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

RA 7279
BIR Ruling No. 462-2011
#252-2016 6-21-2016

MAYOR MICHAEL L. RAMA
City of Cebu

Sir:

This refers to the Indorsement of Revenue Region No. 13-Cebu City dated May 17, 2016 requesting for tax exemption on the transfer of property by Geronimo D. Sta. Ana to the City Government of Cebu intended for the latter's relocation site and housing project for the urban poor and informal settler pursuant to R.A. No. 7279, otherwise known as the Urban Development and Housing Act of 1992.

Documents submitted show that Geronimo D. Sta. Ana, (married to Carmelita Dy Reyes) is the registered owner of a parcel of land situated at Brgy. Binaliw, Cebu City, identified as Lot No. 14181 Cad-12 Ext. with area of Seventeen Thousand Six Hundred Eighteen square meters (17,618 sq.m.) covered by Original Certificate of Title (OCT) No. issued by the Registry of Deeds for City of Cebu. The City Government of Cebu, on the other hand, is a public entity created and existing under the laws of the Philippines and is desirous of purchasing Lot 14181 for relocation site to accommodate the displaced families[1] in Brgy. T. Padilla, thus the Sangguniang Panlungsod of the City of Cebu adopted Resolution No. 13-1137-2015, authorizing City Mayor Hon. Michael L. Rama, to sign for and behalf of the City of Cebu, a Deed of Sale for the purchase of Lot No. 14181 containing an area of 17,618 sq.m.) covered by TCT No. OCT No. . On February 19, 2016, a Deed of Absolute Sale was executed by and between Geronimo D. Sta. Ana and City Government of Cebu, represented by Mayor Michael L. Rama, transferring and conveying the subject realty in consideration for

In reply, please be informed that pursuant to Sections 20 of Republic Act (RA) No. 7279, pertinent portions of which state that:

> *"Sec. 20. Incentives for Private Sector Participating in Socialized Housing. — To encourage greater private sector participation in socialized housing and further reduce the cost of housing units for the benefit of the underprivileged and homeless, the following incentives shall be extended to the private sector:*

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[1] See Annex of masterlist of beneficiaries consisting of seven (7) pages

xxx *xxx* *xxx*

(d) Exemption from the payment of the following:

xxx *xxx* *xxx*

2) Capital gains tax on raw lands used for the project;

xxx *xxx* *xxx"*

the owner of the raw land is exempt from the payment of capital gains tax or the withholding tax under Revenue Regulations No. 2-98, as amended, on the conveyance of the parcel of land for use in the aforesaid socialized housing project. (BIR Ruling No. 462-2011 dated November 24, 2011)

Thus, insofar as the conveyance of the Lot No. 14181 containing an area of 17,618 sq.m. covered by TCT No. OCT No. is concerned, the same is exempt from capital gains tax or the withholding tax under Revenue Regulations No. 2-98, as amended.

Upon application for exemption, a lien on the title of the land shall be annotated by the Register of Deeds having jurisdiction over the property, to the effect that the same is to be applied or is being applied to socialized housing project pursuant to RA 7279.

However, the sale is subject to the documentary stamp tax imposed under Section 196 of the Tax Code of 1997 based on the actual consideration of the property transferred, considering that one of the contracting parties is the Government.

Please take note that this ruling is never intended and shall not be construed as giving authority to the concerned Register of Deeds to effect transfer of the land in the name of the buyer without the necessary certificate of authority to register issued by this Bureau. In this regard, this ruling shall be presented to the Revenue District Office (RDO) concerned in order for the latter to issue the Certificate Authorizing Registration (CAR) after the submission of the requirement provided under RMO 15-2003, including proof of payment of 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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