December 16, 2016

BIR RULING NO. 432-16

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 4, 2016, requesting issuance of Certificate of Tax Exemption for the socialized housing project known as the "Marabut Ville Site 2 Housing Project" under the Yolanda Permanent Housing Program located at Brgy. Tagalag, Marabut, Samar, 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 registered owner of a parcel of land covered by Transfer Certificate of Title (TCT) No. 118-2015000114.

The above described property has 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.

On December 23, 2015, the NHA has issued a Notice of Award to Gulf-Canary Construction & Development, Inc. (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 Brgy. Tagalag, Marabut, Samar-405 Housing Units"* at a contact price of _____ Pesos (P_____), Philippine Currency.

Copyright 2020 CD Technologies Asia, Inc.

To give effect to the Notice of Award, a Contract for the abovementioned Procurement of Fully Developed Lots and Completed Housing Units (405 Units) was executed on March 22, 2016 by and between the NHA and Gulf-Canary Construction & Development, Inc., whereby the latter has committed to deliver Four Hundred Five (405) Units (House and Lot Packages) for a contact price of P_____; and that pursuant to the contract, the scope of works under this project included Survey Works, Earthworks, Road Works, Drainage Works, Water System, Electrical Power Lines, Miscellaneous Works, and Housing Construction.

On July 22, 2016, a Certification was issued by the National Housing Authority, certifying that Marabut Ville Sites 1 and 2 with the following raw land property located at Brgy. Tagalag, Marabut, Samar is a socialized housing project under the NHA's Yolanda Permanent Housing Program 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,

Copyright 2020 CD Technologies Asia, Inc.

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 Gulf-Canary Construction & Development, Inc. is a project contractor whose services have been engaged by NHA to undertake construction of 405 Housing Units (House and Lot Packages) with its necessary construction components in Marabut Ville Site 2, Brgy. Tagalag, Marabut, Samar, 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 Gulf-Canary Construction & Development, Inc. from the construction of 405 Housing Units (House and Lot Packages), with its necessary construction components in Marabut Ville Site 2, Brgy. Tagalag, Marabut, Samar, 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 405 Housing Units in Marabut Ville Site 2 Housing Project, Brgy. Tagalag, Marabut, Samar 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

Copyright 2020 CD Technologies Asia, Inc.