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
#063-2016
2-18-2016

PHINTECSTAR CONSTRUCTION, INC.
Suite 21, 3J Heights Bldg., No. 35 Visayas Avenue,
Vasra I, Diliman, Quezon City 1128

Attention : **Mr. Zoilo Joaquin C. Amador**
President

Gentlemen:

This refers to your letter dated November 13, 2015, requesting issuance of Certificate of Tax Exemption for the socialized housing project known as the "Villa Diana Housing Project" under the Yolanda Permanent Housing Program located at Brgy. New Kawayan, Tacloban City 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:), a government corporation organized and existing by virtue of Presidential Decree No. 757, as amended, is the registered owner of parcels of land covered by two (2) Transfer Certificates of Title (TCT), more particularly described as follows:

TCT No.

"A parcel of land designated as Lot 5871-C-2-B of the subdivision of plan PSD-08-011417-D, being a portion of Lot 5871-C-2, PSD-083747-006845-D, situated in the Barangay of New Kawayan, City of Tacloban, Province of Leyte xxx xxx containing an area of Ten Thousand Seven Hundred Twenty Four (10,724) Square Meters, more or less..."

TCT No.

"A parcel of land (Lot 5871-B of the subdivision plan, LRC PSD-153513), being a portion of Lot 5871, Tacloban Cad. Homestead No. H-201310, LRC-Rec. No. H. Patent, No. 59370 situated in the Barrio of Kawayan, City of Tacloban, Province of Leyte xxx xxx containing an area of Fourteen Thousand Eight Hundred Sixty Four (14,864) Square Meters, more or less..."

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The above described properties have 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 23, 2014, the NHA has issued a Notice of Award to Phintecstar Construction, Inc. (TIN: 001-034-067-000) for the *"Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program located at Brgy. New Kawayan, Tacloban City – 409 Housing Units"* at a contact price of

Pesos

(P), Philippine Currency.

To give effect to the Notice of Award, a Contract for the abovementioned Procurement of Fully Developed Lots and Completed Housing Units (409 Units) was executed on December 9, 2014 by and between the NHA and Phintecstar Construction, Inc., whereby the latter has committed to deliver Four Hundred Nine (409) Units (House and Lot Packages) for a contact price of P and that pursuant to the contract, the scope of works under this project are Survey Works, Earthworks, Road Works, Drainage Works, Water System, Electrical Power Lines, Miscellaneous Works and Housing Construction.

On December 11, 2015, a Certification was issued by the National Housing Authority, certifying that Phintecstar Construction, Inc. entered into a contract agreement with the National Housing Authority (NHA) for the acquisition of 409 developed lots and loftable row house in Brgy. New Kawayan, Tacloban City known as Villa Diana Housing Project; and that it is further certified that the above-mentioned project Villa Diana Housing Project is a socialized housing project intended for qualified informal settler families affected by super Typhoon Yolanda who are qualified for housing assistance under Republic Act No. 7279.

In reply, please be informed that pursuant to Section 20 of Republic Act (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

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> 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 Phintecstar Construction, Inc. is a project contractor whose services have been engaged by NHA to undertake construction of 409 Housing Units (House and Lot Packages) with its necessary construction components in Villa Diana Housing Project, Brgy. New Kawayan, Tacloban City, is 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 Phintecstar Construction, Inc. from the construction of 409 Housing Units (House and Lot Packages), with its necessary construction components in Villa Diana Housing Project, Brgy. New Kawayan, Tacloban City, shall be exempt from project-related income taxes. *(BIR Ruling No. 063-14 dated February 19, 2014)*

Moreover, pursuant to Section 20 (d)(3) of R.A No. 7279. The housing construction with its necessary construction components for 409 Housing Units in Villa Diana Housing Project, Brgy. New Kawayan, Tacloban City by Phintecstar Construction, Inc. shall be exempt from VAT. However, the purchases of goods/articles by Phintecstar Construction, 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 Phintecstar Construction, 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,

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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FEB 15 2016

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