REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 20 of RA 7279; RMC No. 42-01
BIR Ruling No. 63-14
#098-2016 5-31-2016

BILREY CONSTRUCTION/EDDMARI CONSTRUCTION & TRADING/C.S. GARCIA CONSTRUCTION- JOINT VENTURE
23 Pelayo St., BF Homes
Quezon City

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

Gentlemen:

This refers to your letter dated October 27, 2015 requesting issuance of Certificate of Tax Exemption on the procurement of fully developed lots and completed housing units under the Yolanda Permanent Housing Project located at Brgy. Cabalawan, 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: , is the registered owner of four (4) parcels of land, particularly described as follows:

TCT No.

"A PARCEL OF LAND DESIGNATED AS LOT 4331-A OF THE SUBDIVISION PLAN PSD-08-022952-D, BEING A PORTION OF LOT 4331, CAD. 220, SITUATED IN BARANGAY CABALAWAN, CITY OF TACLOBAN, PROVINCE OF LEYTE, ISLAND OF LUZON XXX XXX CONTAINING AN AREA OF TWENTY ONE THOUSAND TWO HUNDRED NINETY NINE (21,299) SQUARE METERS, MORE OR LESS..."

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TCT No.

"A PARCEL OF LAND DESIGNATED AS LOT 4331-B OF THE SUBDIVISION PLAN PSD-08-022952-D, BEING A PORTION OF LOT 4331, CAD. 220, SITUATED IN BARANGAY CABALAWAN, CITY OF TACLOBAN, PROVINCE OF LEYTE, ISLAND OF LUZON XXX XXX CONTAINING AN AREA OF TWENTY ONE THOUSAND TWO HUNDRED NINETY EIGHT (21,298) SQUARE METERS, MORE OR LESS..."

TCT No.

"A PARCEL OF LAND DESIGNATED AS LOT 4331-C OF THE SUBDIVISION PLAN PSD-08-022952-D, BEING A PORTION OF LOT 4331, CAD. 220, SITUATED IN BARANGAY CABALAWAN, CITY OF TACLOBAN, PROVINCE OF LEYTE, ISLAND OF LUZON XXX XXX CONTAINING AN AREA OF TWENTY ONE THOUSAND TWO HUNDRED NINETY NINE (21,299) SQUARE METERS, MORE OR LESS;"

TCT No.

"A PARCEL OF LAND DESIGNATED AS LOT 4331-D OF THE SUBDIVISION PLAN PSD-08-022952-D, BEING A PORTION OF LOT 4331, CAD. 220, SITUATED IN BARANGAY CABALAWAN, CITY OF TACLOBAN, PROVINCE OF LEYTE, ISLAND OF LUZON XXX XXX CONTAINING AN AREA OF ONE THOUSAND SEVEN HUNDRED SEVENTY TWO (1,772) SQUARE METERS, MORE OR LESS;"

The above-described lots have been identified and certified for development into a residential project under the NHA's Yolanda Permanent Housing Program (YPHP) intended for the families affected by Typhoon Yolanda and qualified for housing assistance under R.A. No. 7279. Relative thereto, the NHA has issued a Notice of Award dated October 23, 2014 to Bilrey Construction/Eddmari Construction & Trading/C. S. Garcia Construction – Joint Venture for the "Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program located at Brgy. Cabalawan, Tacloban City -1,000 Housing Units" with a contract price of
Pesos (P

To give effect to the Notice of Award, a Contract for the Procurement of House and Lot Packages, Ridge View Park 1, located at Brgy. Cabalawan, Tacloban City, was executed on December 4, 2014 between NHA and Bilrey Construction/Eddmari Construction & Trading/C. S. Garcia Construction – Joint Venture, whereby the latter has committed to deliver One Thousand (1,000) units (House and Lot Packages) for a

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price of and that pursuant to the contract, the scope of works under the said project includes Survey Works, Earthworks, Road Works, Drainage Works, Water System, Electrical Power Lines, Miscellaneous Works and Housing Construction.

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

> *"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;"*

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 Bilrey Construction/Eddmari Construction & Trading/C. S. Garcia Construction – Joint Venture is a project contractor whose services have been engaged by NHA to undertake construction of 1,000 Housing Units (House and Lot Packages) with its necessary construction components in Ridge View Park 1, Brgy. Cabalawan, Tacloban City, a socialized housing program of the NHA pursuant to R.A. 7279, in connection with its Yolanda Permanent Housing Project, the income directly realized by Bilrey Construction/Eddmari Construction & Trading/C. S. Garcia Construction – Joint Venture from the construction of 1,000 Housing Units (House and Lot Packages), with its necessary construction components in Ridge View Park 1, Brgy. Cabalawan, Tacloban City, 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 1,000 Housing Units (House and Lot Packages) with its necessary construction components, in Ridge View Park 1, Brgy. Cabalawan, Tacloban City by Bilrey Construction/Eddmari Construction & Trading/C. S. Garcia Construction – Joint Venture shall be exempt from VAT. However, the purchases of goods/articles by Bilrey Construction/Eddmari Construction & Trading/C. S. Garcia Construction – Joint Venture 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,

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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