REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 20 of RA 7279
BIR Ruling No. 063-14
#284-2016

6-27-2016

PHINTECSTAR CONSTRUCTION, INCORPORATED
Suites 21 & 24 3J Heights Bldg.
No. 35 Visayas Avenue, Diliman
Quezon City

Attention: **Mr. Zoilo Joaquin C. Amador**
President

Gentlemen:

This refers to your letter dated February18, 2015 requesting issuance of Certificate of Tax Exemption for the socialized housing project, Magalona Heights 1, under the National Housing Authority (NHA)'s Yolanda Permanent Housing Project, located at Brgy. Sto. Niño, E.B. Magalona, Negros Occidental (Site 1), pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that Phintecstar Construction, Incorporated (TIN: is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) with Company Registration No. ; and that on February 17, 2015, a Contract for the Procurement of House and Lot Packages Magalona Heights 1, Brgy. Sto. Niño, E.B. Magalona, Negros Occidental (Site 1), was executed between NHA and Phintecstar Construction, Incorporated, whereby the latter has committed to deliver Six Hundred Sixty Eight (668) units (House and Lot Package) for a price of and that according to the contract, the scope of works under the said project includes "Survey Works, Earthworks, Road Works, Drainage Works, Water System, Electrical Power Lines, Miscellaneous Works and Housing Construction.

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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 Phintecstar Construction, Incorporated is a project contractor whose services have been engaged by the NHA to undertake the construction of 668 Housing Units with its necessary construction components in Magalona Heights 1, Brgy. Sto. Niño, E.B. Magalona, Negros Occidental (Site 1), 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 Phintecstar Construction, Incorporated from the construction of the 668 Housing Units (House and Lot Packages) with its necessary construction components in Magalona Heights 1, Brgy. Sto. Niño, E.B. Magalona, Negros Occidental (Site 1), 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 construction of the 668 Housing Units (House and Lot Packages) with its necessary construction components in Magalona Heights 1, Brgy. Sto. Niño, E.B. Magalona, Negros Occidental (Site 1) by Phintecstar Construction, Incorporated shall be exempt from VAT. However, the purchases of goods/articles by Phintecstar Construction, Incorporated 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,

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue
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JUN 2 4 2016

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