

MALACAÑANG
Manila

EXECUTIVE ORDER NO. 720

ESTABLISHMENT OF A GOVERNMENT-NONGOVERNMENT
PARTNERSHIP IN THE ACCREDITATION OF DONEE
INSTITUTIONS RELATIVE TO THE TAX DEDUCTIBILITY OF
CHARITABLE CONTRIBUTIONS UNDER SECTION 34(H) OF THE
NATIONAL INTERNAL REVENUE CODE, AS AMENDED

WHEREAS, it is the policy of the government to encourage public-private partnership in nation-building, and in particular, to strengthen its role in the improvement of tax administration and taxpayer compliance towards the attainment of fiscal stability and growth;

WHEREAS, Republic Act No. 8424 or the "Tax Reform Act of 1997" amended the national Internal Revenue Code, specifically, Title II Chapter VII Section 34(H) by providing that charitable contributions or gifts made to accredited domestic corporation or associations organized and operated exclusively for religious, charitable, scientific, youth and sports development, cultural or education purposes or for the rehabilitation of veterans, or to social welfare institutions, or to non-government organizations, in accordance with rules and regulations promulgated by the Secretary of Finance, upon recommendation of the Commissioner of Internal Revenue, shall be allowed as deductible business expenses for income tax purposes,

WHEREAS, to implement the foregoing provision whose underlying objective is to institute a tax administration control tool in the form of an innovative mechanism which would help the Bureau of Internal Revenue (BIR) to ensure that only legitimate donations are claimed as deductible expenses, a system of accreditation of domestic corporations or associations or non-government organizations (NGOs) to determine their qualifications as donee institutions has been established, initially, through a Memorandum of Agreement between the Philippine Council for NGO Certification (PCNC) and the Department of Finance (DOF) signed on January 29, 1998 and formally, through Revenue Regulations No. 13-98 issued by the BIR on December 8, 1998;

WHEREAS, the government recognizes that mobilizing the non-government sector would promote transparency and accountability in



evaluating, accrediting and monitoring donee institutions, being direct beneficiaries of contributions from donor institutions or individuals;

WHEREAS, the PCNC, which has been designated to establish and operationalize a system of accreditation, is a private, voluntary, non-stock, non-profit corporation established by six of the country's largest national NGO networks, namely, the Caucus of Development NGO Networks, the Philippine Business for Social Progress, the Association of Foundations, the Bishops-Businessmen Conference for Human Development, the National Confederation of Cooperatives, and the National Council for Social Development, whose objective is to encourage private sector participation in social development;

WHEREAS, to further strengthen the accreditation system, the composition of the PCNC Board of Trustees, which acts upon technical evaluation of an application for donee institution and recommends its registration to the BIR as a qualified donee institution, should be broadened to include, in addition to the DOF or BIR representative, representatives from other concerned government agencies whose mandates or functions involve regulation or coordination or partnering with respective NGOs;

WHEREAS, there is a need to modify, accordingly, Executive Order No. 671 which was issued on October 22, 2007;

NOW THEREFORE, I, GLORIA MACAPAGAL-ARROYO, President of the Republic of the Philippines, by virtue of the powers vested in me by Constitution, do hereby order and direct the following:

SECTION 1. A stronger, more effective government-private sector partnership is herein instituted within the accreditation system for donee institutions for purposes of the deductibility of charitable contributions as a business expense for income tax purposes under Section 34(H) of the National Internal Revenue Code (NIRC), as amended.

SECTION 2. The PCNC as Accrediting Entity and Its Obligations. The PCNC, duly registered with the Securities and Exchange Commission, shall be the government's partner in a system of accreditation, to determine the qualification of domestic corporations or associations or NGOs organized and operated exclusively for religious, charitable, scientific, youth and sports development, cultural or educational purposes, or for the rehabilitation of veterans, or to NGOs for accreditation as donee institutions. No corporations, associations, or NGOs however shall be processed for accreditation by the PCNC unless it



has secured a valid registration with the government agency that exercises regulatory function over such corporation, association or NGO.

In doing so, the PCNC shall comply with the existing standards and guidelines set by the DOF, through the BIR, relative to the accreditation of non-stock, non-profit corporations/NGOs as provided for in Revenue Regulations No. 13-98. The PCNC shall also be guided by the standards and guidelines of other government departments or agencies exercising regulatory functions over such corporations/NGOs, such as the Department of Social Welfare and Development (DSWD).

In line with the mutual objectives of transparency and accountability in public-private partnership, the PCNC shall submit to its Board of Trustees periodic reports of its operations, particularly, its receipts and expenses incurred in the conduct of its mandate as the government accrediting entity. As a non-stock, non-profit entity, the PCNC shall comply with existing rules governing tax-exempt organizations such as the filing of an annual information return to the BIR.

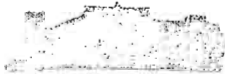
SECTION 3. Composition of the PCNC Board of Trustees. In addition to its present membership which includes the DOF or BIR representative, the PCNC Board of Trustees shall include the Department of Social and Welfare Development (DSWD). Other government representative/s may likewise sit in the PCNC Board of Directors, on a case-to-case basis and depending on the subject for deliberation.

SECTION 4. Certification of Donee Institution Status. The responsibility of granting certification for donee institution status remains veritably with the Department of Finance, specifically, the BIR, which shall issue a Certificate of Registration as Qualified Donee Institution.

SECTION 5. Implementing Rules and Regulations. The DOF, through the BIR, in coordination and in consultation with the concerned government agencies shall issue the necessary rules and regulations to implement this Executive Order.

SECTION 6. Transitory Provision - All corporations, associations, NGOs that have been granted qualified donee institution status, prior to the issuance of this Executive Order, shall remain as Qualified Donee Institution until its expiration as stated in their respective Certificate of Registrations.

SECTION 7. Repealing Clause. Executive Order No. 671, issued on October 22, 2007, and all executive orders and administrative



issuances inconsistent with the provisions of this Order are hereby deemed repealed, amended or modified accordingly.

SECTION 8. Separability Clause. If any portion of this Order is declared unconstitutional, the other provisions of this Order shall not be affected, and shall remain in force.

SECTION 9. Effectivity. This order shall take effect fifteen (15) days after publication in two (2) newspapers of general circulation.

DONE in the City of Manila, this 11th day of April in the year of our Lord, Two Thousand Eight.

Gloria A. Lirio

By the President:



EDUARDO R. ERMITA
Executive Secretary



PGMA Hologram # 44060