REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

Sec. 20, RA 7279
BIR Ruling No. 063-14; BIR Ruling No. 458-14
#015-2016 1-8-2016

NATIONAL HOUSING AUTHORITY
Quezon Memorial Elliptical Road,
Diliman, Quezon City

Attention: **VIRGINIA R. DOMINGO**
Manager, AMO III- Southern Luzon and Bicol Regions

Gentlemen:

This refers to your letter dated February 14, 2012 requesting, for and in behalf of AE Belleza Builders, for exemption from the payment of value-added tax (VAT) on the services it rendered for the land development of Pamplona Resettlement Project Phase 1 located at Poblacion, Pamplona, Camarines Sur.

Documents submitted disclosed that on September 14, 2011, the NHA in its Memorandum to the NHA Board of Directors recommended that the contract be awarded to AE Belleza Builders (TIN: , a single proprietorship owned by Alexander Pilapil Belleza, to undertake land development for two hundred forty (240) socialized lots units in Pamplona Resettlement Project Phase 1 located at Poblacion, Pamplona, Camarines Sur including the Mobilization/Demobilization, Survey Works, General Earthworks, Roadworks, Drainage Works and Water Supply Works; that Resolution No. dated 14 October 2011 was issued; that the contract for the Site Upgrading of Pamplona Resettlement Project, Brgy Poblacion, Pamplona, Camarines Sur was awarded to AE Belleza Builders with the contract price of pesos (P); and that on January 17, 2012, an Agreement was executed by the National Housing Authority (NHA) and AE Belleza Builders to undertake land development for two hundred forty (240) socialized lots units in Pamplona Resettlement Project Phase 1 located at Poblacion, Pamplona, Camarines Sur including the Mobilization/Demolization, Survey Works, General Earthworks, Roadworks, Drainage Works and Water Supply Works.

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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;"* (Emphasis 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. (BIR Ruling No. 458-14 dated February 19, 2014)

Considering that AE Belleza Builders is a project contractor whose services are engaged by NHA to undertake land development and its necessary construction components for two hundred forty (240) socialized lots in Pamplona Resettlement Project Phase 1 located at Poblacion, Pamplona, Camarines Sur and which was certified by the National Housing Authority as a socialized housing project as resettlement site pursuant to RA 7279, the income directly realized by AE Belleza Builders from the development of the Pamplona Resettlement Project Phase 1 located at Poblacion, Pamplona, Camarines Sur shall be exempt from project-related income taxes in so far as two hundred forty (240) socialized lots (including Mobilization/ Demobilization, Survey Works, General Earthworks, Roadworks, Drainage Works and Water Supply Works) are concerned. (BIR Ruling No. 063-14 dated February 19, 2014)

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Moreover, pursuant to Section 20 (d)(3) of R.A. No. 7279, the land development by AE Belleza Builders and its necessary construction components for two hundred forty (240) socialized lots shall be exempt from VAT. 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.

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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