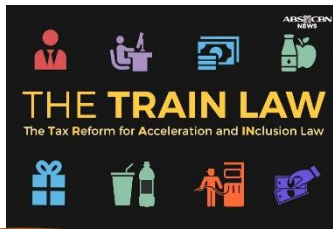


# **RULES, REGULATIONS, CIRCULARS FOR COOPERATIVES**

**Atty. Elizabeth O. Batonan**  
**Director, Legal, Registration and Regulation**  
**Department**  
**Cooperative Development Authority**

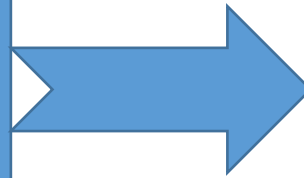


# PROVISIONS OF THE TRAIN ACT AFFECTING COOPERATIVES



## 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”

Republic of the Philippines  
Department of Finance  
**BUREAU OF INTERNAL REVENUE**  
Office of the Revenue District Officer  
Revenue District No. 79  
BIR Bldg., Brgy. Tacloba  
Dumaguete City

**SALAMAT SA'YO**

May 15, 2018

**The Chairman**  
Cooperative Development Authority  
CDA Central Office  
#827 Barangay Immaculate Concepcion  
Aurora Boulevard, Cubao  
Quezon City

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:

- [REDACTED], Bindoy, Negros Oriental
- [REDACTED], Dumaguete City, Negros Oriental
- [REDACTED], Negros Oriental
- [REDACTED], Negros Oriental
- [REDACTED], Negros Oriental
- [REDACTED], Negros Oriental

This request is made pursuant to the provision of Revenue Memorandum Circular No. 19-2010 pertaining to Tax Investigation of Cooperatives.

Your cooperation will be highly appreciated.

Very truly yours,  
COMMISSIONER OF INTERNAL REVENUE

By: [REDACTED]  
Revenue District Officer

COOPERATIVE DEVELOPMENT AUTHORITY  
RECEIVED  
24 MAY 2018

By: [REDACTED]  
Office of the Chairman  
COOPERATIVE DEVELOPMENT AUTHORITY

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**  
Revenue Region No. 5, Calocan City  
Revenue District Office No. 25B  
Sta. Maria, Bulacan

**SALAMAT SA'YO**

March 25, 2019

**ACCESS LETTER**

**THE CHIEF,  
COOPERATIVE DEVELOPMENT AUTHORITY**  
No. 827 Aurora Blvd., Cubao, Quezon City  
1101 Metro Manila

Sir/Madam:

Pursuant to Section 5 (B) of RA-8424, National Internal Revenue Code, please extend assistance to Revenue Officer [REDACTED] under Group Supervisor [REDACTED] of this Bureau, to have access to your records and gather necessary information by providing this office the Articles of Cooperation and By-Laws and Certificate of Compliance, with respect to the subject taxpayer who as per records appear to have an existing audit investigation. Should be there no records available in your office present to the above-named taxpayer. A Certification to that effect is hereby requested.

[REDACTED]

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

Your cooperation on this regard will be highly appreciated.

Very truly yours,  
[REDACTED]  
Revenue District Officer

In reply, please refer to:  
RO: [REDACTED]  
GS: [REDACTED]  
Tel. No. (044) 641-56-98

COOPERATIVE DEVELOPMENT AUTHORITY  
RECEIVED  
01 APR 2019  
BY: 254-4-801  
OFFICE OF THE EXECUTIVE DIRECTOR

### **Section 109 (1) 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)**

“x x x 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:

x x x x sale of electricity by generation companies, transmission by any entity and distribution companies ,including electric cooperatives x x x x

### **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)**

*xxxx...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**



REPUBLIC OF THE PHILIPPINES  
Department of Finance  
Cooperative Development Authority



**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**

WHEREAS, Section 3 of RA No. 10963 requires the Cooperative Development Authority (CDA) to submit to the Bureau of Internal Revenue (BIR) a tax incentive report availed by cooperatives registered with CDA and enjoying incentives under RA No. 9520, which information shall be included in the database created under RA No. 10708, otherwise known as the “Tax Incentives Management and Transparency Act (TIMTA)”;

WHEREAS, Section 244 of RA No. 8424 or the National Internal Revenue Code, as amended, provides for the power of the Secretary of Finance, upon recommendation of the Commissioner of Internal Revenue, to promulgate all needful rules and regulations for the effective enforcement of the provisions of the Code;

WHEREAS, Section 4 of RA No. 8424, as amended, provides for the power of the Commissioner of Internal Revenue to decide disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto, or other matters arising under the Code or other laws;

WHEREAS, Section 84 of RA No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Act, mandates the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue, to promulgate the necessary rules and regulations for its effective implementation;

WHEREAS, Section 13 of RA No. 6939 or the Cooperative Development Authority Act authorizes the CDA to promulgate such rules and regulations as may be necessary to implement the Act;

NOW, THEREFORE, these Rules and Regulations are issued as Joint Administrative Order No. 01-2019 to guide all concerned departments, offices, agencies, and stakeholders, in the implementation of Section 3 of RA 10963



**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





# 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

# Annual Tax Incentive 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

[TIMTA COOP-ANNEX A as of 07.26.18 \(clean\)\(ddt\).xls](#)

# Required Info

Name of Cooperative	Amount of General Reserve Fund	Net Sale / Services / Interest Income/ Other Income (a)
Registered Address	Transacting with Members only or Members and non-member (Please check)	Cost of Sales /Services (b)
CDA Certificate of Regsitration (No. Date)		Gross Revenue c (a-b)
TIN	Amount of Sales or Receipts (Members and Non Members)	Expense (d)
Type Of Cooperative		Net Surplus for allocation e (c-d)
Category of Cooperative		Net Surplus for Distribution of ISCPR (f)
Business Activities		Income Tax paid
		Vat Payment





<b>Accounting Period</b>	<b>Year Ending On</b>	<b>Period of Submission</b>
<b>Calendar Year</b>	<b>December 31</b>	<b>April 30 of the succeeding year</b>
<b>Fiscal Year</b>	<b>January -November</b>	<b>15 days from the deadline of filing of Annual Income Tax Return</b>



# 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.**



# Key Players





# **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**

## **2<sup>ND</sup> 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**

## **3<sup>RD</sup> 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**

## **4<sup>th</sup> OFFENSE**

**CTE shall be deemed revoked and cooperative shall be prohibited from re-application**



**NON-COMPLIANCE**



**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**



**The CDA shall submit to the BIR a Consolidated Annual Tax Incentives Report (Annex “B”) covering taxable year 2018 on or before September 30, 2019. BIR shall submit to the DOF Annex B on or before December 15, 2019.**





# **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.**



# Unique Features

## 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

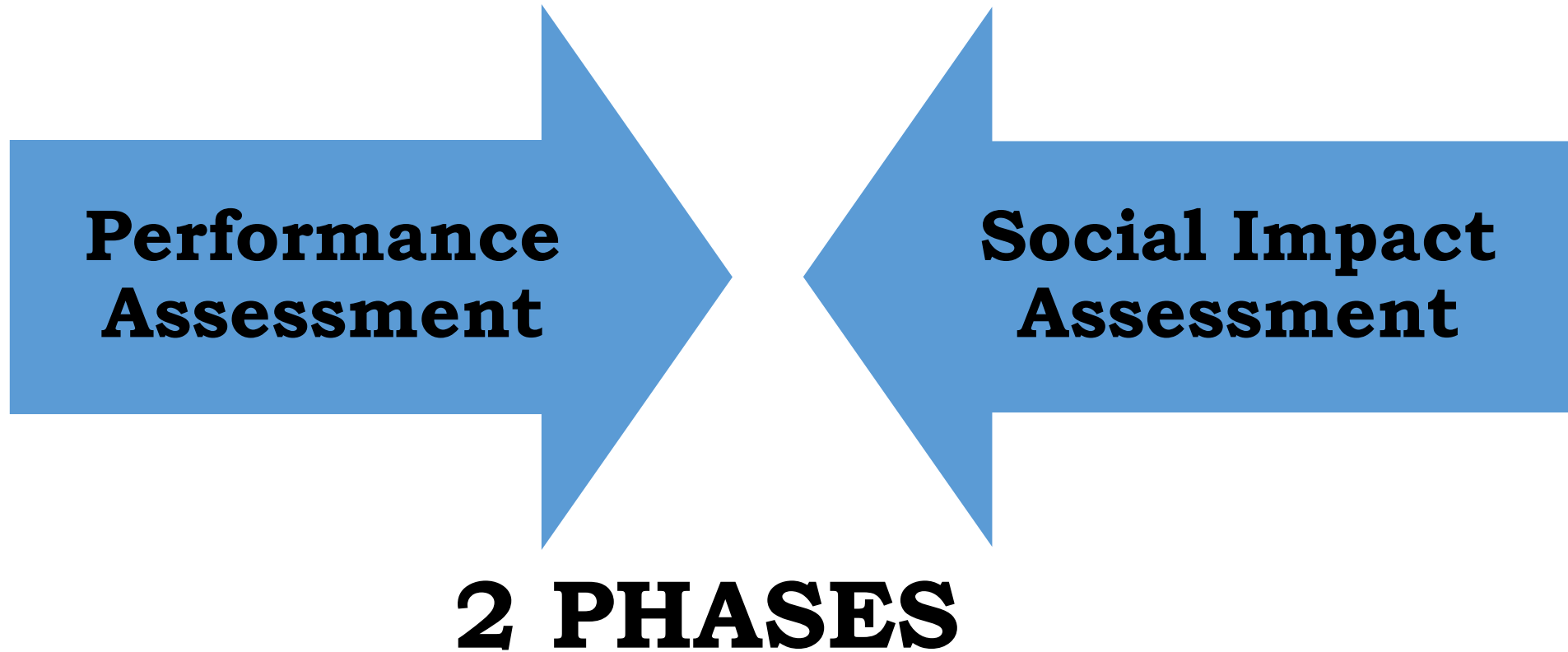
## Cooperative Name

Shall bear the name of ICC/IP group, the phrase "Indigenous Peoples" and the type of cooperative,

**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**



# **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**

# **MC 2019-04 | GUIDELINES GOVERNING THE SUBMISSION OF REQUIRED REPORTS FOR MICRO COOPERATIVES**

- 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**

# **CEA CASES**

## **Investigation Reports**

“...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**

