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

Section 109 (1)(T), NIRC; RR No. 15-2015;
BIR RULING NO. 101-17
VAT-0643-2020
NOV 24 2020

MONTENEGRO SHIPPING LINES, INC.
Montenegro Corporate Center, along Diversion Road,
Bolbok, Batangas City, 4200

Attention : **Ms. Narissa Arellano**
Finance Manager

Gentlemen:

This refers to your letter dated September 8, 2020, requesting on behalf of **Montenegro Shipping Lines, Inc.**, for a Certificate of Value-Added Tax (VAT) Exemption on its importation of one (1) Unit 2017-launched, 145.00 GT Fast Craft passenger vessel named MV "SHIMIZU 3" (TBR: MV CITY OF ROXAS), pursuant to Section 109 (1)(T) of the National Internal Revenue Code (NIRC) of 1997, as amended.

Documents submitted show that **Montenegro Shipping Lines, Inc.**, with Tax Identification No. [redacted] is a domestic corporation registered with the Securities and Exchange Commission (SEC) under Company Registration No. [redacted] that it is duly accredited by the Maritime Industry Authority (MARINA) to engage in domestic shipping business per MARINA Certification dated July 13, 2020 valid until July 21, 2023; that **Montenegro Shipping Lines, Inc.** is currently importing one (1) Unit 2017-launched, 145.00 GT Fast Craft passenger vessel which is particularly described as follows:

Vessel's Name	[redacted]
Flag	[redacted]
Class	[redacted]
Year Built	[redacted]
Gross Tonnage	[redacted]
Dimension	[redacted]
Main Engine	[redacted]

that MARINA has approved the importation of the above passenger vessel in its letter dated September 2, 2020 addressed to **Montenegro Shipping Lines, Inc.**; that per Sworn Statement dated September 9, 2020 executed by Narrissa Arellano, Finance Manager of **Montenegro Shipping Lines, Inc.**, the subject passenger vessel cannot be manufactured domestically in comparable quality, technology and at reasonable price; and that it is reasonably needed and will be used exclusively by the company operations.

In support of its request for exemption, **Montenegro Shipping Lines, Inc.** submitted the following documents:

1. Certified true copy of the SEC Certificate of Registration, Articles of Incorporation and By-Laws;
2. BIR Certificate of Registration;
3. Certified true copy of the Certificate of Registration with MARINA;
4. Certified true copy of the MARINA Authority to Import;
5. Memorandum of Agreement dated August 11, 2020, executed by and between Shimizu & Co. Ltd. and Montenegro Shipping Lines, Inc.; and
6. Sworn Statement dated September 9, 2020.

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

> ***"Sec. 109.Exempt Transactions.** —*
>
> *xxx xxx xxx*
>
> *(1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from the value-added tax.*
>
> *xxx xxx xxx*
>
> *(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 passenger vessel destined for domestic transport operations shall be exempt from VAT. In relation thereto, Section 4.109-1 (B)(1)(t) of the 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."*

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[1] Renumbered by Republic Act No. 10378

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It is noted that **"MV City of Roxas"** is a 2017-launched, 145.00 GT Fast Craft passenger vessel and has been issued by MARINA with the required authority to be imported. Hence, the importation of the said vessel by **Montenegro Shipping Lines, Inc.** is deemed compliant with the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA. Accordingly, the importation by **Montenegro Shipping Lines, Inc.** of **"MV City of Roxas"** shall be exempt from VAT pursuant to Section 109 (1)(T) of the NIRC 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 subject vessel. *(BIR Ruling No. 101-17 dated March 3, 2017)*

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
038009

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