

## Tax in a dot

### RMC No. 123-2024: Clarification on the validity of CTE issued to certain corporations



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*Prepared by Deloitte Philippines' tax professionals, this newsletter is crafted to provide you with timely and concise information, helping you stay compliant and strategically informed.*



**Carlo Navarro**  
SEA Transfer Pricing Leader  
Philippines Tax & Legal  
Leader

### TAX 2024-44

## Clarification on the validity of CTE issued to certain corporations

Section 30 of the National Internal Revenue Code of 1997, as amended (Tax Code), listed down corporations that are exempt with respect to income received by them. This provision is implemented through Revenue Memorandum Order (RMO) No. 38-2019, which clarifies the nature, character, and tax treatment of exempt corporations. The said RMO also outlines the guidelines for processing and issuance of a Certificate of Tax Exemption (CTE). It states that a CTE shall be valid for a period of three (3) years from the date of its effectivity, unless sooner revoked or cancelled, except for those covered under Section 30(H) of the Tax Code. The CTE may be revalidated under the same procedure set forth in the RMO.

The Bureau of Internal Revenue (BIR) noticed that there is still confusion regarding the validity period of a CTE, considering the implementation of other laws and revenue issuances. As a result, the BIR has issued this Circular to provide clarification.

Pursuant to prevailing laws and revenue issuances, the three (3)-year validity period provided in RMO 38-2019 does **not** apply to the CTE of the following corporations:

- (1) Non-stock and non-profit educational institutions as provided under Section 30(H) of the Tax Code and RMO 44-2016;
- (2) Homeowners' Association as provided under Republic Act (RA) No. 9904 and Revenue Memorandum Circular (RMC) No. 9-2013, as amended; and
- (3) Non-stock savings and loan association as provided under RA 8367 and RMC 9-2016.

Furthermore, the three (3)-year validity period shall not apply to the issued CTE, otherwise known as the Certificate of Qualification, of an employees' retirement benefit plan created under RA 4917 and Revenue Regulations (RR) No. 1-68, as amended by RR 1-83.

Therefore, issued CTEs of the above-mentioned corporations and employees' retirement benefit plan shall remain valid and effective unless recalled or revoked by the BIR on valid grounds. If there are material changes in the character, purpose, or method of operation of the corporation, or in the provisions of the employees' retirement benefit plan that are inconsistent with the basis for income tax exemption, the CTE shall be subject to revalidation.

*Please see attached RMC 123-2024 for your reference.*

## Get in touch

Should you have any comments or questions arising from this newsletter, please contact our Tax & Legal Partners:



**Carlo Navarro**  
Tax & Legal Leader  
[canavarro@deloitte.com](mailto:canavarro@deloitte.com)



**Senen Quizon**  
Tax Principal  
[smquizon@deloitte.com](mailto:smquizon@deloitte.com)



**Walter Abela Jr.**  
Tax Partner  
[wabela@deloitte.com](mailto:wabela@deloitte.com)



**Alvin Saldaña**  
Tax Principal  
[asaldana@deloitte.com](mailto:asaldana@deloitte.com)



**Romel Curiba**  
Tax Principal  
[rcuriba@deloitte.com](mailto:rcuriba@deloitte.com)



**Elaine de Guzman**  
Tax Partner  
[eedeguzman@deloitte.com](mailto:eedeguzman@deloitte.com)



**Imelda Lapres**  
BPS Partner  
[itapay@deloitte.com](mailto:itapay@deloitte.com)



**Charisse Siao**  
BPS Partner  
[csiao@deloitte.com](mailto:csiao@deloitte.com)



**Ronnie Bernas**  
Legal Partner  
[rbernas@deloitte.com](mailto:rbernas@deloitte.com)



**Mary Rose Pascual**  
Legal Partner  
[marpascual@deloitte.com](mailto:marpascual@deloitte.com)



**Daniel Laoh**  
Transfer Pricing Partner  
[dlaoh@deloitte.com](mailto:dlaoh@deloitte.com)

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