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

Sec. 24 (D)(2), NIRC	000-00	

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

07-[illegible]-2024

Date: APR 12 2024

THE ROMAN CATHOLIC BISHOP OF NOVALICHES, INC.
The Chancery, 2nd Floor, Good Shepherd Cathedral Parish Center
Regalado Avenue, Fairview, 1118 Quezon City

Attention: **REV. FR. MARLOU V. LEMAIRE**
Oeconomous/Properties Administration Head - RCBNI

Gentlemen:

This refers to your letter dated June 16, 2017 requesting for a ruling that the sale of a parcel of land by **The Roman Catholic Bishop of Novaliches, Inc. (RCBN)** to the Reverend Father Superior of the Order of Friars Minor Conventuals (OFMConv) is exempt from capital gains tax on the basis of Section 24 (D)(2) of the National Internal Revenue Code of 1997 (1997 Tax Code), as amended.

As represented, RCBN is a religious organization duly organized and existing in accordance with the laws of the Philippines with principal address at St. Peter Parish, New Capitol Estates I, Commonwealth Ave., Quezon City. It is registered with the Securities and Exchange Commission (SEC) under SEC Registration No. CN200305075 on March 4, 2003 as a corporation sole.

Likewise, Reverend Father Superior of the OFMConv is a religious corporation sole duly organized and existing in accordance with the laws of the Philippines with principal address at 32 John Paul St., Multinational Village, Moonwalk, Parañaque City.

On July 7, 2017, a Deed of Absolute Sale was executed by and between RCBN and OFMConv whereby the former conveyed a parcel of land situated in Novaliches, Quezon City, identified as Lot 13, PCS-04-000420, with an area of 3,000 sq. m., more or less, covered by Transfer Certificate of Title (TCT) No. of the Registry of Deeds of Quezon City ("Subject Property") in consideration of the sum of

The said proceeds deposited in Metro Bank Fairview Regalado branch under the account of RCBN-BAHAY PARI shall be used for the funding of the construction of the Novaliches Clergy Retreat and Retirement Home located at Visitation Parish, Sacred Heart Village, Novaliches, Quezon City. The building will be the primary resident of the retired Priest of RCBN.

In reply, please be informed that Section 24 (D)(2) of the 1997 Tax Code, as amended, provides:

> *"SEC. 24. Income Tax Rates. -*
>
> *(D) Capital Gains from Sale of Real Property. -*
>
> *(2) Exception.*[1] *- The provisions of paragraph (1) of this Subsection to the contrary notwithstanding, capital gains presumed to have been realized from the sale or disposition of their principal residence by* ***natural persons****, the proceeds of which is fully utilized in acquiring or constructing a new principal residence within eighteen (18) calendar months from the date of sale or disposition, shall be exempt from the capital gains tax imposed under this Subsection ..."*

In relation thereto, Revenue Regulations (RR) No. 13-99, as amended, implementing Section 24 (D)(2) of the 1997 Tax Code, as amended, defines "natural person" to mean:

> *"(1) 'Natural person' - shall refer to a citizen or resident alien* ***individual*** *taxable under Sec. 24 of the Code. It does not include an estate or a trust, the provision of Sec. 60 of the Code to the contrary notwithstanding."*

Documents show that RCBN is a corporation sole. Under Section 109 of the Corporation Code of the Philippines or Batas Pambansa Blg. 68, a corporation sole is considered as a trustee of the properties of the church:

> *"Sec. 110. Corporation sole. - For the purpose of administering and managing, as trustee, the affairs, property and temporalities of any religious denomination, sect or church, a corporation sole may be formed by the chief archbishop, bishop, priest, minister, rabbi or other presiding elder of such religious denomination, sect or church."*

The case of *The Roman Catholic Administrator of Davao, Inc. vs. The Land Registration Commission and The Register of Deeds of Davao City, G.R. No. L-8451, December 20, 1957* explains the doctrine of "corporation sole" as follows:

> *"A corporation sole consists of one person only, and his successors (who will always be one at a time), in some particular station, who are incorporated by law in order to give them some legal capacities and advantages, particularly that of perpetuity, which in their natural persons they could not have had. In this sense, the king is a sole corporation; so is a bishop, or dens, distinct from their several chapters (Reid vs. Barry, 93 Fla. 849, 112 So. 846). x x x*

[1] See RR 13-99 (July 26, 1999) as amended by RR 14-2000 (November 20, 2000) and RR 17-2003 (March 31, 2003) for implementing guidelines on the tax exemption of sale of principal residence.

That leaves no room for doubt that the bishops or archbishops, as the case may be, as corporation's sole are merely administrators of the church properties that come to their possession, in which they hold in trust for the church. It can also be said that while it is true that church properties could be administered by natural persons, problems regarding succession to said properties can not be avoided to rise upon his death. Through this legal fiction, however, church properties acquired by the incumbent of a corporation sole pass, by operation of law, upon his death not his personal heirs but to his successor in office. It could be seen, therefore, that a corporation sole is created not only to administer the temporalities of the church or religious society where he belongs but also to hold and transmit the same to his successor in said office. x x x"

Therefore, although RCBN consists of the Bishop of Novaliches, it is not considered a "natural person" within the ambit of Section 24 (D)(2) of the 1997 Tax Code, as amended. Not being a natural person, RCBN is not qualified to avail of the tax exemption provided under Section 24 (D)(2) of the 1997 Tax Code, as amended.

It bears stressing that tax exemptions are construed in strictissimi juris against the taxpayer and liberally in favor of the taxing authority. The basic principle in the construction of laws granting tax exemptions has been very stable. He who claims an exemption from his share of the common burden of taxation must justify his claim by showing that the Legislature intended to exempt him by words too plain to be beyond doubt or mistake (City of Iloilo, et al. vs. Smart Communications, Inc., G.R. No. 167260, dated February 27, 2009).

IN VIEW OF ALL THE FOREGOING, your request for tax exemption of the sale of a parcel of land by RCBN to OFMConv is hereby denied for lack of legal basis.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be ascertained 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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