

TAXABILITY OF NON-STOCK NON-PROFIT ORGANIZATIONS

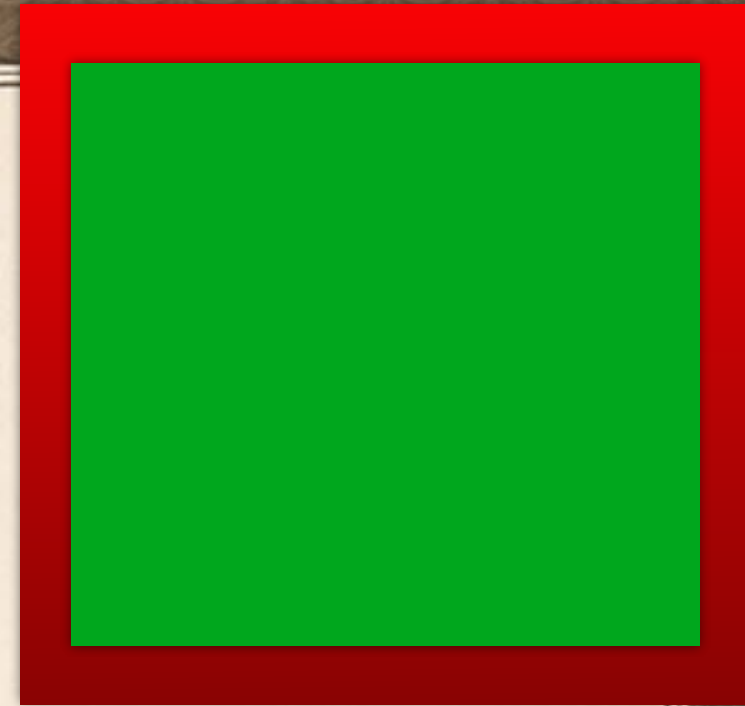
ATTY. ARNOLD A. APDUA, CPA
Managing Partner, AAA AND CO., CPAS
(Former BIR Revenue Officer)

ATTY. ARNOLD A. APDUA, CPA

- Managing Partner of AAA and Co., CPAs and owner of Bizmaker Tax and Accounting Consultancy Services.
 - Has seven (7) years as Revenue Officer of the Bureau of Internal Revenue (BIR) and ten (10) years as tax practitioner.
 - He was a tax lawyer of Quasha, Ancheta, Peña and Nolasco Law Office.
 - He was a professor of the University of Asia and the Pacific, University of the East and Pamantasan ng Lungsod ng Maynila.
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- He is a resource person and speaker for various Continuing Professional Development (CPD) tax seminars conducted by the following:
 - Philippine Institute of Certified Public Accountants (PICPA);
 - Asian Institute of Taxation (AIT);
 - Association of Certified Public Accountants in Commerce and Industry (ACPACI);
 - Association of Certified Public Accountants in Public Practice (ACPAPP);
 - Philippine Association of Management Accountants (PAMA);
 - University of Asia and the Pacific;
 - PowerMax Consulting Group; and
 - Various auditing firms.



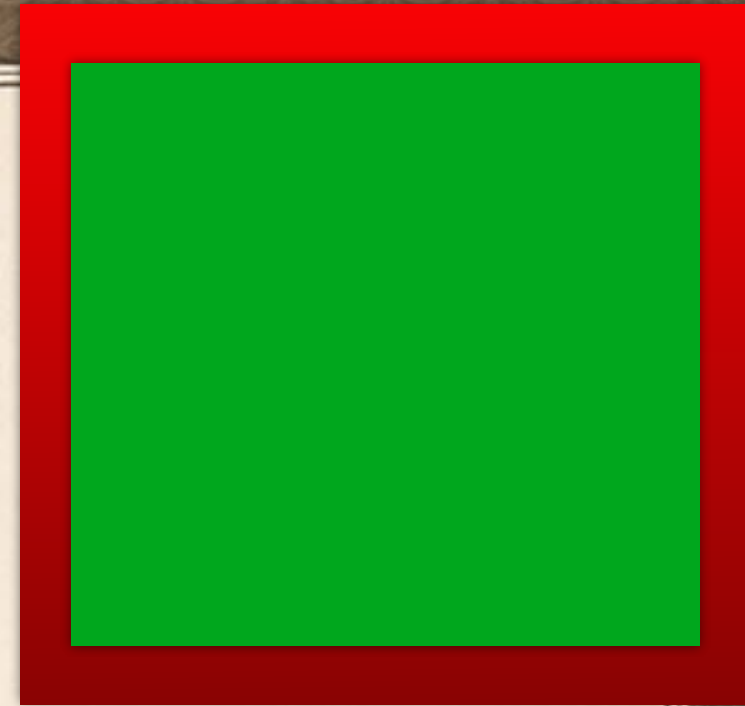
DEFICIENCY TAX COMPUTATION



SAMPLE COMPUTATION OF PENALTIES

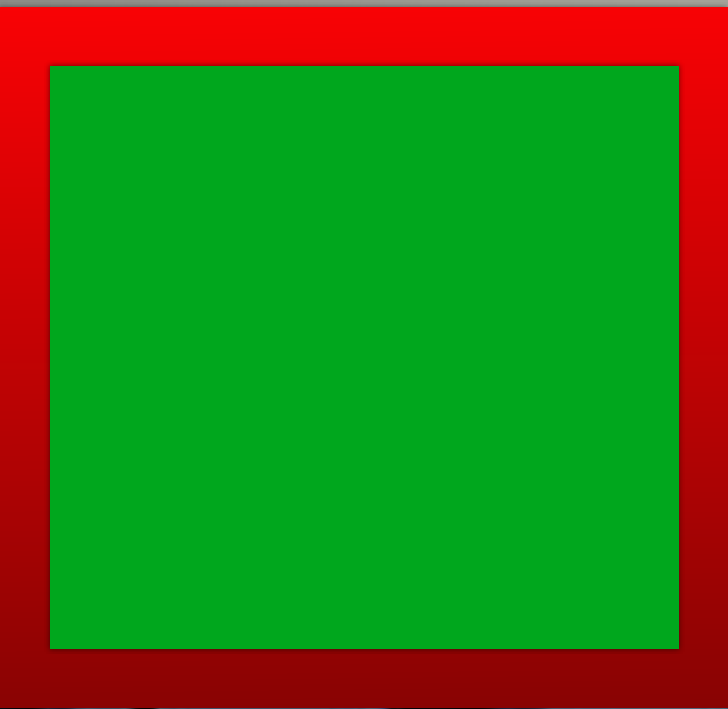
BASIC DOCUMENTARY STAMP TAX (2016)		✓	100,000.00
ADD PENALTIES			
✓ SURCHARGE (25%)	25,000.00		
✓ INTEREST - 20% (1.6.17 TO 12.31.17)	19,726.03		
✓ INTEREST - 12% (1.1.18 TO 12.31.18)	12,000.00		
✓ COMPROMISE PENALTY	15,000.00	✓	71,726.03
TOTAL DEFICIENCY DOCUMENTARY STAMP TAX		✓	171,726.03

DEFICIENCY TAX COMPUTATION



SAMPLE COMPUTATION OF PENALTIES (FRAUDULENT)

BASIC DOCUMENTARY STAMP TAX (2016)		✓	100,000.00
ADD PENALTIES			
✓ SURCHARGE (50%)	50,000.00		
✓ INTEREST - 20% (1.6.17 TO 12.31.17)	19,726.03		
✓ INTEREST - 12% (1.1.18 TO 12.31.18)	12,000.00		
✓ COMPROMISE PENALTY	0.00	✓	81,726.03
TOTAL DEFICIENCY DOCUMENTARY STAMP TAX		✓	181,726.03



INTRODUCTION

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TAXPAYERS' ROLE TO THE GOVERNMENT

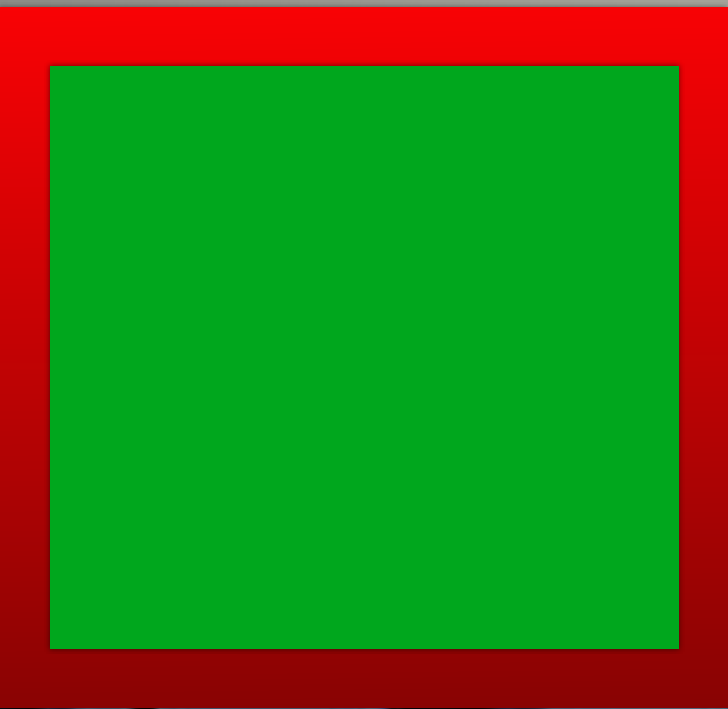
TAXPAYER ENGAGED IN BUSINESS

 **INCOME RECIPIENT**

 **WITHHOLDING TAX AGENT**

 **Pay Income Tax, VAT, Percentage**

 **Withhold tax and remit to BIR**



LEGAL REFERENCE

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1987 Philippine Constitution

Article VI. Sec. 28 (3)



“Charitable institutions, churches and parsonages or covenants appurtenant thereto, mosques, non-profit cemeteries, and all lands, buildings, and improvements, actually directly, and exclusively used for religious, charitable, or educational purposes shall be exempt from taxation.”

1987 Philippine Constitution


Article XIV, Section 4 (3)



✓ All revenues and assets of non-stock, non-profit educational institutions used actually, directly, and exclusively for educational purposes shall be exempt from taxes duties. Upon the dissolution or cessation of the corporate existence of such institutions, their assets shall be disposed of in the manner provided by law.

✓ Proprietary educational institutions, including those cooperatively owned, may likewise be entitled to such exemptions subject to the limitations provided by law including restrictions on dividends and provisions for reinvestment.”

Section 30 of the Tax Code



SEC. 30. Exemptions from Tax on Corporations. - The following organizations shall not be taxed under this Title in respect to income received by them as such:



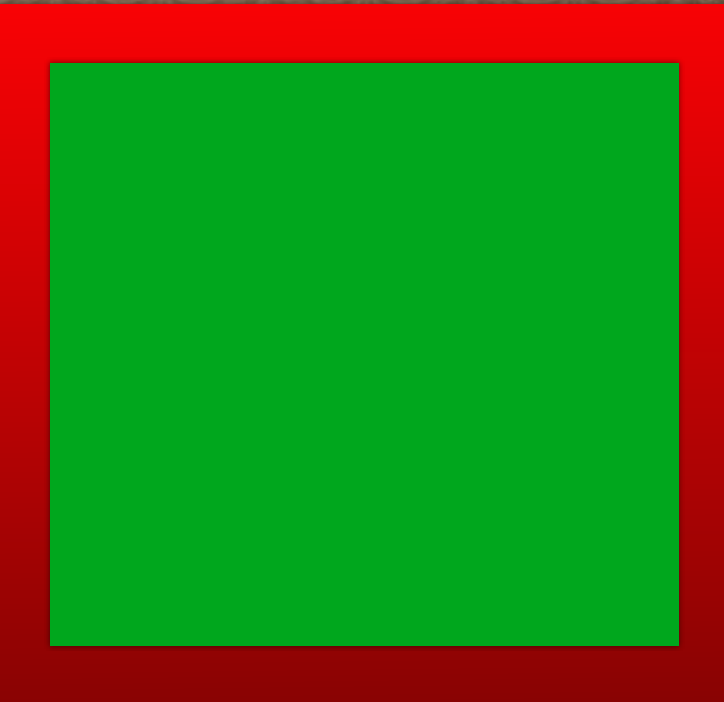
(A) **Labor, agricultural or horticultural organization** not organized principally for profit;



(B) **Mutual savings bank** not having a capital stock represented by shares, and cooperative bank without capital stock organized and operated for mutual purposes and **without profit**;



Section 30 of the Tax Code



(C) A beneficiary society, order or association, operating for the exclusive benefit of the members such as a fraternal organization operating under the lodge system, or mutual aid association or a nonstock corporation organized by employees providing for the payment of life, sickness, accident, or other benefits exclusively to the members of such society, order, or association, or nonstock corporation or their dependents;

Section 30 of the Tax Code



✓ (D) Cemetery company owned and operated exclusively for the benefit of its members;

✓ (E) Nonstock corporation or association organized and operated exclusively for religious, charitable, scientific, athletic, or cultural purposes, or for the rehabilitation of veterans, no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person;

Section 30 of the Tax Code



✓ (F) Business league, chamber of commerce, or board of trade, not organized for profit and no part of the net income of which inures to the benefit of any private stock-holder, or individual;

✓ (G) Civic league or organization not organized for profit but operated exclusively for the promotion of social welfare;

Section 30 of the Tax Code



(H) nonstock and nonprofit educational institution;

(I) Government educational institution;

(J) Farmers' or other mutual typhoon or fire insurance company, mutual ditch or irrigation company, mutual or cooperative telephone company, or like organization of a purely local character, the income of which consists solely of assessments, dues, and fees collected from members for the sole purpose of meeting its expenses; and





Section 30 of the Tax Code



✓
(K) Farmers', fruit growers', or like association organized and operated as a sales agent for the purpose of marketing the products of its members and turning back to them the proceeds of sales, less the necessary selling expenses on the basis of the quantity of produce finished by them;

Section 30 of the Tax Code



 Notwithstanding the provisions in the preceding paragraphs,
 the income of whatever kind and character of the foregoing
organizations from  any of their properties, real or personal,
or from any of their activities conducted for profit regardless
of the disposition made of such income, shall be  subject to
tax imposed under this Code.

NSNP ORGANIZATIONS

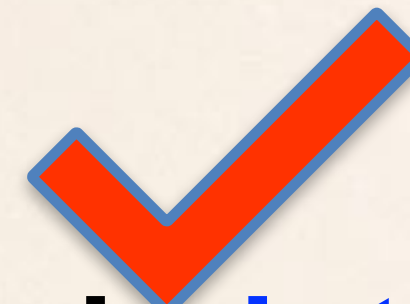
RMC 76-2003

“Organizations enumerated under Sec 30 NIRC are exempt from the payment of income tax on income received by them as such. However, they are subject to the corresponding internal revenue taxes on their income derived from any of their properties, real or personal, or any activity conducted for profit regardless of the disposition thereof (i.e. rental payment on building/premises), which income should be taxed”

NSNP ORGANIZATIONS



RMC 76-2003

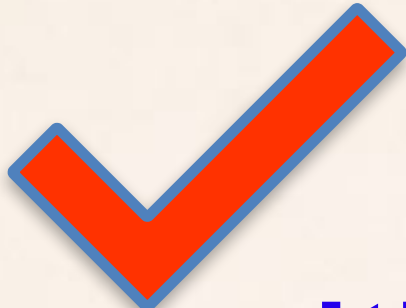
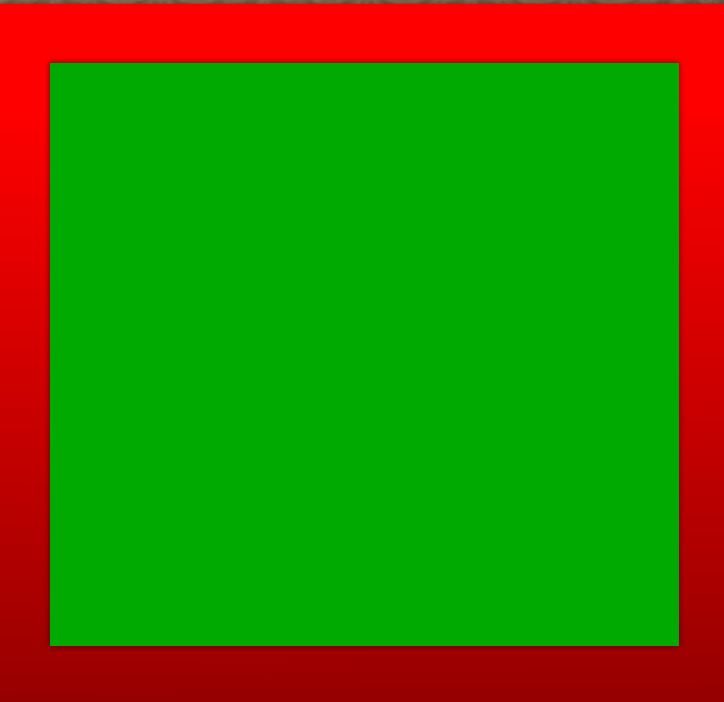


“In addition, their interest income from currency bank deposits and yield or any other monetary benefit from deposit substitute instruments and from trust funds and similar arrangement, and royalties derived from sources within the Philippines are subject to 20% final withholding tax and 7.5% on interest income derived from depository bank under the expanded foreign currency deposit system.”




NSNP ORGANIZATIONS

RMC 76-2003



It shall also be constituted as a withholding agent for the government if they acts as an employer and any of their employee receives compensation income subject to withholding tax under Section 79(A), Chapter XIII, Title II of the Tax Code of 1997, as implemented by Revenue Regulations No. 2-98, or if they make income payments to individuals or corporations subject to the withholding tax provided for in Section 57 of the Tax Code of 1997, also as implemented by Revenue Regulations No. 2-98.



TAXABILITY OF NON-STOCK NON-PROFIT ORGANIZATIONS

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INCOME TAX

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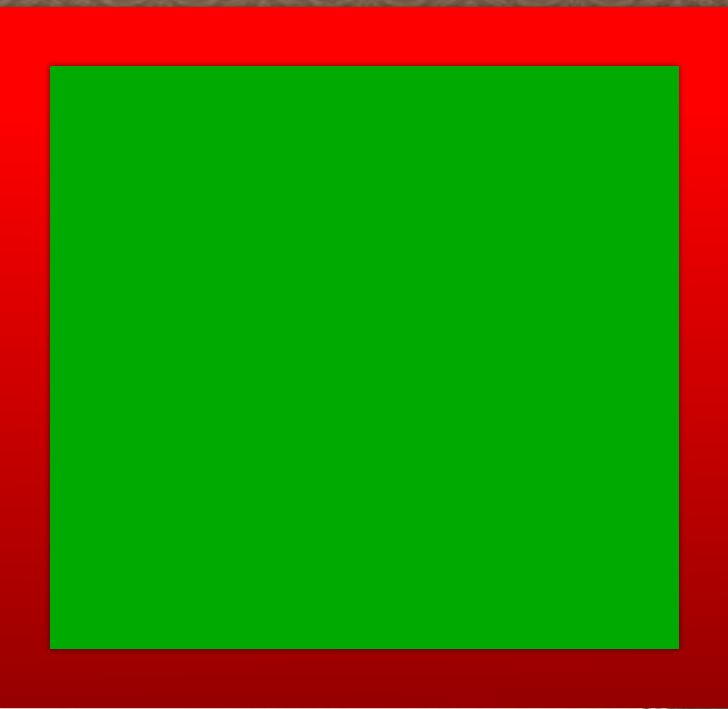
ANNUAL INCOME TAX FORMS FOR CORPORATIONS



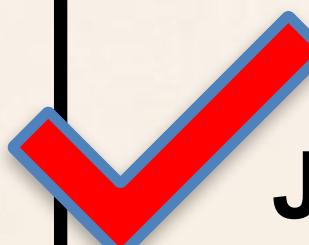


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SUMMARY OF CORPORATE RATES



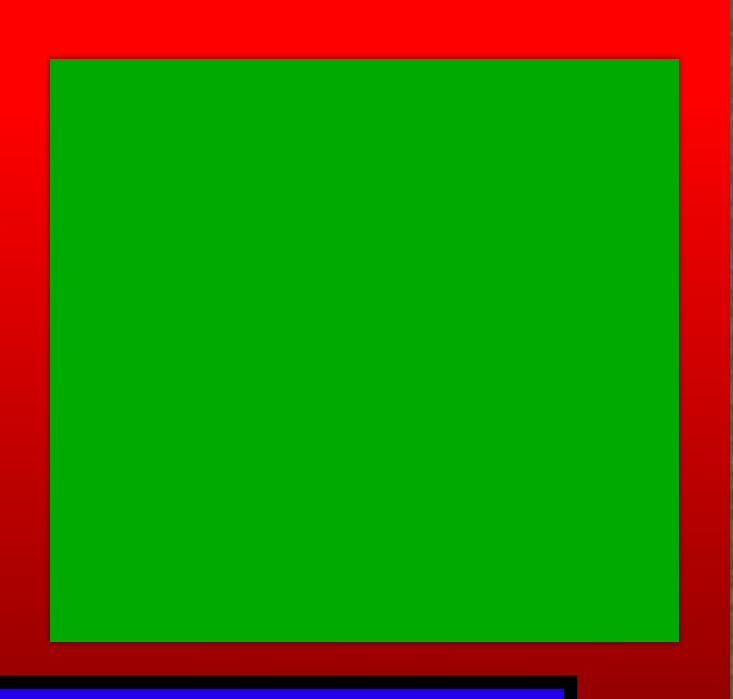
Type of Corporation	The higher between the “Regular” or “Minimum Corporate Income Tax (MCIT)” rates			
	Regular		MCIT	
	Rate	Effectivity	Rate	Effectivity
Domestic Corporation:				
 Domestic corporations, in general 	25%	 July 1, 2020	 1% 2%	 July 1, 2020 to June 30, 2023 July 1, 2023

SUMMARY OF CORPORATE RATES



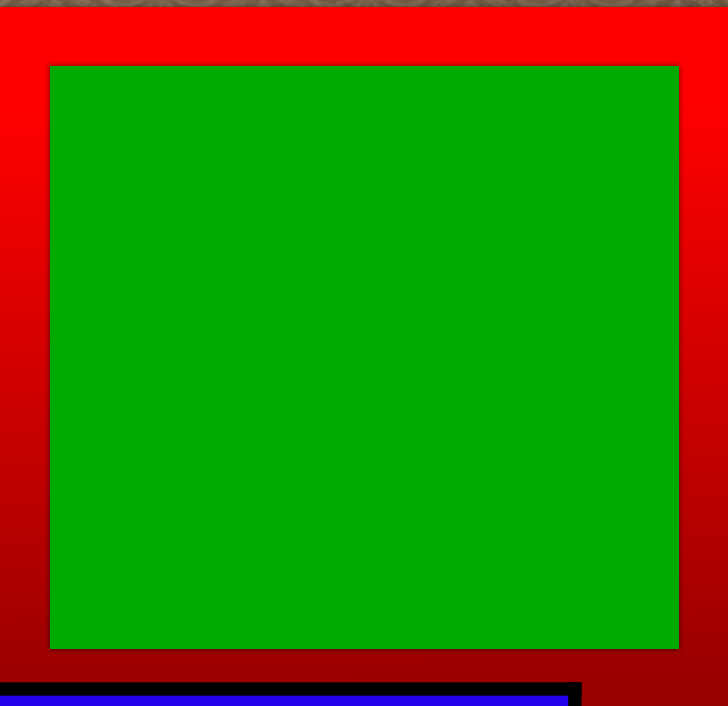
Type of Corporation	The higher between the “Regular” or “Minimum Corporate Income Tax (MCIT)” rates			
	Regular		MCIT	
	Rate	Effectivity	Rate	Effectivity
Domestic Corporation: For corporations with net taxable income not exceeding Five Million Pesos (P5,000,000) AND total assets not exceeding One Hundred Million (P100,000,000), excluding the land on which the particular business entity's office, plant and equipment are situated	20%	July 1, 2020	1% 2%	July 1, 2020 to June 30, 2023 July 1, 2023

CORPORATE TAX RATES



Type of Corporation	The higher between the “Regular” or “Minimum Corporate Income Tax (MCIT)” rates			
	Regular		MCIT	
	Rate	Effectivity	Rate	Effectivity
Proprietary Educational Institutions and Hospitals	1%	July 1, 2020 to June 30, 2023	Not Applicable	
	10%	July 1, 2023		

CORPORATE TAX RATES



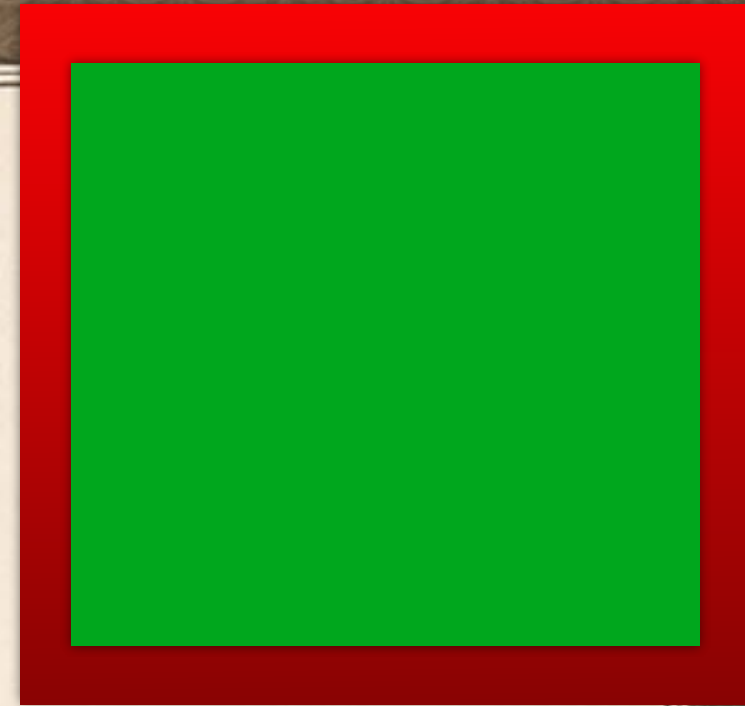
Type of Corporation	The higher between the “Regular” or “Minimum Corporate Income Tax (MCIT)” rates			
	Regular		MCIT	
	Rate	Effectivity	Rate	Effectivity
Foreign Corporation	[on taxable income (e.g. net or gross income, as applicable) derived from all sources within the Philippines]:			
Resident Foreign Corporation	25%	July 1, 2020	1%	July 1, 2020 to June 30, 2023
			2%	July 1, 2023

CORPORATE TAX RATES

Type of Corporation	The higher between the “Regular” or “Minimum Corporate Income Tax (MCIT)” rates			
	Regular		MCIT	
	Rate	Effectivity	Rate	Effectivity
Foreign Corporation	[on taxable income (e.g. net or gross income, as applicable) derived from all sources within the Philippines]:			
✓ Offshore Banking Unit (OBUs) (Note: OBUs shall now be taxed as resident foreign corporation upon effectivity of CREATE)	✓ 25%	✓ Upon the effectivity of the CREATE	✓ 1%	✓ Upon the effectivity of the CREATE until June 30, 2023
✓ Regional Operating Headquarters (ROHQ)	✓ 25%	✓ January 1, 2022	✓ 2%	✓ July 1, 2023
✓ Non-Resident Foreign Corporation	✓ 25%	✓ January 1, 2021	✓ 1%	✓ January 1, 2022 to June 30, 2023
			✓ 2%	✓ July 1, 2023
				Not Applicable

BIR FORM NO. 1702-EX

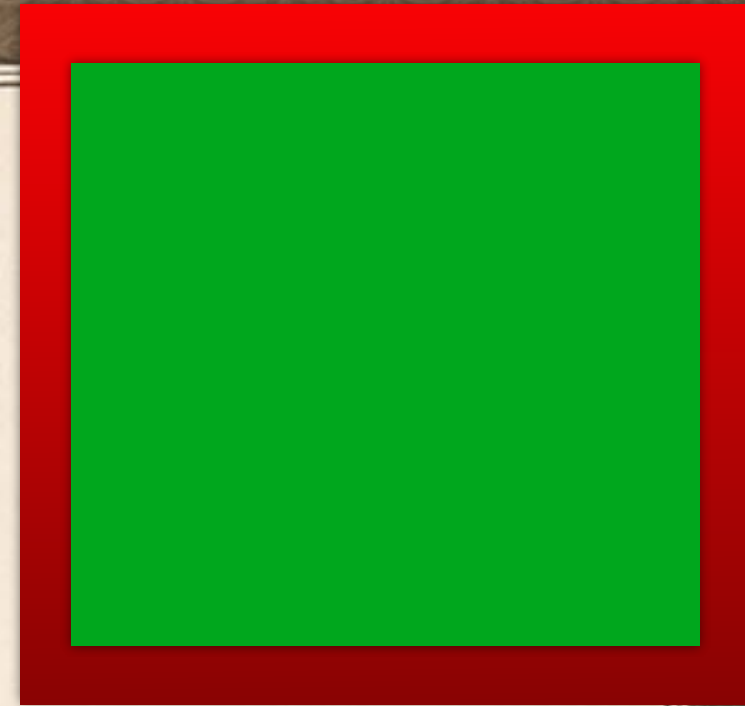
ANNUAL INCOME TAX RETURN FOR CORPORATION, PARTNERSHIP AND OTHER NON-INDIVIDUAL TAXPAYER EXEMPT UNDER THE TAX CODE, AS AMENDED, {SEC. 30 AND THOSE EXEMPTED IN SEC. 27(C)} AND OTHER SPECIAL LAWS, WITH NO OTHER TAXABLE INCOME



✓
Filed by a Corporation, Partnership and Other Non-Individual Taxpayer EXEMPT under the Tax Code, as amended [Sec. 30 and those exempted in Sec. 27(C)] and other Special Laws WITH NO OTHER TAXABLE INCOME such as but not limited to foundations, cooperatives, charitable institutions, non-stock and non-profit educational institutions, General Professional Partnership (GPP) etc.

BIR FORM NO. 1702-EX

ANNUAL INCOME TAX RETURN FOR CORPORATION, PARTNERSHIP AND OTHER NON-INDIVIDUAL TAXPAYER EXEMPT UNDER THE TAX CODE, AS AMENDED, {SEC. 30 AND THOSE EXEMPTED IN SEC. 27(C)} AND OTHER SPECIAL LAWS, WITH NO OTHER TAXABLE INCOME





Filing Date:



- On or before the 15th day of the 4th month following the close of the taxpayer's taxable year.

BIR FORM NO. 1702-EX

For BIR Use Only: BCS/Item:		 Republic of the Philippines Department of Finance Bureau of Internal Revenue			
BIR Form No. 1702-EX January 2018 (ENCS) v2 Page 1		Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer EXEMPT under the Tax Code, as Amended, [Sec. 30 and those exempted in Sec. 27(C)] and Other Special Laws, with NO Other Taxable Income] <i>Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two copies MUST be filed with the BIR and one held by the taxpayer.</i>			 1702-EX 01/18ENCS v2 P1
1 For <input type="checkbox"/> Calendar <input type="checkbox"/> Fiscal 2 Year Ended (MM/20YY) <input type="text"/> /20 <input type="text"/>		3 Amended Return? <input type="checkbox"/> Yes <input type="checkbox"/> No		4 Short Period Return? <input type="checkbox"/> Yes <input type="checkbox"/> No	
				5 Alphabetic Tax Code (ATC) <input type="text"/> IC 011 <input type="checkbox"/> Exempt Corporation on Exempt Activities <input type="text"/> IC 021 <input type="checkbox"/> General Professional Partnership	
Part I – Background Information					
6 Taxpayer Identification Number (TIN)		- - - - -		7 RDO Code	
8 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS)					
9 Registered Address (Indicate complete address. If the registered address is different from the current address, go to the RDO to update registered address by using BIR Form No. 1905)					
9A ZIP Code					

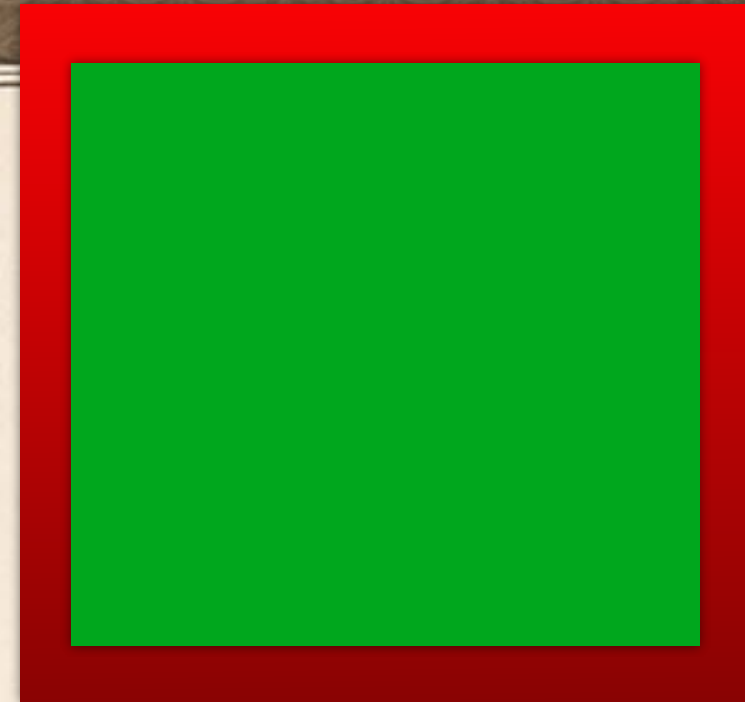
REVENUE MEMORANDUM ORDER NO. 020-13



SECTION 2. Applications for Tax Exemption and Revalidation. —

Corporations and associations enumerated under Section 30 of the NIRC, as amended, including those which have been issued tax exemption rulings/certificates prior to June 30, 2012, shall file their respective Applications for Tax Exemption/Revalidation with the Revenue District Office (RDO) where they are registered. Only corporations or associations that are duly qualified under Section 30 of the NIRC, as amended, shall be issued Tax Exemption Rulings.

REVENUE MEMORANDUM ORDER NO. 020-13



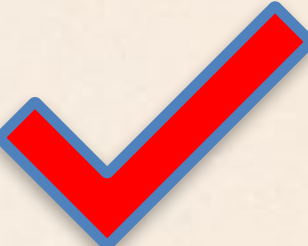
Validity of the Tax Exemption Ruling. — A Tax Exemption Ruling issued under this Order shall be valid for a period of three (3) years from the date of effectivity specified in the Ruling, unless sooner revoked or cancelled.




REVENUE MEMORANDUM ORDER NO. 034-14



II. Effects of non-filing, late filing and/or revocation of Tax Exemption Rulings under RMO No. 20-2013, as amended by RMO No. 28-2013



Consistent with the above nature of Tax Exemption Rulings, the absence of a valid, current and subsisting Tax Exemption Ruling will not operate to divest qualified entities of the tax exemption provided under the Constitution or Section 30 of the Tax Code.



Non-stock, non-profit entities which fail to secure a Tax Exemption Ruling for a given taxable year or shorter period (as in the case of late filers), are duty bound to prove compliance with the conditions laid down by the law and other pertinent administrative issuances in the event of a tax investigation.

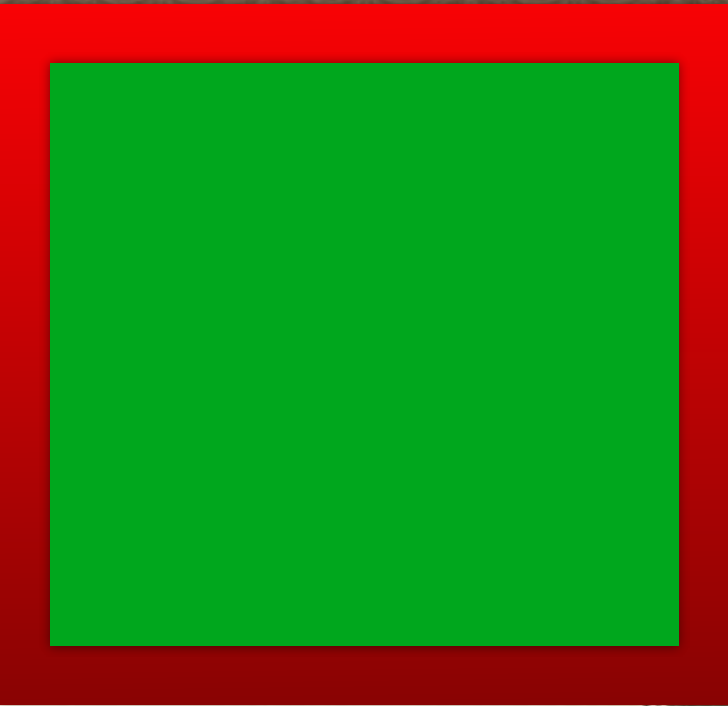


REVENUE MEMORANDUM ORDER NO. 038-19




✓ The requirements for the grant of tax exemption are specified by the law granting it and such grant is strictly construed against the taxpayer because an exemption restricts the collection of taxes necessary for the existence of the government.

Thus, a corporation claiming tax exemption must be able to show clearly that it is organized and operated for the purposes under Section 30 of the NIRC, and that its income is derived pursuant thereto. ✓

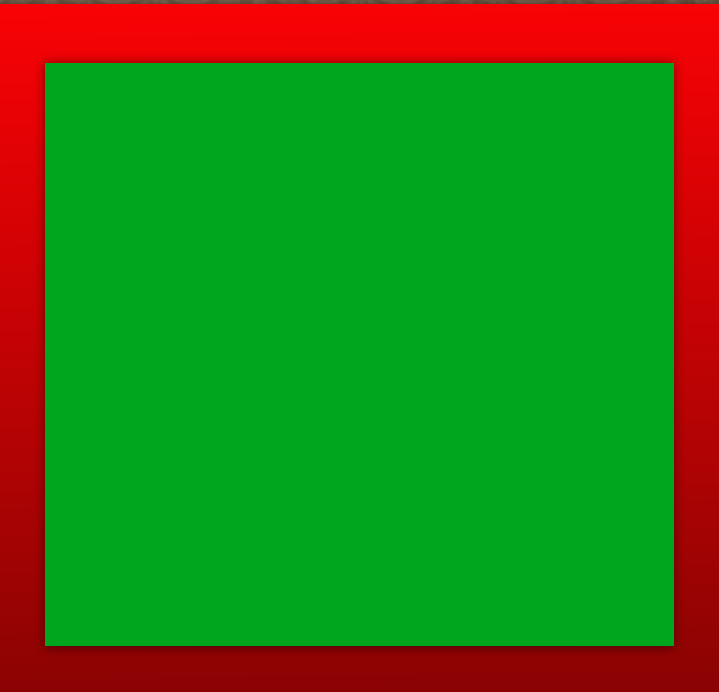


REVENUE MEMORANDUM ORDER NO. 038-19





Organizational Test: This requires that the corporation or association's constitutive documents (SEC Registration, Articles of Incorporation and By-Laws) must show that its primary purpose/s of incorporation fall under Section 30 of the NIRC.



REVENUE MEMORANDUM ORDER NO. 038-19



Operational Test: This requires that the regular activities of the corporation or association be exclusively devoted to the accomplishment of the purposes specified in Section 30 of the NIRC.

A corporation or association  fails to meet this test if the corporation has no activities conducted in furtherance of the purpose for which it was organized, or if a substantial part of its operations constitutes  activities conducted for profit."



SAMPLE BIR RULING ON NON-STOCK NON-PROFIT ORGANIZATION

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BIR RULING NO. 410-14 (OCTOBER 21, 2014)



Corporations or associations which apply for tax exemption ruling under Section 30 (E) of the Tax Code of 1997, as amended, must meet the following requirements in accordance with Revenue Memorandum Order No. 20-2013 dated July 22, 2013, to wit:

a. It must be a non-stock corporation or association organized and operated exclusively for religious, charitable, scientific, athletic, or cultural purposes, or for the rehabilitation of veterans.

BIR RULING NO. 410-14 (OCTOBER 21, 2014)

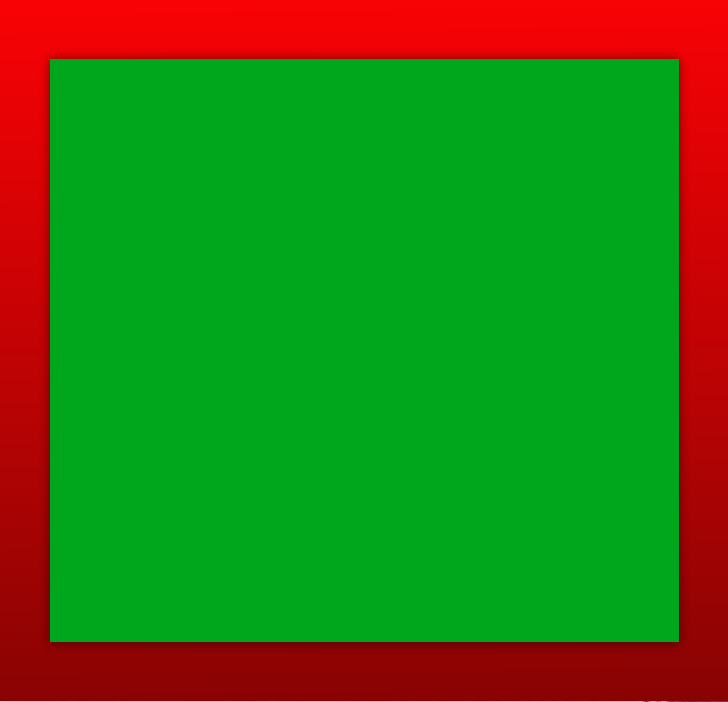



b. It should meet the following tests:


i. Organizational Test — requires that the corporation or association's constitutive documents exclusively limit its purposes to one or more of those described in paragraph (E) of Section 30 of the NIRC, as amended.

ii. Operational Test — mandates that the regular activities of the corporation or association be exclusively devoted to the accomplishment of the purposes specified in paragraph (E) of Section 30 of the NIRC, as amended. A corporation or association fails to meet this test if a substantial part of its operations may be considered "activities conducted for profit."

BIR RULING NO. 410-14 (OCTOBER 21, 2014)



c. All the net income or assets of the corporation or association must be devoted to its purpose/s and no part of its net income or asset accrues to or benefits any member or specific person. Any profit must be plowed back and must be devoted or used altogether for the furtherance of the purpose for which the corporation or association was organized.



d. It must not be a branch of a foreign non-stock, non-profit corporation.

BIR RULING NO. 410-14 (OCTOBER 21, 2014)



Based on the foregoing, this Office is of the opinion that **TROPICAL DISEASE FOUNDATION, INC.** is a non-stock, non-profit scientific and research corporation contemplated under Section 30 (E) of the Tax Code of 1997, as amended. Accordingly, it is exempt from the payment of tax on income received by it as such organization, provided, no part of its net income or asset shall belong to, or inure to the benefit of any member, organizer, officer or any specific person. (BIR Ruling No. 157-11 dated May 19, 2011)

BIR RULING NO. 410-14 (OCTOBER 21, 2014)

However, it is subject to the corresponding internal revenue taxes imposed under the Tax Code of 1997 on its income derived from any of its properties, real or personal, or any activity conducted for profit regardless of the disposition thereof, which income should be returned for taxation. Likewise interest income from currency bank deposits and yield or any other monetary benefit from deposit substitute instruments and from trust funds and similar arrangements, and royalties derived from sources within the Philippines are subject to 20% final withholding tax. Provided, however, that interest income derived by it from a depository bank under the expanded foreign currency deposit system shall be subject to 7 1/2% final withholding tax pursuant to Section 27 (D) (1) in relation to Section 57 (A), both of the Tax Code of 1997. (BIR Ruling No. 156-11 dated May 17, 2011).


BIR RULING NO. 410-14 (OCTOBER 21, 2014)



It should be understood that the said exempt corporation/association shall be constituted as withholding agent for the government if it acts as an employer and its employees receive compensation income subject to the withholding tax under Section 79 (A), Chapter XIII, Title II of the Tax Code of 1997, as implemented by Revenue Regulations No. 2-98, as amended, or if it makes income payments to individuals or corporations subject to the withholding tax pursuant to Section 57 of the Tax Code of 1997, also as implemented by Revenue Regulations No. 2-98, as amended. (BIR Ruling No. [NSNP-(S30E-159)810-09] dated December 22, 2009)

BIR RULING NO. 410-14 (OCTOBER 21, 2014)



Value-Added Tax

Moreover, the tax exemption granted to it as a non-stock, non-profit corporation under Section 30 of the Tax Code of 1997  covers only income taxes for which it is directly liable.

Section 105 of the Tax Code of 1997 provides that any person who,  in the course of trade or business, sells, barters, exchanges, leases goods or properties, renders services, and any person who imports goods shall be  subject to the value-added tax (VAT) imposed in Sections 106 to 108 of the same Code.

BIR RULING NO. 410-14 (OCTOBER 21, 2014)

The phrase "in the course of trade or business" means the regular conduct or pursuit of a commercial or an economic activity, including transactions incidental thereto, by any person regardless of whether or not the person engaged therein is a non-stock, non-profit private organization (irrespective of the disposition of its net income and whether or not it sells exclusively to members or their guests), or government entity.

Accordingly, if TROPICAL DISEASE FOUNDATION, INC. is engaged in the sale of goods or services in the course of a business pursuit, including transactions incidental thereto, in general, it shall be liable for VAT. (BIR Ruling No. 138-11 dated March 14, 2011).

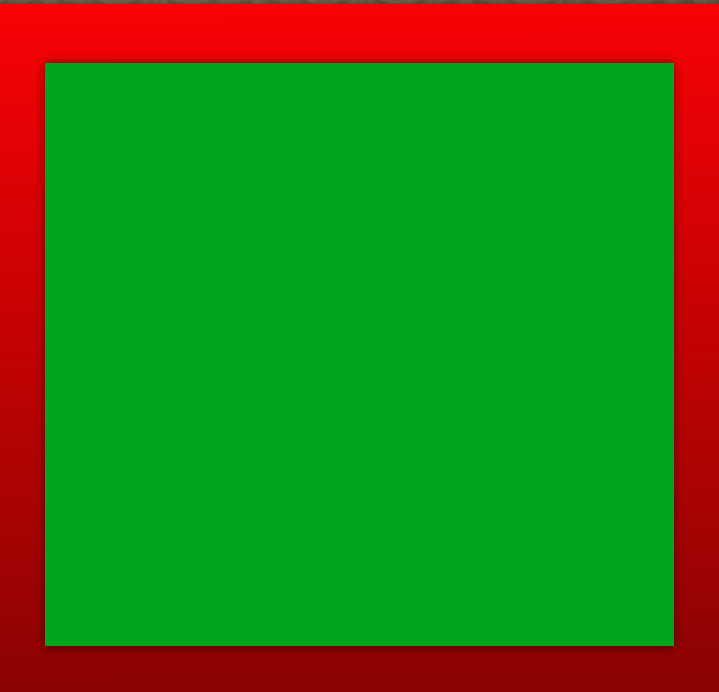

BIR RULING NO. 410-14 (OCTOBER 21, 2014)




Notwithstanding that it is a non-stock, non-profit corporation, its purchase of goods or properties or services and importation of goods shall nevertheless be subject to the 12% VAT pursuant to Section 107 of the said Code. (BIR Ruling No. 075-11 dated February 2011).

It should be noted that VAT is an indirect tax payable by the seller and not by the purchaser of goods. However, being an indirect tax, it can be shifted or passed on to the buyer/purchaser, transferee or lessee of the goods, properties or services. Once shifted to the buyer/customer as an addition to the cost of goods or services sold, it is no longer a tax but an additional cost which the buyer/customer has to pay in order to obtain the goods or services. Thus, the shifting of the VAT to it does not make it the person directly liable and therefore, it cannot invoke its tax exemption privilege under Section 30 of the Tax Code of 1997 to avoid the passing on or shifting of the VAT.

BIR RULING NO. 410-14 (OCTOBER 21, 2014)



Revenue from contributions and donations, not being derived from sale of services or sale of goods made in the course of business but rather in connection with its non-stock, non-profit activities,  is exempt from the 12% VAT.

BIR RULING NO. 410-14 (OCTOBER 21, 2014)



Donor's Tax

Inasmuch as TROPICAL DISEASE FOUNDATION, INC. is a scientific and research organization, donations to it are exempt from the payment of donor's tax pursuant to Section 101 (A) (3) of the Tax Code of 1997, as amended, subject to the condition that not more than thirty percent (30%) of said gift shall be used for administration purposes. (BIR Ruling No. 024-11 dated January 28, 2011)

BIR RULING NO. 410-14 (OCTOBER 21, 2014)

Deductibility of Donation

Section 3 of RR 13-98 provides:


SECTION 3. Donations to Accredited Non-stock, Non-profit Corporations/NGOs.
— Donations to accredited non-stock, non-profit corporations/NGOs shall be entitled to the following benefits:

(1) Limited Deductibility. — Donations, contributions or gifts actually paid or made within the taxable year to accredited non-stock, non-profit corporations shall be allowed limited deductibility in an amount not in excess of ten percent (10%) for an individual donor, and five percent (5%) for a corporate donor, of the donor's income derived from trade, business or profession as computed without the benefit of this deduction.

BIR RULING NO. 410-14 (OCTOBER 21, 2014)



(2) Full Deductibility. — Donations contributions or gifts actually paid or made within the taxable year to accredited NGOs shall be allowed full deductibility, subject to the following conditions:



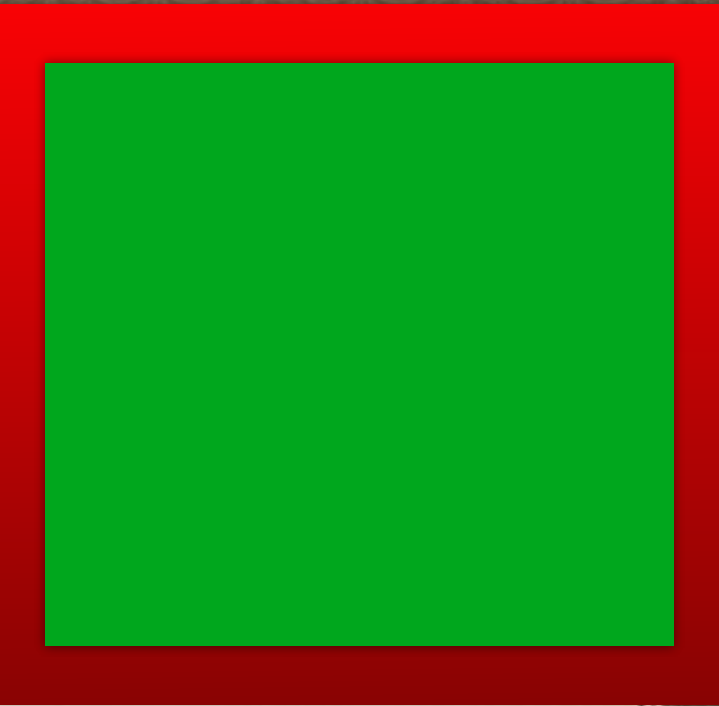

(i) The accredited NGO shall make utilization directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated, not later than the fifteenth (15th) day of the third month after the close of the accredited NGOs taxable year in which contributions are received, unless an extended period is granted by the Secretary of Finance, upon recommendation of the Commissioner.

BIR RULING NO. 410-14 (OCTOBER 21, 2014)



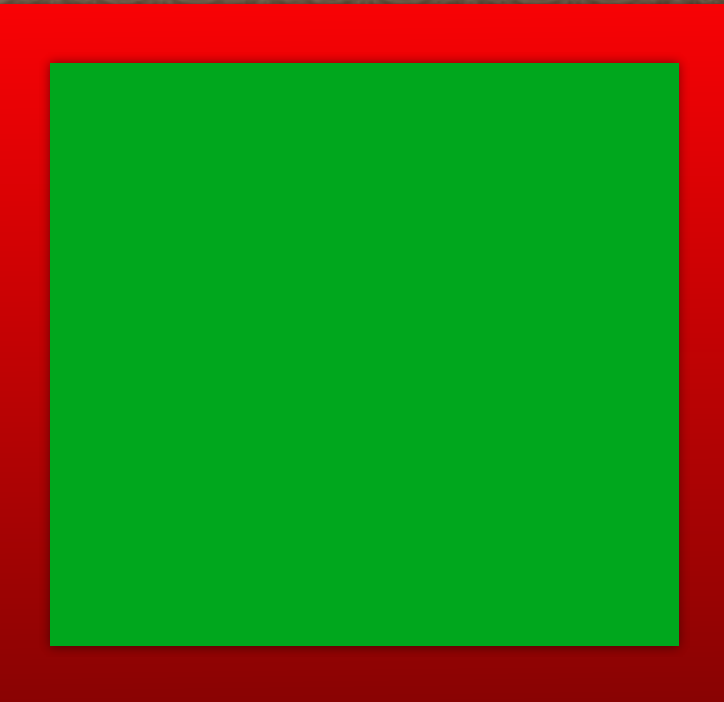
✓
(ii) The level of administrative expenses of the accredited NGO, shall, on an annual basis, not exceed thirty percent (30%) of the total expenses for the taxable year; ✓

BIR RULING NO. 410-14 (OCTOBER 21, 2014)



(iii) In the event of dissolution, the assets of the accredited NGO, would be distributed to another accredited NGO organized for similar purpose or purposes, or to the State for public purpose, or purposes, or to the state for public purpose, or would be distributed by a competent court of justice to another accredited NGO to be used in such manner as in the judgment of said court shall best accomplished the general purpose for which the dissolved organization was organized.

BIR RULING NO. 410-14 (OCTOBER 21, 2014)

- 
- (iv) The amount of any charitable contribution of property other than money shall be based on the acquisition cost of said property.
- (v) All the members of the Board of Trustees of the non-stock, non-profit corporation, organization or NGO do not receive compensation or remuneration for their service to the aforementioned organization.

BIR RULING NO. 410-14 (OCTOBER 21, 2014)



Furthermore, Section 1 (a) of Revenue Regulations No. 13-98 provides that:

✓ a) "Non-stock, non-profit corporation or organization" — shall refer to a corporation or association/organization preferred to under Section 30 (E) and (G) of the Tax Code created or organized under Philippine laws exclusively for one or more of the following purposes:

✓ 1. religious;

✓ 2. charitable;

✓ 3. scientific;

BIR RULING NO. 410-14 (OCTOBER 21, 2014)



- ✓ 4. athletic;
- ✓ 5. cultural;
- ✓ 6. rehabilitation of veterans; and
- ✓ 7. social welfare


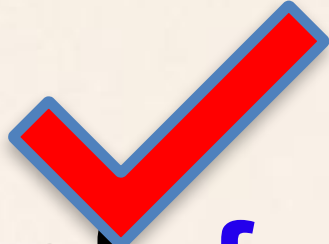
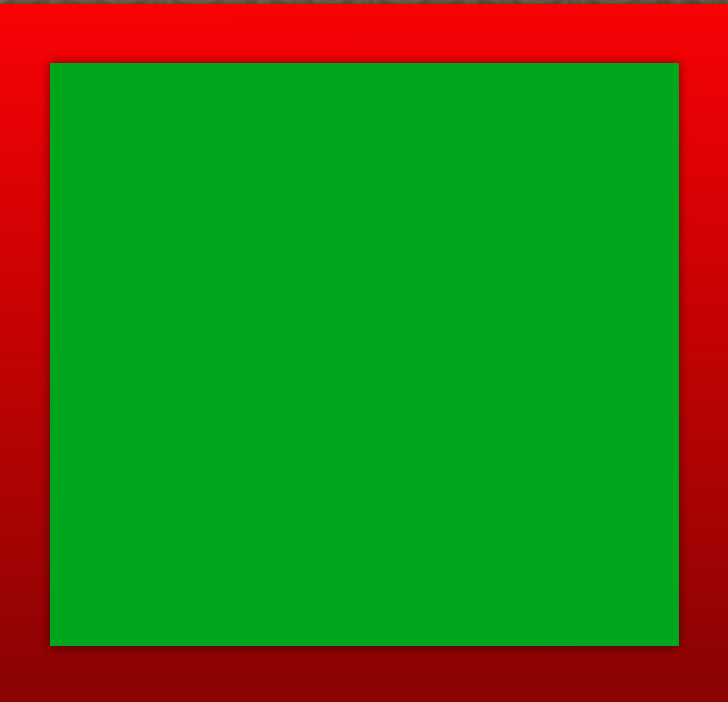
no part of the net income or asset of which shall belong to or inure to the benefit of any member, organizer, officer or any specific person.

BIR RULING NO. 410-14 (OCTOBER 21, 2014)

✓ b) "Non-government Organization (NGO)" — shall refer to a non-stock, non-profit domestic corporation or organization as defined under Section 34 (H)(2) (c) of the Tax Code organized and operated exclusively for scientific, research, educational, character-building and youth and sports development, health, social welfare, cultural or charitable purposes, or a combination thereof, no part of the net income of which inures to the benefit of any private individual.

Foregoing considered, ✓ donors can avail of the full deductibility only for donations, contributions or gifts actually paid or made within the taxable year to ✓ accredited NGOs.

BIR RULING NO. 410-14 (OCTOBER 21, 2014)



Accordingly, for purposes of full deductibility from the taxable business income of its donor, TROPICAL DISEASE FOUNDATION, INC. must first be accredited with the Philippine Council for NGO Certification, Inc. (PCNC) which has been duly designated by the Secretary of Finance as the Accrediting Entity pursuant to Memorandum of Agreement dated January 29, 1998 executed by and between the Secretary of Finance and PCNC's Interim Chairman.

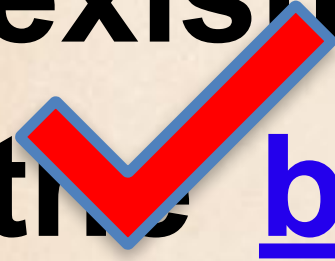
For further inquiries on the accreditation and certification process, please visit PCNC at 6/F, SCC Building, CFA-MA Compound, 4427 Interior Old Sta. Mesa, 1016 Manila or call their office at 715-9594, 715-2756, 782-1568 and 715-2783 (telefax). You may also visit their website: <http://www.pcnc.com.ph> or email them at pcnc@pldtsl.net.

BIR RULING NO. 410-14 (OCTOBER 21, 2014)

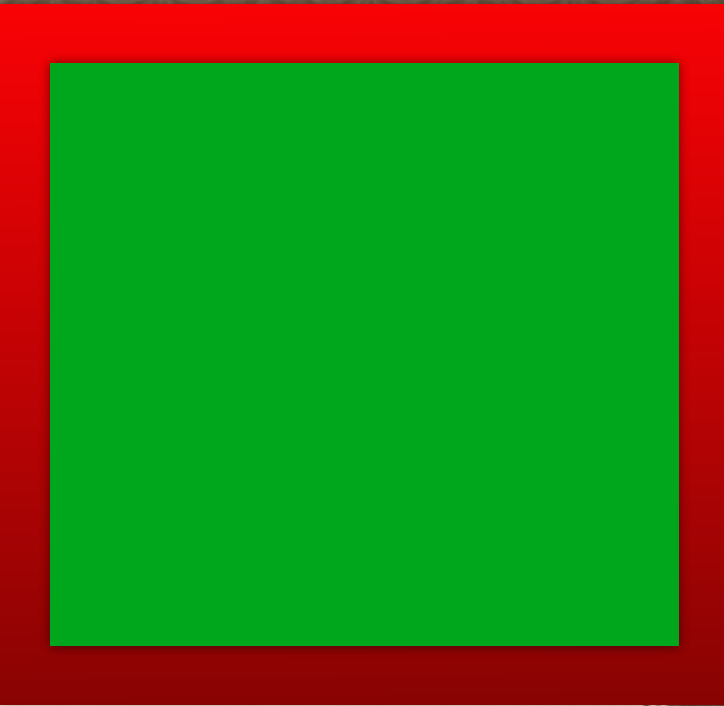

Moreover, TROPICAL DISEASE FOUNDATION, INC. is required to file on or before the 15th day of the fourth month following the end of the accounting period a Profit and Loss Statement and Balance Sheet with the Annual Information Return under oath, stating its gross income and expenses incurred during the preceding period and a certificate showing that there has not been any change in its By-laws, Articles of Incorporation, manner of operation and activities as well as sources and disposition of income. (BIR Ruling No. 153-11 dated April 29, 2011)

BIR RULING NO. 410-14 (OCTOBER 21, 2014)




Under Section 235 of the Tax Code of 1997, any provision of existing general and special law to the contrary notwithstanding,  the books of accounts and other pertinent records of tax-exempt organization or grantees of tax incentives shall be subject to examination by the BIR for purposes of ascertaining compliance with the conditions under which it has been granted tax exemptions or tax incentives, and its tax liabilities, if any.

BIR RULING NO. 410-14 (OCTOBER 21, 2014)



Finally, it is subject to the payment of the annual registration fee of PhP500.00 as prescribed in Section 236 (B) of the Tax Code of 1997, as amended. It is also required under Section 6 (C) in relation to Section 237 of the same Code to issue duly registered receipts or sales or commercial invoices for each sale or transfer of merchandise or for services rendered which are not directly related to the activities for which the Association is registered [Revenue Memorandum Circular (RMC) No. 76-2003].



BIR RULING NO. 410-14 (OCTOBER 21, 2014)



It is requested that a copy of this  letter of exemption be attached to the aforementioned Annual Information Return.

 Please note that this tax exemption ruling shall be valid for a period of three (3) years from date of issue, unless sooner revoked or cancelled.

BIR RULING NO. 410-14 (OCTOBER 21, 2014)

The tax exemption ruling may be renewed upon filing of a subsequent Application for Tax Exemption/Revalidation provided under Revenue Memorandum Order (RMO) No. 20-2013. Failure to renew the Tax Exemption Ruling shall be deemed a revocation thereof upon the expiration of the three (3)-year period. The New Tax Exemption Ruling shall be valid for another period of three (3) years, unless sooner revoked or cancelled.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be disclosed that the facts are different, then this ruling shall be considered null and void.

VALUE-ADDED TAX

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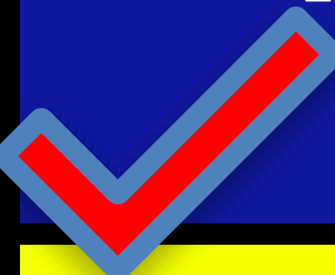
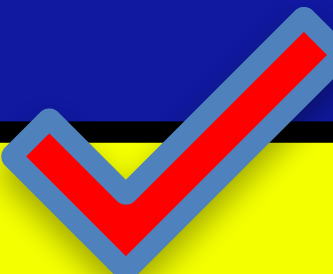
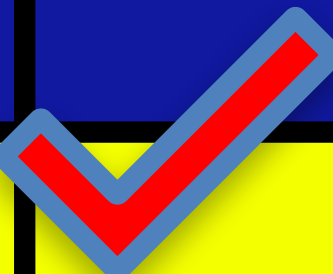
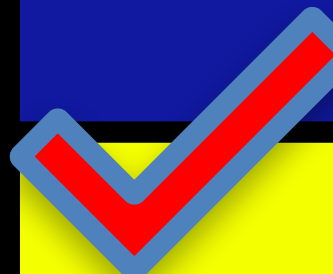
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VALUE-ADDED TAX

- VAT is a tax on consumption levied on the sale, barter, exchange or lease of goods or properties and services in the Philippines and importation of goods into the Philippines.
- The seller is the one statutorily liable for the payment of the tax but the amount of the tax may be shifted or passed on to the buyer, transferee or lessee of the goods, properties or services.
- In the case of importations, the importer is liable for the VAT.

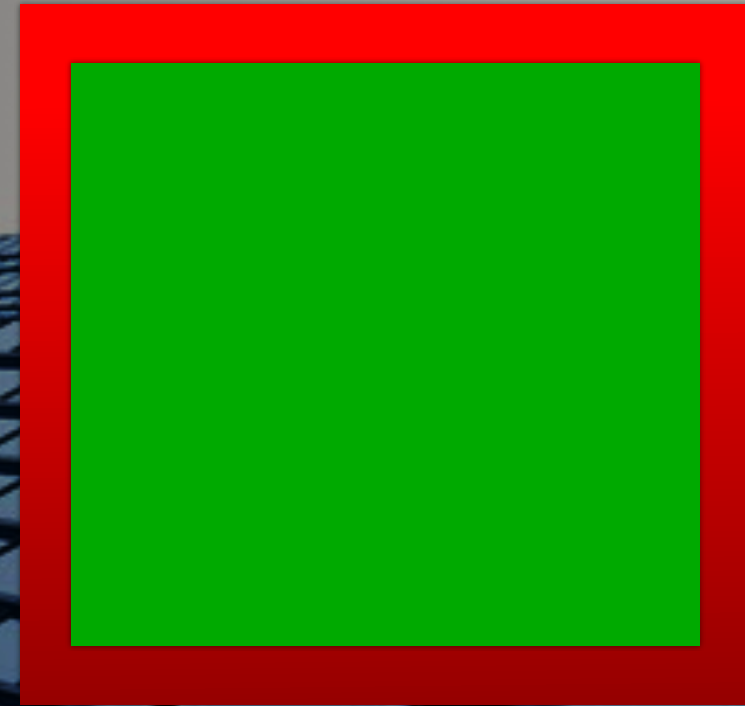
LEGAL BASIS



VATABLE	ZERO-RATED	EXEMPT	PERCENTAGE TAX
 Secs. 106(A)(1), 106(B), 107 and 108(A)	 Secs. 106(A)(2)(a) and 108(B)	 Secs. 109(1)(A) to (CC)	 Secs. 116 to 128

PERCENTAGE TAX

SECS. 116 TO 128



PERCENTAGE TAX RATE - SEC. 116

SEC. 4-116. Tax on Persons Exempt from VAT. —

Any person whose sales or receipts are exempt under Section 109(1) (CC) of the Tax Code from the payment of VAT and who is not a VAT-registered person shall pay a tax equivalent to three percent (3%) of his gross quarterly sales or receipts: Provided, however, that the following shall be exempt from the payment of three percent (3%) percentage tax:

1. Cooperatives; and

(Revenue Regulations No. 04-21, [April 8, 2021])

PERCENTAGE TAX RATE - SEC. 116

✓ SEC. 4-116. Tax on Persons Exempt from VAT. —

✓ Self-employed individuals and professionals availing of the 8% tax on gross sales and/or receipts and other non-operating income, under Sections 24(A)(2)(b) and 24(A)(2)(c)(2)(a) of the Tax Code.

✓ Provided, further, that effective July 1, 2020 until June 30, 2023, the rate shall be one percent (1%).

(Revenue Regulations No. 04-21, [April 8, 2021])

WITHHOLDING TAX

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OVERVIEW OF WITHHOLDING TAX SYSTEM

- It is a manner or system of collecting taxes with the end in view of collecting in advance the full amount of tax or at least the approximate tax due from the payee on certain income payments.
- The amount withheld is a special trust fund in trust for government until paid or remitted by the Withholding Agent to the BIR.

PAYOR-PAYEE RELATIONSHIP



Payor

Payee



Withholding Tax Agent

Claims the Expense

Has control over payment

Issues 2307/2316; pays cash

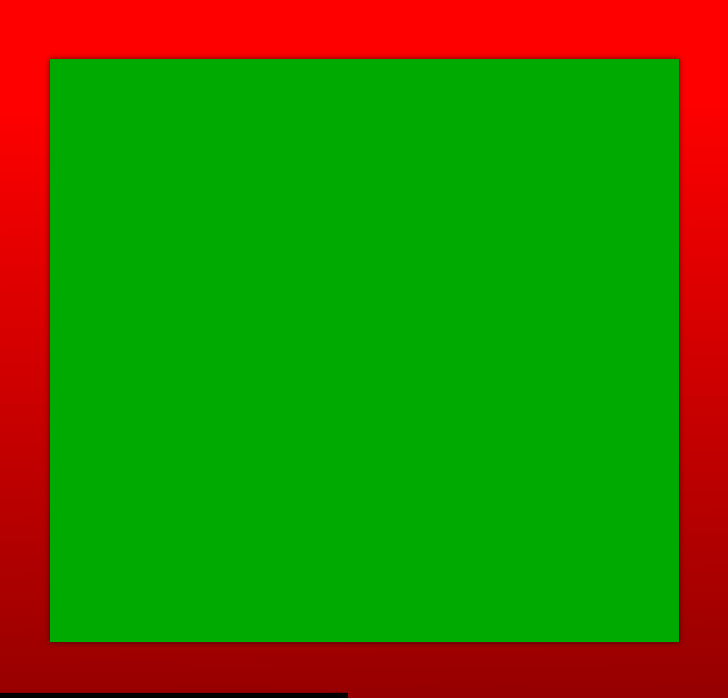
- Subjected to Withholding

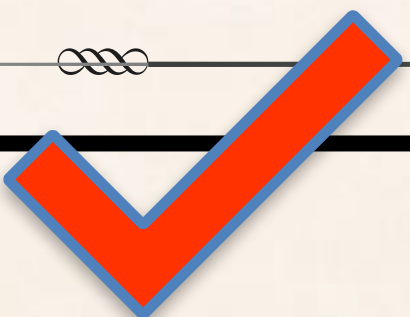
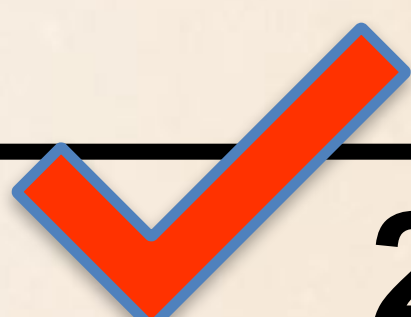
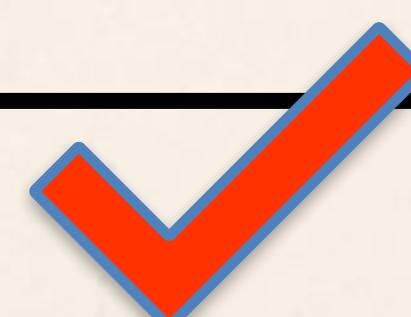
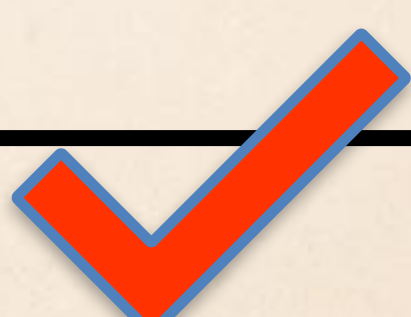
- Declares income

- At the receiving end

- Issues OR/Sales invoice

WITHHOLDING TAX SCHEME





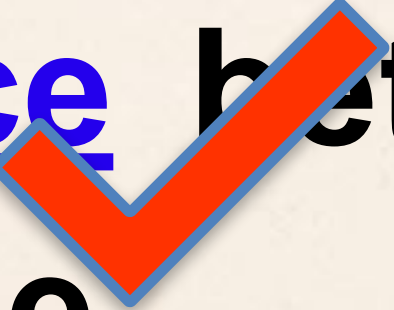
SALE OF OFFICE SUPPLIES		
	SELLER	BUYER (WT)
Per ITR (Sales)	 20,000	
Per ITR (Expense)		 20,000
BIR Form 2307 (1%)	 200	
BIR Form 1601EQ (1%)		 200

CLASSIFICATION OF WITHHOLDING TAX



Creditable Withholding Tax:



Taxes withheld on certain income payments are intended to equal or at least approximate the tax due of the payee on said income.  The income recipient is still required to file an income tax return, to report the income and/or pay the difference  between the tax withheld and the tax due on the income.

CLASSIFICATION OF WITHHOLDING TAX

Creditable Withholding Tax:

✓ **Compensation** - is the tax withheld from income payments to individuals arising from a ✓ employer-employee relationship.

CLASSIFICATION OF WITHHOLDING TAX



Creditable Withholding Tax:

✓ **Expanded** - is a kind of withholding tax ✓ which is prescribed on certain income payments and is creditable against the income tax due of the payee for the taxable quarter/year in which the particular income was earned. ✓

CLASSIFICATION OF WITHHOLDING TAX



Final Withholding Tax:

Is a kind of withholding tax which is prescribed on certain income payments and is not creditable against the income tax due of the payee on other income subject to regular rates of tax for the taxable year. Income Tax withheld constitutes the full and final payment of the Income Tax due from the payee on the particular income subjected to final withholding tax.

TIME OF WITHHOLDING



✓ The obligation of the payor to deduct and withhold arises at the time an income is paid or payable, whichever comes first. The term “payable” refers to the date the obligation become due, demandable or enforceable.

BASIC WITHHOLDING TAX FORMS / CERTIFICATES



Particulars	Form	Deadline
✓ Monthly Remittance Return of Income Taxes Withheld on Compensation	1601-C ✓	On or before the tenth (10th) day of the following month
✓ Monthly Remittance Form of Creditable Income Taxes Withheld (Expanded)	0619-E ✓	On or before the tenth (10th) day of the following month
✓ Quarterly Remittance Return of Creditable Income Taxes Withheld (Expanded)	1601-EQ ✓	Last day of the month following the close of the quarter
✓ Monthly Remittance Form of Final Income Taxes Withheld	0619-F ✓	On or before the tenth (10th) day of the following month at which the withholding was made

BASIC WITHHOLDING TAX FORMS / CERTIFICATES



Particulars	Form	Deadline
✓ Quarterly Remittance Return of Final Income Taxes Withheld	1601-FQ	✓ Not later than the last day of the month following the close of the quarter
✓ Quarterly Remittance Return of Final Taxes Withheld on Interest Paid on Deposits and Yield on Deposit Substitutes/Trust/Etc.	1602Q	✓ Not later than the last day of the month following the close of the quarter
✓ Quarterly Remittance Return of Final Income Taxes Withheld on Fringe Benefits Paid to Employees Other Than Rank and File	1603Q	✓ Not later than the last day of the month following the close of the quarter

BASIC WITHHOLDING TAX FORMS / CERTIFICATES



Particulars	Form	Deadline
✓ Annual Information Return of Income Taxes Withheld on Compensation	1604-C ✓	On or before January 31 of the year following the calendar year in which the compensation payment and other income payments were paid or accrued.
✓ Annual Information Return of Income Payments Subjected to Final Withholding Taxes	1604-F ✓	On or before January 31 of the year following the calendar year in which the compensation payment and other income payments were paid or accrued.
✓ Annual Information Return of Creditable Income Taxes Withheld (Expanded) / Income Payments Exempt from Withholding Tax	1604-E ✓	On or before March 1 of the year following the calendar year in which the income payments subject to expanded withholding taxes or exempt from withholding tax were paid or accrued.

BASIC WITHHOLDING TAX FORMS / CERTIFICATES



Particulars	Form	Deadline
✓ Certificate of Income Payment Not Subject to Withholding Tax	2304	✓ On or before January 31 of the following year.
✓ Certificate of Final Tax Withheld at Source	2306	✓ To be issued to payee on or before January 31 or upon request of the payee
✓ Certificate of Creditable Tax Withheld At Source	2307	✓ On or before the 20th day of the month following the close of the taxable quarter or upon request of the payee
✓ Certificate of Compensation Payment/Tax Withheld	2316	✓ On or before January 31 of the succeeding year or on the same day the last payment of wages.

QUESTION:



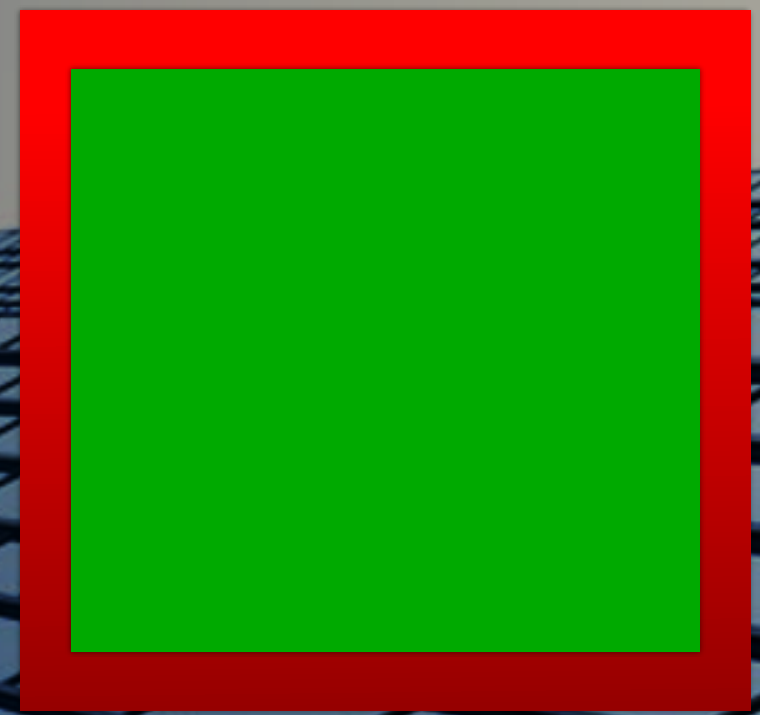
Our foundation is exempt from income tax. Are we required to withhold tax ?

ANSWER:

RAYOMAR OUTREACH FOUNDATION, INC. shall be constituted as withholding agent for the government if it acts as an employer and its employees receive compensation income subject to the withholding tax under Section 79 (A), Chapter XIII, Title II of the NIRC, as implemented by Revenue Regulations No. 2-98, as amended, or if it makes income payments to individuals or corporations subject to the withholding tax pursuant to Section 57 of the NIRC, as implemented by Revenue Regulations No. 2-98, as amended.

(Rayomar Outreach Foundation, Inc., Certificate of Tax Exemption No. 129-18, [February 2, 2018])

ADMINISTRATIVE REQUIREMENTS



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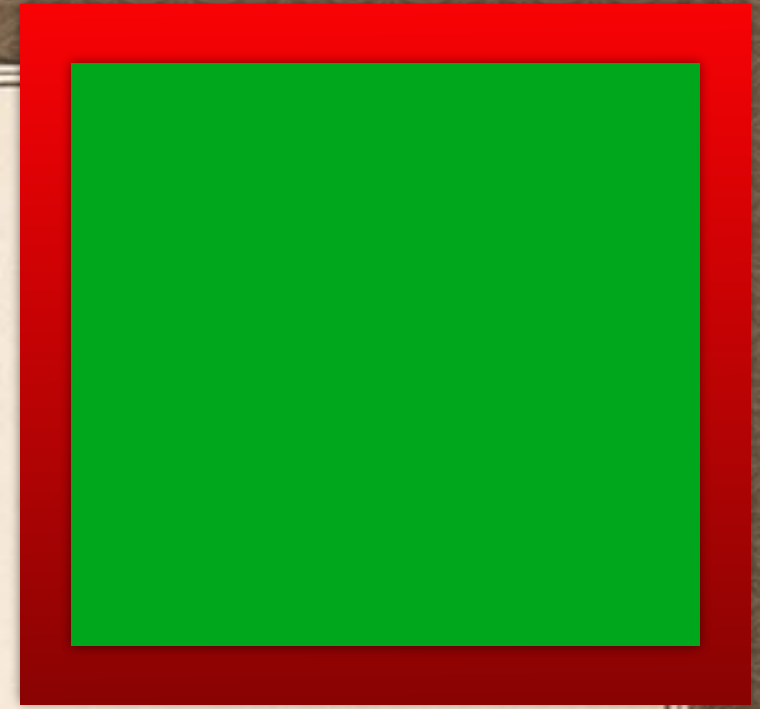
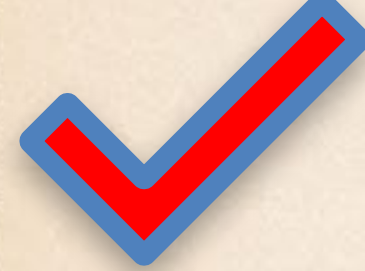
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BUSINESS REGISTRATION RULES

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REVENUE REGULATIONS NO. 7-2012




"Commencement of Business" — in the case of pursuit of business or practice of profession, it shall be reckoned from the day when the **first sale transaction occurred or within thirty (30) calendar days** from the issuance of Mayor's Permit/Professional Tax Receipt (PTR) by LGU, or Certificate of Registration issued by the Securities and Exchange Commission (SEC), whichever comes earlier.

REVENUE REGULATIONS NO. 7-2012



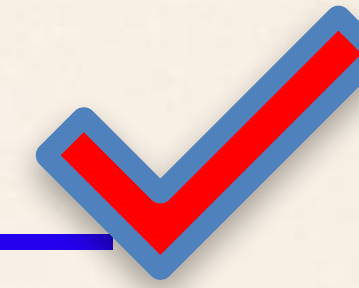
 **SECTION 6. Prescribed Periods to Complete Primary Registration.** — Every person subject to any internal revenue tax to be filed/paid periodically shall complete its registration with **the BIR as follows:**

 **On or before the commencement of business.** — Self-employed individuals, estates and trusts, corporations and their branches, if any.

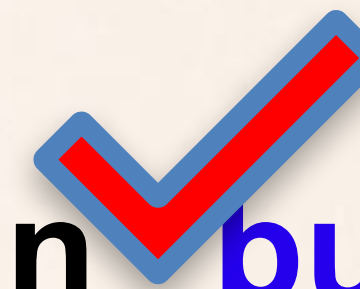
REVENUE REGULATIONS NO. 7-2012



Persons Entitled to the Issuance of COR. —



-Issued to individuals engaged in business or practice of profession and to juridical persons (whether taxable or exempt) by the BIR district office concerned (*i.e.*, BIR district office of HO/Branch/Facility) upon compliance with the requirements for registration.



REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS
REVENUE REGION NO. 008 - MAKATI
REVENUE DISTRICT OFFICE NO. 047 - EAST MAKATI

BIR
Form No. **2303**
Revised: November 2014

OCN: 98765432100
Date: March 21, 2017

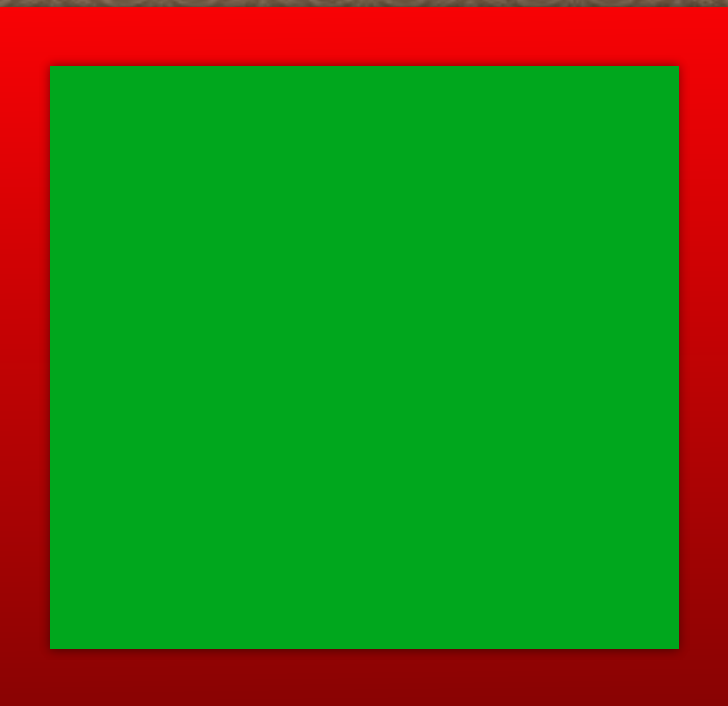
CERTIFICATE OF REGISTRATION

TIN / BRANCH CODE 123-345-067-00025	NAME OF TAXPAYER ABC ACCOUNTING SERVICES	TIN ISSUE DATE FEBRUARY 28, 2017
REGISTERING OFFICE X Head Office	Branch	
REGISTERED ADDRESS NO. 1 RIZAL AVENUE, MANILA		

TAX TYPES	FORM TYPES	FILING START DATE	TAX TYPES	FORM TYPES	FILING START DATE
DOCUMENT STAMP TAXES - REGULAR	00	March 31, 2017	WITHHOLDING TAX - COMPENSATION	601C	March 21, 2017
REGISTRATION FEE	05	December 31, 2017	WITHHOLDING TAX - COMPENSATION	1604CF	March 21, 2017
CORPORATE INCOME TAX	02	March 21, 2017	VALUE ADDED TAX	2550M	March 21, 2017
WITHHOLDING TAX - EXPANDED/OTHERS	1604E	March 21, 2017	VALUE ADDED TAX	2550Q	March 21, 2017
WITHHOLDING TAX - EXPANDED/OTHERS	1601E	March 21, 2017			

TAXPAYER TYPE/S : DOMESTIC CORPORATION

Email: services@aaacpas.com.ph



TAXPAYER TYPE/S		GENERAL PROFESSIONAL PARTNERSHIP	
TRADE NAME 1		CATEGORY	REGISTRATION DATE
ABC ACCOUNTING SERVICES			March 21, 2017
Line of Business (PSIC)	69200 ACCOUNTING, BOOKKEEPING AND AUDITING ACTIVITIES; TAX CONSULTANCY		Primary

REMINDERS:

1. PAYMENT OF ANNUAL REGISTRATION FEE ON OR BEFORE JANUARY 31, USING BIR FORM NO. 0605
2. FILING OF REQUIRED TAX RETURN/S TO CONFORM WITH THE ABOVE TAX TYPE/S, WHETHER WITH OR WITHOUT BUSINESS OPERATION, TO AVOID PENALTIES
3. THE FOLLOWING SHALL LIKEWISE BE ACCOMPLISHED:
 - o APPLICATION FOR REGISTRATION OF MANUAL BOOKS OF ACCOUNTS AND/OR COMPUTERIZED ACCOUNTING SYSTEM OR COMPONENTS THEREOF (BIR FORM NO. 1900)
 - o APPLICATION FOR AUTHORITY TO PRINT MANUAL RECEIPTS AND INVOICES (BIR FORM NO. 1906)
4. IMMEDIATELY INFORM THIS DISTRICT OFFICE IN CASE OF TRANSFER/CESSATION OF BUSINESS AND OTHER CONCERNS BY FILING BIR FORM NO. 1905 TO STOP GENERATION OF OPEN CASES



I HEREBY CERTIFY THAT THE ABOVE NAMED PERSON IS REGISTERED AS INDICATED ABOVE, UNDER THE PROVISIONS OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED.

FLORANTE R. ANINAG

REVENUE DISTRICT OFFICER (Signature over Printed Name)

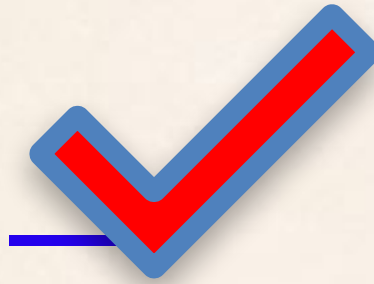
MICHAEL REMIR H. MACATANGAY

Revenue District Officer

TIN: 205-019-646

REVENUE REGULATIONS NO. 7-2012

Posting of COR. —



Persons required to apply for COR shall post or exhibit his/its original COR and duly validated Annual Registration Fee Return at his/its principal place of business and at each branch and/or facility in a way that is clearly and easily visible to the public.

REVENUE REGULATIONS NO. 7-2012



Annual Registration Fee (ARF). —



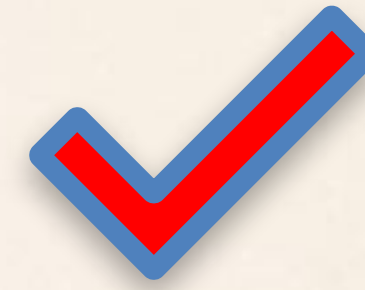
An ARF in the amount of Five Hundred Pesos (P500.00) for every HO and/or branch shall be paid upon registration and every year thereafter on or before January 31.



REVENUE REGULATIONS NO. 7-2012



The following shall be exempt from the imposition of ARF:



- Cooperatives duly registered with the CDA;
- Individual residents earning purely compensation income;
- OCWs/OFWs;
- Marginal Income Earners;
- GAs, in the discharge of their governmental functions;
- LGUs, in the discharge of their governmental functions;
- Tax exempt corporations such as those enumerated under Section 30 of the Code, as amended, in pursuance of tax-exempt activities;
- Non-stock/non-profit organizations not engaged in business;
- Persons subject to tax under one-time transactions;
- Persons registered under EO 98, series of 1998; and
- Facility/ies where no sales transactions occur.

REVENUE REGULATIONS NO. 7-2012

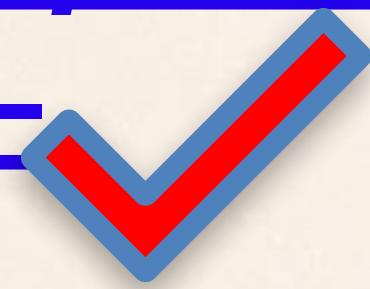


The exemption from the payment of ARF by GAIs, LGUs, non-stock/non-profit organizations and other tax-exempt entities is predicated on the fact that their undertakings/endeavors are not directed nor intended to generate income/profit. Thus, any profit-oriented activity pursued by GAIs, LGUs and/or tax-exempt entity which partakes the nature of an activity similar to those undertaken by those engaged in business shall be treated as an activity in pursuance of a business for which the payment of ARF must be imposed.

REVENUE REGULATIONS NO. 7-2012



SECTION 9. Requirement for the Registration of Each Type of Internal Revenue Tax. —



- Every person, who is required to register with the BIR under Section 4 of these Regulations, shall register each type of internal revenue tax for which he/it is obligated to file a return or pay taxes due thereon. Such person shall update the BIR for any changes in his/its registration information in accordance with Section 11 hereof.

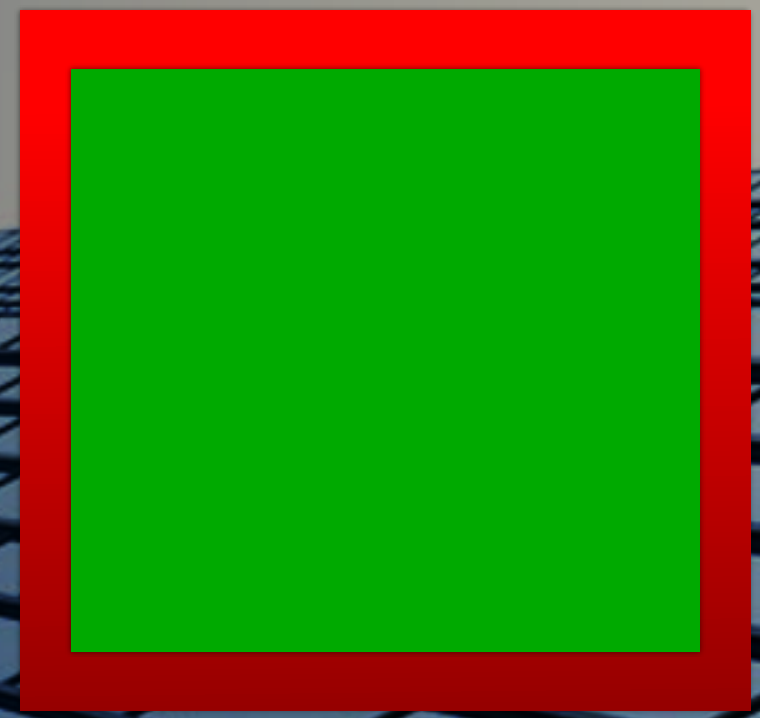


REVENUE MEMORANDUM ORDER NO. 19-2018



New business registrant may proceed to registration of books of accounts after securing COR and ATP within thirty (30) calendar days from the date of business registration with the Bureau.

RULES ON NON-STOCK NONPROFIT ORGANIZATIONS



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SALE OF REAL PROPERTY BY NSNP

BIR Ruling 023-10

Moreover, Section 30 of Revenue Regulations No. 2, as amended, provides, among others, that the income of such tax-exempt corporation which is considered as income from its properties, real or personal, includes profits from the sale of property. In other words, the sale by MIDFI of its real property shall be subject to the corresponding income tax imposed under the Tax Code of 1997.

SALE OF REAL PROPERTY BY NSNP

BIR Ruling 023-10

Such being the case, this Office hereby rules that the sale by Mary Immaculate Development Foundation, Inc. (MIDFI) of its real property is subject to capital gains tax based on the gross selling price or current fair market value as determined in accordance with Section 6 (E) of the Tax Code of 1997, whichever is higher, of such land and/or buildings pursuant to Section 27 (D) (5) of the same Code (Section 4 (c) (i), Revenue Regulations No. 7-2003). Moreover, the Deed of Absolute Sale of said real property shall be subject to documentary stamp tax imposed under Section 196 of the Tax Code of 1997.

CHARITABLE CONTRIBUTIONS

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CHARITABLE CONTRIBUTIONS



Section 34 (H) Charitable and Other Contributions.

(1) In General. — Limited Deductibility: ✓ Taxpayer's taxable income before the donation:

- ✓ Ten percent (10%) in the case of an individual
- ✓ Five percent (5%) in the case of a corporation

CHARITABLE CONTRIBUTIONS

(2) Contributions Deductible in Full. —

- ✓ Donations to Government
- ✓ • Donations to Certain Foreign Institutions for International Organizations
- ✓ • Donations to Accredited Nongovernment Organizations

CHARITABLE CONTRIBUTIONS



✓ **Valuation.** — The amount of any charitable contribution of property other than money shall be based on the acquisition cost of said property. ✓

✓ **Proof of Deductions.** — Contributions or gifts shall be allowable as deduction only if verified under the rules and regulations prescribed by the Secretary of Finance, upon recommendation of the Commissioner. ✓

CHARITABLE CONTRIBUTIONS

“Nevertheless, while petitioner was able to prove that it actually paid the amount of P25,000.00 as donation to RSFI, it failed to establish that RSFI is an accredited non-stock, non-profit corporation/NGO as defined in Revenue Regulations (RR) No. 13-98, which enumerates the requirements for the deductibility of charitable contributions under Section 34 (H) of the NIRC of 1997, as amended. Xxx xxx xxx

Petitioner should have submitted the corresponding Certificate of Accreditation to prove the accreditation of the donee-RSFI.

(San Paolo Development Corp. v. Commissioner of Internal Revenue, C.T.A. Case No. 8521, [June 30, 2015])

DONATIONS TO NSNP ORGANIZATIONS

SEC. 101. Exemption of Certain Gifts. -

The following gifts or donations shall be exempt from the tax provided for in this Chapter:

(A) In the Case of Gifts Made by a Resident.—

Xxx xxx xxx

(2) Gifts in favor of an educational and/or charitable, religious, cultural or social welfare corporation, institution, accredited nongovernment organization, trust or philanthropic organization or research institution or organization: Provided, however, That not more than thirty percent (30%) of said gifts shall be used by such donee for administration purposes.

DONATIONS TO NSNP ORGANIZATIONS

SEC. 101. Exemption of Certain Gifts. -

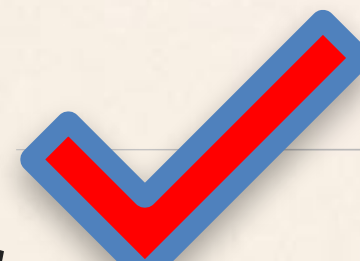
For the purpose of this exemption, non-profit educational and/or charitable corporation, institution, accredited nongovernment organization, trust or philanthropic organization and/or research institution or organization' is a school, college or university and/or charitable corporation, accredited nongovernment organization, trust or philanthropic organization and/or research institution or organization, incorporated as a non-stock entity, paying no dividends, governed by trustees who receive no compensation, and devoting all its income, whether students' fees or gifts, donation, subsidies or other forms of philanthropy, to the accomplishment and promotion of the purposes enumerated in its Articles of Incorporation.

DONATIONS TO NSNP ORGANIZATIONS



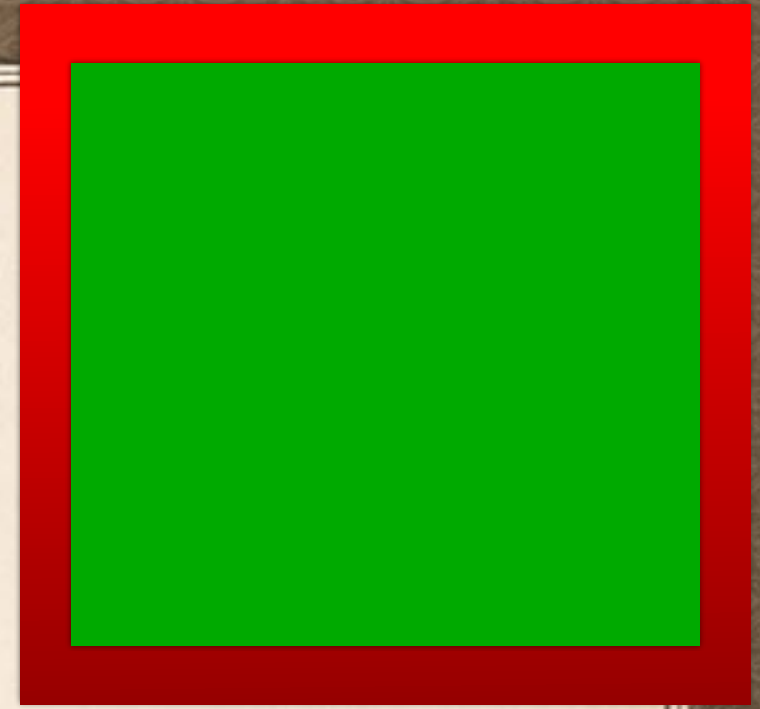
(B) In the Case of Gifts Made by a Nonresident not a Citizen of the Philippines. –

Xxx xxx xxx



(2) Gifts in favor of an educational and/or charitable, religious, cultural or social welfare corporation, institution, foundation, trust or philanthropic organization or research institution or organization: Provided, however, That not more than thirty percent (30%) of said gifts shall be used by such donee for administration purposes.


REVENUE MEMORANDUM CIRCULAR NO. 64-2016



Circularizing Clarifications in the Nature, Tax Treatment, Registration and Compliance Requirements of Corporations and Associations under Section 30 of the National Internal Revenue Code of 1997, as Amended

APPLICATION FOR TAX EXEMPTION AND REVALIDATION (RMO 20-2013)



 **SECTION 2. Applications for Tax Exemption and Revalidation.—**
Corporations and associations enumerated under Section 30 of the NIRC, as amended, including those which have been issued tax exemption rulings/certificates prior to June 30, 2012, shall file their respective Applications for Tax Exemption/Revalidation with the RDO where they are registered. Only corporations or associations that are duly qualified under Sec 30 of the NIRC, as amended, shall be issued Tax Exemption Rulings.

APPLICATION FOR TAX EXEMPTION AND REVALIDATION (RMO 20-2013)



General Documentary Requirements:

- ✓ Original copy of application letter for issuance of Tax Exemption Ruling. The letter shall cite the particular paragraph of Section 30 of the NIRC, as amended, under which the application for exemption /revalidation is being based;
- ✓ Certified true copy of the latest Articles of Incorporation and By-Laws issued by the Securities and Exchange Commission;

APPLICATION FOR TAX EXEMPTION AND REVALIDATION (RMO 20-2013)





General Documentary Requirements:

- c. Original copy of Certification under Oath by an executive officer of the corporation or association as to:
 - (i) all previous amendments/changes in the Articles of Incorporation and By-laws,
 - (ii) manner of activities, and
 - (iii) the sources and disposition of income, if any, of the subject corporation or association. If there are no amendments/changes, the Certification shall state this fact;

APPLICATION FOR TAX EXEMPTION AND REVALIDATION (RMO 20-2013)



-  d. Certified true copy of the Certificate of Registration with the BIR;
-  e. Original copy of the Certification under Oath by the Treasurer of the corporation or association ~~as to the amount of income, compensation, salaries or any emoluments paid by the corporation or association to its trustees, officers and other executive officers.~~ Provided, that, a corporation sole, which, by its nature, does not have trustees, corporate officers or executive officers need not submit the certification required under this subparagraph.

APPLICATION FOR TAX EXEMPTION AND REVALIDATION (RMO 20-2013)



- ✓ Original copy of the Certification issued by the RDO where the corporation or association is registered that the corporation or association is not the subject of any pending investigation, on-going audit, ,pending tax assessment, administrative protest, claim for refund or issuance of tax credit certificate, collection proceedings, or a judicial appeal; or if thereby be any, the Original copy of the Certification issued by the RDO on the status thereof;

APPLICATION FOR TAX EXEMPTION AND REVALIDATION (RMO 20-2013)



- ✓ Certified true copies of the Income Tax Returns or Annual Information Returns and Financial Statements of the corporation or association for the last three (3) years; and
- ✓ Original copy of a statement under Oath by an executive officer of the corporation or association as to its modus operandi which shall include:
 - ✓ A full description of the past, present, and proposed activities of the corporation or association;

APPLICATION FOR TAX EXEMPTION AND REVALIDATION (RMO 20-2013)


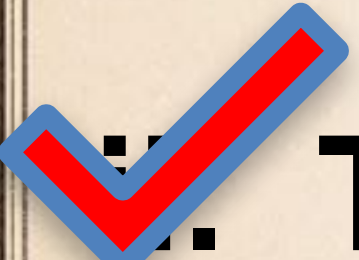


- ✓ **ii. A narrative description of anticipated receipts and contemplated expenditures; and**
- ✓ **iii. A detailed description of all revenues which it seeks to be exempted from income tax. All other revenues which are not included in the statement/ application shall be subject to income tax.**

ARTICLES OF INCORPORATION (RMO 20-2013)



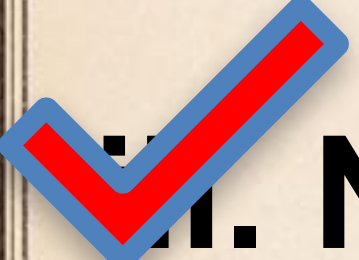

The Articles of Inc must clearly state that:

-  **It is a non-stock, non-profit corporation or association;**
-  **The purpose for which it was created is one of those enumerated under Section 30 of the NIRC, as amended;**


ARTICLES OF INCORPORATION (RMO 20-2013)




The Articles of Inc must clearly state that:

-  **iii. No part of the corporation or association's net income shall inure to the benefit of any private individual; and**
-  **iv. The trustees of the non-profit corporation or association do not receive any compensation or remuneration year.**

ARTICLES OF INCORPORATION (RMO 20-2013)

 SECTION 9. Validity of the Tax Exemption Ruling. — A Tax Exemption Ruling issued under this Order shall be valid for a period of three (3) years from the date of effectivity specified in the Ruling, unless sooner revoked or cancelled.

The Tax Exemption Ruling  shall be deemed revoked if there are material changes in the character, purpose, or method of operation of the corporation or association which are inconsistent with the basis for its income tax exemption. The revocation takes effect as of the date of the material change.

ARTICLES OF INCORPORATION (RMO 20-2013)

SECTION 10. Renewal of Tax Exemption Rulings. — Tax Exemption Rulings may be renewed upon filing of a subsequent Application for Tax Exemption/Revalidation under same requirements and procedures provided herein. **Otherwise, the exemption shall be deemed revoked upon the expiration of the Tax Exemption Ruling.** **The new Tax Exemption Ruling shall be valid for another period of three (3) years, unless sooner revoked or cancelled.**

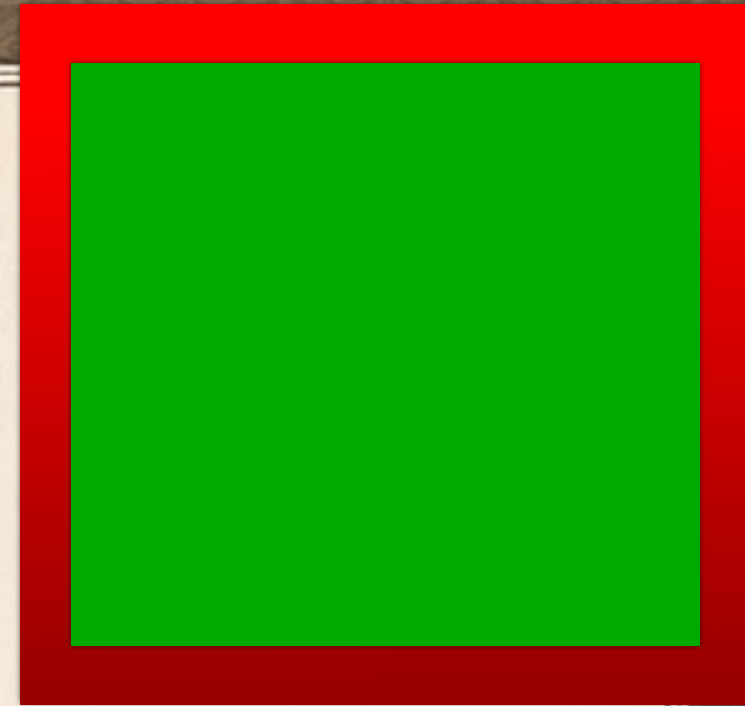
ACCREDITED DONEE INSTITUTION



Apply for Accreditation at
The Philippine Council for NGO Certification (PCNC)
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Tels 715-9594, 715-2756, 782-1568 Fax 715-2783
Website: www.pcnc.com.ph

PRESERVATION OF BOOKS

RR 17-2013

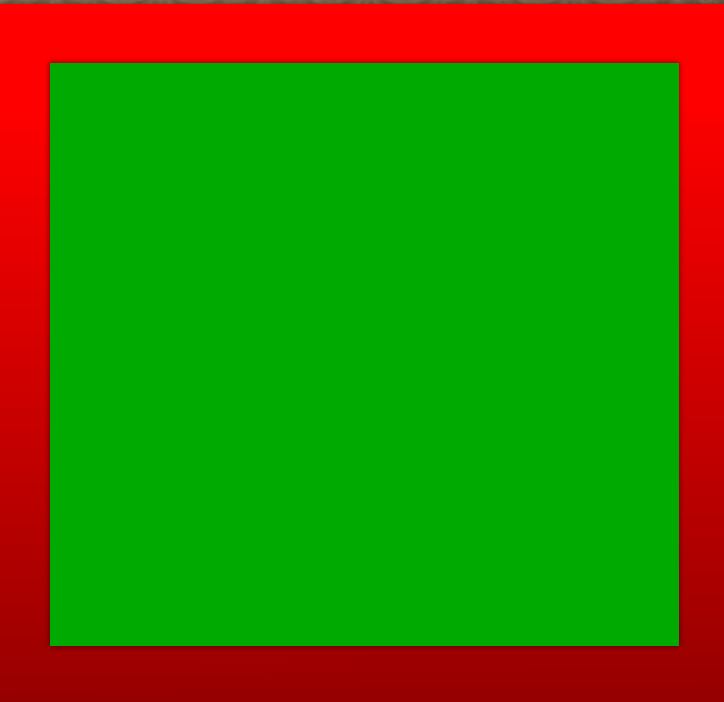


Sec 2 Retention Periods. All taxpayers are Required to preserve their books of accounts and other accounting records for a period of ten (10) years reckoned from the day following the deadline in filing a return, or if filed after the deadline, from the date of filing of the return for the taxable year when the last entry was made in the books of accounts.



SEC COMPLIANCE - ATTACHMENT TO FINANCIAL STATEMENTS

SEC MEMORANDUM CIRCULAR NO. 4, SERIES OF 2013

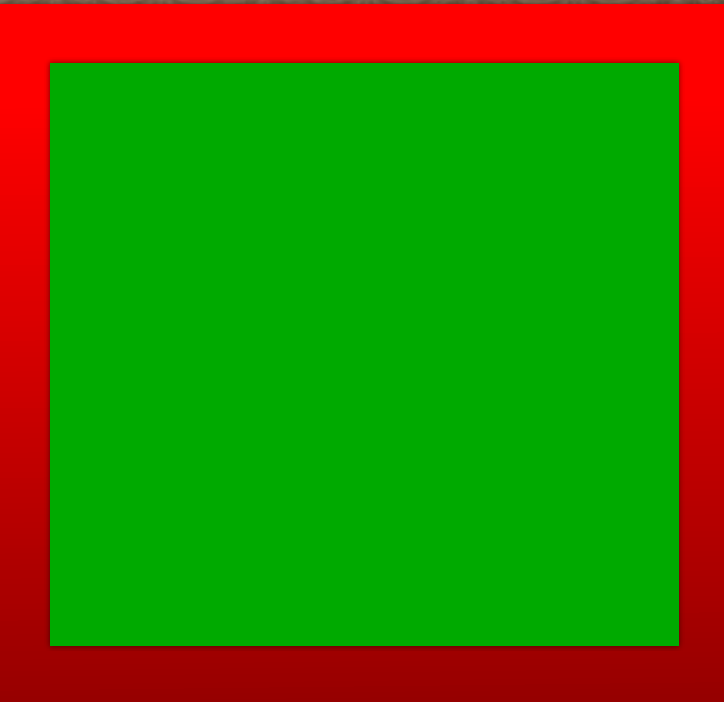


The following documents shall be filed with the annual financial statements and in the interim financial statements, if required herein:



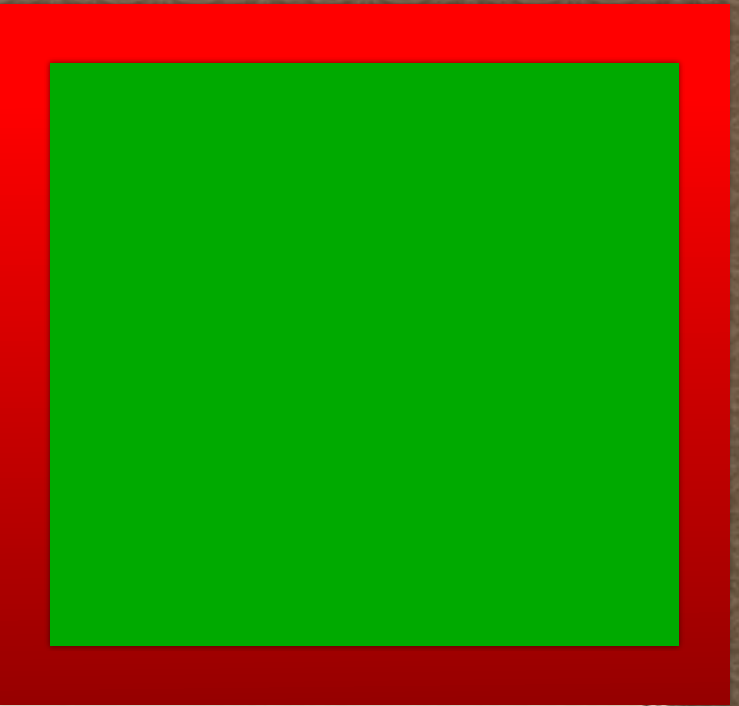
A. NON-STOCK AND NON-PROFIT ORGANIZATIONS

A sworn statement of the organization's President and Treasurer on the accuracy and completeness of the following schedules:

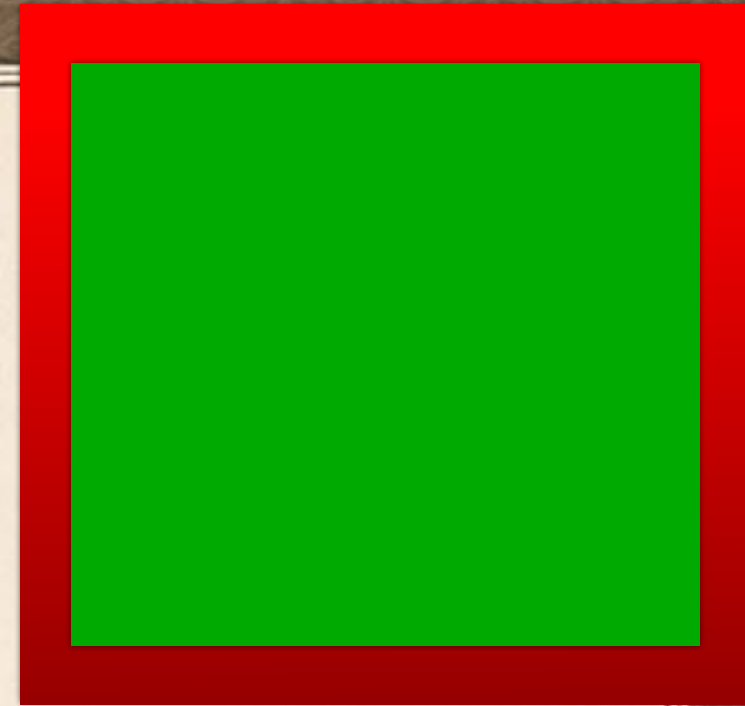


i. Schedule of Receipts or Income Other Than Contributions and Donations. This schedule shall provide the nature and amount of each item;

ii. Schedule of Contributions and Donations; and



iii. Schedule of Disbursements according to sources and activities. This schedule shall provide the nature and amount of each item. If material in amount (10% or more of the total), the details of such disbursement shall be indicated.



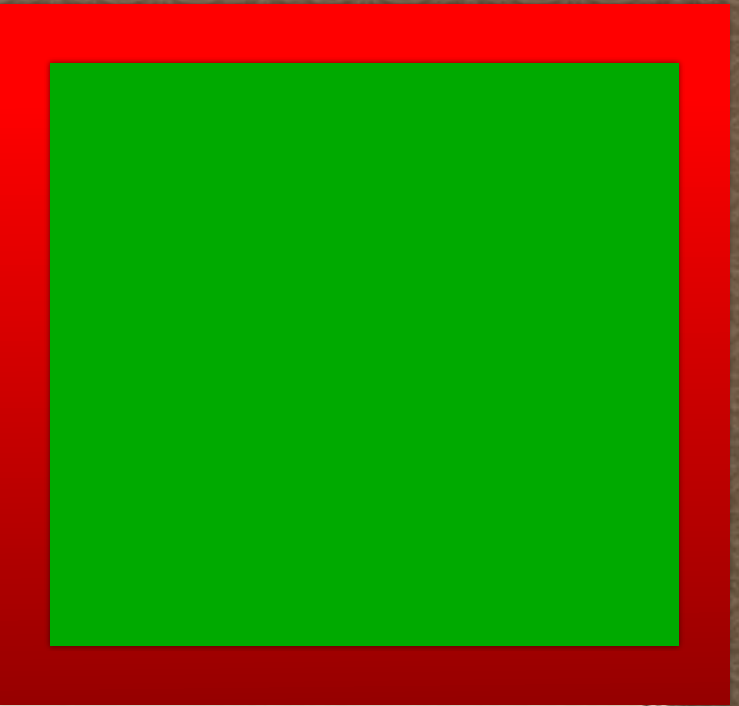
B. FOUNDATIONS

A sworn statement of the organization's President and Treasurer on the accuracy and completeness of the following schedules:

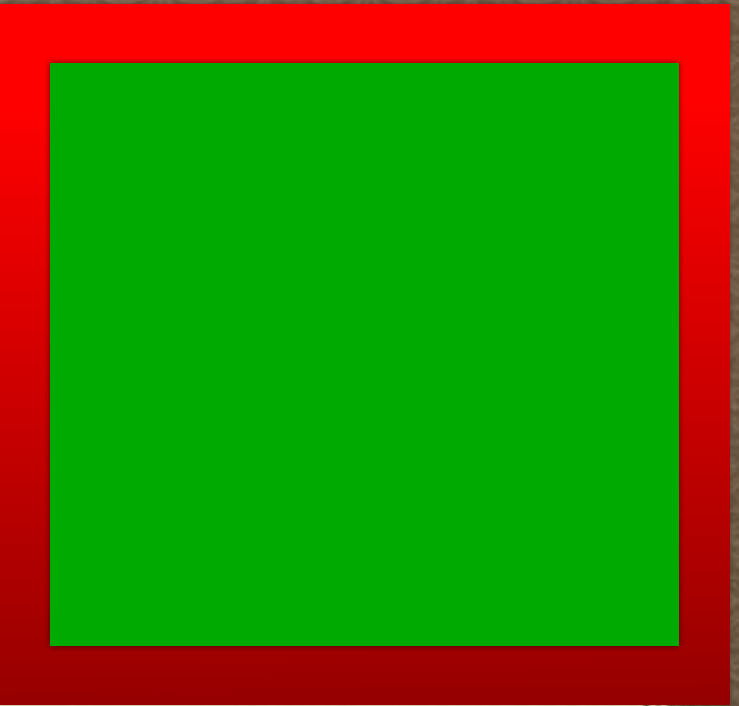


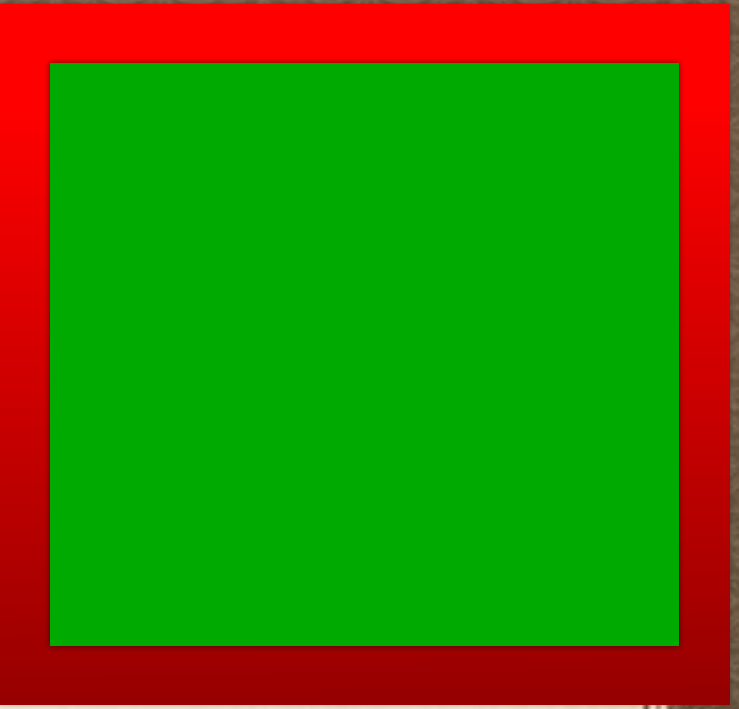
i. Schedule of Sources of Funds Other Than Contributions and Donations. This schedule shall provide the nature and amount of each item;

ii. Schedule of Contributions and Donations;



iii. Schedule of Disbursements according to sources and activities. This schedule shall provide the nature and amount of each item. If material in amount (10% or more of the total), the details of such disbursement shall be indicated.

- 
- a. Complete name, address and contact number of project officer-in-charge; and
 - b. Complete address and contract number project office.



v. As supporting documents to the above information, copies of the certifications from the Office of the Mayor or the Head of either the Department of Social Welfare and Development or Department of Health, on the existence of the subject program or activity in the locality on which it exercises jurisdiction.

THANK YOU!

ATTY. ARNOLD A. APDUA, CPA

Email: services@aaacpas.com.ph

Contact No: 02-7586-8909





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