

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



HOUSE OF REPRESENTATIVES
H.B. NO. 9013

INTRODUCED BY **REPRESENTATIVE EMMARIE “LOLYPOP” OUANO-DIZON**

AN ACT
AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT NO. 9520,
OTHERWISE KNOWN AS THE PHILIPPINE COOPERATIVE CODE OF
2008

EXPLANATORY NOTE

This bill seeks to amend certain provisions of Republic Act No. 9520, otherwise known as the Philippine Cooperative Code of 2008 to further allow cooperatives in the country to flourish and be more productive.

The contribution of cooperatives in promoting social justice and economic development cannot be denied. 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.

This measure seeks to address the various concerns that constrict the growth and development of cooperatives. 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 them.

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

A handwritten signature in black ink, appearing to be 'Emmarie' followed by a stylized 'Lolypop' and 'Ouano-Dizon'.

EMMARIE “LOLYPOP” OUANO-DIZON



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

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Be it enacted by the Senate and the 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 (Php15,000.00) for Agricultural Cooperatives and Twenty-Five Thousand Pesos (Php25,000.00) for Non-Agricultural Cooperatives.**

xxx”

Section 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.”

Section 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) x x x;

(b) x x x;

(c) x x x;

(d) x x x;

(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;

(f) x x x;

(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;

(h) x x x;

xxx

xxx

xxx.”

(2) *Categories of Cooperatives* – Cooperatives shall be categorized according to membership and territorial considerations as follows:

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

(i) *Primary* – The members of which are natural persons

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

(iii) *Tertiary* – The members of which are **PRIMARY AND** secondary cooperatives; and

(b) x x x;”

Section 4. Article 26 of the same Act is hereby amended to read as follows:

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

xxx.”

Section 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 the 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.”

Section 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.”

Section 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 2,3,4,5,6,7, 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 (Php10,000,000.00) 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 PDTI). **COOPERATIVES ARE ALSO EXEMPT FROM ANY TAX ON LOCALLY PURCHASED MACHINES, EQUIPMENT, AND SPARE PARTS.** All tax-free importations **AND THOSE PUCHASED 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 undivided net savings of more than Ten Million Pesos (Php10,000,000.00) shall pay the following taxes at the full rate:

- (a) *Income Tax* – x x x
- (b) *Value-Added Tax* - x x x
- (c) x x x

(d) x x x]”

“([3]2) All cooperatives [, regardless of the amount of accumulated reserves and undivided net saving 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 offices.”

“Art. 72. *Capital Sources.* - x x x

(1) xxx;

(2) Loans and borrowings including deposits FROM MEMBERS;

(3) xxx;

(4) xxx.

Section 8. 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.”

Section 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) xxx

(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.

x x x

(b) xxx;

(c) xxx;

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

([4]3) xxx
([5]4) xxx
([6]5) xxx
([7]6) xxx
([8]7) xxx.

Section 10. 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;
xxx;
xxx;
(5)xxx.

“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 SECREATARY 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 DTI IS FINAL AND EXECUTORY.”

Section 11. Article 72 of the same Act is hereby amended to read as follows:

“(i)xxx; and
(ii) xxx.

(2)xxx

(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 shall submit to the Authority and to its contributing cooperatives the following schedules:

(i) xxx;
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 YEAEER 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.

Section 12. 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. Article 109 shall now read as follows:

“Art. 109. *Definition and Coverage.* – xxx

(1) Water Supply or Distribution;

(2) Health Services;

([1]3) xxx;

([2]4) xxx;

([3]5) xxx;

([4]6) xxx;

([5]7) xxx;

([6]8) xxx.

Section 13. 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:

x x x”

Section 14. This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,