REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

R.A. No. 8525; Section 34 (H) (2) of the Tax Code of 1997, as amended; RR 10-2003	000-00	#292-2016 6-27-2016

Person to Contact: Chief, Law Division
Tel. Nos. 926-55-36/ 927-09-63

ALSONS DEVELOPMENT & INVESTMENT CORPORATION
329 Bonifacio St., Davao City

Attention : **AMADO C. BERNARDINO**
Asst. General Manager-Management Services

Gentlemen:

This refers to your letter dated August 1, 2012, 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 (Sponsorship of Tuloy ang Pasko ng mga Bata in Bayanihan Elementary School, Marilog District, Davao City for the Year 2011).

Documents submitted disclosed that Alsons Development and Investment Corporation (TIN: [redacted]) is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) under SEC Registration No. [redacted] that Alsons Development and Investment Corporation entered into Memorandum of Agreement (MOA) with the Department of Education (DepEd), whereby the former continue to support to the latter "Adopt-A-School Program" by supporting the DepEd in achieving an enhanced learning environment and addressing the dire shortage of resources in public schools through the provisions of personal belongings of children (underwear, slippers and clips), magician and clown, tubes of ice cream and toys of the 181 pupils; that on December 16, 2011, Alsons Development and Investment Corporation executed a Deed of Donation in favor of Bayanihan Elementary School, personal belongings, food and educational toys amounting to [redacted]d [redacted] pesos (P[redacted]; and that on February 24, 2012, Br. Armin A. Luistro FSC, Secretary of the Deped indorsed the application for tax incentive of Alsons Development and Investment Corporation relative to its donation, 100% of which amounts to [redacted] plus an additional 50% which is equivalent to [redacted] 704.00 for a total amount of [redacted]

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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, 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 Plan (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 NPPP 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 letter from Mario A. Deriquito, Undersecretary of the Department of Education (DepEd) dated July 6, 2015, that it was only in 2012, when the Adopt a School Secretariat was able to secure the formal Certification from the NEDA that the Adopt a School Program of the DepEd is included in the National Priority Plan of the Government.

Considering that "Adopt-A-School Program" was only certified to be included in the NPP in 2012, thus, the donations made by Alsons Development and Investment

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Corporation on December 16, 2011 is subject to limited deductibility or deductions to an amount not exceeding 5% in the taxpayer's taxable net income as computed under Section 34 (H) (2) (a) of the Tax Code of 1997, as amended.

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

Furthermore, Section 3 of Revenue Regulations 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*

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(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, the request for the additional fifty percent (50%) special deduction to be deducted from the donor's gross income, is hereby granted.

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,

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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JUN 24 2016