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

E.O. 226; RR 2-98
BIR Ruling No. 342-14; BIR Ruling No. 329-14
#443-2016 12-19-2016

DDC LAND, INC.
Marbella 101 Condominium, Ground Floor, Unit 1
2223 Roxas Blvd., Pasay City 1300

Attention : **Engr. Edna R. Sutter**
President & CEO

Gentlemen:

This refers to your letter dated December 17, 2015, applying for tax exemption on the tax consequences of the Income Tax Holiday (ITH) granted by the Board of Investments (BOI) to **DDC LAND, INC.** under Executive Order (EO) No. 226 otherwise known as the "Omnibus Investments Code of 1987", for a period of four (4) years from the start of commercial operations/ selling.

Documents submitted disclosed that **DDC LAND, INC.**, with Taxpayer's Identification No. (TIN) , is a domestic corporation duly organized and existing under Philippine Laws; that it is registered with the Securities and Exchange Commission (SEC) bearing SEC Certificate of Registration No. ; that it is engaged in real estate development; that it is registered with the BOI as a New Developer of Economic and Low-Cost Housing Project on a Non- Pioneer status for the mass housing project:

Project Name	**Location**	**BOI Reg. No.**	**Date of BOI Registration .**	**Start of Commercial Operation/ ITH**	**No. of Units**
Dasma Garden Villas North	Brgy. Salawag, Dasmariñas, Cavite		January 5, 2016	January 2016	

#443-2016
12-19-2016

that under the Specific Terms and Conditions of its BOI Registration, **DDC LAND, INC.** shall construct and sell One Hundred Fifty Eight (158) units of low-cost mass housing for **Dasma Garden Villas North-Brgy. Salawag, Dasmariñas, Cavite Project** based on this schedule:

Project Name	**Year**	**Volume** (No. of Units)	**Value (PhP)**
Dasma Garden Villas North	1	48	
	2	55	
	3	55	
	Total	**158**	

that **Dasma Garden Villas North**, located at Brgy. Salawag, Dasmariñas, Cavite, is duly registered with the Housing and Land Use Regulatory Board (HLURB) and was issued a License to Sell, to wit:

Project Name	**Location**	**HLURB Certificate of Registration No./ Date Issued**	**HLURB License to Sell No./ Date Issued**	**No. of Units**
Dasma Garden Villas North	Brgy. Salawag, Dasmariñas, Cavite	December 22, 2014	December 22, 2014	

that according to the Specific Terms and Conditions of its BOI Registration, **DDC Land, Inc. (Dasma Garden Villas North-Brgy. Salawag, Dasmariñas, Cavite)** is entitled to ITH for a period of four (4) years from January 2016 or the actual start of commercial operations whichever is earlier, but in no case earlier than the date of registration; that **DDC Land, Inc. (Dasma Garden Villas North-Brgy. Salawag, Dasmariñas, Cavite)'s** ITH shall be limited only to the revenue generated from the registered project; and that revenues from units with selling price exceeding P3.0M shall not be covered by ITH.

In reply, please be informed that under Section 2.57.5 (B)(2) of Revenue Regulations No. 2-98, as amended, by RR No. 6-2001 implementing Section 57 (B) of the Tax Code of 1997, as amended, the withholding tax prescribed in the said Regulations shall not apply to income payments to persons enjoying exemption from the income tax provided by the Omnibus Investments Code of 1987. *(BIR Ruling No. 342-14 dated August 26, 2014)*

Accordingly, since **DDC Land, Inc. (Dasma Garden Villas North-Brgy. Salawag, Dasmariñas, Cavite)** is a BOI-registered project, this Office is of the opinion that income payments received by **DDC Land, Inc.** in connection with its housing project, **Dasma Garden Villas North-Brgy. Salawag, Dasmariñas, Cavite**, (on the 158 low-cost mass housing units as mentioned in the Specific Terms and Conditions of its BOI Registration), are exempt from the creditable withholding tax imposed under RR No. 2-98, as amended by RR No. 6-2001, for a period of four (4) years from January 2016 or the

#443-2016
12-19-2016

actual start of commercial operations whichever is earlier but in no case earlier than the date of registration[1].

It must be emphasized, however, that the above exemption from creditable withholding tax covers only income directly attributable to revenues generated from **DDC Land, Inc.'s** BOI-registered activity **Dasma Garden Villas North-Brgy. Salawag, Dasmariñas, Cavite**, involving One Hundred Fifty Eight (158) low-cost mass housing units used solely for family home or dwelling purposes and not for commercial purposes such as leasing, retail stores, offices, etc. Furthermore, such exemption shall not cover revenues from units with selling price exceeding Three Million Pesos (P3,000,000.00) *(BIR Ruling No. 342-14 dated August 26, 2014)*

In the computation of ITH, interest income from in-house financing shall not be considered as part of the revenues generated from the registered activity.

Moreover, the entitlement of **DDC Land, Inc. (Dasma Garden Villas North-Brgy. Salawag, Dasmariñas, Cavite)** to ITH is not automatic as such project has to comply with the Specific Terms and Condition of its pertinent BOI Registration.

Furthermore, BOI-registered enterprises enjoy no tax exemption/privileges other than those granted under E.O. 266. In this regard, under the terms and conditions of its BOI registration, **DDC Land, Inc. (Dasma Garden Villas North-Brgy. Salawag, Dasmariñas, Cavite)** was clearly granted 4-year ITH but such terms and conditions do not provide for any exemption from other taxes that it may be subject to on its business transactions. Thus, **DDC Land, Inc. (Dasma Garden Villas North-Brgy. Salawag, Dasmariñas, Cavite)** will remain subject to Value-Added Tax (VAT) and Documentary Stamp Tax (DST) on its sales of housing units pursuant to Sections 106 (A)(1)(a) and 196 of the Tax Code of 1997, as amended. *(BIR Ruling No. 329-14 dated August 14, 2014)*

In relation thereto, Section 109(1)(P) of the Tax Code of 1997 provides, that the sale of residential lot valued at One Million Nine Hundred Nineteen Thousand Five Hundred Pesos (P1,919,500.00) and below, or house and lot and other residential dwellings valued at Three Million One Hundred Ninety Nine Thousand Two Hundred Pesos (P3,199,200.00) and below is VAT-exempt[2] Thus, only the sales by **DDC Land, Inc. (Dasma Garden Villas North-Brgy. Salawag, Dasmariñas, Cavite)** of housing units with selling price of not more than the aforementioned price ceiling shall be exempt from VAT. *(BIR Ruling No. 329-14 dated August 14, 2014)*

Pursuant to Section 4 of Republic Act (R.A.) No. 10708, **DDC Land, Inc.** is required to file its tax returns and pay its 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. Furthermore, **DDC Land, Inc.** shall file with the BOI a complete annual tax incentives report of its income-based tax incentives, value-added tax (VAT) and

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[1] Movement of ITH period is subject to Art. 7 of E.O. 226 per BOI Specific Terms and Conditions No. 1

2 The increase in the threshold amount for the sale or lease of goods or properties or the performance of services covered by Section 109 (P), (Q) and (V) of the 1997 Tax Code took effect on January 1, 2012, pursuant to Revenue Regulations No. 16-2011 dated October 27, 2011.

#443-2016
12-19-2016

duty exemptions, deductions, credits or exclusions from the tax base, as may be provided under E.O. 226, within thirty (30) days from the deadline for filing of tax returns and payment of taxes.

It should be understood that **DDC Land, Inc.** shall be constituted as a withholding agent for the government if its 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 as source as required under Chapter XIII and Section 57 of the Tax Code of 1997, as amended and implemented by RR No. 2-98, as amended.

Likewise, **DDC Land, Inc.** 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.

Finally, **DDC Land, Inc.'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.

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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