May 17, 2021

BIR RULING NO. VAT-158-21

Section 109 (1) (T), NIRC; RR No. 15-2015;
BIR Ruling No. 260-19

Kargamine Too, Inc.
G-2 Las Buenas Building, No. 37 Industrial Avenue
Potrero, Malabon City 1475

Attention: *AAA*

Gentlemen :

This refers to your letter dated April 6, 2021, requesting on behalf of **Kargamine Too, Inc.**, for a Certificate of Value-Added Tax (VAT) Exemption on its importation of one (1) Unit 2020-built, 1,221.00 GT, Deck Cargo Vessel named LCT "Lady Callista," pursuant to Section 109 (1) (T) of the National Internal Revenue Code (NIRC) of 1997, as amended.

Documents submitted show that **Kargamine Too, Inc.**, with Tax Identification No. _____, is a domestic corporation registered with the Securities and Exchange Commission (SEC) under Company Registration No. CS201005468; that it is duly accredited by the Maritime Industry Authority (MARINA) to engage in domestic shipping business per MARINA Certification dated February 15, 2019 valid until March 14, 2022; and that **Kargamine Too, Inc.** is currently importing one (1) Unit 2020-built, 1,221.00 GT, Deck Cargo Vessel which is particularly described as follows:

Name of Vessel	LCT Lady Callista
Type of Vessel	Deck Cargo Vessel
Builder's Hull No.	ZX1918
Classification	ZC
GT/NT/DWT tonnage	1221/684
Moulded length	95.00M
Moulded breadth	18.20M

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Moulded depth	5.10M
Moulded draught	3.8M
Number of decks	1
Number of masts	2
Number of funnels	2
Number of Propellers	2
Number of engines	2
Type of engine	CW6200ZC-16/2
Engine Maker	Weichai Heavy Machinery Limited Co., Ltd.
Power	350kw/2

that MARINA has approved the importation of the above-named cargo vessel in its letter dated March 17, 2021 addressed to **Kargamine Too, Inc.**; and that per Sworn Statement dated April 23, 2021 executed by BBB, _____ of **Kargamine Too, Inc.**, the subject cargo vessel cannot be manufactured domestically, in comparable quality, technology and at a reasonable price and that the said cargo vessel is reasonably needed and will be used exclusively by the corporation for its transport operations.

In support of its request for exemption, **Kargamine Too, Inc.** has submitted the following documents:

1. BIR Certificate of Registration;
2. Certified true copy of Certificate of Registration with MARINA;
3. Certified true copy of the MARINA Authority to Import;
4. Sworn Statement dated April 23, 2021; and
5. Certified true copies of the Certificate of Registration, Articles of Incorporation and By-Laws with the Securities and Exchange Commission.

In reply, please be informed that Section 109 (1) (T) of the NIRC of 1997, as amended, provides that the importation, among others, of a cargo vessel destined for domestic trade operations shall be exempt from VAT, *viz.*:

***"Sec. 109. Exempt Transactions**. — Exempt Transactions. —*

(1) Subject to the provisions of Subsection (2) hereof, the following transactions shall

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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;"*

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) 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 "Lady Callista" is a 2020-built, 1,221.00 GT, Deck Cargo Vessel and has been issued by MARINA with the required authority to be imported. Hence, the importation of the said cargo vessel by **Kargamine Too, Inc.** is deemed compliant with the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA. Accordingly, the importation by **Kargamine Too, Inc.** of LCT "Lady Callista" shall be exempt from VAT pursuant to Section 109 (1) (T) of the NIRC 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. 260-19 dated May 7, 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,

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(SGD.) CAESAR R. DULAY
Commissioner of Internal Revenue

Footnotes

1. Renumbered by Republic Act No. 10378.

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