REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
National Office Building
Quezon City

Republic Act No. 7279
BIR Ruling No. 332-2021
VAT- 005-2023
JAN 20 2023

ARR CONSTRUCTION
Lot 644 C4-F Visayas Avenue
Brgy. Culiat, District 6
Quezon City

Attention: **Romeo R. Aniciete**
General Manager

Gentlemen:

This refers to your request for clarification on the value-added tax (VAT) exemption of the sale of house and lot units with values within the VAT threshold under Section 109 (1) (P) of the National Internal Revenue Code of 1997 (Tax Code), as amended.

Based on the documents submitted, it is shown that ARR Construction executed three (3) Deeds of Absolute Sale[1] in favor of the National Housing Authority (NHA) for the delivery of completed house and lot units for NHA's various socialized housing projects which have been previously issued with Certificate of Tax Exemptions (CTEs)[2], to wit:

1. Casa San Miguel Housing Project located in Brgy. San Juan de Valdez, San Jose, Tarlac;
2. St. Ildephonsus Village Resettlement Project located in Brgy. Anyatam, San Ildefonso, Bulacan; and
3. St. Augustine Homes Resettlement Project located in Sitio San Berga, Sapang, Maragul, Tarlac City.

In reply, please be informed that Section 20 (d) of RA No. 7279 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:*
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> *xxx xxx xxx*

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[1] Dated June 10, 2019, July 30, 2019 and August 2, 2019, respectively
[2] CTE Nos. and

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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;

xxx xxx xxx"

Section 3 (r) of RA No. 7279 defines "socialized housing as follows:

"SEC. 3. Definition of Terms. – For purposes of this Act:

xxx xxx xxx

"(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;"

On the other hand, Section 109 (1) (P) of the Tax Code, as amended, provides:

"SEC. 109. Exempt Transactions – (1) Subject to the provisions of Subsection (2) hereof, ***the following transactions shall be exempt from the value-added tax:***

xxx xxx xxx

(P) Sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business or real property utilized for low-cost and socialized housing as defined by Republic Act No. 7279, otherwise known as the Urban Development and Housing Act of 1992, and other related laws, residential lot valued at One million five hundred thousand pesos (₱1,500,000) and below, house and lot, and other residential dwellings valued at Two million five hundred thousand pesos (₱2,500,000) and below: Provided, That beginning January 1, 2021, the VAT exemption ***shall only apply to*** *sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business, sale of real property utilized for socialized housing as defined by Republic Act No. 7279, sale of house and lot, and other residential dwellings with selling price of not more than Two million pesos (₱2,000,000): xxx"* (Emphasis supplied)

Based on the afore-quoted provisions, there are tax incentives available to private sector to encourage their participation in socialized housing and to further reduce the cost of housing units for the benefit of the underprivileged and homeless, including the

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exemption from project-related income taxes and capital gains tax on raw lands used for the project.

On the other hand, Section 109 (1) (P) of the tax Code, as amended, exempts from VAT the sale of house and lot and other residential dwellings with selling price of not more than ₱3,199,200.00[3] per house and lot package; provided further, that beginning January 1, 2021, the exemption from VAT shall only apply to sale of house and lot and other residential dwellings[4] with selling price of not more than ₱3,199,200.00.

In view of the foregoin, it is clarified that the Deeds of Sale which were executed by ARR Construction in favor of NHA for the delivery of completed house and lot units for NHA's various socialized housing projects, namely, Casa San Miguel Housing Project, St. Ildephonsus Village Resettlement Project, and St. Augustine Homes Resettlement Project are exempt from project-related income taxes, creditable withholding tax and VAT pursuant to Section 20 (d) (1) of RA No. 7279 and Section 109 (1) (P) of the Tax Code, as amended.

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,

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue
001607

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[3] As adjusted using the 2010 Consumer Price Index values per revenue Regulations (RR) No. 8-2021 dated June 11, 2021
[4] Sale of lot only, regardless of the price, shall be subject to VAT starting January 1, 2021 pursuant to RA No. 10963