REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

October 27, 2011

REVENUE REGULATIONS NO. 16-2011

SUBJECT: Increasing the Amount of Threshold Amounts for Sale of Residential Lot, Sale of House and Lot, Lease of Residential Unit and Sale or Lease of Goods or Properties or Performance of Services covered by Section 109 (P), (Q) and (V) of the Tax Code of 1997, as amended, thereby Amending Certain Provisions of Revenue Regulations No. 16 -2005, as amended Otherwise Known as Consolidated VAT Regulations of 2005.

TO : All Internal Revenue Officers, Employees and Others Concerned

---

Section 1. BACKGROUND. Sections 109(P), (Q) and (V) of the Tax Code of 1997, as amended provides that the amounts stated therein shall be adjusted to their present values using the Consumer Price Index as published by the National Statistics Office (NSO).

Using the following formula / information:

$$\frac{\text{Value (Current Year)}}{\text{Value Base Year}} = \frac{\text{CPI (Current year)}}{\text{CPI (Base Year)}}$$

$$\frac{\text{Value 2010}}{\text{Value 2005}} = \frac{\text{CPI 2010}}{\text{CPI 2005}}$$

Where: CPI = Consumer Price Index
CPI 2010 = 166.1
CPI 2005 = 129.8

the adjusted threshold amounts, rounded off to the nearest hundred are as follows:

Section	Amount in Pesos (2005)	Adjusted threshold amounts
Section 109 (P)	1,500,000	1,919,500.00
Section 109 (P)	2,500,000	3,199,200.00
Section 109 (Q)	10,000	12,800.00
Section 109 (V)	1,500,000	1,919,500.00

Section 2. SALE OF REAL PROPERTIES. - Pertinent portions of Section 4.106-3 of Revenue Regulations No. 16-2005, as amended is hereby further amended to read as follows:

"Section 4.106-3 Sale of Real Properties. — Sale of real properties held primarily for sale to customers or held for lease in the ordinary course of trade or business of the seller shall be subject to VAT.

Sale of residential lot with gross selling price exceeding **P1,919,500.00**, residential house and lot or other residential dwellings with gross selling price exceeding **P3,199,200.00**, where the instrument of sale (whether the instrument is nominated as a deed of absolute sale, deed of conditional sale or otherwise) is executed on or after Nov. 1, 2005, shall be subject to ten percent (10%) output VAT, and starting Feb. 1, 2006, to twelve percent (12%) output VAT .

x x x x x x x x x"

Section 3. VAT EXEMPT TRANSACTIONS. - Sections 4.109.-1 (B)(1) (e)(1), (p)(4), (q) and (v) of Revenue Regulations No. 16-2005, as amended, is hereby further amended to read as follows:

"(e) Services subject to percentage tax under Title V of the Tax Code, as enumerated below:

(1) Sale or lease of goods or properties or the performance of services of non-VAT-registered persons, other than the transactions mentioned in paragraphs (A) to (U) of Sec. 109(1) of the Tax Code, the gross annual sales and/or receipts of which does not exceed the amount of **One Million Nine Hundred Nineteen Thousand Five Hundred Pesos (P1,919,500.00)**; Provided, **That every three (3) years thereafter, the amount herein stated shall be adjusted to its present value using the Consumer Price Index, as published by the National Statistics Office (NSO) (Sec. 116 of the Tax Code)**; **Provided, further, that such adjustment shall be published through revenue regulations to be issued not later than March 31 of each year;**

x x x x x x x x x

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

(4) Sale of residential lot valued at **One Million Nine Hundred Nineteen Thousand Five Hundred Pesos (P1,919,500.00)** and below, or house & lot and other residential dwellings valued at **Three Million One Hundred Ninety-Nine Thousand Two Hundred Pesos (P3,199,200.00)** and below where the instrument of sale/transfer/disposition was executed on or after July 1, 2005; **Provided, That every three (3) years thereafter, the amounts stated**

herein 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 each year;

If two or more adjacent residential lots are sold or disposed in favor of one buyer, for the purpose of utilizing the lots as one residential lot, the sale shall be exempt from VAT only if the aggregate value of the lots do not exceed **P1,919,500.00**. Adjacent residential lots, although covered by separate titles and/or separate tax declarations, when sold or disposed to one and the same buyer, whether covered by one or separate Deed of Conveyance, shall be presumed as a sale of one residential lot.

(q) Lease of residential units with a monthly rental per unit not exceeding **Twelve Thousand Eight Hundred Pesos (P12,800.00)**, regardless of the amount of aggregate rentals received by the lessor during the year; **Provided, every three (3) years thereafter, the amount shall be adjusted to its present value using the Consumer Price Index, as published by the NSO; Provided, further, that such adjustment shall be published through revenue regulations to be issued not later than March 31 of each year;**

The foregoing notwithstanding, lease of residential units where the monthly rental per unit exceeds **Twelve Thousand Eight Hundred Pesos (P12,800.00)** but the aggregate of such rentals of the lessor during the year do not exceed **One Million Nine Hundred Nineteen Thousand Five Hundred Pesos (P1,919,500.00)** shall likewise be exempt from VAT, however, the same shall be subjected to three percent (3%) percentage tax.

In cases where a lessor has several residential units for lease, some are leased out for a monthly rental per unit of not exceeding **P12,800.00** while others are leased out for more than **P12,800.00** per unit, his tax liability will be as follows:

1. The gross receipts from rentals not exceeding **P12,800.00** per month per unit shall be exempt from VAT regardless of the aggregate annual gross receipts.

2. The gross receipts from rentals exceeding **P12,800.00** per month per unit shall be subject to VAT if the aggregate annual gross receipts from said units only (not including the gross receipts from units leased for not more than **P12,800.00**) exceeds **P1,919,500.00**. Otherwise, the gross receipts will be subject to the 3% tax imposed under Section 116 of the Tax Code.

The term 'residential units' shall refer to apartments and houses & lots used for residential purposes, and buildings or parts or units thereof used solely as dwelling places (e.g., dormitories, rooms and bed spaces) except motels, motel rooms, hotels, hotel rooms, lodging houses, inns and pension houses.

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

(v) 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 do not exceed the amount of **One Million Nine Hundred Nineteen Thousand Five Hundred Pesos (P1,919,500.00)**; **Provided, every three (3) years thereafter, the amount shall be adjusted to its present value using the Consumer Price Index, as published by the NSO; Provided, further, that such adjustment shall be published through revenue regulations to be issued not later than March 31 of each year;**

For purposes of the threshold of **P1,919,500.00**, the husband and the wife shall be considered separate taxpayers. However, the aggregation rule for each taxpayer shall apply. For instance, if a professional, aside from the practice of his profession, also derives revenue from other lines of business which are otherwise subject to VAT, the same shall be combined for purposes of determining whether the threshold has been exceeded. Thus, the VAT-exempt sales shall not be included in determining the threshold.

x x x x x x x x x"

Section 4. REPEALING CLAUSE. - All existing rules and regulations and other issuances or parts thereof which are inconsistent with the provisions of these Regulations are hereby modified, amended or revoked accordingly.

Section 5. EFFECTIVITY. - These Regulations shall take effect starting January 1, 2012.

(Original Signed)
CESAR V. PURISIMA
Secretary of Finance

Recommending Approval:

(Original Signed)
KIM S. JACINTO -HENARES
Commissioner of Internal Revenue