August 30, 2019

BIR RULING NO. 474-19

R.A. 4726; Secs. 185, 188, 105 of the 1997
NIRC, as amended

Pacific Century Development Corporation
1480 Quezon Ave., South Triangle
Quezon City 1103

Attention: *AAA*

Gentlemen :

This refers to your letter dated March 14, 2017, requesting on behalf of **PACIFIC CENTURY DEVELOPMENT CORPORATION** ("**PCDC**" for brevity), for a ruling that the transfer or conveyance of real property with TCT No. N-170790 in favor of PACIFIC CENTURY TOWER CONDOMINIUM ASSOCIATION, INCORPORATED, is exempt from payment of capital gains tax (CGT), creditable withholding tax, and documentary stamp tax (DST).

It is represented that **PCDC**, with Tax Identification Number (TIN) 000-000-000-000, is a corporation duly organized and existing under the laws of the Philippines, with principal office address at 1480 Quezon Ave., South Triangle, Quezon City 1103; that it is the registered owner/developer of an (8)-storey 132 unit mix residential/commercial condominium project to be known as "PACIFIC CENTURY TOWER," situated in #1472-1476 Quezon Ave., South Triangle, Quezon City consisting of 1,500 square meters, and covered by Transfer Certificate of Title No. 170790; and on January 12, 2010, **PCDC** executed a Master Deed with Declaration of Restrictions of PACIFIC CENTURY TOWER.

On the other hand, **PACIFIC CENTURY TOWER CONDOMINIUM ASSOCIATION, INCORPORATED** ("**PCTCAI**" for brevity) with Tax Identification Number (TIN) 000-000-000-000, is a non-stock, non-profit organization which was organized pursuant to the provision of Master Deed with Declaration of Restrictions for the purpose of holding title of the land as well as the common area of the project; that it was registered with the Securities and Exchange Commission (SEC) under SEC Registration No. CN201121055.

On March 3, 2017, **PCDC** executed a Deed of Conveyance in order to cede, transfer and convey freely and voluntarily a parcel of land covered by TCT No. 170790,

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in favor of **PCTCAI**, free and clear from all liens, charges and encumbrances; and that the said TCT No. 170790 is the land occupied by the Project "PACIFIC CENTURY TOWER" which is part of the Unlimited Common Areas stated in the Master Deed with Restrictions of PACIFIC CENTURY TOWER.

In reply, please be informed that since the Deed of Conveyance is made without consideration and is not in connection with the sale made to Condominium Corporation, no taxable income will be generated and therefore, no capital gains tax or creditable withholding tax is payable and collectible. The purpose of the conveyance to the Condominium Corporation is for the management of the project for the common benefit of the unit owners. (Section 10, R.A. 4726)

Moreover, it is also exempt from the imposition of DST imposed under Sec. 185 of the Revised Documentary Stamp Tax Regulations (Regulation No. 26) which provides that "*conveyances of realty not in connection with a sale, to trustees or other persons without consideration are not taxable.*" However, the notarial acknowledgment to such deed is subject to the DST of P15.00 [1] under Sec. 188 of the 1997 Tax Code, as amended.

Finally, the transfer of land and the common areas of the Condominium Corporation as embodied in the Deed of Conveyance is also not subject to VAT under Title IV of the 1997 Tax Code, as amended. It must also be noted that the transfer of the real property from one party to another where the beneficial ownership of which is retained by the original party is not taxable. Hence, when the title of the land and the common areas are transferred to the Condominium Corporation composed of the condominium unit owners, the real estate developer receives no additional payment. The conveyance is without any monetary consideration and is not in connection with any sale in favor of the Condominium Corporation. As such, the same cannot be considered as a transaction subject to VAT pursuant to Section 105 of the 1997 Tax Code, 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,

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

Footnotes

1. The old DST rate of P15.00 is used since the donation took place prior to the effectivity of R.A. No. 10963.

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