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

RA No. 7279
BIR Ruling No. 171-15; BIR Ruling No. 063-14
#278-2017
6-8-2017

CSL CONSTRUCTION CORPORATION/
HERCAR BUILDERS INC., JOINT VENTURE
510 Sandoval Avenue, Palatiw,
Pasig City 1600

Attention : **Mr. Wilberto Lemuel L. Lacuna**
General Manager

Gentlemen:

This refers to your letter dated May 21, 2015, requesting issuance of Certificate of Tax Exemption for the socialized housing project known as the "Anilao People's Village Housing Project" under the Yolanda Permanent Housing Program located at Brgy. Badiang, Anilao, Iloilo, pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that Victor V.L. Facultad , married to Raymundita S. Facultad, is the registered owner (hereinafter referred to as "Landowner") of a parcel of land, covered by Transfer Certificate of Title (TCT), to wit:

TCT No.	Area (sq. m.)	Tax Declaration No.
	45,500	

issued by the Registry of Deeds for Iloilo, Iloilo. The aforesaid property is located at Brgy. Badiang, Anilao, Iloilo;

On April 28, 2015, a Deed of Absolute Sale conveying portion of the abovementioned property was executed by the landowner to the National Housing Authority (NHA) (TIN:), a government corporation organized and existing by virtue of Presidential Decree No. 757, as amended:

Landowner	TCT	Date of Deed of Absolute Sale	Purchased Area (Sq.m.)	Purchase Price (Php)
Victor V.L. Facultad		April 28, 2015	26,906	

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The above described property 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.

On October 24, 2014, the NHA has issued a Notice of Award to CSL Construction Corporation/Hercar Builders Inc., Joint Venture (TIN: for the "*Procurement of Fully Developed Lots and Completed Housing Units under the NHA's Yolanda Permanent Housing Program located at Brgy. Badiang, Anilao, Iloilo – 364 Housing Units*" at a contact price of (And 30/100 Pesos), Philippine Currency.

To give effect to the Notice of Award, a Contract for the abovementioned Procurement of Fully Developed Lots and Completed Housing Units (364 Units) was executed on May 15, 2015 by and between the NHA and CSL Construction Corporation/ Hercar Builders Inc., Joint Venture wherein the works contemplated in the Contract include land development to include boundary and subdivision survey, roadworks, drainage works, water works, housing construction and miscellaneous requirements necessary for the completion of the project which shall be completed within the work duration provided in the Contract and strictly in accordance with the approved plans and specifications.

On July 14, 2015, a Certification was issued by the National Housing Authority-Northern and Central Luzon Management Office, certifying that the Procurement of Fully Developed Lots and Completed Housing Units (364 Units), Anilao People's Village Housing Project located at Brgy. Badiang, Anilao, Iloilo, is a Socialized housing project intended for the homeless families affected by Typhoon Yolanda who are qualified for housing assistance. This project will be used as a relocation and resettlement site for these families.

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*

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underprivileged and homeless, the following incentives shall be extended to the private sector:

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(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"

Moreover, pertinent portions of Revenue Memorandum Circular (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

Sale by the Landowner to NHA

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

Accordingly, the sale by Victor V.L. Facultad to NHA in so far as the Twenty Six Thousand Nine Hundred Six (26,906) square meters, more or less, portion of the property covered by Transfer Certificate of Title (TCT) No. is exempt from the payment of capital gains tax. *(BIR Ruling No. 171-15 dated June 8, 2015)*

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

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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 sale by the landowner to NHA of the Twenty Six Thousand Nine Hundred Six (26,906) square meters, more or less, covered by Transfer Certificate of Title (TCT) No. issued by the Registry of Deeds for Iloilo, Iloilo is likewise exempt from documentary stamp tax imposed under Section 196 of the Tax Code of 1997, as amended. *(BIR Ruling No. 171-15 dated June 8, 2015)*

Moreover, under Section 109 (1)(P) of the Tax Code of 1997, as amended by R.A. No. 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 by the landowner to NHA for purposes of the Yolanda Permanent Housing Program is exempt from the imposition of VAT. *(BIR Ruling No. 171-15 dated June 8, 2015)*

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 requirement provided under RMO 15-2003.

Transaction between CSL Construction Corporation/ Hercar Builders Inc., Joint Venture and NHA

Considering that CSL Construction Corporation/ Hercar Builders Inc., Joint Venture is a project contractor whose services are engaged by NHA to undertake construction of 364 Housing Units with its necessary construction components in Anilao People's Village, Brgy. Badiang, Anilao, Iloilo and which was certified by the NHA as a socialized housing project as resettlement site pursuant to R.A. No. 7279, the income directly realized by CSL Construction Corporation/ Hercar Builders Inc., Joint Venture from the construction of 364 Housing Units with its necessary construction components in Anilao People's Village, Brgy. Badiang, Anilao, Iloilo 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 housing construction with its necessary construction components for 364 Housing Units in Anilao People's Village, Brgy. Badiang, Anilao, Iloilo by CSL Construction Corporation/ Hercar Builders Inc., Joint Venture shall be exempt from VAT. However, the purchases of goods/articles by CSL Construction Corporation/ Hercar Builders Inc., Joint Venture shall be subject to VAT, even if the said purchases are to be used for the socialized housing project, since

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VAT is an indirect tax which can be passed on by the seller of the good/services. It shall be understood that CSL Construction Corporation/ Hercar Builders Inc., Joint Venture must issue non-VAT official 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,

CAESAR R. DULAY
Commissioner of Internal Revenue

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