

**[ DOF DEPARTMENT ORDER NO. 88-94, July 14, 1994 ]**

**RULES AND REGULATIONS IMPLEMENTING SECTION 11 OF  
REPUBLIC ACT NO. 2640 AS RESTORED BY REPUBLIC ACT NO.  
7291**

The following rules and regulations are hereby promulgated for the effective implementation of the provisions of Republic Act No. 7291, "AN ACT RESTORING TAX AND DUTY INCENTIVES PREVIOUSLY ENJOYED BY THE VETERANS FEDERATION OF THE PHILIPPINES UNDER REPUBLIC ACT NO. 2640".

*SECTION 1. Legal Basis* - Section 1 of R.A. No. 7291 and Section 11 of R.A. No. 2640, respectively provides:

"Section 1. Notwithstanding the provisions of Executive Order No. 93 and Presidential Decree No. 1931, the tax and duty incentives previously enjoyed by the Veterans Federation of the Philippines under Republic Act Numbered Twenty-six hundred and forty are hereby restored: provided, That no dollar outflow shall in any manner be involved in the exchange of transaction."

"Section 11. The Federation is expressly exempted from payment of any and all taxes."

*SECTION 2. Scope* - This set of guidelines shall govern the availment of exemption on importation by the federation from the payment of internal revenue taxes and customs duties provided for under the National Internal Revenue Code and the Tariff and Customs Code, as amended.

*SECTION 3. Definition of Terms* - As used herein, the following terms and phrases shall have the meaning hereunder indicated.

3.1 FEDERATION - shall refer to the national organization of various veterans association created and formed together as a body corporate under the control and supervision of the Secretary of National Defense pursuant to R.A. No. 2640;

3.2 VETERANS - shall refer to persons who served in the naval, air or land arms or services of the Philippines at sometimes in the Philippine revolution or World Wars I and II or in the Philippine Expeditionary or in any armed conflict in which the Philippines may be involved in the future;

3.3 ASSOCIATION - shall refer to an organization of veterans in any locality who integrated themselves for purposes provided in Section 4, of R.A. 2640 and is affiliated member with the federation;

3.4 NON-PROFIT - shall mean no part of the income inures directly or indirectly to any individual or member;

3.5 ACTUALLY, DIRECTLY AND EXCLUSIVELY USED - shall refer to the purpose or purposes for which the property is primarily utilized by the federation or association:

3.6 OPERATED EXCLUSIVELY - shall mean primarily engaged in activities to accomplish the purpose of the federation. To meet the operational test, an organization must be engaged in activities furthering "public purposes" rather than private interest;

*SECTION 4. Coverage of Exemption Under Section 11 of R.A. No. 2640, as restored by R.A. 7291* - The exemption herein contemplated refers to internal revenue taxes and customs duties, in appropriate cases, imposed by the national government on all revenues and assets of non-profit, non-stock federation, association or federation and its affiliate associations;

4.1 The federation or its affiliate associations are exempt from any and all duties and taxes in carrying out its purposes used actually, directly and exclusively for federation purposes. They shall however, be subject to internal revenue taxes on income from trade, business or other activity the conduct of which is not related to the exercise or performance by such federation or association of its purpose.

4.2 Incomes derived from and assets used in the operations of incidental business, such as canteens, libraries and similar income raising activities outside of the purpose of the federation as ancillary activities and the same are located within the federation or association are exempt from taxes and duties provided they are owned and operated by the association, branch as federation association or branch premises;

*SECTION 5. Non-Exemption from the Withholding Taxes* - The federation, association are constituted as withholding agents the government to insure that the withholding tax liability of their employees and other taxpayers to whom income payments are made, are complied with.

*SECTION 6. Filing of Return* - Notwithstanding the preceding exemption provided herein, the federation or its affiliates shall file information return annually on or before the 15th day of January following the end of the taxable year;

*SECTION 7. Inspection* - The Department or its authorized representative in the exercise of its monitoring activity shall conduct an ocular inspection on the office premises of the federation or association for the purpose of ascertaining faithful compliance of conditions under which tax exemption have been granted or conduct a pre-/post inspection in connection with the federation or association importations pursuant to the provision of R.A. No. 2640 as restored by R.A. 7291;

*SECTION 8. Availment of Duty and Tax-Free Entry of Imported Articles* - In order to avail of the duty and tax-free entry of imported articles pursuant to Section 11 of R.A. No. 2640 as restored by R.A. No. 7291, the following guidelines are hereby prescribed in addition to the usual importation requirements:

8.1 The federation or association, prior to the importation shall apply with the Department of Finance, duly endorsed by the Secretary of National Defense or his authorized representative, for a duty and tax exemption executed under oath by a duly authorized representative of the federation or association and supported by the following documents;

8.1.1 A copy of the charter or other evidence of the character of the