November 22, 2016

BIR RULING NO. 404-16

RA 7279; BIR Ruling No. 243-2016

IPM Construction & Development Corporation
Room 804, Ortigas Bldg., Ortigas Avenue cor. Meralco Avenue
Pasig City

Attention: *AAA*

Gentlemen :

This refers to the letter of Felicisimo F. Lazarte, Jr., Group Manager of Northern and Central Luzon Management Office, National Housing Authority (NHA) dated May 14, 2015, requesting issuance of Certificate of Tax Exemption for socialized housing project, the "Fully Developed & Completed Housing Units" under NHA's Yolanda Permanent Housing Program located at Brgy. Calapdan, Estancia, Iloilo pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992."

Documents submitted show that NHA is the registered owner of parcels of land covered by five (5) Transfer Certificates of Title (TCT) located at Brgy. Calapdan, Estancia, Iloilo, to wit:

TCT	Lot No.	Area (sq.m.)
090-2016001506	1-B-2	31,155
090-2016001548	1-I-2	9,204
090-2016001549	1-I-3	5
090-2016001551	1-C-2	3,377
090-2016001554	1-D-2	9,643
Total Area		53,384

all issued by the Registry of Deeds for Iloilo, Iloilo.

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The above described properties have been identified and certified for development into a 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.

The NHA has issued a Notice of Award dated March 4, 2015 to IPM Construction & Development Corporation (TIN: 000-000-000-000), for the "Procurement of Fully Developed Lots Completed Housing Units under the NHA's Yolanda Permanent Housing Program located at Brgy. Calapdan, Estancia, Iloilo — 1,000 Housing Units" with a contract price of _____ Pesos (P_____).

To give effect to the Notice of Award, a Contract for Procurement of Fully Developed Lots and Completed Housing Units (1,000 units) at Estancia People's Village, Brgy. Calapdan, Estancia, Iloilo was executed on May 11, 2015 between NHA and IPM Construction & Development Corporation, whereby the latter is committed to deliver One Thousand (1,000) units (House and Lot Package) for a contract price of P_____; and that according to the contract, the scope of work under this project are "land development to include boundary and subdivision survey, roadworks, drainage works, water works, housing construction and miscellaneous requirements necessary for the completion of the project."

In reply, please be informed that pursuant to Sections 19 and 20 of Republic Act (RA) No. 7279, pertinent portions of which state that:

> *"Sec. 19. Incentives for the National Housing Authority. — The National Housing Authority, being the primary government agency in charge of providing housing for the underprivileged and homeless, shall be exempted from the payment of all fees and charges of any kind, whether local or national, such as income and realty taxes. All documents or contracts executed by and in favor of the National Housing Authority shall also be exempt from the payment of documentary stamp tax and registration fees, including fees required for the issuance of transfer certificates of title.*
>
> *"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;*

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(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 IPM Construction & Development Corporation is a project contractor whose services are engaged by NHA to undertake construction of 1,000 Housing Units with its necessary construction components in Estancia People's Village, Brgy. Calapdan, Estancia, Iloilo 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 IPM Construction & Development Corporation from the land development and housing construction with its necessary construction components for 1,000 Housing Units in Estancia People's Village, Brgy. Calapdan, Estancia, Iloilo shall be exempt from project-related income taxes. (BIR Ruling No. 243-2016 dated June 7, 2016)

Moreover, pursuant to Section 20 (d) (3) of R.A. No. 7279, the gross receipts from the housing construction with its necessary construction components for 1,000 Housing Units in Estancia People's Village, Brgy. Calapdan, Estancia, 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 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 ruling shall be considered null and void.

Very truly yours,

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

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