August 25, 2016

BIR RULING NO. 348-16

RA 6657; BIR Ruling No. 350-13

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Madam :

This refers to your letter dated December 3, 2014, on behalf of BBB, requesting for confirmation that the disturbance compensation in the form of land is exempt from taxes.

Documents submitted disclose that Transfer Certificate of Title (TCT) No. T-12067 (Lot 1832 of the Imus Estate Subdivision, Province of Cavite, Case No. 8843 of the Court of Land Registration) is registered under the name of CCC, married to DDD. The aforesaid property is situated at Malagasang II, Imus, Cavite with an area of Twenty Five Thousand Five Hundred Forty Three square meters (25,543 sq.m.), more or less. A Certification dated May 22, 2013 by the Municipal Agrarian Reform Office, Imus/Noveleta/Cavite City was issued certifying that upon ocular investigation and execution of Agricultural Leasehold Contract, BBB is the tenant/tiller of a parcel of landholding actually utilized for agricultural purposes covered by TCT No. T-12067. On April 15, 2013, a Deed of Conveyance was executed, whereby CCC transferred and conveyed, to the tenant, BBB (married to EEE) the Seven Thousand square meters (7,000 sq.m.) portion of the above-mentioned property. A Certification dated February 12, 2015 was issued by Provincial Agrarian Reform Program Office (PARPO) of Trece Martires City, Cavite, stating that the Deed of conveyance by way of disturbance compensation executed by CCC in favor of her tenant, BBB (married to EEE) of the 7,000 sq.m. out of the total area of 25,543 sq.m. covered by TCT No. T-12067 is "a land transaction within the ambit of Section 66 of Republic Act (RA) No. 6657".

In reply, please be informed that since the conveyance of 7,000 sq.m. portion of TCT No. T-12067 is considered a land transaction within the ambit of Section 66 of RA No. 6657, as certified to by the PARPO of Trece Martires City, Cavite on February 12, 2015 and qualified as disturbance compensation of the tenant, BBB (married to EEE) pursuant to RA 6657, the transfer is exempt from capital gains tax and documentary stamp tax pursuant to Section 66 of RA No. 6657 otherwise known as the "Comprehensive Agrarian Reform Law

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of 1988" which provides, *viz.*:

> "Sec. 66. *Exemption 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. Only Section 35 of RA 3844 was expressly repealed by RA 6657 or the CARP Law. Thus, transfer of land to a tenant by way of disturbance compensation due to extinguishment of tenancy relationship between the parties, as in this instance, is still considered one of the transactions contemplated under Section 66 of RA 6657.

Accordingly, the transfer by CCC to BBB (married to EEE) of the 7,000 sq.m. portion of 25,543 sq.m. covered by TCT No. T-12067 in the form of disturbance compensation is exempt from capital gains tax and documentary stamp tax pursuant to the aforecited provision. (BIR Ruling No. 350-13 dated September 11, 2013)

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,

(SGD.) CAESAR R. DULAY
Commissioner of Internal Revenue

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