Quezon City

RA No. 9513; RR 16-05
BIR Ruling No. 078-10 BIR Ruling No. 358-17 BIR Ruling No. 751-18 BIR Ruling No. 1299-18
OT- 0290-2020
MAY 29 2020

REYES TACANDONG & CO.
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, Green Core Geothermal Inc. (the "Company") for confirmation 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 contractors, pursuant to Section 15(g) of Republic Act (RA) No. 9513, otherwise known as, the "Renewable Energy Act of 2008".

Background:

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. The Company is registered with the Securities and Exchange Commission (SEC) with Company Registration No. and with Bureau of Internal Revenue (BIR) TIN .

The primary purposes of the Company, as stated in its Amended Articles of Incorporation, are as follows:

> "To carry on the general business of generating, storing, transmitting, and/or distributing energy including electricity and ancillary power derived from any and all forms, types, and kinds of renewable and other energy sources for lighting,

BUREAU OF INTERNAL REVENUE
MAY 29 2020

OT-0290-2020

MAY 29 2020

power and other purposes; to sell such energy in wholesale to power corporations, distribution utilities, electric cooperatives and other entities; to sell, broker, market or aggregate electricity to any person or entity requiring the supply and delivery of electricity to any person or entity requiring the supply and delivery of electricity for its own use; to trade in any market for electricity, ancillary power or intangible assets, such as tradeable certificates and other financial instruments without engaging in the business of an investment company or a broker or seller of securities; to enter into contracts either alone or jointly with other companies or persons for the purpose of carrying out all businesses under which this corporation is organized; to acquire, build, construct, own, maintain, and/or operate all necessary and convenient buildings, structures, dows, machinery, substations, transmission lines, poles, wires, and other facilities; to engage in the provision of systems and technologies in the energy sector, and to acquire, hold, lease, occupy or use rights relating to land and natural resources."

Pursuant to its primary purposes, 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 uses the steam emanating from geothermal wells in order to generate electricity. The Company sells electric energy generated by the power plants owned, operated, and maintained by the Company using the said geothermal steam.

The Company is a registered RE Developer with the BIR, DOE and Board of Investments (BOI) in respect of the RE activities in accordance with the provisions of RA No. 9513, as well as its Implementing Rules and Regulations, summarized as follows:

TIN	Site	DOE Certificate of Registration (COR) No.	Applicable Service Contract	BOI Cert. of Registration	Type of Registered Activity under BOI
		(Issued on May 8, 2012	Geothermal Operating Contract No.	COR No. dated Dec. 11, 2015	Renewable Energy Developer of Geothermal Energy Resources (192.5 MW Palinpinon Geothermal Power Plant Complex
		(Issued on May 8, 2012)	Geothermal Operating Contract No.	COR No. dated Nov. 13, 2015	Renewable Energy Developer of Geothermal Energy Resources (112.5 MW Tongonan Geothermal Power Plant Complex

ot-0290-2020

MAY 29 2020

Green Core Geothermal, Inc.
VAT zero rating – Sec. 15(g) RA 9513
3
==========

In reply thereto, please be informed that Section 15 (g) of RA No. 9513, provides, to wit:

"SEC. 15. Incentives for Renewable Energy Projects and Activities. — RE Developers of renewable energy facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to the following incentives:

xxx xxx xxx

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." (Underscoring ours)

Clearly, RA No. 9513 intended to exclude RE Developers from the coverage of the 12% VAT on their local purchases of goods, properties 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, properties and services by RE Developers are subject to zero percent (0%) VAT provided that those are needed for the development, construction and installation of their power plant facilities, as well as the whole process of exploration and development of the renewable energy to its conversion into power, including the services performed by contractors and subcontractors. This is one of the fiscal incentives given by the government to encourage RE Developers including contractors and subcontractors to develop and utilize the renewable energy resources in the country.

Accordingly, the suppliers/sellers of goods and services of the Company, it being a RE Developer, should not pass on 12% VAT to its purchases of goods, properties and services that will be used by the Company in its development, construction and installation of the geothermal power plant covered by its Geothermal Operating Contract No. [redacted] and Geothermal Operating Contract No. [redacted] duly issued by the DOE. 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. *(BIR Ruling Nos. 78-2010 dated September 23, 2010 and 358-17 dated August 9, 2017)*

It must be emphasized, however, that the zero-percent (0%) VAT on local purchases of goods, properties and services shall be limited only to the Company's local purchases that will be used in its development, construction and installation of the geothermal power plant covered by

OT- 0290-2020
MAY 29 2020

==========

Geothermal Operating Contract No. 2012-04-025 and Geothermal Operating Contract No. 2012-04-026 issued by the DOE. 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 on local purchases is always subject to post audit verification by the Bureau of Internal Revenue (BIR) whether the purchased goods/services were indeed utilized in the development, construction and installation of the geothermal power plant covered by its Geothermal Operating Contract No. 2012-04-025 and Geothermal Operating Contract No. 2012-04-026 duly issued by the DOE. (*BIR Ruling Nos. 751-18 dated April 30, 2018 and 1299-18 dated October 23, 2018)*

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

035258

K-1
gps(green core geothermal-RA 9513)