

Headline	Cornerstone for cooperatives from good standing to compliance		
MediaTitle	The Philippine Star		
Date	14 Jun 2016	Color	Black/white
Section	Business	Circulation	305,090
Page No	B4	Readership	305,090
Language	English	ArticleSize	437 cm ²



TOP OF MIND

By **MARIA EMMA GILLE A. MERCADO**

Cornerstone for cooperatives from good standing to compliance

The Philippines recognizes the potential of cooperatives as one of the pillars for economic growth for the Filipinos and for our country. They are no different from other business organizations, like corporations and partnerships, which are designed to operate for purposes of financial and economic gain. However, in order to encourage the creation and growth of cooperatives, they are accorded certain privileges and incentives under the law.



To avail of the privileges, cooperatives must get hold of a Certificate of Good Standing (CGS) from the Cooperative Development Authority (CDA). A CGS is a certificate issued to operating cooperatives that have complied with the mandatory requirements provided under laws and issuances which entitle them to avail incentives and privileges granted to them.

In May 2016, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) No. 54-2016 in response to CDA Memorandum Circular (MC) No. 2015-08 issued by the CDA in September 2015 on the guidelines governing the issuance of Certificate of Compliance (COC), in lieu of the CGS. A COC, as defined in this circular, is the certificate issued to all types of cooperatives after complying with the rules of the CDA, in lieu of the then CGS. Through the issuance of the said RMC, the BIR aims to inform cooperatives that all revenue issuances with provisions specifically mentioning the CGS are amended or modified to conform with the CDA MC.

Considering that for internal revenue tax purposes, a COC is one of the essential requirements for the grant of the certificate of tax exemption to avail of the tax exemption incentive set forth by CDA-BIR Joint Rules and Regulation Implementing Articles 60 and 61 of Republic Act (RA) No. 9520 in relation to RA 8424, among other purposes, cooperatives should be mindful of the following salient features of CDA MC No. 2015-08:

1. A COC shall be issued upon compliance with and submission of the following requirements:
 - a. Letter request duly signed by the Chairperson or any authorized representative of the requesting cooperative stating the reasons for their request;
 - b. Proof of compliance that all required reports for the preceding fiscal year had been submitted, or complete copies of such reports (2 copies);
 - c. Copy of the minutes of meeting of the General Assembly (GA); and

Headline	Cornerstone for cooperatives from good standing to compliance		
MediaTitle	The Philippine Star		
Date	14 Jun 2016	Color	Black/white
Section	Business	Circulation	305,090
Page No	B4	Readership	305,090
Language	English	ArticleSize	437 cm ²

d. Payment of certification fee.

On the other hand, if the COC will be used for purposes of complying with the documentary requirements in availing financial assistance from a financial institution, or for accreditation as CDA training provider, and for such other purposes as may be needed, cooperatives need to secure a certified true copy of its valid COC and mandatory reports submitted to the CDA upon submission of the letter request duly signed by its chairperson or any authorized representative of the requesting cooperative stating the purpose for the request, and payment of the fee for the certified true copies of the requested documents.

2. All newly-registered cooperatives are exempted from complying with the above documentary requirements. They shall be issued with the COC upon payment of the certification fee.

3. The CDA shall not issue a COC on any of the following grounds:

- a. Non-submission of required reports;
- b. Failure to encode Cooperative Annual Progress Report (CAPR) through web-based Cooperative Annual Progress Report Information System (CAPRIS) and submit its printed form;
- c. Willful failure to comply with the mandatory trainings for officers;
- d. Non-settlement of fines and/or penalties for late or

non-submission of mandatory reports;

e. The cooperative has been declared dissolved.

4. A COC may be suspended or may not be released to the cooperative if there is any existing dispute on the legitimacy of leadership of a cooperative filed with the CDA.

5. In case a cooperative suffers from total destruction/ loss of records and reports due to force majeure or fortuitous events, a COC may still be issued upon compliance with and submission of a certification issued by the local government unit or Barangay Certificate where the principal office of the cooperative is located stating the occurrence of such force majeure or fortuitous event, as well as a letter application for relief in the submission of regulatory requirements signed by the chairperson and /or the general manager of the cooperative, and a damage assessment report set forth in Section 6 of CDA MC No. 2015-04.

6. Requests for the issuance of a COC shall be filed before the CDA on or before April 30 of the current year and those made after shall be considered as "late filing." The COC issued shall cover the operations of the cooperative for the year immediately preceding the reporting period and shall be valid and effective until April 30 of the succeeding year.

Taxes are the lifeblood of the government through which its branches and departments continue to operate. In its drive to make sure that taxes are correctly collected and incentives bestowed under the law are properly awarded, the BIR includes the COC as one of the essential documents to be submitted by cooperatives to be able to avail of certain privileges, in lieu of the CGS. Also, it can be observed that there are no substantial changes in the guidelines governing the issuance of a COC from that of a CGS. Although the issuance released is more detailed than prior circulars, these fundamentally aim to encourage cooperatives to apply for a COC to be able to enjoy the privileges reserved to them by law. It also helps the government in assuring that required reports, such as the CAPR, are duly submitted by the cooperatives. Hence, it is necessary that cooperatives should take notice of the changes in the guidelines as the CDA and the BIR are supporting them towards the economic growth of the Philippines.

Maria Emma Gille A. Mercado is a Supervisor from the Tax Group of KPMG R.G. Manabat & Co. (KPMG RGM&Co.), the Philippine member firm of KPMG International. KPMG RGM&Co. has been recognized as a Tier 1 tax practice, Tier 1 transfer pricing practice and Tier 1 leading tax transactional firm in the Philippines by the International Tax Review.

This article is for general information purposes only and should not be considered as professional advice to a specific issue or entity.

The view and opinions expressed herein are those of the author and do not necessarily represent the views and opinions of KPMG International or KPMG RGM&Co. For comments or inquiries, please email ph-inquiry@kpmg.com or rgmanabat@kpmg.com.