

REVENUE REGULATIONS NO. 3-2022 issued on April 8, 2022 implements the provisions of Republic Act (RA) No. 11635, titled “An Act Amending Section 27 (B) of the National Internal Revenue Code (NIRC) of 1997, as Amended, and for Other Purposes” on the income taxation of proprietary educational institutions and hospitals which are non-profit.

The following institutions shall be covered by the preferential ten percent (10%) Corporate Income Tax rate; *Provided*, that beginning July 1, 2020 until June 30, 2023, the rate of one percent (1%) shall apply, as imposed under Section 27 (B) of the NIRC, as amended:

- a. Proprietary Educational Institutions;
- b. Hospitals which are non-profit; and,
- c. Non-Stock, Non-Profit Educational Institutions whose net income or assets accrue/inure to or benefit any member or specific person.

After June 30, 2023, the rate shall revert to the preferential Corporate Income Tax rate of 10%.

The twenty-five percent (25%) regular Corporate Income Tax rate prescribed under Section 27(A) of the NIRC, as amended, shall be imposed on the entire taxable income of the institutions mentioned in Section 3 of the Regulations, if their gross income from unrelated trade, business or other activity, as defined herein, exceeds fifty percent (50%) of the total gross income they derived from all sources. Moreover, a Non-Stock, Non-Profit Educational Institution, not falling under Section 3 of these Regulations, shall be subject to the rate of twenty-five percent (25%) regular Corporate Income Tax on the portion of its revenues or assets not used actually, directly, and exclusively for educational purposes, as provided in Section 27(A) of the NIRC, as amended.