July 13, 2018

BIR RULING NO. 1074-18

RA No. 7279; BIR Ruling No. 034-15

Pinulot Community Association, Dinalupihan, Bataan, Inc.
Pinulot, Dinalupihan, Bataan

Attention: *AAA*

Gentlemen :

This refers to your letter dated November 22, 2017, requesting exemption from capital gains tax (CGT), relative to the transfer of title of land from PINULOT COMMUNITY ASSOCIATION, DINALUPIHAN, BATAAN, INC., in favor of its qualified member-beneficiaries pursuant to Republic Act 7279 otherwise known as the "Urban Development and Housing Act of 1992."

It is represented that PINULOT COMMUNITY ASSOCIATION, DINALUPIHAN, BATAAN, INC., with Taxpayer's Identification No. 000-000-000-000, is the owner of the parcels of land to wit:

Transfer Certificate of Title No.	Area (Sq. m.)	Location
T-197058 (formerly T-144297)	13,495	Barrio of Pinulot, Dinalupihan, Bataan
T-197059 (formerly T-144298)	15,036	Barrio of Pinulot, Dinalupihan, Bataan

issued by the Registry of Deeds of Bataan; that it is a non-stock, non-profit organization duly registered with the Securities and Exchange Commission (SEC) with Registration No. 172422; that the aforesaid lots were acquired through a loan under the Community Mortgage Program (CMP) with National Housing Authority, as originator/mobilizer; that said project was taken-out/paid on June 16, 1998 in the amount of _____ Pesos (P_____), involving One Hundred Five (105) beneficiaries.

In reply, please be informed that the transfer by PINULOT COMMUNITY ASSOCIATION, DINALUPIHAN, BATAAN, INC. in favor of the

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member-beneficiaries who have made full payment of their purchased subdivided lot is not subject to either the Capital Gains Tax imposed under Section 27 (D) (5) of the Tax Code of 1997, as amended, or the creditable withholding tax imposed under Revenue Regulations No. 2-98, as amended, considering that the said transfer of property is made without any consideration and effected only as a formality to finally effect the transfer of the said property to its member-beneficiaries, who actually bought the same from the former owner through the Association. In other words, the association is merely transferring the ownership of the properties to its member-beneficiaries who actually own the aforedescribed lot.

Furthermore, the said transfer is not subject to the donor's tax imposed under Section 99 of the Tax Code of 1997, since there is no donative intent on the part of the Association to donate the said property to said members-beneficiaries, considering that it could not donate property the ownership of which already belongs to the members-beneficiaries themselves. *(BIR Ruling No. 034-2015 dated February 5, 2015)*

It is noted that under Section 196 of the Tax Code of 1997, the deeds or documents subject to the documentary stamp tax (DST) imposed therein are those where the realty sold shall be granted, assigned, transferred, or otherwise conveyed to a purchaser or purchasers or to any other person or persons designated by such purchaser or purchasers, thereby excluding from its purview the instant case considering that the supposed purchasers are actually the owners thereof. Besides, no consideration is involved in said transaction upon which the tax imposed could be based.

Accordingly, the transfer of title of the subject lots in favor of the beneficiaries is not subject to DST under Section 196 of the Tax Code of 1997. However, the notarial acknowledgment to the deed of conveyance is subject to the documentary stamp tax of P15.00 [1] pursuant to Section 188 of the Tax Code of 1997. *(BIR Ruling No. 034-2015 dated February 5, 2015)*

It is, however, understood that the Certificate Authorizing Registration (CAR) shall only be issued after the submission of the requirements provided under RMO 15-2003 and after it is established upon proper verification by the Revenue District Officer (RDO) concerned that, considering the rules on valuation on real property, the actual selling price per sale transaction in this case does not exceed P450,000.00 for house and lot and P180,000.00 for lot only for each qualified beneficiaries. *(BIR Ruling No. 034-2015 dated February 5, 2015)*

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,

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(SGD.) CAESAR R. DULAY
Commissioner of Internal Revenue

Footnotes

1. The old DST rate of P15.00 is used since the donation took place prior to the effectivity of R.A. No. 10963.

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