

## Tax in a dot

Applicable taxes due on sale of real properties considered as ordinary assets



## Stay ahead with essential tax updates

*Prepared by Deloitte Philippines' tax professionals, this newsletter is crafted to provide you with timely and concise information, helping you stay compliant and strategically informed.*



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### TAX 2025-20

## Applicable taxes due on sale of real properties considered as ordinary assets

To standardize the application of tax laws, rules, and regulations pertaining to the transfer/sale of real properties classified as “ordinary assets”, all taxpayers habitually engaged in the real estate business shall comply with the following:

### A. Requisite tax returns to be filed:

- (a) **BIR Form No. 1606** (Withholding Tax Remittance Return – For Onerous Transfer of Real Property other than Capital Asset) for the remittance of expanded withholding tax on the sale of real property
- (b) **BIR Form No. 2000-OT** for the declaration and payment of the documentary stamp tax (DST) due on the sale of real property.

Lumping the filing and remittance of creditable withholding tax (CWT) involving multiple real estate sales transaction using one return is not allowed and cannot be used as proof of withholding

tax payment in processing the electronic Certificate Authorizing Registration (eCAR).

**B. Proof of income tax credit**

To claim income tax credit, **BIR Form No. 1606** with proof of payment of the CWT shall be attached to the Income Tax Return (ITR) where the sales were declared by the taxpayer-seller habitually engaged in the real estate business.

The BIR Form No. 1606 with proof of payment is the only proof for claiming the income tax credit in relation to the sale of real property classified as ordinary asset by a taxpayer-seller habitually engaged in the real estate business.

**C. Presentation of income tax credits arising from BIR Form No. 1606 in the Annual ITR of taxpayers habitually engaged in the real estate business**

Taxpayers habitually engaged in the real estate business shall lodge the total of BIR Form No. 2307 under Creditable Tax Withheld for the Year (from Previous Quarter/s and Fourth Quarter) for its business/es other than real estate business, and the CWT remitted through BIR Form No. 1606 under Other Tax Credits/Payments of the Annual ITR, depending on the applicable and latest Annual ITR form available as shown below:

BIR Form No.	Page No.	Part No.	Schedule No.	Line No/s.	
				2307	1606
1701	4	VII		3 & 4	9
1701A	2	IVC		59 & 60	63
1702-MX	2	IV	3	24 & 25	30 or 31
1702-RT	2	IV		48 & 49	53 or 54
1702-EX	2	IV		44 & 45	48 or 49

**D. Documents to be issued by taxpayers habitually engaged in the real estate business on their sale of real property financed by financing institutions**

If the buyer of the real estate opts to settle the remaining balance by applying for or availing of a loan from a financing institution, the receipt of money by the seller from the financing institution shall be subject to 12% output VAT. Consequently, the seller shall issue a sales invoice to the buyer as evidence of sale and payment, and an acknowledgement receipt or official receipt to the financing institution as evidence of cash receipt.

**E. Taxability of other fees collected by taxpayers habitually engaged in the real estate business**

Transfer fees, processing fees, miscellaneous fees, registration fees, and the like billed by the taxpayer habitually engaged in the real estate business shall be subject to income tax and likewise be subject to a 12% output VAT.

*Please see Revenue Memorandum Circular (RMC) No. 31-2025 for your reference.*

Get in touch

Should you have any comments or questions, please contact our Tax & Legal Partners:



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