May 7, 2019

BIR RULING NO. 260-19

Section 109 (1) (T), NIRC; RR No. 15-2015; BIR RULING NO. 433-17; BIR RULING NO. 101-17

Narra Tanker Corporation
5/F VIP Bldg., 1140 Roxas Blvd. cor.
Nuestra Señora de Guia St., Ermita, Manila 1000

Attention: *AAA*

Gentlemen :

This refers to your letter dated August 10, 2017, requesting on behalf of **Narra Tanker Corporation**, for a Certificate of Value-Added Tax (VAT) Exemption on its importation of one (1) Unit Double Hull 2014-built 2,112.00 GT oil barge/petroleum tanker, pursuant to Section 109 (1) (T) of the National Internal Revenue Code (NIRC) of 1997, as amended.

Documents submitted show that **Narra Tanker Corporation**, with Tax Identification No. 000-000-000-000, is a domestic corporation registered with the Securities and Exchange Commission (SEC) under Company Registration No. CS201308323; that it is duly accredited by the Maritime Industry Authority (MARINA) to engage in domestic shipping business per MARINA Certification dated January 29, 2016 valid until January 28, 2019; and that **Narra Tanker Corporation** is currently importing one (1) Unit Double Hull 2014-built 2,112.00 GT oil barge/petroleum tanker which is particularly described as follows:

Vessel's Name	"Mtkr. SHUN YUAN DA 6" (TBR: NTC LAWIN)
Flag	China
Ship Builder	Fujian Yihe Ships Heavy Industry Co., Ltd.
Date Keel Laying	July 16, 2013
Year Built	2014
Ship Identification No.	CN20149728664
Gross Tonnage	2,112.00 Tons
Kind of Ship	Oil Barge/Petroleum Tanker

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Length	86.356m
Width	15.00m
Depth	4.50m
Engine Make/Type	Two (2) T-240 Ex Diesel Engine

that MARINA has approved the importation of the above oil barge/petroleum tanker in its letter dated July 7, 2017 addressed to **Narra Tanker Corporation**; and that per Sworn Statement dated November 9, 2017 executed by AAA, _____ of **Narra Tanker Corporation**, the subject vessel is not being manufactured domestically, in sufficient quantity, of comparable quality and at reasonable price, and that the said tanker will be used exclusively by **Narra Tanker Corporation** on its Fuel and Petroleum Transportation Operation.

In support of its request for exemption, **Narra Tanker Corporation** 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. Shipbuilding Contract; and

6. Sworn Statement dated November 9, 2017.

In reply, please be informed that an oil barge/petroleum tanker falls under the classification of cargo vessels. *(BIR Ruling No. 433-17 dated September 6, 2017)* Section 109 (1) (T) of the NIRC of 1997, as amended, provides that the importation, among others, of a cargo vessel destined for domestic trade operations shall be exempt from VAT, *viz.*:

> ***"Sec. 109. 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;"*

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:

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"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 **"NTC Lawin"** is a Double Hull 2014-built 2,112.00 GT oil barge/petroleum tanker and has been issued by MARINA with the required authority to be imported. Hence, the importation of the said vessel by **Narra Tanker Corporation** is deemed compliant with the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA. Accordingly, the importation by **Narra Tanker Corporation** of **"NTC Lawin"** 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. *(BIR Ruling No. 101-17 dated March 3, 2017)*

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,

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

Footnotes

1. Renumbered by Republic Act No. 10378.

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