Bringing In Revenues
for Nation-Building

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

BAGONG PILIPINAS

Certificate of Tax Exemption No.
SH30- 114 - 2025

CERTIFICATE OF TAX EXEMPTION

issued to

LYCEUM OF APARRI, INCORPORATED
Macanaya, Aparri, Cagayan 3515
TIN:
SEC Company Reg. No

This certifies that the above-named corporation is a non-stock, non-profit corporation and has proven by actual operation that its primary purpose is one of those enumerated under Section 30(H) of the National Internal Revenue Code of 1997, as amended. It is exempt from INCOME TAX only on the following revenues:

1. **Tuition fees, other school fees, miscellaneous revenue;**
2. **Donations and contributions; and**
3. **Revenues from operations of cafeterias/canteens, dormitories and bookstores located within the premises, owned and operated by LYCEUM OF APARRI, INCORPORATED to be actually, directly and exclusively used for educational purposes.**

----------nothing follows----------

subject to the provisions of applicable Bureau of Internal Revenue (BIR) rules and regulations and the tax exemptions, liabilities and responsibilities stated in the Terms and Conditions hereto attached and made an integral part hereof. It is liable, however, to all other taxes not enumerated above.

This certification shall be valid from the date of issuance until revoked by this Office for violation of any provisions of applicable rules and regulations of the BIR, or the terms and conditions herein set forth. It shall likewise be revoked if there are material changes in the character, purpose or method of operation of the corporation which are inconsistent with the basis for its income tax exemption.

This Certificate of Tax Exemption is being issued on the basis of the facts and documents as represented and submitted. However, if upon investigation, the BIR ascertains that the facts are different, then this Certificate shall be considered null and void.

Issued this _____ day of APR 23 2025, _____.

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ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

CTE No. SHRO- 114 - 2025
Date issued _____

TERMS AND CONDITIONS
OF THE CERTIFICATE OF TAX EXEMPTION
For Non-Stock, Non-Profit Educational Institution
under Section 30(H) of the National Internal Revenue Code of 1997, as Amended

TAX EXEMPTION

1) **INCOME TAX.** **LYCEUM OF APARRI, INCORPORATED** is exempt from the payment of income tax **only on revenues enumerated on the Certificate of Tax Exemption.** It is understood that the school must continue to meet the following requisites as set forth under Revenue Memorandum Order No. 44-2016, to wit:

   i. It is a non-stock, non-profit educational institution; and
   ii. Its revenues are actually, directly and exclusively used for educational purposes.

   LYCEUM OF APARRI, INCORPORATED's interest income from currency bank deposits and yield from deposit substitute instruments used actually, directly and exclusively in pursuance of its purpose as an educational institution, are exempt from the 20% final tax and 15%[1] tax on interest income under the expanded foreign currency deposit system imposed under Section 27 (D) (1) of the National Internal Revenue Code of 1997, as amended, subject to compliance with the conditions that as a tax-exempt educational institution it shall on an annual basis submit to the Revenue District Office concerned an annual information return and duly audited financial statement together with the following:

   (a) Certification from their depository banks as to the amount of interest income earned from passive investment not subject to the 20% final withholding tax and 15% tax on interest income under the expanded foreign currency deposit system imposed by Section 27 (D) (1) of the National Internal Revenue Code of 1997, as amended;

   (b) Certification of actual utilization of the said income; and

   (c) Board Resolution by the school administration on proposed projects (i.e., construction and/or improvement of school buildings and facilities, acquisition of equipment, books and the like) to be funded out of the money deposited in banks or placed in money markets, on or before the 15th day of the fourth month following the end of its taxable year (Sec 4, Finance Department Order No. 137-87).[2]

2) **VALUE-ADDED TAX (VAT) ON EDUCATIONAL SERVICES.** Pursuant to Section 109(1)(H) of the National Internal Revenue Code of 1997, as amended, **LYCEUM OF APARRI, INCORPORATED's** gross sales from operations as a non-stock, non-profit educational institution is exempt from VAT. Moreover, revenues derived from assets used in the operation of cafeterias/canteens, dormitories and bookstores located within the premises of **LYCEUM OF APARRI, INCORPORATED** are exempt from taxation provided they are owned and operated by it as ancillary activities.

LIABILITY FOR INTERNAL REVENUE TAXES

1) **INCOME TAX**

   LYCEUM OF APARRI, INCORPORATED is subject to income tax on all its income/ revenues not expressly exempted and stated in the Certificate of Tax Exemption.

   While **LYCEUM OF APARRI, INCORPORATED** was organized as a non-stock and non-profit educational institution however, this does not automatically exempt it from paying taxes. An examination of its audited financial statements show that **LYCEUM OF APARRI, INCORPORATED** is not operated exclusively for educational purpose as it mainly derives income from the services rendered and operation as a hospital which are all for-profit activities. Services to paying patients are activities conducted for profit.[3] Thus, **LYCEUM OF APARRI, INCORPORATED's** revenues from hospital operations are subject to ten (10%) corporate income tax pursuant to Section 27(B) of the National Internal Revenue Code of 1997, as amended.

[1] Republic Act No. 10963 increased the tax rate from 7.5% to 15% effective January 1, 2018.
[2] Department Order No. 149-95 dated November 24, 1995 amending Department Order No. 137-87.
[3] St. Luke's Medical Center, Inc. vs. CIR, G.R. Nos. 195909 & 195960, September 26, 2012.

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Provided that if the gross income from non-hospital operations exceeds 50% of the total gross income from all sources, the entire taxable income from hospital and non-hospital operations shall be subject to the 30% regular income tax. Moreover, it is subject to the corresponding internal revenue taxes imposed under the National Internal Revenue Code of 1997, as amended, on its income derived from any of its properties, real or personal, or any activity conducted for profit, which income should be returned for taxation, unless said revenues are actually, directly and exclusively used for educational purposes.

2) **VALUE-ADDED TAX/PERCENTAGE TAX**

If **LYCEUM OF APARRI, INCORPORATED** is engaged in the sale of goods or services in the course of a business pursuit, including transactions incidental thereto, its revenues derived therefrom shall be subject to the 12% VAT, in case the gross sales from such sales exceed Three Million Pesos),[4] or to the 3% percentage tax, if gross sales do not exceed

Notwithstanding that it is a non-stock, non-profit corporation, its purchase of goods or properties, services and importation of goods shall nevertheless be subject to the 12% VAT pursuant to Sections 106, 107 and 108 of the National Internal Revenue Code of 1997, as amended.

3) **WITHHOLDING TAX**

LYCEUM OF APARRI, INCORPORATED 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 National Internal Revenue Code of 1997, as amended, 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 National Internal Revenue Code of 1997, as amended, and as implemented by Revenue Regulations No. 2-98, as amended.

TAXPAYER DUTIES & RESPONSIBILITIES

1) The honoraria/allowances given to members of the Board of Trustees must be reasonable and subject to liquidation (DOF Opinion No. 005-2019).

2) **LYCEUM OF APARRI, INCORPORATED** 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. Copy of this Certificate of Tax Exemption shall be attached to the aforementioned Annual Information Return.

3) Under Section 235 of the National Internal Revenue Code of 1997, as amended, 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.

4) Further, it is also required under Section 6(C) in relation to Section 237 of the National Internal Revenue Code of 1997, as amended, to issue duly registered sales or commercial invoice[5] for each sale or transfer of merchandise or for services rendered which are not directly related to the activities for which the **LYCEUM OF APARRI, INCORPORATED** is registered (Revenue Memorandum Circular No. 76-2003).

[4] RA No. 10963 increased the VAT threshold from P1,919,500 to P3,000,000 effective January 1, 2018.
[5] Upon effectivity of the Ease of Paying Taxes Act, January 22, 2024, only duly registered sale or commercial invoices are required to be issued.