December 16, 2016

BIR RULING NO. 431-16

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

Gulf-Canary Construction & Development, Inc.
Unit 915, 9th Floor, Cityland Shaw Tower, St. Francis St., cor. Shaw Blvd.,
Brgy. Wack-wack, Mandaluyong City 1550

Attention: *AAA*

Gentlemen :

This refers to your letter dated August 5, 2016, requesting issuance of Certificate of Tax Exemption for the socialized housing project known as the "Vale Vista Subdivision Phase III-Z3R Resettlement Project" located at Brgy. Kasanyangan, Zamboanga City, pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992."

Documents submitted show that the National Housing Authority (NHA) (TIN: 000-000-000-000), a government corporation organized and existing by virtue of Presidential Decree No. 757, as amended, is the landowner and implementing agency of the construction of the above named project.

The above described property has been identified to be developed as a Z3R Resettlement Project for the benefit of 866 Fire Victim Families and qualified for housing assistance under R.A. No. 7279.

On December 19, 2014, the NHA has issued a Notice of Award to Gulf-Canary Construction & Development, Inc. (TIN: 000-000-000-000) for the *"Construction of house on stilts at Vale Vista Subdivision Phase III-Z3R Resettlement Project, Brgy. Kasanyangan, Zamboanga City"* at a contract price of _____ (P_____), Philippine Currency.

To give effect to the Notice of Award, a Contract for the abovementioned

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Construction of house on stilts at Vale Vista Subdivision Phase III-Z3R Resettlement Project (866 Housing-on-Stilts) was executed on January 28, 2015 by and between the NHA and Gulf-Canary Construction & Development, Inc., whereby the latter has committed to deliver Eight Hundred Sixty Six (866) Housing-on-Stilts for a contract price of P_____; and that pursuant to the contract, the items of work under this project are General Requirements, Construction of Footbridge, Construction of House-on-Stilts and Survey Works.

On August 2, 2016, a Certification was issued by the National Housing Authority, Region IX & ARMM, Zamboanga District Office, Zamboanga City, certifying that Vale Vista Subdivision Phase III located at Brgy. Kasanyangan, Zamboanga City is a socialized housing project under the NHA being undertaken by Gulf-Canary Construction & Development, Inc.

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

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exemption from income tax on revenues directly derived therefrom. Considering that Gulf-Canary Construction & Development, Inc. is a project contractor whose services have been engaged by NHA to undertake construction of 866 Housing-on-Stilts with its necessary construction components in Vale Vista Subdivision Phase III, Brgy. Kasanyangan, Zamboanga City, a socialized housing program of the NHA pursuant to R.A. 7279, in connection with its Z3R Resettlement Project, the income directly realized by Gulf-Canary Construction & Development, Inc. from the construction of 866 Housing-on-Stilts, with its necessary construction components in Vale Vista Subdivision Phase III-Z3R Resettlement Project, 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 866 Housing-on-Stilts in Vale Vista Subdivision Phase III-Z3R Resettlement Project, Brgy. Kasanyangan, Zamboanga City by Gulf-Canary Construction & Development, Inc. shall be exempt from VAT. However, the purchases of goods/articles by Gulf-Canary Construction & Development, Inc. 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 Gulf-Canary Construction & Development, Inc. 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,

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

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