REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Sec. 15(g), R.A. No. 9513
BIR Ruling No. 751-2018 BIR Ruling No. 1299-2018
OT- 392-2022
SEP 22 2022

PHILIPPINE GEOTHERMAL PRODUCTION COMPANY, INC.
14th Floor 6750 Ayala Avenue
Makati City 1226

Attention: **Mr. Ian Jason R. Aguirre**
Vice President & Chief Financial Officer

Gentlemen:

This refers to your request for a confirmatory ruling that **Philippine Geothermal Production Company, Inc. ("PGPC" or the "Company")**, a Department of Energy (DOE)-registered Renewable Energy (RE) Developer, is entitled to zero percent (0%) value-added tax (VAT) on its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities, and the whole process of exploration and development of renewable energy (RE) sources up to its conversion into power, i.e., the entire development/commercial stage, which include commercial operations, pursuant to Section 15(g) of Republic Act (R.A.) No. 9513, otherwise known as, the "Renewable Energy Act of 2008."

Background

The PGPC is a Filipino corporation operating the Geothermal Stem Fields located in Tiwi, Albay, and Mak-Ban which encompasses the provinces of Laguna and Batangas. The Company is a wholly-owned company of **SM Investments Corporation**.

PGPC has registered with the Department of Energy (DOE) as a RE Developer of Geothermal Energy Resources the following projects:

Site	DOE Certificate of Registration (COR) No	Applicable Service Contract
Tiwi, Albay	(issued on April 25, 2013)	Geothermal Service Contract No. ; April 25, 2013
Makiling Banahaw (Mak-Ban), Batangas	(issued on April 25, 2013)	Geothermal Service Contract No. April 25, 2014

OT- 392-2022
SEP 22 2022

Likewise, the Company has registered the above-mentioned projects with the Board of Investments (BOI). The pertinent details of the various registrations with the BOI are as follows:

Site	BOI Certificate of Registration (COR)	Registered Activity (as indicated in BOI COR	Zero Percent Value-Added Tax Rate
Tiwi, Albay	(issued on April 15, 2014)	Renewable Energy Developer of 136 MW Geothermal Resources (Tiwi Geothermal Production Field)	The respective BOI Registration provides: "The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC"
Makiling-Banahaw (Mak-ban)	(issued on April 15, 2014)	Renewable Energy Developer of 236 MW Geothermal Resources [Makiling Banahaw (Mak-ban) Geothermal Production Field	

The Company has been registered with the BIR in respect to these various projects. The details of the BIR registration with respect to these projects are as follows:

Site	RDO	TIN
Tiwi, Albay	(LT-Excise) RDO No. 121	
Makiling-Banahaw (Mak-ban)	RDO No. 56	

Discussion/Ruling

Section 15 of RA No. 9513 provides:

"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.

7

OT- 392-2022
SEP 22 2022

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."

Clearly, 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 and 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. Under said law, the local purchases of goods and services by RE Developers are subject to zero percent (0%) VAT provided that these are needed for the development, construction and installation of their power plant facilities as well as 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. This is one of the fiscal incentives given by the government to encourage RE Developers to develop and utilize the renewable energy resources in the country.

Accordingly, since **PGPC** is a DOE-certified RE Developer, its suppliers/sellers of goods and services should not pass on 12% VAT to the Company's purchases of goods and services that will be used in the development, construction and installation of its power plant facilities and the whole process of exploration and development of renewable energy sources up to its conversion into power, i.e., the entire development/commercial stage which may include commercial operations, pursuant to Section 15 of RA No. 9513 relative to the following registered activities:

TIN	Site	DOE Certificate of Registration	Service Contract	BOI Registration	Registered Activities
	Tiwi, Albay	GSC : (issued on April 25, 2013	Geothermal Service Contract No. April 25, 2013	COR No. (issued on April 15, 2014)	Renewable Energy Developer of 136 MW Geothermal Resources (Tiwi Geothermal Production Field)
	Makiling-Banahaw (Mak-ban)	GSC (issued on April 25, 2013	Geothermal Service Contract No. April 25, 2013	COR No. (issued on April 15, 2014)	Renewable Energy Developer of 236 MW Geothermal Resources [Makiling Banahaw (Mak-ban) Geothermal Production Field

7

OT- 392-2022
SEP 22 2022

It must be emphasized that the zero-percent VAT shall be limited only to the Company's local purchases of goods and services that will be used in the development, construction and installation of the above-enumerated projects/activities. This includes 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.

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 power plant facilities.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be ascertained 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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K-1