REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 20 of RA 7279	
BIR Ruling No. 063-14	
#435-2016	

12-16-2016

NATIONAL HOUSING AUTHORITY
Quezon Memorial Elliptical Road
Diliman, Quezon City

Attention: **Romuel P. Alimboyao**
Department Manager

Gentlemen:

This refers to your letter dated September 28, 2016, requesting, on behalf of Eddmari Construction and Trading/Aina Construction - Joint Venture, for the issuance of Certificate of Tax Exemption for the socialized housing project, St. Peter and Paul Housing Project, located in Brgy. Bagacay, San Dionisio, Iloilo, under the Yolanda Permanent Housing Project of the National Housing Authority (NHA), pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that Eddmari Construction and Trading is a sole proprietorship owned by Edgardo Aguilar Sagum (TIN: [redacted]) and duly registered with the Department of Trade and Industry (DTI) with Certificate of Registration No. [redacted] that Aina Construction is also a sole proprietorship owned by Aina Gemenese Muyot Garcia (TIN: [redacted] and duly registered with the DTI under Certificate of Registration No. [redacted] that the NHA has issued a Notice of Award dated June 20, 2016 in favor of Eddmari Construction and Trading/ Aina Construction – Joint Venture for the "Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program Located at Brgy. Bagacay, San Dionisio, Iloilo- 1,000 Housing Units", with a contract price of [redacted]

To give effect to the Notice of Award, a Contract for the Procurement of Fully Developed Lots and Completed Housing Units (1,000 Units), St. Peter and Paul Housing Project, Brgy. Bagacay, San Dionisio, Iloilo, was executed on September 16, 2016 between NHA and Eddmari Construction and Trading/ Aina Construction – Joint Venture, whereby the latter committed to deliver 1,000 units (House and Lot Package), for and in consideration o[redacted] and that according to the contract, the scope of works includes Survey Works, Earthworks, Road Works, Drainage Works, Water System, Electrical Power Lines, Miscellaneous Works and Housing Construction.

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 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)
>
> *xxx xxx xxx*"

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 Eddmari Construction and Trading/ Aina Construction – Joint Venture is a project contractor whose services have been engaged by the NHA to undertake the construction of 1,000 Housing Units with its necessary construction components in St. Peter and Paul Housing Project, Brgy. Bagacay, San Dionisio, Iloilo, 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 Eddmari

VF.

Construction and Trading/ Aina Construction – Joint Venture from the construction of the 1,000 Housing Units, with its necessary construction components, in St. Peter and Paul Housing Project, shall be exempt from project-related income taxes. (*BIR Ruling No. 063-14 dated February 19, 2014*)

Moreover, pursuant to Section 20 (d)(3) of R.A. No. 7279, the gross receipts from the construction of the 1,000 Housing Units, with its necessary construction components, in St. Peter and Paul Housing Project, by Eddmari Construction and Trading/ Aina Construction – Joint Venture shall be exempt from VAT. However, the purchases of goods/articles by Eddmari Construction and Trading/ Aina Construction – Joint Venture 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,

CAESAR R. DULAY
Commissioner of Internal Revenue

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