REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Secs. 24(D)(1), 188 & 196, NIRC
BIR Ruling No. 427-2011
#181-2016
5-16-2016

NATIONAL POWER CORPORATION
Quezon Avenue corner BIR Road
Diliman, Quezon City

Attention: **Ma. Gladys Cruz-Sta. Rita**
President and CEO

Gentlemen:

This refers to your letter dated December 22, 2015 requesting exemption from capital gains tax and documentary stamp tax on the reconveyance of a parcel of land in favor of the National Power Corporation (NPC) by virtue of a Decision dated August 20, 2009 rendered by Regional Trial Court (RTC) of Davao City, Branch 15, in Civil Case No. entitled "National Power Corporation vs. Bartolome G. Ceniza."

The facts as culled from the records are as follows:

NPC filed before the RTC of Davao City a case for "Cancellation of Title and Reconveyance" against Mr. Bartolome G. Ceniza (Mr. Ceniza), seeking the cancellation of Transfer Certificate of Title (TCT) No. covering Lot 130-G, Psd-11-019844 located in Barrio Mintal, Davao, on the ground that said title issued to Mr. Ceniza is void because the 62,935 square meter property covered by the same had been reserved for the exclusive use of NPC for its hydroelectric power plant pursuant to Presidential Proclamation No. 441 issued in 1953. Based on said Proclamation, the property was no longer alienable and disposable at the time when Mr. Ceniza acquired it from the Board of Liquidators in 1991. The RTC, in its decision dated August 20, 2009, ruled in favor of NPC declaring the Deed of Sale executed over the subject property between Mr. Ceniza and the Board of Liquidators *void ab initio* and TCT No. in the name of Mr. Ceniza, invalid. The RTC also confirmed the ownership of NPC over the subject property and ordered the cancellation of TCT No. and the reconveyance of the property to NPC. The aforesaid Decision became final and executory on October 13, 2009 per Certificate of Finality dated October 29, 2009 issued by RTC, Branch 15, Davao City.

In reply, please be informed that a void contract is one which has no force and effect from the beginning, as if it has never been entered into, and which cannot be validated either by time or ratification. A void contract produces no effect whatsoever either against or in favor of anyone; it does not create, modify or extinguish the juridical

041125

relation to which it refers.[1] Hence, the pronouncement by the RTC that the Deed of Sale executed over the subject property between Mr. Ceniza and the Board of Liquidators is *void ab initio* means that it is as if there was no sale or transfer of the property and the return thereof to NPC is merely an acknowledgement or confirmation of the title and ownership of NPC over the same. Thus, the consequent reconveyance of the subject property to NPC is not a taxable sale, barter or exchange being contemplated under Section 24(D)(1) of the 1997 Tax Code, as amended.

Accordingly, the reconveyance of the property described as Lot 130-G, Psd-11-019844, with an area of 62,935 square meters covered by TCT No. in favor of NPC is not subject to capital gains tax imposed under Section 24(D)(1) of the 1997 Tax Code. Likewise, the reconveyance of the subject property is not subject to the documentary stamp tax imposed under Section 196 of the 1997 Tax Code. The notarial acknowledgement, however, on the Deed of Reconveyance is subject to the documentary stamp tax of P15.00 under Section 188 of the same Code. (*BIR Ruling No. 427-2011* dated November 4, 2011).

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

041125
MAY 06 2016

K-1-JHB

[1] Heirs of Policronio M. Ureta, Sr., *et al.*, vs Heirs of Liberato M. Ureta, *et al.*, GR No. 165748 dated September 14, 2011.