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

February 24, 2016

REVENUE MEMORANDUM CIRCULAR NO. 24-2016

SUBJECT : Reiteration of Department of Finance Order No. 149-95 for Non-Stock Non-Profit Educational Institutions

TO : All Revenue Officials and Employees Concerned

BACKGROUND

Section 4(3), Article XIV of the 1987 Constitution provides that--

"All revenues and assets of non-stock, non-profit educational institutions used actually, directly, and exclusively for educational purposes shall be exempt from taxes and duties. xxx"

They shall, however, be subject to internal revenue taxes on income from trade, business or other activity the conduct of which is not related to the exercise or performance by such educational institution of its educational purpose or function.

To ensure that the exempt interest income from Philippine currency deposits and yield from deposit substitute instruments of these non-stock non-profit educational institutions are **used actually, directly, and exclusively for educational purposes**, Department Order (DO) No. 149-95[1] was issued by the Secretary of Finance in November 24, 1995.

In connection with this, depository banks of these educational institutions periodically require their submission of certificate of income tax exemption or tax rulings confirming their exemption from income tax as non-stock, non-profit educational institutions to substantiate the non-imposition of the 20% and 7½% final withholding taxes on interest income from currency bank deposits and yield from deposit substitute instruments under Section 27(D)(1) of the Tax Code of 1997, as amended.

It has been observed that there are educational institutions organized and operated as non-stock, non-profit educational institutions that no longer comply with the DOF DO 149-95 as part of their annual submission together with their Annual Income Tax Returns (BIR Form 1702)/Annual Information Returns (BIR Form 1702-AIF) and Audited Financial Statements.

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[1] Amending Section 2(2.1) of Department Order No. 137-87, as amended by Order No. 98-88 implementing Section 4(3), Article XIV of the 1987 Constitution.

DOF DO No. 149-95

DOF DO No. 149-95 was earlier circularized under Revenue Memorandum Circular No. 45-95 (December 11, 1995).

Thus, this Circular is being issued to reiterate the requirements from non-stock, non-profit educational institutions, the following documents shall be submitted on an annual basis to the Revenue District Officer (RDO), together with the annual information return and duly audited financial statement:

a) Certification from their depository banks as to the amount of interest income earned from passive investments not subject to the 20% final withholding tax imposed by Section 24(e) of the Tax Code, 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 building and facilities; acquisition of equipment, books and the like)* to be funded out of money deposited in banks or placed in money markets.

The RDO shall conduct an audit of the annual information return filed to determine compliance with the conditions set forth in the certificate of exemption and the tax liabilities, if any..

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

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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