**November 21, 2016**

# BIR RULING NO. 399-16

Section 20 of RA 7279; BIR Ruling No. 063-14

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

Attention: *Romuel P. Alimboyao*
*Department Manager*

Gentlemen :

This refers to your two (2) letters, both dated October 6, 2016, requesting, on behalf of Eddmari Construction and Trading, for the issuance of Certificate of Tax Exemption for the socialized housing project, Tipacla People's Village, Sites 1 and 2, located in Brgy. Tipacla, Ajuy, Iloilo, 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 Eddmari Construction and Trading is a sole proprietorship owned by AAA (TIN: 000-000-000-000) and duly registered with the Department of Trade and Industry (DTI) with Certificate of Registration No. 03457664; that the NHA has issued two (2) Notices of Award, both dated November 12, 2015, in favor of Eddmari Construction and Trading for the Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program Located at Sites 1 and 2, Tipacla, Ajuy, Iloilo, with 1,000 housing units for each Site, or a total of 2,000 housing units, with contract prices of P_____ for Site 1, and P_____ for Site 2.

To give effect to the Notices of Award, two (2) Contracts for the Procurement of Fully Developed Lots and Completed Housing Units, Tipacla People's Village, Sites 1 and 2 (1,000 Units for each Site), Brgy. Tipacla, Ajuy, Iloilo, were executed on February 4, 2016 and February 29, 2016, respectively, between NHA and Eddmari Construction and Trading, whereby the latter agreed to undertake the above projects for and in consideration of

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P_____ for Site 1, and P_____ for Site 2; that the works contemplated for Site 1 is land development which includes boundary and subdivision survey, roadworks, drainage works, water supply works, power supply works, housing construction and miscellaneous requirements necessary for the completion of the project; and that the scope of works for Site 2 includes survey works, earthworks, road works, drainage works, water system, electrical power lines, miscellaneous works and housing construction.

In reply, please be informed that 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

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; (Underscoring supplied)

xxx xxx xxx"

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 Eddmari Construction and Trading is a project contractor whose services have been engaged by the NHA to undertake the construction of 2,000 Housing Units with its necessary construction components in Tipacla People's Village, Sites 1 and 2, located at Brgy. Tipacla, Ajuy, Iloilo, which have been certified as socialized housing project of the NHA pursuant to

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R.A. 7279, in connection with its Yolanda Permanent Housing Project, the income directly realized by Eddmari Construction and Trading from the construction of the 2,000 Housing Units, with its necessary construction components, in Tipacla People's Village, Sites 1 and 2, shall be exempt from project-related income taxes. *(BIR Ruling No. 063-14 dated February 19, 2014)*

Moreover, pursuant to Section 20 (d) (3) of R.A. No. 7279, the gross receipts from the construction of the 2,000 Housing Units with its necessary construction components in Tipacla People's Village, Sites 1 and 2, located at Brgy. Tipacla, Ajuy, Iloilo, by Eddmari Construction and Trading, shall be exempt from VAT. However, the purchases of goods/articles by Eddmari Construction and Trading 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,

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

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