

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



23 AUG -1 P1 :23

SENATE

S. No. 2378

RECEIVED BY:

Introduced by Senator Jinggoy Ejercito Estrada

AN ACT
AMENDING REPUBLIC ACT. NO. 6938, OTHERWISE KNOWN AS THE
"COOPERATIVE CODE OF THE PHILIPPINES", AS AMENDED, AND FOR
OTHER PURPOSES

EXPLANATORY NOTE

Republic Act No. 6938, otherwise known as the "Cooperative Code of the Philippines" was signed into law in 1990 and served as the legal framework in the establishment and operations of cooperatives in the country. The law was amended in 2008 through the passage of Republic Act No. 9520 or the "Philippine Cooperative Code of 2008" to enhance the governing guidelines that will in turn allow the cooperatives in the country to flourish and be more productive.


As emphasized by an article published by the Cooperative Development Authority (CDA), "There must now be a paradigm shift towards an economic system that is based on collective cooperation where the people harness their collective potentials; where the marginalized sectors are drawn into the mainstream of development processes; where the people have access and control over their resources; where wealth and power are democratized; and where people and the environment are the priorities rather than business and profit. That alternative development paradigm is called cooperativism whose DNA are as follows: members-owned, value-based and sustainable. Its values are industry, honesty, hard-work, cooperation, equity, democratic control, and where people have societal concern.

Food security and ecological integrity are its parameters of engagement rather than extraction and exploitation of nature.”¹

According to the CDA, there are 18,848 operating cooperatives in the country as of 2020. In terms of location, Region III has the most number of cooperatives and according to type, majority of them are multipurpose cooperatives. The 10,900 reporting cooperatives has a total of 11.5 million members and has generated 364,700 employment.² These figures show the vast reach of the cooperatives in working with our people and their great potential to contribute more to the economy of the country.

This bill seeks to amend Republic Act No. 6938, as amended by Republic Act No. 9520, to address the various concerns that constrict the growth and development of cooperatives. As emphasized by President Ferdinand R. Marcos, Jr. in his Second State of the Nation Address, there is an urgent need to amend the Cooperative Code to encourage and support the establishment of cooperatives in the different parts of the country. This is a significant foundation of a genuine, long-term, democratic, and sustainable progress of our economy.

In view of the foregoing, the immediate passage of this measure is highly recommended.



JINGGOY EJERCITO ESTRADA

¹ [COOPERATIVISM: THE URGENT CALL OF THE TIMES | CDA](#)

² [FY 2020 Cooperative Statistics | CDA](#)

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S. No. ~~2378~~

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AN ACT
AMENDING REPUBLIC ACT. NO. 6938, OTHERWISE KNOWN AS THE
"COOPERATIVE CODE OF THE PHILIPPINES", AS AMENDED, AND FOR
OTHER PURPOSES

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

1 Section 1. Article 10 of Republic Act No. 6938, as amended by Republic Act
2 No. 9520, is hereby amended to read as follows:

3 "ART. 10. *Organizing a Primary Cooperative.* –
4 Fifteen (15) or more natural persons who are [Filipino
5 citizens], of legal age, having a common bond of interest
6 and are actually residing or working in the intended area of
7 operation **FOR AT LEAST SIX (6) MONTHS**, may organize
8 a primary cooperative under this Code: *Provided*, That a
9 prospective member of a primary cooperative must have
10 completed a Pre-Membership Education Seminar (PMES):
11 **PROVIDED FURTHER, THAT MAJORITY OF SUCH**
12 **SHALL BE FILIPINO CITIZENS.**

13 "x x x."

14 Sec. 2. Article 14 of Republic Act No. 6938, as amended by Republic Act No.
15 9520, is hereby amended to read as follows:

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



1 “(2) x x x

2 “(3) x x x

3 “(4) x x x

4 “(5) No cooperative, other than a cooperative union
5 as described under Article 25 hereof, shall be
6 registered unless the articles of cooperation is
7 accompanied with the bonds of the accountable
8 officers and a sworn statement of the treasurer
9 elected by the subscribers showing that at least
10 twenty-five per centum (25%) of the authorized share
11 capital has been subscribed and at least twenty-five
12 per centum (25%) of the total subscription has been
13 paid: *Provided*, That in no case shall the paid-up
14 share capital be less than Fifteen thousand pesos
15 (P15,000.00) **FOR AGRICULTURAL**
16 **COOPERATIVES AND TWENTY-FIVE THOUSAND**
17 **PESOS (P25,000.00) FOR NON-AGRICULTURAL**
18 **COOPERATIVES.**

19 “x x x.”

20 Sec. 3. Article 16 of Republic Act No. 6938, as amended by Republic Act No.
21 9520, is hereby amended to read as follows:

22 “ART. 16. *Registration.* – A cooperative formed or
23 organized under this Code acquires juridical personality from
24 the date the Authority issues a certificate of registration
25 under its official seal. All applications for registration shall be
26 finally disposed of by the Authority within a period of [~~sixty~~
27 ~~(60)~~] **THIRTY (30)** days from the filing thereof, otherwise
28 the application is deemed approved, unless the cause of the
29 delay is attributable to the applicant: *Provided*, That in case
30 of a denial of the application for registration, an appeal shall
31 lie with the Office of the President within [~~ninety—(90)~~]
32 **SIXTY (60)** days from receipt of notice of such

1 denial: *Provided, further,* That failure of the Office of the
2 President to act on the appeal within [~~ninety (90)~~] **SIXTY**
3 **(60)** days from the filing thereof shall mean approval of said
4 application.

5 Sec. 4. Article 23 of Republic Act No. 6938, as amended by Republic Act No.
6 9520, is hereby amended to read as follows:

7 "ART. 23. *Types and Categories of Cooperatives.* – (1)

8 Types of Cooperatives – Cooperatives may fall under any of
9 the following types"

10 "(a) x x x;

11 "(b) x x x;

12 "(c) x x x;

13 "(d) x x x;

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

18 "(f) x x x;

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

25 "(h) x x x;

26 "x x x

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

30 "(a) In terms of membership, cooperative shall be
31 categorized into:

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

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

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

4 “(b) In terms of territory, cooperatives shall be categorized
5 according to areas of operations which may or may not
6 coincide with the political subdivisions of the country.

7 Sec. 5. Article 26 of Republic Act No. 6938, as amended by Republic Act No.
8 9520, is hereby amended to read as follows:

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

12 “A regular member is one who has complied with all the
13 membership requirements and entitled to all the rights and
14 privileges of membership. An associate member is one who
15 has no right to vote nor be voted upon and shall be entitled
16 only to such rights and privileges as the bylaws may
17 provide: *Provided*, That an associate member who meets
18 **ALL** the [~~minimum~~] requirements of regular membership,
19 continues to patronize the cooperative for two (2) years, and
20 signifies [~~his/her~~] **THE** intention to remain a member shall
21 be considered a regular member: **PROVIDED FURTHER,**
22 **THAT MAJORITY OF ALL MEMBERS, WHETHER**
23 **REGULAR OR ASSOCIATE, SHALL BE FILIPINO**
24 **CITIZENS.**

25 “x x x.”

26 Sec. 6. Article 35 of Republic Act No. 6938, as amended by Republic Act No.
27 9520, is hereby amended to read as follows:

28 “ART. 35. *Quorum.* – A quorum shall consist of at
29 least twenty-five per centum (25%) of all the members
30 entitled to vote.

31 **“FOR PRIMARIES, REQUIREMENT SHALL BE BASED**
32 **ON THE NUMBER OF MEMBERS IN GOOD STANDING:**

1 “(1) BELOW 10,000 – 25%

2 “(2) UP TO 25,000 – 20%

3 “(3) UP TO 50,000 – 15%

4 “(4) MORE THAN 50,000 MEMBERS – 10%

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

10 “x x x.”

11 Sec. 7. Article 36 of Republic Act No. 6938, as amended by Republic Act No.
12 9520, is hereby amended to read as follows:

13 “ART. 36. *Voting System.* – **EXCEPT FOR PRIMARY**
14 **COOPERATIVES WITH NUMEROUS AND DISPERSED**
15 **MEMBERSHIP, [E]** each member of a primary cooperative
16 shall have only one (1) vote. In the case of members of
17 secondary or tertiary cooperatives, they shall have one (1)
18 basic vote and as many incentive votes as provided for in
19 the bylaws but not **TO** exceed five (5) votes. The votes cast
20 by the delegates **THROUGH A REPRESENTATIVE**
21 **ASSEMBLY** shall **ALSO** be deemed as votes cast by the
22 members thereof.

23 “[However], THE bylaws of [~~a cooperative other than~~
24 a ~~primary~~] **TERTIARY AND SECONDARY**
25 **COOPERATIVES, AND PRIMARY COOPERATIVES**
26 **WITH NUMEROUS AND DISPERSED MEMBERSHIP AS**
27 **DETERMINED AND CERTIFIED BY THE AUTHORITY,**
28 may provide for voting by proxy. Voting by proxy means
29 allowing a delegate of a cooperative to represent or vote on
30 behalf of another delegate of the same cooperative **OR IN**
31 **THE CASE OF A PRIMARY COOPERATIVE WITH**
32 **NUMEROUS AND DISPERSED MEMBERSHIP,**

1 ALLOWING A MEMBER OF THE COOPERATIVE TO
2 REPRESENT OR VOTE ON BEHALF OF ANOTHER
3 MEMBER OF THE SAME COOPERATIVE.

4 "AS USED IN THIS ACT, PRIMARY COOPERATIVES
5 WITH NUMEROUS AND DISPERSED MEMBERSHIP
6 REFER TO COOPERATIVES WITH OVER 10,000
7 MEMBERS OR WITH GEOGRAPHICALLY DISPERSED
8 MEMBERS SUCH AS IN THE CASE OF THE
9 UNIFORMED PERSONNEL, OVERSEAS FILIPINO
10 WORKERS, AND SUCH OTHER COOPERATIVES
11 WHOSE MEMBERS ARE LIKEWISE GEOGRAPHICALLY
12 DISPERED AS SHALL BE DETERMINED AND
13 CERTIFIED TO BY THE AUTHORITY."

14 Sec. 8. Article 60 of Republic Act No. 6938, as amended by Republic Act No.
15 9520, is hereby amended to read as follows:

16 "ART. 60. *Tax Treatment of Cooperatives* **AND**
17 **COOPERATIVE MEMBERS' BENEFITS FROM**
18 **COOPERATIVES.** – Duly registered cooperatives under this
19 Code which do not transact any business with non-members
20 or the general public shall not be subject to any taxes and
21 fees imposed under the internal revenue laws and other tax
22 laws. Cooperatives not falling under this article shall be
23 governed by the succeeding section.

24 "PATRONAGE REFUNDS AND INTEREST ON SHARE
25 CAPITAL DISTRIBUTED BY THE COOPERATIVE TO ITS
26 MEMBERS SHALL LIKEWISE NOT BE SUBJECT TO ANY
27 TAX AND FEES IMPOSED UNDER THE INTERNAL
28 REVENUE LAWS AND OTHER TAX LAWS."

29 Sec. 9. Article 61 of Republic Act No. 6938, as amended by Republic Act No.
30 9520, is hereby amended to read as follows:

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

1 “(1) Cooperatives [~~with accumulated reserves and undivided~~
2 ~~net savings of not more than Ten million pesos~~
3 ~~(P10,000,000.00) shall be]~~ **ARE** exempt from all national,
4 city, provincial, municipal or barangay taxes of whatever
5 name and nature. [~~Such~~] [~~€~~] **Cooperatives [shall be] ARE**
6 **LIKEWISE** exempt from customs duties, advance sales or
7 compensating taxes on their importation of machineries,
8 equipment and spare parts used by them and which are not
9 available locally as certified by the Department of Trade and
10 Industry (DTI). **COOPERATIVES ARE ALSO EXEMPT**
11 **FROM ANY TAX ON LOCALLY PURCHASED**
12 **MACHINERIES, EQUIPMENT, AND SPARE PARTS.** All
13 tax-free importations **AND THOSE PURCHASED LOCALLY**
14 shall not be sold nor the beneficial ownership thereof be
15 transferred to any person until after five (5) years,
16 otherwise, the cooperative and the transferee or assignee
17 shall be solidarily liable to pay twice the amount of the
18 imposed tax and/or duties.

19 “~~[(2) Cooperatives with accumulated reserves and undivided~~
20 ~~net savings of more than Ten million pesos (P10,000,000.00)~~
21 ~~shall pay the following taxes at the full rate:~~

22 “~~(a) Income Tax~~—On the amount allocated for interest on
23 capitals: *Provided,* That the same tax is not consequently
24 imposed on interest individually received by
25 members: *Provided, further,* That cooperatives, regardless
26 of classification, are exempt from income tax from the date
27 of registration with the Authority;

28 “~~(b) Value Added Tax~~—On transactions with non-
29 members: *Provided, however,* That cooperatives duly
30 registered with the Authority, are exempt from the payment
31 of value-added tax, subject to Section 109, sub-sections L, M
32 and N of Republic Act No. 9337, the National Internal

1 Revenue Code, as amended: *Provided*, That the exempt
2 transaction under Section 109 (L) shall include sales made
3 by cooperatives duly registered with the Authority organized
4 and operated by its members to undertake the production
5 and processing of raw materials or of goods produced by its
6 members into finished or processed products for sale by the
7 cooperative to its members and non-
8 members: *Provided, further*, That any processed product or
9 its derivative arising from the raw materials produced by its
10 members, sold in the name and for the account of the
11 cooperative, shall be deemed a product of the
12 cooperative: *Provided, finally*, That at least twenty five per
13 centum (25%) of the net income of the cooperatives is
14 returned

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

16 "(d) Donations to charitable, research and educational
17 institutions and reinvestment to socioeconomic projects
18 within the area of operation of the cooperative may be tax
19 deductible.]

20 "[~~(3)~~] **(2)** All cooperatives[, regardless of the amount of
21 accumulated reserves and undivided net savings shall be]

22 **ARE** exempt from payment of local taxes and taxes on
23 transactions with banks and insurance
24 companies: *Provided*, That all sales or services rendered for
25 non-members shall be subject to the applicable percentage
26 taxes except sales made by producers, marketing or service
27 cooperatives: *Provided, further*, That nothing in this Article
28 shall preclude the examination of the books of accounts or
29 other accounting records of the cooperative by duly
30 authorized internal revenue officers for internal revenue tax
31 purposes only, after previous authorization by the Authority.

32 "[~~(4)~~] **(3)** x x x.

1 “[(5)] (4) x x x.

2 “[(6)] (5) x x x.

3 “[(7)] (6) x x x.

4 “[(8)] (7) x x x.”

5 Sec. 10. Article 67 of Republic Act No. 6938, as amended by Republic Act No.
6 9520, is hereby amended to read as follows:

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

11 “(1) x x x;

12 “(2) x x x;

13 “(3) x x x;

14 “(4) x x x;

15 “(5) x x x.

16 **“THE DECISION OF THE AUTHORITY ON THE**
17 **SUSPENSION OR REVOCATION OF THE CERTIFICATE**
18 **OF REGISTRATION OF A COOPERATIVE MAY BE**
19 **APPEALED TO THE OFFICE OF THE SECRETARY OF**
20 **DEPARTMENT OF TRADE AND INDUSTRY (DTI)**
21 **WITHIN THIRTY (30) DAYS FROM THE RECEIPT OF**
22 **THE ORDER OF THE AUTHORITY. THE DECISION OF**
23 **THE OFFICE OF THE DTI SECRETARY IS FINAL AND**
24 **EXECUTORY.”**

25 Sec. 11. Article 72 of Republic Act No. 6938, as amended by Republic Act No.
26 9520, is hereby amended to read as follows:

27 “ART. 72. *Capital Sources.* – Cooperatives registered
28 under this Code may derive their capital from any or all of
29 the following sources:

30 “(1) x x x;

31 “(2) Loans and borrowings including deposits **FROM**
32 **MEMBERS;**

1 “(3) x x x;

2 “(4) x x x.

3 “x x x.”

4 Sec. 12. Article 73 of Republic Act No. 6938, as amended by Republic Act No.
5 9520, is hereby amended to read as follows:

6 “ART. 73. *Limitation on Share Capital Holdings.* – No
7 member of a primary cooperative other than a cooperative
8 itself shall own or hold more than [~~ten~~] **FORTY** per centum
9 [~~(10%)~~] **(40%)** of the share capital of the cooperative.”

10 Sec. 13. Article 75 of Republic Act No. 6938, as amended by Republic Act No.
11 9520, is hereby amended to read as follows:

12 “ART. 75. *Capital Build-Up.* –The bylaws of every
13 cooperative shall provide for a reasonable and realistic
14 member capital build-up **AND/OR DEPOSITS BUILD-UP**
15 program to allow the continuing growth of the members’
16 investment **AND SAVINGS DEPOSITS** in their cooperative
17 as their own economic conditions continue to improve.”

18 Sec. 14. Article 86 of Republic Act No. 6938, as amended by Republic Act No.
19 9520, is hereby amended to read as follows:

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

22 “(1) x x x:

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

30 “x x x.

31 “(b) x x x.

32 “(c) x x x.

1 “(2) x x x

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

10 “x x x.

11 “(3) An amount for the community development fund, which
12 shall not be less than three per centum (3%) of the net
13 surplus. The community development fund shall be used for
14 projects or activities that will benefit the community **IN THE**
15 **PHILIPPINES, BUT PRIORITY MUST BE GIVEN TO**
16 **THE COMMUNITY** where the cooperative operates. **THE**
17 **COMMUNITY DEVELOPMENT FUND MUST BE**
18 **UTILIZED WITHIN ONE (1) YEAR FROM THE**
19 **DISTRIBUTION OF NET SURPLUS.**

20 “(4) An optional fund, a land and building, and any other
21 necessary fund the total of which shall not exceed seven per
22 centum (7%). **THIS FUND MAY ALSO BE USED FOR**
23 **THE BENEFIT OF ITS MEMBERS AND EMPLOYEES**
24 **UNDER EXCEPTIONAL CIRCUMSTANCES SUCH AS**
25 **THE OCCURRENCE OF A PANDEMIC, CRISIS OR**
26 **FORCE MAJEURE.**

27 **“HOWEVER, IF THE OPTIONAL FUND IS**
28 **INSUFFICIENT, THE COOPERATIVE MAY CHARGE**
29 **ANY DEFICIENCY TO DIRECT EXPENSES.**

30 “(5) x x x.”

31 Sec. 15. Article 109 of Republic Act No. 6938, as amended by Republic Act
32 No. 9520, is hereby amended to read as follows:

1 “ART. 109. *Definition and Coverage.* – A public
2 service cooperative, within the meaning of this Code, is one
3 organized to render public services as authorized under a
4 franchise or certificate of public convenience and necessity
5 duly issued by the appropriate government agency. Such
6 services may include the following:

7 “**(1) WATER SUPPLY OR DISTRIBUTION;**

8 “**(2) HEALTH SERVICES;**

9 “~~[(1)]~~ **(3)** x x x;

10 “~~[(2)]~~ **(4)** x x x;

11 “~~[(3)]~~ **(5)** x x x;

12 “~~[(4)]~~ **(6)** x x x;

13 “~~[(5)]~~ **(7)** x x x;

14 “~~[(6)]~~ **(8)** x x x.”

15 Sec. 16. Article 115 of Republic Act No. 6938, as amended by Republic Act
16 No. 9520, is hereby amended to read as follows:

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

21 “x x x.”

22 Sec. 17. *Separability Clause.* – If any provision or part hereof is held invalid
23 or unconstitutional, the remainder of the law or the provision or part not otherwise
24 affected shall remain valid and subsisting.

25 Sec. 18. *Repealing Clause.* – All laws, decrees, orders, rules and regulations
26 or parts thereof inconsistent with this Act are hereby repealed or amended
27 accordingly.

28 Sec. 19. *Effectivity.* – This Act shall take effect fifteen (15) days after its
29 publication in the *Official Gazette* or in two (2) newspapers of general circulation.

Approved,