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

RA 9904; RMC No. 9-2013
BIR Ruling No. 104-2014
A535-2017

11-20-2017

LAS VILLAS DE MANILA HOMEOWNERS ASSOCIATION, INC.
Brgy. San Francisco, Binan, Laguna

Attention : **ATTY. FRISCO P. MARFIL**
President

Gentlemen:

This refers to your letter dated May 26, 2014 requesting for tax exemption pursuant to Section 18 of Republic Act (R.A.) No. 9904 otherwise known as the "Magna Carta for Homeowners and Homeowners' Associations".

Documents submitted disclosed that Las Villas De Manila Homeowners Association, Inc., (TIN   is a homeowner's organization registered with the Housing and Land Use Regulatory Board (HLURB) under Certificate of Registration No.   dated May 13, 2002; that the purposes for which it was incorporated are the following:

1. To construct, manage, maintain and operate adequate facilities and services for its members;
2. To initiate and organize socio-cultural projects and activities which will awaken community consciousness and belonging;
3. To promote, enhance and foster the development and improvement of the quality of life of the members through livelihood projects and other economic activities;
4. To acquire, accept donation, purchase, own, hold , develop, lease, mortgage, pledge, exchange, sell, transfer or otherwise invest, deal in or trade, in any manner permitted by law, real and personal property of every kind and description or any interest therein, as may be necessary for the accomplishment of the purpose of the Association;
5. To borrow and otherwise contract indebtedness and issue notes bonds and other evidence of indebtedness and to secure payment therefore by mortgage, pledge or deed of trust of, or through encumbrance of any or all of its then-owned or after acquired real or personal properties and assets;
6. To enter into, make, perform and carry out, or cancel and rescind contracts of every kind and for any lawful purpose with any person, firm, association, corporation, syndicate, domestic or foreign, or others;
7. To do and perform any others acts and things, and to have and exercise any others powers which may be necessary, convenient and appropriate to accomplish the purposes for which the Association is organized

and that the City Administrator of the City of Biñan certified that the basic services are provided by the Association and no assistance in any form come from the City Government.

In reply, please be informed that Section 18 of R.A. No. 9904 otherwise known as the "Magna Carta for Homeowners and Homeowners' Associations" provides as follows:

> *"SECTION 18. Relationship with LGUs. - Homeowners' associations shall complement, support and strengthen LGUs in providing vital services to their members and help implement local government policies, programs, ordinances, and rules.*
>
> *Associations are encouraged to actively cooperate with LGUs in furtherance of their common goals and activities for the benefit of the residents of the subdivisions/villages and their environs.*
>
> *Where the LGUs lack resources to provide for basic services, the associations shall endeavor to tap the means to provide for the same. In recognition of the associations' efforts to assist the LGUs in providing such basic services, association dues and income derived from rentals of their facilities shall be tax-exempt: Provided, That such income and dues shall be used for the cleanliness, safety, security and other basic services needed by the members, including the maintenance of the facilities of their respective subdivisions or villages. xxx"*

Accordingly, we regret to inform you that Las Villas De Manila Homeowners Association, Inc. does not fall within the purview of those homeowners' associations which may be exempted under Section 18 of R.A. No. 9904. The requisite qualification that the LG concerned lacks resources to provide for basic services is absent from the Certification issued by City Administrator of the City of Biñan, hence, your request cannot be granted for lack of factual and legal basis. (BIR Ruling No. 104-2014 dated March 26, 2014)

Consequently, Las Villas De Manila Homeowners Association, Inc. shall be subject to the applicable internal revenue taxes on its income from association dues, rentals of their facilities, trade, business and other activities. Specifically:

Income Taxes

It is subject to the corresponding internal revenue taxes imposed under the Tax Code of 1997 on its income derived from association dues, rentals of their facilities, trade, business and other activities, which income should be returned for taxation. Likewise, interest income from currency bank deposits and yield or any other monetary benefit from deposit substitute instruments and from trust funds and similar arrangements, and royalties derived from sources within the Philippines are subject to the 20% final withholding tax: Provided, however, that interest income derived by it from a depository bank under the expanded foreign currency deposit system shall be subject to 7 ½ % final withholding tax pursuant to Section 27(D)(1) in relation to Section 57(A), both of the Tax Code of 1997. Moreover, it is required to file on or before April 15 of each year a profit and loss statement and balance sheet with the annual information return under oath, stating its gross income and expenses incurred during the year and a certificate showing that there has not been any change in its By-Laws, Articles of Incorporation, manner of operation and activities as well as resources and disposition of income.

Value-Added Tax or Percentage Tax

Likewise, Las Villas De Manila Homeowners Association, Inc.'s gross receipts from operations derived from association dues, rentals of their facilities, trade, business and other activities shall be subject to the 12% VAT imposed under Sections 108 of the Tax Code of 1997, as amended, which tax payment may legitimately be passed on to buyers of such goods and services; or 3% percentage tax imposed under Section 116 in relation to Section 109(1)(W) of the same Code if the gross sa.es or receipts from such sale of goods and services do not exceed One Million Nine Hundred Nineteen Thousand Five Hundred Pesos (P1.919.500.00).

It should be understood that Las Villas De Manila Homeowners Association, Inc. shall be constituted as withholding agent of the government if it acts as an employer and its employees receive compensation income subject to the withholding tax under Section 57 of the Tax Code of 1997, as amended.

Finally, Las Villas De Manila Homeowners Association, Inc. is also subject to the payment of the annual registration fee of PhP500.00 as prescribed in Section 236 (B) of the Tax Code of 1997, as amended. It is also required under Section 6 (C) in relation to Section 237 of the same Code to issue duly registered receipts for services rendered which do not comprise income from association dues and rentals of their facilities.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be disclosed that the facts are different, then this ruling shall be considered null and void.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue
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