October 31, 2018

BIR RULING NO. 1314-18

RA 7898, as amended by RA 10349; BIR Ruling No. 1030-2018

Commanding General
Philippine Army
Fort Andres Bonifacio, Metro Manila

Attention: *Rolando Joselito D. Bautista*
Lieutenant General, AFP
Commanding General, PA

Gentlemen :

This refers to your undated letter requesting clarification relative to *BIR Ruling No. 1030-2018* dated June 28, 2018 issued in favor of Toyota Davao City, Inc. In particular, you would like to be clarified on whether the exemption from value-added tax (VAT) will still apply on the purchase of motor vehicles by the Armed Forces of the Philippines (AFP) if the fund for the same is sourced not from the AFP Modernization Act Trust Fund as mentioned in Republic Act (RA) No. 10349 but rather from RA No. 10924 or the General Appropriations Act of 2017.

In reply, Section 10 of RA 10349, amending RA No. 7898, provides:

"*SEC. 10. Insert three (3) sections after Section 16 of the same Act which shall now become the new Sections 17, 18 and 19 respectively, which shall read as:*

> *'SEC. 17. Exemption from Value-Added Tax and Customs Duties. — The sale of weapons, equipment and ammunitions to the AFP, which are directly and exclusively used for its projects, undertakings, activities and programs under the Revised AFP Modernization Act, shall be exempt from the value-added tax; Provided, That the importation of the same by the AFP shall likewise be exempt from the value-added tax and customs duties.'*
>
> xxx xxx xxx"

Under the aforesaid provision, the sale of weapons, equipment and ammunitions to the AFP shall be exempt from VAT subject to the condition that the same shall be directly and exclusively used for its projects, undertakings, activities and programs under the Revised AFP Modernization Act. For the VAT exemption to apply, the AFP has to

Copyright 2020 CD Technologies Asia, Inc.

certify that the purchase of the motor vehicles is in accordance with the projects, undertakings, activities and programs of the AFP under the Revised AFP Modernization Act.

Anent the issue on whether the projects, undertakings, activities and programs of the AFP under the Revised AFP Modernization Act can be funded from sources other than the AFP Modernization Act Trust Fund, the same should be addressed to the Commission on Audit (COA) since this Office has no jurisdiction to address said issue.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be ascertained that the facts are different, then this ruling shall be considered null and void.

Very truly yours,

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

Copyright 2020 CD Technologies Asia, Inc.