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RECORDS MGT. DIVISION

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REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

Date: December 28, 2015

REVENUE REGULATIONS NO. 15-2015

SUBJECT : **Amending Sections 4.109-1 (B)(1)(s), (t) and (u) of Revenue Regulations (RR) No. 16-2005, as amended, Relative to Sale, importation or lease of passenger or cargo vessels and aircraft, including engine, equipment and spare parts thereof for domestic or international transport operations**

TO : **All Internal Revenue Officers and Others Concerned**

SECTION 1. Scope. — Pursuant to the provisions of Sections 109(T) and 244, in relation to Section 245 of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are hereby promulgated to amend provisions of Revenue Regulations (RR) No. 16-2005, as amended.

SECTION 2. Amendment. — Section 4.109-1 (B)(1) of RR 16-2005, as amended, is hereby further amended by revising Section 4.109-1 (B)(1)(s) and deleting Sections 4.109-1 (B)(1)(t) and (u) . Accordingly, Sections 4.109-1 (B)(1)(s), (t) and (u) of RR 16-2005, as amended shall now read as follows:

"**SECTION 4.109-1. VAT-Exempt Transactions. —**

xxx

(B) Exempt transactions. —

(1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from VAT:

xxx

(s) The transport of passengers by international carriers doing business in the Philippines shall be exempt from value-added tax (VAT) pursuant to Sections 109(1)(S) of the NIRC, as amended by RA No. 10378. The transport of cargo by international carriers doing business in the Philippines shall be exempt from VAT

pursuant to Sections 109(1)(E) of the NIRC, as amended by RA No. 10378, as the same is subject to Common Carrier's Tax (Percentage Tax on International Carriers) under Section 118 of the NIRC, as amended. International carriers exempt under Sections 109(1)(S) and 109(1)(E) of the NIRC, as amended, shall not be allowed to register for VAT purposes.

(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.

(u) Importation of fuel, goods and supplies by persons engaged in international shipping or air transport operations; Provided, that the said fuel, goods and supplies shall be used exclusively or shall pertain to the transport of goods and/or passenger from a port in the Philippines directly to a foreign port, or vice versa, without docking or stopping at any other port in the Philippines unless the docking or stopping at any other Philippine port is for the purpose of unloading passengers and/or cargoes that originated from abroad, or to load passengers and/or cargoes bound for abroad; Provided, further, that if any portion of such fuel, goods or supplies is used for purposes other than that mentioned in this paragraph, such portion of fuel, goods and supplies shall be subject to twelve percent (12%) VAT starting February 1, 2006;

(v) Services of banks, non-bank financial intermediaries performing quasi-banking functions, and other non-bank financial intermediaries, such as money changers and pawnshops, subject to percentage tax under Secs. 121 and 122, respectively, of the Tax Code; and

(w) Sale or lease of goods or properties or the performance of services other than the transactions mentioned in the preceding paragraphs, the gross annual sales and/or receipts do not exceed the amount of One Million Nine Hundred Nineteen Thousand Five Hundred Pesos (P1,919,500.00); Provided, every three (3) years thereafter, the amount shall be adjusted to its present value using the Consumer Price Index, as published by the NSO; Provided, further, that such adjustment shall be published through revenue regulations to be issued not later than March 31 of each year;

For purposes of the threshold of P1,919,500.00, the husband and the wife shall be considered separate taxpayers. However, the aggregation rule for each taxpayer shall apply. For instance, if a professional, aside from the practice of his profession, also

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derives revenue from other lines of business which are otherwise subject to VAT, the same shall be combined for purposes of determining whether the threshold has been exceeded. Thus, the VAT-exempt sales shall not be included in determining the threshold."

SECTION 3. Repealing Clause. — Any rules and regulations or parts thereof inconsistent with the provisions of these Regulations are hereby repealed, amended, or modified accordingly.

SECTION 4. Effectivity. —The provisions of these Regulations shall take effect after fifteen (15) days following publication in any newspaper of general circulation.

CESAR V. PURISIMA
Secretary of Finance
029126

Recommending Approval:

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue
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