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

Sec. 20, R.A. No. 7279
BIR Ruling No. 314-14; BIR Ruling No. 284-14
003-2017
1-12-2017

BELLEFONTE PROPERTIES, INC.
8751 Paseo De Roxas, Salcedo Village,
Makati City

Attention : **Ms. Milagros T. Blancas**
Vice President

Gentlemen:

This refers to your letter dated March 7, 2016, requesting Certificate of Tax Exemption on the sale of socialized housing units for "The Belleparc" Project in Barangay Sto. Tomas, Calauan, Laguna, pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that BELLEFONTE PROPERTIES, INC., with Taxpayer's Identification No. , is a corporation duly organized and existing under Philippine laws; that it is registered with the Securities and Exchange Commission (SEC) under Registration No. engaged in real estate business; that it is the owner of a parcel of land and developer of a housing project known as "The Belleparc" located at Barangay Sto. Tomas, Calauan, Laguna, which shall be used for its socialized housing project, the pertinent details of which are as follows, to wit:

TCT No.	Area (Sq.m.)
	20,000

that the project is duly registered with the Housing and Land Use Regulatory Board (HLURB) under Certificate of Registration No. dated August 5, 2015, with License to Sell No. dated August 5, 2015, both issued by the HLURB Southern Tagalog Region, Dencris Business Center, Brgy. Halang, Calamba City for 260- lots & units for socialized housing, to wit:

The Belleparc
HLURB Certificate of Registration No.
License to Sell No.
(260 lots/units)

NON-SALEABLE AREAS:

COMMUNITY Facility:

Lot 1, Block 37

PARKS & PLAYGROUND:

Lot 1, Block 38

EXCLUDED AREA:

Lot 1, Block 1
Lot 1, Block 2

1,375.34 sq.m. (27 units) of this project is used for compliance within the same project.

11,866.95 sq.m. (229 units) is used for compliance of the project, The Bellecourt-Sta. Rosa located at Sta. Rosa, Laguna.

and that the project is categorized as a socialized housing project as certified by the Regional Officer, Housing and Land Use Regulatory Board (HLURB), Southern Tagalog Region.

In reply, please be informed that Section 20 of R.A. No. 7279, reads:

"Sec. 20. Incentives for the 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) xxx xxx xxx

(3) Value-Added Tax for the project contractor concerned."

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xxx *xxx* *xxx*

Only the sale of socialized housing units to qualified beneficiaries shall be exempt from income tax, and consequently from creditable expanded withholding Tax prescribed under Revenue Regulations (R.R.) No. 2-98, as amended.

Thus, a buyer of a socialized housing unit shall be required by the developer/owner/seller to execute a sworn statement that he is eligible as a socialized housing beneficiary provided under Section 5 (A) of R.R. No. 11-97.

Section 5 (A) of R.R. No. 11-97 provides that:

SEC. 5. *Requirements/Conditions for the Availment of Tax Incentives/Exemptions.*

A. To qualify for socialized housing program, a beneficiary

(a) must be a Filipino citizen;

(b) must be an underprivileged and homeless citizen, as defined in Section 3(t) of the Act and Section 2(r) of these Regulations;

(c) must not own any real property, whether in the urban or rural areas; and

(d) must not be a professional squatter or a member of squatting syndicates.

In this connection, any sale made by the owner and developer to interested parties other than the principal target beneficiaries under Sections 3 (t) and 16 of R.A. No. 7279, shall not be entitled to the foregoing tax exemption should there be non-compliance with any of the aforestated sine qua non terms and conditions. The developer shall submit the said sworn statement to the BIR during the processing of the Certificate Authorizing Registration (CAR) for the transfer of the socialized housing unit. *(BIR Ruling No. 314-14 dated August 11, 2014)*

It is, however, understood that the Certificate Authorizing Registration (CAR) shall only be issued after it is established upon proper verification by the Revenue District Officer (RDO) concerned that, considering the rules on valuation of real property, the actual selling price per sale transaction of the house and lot packages in this case does not really exceed P450,000.00 and P180,000.00 for lot only. Thus, sale of a house and lot or lot only above the maximum amount shall be subject to the corresponding internal revenue taxes.

Nonetheless, it is observed that documentary stamp tax is not one of the taxes covered by the tax exemption clause in Section 20 of R.A. No. 7279. Such being the case, the owner/project developer/seller shall be liable to pay the documentary stamp tax on the documents conveying the properties imposed under Section 196 of the Tax Code of 1997, as amended, based on the consideration contracted to be paid for such realties or on their fair

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market value determined in accordance with Section 6 (E) of the said Code, whichever is higher.

Pursuant to Section 20 of R.A. No. 7279, a project contractor of a socialized housing project shall also be exempt from the payment of value-added tax (VAT) on the project concerned. Relative thereto, Section 4.109-1 (B)(1)(p)(3) of RR No. 16-2005 states that:

> "Section 4.109-1. *VAT-Exempt Transactions. — (A) In general.* — "VAT-exempt transactions" refer to the sale of goods or properties and/or services and the use or lease of properties that is not subject to VAT (output tax) and the seller is not allowed any tax credit of VAT (input tax) on purchases.
>
> *xxx xxx xxx*
>
> (B) *Exempt transactions.* — (1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from VAT:
>
> *xxx xxx xxx*
>
> (p) The following sales of real properties are exempt from VAT, namely:
>
> *xxx xxx xxx*
>
> (3) Sale of real properties utilized for socialized housing as defined under R.A. No. 7279, and other related laws, such as R.A. No. 7835 and R.A. No. 8763, wherein the price ceiling per unit is P225,000.00 or as may from time to time be determined by the HUDCC and the NEDA and other related laws. . . . ."

Furthermore, pursuant to HUDCC Resolution No. 1, Series of 2013, dated October 16, 2013 and as circularized by Revenue Memorandum Circular No. 035-14, pertinent portion of which reads:

> *"THEREFORE BE IT RESOLVED, AS IT IS HEREBY RESOLVED that the price ceiling for horizontal socialized housing be adjusted from P400,000.00 to P450,000.00 be."*

the newly adjusted price ceiling of P450,000.00 for socialized housing shall apply to sale of real properties utilized for socialized housing, as defined under R.A. No. 7279 otherwise known as "Urban Development and Housing Act", and other related laws such as R.A. No. 7835 otherwise known as the "Comprehensive and Integrated Shelter Financing Act of 1994" and R.A. No. 8763 otherwise known as the "Home Guaranty Act of 2000", beginning December 18, 2013.

Moreover, Section 2 of Revenue Regulations No. 17-2001 provides:

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Section 2. Definition of Terms. — As used in these Regulations, the following terms shall have the following meaning:

xxx xxx xxx

"A socialized housing unit shall not exceed P150,000.00 (now P450,000.00) for a house and lot package, subject to periodic adjustment or increase as the Housing and Land Use Regulatory Board (HLURB) may effect from time to time. In the case of sale of homelots only, the price shall not exceed forty percent (40%) of the maximum limit prescribed for the house and lot package." (Emphasis supplied)

The developer of the socialized housing units under R.A. No. 7279 is exempt from the payment of VAT pursuant to the aforecited provision. However, purchases of goods/articles by the project contractor shall be subject to Value-Added Tax, even if the said purchases are to be used for the socialized housing project. Moreover, it shall be understood that it must issue non-VAT official receipts on its gross receipts from the said socialized housing project. *(BIR Ruling No. 284-14 dated July 9, 2014)*

Accordingly, sale by BELLFONTE PROPERTIES, INC. of the House and Lot/Units in The Belleparc project covered by HLURB License to Sell No. (for 260 lots & units-socialized housing) not exceeding the price ceiling of P450,000.00 (house and lot package) and P180,000.00 (homelots only) to qualified beneficiaries should be exempt from Income Taxes and, consequently, from Creditable Expanded Withholding Tax and from VAT pursuant to R.A. 7279.

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 Dulay

CAESAR R. DULAY
Commissioner of Internal Revenue
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