

SENATE OF THE PHILIPPINES)
SIXTEENTH CONGRESS)
First Regular Session)



14 MAY 28 AM 11:46

SENATE

RECEIVED BY: ji

Senate Bill No. 2250

Introduced by **SENATOR JOSEPH VICTOR G. EJERCITO**

AN ACT CLASSIFYING THE ASSOCIATION DUES AND MEMBERSHIP FEES COLLECTED BY HOMEOWNERS ASSOCIATIONS OR CONDOMINIUM CORPORATIONS FROM THEIR MEMBERS OR TENANTS AS EXCLUDED FROM INCOME TAX OR VALUE ADDED TAX (VAT), AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8424 AND FOR OTHER PURPOSES

EXPLANATORY NOTE

This measure aims to exclude from income tax and value-added tax the association dues or membership dues paid by homeowners to their housing association or condominium corporations for the upkeep and maintenance of their housing tenements, common areas of their condominium buildings and other items that will help ensure a safe and healthy environment for homeowners.

Association or membership or condominium dues cannot be considered income of the association because it can only be spent on the intended purpose of homeowners who placed it in trust of the homeowners association or condominium corporations. The association has no discretion in the use or spending of these funds since these are not their income subject to their disposition.

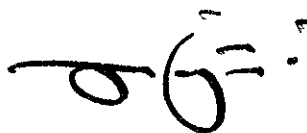
Certainly the funds cannot also be deemed as payment for sale or services or any transaction subject to VAT. These are payment by the members to hire security or janitorial services, and other maintenance work, all of which will later on subject to VAT, initially held in trust by the association and cannot therefore be subject to another VAT.

The Bureau of Internal Revenue itself had issued several rulings in the past, which exempts from income tax the assessment/charges collected by condominium corporations from its members, on the ground that the collection of association dues and other assessments/charges were merely held in trust to be used solely for administrative expenses in implementing its purposes, such as operating, managing and maintaining the condominium, and from which no gain or profit can be realized by the condominium corporation from the receipt thereof.

There is a housing problem in the country and the government should not only build housing units for the people to address this problem but must also encourage those who are capable of owning a house to invest in the building or owning of a home of their own. Encouraging people who can afford to invest in or acquire their own homes, is never more pronounced because government claims to be incapable of building houses to solve the lack of housing. In fact, taxing association dues practically goes against all government policies in response to the housing shortage including policies related to encouraging low cost or socialized housing for the poor and those who cannot afford their housing needs.

Taxing association or membership dues will not only increase the cost of owning a home but will discourage people from investing in acquiring or building their homes, which will surely exacerbate the housing crisis in the country.

In view of the foregoing, the passage of this bill is earnestly sought.



JOSEPH VICTOR G. EJERCITO

HOMEOWNERS' ASSOCIATION HOLDING IN TRUST ASSOCIATION OR MEMBERSHIP DUES FOR THE BENEFIT OF THE MEMBERS;

SECTION 2. Section 32 (B) of the Republic Act No. 8424, otherwise known as the National Internal Revenue Code, as amended, is hereby amended to read as follows:

“SECTION 32. *Gross Income.* –

“(A) General Definition. x x x x

“(B) Exclusions from Gross Income. – The following items shall not be included in the gross income and shall be exempt from taxation under this Title:

“(1) x x x x

“(2) x x x x

“(7) Miscellaneous Items. –

“(a) x x x x

“(b) x x x x

“(f) GSIS, SSS, Medicare and Other Contributions. – GSIS, SSS, Medicare and Pag Ibig Contributions, and union dues of individuals AND AMOUNTS PAID AS ASSOCIATION DUES AND MEMBERSHIP FEES COLLECTED BY A CONDOMINIUM CORPORATION OR A HOMEOWNERS' ASSOCIATION FROM THEIR MEMBERS OR TENANTS.”

SECTION 3. Section 109 (t) of Republic Act 8494 is hereby amended to read as follows:

“SECTION 109. *Exempt Transactions.* – The following shall be exempt from the value-added tax:

“(a) x x x x

“(b) x x x x

x x x x x

“(t) Gross receipts from lending activities by credit or multi-purpose cooperatives duly registered with the Cooperative Development Authority whose lending operation is limited to their members; GROSS RECEIPTS OF CONDOMINIUM CORPORATIONS OR HOMEOWNERS' ASSOCIATION FOR AMOUNTS PAID AS ASSOCIATION DUES OR MEMBERSHIP FEES COLLECTED BY A CONDOMINIUM CORPORATION OR A HOMEOWNER'S ASSOCIATION FROM THEIR MEMBERS OR TENANTS.”

SECTION 4. Repealing Clause. – All laws, decrees, resolutions, orders or ordinances or parts thereof inconsistent with this Act, are hereby repealed, amended or modified accordingly.

SECTION 5. Effectivity Clause. – This shall take effect fifteen days following its publication for two consecutive weeks in the newspaper of general circulation in the Philippines.

Approved,