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

Section 109 (1)(T), NIRC; RR No. 15-2015;
BIR RULING NO. 679-19
OT-075-2023
JUN 09 2023

RLS SHIPPING LINES
Mambajao (Pob.)
City of Maasin
Southern Leyte 6600

Attention : **Mr. Rodolfo L. Servacio**
President

Gentlemen:

This refers to your letter, requesting on behalf of **RLS Shipping Lines**, for a Certificate of Value-Added Tax (VAT) Exemption on its importation of one (1) Unit 2022-Built, 2146 GT deck cargo vessel named LCT **"JOSIE FE 01"** (ex: "QI YUE 17"), pursuant to Section 109 (1)(T) of the National Internal Revenue Code (Tax Code) of 1997, as amended.

Documents submitted show that **RLS Shipping Lines**, with Tax Identification No. , is a company registered with the Department of Trade and Industry (DTI) under Company Registration No. ; that it is duly accredited by the Maritime Industry Authority (MARINA) to engage in domestic shipping business per MARINA Certification dated September 21, 2021 valid until September 20, 2024; that **RLS Shipping Lines** is currently importing one (1) Unit 2022-Built, 2146 GT deck cargo vessel which is particularly described as follows:

Ship's Name	LCT JOSIE FE 01
Type of Vessel	Deck Cargo Vessel
Builder's Hull No.	TS202208
Classification	ZC
GT/NT/DWT tonnage	2146t/1201t
Moulded length	86.00M
Moulded breadth	18.50M
Moulded depth	4.68M
Moulded draught	3.40M
Number of decks	1
Number of masts	2
Number of funnels	2
Number of Propellers	2
Number of engines	2
Type of engine	CW6200ZC-16

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Engine maker	Weichai Heavy Machinery Co.,Ltd.
Power	350kw x 2
Date keel laid	May 20, 2022
Date launched	October 7, 2022

that MARINA has approved the importation of the above cargo vessel in its letter dated January 24, 2023, addressed to Great Swiss Shipping Corporation for and on behalf of the buyer, **RLS Shipping Lines**; that per Affidavit of Undertaking dated January 20, 2023 executed by Rodolfo L. Servacio, President of **RLS Shipping Lines**, there is no available vessel in the local market and cannot be built/manufactured by the shipbuilder in the country due to its uniqueness and technical characteristics.

In support of its request for exemption, **RLS Shipping Lines** submitted the following documents:

1. Certified true copy of the DTI Certificate of Business Name Registration;
2. BIR Certificate of Registration;
3. Certified true copy of the Certificate of Registration with MARINA;
4. Certified true copy of the MARINA Authority to Import;
5. Certified true copy of the International Tonnage Certificate;
6. Certified true copy of the Builder's Certificate;
7. Affidavit of Undertaking dated January 20, 2023.

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.** —*
>
> *xxx xxx xxx*
>
> *(1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from the value-added tax.*
>
> *xxx xxx xxx*
>
> *(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;"*

Based on the above-cited provision, the importation, among others, of a cargo vessel destined for domestic transport operations shall be exempt from VAT. 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] Renumbered by Republic Act No. 10378

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> *(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 on vessel importation and mandatory vessel retirement program of MARINA."*

It is noted that LCT **"JOSIE FE 01"** is a 2022-Built, 2146 GT deck cargo vessel and has been issued by MARINA with the required authority to be imported. Hence, the importation of the said vessel by **RLS Shipping Lines** is deemed compliant with the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA. Accordingly, the importation by **RLS Shipping Lines** of LCT **"JOSIE FE 01"** shall be exempt from VAT pursuant to Section 109 (1)(T) of the Tax Code 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. 679-19 dated November 13, 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,

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue
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