April 30, 2018

BIR RULING NO. 751-18

Republic Act No. 9513; BIR Ruling No. 078-10

Turbines Resource & Development Corporation
CH 110 Campion Hall, Xavier University
Corrales St., Cagayan de Oro City, Misamis Oriental

Attention: *AAA*

Gentlemen :

This refers to your letter dated November 23, 2015 requesting on behalf of Turbines Resource & Development Corporation (TUREDECO) certification that, being a Renewable Energy (RE) Developer of the 9 MW Run-of-River Minihydropower Plant in Barangay Lumbia, Cagayan River, Cagayan de Oro City, TUREDECO is entitled to zero percent (0%) value-added tax (VAT) on its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities pursuant to Republic Act (RA) No. 9513, otherwise known as, the "Renewable Energy Act of 2008."

Documents submitted show that TUREDECO (TIN: 000-000-000-000) is a corporation organized and existing under the laws of the Philippines, duly registered with the Securities and Exchange Commission (SEC) under Company Registration No. CS200431472; that it is likewise registered with the Department of Energy (DOE) under Registration No. HSC 2011-12-153 dated January 11, 2012 as Renewable Energy (RE) Developer of 6.0 MW Limbatangon Hydroelectric Power Plant located in the City of Cagayan de Oro, Misamis Occidental covered by Hydropower Service Contract No. 2011-12-153 dated January 11, 2012; and that the DOE issued a Confirmation of Commerciality HCC # 2013-05-008 dated July 12, 2013 confirming the commerciality of the 9.0 MW Limbatangon Hydropower Project, which confirmation serves as basis for the conversion of Hydropower Service Contract No. 2011-12-153 from Pre-development to Development Stage and for the commencement of the development and utilization of the hydropower plant facility with a capacity of 9 MW and a commitment to produce an average of 58.19 GWh annual generation.

Based on the foregoing, you now request a ruling that, as a Renewable Energy (RE) Developer, TUREDECO's purchases of goods and services for the development,

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construction and installation of power plant facilities relative to the 9.0 MW Limbatangon Hydropower Project, are subject to zero percent (0%) VAT pursuant to Section 15 (g) of RA No. 9513.

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
>
> (g) Zero Percent Value-Added Tax Rate. —
>
> 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.
>
> xxx xxx xxx."

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. Under said law, the local purchases of goods and services by RE Developers are subject to zero percent (0%) VAT provided that they are needed for the development, construction and installation of their power plant facilities. 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, the suppliers/sellers of goods and services of TUREDECO, it being a DOE-certified RE Developer, should not pass on 12% VAT to the latter's purchases of goods and services that will be used by TUREDECO in its development, construction and installation of power plant facilities relative to the 9.0 MW Limbatangon Hydroelectric Power Plant located in the City of Cagayan de Oro, Misamis Occidental. *(BIR Ruling No. 078-2010 dated September 23, 2010)*

It must be emphasized, however, that the zero-percent (0%) VAT shall be limited only to TUREDECO's local purchases of goods and services that will be used by TUREDECO in its development, construction and installation of the 9.0 MW Limbatangon Hydroelectric Power Plant located in the City of Cagayan de Oro, Misamis Occidental. Likewise, the grant of VAT zero-rating is always subject to post audit verification by the BIR whether the purchased goods/services were indeed utilized in the

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development, construction and installation of the 9.0 MW Limbatangon Hydroelectric Power Plant. Finally, the processing of the application for VAT zero-rated transactions shall be done pursuant to Revenue Memorandum Order (RMO) No. 7-2006, in relation to Revenue Regulations (RR) No. 16-2005, as amended.

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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