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

Certificate of Tax Exemption No.
P01-LEH-0271-2020

CERTIFICATE OF TAX EXEMPTION

TO WHOM IT MAY CONCERN:

This certifies that **SM DEVELOPMENT CORPORATION** (the Company), with Tax Identification Number (TIN) , is exempt from income tax and creditable withholding tax on its income received directly in connection with its low-cost mass housing project, **Light Residences Towers 1 & 3 – EDSA cor. Madison St., Mandaluyong City,** consisting of **2,660** housing units used solely for family home or dwelling purposes, located at EDSA cor. Madison St., Mandaluyong City, a project duly registered with the Board of Investments (BOI) under Registration No. dated December 15, 2010. The exemption is for a period of **3** years beginning from **March 2011**, or the actual start of commercial operation/selling, whichever is earlier, but in no case earlier that the date of registration of the project with the BOI, pursuant to Executive Order No. 226, otherwise known as the "Omnibus Investments Code of 1987" and Section 2.57.5(B)(2) of Revenue Regulations 2-98, as amended.

Moreover, the sale by the Company of residential lots valued at P1,919,500.00 and below, or house and lot and other residential dwellings valued at P3,199,200.00 and below, is VAT-exempt under Section 109(1)(P) of the 1997 Tax Code, as amended. Provided, however, that beginning January 1, 2021, the VAT exemption shall only apply to sale of house and lot and other residential dwellings[1] with selling price of not more than Two Million Pesos (P2,000,000.00).

The sale, however, of housing units in excess of the 2,660 housing units registered with the BOI, if any (per HLURB License to Sell No. [2]. the excess is 1,567 residential units), as well as the 2 commercial units and 1,061 parking slots, including those units used for commercial purposes, such as leasing, retail stores, offices, etc., shall be subject to the regular taxes under the National Internal Revenue Code of 1997, as amended.

The grant of tax exemption herein is subject to the compliance with the provisions of applicable BIR rules and regulations and the Terms and Conditions stated at the back hereof. The Company is liable, however, for all other applicable taxes not discussed above.

This Certificate of Tax Exemption is being issued on the basis of the facts and documents as represented and submitted. However, if upon investigation, the BIR ascertains that the facts are different, then this Certificate shall be considered null and void.

Issued this ___ day of MAY 26 2020, _____.

CAESAR R. DULAY
Commissioner of Internal Revenue

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K-1-spf/18-0155

[1] Sale of lot only, regardless of the price, shall be subject to VAT starting January 1, 2021 pursuant to RA No. 10963.

CTE No. B2H-LCH-0271-2020
Date issued MAY 26 2020

TERMS AND CONDITIONS OF THE CERTIFICATE OF TAX EXEMPTION

1. The exemption from income and creditable withholding taxes covers only income directly attributable to the revenues generated from the project, **Light Residences Towers 1 & 3 – EDSA cor. Madison St., Mandaluyong City**, consisting of **2,660** housing units used solely for family home or dwelling purposes, located at EDSA cor. Madison St., Mandaluyong City. Such exemption shall not cover revenues from units with selling price exceeding P3,000,000.00;

2. The Company is obligated to construct and sell **2,660** units based on the following schedules/sales revenues:

Year	Volume (No. of Units)	Value (Php'000)
1	931	1,993,460
2	1,064	2,278,240
3	665	1,423,900
Total	**2,660**	**5,695,600**

3. In the computation of the project's ITH, interest income from in-house financing shall not be considered as part of the revenues generated from the registered housing project.

4. The Company's entitlement to ITH from its BOI-registered housing project is subject to the compliance with the provisions of the Specific Terms and Conditions of its BOI Registration.

5. Pursuant to Section 4 of the Republic Act (RA) No. 10708[3], the Company is required to file its tax returns and pay their tax liabilities, on or before the deadline as provided under the 1997 Tax Code, as amended, using the electronic system for filing and payment of taxes of the BIR. It shall file with BOI a complete annual tax incentives report of its income-based tax incentives, VAT and duty exemptions, deductions, credits or exclusions from the tax base, as may be provided under E.O. 226, within the periods prescribed under R.A. 10708's Implementing Rules and Regulations and Joint Memorandum Circular No. 1-2016 dated September 1, 2016.

6. The Company shall be constituted as a withholding agent for the government if it acts as employer and any of its employees received compensation income subject to compensation withholding tax, or if it makes payments to individuals or corporations subject to the withholding taxes at source as required under Chapter XIII and Section 57 of the Tax Code of 1997, as amended and implemented by Revenue Regulations No. 2-98, as amended.

7. The Company is required to file on or before the 15th day of the fourth month following the close of its accounting period of a Profit and Loss Statement and Balance Sheet with the Annual Information Return under oath, stating its gross income and expenses incurred during the taxable year.

8. Finally, the Company's books of accounts and other pertinent records shall be subject to periodic examination by revenue enforcement officers of this Bureau for the purpose of ascertaining whether it has been complying with the conditions under which it has been granted tax exemption or tax incentives and its tax liability, if any, pursuant to Section 235 of the Tax Code of 1997, as amended.