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

Sec. 15(g), R.A. No. 9513
BIR Ruling No. 751-2018
BIR Ruling No. 1299-2018
VAT-
JUN 12 2019

REYES TACANDONG & CO.
26/F Citibank Tower
8741 Paseo de Roxas
Makati City 1226

Attention: **Atty. William Benson S. Gan**
Tax Services

Gentlemen:

This refers to your letter dated August 3, 2018 requesting on behalf of your client, **Energy Development Corporation (the "Company")** for a confirmatory ruling that the Company, a Department of Energy (DOE)-registered Renewable Energy (RE) Developer, is entitled to value-added tax (VAT) zero-rating on its purchases of local supply of goods, properties and services needed for the development, construction and installation of its various plant facilities and the whole process of exploring and developing renewable energy sources up to its conversion into power, including but not limited to the services performed by subcontractors and/or contractors pursuant to Section 15(g) of Republic Act (R.A.) No. 9513, otherwise known as, the "Renewable Energy Act of 2008."

As represented, the Company is a domestic corporation duly organized and existing under the laws of the Republic of the Philippines with registered address at One Corporate Centre, Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City, Philippines. The Company is registered with the Securities and Exchange Commission (SEC) with Company Registration No. and with Bureau of Internal Revenue (BIR) with Tax Identification Number (TIN) No.

The primary purpose of the Company, as stated in its Amended Articles of Incorporation, is as follows:

> "To explore, discover, develop, extract, dig and drill for, produce, utilize, refine, treat, process, transport, market, use, experiment with, distribute, manufacture, smelt or otherwise deal in, any substances, mineral or otherwise, which by itself or in combination with other substances, or after processing or refining, or the application to it of technology emanates, gives off, generates or

causes the emanation of generation of heat or power or energy such as, but not limited to, petroleum or oil, coal, marsh gas, methane gas, geothermal sources of heat and power, uranium and other minerals and fossil deposits, and to promote, offer, negotiate, conclude, execute, sell, engage in and/or render technical consultancy services whether locally or abroad."

Pursuant to its primary purpose, the Company, as an RE Developer, is engaged in the exploration, development, generation and sale of energy from renewable sources, such as geothermal energy. The Company explores for geothermal resources, and develops these geothermal resources for conversion into electric power. These are being done through drilling, operation and maintenance of geothermal wells from which steam emanates and reinjection wells to which fluids are returned to the reservoir; and construction, operation and maintenance of steam/fluid pipes that deliver the steam from the geothermal wells to the power plants, as well as deliver the fluids to the reinjection wells. The Company sells electric energy generated by the power plants owned, operated and maintained by the Company using the said geothermal steam, as well as the geothermal steam itself which is sold as fuel and converted into electric power by the geothermal power plants.

The Company also owns, operates and maintains a solar plant which captures solar power and converts it to electric energy.

In the regular course of its operations and business as an RE Developer, the Company purchases goods, services, and properties from various local suppliers, contractors and subcontractors for the (i) development, construction, and installation of its plant facilities, and (ii) exploration and development of renewable energy resources up to their conversion into electric power.

The Company is a Registered RE Developer with the DOE in respect of various renewable energy activities ("RE activities") in accordance with the provisions of R.A. No. 9513, as well as its Implementing Rules and Regulations (IRR), summarized as follows:

Site	**DOE Certificate of Registration (COR) No.**	**Applicable Service Contract**
Tongonan, Leyte	GRESC 2009-10-001 (issued on October 23, 2009)	Geothermal Renewable Energy Service Contract (GRESC) No. 2009-10-001; October 23, 2009
Palinpinon, Negros Oriental	CRESC 2009-10-002 (issued on October 23, 2009)	GRESC No. 2009-10-002; October 23, 2009
Nasulo, Valencia, Negros Oriental	GRESC 2009-10-002 (issued on October 23, 2009)	GRESC No. 2009-10-002; October 23, 2009

Site	DOE Certificate of Registration (COR) No.	Applicable Service Contract
Bacon-Manito Sorsogon / Albay	GRESC 2009-10-003 (issued on October 23, 2009)	GRESC No. 2009-10-003; October 23, 2009
Kidapawan City, North Cotobato	GRESC 2009-10-004 (issued on October 23, 2009)	GRESC No. 2009-10-004; October 23, 2009
Burgos, Ilocos Norte	SESC 2014-07-088 (issued on September 25, 2014)	Solar Energy Service Contract (SESC) No. 2014-07-088; August 6, 2014

Likewise, the Company has registered the above-mentioned activities with the Board of Investments (BOI). The pertinent details of the various registrations with the BOI are as follows:

Site	BOI Certificate of Registration (COR)	Registered Activity (as indicated in BOI COR)	Zero Percent Value-Added Tax Rate
Tongonan, Leyte	COR No. 2012-024 (issued on February 6, 2012)	Existing Renewable Energy Developer of Geothermal Resources (Tongonan Geothermal Production Field and Unified Leyte Power Plant)	The respective BOI Registration provides: "The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE
Palinpinon, Negros Oriental (Southern Negros)	COR No. 2011-202 (issued on September 14, 2011)	Renewable Energy Developer of Geothermal Resources (Southern Negros Geothermal Production Field)	
Nasulo, Valencia, Negros Oriental	COR No. 2011-027 (issued on February 12, 2014)	Renewable Energy Developer of 49.4 MW Nasulo Geothermal Power Plant	

Bacon-Manito Sorsogon / Albay	COR No. 2011-201 (issued on September 14, 2011)	Renewable Energy Developer of Geothermal Resources (Bacon-Manito Geothermal Production Field)	sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC"
Kidapawan City, North Cotobato	COR No. 2012-025 (issued on February 6, 2012)	Existing Renewable Energy Developer of Geothermal Resources (Mt. Apo Geothermal Project)	
Burgos, Ilocos Norte	COR No. 2015-120 (issued on June 16, 2015)	Phase 1: Renewable Energy Developer of 4.10 MW Solar Power Project (Burgos, Ilocos Norte)	
	COR No. 2015-267 (issued on December 3, 2015)	Phase 2: Renewable Energy Developer of Solar Energy Resources (2.66 MW Burgos Solar Plant-Phase 2)	

The Company has been registered with the BIR in respect to these various projects. The details of the BIR registration with respect to these projects are as follows:

Site	RDO	TIN
Tongonan, Leyte	(LT-Excise) RDO No. 121	
Palinpinon, Negros Oriental	RDO No. 79	
Nasulo, Valencia, Negros Oriental	RDO No. 79	
Bacon-Manito Sorsogon / Albay	RDO No. 67	
Kidapawan City, North Cotobato	RDO No. 108	
Burgos, Ilocos Norte	RDO No. 121	

In reply, please be informed that Section 15 of RA No. 9513 provides that –

"All RE Developers shall be entitled to zero-rated value added tax on its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities.

This provision shall also apply to the whole process of exploring and developing renewable energy sources up to its conversion into power, including but not limited to the services performed by subcontractors and/or contractors.

Clearly, RA No. 9513 intended to exclude RE Developers from the coverage of the 12% VAT on their local purchases of goods and services needed for the development, construction and installation of their power plant facilities and the whole process of exploring and developing renewable energy sources up to its conversion into power, including but not limited to the services performed by subcontractors and/or contractors. Under said law, the local purchases of goods and services by RE Developers are subject to zero percent (0%) VAT provided that these are needed for the development, construction and installation of their power plant facilities as well as the whole process of exploring and developing renewable energy sources up to its conversion into power, including but not limited to the services performed by subcontractors and/or contractors. This is one of the fiscal incentives given by the government to encourage RE Developers to develop and utilize the renewable energy resources in the country.

Accordingly, since **Energy Development Corporation** is a DOE-certified RE Developer, its suppliers/sellers of goods and services should not pass on 12% VAT to the Company's purchases of goods and services that will be used in the development, construction and installation of its power plant facilities and the whole process of exploring and developing renewable energy sources up to its conversion into power, including but not limited to the services performed by subcontractors and contractors, pursuant to Section 15 of RA No. 9513 relative to the following registered activities:

TIN	Site	DOE Certificate of Registration	Service Contract	BOI Registration	Registered Activities
000-169-125-007	Tongonan, Leyte	GRESC 2009-10-001 (issued on October 23, 2009)	Geothermal Renewable Energy Service Contract (GRESC) No. 2009-10-001; October 23, 2009	COR No. 2012-024 (issued on February 6, 2012)	Existing Renewable Energy Developer of Geothermal Resources (Tongonan Geothermal Production Field and Unified Leyte Power Plant)
000-169-125-005	Palinpinon, Negros Oriental	GRESC 2009-10-002 (issued on October 23, 2009)	GRESC No. 2009-10-002; October 23, 2009	COR No. 2011-202 (issued on September 14, 2011)	Renewable Energy Developer of Geothermal Resources (Southern Negros Geothermal Production Field)

000-169-125-005	Nasulo, Valencia, Negros Oriental	GRESC 2009-10-002 (issued on October 23, 2009)	GRESC No. 2009-10-002; October 23, 2009	COR No. 2014-027 (issued on February 12, 2014)	Renewable Energy Developer of 49.9 MW Nasulo Geothermal Power Plant
000-169-125-006	Bacon-Manito, Sorsogon / Albay	GRESC 2009-10-003 (issued on October 23, 2009)	GRESC No. 2009-10-003; October 23, 2009	COR No. 2011-201 (issued on September 14, 2011)	Renewable Energy Developer of Geothermal Resources (Bacon-Manito Geothermal Production Field)
000-169-125-004	Kidapawan City, North Cotabato	GRESC 2009-10-004 (issued on October 23, 2009)	GRESC No. 2009-10-004; October 23, 2009	COR No. 2012-025 (issued on February 6, 2012)	Existing Renewable Energy Developer of Geothermal Resources (Mt. Apo Geothermal Project)
000-169-125-010	Burgos, Ilocos Norte	SESC 2014-07-088 (issued on September 25, 2014)	Solar Energy Service Contract (SESC) No. 2014-07-088; August 6, 2014	COR No. 2015-120 (issued on June 16, 2015)	Phase 1: Renewable Energy Developer of 4.10 MW Solar Power Project (Burgos, Ilocos Norte)
				COR No. 2015-267 (issued on December 3, 2015)	Phase 2: Renewable Energy Developer of 2.66 Solar Energy Resources

It must be emphasized that the zero-percent VAT shall be limited only to the Company's local purchases of goods and services that will be used in the development, construction and installation of the above-enumerated projects/activities. This includes the whole process of exploring and developing renewable energy sources up to its conversion into power, including but not limited to the services performed by subcontractors and/or contractors.

Likewise, the grant of VAT zero-rating shall be subject to post audit verification by the BIR whether the purchased goods/services were indeed utilized in the development, construction and installation of power plant facilities.

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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DCIR ____ CIR ____ DC ____ AC ____ MCUS ____