November 19, 2018

BIR RULING NO. 1394-18

Sec. 35, Proc. No. 50; RA 8758; EO 323; BIR Ruling No. 141-98

Araza Resources Corporation
Ciudad Real, San Jose del Monte, Bulacan

Attention: *AAA*

Gentlemen :

This refers to your letter dated October 18, 2011 duly endorsed by Revenue Region No. 5-Caloocan City requesting for exemption from the capital gains tax (CGT) on the sale of parcels of land executed by and between Araza Resources Corporation and the Privatization Management Office.

It appears that the Government of the Republic of the Philippines (Privatization Management Office) is the registered owner of parcels of land covered by nine (9) Transfer Certificates of Title (TCT), to wit:

TCT No.	Area (sq. m.)	Tax Declaration No.
040-2011001679	557	99-21018-24788
040-2011001680	439	99-21018-24789
040-2011001681	425	99-21018-24790
040-2011001682	396	99-21018-24791
040-2011001683	388	99-21018-24792
040-2011001684	365.50	99-21018-24793
040-2011001685	350	99-21018-24794
040-2011001687	350	99-21018-24795
040-2011001688	350	99-21018-24796

issued by the Registry of Deeds for Province of Bulacan, Meycauayan Branch. The aforesaid

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properties are situated at Brgy. Tungkong Manga, San Jose del Monte, Bulacan with an aggregate total area of 3,620.5 sq.m. Araza Resources Corporation, on the other hand, is a domestic corporation with principal address at 21st Flr. Citibank Tower, Valero corner Villar Sts., Salcedo Village, Makati City. On September 21, 2011, the Government of the Republic of the Philippines, through the Privatization Management Office (PMO) and Araza Resources Corporation executed a Deed of Absolute Sale whereby the former transfers and conveys the above mentioned properties for Three Million One Hundred Forty Nine Thousand Eight Hundred Thirty Five Pesos (P3,149,835.00), which is equivalent to 96% of the appraisal value, under the following terms and conditions:

a) P1,259,934.00 as down payment representing 40% of the purchase price upon receipt of the Notice of Award.

b) The balance of P1,899,901.00 will be paid within 120 days after the receipt of the Notice of Award. The Deed of Sale shall be executed immediately once the balance has been fully paid.

c) Transfer taxes, registration fees and documentary stamp tax and all other expenses incidental to the sale and transfer of the assets shall be for the account of the VENDEE.

Furthermore, the Asset Privatization Trust (APT) was created under the administration of the President Corazon C. Aquino pursuant to Proclamation No. 50, as amended, to promote the Government's policy of privatization, through an orderly, coordinated and efficient program for the prompt disposition of the large number of non-performing assets of government financial institutions and certain government owned and controlled corporations in the shortest possible time and thus move the country towards national recovery; and that the corporate term of the APT expired last December 31, 2000 pursuant to R.A. No. 8758 dated December 28, 1999; that the powers, functions, duties, assets and liabilities of the APT devolved upon the National Government and were transferred to the Privatization and Management Office (PMO) by virtue of Executive Order No. 323 dated December 6, 2000.

In reply, please be informed that the transfer of the non-performing assets of government financial institutions and certain government owned and controlled corporations is in line with the privatization program contemplated in Article 1, Section 1 of Proclamation No. 50 which states:

> *"SEC. 1. Statement of Policy. — It shall be the policy of the State to promote privatization through an orderly coordinated and efficient program for the prompt disposition of the large number of non-performing assets of the government financial institutions, and certain government owned and controlled corporations which have*

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been found unnecessary or inappropriate for the government sector to maintain."

Consequently, pursuant to the tax exemption clause under Proclamation No. 50, reading:

> *"SEC. 34. Exemption from Taxes, Fees, and Other Charges. — The provisions of any law to the contrary notwithstanding, the Trust as well as the corporations and assets held by it, shall be exempt from all taxes, fees, charges, imposts, and assessments arising from or occasioned by the passing of title over such corporations or assets from the government institutions to the Trust and/or from the Trust to a private acquisitor or buyer imposed by the National Government or any subdivision thereof including but not limited to stock transfer taxes, capital gains taxes, documentary stamps tax, registration fees and the like: Provided, that in case the said government institutions acquired the said assets by foreclosure, the non-payment of similar taxes, charges, imposts, and assessments shall not be a bar to the consolidation of title in the foreclosing institutions and the subsequent passing of title to the Trust or the corporations held by the Trust.*
>
> *The sale or transfer of such corporations or assets shall not be enjoined or hindered by the existence of any liens by way of taxes, charges or other assessments in favor of the government at the time of sale or transfer: Provided, that the proceeds from such sale or transfer shall be subject to a tax lien and first be applied to satisfy such obligations secured by such liens."*

Accordingly, this Office opined that the disposition of TCT No./s 040-2011001679, 040-2011001680, 040-2011001681, 040-2011001682, 040-2011001683, 040-2011001684, 040-2011001685, 040-2011001687 and 040-2011001688 by the Privatization and Management Office, (formerly the Asset Privatization Trust) to Araza Resources Corporation is exempt from the payment of the capital gains tax. (BIR Ruling No. 141-98 dated September 29, 1998)

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,

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

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