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

**Quezon City**

| Section 20, RA 7279 |
|---|
| BIR Ruling No. 063-2014 |
| #105-2016<br>4-5-2016 |

**J. MARBELA CONSTRUCTION & SUPPLY**
Zone 1 Magsaysay Avenue
Naga City

Attention: **Engr. Jerry Luz**
Proprietor

Gentlemen:

This refers to the letter dated February 12, 2014 of the National Housing Authority (NHA), requesting on your behalf for a certificate of exemption from value-added tax in connection with the Land Development of Balatan Resettlement Project located at Brgy. Coguit, Balatan, Camarines Sur, a socialized housing project of the NHA, pursuant to Republic Act (RA) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Based on the NHA Memorandum dated July 10, 2013, it is shown that the Land Development of Balatan Resettlement Project located at Brgy. Coguit, Balatan, Camarines Sur, is a socialized housing project of the NHA that will accommodate informal settlers residing along landslide prone and coastal areas in the Municipality of Balatan, Camarines Sur. The lot that will be developed is owned by the Municipality of Balatan, Camarines Sur and has a total land area of 5.0 hectares, of which, 2.0 hectares will cover the proposed land development project. When completed, the project will generate a total of One Hundred Ninety One (191) residential lots.

It is further shown that per NHA Board Resolution No. dated November 29, 2011, the Land Development of Balatan Resettlement Project has been awarded to **J-Marbela Construction & Supply**, a sole proprietorship duly registered under the name of Jerry Luz (TIN: ) with the Department of Trade and Industry with DTI Certificate No Consequently, a Notice of Award dated July 22, 2013 was issued to **J-Marbela Construction & Supply** to undertake the contract works for the Land Development of Balatan Resettlement Project, in the amount of s and ) (PhP Based on the NHA's Memorandum dated July 10, 2013, the scope of works for the said project includes mobilization/demobilization, survey works, general earthworks/site preparation works, road works, drainage works, installation of shallow wells, septic tanks, offsite works and miscellaneous works.

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*

040258

*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 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)*

It is to be noted that in order for the above tax exemption to apply, the housing program must cover houses and lots or homelots for the benefit of the underprivileged and homeless citizens. A purely land development project without the construction of houses and lots or development of homelots cannot avail of the tax exemption since it is just a component of the main socialized housing project, without which, the project cannot be categorized as a socialized housing under Section 3 of R.A. 7279.

In view thereof, your request for tax exemption cannot be granted for lack of legal basis.

Very truly yours,

**KIM S. JACINTO-HENARES**
Commissioner of Internal Revenue

040258
APR 01 2016

K-1-JHB