October 22, 2018

BIR RULING NO. 1289-18

Section 20, RA 7279; BIR Ruling No. 316-16

Bendimil Construction and Development Corp.
Summer Hill Subdivision, Pasonanca
Zamboanga City

Attention: *AAA*

Gentlemen :

This refers to your letter dated November 23, 2016, received by this Office on February 10, 2017, requesting for a certificate of exemption for the Construction of Temporary Sanitation Facilities for Z3R House-on-Stilts in Brgy. Mariki and Kasanyangan, Zamboanga City, pursuant to Republic Act (RA) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992."

Documents submitted show that on January 20, 2016, the National Housing Authority (NHA) and Bendimil Construction and Development Corporation executed the Contract Agreement for the Construction of Temporary Sanitation Facilities for Z3R House-on-Stilts (the "Project") located in Brgy. Mariki and Kasanyangan, Zamboanga City, whereby the latter agreed to undertake the Project for and in consideration of P_____; and that the scope of works for the said Project includes General Requirements and Installation of Kotec Septic Tank.

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;*

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(2) x x x;

(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 must 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. The subject Project, however, does not involve construction of houses or development of home lots to fall within the purview of the definition of "socialized housing" under Section 3 of R.A. 7279. Thus, the Project cannot avail of the tax incentives accorded to a socialized housing project under the said law. (*BIR Ruling No. 316-16* dated June 28, 2016)

In view thereof, your request for tax exemption is hereby denied for lack of factual and legal basis.

Very truly yours,

(SGD.) CAESAR R. DULAY
Commissioner of Internal Revenue

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