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

Section 20 of RA7279
BIR Ruling No. 063-14
248-2016 6-21-2016

National Housing Authority
Quezon Memorial Elliptical Road
Diliman, Quezon City

Attention: **AR. SUSANA V. NONATO**
Head, NPIT-A
Regions IV-B, V, VI & VII

Gentlemen:

This refers to your letter dated May 16, 2016 requesting on behalf of Eddmari Construction and Trading/Opusland, Inc. - Joint Venture, for issuance of Certificate of Tax Exemption for the socialized housing project, St. Vincent Village located in Brgy. Vito, Sagay City, Negros Occidental, under the Yolanda Permanent Housing Project of the National Housing Authority (NHA) pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that Eddmari Construction and Trading is a sole proprietorship duly registered with the Department of Trade and Industry (DTI) with Registration Certificate No. under the name of Edgardo Aguilar Sagum (TIN:); that Opusland, Inc., on the other hand, is a domestic corporation duly organized under the Philippine laws and registered with the Securities and Exchange Commission (SEC) with SEC Company Registration No and that the NHA (TIN: has issued a Notice of Award dated November 12, 2015 to Eddmari Construction and Trading/Opusland, Inc. - Joint Venture for the project, "Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program Located at Site 2 Brgy. Vito, Sagay, Negros Occidental – 1,000 Housing Units" with a contract price of

To give effect to the Notice of Award, a Contract for the Procurement of House and Lot Packages, St. Vincent Village, Brgy. Vito, Sagay City, Negros Occidental, Site 2, was executed on February 24, 2016 between NHA and Eddmari Construction and Trading/Opusland, Inc. - Joint Venture, whereby the latter has committed to deliver One Thousand (1,000) units (House and Lot package) for and in consideration of the amount of . and that the scope of works under the project includes

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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*

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;"*

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 Eddmari Construction and Trading/Opusland, Inc. - Joint Venture is a project contractor whose services have been engaged by NHA to undertake the construction of the 1,000 Housing Units (House and Lot package) with its necessary construction components in St. Vincent Village, Brgy. Vito, Sagay City, Negros Occidental, Site 2, a housing project under the socialized housing program of the NHA pursuant to R.A. 7279, in connection with its Yolanda Permanent Housing Project, the income directly realized by Eddmari Construction and Trading/Opusland, Inc. - Joint Venture from the construction of 1,000 Housing Units (House and Lot Packages) with its necessary construction components, in St. Vincent Village, Brgy. Vito, Sagay City, Negros Occidental, Site 2, shall be exempt from project-related income taxes. (BIR Ruling No. 063-14 dated February 19, 2014)

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Moreover, pursuant to Section 20 (d)(3) of R.A. No. 7279, the construction of the 1,000 Housing Units (House and Lot Packages) with its necessary construction components, in St. Vincent Village, Brgy. Vito, Sagay City, Negros Occidental, Site 2, by Eddmari Construction and Trading/Opusland, Inc. - Joint Venture, shall be exempt from VAT. However, the purchases of goods/articles by Eddmari Construction and Trading/Opusland, Inc. - Joint Venture 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 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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