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

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| Sections 19 & 20 of RA 7279;<br>RMC No. 42-01 |
| BIR Ruling No. 171-15 |
| #256-2016<br>6-22-2016 |

**National Housing Authority**
Quezon Memorial Elliptical Road
Diliman, Quezon City

Attention: **Romuel P. Alimboyao**
Department Manager
NCL, Central Luzon & Head, NPIT-B

Gentlemen:

This refers to your letter dated April 22, 2016 requesting issuance of Certificate of Tax Exemption on the Procurement of Fully Developed Lots and Completed Housing Units (1,000 Units), Guinticgan People's Village, located in Brgy. Guinticgan, Carles, Iloilo, pursuant to Republic Act (RA) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that Marlyn Villar, married to Adriano Manalo, is the registered owner of a parcel of land situated in Guinticgan, Carles, Iloilo, with an area of 39,989 square meters covered by Original Certificate of Title (OCT) No. issued by the Registry of Deeds for Iloilo. On May 19, 2016, Marlyn Villar Manalo executed a Deed of Absolute Sale in which she transferred and conveyed a portion of the above-described property, particularly an area of 29,826.85 sq. m., in favor of the National Housing Authority (NHA) (TIN: for and in consideration of the amount of

It is also shown that Adriano Manalo, married to Marlyn Villar, is the registered owner of a parcel of land situated in Guinticgan, Carles, Iloilo, with an area of 39,912 square meters covered by OCT No. issued by the Registry of Deeds for Iloilo. On May 19, 2016, Adriano Manalo executed a Deed of Absolute Sale in which he transferred and conveyed the above-described property in favor of the National Housing Authority (NHA) (TIN: for and in consideration of the amount of

The above-described lots have been identified and certified for development into a residential project under the NHA's Yolanda Permanent Housing Program

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intended for the families affected by Typhoon Yolanda and qualified for housing assistance under R. A. No. 7279. Relative thereto, the National Housing Authority (NHA) (TIN: ) has issued a Notice of Award dated December 23, 2015 to R.D. Policarpio & Co., Inc. /TGV Builders, Inc. – Joint Venture (TIN: for the Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program located at Brgy. Guinticgan, Carles, Iloilo, with a contract price of

To give effect to the Notice of Award, a Contract for the Procurement of Fully Developed Lots and Completed Housing Units (1,000 Units), Guinticgan People's Village, Brgy. Guinticgan, Carles, Iloilo, was executed on April 19, 2016 between NHA and R.D. Policarpio & Co., Inc. /TGV Builders, 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 contract includes Survey Works, Earthworks, Road Works, Drainage Works, Water System, Electrical Power Lines, Miscellaneous Works and Housing Construction.

In reply, please be informed that Sections 19 and 20 of Republic Act (RA) No. 7279 provide:

> *"Sec. 19. Incentives for the National Housing Authority. — The National Housing Authority, being the primary government agency in charge of providing housing for the underprivileged and homeless, shall be exempted from the payment of all fees and charges of any kind, whether local or national, such as income and realty taxes. All documents or contracts executed by and in favor of the National Housing Authority shall also be exempt from the payment of documentary stamp tax and registration fees, including fees required for the issuance of transfer certificates of title.*
>
> *"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*

Moreover, pertinent portions of RMC No. 42-01 dated October 5, 2001, state:

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*xxx xxx xxx*

*A. National Housing Authority (NHA) — The NHA, being the primary government agency in charge of providing housing for the underprivileged and homeless citizens shall be exempted from the payment of the following national internal revenue taxes:*

*(1) . . .*
*(2) Documentary stamp tax on sales transactions executed by and in favor of the NHA in connection with socialized housing projects. Since Section 19 of R.A. 7279 exempts "all documents or contracts executed by and in favor of the NHA," the exemption from documentary stamp tax extends to the other party (either seller or buyer) that is dealing or transacting with the NHA.*

*xxx xxx xxx*

***Sale by the Landowner to NHA***

The landowner who sells his/her property for use in a socialized housing project is exempt from the payment of the capital gains tax.

Such being the case, the sale by Marlyn Villar Manalo to the NHA of the 29,826.85 sq. m. portion of the parcel of land covered by OCT No. [redacted] is exempt from capital gains tax. Likewise, the sale by Adriano Manalo to the NHA of the parcel of land with an area of 39,912 square meters covered by OCT No. [redacted] is exempt from capital gains tax. (BIR Ruling No. 171-2015 dated June 8, 2015)

The exemption from documentary stamp tax of NHA in connection with any of its socialized housing project extends to the other party (either seller or buyer) that deals or transacts with the NHA. Consequently, since NHA is a party to the sale, no documentary stamp tax shall be due on such sale. Accordingly, the transfer by Marlyn Villar Manalo to the NHA of the 29,826.85 sq. m. portion of the parcel of land covered by OCT No. [redacted] is exempt from documentary stamp tax imposed under Section 196 of the Tax Code of 1997, as amended. Likewise, the transfer by Adriano Manalo to the NHA of the parcel of land with an area of 39,912 square meters covered by OCT No. [redacted] is exempt from documentary stamp tax. (BIR Ruling No. 171-2015 dated June 8, 2015)

Upon application for exemption, a lien on the titles of the lands shall be annotated by the Register of Deeds having jurisdiction over the properties, to the effect that the same is to be applied or is being applied to socialized housing project pursuant to RA 7279.

Please take note that this ruling is never intended and shall not be construed as giving authority to the concerned Register of Deeds to effect transfer of the lands in the

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name of the buyer without the necessary certificate of authority to register issued by this Bureau. In this regard, this ruling shall be presented to the Revenue District Office (RDO) concerned in order for the latter to issue the Certificate Authorizing Registration (CAR) after the submission of the requirements provided under Revenue Memorandum Order (RMO) No. 15-2003.

***Transaction between NHA and R.D. Policarpio & Co., Inc. /TGV Builders, Inc. – Joint Venture***

Considering that R.D. Policarpio & Co., Inc. /TGV Builders, Inc. – Joint Venture is a project contractor whose services have been engaged by the NHA to undertake construction of 1,000 Housing Units with its necessary construction components in Guinticgan People's Village located at Brgy. Guinticgan, Carles, Iloilo, 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 R.D. Policarpio & Co., Inc. /TGV Builders, Inc. – Joint Venture from the construction of 1,000 Housing Units with its necessary construction components in Guinticgan People's Village located at Brgy. Guinticgan, Carles, Iloilo, shall be exempt from project-related income taxes. (BIR Ruling No. 171-2015 dated June 8, 2015)

Moreover, pursuant to Section 20 (d)(3) of R.A. No. 7279, the construction of the 1,000 Housing Units with its necessary construction components in Guinticgan People's Village located at Brgy. Guinticgan, Carles, Iloilo by R.D. Policarpio & Co., Inc. /TGV Builders, Inc. – Joint Venture shall be exempt from VAT. However, the purchases of goods/articles by R.D. Policarpio & Co., Inc. /TGV Builders, 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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JUN 17 2016

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