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AMENDING THE PROCEDURAL REQUIREMENTS FOR THE TAX EXEMPTION OF SALE OF PRINCIPAL RESIDENCE

REVENUE MEMORANDUM CIRCULAR NO. 45-2002, OCTOBER 14, 2002, October 14, 2002

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This Circular is hereby issued to harmonize existing guidelines in the processing/issuance of Certificate Authorizing Registration (CAR) or Tax Clearance Certificate (TCL) on the sale or disposition of principal residence under Section 24(D)(2) of the Tax Code of 1997 in line with the One Time Transaction (ONETT) Program.

SECTION 1. In the light of the provisions of Revenue Regulations (RR) No. 14-2000 requiring the execution of an Escrow Agreement covering the amount of capital gains tax involved by and among the Revenue District Officer (RDO), the Authorized Agent Bank (ABB) and the Seller/Transferor of real property classified and used as principal residence, the tax exemption ruling referred to in RMC Nos. 3-2001 and 14-2001 is no longer necessary for the issuance of the CAR and/or TCL.

SECTION 2. The concerned RDO shall see to it that if upon the lapse of thirty (30) days following the end of the eighteen-month construction/acquisition period, there is no showing that the seller has utilized the proceeds of sale, exchange or disposition of his old principal residence to acquire or construct his new principal residence, said RDO shall forthwith initiate the assessment of deficiency capital gains tax and, thereafter, apply the escrowed bank deposit account against the deficiency, in accordance with Sec. 3(7) of RR 13-99, as amended by RR 14-2000.

SECTION 3. The provisions of all internal revenue issuances inconsistent herewith are hereby repealed, modified or amended accordingly.

SECTION 4. This Circular shall take effect immediately upon approval.

Adopted: 14 Oct. 2002

(SGD.) GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue

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