

Republic of the Philippines
DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT
A. Francisco Gold Condominium II, EDSA, Diliman, Quezon City

OFFICE OF THE SECRETARY

October 20, 2010

MEMORANDUM CIRCULAR

NO. 2010-120

TO : ALL PROVINCIAL GOVERNORS, CITY MAYORS, MUNICIPAL MAYORS, DILG REGIONAL DIRECTORS, THE REGIONAL GOVERNOR OF THE AUTONOMOUS REGION IN MUSLIM MINDANAO, AND OTHERS CONCERNED

SUBJECT : EXEMPTION OF DULY REGISTERED COOPERATIVES FROM PAYMENT OF APPLICABLE TAXES, FEES AND CHARGES

The 1987 Constitution guarantees the protection of cooperatives. Section 15, Article XII thereof considers cooperatives as instruments of social justice and economic development. In relation to this constitutional guarantee, Sections 133(n) and 234(d) of Republic Act No. 7160 or the Local Government Code of 1991 provide, quote:

"Section 133. Common Limitation on the Taxing Powers of Local Government Units

Unless otherwise provided herein, the exercise of the taxing powers of provinces, cities, municipalities, and barangays shall not extend to the levy of the following:

xxx (n) Taxes, fees, or charges on Countryside and Barangay Business Enterprises and cooperatives duly registered xxx'

"Section 234. Exemptions from Real Property tax

The following are exempted from payment of the real property tax:

xxx (d) All real property owned by duly registered cooperatives as provided for under R.A. No. 6938; xxx" (emphasis ours)

Further, Sections 60 and 61 of Republic Act No. 9520 or the Philippine Cooperative Code of 2008, and the Joint Rules and Regulations Implementing Articles 60, 61 and 144 of Republic Act No. 9520 in relation to Republic Act No. 8424 or the National Internal Revenue Code, as amended, dated February 5, 2010 explicitly provide for the tax treatment of cooperatives, particularly, with respect to taxes imposed by the National Internal Revenue Code (NIRC) in this manner:

1. Duly registered cooperatives which do not transact any 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; and
2. Cooperatives transacting business with both members and non-members shall not be subject to tax on their transactions with members. In relation to this, the transaction of members with the cooperative shall not be subject to any taxes and fees, including but not limited to final taxes on members' deposits and documentary tax.

Notwithstanding the provisions of any law or regulations to the contrary, cooperatives with accumulated reserves and undivided net savings of not more than Ten Million Pesos (PhP 10,000,000.00) dealing within nonmembers shall be

exempt from all national, city, provincial, municipal or barangay taxes of whatever name and nature.

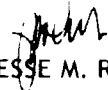
However, as pointed out by the Bureau of Local Government Finance, Department of Finance, in its BLGF Memorandum Circular No. 31-2009 dated October 7, 2009, cooperatives transacting business with both members and non-members are still required to:

1. Obtain or secure a Mayor's permit and pay the commensurate cost of regulation, inspection and surveillance of the operation of its business but not exceeding One Thousand Pesos (PhP 1,000.00);
2. Secure a Community Tax Certificate, as a juridical entity and pay the basic tax of Five Hundred Pesos (PhP 500.00); and
3. Pay service charges or rentals for the use of property and equipment or public utilities owned by the local government such as charges for actual water consumption, electric power, toll fees for the use of public roads and bridges, and the like.

In this regard, all Local Chief Executives are directed to strictly observe the above-cited provisions of laws and to effect the exemption policy from payment of taxes, fees or charges on duly registered cooperatives.

All DILG Regional Directors and the ARMM Regional Governor are likewise directed to cause the immediate and widest dissemination of this Memorandum Circular to all local government units within their regional jurisdictions.

For information and guidance.


JESSE M. ROBREDO
Secretary

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DEPARTMENT OF THE INTERIOR
AND LOCAL GOVERNMENT
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