



# DEPARTMENT OF EDUCATION

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**Capacity Building for Social Mobilization  
and Networking Coordinators for Adopt-a-  
School, Senior HS, and Last Mile Programs**

# **RR 10-2003**

**Implementing the Tax Incentives  
Provisions of Republic Act No. 8525,  
Otherwise Known as the “Adopt-a-  
School Act of 1998.”**

- **ZENY B. LASTIMOZA**
  - Project Development Officer II
  - External Partnerships Service

# SALIENT FEATURES:

## SEC. 3. TAX INCENTIVES ACCRUING TO THE ADOPTING PRIVATE ENTITY (ASSISTANCE).

- 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 (in full) from the gross income [Sec. 34(H)] PLUS** an additional amount equivalent to fifty percent (50%) of such contribution/donation subject to the following conditions:
1. deduction shall be availed of in the taxable year in which the expenses have been paid or incurred;
  2. taxpayer can substantiate the deduction with sufficient evidence, such as official receipts or delivery receipt and other adequate records –
  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.

# SALIENT FEATURES:

## SEC. 5. VALUATION OF THE ASSISTANCE/CONTRIBUTION OR DONATION. –

**(a) *Cash assistance/contribution or donation.*** – actual amount contributed/donated appearing in the official receipt issued by the donee.

**(b) *Assistance/contribution or donation other than money.*** –

*Personal property.* – acquisition cost of the said assistance or contribution. However, if the said property had already been used, then such valuation shall take into consideration the depreciated value of the property.

*Consumable goods.* - acquisition cost by the donor or the actual cost thereof at the time of the donation, **whichever is lower.**

*Services.* – value of the services rendered as agreed upon by the donor and the service provider and the public school as fixed in the Memorandum of Agreement, or the actual expenses incurred by the donor, **whichever is lower.**

*Real Property.* – FMV of the property at the time of the contribution/donation, as determined pursuant to Section 6(É) of the Tax Code or the book value/depreciated value of the property, **whichever is lower.**

# SALIENT FEATURES:

## SEC. 6. PROCEDURES FOR THE AVAILMENT OF TAX INCENTIVES UNDER THE PROGRAM BY THE ADOPTING PRIVATE ENTITY. –

In order to avail of the tax incentives provided for under these Regulations, the following procedures and requirements should be complied with, viz:

a. ***National Secretariat shall endorse*** to the RDO of the BIR having jurisdiction over the place of business of the adopting private entity, copy furnished the RDO having jurisdiction over the property if the donation or contribution is in the form of real property), the following standard documents:

- (i) duly notarized/approved Memorandum of Agreement,
- (ii) duly notarized Deed of Donation,
- (iii) Official receipts or any document showing the actual value of the contribution/donation;
- (iv) Certificate of Title and Tax Declaration, if the donation is in the form of real property; and

## SALIENT FEATURES:






(v) Other adequate records showing the direct connection or relation of the expenses being claimed as deduction/donation to the adopting private entity's participation in the Program, as well as showing or proving receipt of the donated property.

(b) Adopting private entity shall submit application for entitlement of the additional 50% special deduction from the gross income, and for exemption from donor's tax to the RDO having jurisdiction over the place of business of the adopting private entity, copy furnished the RDO having jurisdiction over the donated real property.

# QUALIFICATIONS OF ADOPTING PRIVATE ENTITY

1. Engage in trade or business
2. In the practice of his/her profession
3. Business organization like partnership, cooperation or cooperative
4. Resident or non-resident
5. Possesses credible track record
6. In existence for at least 1 year in SEC or Certificate of Registration at CDA
7. Have not been prosecuted or found guilty

# Standard documents in claiming tax incentives:

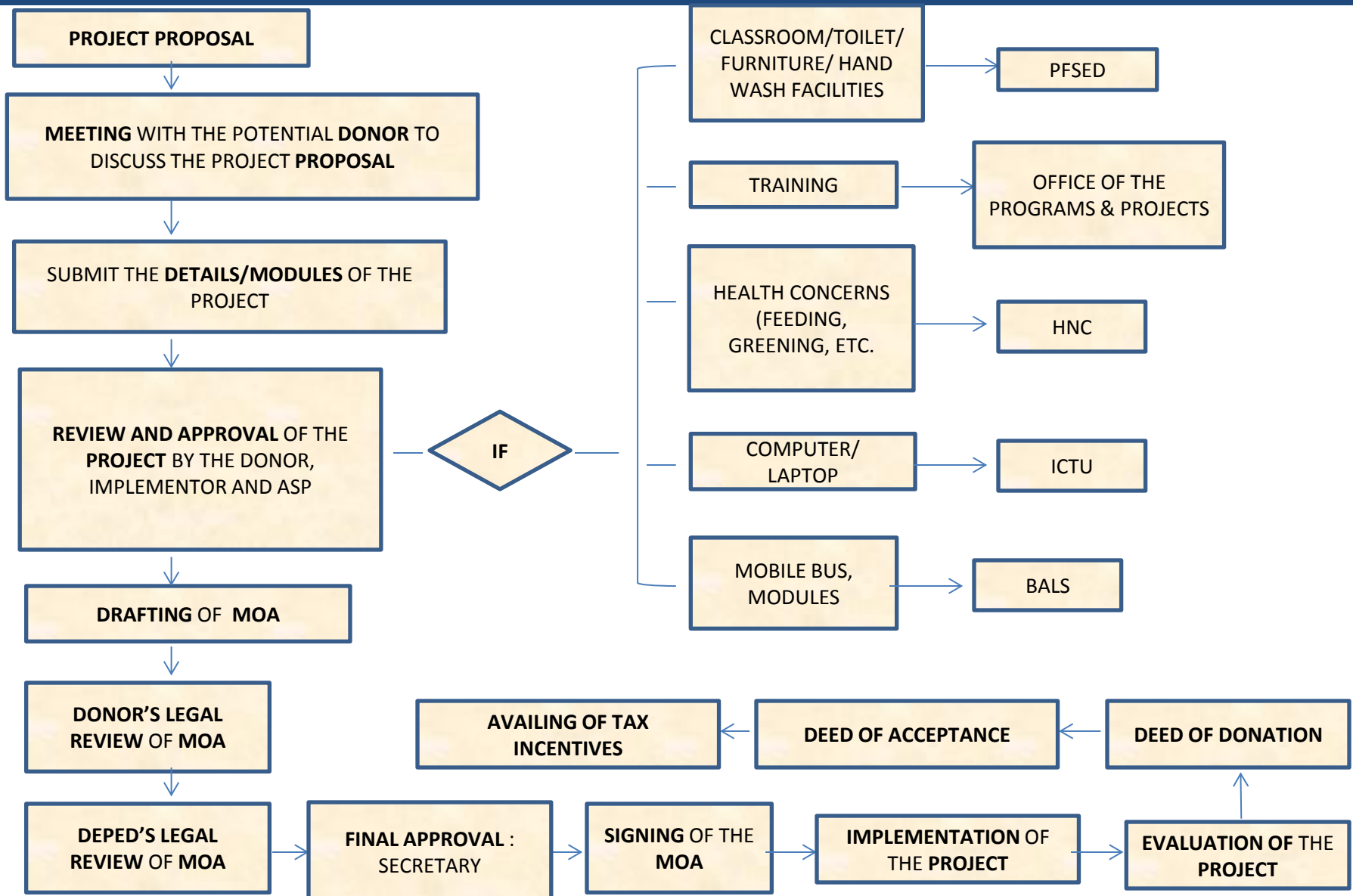
-  Letter of Intent signed by the Donor
-  Signed and notarized MOA
-  Notarized Deed of Donation and Acceptance
-  Summary of expenses with attachment of official receipts
-  Reports and photos highlighting the project



# CONDITIONS FOR DEDUCTABILITY:

- ✚ Aailed expenses paid or incurred within the Fiscal Year
- ✚ Taxpayer can substantiate the deduction with sufficient official receipts

# WORK FLOW



# SEE THE DIFFERENCE

## SAMPLE INCOME STATEMENT ( in P mil)

	No donation			With donation under ASP	
Sales		175.0			175.0
Less : Cost of Sales		85.0			85.0
Gross Income		90.0			90.0
Less: Operating Expenses					
Salaries, Utilities etc.	15.0			15.0	
Donation to a public school	-	15.0		2.0*	17.0
Income before Income Tax		75.0			73.0
Income Tax		26.3			25.6
Net Income		48.7			47.4

\*100% deduction as business enterprise allowed under Section 34(H) of the Tax code.

## SEE THE DIFFERENCE (cont.)

### COMPUTATION OF THE INCOME TAX (in P Mil)

	No donation		With donation under ASP
Income Before Income Tax	75.0		73.0
Additional 50% deduction for donations under RA8525	0.0		1.0
Taxable Income	75.0		72.0
Income Tax ( 35% of taxable income)	26.3		25.2
Tax savings for the donation			1.1

**Allowable tax deductions the ADOPT-A-SCHOOL PROGRAM (150%):**

**100% allowable deduction under Section 34 (H)(a)(2)**

**Additional 50% deduction under RA 8525**

**Total**

P 2 Mil

1 Mil

P 3 Mil

# BIR FORM 1702

62 Gross Income (Sum of Item 60 & 61)

63 Less: Deductions

63A/B Optional Standard Deduction (OSD)

OR

63C/D/E/F/G/H Regular Allowable Itemized Deductions

Special Allowable Itemized Deductions

63I/J/K/L/M/N

63O/P/Q/R/S/T

Description										Legal Basis									



# SAMPLE ENDORSEMENT:



Republic of the Philippines  
**Department of Education**

**Tanggapan ng Katihim**  
Office of the Secretary

**1<sup>st</sup> Endorsement**  
**March 21, 2013**

Respectfully and favorably endorsed to the Revenue District Office No. \_\_\_\_\_, the attached application for tax incentive of **JOLLIBEE FOODS CORPORATION** herein referred to as the private adopting entity/donor by virtue of Memorandum of Agreement (MOA)/Deed of Donation (DOD) between the **DEPARTMENT OF EDUCATION and JOLLIBEE FOODS CORPORATION** relative to its donation, 100% of which amounts to **P 9,324,067.50**, plus an additional 50% which is equivalent to **P 4,662,033.75**, for a total amount of **P 13,986,101.25** as described in the **MOA/DOD**, official receipts; and recommending its approval pursuant to Section 3 of Revenue Regulation No. 10-2003 and Part III Rules 1 and 2 of the Revised Joint Implementing Rules and Regulations of "Adopt-A-School Act of 1998".

  
**BR. ARMIN A. LUISTRO FSC**  
Secretary, Department of Education  
Chairperson, Coordinating Council

# **RESOLVING ISSUES ARISING FROM GRANTING BIR ENDORSMENT TO A PRIVATE ADOPTING ENTITY**

## **PURPOSE:**

**TO GUIDE THE PRIVATE ADOPTING  
ENTITY, AS A TAX PAYER, TO AVAIL OF  
ITS ENTITLEMENT.**



# ISSUE #1 IMPROPER DOCUMENTATION

*SOLUTION : Correct execution of required documents with concerned parties must be observed.*

- ☐ **MEMORANDUM OF AGREEMENT (MOA) should be SIGNED, APPROVED, and NOTARIZED.**
- ☐ **DEED OF DONATION should be EXECUTED after the implementation of a certain project/program.**
- ☐ **DEED OF ACCEPTANCE should be EXECUTED upon the delivery of the donation or upon completion of a certain project.**

## ISSUE # 2 LACK OF SUPPORT PAPERS

*SOLUTION : Substantiate application with official receipts and other evidences of expenses incurred for the program.*

- ☐ **SUMMARY OF RECEIPTS, with attachment of official receipts.**
- ☐ **OTHER DOCUMENTED EVIDENCE showing the direct connection of the expenses being claimed as deduction.**

*SOLUTION : Adhere to adoption procedure .Observe chronological order of events.*

- ✓ **There should a signed and approved Memorandum of Agreement before the implementation of the project.**
- ✓ **Upon delivery or completion of a certain project, Donor can now execute the Deed of Donation to sum-up the cost of the project.**
- ✓ **Deed of Acceptance should be executed by the School Head relative to the donation.**

### *SOLUTION :*

- ✓ **Application can only be endorsed for the current taxable year.**
- ✓ **Failure to submit the documents to the ASP Secretariat would mean – NO ENDORSEMENT.**
- ✓ **Donors cannot avail of the 150% allowable deduction without getting an APPROVED ENDORSEMENT signed by the Secretary of the Department of Education.**

**THANK YOU!**





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