

**[ REPUBLIC ACT NO. 10378, March 07, 2013 ]**

**AN ACT RECOGNIZING THE PRINCIPLE OF RECIPROCITY AS BASIS FOR THE GRANT OF INCOME TAX EXEMPTIONS TO INTERNATIONAL CARRIERS AND RATIONALIZING OTHER TAXES IMPOSED THEREON BY AMENDING SECTIONS 28(A)(3)(a), 109, 118 AND 236 OF THE NATIONAL INTERNAL REVENUE CODE (NIRC), AS AMENDED, AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

SECTION 1. Section 28(A)(3)(a) of Republic Act No. 8424, otherwise known as the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 28. *Rates of Income Tax on Foreign Corporations.* —

"(A) *Tax on Resident Foreign Corporations.* —

"(1) xxx

"(2) xxx

"(3). *International – Carrier.* — An international carrier doing business in the Philippines shall pay a tax of two and one-half percent (2½ %) on its 'Gross Philippine Billings' as defined hereunder:

"(a) *International Air Carrier.* — 'Gross Philippine Billings' refers to the amount of gross revenue derived from carriage of persons, excess baggage, cargo, and mail originating from the Philippines in a continuous and uninterrupted flight, irrespective of the place of sale or issue and the place of payment of the ticket or passage document: *Provided*, That tickets revalidated, exchanged and/or indorsed to another international airline form part of the Gross Philippine Billings if the passenger boards a plane in a port or point in the Philippines: *Provided, further*, That for a flight which originates from the Philippines, but transshipment of passenger takes place at any part outside the Philippines on another airline, only the aliquot portion of the cost of the ticket corresponding to the leg flown from the Philippines to the point of transshipment shall form part of Gross Philippine Billings.

"(b) *International Shipping.* — 'Gross . Philippine Billings' means gross revenue whether for passenger, cargo or mail originating from the Philippines up to final destination, regardless of the place of sale or payments of the passage or freight documents.

"*Provided*, That international carriers doing business in the Philippines may avail of a preferential rate or exemption from the tax herein imposed on their gross revenue derived from the carriage of persons and their excess baggage on the basis of an

applicable tax treaty or international agreement to which the Philippines is a signatory or on the basis of reciprocity such that an international carrier, whose home country grants income tax exemption to Philippine carriers, shall likewise be exempt from the tax imposed under this provision.

"x x x."

SEC. 2. Section 109 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 109. *Exempt Transactions.* - The following shall be exempt from the value-added tax:

"(A) xxx;

"xxx

"(S) Transport of passengers by international carriers;

"(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;

"(U) Importation of fuel, goods and supplies by persons engaged in international shipping or air transport operations;

"(V) Services of bank, non-bank financial intermediaries performing quasi-banking functions, and other non-bank financial intermediaries; and

"(W) Sale or lease of goods or properties or the performance of services other than the transactions mentioned in the preceding paragraphs, the gross annual sales and/or receipts do not exceed the amount of One million five hundred thousand pesos (P1,500,000): *Provided*, That not later than January 31, 2009 and every three (3) years thereafter, the amount herein stated shall be adjusted to its present value using the Consumer Price Index, as published by. the National Statistics-Office (NSO);

"x x x."

SEC. 3. Section 118 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 118. *Percentage Tax on International Carriers.* —

"(A) International air carriers doing; business in the Philippines on their gross receipts derived from transport of cargo from the Philippines to another country shall pay a tax of three percent (3%) of their quarterly gross receipts.

"(B) International shipping carriers doing business in the Philippines on their gross receipts derived from transport of cargo from the Philippines to another country shall pay a tax equivalent to three percent (3%) of their quarterly gross receipts."

SEC. 4. Section 236 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 236. *Registration Requirements.* —