REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 109(1)(T) of the 1997 Tax Code, as amended
Revenue Regulations No. 15-2015
BIR Ruling No. 092-2016

#071-2017
2-24-2017

RADAZA LAW OFFICE
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Attention: **Kenneth C. Radaza**

Gentlemen:

This refers to your letter dated February 6, 2017, requesting on behalf of **Gothong Southern Shipping Lines, Inc.**, for a Certificate of Value-Added Tax (VAT) Exemption on its importation of one (1) unit, 2004-built, steel-hulled vessel named "**BBC Bulgaria**", pursuant to Section 109(1)(T) of the National Internal Revenue Code (NIRC) of 1997, as amended.

Documents submitted show that **Gothong Southern Shipping Lines, Inc.** (TIN:)) is a domestic corporation registered with the Securities and Exchange Commission (SEC), with Company Registration No. ; that it is duly accredited by the Maritime Industry Authority (MARINA) to engage in Domestic Shipping Business based on the MARINA Certificate of Accreditation No. valid for a period of three (3) years from January 30, 2017 to January 29, 2020; that **Gothong Southern Shipping Lines, Inc.** is importing one (1) unit, 2004-built, steel-hulled vessel named "**BBC Bulgaria**", more particularly described as follows:

Name	BBC Bulgaria
Call Sign	ZDGK3
IMO No.	9302061
Flag	Gibraltar
Place of Registration	Gibraltar
Ship Type	Cargo
Year Built	2004
Country Built	Bulgaria
Dead Weight	4310
Gross Tonnage	3198
Net Tonnage	1725
Main Engine	MaK 6M32C

that MARINA has approved the importation of the above-described vessel in its letter dated January 27, 2017; and that based on the Affidavit of Undertaking dated February 1, 2017 executed by Jennifer V. Bojos of **Gothong Southern Shipping Lines, Inc.**, the subject vessel will be used exclusively by the company for its domestic transport operation business.

In reply, please be informed that Section 109(1)(T) of the NIRC 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 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 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."*

Considering that **Gothong Southern Shipping Lines, Inc.** has been issued by MARINA with the required authority to import **BBC Bulgaria**, its importation is deemed compliant with MARINA's requirements on restriction on vessel importation and mandatory vessel retirement program. Accordingly, the importation by **Gothong Southern Shipping Lines, Inc.** of the vessel, **BBC Bulgaria,** shall be exempt from

[1] Renumbered by Republic Act No. 10378

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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 above-described vessel.

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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