**November 11, 2016**

# BIR RULING NO. 388-16

Sec. 20, R.A. 7279; BIR Ruling No. 432-15

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

Attention: *Engr. Victor C. Balba*
*Group Manager, NCRAMO*

Gentlemen :

This refers to your letter dated January 5, 2016, requesting tax exemption on behalf of P.E.R.R.C. Construction & Development Corporation for the construction of Three (3) Five-Storey Low Rise Residential Buildings at Malabon Homes 1, Labahita Alley corner Kitang Alley, Longos, Malabon 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 P.E.R.R.C. Construction & Development Corporation (000-000-000-000) is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) under Registration No. A1997-8907; that the National Housing Authority (NHA) has issued a Notice of Award dated April 14, 2014 to P.E.R.R.C. Construction & Development Corporation for the construction of Three (3) Five-Storey Low Rise Buildings at Malabon Homes 1, Labahita Alley corner Kitang Alley, Longos, Malabon City generating 180 units; that a Contract Agreement dated September 29, 2014 was executed between NHA and P.E.R.R.C. Construction & Development Corporation for a bid price of _____ Pesos and 52/100 (P_____); and that according to the contract, P.E.R.R.C. Construction & Development Corporation shall provide for the construction of Three (3) Five-Storey Low Rise Residential Buildings including the design of the structure (Structural & Automatic Fire Sprinkler System), supply of construction materials, manpower, equipment and tools for the completion of the project.

Copyright 2020 CD Technologies Asia, Inc.

On January 5, 2016, a Certification was issued by the National Housing Authority (NHA) certifying that the construction of Three (3) Five-Storey Low Rise Buildings at Malabon Homes 1, Labahita Alley corner Kitang Alley, Longos, Malabon City being undertaken by P.E.R.R.C. Construction & Development 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) . . .;*
>
> *(3) Value-Added Tax for the project contractor concerned;*
>
> xxx xxx xxx"

Considering that P.E.R.R.C. Construction & Development Corporation is a project contractor whose services are engaged by NHA to undertake construction of Three (3) Five-Storey Low Rise Buildings at Malabon Homes 1, Labahita Alley corner Kitang Alley, Longos, Malabon 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 P.E.R.R.C. Construction & Development Corporation from the construction of Three (3) Five-Storey Low Rise Buildings at Malabon Homes 1, Labahita Alley corner Kitang Alley, Longos, Malabon City, shall be exempt from project-related income taxes in so far as the One Hundred Eighty (180) units are concerned. *(BIR Ruling No. 432-15 dated December 17, 2015)*

Moreover, pursuant to Section 20 (d) (3) of R.A. No. 7279, the construction of Three (3) Five-Storey Low Rise Buildings by P.E.R.R.C. Construction & Development Corporation and its necessary construction components for 180 socialized housing units shall be exempt from VAT. 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.

Copyright 2020 CD Technologies Asia, Inc.

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.

Very truly yours,

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

Copyright 2020 CD Technologies Asia, Inc.