

## STEP 3 deciding on the donee

The choice of donee is perhaps the most basic decision to make, as it strongly influences the other decisions relating to corporate giving. At the same time, the corporate decision-maker certainly wants to optimize the value of the donation. Thankfully, there are mechanisms for ensuring that one's donations are put to proper use. The corporate donor certainly has the option of setting up a monitoring system, with mandatory project and site visits and regular reports from their beneficiaries. The safest and best way, however, is to give donations only to qualified donees.

### Q U A L I F I E D   D O N E E S

#### 1. Philippine Government

Donations may be made to the Philippine government or to any of its attached agencies or political subdivisions, including fully-owned government corporations. Donations may also be made to trust funds established for highly specialized areas of concern, such as the People Development Trust Fund (PDTF)<sup>1</sup>, the Air Quality Management Fund<sup>2</sup>, and the Ancestral Domain Fund<sup>3</sup>.

*Corporations donating to the Philippine government are entitled to deductions from taxable income and exemption from the donor's tax.*

#### 2. Academe

Corporations may donate to private and public educational institutions.

*Corporations donating to educational institutions are entitled to exemption from the donor's tax and to the usual deductions from taxable income. In addition, the Adopt-a-School Act of 1998 (RA 8525) entitles the donor to an additional deduction of 50% of actual expenses incurred in supporting or adopting the school.*

#### 3. Foreign Institutions or International Organizations

These organizations are considered qualified donees only insofar as the donations to them have been earmarked specifically for activities in pursuance of or compliance with agreements, treaties, or

commitments between them and the Philippine government, or for activities required to comply with special laws.

*Corporations donating to these organizations are entitled to deductions from taxable income and exemption from the donor's tax.*

#### 4. PCNC-Certified Organizations

The Philippine Council for NGO Certification (PCNC) is a non-stock, non-profit corporation authorized by the Department of Finance (DOF) to evaluate and certify, according to a set of rigorous standards, NGOs and other non-profit organizations applying for *donee institution status* with the DOF-BIR. PCNC certification indicates that these organizations are legitimate, viable, and deserving of support and funding. Organizations certified by the PCNC are then issued a Certificate of Donee Institution Status by the BIR. (See *Appendix A* and Questions 1 to 4 in the *Frequently Asked Questions* for more information on the PCNC certification process and criteria.)

The PCNC certifies the following:

- a. Non-stock, non-profit corporations or associations organized and operated exclusively for religious, charitable, scientific, athletic, or cultural purposes or for the rehabilitation of veterans, no part of whose net income or assets inures to the benefit of any member, organizer, officer, or any specific person (**Section 30 (e) Tax Code of 1997**);
- b. Civic leagues or organizations organized and operated exclusively for the promotion of social welfare and not for profit (**Section 30 (g) Tax Code of 1997**);
- c. Non-stock, non-profit educational institutions (**Section 30 (h) Tax Code of 1997**).

*Corporations donating to PCNC-certified organizations are entitled to deductions from taxable income and exemption from the donor's tax.*

#### 5. Other Non-Stock, Non-Profit Organizations

There are also a number of non-stock, non-profit organizations without PCNC NGO certification to which corporations can donate. Some of these have accreditation from Local Government Units (LGUs) and certain government agencies, such as the Department of

Science and Technology (DOST), the Department of Social Work and Development (DSWD), the Department of Health (DOH), and the Department of Environment and Natural Resources (DENR). Each of these agencies has its own standards of accreditation. Organizations so accredited are qualified to participate in the programs of the accrediting agencies.

*Corporations donating to these organizations are entitled to deductions from taxable income and to exemption from the donor's tax.*

For more detailed information on the conditions for claiming the different types of tax benefits, see *Step 7: Claiming Tax Benefits*.

## L I S T I N G S   O F   Q U A L I F I E D D O N O R S

Various private and government agencies maintain listings of private organizations eligible for donations. LGUs and government agencies such as the DOST, the DSWD, the DOH, and the DENR maintain lists of qualified organizations within their areas of concern. It would be efficient for the corporate donor to approach the agencies whose programs are in line with the company's philanthropic focus and business interests. Various private coalitions and umbrella organizations also serve as good sources of information on legitimate and credible prospective beneficiaries. Examples of these are the Coalition of Development NGOs (CODE-NGO), the Association of Foundations (AF), the League of Corporate Foundations (LCF), and the Philippine Business for Social Progress (PBSP).

## R E G U L A T E D   D O N A T I O N S

Certain donor corporations intending to give donations to certain donees must first secure the permission of certain government institutions. For example, donations by foreign companies and entities to labor organizations, cooperatives, credit unions, and institutions engaged in research, education, or communication in relation to trade union activities must have the prior permission of the Secretary of the Department of Labor and Employment (DOLE).

Donations for purposes of partisan political activities<sup>4</sup> are prohibited when made by the following corporations:

1. Financial institutions;

2. Operators of public utilities or companies possessing or exploiting the country's natural resources;
3. Corporations holding contracts or subcontracts to supply the government or any of its subdivisions with goods or services to perform construction and other works;
4. Companies with franchises, incentives, exemptions, allocations, or similar privileges or concessions granted by the government or any of its institutions;
5. Corporations that, within one year prior to the date of national or local elections, have been granted government loans or accommodations in excess of P100,000;
6. Educational institutions with public funding of not less than P100,000.

Donations contrary to law, morals, public order, and public policy are prohibited.

*(Appendix C contains information on regulated donations in table form.)*