

[BIR REVENUE REGULATION NO. 10-96, August 07, 1996]

**REGULATIONS IMPLEMENTING SECTIONS 9 AND 18 OF
REPUBLIC ACT NO. 7686, AN ACT TO STRENGTHEN MANPOWER
EDUCATION AND TRAINING IN THE PHILIPPINES BY
INSTITUTIONALIZING THE DUAL TRAINING SYSTEM AS AN
INSTRUCTIONAL DELIVERY SYSTEM OF TECHNICAL AND
VOCATIONAL EDUCATION AND TRAINING, PROVIDING THE
MECHANISM, APPROPRIATING FUNDS THEREFOR AND FOR
OTHER PURPOSES**

SECTION 1. Scope. — Pursuant to Section 245 of the National Internal Revenue Code (NIRC), as amended, the following Regulations are hereby promulgated to implement the provisions of Sections 9 and 18 of R.A. NO. 7686, otherwise known as "The Dual Training System Act of 1994."

SECTION 2. Definitions of Terms. — For purposes of these Regulations, the following terms shall mean:

- a. "Act" — refers to R.A. No. 7686.
- b. "Appropriate Authority" — refers to the government entity in charge of formal technical and vocational education and training.
- c. "Dual Training System" — refers to an instructional delivery system of technical and vocational education and training that combines inplant training and in-school training based on a training plan collaboratively designed and implemented by an accredited dual system educational institution/training center and an accredited dual system agricultural, industrial or business establishment with prior notice and advice to the local government unit concerned. Under this system, said establishment and the educational institution share the responsibility of providing the trainee with the best possible job qualifications, the former essentially through practical training and the latter by securing an adequate level of specific, general and occupation-related theoretical instruction. the word "dual" refers to the two parties providing instruction; the concept "system" means that the two instructing parties do not operate independently of one another, but rather coordinate their efforts.
- d. "Trainee" — refers to a person qualified to undergo the dual training system for the purpose of acquiring and developing job qualifications.
- e. "Accredited Dual Training System Educational Institution/Training Center" — refers to a public or private institution duly recognized and authorized by the appropriate authority, in coordination with the business and industry, to participate in the dual training system.

f. "Establishment" — refers to an enterprise and/or service of agricultural, industrial or business establishment.

g. "Accredited Dual Training System Agricultural, Industrial or Business Establishment" — hereinafter referred to as "agricultural, industrial or business establishment" refer to a sole proprietorship, partnership, corporation or cooperative which is duly recognized and authorized by the appropriate authority to participate in the dual training system.

h. "Taxable income" — refers to the pertinent items of gross income specified in the National Internal Revenue Code (NIRC), as amended, less the deductions, if any, authorized by such types of income, by the NIRC or other special laws.

SECTION 3. Incentives Granted to Participating Agricultural, Industrial and Business Establishments. — Agricultural, industrial and business establishments (i.e., corporations, sole proprietorships, partnerships and cooperatives), which shall participate in the Dual Training System shall be entitled to the following tax exemptions and incentives (for illustrative examples, see Annexes A and B^{*}):

1. They shall be allowed to deduct from their taxable income the amount equivalent to fifty percent (50%) of the actual expenses paid to the Accredited Dual Training System Educational Institution For The Establishment's Trainees: Provided, that such expenses shall not exceed five percent (5%) of their total direct labor expenses but in no case to exceed Twenty-Five Million Pesos (P25,000,000.00) a year. This incentive shall be over the ordinary and necessary expenses for education and training actually incurred by the establishment during the taxable year.

2. Donation, contribution, bequest, subsidy, or financial aid actually paid or made For The Operation Of The System within the taxable year shall also be deductible for income tax purposes in an amount not in excess of 3% of the taxable business income of the establishment computed without the benefit of deduction. However, if the Dual Training System Educational Program is included in the list of National Priority Programs (NPP), as determined by the National Economic Development Authority (NEDA), then corporate contributions to the System shall be deductible in full from its taxable business income for the taxable period when actually made, subject to the conditions imposed under BIR-NEDA Regulations No. 1-81, as amended, implementing Section 29(h) of the NIRC, as amended by Batas Pambansa Blg. 45.

3. Exemption from Donor's tax, Provided, however, that not more than thirty per centum (30%) of said gifts shall be used by the System for the administration purposes pursuant to Section 94(a)(3) of the NIRC, as amended.

SECTION 4. Incentives Granted to Participating Educational Institutions. — Essential equipment, apparatus and materials imported by accredited dual training educational institutions shall be exempt from taxes (i.e., Value-Added Tax (VAT), ad valorem, or excise taxes) and duties: Provided, That, the importation of these items shall be subject to certain qualifications as provided for under Section 5(II) hereof.

SECTION 5. Availment of the Tax Exemptions and Incentives. —

I. By the Participating Establishments. — In order to avail of the tax exemptions and