REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 20, RA 7279
BIR Ruling No. 063-2014
#014-2016

1-8-2016

ESPERAS CONSTRUCTION AND DEVELOPMENT CORPORATION
Greenville Subdivision, Masbaras
Tacloban City

Attention: **Mr. Victorio L. Esperas**
General Manager

Gentlemen:

This refers to the letter dated October 2, 2014 of Lorna M. Seraspe, Group Manager, Visayas Management Office, of the National Housing Authority (NHA), requesting for a certificate of exemption on the Land Development and Housing Construction at St. Genevieve Village (Guiuan Resettlement Project), located at Brgy. Tagpuro, Guiuan, Eastern Samar, pursuant to Republic Act (RA) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Based on the documents submitted, it is shown that the Land Development and Housing Construction at St. Genevieve Village (Guiuan Resettlement Project), located at Brgy. Tagpuro, Guiuan, Eastern Samar, is a socialized housing project of the NHA that will be implemented under the Emergency Housing Assistance for Calamity Victims Program of the Government, particularly to address the permanent housing requirement of the victims of typhoon Yolanda at Guiuan, Eastern Samar. Based on the approved Land Development Plan, the site which will be developed has a total land area of 22,812 square meters, of which, 22,212 square meters will cover the proposed land development and housing construction project. When completed, the project will generate a total of Two Hundred Eighty One (281) home lots with a modal lot size of 40 square meters.

It is further shown that per NHA Board Resolution No. 5778 dated July 23, 2014, the Land Development and Housing Construction at St. Genevieve Village (Guiuan Resettlement Project), located at Brgy. Tagpuro, Guiuan, Eastern Samar has been awarded to **Esperas Construction and Development Corporation** (TIN: , a domestic corporation duly registered with the Securities and Exchange Commission (SEC) with Certificate of Registration No. Moreover, a Notice of Award dated July 31, 2014 was issued to **Esperas Construction and Development Corporation** to undertake the contract works for the Land Development and Housing Construction at St. Genevieve Village (Guiuan Resettlement Project), in the amount of

Pesos and (PhP). Based on the Contract, the scope of works for the project are Earthworks, Road Works, Drainage Works, Water Works, Survey Works Off-site Works and Miscellaneous Works with construction of housing units.

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In reply, please be informed that pertinent portion of Section 20 of RA No. 7279 reads:

> *"Sec. 20. Incentives for Private Sector Participating in Socialized Housing. — To encourage greater private sector participation in socialized housing and further reduce the cost of housing units for the benefit of the underprivileged and homeless, the following incentives shall be extended to the private sector.*
>
> *xxx xxx xxx*
>
> *(d) Exemption from the payment of the following:*
>
> *(1) Project-related income taxes;*
>
> *(2) xxx xxx xxx;*
>
> *(3) Value-added tax for the project contractor concerned;"*
>
> *xxx xxx xxx"*

Section 3 (r) of R.A. 7279 defines "socialized housing" as follows:

> *"(r) "Socialized housing" refers to housing programs and projects covering houses and lots or homelots only undertaken by the Government or the private sector for the underprivileged and homeless citizens which shall include sites and services development, long-term financing, liberalized terms on interest payments, and such other benefits in accordance with the provisions of this Act;" (Underscoring supplied)*

Based on the foregoing, housing projects covering houses and lots or homelots only, including sites development for socialized housing projects, intended for the underprivileged and homeless citizens undertaken by the Government or the public sector, are entitled to exemption from income tax on revenues directly derived therefrom. Considering that **Esperas Construction and Development Corporation** is a project contractor whose services are engaged by NHA for the Land Development and Housing Construction at St. Genevieve Village (Guiuan Resettlement Project), and its necessary construction components for Two Hundred Eighty One (281) home lots in Brgy. Tagpuro, Guiuan, Eastern Samar, a socialized housing project intended for the victims of Typhoon Yolanda, the income directly realized by **Esperas Construction and Development Corporation** from the Land Development and Housing

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Construction at St. Genevieve Village (Guiuan Resettlement Project), located at Brgy. Tagpuro, Guiuan, Eastern Samar, shall be exempt from project-related income taxes in so far as the Two Hundred Eighty One (281) home lots on the 22,212 square meters portion of the 22,812 square meters area of the land development site, (including Earthworks, Road Works, Drainage Works, Water Works, Survey Works Off-site Works and Miscellaneous Works) are concerned. (BIR Ruling No. 063-2014 dated February 19, 2014)

Moreover, pursuant to Section 20(d)(3) of RA 7279, **Esperas Construction and Development Corporation** is likewise exempt from the payment of VAT on its gross receipts from the land development and the necessary housing construction components for the Two Hundred Eighty One (281) home lots, (including Earthworks, Road Works, Drainage Works, Water Works, Survey Works Off-site Works and Miscellaneous Works). However, its purchases of goods/articles shall be subject to VAT, even if the said purchases are to be used for the socialized housing project, since VAT is an indirect tax which can be passed on by the seller of the goods/services. (BIR Ruling No. 063-2014 dated February 19, 2014)

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be ascertained that the facts are different, then this ruling shall be considered as null and void.

Very truly yours,

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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