REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 20 of RA 7279
BIR Ruling No. 063-14
#039-2017
2-7-2017

D.V. SALUD CONSTRUCTION
225 Gen. Alvarez Street, Poblacion
Noveleta, Cavite

Attention: **Annabel B. Jara**
Project Coordinator

Gentlemen:

This refers to your letter dated April 6, 2016 requesting issuance of Certificate of Tax Exemption for the socialized housing project, Tuba Resettlement Project, Phase III-A located at Brgy. Tadiangan, Tuba, Benguet, intended as relocation site for 445 families affected by Typhoon Pepeng in the Province of Benguet and Baguio City, pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that D.V. Salud Construction is a sole proprietorship duly registered with the Department of Trade and Industry (DTI) with Registration Certificate No. 01769434 under the name of Engr. Dante Villena Salud (TIN: ; and that the National Housing Authority (NHA) (TIN: 000-) has issued a Notice of Award dated May 18, 2011 to D.V. Salud Construction for the project, "Package 1- Tuba Resettlement Project, Phase III-A located at Brgy. Tadiangan, Tuba, Benguet" with a contract price of P.

To give effect to the Notice of Award, a Contract for Tuba Resettlement Project, Phase III-A, Brgy. Tadiangan, Tuba, Benguet, was executed on July 5, 2011 between NHA and D. V. Salud Construction, whereby the latter has committed to undertake the contract works for the said project in the amount of P ; and that according to the contract, the works for the project includes "site preparation, roadworks, riprapping, drainage works, repair of water facilities, construction of septic tanks, survey works and titling and house construction.

In reply, please be informed that Section 20 of Republic Act (RA) No. 7279 provides:

> *"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) Capital Gains Tax on raw lands used for the project;*
> *(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)
>
> *xxx xxx xxx"*

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 D.V. Salud Construction is a project contractor whose services have been engaged by the NHA to undertake the construction of 445 Housing Units with its necessary construction components in Tuba Resettlement Project Phase III-A located at Brgy. Tadiangan, Tuba, Benguet, a socialized housing program of the NHA pursuant to R.A. 7279, the income directly realized by D.V. Salud Construction from the construction of the 445 Housing Units with its necessary construction components in Tuba Resettlement Project Phase III-A located at Brgy. Tadiangan, Tuba, Benguet, 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 construction of the 445 Housing Units with its necessary construction components in Tuba Resettlement Project Phase III-A, Brgy. Tadiangan, Tuba, Benguet, by D.V. Salud Construction shall be exempt from VAT. However, the purchases of goods/articles by D.V. Salud Construction 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 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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