REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

RA7279
BIR Ruling No. 500-2014
#171-2016 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 January 25, 2016 requesting issuance of Certificate of Tax Exemption for the Dinalungan Heights Resettlement Project located at Brgy. Nipoo, Dinalungan, Aurora Province pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that Romeo R. Aniciete, (married to Precy F. Aniciete) is the registered owner of a parcel of land covered by Transfer Certificate of Title (TCT) No. issued by the Registry of Deeds for Province of Aurora. The aforesaid property is situated at Brgy. Nipoo, Dinalungan, Aurora Province with an area of Sixty Two Thousand Three Hundred Eleven square meters (62,311 sq.m.), more or less.

On December 17, 2013, a Memorandum of Agreement[1] (MOA) was executed by and among, ARR Construction, a single proprietorship, owned by Romeo R. Aniciete, which is duly registered with the Department of Trade and Industry (DTI) under Certificate No. dated May 27, 2013, as the landowner/developer, Dinalungan Heights Homeowners Association, Inc., a homeowner's organization registered with the Housing and Land Use Regulatory Board (HLURB) with Registration No. as the beneficiary[2], and the NHA, as the lead agency in the implementation of the National Resettlement Programs of the government for FY 2013 and to ensure the timely, peaceful and orderly relocation and resettlement of the informal settler families (ISFs) living in danger areas, those affected by calamities (typhoon Labuyo) and those affected by the clearing of waterways, esteros and infrastructure projects of the government of Dinalungan, Aurora Province.

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[1] For Financing the Acquisition of Developed Lots and Financing the Acquistion of Completed Housing Units of the Dinalungan Heights Resettlement Project, Brgy. Nipoo, Dinalungan, Aurora

[2] See Annex list of beneficiaries consisting of six (6) pages

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Under the MOA, members[3] of Dinalungan Heights Homeowners Association, Inc. shall be provided by the NHA with a financial grant for the acquisition of Three Hundred (300) developed lots and financing of the acquisition of completed duplex housing units through the Community Initiative Approach Program (CIAP) under the National Resettlement Program of the government for FY 2013 in the amount not to exceed)) per lot and

per housing unit.

Moreover, On August 18, 2014, a Contract Agreement was executed by and between ARR Construction and Dinalungan Heights Homeowners Association, Inc., whereby ARR Construction offered its services to the families who are members of Dinalungan Heights Homeowners Association, Inc. by delivering developed homelots and completed housing units under the CIAP for Pesos for every developed lot and completed housing unit per family.

On November 3, 2014, ARR Construction and the NHA executed a Deed of Absolute Sale whereby the former, transferred and conveyed 300 developed lots under Batch 1-2014 with an aggregate area of Eighteen Thousand Seven Hundred Eighteen square meters (18,718 sq.m.) covered by TCT No. o 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:*
>
> *(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;"*

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[3] Composed of members/families living in danger areas, those affected by calamities and those affected by the clearing of waterways, esteros and infrastructure projects of the government in Dinalungan, Aurora Province

the landowner/developer of property who sells his property 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 300 developed lot packages on the 18,718 sq.m. of the subject property covered by TCT No. TCT No.*** 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 ***300 developed lot packages on the 18,718 sq.m. of the subject property covered by TCT No. TCT No.*** 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 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 ARR Construction of ***300 developed lot packages on the 18,718 sq.m. of the subject property covered by TCT No. TCT No.*** shall be exempt from VAT.

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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