

# COOP LETTERHEAD

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## SAMPLE FORMAT OF POSITION PAPER

### NAME COOPERATIVE POSITION PAPER ON UPHOLDING THE TAX EXEMPTION OF COOPERATIVES

**(NAME OF COOPERATIVE)** located at **(address)**, a duly registered primary cooperative with the Cooperative Development Authority (CDA) operating in **(Luzon)** and with **(number of members)** individual members composed of upland **farmers, self-employed person, persons with disabilities, housewives, employees both from private and government agencies and public utility jeepney/van drivers** has decided to promote the viability and growth of cooperatives as instruments of equity, social justice and economic development, as provided in Chapter XV, Article XII of the Philippine Constitution. This mandate is the very reason why Republic Act No. 11364 was passed. The cooperative sector needs to be protected, thus, the strengthening of the Cooperative Development Authority is necessary for cooperatives to truly function as instruments of social justice.

We firmly believe that the Philippines is the bastion of freedom, where justice rolls on like a river, and righteousness like a never ending stream. We fully support the move to **UPHOLD THE TAX EXEMPTION OF COOPERATIVES.**

The cooperatives recognize and respect the inherent power of the state to impose taxes. The sector understands that the exercise of the power is synonymous to government's existence. The government needs revenues to finance its various expenditures and raising these revenues is primarily through taxation, it has been said that there are two things in life which are certain and which we cannot escape from-death and taxes. Death being our marriage to eternity where we will go and taxes, the lifeblood of our nation. Through taxes, our people are provided with the basic services.

For the benefits that society derives through the programs and projects that cooperatives undertake, the law grants cooperatives tax exemption and such highest privilege has been well sustained by the Supreme Court in a landmark case of **DCCCO vs. Commissioner of Internal Revenue** penned by **Justice Del Castillo**. In that case, the highest court of the land affirmed the tax exemption of the cooperatives, declaring in unequivocal terms that ***“while the power to tax is a strong fundamental power of the state but such power must bow down to the principle of social justice”***. The High Court ruling has reverberated throughout the land, much to the rejoice of the cooperatives

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nationwide. Indeed, **COOPERATIVES ARE VEHICLES OF SOCIAL JUSTICE**, drawing those in marginalized sectors into the mainstream of development process.

The cooperative sector subscribes to the tenets of democracy. Ours is a government **of the people, by the people, and for the people**. Thus, it is the people who are the supreme authority as they are the ones that have brought into being, or have made possible, the existence of the government. One of the most important powers given by the supreme authority to the government is the power to create, and in the exercise of this power, cooperatives are born. In short, cooperatives are the government's creating. **And this power to create carries with it the power to preserve**, hence, it is also a primordial responsibility of the government to create an environment where its creation-the cooperatives-can well thrive and continue to perform their mandate of **helping people help themselves lead a decent life**.

The cooperatives are vessels of equity, and their existence is deeply rooted in community development as they are organized primarily to serve members' needs, focusing on the provision of members' benefits rather than profits or monetary returns to investors. This member-driven orientation makes them different from corporations and other organizations whose existence and success are measured in terms of monetary gains and, therefore service is but secondary.

For more than a hundred years now, cooperatives have performed a significant role in the country's development, particularly in **poverty reduction, job generation, and social integration**. They **promote** self-reliance. They, **create rural employment**. They **encourage entrepreneurial undertakings**. They **enhance the livelihood** of farmers, fisherfolk, rural workers, and urban poor. They **provide** for the needs of members through marketing support, extension of credit and loan facilities, provision of new technology, even adult education, and scholarships for children.

In a country where 6,000 Filipinos are going out of the country to find jobs leaving their families behind, the employment contributions of the cooperatives is just amazing as the 18,700 cooperatives nationwide have directly employed some 580,000 individuals and have generated indirect employment of more than 2.3 million.

Cooperatives continue to reach more people, particularly those in the vulnerable sectors to have them in the attainment of their economic and social goals. There are now some 26 types of cooperatives including farmers combatants, PWDs and drug victims. Due attention has been given to the coops of the IPs and ecological people who are among the poorest of the poor and are vulnerable to be recruits of violent extremism. To help the

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government in its fight against insurgency, cooperatives have been mobilized to be active partners of government in ELCAC. Today, DCCCO has trailblazed an agreement with CDA to be active in ECLCAC.

Undeniable, cooperatives are engines of economic growth, creating products and services that have produced benefits to millions of Filipinos. Treating cooperatives as profit oriented enterprises and imposing taxes on them is not only unconstitutional, it is also anti-people as it is counter-productive in the long run. The viability and sustainability of cooperatives that have long been serving millions of members are now put in a serious bind. The social and economic benefits provided by cooperatives have far reaching impact and they need support from the government to reach their potential as a dynamic people-centered enterprise committed to total human development. Yes, cooperatives put primacy on developing the human capital of this country.

Indeed, a strong army can conquer a kingdom but the strongest army in the world cannot overcome an idea whose time has come. Cooperativism is that idea! Its DNA is one that promotes prosperity for all as it is members-owned, value-based and principle-driven. It has to protect so it remains sustainable and viable.

Today, millions of Filipinos have embraced **cooperativism** as a way of life. Cooperatives have allowed the less privileged members of society to meet their goals and aspirations, convert what would have remained as unaddressed weaknesses into opportunities, transforming the *“bottom of the social pyramid”* into productive members and catalysts for the much needed economic and social change. Cooperatives harness and develop the saving capacity of the have less members of society, making them contributors in the country’s continued drive for capital formation. And all of these have occurred because the weaker and poorer members of society believe and trust in the cooperative system.

Make no mistake about it. The world has acknowledged the role of cooperatives. Their gargantuan task consists of improving the lives of marginalized members of society, their uniqueness and distinctiveness seen and manifested in their very mandate of achieving the economic, social and cultural needs and aspirations of their members. Cooperatives are special aggrupations of people because they are saddled with a social task and a calling to unite people, harness their productive capacity, and let them rise past poverty level. Cooperativism is the liberating force against poverty, inequities and social justice in a country where only 200 families control 73% of the economy. Indeed, cooperatives are the great equalizer!

All of us are acutely aware that the world is changing profoundly. Everywhere – inequality, decline in social justice, ecological turbulence due to climate change and violent extremism

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– these are extraordinary phenomena which are disturbingly becoming ordinary. The only countervailing force is cooperativism, according to the United Nations which crafted its 17 Sustainable Development Goals with the theme, “**Transformative Cooperatives for People, Planet, Prosperity and Peace**”. The only way to correct the dysfunctions of the contemporaneous development paradigm is through cooperativism. This truism is reinforced by a research study done recently by the Overseas Cooperative Development Council of the USAID headed by Dr. Judith Hermanson who reported that based on three-month Asean research-study, it is the conclusion that where there are cooperatives, it is where the quality of life is better and that the Philippines is the cooperative leader in Asia and the Pacific.

Thus, Articles 60 and 61 of Republic Act No. 9520, the Philippine Cooperative Code of 2008 which provide tax exemptions to cooperatives in all its transactions with members, **need to be upheld** as these twin provisions of the law are there in recognition of the fact that cooperatives develop the human capital of this country, build communities, and consequently, are active partners of the government in nation-building. Hence, we demand the following:

- I. Duly registered cooperatives should NOT be required for a Tax Identification Number (TIN) because by law they are already tax exempt. Article 60, R.A. 9520 (Cooperative Code of 2008). Tax Treatment of Cooperative.** 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 taxes and fees imposed under the internal revenue laws and other tax laws.

The general rule when dealing with cooperatives is that they are exempted from tax. In a case it decided, the Supreme Court opined that “if there is an express mention or if the taxpayer falls within the purview of the exemption by clear legislative intent, the rule on strict construction does not apply (Comm. Vs. Amoldus Carpentry Shop, Inc., 159 SCRA 19)”. **The tax exemption privilege under the Code was made to enable the cooperatives develop into viable and socio-economic enterprises and thereby fulfill its purpose of serving the need of the members.**

- 2. NO NEED for Certificate of Tax Exemption (CTE).** The Certificate of Registration, Certificate of Compliance and Certificate of Good Standing issued by the CDA to a duly registered cooperative are all enough proof for the cooperatives that they are propagating social enterprise and they shall be exempted from tax.

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Indeed, cooperatives are vehicles of social justice, drawing those in marginalized sectors into the mainstream of development process. It is in consonance to what has been mandated in Chapter 15 Article 12 of the 1987 Constitution, “to promote the viability and growth of cooperatives as instruments of social justice, equity and economic development.”

- 3. Exempt the cooperatives from payment of real property tax.** Section 234, R.A. No. 7160 (Local Government Code of 1991). Exemptions from Real Property Tax. The following are exempted from payment of the real property tax:
  - (d) All real property owned by duly registered cooperatives as provided for under R.A. No. 6938.
- 4. Uphold and respect the above mentioned laws.** They were passed and continue to have force and effect because the intention of the farmers of these laws is to give life into the cooperative sector, and not destroy it. No regulations, memoranda or issuances from any government office can, and should defeat, these laws.
- 5. Recognize and support eh efforts of cooperatives all over the country.** The cooperatives have done projects in collaboration with certain government agencies, particularly in bringing about laudable community projects. It is therefore fair and just that they be recognized and supported.

We will continue to advocate the above issues without let up until those who continue attempting to tax the cooperatives will listen!

We humbly request the honorable lawmakers to please consider our appeal that:

1. Duly registered cooperatives should NOT be required for a Tax identification Number (TIN);
2. NO NEED for Certificate of Tax Exemption (CTE);
3. Exempt cooperatives from payment of real property tax;
4. Uphold and respect the above mentioned laws; and
5. Recognize and support the effort of cooperatives all over the country.

With these, we believed that we can uplift the dignity of the poor and the oppressed.

The Board of Directors

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