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

Date: SEP 29 2023

REVENUE MEMORANDUM ORDER NO. 33-2023

SUBJECT : Reiteration of Section 3.J of Revenue Regulations No. 17-2003 on the Withholding of Taxes for the Sale of Real Property on Installment Plan

TO : All Internal Revenue Officers, Employees and Others Concerned

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I. BACKGROUND

Revenue Officers assigned in the processing of One-Time Transaction (ONETT) are mandated to strictly monitor all installment sale transactions of real properties and in no case that an electronic Certificate Authorizing Registration (eCAR) be issued to the buyer unless the withholding tax due on the sale, transfer, or exchange of real property including penalties, if any, has been fully paid.

II. OBJECTIVE

This Order is hereby issued to provide directions to concerned Revenue District Office (RDO) to closely monitor the required tax to be withheld on sale of real property sold on installment wherein the payments in the year of sale do not exceed twenty-five percent (25%) of the selling price under Section 3.J of RR No. 17-2003, to wit:

"*Gross selling price or total amount of consideration or its equivalent paid to the seller/owner for the sale, exchange, or transfer of real property classified as ordinary asset. – xxx xxx*

xxx xxx xxx

If the buyer is an individual not engaged in trade or business, the following shall apply:

(i) If the sale is a sale of property on the installment plan (i.e. payments in the year of sale do not exceed twenty-five percent (25%) of the selling price), no withholding is required to be made on the periodic installment payments. In such a case, the applicable rate of tax based on the gross selling price or fair market value of the property at the time of the execution of the contract to sell, whichever is higher, shall be withheld on the last installment or installments immediately prior to such last installment, if the last installment is not sufficient to cover the tax due, to be paid to the seller until the tax is fully paid.

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(ii) *xxx* *xxx* *xxx*

However, if the buyer is engaged in trade or business, whether a corporation or otherwise, these rules shall apply:

(i) *If the sale is a sale of property on the installment plan [i.e. payments in the year of sale do not exceed twenty-five percent (25%) of the selling price], the tax shall be deducted and withheld by the buyer from every installment which tax shall be based on the ratio of actual collection of the consideration against the agreed consideration appearing in the Contract to Sell applied to the gross selling price or fair market value of the property at the time of the execution of the Contract to Sell, whichever is higher.*

The term 'consideration' refers to the selling price exclusive of interest. Interest earned as an incident of installment payment, if any, shall be subject to the ordinary income tax rate.

(ii) *xxx* *xxx* *xxx*

In any case, no Certificate Authorizing Registration (CAR)/Tax Clearance Certificate (TCL), shall be issued to the buyer unless the withholding tax due on the sale, transfer, or exchange of real property has been fully paid."

III. SANCTION FOR NON-COMPLIANCE

Non-compliance with this order shall subject the concerned revenue officer/employee to administrative sanctions for inefficiency and incompetence in the performance of official duties as defined under Section Nos. 11, 14 and 16 of the Revised Code of Conduct for Revenue Officials and Employees and existing civil service rules and regulations.

IV. REPEALING CLAUSE

All revenue issuances or parts thereof inconsistent with the provisions of this Order are hereby repealed.

V. EFFECTIVITY

This Order shall take effect immediately.

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue
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