REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
**BUREAU OF INTERNAL REVENUE**

Quezon City

| RA7279 |
|---|
| BIR Ruling No. 386-2014 |
| #094-2016<br>3-16-2016 |

**HAUSLAND CONSTRUCTION**
203 J. Abad Santos Ave.,
Salitran IV, Dasmarinas, Cavite

Attention: **DANTE B. MACAPAGAL**
Manager

Gentlemen:

This refers to your letter dated January 19, 2015, requesting the issuance of Certificate of Tax Exemption for the Olive Heights Ville Housing Project located at Brgy. Poblacion, Monkayo, Compostela Valley pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that the following landowners of seven (7) parcels of land located at Brgy. Poblacion, Monkayo, Compostela Valley and covered by the following Transfer Certificates of Title (TCT), to wit:

| Landowner | TCT No. | Lot No. | Tax Declaration No. | Area (sq. m.) |
|---|---|---|---|---|
| Wilfredo Guadalquiver | ... | 995-B | | 10,495.00 |
| Wilfredo Guadalquiver | | 995-C | | 9,772.00 |
| Jucinda Borre | | 995-D | | 6,001.00 |
| Zenaida Vargas | | 995-F | | 30,000.00 |
| Domingo Luyfook | | 995-G | | 30,000.00 |
| Antonio Clarin | | 995-H | | 30,000.00 |
| Jucinda Borre | | 995-I | | 22,555.00 |
| | | | total area | 138,823.00 |

[1] Sold by Wilfredo Guadalquiver to NHA
[2] id
[3] Sold by Jucinda Borre to NHA
[4] Sold by Zenaida Vargas to NHA
[5] Sold by Domingo Luyfook to NHA
[6] Sold by Antonio Clarin to NHA
[7] Sold by Jucinda Borre to NHA

039636

all issued by the Registry of Deeds for the Province of Davao del Norte.

Capital Gains Tax (CGT) and Documentary Stamp Tax (DST) has been paid on the above mentioned properties, to wit:

| TCT No. | Date | Amount of CGT | Date | Amount of DST |
|---|---|---|---|---|
| | June 16, 2014 | | June 17, 2014 | |
| | June 17, 2014 | | June 17, 2014 | |
| | June 16, 2014 | | June 16, 2014 | |
| | June 16, 2014 | | June 16, 2014 | |
| | August 18, 2015 | | August 18, 2015 | |
| | August 18, 2015 | | August 18, 2015 | |

On December 18, 2013, a Contract Agreement was executed by and between Hausland Construction (TIN , a single proprietorship, owned by Sonny Boy Viray Bagang, which is duly registered with the Department of Trade and Industry (DTI) under Certificate No. dated January 23, 2013; and Olive Heights Ville Homeowners' Association, Inc., a homeowner's organization registered with the Housing and Land Use Regulatory Board (HLURB), whereby Hausland Construction offered its services to the qualified families who are members of Olive Heights Ville Homeowners' Association, Inc. by delivering One Thousand (1,000) developed homelots and completed housing units under the TS Pablo Rehabilitation Plan (PRP).

The purchase of developed lots and completed housing units shall be financed through the Community Initiative Approach Program (CIAP) of the NHA for Pesos (P for every developed lot and completed housing unit per family.

Moreover, a Memorandum of Agreement[8] (MOA) on the NHA's acquisition of developed lots with completed housing units was executed by and among, Hausland Construction, as the landowner/developer, Olive Heights Ville Homeowners' Association, Inc., as the beneficiaries, and the NHA, as sole national government agency engaged in direct housing production mandated to meet the housing needs of the low and marginal income families and to focus its efforts towards the housing needs of the lowest 30% of the urban population.

Under the MOA, members[9] of Olive Heights Ville Homeowners' Association, Inc. shall be provided by the NHA with a financial grant under the TSPRP through the CIAP for the acquisition of developed lots with completed housing units in the amount of (P ) per house and lot package of 60.00 square meter lot area and a house floor area of 22.00 square meter Duplex-type model.

[8] For Development of the Olive Heights Ville, Brgy. Poblacion, Monkayo, Compostela Valley (Notarized dated March 12, 2014 and January 17, 2014)
[9] Composed of families heavily affected by Tropical Storm Pablo

039636

On August 6, 2014, Hausland Construction and the NHA executed a Deed of Absolute Sale whereby the former, transferred and conveyed 1,000 developed lots with an aggregate area of One Hundred Thirty Eight Thousand Eight Hundred Twenty Three square meters (138,823 sq.m.) covered by TCT Nos. [11], [12], [13], [14], [15] and [16] to NHA at an agreed price of [redacted] Pesos ([redacted].

In reply, please be informed that pursuant to Sections 19 and 20 of R.A. No. 7279, pertinent portions of which state that:

> *"Sec. 19. Incentives for the National Housing Authority. — The National Housing Authority, being the primary government agency in charge of providing housing for the underprivileged and homeless, shall be exempted from the payment of all fees and charges of any kind, whether local or national, such as income and realty taxes. All documents or contracts executed by and in favor of the National Housing Authority shall also be exempt from the payment of documentary stamp tax and registration fees, including fees required for the issuance of transfer certificates of title.*
>
> *"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;"*

the landowner/developer of properties who sell its properties for use in a socialized housing project are exempt from the payment of the capital gains tax and project-related income taxes.

039636

[10] Previously sold by the landowner to NHA
[11] id
[12] id
[13] id
[14] id
[15] id
[16] id

Such being the case, ***the transfer of 1,000 developed lots/house packages on the subject properties covered by TCT Nos. ; and*** by Hausland Construction to NHA is exempt from capital gains tax, project-related income taxes and consequently from withholding tax. (BIR Ruling No. 386-2014 dated October 8, 2014)

Moreover, pertinent portions of RMC No. 42-01 dated October 5, 2001, provide, viz.:

xxx xxx xxx

> *A. National Housing Authority (NHA) — The NHA, being the primary government agency in charge of providing housing for the underprivileged and homeless citizens shall be exempted from the payment of the following national internal revenue taxes:*
>
> *(1) . . .*
>
> *(2) Documentary stamp tax on sales transactions executed by and in favor of the NHA in connection with socialized housing projects. Since Section 19 of R.A. 7279 exempts "all documents or contracts executed by and in favor of the NHA," the exemption from documentary stamp tax extends to the other party (either seller or buyer) that is dealing or transacting with the NHA.*

xxx xxx xxx

The exemption from documentary stamp tax of NHA in connection with any of its socialized housing project extends to the other party (either seller or buyer) that deals or transacts with the NHA. Consequently, since NHA is a party to the sale, no documentary stamp tax shall be due on such sale, either on NHA or the party with which NHA is transacting. Accordingly, the transfer by Hausland Construction to NHA of ***1,000 developed lots/house packages on the subject properties covered by TCT Nos. ; and*** is likewise exempt from documentary stamp tax imposed under Section 196 of the Tax Code of 1997, as amended. (BIR Ruling No. 386-2014 dated October 8, 2014)

Upon application for exemption, a lien on the title of the land shall be annotated by the Register of Deeds having jurisdiction over the property, to the effect that the same is to be applied or is being applied to socialized housing project pursuant to RA 7279.

Please take note that this ruling is never intended and shall not be construed as giving authority to the concerned Register of Deeds to effect transfer of the land in the name of the buyer without the necessary certificate of authority to register issued by this Bureau. In this regard, this ruling shall be presented to the Revenue District Office (RDO) concerned in order for the latter to issue the Certificate Authorizing Registration (CAR) after the submission of the requirement provided under RMO 15-2003.

039636

Pursuant to Section 20 (d)(3) of R.A. No. 7279, the transfer of ***1,000 developed lots/house packages on the subject properties covered by TCT Nos. and*** shall be exempt from VAT. However, the purchases of goods/articles by Hausland 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. It shall be understood that Hausland Construction must issue non-VAT official receipts on its gross receipts from the said socialized housing project.

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

K-1-JRC

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MAR 10 2016