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

Sec. 20, RA 7279
BIR Ruling No. 252-2015
#238-2016 6-6-2016

PATRILA BUILDERS, INC.
Rm. 201 AJL Bldg.
Gen. Luna St., Iloilo City

Attention : **ERLISA V. MARTINEZ**
Acctg. & Finance Div. Mgr.

Gentlemen:

This refers to your letter dated March 4, 2016, requesting tax exemption on the land development of Ajuy Ville Subdivision Phase 2 located at Brgy. Poblacion, Ajuy, Iloilo pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted disclosed that Patrila Builders, Inc. (is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) under Registration No. ; that on August 12, 2015, the National Housing Authority (NHA) in its Memorandum to the NHA Board of Directors recommended that the contract for the land development for one hundred Fifty Eight (158) socialized lots in Ajuy Ville Subdivision Phase 2 located at Brgy. Poblacion, Ajuy, Iloilo be awarded to Patrila Builders, Inc.; that the NHA has issued a Notice of Award dated September 7, 2015 to Patrila Builders, Inc. for the land development of Ajuy Ville Subdivision Phase 2 located at Brgy. Poblacion, Ajuy, Iloilo; that a corresponding Contract dated December 28, 2015 was executed between NHA and Patrila Builders, Inc. for a bid price of and that according to the contract, the scope of work under this project are *"survey works, clearing and grubbing works, riprap works, general earthworks, general roadworks, drainage works, water works and miscellaneous 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*

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(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"

Considering that Patrila Builders, Inc. is a project contractor whose services are engaged by NHA to undertake land development with its necessary construction components for 158 socialized lots in Ajuy Ville Subdivision Phase 2 located at Brgy. Poblacion, Ajuy, Iloilo and which was certified by the NHA as a socialized housing project as resettlement site pursuant to RA 7279, the income directly realized by Patrila Builders, Inc. from the development of the Ajuy Ville Subdivision Phase 2 located at Brgy. Poblacion, Ajuy, Iloilo shall be exempt from project-related income taxes in so far as the 158 socialized lots (including survey works, clearing and grubbing works, riprap works, general earthworks, general roadworks, drainage works, water works and miscellaneous works) are concerned. (BIR Ruling No. 252-15 dated July 21, 2015)

Moreover, pursuant to Section 20 (d)(3) of R.A. No. 7279, the land development by Patrila Builders, Inc. and its necessary construction components for 158 socialized lots 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.

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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