REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

Section 20, RA No. 7279
BIR Ruling No. 467-12
FSH- 0212-2020
MAR 11 2020

CSE BUILDERS
Phase 6, Block 1, Lot 10 Eastwood Greenview Subd.
San Isidro, Rodriguez, Rizal

Attention: **Mr. Christopher M. Estrella**
Authorized Managing Officer

Gentlemen:

This refers to your letter dated September 19, 2017 requesting for exemption from the payment of value-added tax (VAT) on the Land Development of Proposed Market Site, pursuant to Republic Act (RA) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents show that CSE Builders (TIN No.) is duly organized and existing under Philippine laws with Department of Trade and Industry (DTI) Certificate No. dated June 2, 2017 and Philippine Contractors Accreditation Board (PCAB) Registration No. dated July 22, 2016. It is the project contractor engaged by the National Housing Authority (NHA) to undertake Land Development of Proposed Market Site, located at Villa Grande Homes, Concepcion Grande, Naga City, Camarines Sur, considered one of the basic needs for socialized housing project.

In support of your request, you attached the following documents:

1. Certification from NHA
2. Certified true copy of Contract Agreement
3. Copy of DTI Registration
4. Copy of BIR Certificate of Registration
5. Copy of Tax Clearance
6. Copy of PCAB License
7. Copy of Notice of Award (NOA) and Notice to Proceed (NTP)
8. Copy of Memorandum of Agreement and
9. Copy of Site Development Plan

BIR- 0212-2020
MAR 11 2020

In reply, please be informed that Section 20 of RA No. 7279 provides that -

*"**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) . . .;
(2) . . .;
(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 home lots 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;"

Although certified by the NHA as a socialized housing project and considered one of the basic needs for socialized housing project, the Land Development of Proposed Market Site, located at Villa Grande Homes, Concepcion Grande, Naga City, Camarines Sur, is nevertheless outside the definition of a "socialized housing" in relation to the tax incentives for the private sector under Section 20 of R.A. 7279. It is apparent that the tax incentive provision, granting exemption from project related taxes and VAT, is limited to project contractors on the construction and development of houses and lots or homelots only with a view to reduce the cost of housing units for the benefit of the underprivileged and homeless. (BIR Ruling No. 347-2011 dated September 28, 2011)

It should be remembered that laws and statutes granting tax exemptions are strictly construed against the taxpayer. Exemptions are never presumed and the burden is upon the taxpayer to establish his right to exemption beyond reasonable doubt.[1] In the case of Mactan Cebu International Airport Authority v. Marcos,[2] the Supreme Court held:

"Accordingly, tax statutes must be construed strictly against the government and liberally in favor of the taxpayer. But since taxes are what we pay for civilized society, or are the lifeblood of the nation, the law frowns against

[1] Dimaampao, Japar B., Tax Principles and Remedies, Second Edition (2005)
[2] G.R. No. 120082, 11 September 1996, 261 SCRA 667

BOH- 4212-2020
MAR 11 2020

exemptions from taxation and statutes granting the exemptions are thus construed strictissimi juris against the taxpayer and liberally in favor of the taxing authority. A claim of exemption from tax payments must be clearly shown and based on language in the law too plain to be mistaken. Elsewise stated, taxation is the rule, exemption therefrom is the exception."

In view of the foregoing, the request of **CSE Builders** for exemption from payment of VAT on the Land Development of Proposed Market Site located at Villa Grande Homes, Concepcion Grande, Naga City, Camarines Sur, is hereby denied for lack of legal basis.

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 null and void.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

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