REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 20 of RA7279
BIR Ruling No. 063-14
#288-2016 6-27-2016

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 issuance of Certificate of Tax Exemption for the socialized housing project, Lizares Village 2 located at Brgy. Bolanon, 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 Opusland, Inc. is a domestic corporation duly organized under the Philippine laws and registered with the Securities and Exchange Commission (SEC) with SEC Company Registration No. , that R.U. Aquino Construction and Development Corporation (TIN: is also 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 December 29, 2015 to Opusland, Inc./R.U. Aquino Const. & Dev't. Corp - Joint Venture for the project, "Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program Located at Brgy. Bolanon, Sagay, Negros Occidental – 379 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, Lizares Village 2, Brgy. Bolanon, Sagay, Negros Occidental, was executed between NHA and Opusland, Inc./R.U. Aquino Const. & Dev't. Corp. - Joint Venture, whereby the latter has committed to deliver Three Hundred Seventy Nine (379) units (House and Lot Package) for a price of . The scope of

042373

works under the project includes 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 Opusland, Inc./R.U. Aquino Const. & Dev't. Corp. - Joint Venture is a project contractor whose services have been engaged by NHA to undertake the construction of the 379 Housing Units (House and Lot Package) with its necessary construction components in Lizares Village 2, Brgy. Bolanon, Sagay, Negros Occidental, 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 Opusland, Inc./R.U. Aquino Const. & Dev't. Corp. - Joint Venture from the construction of 379 Housing Units (House and Lot Package) with its necessary construction components, in Lizares Village 2, Brgy. Bolanon, Sagay, Negros Occidental, shall be exempt from project-related income taxes. (BIR Ruling No. 063-14 dated February 19, 2014)

042373

#288-2016
6-27-2016

Moreover, pursuant to Section 20 (d)(3) of R.A. No. 7279, the construction of the 379 Housing Units (House and Lot Packages) with its necessary construction components, in Lizares Village 2, Brgy. Bolanon, Sagay, Negros Occidental by Opusland, Inc./R.U. Aquino Const. & Dev't. Corp. - Joint Venture, shall be exempt from VAT. However, the purchases of goods/articles by Opusland, Inc./R.U. Aquino Const. & Dev't. Corp. - 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

042373
JUN 24 2016

K-1-JHB