

[BIR REVENUE MEMORANDUM CIRCULAR NO. 64-2013, September 30, 2013]

CIRCULARIZING REVOCATION OF BIR RULING NO. NSNP-(S30C-028) 726-09 DATED 20 NOVEMBER 2009

This refers to the revocation of *BIR Ruling No. NSNP-(S30C-028) 726-09 dated 20 November 2009* granting income tax exemption to Philippine Canine Club Incorporated (PCCI) under Section 30 (C) of the Tax Code of 1997.

PCCI, with Taxpayer Identification No. 917-096-000, is a non-stock, nonprofit corporation registered with the Securities and Exchange Commission on 21 March 1963 under Certificate of Registration No. 22739. Its registered office and place of business is located at Room 206 Hillcrest Condominium, 1616 E. Rodriguez Sr. Avenue, Cubao, Quezon City. Its purposes are:

1. to maintain and protect the integrity of its Registry of purebred dogs, to publish an official Registry of purebred dogs (the 'stud book');
2. to adopt and enforce uniform rules regulating and governing purebred dog registration and purebred dog events;
3. to regulate the conduct of persons and organizations interested in breeding, registering, selling, purchasing, exhibiting and running purebred dogs;
4. to prevent, detect, and punish frauds in connection therewith;
5. to protect the interests of its members, to publish an official kennel gazette; and
6. generally to do everything to advance the study, breeding, exhibiting, running and maintenance of purebred dogs.

PCCI's funding for its activities are principally sourced from registration and membership fees from its members. Likewise, other funds are sourced through fees collected from dog shows and competitions and other incidental activities such as certification and advertising fees.

On 18 July 1974, this Office, through then Commissioner Misael P. Vera, issued BIR ruling exempting it from income tax pursuant to Section 26 (H) of Presidential Decree No. 1158 otherwise known as "*A Decree To Consolidate and Codify All the Internal Revenue Laws of the Philippines*" and also known as the "*Tax Code of 1977*".

On 20 September 2009, PCCI requested for a renewal of its Certificate of Tax Exemption as a consequence of the enactment of the National Internal Revenue Code of 1997, as amended. As a result, this Office issued *BIR Ruling No. NSNP-(S30C-028) 726-09 dated 20 November 2009*.

Please be informed that Section 30 (C) of the Tax Code of 1997 provides:

"SEC. 30. Exemptions from Tax on Corporations. – The following organizations shall not be taxed under this Title in respect to income

received by them as such:

X X X

(C) A beneficiary society, order or association, operating for the exclusive benefit of the members such as a fraternal organization operating under the lodge system, or mutual aid association or a nonstock corporation organized by employees providing for the payment of life, sickness, accident, or other benefits exclusively to the members of such society, order, or association, or nonstock corporation or their dependents;"

Clearly, under the above mentioned provision of the Tax Code of 1997, tax exemption under Section 30 (C) thereof is limited only to: 1) A beneficiary society, order or association, operating for the exclusive benefit of the members such as a fraternal organization operating under the lodge system, or mutual aid association; or 2) a nonstock corporation organized by employees providing for the payment of life, sickness, accident, or other benefits exclusively to the members of such society, order, or association, or nonstock corporation or their dependents.

A perusal of the corporate purposes of PCCI shows that the same do not fall under Section 30 (C) of the Tax Code of 1997. PCCI does not appear to operate as a society, order, or association operating exclusively for the benefit of its members such as a fraternal organization operating under the lodge system, or mutual aid association. Neither is it organized as a nonstock corporation providing for the payment of life, sickness, accident, or other benefits exclusively to the members of such society, order, or association, or nonstock corporation or their dependents.

In fact, PCCI's stated purpose is merely to advance the study, breeding, exhibiting, running and maintenance of purebred dogs through the maintenance of a Registry of purebred dogs, regulating the conduct of persons and organizations interested in breeding, registering, selling, purchasing, exhibiting and running purebred dogs and preventing frauds in connection therewith.

Originally, the Certificate of Tax Exemption granted to PCCI under Section 26 (H) of PD No. 1158 refers to a club organized and operated exclusively for pleasure, for recreation, and other non-profitable purposes to wit:

"SECTION 26. Exemptions from tax on corporations. – The following organizations shall not be taxed under this Title in respect to income received by them as such –

X X X

(H) Club organized and operated exclusively for pleasure, for recreation, and other non-profitable purposes, no part of the net income of which inures to the benefit of any private stockholder or member;"

However, this provision of the law was intentionally omitted when Republic Act No. 8424, also known as the "Tax Code of 1997" was enacted. *Casus omisus pro omisso habendus est*. A person, object or thing omitted from an enumeration must be held to have been omitted intentionally.^[1] Therefore, income of club organized and operated exclusively for pleasure, for recreation, and other non-profitable purposes, from whatever source, including but not limited to membership fees, assessment