

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE

Date: October 12, 2012

**REVENUE REGULATIONS No. 13-2012**

**SUBJECT:** VAT treatment on Sale of Adjacent Residential Lots, House and Lots or Other Residential Dwellings, thereby Amending Certain Provisions of Revenue Regulations No. 16 -2005, as amended, Otherwise Known as Consolidated VAT Regulations of 2005.

**TO :** All Internal Revenue Officers, Employees and Others Concerned

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**Section 1. BACKGROUND.** It has come to the attention of the Bureau of Internal Revenue that sale to one buyer of adjacent residential lots, house & lots or other residential dwellings like condominium units which are actually being combined and utilized as one residential unit are intentionally being documented as separate units in order to avoid payment of value added tax (VAT) by keeping them below the VAT threshold amount.

**Section 2. SALE OF REAL PROPERTIES.** – A new paragraph shall be added to Section 4.106-3 of Revenue Regulations No. 16-2005, as amended to read as follows:

"Section 4.106-3 Sale of Real Properties. — Sale of real properties held primarily for sale to customers or held for lease in the ordinary course of trade or business of the seller shall be subject to VAT.

X X X            X X X            X X X

**This includes sale, transfer or disposal within a 12-month period of two or more adjacent residential lots, house and lots or other residential dwellings in favor of one buyer from the same seller, for the purpose of utilizing the lots, house and lots or other residential dwellings as one residential area wherein the aggregate value of the adjacent properties exceeds P1,919,500.00, for residential lots and P3,199,200.00 for residential house and lots or other residential dwellings. Adjacent residential lots, house and lots or other residential dwellings although covered by separate titles and/or separate tax declarations, when sold or disposed to one and the same buyer, whether covered by one or**

**separate Deed/s of Conveyance, shall be presumed as a sale of one residential lot, house and lot or residential dwelling.**

**This however, does not include the sale of parking lot which may or may not be included in the sale of condominium units. The sale of parking lots in a condominium is a separate and distinct transaction and is not covered by the rules on threshold amount not being a residential lot, house & lot or a residential dwelling, thus, should be subject to VAT regardless of amount of selling price.”**

**Section 3. VAT EXEMPT TRANSACTIONS.** - Sections 4.109.-1 (B)(1) (p)(4) of Revenue Regulations No. 16-2005, as amended, is hereby further amended to read as follows:

“(p) The following sales of real properties are exempt from VAT, namely:

(4)

x x x                x x x                x x x

If two or more adjacent residential lots, **house and lots or other residential dwellings** are sold or disposed in favor of one buyer **from the same seller**, for the purpose of utilizing the lots, **house and lots or other residential dwellings** as one residential **area**, the sale shall be exempt from VAT only if the aggregate value of the **said properties** do not exceed **P1,919,500.00 for residential lots, and P3,199,200.00 for residential house and lots or other residential dwellings.** Adjacent residential lots, **house and lots or other residential dwellings** although covered by separate titles and/or separate tax declarations, when sold or disposed to one and the same buyer, whether covered by one or separate Deed/s of Conveyance, shall be presumed as a sale of one residential lot, **house and lot or residential dwelling.**

**This however, does not include the sale of parking lot which may or may not be included in the sale of condominium units. The sale of parking lots in a condominium is a separate and distinct transaction and is not covered by the rules on threshold amount not being a residential lot, house & lot or a residential dwelling, thus, should be subject to VAT regardless of amount of selling price.**

x x x                x x x                x x x "

**Section 4. REPEALING CLAUSE.** - All existing rules and regulations and other issuances or parts thereof which are inconsistent with the provisions of these Regulations are hereby modified, amended or revoked accordingly.

**Section 5. EFFECTIVITY.** - These Regulations shall take effect after fifteen (15) days following complete publication in a newspaper of general circulation in the Philippines.

(Original Signed)  
**CESAR V. PURISIMA**  
Secretary of Finance

Recommending Approval:

(Original Signed)  
**KIM S. JACINTO -HENARES**  
Commissioner of Internal Revenue