REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Certificate of Tax Exemption No.
301-2016

CERTIFICATE OF TAX EXEMPTION

issued to

MONARK FOUNDATION, INC.

13 Economia St., Bagumbayan. Ouezon City
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(E) of the National Internal Revenue Code of 1997, as amended. It is exempt from INCOME TAX only on the following revenues or receipts:

1. **Donations in cash or in kind for its charitable, educational, religious and socio-civic activities.**

-------------------**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 stated 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 JUN 2 8 2016.

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue
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TERMS AND CONDITIONS

OF THE CERTIFICATE OF TAX EXEMPTION FOR NONSTOCK CORPORATION OR ASSOCIATION ORGANIZED AND OPERATED FOR CHARITABLE 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) **MONARK FOUNDATION, 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) **DONOR'S TAX.**

Donations to **MONARK FOUNDATION, 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[1]/NGOs[2] (RR 13-98).**—Donations to accredited non-stock, non-profit corporations/NGOs shall be entitled to the following benefits:

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.

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[1] "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

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.

[2] "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."

(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, **MONARK FOUNDATION, INC.** must first be accredited with the Philippine Council for NGO Certification, Inc. (PCNC)[3] 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.

LIABILITY FOR INTERNAL REVENUE TAXES

1) INCOME TAX

MONARK FOUNDATION, 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. **Thus, it is subject to income tax on its income from leasing/rental activities.**

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.

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.

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[3] 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

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 **MONARK FOUNDATION, 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.

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. 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.

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

MONARK FOUNDATION, 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 National Internal Revenue Code of 1997, as amended, 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 **MONARK FOUNDATION, INC.** must include the following provisions pursuant to RMO 20-2013 and RMC 14-01:

   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.

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Date issued 6-28-2016

2) **MONARK FOUNDATION, 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.