REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

RA7279	
BIR Ruling No. 500-2014	
4004-2017	

1-12-2017

PACIFIC CONCRETE PRODUCTS, INC.
15 West Avenue, Quezon City

Attention: **PHILIP MARTIN T. LOPEZ**
Vice President

Gentlemen:

This refers to your letter dated July 12, 2016 requesting issuance of Certificate of Tax Exemption for the Monkayo Housing Project 3A located at Brgy. Poblacion, Monkayo, Compostela Valley pursuant to Republic Act (R.A.) No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

Documents submitted show that Pacific Concrete Products Inc. (TIN -), is the registered owner of a parcel of land, identified as Lot 4120-A of the Subdivision Plan Psd-11-029431, being a portion of Lot 4120, Pls-3, Monkayo Public Land Subdivision covered by Transfer Certificate of Title (TCT) No. issued by the Registry of Deeds for Province of Davao Del Norte. The aforesaid property is situated at Brgy. Poblacion, Monkayo, Compostela Valley with an area of Forty Six Thousand Seven Hundred Sixty One square meters (46,761 sq.m.), more or less.

On December 29, 2014, a Memorandum of Agreement[1] (MOA) was executed by and among Pacific Concrete Products, Inc., as the landowner/developer, Union Homeowners' Association, Inc., a homeowner's organization registered with the Housing and Land Use Regulatory Board (HLURB), as the beneficiary[2], and the National Housing Authority (NHA), as sole national government agency engaged in direct housing production mandated to meet the housing needs of the low and marginal income families and to focus its efforts towards the housing needs of the lowest 30% of the urban population.

[1] For Development of the Monkayo Housing Project 3, Brgy. Union, Monkayo, Compostela Valley
[2] See Annex list of beneficiaries consisting of thirteen (13) pages

Under the MOA, members of Union Homeowners' Association, Inc. shall be provided by the NHA with a financial grant for the acquisition of 312 developed lots and financing of the acquisition of completed housing units under the TS Pablo Rehabilitation Plan (TSPRP) through the Community Initiative Approach Program (CIAP) of the government in the amount of Two Hundred Twenty Thousand Pesos (P220,000.00) per house and lot package of 60.00 square meter lot area and a house floor area of 22.00 square meter Duplex-type model.

On June 22, 2015 and June 26, 2015, Amendment to MOA dated December 29, 2014, the project name was revised as Monkayo Housing Project 3A, Brgy. Union, Monkayo, Compostela Valley and the name of the Association was revised as Union Extension Homeowners Association, Inc.

On June 15, 2015, a Contract Agreement was executed by and between Pacific Concrete Products, Inc. and Union Extension Homeowners Association, Inc., whereby Pacific Concrete Products, Inc. offered its services to the families who are members of Union Extension Homeowners Association, Inc. by delivering 312 developed homelots and completed housing units under the TSPRP.

The purchased developed lots and completed housing units shall be financed through the CIAP of the NHA for Two Hundred Twenty Thousand Pesos (P220,000.00) for every developed lot and completed housing unit per family.

On July 29, 2015, Pacific Concrete Products, Inc. and the NHA executed a Deed of Absolute Sale whereby the former, transferred and conveyed 312 developed lots with an aggregate area of Eighteen Thousand Nine Hundred Thirty One square meters (18,931 sq.m.) portion of the subject property to NHA at an agreed price of Thirty Four Million Three Hundred Twenty Thousand Pesos (P34,320,000.00).

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

W.

"(d) *Exemption from the payment of the following:*

(1) *Project-related income taxes;*

(2) *Capital Gains Tax;*

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

the landowner/developer of properties who sells his 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 312 house and lot packages on the 18,931 sq.m. portion of the subject property covered by TCT No.*** by Pacific Concrete Products, Inc. to NHA is exempt from capital gains tax, project-related income taxes and consequently from withholding tax. (BIR Ruling No. 500-2014 dated December 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 by Pacific Concrete Products, Inc. to NHA of ***312 house and lot packages on the 18,931 sq.m. portion of the subject property covered by TCT No.*** are likewise exempt from documentary stamp tax imposed under Section 196 of the Tax Code of 1997, as amended. (BIR Ruling No. 500-2014 dated December 29, 2014) W.

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.

Moreover, pursuant to Section 20 (d)(3) of RA 7279, ***the sale of 312 house and lot packages on the 18,931 sq.m. portion of the subject property covered by TCT No.*** shall be exempt from VAT. However, the purchases of goods/articles by Pacific Concrete Products, Inc. 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 Pacific Concrete Products, Inc. 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,

CAESAR R. DULAY
Commissioner of Internal Revenue
002874

K-1-JRC