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

RA7279
BIR Ruling No. 003-16
#262-2016 6-22-2016

EDDMARI CONSTRUCTION AND TRADING
19 San Juan, San Luis, Pampanga

Attention : **ENGR. EDGARDO A. SAGUM**
General Manager

Gentlemen:

This refers to your letter dated May 20, 2016 requesting issuance of Certificate of Tax Exemption for the socialized housing project under the Yolanda Housing Project in Biliran Housing Project located at Brgy. Burabod, Biliran, Biliran pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that Andrea Capasio Lambojo, (married to Pedro Lambojo), (hereinafter referred to as Landowners) is the registered ownerof parcels of land covered by three (3) Transfer Certificates of Title (TCT) located at Brgy. Burabod, Biliran, Biliran, to wit:

TCT	Lot No.	Area (sq. m.)
[illegible]	2B-92-21	10,000
[illegible]	2B-92-22	11,420
[illegible]	2B-92-23	9,855
	Total Area	31,275

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

The following Deeds of Absolute of Sale conveying the abovementioned properties were executed by the landowner and the National Housing Authority (NHA), a government corporation organized and existing by virtue of Presidential Decree No. 757, as amended:

Date of Deed of Absolute Sale	TCT	Lot No.	Consideration (PhP)	Area (sq. m.)
February 17, 2016	[illegible]	2B-92-21	[illegible]	10,000
February 17, 2016	[illegible]	2B-92-22	[illegible]	11,420
February 17, 2016	[illegible]	2B-92-23	[illegible]	9,855
			Total Area	31,275

042145

#262-2016
6-22-2016

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.

The NHA has issued a Notice of Award dated December 23, 2015 to Eddmari Construction and Trading (TIN: [redacted]), a single proprietorship owned by Eduardo Aguilar Sagum, for the "Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Housing Program located at Brgy. Burabod, Biliran, Biliran-449 Housing Units" with a contract price of [redacted]

To give effect to the Notice of Award, a Contract for the Procurement of House and Lot Packages at Divine Grace Village, Brgy. Burabod, Biliran, Biliran was executed on May 11, 2016 between NHA and Eddmari Construction and Trading, whereby the latter is committed to deliver 449 units (House and Lot Package) for a contract price of [redacted]; and that according to the contract, the scope of work under this project are "survey works, earthworks, roadworks, drainage works, water systems, 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 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*

042145

Moreover, pertinent portions of RMC No. 42-01 dated October 5, 2001, provide, viz.:

#262-2016
6-22-2016

xxx xxx xxx

A. National Housing Authority (NHA) — The NHA, being the primary government agency in charge of providing housing for the underprivileged and homeless citizens shall be exempted from the payment of the following national internal revenue taxes:

(1) . . .

(2) Documentary stamp tax on sales transactions executed by and in favor of the NHA in connection with socialized housing projects. Since Section 19 of R.A. 7279 exempts "all documents or contracts executed by and in favor of the NHA," the exemption from documentary stamp tax extends to the other party (either seller or buyer) that is dealing or transacting with the NHA.

xxx xxx xxx

NHA's acquisition of raw land

The landowner who sells his property for use in a socialized housing project is exempt from the payment of the capital gains tax.

Such being the case, the sale by the landowner to NHA of the ***subject properties covered by TCT Nos.*** [redacted] ***TC-***[redacted]***nd*** [redacted] is exempt from capital gains tax. (BIR Ruling No. 003-2016 dated January 6, 2016)

The exemption from documentary stamp tax of NHA in connection with any of its socialized housing project extends to the other party (either seller or buyer) that deals or transacts with the NHA. Consequently, since NHA is a party to the sale, no documentary stamp tax shall be due on such sale. Accordingly, the transfer by the landowner to NHA of the ***subject properties covered by TCT Nos.*** [redacted] ***and*** [redacted] is likewise exempt from documentary stamp tax imposed under Section 196 of the Tax Code of 1997, as amended. (BIR Ruling No. 003-2016 dated January 6, 2016)

Moreover, under Section 109 (1)(P) of the Tax Code of 1997, as amended by R.A. 9337, the sale of real properties utilized for low-cost and socialized housing as defined by R.A. No. 7279 shall be exempt from value-added tax (VAT), thus, the sale of the ***subject properties covered by TCT Nos.*** [redacted]***nd*** [redacted] by the landowner to NHA for purposes of the Yolanda Permanent Housing Program is exempt from the imposition of VAT. (BIR Ruling No. 003-2016 dated January 6, 2016)

042145

Upon application for exemption, a lien on the titles of the lands shall be annotated by the Register of Deeds having jurisdiction over the properties, to the effect that the same is to be applied or is being applied to socialized housing project pursuant to RA 7279.

Please take note that this ruling is never intended and shall not be construed as giving authority to the concerned Register of Deeds to effect transfer of the lands in

#262-2016
6-22-2016

the name of the buyer without the necessary certificate of authority to register issued by this Bureau. In this regard, this ruling shall be presented to the Revenue District Office (RDO) concerned in order for the latter to issue the Certificate Authorizing Registration (CAR) after the submission of the requirements provided under Revenue Memorandum Order (RMO) No. 15-2003.

Transaction between NHA and Eddmari Construction and Trading

Considering that Eddmari Construction and Trading is a project contractor whose services are engaged by NHA to undertake construction of 449 Housing Units with its necessary construction components in Divine Grace Village, Brgy. Burabod, Biliran, Biliran 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 Eddmari Construction and Trading from the land development and housing construction for 449 Housing Units with its necessary construction components in Divine Grace Village, Brgy. Burabod, Biliran, Biliran shall be exempt from project-related income taxes. (BIR Ruling No. 003-2016 dated January 6, 2016)

Moreover, pursuant to Section 20 (d)(3) of R.A. No. 7279, the housing construction with its necessary construction components for 449 Housing Units in Divine Grace Village, Brgy. Burabod, Biliran, Biliran by Eddmari Construction and Trading shall be exempt from VAT. However, the purchases of goods/articles by Eddmari Construction and Trading 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 Eddmari Construction and Trading 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,

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

K-1-JRC

042145
JUN 17 2016