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

Section 109 (1)(T), NIRC;
RR No. 15-2015;
BIR RULING NO. 289-16
3-3-2017
3-3-2017

SOUTHWEST PREMIERE FERRIES, INC.
Rm. 508 5/F S&L Bldg., 1500 Roxas Blvd.,
Brgy. 668, Zone 072 Ermita.
Manila 1009

Attention : **Atty. Michelle Victoria L. Basco**
Legal Counsel

Gentlemen:

This refers to your letter dated January 13, 2017, requesting on behalf of **Southwest Premiere Ferries, Inc.**, for a Certificate of Value-Added Tax (VAT) Exemption on its importation of a brand new Ro-Ro (roll-on, roll-off) type passenger ferry ship, pursuant to Section 109 (1)(T) of the National Internal Revenue Code (NIRC) of 1997, as amended.

Documents submitted show that **Southwest Premiere Ferries, Inc.**, 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 per MARINA Certification dated August 15, 2016 valid until August 14, 2019; and that **Southwest Premiere Ferries, Inc.** is currently importing one (1) brand new RO-RO type passenger ferry ship which is particularly described as follows:

Vessel's Name	M/V "SWM Stella Del Mar"
Dimensions	
Length, (overall)	approx. 66.80m
Length (between perpendiculars)	61.80m
Breadth (moulded)	15.30m
Depth (promenade deck moulded/car deck)	9.40m/4.40m
Draft (designed draft molded)	3.22m
Gross tonnage (International)	abt. 2,650 M.T.
Deadweight on designed draft	abt. 600 M.T.
Carrying Capacity	
Complements:	807 Persons
Officer/Crew:	16 Persons
Passenger:	791 Persons
Number of Cars:	19 + 2 Trucks
Main Engine	
Maker	Yanmar Diesel Co. Ltd.

Model M.C.O. N.C.O. Number of Engine	Yanmar 6EY 22AW 1,370 kW (1860 ps) 1,164 kW (1581 ps – 85% of M.C.O.) 2 Sets
Trial Maxim Speed Service Speed (85%MCO/15%SM)	14.5 Knots abt. 13.5 knots

that MARINA has approved the importation of the above Ro-Ro vessel in its letter dated January 12, 2017 addressed to **Southwest Premiere Ferries, Inc.**; and that per Sworn Statement dated January 24, 2017 executed by Arsenio Benjamin E Santos, Chairman and President of **Southwest Premiere Ferries, Inc.**, the subject vessel cannot be manufactured domestically in a comparable quality, using the same technology, and at a reasonable price, and that it is reasonably needed by the domestic roro market, and will be used exclusively by the Corporation for its operations.

In support of its request for exemption, **Southwest Premiere Ferries, Inc.** has submitted the following documents:

1. Certified true copies of the SEC Certificate of Registration, Articles of Incorporation and By-Laws;
2. BIR Certificate of Registration;
3. Certificate of Registration with MARINA;
4. Certified true copy of the MARINA Authority to Import;
5. Shipbuilding Contract; and
6. Sworn Statement dated January 24, 2017.

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 passenger 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 by RR No. 15-2015, which implements the above-quoted provision, provides:

> *"SECTION 4.109-1. VAT-Exempt Transactions. —*
>
> *xxx xxx xxx*

[1] Renumbered by Republic Act No. 10378

(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 **M/V "SWM Stella Del Mar"** is a brand new vessel and has been issued by MARINA with the required authority to be imported. Hence, the importation of the said vessel by **Southwest Premiere Ferries, Inc.** is deemed compliant with the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA. Accordingly, the importation by **Southwest Premiere Ferries, Inc.** of **M/V "SWM Stella Del Mar"** 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.

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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