December 16, 2016

BIR RULING NO. 434-16

RA 7279; BIR Ruling No. 243-2016

ARR Construction
3 Salem Street East Fairview Subdivision
Brgy. Fairview, Quezon City

Attention: *AAA*

Gentlemen :

This refers to your letter dated July 15, 2016, requesting issuance of Certificate of Tax Exemption for socialized housing project, the "Fully Developed & Completed Housing Units" under NHA's Yolanda Permanent Housing Program-Batan Homes Site 1 (340 Units), Site 2 (340 Units), Site 3 (320 Units) and Site 4 (305 Units) located at Brgy. Bay-ang, Batan, Aklan pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992."

Documents submitted show that BBB, CCC, DDD, (married to EEE), FFF, (married to GGG) are the registered owners of a parcel of land with an area of One Hundred Ninety Five Thousand Six Hundred square meters (195,600 sq.m.), identified as Lot No. 3999-O-31, Plan No. Psd-06-36948 (AR), portion of Lot 3999, Psd-06-004199 situated at Brgy. Bay-ang, Batan, Aklan and covered by Transfer Certificate of Title (TCT) No. 087-2015001102 issued by the Registry of Deeds for Province of Aklan. An undated Deeds of Absolute Sale were executed whereby the Landowners, transferred and conveyed portion of the subject property to AAA, to wit:

TCT No.	Lot No.	Consideration (PhP)	Area (sq.m.)
087-2015001102	3999-O-31-C	_____	24,015
087-2015001102	3999-O-31-F	_____	20,892
087-2015001102	3999-O-31-D	_____	24,523

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087-2015001102	3999-O-31-E	_____	21,470

Capital Gains Tax (CGT) and Documentary Stamp Tax (DST) have been paid on the above mentioned properties, to wit:

Lot No.	Date	Amount of CGT	Date	Amount of DST
3999-O-31-C	May 12, 2016	_____	May 12, 2016	_____
3999-O-31-F	May 12, 2016	_____	May 12, 2016	_____
3999-O-31-D	May 12, 2016	_____	May 12, 2016	_____
3999-O-31-E	May 12, 2016	_____	May 12, 2016	_____

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.

SITE 1

The NHA has issued a Notice of Award dated December 16, 2015 to ARR Construction, a single proprietorship, owned by AAA, which is duly registered with the Department of Trade and Industry (DTI) under Certificate No. 02066399 dated May 27, 2013 for the "Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program located at Site 1, Bay-ang, Batan, Aklan — 340 Housing Units" with a contract price of _____ Pesos (P_____).

To give effect to the Notice of Award, a Contract for the Procurement of Fully Developed Lots and Completed Housing Units (340 units) at Batan Permanent Housing-Site 1, Brgy. Bay-ang, Batan, Aklan was executed on May 6, 2016 between NHA and ARR Construction, whereby the latter is committed to deliver Three Hundred Forty (340) 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 "Survey Works, Earthworks, Road Works, Drainage Works, Water System, Electrical Power Lines, Miscellaneous Works and Housing Construction."

SITE 2

The NHA has issued a Notice of Award dated December 16, 2015 to ARR Construction for the "Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program located at Site 2, Bay-ang, Batan,

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Aklan — 340 Housing Units" with a contract price of _____ Pesos (P_____).

To give effect to the Notice of Award, a Contract for the Procurement of Fully Developed Lots and Completed Housing Units (340 units) at Batan Permanent Housing-Site 2, Brgy. Bay-ang, Batan, Aklan was executed on May 6, 2016 between NHA and ARR Construction, whereby the latter is committed to deliver Three Hundred Forty (340) 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 "Survey Works, Earthworks, Road Works, Drainage Works, Water System, Electrical Power Lines, Miscellaneous Works and Housing Construction."

SITE 3

The NHA has issued a Notice of Award dated December 16, 2015 to ARR Construction for the "Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program located at Site 3, Bay-ang, Batan, Aklan — 320 Housing Units" with a contract price of _____ Pesos (P_____).

To give effect to the Notice of Award, a Contract for the Procurement of Fully Developed Lots and Completed Housing Units (340 units) at Batan Permanent Housing-Site 3, Brgy. Bay-Ang, Batan, Aklan was executed on May 6, 2016 between NHA and ARR Construction, whereby the latter is committed to deliver Three Hundred Twenty (320) 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 "Survey Works, Earthworks, Road Works, Drainage Works, Water System, Electrical Power Lines, Miscellaneous Works and Housing Construction."

SITE 4

The NHA has issued a Notice of Award dated December 16, 2015 to ARR Construction for the "Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program located at Site 4, Bay-ang, Batan, Aklan — 305 Housing Units" with a contract price of _____ Pesos (P_____).

To give effect to the Notice of Award, a Contract for the Procurement of Fully Developed Lots and Completed Housing Units (305 units) at Batan Permanent Housing-Site 4, Brgy. Bay-ang, Batan, Aklan was executed on May 6, 2016 between NHA and ARR Construction, whereby the latter is committed to deliver Three Hundred Twenty (305) * units (House and Lot Package) for a contract price of P_____; and that according to the

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contract, the scope of work under this project are "Survey Works, Earthworks, Road Works, Drainage Works, Water System, Electrical Power Lines, Miscellaneous Works and Housing Construction."

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;*
>
> *(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 ARR Construction is a project contractor whose services are engaged by NHA to undertake construction of 1,305 Housing Units with its necessary construction components in Batan Permanent Housing-Sites 1, 2, 3 and 4, Brgy. Bay-ang, Batan, Aklan 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 ARR Construction from the land development and housing construction with its necessary construction components for 1,305 Housing Units in Batan Permanent Housing-Sites 1, 2, 3 and 4, Brgy. Bay-ang, Batan, Aklan 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 housing construction with its necessary construction components for 1,305 Housing Units in Batan Permanent

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Housing-Sites 1, 2, 3 and 4, Brgy. Bay-ang, Batan, Aklan by ARR Construction shall be exempt from VAT. However, the purchases of goods/articles by ARR Construction 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 ARR Construction 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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