REVENUE REGULATIONS NO. 16-2011 issued on October 28, 2011 increases the amount of threshold amounts for sale of residential lot, sale of house and lot, lease of residential unit and sale or lease of goods or properties or performance of services covered by Section 109 (P), (Q) and (V) of the Tax Code of 1997, as amended, thereby amending certain provisions of Revenue Regulations No. 16-2005, as amended, otherwise known as the “Consolidated Value-Added Tax (VAT) Regulations of 2005”.

The adjusted threshold amounts, rounded off to the nearest hundred, are as follows:

<table>
<thead>
<tr>
<th>Section</th>
<th>Amount in Pesos (2005)</th>
<th>Adjusted threshold amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 109 (P)</td>
<td>1,500,000</td>
<td>1,919,500.00</td>
</tr>
<tr>
<td>Section 109 (P)</td>
<td>2,500,000</td>
<td>3,199,200.00</td>
</tr>
<tr>
<td>Section 109 (Q)</td>
<td>10,000</td>
<td>12,800.00</td>
</tr>
<tr>
<td>Section 109 (V)</td>
<td>1,500,000</td>
<td>1,919,500.00</td>
</tr>
</tbody>
</table>

Sale of residential lot with gross selling price exceeding ₱1,919,500.00, residential house and lot or other residential dwellings with gross selling price exceeding ₱3,199,200.00, where the instrument of sale (whether the instrument is nominated as a deed of absolute sale, deed of conditional sale or otherwise) is executed on or after November 1, 2005, shall be subject to 10% output VAT, and starting February 1, 2006, to 12% output VAT.

Sale or lease of goods or properties or the performance of services of non-VAT-registered persons, other than the transactions mentioned in paragraphs (A) to (U) of Sec. 109(1) of the Tax Code, the gross annual sales and/or receipts of which does not exceed the amount of ₱1,919,500.00, is subject to Percentage Tax.

Sale of residential lot valued at ₱1,919,500.00 and below, or house and lot and other residential dwellings valued at ₱3,199,200.00 and below, where the instrument of sale/transfer/disposition was executed on or after July 1, 2005 is exempt from VAT.

Provided, That every 3 years thereafter, the aforesaid threshold amounts shall be adjusted to its present value using the Consumer Price Index, as published by the National Statistics Office (NSO); Provided, further, that such adjustment shall be published through revenue regulations to be issued not later than March 31 of each year;

If two or more adjacent residential lots are sold or disposed in favor of one buyer, for the purpose of utilizing the lots as one residential lot, the sale shall be exempt from VAT only if the aggregate value of the lots do not exceed ₱1,919,500.00. Adjacent residential lots, 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 of Conveyance, shall be presumed as a sale of one residential lot.

Lease of residential units with a monthly rental per unit not exceeding ₱12,800.00, regardless of the amount of aggregate rentals received by the lessor during the year is also exempt from VAT; Provided, every 3 years thereafter, the amount shall be adjusted to its present value using the Consumer Price Index, as published by the NSO; Provided, further, that such adjustment shall be published through revenue regulations to be issued not later than March 31 of each year.

The foregoing notwithstanding, lease of residential units where the monthly rental per unit exceeds ₱12,800.00 but the aggregate of such rentals of the lessor during the year do not exceed ₱1,919,500.00 shall likewise be exempt from VAT, however, the same shall be subjected to 3% Percentage Tax.

In cases where a lessor has several residential units for lease, some are leased out for a monthly rental per unit not exceeding ₱12,800.00 while others are leased out for more than ₱12,800.00 per unit, his tax liability will be as follows:
a. The gross receipts from rentals not exceeding ₱ 12,800.00 per month per unit shall be exempt from VAT regardless of the aggregate annual gross receipts.

b. The gross receipts from rentals exceeding ₱ 12,800.00 per month per unit shall be subject to VAT if the aggregate annual gross receipts from said units only (not including the gross receipts from units leased for not more than ₱ 12,800.00) exceeds ₱ 1,919,500.00. Otherwise, the gross receipts will be subject to the 3% tax imposed under Section 116 of the Tax Code.

Sale or lease of goods or properties or the performance of services other than the transactions mentioned in the preceding paragraphs, the gross annual sales and/or receipts do not exceed the amount of ₱ 1,919,500.00 is exempt from VAT; Provided, every 3 years thereafter, the amount shall be adjusted to its present value using the Consumer Price Index, as published by the NSO; Provided, further, that such adjustment shall be published through revenue regulations to be issued not later than March 31 of each year;

For purposes of the threshold of ₱ 1,919,500.00, the husband and the wife shall be considered separate taxpayers. However, the aggregation rule for each taxpayer shall apply. For instance, if a professional, aside from the practice of his profession, also derives revenue from other lines of business which are otherwise subject to VAT, the same shall be combined for purposes of determining whether the threshold has been exceeded. Thus, the VAT-exempt sales shall not be included in determining the threshold.

These Regulations shall take effect starting January 1, 2012.