October 22, 2018

BIR RULING NO. 1290-18

Sec. 101 (B) (1) of the Tax Code of 1997;
BIR Ruling No. 656-12

Hon. Steve Chiongbian Solon
Governor
Province of Sarangani
JLC building, Provincial Capitol Complex
Alabel, Sarangani Province

Sir :

This refers to your letter dated December 2, 2014 duly indorsed by Revenue Region No. 18-Koronadal City requesting tax exemption of the Deed of Donation executed by the Starkey Hearing Foundation and the Province of Sarangani.

Documents submitted disclosed that the Provincial Government of Sarangani, is a local government unit created by law, organized and existing under the laws of the Republic of the Philippines; that a Deed of Donation was executed on September 29, 2014 and October 20, 2014 by the Starkey Hearing Foundation, a charity organization and in good standing under the laws of Minnesota, with postal address at 6700 Washington Avenue, South, Eden Prairie, Minnesota, USA, in favor of Provincial Government of Sarangani as donee for the following equipment to be used for the hearing mission:

QUANTITY	PART DESCRIPTION
11,000	Ear Molds
170,000	Hearing Aid Batteries – Model 13a
50,000	Hearing Aid Batteries – Model 675a
5,000	Medals
14,000	Hearing Aids-Mixed Powers
5,000	Blue Pouches 95% Polyester + 5% Nylon
150	Earmold Model 3680
150	Earmold Model 1596
150	Earmold Model 9781
150	Earmold Model 1600

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3	Tube Cutter
3	Tube Expander
3	Scissor
3	Apron
300	Pre-bent Tubes Size 0.130
3	Poker
3	Reamer
3	Wire Puller
3	Instant Glue
3	Otoscope + 50 Specula
3	Syringe (60 cc)
3	Nasal Decongestants
3	Ear Swabs
3	Toothbrush
3	Blower Bulbs
3	Ear Cleaning Curettes
3	Pen Light + Tips
9	Emesis Basin
3	Black Marker
3	Red Marker
3	Notepad
6	Pens
12	Batteries AA
24	Batteries AAA
3	Headlamp
150	Toothpicks
12	Facial Tissue
3	Battery Tester
90	Otoblocks Size #2
90	Otoblocks Size #1
300	Plastic Bags 5" x 7"
3	Dreve AK Impression Material (400g tubs x 2)
6	Impression Syringes
3	Stethoscope
3	Alcohol Swabs – bundle 100 singles use packets
120	Hearing Aid Batteries Size 13
120	Hearing Aid Batteries Size 675

that the shipment with airway bill No. 609264642220 arrived on November 17, 2014 and

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was released on November 20, 2014 after posting cash bond with the Bureau of Customs in the amount of P_____. [1]

In reply, please be informed that pursuant to Section 101 (B) (1) of the Tax Code of 1997, gifts made by a non-resident individual or organization to or for the use of the National Government or any entity created by any of its agencies which is not conducted for profit, or to any political subdivision of said Government shall be exempt from donor's tax.

Considering that the above donation was made by a non-resident organization, the Starkey Hearing Foundation in favor of the Provincial Government of Sarangani, a local government unit created by law, organized and existing under the laws of the Republic of the Philippines, the aforementioned donation is exempt from the payment of donor's tax pursuant to Section 101 (B) (1) of the Tax Code of 1997.

Moreover, the deed of donation is likewise not subject to the documentary stamp tax prescribed under Section 196 of the Tax Code of 1997, but only to the documentary stamp tax of P15.00 imposed under Section 188 of the same Tax Code. (BIR Ruling No. 656-12 dated December 21, 2012)

However, Section 109 of the same Code which enumerates the transactions exempt from VAT does not include importation of articles/goods consigned to any political subdivisions of the Government. Accordingly, since the donated hearing aid equipment will come from abroad, the importation thereof shall be subject to the 12% VAT based on the total value used by the Bureau of Customs in determining tariff and customs duties, excise taxes, if any, and other charges, such tax to be paid by the importer prior to the release of the medical equipment from customs custody pursuant to Section 107 (A) of the Tax Code of 1997.

Lastly, as to exemption from customs duties and other levies on its importation, this Office is in no position to rule on the matter, the same being under the jurisdiction of the Bureau of Customs.

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

Footnotes

1. P_____ for import duty and P_____ for BIR Taxes.

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