November 8, 2016

BIR RULING NO. 375-16

Section 20 of RA 7279;
BIR Ruling No. 432-2015

National Housing Authority
Quezon Memorial Elliptical Road
Diliman, Quezon City

Attention: *Felicisimo F. Lazarte, Jr.*
Group Manager
Northern and Central Luzon

Gentlemen :

This refers to your letter dated October 25, 2013 requesting tax exemption, in behalf of the contractor, Phinma Property Holdings Corp. (PPHC), on the Construction of Ten (10) 5-Storey Medium-Rise Buildings with Land Development and Survey Works (Package 1) at Pleasant Hills, City of San Jose del Monte, Bulacan, pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992."

Documents submitted disclosed that PPHC, bearing Tax Identification Number 000-000-000, is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) with Company Registration No. CS201019568; that the National Housing Authority (NHA) has issued a Notice of Award dated March 1, 2013 in favor of PPHC for the Construction of Ten (10) 5-Storey Medium-Rise Buildings with Land Development and Survey Works Package 1 at Pleasant Hills, City of San Jose del Monte, Bulacan for a contract price of P_____; and that based on the Contract executed by and between the NHA and PPHC dated September 26, 2013, the scope of work for the above project includes the construction of ten 5-storey medium-rise buildings with provision of detailed architectural and engineering designs, plans duly signed and sealed, technical specifications and all other related documents, as well as, land development and acquisition of permits and other licenses necessary for the construction.

Based on the NHA Certification dated December 9, 2013, the above project is being

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implemented by the NHA under the socialized housing program of the government; and that the said project, with 572 residential units, has a pricing package of P400,00.00 * per unit intended for the informal settler families (ISFs) living in danger areas from Metro Manila who are qualified for housing assistance under RA 7279.

In reply, please be informed that pertinent portion of 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 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

Considering that PPHC is a project contractor whose services have been engaged by NHA to undertake the Construction of Ten (10) 5-Storey Medium-Rise Buildings with Land Development and Survey Works (Package 1) at Pleasant Hills, City of San Jose del Monte, Bulacan, a duly certified socialized housing program of the NHA pursuant to R.A. 7279, the income directly realized by PPHC from the Construction of Ten (10) 5-Storey Medium-Rise Buildings with Land Development and Survey Works (Package 1), shall be exempt from project-related income taxes. (BIR Ruling No. 432-2015 dated December 17, 2015)

Moreover, pursuant to Section 20 (d) (3) of RA No. 7279, the Construction of Ten (10) 5-Storey Medium-Rise Buildings with Land Development and Survey Works (Package 1) by PPHC shall be exempt from VAT. However, the purchases of goods/articles by PPHC 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. It shall be understood that PPHC must issue non-VAT official receipts on its gross receipts from the said socialized housing project.

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

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ruling shall be considered null and void.

Very truly yours,

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

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