REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

RA7279
BIR Ruling No. 500-2014
170-2016
5/10/16

ARR CONSTRUCTION
3 Salem Street East Fairview Subdivision
Brgy. Fairview, Quezon City

Attention : **ROMEO R. ANICIETE**
General Manager

Gentlemen:

This refers to your letter dated October 9, 2015, received by this Office on February 2, 2016, requesting issuance of Certificate of Tax Exemption for the Monkayo Housing Project 4 located at Brgy. Poblacion, Monkayo, Compostela Valley pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that ARR Construction (TIN . is the registered owner of two (2) parcels of land located at Libuton, Poblacion, Monkayo, Compostela Valley and covered by the following Transfer Certificates of Title (TCT), to wit:

TCT No.	Lot No.	Tax Declaration No.	Area (sq. m.)
	3279		82,686
	3281		30,227
		total area	112,913

all issued by the Registry of Deeds for Province of Davao Del Norte.

On March 10, 2014, a Memorandum of Agreement[1] (MOA) was executed by and among, ARR Construction, as the landowner/developer, Poblacion Homeowner's Association, Inc., as the beneficiary[2], and the NHA, as sole national government agency engaged in direct housing production mandated to meet the housing needs of the low and marginal income families and to focus its efforts towards the housing needs of the lowest 30% of the urban population.

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[1] For Development of the Monkayo Housing Project 4, Brgy. Poblacion, Monkayo, Compostela Valley
[2] See Annex list of beneficiaries consisting of twenty (20) pages

Under the MOA, members[2] of Poblacion Homeowner's Association, Inc. shall be provided by the NHA with a financial grant under the TS Pablo Rehabilitation Plan TSPRP through the Community Initiative Approach Program (CIAP) for the acquisition of developed lots with completed housing units in the amount of ( )) per house and lot package of 60.00 square meter lot area and a house floor area of 22.00 square meter Duplex-type model.

Moreover, On May 30, 2014, a Contract Agreement was executed by and between ARR Construction and Poblacion Homeowner's Association, Inc., a homeowner's organization registered with the Housing and Land Use Regulatory Board (HLURB) with Registration No , whereby ARR Construction offered its services to the families who are members of Poblacion Homeowner's Association, Inc. by delivering developed homelots and completed housing units under the TSPRP.

The purchased developed lots and completed housing units shall be financed through the CIAP of the NHA for) for every developed lot and completed housing unit per family.

On June 25, 2014, ARR Construction and the NHA executed a Deed of Absolute Sale whereby the former, transferred and conveyed One Thousand (1,000) developed lots with an aggregate area of One Hundred Twelve Thousand Nine Hundred Thirteen square meters (112,913 sq.m.) covered by TCT Nos. and to NHA at an agreed price of

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:*
>
> *xxx xxx xxx*
>
> *"(d) Exemption from the payment of the following:*

[2] Composed of families heavily affected by Tropical Storm Pablo

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(1) Project-related income taxes;

(2) Capital Gains Tax;

(3) Value-added tax for the project contractor concerned;"

the landowner/developer of properties who sells his properties for use in a socialized housing project are exempt from the payment of the capital gains tax and project-related income taxes.

Such being the case, ***the sale of 1,000 house and lot packages on the 112,913 sq.m.*** of the subject properties covered by TCT Nos. and by ARR Construction to NHA is exempt from capital gains tax, project-related income taxes and consequently from withholding tax. (BIR Ruling No. 500-2014 dated December 29, 2014)

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

xxx xxx xxx

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.

xxx xxx xxx

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 ARR Construction to NHA of ***the sale of 1,000 house and lot packages on the 112,913 sq.m.*** of the subject properties covered by TCT Nos. and are likewise exempt from documentary stamp tax imposed under Section 196 of the Tax Code of 1997, as amended. (BIR Ruling No. 500-2014 dated December 29, 2014)

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

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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 of 1,000 house and lot packages on the 112,913 sq.m.*** of the subject properties covered by TCT Nos. and shall be exempt from VAT. However, the purchases of goods/articles by ARR Construction 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 ARR Construction 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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MAY 10 2016