REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
National Office Building
Quezon City

R.A. 8525 ; RR No. 10-03
BIR Ruling No. 223-2011
07 [illegible] 023
MAY 09 2023

Hocheng Philippines Corporation
1163 Chino Roces Avenue
San Antonio Village, Makati City

Attention: Mr. Florian P. Lawas
Supervisor, Legal Section

Gentlemen:

This refers to your letter dated 23 November 2022 requesting to avail of tax incentives under the Adopt-a-School Program (ASP) under Republic Act (R.A.) 8525.

Records disclose that Hocheng Philippines Corporation ("HCG") is a domestic corporation organized and existing under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) under SEC Registration No. . [illegible]. HCG is also registered with the Bureau of Internal Revenue (BIR) with Taxpayer Identification No. . On 29 July 2022, HCG entered into a Memorandum of Agreement with the City Schools Division of Dasmariñas under the Department of Education (DepEd) wherein the former proposes to donate toilette equipment such as, but not limited to, ceramic toilet bowl, and other materials deemed necessary by the company as a support to the program in partnership with DepEd Dasmariñas based on the assessed needs of 44 public schools. HCG then executed a Deed of Donation, with manifestation of acceptance already incorporated in said deed, of the toilette equipment in favor of DepEd by and through the following schools on the following dates:

[illegible] Recipient School	[illegible] Donation Accepted
Dasmariñas West National High School	August 16, 2022
Dr. Jose P. Rizal Elementary School	August 16, 2022
Dr. Jose P. Rizal Senior High School	August 16, 2022
Burol Elementary School	August 16, 2022
Piela Elementary School	August 16, 2022
Salitran Elementary School	August 16, 2022
San Nicolas Elementary School	August 16, 2022
Sampaloc Elementary School	August 16, 2022
San Miguel Elementary School	August 16, 2022
Ramona S. Tirona Memorial School	August 16, 2022
Congressional Integrated High School	August 16, 2022

Sta. Cruz Elementary School	August 16, 2022
Dasmariñas North National High School	August 16, 2022
Pintong Gubat Elementary School	September 1, 2022
Pag-asa National High School	September 1, 2022
Paliparan III Senior High School	September 1, 2022
Victoria Reyes Elementary School	September 1, 2022

To support its request, HCG submitted the following documents:

1. Memorandum of Agreement
2. Board Resolution
3. BIR Form 2303
4. 1st Endorsement from DepEd
5. National Economic and Development Authority Certification from DepEd
6. Articles of Incorporation and By-laws
7. Deed of Donation and Acceptance for:
    a. Dasmariñas West National High School
    b. Dr. Jose P. Rizal Elementary School
    c. Dr. Jose P. Rizal Senior High School
    d. Burol Elementary School
    e. Piela Elementary School
    f. Salitran Elementary School
    g. San Nicolas Elementary School
    h. Sampaloc Elementary School
    i. San Miguel Elementary School
    j. Ramona S. Tirona Memorial School
    k. Congressional Integrated High School
    l. Sta. Cruz Elementary School
    m. Dasmariñas North National High School
    n. Pintong Gubat Elementary School
    o. Pag-asa Natioonal High School
    p. Paliparan III Senior High School
    q. Victoria Reyes Elementary School

In reply, please be informed that Revenue Regulations (RR) No. 10-2003 implementing R.A. No. 8525, otherwise known as "An Act Establishing an 'Adopt-a-School Program' Providing Incentives Therefor, and for Other Purposes", provides –

> **"SEC. 3. TAX INCENTIVES ACCRUING TO THE ADOPTING PRIVATE ENTITY.** – A ***pre-qualified*** **adopting private entity**, which enters into an Agreement with a public school, shall be entitled to the following tax incentives:
>
> (a) **Deduction from the gross income** of the amount of contribution/donation that were actually, directly and exclusively incurred for the Program, subject to limitations, conditions and rules set forth in Section 34(H) of the Tax Code, plus an

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additional amount equivalent to fifty percent (50%) of such contribution/donation subject to the following conditions:

(1) That the deduction shall be availed of in the taxable year in which the expenses have been paid or incurred;

(2) That the taxpayer can substantiate the deduction with sufficient evidence, such as official receipts or delivery receipt and other adequate records -

(2.1) The amount of expenses being claimed as deduction;

(2.2) The direct connection or relation of the expenses to the adopting private entity's participation in the Adopt-a-School Program. The adopting private entity shall also provide a list of projects and/or activities undertaken and the cost of each undertaking, indicating in particular where and how the assistance has been utilized as supported by the Agreement; and

(2.3) Proof or acknowledgment of receipt of the contributed/donated property by the recipient public school.

(3) That the application, together with the approved Agreement endorsed by the National Secretariat, shall be filed with the Revenue District Office (RDO) having jurisdiction over the place of business of the donor/adopting private entity, copy furnished the RDO having jurisdiction over the property, if the contribution/donation is in the form of real property.

(b) Exemption of the Assistance made by the donor from payment of donor's tax pursuant to Sections 101 (A)(2) and (B)(1) of the Tax Code of 1997."

Moreover, full deductibility of the donation of HCG is further subject to Section 34 (H) (2) of the National Internal Revenue Code (Tax Code) of 1997, as amended, which stated that donations to the Government, its agencies or political subdivisions is deductible from the gross income of the donor, *viz.:*

(a) **Donations to the Government.** – Donations to the Government of the Philippines or to any of its agencies or political subdivisions, including fully-owned government corporations, exclusively to finance, to provide for, or to be used in undertaking priority activities in education, health, youth and sports development, human settlements, science and culture, and in economic development according to a National Priority Plan determined by the National Economic and Development Authority (NEDA), In consultation with appropriate government agencies, including its regional development councils and private philanthropic persons and institutions: Provided, That any donation which is made to the Government or to any of its agencies or political subdivisions not in accordance with the said annual priority plan shall be subject to the limitations prescribed in paragraph (1) of this Subsection;

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Under the aforementioned provision of law, for purposes of entitlement to the full deductibility of the contributions/donation from gross income of the donor under Section 34 (H) (2) of the Tax Code of 1997, as amended, NEDA must certify that the contribution/donation to DepEd is in accordance with priority programs, projects and activities included in the current National Priority Plan. Otherwise, donations not in accordance with the National Priority Plan is subject to limited deductibility or deductions to an amount not exceeding 10% in the case of an individual and 5% in the case of a corporation of the taxpayer's taxable net income as computed without the benefit of this deduction. *(BIR Ruling No. 223-2011 dated 12 July 2011)*

In a Certification issued by the NEDA dated 17 February 2022, it affirmed that the "Adopt-A-School-Program" of the DepEd is considered a priority project to be included in the National Priority Plan of the Government for the year 2022.

In view of the foregoing, this Office hereby holds that:

1. The amount actually, directly and exclusively incurred by HCG as a contribution/donation for the program is deductible from its gross income.

2. HCG is also entitled to an additional deduction in an amount equivalent to fifty percent (50%) of the said contribution/donation subject to verification by the Revenue District Office (RDO) having jurisdiction over the place of the business of the donor/adopting private entity of the substantiation requirement provided under RR 10-2003; and

3. The donation of HCG to DepEd is exempt from the payment of donor's tax pursuant to R.A. 8525, as implemented by RR 10-2003 and Section 101 (A) (2) of the Tax Code of 1997, as amended.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be disclosed that the facts as represented are different, then this ruling shall be considered null and void.

Very truly yours,

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue
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