REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Republic Act (RA) No. 9513
BIR Ruling No. 668-2019
VAT-. 438 - 2022
DEC 01 2022

SABANG RENEWABLE ENERGY CORPORATION
Km. 13, North National Highway, Sta. Lourdes
Puerto Princesa City, Palawan, Philippines 5300

Attention: **WALDEN H. TANTUICO**
President

Gentlemen:

This refers to your letter dated August 19, 2019 requesting on behalf of Sabang Renewable Energy Corporation for confirmation that being a Renewable Energy (RE) Developer for Solar PV, Battery, Diesel and Micro Grid (QTP), is entitled to zero percent (0%) value-added tax (VAT) on its purchase 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 Sabang Renewable Energy Corporation with Taxpayer's Identification Number (TIN)) is a corporation organized and existing under the laws of the Philippines, duly registered with the Securities and Exchange Commission (SEC) with Company Registration No. ; that it is likewise registered with the Department of Energy (DOE) under Certificate of Registration No. dated June 10, 2014 as RE Developer of Solar Energy Resources located in Barangay Cabayugan, Puerto Princesa City, Palawan, which is covered by Solar Energy Service Contract (SESC) No. that took effect on June 10, 2014; and that the DOE issued a Confirmation of Commerciality No. SCC- dated January 15, 2018 confirming the Declaration of Commerciality (DOC) of Sabang Hybrid (Solar PV, Battery, Diesel, and Micro-Grid) Qualified Third Party Project, approving the conversion of the SESC No. from pre-development stage to development/commercial stage, and, subsequently, delineating the production area under the SESC.

Please be informed that Section 15 of RA No. 9513 provides that:

"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:

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xxx xxx xxx

(g) Zero Percent Value-Added Tax Rate. - The sale of fuel or power generated from renewable sources of energy such as, but not limited to, biomass, solar, wind, hydropower, geothermal, ocean energy and other emerging energy sources using technologies such as fuel cells and hydrogen fuels, shall be subject to zero percent (0%) value-added tax (VAT), pursuant to the National Internal Revenue Code (NIRC) of 1997, as amended by Republic Act No. 9337.

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.

This provision shall also apply to the whole process of exploring and developing renewable energy sources up to its conversion into power, including but not limited to the services performed by subcontractors and/or contractors.

xxx xxx xxx"

In relation thereto, Section 108 (B) (7) of the National Internal Revenue Code (NIRC) of 1997, as amended, provides that:

"Sec. 108. Value-added Tax on Sale of Services and Use or Lease of Properties. —

xxx xxx xxx

(B) Transactions Subject to Zero Percent (0%) Rate. - The following services performed in the Philippines by VAT registered persons shall be subject to zero percent (0%) rate:

xxx xxx xxx

(7) Sale of power or fuel generated through renewable sources of energy such as, but not limited to, biomass, solar, wind, hydropower, geothermal, ocean energy, and other emerging energy sources using technologies such as fuel cells and hydrogen fuels.

xxx xxx xxx"

Clearly, under RA No. 9513 in relation to Section 108 (B) (7) of the NIRC of 1997, as amended, the sale of power or fuel generated from renewable sources of energy such as, but not limited to, biomass, solar, wind, hydropower, geothermal, ocean energy, and other emerging energy sources using technologies such as fuel cells and hydrogen fuels, shall be subject to zero percent (0%) VAT.

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Also, 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.

Thus, the suppliers/sellers of goods and services of Sabang Renewable Energy Corporation, 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 in its development, construction and installation of power plant facilities in Barangay Cabayugan, Puerto Princesa City, Palawan.

It must be emphasized, however, that the 0% VAT on local purchases of goods and services shall be limited only to Sabang Renewable Energy Corporation's local purchases that will be used in its development, construction and installation of its power plant facilities located in Barangay Cabayugan, Puerto Princesa, Palawan. Likewise, the grant of VAT zero-rating shall be subject to post audit verification by the BIR whether the purchased goods/services were indeed utilized in the development, construction and installation of its power plant facilities in Barangay Cabayugan, Puerto Princesa City, Palawan.

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,

LARRY M. BARCELO
Assistant Commissioner
Legal Service
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