REVENUE REGULATIONS NO. 13-2012 issued on October 12, 2012 prescribes the Value-Added Tax (VAT) treatment on sale of adjacent residential lots, house and lots or other residential dwellings, thereby amending certain provisions of Revenue Regulations (RR) No. 16-2005, as amended, otherwise known as consolidated VAT Regulations of 2005.

A new paragraph was added to Section 4.106-3 of RR No. 16-2005, as amended, to read as follows:

"Section 4.106-3 Sale of Real Properties. - Sale of real properties held primarily for sale to customers or held for lease in the ordinary course of trade or business of the seller shall be subject to VAT.

This includes sale, transfer or disposal within a 12-month period of two or more adjacent residential lots, house and lots or other residential dwellings in favor of one buyer from the same seller, for the purpose of utilizing the lots, house and lots or other residential dwellings as one residential area wherein the aggregate value of the adjacent properties exceeds P 1,919,500.00, for residential lots and P 3,199,200.00 for residential house and lots or other residential dwellings. Adjacent residential lots, house and lots or other residential dwellings 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/s of Conveyance, shall be presumed as a sale of one residential lot, house and lot or residential dwelling.

This however, does not include the sale of parking lot which may or may not be included in the sale of condominium units. The sale of parking lots in a condominium is a separate and distinct transaction and is not covered by the rules on threshold amount not being a residential lot, house & lot or a residential dwelling, thus, should be subject to VAT regardless of amount of selling price."

Sections 4.109.-1 (B)(1) (p)(4) of RR No. 16-2005, as amended, is further amended to read as follows:

“(p) The following sales of real properties are exempt from VAT, namely:

If two or more adjacent residential lots, house and lots or other residential dwellings are sold or disposed in favor of one buyer from the same seller, for the purpose of utilizing the lots, house and lots or other residential dwellings as one residential area, the sale shall be exempt from VAT only if the aggregate value of the said properties do not exceed P 1,919,500.00 for residential lots, and P 3,199,200.00 for residential house and lots or other residential dwellings. Adjacent residential lots, house and lots or other residential dwellings 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/s of Conveyance, shall be
presumed as a sale of one residential lot, house and lot or residential dwelling.

This however, does not include the sale of parking lot which may or may not be included in the sale of condominium units. The sale of parking lots in a condominium is a separate and distinct transaction and is not covered by the rules on threshold amount not being a residential lot, house & lot or a residential dwelling, thus, should be subject to VAT regardless of amount of selling price.