REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Certificate of Tax Exemption No.
309-2016

CERTIFICATE OF TAX EXEMPTION

issued to

ST. AUGUSTINE'S SCHOOL, INC.
Rizal, Tagudin, Ilocos Sur 2714
TIN
SEC Company 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(H) of the National Internal Revenue Code of 1997, as amended. It is exempt from INCOME TAX only on the following revenues or receipts:

1. **Tuition and Matriculation Fees;**
2. **Entrance and Other School Fees; and**
3. **Donations, gifts, charitable contributions, subsidies and other forms of philanthropy.**

----------------------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 28 2016.

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue
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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

To be entitled to the tax exemptions enumerated herein, the Non-Stock, Non-Profit Educational Institution[1] must continue to meet the following requirements:

1) It must be organized as non-stock, non-profit educational institution duly accredited by the Department of Education (DepEd), the Commission on Higher Education (CHED), and/or the Technical Education and Skills Development Authority (TESDA);

2) The revenues should be derived pursuant to its purposes as an educational institution and used actually, directly and exclusively for educational purposes;

3) The educational institution shall not distribute dividends;

4) The educational institution shall be governed by trustees who shall not receive any compensation or remuneration;

5) All the net income or assets of the corporation or association must be devoted to its purpose/s.

6) The level of administrative expenses of which shall, on an annual basis, not exceed thirty percent (30%) of the total expenses for the taxable year; and

7) The assets of which, in the event of dissolution, would be distributed to another accredited NGO organized for similar purpose or purposes, or to the State for public purpose, or purposes, or to the state for public purpose, or would be distributed by a competent court of justice to another accredited NGO to be used in such manner as in the judgment of said court shall best accomplish the general purpose for which the dissolved organization was organized.

8) It must not be a branch of a foreign non-stock, non-profit corporation.

TAX EXEMPTIONS

1) **INCOME TAX. ST. AUGUSTINE'S SCHOOL, INC.** is exempt from the payment of income tax **only on revenues and receipts enumerated on the Certificate of Tax Exemption.** The exemption contemplated herein refers to internal revenue taxes imposed by the National Government on all revenues and assets of non-stock, non-profit educational institutions used actually, directly and exclusively for educational purposes.

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[1] Government Accreditation:

Department of Education Recognition No.	Date Issued / Valid Until *(Mention if issued a Certificate of Good Standing)*	Course
Government Recognition (R-I) No. PE-006 S. 2005	Issued on April 28, 2005 Certificate of Good Standing issued: March 31, 2014	Pre-Elementary
Government Recognition (R-I) No. E-007 S. 2005	Issued on Aril 28, 2005 Certificate of Good Standing issued: March 31, 2014	Basic Education Curriculum Gr. I to VI
Government Recognition (R-I) No. SE-004 S. 2004	April 6, 2004 Certificate of Good Standing issued: March 31, 2014	Basic Education Curriculum – Secondary Courses

Moreover, revenues derived from assets used in the operation of cafeterias/canteens and bookstores located within the premises of **ST. AUGUSTINE'S SCHOOL, INC.** are exempt from taxation **provided** they are owned and operated by it as ancillary activities.

2) **FINAL TAX ON INTEREST INCOME.** **ST. AUGUSTINE'S SCHOOL, INC.**'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 7 1/2% 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 7 1/2% 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].

3) **VALUE ADDED TAX (VAT) ON EDUCATIONAL SERVICES.** Pursuant Section 109(H) of the National Internal Revenue Code of 1997, as amended, **ST. AUGUSTINE'S SCHOOL, INC.**'s gross receipts from operations as a non-stock, non-profit educational institution are exempt from

   Hence, as long as **ST. AUGUSTINE'S SCHOOL, INC.** will not engage in the regular conduct or pursuit of a commercial or economic activity, including transactions incidental thereto, it will remain exempt from VAT.

4) **DONOR'S TAX.** Donations to **ST. AUGUSTINE'S SCHOOL, INC.** are exempt from the payment of donor's tax pursuant to Section 101(A)(3) and (B)(2) 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.

   a) **Deductibility of Donations to Accredited Non-stock, Non-profit Corporations[3]/NGOs[4] (RR 13-98).**—Donations to accredited non-stock, non-profit corporations/NGOs shall be entitled to the following benefits:

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[2] Department Order No. 149-95 dated November 24, 1995 amending Department Order No. 137-87

[3] "Non-stock, non-profit corporation or organization" shall refer to a corporation or association/organization referred to under Section 30 (E) and (G) of the Tax Code created or organized under Philippine laws exclusively for one or more of the following purposes:

1. religious;
2. charitable;
3. scientific;
4. athletic;
5. cultural;
6. rehabilitation of veterans; and
7. social welfare

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i) Limited Deductibility. — Donations, contributions or gifts actually paid or made within the taxable year to accredited non-stock, non-profit corporations shall be allowed limited deductibility in an amount not in excess of ten percent (10%) for an individual donor, and five percent (5%) for a corporate donor, of the donor's income derived from trade, business or profession as computed without the benefit of this deduction.

ii) Full Deductibility. — Donations, contributions or gifts actually paid or made within the taxable year to accredited NGOs shall be allowed full deductibility, subject to the following conditions:

(1) The accredited NGO shall make utilization directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated, not later than the fifteenth (15th) day of the third month after the close of the accredited NGOs taxable year in which contributions are received, unless an extended period is granted by the Secretary of Finance, upon recommendation of the Commissioner.

For this purpose, the term "utilization" shall have the meaning as defined under Sec. 1(c) of these Regulations.

(2) The level of administrative expenses of the accredited NGO, shall, on an annual basis, not exceed thirty percent (30%) of the total expenses for the taxable year.

(3) In the event of dissolution, the assets of the accredited NGO, would be distributed to another accredited NGO organized for similar purpose or purposes, or to the State for public purpose, or purposes, or to the state for public purpose, or would be distributed by a competent court of justice to another accredited NGO to be used in such manner as in the judgment of said court shall best accomplished the general purpose for which the dissolved organization was organized.

(4) The amount of any charitable contribution of property other than money shall be based on the acquisition cost of said property.

(5) All the members of the Board of Trustees of the non-stock, non-profit corporation, organization or NGO do not receive compensation or remuneration for their service to the aforementioned organization.

b) **Accreditation as a Donee Institution for Purposes of Full Deductibility.—** For purposes of full deductibility from the taxable business income of its donor, **ST. AUGUSTINE'S SCHOOL, INC.** must first be accredited with the Philippine Council for NGO Certification, Inc. (PCNC)[5] which has been duly designated by the Secretary of Finance as the Accrediting Entity pursuant to Memorandum of Agreement dated January 29, 1998 executed by and between the Secretary of Finance and PCNC's Interim Chairman.

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no part of the net income or asset of which shall belong to or inure to the benefit of any member, organizer, officer or any specific person.

[4] "Non-government Organization (NGO)" — shall refer to a non-stock, non-profit domestic corporation or organization as defined under Section 34(H)(2)(c) of the Tax Code organized and operated exclusively for scientific, research, educational, character-building and youth and sports development, health, social welfare, cultural or charitable purposes, or a combination thereof, no part of the net income of which inures to the benefit of any private individual."

[5] For further inquiries on the accreditation and certification process, please visit PCNC at 6/F, SCC Building, CFA-MA Compound, 4427 Interior Old Sta. Mesa, 1016 Manila Telephone Numbers 715-9594, 715-2756, 782-1568 and 715-2783 (telefax) website: www.pcnc.com.ph email them at pcnc@pldtdsl.net

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LIABILITY FOR INTERNAL REVENUE TAXES

1) INCOME TAX

ST. AUGUSTINE'S SCHOOL, 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.

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.

Further, to reiterate, in case of failure to comply with the conditions under Department Order No. 137-87, interest income from currency bank deposits and yield from deposit substitute instruments even if used actually, directly and exclusively in pursuance of its purpose as an educational institution, shall subject to the twenty percent (20%) final withholding tax.

2) VALUE ADDED TAX ON SALE OF OTHER GOODS & SERVICES

Activities involving sale of goods and services not in connection with its primary purposes are subject to the 12% VAT imposed under Sections 106 and 108 of the Tax Code of 1997, as amended, or 3% percentage tax imposed under Section 116 in relation to Section 109 (1)(V) of the same Code if the gross sales or receipts from such sale of goods and services do not exceed One Million Nine Hundred Nineteen Thousand Five Hundred Pesos (P1,919,500.00) which tax payment may legitimately be passed on to buyers of such goods and services.

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 **ST. AUGUSTINE'S SCHOOL, 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.

5. VAT ON PURCHASES

The tax exemption granted to **ST. AUGUSTINE'S SCHOOL, INC.** as a non-stock, non-profit educational institution under Section 30(H) of the National Internal Revenue Code of 1997, as amended, covers only income taxes for which it is directly liable. It should be noted that VAT is an indirect tax payable by the seller and not by the purchaser of goods. However, being an indirect tax, it can be shifted or passed on to the buyer/purchaser, transferee or lessee of the goods, properties or services. Once shifted to the buyer/customer as an addition to the cost of goods or services sold, it is no longer a tax but an additional cost which the buyer/customer has to pay in order to obtain the goods or services.

Thus, the shifting of the VAT to it does not make it the person directly liable and therefore, it cannot invoke its tax exemption privilege under Section 30 of the National Internal Revenue Code of 1997, as amended, to avoid the passing on or shifting of the VAT.

6. WITHHOLDING TAX

ST. AUGUSTINE'S SCHOOL, 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.

TAXPAYER DUTIES & RESPONSIBILITIES

1) The Articles of Incorporation of **ST. AUGUSTINE'S SCHOOL, 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; 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) **ST. AUGUSTINE'S SCHOOL, 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 PhP 500.00 as prescribed in Section 236(B) of the National Internal Revenue Code of 1997, as amended.