REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

BUREAU OF INTERNAL REVENUE
RECORDS MGT. DIVISION
1:45 P.M.
JUL 26 2016
RECEIVED

July 25, 2016

REVENUE MEMORANDUM ORDER NO. 44-2016

SUBJECT : Amending Revenue Memorandum Order No. 20-2013, as amended (Prescribing the Policies and Guidelines in the Issuance of Tax Exemption Rulings to Qualified Non-Stock, Non-Profit Corporations and Associations under Section 30 of the National Internal Revenue Code of 1997, as Amended)

TO : All Revenue Officials and Personnel and Others Concerned

---

In line with the Bureau's commitment to put in proper context the nature and tax status of non-profit, non-stock educational institutions , this Order is being issued to exclude non-stock, non-profit educational institutions from the coverage of Revenue Memorandum Order No. 20-2013, as amended.

SECTION 1. Nature of Tax Exemption --- The tax exemption of non stock, non profit educational institutions is directly conferred by paragraph 3, Section 4, Article XIV of the 1987 Constitution, the pertinent portion of which reads :

> "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."

This constitutional exemption is reiterated in Section 30 (H) of the 1997 Tax Code, as amended, which provides as follows :

> "Sec.30. Exempt from Tax on Corporations. – The following organizations shall not be taxed under this Title in respect to income received by them as such:
>
> XXX XXX XXX

(H) A non-stock and non-profit educational institution; xxx."

It is clear and unmistakable from the aforequoted constitutional provision that non-stock, non-profit educational institutions are constitutionally exempt from tax on all revenues derived in pursuance of its purpose as an educational institution and used actually, directly and exclusively for educational purposes. This constitutional exemption gives the non-stock, non-profit educational institutions a distinct character. And for the constitutional exemption to be enjoyed, jurisprudence and tax rulings affirm the doctrinal rule that there are only two requisites : (1) The school must be non-stock and non-profit ; and (2) The income is actually, directly and exclusively used for educational purposes. There are no other conditions and limitations.

In this light, the constitutional conferral of tax exemption upon non-stock and non-profit educational institutions should not be implemented or interpreted in such a manner that will defeat or diminish the intent and language of the Constitution.

SECTION 2. Application for Tax Exemption. --- Non- stock, non-profit educational institutions shall file their respective Applications for Tax Exemption with the Office of the Assistant Commissioner, Legal Service, Attention: Law Division.

SECTION 3. Documentary Requirements. --- The non stock non profit educational institution shall submit the following documents:

a. Original copy of the application letter for issuance of Tax Exemption Ruling;

b. Certified true copy of the Certificate of Good Standing issued by the Securities and Exchange Commission;

c. Original copy of the Certification under Oath of the Treasurer as to the amount of the income, compensation, salaries or any emoluments paid to its trustees, officers and other executive officers;

BUREAU OF INTERNAL REVENUE
RECORDS MGT. DIVISION
1:45 P.M.
JUL 26 2016
RECEIVED

d. Certified true copy of the Financial Statements of the corporation for the last three (3) years;

e. Certified true copy of government recognition/permit/ accreditation to operate as an educational institution issued by the Commission on Higher Education(CHED), Department of Education (DepEd), or Technical Education and Skills Development Authority (TESDA); Provided, that if the government recognition/permit/accreditation to operate as an educational institution was issued five (5) years prior to the application for tax exemption, an original copy of a current Certificate of Operation/Good Standing, or other equivalent document issued by the appropriate government agency (i.e., CHED, DepEd, or TESDA) shall be submitted as proof that the non-stock and non-profit educational institution is currently operating as such; and

f. Original copy of the Certificate of utilization of annual revenues and assets by the Treasurer or his equivalent of the non-stock and non-profit educational institution.

SECTION 4. Request for Additional Documents.— In the course of review of the application for tax exemption, the Bureau may require additional information or documents as the circumstances may warrant.

SECTION 5. Validity of the Tax Exemption Ruling.--- Tax Exemption Rulings or Certificates of Tax Exemption of non- stock, non-profit educational institutions shall remain valid and effective, unless recalled for valid grounds. They are not required to renew or revalidate the Tax exemption rulings previously issued to them.

The Tax Exemption Ruling shall be subject to revocation 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.

SECTION 6. Transitory Provisions.--- To update the records of the Bureau and for purposes of a better system of monitoring, non-stock, non-profit educational institutions with Tax Exemption Rulings or Certificates

BUREAU OF INTERNAL REVENUE
RECORDS MGT. DIVISION
1:45 P.M.
JUL 26 2016
RECEIVED

of Exemption issued prior to June 30, 2012 are required to apply for new Tax Exemption Rulings.

SECTION 7. Repealing Clause.--- Any revenue issuance which is inconsistent with this Order is deemed revoked, repealed, or modified accordingly.

SECTION 8. Effectivity.-- This Order shall take effect immediately.

CAESAR R. DULAY
Commissioner of Internal Revenue

000150

BUREAU OF INTERNAL REVENUE
RECORDS MGT. DIVISION
1:45 P.M.
JUL 26 2016
RECEIVED