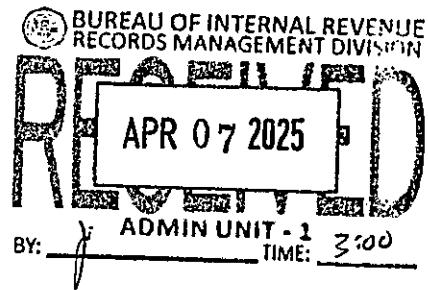




REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City



APR 07 2025

REVENUE MEMORANDUM CIRCULAR NO. 031-2025

SUBJECT : Clarification on the Provisions on the Applicable Taxes Due on Sale of Real Property Considered as Ordinary Assets of the Seller and Other Relevant Matters

TO : All Internal Revenue Officers and Employees and Others Concerned

In order to have a uniform application of tax laws, rules and regulations pertaining to transfer/sale of real properties classified as "ordinary assets", the following issues and concerns are hereby addressed for the observance and guidance of all Revenue Officers and others concerned:

All taxpayers habitually engaged in the real estate business shall comply to the following:

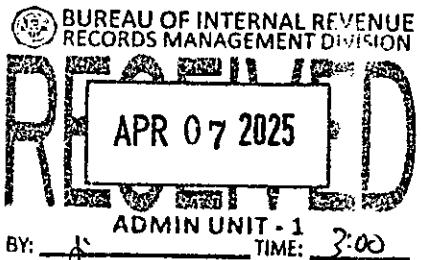
A. Requisite tax returns to be filed in relation to the sale of real property by taxpayers habitually engaged in the real estate business.

The tax returns to be filed by taxpayers habitually engaged in the real estate business are: (a) BIR Form No. 1606 (Withholding Tax Remittance Return – For Onerous Transfer of Real Property other than Capital Asset) for the remittance of expanded withholding tax on the sale of real property; and (b) BIR Form No. 2000-OT for the declaration and payment of the documentary stamp tax (DST) due on the sale of real property.

Lumping the filing and remittance of creditable withholding tax (CWT) involving multiple real estate sales transactions using one (1) return shall not be allowed and the same cannot be used as a proof of withholding tax payment in processing the electronic Certificate Authorizing Registration.

B. Proof of Income Tax Credit of taxpayers habitually engaged in the real estate business.

The copy of BIR Form No. 1606 (Withholding Tax Remittance Return – For Onerous Transfer of Real Property other than Capital Asset) with proof of payment of the CWT



shall be attached to the Income Tax Return (ITR) where the sales were declared by the taxpayer-seller habitually engaged in the real estate business.

The issuance of BIR Form No. 2307 as proof of income tax credit in lieu of BIR Form No. 1606 with proof of payment shall be discontinued. The BIR Form No. 1606 with proof of payment shall be the only proof of claiming the income tax credit in relation to the sale of real property classified as Ordinary Asset by a taxpayer-seller habitually engaged in the real estate business.

C. Presentation of Income Tax Credits arising from BIR Form No. 1606 in the Annual ITR of taxpayers habitually engaged in the real estate business.

Taxpayers habitually engaged in the real estate business shall lodge the total of BIR Form No. 2307 under Creditable Tax Withheld for the Year (from Previous Quarter/s and Fourth Quarter) for its business/es other than real estate business, and the CWT remitted thru BIR Form No. 1606 under Other Tax Credits/Payments of the Annual ITR, depending on the applicable and latest Annual ITR form available as shown hereunder:

BIR Form No.	Page No.	Part No.	Schedule No.	Line No/s.	Line No/s.
1701	4	VII		3 & 4	9
1701A	2	IVC		59 & 60	63
1702-MX	2	IV	3	24 & 25	30 or 31
1702-RT	2	IV		48 & 49	53 or 54
1702-EX	2	IV		44 & 45	48 or 49

The availability of the revised Annual ITR in the Electronic Filing and Payment System or other electronic platforms of the BIR shall be announced through a separate Revenue Issuance.

The total of the tax credits claimed per submitted Summary Alphalist of Withholding Taxes (SAWT) by taxpayers habitually engaged in the real estate business shall be the total of BIR Form No. 2307 under Creditable Tax Withheld for the Year (from Previous Quarter/s and Fourth Quarter) for its business/es other than real estate business, and the CWT remitted thru BIR Form No. 1606 under Other Tax Credits/Payments of the Annual ITR.

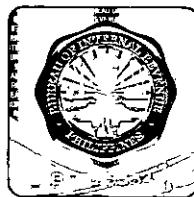
D. Documents to be issued by taxpayers habitually engaged in the real estate business on their Sale of Real Property financed by Financing Institutions.

If the buyer of the real estate opts to settle the remaining balance by applying for or availing of a loan from a financing institution (i.e., Banks, PAG-IBIG/HDMF, etc.) and the financing institution approves and guarantees the release of loan/cash to the seller, the receipt of money by the seller from the financing institution shall be subject to twelve percent (12%) output VAT. Consequently, the seller shall issue a Sales Invoice to the buyer as evidence of sale and payment, and an Acknowledgement Receipt or Official Receipt to the financing institution as evidence of cash receipt.

E. Taxability of Other Fees collected by taxpayers habitually engaged in the real estate business.

Transfer fees, processing fees, miscellaneous fees, registration fees, and the like billed by the taxpayer habitually engaged in the real estate business shall be subject to income tax and likewise be subject to a twelve percent (12%) output VAT.

All internal Revenue Officer and others concerned are hereby enjoined to give this Circular a wide publicity as possible.



ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

