April 12, 2018

BIR RULING NO. 656-18

R.A. No. 8525; Section 34 (H) (2) of the Tax Code of 1997, as amended; RR 10-2003; BIR Ruling No. 292-16

Hedcor, Inc.
214 Ambuclao Road
Obulan, La Trinidad, Benguet

Attention: *AAA*

Gentlemen :

This refers to your letter dated December 15, 2014, duly indorsed by Revenue Region No. 2-Baguio City requesting for a ruling on the additional fifty percent (50%) special deduction to be deducted from the donor's gross income under Republic Act (R.A.) No. 8525.

Documents submitted disclosed that Hedcor, Inc. (TIN: 000-000-000-000) is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) under SEC Registration No. CEO0773; that Hedcor, Inc. entered into Memoranda of Agreement (MOA) with the Department of Education (DepEd), to support the latter's "Adopt-A-School Program" by donating to DepEd, the following projects, to wit:

Date	Beneficiary	Project Title
April 23, 2014	Mating Mangonsan Elementary School	Construction of 1 storey, 2 classroom building "AGAPP-Silid Pangarap Kindergarten Building"
May 9, 2014	Beckel Elementary School	Painting of the roofing of the Gabaldon building
May 2, 2014	Ampusongan National High School	Rehabilitation/construction of the schools drainage canal, High School Financial Assistance for Top 6 students (2 students/year level starting Grade Level 8)

that Hedcor, Inc. executed Deeds of Donation in favor of the following schools, as

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follows:

Date	School	Project Title	Amount (PhP)
September 29, 2014	Mating Mangonsan Elementary School	Construction of 1 storey, 2 classroom building "AGAPP-Silid Pangarap Kindergarten Building"	_____
October 2, 2014	Beckel Elementary School	Painting of the roofing of the Gabaldon building	_____
October 2, 2014	Ampusongan National High School	Rehabilitation/construction of the school drainage canal	_____
		High School Financial Assistance for Top 6 students (2 students/year level starting Grade Level 8)	_____
		Total Amount	_____

that the actual expenses incurred by Hedcor, Inc., are as follows:

School	Project Title	Amount (PhP) per MOA and Deed of Donation	Actual Amount Incurred (PhP)
Mating Mangonsan Elementary School	Construction of 1 storey, 2 classroom building "AGAPP-Silid Pangarap Kindergarten Building"	_____	_____
Beckel Elementary School	Painting of the roofing of the Gabaldon building	_____	_____
Ampusongan National High School	Rehabilitation/constructio n of the school's drainage canal	_____	_____
	Total Amount	_____	_____

and that Br. Armin A. Luistro FSC, Secretary of the DepEd indorsed the application for tax incentive of Hedcor, Inc. relative to its donation, 100% of which amounts to P_____ plus an additional 50% which is equivalent 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

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benefit of this deduction, *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."*

Moreover, National Economic Development Authority (NEDA) Circular No. 01-2009 provides the guideline for the issuance of certification of programs, projects and activities in the National Priority Plan (NPP), to wit:

> *"D. Procedure of the Issuance of the Certification of Inclusion in the NPP*
>
> *1. Certification on inclusion in the NPP may be issued for:*
>
> *a. PPA that is included in the NPP but has not yet received any donation; and*
>
> *b. PPA that is included in the NPP and to which donation has been made prior to inclusion; provided that the immediately following item no. 2 has been complied with.*
>
> *2. Request for certification shall be submitted to NEDA Central Office for evaluation not later than 31 December of the taxable year when donations were made so that approved tax deductions could be claimed during the succeeding year at the time of filing of income tax returns."*

Attached to the records is a certification from NEDA certifying that the Adopt-A-School Program is considered a Priority Project in the National Priority Plan of the Government for the year 2014.

More so, Section 5 of Republic Act (R.A.) No. 8525, otherwise known as "An Act Establishing an 'Adopt-a-School Program' Providing Incentives Therefor, and for Other Purposes" provides —

> *"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 . . ."

Furthermore, Section 3 of Revenue Regulations (RR) No. 10-2003 provides that:

"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."

In view of the foregoing, with the issuance of the certification from the NEDA that the "Adopt-A-School Program" of the Department of Education is considered as a Priority Project included in the National Priority Plan of the Government for the year 2014, thus, the amount actually, directly and exclusively incurred by Hedcor, Inc. under the Adopt-A-School Program amounting to P_____ is deductible in full from its gross income plus an amount equivalent to fifty percent (50%) of the said contribution/donation or P_____ for a total amount of P_____. (BIR Ruling No. 292-16 dated June 27, 2016)

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Lastly, said amount is 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, respectively.

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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