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

Sec. 150 National Internal Revenue Code of 1997, as amended; Sec. 3 (b) Presidential Decree (PD) No. 474; PD No. 1158; RA No. 9295
OT- 007-2025

JAN 06 2025

CPT CENTRAL CORPORATION
212 C. Santos St. Bo.
Ugong, Pasig City
Telefax: 671-5955;
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Attention: **KARL KENDRICK Y. TY**
General Manager

Gentlemen:

This refers to your request for a ruling confirming that your purchase of pontoon boats is not subject to excise tax of twenty percent (20%) and for the refund of the excise tax you already paid under protest.

It is represented that CPT Central Corporation ('CPT' for brevity) imported two (2) units brand-new Aluminum Double Decker Pontoon boat and accessories but without engines that would be used exclusively as decorations or displays in one of the CPT's properties that is presently under construction. Said pontoon boats will not be used for domestic transportation, which is why they were imported without engines.

For the subject boats to be released from the Bureau of Customs (BOC), CPT was forced to pay the excise tax of twenty percent (20%) purportedly assessed based on Section 150 (c) of the National Internal Revenue Code (Tax Code) of 1997, as amended.

CPT argues that the engineless pontoon boats cannot be considered a vessel for pleasure or sports since the boats are only for display purposes. It is also not considered a boat since, although shaped like one, it is not propelled by oars, sails, or engines, according to the English Dictionary. CPT also believes that Section 150 (c) of the Tax Code of 1997, as amended, is directed towards luxurious items for pleasure or sports, while the imported pontoon boats are not intended for the same.

In reply, please be advised that Section 150 of the Tax Code of 1997, as amended, provides that:

> **"SEC. 150.** ***Non-essential Goods.*** - There shall be levied, assessed and collected a tax equivalent to twenty-percent (20%) based on the wholesale price or the value of importation used by the Bureau of Customs in determining tariff and customs duties, net of excise tax and value-added tax, of the following goods:

xxx xxx xxx

(c) Yachts and **other vessels** intended for pleasure or sports." (Emphasis ours)

To determine whether the pontoon boat imported by CPT is subject to excise taxes, it is imperative to discuss whether said boat may be considered a vessel. Republic Act (RA) No. 9295 defines a vessel, to wit:

> "'Ship' or 'Vessel' may be used interchangeably and shall mean any kind, class or type of craft or artificial contrivance capable of floating in water, designed to be used, or capable of being used as a means of water transport in the domestic trade for the carriage of passengers or cargo, or both, utilizing its own motive power or that of another" (Emphasis ours)

Using this definition, a vessel would then be an artificial contrivance that is capable of floating in water and can be used as a means of water transport using its own motive power or that of another. This would entail that the pontoon boats subject of this case would fall within the purview of the above definition since they are artificial contrivances capable of floating in water and can be used as a means of water transport. Actual use for that purpose is already immaterial since the state of being capable already qualifies a craft as a vessel. Also, having no engine is of no moment since the definition covers those using their own motive power or that of another, which means that it may still be a vessel whether or not it has its own engine.

This is further strengthened by the fact that CPT recognized the authority of the Maritime Industry Authority (MARINA) which is a government agency tasked with the management of the importation of vessels.[1]

However, to be subject to excise tax, a vessel must be intended for pleasure or sports. To be considered for "pleasure" necessitates review of how the term "pleasure" is defined by law. Being a common word, pleasure could be defined in several ways. Fortunately, Section 150 of the Tax Code of 1997, as amended, originated from Presidential Decree (PD) No. 1158, which, in another provision, grouped the word "pleasure" with other words allowing us to infer its definition, to wit:

> "Sec. 26. Exemptions from tax on corporations.
>
> (h) Club organized and operated exclusively for **pleasure, for recreation, and other non-profitable purposes**, xxx" (Emphasis ours)

The listed definition groups "for pleasure" together with recreation and other non-profitable purposes. This means that "for pleasure" is treated alongside other activities that are considered non-profitable.

In this case, the pontoon boats are being used for display purposes, as certified by MARINA and as represented by CPT as well, which is not conducted for profit, so the same would be considered for pleasure.

[1] Section 12, Presidential Decree No. 474.

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To conclude, the two (2) imported units of brand-new Aluminum Double Decker Pontoon boat and accessories are considered vessels that are intended for pleasure, which falls squarely within the coverage of the twenty percent (20%) excise tax on non-essential goods.

This ruling is being issued on the basis of the foregoing facts as represented. However, if, upon investigation, it is 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

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