REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Sections 19 & 20 of RA 7279; RMC No. 42-01
BIR Ruling No. 171-15:
#211-2016 5-23-2016

ALLADO CONSTRUCTION CO., INC. /QUADCORE CONSTRUCTION & DEVELOPMENT CORP. - JOINT VENTURE
No. 733 Lapu-Lapu Street, Davao City

Attention: **Ramon F. Allado**
Authorized Managing Officer

Gentlemen:

This refers to your letter dated January 29, 2016 requesting issuance of Certificate of Tax Exemption on the procurement of fully developed lots and completed housing units under the Yolanda Permanent Housing Project, "Bacay People's Village," located at Brgy. Bacay, Dumangas, Iloilo, pursuant to Republic Act (RA) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that Allado Construction Co., Inc. is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) with Company Registration No. ; that Quadcore Construction & Development Corp. (TIN:) is also a domestic corporation duly registered with the SEC with Company Registration No. ; and that the National Housing Authority (NHA) (TIN:) has issued a Notice of Award dated March 4, 2015 to Allado Construction Co., Inc. /Quadcore Construction & Development Corp. – Joint Venture (TIN: for the "Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program located at Brgy. Bacay, Dumangas, Iloilo-1,000 Housing Units" with a contract price of

To give effect to the Notice of Award, a Contract for Procurement of Fully Developed Lots and Completed Housing Units (1,000 Units), Bacay People's Village, Brgy. Bacay, Dumangas, Iloilo, was executed on January 27, 2016 between NHA and Allado Construction Co., Inc. /Quadcore Construction & Development Corp. – Joint Venture, whereby the latter has committed to deliver One Thousand (1,000) units, for and in consideration of the amount of : and that the works contemplated under the contract is "land development to include boundary and

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subdivision survey, roadworks, drainage works, water works, housing construction and miscellaneous requirements necessary for the completion of the project."

In reply, please be informed that Section 20 of Republic Act (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;*
> *(2) Capital Gains Tax on raw lands used for the project;*
> *(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)
>
> *xxx xxx xxx"*

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 Allado Construction Co., Inc. /Quadcore Construction & Development Corp. – Joint Venture is a project contractor whose services have been engaged by the NHA to undertake construction of 1,000 Housing Units with its necessary construction components in Bacay People's Village located at Brgy. Bacay, Dumangas, Iloilo, a socialized housing program of the NHA pursuant to R.A. 7279 in connection with its Yolanda Permanent Housing Project, the income directly realized

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by Allado Construction Co., Inc. /Quadcore Construction & Development Corp. – Joint Venture from the construction of 1,000 Housing Units with its necessary construction components in Bacay People's Village located at Brgy. Bacay, Dumangas, Iloilo, shall be exempt from project-related income taxes. (BIR Ruling No. 171-2015 dated June 8, 2015)

Moreover, pursuant to Section 20 (d)(3) of R.A. No. 7279, the construction of the 1,000 Housing Units with its necessary construction components in Bacay People's Village located at Brgy. Bacay, Dumangas, Iloilo by Allado Construction Co., Inc. /Quadcore Construction & Development Corp. – Joint Venture shall be exempt from VAT. However, the purchases of goods/articles by Allado Construction Co., Inc. /Quadcore Construction & Development Corp. – Joint Venture 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.

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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