

AMENDING CERTAIN SECTIONS OF THE NATIONAL INTERNAL REVENUE CODE GOVERNING EDUCATIONAL INSTITUTIONS

PRESIDENTIAL DECREE NO. 305, October 02, 1973

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WHEREAS, under existing law, educational institutions are not placed at par for taxation purposes as some are subject to tax and others are not subject to tax;

WHEREAS, in line with the provisions of the New Constitution removing the exemptions of educational institutions from real estate taxes, their exemption from income tax should likewise be removed, as provided under existing laws;

WHEREAS, to achieve simplicity in implementation, there should be imposed a fixed rate of tax on all income of educational institutions; and

WHEREAS, in order to achieve improvements in educational facilities and expansion of educational activities, the re-investment of profits or surplus necessary therefrom should be encouraged;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, do hereby order and decree that certain sections of the National Internal Revenue Code, as amended, be further amended, to read as follows:

"SEC. 24. Rates of tax on corporations.

"(a) Tax on domestic corporations.

"Private educational institutions, whether stock or nonstock, shall pay a tax of ten percent of their taxable net income from the operation of the school, related school activities, and on their passive investment income consisting of interest, dividends, royalties, and the like: Provided, however, That dividends received by a private educational institution, whether stock or nonstock, from a domestic or resident foreign corporation shall be subject to the partial exclusion of intercorporate dividends provided under Section 29 (c) of this Title, under the conditions imposed in the said subsection.

x x x

"SEC. 27. Exemption from tax on corporations.

x x x

"(e) Corporation or association organized and operated exclusively for religious, charitable, scientific, athletic, or cultural purposes, or for the rehabilitation of veterans, no part of the net income of which inures to the benefit of any private stockholder or individual.

"However, the income of any of the foregoing organizations of whatever kind and character from any of their

properties, real or personal, or from any activity conducted for profit, regardless of the disposition made of such income, shall be liable to the tax imposed under this Title.

x x x

"SEC. 30. Deductions from gross income. —

x x x

"(a) Expenses:

x x x

"(4) Expenses allowable to private educational institutions. — In addition to the expenses allowable as deductions under paragraph (1) of this subsection, a private educational institution, whether stock or nonstock, shall also be allowed to deduct during the taxable year when incurred expenses for the expansion of school facilities to be determined by rules and regulations issued jointly by the Departments of Education and Culture and Finance."

This Decree takes effect beginning the calendar year 1974 and fiscal year beginning July 1, 1974.

Done in the City of Manila, this 2nd day of October, in the year of Our Lord, nineteen hundred and seventy-three.

(Sgd.) FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(Sgd.) ROBERTO V. REYES

Acting Executive Secretary

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