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

Section 66, RA No. 6657
BIR Ruling No. 645-12
#180-2016
5-16-2016
Date

INES CRUZ HERMOSO
Roxville Subdivision, Saog
Marilao, Bulacan

Madam:

This refers to your letter dated 8 May 2015, requesting for exemption from capital gains tax and documentary stamp tax pursuant to Section 66 of Republic Act (RA) No. 6657 otherwise known as the "Comprehensive Agrarian Reform Law of 1988".

Documents submitted disclose that Ines A. Cruz, married to Roberto M. Hermoso, is the registered owner of a parcel of land with an area of Twenty Eight Thousand Nine Hundred and Twenty square meters (28,920 sq.m.) and covered by Transfer Certificate of Title (TCT) No. identified as follows:

"TRANSFER CERTIFICATE OF TITLE
NO.

A parcel of land (Lot No. 29, plan Psu-13709), with all buildings and improvement, except those herein expressly noted as belonging to other persons, situated in Barrio of Camalig, Mun. of Meycauayan. Bounded on the NE., and NW., by the Barrio Road on the SE., by properties of Simeon Avejo and Fernando Nieto/: on the SW., by properties of Fernando Nieto and Ambrocio Bordader: and on the W., by property of Ambrosio Bordader..."

On February 1, 2013, an agreement (kasulatan) was executed by and between Spouses Ines Cruz Hermoso and Roberto M. Hermoso and Vivencio Bargos and Juan Bargos transferring to the latter Two Thousand square meters (2,000 sq. m.) square meters each of the above-described property as disturbance compensation.

On December 29, 2014, a Deed of Assignment of Rights was executed by Ines C. Hermoso conveying that portions of land by way of disturbance compensation to:

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1. Vivencio P. Bargos:

TECHNICAL DESCRIPTION
Lot 29-A
Psd-03-206783
Ines A. Cruz

A PARCEL OF LAND (Lot 29-A of the Subdivision plan Psd-03-206783 being a portion of Lot 29, Psu-13709 (Lot-3900 Meycauayan Cad.) L.R.C Rec. No.) Situated in the Barangay of Camalig, City of Meycauayan, and Island of Luzon.

Bounded on the NW, along line 1-2 by barrio Road (6.00 m. wide); on the NE, along line 2-3 by Lot 29-B of the Subdivision plan; On the SE, &SW, Along line 3-4-1 by lot 3903 Meycauayan Cadastre. Beginning at a point marked "1" on plan being N. 48 deg. 12'E 6048.69 m. from BLLM No.1 Meycauayan Cadastre.

Thence N. 86 deg. 18'E, 21.58 m. to point 2;
Thence S. 08 deg. 43'E, 94.90 m. to point 3;
Thence N. 84 deg. 06'E, 22.21 m. to point 4;
Thence N. 08 deg. 43'E, 91.18 m. to point of;

Beginning; containing an area of TWO THOUSAND (2000) Square Meters more or less. All points referred to are indicated on the plan and are marked on the ground by PS cl. Conc. Mons.15 cms. In dia bearing true; date of original survey, March 12, 1918 and that of the subdivision survey, April 10, 2014 and was approved on April 14, 2014.

2. Juan S. Bargos:

TECHNICAL DESCRIPTION
Lot 29-C
Psd-03-206783
Ines A. Cruz

A PARCEL OF LAND (Lot 29-C of the subdivision Plan psd-03 206783 being a portion of Lot-29, Psu-13709 (Lot 3900 Meycauayan Cad.) L.R.C Rec. No.) Situated in the barangay of Camalig, City of Meycauayan, and Island of Luzon.

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Bounded on the NW, alone line 1-2 by Barrio Road (6.00 m. wide); on the SE. along line 2-3 by lot 3898; on the SE. & SW along line 3-4-5 by lot 29-B of the subdivision Plan. Beginning at a point marked "1" on plan being N.49 deg. 22 E. 6167.15 m. from BLLM No. 1, Meycauayan Cadaste.

Thence S. 57 deg. 55'E, 19.79 m. to point 2;
Thence S. 15 deg. 40'W, 40.57 m. to point 3;
Thence S. 03 deg. 31'W, 42.41 m. to point 4;
Thence N. 80 deg. 09'W, 31.72 m. to point 5;
Thence N. 17 deg. 58'E. 90.91 m. to point of;

Beginning; containing an area of TWO THOUSAND (2000) Square Meters more or less. All points referred to are indicated on the plan and are marked on the ground by PS cl. Conc. Mons.15 cms. In dia bearing true; date of original survey, March 12, 1918 and that of the subdivision survey, April 10, 2014 and was approved on April 14, 2014.

On April 6, 2015, the Provincial Agrarian Reform Office of Bulacan, Region III of the Department of Agrarian Reform issued a Certification stating that it interposes no objection to the registration of the Deed of Assignment of Rights by Way of Disturbance Compensation.

In reply, please be informed that since the conveyance of the property by Ines C. Hermoso in favor of Vivencio Bargos and Juan Bargos is in the form of disturbance compensation, the transfer is exempt from capital gains tax and documentary stamp tax pursuant to Section 66 of Republic Act No. 6657 which provides, viz.:

SECTION 66. Exemptions from Taxes and Fees of Land Transfers. — Transactions under this Act involving a transfer of ownership, whether from natural or juridical persons, shall be exempted from taxes arising from capital gains. These transactions shall also be exempted from the payment of registration fees, and all other taxes and fees for the conveyance or transfer thereof; Provided, That all arrearages in real property taxes, without penalty or interest, shall be deductible from the compensation to which the owner may be entitled.

Be it noted that Section 36 (1) of RA 3844, as amended, allows disturbance compensation to a tenant in case of termination of tenancy-relationship by reason of the conversion of the agricultural land into non-agricultural uses. Only Section 35 of RA 3844 was expressly repealed by RA 6657. Thus, transfer of land to a tenant by way of disturbance compensation, as in this instance, is still considered one of the

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transactions contemplated under Section 66 of RA 6657. (BIR Ruling No. 645-12 dated December 7, 2012)

Accordingly, the transfer by Ines C. Hermoso in favor of Vivencio Bargos and Juan Bargos of the aforementioned parcels of agricultural land covered by TCT No. as disturbance compensation is exempt from the payment of capital gains tax and documentary stamp tax.

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,

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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