REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 109(1)(T), NIRC	RR No. 15-2015	#147-2016 4-22-2016

Person to Contact: Chief, Law Division
Tel Nos. 926-5536/927-09-63

SEEN SAM SHIPPING, INC.
Seen Sam Bldg. Nasipit
Talamban, Cebu City

Attention: **Ms. Lynette G. Dy Hian To**
President

Gentlemen:

This refers to your letter dated October 19, 2015 requesting on behalf of **Seen Sam Shipping, Inc.**, for a Certificate of Value-Added Tax (VAT) Exemption on its importation of five (5) units of newly-built vessels pursuant to Section 109(1)(T) of the National Internal Revenue Code (NIRC) of 1997, as amended.

Documents submitted show that **Seen Sam Shipping, Inc.**, with Tax Identification No. , is a domestic corporation registered with the Securities and Exchange Commission (SEC) under Company Registration No. iat **Seen Sam Shipping, Inc.** is importing five (5) brand new cargo vessels which are more particularly described as follows:

Vessel Name	Minghang 62	Minghang 63	Minghang 54	Minghang 64	Minghang 53
Kind	Self-propelled Deck Barge	Self-propelled Deck Barge	Self-propelled Deck Barge	Self-propelled Deck Barge	Self-propelled Deck Barge
Builder's Hull No.					
Main Engine	Two (2) sets Chongqing Weichai 6200 ZC 540 KW	Two (2) sets Chongqing Weichai 6200 ZC 540 KW	Two (2) sets Chongqing Weichai 6200 ZC 540 KW	Two (2) sets Chongqing Weichai 6200 ZC 540 KW	Two (2) sets Chongqing Weichai 6200 ZC 540 KW
Class	ZC	ZC	ZC	ZC	ZC

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Length Overall	70.00M	70.00M	70.00M	70.00M	70.00M
Breadth Mld	18.00M	18.00M	18.00M	18.00M	18.00M
Depth Mld	4.50M	4.50M	4.50M	4.50M	4.50M
Gross Tonnage	528	528	528	528	528
Net Tonnage	370	370	370	370	370
Place of Building	Yangzhou Songchuan Ship Building Co., Ltd.	Yangzhou Songchuan Ship Building Co., Ltd.	Yangzhou Songchuan Ship Building Co., Ltd.	Yangzhou Songchuan Ship Building Co., Ltd.	Yangzhou Songchuan Ship Building Co., Ltd.
Date of Keel Laying	January 22, 2015	January 22, 2015	January 22, 2015	January 22, 2015	January 22, 2015
Date of Launching	May 12, 2015	May 30, 2015	June 2, 2015	June 19, 2015	June 18, 2015

and that MARINA has approved the importation of the above-described vessels in its letters dated August 11, 2015, September 18, 2015, September 21, 2015 and September 29, 2015.

In support of its request for exemption, **Seen Sam Shipping, Inc.** 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. Certified true copies of the Builder's Certificates; and
4. Other documents.

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.

[1] Renumbered by Republic Act No. 10378

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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."*

It is noted that **M/V Minghang 62, M/V Minghang 63, M/V Minghang 54, M/V Minghang 64** and **M/V Minghang 53**, are all brand new vessels and have been issued by MARINA with the required authority to be imported. Hence, the importation of said vessels by **Seen Sam Shipping, Inc.** is deemed compliant with the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA. Accordingly, the importation by **Seen Sam Shipping, Inc.** of **M/V Minghang 62, M/V Minghang 63, M/V Minghang 54, M/V Minghang 64** and **M/V Minghang 53** 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 above-described 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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