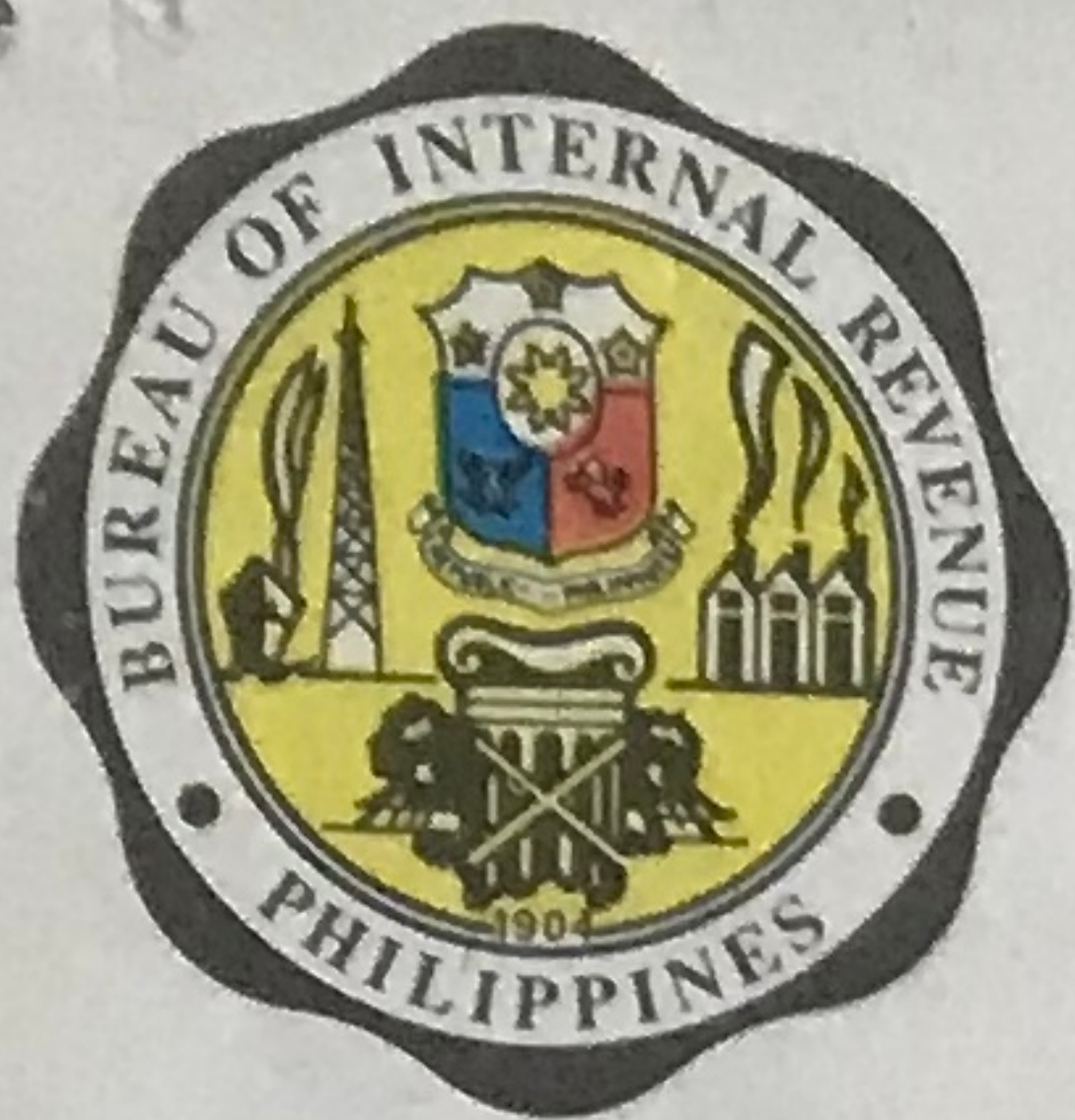




REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City



Sec. 109(1)(T), 1997 NIRC
BIR Ruling No. 092-2016
VAT-003-2020
JAN 17 2020

CAGLI Shipping Lines

Gothong Private Wharf, Pier 7
F.F. Cruz Reclamation Area
Mandaue City

Attention : Mr. Calvin Boniface Gothong
President

Gentlemen:

This refers to your letter dated December 20, 2016 requesting for a certificate of tax exemption on the vessel importation of one (1) unit 5,930.00 GT, 1995 built RoRo Cargo/Vehicle Ship named MV Prince Hayate (to be renamed MV Panglao Bay 1) pursuant to Sec. 109(1)(T) of the Tax Code of 1997, as amended.

Documents submitted show that the importer, Carlos A. Gothong Lines, Inc. (CAGLI) is a domestic corporation organized and registered with the Securities and Exchange Commission (SEC) under Company Registration No. . It is registered with the Bureau of Internal Revenue (BIR) under Tax Identification No. with office address at Gothong Bldg., Port Service Rd., North Reclamation Area, Brgy. Tejero, Cebu City. It is duly registered with the Maritime Industry Authority (MARINA) per Certificate of Accreditation No. CEB valid until October 30, 2019, to engage in domestic shipping business. CAGLI's vessel to be imported is primarily intended to provide transport services throughout the country which purpose is covered by MARINA's authority to acquire subject vessel thru importation dated December 9, 2016.

Below is the specification of the subject vessel:

Vessel Name	:	MV Panglao Bay 1		
Year Built	:	1995		
Previous Name	:	MV Princess Hayate		
Type	:	RORO Cargo vehicle		
Hull	:	Steel		
Gross Tonnage	:	5930	Breadth – 22.40 m	Depth 11.75
Net	:	1850	No. of Engines - 1	Speed - 19.00 Knots
Make of Engine	:	Hitachi, Osaka B&W/7S50MC		
Type of Engine	:	Diesel		

Total Power : 9988
Port of Registry : Ulaanbaatar
Date of expiry : 01 May 2017

In reply, please be informed that Section 109(1)(T) of the 1997 Tax Code, 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 marine vessel intended to provide transport operations throughout the Philippines 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 MV Panglao Bay 1 has been issued by MARINA with the required authority to be imported. Hence, the importation of the said vessel by CAGLI is deemed compliant with the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA.

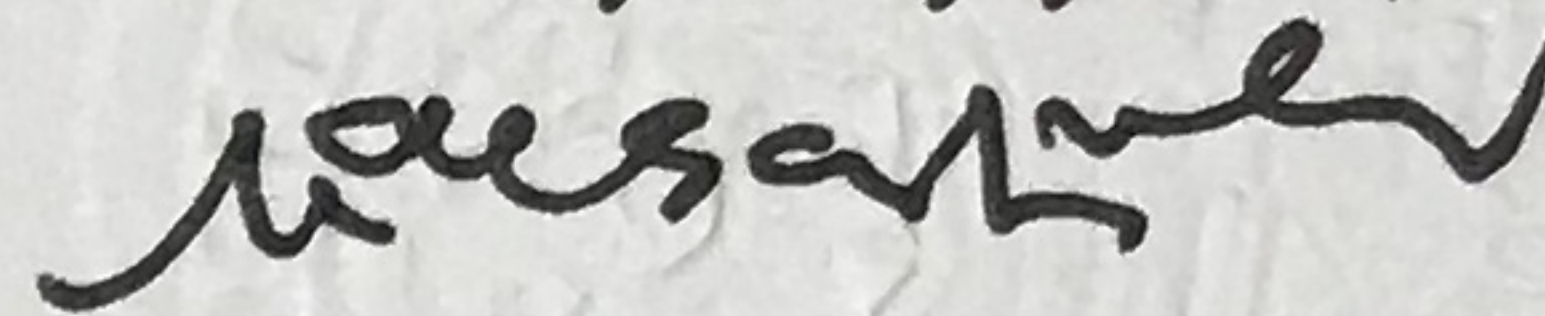
Accordingly, the importation of MV Panglao Bay 1 shall be exempt from VAT pursuant to Section 109(1)(T) of the Tax Code of 1997, as amended. The VAT exemption, however, shall

¹ Renumbered by Republic Act No. 10378

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 dated December 9, 2016.

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

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