REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Sec. 20 (d) (3), RA 7279
BIR Ruling No. 412-11
NSH-404-2022
OCT 05 2022

J.W.D. CONSTRUCTION
Quirino St., Brgy. Calaocan,
Alicia, Isabela

Attention : **WILSON S. DASIG**
General Manager/owner

Gentlemen:

This refers to your request for exemption from payment of taxes on behalf of **J.W.D. CONSTRUCTION** in connection with the construction of Kayapa Indigenous Peoples Student Dormitory located at Brgy. Pingkian, Kayapa, Nueva Vizcaya.

In reply, please be informed that pertinent portion of Section 20 of RA No. 7279, as amended by RA No. 10884 (Balanced Housing Development Program Amendments) dated July 17, 2016, 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;
>
> xxx xxx xxx
>
> (3) Value-added tax for the project contractor concerned;" *(Emphasis and underscoring supplied)*

In relation thereto, Section 3 (r) of RA 7279, as amended, defines socialized housing as referring to housing programs and projects covering houses and lots or home lots 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.

Based on foregoing, the construction by **J.W.D. CONSTRUCTION** of the Kayapa Indigenous Peoples Student Dormitory located at Brgy. Pingkian, Kayapa,

HSH- 404 - 2022
OCT 05 2022

Nueva Vizcaya is outside the definition of a "socialized housing" in relation to the tax incentives for the private sector under Section 20 of RA No. 7279. It is apparent that the tax incentive provision, granting exemption from project related income tax is limited to project contractors on the construction and development of houses and lots or home lots only with a view to reduce the cost of housing units for the benefit of the underprivileged and homeless.

Moreover, Section 20 (d)(3) of RA No. 7279, as amended, on the exemption from value-added tax (VAT) for the project contractor concerned, was already repealed by Section 86 (tt) and (uu) of RA No. 10963.

It should be remembered that laws and statutes granting tax exemptions are strictly construed against the taxpayer. Exemptions are never presumed and the burden is upon the taxpayer to establish his right to exemption beyond reasonable doubt.[1] In the case of Mactan Cebu International Airport Authority v. Marcos,[2] the Supreme Court held:

> "Accordingly, tax statutes must be construed strictly against the government and liberally in favor of the taxpayer. But since taxes are what we pay for civilized society, or are the lifeblood of the nation, the law frowns against exemptions from taxation and statutes granting the exemptions are thus construed *strictissimi juris* against the taxpayer and liberally in favor of the taxing authority. A claim of exemption from tax payments must be clearly shown and based on language in the law too plain to be mistaken. Else wise stated, taxation is the rule, exemption therefrom is the exception."

Accordingly, your request for tax exemption from payment of project-related income tax and VAT relative to **J.W.D. CONSTRUCTION**'s construction of Kayapa Indigenous Peoples Student Dormitory located at Brgy. Pingkian, Kayapa, Nueva Vizcaya is hereby denied for lack of legal basis. *(BIR Ruling No. 412-2012 dated October 28, 2011).*

Please be guided accordingly.

Very truly yours,

Lilia C. Guillermo
LILIA CATRIS GUILLERMO
Commissioner of Internal Revenue

001836

K-1-JAC

---

[1] Dimaampao, Japar B., Tax Principles and Remedies, Second Edition (2005).
[2] G.R. No. 120082, 11 September 1996, 261 SCRA 667.