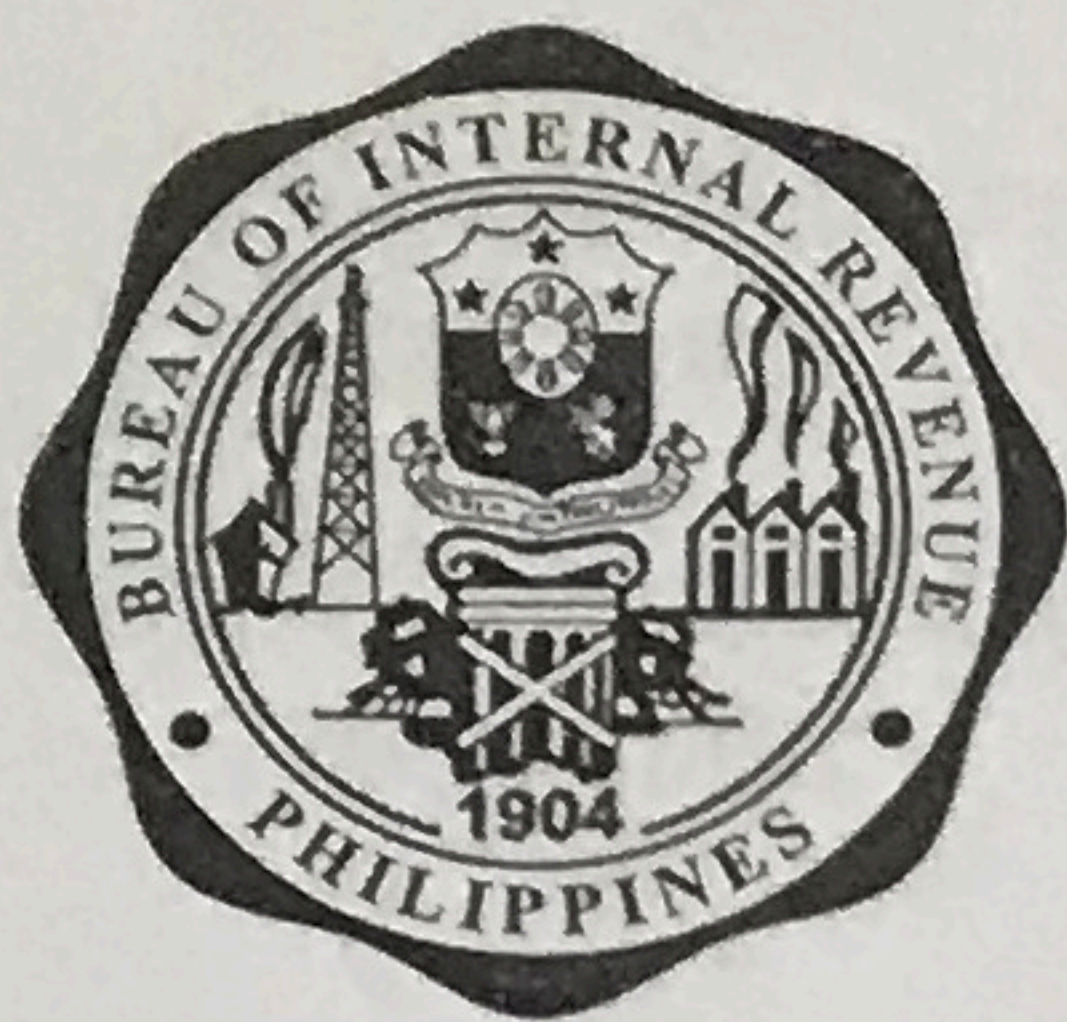




REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Sec. 106(A)(2)(a), Tax Code R.A. No. 7916
BIR Ruling No. 412-16
VAT - 0581 - 2020
OCT 06 2020

STT (Philippines), Inc.
Lot 5 Blk 5 Greenfield Automotive Park
Sta. Rosa City, Laguna

Attention: **Ms. Amabella D. Manahan**
Accounting and Administrative Manager

Gentlemen:

This refers to your letter dated October 26, 2015 requesting for a ruling that as a PEZA locator, STT (Philippines), Inc. ("STT") is subject to VAT zero-rating in respect to its importation of the following petroleum products:

1. SOLVEST 540 OIL LUBRICANT
2. SOLVEST 240 GREASE
3. NS-CLEAN 200

for sale to PEZA Registered company, as lubricant/rust protection used in the production of parts for automotive, electronic components, machine parts and parts for equipment.

As represented, STT (TIN: [REDACTED]) located at the Greenfield Automotive Park, Brgy. Don Jose, Sta. Rosa City, Laguna is a PEZA-registered Ecozone Export Enterprise and Ecozone Logistics Service Enterprise with Registration Certificate No. [REDACTED] dated February 12, 1998, as amended on July 22, 2015. It is engaged in the manufacture for subsequent exportation of coating materials for automotive safety airbag fabrics; and is a registered Philippine Economic Zone Authority (PEZA) entity engaged in export and warehousing/logistics activities.

In reply, please be informed that the PEZA Certification dated January 3, 2017 issued to STT, provides:

"This is to further certify that STT is a qualified enterprise for the purpose of VAT zero-rating of its transactions with its **local suppliers of goods, properties and services** in connection with its PEZA-registered activities, in accordance with Sections 4.106-6 and 4.108-6 of Revenue Regulations No. 16-2005, the Consolidated Value-Added Tax Regulations 2005." (Emphasis supplied)

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Relative thereto, Sections 4.106-6 and 4.108-6 of Revenue Regulations (RR) No. 16-2005 state:

"SECTION 4.106-6. Meaning of the Term "Effectively Zero-rated Sale of Goods and Properties." — The term "effectively zero-rated sale of goods and properties" shall refer to the **local sale of goods and properties by a VAT-registered person to a person or entity who was granted indirect tax exemption under special laws or international agreement.** Under these Regulations, transactions which, although not involving actual export, are considered as "constructive export" shall be entitled to the benefit of zero-rating, such as local sales of goods and properties to persons or entities covered under pars. (a) no. (3) — (sale to export-oriented enterprises), (a) no. (6) — (sale of goods, supplies, equipment and fuel to persons engaged in international shipping or international air transport operations), (b) (Foreign Currency Denominated Sale) and (c) (Sales to Tax-Exempt Persons or Entities) of the preceding section."

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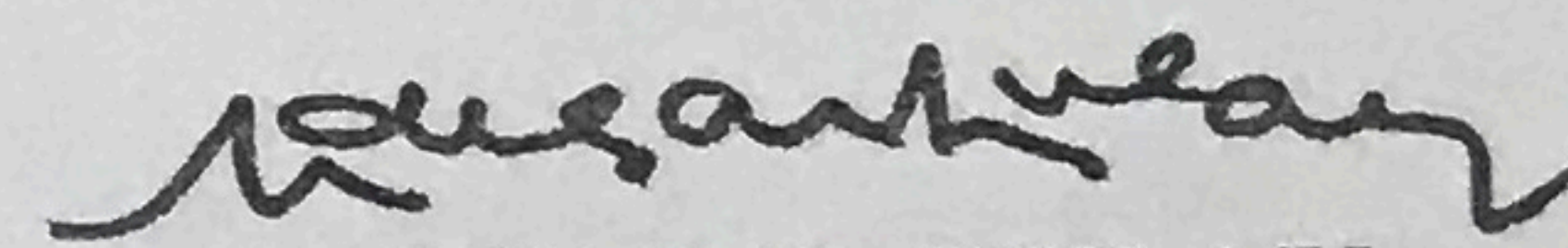
"SECTION 4.108-6. Effectively Zero-Rated Sale of Services. — The term "effectively zero-rated sales of services" shall refer to the local sale of services by a VAT-registered person to a person or entity who was granted indirect tax exemption under special laws or international agreement. **Under these Regulations, effectively zero-rated sale of services shall be limited to local sales to persons or entities that enjoy exemptions from indirect taxes under subparagraph (b) nos. (3), (4) and (5) of this Section.**" (Emphasis supplied)

The above provisions cited by PEZA in its Certification dated January 3, 2017 merely grant STT VAT zero-rating on its local purchases of goods, properties and services. Hence, the importation by STT of SOLVEST 540, SOLVEST 240 and NS-CLEAN 200 is subject to VAT pursuant to Section 107 (A) of the National Internal Revenue Code (NIRC) of 1997, as amended, which provides:

"(A) In General. - There shall be levied, assessed and collected on every importation of goods a value-added tax equivalent to twelve percent (12%) based on the total value used by the Bureau of Customs in determining tariff and customs duties, plus customs duties, excise taxes, if any, and other charges, such tax to be paid by the importer prior to the release of such goods from customs custody: Provided, That where the customs duties are determined on the basis of the quantity or volume of the goods, the value-added tax shall be based on the landed cost plus excise taxes, if any."

Please be guided accordingly.

Very truly yours,


CAESAR R. DULAY

Commissioner of Internal Revenue

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