REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 20, RA 7279
BIR Ruling No. 063-2014; BIR Ruling No. 227-2015
#012-2018 1-10-2018

ELKANKONSTRAK DEVELOPMENT CORPORATION
Unit 1520 University Tower, Moret St.
Sampaloc, Manila

Attention: **Joy Pagobayan-Relato**
General Manager

Gentlemen:

This refers to your letter dated September 26, 2014, indorsed to this Office by the National Housing Authority (NHA), anent your request for a certificate of exemption on the Land Development of Oas Resettlement Project, located at Brgy. Bagumbayan, Oas, Albay, being undertaken by **ELKANKONSTRAK DEVELOPMENT CORPORATION,** pursuant to Republic Act (RA) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

As represented, and based on the documents submitted, it is shown that **ELKANKONSTRAK DEVELOPMENT CORPORATION** (TIN:), is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) with Company Registration No. ; that on June 4, 2014, a Notice of Award for the Land Development of Oas Resettlement Project located at Brgy. Bagumbayan, Oas, Albay, was issued in favor of **ELKANKONSTRAK DEVELOPMENT CORPORATION** for a contract price of P ; that on July 28, 2014, **ELKANKONSTRAK DEVELOPMENT CORPORATION** and the NHA entered into an Agreement for the completion of the above Project; that based on the NHA Memorandum dated March 28, 2014, the said Project is a joint undertaking of NHA with the Local Government Unit (LGU) of Oas, Albay, intended to accommodate families residing in danger areas, as well as those families affected by infrastructure project of the national/local government qualified for the permanent resettlement under RA No. 7279; and that per NHA Certification dated October 5, 2016, the Project is a socialized housing project comprising an area of 13, 712 square meters, more or less, and has generated **151** residential lots.

In reply, please be informed that pertinent portion of Section 20 of RA No. 7279 provides:

> *"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 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)

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 **ELKANKONSTRAK DEVELOPMENT CORPORATION** is a project contractor whose services have been engaged by NHA for the development of the Oas Resettlement Project, located at Brgy. Bagumbayan, Oas, Albay, and the construction of **151** residential lots for the Project, the income directly realized therefrom by **ELKANKONSTRAK DEVELOPMENT CORPORATION** shall be exempt from project-related income taxes (in so far as the 151 residential lots are concerned). (*BIR Ruling No. 063-2014* dated February 19, 2014)

Moreover, pursuant to Section 20(d)(3) of RA 7279, the Land Development of Oas Resettlement Project, located at Brgy. Bagumbayan, Oas, Albay, by **ELKANKONSTRAK DEVELOPMENT CORPORATION** shall be exempt from VAT (in so far as the 151 residential lots are concerned). However, **ELKANKONSTRAK DEVELOPMENT CORPORATION'S** purchases of goods/articles shall be subject to VAT even if 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. (*BIR Ruling No. 063-2014* dated February 19, 2014)

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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