

[ **BIR REVENUE AUDIT MEMORANDUM ORDER NO. 2-91, February 18, 1991** ]

**AMENDING RAMO 1-88 REGARDING THE DETERMINATION OF THE TAX BASE FOR SALES, TRANSFERS, OR OTHER DISPOSITION OF REAL PROPERTY INCLUDING IMPROVEMENTS THEREON FOR INTERNAL REVENUE TAX PURPOSES**

**A**  
**Objectives**

This Order amends RAMO 1-88, dated February 4, 1988 regarding the determination of the tax base for sales, transfers or any disposition of real property including improvements thereon with the specific objective of updating the tax base.

**B**  
**Definition of Terms**

1. **Agricultural land** — devoted principally to the raising of crops, such as rice, corn, sugarcane, tobacco, coconut, etc., or to pasturing, dairying, inland fishing, salt-making and other agricultural uses, including timber lands and forest lands. (Chapter 1, Sec. 3(c), Real Property Tax Code, P.D. No. 464 as amended)
2. **Commercial land** — devoted principally to commercial purposes, and generally for the object of profit. (Chapter 1, Sec. 3(h), Real Property Tax Code, P.D. No. 464 as amended). Improvements thereon shall be classified as commercial.
3. **Condominium** — is an interest in real property consisting of a separate interest in a unit in a residential, industrial or commercial building and an undivided interest in common directly or indirectly, in the land on which it is located and in other common areas of the building. (Sec. 2, The Condominium Act, R.A. No. 4726.).
4. **Condominium "Unit"** — means a part of the condominium project intended for any type of independent use or ownership including one or more rooms or spaces located in one or more floors (or part or parts of floors) in a building or buildings and such accessories as may be appended thereto. (Sec. 3(b), The Condominium Act, R.A. No. 4726).
5. **Improvement** — is a valuable addition made to property or an amelioration in its condition, amounting to more than mere repairs or replacement of waste, costing labor or capital, and intended to enhance its value, beauty or utility or to adopt it for new or further purposes. (Chapter 1, Sec. 3(k), Real Property Tax Code, P.D. No. 464 as amended)
6. **Industrial land** — devoted principally to industry as capital investment. (Chapter 1, Sec. 3(1), Real Property Tax Code PD No. 1 & 4 as amended)

Improvements thereon shall be classified as industrial.

7. **Townhouse** — is an independent dwelling on an independent lot which is attached on both sides to a similar dwelling on both adjacent lots. The attachment is made along two common or party walls that are jointly owned. (Manual of Housing/ Planning and Design Criteria by Joseph De Chiara and Lee Koppelman)

**C**  
**Determination of the Tax Base for  
Land and Improvement**

The computation to determine the tax base shall be as follows:

1. When the zonal value of land HAS BEEN established —

**a. Value of Improvement:**

1) Total Selling Price/ Consideration Per Deed of Sale (Land and Improvement)	x x x
Less: Zonal Value of Land	x x x
	_____
Value of Improvement	x x x =====

2) Construction Cost Per Building Permit and/or Occupancy Permit Plus 10% Thereof Per Year After Year of Construction; or Market Value Per Latest Tax Declaration Plus 100%/150% Thereof (See C(4)). Market Value of Improvement	x x x =====
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**b. Determination of Tax Base:**

Zonal Value of Land	x x x
Add: Market Value of Improvement in 1.a.(1) or 1.a.(2), Whichever is Higher	x x x
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Tax Base of Land and Improvement	x x x =====

2. When the zonal value of land has NOT been established —

a. Total Selling Price/ Consideration Per Deed of Sale (Land and Improvement)	x x x
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