REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Sec. 24, RA 7916
BIR Ruling No. 008-99 & Da636-04
#528-2017
11-17-2017

DEL MAR DE AZUL LAND, INC.
West Road LISP I, Diezmo
Cabuyao, Laguna

Attention: **Mr. Jerry W. Doviak**
President and CEO

Gentlemen:

This refers to your letter dated March 21, 2016 requesting, in effect, for a ruling that the sale by CCMC Land, Inc. (CCMCLI), a PEZA-registered enterprise, of parcels of land to **Del Mar De Azul Land, Inc.** (DMDALI), also a PEZA-registered enterprise, is not subject to documentary stamp tax (DST), for purposes of claiming a refund of the DST paid thereon.

Documents show that DMDALI is a corporation duly organized and existing under the laws of the Philippines with office address at CCMC Compound, West Road, Light Industry & Science Park 1, Brgy. Diezmo, Cabuyao, Laguna. It is registered with the Bureau of Internal Revenue under Certificate of Registration No. [redacted] dated July 31, 2015.

On the other hand, CCMCLI is a corporation also duly organized and existing under the laws of the Philippines with office address at 1029 EDSA, Quezon City.

DMDALI is registered with the Philippine Economic Zone Authority (PEZA), under Registration Certificate No. [redacted] dated December 23, 2015, as an Ecozone Facilities Enterprise at Light Industry & Science Park of the Philippines.

Likewise, CCMCLI is registered with PEZA, under Registration Certificate No. [redacted] dated September 5, 2000, as Ecozone Facilities Enterprises at Calamba Premiere International Park, Carmelray industrial Park II, Laguna Technopark-SEZ, Cavite Economic Zone, Light Industry & Science Park III and Suntrust Ecotown Tanza.

CCMCLI is the absolute and registered owner of two (2) parcels of industrial lots identified as CCMC – Celestica Building II located at CCMC Compound, West Road. Light Industry & Science Park 1, Brgy. Diezmo, Cabuyao, Laguna covered by TCT Nos. [redacted] and [redacted] containing a total area of 1,427 square meters.

On January 14, 2016, a Deed of Absolute Sale was executed by and between CCMCLI and DMDALI whereby the former transferred to the latter the above-described property for [redacted]

In order to effect the issuance of the Certificate Authorizing Registration (CAR), both DMDALI and CCMCLI paid the documentary stamp tax, on the sale of the above-mentioned property, amounting to [redacted] on February 4, 2016 at BPI-Biñan Capinpin branch.

In reply, please be informed that Section 24 of Republic Act (RA) No. 7916, otherwise known as "The Special Economic Zone Act of 1995", as amended by RA 8748 provides -

> **"SEC. 24.** *Exemption from National and Local Taxes. - Except for real property taxes on land owned by developers, no taxes, local and national, shall be imposed on business establishments operating within the ECOZONE. In lieu thereof, five percent (5%) of the gross income earned by all business enterprises within the ECOZONE shall be paid and remitted as follows:*
>
> *a. Three percent (3%) to the National Government;*
> *b. Two percent (2%) which shall be directly remitted by the business establishments to the treasurer's office of the municipality or city where the enterprise is located."*

Thus, except for real property tax, no taxes, local and national, shall be imposed on business establishments operating within the Ecozone. Instead, all business enterprises within the Ecozone are imposed a preferential tax rate of five percent (5%) based on gross income earned from operation within the Ecozone that is being managed and operated by the PEZA as a separate customs territory.

The term "gross income" as used in the above-cited provision, refers to gross sales or gross revenues derived from business activity within the Ecozone, net of sales discounts, sales returns and allowances minus cost of sales or direct costs but before deduction is made for administrative expenses or incidental losses during a given taxable period (Section 2 (nn), Rule I of the Rules and Regulations implementing RA 7916).

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In several cases, this Office had occasion to rule that the sale of a property located within the Ecozone by a PEZA-registered enterprise to another PEZA-registered enterprise is not subject to the corresponding DST, but subject to the 5% preferential tax rate based on the gross income earned pursuant to Section 24 of R.A. No. 7916. (BIR Ruling No. 008-99 dated January 19, 1999 and DA-636-04 dated December 15, 2004)

In view of the foregoing, the sale of the two (2) parcels of industrial lots within the Ecozone by CCMCLI, a PEZA-registered enterprise to DMDALI, another PEZA-registered enterprise, is not subject to the corresponding documentary stamp tax, but subject to the 5% preferential tax rate based on the gross income earned pursuant to Section 24 of R.A. No. 7916, as amended by R.A. No. 8748.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be ascertained 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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