

**[ CDA-NEA JOINT MEMORANDUM CIRCULAR NO. 001, S. 1995, October 24, 1995 ]**

**PROCEDURAL GUIDELINES ON THE IMPORTATION OF MACHINERY, EQUIPMENT AND SPARE PARTS FOR THE EXCLUSIVE USE OF THE ELECTRIC COOPERATIVES**

Under the Department of Finance (DOF) and Cooperative Development Authority (CDA) Joint Circular No. 1-90, and in consonance with Article 62 of RA No. 6938 which establishes the procedural guidelines for the availment of the privileges for tax and other exemptions, it states that *"Cooperatives transacting with both members and non-members shall not be subject to tax on their transactions to members. Notwithstanding the provisions of any law or regulation to the contrary, such cooperatives dealing with non-members shall enjoy the following tax exemptions:*

*"Paragraph (1) cooperatives with accumulated reserves and undivided net savings of not more than ten million pesos (P10,000,000.00) shall be exempted from all national, city, provincial, municipal, or barangay taxes of whatever name and nature. Such cooperatives shall be exempt from customs duties, advance sales or compensating taxes on their importation of machineries, equipment and spare parts used by them and which are not available locally as certified by the Department of Trade and Industry. All tax free importations shall not be transferred to any person until after five (5) years, otherwise, the cooperative and the transferee or assignee shall be solidarily liable to pay twice the amount of the tax and/or duties thereon."*

Additionally, under Article 61 of RA 6938, to wit:

*Tax Treatment of Cooperatives — "Duly registered cooperatives under this Code which do not transact any business with non-members or the general public shall not be subject to any government taxes or fees imposed under the Internal Revenue Laws and other tax laws. Cooperatives not falling under this Article shall be governed by the succeeding section."*

Pursuant to the aforequoted Articles, the Cooperative Development Authority (CDA) and the National Electrification Administration (NEA) agreed to adopt the following procedural guidelines for the importation of machinery, equipment, and spare parts by electric cooperatives.

Electric Cooperative intending to import machineries, equipment and spare parts thru letters of credit, self-funded (no-dollar), donations or any other mode with tax and duty exemptions should adhere to the following procedural guidelines:

a. The cooperative shall inform NEA through the EC's Regional Manager of its importation for validation/evaluation as to the necessity of said importation in the implementation of the EC's electrification project. In this connection, the EC shall