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

Section 6(E); DOF-DO No. 026-2019; DAR vs. Green City Estate Corporation
OT- 0196-2020

FEB 20 2020

Century Communities Corporation
21st Floor Pacific Star Bldg.,
Sen. Gil Puyat Avenue Corner Makati Avenue
Makati City

Attention: **Mr. Restituto E. Ingal**
Business Development Head

Gentlemen:

This refers to your letter dated December 6, 2019 requesting, on behalf of Century Communities Corporation ("***Century Properties***"), confirmation on the zonal valuation of specified parcels of land, for purposes of national internal revenue taxes, real property tax and other legal purposes, in view of the difference/conflict in the property classification among Tax Declaration Nos. , and Department of Finance Department Order No. 026-2019 ("***DOF-DO No. 026-2019***") and Ordinance No. SP-2855, S.-2019 enacted by the local government of Quezon City.

As represented, Century Properties is the owner of two (2) parcels of land covered with Transfer Certificate of Title (TCT) Nos. and TCT No. issued by the Registry of Deeds for Quezon City, consisting of 71,623 square meters and 200,000 square meters, respectively, both located along Quirino Highway, Barangay Greater Lagro, Quezon City. In addition, Century Properties has legal interest[1] in the adjacent property registered under the name of the 1,411 awardees of NWSA Housing Project ("***Awardees***"), covered with TCT No. consisting of 300,000 square meters. These three (3) parcels of land (hereinafter collectively referred to as the "***Subject Properties***") were issued Tax Declaration Nos. and , classifying said lots as residential by the Office of the City Assessor of Quezon City.

On June 24, 2019, the Quezon City Council passed Ordinance No. SP-2855, S-2019 declaring the aforesaid properties as Special Urban Development Zone in accordance with Ordinance No. SP-2502, S-2016, otherwise known as the Comprehensive Zoning Ordinance of 2016. Pursuant to said Ordinance, the subject properties were reclassified as Special Urban Development Zone due to, among others, their proximity to shopping malls, multi-level structures, public highways and other commercial establishments which made the properties commercially feasible and sound for business activities and would have greater economic value for commercial purposes.

[1] Pursuant to a Joint Venture Agreement executed by and between Century Properties and the Awardees.

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In reply, please be informed that while the subject properties are classified as residential in the Tax Declarations, said classification is not conclusive for purposes of determining the applicable tax base relative to the computation of national internal revenue taxes. Section 6(E) of the 1997 Tax Code, as amended, provides, to wit:

> *"Section 6. Power of the Commissioner to Make Assessments and Prescribe Additional Requirements for Tax Administration and Enforcement.-*
>
> *xxx xxx xxx*
>
> *(E) xxx. For purposes of computing internal revenue tax, the value of the property shall be, whichever is higher of:*
>
> *(1) The fair market value as determined by the Commissioner; or*
>
> *(2) The fair market value as shown in the schedule of values of the Provincial and City Assessors.*
>
> *xxx xxx xxx"*

Based on the above-cited provision, the fair market value, as determined by the Commissioner of Internal Revenue, shall apply if the same is higher than the fair market value as shown in the schedule of values of the Provincial and City Assessors. Anent the applicable zonal value on the Subject Properties, please note that the properties located along Quirino Highway have already been classified as commercial properties with zonal value of Php 47,000.00 per square meter based on DOF-DO No. 026-2019. It is noted that the City Council of Quezon City has already followed suit in reclassifying the subject properties as Special Urban Development Zone through Ordinance No. SP-2855, S-2019, to wit:

> *"Whereas, the said property is adjacent, contiguous and nearest to SM Fairview, Robinsons Mall, Fairview Terraces, and surrounded by other commercial establishments with multi-level structures where a mixture of retail and wholesale trade, service and entertainment businesses, light industrial activities and other prominent establishments are operating, also, it is along and near public highways such as Quirino Highway and Commonwealth Avenue.*
>
> *Whereas, due to its proximity to the said shopping mall, multi-level structure, public highways, and other commercial establishments, the above-described real properties becomes economically feasible and sound for business activities and would have a substantially greater economic value for commercial purposes;"*

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Thus, while the subject properties are classified as residential in the Tax Declarations, the classification of the Subject Properties as commercial based on DOF-DO No. 026-2019 shall apply for purposes of determining the tax base in the computation of applicable national internal revenue taxes. The foregoing finds basis in the case of *DAR vs. Green City Estate Corporation, (G.R. No. 139592, October 5, 2000),* in which the Supreme Court held that there is no law or jurisprudence that holds that the land classification embodied in the Tax Declarations are conclusive and final nor would proscribe any further inquiry. Therefore, the classification of the subject property as agricultural, as shown in the Tax Declaration, is not conclusive for purposes of determining the tax base in the computation of capital gains and documentary stamp taxes.

In view of the foregoing, for purposes of determining the tax base in computing the applicable national internal revenue taxes on the subject properties, the same are considered commercial properties with a zonal value of Php per square meter per DOF-DO No. 026-2019.

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

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