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

Sec. 20, RA No. 7279
BIR Ruling No. 343-15; BIR Ruling No. 063-14
#034-2017
2-3-2017

E.M. CUERPO, INC.
#3 EM Cuerpo, Inc. Bldg., Metropoli Drive,
Metropoli Residenza, Bagumbayan.
Quezon City

Attention : **Arch. Celerino S. Cuerpo**
President and CEO

Gentlemen:

This refers to your letter dated January 21, 2016, requesting issuance of Certificate of Tax Exemption for the socialized housing project known as the "St. Therese Village Housing Project-Phase 2" under the Yolanda Permanent Housing Program located at Brgy. Dayhagan, Carles, Iloilo, pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that the National Housing Authority (NHA) (TIN: 000-), a government corporation organized and existing by virtue of Presidential Decree No. 757, as amended, is the registered owner of a parcel of land covered by Transfer Certificate of Title (TCT) No. covering an area of Forty Thousand One Hundred Six (40,106) Square Meters, more or less.

The above described property has been identified and certified for development into a residential project under the Yolanda Permanent Housing Program intended for the families affected by typhoon Yolanda and qualified for housing assistance under R.A. No. 7279.

On October 12, 2015, the NHA has issued a Notice of Award to E.M Cuerpo, Inc. (TIN:) for the "*Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program located at Brgy. Dayhagan, Carles, Iloilo – 500 Housing Units*" at a contact price of ( ), Philippine Currency.

To give effect to the Notice of Award, a Contract for the abovementioned Procurement of Fully Developed Lots and Completed Housing Units (500 Units) was executed on January 13, 2016 by and between the NHA and E.M. Cuerpo, Inc., whereby the latter has committed to deliver Five Hundred (500) Units (House and Lot Packages) for a contract price of); and that pursuant to the contract, the scope of works under this project includes land development to include boundary and subdivision survey, road works, drainage

works, water works, housing construction and miscellaneous requirements necessary for the completion of the project.

On January 13, 2016, a Certification was issued by the National Housing Authority, certifying that the Procurement of Fully Developed Lots and Completed Housing Units (500 Units), St. Therese Village Housing Project-Phase 2, Brgy. Dayhagan,Carles, Iloilo is a socialized housing project intended for the underprivileged and homeless families affected by Typhoon Yolanda. This project will be used as a relocation site for these families.

In reply, please be informed that pursuant to Section 20 of RA No. 7279, pertinent portions of which state that:

> *"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;"

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 E.M. Cuerpo, Inc. is a project contractor whose services have been engaged by NHA to undertake construction of 500 Housing Units (House and Lot Packages) with its necessary construction components in St. Therese Village Housing Project-Phase 2, Brgy. Dayhagan, Carles, Iloilo, a socialized housing program of the NHA pursuant to R.A. 7279, in connection with its Yolanda Permanent Housing Program, the income directly realized by E.M. Cuerpo, Inc. from the construction of 500 Housing Units (House and Lot Packages), with its necessary construction components in St. Therese Village Housing Project-Phase 2, Brgy. Dayhagan, Carles, Iloilo, shall be exempt from project-related income taxes. *(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 housing construction with its necessary construction components for 500 Housing Units in St. Therese Village Housing Project-Phase 2, Brgy. Dayhagan, Carles, Iloilo by E.M. Cuerpo, Inc. shall be exempt from VAT. However, the purchases of goods/articles by E.M. Cuerpo, Inc. 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 good/services. It shall be understood that E.M. Cuerpo, Inc. must issue non-VAT official receipts from the said socialized housing project. *(BIR Ruling No. 343-15 dated October 8, 2015)*

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

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue
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