REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Sec. 109((1)(T), 1997 NIRC RA 9295 RA 9337
BIR Ruling No. 385-2014
#281-2016
6-27-2016

Molave Tanker Corporation
3/F VIP Bldg., 1140 Roxas Blvd. cor. Nuestra. Sr. de Guia
Ermita, Manila

Gentlemen:

This refers to your letter dated April 26, 2016 requesting for a certificate of tax exemption on the vessel importation of one (1) unit brand new Steel Petroleum Product Tanker named: "MK NEPTUNE", TBR: "MTC APITONG" from China pursuant to Sec. 4.109-1 B(1)(t) of the Tax Code of 1997, as amended.

Documents submitted show that the importer, Molave Tanker Corporation (MTC) is a domestic corporation organized and registered with the Securities and Exchange Commission (SEC) under Company Registration No. [redacted]. It is registered with the Bureau of Internal Revenue (BIR) under Tax Identification No. [redacted]. It is duly registered with the Maritime Industry Authority (MARINA) per Certificate of Accreditation No. [redacted] (2016) and valid until January 28, 2019. MTC is authorized to engage in domestic shipping and inland water transport business. MTC's vessel to be imported is intended primarily to provide transport/hauling service for Petron in its distribution of petroleum products throughout the country and to other prospective clients which purpose is covered by MARINA's authority to acquire subject vessel thru importation dated March 4, 2016 pursuant to the MARINA endorsement dated April, 18, 2016, favorably endorsing the vessel importation as compliant with its regulations under Republic Act (RA) No. 9295 and that it also conforms with the rules on mandatory vessel retirement. Pursuant to RA 9295, Rule III, Section 3, the conditions for the availment of value-added tax (VAT) exemption are as follows:

3.1 Said articles are not manufactured domestically in sufficient quantity of comparable quality and at reasonable prices, to be determined by the MARINA;
3.2 Said articles are directly imported by a MARINA-registered domestic ship-owner/operator;
3.3 Said articles are reasonably needed and will be used exclusively by the registered domestic ship-owner/operator in its transport operations;

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herein below stated is the specification of the subject vessel:

Vessel Name	:	Ex: "MK NEPTUNE"; TBR: "MTC APITONG"
Ship Builder	:	FUJIAN MAWEI SHIP BUILDING LTD
Date Keel Laid	:	2013
Year Built	:	2016
IMO No.	:	
Official No.	:	
Class of Vessel	:	ABS

Construction of Vessel – Double Steel Hull No. : MW-506-4

Flag	:	Singapore
Call Sign	:	9V7507
Length	:	91.20 m
Breadth	:	15.20 m
Depth	:	7.30 m
Gross Tonnage	:	2,993.00 Tons
Net Tonnage	:	1,159.00 Tons
Dead Weight	:	3,995.00 Tons
Engine	:	Two (2) DAIHATSU Diesel 4.S. C.S.A.

In support of its request for exemption, MTC has submitted the following documents:

1. Articles of Incorporation and By-Laws of MTC;
2. BIR Certificate of Registration of MTC;
3. MARINA Accreditation Certificate No.
4. MARINA Authority to acquire vessel thru importation dated March 4, 2016;
5. MARINA Endorsement for vessel as compliant to vessel importation and mandatory requirement dated April 18, 2016;
6. Secretary Certificate of Thomas A. Tan as the authorized signatory to the application;
7. Memorandum of Agreement dated February 3, 2016;
8. Bill of Sale dated March 4, 2016;
9. Builders Certificate (with Notarial Certificate);
10. Certificate of Singapore Registry;
11. Provisional Tonnage Certificate;
12. Interim Certification for Vessel Registration dated January 27, 2016;
13. General Arrangement (Plan) of vessel.

In reply, please be informed that Section 109(1)(T) of the 1997 Tax Code, as amended, provides as follows:

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> "***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 cargo vessel intended to provide transport/hauling services for Petron in its distribution of petroleum products 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 MK Neptune, TBR: MTC Apitong 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 MTC is deemed compliant with the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA.

Accordingly, the importation by MTC of MK Neptune, TBR: MTC Apitong shall be exempt from VAT pursuant to Section 109(1)(T) of the Tax Code of 1997, as amended. The VAT

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[1] Renumbered by Republic Act No. 10378

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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 above-described vessel.

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,

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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JUN 24 2016