January 18, 2018

BIR RULING NO. 028-18

Sec. 20, R.A. 7279; BIR Ruling No. 432-16

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

Attention: *AAA*

Gentlemen :

This refers to your letter dated June 20, 2016, on behalf of Tokwing Construction Corporation, requesting tax exemption on the construction of Fourteen (14) Three-Storey Low Rise Buildings and Land Development — Site 2, Package 2, Disiplina Village located at Brgy. Bignay, Valenzuela City intended for the relocation and resettlement of Informal Settler Families (ISFs) living in danger areas such as "esteros," railroad tracks, garbage dumps, riverbanks, shorelines, waterways and in other public places such as sidewalks, roads, parks and playgrounds pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992."

Documents submitted disclosed that Tokwing Construction Corporation (000-000-000-000) is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) Under Registration No. CS200800705; that the National Housing Authority (NHA) has issued a Notice of Award dated September 11, 2015 to Tokwing Construction Corporation for the construction of Fourteen (14) Three-Storey Low Rise Buildings and Land Development — Site 2, Package 2, Disiplina Village at Brgy. Bignay, Valenzuela City involving 504 socialized housing units; that a Contract Agreement dated November 13, 2015 was executed between NHA and Tokwing Construction Corporation for a bid price of One Hundred Seventy Five Million Four Hundred Eighty Eight Thousand One Peso and 50/100 (P175,488,001.50); and that according to the contract, Tokwing Construction Corporation shall supply construction materials, services, and equipment and tools for the completion of the project.

On June 20, 2016, a Certification was issued by the National Housing Authority (NHA) certifying that the construction of Fourteen (14) Three-Storey Low Rise Buildings and Land Development — Site 1, Package 2, Disiplina Village at Brgy. Bignay,

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Valenzuela City involving 504 socialized housing units being undertaken by Tokwing Construction Corporation is a socialized housing project.

In reply, please be informed that pertinent portion of Section 20 of R.A. No. 7279 reads:

> *"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) x x x;*
>
> *(3) Value-Added Tax for the project contractor concerned;*
>
> xxx xxx xxx"

Considering that Tokwing Construction Corporation is a project contractor whose services are engaged by NHA to undertake construction of Fourteen (14) Three-Storey Low Rise Buildings and Land Development — Site 2, Package 2, Disiplina Village at Brgy. Bignay, Valenzuela City, 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 Tokwing Construction Corporation from the construction of Fourteen (14) Three-Storey Low Rise Buildings and Land Development — Site 1, Package 2, Disiplina Village at Brgy. Bignay, Valenzuela City, shall be exempt from project-related income taxes in so far as the Five Hundred Four (504) socialized housing units are concerned. *(BIR Ruling No. 432-15 dated December 17, 2015)*

Moreover, pursuant to Section 20 (d) (3) of R.A. No. 7279, a project contractor of a socialized housing project shall also be exempt from the payment of Value-Added Tax (VAT) on the sale of Five Hundred Four (504) completed housing units on the Fourteen (14) Three-Storey Low Rise Buildings. However, its purchases of goods/articles 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 ascertained that the facts are different, then this ruling shall be considered as null and void.

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Very truly yours,

(SGD.) CAESAR R. DULAY
Commissioner of Internal Revenue

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