December 19, 2016

BIR RULING NO. 439-16

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-Esperanza Homes Site 1 (1000 Units) and Site 2 (974 Units) located at Brgy. Esperanza, Culasi, Antique pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992."

Documents submitted show that the following landowners of sixteen (16) parcels of land located at Brgy. Esperanza, Culasi, Antique and covered by the following Original Certificate of Title (OCT), to wit:

Landowner	OCT No.	Lot No.	Tax Declaration No.	Area (sq.m.)
Hrs. of BBB	CARP2015000214	8185-C	07-00019-00489	6,367
Hrs. of BBB	CARP2015000222	8120-D	07-00019-00478	13,309
Hrs. of CCC	CARP2015000219	8120-I	07-00019-00472	12,894
Hrs. of CCC	CARP2015000221	8120-C	07-00019-00479	3,450
Hrs. of DDD	CARP2015000229	8121-A	07-00019-00492	4,099

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Hrs. of DDD	CARP2015000224	8120-B	07-00019-00480	396
EEE	P-37510	8119-B	07-00019-00471	5,369
EEE	P-38615	4915	07-00019-00062	5,236
Hrs. of FFF	CARP2015000209	8185-D	07-00019-00488	6,367
Hrs. of FFF	CARP2015000217	8120-J	07-00019-00477	12,895
Hrs. of FFF	CARP2015000218	8185-I	07-00019-00483	12,769
Hrs. of FFF	CARP2015000220	8120-E	07-00019-00476	6,126
GGG	CARP2015000201	4913	07-00019-00463	10,232
HHH	P40020	4914	07-00019-00063	18,547
Hrs. of III	CARP2015000213	8185-B	07-00019-00490	6,367
JJJ	N-5804	4912	07-00019-00463	22,873

all issued by the Registry of Deeds for the Province of Antique.

On January 29, 2016, a Deed of Absolute Sale was executed whereby the Landowners transferred and conveyed the subject properties to National Housing Authority (NHA) (TIN: 000-000-000-000) at an agreed price of _____ Pesos (P_____).

Capital Gains Tax (CGT) and Documentary Stamp Tax (DST) have been paid on the above mentioned properties pursuant to Certificate Authorizing Registration No. CAR 201400103939 dated February 18, 2016 duly issued by Revenue District Officer No. 73-San Jose, Antique.

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 23, 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

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NHA's Yolanda Permanent Housing Program located at Site 1 Brgy. Esperanza, Culasi, Antique-1,000 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 (1,000 units) at Esperanza Homes-Site 1, Brgy. Esperanza, Culasi, Antique was executed on March 8, 2016 between NHA and ARR Construction, whereby the latter is committed to deliver One Thousand (1,000) 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 23, 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 Brgy. Esperanza, Culasi, Antique-974 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 (974 units) at Esperanza Homes-Site 2, Brgy. Esperanza, Culasi, Antique was executed on March 8, 2016 between NHA and ARR Construction, whereby the latter is committed to deliver Nine Hundred Seventy Four (974) 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."

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*

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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 1,974 Housing Units with its necessary construction components in Esperanza Homes-Sites 1 and 2, Brgy. Esperanza, Culasi, Antique 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 1,974 Housing Units in Esperanza Homes-Sites 1 and 2, Brgy. Esperanza, Culasi, Antique 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 1,974 Housing Units in Esperanza Homes-Sites 1 and 2, Brgy. Esperanza, Culasi, Antique 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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