REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Sec. 20, R.A. 7279
BIR Ruling No. 432-15
#120-2017
3-16-2017

E.M. CUERPO, INC.
#3 EM Cuerpo, Inc. Bldg., Metropoli Drive,
Metropoli Residenza, Bagumbayan,
Quezon City

Attention : **Arch. Celerino S. Cuerpo**
President and CEO

Gentlemen:

This refers to your letter dated May 19, 2015, requesting tax exemption on the construction of Ten (10) Five-Storey Medium Rise Buildings with land development and survey works (Package 2) at Pleasant Hills Subdivision, Brgy. Graceville, City of San Jose Del Monte, Bulacan, pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted disclosed that E.M. Cuerpo, Inc. is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) under Registration No. that the National Housing Authority (NHA) has issued a Notice of Award dated March 1, 2013 to E.M. Cuerpo, Inc. for the construction of Ten 5-Storey Medium Rise Buildings with Land Development and Survey Works (Package 2) at Pleasant Hills Subdivision, City of San Jose del Monte, Bulacan; that a Contract Agreement dated November 5, 2013 was executed between NHA and E.M. Cuerpo, Inc. for a bid price of and that according to the contract, the scope of work under this project is the construction of ten 5-storey medium rise buildings to include provision of detailed architectural and engineering designs, plans duly signed and sealed, technical specifications and all other related documents; The works also include land development, survey works and acquisition of permits and other licenses necessary for the construction.

On September 10, 2014, a Certification was issued by the National Housing Authority (NHA) certifying that the construction of Ten 5-Storey Medium Rise Buildings with Land Development and Survey Works (Package 2) at Pleasant Hills Subdivision, City of San Jose del Monte, Bulacan is a socialized housing project intended for the underprivileged and homeless families, as well as, those living in danger areas; and that

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this project will be used as a relocation site for these families; and a Certification dated July 29, 2016 issued by the NHA certifying that this socialized housing project will generate Five Hundred Eighty Four (584) housing units.

In reply, please be informed that pertinent portion of Section 20 of R.A. 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 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"*

Considering that E.M. Cuerpo, Inc. is a project contractor whose services are engaged by NHA to undertake construction of Ten (10) Five-Storey Medium Rise Buildings and land development with its necessary construction components at Pleasant Hills Subdivision, Brgy. Graceville, City of San Jose Del Monte, Bulacan, and which was certified by the NHA as a socialized housing project as resettlement site pursuant to R.A. 7279, the income directly realized by E.M. Cuerpo, Inc. from the construction of Ten (10) Five-Storey Medium Rise Buildings and land development in Pleasant Hills Subdivision, Brgy. Graceville, City of San Jose Del Monte, Bulacan, shall be exempt from project-related income taxes in so far as the Five Hundred Eighty Four (584) units (including earthworks, structural, architectural, plumbing, electrical and painting works and construction of septic tank) are concerned. *(BIR Ruling No 432-15 dated December 17, 2015)*

Moreover, pursuant to Section 20 (d)(3) of R.A. No. 7279, the construction of Ten (10) Five-Storey Medium Rise Buildings and land development by E.M. Cuerpo, Inc. and its necessary construction components for 584 socialized housing units shall be exempt from VAT. However, its purchases of goods/articles shall be subject to VAT, even if the

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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 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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