REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 20 of RA 7279
BIR Ruling No. 063-14
#251-2016

6-21-2016

HI-TRI DEVELOPMENT CORPORATION
91 Sgt. Catolos Street
Cubao, Quezon City

Attention: **Manuel R. Bakunawa III**
President

Gentlemen:

This refers to your letter dated May 8, 2015 requesting issuance of Certificate of Tax Exemption for the socialized housing project, Villa Medalla Milagrosa, under the National Housing Authority (NHA)'s Yolanda Permanent Housing Project, located at Brgy. Timpas, Panit-an, Capiz, pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that Hi-Tri Development Corporation is a domestic corporation existing under the laws of the Republic of the Philippines, with business address at No. 91 Sgt. Catolos Street, Cubao, Quezon City; and that on April 8, 2015, a Contract for Procurement of Fully Developed Lots and Compeleted Housing Units (572 Units) Villa Medalla Milagrosa Housing Project, Brgy. Timpas, Panit-an, Capiz, was executed between NHA and Hi-Tri Development Corporation, whereby the latter undertook to complete the project for and in consideration of P and that according to the contract, the works contemplated under the said project is land development to include boundary and subdivision survey, roadworks, drainage works, water supply works, housing construction and miscellaneous requirements necessary for the completion of the project.

In reply, please be informed that Section 20 of Republic Act (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*

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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; (Underscoring supplied)

xxx xxx xxx"

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 Hi-Tri Development Corporation is a project contractor whose services have been engaged by the NHA to undertake the construction of 572 completed housing units with its necessary construction components in Villa Medalla Milagrosa Housing Project, Brgy. Timpas, Panit-an, Capiz, a socialized housing program of the NHA pursuant to R.A. 7279 in connection with its Yolanda Permanent Housing Project, the income directly realized by Hi-Tri Development Corporation from the construction of the 572 Housing Units with its necessary construction components in Villa Medalla Milagrosa Housing Project, Brgy. Timpas, Panit-an, Capiz, 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 572 Housing Units with its necessary construction components in Villa Medalla Milagrosa Housing Project, Brgy. Timpas, Panit-an, Capiz by Hi-Tri Development Corporation shall be exempt from VAT. However, the purchases of goods/articles by Hi-Tri 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.

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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