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

BUREAU OF INTERNAL REVENUE
RECORDS MGT. DIVISION
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March 22, 2017

REVENUE MEMORANDUM CIRCULAR NO. 27-2017

SUBJECT : **Clarifying the Basis for the Imposition of Tax on the Sale, Exchange or Other Disposition of Real Property.**

TO : **All Internal Revenue Officers, Employees and Others Concerned.**

This Circular is issued to clarify the basis for the imposition of tax on the sale, exchange or other disposition of real property whether classified as capital asset or ordinary asset.

Section 6(E) of Republic Act (RA) 8424, Tax Reform Act of 1997, also known as the National Internal Revenue Code of 1997, has provided for the following:

> *"**SEC. 6. Power of the Commissioner to Make Assessments and Prescribe Additional Requirements for Tax Administration and Enforcement.** –*
>
> *Xxxx xxxx xxxx*
>
> ***(E) Authority of the Commissioner to Prescribe Real Property Values.** – The Commissioner is hereby authorized to divide the Philippines into different zones or areas and shall, upon consultation with competent appraisers both from the private and public sectors, determine the fair market value of real properties located in each zone or area. For purposes of computing any internal revenue tax, the value of the property shall be, whichever is the higher of:*
>
> *(1) The fair market value as determined by the Commissioner; or*
> *(2) The fair market value as shown in the schedule of values of the Provincial and City Assessors."*

For purposes of imposing the tax Sec. 24(D)(1) and 27(D)(5) of the same Act, as implemented by Revenue Regulations Nos. 2-98 and 7-2003, provide that it shall be based on the gross selling price or current fair market value as determined in accordance with Sec. 6(E) of the Code, whichever is higher.

From the aforesaid provisions, nothing in the Code or any of its implementing guidelines provide for the application of a comparative sale or any other tax base. Thus, in no case shall revenue officials or employees apply any other basis for the imposition of capital gains tax/income tax/withholding tax on sale, exchange or other disposition of real property except as herein provided as it has no legal basis.

All internal revenue officials and employees are enjoined to give this Circular as wide a publicity as possible.

CAESAR R. DULAY
Commissioner of Internal Revenue

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