December 15, 2016

BIR RULING NO. 430-16

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

Eddmari Construction and Trading/
A5R Dynamics Construction Corporation-Joint Venture
No. 86, San Juan, San Luis
Pampanga

Attention: *AAA*

Gentlemen :

This refers to your undated letter requesting issuance of Certificate of Tax Exemption for the socialized housing project, St. Joseph Village 1, under the Yolanda Permanent Housing Project located at Brgy. Taba-ao, Sagay City, Negros Occidental, 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 Edgardo Aguilar SagumBBB (TIN: 000-000-000-000) and duly registered with the Department of Trade and Industry (DTI) with Certificate of Registration No. 03457664; that A5R Dynamics Construction Corporation (TIN: 000-000-000-000) is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) with Company Registration No. CS201217481; and that the National Housing Authority (NHA) has issued a Notice of Award dated May 10, 2016 to Eddmari Construction and Trading/A5R Dynamics Construction Corporation-Joint Venture for the "Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program Located at St. Joseph 1, Brgy. Taba-ao, Sagay, Negros Occidental-900 Housing Units" with a contract price of P_____.

To give effect to the Notice of Award, a Contract for the Procurement of House and Lot Packages, St. Joseph Village 1, Brgy. Taba-ao, Sagay City, Negros Occidental, was executed on June 23, 2016 between NHA and Eddmari Construction & Trading/A5R

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Dynamics Construction Corporation-Joint Venture, wherein the latter has committed to deliver Nine Hundred (900) units (House and Lot Package) for a price of P_____; and that according to the contract, the scope of works under the said project 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/A5R Dynamics Construction Corporation-Joint Venture is a project contractor whose services have been engaged by the NHA to undertake the construction of 900 Housing Units with its necessary construction components in St. Joseph Village 1 located at Brgy. Taba-ao, Sagay City, Negros Occidental, a socialized housing

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program of the NHA pursuant to R.A. 7279 in connection with its Yolanda Permanent Housing Project, the income directly realized by Eddmari Construction and Trading/A5R Dynamics Construction Corporation-Joint Venture from the construction of the 900 Housing Units (House and Lot Package) with its necessary construction components in St. Joseph Village 1 located at Brgy. Taba-ao, Sagay City, Negros Occidental, 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 construction of the 900 Housing Units (House and Lot Packages) with its necessary construction components in St. Joseph Village 1, Brgy. Taba-ao, Sagay City, Negros Occidental, by Eddmari Construction and Trading/A5R Dynamics Construction Corporation-Joint Venture shall be exempt from VAT. However, the purchases of goods/articles by Eddmari Construction and Trading/A5R Dynamics Construction Corporation-Joint Venture 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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