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
#151-2017
3-30-2017

STARLITE FERRIES, INC.
S-301 Goldhill Tower Condominium
No. 5 Annapolis St., Greenhills
San Juan, Metro Manila

Attention : **Francis S. Cusi**
President

Gentlemen:

This refers to your letter dated November 16, 2016, requesting on behalf of **Starlite 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 vessel, pursuant to Section 109 (1)(T) of the National Internal Revenue Code (NIRC) of 1997, as amended.

Documents submitted show that **Starlite 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 March 11, 2016 valid until April 3, 2019; and that Starlite Ferries, Inc. is currently importing one (1) brand new RO-RO type passenger vessel which is particularly described as follows:

Vessel's Name	M/V "Starlite Archer"
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/scantling draft)	3.20m/3.30m
Gross tonnage (International)	abt. 2,600 M.T.
Deadweight on designed Draft	abt. 630 M.T.
Carrying Capacity Passenger: Vehicle (Truck Base) : Truck dimension Truck weight Max truck capacity	 727 persons 8,990m (L) x 2.490m (R) x 3.485m (H) 25 tons 19 Cars
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	14.0 Knots

that MARINA has approved the importation of the above Ro-Ro vessel in its letter dated October 21, 2016 addressed to **Starlite Ferries, Inc.**; and that per Sworn Statement dated November 15, 2016 executed by Francis S. Cusi, President of **Starlite Ferries, Inc.**, the subject vessel cannot be manufactured domestically in a comparable quality, technology and at a reasonable price, and that it is reasonably needed and will be used exclusively and will be used by the company operation.

In support of its request for exemption, Starlite 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. Certified true copy of the Shipbuilding Contract; and
6. Sworn Statement dated November 15, 2016.

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*
>
> *(B) Exempt transactions. —*

[1] Renumbered by Republic Act No. 10378

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> *(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 "Starlite Archer"** 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 **Starlite Ferries, Inc.** is deemed compliant with the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA. Accordingly, the importation by **Starlite Ferries, Inc.** of **M/V "Starlite Archer"** 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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