

CREDITABLE WITHHOLDING TAX ON SALES, EXCHANGES, OR TRANSFERS OF REAL PROPERTY

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1. As provided for in Revenue Regulations No. 1-90, and implemented by Revenue Memorandum Circular No. 7-90, the rates of creditable withholding tax on sales, exchanges, or transfers of real properties have been reduced to 0%, 2.5% or 5%, for real estate transactions the deeds of sale or transfer of which have been filed with the BIR on or after February 1, 1990. Under said issuances, the vendor of real property becomes entitled to zero (0%) percent only if the consideration for the sale of the lot or house and lot per transaction does not exceed P500 ,000 and he is registered with and certified to as engaged in low-cost housing projects under Batas Pambansa Blg. 220 (socialized housing law) by the Housing and Urban Development Coordinating Council (HUDCC) or the Housing and Land Use Regulatory Board (HLURB). And when the vendor's housing project is registered with the above-mentioned government agency under Presidential Decree No. 957 (Open market housing law), the transaction will be subject to either 2.5% or 5% withholding tax, notwithstanding the fact that the consideration is not more than P500,000.
2. In order to remove the bias against the low-cost housing projects registered under PD 957 and to simplify tax administration, all sales, exchanges or transfers of real property on or after March 1, 1990 shall be subject to zero (0%) percent, regardless of the law under which the project is registered, provided that the consideration does not exceed P500 ,000. In other words, it is the selling price or consideration and not the law under which a project was approved, that determines whether or not a transaction is socialized/low-cost in nature. This is also in conformity with the prevailing ceiling for low-income housing as set by government housing facilities like the PAG-IBIG.
3. To be entitled to the lower withholding tax rates of 0% or 2.5% the presentation of the copies of the Certificate of Registration and License to Sell for a subdivision or condominium project issued by HLURB shall be sufficient proof for the purposes of the required HUDCC/HLURB certification in the regulations.
4. This Revenue Memorandum Circular, which modifies RMC 7-90 dated January 16, 1990, shall take effect on March 1, 1990. As in RMC 7-90, the date of presentation of the sales documents to the BIR shall be followed in determining the applicable withholding tax rate on the transaction.
5. All internal revenue officials and others concerned are hereby enjoined to give this Revenue Memorandum Circular the widest publicity possible.

Adopted: 16 Feb. 1990

(Sgd.) JOSE U. ONG

Commissioner of Internal Revenue

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