January 6, 2021

BIR RULING NO. VAT-001-21

Section 109 (1) (T), NIRC; RR No. 15-2015;
BIR Ruling No. 260-19

Chelsea Shipping Corporation
26th Floor, Fort Legend Tower,
3rd Ave. cor. 31st St., Fort Bonifacio,
Global City, Taguig

Attention: *AAA*

Gentlemen :

This refers to your letter dated October 28, 2020, requesting on behalf of **Chelsea Shipping Corporation**, for a Certificate of Value-Added Tax (VAT) Exemption on its importation of one (1) Unit Auxiliary Working Barge with 50 Tons Crane, pursuant to Section 109 (1) (T) of the National Internal Revenue Code (NIRC) of 1997, as amended.

Documents submitted show that **Chelsea Shipping Corporation**, with Tax Identification No. 000-000-000-000, is a domestic corporation registered with the Securities and Exchange Commission (SEC) under Company Registration No. CS200628661; that it is duly accredited by the Maritime Industry Authority (MARINA) to engage in domestic shipping business per MARINA Certification dated September 28, 2018 valid until October 10, 2021; and that **Chelsea Shipping Corporation** is currently importing one (1) Unit Auxiliary Working Barge with 50 Tons Crane; that MARINA has approved the importation of the above barge in its letter dated January 6, 2018 addressed to **Chelsea Shipping Corporation**; and that per Sworn Statement dated October 28, 2020 executed by Ignacia S. Braga IV, Vice President-Finance of Chelsea Shipping Corporation, the subject cargo vessel is not being manufactured domestically, in comparable quality, technology and at reasonable price and that the said cargo vessel will be used exclusively by the company operations.

In support of its request for exemption, **Chelsea Shipping Corporation** has submitted the following documents:

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1. Certified true copies of the SEC Certificate of Registration, Articles of Incorporation and By-Laws;

2. BIR Certificate of Registration;

3. Certificate of Registration with MARINA;

4. Certified true copy of the MARINA Authority to Import;

5. Sworn Statement dated October 28, 2020.

In reply, please be informed that an Auxiliary Working Barge with 50 Tons Crane falls under the classification of cargo vessels. Section 109 (1) (T) of the NIRC of 1997, as amended, provides that the importation, among others, of a cargo vessel destined for domestic trade operations shall be exempt from VAT, *viz.*:

> ***"Sec. 109. Exempt Transactions.*** *—*
>
> *(1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from the value-added tax.*
>
> *(T)* [1] *Sale, importation or lease of passenger or cargo vessels and aircraft, including engine, equipment and spare parts thereof for domestic or international transport operations";*

In relation thereto, Section 4.109-1 (B) (1) (t) of the Revenue Regulations (RR) No. 16-2005, as amended by RR No. 15-2015, which implements the above-quoted provision, provides:

> *"SECTION 4.109-1. VAT-Exempt Transactions. —*
>
> xxx xxx xxx
>
> *(B) Exempt transactions. —*
>
> *(1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from VAT:*
>
> xxx xxx xxx
>
> *(t) Sale, importation or lease of passenger or cargo vessels and aircraft, including engine, equipment and spare parts thereof for domestic or international transport operations; Provided, however, that the exemption from VAT on the importation and local purchase of passenger and/or cargo vessels shall be subject to the requirements on restriction an vessel importation and*

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mandatory vessel retirement program of MARINA."

It is noted that the Auxiliary Working Barge with 50 Tons Crane has been issued by MARINA with the required authority to be imported. Hence, the importation of the said cargo vessel by **Chelsea Shipping Corporation** is deemed compliant with the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA. Accordingly, the importation by **Chelsea Shipping Corporation** of Auxiliary Working Barge with 50 Tons Crane shall be exempt from VAT pursuant to Section 109 (1) (T) of the NIRC of 1997, as amended. The VAT exemption, however, shall be subject to the strict compliance of the conditions contained in the letter of approval issued by MARINA for the importation of the subject vessel. *(BIR Ruling No. 260-19 dated May 7, 2019)*

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,

(SGD.) CAESAR R. DULAY
Commissioner of Internal Revenue

Footnotes

1. Renumbered by Republic Act No. 10378.

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