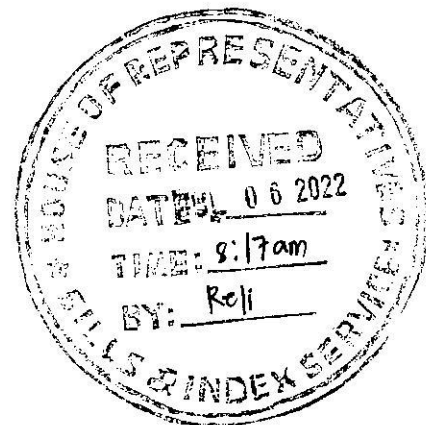




Republic of the Philippines  
House of Representatives  
Quezon City, Metro Manila

NINETEENTH CONGRESS  
**First Regular Session**

HOUSE BILL NO. 1333



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Introduced by Representative Felimon M. Espares

COOP NATCCO PARTYLIST

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#### **AN ACT**

**AMENDING CERTAIN PROVISIONS OF THE REPUBLIC ACT. NO. 9520, OTHERWISE KNOWN AS THE PHILIPPINE COOPERATIVE CODE OF 2008 TO FURTHER STRENGTHEN THE COOPERATIVE MOVEMENT IN THE COUNTRY AND FOR OTHER PURPOSES**

#### **EXPLANATORY NOTE**

This bill seeks certain provisions of Republic Act No. 9520, otherwise known as Philippine Cooperative Code of 2008 to further strengthen cooperatives in the country.

The role of cooperatives in socio-economic development and nation building is enshrined in the different provisions of our Constitution. Of particular note is Section 15, Article XII of the 1987 Constitution, which mandates Congress to create an agency to promote the viability and growth of cooperatives as instruments of social justice and economic development.

The contribution of cooperatives in promoting social justice and economic development cannot be denied. The more than 26,000 cooperatives nationwide serving more than 14 million members and employing some 530,000 individuals are testaments to the importance of cooperatives in our country. As partners of the State in socio-economic development and nation building, it is imperative that the State grants essential privileges to cooperatives to ensure their sustainability, growth, and development.

This bill proposes to grant the most needed privilege of cooperatives – tax exemption, among others. Under Section 61 of Republic Act No. 9520, otherwise known as the "*Philippine Cooperative Code of 2008*" only cooperatives dealing with

non-members and with accumulated reserves and undivided net earnings of not more than Ten million pesos are exempt from paying taxes. Cooperatives with accumulated reserves and undivided net earnings of more than Ten million pesos are still required to pay certain taxes. This proposal aims to remove the Ten million pesos threshold.

The tax exemption and other policies proposed in this measure will surely bring the needed development not only of the cooperatives and their members but also of the community where they operate.

The Corona virus pandemic greatly affected our country, and its socio-economic impact is truly devastating to our people and the country as a whole. A significant number of workers have lost their jobs. It is also in this light that there is a need to continuously develop and strengthen cooperatives so that, or at least, they will be able to provide economic relief to their members.

This measure also intends to improve the policy on the use of the cooperatives' reserve fund, community development fund, and optional fund. Under this bill, cooperatives may use the reserve fund for any loss that it may incur due to pandemic, state of emergencies and force majeure. By allowing such use, the cooperatives are empowered to meet any unexpected financial obligation, which is actually the true purpose of a reserve fund.

The existing use of community development fund is limited to the community where the cooperative operates. This proposed measure removes such limitation, but the area of operation is still the priority of the cooperative. This recommendation authorizes cooperatives to help the community outside their areas of operation.

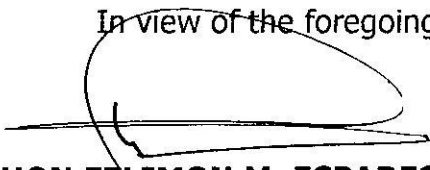
The use of the optional fund is effectively expanded and made clear that the same may be used for the benefit of the members and employees of cooperatives during an exceptional circumstance such as pandemic or crisis.

The other features of this bill are to increase the required paid-up capital and shorten the period of application for registration. The cooperatives are also guided by this proposal of the proper remedy when the Cooperative Development Authority issues dissolution orders against them.

The cooperatives are indispensable partners of the government in the socio-economic development of the country, and their contributions are undeniable. It is therefore right and just to continue to support the cooperatives.

This bill was approved by the House of Representatives during 18<sup>th</sup> Congress filed Representative Sabiniano S. Canama with original House Bill no. 2649.

In view of the foregoing, the early passage of this bill is earnestly sought.



**HON. FELIMON M. ESPARES**

**Republic of the Philippines  
House of Representatives  
Quezon City**

**NINETEENTH CONGRESS  
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**AN ACT  
AMENDING CERTAIN PROVISIONS OF THE REPUBLIC ACT. NO. 9520,  
OTHERWISE KNOWN AS THE PHILIPPINE COOPERATIVE CODE OF 2008 TO  
FURTHER STRENGTHEN THE COOPERATIVE MOVEMENT IN THE COUNTRY  
AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and House of Representatives of the Philippines in  
Congress assembled:*

SECTION 1. Article 14 of **Republic Act No. 9520** is hereby amended to read  
as follows:

"ART. 14. *Articles of Cooperation.* – (1) xxx.

(2) xxx;

(3) xxx;

(4) xxx;

(5) No cooperative, other than a cooperative union as described under Article 25 hereof, shall be registered unless the Articles of Cooperation is accompanied with the bonds of the accountable officers and a sworn statement of the Treasurer elected by the subscribers showing that at least twenty-five per centum (25%) of the authorized share capital has been subscribed and at least twenty-five per centum (25%) of the total subscription has been paid: *Provided*, That in no case shall the paid-up share capital be less than Fifteen thousand pesos (P 15,000.00) **FOR**

**AGRICULTURAL COOPERATIVES AND TWENTY-FIVE THOUSAND PESOS  
(P25,000.00) FOR NON-AGRICULTURAL COOPERATIVES.**

xxx"

SEC. 2. Article 16 of the same Act is hereby amended to read as follows:

"ART. 16. *Registration.* – A cooperative formed and organized under this Code acquires juridical personality from the date the Authority issues a Certificate of Registration under its official seal. All applications for registration shall be finally disposed of by the Authority within a period of [sixty (60)] **THIRTY (30)** days from the filing thereof, otherwise the application is deemed approved, unless the cause of the delay is attributable to the applicant: *Provided*, That in case of a denial of the application for registration, an appeal shall lie with the Office of the President within [ninety (90)] **SIXTY (60)** days from receipt of notice of such denial: *Provided, further*, That failure of the Office of the President to act on the appeal within [ninety (90)] **SIXTY (60)** days from the filing thereof shall mean approval of said application."

SEC. 3. Article 23 of the same Act is hereby amended to read as follows:

"ART. 23. *Type and Categories of Cooperatives.* – (1) *Types of Cooperatives* – Cooperatives may fall under any of the following types:

(a) xxx;

(b) xxx;

(c) xxx;

(d) xxx;

(e) *Service Cooperative* is one which engages in medical and dental care, hospitalization, transportation, insurance, housing, labor, **WATER**, electric light and power, communication, professional and other services;

(g) *Advocacy Cooperative* is a [primary] cooperative which promotes and advocates cooperativism among its members and the public through socially-oriented projects, education and training, research and communication, and other similar activities to reach out to its intended beneficiaries;

xxx                      xxx                      xxx."

(a) In terms of membership, cooperatives shall be categorized into:

(ii) *Secondary*—The members of which are primaries; and

b) xxx."

"ART. 26. *Kinds of Membership.* – A cooperative may have two (2) kinds of members, to wit: (1) regular members and (2) associate members.

"A regular member is one who has complied with all the membership requirements and entitled to all the rights and privileges of membership. An associate member is one who has no right to vote nor be voted upon and shall be entitled only to such rights and privileges as the by laws may provide: *Provided*, That an associate who meets **ALL** the [minimum] requirements of regular membership, continues to

patronize the cooperative for two (2) years, and signifies [his/her] the intention to remain a member shall be considered a regular member.

xxx."

Sec. 5. Article 35 of the same Act is hereby amended to read as follows:

"Art. 35. Quorum. A quorum shall consist of at least twenty-five per centum (25%) of all the members entitled to vote. **FOR PRIMARIES** Requirement **SHALL BE BASED ON THE NUMBER OF MEMBERS IN GOOD STANDING:**

**(1) BELOW 10,000 – 25%**

**(2) UP TO 25,000 – 20%**

**(3) UP TO 50,000 – 15%**

**(4) MORE THAN 50,000 MEMBERS – 10%**

**FURTHER, THE QUORUM FOR REPRESENTATIVE ASSEMBLY SHALL BE IN NO CASE BE LOWER THAN TEN PERCENT (10%) OR AS PROVIDED FOR IN THE BY-LAWS OF THE COOPERATIVE APPROVED BY THE AUTHORITY.**

In the case of cooperative banks, the quorum shall be as provided in Article 99 of this Code. In the case of electric cooperatives registered under this Code, a quorum, unless otherwise provided in the bylaws, shall consist of five per centum (5%) of all the members entitled to vote.

SEC. 6. Article 60 of the same Act is hereby amended to read as follows:

Art. 60. Tax treatment of Cooperatives **AND COOPERATIVE MEMBERS' BENEFITS FROM COOPERATIVES.**

x x x

**PATRONAGE REFUNDS AND INTEREST ON SHARE CAPITAL DISTRIBUTED BY THE COOPERATIVE TO ITS MEMBERS SHALL LIKEWISE**

***NOT BE SUBJECT TO ANY TAX AND FEES IMPOSED UNDER THE INTERNAL REVENUE LAWS AND OTHER TAX LAWS.***

SEC. 7. Article 61 of the same Act is hereby amended and Subsection 3 is now denominated as Subsection 2 and Subsection 4, 5, 6, 7 and 8 are renumbered as Subsection 2, 3, 4, 5, 6 and 7, and shall now read as follows:

"ART. 61. *Tax and Other Exemptions.* – x x x

"(1) Cooperatives [with accumulated reserves and undivided net savings of not more than Ten million pesos (P10,000,000.00) shall be] **ARE** exempt from all national, city, provincial, municipal or barangay taxes of whatever name and nature. [Such] Cooperatives [shall be] **ARE LIKEWISE** 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 (DTI). **COOPERATIVES ARE ALSO EXEMPT FROM ANY TAX ON LOCALLY PURCHASED MACHINERIES, EQUIPMENT, AND SPARE PARTS.** All tax-free importations **AND THOSE PURCHASED LOCALLY** shall not be sold nor the beneficial ownership thereof 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 imposed tax and/or duties.

["(2) Cooperatives with accumulated reserves and divided net savings of more than Ten million pesos (P10,000,000.00) shall pay the following taxes at the full rate:

"(a) *Income Tax* - On the amount allocated for interest on capitals: *Provided*, That the same tax is not consequently imposed on interest individually received by members: *Provided, further*, That cooperatives regardless of classification, are exempt from income tax from the date of registration with the Authority;

“(b) *Value-Added Tax* On transactions with non-members: *Provided, however,* That cooperatives duly registered with the Authority, are exempt from the payment of value-added tax, subject to Section 109, sub-sections L, M and N of Republic Act No. 9337, the National Internal Revenue Code, as amended: *Provided,* That the exempt transaction under Section 109 (L) shall include sales made by cooperatives duly registered with the Authority organized and operated by its member to undertake the production and processing of raw materials or of goods produced by its members into finished or processed products for sale by the cooperative to its members and non-members: *Provided, further,* That any processed product or its derivative arising from the raw materials produced by its members, sold in the name and for the account of the cooperative, shall be deemed a product of the cooperative: *Provided, finally,* That at least twenty-five per centum (25%) of the net income of the cooperatives is returned to the members in the form of interest and/or patronage refunds;

“(c) All other taxes unless otherwise provided herein; and

“(d) Donations to charitable, research and educational institutions and reinvestment to socio-economic projects within the area of operation of the cooperative may be tax deductible.]

“([3]2) All cooperatives [, regardless of the amount of accumulated reserves and undivided net savings shall be] **ARE** exempt from payment of local taxes and taxes on transactions with banks and insurance companies: *Provided,* That all sales or services rendered for non-members shall be subject to the applicable percentage taxes except sales made by producers, marketing or service cooperatives: *Provided further,* That nothing in this article shall preclude the examination of the books of accounts or other accounting records of the cooperative by duly authorized internal revenue

"ART. 72. Capital Sources.- x x x

(1) XXX;

(2) Loans and borrowings including deposits FROM MEMBERS;

(3) XXX,

(4) XXX

**SEC 9. Article 75 of the same Act is hereby amended to read as follows:**

"ART.75. Capital Build-Up.- The bylaws of every cooperative shall be provided for a reasonable and realistic member capital build-up *AND/OR DEPOSITS BUILD-UP* program to allow the continuing growth of the members' investment *AND SAVINGS DEPOSITS* in their cooperative as their economic conditions continue to improve."

SEC. 9. Article 86 of the same Act is hereby amended to read as follows:

"ART. 86. *Order of Distribution.* – The net surplus of every cooperative shall be distributed as follows:

"(1) x x x

"(a) The reserve fund shall be used for the stability of the cooperative, and to meet net losses in its operations **INCLUDING LOSSES INCURRED DURING A PANDEMIC, A STATE OF EMERGENCY AND OTHER SUCH FORCE MAJEURE.** The general assembly may decrease the amount allocated to the reserve fund when the reserve fund already exceeds the share capital.

"xxx.

"(b) xxx.

"(c) xxx:

officers for internal revenue tax purposes only, after previous authorization by the Authority.

"([4]3) xxx.

"([5]4) xxx.

"([6]5) xxx.

"([7]6) xxx.

"([8]7) xxx."

SEC. 8. Article 67 of the same Act is hereby amended to read as follows:

"ART. 67. *Dissolution by Order of the Authority.* – The Authority may suspend or revoke, after due notice and hearing, the certificate of registration of a cooperative on any of the following grounds:

"(1) xxx;

"(2) xxx;

"(3) xxx;

"(4) xxx; and

"(5) x x x.

**"THE DECISION OF THE AUTHORITY ON THE SUSPENSION OR REVOCATION OF THE CERTIFICATE OF REGISTRATION OF A COOPERATIVE MAY BE APPEALED TO THE OFFICE OF THE SECRETARY OF DEPARTMENT OF TRADE AND INDUSTRY (DTI) WITHIN THIRTY (30) DAYS FROM THE RECEIPT OF THE ORDER OF THE AUTHORITY. THE DECISION OF THE OFFICE OF THE SECRETARY OF DEPARTMENT OF TRADE AND INDUSTRY (DTI) IS FINAL AND EXECUTORY."**

SEC. 8. ARTICLE 72 of the same Act is hereby amended to read as follows:

“(i) xxx; and

“(ii) xxx.

“(2) x x x

“(a) Half of the amounts transferred to the education and training fund annually under this subsection shall be spent by the cooperative for education and training purposes; while the other half [may] **SHALL** be remitted to a union or federation chosen by the cooperative or of which it is a member. The said union or federation shall submit to the Authority and to its contributing cooperatives the following schedules:

“(i) xxx;

“(ii) xxx; and

“(iii) xxx.

“(b) xxx.

“(3) An amount for the community development fund, which shall not be less than three per centum (3%) of the net surplus. The community development fund shall be used for projects or activities that will benefit a community [where the cooperative operates] **IN THE PHILIPPINES, BUT PRIORITY MUST BE GIVEN TO THE COMMUNITY WHERE THE COOPERATIVE OPERATES. THE COMMUNITY DEVELOPMENT FUND MUST BE UTILIZED WITHIN ONE YEAR FROM THE DISTRIBUTION OF NET SURPLUS.**

“(4) An optional fund, a land and building, and any other necessary fund the total of which shall not exceed seven per centum (7%). **THIS FUND MAY ALSO BE USED FOR THE BENEFIT OF ITS MEMBERS AND EMPLOYEES UNDER**

**EXCEPTIONAL CIRCUMSTANCES SUCH AS THE OCCURRENCE OF A PANDEMIC, CRISIS OR FORCE MAJEURE.**

**"HOWEVER, IF THE OPTIONAL FUND IS INSUFFICIENT, THE COOPERATIVE MAY CHARGE ANY DEFICIENCY TO DIRECT EXPENSES.**

"(5) xxx:

"(a) xxx;

"(b) xxx;

"(c) xxx; and

"(d) xxx."

**SEC. 8. Article 109 of the same Act is hereby amended with the insertion of a new subsection 1 and 2 , and the renumbering of subsection 1,2,3,4,5,6, 7 and 8 as subsection 3,4,5,6,7 and 8. Art. 109 shall now read as follows:**

"ART. 109. *Definition and Coverage.* – x x x

**" (1) WATER SUPPLY OR DISTRIBUTION;**

**" (2) HEALTH SERVICES;**

"([1]3) xxx;

"([2]4) xxx;

"([3]5) xxx;

"([4]6) xxx;

"([5]7) xxx; and

"([6]8) xxx."

**SEC. 9. Article 115 of the same Act is hereby amended to read as follows:**

"ART. 115. *Definition and Objectives.* – A credit cooperative is a financial organization **OR INTERMEDIARY** owned and operated by its members with the following objectives:

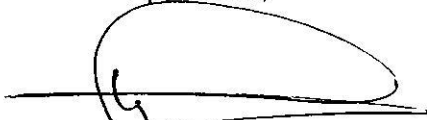
"(1) x x x

"(2) x x x

"(3) x x

SEC. 10. This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,



**HON. FELIMON M. ESPARES**  
COOP NATCCO PARTY LIST