November 22, 2016

BIR RULING NO. 403-16

Sec. 20, RA No. 7279; BIR Ruling No. 343-15; BIR Ruling No. 063-14

IPM Construction & Development Corp.
Room 804 8/F Ortigas Bldg., Ortigas Avenue,
Pasig City 1605

Attention: *AAA*

Gentlemen :

This refers to your letter dated November 11, 2015, requesting issuance of Certificate of Tax Exemption for the socialized housing project known as the "Malayuan People's Village" under the Yolanda Permanent Housing Program located at Brgy. Malayuan, Ajuy, Iloilo, pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992."

Documents submitted disclose that BBB, CCC, DDD, EEE, FFF, and GGG are the registered owners of a parcel of land covered by Transfer Certificate of Title (TCT), to wit:

TCT No.	**Area (sq.m.)**	**Tax Declaration No.**
CLOA T-10849	151,352	0276

issued by the Registry of Deeds of Iloilo. The aforesaid property is situated at Brgy. Malayuan, Ajuy, Iloilo. The National Housing Authority (NHA) (TIN: 000-000-000-000), on the other hand, is a government corporation organized and existing by virtue of Presidential Decree No. 757, as amended. On October 29, 2015, the parties executed a Deed of Absolute Sale whereby the owners, represented by their Attorney-in-Fact, HHH, transferred and conveyed Sixty Eight Thousand Eight Hundred Seventy (68,870), Square Meters, more or less, portion of the subject property to the NHA at a total agreed price of _____ Pesos Only (Php_____), Philippine Currency.

The above described property has been identified and certified for development into a

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residential project under the Yolanda Permanent Housing Program intended for the families affected by typhoon Yolanda and qualified for housing assistance under R.A. No. 7279.

On December 4, 2014, the NHA has issued a Notice of Award to IPM Construction & Development Corporation (TIN: 000-000-000-000) for the *"Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program located at Site 1 Brgy. Malayuan, Ajuy, Iloilo — 1,000 Housing Units"* at a contact price of _____ Pesos Only (P_____), Philippine Currency.

To give effect to the Notice of Award, a Contract for the abovementioned Procurement of Fully Developed Lots and Completed Housing Units (1,000 Units) was executed on November 11, 2015 by and between the NHA and IPM Construction & Development Corporation, whereby the latter has committed to deliver One Thousand (1,000) Units (House and Lot Packages) for a contract price of P_____; and that pursuant to the contract, the scope of works under this project is land development to include boundary and subdivision survey, road works, drainage works, water works, housing construction and miscellaneous requirements necessary for the completion of the project.

On September 5, 2016, a Certification was issued by the National Housing Authority, certifying that a Notice of Award was issued to IPM Construction & Development Corporation for the Procurement of Fully Developed Lots and Completed Housing Units (1,000 Units), Malayuan People's Village in Brgy. Malayuan, Ajuy, Iloilo; that the property cited in the Deed of Absolute Sale which is covered by TCT No. CLOA T-10849 is the subject for land development and housing construction under the Yolanda Permanent Housing Program of the government and that this property which shall be developed as a socialized housing project are intended for the families affected by Typhoon Yolanda who are qualified for housing assistance under Republic Act No. 7279.

In reply, please be informed that pursuant to Section 20 of 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) . . .;*

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(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 IPM Construction & Development Corporation is a project contractor whose services have been engaged by NHA to undertake construction of 1,000 Housing Units (House and Lot Packages) with its necessary construction components in Malayuan People's Village Site 1, Brgy. Malayuan, Ajuy, Iloilo, a socialized housing program of the NHA pursuant to R.A. 7279, in connection with its Yolanda Permanent Housing Program, the income directly realized by IPM Construction & Development Corporation from the construction of 1,000 Housing Units (House and Lot Packages), with its necessary construction components in Malayuan People's Village Site 1, Brgy. Malayuan, Ajuy, Iloilo, St., * 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 housing construction with its necessary construction components for 1,000 Housing Units in Malayuan People's Village Site 1, Brgy. Malayuan, Ajuy, Iloilo by IPM Construction & Development Corporation shall be exempt from VAT. However, the purchases of goods/articles by IPM Construction & Development Corporation 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 IPM Construction & Development Corporation must issue non-VAT official receipts from the said socialized housing project. *(BIR Ruling No. 343-15 dated October 8, 2015)*

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,

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

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