REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
**BUREAU OF INTERNAL REVENUE**

**Quezon City**

| Section 20, RA 7279 |
|---|
| BIR Ruling No. 063-2014;<br>BIR Ruling No. 227-2015 |
| #244-2016<br>6-16-2016 |

**Bilrey Construction**
94 Aramismis St., Veterans Village
Project 7, Quezon City

Attention: **Billy Reymond De Leon**
General Manager

Gentlemen:

This refers to your letter dated January 7, 2016 requesting on behalf of **Bilrey Construction** for a certificate of exemption on the Land Development of Zamboanga City West Townsite Phase II located at Brgy. Tulungatung, Zamboanga City, pursuant to Republic Act (RA) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

As represented, and based on the documents submitted, it is shown that **Bilrey Construction** (TIN: , is a sole proprietorship duly registered with the Department of Trade and Industry (DTI) under DTI Registration No. dated July 6, 2012; that on November 11, 2014, **Bilrey Construction** and the National Housing Authority (NHA) entered into a Contract for Land Development of Zamboanga City West Townsite Phase II, Brgy. Tulungatung, Zamboanga City, for a contract price of and that based on said contract, the items of works for the project include Mobilization/Demobilization, Preliminaries and Other Services, Earthworks, Road Works, Drainage Works and Survey Works; that the corresponding Notice of Award dated September 8, 2014 and Notice to Proceed dated November 14, 2014 relative to the aforementioned project have been duly issued in favor of **Bilrey Construction**; and that the housing component (383 Units) of the above project is also being undertaken by **Bilrey Construction** pursuant to the Contract for the Tulungatung Housing Project, Brgy. Tulungatung, Zamboanga City, dated July 2, 2014, which has already been confirmed to be exempt from project-related income taxes and value-added tax (VAT) by this Office per BIR Ruling No. 226-2015 dated June 29, 2015.

In reply, please be informed that pertinent portion of Section 20 of 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:*

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*(1) Project-related income taxes;*
*(2) xxx xxx xxx;*
*(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)

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 **Bilrey Construction** is a project contractor whose services have been engaged by NHA for the Land Development of Zamboanga City West Townsite Phase II located at Brgy. Tulungatung, Zamboanga City, the income directly realized therefrom by **Bilrey Construction** shall be exempt from project-related income taxes, in so far as the construction of the 383 housing units, including the Mobilization/Demobilization, Preliminaries and Other Services, Earthworks, Road Works, Drainage Works and Survey Works, are concerned. (*BIR Ruling No. 063-2014* dated February 19, 2014)

Moreover, pursuant to Section 20(d)(3) of RA 7279, the Land Development of Zamboanga City West Townsite Phase II, in so far as the construction of the 383 housing units, including the Mobilization/Demobilization, Preliminaries and Other Services, Earthworks, Road Works, Drainage Works and Survey Works are concerned, shall be exempt from VAT. However, **Bilrey Construction's** purchases of goods/articles shall be subject to VAT even if 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. (*BIR Ruling No. 063-2014* dated February 19, 2014)

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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