REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

1st Page only

RA7279
BIR Ruling No. 067-2016
#123-2016 4-15-2016

RMH INNOVATIVE SOLUTIONS, INC.
4 Turquoise St., Silver Hills Subdivision
Brgy. Talamban, Cebu City

Attention : **ROBERTO H. HERRERA**

Gentlemen:

This refers to the letter dated August 25, 2015 of Atty. Sinforoso R. Pagunsan, Acting General Manager of the NHA, requesting issuance of Certificate of Tax Exemption for the Maiaville Homes-AFP/PNP Housing Project located at Brgy. Taytayan, Bogo City, Cebu pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that RMH Innovative Solutions, Inc.[1] (TIN , is the absolute and registered owner of a parcel of land, identified as Lot 1076-B-1, Plan No: , Portion of Lot 1076-B, PSD-12887 covered by Transfer Certificate of Title (TCT) No. issued by the Registry of Deeds for Cebu, Cebu, located at Brgy. Taytayan, Bogo City, Cebu with an aggregate area of Thirty Five Thousand Six Hundred Eighty Seven square meters (35,687 sq.m.).

On April 1, 2014, a Contract Agreement[3] was executed by and between RMH Innovative Solutions, Inc. and AFP Housing Homeowners Association, Inc. and PNP Housing Homeowners Association, Inc., a homeowner's organization registered with the Housing and Land Use Regulatory Board (HLURB), whereby RMH Innovative

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[1] Doing business under the name and style of "Bogo City Center"
[2] Transfer from a subdivided portion of cancelled TCT No. with an area of 235,128 sq. m. (portion of Lot 1076-B, PSD-12887) under the name of Nilda E. Martinez, which TCT was transferred from cancelled TCT No. 235,128 sq. m., Lot 1076-B, PSD-12887) under the name of the Republic of the Philippines, which TCT was previously derived from cancelled TCT No. (235,128 sq. m., Lot 1076-B, PSD-12887) under the name of Nilda E. Martinez
[3] Financing the acquisition of 530 Housing Units (Maiaville Subdivision), Brgy. Taytayan, Bogo City, Cebu

Solutions, Inc. has agreed to sell to AFP Housing Homeowners Association, Inc. and PNP Housing Homeowners Association, Inc.'s individual members[4] the developed lots and completed housing units covered by the said Titles under the Community Initiative Approach Program (CIAP) of the NHA for Pesos for every developed lot and completed housing unit per family.

Moreover, on April 7, 2014, a Memorandum of Agreement (MOA) for 530 developed lots and completed housing units was executed by and among RMH Innovative Solutions, Inc. as the landowner/developer, AFP Housing Homeowners Association, Inc. and PNP Housing Homeowners Association, Inc., as the beneficiaries, and the NHA, as the implementing government agency for the AFP/PNP Housing Program as cited under Administrative Order No. 9 dated April 11, 2011.

Under the MOA, members of the AFP Housing Homeowners Association, Inc. and PNP Housing Homeowners Association, Inc., shall be provided by the NHA with a financial grant for the acquisition house and lot packages in the AFP/PNP Housing Project through the CIAP in the amount of Php or a House and Lot Package of Forty square meters (40.00 sq.m) lot and Twenty Two square meters (22.00 sq.m.) floor area.

On April 23, 2015, RMH Innovative Solutions, Inc. and the NHA executed a Deed of Conveyance, whereby the former, transferred and conveyed to the latter the Five Hundred Thirty (530) developed lots with an aggregate area of Twenty Two Thousand One Hundred Ninety Eight and 76/100 square meters (22,198.76 sq.m.) covered by TCT No. at an agreed price of Pesos

In reply, please be informed that pursuant to Sections 19 and 20 of Republic Act (RA) 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:*

[4] See Annex partial list of beneficiaries consisting of seven (7) pages

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"(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 sells its properties for use in a socialized housing project is exempt from the payment of the capital gains tax and project-related income taxes.

Such being the case, ***the sale of 530 developed lot packages on the 22,198.76 sq.m. portion of the subject property covered by TCT No.*** _____ by RMH Innovative Solutions, Inc. to NHA is exempt from capital gains tax, project-related income taxes and consequently from withholding tax. (BIR Ruling No. 067-2016 dated February 22, 2016)

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

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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.

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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 RMH Innovative Solutions, Inc. to NHA ***of the 530 developed lot packages on the 22,198.76 sq.m. portion of the subject property covered by TCT No.*** _____ are likewise exempt from documentary stamp tax imposed under Section 196 of the Tax Code of 1997, as amended. (BIR Ruling No. 067-2016 dated February 22, 2016)

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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 requirements provided under RMO 15-2003.

Moreover, pursuant to Section 20 (d)(3) of RA 7279, the sale by RMH Innovative Solutions, Inc. of ***530 developed lot packages on the 22,198.76 sq.m. portion of the subject property covered by TCT No.*** to NHA shall be exempt from VAT. However, the purchases of goods/articles by RMH Innovative Solutions, Inc. 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 RMH Innovative Solutions, Inc. 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

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