

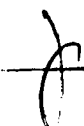
SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



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SENATE

S. No. 922

RECEIVED BY: 

Introduced by Senator Ralph G. Recto

AN ACT
EXEMPTING MEMBERSHIP FEES, AND OTHER ASSESSMENTS/CHARGES
COLLECTED BY CONDOMINIUM CORPORATIONS FROM VALUE-ADDED TAX,
AMENDING FOR THE PURPOSE SECTION 109 (1) OF THE NATIONAL INTERNAL
REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

Explanatory Note

This bill seeks to exempt association dues, membership fees, and other assessments/charges collected by condominium corporations from the Value-Added Tax (VAT).

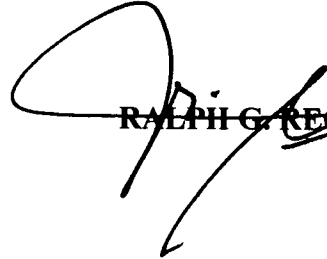
In 2012, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) No. 65-2012 which effectively abandoned a long-standing BIR Ruling that association dues, membership fees, and other assessments/charges collected by condominium corporations are exempt from income and value-added tax (VAT). The only basis that the BIR could cite was its opinion that these fees or charges constitute income payment or compensation in favor of the condominium corporations for the beneficial services it provides to its members and tenants. However, it must be borne in mind that these fees and charges are merely held in trust by condominium corporations and are used exclusively for administrative purposes, i.e., for the maintenance and operations of the condominium.

The corporate purposes of a condominium corporation as provided under Republic Act No. 4726 shall be limited to the holding of the common areas, either in ownership or any other interest in real property recognized by law, to the management of the condominium project and such other purposes as may be necessary, convenient or incidental to the accomplishment of said purposes. It cannot be denied that condominium unit owners benefit from the services provided by the condominium corporations. However, the said corporations do not render services for a fee but merely act as managers and trustees of the association dues and fees to be used for maintenance and expenses for utilities. These fees do not constitute income payments or remuneration for services rendered by the condominium corporation. Hence, not subject to VAT.

Nonetheless, it cannot be over-emphasized that the RMC issued by the BIR will impose additional burden to condominium unit owners. While it is the condominium corporation who will be liable for the payment of VAT, the same is an indirect tax, which can be shifted or passed on to the condominium unit owners. Therefore, it does not come as a surprise that many middle-income earners who are condominium unit owners have been very vocal about their opposition to this latest tax imposition by the BIR.

It is high time that a law be passed by Congress that will lessen the impact of the rising cost of living in Metro Manila and other urban areas. The imposition of VAT on association dues, membership fees, and other assessments/charges collected by condominium corporations by the BIR will certainly affect the majority of our country's middle-income earners, who are the major clients of the condominium corporations and are considered to be the economy's driving force.


In view of the foregoing consideration, approval of this bill is highly recommended.



RALPH G. RECTO

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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 **Section 1.** Section 109 (1) of the National Internal Revenue Code of 1997, as amended is
2 hereby further amended to read as follows:

3 **“SEC.109 Exempt Transactions.** – (1) Subject to the provisions of
4 Subsection (2) hereof, the following transactions shall be exempt from the
5 value-added tax:

6 “(A) xxx;

7 **“(X) ASSOCIATION DUES, MEMBERSHIP FEES AND OTHER**
8 **ASSESSMENTS/CHARGES COLLECTED BY CONDOMINIUM**
9 **CORPORATIONS FROM THEIR MEMBERS AND**
10 **TENANTS/LESSEES.**

11 “xxx.”

12 **Section 2.** *Implementing Rules and Regulations.* – The Secretary of Finance, shall,
13 upon the recommendation of the Commissioner of Internal Revenue, promulgate not later than
14 thirty (30) days upon the effectivity of this Act the necessary rules and regulations for its proper
15 and effective implementation.

16 **Section 3.** *Repealing Clause.* – All laws, Acts, Presidential Decrees, Executive
17 Orders, issuances, presidential proclamations, rules and regulations or parts thereof which are

1 contrary to and inconsistent with any provision of this Act are hereby repealed, amended or
2 modified accordingly.

3 **Section 4.** *Effectivity.* – This Act shall take effect fifteen (15) days after its complete
4 publication either in the Official Gazette, or in at least two (2) newspapers of general circulation.

5 Approved,