July 24, 2018

BIR RULING NO. 1110-18

R.A. No. 8525; Section 34 (H) (2), Tax Code of 1997; BIR Ruling No. 292-2016

Radiowealth Finance Company, Inc.
7th & 8th Flr., DMG Center, D.M. Guevara St., corner
Calbayog Extension, Mandaluyong City

Attention: *AAA*

Gentlemen :

This refers to your letter dated April 4, 2014, requesting on behalf of **Radiowealth Finance Company, Inc. ("Radiowealth Finance")** for the availment of the exemption from donor's tax and deductibility of the donation in the amount of _____ (P_____), in accordance with Republic Act (R.A.) No. 8525, otherwise known as the "Adopt-a-School Act of 1998."

Based on the documents submitted, it is shown that Radiowealth Finance (TIN: 000-000-000-000) is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) under SEC Registration No. ASO96-000005; that on March 21, 2013, Radiowealth Finance entered into a Memorandum of Agreement (MOA) with Guevara Foundation, Inc., and various Public Secondary Schools (the "Schools") under the Department of Education (DepEd), whereby Radiowealth Finance offered to sponsor the Taytay sa Buasdamlag Project, consisting of the following:

1. Provision of Internet Connection with WIFI Access: 3G Broadband Stick (Smart or Globe), Outdoor Hi-Powered CPE (router, rated 2Km), Outdoor Antenna radial output, 3G Router for Broadband Access and Distribution, Cabling, and NTC Permit;

2. Provision of a Multimedia System in a given classroom, with the following components: 32 in LCD/LED TV, Netbook, DVD Player, Speakers with Built-in Equalizer;

3. Provision of a public Address System: Equalizer, Microphone, Speakers and Wirings.

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The beneficiaries of the Taytay sa Buasdamlag Project are the following schools:

1. Anilao National High School
2. Banate National Science High School
3. Barotac Nuevo National Comprehensive High School
4. Dingle National High School
5. Dumangas National High School
6. P.D. Monfort National Science High School
7. Don Jose Sustiger Monfort National High School
8. Ducnas National High School
9. Passi National High School
10. San Enrique National High School

Pursuant to the MOA, Radiowealth Finance and the DepEd, represented by the Iloilo Public School Principals, entered into a Deed of Donation and Acceptance whereby the former donated to the latter the amount of _____ Pesos (P_____) for the fulfilment of the Taytay sa Buasdamlag Project; and that Br. Armin A. Luistro FSC, Secretary of the DepEd, indorsed the application for tax incentives of Radiowealth Finance relative to the above-donation, 100% of which amounts to P_____ plus an additional 50% thereof amounting to P_____, for a total amount of P_____.

In reply, please be informed that under Section 34 (H) (2) (a) of the Tax Code of 1997, as amended, donations to the Government, its agencies or political subdivisions are deductible in full from the gross income of the donor. However, donations not in accordance with the National Priority Plan are 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.

Moreover, Section 5 of RA No. 8525 provides for an additional deduction from the gross income of the adopting entity equivalent to fifty percent (50%) of the expenses incurred for the project, to wit:

> "SEC. 5. Additional Deduction for Expenses Incurred for the Adoption. — Provisions of existing laws to the contrary notwithstanding, expenses incurred by the adopting entity for the 'Adopt-a-School Program' shall be allowed an additional deduction from the gross income equivalent to fifty percent (50%) of such expenses.

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Valuation of assistance other than money shall be based on the acquisition cost of the property. . . ."

The above provision is implemented by Revenue Regulations (RR) No. 10-2003 which provides for the guidelines in the availment of the additional deduction for the expenses incurred by the adopting entity:

"SECTION 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 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."

Accordingly, since Radiowealth Finance is compliant with the requirements set forth under Section 3 of RR 10-2003, the amount it actually, directly and exclusively

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incurred for the Taytay sa Buasdamlag Project amounting to P_____ is fully deductible from Radiowealth Finance's gross income, plus an additional deduction equivalent to fifty percent (50%) thereof in the amount of P_____, or a total deductible amount of P_____. *(BIR Ruling No. 292-2016 dated June 27, 2016)*

Lastly, the above donation is likewise exempt from the payment of donor's tax pursuant to R.A. No. 8525, as implemented by RR No. 10-2003, and Section 101 (A) (2) of the Tax Code of 1997, as amended. *(BIR Ruling No. 292-2016 dated June 27, 2016)*

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 are different, then this ruling shall be considered null and void.

Very truly yours,

(SGD.) CAESAR R. DULAY
Commissioner of Internal Revenue

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