REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

RA7279
BIR Ruling No. 036-2014
#321-2016

6-29-2016

J.C. UYECIO CONSTRUCTION AND DEVELOPMENT COMPANY
Divine Grace
Balagtas, Bulacan

Attention : **JAMES C. UYECIO**
President/CEO

Gentlemen:

This refers to your undated letter requesting tax exemption of Villa Elise Resettlement Housing Project located in Brgy. Masuso, Pandi, Bulacan pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that J. C. Uyecio Construction and Development Company (TIN: [redacted] is the registered owner of parcels of land covered by three (3) Transfer Certificates of Title (TCT) located at Brgy. Masuso, Pandi, Bulacan, to wit:

TCT	Lot No.	Tax Declaration No.	Area (sq. m.)
[redacted]	2616-A	[redacted]	40,000
[redacted]	2612-B	[redacted]	6,000
[redacted]	2612-C	[redacted]	31,655
Total Area			77,655

all issued by the Registry of Deeds for Province of Bulacan, Meycauayan Branch.

On March 24, 2014, a Contract Agreement was executed by and between J. C. Uyecio Construction and Development Company and Villa Elise Homeowners Association Inc., a homeowner's organization registered with the Housing and Land Use Regulatory Board (HLURB), whereby former has offered to sell the developed lots and completed housing units under the Community Initiative Approach Program (CIAP) of the National Housing Authority (NHA) for [redacted] for every developed lot and completed housing unit per family.

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[1] Formerly: TCT No. [redacted]
[2] Formerly: TCT No. [redacted]
[3] Formerly: TCT No. [redacted]
[4] F[redacted] for developed lot and [redacted] for completed housing units

Moreover, on September 3, 2014, a Memorandum of Agreement[5] (MOA) were executed by and among, J. C. Uyecio Construction and Development Company, as the landowner/developer/contractor, Villa Elise Homeowners Association Inc., as the beneficiary[6], and the NHA, as the lead agency in the implementation of the National Resettlement Programs of the government and to ensure the timely, peaceful and orderly relocation and resettlement of the informal settler families along danger areas affected by the clearing of waterways and esteros in Bulacan Province.

Under the MOA, members[7] of Villa Elise Homeowners Association Inc. shall be provided by the NHA with a financial grant for the acquisition of One Thousand Three Hundred Twenty One (1,321) developed lots and financing the acquisition of 1,321 loftable row-house units in the amount not to exceed [redacted] Pesos [redacted] per lot and [redacted] Pesos [redacted] per completed housing unit.

On November 17, 2014, J. C. Uyecio Construction and Development Company and the NHA executed a Deed of Absolute Sale whereby the former, transferred and conveyed 1,321 developed lots under Batch 1 and 2-2014 with an aggregate area of Seventy Seven Thousand Six Hundred Fifty Five square meters (77,655 sq.m.) of the subject properties covered by TCT Nos. [redacted] and [redacted] to NHA at an agreed price of [redacted] Pesos [redacted]

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;*

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[5] For financing the acquisition of developed lots and financing the acquisition of completed housing units (Villa Elise Resettlement Project, Brgy. Masuso, Pandi, Bulacan)

[6] See Annex list of beneficiaries consisting of twenty four (24) pages

[7] Composed of members/families living in danger areas affected by the clearing of waterways, esteros within Bulacan Province

(3) Value-added tax for the project contractor concerned;"

the landowner/developer of properties who sell its properties for use in a socialized housing project are exempt from the payment of the capital gains tax and project-related income taxes.

Such being the case, ***the sale of 1,321 developed lot packages under Batch 1 and 2-2014 on subject properties covered by TCT Nos.*** by J. C. Uyecio Construction and Development Company to NHA is exempt from capital gains tax, project-related income taxes and consequently from withholding tax. (BIR Ruling No. 036-2014 dated January 29, 2014)

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

> *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*

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, either on NHA or the party with which NHA is transacting. Accordingly, the transfer of J. C. Uyecio Construction and Development Company to NHA of ***1,321 developed lot packages under Batch 1 and 2-2014 on subject properties covered by TCT Nos.*** ***and*** are likewise exempt from documentary stamp tax imposed under Section 196 of the Tax Code of 1997, as amended. (BIR Ruling No. 036-2014 dated January 29, 2014)

Upon application for exemption, a lien on the title of the land shall be annotated by the Register of Deeds having jurisdiction over the property, 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 land in 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 RMO 15-2003.

Pursuant to Section 20 (d)(3) of RA 7279, the transfer/sale by J. C. Uyecio Construction and Development Company of ***1,321 developed lot packages under Batch 1 and 2-2014 on subject properties covered by TCT Nos.*** in favor of NHA shall be exempt from VAT. However, its purchases of goods/articles 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. Moreover, it shall be understood that J. C. Uyecio Construction and Development Company 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

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JUN 29 2016