Bureau of Internal Revenue Ruling

Republic Act (RA) No. 9904; RA No. 8424, as amended; Revenue Memorandum Circular (RMC) No. 9-2013; and RMC No. 53-2013		?674-2017

Date: December 27, 2017

Person to Contact: Chief, Law Division
Tel. Nos. 926-55-36 / 927-09-63

PERPETUAL VILLAGE HOMEOWNER'S ASSOCIATION, INC.
Perpertual Village Multi-purpose Building
Daang Hari St., Perpetual Village, Bagong Tanyag,
Taguig City

Attention: **MR. SAMSON PANGANIBAN**
President

Gentlemen:

This refers to your letter dated January 11, 2016 requesting for tax exemption of **Perpetual Village Homeowner's Association, Inc.** under Republic Act (R.A.) No. 9904 otherwise known as the "Magna Carta for Homeowners and Homeowners' Associations," as enunciated in Revenue Memorandum Circular (RMC) No. 9-2013 which clarifies the taxability of association dues, membership fees, and other assessments/charges collected by Homeowners' Associations.

It is represented that Perpetual Village Homeowner's Association Inc. provides the following basic services that redound to the benefit of all homeowners:

1) Security of the Subdivision;
2) Street and vicinity lights;
3) Maintenance, repairs and cleaning of streets; and
4) Sports facilities maintenance.

In reply, please be informed that homeowners' associations are not tax exempt entities. For tax purposes, the association dues, membership fees, and other assessments/charges collected by a homeowners' association constitute income payments or compensation for beneficial services it provides to its members and tenants[1]. However, RA No. 9904 provides for tax relief as follows:

> *"**Section 18. Relationship with LGUs.** - Homeowners' associations shall complement, support and strengthen LGUs in providing vital services to*

[1] Revenue Memorandum Circular (RMC) No. 9-2013

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. (Underscoring supplied)

xxx xxx xxx"

The law therefore specifically exempts from income tax, **association dues** and **income from rental of its facilities** as an incentive to the association for providing basic services to its members and homeowners which otherwise should be provided by the Local Government Unit (LGU).

From the foregoing, and considering that the Office of the City Mayor of Taguig City thru the Local Housing Office certified that it lacks available resources to provide basic community services and facilities needed by the members of the Association, this Office rules that **PERPETUAL VILLAGE HOMEOWNER'S ASSOCIATION, INC.** is exempt from income tax, value-added tax or percentage tax, whichever is applicable, only on its income or receipts derived from association dues and rentals of facilities or properties in the name of the Association, or are owned by the City of Taguig and under administration of the **PERPETUAL VILLAGE HOMEOWNER'S ASSOCIATION, INC.** 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 subdivision or villages

It is requested that a copy of this letter of exemption be attached to the annual income tax return which **PERPETUAL VILLAGE HOMEOWNER'S ASSOCIATION, INC.** will file on or before the 15th day of the fourth month of each year.

Under Section 235 of the National Internal Revenue Code of 1997, as amended, any provision of existing general or special law to the contrary notwithstanding, the Revenue District Officer shall conduct an audit of the returns filed, the books of accounts and other pertinent records of **PERPETUAL VILLAGE HOMEOWNER'S ASSOCIATION, INC.** to determine compliance with the conditions set forth in this letter of tax exemption and tax liabilities, if any.

It should be understood that **PERPETUAL VILLAGE HOMEOWNER'S 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 National Internal Revenue Code of 1997, as amended.

Finally, **PERPETUAL VILLAGE HOMEOWNER'S ASSOCIATION, INC.** is also subject to the payment of the annual registration fee of Php500.00 as prescribed in Section 236(B) of the National Internal Revenue 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 being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be ascertained that the facts are different this ruling shall be considered null and void.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue
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KI-FR-16-1115

Copy Furnished:

REVENUE DISTRICT OFFICER
Revenue District No. 44 Taguig-Pateros
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Crescent West Park, Bonifacio Global City, Taguig City