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

Section 109 (1)(T), NIRC; RR No. 15-2015;
BIR Ruling No. 101-17
[illegible]496-2017
10-24-2017

DACANAY MAGRACIA LAW OFFICES
Unit 408 Puso ng Maynila Building
United Nations Avenue corner
1046 A. Mabini Street, Ermita,
Manila 1000

Attention : **Atty. Jabeth Sena Jepath A. Dacanay**
Partner

Gentlemen:

This refers to your letter dated August 23, 2017, requesting on behalf of **Magic Leaf Marine Logistics Corporation**, with business address at National Road, AFAB, Mariveles, Bataan, for a Certificate of Value-Added Tax (VAT) Exemption on its importation of a passenger ship, pursuant to Section 109 (1)(T) of the National Internal Revenue Code (NIRC) of 1997, as amended.

Documents submitted show that **Magic Leaf Marine Logistics Corporation**, with Tax Identification No. is a domestic corporation registered with the Securities and Exchange Commission (SEC) under Company Registration No. that it is duly accredited by the Maritime Industry Authority (MARINA) to engage in domestic shipping business per MARINA Certification dated October 24, 2016 valid until October 23, 2019; and that **Magic Leaf Marine Logistics Corporation** is currently importing one (1) passenger ship which is particularly described as follows:

Name of ship **MV XGC EXPRESS**			Official Number	IMO Number N.A.
Former Ship's Name SUZUKASE			Type of Ship PASSENGER	
Former Owner NORTHERN LIGHT CO., LTD. (NLCL)			Trading Area Coastwise	
Builder TSUNEISHI RINGYO KENSETSU CO., LTD.			Place Built JAPAN	Year Built 2006
Converted by/ Modified by/ Rebuilt by N.A.			Place Converted N.A.	Year Converted N.A.
Registered Length (Meter) 29.97	Gross Tonnage 210.00		Number of Screw 2	Number of Masts 1
Breadth (Meter) 8.30	Net Tonnage 63.00	Deadweight N.A.	Number of Engine 2	Number of Decks 1
Depth (Meter) 2.65	Hull Material ALUMINUM ALLOY		Type of Stem BULBOUS	Type of Stem SQUARE

Engine Make	KW	Serial Number	Number of Cylinder	Cycle
MTU	1,319.91		12	4
MTU	1,319.91		12	4

that MARINA has approved the importation of the above Passenger Ship in its letter dated February 14, 2017 addressed to **Magic Leaf Marine Logistics Corporation**; and that per Sworn Statement dated September 28, 2017 executed by Manuel Carlos L. Ilagan, Jr., President of **Magic Leaf Marine Logistics Corporation**, the subject vessel cannot be manufactured domestically in sufficient quantity, of comparable quality and reasonable price.

In support of its request for exemption, **Magic Leaf Marine Logistics Corporation** has submitted the following documents:

1. Certified true copies of the SEC Certificate of Registration, Articles of Incorporation and By-Laws;
2. BIR Certificate of Registration;
3. Certificate of Registration with MARINA;
4. Certified true copy of the MARINA Authority to Import; and
5. Sworn Statement dated September 28, 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.** — 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 passenger vessel destined for domestic transport operations shall be exempt from VAT. In relation thereto, Section 4.109-1 (B)(1)(t) of the 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*

[1] Renumbered by Republic Act No. 10378

> *(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/V XGC Express** is a brand new vessel and has been issued by MARINA with the required authority to be imported. Hence, the importation of the said vessel by **Magic Leaf Marine Logistics Corporation** is deemed compliant with the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA. Accordingly, the importation by **Magic Leaf Marine Logistics Corporation Southwest Premiere Ferries, Inc.** of **M/V XGC Express** 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 subject vessel. *(BIR Ruling No. 101-17 dated March 3, 2017)*

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
010458

K-1-JAC