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

Section 109 (1) (T) of the Tax Code of 1997, as amended
BIR Ruling No. 667-2019
VAT-137 - 2021
APR 23 2021

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: ATTY. KENNETH S. NG
AVP - Tax

Gentlemen:

This refers to your request on behalf of **2GO Group, Inc.**[1] **("2GO")** for confirmation that its importation of a vessel named "M/V Tsukushi" 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) , 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. ; 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 vessel named "M/V Tsukushi" from Hankyu Ferry Co., Ltd., particularly described as follows:

Name of Vessel	M/V Tsukushi
Built	10 June, 2003 at Mitsubishi Heavy Industries, Ltd., Shimonoseki, Japan
Class	JG Limited Coastal
Flag/Registry	Japan
Gross Register Tonnage	13,353 T
Summer Deadweight Tonnage	6,809 MT
Length	186.35 M
Breadth	26.40 M
Depth	18.60 M
Kind of Vessel	Passenger Vehicles Ferry
Main Engine	Wärtsilä. Co. Ltd. Diesel, 13700ps X 600rpm X Two (2) sets
Official No.	135998
Ship's Built No.	1091

[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.

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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:

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 passenger or cargo vessel destined for domestic transport operations shall be exempt from VAT. Hence, the importation by 2GO of one (1) unit vessel named "M/V Tsukushi" 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,

CAESAR R. DULAY
Commissioner of Internal Revenue

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[2] Renumbered by Republic Act (RA) No. 10378.
[3] Subject to presentation of the Authority to Import issued by MARINA.