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

RA7279
BIR Ruling No. 003-16
#240-2016 6-7-2016

RFN CONSTRUCTION AND DEVELOPMENT CORPORATION
Rm. 210 Tia Maria Bldg.
C.V. Starr Avenue, Pamplona, Las Piñas City

Attention: **RAFAEL A. ILAGAN**
President

Gentlemen:

This refers to your letter dated April 18, 2016, requesting issuance of Certificate of Tax Exemption for socialized housing project, the "Fully Developed & Completed Housing Units" under NHA's Yolanda Permanent Housing Program located at Brgy. Tinampaan Site 1, Cadiz City pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that the National Housing Authority (NHA) (TIN: is the registered owner of two (2) parcel of lands covered by Transfer Certificate of Title (TCT), to wit:

TCT	Lot No.	Area (sq. m.)
T-26268[1]	Lot 7	26,618
T-26269[2]	Lot 8	24,221
	Total	50,839

both issued by the Registry of Deeds for the Cadiz City.

The above described properties have been identified and certified for development into a residential project under the Yolanda Permanent Housing Program intended for the families affected by Typhoon Yolanda and qualified for housing assistance under R. A. No. 7279.

041944

[1] Formerly: TCT No.
[2] Formerly: TCT No.

The NHA has issued Notice of Award dated October 16, 2015 to RFN Construction and Development Corporation for the "Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program located at Brgy. Tinampaan, Cadiz City, Negros Occidental-1,000 Housing Units" with a contract price of

To give effect to the Notice of Award, a corresponding Contract for the Procurement of House and Lot Packages at Don Salvador Heights, Tinampaan, Cadiz City, Negros Occidental was executed on February 10, 2016 between NHA and RFN Construction and Development Corporation, whereby the latter is committed to deliver One Thousand (1,000) units (House and Lot Package) for a price of ; and that according to the contract, the scope of work under this project are "survey works, earthworks, road works, drainage works, water system, electrical power lines, miscellaneous works and housing construction.

In reply, please be informed that pursuant to Section 20 of Republic Act (RA) No. 7279, pertinent portions of which state 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) 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*

Considering that RFN Construction and Development Corporation is a project contractor whose services are engaged by NHA to undertake construction of 1,000 Housing Units with its necessary construction components in Don Salvador Heights, Tinampaan, Cadiz City, Negros Occidental and which was certified by the NHA as a socialized housing project as resettlement site pursuant to R.A. 7279, the income directly realized by RFN Construction and Development Corporation from the land development and housing construction with its necessary construction components for 1,000 Housing Units in Don Salvador Heights, Tinampaan, Cadiz City, Negros Occidental shall be exempt from project-related income taxes. (BIR Ruling No. 003-2016 dated January 6, 2016)

041944

Moreover, pursuant to Section 20 (d)(3) of R.A. No. 7279, the housing construction with its necessary construction components for 1,000 Housing Units in Don Salvador Heights, Tinampaan, Cadiz City, Negros Occidental by RFN Construction and Development Corporation shall be exempt from VAT. However, the purchases of goods/articles by RFN Construction and Development Corporation shall

#240-2016
6-7-2016

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 RFN Construction and Development Corporation 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

K-1-JRC

041944
JUN 02 2016