December 9, 2019

BIR RULING NO. 731-19

RA No. 8525; Section 34 (H) (2), National Internal Revenue Code of 1997, as amended; BIR Ruling No. 292-2016

Alsons Development and Investment Corporation
329 Bonifacio Street, Brgy. 35-D (Pob.)
Davao City, Davao Del Sur, Philippines 8000

Attention: *AAA*

Gentlemen :

This refers to your letter dated April 10, 2015, requesting on behalf of **ALSONS DEVELOPMENT AND INVESTMENT CORPORATION** ("**ADIC**" for brevity) for the availment of the exemption from donor's tax and deductibility of the donation of P_____ to the Department of Education (DepEd), in accordance with Republic Act (R.A.) No. 8525, otherwise known as the "Adopt-A-School Act of 1998."

Background:

ADIC, with Taxpayer Identification Number (TIN) 000-000-000-000, is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) under SEC Registration No. 22023. On the other hand, CABANTIAN NATIONAL HIGH SCHOOL ("CNHS" for brevity) and SAN JOSE ELEMENTARY SCHOOL ("SJES" for brevity) are public schools under the Department of Education.

On May 10, 2013, ADIC and CNHS entered into a Memorandum of Agreement (MOA), in which the former shall provide allowances to subsidize the wages of six (6) CNHS non-DepEd teaching plantilla, to wit:

School Year	No. of non-DepEd teaching Plantilla Teacher/s
2013-2014	3
2014-2015	2
2015-2016	1

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Pursuant to the said MOA, ADIC, through its _____ BBB, executed two Deeds of Donation, dated July 31, 2014 and December 29, 2014, in favor of CNHS whereby the former donated to the latter a total amount of P_____ and P_____ respectively.

Also, on June 26, 2013, ADIC and SJES entered into a MOA, in which the former shall provide allowances to subsidize the wages of a non-DepEd plantilla teachers for the school year 2013-2014. Pursuant to said MOA, ADIC, through its _____ BBB, executed a Deed of Donation, dated June 10, 2014, in favor of SJES, whereby the former donated to the latter a total amount of P_____. Hence, this request.

In reply, please be informed that under Section 34 (H) (2) (a) of the National Internal Revenue 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:

> *"SECTION 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.*
>
> *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*

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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, since ADIC is compliant with the requirements set forth under Section 3 of RR 10-2003, the amount of P_____ it actually, directly, and exclusively incurred as Wage Subsidy of one (1) non-DepEd Teacher of San Jose Elementary School located in Eden, Toril, Davao City and Wage Subsidies of three (3) non-DepEd Teacher of Cabantian National High School located in Cabantian, Davao City for the year 2014 is fully deductible from its 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, Section 101 (A) (1) [1] of the National Internal Revenue Code of 1997, as amended, provides that:

"SECTION 101. Exemption of Certain Gifts. — The following gifts or donations shall be exempt from the tax provided for in this Chapter:

(A) In the Case of Gifts Made by a Resident. —

xxx xxx xxx

(1) Gifts made 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 the said Government."

Thus, pursuant to the above quoted provision, the donation made by ADIC to DepEd is also exempt from the payment of donor's tax. *(BIR Ruling No. 292-2016 dated*

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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

Footnotes

1. Renumbered by Republic Act No. 10963 or TRAIN LAW.

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