

**INTER-OFFICE
MEMORANDUM**

TO : **RSBA MANAGERS**

FROM : **QUALITY ASSURANCE UNIT**

CC : **RSB, RAD, PGP, PRDG, MGG**

DATE : **January 5, 2016**

SUBJECT : **AMENDING SECTIONS 4. 109-1 (B)(1)(s), (t), and (u) OF THE REVENUE REGULATIONS (RR) NO. 16-2005, AS AMENDED, RELATIVE TO SALE, IMPORTATION OR LEASE OF PASSENGER OR CARGO VESSELS AND AIRCRAFT, INCLUDING ENGINE, EQUIPMENT AND SPARE PARTS THEREOF FOR DOMESTIC OR INTERNATIONAL TRANSPORT OPERATIONS**

The Bureau of Internal Revenue (BIR) released Revenue Regulations No. 15 which amends Section 4.1A9-1 (B)(1)(s) of RR 16-2005 and deletes Sections 4.109-1 (B)(1)(t) and (u). The previous provisions regarding the importation of life-saving equipment used for shipping transport operations and importation of capital equipment to be used in construction, repair, renovation, or alteration of any merchant marine vessel operated or to be operated in the domestic trade were deleted and replaced by the following:

- (s) The transport of passengers and cargo by international carriers doing business in the Philippines are exempt from VAT. And these international carriers are not allowed to register for VAT purposes.*
- (t) The sale, importation or lease of passenger or cargo vessels and aircraft, including engine, equipment and spare parts thereof for domestic or international transport operations are also exempt from VAT.*

However the exemption on VAT on the importation and local purchase of passenger and/ or cargo vessels is subject to the requirements on restriction on vessel importation and mandatory vessel retirement program of MARINA.

The provisions of this regulation shall take effect after fifteen (15) days following publication in any newspaper of general circulation.

Our tax department may send a separate memo for this. But for the meantime, please see attached for your advanced information.

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