



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

DEC 14 2021

REVENUE MEMORANDUM CIRCULAR NO. 121-2021

SUBJECT : Clarifying the Taxability of the Interest Paid by Cooperatives to its Member's Deposit or Fixed Deposits Otherwise Known as Share Capital

TO : All Internal Revenue Officers, Employees and Others Concerned

This memorandum circular is being issued to clarify the taxability of the interest paid by cooperatives to its member's deposit or fixed deposits (otherwise known as share capital).

Section 11 of Revenue Memorandum Circular (RMC) No. 12-10, otherwise known as "Circularizing the Full Text of Joint Rules and Regulations Implementing Articles 60, 61 and 144 of Republic Act No. 9520, Otherwise Known as the "Philippine Cooperative Code of 2008" in Relation to RA No. 8424 or the National Internal Revenue Code, as Amended", provides:

"Section 11. Taxability of Members/Share Holders of Cooperatives.

– All members of cooperatives shall be liable to pay all the necessary internal revenue taxes under the NIRC, as amended, except for the following:

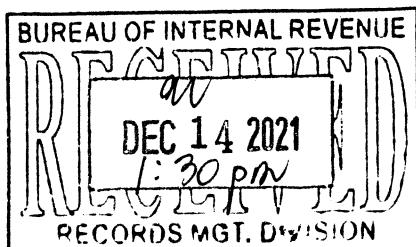
a) Any tax and fee, including but not limited to final tax on member's deposits or fixed deposits (otherwise known as share capital) with cooperatives, and documentary tax on transactions of members with the cooperative; and

xxx xxx xxx"

Member's deposit refers to savings and time deposits of both regular and associate members while share capital refers to member's paid up capital. Based on the abovementioned provisions, members of the cooperative are not liable to pay any tax and fee on the interest earned on member's deposits and fixed deposits (share capital). Hence, cooperatives are also not liable to withhold tax on the aforesaid interest payments to members.

All internal revenue officials and employees are hereby enjoined to give this Circular as wide a publicity as possible.

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Caesar Dulay
CAESAR R. DULAY
Commissioner of Internal Revenue

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