December 16, 2016

BIR RULING NO. 437-16

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

Bilrey Construction
94 Aramismis St. Veterans Village
Project 7, Quezon City

Attention: *AAA*

Gentlemen :

This refers to your letter dated June 22, 2016, requesting issuance of Certificate of Tax Exemption for the socialized housing project, Guia Homes, under the Yolanda Permanent Housing Project located at Brgy. Guia, Pandan, Antique, pursuant to Republic Act (RA) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992."

Documents submitted show that Bilrey Construction (TIN: 000-000-000-000), is a sole proprietorship owned by BBB and duly registered with the Department of Trade and Industry (DTI) under DTI Registration No. 01782698 dated July 6, 2012; that the National Housing Authority (NHA) has issued a Notice of Award dated October 16, 2015 to Bilrey Construction for the "Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program Located at Brgy. Guia, Pandan, Antique-500 Housing Units" with a contract price of P_____; that to give effect to the Notice of Award, a Contract for the Procurement of Fully Developed Lots and Completed Housing Units (500 Units) Guia Homes, Brgy. Guia, Pandan, Antique, was executed on March 3, 2016 between NHA and Bilrey Construction, whereby the latter has committed to deliver 500 units (House and Lot Package) for and in consideration 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."

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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 RA 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 and services 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 Bilrey Construction is a project contractor whose services have been engaged by the NHA to undertake the construction of 500 Housing Units with its necessary construction components in Guia Homes located at Brgy. Guia, Pandan, Antique, a socialized housing program of the NHA pursuant to R.A. 7279 in connection with its Yolanda Permanent Housing Project, the income directly realized by Bilrey Construction from the construction of 500 Housing Units with its necessary construction components shall be exempt from project-related income taxes. *(BIR Ruling No. 063-14 dated February 19, 2014)*

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Moreover, pursuant to Section 20 (d) (3) of R.A. No. 7279, the construction of the 500 Housing Units (House and Lot Packages) with its necessary construction components in Guia Homes located at Brgy. Guia, Pandan, Antique, by Bilrey Construction shall be exempt from VAT. However, the purchases of goods/articles by Bilrey 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.

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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