REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

July 16, 2012

REVENUE MEMORANDUM CIRCULAR NO. 32-2012

SUBJECT	:	Requests for tax exemption of private contractors for socialized housing projects under Section 20 of Republic Act (R.A.) No. 7279 or the "Urban Development and Housing Act of 1992"
TO	:	All Internal Revenue Officials, Employees and Others Concerned

---

This Circular is issued to clarify the incentives of the private sector participating in socialized housing under Section 20 of Republic Act (R.A.) No. 7279 or the "Urban Development and Housing Act of 1992", particularly the exemption from project-related income and value-added taxes (VAT).

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)

The definition of socialized housing was reiterated in Revenue Regulations (RR) No. 11-97 and in RR No. 17-01.

From the foregoing, the tax incentive provision, granting exemption from project- related taxes and VAT to project contractors/developers, is limited to the construction and development of houses and lots or homelots only with a view to reduce the cost of housing units for the benefit of the underprivileged and homeless and to encourage greater private sector participation in socialized housing.

Therefore, the development and/or construction of classrooms, school buildings, multi-purpose halls/covered courts, and livelihood centers falls outside the definition of the term "socialized housing" and cannot qualify for the tax incentives granted under Section 20 of R.A. No. 7279.

All concerned are hereby enjoined to be guided accordingly and to give this Circular as wide publicity as possible.

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

K-1 MZB