandatory Trainings Undertaken/ Completed

### Social Audit Report (SAR) including its program of activities pursuant to its socio-civic goals

### Governance and Management Report (GMR), including copies of the semi-annual Report on mediation and conciliation
Abangan...
Proposed Guidelines for 2019

- Guidelines in the Computation of Patronage Refund
- Guidelines Governing the Allocation and Utilization of Cooperative Education And Training Fund
- Guidelines Governing the Allocation and Utilization of Community Development Fund
- Performance Audit Report
- Submission of Tax Incentive Report
Proposed Guidelines for 2019

Registration of Cooperatives including Amendments compliant with the Ease in Doing Business Act

Cooperative Assessment Information System
“...has confessed to the investigators that they are compelled to deliberately commit the overstatements with the reluctant collaboration of the External Auditor...”

“We asked if the Financial Statements were audited and examined by an External Auditor, she revealed that they have been encouraged by the Financier that he would take care in the preparation of their Financial Statements including the CDA accredited Auditor ....”
COA Findings

“Review of the submitted audited financial statements by cooperatives revealed that accredited external auditors who have rendered their services may be subject to possible revocation of their accreditations....”

“...Likewise, it was revealed that the Authority neither adopted any Rules of Procedures governing the Revocation of Accreditation of External Auditors nor issued any procedural guidelines pertaining to the matter.”
COA Findings

We recommend to the management the following:

1. Request CDA-Central Office to review sanctions provided on CDA MC 2009-03 and CDA MC 2015-06;

2. Request CDA Central Office to adopt Rules of procedures governing the Revocation of Accreditation of External Auditors as provided under Section 3 (m) of RA 6939.
THANK YOU