REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 109(1)(T) NIRC
Revenue Regulations No. 15-2015
BIR Ruling No. 092-2016
#291-2016

6-27-2016

SAN ROQUE SHIPPING, INC.
Unit 2A02-04 Quadrant 1
Bonifacio Global City, Taguig

Attention: **Aristotle Thomas U. Andrey**
Officer-In-Charge

Gentlemen:

This refers to your letter dated January 29, 2015, requesting on behalf of **San Roque Shipping, Inc.**, for a Certificate of Value-Added Tax (VAT) Exemption on its importation of three (3) brand new units of Landing Craft Transports (LCTs) named **"VNG VIII"**, **"VNG IX"** and **"VNG X"**, pursuant to Section 109(1)(T) of the National Internal Revenue Code (NIRC) of 1997, as amended.

Documents submitted show that **San Roque Shipping, 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 No. [redacted] dated July 16, 2013 valid until July 15, 2016; and that **San Roque Shipping, Inc.** is currently importing three (3) brand new units of cargo vessels, for a purchase price of [redacted] (USD [redacted]) each, inclusive of the transportation and insurance costs of [redacted] US Dollars (USD [redacted]). The three (3) newly acquired cargo vessels are more particularly described as follows:

Vessels Name	"VNG VIII", "VNG IX" and "VNG X"
Main Dimensions	
Length, Overall	79.5m
Length, between perpendiculars	75.5m
Ramp	10.5m x 7.5m
Combing	1.8m
Breadth, Hull	18.0m

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Depth to Deck	4.8m
Design Draft	3.6m
Navigation Area	Coastal
Deadweight	About 3000MT
Main Engine	KTA19-M 447Kwx2/1800RMP
Design Speed	About 8.5 Knots
Built Year	2015
Port of Registry	Panama
Name of Seller	Orient Wealth International Trading Ltd. (Hong Kong)

and that MARINA has approved the importation of the three (3) brand new cargo vessels in its letter dated December 18, 2014 addressed to **San Roque Shipping, Inc.**

In support of its request for exemption, **San Roque Shipping, Inc.** has submitted the following documents:

1. Certified true copies of the SEC Certificate of Registration, Articles of Incorporation and By-Laws;
2. Certified true copy of the MARINA Authority to Import;
3. Certified true copies of the Commercial Invoices;
4. Certified true copies of Deeds of Sale;
5. Certificate of Registration with MARINA;
6. BIR Certificate of Registration; and
7. Other pertinent documents.

In reply, please be informed that Section 109(1)(T) of the NIRC of 1997, 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 destined for domestic transport operations 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. —*

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[1] Renumbered by Republic Act No. 10378

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> *(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 the LCTs **"VNG VIII"**, **"VNG IX"** and **"VNG X"** are all brand new vessels and have been issued by MARINA with the required authority to be imported. Hence, the importation of the said vessels by **San Roque Shipping, Inc.** is deemed compliant with the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA. Accordingly, the importation by **San Roque Shipping, Inc.** of the LCTs **"VNG VIII"**, **"VNG IX"** and **"VNG X"** 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 above-described vessels.

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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