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

RA7279
BIR Ruling No. 168-16
1242-2016 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 28, 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. E. Lopez, Silay City Site 1 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) parcels of land covered by the following Transfer Certificates of Title (TCT), to wit:

TCT	Tax Declaration No.	Lot No.	Area (sq. m.)
		664-B	69,507
		664-C	13,288
		Total	82,795

both issued by the Registry of Deeds for Silay 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.

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The NHA has issued Notice of Award dated November 12, 2015 to RFN Construction and Development Corporation (TIN: for the "Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program located at Site 1 Brgy. E. Lopez, Silay City, Negros Occidental-992 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 Ledesma Residences 1, Brgy. E. Lopez, Silay City, Negros Occidental, Site 1 was executed on February 23, 2016 between NHA and RFN Construction and Development Corporation, whereby the latter is committed to deliver Nine Hundred Ninety Two (992) units (House and Lot Package) for the price of ; and that according to the contract, the scope of work under this project cover "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 992 Housing Units with its necessary construction components in Ledesma Residences 1, Brgy. E. Lopez, Silay City, Negros Occidental, Site 1 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 992 Housing Units in Ledesma Residences 1, Brgy. E. Lopez, Silay City, Negros Occidental Site 1 shall be exempt from project-related income taxes. (BIR Ruling No. 168-2016 dated May 6, 2016)

Moreover, pursuant to Section 20(d)(3) of R.A. No. 7279, the housing construction with its necessary construction components for 992 Housing Units in Ledesma Residences 1, Brgy. E. Lopez, Silay City, Negros Occidental, Site 1 by RFN Construction and Development Corporation shall be exempt from VAT. However, the purchases of goods/articles by RFN Construction and Development Corporation 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. 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

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JUN 02 2016