

Pag-IBIG Fund
Corporate Headquarters
Petron MegaPlaza Bldg.,
358 Sen. Gil Puyat Avenue, Makati City

Circular No. 388

TO: **ALL CONCERNED**

SUBJECT: **ADDITIONAL AMENDMENTS RELATIVE TO THE
CONVERSION OF CTS TO REM UNDER ITEM C OF CIRCULAR
NO. 298 AND ITEM C.3.3.2 OF CIRCULAR NO. 259**

Pursuant to the approval of the Senior Management Committee, the **Additional Amendments Relative to the Conversion of CTS to REM under Item C of Circular No. 298 and Item C.3.3.2 of Circular No. 259** are hereby issued:

I. OBJECTIVES

The Additional Amendments Relative to the Conversion of CTS to REM Under Item C of Circular No. 298 and Item C.3.3.2 of Circular No. 259 aim:

1. To avoid the imposition of penalties by the Bureau of Internal Revenue (BIR); and
2. To facilitate timely conversion of Contract-to-Sell (CTS) accounts to Real Estate Mortgage (REM).

II. CONVERSION OF CTS ACCOUNTS TO REM

1. All expenses relative to the conversion of CTS to REM shall be for the account of the developer. For this purpose, the Fund shall deduct an amount corresponding to the following percentages of the total loan value from the takeout proceeds of the developer:

Agency	Retention Rates
BIR	8.0%
RD	1.0%
LGU	1.0%
	10.0%

The rates shall be based on the original loan takeout value regardless of the selling price or zonal valuation of the property.

2. The developer shall pay the Expanded Withholding Tax (EWT) and Documentary Stamp Tax (DST) within the following periods as prescribed by the BIR in accordance with RMO 28-2016:

- a. EWT – not later than the 10th of the month following takeout
- b. DST – not later than the 5th of the month following takeout

3. The developer shall convert the security of eligible accounts from CTS to REM prior to the lapse of the one (1) year validity of the Certificate Authorizing Registration (CAR).

Upon expiration of the CAR and the CTS accounts are not yet converted to REM, the developer shall be liable for all the expenses incurred in securing a new CAR.

4. For existing developers who have paid the taxes prior to loan takeout (e.g. tax payments, Real Estate Tax payments, etc.), the corresponding retention fees shall no longer be deducted from the takeout proceeds; provided, corresponding proof of payment is presented.

5. For existing developers who have paid the taxes after loan takeout, the portion of the retention fees for BIR-related taxes and LGU and RD-related expenses shall be released to them upon their submission of the following corresponding proof of payment:

- a. For BIR-related taxes
 - Certificate Authorizing Registration (CAR)
- b. For LGU and RD-related taxes
 - Real Estate Property Tax (REPT) Receipt and/or Transfer Tax Receipt (for LGU)
 - LRA Official Receipt with Electronic Primary Entry Book (for RD)

III. MECHANISM ON RESOLUTION OF ISSUES

Any issue in the interpretation and implementation of this Guidelines shall, as much as possible, be resolved by the concerned officer. Matters that are not thereby satisfactorily resolved shall be escalated to the next higher approving authorities.

IV. REPEALING CLAUSE

All items of Pag-IBIG Fund Circular Nos. 259 and 298 that are inconsistent with the foregoing provisions are hereby repealed, amended or modified accordingly.

V. EFFECTIVITY

This Circular takes effect after fifteen (15) days following the completion of its publication in the Official Gazette or in a newspaper of general circulation.


ACMAD RIZALDY P. MOTI
Chief Executive Officer

Makati City,

August 29, 2017