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

Sec. 109(1)(T), 1997 NIRC
BIR Ruling No. 092-2016
#269-2017
6-5-2017

Molave Tanker Corporation
3/F VIP Bldg., 1140 Roxas Blvd. cor. Nuestra Sra. de Guia St.
Brgy. 667 Zone 072, Ermita, Manila

Attention : Mr. Thomas A. Tan
President

Gentlemen:

This refers to your letter dated September 21, 2016 requesting for a certificate of tax exemption on the vessel importation of one (1) unit Petroleum Product Tanker named "MT AKASHIA", TBN: "MTC ACACIA" from Japan pursuant to Sec. 109(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. (t is registered with the Bureau of Internal Revenue (BIR) under Tax Identification No. It is duly registered with the Maritime Industry Authority (MARINA) per Certificate of Accreditation No. valid until January 28, 2019 to engage in domestic shipping business. MTC's vessel to be imported is primarily intended to provide transport/hauling services for Petron in its distribution of LPG products throughout the country and to other prospective clients which purpose is covered by MARINA's authority to acquire subject vessel thru importation dated August 26, 2016 pursuant to the MARINA endorsement dated September 19, 2016, favorably endorsing the vessel importation as compliant with its regulation under Republic Act (R.A.) No. 9295.

Below is the specification of the subject vessel:

Vessel Name	:	MTC ACACIA
Nationality	:	Belize City
Flag	:	Belize
Shipbuilder	:	KOA SANGYO CO., LTD., Japan
Year Built	:	2002
IMO No.	:	
Hull No.	:	
Gross Tonnage	:	199 Tons
Kind of Ship	:	Petroleum Product Tanker

the detailed dimension of the aforesaid vessel, viz:

Length : 43.00 m

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#269-2017
6-5-2017

Breadth	:	7.80 m
Depth	:	3.30 m
Engine	:	One (1) Hanshin Diesel
Speed	:	10.0 Knots
Hull	:	Double Steel

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 cargo vessel intended to provide transport/hauling services for Petron in its distribution of LPG 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 MTC ACACIA is a vessel that 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.

[1] Renumbered by Republic Act No. 10378

#269-2017
6-5-2017

Accordingly, the importation of MTC ACACIA shall be exempt from VAT pursuant to Section 109(1)(T) of the Tax Code 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 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,

CAESAR R. DULAY
Commissioner of Internal Revenue

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