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

Certificate of Tax Exemption No:
609-2017

CERTIFICATE OF TAX EXEMPTION

TO ALL WHOM IT MAY CONCERN:

This certifies that **SM DEVELOPMENT CORPORATION**, with Tax Identification Number , is exempt from income tax and creditable withholding tax on its income received directly in connection with its low-cost mass housing projects, **Sun Residences Tower 1** consisting of **2,057** units and **Sun Residences Tower 2** consisting of **1,947** units, both located at España Blvd., cor. Mayon St., Quezon City, duly registered with the Board of Investments (BOI) under Registration No. dated November 19, 2010 and Registration No. dated May 12, 2011, respectively.

The exemption is for a period of **3** years beginning from **December 2010** for **Sun Residences Tower 1** and **October 2012** for **Sun Residences Tower 2,** or the actual start of commercial operations/selling, whichever is earlier, but in no case earlier than the date of registrations of the projects 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 (RR) No. 2-98, as amended.

Moreover, the sale by the Company of residential dwellings valued at P3,199,200.00 and below, is VAT-exempt under Section 109(1)(P) of the National Internal Revenue Code of 1997, as amended.

However, the sale of residential units in excess of 2,057 residential units in Sun Residences Tower 1 and 1,947 residential units in Sun Residences Tower 2, as well as the 189 commercial units and 649 parking slots in both towers shall be subject to the payment of appropriate 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 DEC 14 2017, _____.

CAESAR R. DULAY
Commissioner of Internal Revenue

K-1-LMAT

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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 projects, **Sun Residences Tower 1** consisting of **2,057** units and **Sun Residences Tower 2** consisting of **1,947** units, both located at España Blvd., cor Mayon St., Quezon City. Such exemption shall not cover revenues from units with selling price exceeding

2. The Company is obligated to construct and sell **2,057** units for **Sun Residences Tower 1** and **1,947** units for **Sun Residences Tower 2,** based on the following schedules/sales revenues:

Sun Residences Tower 1:

Year	Volume (No. of Units)	Value (Php'000)
1	514	
2	1,029	
3	514	
Total	**2,057**	

Sun Residences Tower 2:

Year	Volume (No. of Units)	Value (Php'000)
1	584	
2	974	
3	389	
Total	**1,947**	

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 for 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 Republic Act (RA) No. 10708[1], the Company is required to file its tax returns and pay its tax liabilities, on or before the deadline as provided under the National Internal Revenue Code of 1997, 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 RA No. 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 as source as required under Chapter XIII and Section 57 of the National Internal Revenue Code of 1997, as amended, and implemented by Revenue Regulations (RR) 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 is 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 National Internal Revenue Code of 1997, as amended.

[1] An Act Enhancing Transparency in the Management and Accounting of Tax Incentives Administered by Investment Promotion Agencies.