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

Sec. 20, RA 7279
BIR Ruling No. 252-2015
#049-2017 2-9-2017

PATRILA BUILDERS, INC.
Rm. 201 AJL Bldg.
Gen. Luna St., Iloilo City

Attention : **ERLISA V. MARTINEZ**
Acctg. & Finance Div. Mgr.

Gentlemen:

This refers to your letter dated March 4, 2016, requesting tax exemption on the land development of Dumangas People's Village-Maquina located at Brgy. Maquina, Dumangas, Iloilo pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted disclosed that Patrila Builders, Inc. ( ) is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) under Registration No. ; that on May 14, 2014, the National Housing Authority (NHA) in its Memorandum to the NHA Board of Directors recommended that the contract for the land development for two hundred ninety five (295[1]) socialized lots in Dumangas People's Village-Maquina located at Brgy. Maquina, Dumangas, Iloilo be awarded to Patrila Builders, Inc.; that the NHA has issued a Notice of Award dated May 19, 2014 to Patrila Builders, Inc. for the land development of Dumangas People's Village-Maquina located at Brgy. Maquina, Dumangas, Iloilo; that a corresponding Contract dated July 14, 2015[2] and July 21, 2014[3] was executed between NHA and Patrila Builders, Inc. for a bid price of pesos ( ); and that according to the contract, the scope of work under this project are *"land development including boundary and subdivision survey, roadworks, drainage works, water works and miscellaneous requirements necessary for completion of the project"*.

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.*

[1] Based on the Certification dated August 4, 2016 issued by Ma. Luz S. Ysatam, Project Manager, Iloilo Project Office, National Housing Authority
[2] Acknowledgment before a Notary Public of Atty. Chito M. Cruz
[3] Acknowledgment before a Notary Public of Lyndon M. Lataquin

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"*

Considering that Patrila Builders, Inc. is a project contractor whose services are engaged by NHA to undertake land development with its necessary construction components for 295 socialized lots in Dumangas People's Village-Maquina located at Brgy. Maquina, Dumangas, Iloilo and which was certified by the NHA as a socialized housing project as resettlement site pursuant to RA 7279, the income directly realized by Patrila Builders, Inc. from the development of the Dumangas People's Village-Maquina located at Brgy. Maquina, Dumangas, Iloilo shall be exempt from project-related income taxes in so far as the 295 socialized lots (including land development including boundary and subdivision survey, roadworks, drainage works, water works and miscellaneous requirements necessary for completion of the project) are concerned. (BIR Ruling No. 252-15 dated July 21, 2015)

Moreover, pursuant to Section 20 (d)(3) of R.A. No. 7279, the land development by Patrila Builders, Inc. and its necessary construction components for 295 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,

CAESAR R. DULAY
Commissioner of Internal Revenue

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