REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS
Quezon City

December 28, 2004

REVENUE REGULATIONS NO. 1-2005

SUBJECT: **Amending Further Pertinent Provisions of Revenue Regulations No. 7-95, as amended by Revenue Regulations No. 8-2002.**

TO: **All Internal Revenue Officers & Others Concerned.**

SECTION 1. SCOPE. – Pursuant to the provisions of Section 244 of the National Internal Revenue Code of 1997, as amended (Code), in relation to Secs. 5, 6, 105, 109, and 114 of the said Code, these Regulations are hereby promulgated in order to amend Section 4.103-1(w), (x) and (z) of RR 7-95, as amended by RR No. 6-97 and Sec. 4.110-4, as last amended by RR 8-2002.

SEC. 2. AMENDMENTS ON TRANSACTIONS EXEMPT FROM VAT. - Section 4.103-1(w), (x) and (z) of RR 7-95, as amended by RR 6-97, is hereby further amended to read as follows:

"(w) The following sales of real properties are exempt from VAT, namely:

"(1) Sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business;

"(2) Sale of real properties utilized for low-cost housing as defined by R.A. No. 7279, otherwise known as the "Urban Development Housing Act of 1992" and other related laws, ***such as R.A. No. 7835 and R.A. No. 8763*** *wherein the price ceiling per unit is* ***P750,000.00*** *or as may from time to time be determined by the* ***Housing and Urban Development Coordinating Council (HUDCC) and the National Economic Development Authority (NEDA)****;*

"Low-cost housing" refers to housing projects intended for homeless low-income family beneficiaries, undertaken by the Government or private developers, which may either be a subdivision or a

condominium registered and licensed by the Housing and Land Use Regulatory Board ***(HLURB)*** *under BP Blg. 220, PD No. 957 or any other similar law, wherein the unit selling price is within the selling price ceiling per unit under RA No. 7279, otherwise known as the "Urban Development and Housing Act of 1992"* ***and other related laws, such as R.A. No. 7835 and R.A. No. 8763.***

"(3) Sale of real properties utilized for socialized housing as defined under RA No. 7279, ***and other related laws, such as R.A. No. 7835 and R.A. No. 8763,*** *wherein the price ceiling per unit is* ***P225,000*** *or as may from time to time be determined by the* ***HUDCC and the NEDA*** *and other related laws.*

"Socialized housing" refers to housing program and projects covering houses and lots or homelots only undertaken by the Government or the private sector for the underprivileged and homeless citizens which shall include sites and services development, long-term financing, liberalized terms on interest payments, and such other benefits in accordance with the provisions of RA No. 7279, otherwise known as the "Urban Development and Housing Act of 1992" ***and R.A. No. 7835 and R.A. No. 8763.*** *"Socialized housing" shall also refer to projects intended for the underprivileged and homeless wherein the housing package selling price is within the lowest interest rates under the United Home Lending Program (UHLP) or any equivalent housing program of the Government, the private sector or non-government organization.*

"(4) Sale by real estate dealers and/or lessors of house and lot and other residential dwellings valued at ***One Million Five Hundred Thousand Pesos (P1,500,000.00)*** *and below* ***effective January 1, 2005****: Provided, that not later than* ***January 31, 2006*** *and each calendar year thereafter, the amount of* ***One Million Five Hundred Thousand Pesos (P1,500,000.00)*** *shall be adjusted to its present value using the Consumer Price Index as published by the National Statistics Office (NSO); provided, further, that such adjustment shall be published through revenue regulations to be issued not later than March 31 of every ensuing year.*

"(x) Lease of residential units with a monthly rental per unit not exceeding ***Ten Thousand Pesos (P10,000.00),*** *regardless of the amount of aggregate rentals received by the lessor during the year; Provided, That the exemption likewise applies to lease of residential units where the monthly rental per units exceeds* ***Ten Thousand Pesos (P10,000.00)*** *but the aggregate rentals of the lessor during the year do not exceed* ***P750,000.00.*** *Provided finally, that not later than January 31, 2006 and each calendar year thereafter, the amount of* ***P10,000.00*** *shall be adjusted to the present value using the Consumer Price Index, as published by the NSO;*

"The term 'residential units' shall refer to apartments, houses and/or lands on which a tenant's dwelling is located, used for residential purposes and shall include not only building, parts or units thereof used solely as dwelling places (e.g., dormitories, rooms and bed spaces) except motels, motel rooms, hotels, and hotel rooms. 'Residential units' shall also include apartments, houses, building, parts or units thereof used for home industries, retail stores or other business purposes, if the tenant thereof and his family actually live therein and use them principally for dwelling purposes.

"The term 'unit' shall mean an apartment unit in the case of apartments; house in the case of residential houses; per person in the case of dormitories, boarding houses and bed spaces; and per room in case of rooms for rent.

" x x x x x x x x x

"(z) Sale or lease of goods or properties or the performance of services other than the transactions mentioned in the preceding paragraphs, the gross annual sales and/or receipts does not exceed the amount of ***Seven Hundred Fifty Thousand Pesos (P750,000.00);*** *Provided, That not later than* ***January 31, 2006*** *and each calendar year thereafter, the amount of* ***P750,000.00*** *shall be adjusted to its present value using the Consumer Price Index, as published by the NSO."*

SEC. 3. AMENDMENTS ON THE PROVISON ON THE SUBMISSION OF QUARTERLY SUMMARY LIST OF SALES AND PURCHASES. - Section 4.110-4 of RR 7-95, as amended by RR 13-97, RR 7-99 and as last amended by RR 8-2002, is hereby further amended to read as follows:

"SEC. 4.110-4. – Submission of Quarterly Summary List of Sales/Purchases. –

"x x x

"b. When and Where to File the Summary List of Sales/Purchases – The quarterly summary list of sales or purchases, whichever is applicable, shall be submitted to the RDO having jurisdiction over the taxpayer, on or before the twenty-fifth (25th) day of the month following the close of the taxable quarter (VAT quarter) – calendar or fiscal quarter. ***However, taxpayers under the jurisdiction of the Large Taxpayers Service, and those enrolled under the EFPS, may, through electronic filing facility submit their Summary List of Sales/Purchases to the RDO/LTDO/LTAD, on or before the thirtieth (30TH) day of the month following the close of their taxable quarter.***

"x x x

SEC. 4. REPEALING CLAUSE. – The provisions of any revenue regulations, revenue memorandum order, revenue memorandum circular or any other issuance of the Bureau of Internal Revenue inconsistent herewith are hereby repealed, amended, or modified accordingly.

SEC. 5. EFFECTIVITY CLAUSE. – These Regulations shall take effect fifteen (15) days after publication in a newspaper of general circulation.

(Original Signed)
JUANITA D. AMATONG
Secretary of Finance

Recommending Approval:

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue

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