

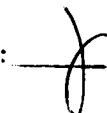
SEVENTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )



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SENATE

S. No. 923

RECEIVED BY: 

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Introduced by Senator Ralph G. Recto

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**AN ACT**  
**LOWERING THE TAX RATE ON CAPITAL GAINS FROM THE SALE, EXCHANGE**  
**OR OTHER DISPOSITION OF REAL PROPERTY, AMENDING FOR THE PURPOSE**  
**SECTIONS 24 (D) (1) AND 27 (D) (5) OF REPUBLIC ACT NO. 8424, OTHERWISE**  
**KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED,**  
**AND FOR OTHER PURPOSES**

**Explanatory Note**

Transferring of land titles in the Philippines can be a cumbersome exercise. There are too many factors to consider such as the payment of applicable national and local taxes and not to mention the usual delays in transacting with different government agencies. With respect to national taxes, if the subject property is a capital asset, the seller must first file before the Bureau of Internal Revenue (BIR) the appropriate tax returns and pay the capital gains tax and documentary stamp tax. As for local taxes, the seller has to pay a local transfer tax before the local government unit where the property is located.<sup>1</sup>

At present, the Tax Code imposes a six percent (6%) capital gains tax (CGT) on individual taxpayers on the sale, exchange or other disposition of real property based on the gross selling price or current fair market value, whichever is higher.<sup>2</sup> On the other hand, a corporation selling a land or building, which is not actually used in the business of the said corporation and is treated as a capital asset, is imposed with the same CGT rate as individuals. Among all the taxes that must be settled before a title to a real property may be transferred, including the local transfer tax, the CGT rate is the highest.

Most of the time, cash-strapped individual sellers including corporations have to settle to a lower selling price in order to entice a buyer into purchasing their landholding thereby diminishing the real value of their real property investment. Moreover, individuals or corporations planning on expanding their businesses will have to shell out a huge portion from their capital for the purpose of acquiring real property in order to pay the CGT and other taxes.

To keep up with today's fast-paced economy and to ease the tax burden on the individual as well as corporate taxpayers, this bill seeks to reduce the CGT rate from the current rate of six percent (6%) to three percent (3%). With this amendment, individual taxpayers may find it easier and cheaper to sell their properties since the CGT rate will be cut in half. Furthermore,

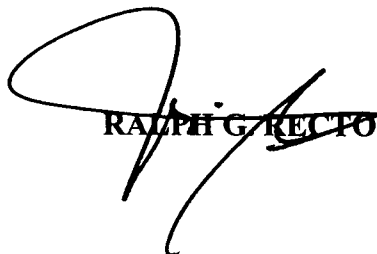
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<sup>1</sup> Section 135, RA 7160, otherwise known as the Local Government Code of 1991.

<sup>2</sup> Section 24 (D) (1), RA 8424, otherwise known as the National Internal Revenue Code of 1991.

this amendment will allow businesses to expand since acquisition of land will now become less costly.

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



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. Chapter III, Section 24 (D) (1) of Republic Act No. 8424, as amended, is  
2 hereby further amended to read as follows:

3 CHAPTER III

4 TAX ON INDIVIDUALS

5 "Sec. 24. Income Tax Rates. -

6 "xxx

7 "(D) Capital Gains from Sale of Real Property. -

8  
9  
10  
11 "(1) In General. - The provisions of Section 39 (B)  
12 notwithstanding, a final tax of [six percent (6%)] **THREE PERCENT**  
13 **(3%)** based on the gross selling price or current fair market value as  
14 determined in accordance with Section 6 (E) of this Code, whichever is  
15 higher, is hereby imposed upon capital gains presumed to have been  
16 realized from the sale, exchange or other disposition of real property  
17 located in the Philippines, classified as capital assets including *pacto de*  
18 *retro* sales and other forms of conditional sales by individuals including  
19 estates and trusts: Provided, That the tax liability, if any, on gains from  
20 sales or other dispositions of real property to the government or any of  
21 its political subdivisions or agencies or to government-owned or  
22 controlled corporations shall be determined either under Section 24 (A)  
23 or under this Subsection, at the option of the taxpayer.

24 "xxx."  
25  
26  
27

