April 2, 2018

BIR RULING NO. 554-18

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

Animo Marine Haulers and Ship Management Corporation
Francesca Tower, IIB EDSA cor.
Sct. Borromeo St., Quezon City

Attention: *AAA*

Gentlemen :

This refers to your letter dated July 20, 2017 requesting, on behalf of **Animo Marine Haulers and Ship Management Corporation**, for value-added tax (VAT) exemption on its importation of the tanker vessel M/T "YOONA FAITH," pursuant to Section 109 (1) (T) of the National Internal Revenue Code (NIRC) of 1997, as amended.

Documents submitted show that **Animo Marine Haulers and Ship Management Corporation** (TIN: 000-000-000-000) is a domestic corporation registered with the Securities and Exchange Commission (SEC), with Company Registration No. CS200813235; that it is duly accredited by the Maritime Industry Authority (MARINA) to engage in Domestic Shipping Business based on the MARINA Certificate No. DSO-2006-003-074 (2014) dated October 23, 2014 valid until October 20, 2017; and that **Animo Marine Haulers and Ship Management Corporation** is currently importing one (1) brand new tanker vessel, more particularly described as follows:

Vessel's Name	**MT YOONA FAITH**
Vessel's Type	Oil Tanker
Builder's Hull No.	EK003
Flag	Philippines
Classification	Korea Register of Shipping
Place of Building	EK Heavy Industries Co., Ltd.
Date of Keel Laid	18th November 2016
Date of Launching	8th May 2017

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and that MARINA has approved the importation of the above-described vessel in its letter dated April 4, 2017 and letter of extension dated June 7, 2017.

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

It is noted that **M/T "YOONA FAITH"** is a brand new vessel and has been issued by MARINA with the required authority to be imported. Hence, the importation of said vessel by **Animo Marine Haulers and Ship Management Corporation** is deemed compliant with the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA. Accordingly, the importation by **Animo Marine Haulers and Ship Management Corporation** of the tanker vessel **M/T "YOONA FAITH"** 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

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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

Footnotes

1. Renumbered by Republic Act No. 10378.

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