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. 679-19
VAT- 301-2022

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 April 20, 2022, requesting on behalf of **Montenegro Shipping Lines, Inc.**, for a Certificate of Value-Added Tax (VAT) Exemption on its importation of one (1) Unit 2010 built 400 GT LCT Type Car/Ferry passenger vessel named **"Nam Shin An Nong Hyup No. 6"**, 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.), is a domestic corporation registered with the Securities and Exchange Commission (SEC) under Company Registration No. ; 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 2010 built 400 GT LCT Type Car/Ferry passenger vessel which is particularly described as follows:

Vessel's Name	Nam Shin An Nong Hyup No. 6
Flag	Korea
Kind of Vessel	LCT Type Car/Ferry
Year Built	2010
Gross Tonnage	400 tons
Dimension	LOA 63.10 m
Breadth	11.20m (Max 13.0 m)
Depth	2.85 m
Main Engine	Mitsubishi S6R2 1,032PS X 1,406 RPM X 2 Sets

that MARINA has approved the importation of the above passenger vessel in its letter dated April 12, 2022 addressed to **Montenegro Shipping Lines, Inc.**; that per Sworn Statement dated April 20, 2022 executed by Narissa 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.

VAT-351-2022
JUN 22 2022

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 May 6, 2022, executed by and between Hong In Marine Co. Ltd. and Montenegro Shipping Lines, Inc.; and
6. Sworn Statement dated April 20, 2022.

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*

[1] Renumbered by Republic Act No. 10378

9

VAT-301-2022
JUN 22 2022

requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA."

It is noted that **"Nam Shin An Nong Hyup No. 6"** is a 2010 built 400 GT LCT Type Car/Ferry 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 **"Nam Shin An Nong Hyup No. 6"** 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. 679-19 dated November 13, 2019)*

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

051915

K-1-JAC