April 11, 2018

BIR RULING NO. 648-18

Sec. 20, RA 7279; BIR Ruling No. 063-14

RFN Construction and Dev't Corporation
Rm. 210 Tia Maria Bldg.
C.V. Starr Avenue, Pamplona, Las Piñas City

Attention: *AAA*

Gentlemen :

This refers to the letter of Lorna M. Seraspe, Group Manager, Visayas Management Office of National Housing Authority (NHA) dated July 24, 2013, requesting tax exemption on the land development of Cadiz Resettlement Project (St. Patrick Village Phase III) located at Brgy. Daga, Cadiz City, Negros Occidental pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992."

Documents submitted disclosed that on March 8, 2013, RFN Construction and Development Corporation and Linear Construction Corporation entered into a Joint Venture Agreement (JVA) to jointly undertake the development of the Cadiz Resettlement Project (St. Patrick Village, Phase 3) Brgy. Daga, Cadiz City, Negros Occidental with shared capital, manpower, equipment and other resources. Under the JVA, RFN Construction and Development Corporation and Linear Construction Corporation has capital contribution of 49% and 51%, respectively. In return for their respective contribution, RFN Construction and Development Corporation and Linear Construction Corporation shall receive net profit of 49% and 51%, respectively.

Moreover, on April 15, 2013, the NHA in its Memorandum for the NHA Board of Directors recommended that the contract for the land development of Cadiz Resettlement Project, St. Patrick Village Phase 3, Brgy. Daga, Cadiz City be awarded to RFN Construction and Development Corporation/Linear Construction Corporation-Joint Venture, to undertake land development of four hundred seventy five (475) socialized lots units in Cadiz Resettlement Project located in St. Patrick Village Phase 3, Brgy. Daga, Cadiz City including the Site Preparation, Roadworks, Drainage Works, Sewerage Works and Survey Works with the contract price of _____ pesos (P_____); that the project is

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classified under the Resettlement Assistance Program for Local Government Units; that the property is owned by the City of Cadiz located at Brgy. Daga, Cadiz City, Negros Occidental and out of the 21.5655-hectare property, Phase 3 has an area of 5.1854 hectares, more or less, which is described as Lot No. 290-C-2-D-2 and covered by TCT No. T-14280 and will generate a total of 475 serviced lots; that the resettlement project is a joint undertaking between the City of Cadiz and NHA; that the project is primarily intended to provide housing assistance to families residing in danger areas, those affected by the infrastructure projects of the City, and other urban poor families who qualify for relocation and resettlement assistance under R.A. No. 7279; and that on July 8, 2013, the "Contract for Cadiz Resettlement Project (St. Patrick Village, Phase 3) Brgy. Daga, Cadiz City, Negros Occidental" was executed by the NHA and RFN Construction and Development Corporation/Linear Construction Corporation-Joint Venture to undertake land development including the Site Preparation, Roadworks, Drainage Works, Sewerage Works and Survey Works for four hundred seventy five (475) socialized lots units in Cadiz Resettlement Project located in St. Patrick Village Phase 3, Brgy. Daga, Cadiz City.

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

> *"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) x x x;*
>
> *(3) Value-Added Tax for the project contractor concerned;"*
>
> xxx xxx xxx"

Considering that RFN Construction and Development Corporation/Linear Construction Corporation-Joint Venture is a project contractor whose services are engaged by NHA to undertake land development and its necessary construction components on the four hundred seventy five (475) socialized lots in Cadiz Resettlement Project located in St. Patrick Village Phase 3, Brgy. Daga, Cadiz City which was certified by the NHA as a socialized housing project as resettlement site pursuant to RA 7279, the income directly realized by RFN Construction and Development Corporation/Linear Construction Corporation-Joint Venture from the development of the Cadiz Resettlement Project located in St. Patrick Village Phase 3, Brgy. Daga, Cadiz City shall be exempt

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from project-related income taxes in so far as four hundred seventy five (475) socialized lots (including Site Preparation, Roadworks, Drainage Works, Sewerage Works and Survey Works) are concerned. (BIR Ruling No. 063-14 dated February 19, 2014)

Moreover, pursuant to Section 20 (d) (3) of R.A. No. 7279, the land development by RFN Construction and Development Corporation/Linear Construction Corporation-Joint Venture and its necessary construction components for 475 socialized lots shall be exempt from VAT. However, its purchases of goods/articles 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 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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