Property Sale by Corporate Taxpayer

As far as tax is concerned, the inherent difference between an individual taxpayer and a corporate taxpayer boils down to the basis for tax computation. An individual taxpayer can use an official estimated price of the Department of Land as a basis for computing personal income tax, while a corporate taxpayer always needs to use the actual sale price as a basis for computing corporate income tax. Furthermore, a corporate taxpayer is bound to sell the property at the market rate. If any corporate seller sells any property at a price lower than a market rate without any reasonable cause, an assessment official may assess the deemed sale price based on the market rate and charge corporate income tax on the deemed sale price under Section 65(4) bis of the Revenue Code.

Here's the formula for calculating corporate income tax due to property sale:

Capital Gain = Actual Sale Price – Cost

Corporate Income Tax = Capital Gain x 20%

At the time of transfer, the corporate seller will need to pay the withholding tax at the rate of 1% of an official estimated price or an actual sale price, whichever is higher. This 1% withholding tax becomes a credit in paying the corporate income tax.

Other Applicable Taxes

Besides the withholding tax, other taxes may be applicable according to the circumstance of the property sale. These other taxes can be specific business tax, stamp duty, or transfer fee, as detailed next.