REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

R.A. No. 8525
Section 34(H)(2), Tax Code of 1997
BIR Ruling No. 292-2016
671-2017

12-20-2017

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

Attention: **AMADO C. BERNARDINO**
AGM-Management Services Group

Gentlemen:

This refers to your letter dated October 4, 2013, requesting on behalf of Alsons Development and Investment Corporation ("Alsons") for the availment of the exemption from donor's tax and deductibility of the donation of one (1) Technology and Livelihood Education (TLE) Building to Pilar P. Rodriguez Elementary School in Tigatto, Buhangin, Davao City, in accordance with Republic Act (R.A.) No. 8525, otherwise known as the "Adopt-A-School Act of 1998."

Based on the documents submitted, it is shown that Alsons (TIN: is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) under SEC Registration No. ; that on August 3, 2012, Alsons entered into Memorandum of Agreement (MOA) with the Department of Education (DepEd), whereby Alsons has proposed to DepEd the construction of one (1) Classroom Building measuring 7 meter by 9 meter dimension with one (1) 1.6 meter by 1.2 meter toilet attached or a total area of 64.92 square meters for Pilar P. Rodriguez Elementary School in Tigatto, Buhangin, Davao City; that on December 3, 2012, Alsons executed a Deed of Donation in favor of Pilar P. Rodriguez Elementary School whereby the former donated to the latter one (1) Classroom Building measuring 7 meter by 9 meter dimension with one (1) 1.6 meter by 1.2 meter toilet; that on June 6, 2013, Pilar P. Rodriguez Elementary School executed a Deed of Acceptance for the donated property; and that Br. Armin A. Luistro FSC, Secretary of the DepEd, indorsed the application for tax incentives of Alsons relative to the above-donation, 100% of which amounts to lus an additional 50% thereof amounting to , for a total amount of

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.

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:

> "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. . . ."

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

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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.

(b) Exemption of the Assistance made by the donor from payment of donor's tax pursuant to Sections 101 (A)(2) and (B)(1) of the Tax Code of 1997."

Accordingly, since Alsons Development and Investment Corporation is compliant with the requirements set forth under Section 3 of RR 10-2003, the amount it actually, directly and exclusively incurred in the construction of the classroom building amounting to is fully deductible from its gross income, plus an additional deduction equivalent to fifty percent (50%) thereof in the amount of or a total deductible amount of *BIR Ruling No. 292-2016* dated June 27, 2016)

Lastly, the above donation is likewise 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. (*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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