REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
National Office Building
Quezon City

R.A. No. 9904; R.A. No. 8424, as amended; RMC No. 09-2013;
BIR Ruling No. OT-345-21
OT- 056-2025

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ROYALE TAGAYTAY ESTATES PHASE I-A & II HOMEOWNERS' ASSOCIATION, INC.
Royale Tagaytay Phase II
Alfonso, Cavite

Attention : **MR. ANTOON VAN ASPEREN**
President

Gentlemen:

This refers to your request for tax exemption on behalf of **ROYALE TAGAYTAY ESTATES PHASE I-A & II HOMEOWNERS' ASSOCIATION, INC.**, pursuant to Republic Act (RA) No. 9904 otherwise known as the "Magna Carta for Homeowners and Homeowners' Associations", as enunciated in Revenue Memorandum Circular No. 9-2013 which clarifies the taxability of association dues, membership fees, and other assessments/charges collected by Homeowners' Associations.

Documents submitted disclosed that **ROYALE TAGAYTAY ESTATES PHASE I-A & II HOMEOWNERS' ASSOCIATION, INC.** is a non-stock and non-profit residential homeowners' association duly registered with the Housing and Land Use Regulatory Board (HLURB) under Certificate of Incorporation No. 14113; that it is situated and within the jurisdiction of Municipality of Alfonso, Cavite; and that the Office of the Municipal Mayor of Municipality of Alfonso, Cavite, Mayor Randy A. Salamat, in a Certification dated December 22, 2021, stated that:

> *"**ROYALE TAGAYTAY ESTATES PHASE I-A AND II HOMEOWNERS' ASSOCIATION, INC.** is exempted from the payment of income tax, value-added tax and percentage tax on the association dues and income derived from rentals of its properties.*
>
> *It is further certified that the Local Government Unit has a jurisdiction over the Homeowners' Association and it lacks the resources to render basic services and facilities such as, but not limited to: security; street and vicinity lights; maintenance, repairs and cleaning of streets; garbage collection and disposal; and other similar services and facilities that redound to the benefit of all homeowners and that such services are being rendered by the homeowners' association."*

In reply, please be informed that Section 18 of RA No. 9904 provides that:

> *"**SECTION 18. Relationship with LGUs.** — Homeowners' associations shall complement, support and strengthen LGUs in providing vital services to their members and help implement local government policies, programs, ordinances, and rules.*
>
> *Associations are encouraged to actively cooperate with LGUs in furtherance of their common goals and activities for the benefit of the residents of the subdivisions/villages and their environments.*
>
> *Where the LGUs lack resources to provide for basic services, the associations shall endeavor to tap the means to provide for the same. In recognition of the associations' efforts to assist the LGUs in providing such basic services, association dues and income*

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derived from rentals of their facilities shall be tax-exempt: Provided, That such income and dues shall be used for the cleanliness, safety, security and other basic services needed by the members, including the maintenance of the facilities of their respective subdivisions or villages. xxx"

Thus, considering that **ROYALE TAGAYTAY ESTATES PHASE I-A & II HOMEOWNERS' ASSOCIATION, INC.** is a duly registered Homeowners Association with the HLURB; that its financial statements show the delivery of basic community services defined under Sec. 3(d) of RA 9904; and that the Local Government Unit covering the jurisdiction of the Homeowners Association has issued a Certificate that it lacks the resources to provide these services to the Association, this Office hereby holds that the income derived from membership fees, monthly dues, rentals to their facilities and other charges collected in a purely reimbursement basis of **ROYALE TAGAYTAY ESTATES PHASE I-A & II HOMEOWNERS' ASSOCIATION, INC.** is exempt from income tax, value added-tax (VAT)[1] or percentage tax, whichever is applicable. Provided, that such income and dues shall be used for the cleanliness, safety, security and other basic services needed by the members, including the maintenance of the facilities of their respective subdivisions or villages.[2]

However, **ROYALE TAGAYTAY ESTATES PHASE I-A & II HOMEOWNERS' ASSOCIATION, INC.** shall be subject to the applicable internal revenue taxes on its other income from trade, business or other activities. Specifically:

1) ***Income Tax***

It shall be subject to the corresponding internal revenue taxes imposed under the National Internal Revenue Code (Tax Code) of 1997, as amended, on its income derived from sources other than rental of its facilities, association dues, membership fees, other assessments and charges collected on a purely reimbursement basis which income should be returned for taxation. Likewise, interest income from currency bank deposits and yield or any other monetary benefit from deposit substitute instruments and from trust funds and similar arrangements, and royalties derived from sources within the Philippines are subject to the 20% final withholding tax; provided, however, that interest income derived by it from a depository bank under the expanded foreign currency deposit system shall be subject to 15%[3] final withholding tax pursuant to Section 27 (D)(1) in relation to Section 57 (A), both of the Tax Code of 1997, as amended. Moreover, it is required to file on or before April 15 of each year a profit and loss statement and balance sheet with the Annual Information Return under oath, stating its gross income and expenses incurred during the year and a certificate showing that there has not been any change in its By-Laws, Articles of Incorporation, manner of operation and activities as well as resources and disposition of income.

2) ***VAT or Percentage Tax***

Likewise, **ROYALE TAGAYTAY ESTATES PHASE I-A & II HOMEOWNERS' ASSOCIATION, INC.**'s gross receipts from operations not derived from rental of its facilities, association dues, membership fees, other assessment and charges collected in a purely reimbursement basis shall be subject to the 12% VAT as imposed under Section 108 of the Tax Code of 1997, as amended, which tax payment may legitimately be passed on to buyers of such goods and services; or 3% percentage tax imposed under Section 116 in relation

[1] Section 4.109-1 (B)(1)(y) of the Revenue Regulations No. 13-2018.
[2] DOF Opinion No. 013-2022 dated July 20, 2022.
[3] RA No. 10963 increased the tax rate from 7.5% to 15% effective January 1, 2018.

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to Section 109(CC) of the same Code if the gross sales or receipts from such sale of goods and services do not exceed Three Million Pesos ( ).[4]

It is requested that a copy of this letter of exemption be attached to the Annual Information Return which **ROYALE TAGAYTAY ESTATES PHASE I-A & II HOMEOWNERS' ASSOCIATION, INC.** will file on or before the 15th day of the fourth month of each year.

Under Section 235 of the Tax Code of 1997, as amended, any provision of existing general or special law to the contrary notwithstanding, the Revenue District Officer shall conduct an audit of annual information return filed, the books of accounts and other pertinent records of **ROYALE TAGAYTAY ESTATES PHASE I-A & II HOMEOWNERS' ASSOCIATION, INC.** to determine compliance with the conditions set forth in this letter of tax exemption and tax liabilities, if any.

It should be understood that **ROYALE TAGAYTAY ESTATES PHASE I-A & II HOMEOWNERS' ASSOCIATION, INC.** shall be constituted as withholding agent of the government if it acts as an employer and its employees receive compensation income subject to the withholding tax under Section 57 of the Tax Code of 1997, as amended.

Finally, **ROYALE TAGAYTAY ESTATES PHASE I-A & II HOMEOWNERS' ASSOCIATION, INC.** is required under Section 6 (C) in relation to Section 237 of the Tax Code of 1997, as amended, to issue duly registered invoices for the sale of goods and services which do not comprise income from association dues and rentals of their facilities, if any.

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,

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

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[4] RA No. 10963 increased the VAT threshold from ₱1,919,500.00 to ₱3,000,000.00 effective January 1, 2018, which shall be adjusted every three (3) years, as amended by RA No. 11976.