REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

RA 7279; RR 11-97, as amended by RR 17-01; RMO 41-91; Sections 32 (B) (7) (b) & 196, of the Tax Code of 1997, as amended
BIR Ruling No. 137-10
#124-2017 3-20-2017

DIVISION FOR THE WELFARE OF THE URBAN POOR
Office of the Mayor
Cebu City

Attention : **ATTY. COLLIN N. ROSELL**
Division Head

Gentlemen:

This refers to your letter dated February 16, 2015, requesting Certificate of Tax Exemption for the transfer or title of real property from City Government of Cebu to Mr. Antonio Liggayu.

Documents submitted disclose that the City of Cebu is the registered owner of a parcel of land identified as Lot of the subdivision plan, - 034783, being a portion of lot , Psd- containing an area of Twenty Eight Thousand Nine Hundred Forty square meters (28,940 sq.m.) covered by Transfer Certificate of Title (TCT) No. located at Barangay Labangon, Cebu City; that on March 3, 2001, a Kasabutan (Memorandum of Agreement [MOA]) was executed between Bliss Labangon Homeowners Association, Inc. and Antonio A. Liggayu and Catherine Liggayu, whereby the City of Cebu assigned Block No. Lot No. with an area of 142 sq.m. with a contract price of) (payable in 10 years with interest rate of 9%/ annum; that Certification dated May 18, 2012 was issued by Division for the Welfare of the Urban Poor of Cebu City, stating that Antonio A. Liggayu has fully paid and satisfied in full the total monetary obligation under the MOA pursuant to the Socialized Housing Program of the City in accordance with Ordinance No. 1866[2] ;and that on May 27, 2014, the City of Cebu and Antonio A. Liggayu, married to Catherine Liggayu, executed a Deed of Absolute Sale, whereby the former transferred and conveyed to the latter, Lot , Block , of the subdivision plan, Psd- , being a portion of Lot Psd- .

[1] Down payment P8,000.00, Loanable amount- P22,707.50 with a monthly amortization of P287.65
[2] An Ordinance Further amending Ordinance No. 1656 as amended by Ordinance No. 1684 and 1772 otherwise known as the 1996 Revised Zoning Ordinance of the City of Cebu by incorporating therein a new district called socialized housing site

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In reply, please be informed that the transfer of the Lot , Block , of the subdivision plan, Psd- being a portion of Lot , Psd- with an area of 142 sq.m. to Antonio A. Liggayu, as beneficiary of socialized housing project in Brgy. Labangon, Cebu City is exempt from Income Tax. The City Government of Cebu, which is tasked to implement the transfer of the lot, shall not be subject to any tax, for it is only performing a mandated governmental function of providing shelter to the beneficiary pursuant to Socialized Housing Program of the City. (BIR Ruling 137-10 dated December 7, 2010)

An instrumentality of the government which acts for the purpose of accomplishing government policies and objectives and extending essential services to the people performs governmental and not proprietary functions. (Peoples' Homesite and Housing Corporation vs. Court of Industrial Relations, 150 SCRA 296, 310 (1987) Thus, in line with the foregoing and since it is a declared State policy as laid down in Republic Act No. 7279, otherwise known as the "Urban Development and Housing Act of 1992", to provide decent and affordable housing to the underprivileged and homeless citizens, the City Government of Cebu, therefore, shall not be subject to any tax in its project in Brgy. Labangon, Cebu City, as they are only performing a mandated governmental function.

On the other hand, the deed transferring Lot , Block , of the subdivision plan, Psd-( ), being a portion of Lot , Psd- with an area of 142 sq.m. to Antonio A. Liggayu is subject to the documentary stamp tax (DST) imposed under Section 196 of the Tax Code of 1997, as amended, in accordance with Revenue Regulations No. 11-97, as amended by Revenue Regulations No. 17-2001. The DST herein imposed, however, shall be based on the actual consideration considering that one of the contracting parties is the Government pursuant to Revenue Memorandum Order No. 41-91 and Section 196 of the Tax Code of 1997.

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,

CAESAR R. DULAY
Commissioner of Internal Revenue

K-1-JRC

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