REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

Section 109 (1)(T), Tax Code of 1997, as amended; RR No. 15-2015;	VAT-127-2022	

Person to Contact: Chief, Law & Legislative Division
Tel Nos. 926-55-36/927-09-63

Date: APR 04 2022

AMIGO SHIPPING CORPORATION
Quarantine Rd., Brgy. Progreso
Lapuz, Iloilo City

Attention : **Atty. Jamor O. Tremor**
Tax Manager

Gentlemen:

This refers to your request on behalf of **Amigo Shipping Corporation**, for a Certificate of Value-Added Tax (VAT) Exemption on its lease of one (1) Unit of a cargo vessel from **Fortune Sea Carrier, Inc.**, named "MV RENE", pursuant to Section 109 (1)(T) of the National Internal Revenue Code (Tax Code) of 1997, as amended.

Documents submitted show that **Amigo Shipping Corporation**, with Taxpayer Identification No. is a domestic corporation registered with the Securities and Exchange Commission (SEC) 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 July 8, 2019 valid until July 7, 2022 ; and that **Amigo Shipping Corporation** is leasing one (1) Unit of a cargo vessel from **Fortune Sea Carrier, Inc.** which is particularly described as follows:

Vessel's Name	MV RENE
Owner/Place of Business:	Fortune Sea Carrier, Inc R&A Building R. Palma St., Cebu City
GRT / NRT:	199.28 / 118.96
Deadweight cargo carrying capacity in tons (about):	880dwt
Indicated Horsepower:	600 BHP
Class	Ocean Register of Shipping
Type of Fuel:	Automotive Diesel Fuel
Speed Capability in Knots (about) or consumption in ton (about) of:	Main Engine 8 knots at 80 liters/hour; Auxiliary Engine 0.4 liters/hour

Present position:	Cebu
Period of Hire:	January 2018 to 30 July 2018
Port of Delivery / Re-delivery	Ingore Port, Iloilo
Trade Limits:	Philippines / Domestic Trader
Cargo Restrictions:	Flour in 25kgs / Pollard in 40kgs / Fertilizer in 50kgs / Sugar in 50kgs / Wheat in Bulk / Soya in Bulk

and that a Time Charter Agreement dated March 27, 2019 was executed by and between **Amigo Shipping Corporation** as lessee, and **Fortune Sea Carrier, Inc.** as owner-lessor.

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**. — 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;"*

Based on the above-cited provision, the lease, 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, 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*

[1] Renumbered by Republic Act No. 10378

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requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA."

In view of the foregoing, since **"MV Rene"** is a cargo vessel which was leased by **Amigo Shipping Corporation** for domestic transport of goods, the lease of the said vessel from **Fortune Sea Carrier, Inc.** shall be exempt from 12% VAT pursuant to Section 109 (1)(T) of the Tax Code of 1997, 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,

CAESAR R. DULAY
Commissioner of Internal Revenue
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