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

September 18, 2014

REVENUE MEMORANDUM ORDER NO. 34-2014

SUBJECT : *Clarifying Certain Provisions of Revenue Memorandum Order (RMO) No. 20-2013, as amended by RMO No. 28-2013, on the issuance of Tax Exemption Rulings for Qualified Non-Stock, Non-Profit Corporations and Associations under Section 30 of the National Internal Revenue Code of 1997, as amended.*

TO : *All Internal Revenue Officials, Employees and Others Concerned*

This Revenue Memorandum Order (RMO) is being issued to clarify certain provisions of RMO No. 20-2013, as amended by RMO No. 28-2013, on the issuance of Tax Exemption Rulings for qualified non-stock, non-profit corporations and associations under Section 30 of the National Internal Revenue Code of 1997, as amended (Tax Code).

I. Nature of Tax Exemption Rulings under RMO No. 20-2013, as amended by RMO No. 28-2013

Tax Exemption Rulings do not confer tax exemptions which are not provided for by law. Nor can Tax Exemption Rulings abrogate those exemptions which are granted by the law.

In the review of applications for Tax Exemption Rulings, the Bureau merely seeks to validate/confirm whether the conditions set forth by law for the grant of tax exemption are present or whether such conditions have been complied with by the applicant.

In addition, the Bureau aims to determine whether an applicant is earning income from other activities conducted for profit which should be subjected to tax in accordance with the last paragraph of Section 30 of the Tax Code. The said paragraph of Section 30 provides:

> "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."

Accordingly, Tax Exemption Rulings may discuss the tax treatment of any income generated from activities which are conducted for profit.

Non-stock, non-profit entities with valid and existing Tax Exemption Rulings are presumably compliant with the conditions for availment of tax exemption *with respect to any income earned as such*.

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.

Non-stock, non-profit entities which fail to renew their Tax Exemption Ruling before the lapse of its validity period may, nevertheless, file their applications with the Revenue District Office (RDO) where they are registered as soon they are able to do so. In the processing of these applications for Tax Exemption Rulings, the presentation of the previously issued tax exemption ruling or certificate is not necessary. In such case, the processing offices of the Bureau shall treat the same as a new application.

In accordance with RMC No. 08-2014, the failure of the non-stock, non-profit entity to present its valid, current and subsisting Tax Exemption Ruling to the appropriate withholding agents shall subject such entity to the payment of the withholding taxes due on their transactions. On the other hand, the withholding agents' failure to withhold notwithstanding the lack of Tax Exemption Ruling shall cause the imposition of penalties under Section 251 and other pertinent Sections of the Tax Code.

III. Filing of Applications by Umbrella Organizations or Confederations of Non-stock, Non-profit Entities

Applications for Tax Exemption Rulings may be filed by umbrella organizations or confederations which are duly recognized by the Bureau on behalf of any of its members-non-stock, non-profit entities subject to the submission of the appropriate

Board Resolution authorizing said organization or confederation to file the said application, as well as all documentary requirements provided under RMO No. 20-2013.

(Original Signed)
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Commissioner of Internal Revenue