REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 20, RA 7279
BIR Ruling No. 063-2014
#207-2016
5-20-2016

VICENTE T. LAO CONSTRUCTION
No. 6A Church Street
Grace Village, Quezon City

Attention: **Mr. Vicente T. Lao**
General Manager

RE: Z3R Resettlement Project-Rio Hondo

Gentlemen:

This refers to your letter dated April 6, 2015 requesting on behalf of **Vicente T. Lao Construction** for a certificate of exemption for the Z3R Resettlement Project- Rio Hondo, located at Brgy. Rio Hondo, Zamboanga City, pursuant to Republic Act (RA) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted disclose that **Vicente T. Lao Construction (VTLC),** with Tax Identification Number (TIN) is a sole proprietorship duly registered with the Department of Trade and Industry (DTI) under DTI Registration No. dated March 10, 2011; that based on the Memorandum dated December 15, 2014 issued by the National Housing Authority (NHA), the Z3R Resettlement Project- Rio Hondo located at Brgy. Rio Hondo, Zamboanga City, is a socialized housing project of the NHA under its Emergency Housing Assistance Program (Calamity Fund) to provide immediate shelter to families who have lost their homes during the siege by the Moro National Liberation Front (MNLF) of some parts of Zamboanga City, including Brgy. Rio Hondo, last September 2013. The details of the Project are indicated below:

Project Profile

1.	Project Name	Z3R Resettlement Project- Rio Hondo
2.	Location	Brgy. Rio Hondo, Zamboanga City
3.	Land Owner	SPDA per NHA Memo dated Dec. 15, 2014
4.	Program/Classification	Emergency Housing Assistance Program (Calamity Fund)
5.	Total Land Area	5.77 hectares
6.	No. of units for construction	460 units

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Project Identification

1.	Contract Name	Land Development and Construction of Duplex Housing Units at Rio Hondo
2.	Scope of works	General requirements, Earthworks, Road Works, Drainage Works, Construction of Duplex Units, Construction of Septic Vault and Survey Works
3.	Contract Duration	Two Hundred Forty (240) calendar days
4.	Total Contract Cost	
5.	Unit cost per unit including General requirements, Earthworks, Drainage Works and Survey Works	

It is further shown that per Notice of Award dated December 19, 2014 issued by the NHA, the Z3R Resettlement Project- Rio Hondo located at Brgy. Rio Hondo, Zamboanga City, has been awarded to **VTLC**. The Contract Price for the said Project is

s and). Per Contract[1] dated February 10, 2015, the scope of works for the Project includes General Requirements, Earthworks, Road Works, Drainage Works, Construction of Duplex Units, Construction of Septic Vault and Survey Works.

In reply, please be informed that pertinent portion of Section 20 of RA 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"*

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***

[1] Contract for Z3R Resettlement Project-Rio Hondo

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> ***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)

Based on the foregoing, housing projects covering houses and lots or homelots only, including sites development for socialized housing projects, intended for the underprivileged and homeless citizens undertaken by the Government or the public sector, are entitled to exemption from income tax on revenues directly derived therefrom. Considering that **VTLC** is a project contractor whose services are engaged by NHA for the Z3R Resettlement Project-Rio Hondo located at Brgy. Rio Hondo, Zamboanga City, which Project was duly certified by the NHA as a socialized housing project intended for families who have lost their homes during the siege by the Moro National Liberation Front (MNLF) last September 2013, the income directly realized by **VTLC** from the Z3R Resettlement Project- Rio Hondo, shall be exempt from project-related income taxes in so far as the 460 Duplex Loftable Units, (including General Requirements, Earthworks, Road Works, Drainage Works, Construction of Septic Vault and Survey Works) are concerned. (BIR Ruling No. 063-2014 dated February 19, 2014)

Moreover, pursuant to Section 20(d)(3) of RA 7279, the construction by **VTLC** of the 460 Duplex Loftable Units, (including General Requirements, Earthworks, Road Works, Drainage Works, Construction of Septic Vault and Survey Works), shall be exempt from VAT. However, its purchases of goods/articles 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. (BIR Ruling No. 063-2014 dated February 19, 2014)

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,

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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