REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

RA No. 8525; Section 34(H)(2), National Internal Revenue Code of 1997, as amended
BIR Ruling No. 292-2016
OT - 0494 - 2020

SEP 08 2020

HOCHENG PHILIPPINES CORPORATION
Lot 2, Blk. 4, Phase III, First Cavite Industrial Estate,
Langkaan, Dasmariñas, Cavite 4114

Attention: **MORNALIZA A. BELARDO**
OIC for Operations

Gentlemen:

This refers to your letter dated April 23, 2018, requesting on behalf of **HOCHENG PHILIPPINES CORPORATION** for the availment of the exemption from donor's tax and deductibility of the total donation of [redacted] to various Public Schools in Cavite particularly (Caritas Bukid Kabataan Elementary School, Hugo Perez Elementary School, Southville Elementary School and Tropical Village Elementary School) under the Department of Education, herein referred to as "DepEd", in accordance with Republic Act (R.A.) No. 8525, otherwise known as the "Adopt-A-School Act of 1998."

It is represented that **HOCHENG PHILIPPINES CORPORATION**, with Taxpayer Identification Number (TIN) [redacted] is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) under SEC Registration No. [redacted]; that **HOCHENG PHILIPPINES CORPORATION** entered into a Memorandum of Agreement (MOA) with various Public Schools in Cavite, under DepEd, to wit;

Public Schools	Date of MOA	Date of Deed of Donation	Date of Deed of Acceptance	Donation	Acquisition Cost
Caritas Bukid Kabataan Elementary School	July 05, 2017	July 27, 2017	July 28, 2017	Water Closet	[redacted]
Hugo Perez Elementary School	July 13, 2017	July 21, 2017	July 25, 2017		[redacted]
Southville Elementary School	July 12, 2017	July 25, 2017	July 27, 2017		[redacted]
Tropical Village Elementary School	July 03, 2017	Aug. 8, 2017	Aug. 15, 2017		[redacted]
TOTAL					[redacted]

that pursuant to said MOA, **HOCHENG PHILIPPINES CORPORATION**, represented by its Vice President for Operations, Judy G. Geregale, executed a Deed of Donation, in favor of DepEd whereby the former donated to the latter Water Closets with a total cost of [redacted]; that Leonor Magtolis Briones, Secretary of the DepEd, Chairperson, Coordinating Council, indorsed the application for tax incentives of **HOCHENG PHILIPPINES CORPORATION** relative to the above-donation. [redacted] of which amounts to [redacted] plus an additional [redacted] thereof amounting to [redacted] for a total amount of [redacted] and that per Certification dated February 06, 2017 issued by the National Economic and Development Authority (NEDA), the Adopt-A-School Program is considered a Priority Project in the National Priority Plan of the Government for the year 2017.

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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 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.*

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> *(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 **HOCHENG PHILIPPINES CORPORATION** is compliant with the requirements set forth under Section 3 of RR 10-2003, the amount it actually, directly, and exclusively incurred for the Water Closet amounting to [redacted] is fully deductible from its gross income, plus an additional deduction equivalent to fifty percent [redacted] thereof in the amount of [redacted] or a total deductible amount of [redacted]. *(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 **HOCHENG PHILIPPINES CORPORATION** to DepEd is also exempt from the payment of donor's tax. *(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,

CAESAR R. DULAY
Commissioner of Internal Revenue

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[1] Renumbered by Republic Act No. 10963.