March 23, 2018

BIR RULING NO. 533-18

Section 109 (1) (T) of the 1997 Tax Code, as amended; Revenue Regulations No. 15-2015; BIR Ruling No. 092-2016

Mabuhay Maritime Express Transport, Inc.
6th Floor PNB Financial Center
Macapagal Ave., Pasay City

Attention: *AAA*

Gentlemen :

This refers to your request on behalf of **Mabuhay Maritime Express Transport, Inc.**, for a Certificate of Value-Added Tax (VAT) Exemption on its importation of a passenger vessel to be named M/V Malambing pursuant to Section 109 (1) (T) of the National Internal Revenue Code (NIRC) of 1997, as amended.

Documents submitted show that **Mabuhay Maritime Express Transport, Inc.** (TIN: 000-000-000) is a domestic corporation registered with the Securities and Exchange Commission (SEC), with Company Registration No. CS201618189; that it is duly accredited by the Maritime Industry Authority (MARINA) to engage in Domestic Shipping Business based on the MARINA Certificate of Accreditation No. DSS-2006-003-086 (2017) valid until November 15, 2020; that **Mabuhay Maritime Express Transport, Inc.** is importing a passenger vessel, a High Speed Passenger Catamaran, to be named M/V Malambing, keel-laid May 25, 2016 590 GT from the seller, B.V. Scheepswerf Damen Gorinchem of the Netherlands; and that MARINA has approved the importation of the aforesaid vessel in its letter dated January 25, 2018.

In reply, please be informed that Section 109 (1) (T) of the NIRC of 1997, as amended, provides as follows:

> ***"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,*

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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 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) 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 vessels shall be subject to the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA."

Considering that **Mabuhay Maritime Express Transport, Inc.** has been issued by MARINA with the required authority to import the subject vessel, its importation is deemed compliant with MARINA's requirements on restriction on vessel importation and mandatory vessel retirement program. Accordingly, the importation by **Mabuhay Maritime Express Transport, Inc.** of one (1) unit of High Speed Passenger Catamaran, to be named M/V Malambing, 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 above-described 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,

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

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Footnotes

1. Renumbered by Republic Act No. 10378.

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