February 26, 2021

BIR RULING NO. VAT-041-21

Section 109 (1) (T) of the Tax Code of 1997,
as amended; BIR Ruling No. 667-2019

2GO Group, Inc.
8th Floor & 9th Floor (A) Tower 1 Double Dragon Plaza,
Corner EDSA Ext. and Macapagal Blvd.
Brgy. 76, Pasay City 1300

Attention: *AAA*

Gentlemen :

This refers to your request on behalf of **2GO Group, Inc.** [1] **("2GO")** for confirmation that its importation of a cargo vessel named "Stena Nova" is exempt from value-added tax (VAT) pursuant to Section 109 (1) (T) of the National Internal Revenue Code (Tax Code) of 1997, as amended.

Documents submitted disclosed that 2GO, with Taxpayer Identification Number (TIN) 000-000-000-000, is a domestic corporation organized under the laws of the Republic of the Philippines; that it is registered with the Securities and Exchange Commission (SEC) under Company Registration No. 4409; that its primary purpose is *"[t]o engage in the business of operating steamships, motorboats, and other kinds of water crafts for the transportation of cargoes and passengers within the waters and territorial jurisdiction of the Philippines as well as on high seas; to act as agents of domestic or foreign shipping companies; to purchase, charter, hire, build, or otherwise acquire motor or steam or other ships or vessels, and to employ the same in conveyance and carriage of goods, wares, merchandise of every description, and of passengers within the waters and territorial jurisdiction of the Philippines as well as on high seas; and generally, to do and perform all acts and things necessary or proper or incidental for the accomplishment of the forgoing purposes"*; that it is duly accredited by the Maritime Industry Authority (MARINA) to engage in domestic shipping business per MARINA Certification No. DSS-2006-003-023 (2020) dated April 30, 2020 valid until April 30, 2023; and that it is currently importing one (1) unit cargo vessel named "Stena Nova" from Stena Roro Navigation Limited, particularly

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described as follows:

Name of Vessel	Stena Nova
IMO Number	9263150
Classification Society	RINA
Class Notation	Roro Cargo Ship (for single voyage purpose)
Year of Build	2003
Builder/Yard	Mitsubishi Heavy Industries Ltd. Shimonoseki, Japan
Flag	Panama
Place of Registration	Panama
GT/NT	27285/-
LOA	195m
Main Engine	2x Wartsila 16V-38B, 10,076 kW/each

In reply, please be informed that Section 109 (1) (T) of the Tax Code of 1997, as amended, provides as follows:

"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

(T) [2] *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 Revenue Regulations (RR) No. 16-2005, as amended, states that:

"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:

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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 on vessel importation and mandatory vessel retirement program of Maritime Industry Authority (MARINA)";

Based on the above-cited provisions, the importation of a cargo vessel destined for domestic transport operations shall be exempt from VAT. Hence, the importation by 2GO of one (1) unit cargo vessel named "Stena Nova" shall be exempt from VAT pursuant to Section 109 (1) (T) of the Tax Code of 1997, as amended. However, the VAT exemption shall be subject to the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA. [3]

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. Doing business under the names and styles of 2GO Travel; 2GO Freight; 2GO Supply Chain; 2GO Distribution; ATS; 2GO; 2GO Together; Superferry; Superferry Travel and Leisure; and Cebu Ferries.
2. Renumbered by Republic Act (RA) No. 10378.
3. Subject to presentation of the Authority to Import issued by MARINA.

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