December 16, 2016

BIR RULING NO. 436-16

Section 20, RA 7279; BIR Ruling No. 063-2014; BIR Ruling No. 227-2015

F. Gurrea Construction, Incorporated
2nd Floor, 1654 Alvarez Street
Sta. Cruz, Manila

Attention: *AAA*

Gentlemen :

This refers to your letter dated May 25, 2016 requesting on behalf of **F. Gurrea Construction, Incorporated** for a certificate of exemption on the Land Development of Tanza Ville Subdivision Project located at Brgy. Tanza, Roxas City, Capiz, pursuant to Republic Act (RA) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992."

As represented, and based on the documents submitted, it is shown that **F. Gurrea Construction, Incorporated**, is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) with Company Registration No. ESO92000105; that on July 14, 2014, **F. Gurrea Construction, Incorporated** and the National Housing Authority (NHA) entered into a Contract for Land Development of Tanza Ville Subdivision Project located at Brgy. Tanza, Roxas City, Capiz, for a contract price of P_____; that based on said contract, the works contemplated is land development which includes boundary and subdivision survey, roadworks, drainage works, water works and miscellaneous requirements necessary for the completion of the project; that the corresponding Notice of Award dated May 19, 2014 relative to the aforementioned project has been issued in favor of **F. Gurrea Construction, Incorporated**; and that based on the Memorandum for the NHA Board of Directors dated May 14, 2014, the project, once completed, will produce 896 serviced lots for the benefit of families who have totally lost their houses during the onslaught of Super Typhoon Yolanda.

In reply, please be informed that pertinent portion of Section 20 of RA No. 7279

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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) xxx xxx xxx;*
>
> *(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)

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 **F. Gurrea Construction Incorporated** is a project contractor whose services have been engaged by NHA for the Land Development of Tanza Ville Subdivision Project located at Brgy. Tanza, Roxas City, Capiz that will generate **896** serviced lots, the income directly realized therefrom by **F. Gurrea Construction Incorporated** shall be exempt from project-related income taxes (in so far as the 896 serviced lots are concerned). *(BIR Ruling No. 063-2014 dated February 19, 2014)*

Moreover, pursuant to Section 20 (d) (3) of RA 7279, the Land Development of Tanza Ville Subdivision Project located at Brgy. Tanza, Roxas City, Capiz, by **F. Gurrea Construction Incorporated** shall be exempt from VAT (in so far as the 896 serviced lots are concerned). However, **F. Gurrea Construction Incorporated's** purchases of goods/articles shall be subject to VAT even if said purchases are to be used for the socialized

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housing project, since VAT is an indirect tax which can be passed on by the seller of the goods/services. *(BIR Ruling No. 063-2014 dated February 19, 2014)*

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be ascertained that the facts are different, then this ruling shall be considered as null and void.

Very truly yours,

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

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