

Frequently Asked Questions

1. What is the PCNC?

The Philippine Council for NGO Certification is a non-stock, non-profit service organization whose main function is to certify non-stock, non-profit organizations that meet established minimum criteria for financial management and accountability in their service to underprivileged Filipinos. Certified organizations are given official Donee Institution Status by the BIR upon recommendation of the PCNC.

2. Who can apply for PCNC certification?

Any non-stock, non-profit corporation (as defined in the Corporation Code of the Philippines) duly registered with the Securities and Exchange Commission, such as corporate foundations and non-government organizations, can apply for PCNC certification.

The following organizations can apply for certification:

- a. Non-stock, non-profit domestic corporations or associations organized under Philippine laws and operated exclusively for religious, charitable, scientific, youth and sports development, cultural or educational, or social welfare purposes, or for the rehabilitation of veterans;
- b. Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare;
- c. Non-stock, non-profit educational institutions.

3. How is an applicant organization certified by the PCNC?

The certification process involves the following steps:

- a. Applicant organization files its Letter of Intent and duly accomplished Application for Certification for Donee Institution Status, and gives a down payment of P1,000.00;
- b. Applicant organization submits duly accomplished PCNC survey form with complete attachments, and pays the balance of the application fee of P9,000.00;

- c. The PCNC Secretariat forms the evaluation team and arranges the evaluation visit;
- d. The evaluation team conducts the evaluation visit and the PCNC Board deliberates on the evaluation team's recommendation;
- e. If the evaluation result is favorable, the PCNC issues a Certification to the applicant organization and submits Certification results to the BIR for issuance of the BIR Certificate of Donee Institution Status. If the evaluation result is not favorable, the PCNC will inform the applicant organization of the results and recommendation.

4. How does the PCNC evaluate an applicant organization?

The PCNC evaluates and certifies organizations using the following criteria:

a. Mission and Goals

The mission and goals of the non-stock, non-profit corporation/NGO should justify its existence. The statements of mission and goals serve as guideposts for its planning and operations and as a framework for decision-making.

b. Resources

This criterion focuses on the adequacy of the resources and the effectiveness of the structure and systems of the non-stock, non-profit corporation/NGO. Areas evaluated under this criterion include the organizational structure, and human, financial, and physical resources.

c. Program Implementation and Evaluation

The non-stock, non-profit corporation/NGO must demonstrate that it is effectively using its resources to accomplish the purpose for which it was created. There should be clearly defined policies, priorities, and guidelines for implementing the various programs and projects.

d. Planning for the Future

The non-stock, non-profit corporation/NGO must provide evidence that it has the capability to plan, implement, and monitor its programs and projects. Evaluation shall provide evidence that

the applicant has mechanisms for planning, implementing, and monitoring its programs and projects and for ensuring the continuity of programs/projects even when external funding has ceased. (*Sec 2, BIR Rev. Reg. 13-98*)

5. Are all donations to PCNC-certified/BIR-registered private organizations qualified for full deductibility?

No. Only donations to certified non-governmental organizations (NGOs) shall be deductible in full. Donations to all other certified private non-stock, non-profit organizations are entitled to the 5% limited deduction (*Sec. 34 (H), Tax Reform Act of 1997*). For the distinction between NGOs and other non-stock, non-profit corporations, see Glossary of Terms.

6. How is the 5% limited deduction computed?

The 5% limited deduction is deducted from the taxpayer's taxable income as computed after expenses arising from trade, business, or profession have been deducted, but before any deductions (full or partial) arising from donations are made.

For example:

	Gross	Income	P
1,000,000			
	Deductions (excluding all donations)	<u>(600,000)</u>	
	Taxable income before donations		
	with	limitation	
400,000			
	Allowable donations		
	With limitation (P400,000 x 5%)	P 20,000	
	Deductible in full		
	(donation to a certified		
	NGO, government, etc)	<u>150,000</u>	(170,000)
	Taxable income		<u>P 230,000</u>

7. Are contributions of service/technical skills deductible expenses? Can a company monetize time and effort spent for volunteer work and claim it as a deductible expense?

Tax incentives as provided in law are biased in favor of donations in the form of tangible assets such as cash and property. The law does not

provide tax incentives for donations in the form of services/technical skills. Professional and company services can, however, be booked and designated as cash donations, and as such can be used to claim tax benefits.

8. Is there a deadline for claiming deductions?

Yes. Claims for deductions must be made in the taxable year when “paid or accrued” or “paid or incurred”, depending on the method of accounting by which net income is computed. (*Sec. 45, Tax Reform Act of 1997*)

9. What are the remedies available to the corporation if the donee institution refuses to issue a Certificate of Donation?

All certified non-stock non-profit corporations/NGOs are required to issue a certificate of donation (BIR Form 2322) on every donation or gift they receive. Such certificate shall be accomplished by the said certified non-stock non-profit organization/NGO in triplicate and distributed within 30 days after the receipt of the donation. (*Sec. 3, Rev. Regulation 13-98*)

Refusal to issue the Certificate of Donation can be a ground for revocation by the donor of the donation. Furthermore, such refusal being a violation of the provisions of the law warrants PCNC’s canceling the organization’s certification and revocation of the BIR’s Certificate of Registration.

10. Can a corporation revoke a donation to a donee institution?

A corporate donor can revoke a donation to a donee institution when the donee fails to comply with any of the conditions imposed by the donor. The property donated must be returned to the donor. Depending on the cause for the revocation, donor may also claim for damages. (*Art. 764, New Civil Code of the Philippines*)

11. Can a corporation set the terms and conditions in a donation?

Yes. A corporate donor can set terms and conditions to effect a donation provided that they are not contrary to law, public policy, or public order. For purposes of complying with the requirements of the BIR, the donation is assumed to take effect upon the occurrence of or compliance with the conditions set forth in the deed of donation.

12. What happens when deductible donations are pre-terminated and monies are returned to the donor?

Donations that are revoked or pre-terminated would revert to the situation as if no donation were made. Accordingly, taxable income would not have been reduced by the amount of donation and the donor would have become liable for income tax based on a higher tax base. The donor would have to file an amended income return reflecting the higher taxable income and tax obligation.

13. What are the rules governing “willed donations”?

Donations that are contained in a testamentary will and made effective at the time of the testator’s death are subject to the laws on succession (testamentary) and are accordingly subject to estate taxes.