REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
National Office Building
Quezon City

Republic Act No. 4726
BIR Ruling No. 474-19
OT- 002-2024
JAN 18 2024

ALVEO LAND CORP.
Alveo Corporate Center
728 28th St., Bonifacio Global City
1634 Taguig City

Attention: **ANTONIO S. SANCHEZ III**
Attorney-in-Fact

MICHELLE A. ALIGGAYU
Attorney-in-Fact

Gentlemen:

This refers to your request on behalf of **ALVEO LAND CORP.** ("ALC")[1] for a ruling that the transfer or conveyance of common areas, including the land and facilities and utilities to the Condominium Corporation, without consideration, is not subject to income tax, creditable withholding tax ("CWT"), value-added tax ("VAT"), documentary stamp tax ("DST"), but subject to DST on notarial acknowledgement under Section 188 of the National Internal Revenue Code ("Tax Code") of 1997, as amended.

Documents submitted disclose that ALC is a corporation duly organized and existing under the laws of the Republic of the Philippines.

Likewise, MANILA JOCKEY CLUB, INC. ("MJCI") is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines. It is the duly registered owner of the parcel of land with an area of approximately 9,273 square meters located in Felix Huerta St., Sta. Cruz, Manila, more specifically described in Transfer Certificate of Title ("TCT") No. , of Registry of Deeds of the City of Manila.

On the other hand, CELADON PARK MANILA CONDOMINIUM CORPORATION (the "Condominium Corporation") is a non-stock, not-profit corporation duly registered with the Securities and Exchange Commission ("SEC") and organized pursuant to the provisions of Master Deed with Declaration of Restrictions for the purpose of holding title of the land as well as the common area of the project.

In accordance with the Joint Development Agreement dated February 16, 2005, executed between ALC and MJCI, ALC has developed and constructed Celadon Park Manila (the "Project"); and ALC executed a Master Deed with Declaration of Restrictions including its amendments, and further caused the same to be annotated on the aforesaid TCT No. 4

[1] *Formerly: Community Innovations, Inc.*

Thereafter, on May 6, 2019, ALC, MJCI, and the Condominium Corporation executed the Deed of Conveyance, whereby ALC and MJCI assigns, transfers, and conveys all their respective rights, interests, and title over the common areas, which include the land with a total area of 9,273 square meters wherein the Project is developed and constituted to the Condominium Corporation for the use of the owners and residents of all the condominium unit of the Project. Hence, this request.

In reply, please be informed that Section 10 of Republic Act ("RA") No. 4726 provides that whenever the common areas in a condominium project are held by a condominium corporation, such corporation shall constitute the management body of the project. The corporate purposes of such a corporation shall be limited to the holding of the common areas, either in ownership or any other interest in real property recognized by law, to the management of the project, and to such other purposes as may be necessary, incidental or convenient to the accomplishment of said purposes.

Since the Deed of Conveyance is made without consideration and is not in connection with the sale made to Condominium Corporation, no taxable income will be generated and therefore, no capital gains tax or CWT is payable and collectible. The purpose of the conveyance to the Condominium Corporation is for the management of the project for the common benefit of the unit owners.

Moreover, it is also exempt from the imposition of DST imposed under Section 185 of the Revised Documentary Stamp Tax Regulations (Regulation No. 26) which provides that "*conveyances of realty not in connection with a sale, to trustees or other persons without consideration are not taxable*." However, the notarial acknowledgment to such deed is subject to the DST of P30.00 under Section 188 of the Tax Code of 1997, as amended.

Finally, the transfer of land and the common areas of the Condominium Corporation as embodied in the Deed of Conveyance is also not subject to VAT under Title IV of the Tax Code of 1997, as amended. It must also be noted that the transfer of the real property from one party to another where the beneficial ownership of which is retained by the original party is not taxable. When the title of the land and the common areas are transferred to the Condominium Corporation composed of the condominium unit owners, the real estate developer receives no additional payment. The conveyance is without any monetary consideration and is not in connection with any sale in favor of the Condominium Corporation. As such, the same cannot be considered as a transaction subject to VAT pursuant to Section 105 of the Tax Code of 1997, as amended.

This ruling is being issued on the basis of the foregoing facts as presented. 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,

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

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