REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 109(1)(T) NIRC
Revenue Regulations No. 15-2015
BIR Ruling No. 385-2014
095-2016
3-16-2016

OROMARINE SHIPPING CORPORATION
1803 J. Nakpil cor. Vasquez Sts.
Malate, Manila

Attention: **Atty. Grace K. Evasco**
President

Gentlemen:

This refers to your letter dated September 3, 2015, requesting on behalf of **Oromarine Shipping Corporation**, for a Certificate of Value-Added Tax (VAT) Exemption on its importation of two (2) units of cargo vessels LCT "OMS 06" and LCT "OMS 08", pursuant to Section 109 of the National Internal Revenue Code (NIRC) of 1997, as amended.

Documents submitted show that **Oromarine Shipping Corporation**, with Tax 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 and Ship Management Business per MARINA Certifications dated September 4, 2015 valid until September 3, 2018; and that **Oromarine Shipping Corporation** is currently importing two (2) units of steel hull deck cargo LCT (Landing Craft Transport) vessels, particularly described as follows:

Vessel's Name	LCT OMS 06	LCT OMS 08
Vessel Flag	Sierra Leone Flag	Sierra Leone Flag
GRT	995	995
NRT	517	517
LOA	79.15m	79.15m
Breadth	16.80m	16.80m
Depth	4.20m	4.20m
Main Engine	Weichai 8170, 530KW*2set, 1200r/min	Weichai 8170, 530KW*2set, 1200r/min
Name of Builder	Linhai Huajie Shipbuilding Co., Ltd.	Linhai Huajie Shipbuilding Co., Ltd.
Classification	ZC	ZC
Year Built	July 2014	July 2014

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that MARINA has approved the importation of the above cargo vessels in its two (2) letters both dated October 22, 2015 addressed to **Oromarine Shipping Corporation**; and that per Sworn Statement dated November 2, 2015 executed by Atty. Grace K. Evasco, President of **Oromarine Shipping Corporation**, the subject vessels are not manufactured domestically in sufficient quantity, of comparable quality and at a reasonable price in the Philippines; and that said cargo vessels are reasonably needed and will be used exclusively by the Company in its transport operations as a MARINA-registered domestic shipping operator.

In support of its request for exemption, **Oromarine Shipping Corporation** has submitted the following documents:

1. Certified true copies of the SEC Certificate of Registration, Articles of Incorporation and By-Laws;
2. Certified true copies of the MARINA Authority to Import;
3. Certificate of Registration/Accreditation with MARINA; and
4. Certified true copies of the Builder's Certificate.

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*

[1] Renumbered by Republic Act No. 10378

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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."

In view of the foregoing, the importation by **Oromarine Shipping Corporation** of the aforedescribed cargo vessels LCT ' ," and LCT " having been granted by MARINA with the necessary clearances to be imported, and are, thus, deemed compliant with the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA, shall be exempt from VAT. The VAT exemption, however, shall be subject to the strict compliance of the conditions contained in the letters of approval issued by MARINA for the importation of the subject cargo vessels.

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,

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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