

ADVISORY

Subject RR 3-2017: 2% Preferential Gross Receipts Tax to Microfinance NGOs

Date October 3, 2017

Republic Act (RA) no. 10693 (the 'Act'), otherwise known as "Microfinance NGOs Act," was signed into law last November 3, 2015. This is in line with the declared policy of the State to pursue programs of poverty alleviation encouraging Filipino families to embark on entrepreneurial activities to meet their needs in partnership with the Government. On August 16, 2016, Implementing Rules and Regulations (IRR) RA No. 10693 were approved. On November 25, 2016, Revenue Memorandum Circular No. 124-2016 circularized the said IRR. Revenue Memorandum Circular No. 31-2017 was issued on April 2017 by Microfinance NGO Regulatory Council (the 'Council') in relation to the implementation of Revenue Regulations (RR) No. 3-2017 implementing the tax provision of the Act.

As a condition for the availment of the incentives under the Implementing Rules and Regulation (IRR) of Republic Act No. 10693, otherwise known as the Microfinance NGOs Act, Microfinance NGOs must secure accreditation from the Microfinance NGO Regulatory Council (the 'Council').

Revenue Regulations No. 3-2017 implements the tax provisions of the Act as follows:

Eligible to avail 2% Preferential Gross Receipts Tax

1. With Certification
 - a. Certificate of Accreditation issued by the Council or
 - b. Certificate of No Derogatory Information issued by the Securities and Exchange Commission (SEC)

Transitional Accreditation:

Certified by SEC to have no derogatory information and are deemed accredited as Microfinance NGOs for a period of one (1) year from the effectivity of RA No. 10693 unless sooner revoked.

2. Only to NGOs whose primary purpose is microfinance and only on their microfinance operations catering to the poor and low-income individuals in alignment with the main goal of the Act to eradicate poverty.

Tax rate and Tax base

1. 2% preferential tax on gross receipts from microfinance operations in lieu of all national taxes.
2. Gross Receipts from microfinance operations should only pertain to lending activities and insurance commission which are bundled and forming integral part of the qualified lending activities of the Microfinance NGOs.
3. All other income of the Microfinance NGO, which are not generated from the lending activities and insurance commission shall be subject to all applicable taxes. This has been enumerated on RR 3- 2017 Section 6. Taxation of Microfinance NGOs

For your reading pleasure, enclosed herewith are the following:

1. Additional Information - Digest
2. Revenue Regulations No. 3-2017;
3. Revenue Memorandum Circular No. 31-2017;
4. Revenue Memorandum Circular No. 124-2016;
5. Implementing Rules and Regulations of the Microfinance NGOs Act (RA No. 10693)



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UHY M.L. AGUIRRE & CO., CPAS

Unit 1806 Cityland Pasong Tamo Tower
2210 Chino Roces Ave., Makati City, 1230
Philippines

Phone +63 2 555 0834
Fax +63 2 804 3936
Email ask@mlaguirre.org

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