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

Sec. 10, RA 10349
BIR Ruling No. 049-2015
2-202-2018
2-20-2018

HON. DELFIN N. LORENZANA
Secretary
Department of National Defense
DND Building, Camp Gen. Emilio Aguinaldo
Quezon City

Dear Secretary Lorenzana:

This refers to your letter dated October 1, 2017 requesting for a Certificate of Tax Exemption from payment of value-added tax (VAT) on the sale of 3,000 units of Caliber .45 Pistol Projects to the Armed Forces of the Philippines (AFP).

As represented, the Department of National Defense (DND) has undertaken a Contract with Armscor Global Defense, Inc. (Formerly: Arms Corporation of the Philippines) for the acquisition of 3,000 units of Caliber .45 Pistol Projects in its pursuit of upgrading the capability of the AFP and as part of the AFP Modernization Program. The contract price for the said acquisition is PESOS (PhP .

In reply, please be informed that Section 10 of Republic Act (RA) No. 10349, amending RA No. 7898, which was approved on December 11, 2012, 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."*

Applying Section 10 of RA No. 10349, the sale by Armscor Global Defense, Inc. of 3,000 units of Caliber .45 Pistol Projects to the AFP is exempt from VAT provided that the aforesaid weapons shall be used directly and exclusively used by the AFP for its projects, undertakings, activities and programs under the Revised AFP Modernization Act.

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,

CAESAR R. DULAY
Commissioner of Internal Revenue

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