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

Sec. 32, RA No. 7279
BIR Ruling No. 053-15
#071-2016
3-1-2016

TALANAY AREA B-2 DE GLORIA EXTENSION HOMEOWNERS ASSOCIATION, INC.
De Gloria Extension, Talanay Area B-2
Batasan Hills, Quezon City

Attention : **EDUARDO ORTEGA JR.**
President

Gentlemen:

This refers to the letter of Ma. Ana R. Oliveros, President of the Social Housing Finance Corporation (SHFC) dated July 29, 2015, endorsing the sale transaction between Liberty Insurance, Corporation and Talanay Area B-2 de Gloria Extension Homeowners Association, Inc. for exemption from the payment of Capital Gains Tax and other taxes in accordance with the Republic Act (RA) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted disclose that Liberty Insurance Corporation with Tax Identification Number hereinafter referred to as Landowner) is the registered owner of three (3) parcels of land covered by the following Transfer Certificates of Title (TCT):

TCT No.	Tax Declaration No.	Lot No.	Area (sq. m.)
( )		5	400
( )		6	400
(		7	400
		total area	1,200

all issued by the Registry of Deeds for the Quezon City. The aforesaid properties are situated at Batasan Hills/Capitol Hills, Quezon City. Talanay Area B-2 de Gloria Extension Homeowners Association, Inc. (TIN), on the other hand, is a homeowner's organization duly registered with the Housing and Land Use Regulatory Board (HLURB). On February 28, 2012, the parties executed a Deed of Absolute Sale whereby the Landowner transferred and conveyed the subject properties to Talanay Area B-2 de Gloria Extension Homeowners Association, Inc. at an agreed price of Pesos (P). Pursuant to the certification issued by SHFC, the subject properties covered by

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TCT Nos. ( ), ( )) and ( ) actually comprise a Community Mortgage Program (CMP) Project and shall be proportionately distributed to the association's qualified member-beneficiaries[1]. For this purpose, Talanay Area B-2 de Gloria Extension Homeowners Association, Inc. secured a housing loan under the CMP, a financing assistance program of the SHFC a subsidiary of the National Home Mortgage Finance Corporation (NHMFC). Documentary Stamp Tax (DST) due on the sale has been paid.

In support of its request, Talanay Area B-2 de Gloria Extension Homeowners Association, Inc. has completely submitted on October 1, 2015 the following documents:

1) SHFC letter application for tax exemption;
2) Certification of the President of the SHFC that the subject properties qualify and is actually a CMP project;
3) SHFC Letter-Guaranty No.
4) Certified true copy of the Deed of Absolute Sale to the Community Association;
5) Certified true copy of the Articles of Incorporation of the Community Association;
6) Certified true copy of the Masterlist of Qualified Beneficiaries duly certified by the SHFC;
7) Certified true copies of the TCTs and Latest Tax Declarations of the Property Sold to the Community Association;
8) Certified true copy of the Location Plan of the Lot Sold to the Community Association;
9) TIN ID /BIR Certificate of Registration of the seller and the Homeowner Association; and
10) *Other pertinent documents*

In reply, please be informed that pursuant to Section 32 of RA No. 7279, pertinent portions of which state that:

> *"Sec. 32. Incentives. — To encourage its wider implementation, participants in the CMP shall be granted with the following privileges or incentives:*
>
> *xxx xxx xxx*
>
> *(b) Properties sold under the CMP shall be exempted from the capital gains tax; and"*

the landowner who sold its properties under CMP for use in a socialized housing project are exempt from the payment of capital gains tax.

Such being the case, the sale by the landowner, Liberty Insurance Corporation to Talanay Area B-2 de Gloria Extension Homeowners Association, Inc. the subject properties covered by TCT Nos. ( ),) and RT-( ) is exempt from the capital gains tax.

Upon issuance of this letter of exemption, and upon registration of the document of sale, a lien on the Certificate of Title of the land to be issued in the name of the Homeowners Association shall be annotated by the Register of Deeds having jurisdiction over the property, to the effect that the said property shall be used for

[1] see Annex for the masterlist of qualified beneficiaries

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socialized housing pursuant to RA No. 7279. (BIR Ruling No. 053-15 dated February 27, 2015)

However, the documentary stamp tax is not one of the taxes covered by the tax exemption clause in Sec. 32 of RA 7279. Accordingly, the landowners are liable to pay the documentary stamp tax on the document conveying the afore-stated property imposed under Section 196 of the Tax Code of 1997, based on the consideration contracted to be paid for such realties or their fair market values determined in accordance with Section 6(E) of the said Code, whichever is higher. (BIR Ruling No. 053-15 dated February 27, 2015)

It is, however, understood that this ruling is never intended and shall not be construed as giving authority to the concerned Register of Deeds to effect transfer of the land titles in the name of the buyer without the necessary certificate of authority to register issued by this Bureau. In this regard, this ruling shall be presented to the Revenue District Office (RDO) concerned in order for the latter to issue the Certificate Authorizing Registration (CAR). The CAR shall only be issued after the submission of the requirements provided under RMO15-2003. (BIR Ruling No. 053-15 dated February 27, 2015)

Moreover, under Section 109 (1) (P) of the Tax Code of 1997, as amended by R.A. 9337, the sale of real properties utilized for low-cost and socialized housing as defined by R.A. No. 7279 shall be exempt from value-added tax (VAT), thus, the sale of the subject properties covered by TCT Nos. (, ( ) and ( ) by the landowner to Talanay Area B-2 de Gloria Extension Homeowners Association, Inc. is exempt from the imposition of VAT. (BIR Ruling No. 053-15 dated February 27, 2015)

Notwithstanding the foregoing, the Bureau of Internal Revenue shall conduct verification and post-audit that the actual occupants of the property transferred under the CMP are qualified beneficiaries and therefore, the sellers are entitled to exemption from capital gains tax or income tax imposed under Sec. 27 (D)(5) the Tax Code of 1997, as amended.

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 as null and void.

Very truly yours,

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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TALANAY AREA B-2 DE GLORIA EXTENSION HOMEOWNERS ASSOCIATION, INC.

De Gloria Extension, Talanay Area B-2
Batasan Hills, Quezon City

						Total Area (sq.m.)
1	MONTAREAL	Demetria	E.	1	1	92.31
2	VALDEZ	Josefina	M.	1	2	55.11
3	TEMPLA	Nimfa	V.	1	3	92.31
4	BANGUAT	Jay-Ar	R.	1	4	99.20
5	TINDUGAN	Gemma	T.	1	5	33.07
6	TABIRAC	Rey	T.	1	6	24.80
7	PEDROSO	Rosario	M.	1	7	106.09
8	MANDANAO	Reggie	M.	1	8	53.73
9	MAGALLANES	Zenaida	E.	1	9	46.84
10	CABARLES	Lea	F.	1	10	45.47
11	FERANDO	Leonyl	B.	1	11	50.98
12	LLABORE	Chary	S.	1	12	45.47
13	RECARRO	Jibetth	B.	1	13	41.33
14	STA. ANA	Dennis	B.	1	14	46.84
15	BALDESCO	Luciano	Q.	1	15	70.26
16	MALOBAGO	Nelia	B.	1	16	48.22
17	ORTEGA	Edwin	H.	1	17	49.60
18	ORTEGA	Eduardo Jr.	H.	1	18	46.84
19	MANJERON	Arnel	Y.	1	19	50.98
20	MANDANAO	Wilbert	M.	1	20	46.84
21	BADBADON	Jeoan	A.	1	21	53.73

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