REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Certificate of Tax Exemption No.
295-2016

CERTIFICATE OF TAX EXEMPTION

issued to

QUEST FELLOWSHIP, INC.
91 4th St., Paradise Village, Banilad, Cebu City
TIN
SEC Reg. No.

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

1. **Tithes, love offerings, contributions, donations and aids from members and benefactors/supporters/ministry partners**
2. **Earnings from sale of bibles which shall be used in furtherance of its purposes**

----------------------**nothing follows**----------------------

subject to the provisions of applicable 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 for three (3) years from the date of issuance unless earlier revoked by this Office for violation of any provisions of applicable rules and regulations of BIR, or the terms and conditions herein set forth.

This Certificate may be renewed upon filing of a subsequent application for revalidation provided under Revenue Memorandum Order (RMO) No. 20-2013. Failure to renew this Certificate shall be deemed a revocation thereof upon the expiration of the three (3)-year period.

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 JUN 27 2016.

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

K-1-RFR

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CTE No. 295-2016
Date issued 6-27-2016

TERMS AND CONDITIONS
OF THE CERTIFICATE OF TAX EXEMPTION
FOR NONSTOCK CORPORATION OR ASSOCIATION
ORGANIZED AND OPERATED EXCLUSIVELY FOR RELIGIOUS PURPOSES
UNDER SECTIONS 30(E)

To be entitled to the tax exemptions enumerated herein, the association/corporation/ organization must continue to meet the following requirements in accordance with Revenue Memorandum Order No. 20-2013, to wit:

a. It must be a non-stock corporation or association organized and operated exclusively for religious purposes.

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".

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.

TAX EXEMPTIONS

1) **QUEST FELLOWSHIP, INC.** is exempt from the payment of income tax only on revenues and receipts enumerated on the Certificate of Tax Exemption provided, that 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.

2) Donations to it are exempt from the payment of donor's tax pursuant to Section 101(A)(3) of the National Internal Revenue 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. 153-11 dated May 17, 2011)

3) Deductibility of Donations to Accredited Non-stock, Non-profit Corporations/NGOs. –

   Section 34 (H)(1) of the National Internal Revenue Code of 1997, as amended, provides that for contributions or gifts actually paid or made within the taxable year to, or for the use of corporations or associations organized and operated exclusively, among others, for religious purposes, their donors shall be entitled to the limited deductions in an amount not in excess of 10% in the case of an individual and 5% in the case of a corporation, of the donor's taxable income derived from trade, business or profession as computed without the benefit of this deduction and the subparagraphs of Section 34 (H) (1) of the National Internal Revenue Code of 1997, as amended.

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LIABILITY FOR INTERNAL REVENUE TAXES

1) INCOME TAX

QUEST FELLOWSHIP, INC. is subject to income tax on all its income/receipts/revenues **not** expressly exempted and stated in the Certificate of Tax Exemption.

Moreover, it is subject to the corresponding internal revenue taxes imposed under 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 regardless of the disposition thereof, which income should be returned for taxation. *(BIR Ruling No. 153-11 dated May 17, 2011)*

Likewise, interest income from currency bank deposits and yield or any other monetary benefits from deposit substitute instruments and from trust funds and similar arrangements, and royalties derived from sources within the Philippines are subject to the twenty percent (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 seven and one-half percent (7-1/2%) final withholding income tax pursuant to Section 27(D)(1) in relation to Sec. 57(A) both of the National Internal Revenue Code of 1997, as amended. *(BIR Ruling No. 153-11 dated May 17, 2011)*

2) VALUE-ADDED TAX

Section 105 of the National Internal Revenue Code of 1997, as amended, 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.

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 **QUEST FELLOWSHIP, 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. 153-11 dated May 17, 2011)*

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 National Internal Revenue Code of 1997, as amended. *(BIR Ruling No. 153-11 dated May 17, 2011)* Accordingly, if the non-stock non-profit corporation is engaged in the sale of goods or services in the course of a business pursuit, including transactions incidental thereto, in general, it shall also be liable for VAT. *(BIR Ruling No. 138-2011 dated April 29, 2011)*

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.

3) WITHHOLDING TAX

QUEST FELLOWSHIP, 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 National Internal Revenue Code of 1997, as amended, and as implemented by Revenue Regulations No. 2-98, as amended. *(BIR Ruling No. 153-11 dated May 17, 2011)*

TAXPAYER DUTIES & RESPONSIBILITIES

1) The Articles of Incorporation of **QUEST FELLOWSHIP, INC.** must include the following provisions pursuant to RMO 20-2013 and RMC14-01:
   a. that the corporation is non-stock, non-profit;
   b. that the primary purpose for which it was created is one of those enumerated under Sec. 30 of the Tax Code of 1997;
   c. that no part of the net income shall inure to the benefit of any its members;
   d. the trustees do not receive compensation or remuneration[1]; and
   e. in case of dissolution, assets of the corporation shall be transferred to similar institution or to the government

   Any change or amendment in the charter, By-Laws, Articles of Incorporation, manner of activities as well as sources and disposition of income should be communicated immediately to the Revenue District Officer where it is registered.

2) **QUEST FELLOWSHIP, INC.** is likewise 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.

3) Copy of this Certificate of Tax Exemption shall be attached to the aforementioned Annual Information Return.

4) 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.

5) 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 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 No. [RMC] No. 76-2003).

6) Finally, it is subject to the payment of registration fee of PhP500.00 as prescribed in Section 236(B) of the National Internal Revenue Code of 1997, as amended.

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[1] Not applicable for Religious corporations organized as corporation sole