

**[REVENUE REGULATIONS NO. 15-2002, MAY 30,
2002, May 30, 2002]**

**REVENUE REGULATIONS GOVERNING THE IMPOSITION OF
INCOME TAX ON THE GROSS PHILIPPINE BILLINGS, OTHER
INCOME OF INTERNATIONAL AIR CARRIERS AND COMMON
CARRIER'S TAX PURSUANT TO SECTIONS 28(A)(3)(A), 28(A)(1),
AND 118 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997
AS WELL AS THE MANNER OF CLAIMING DEDUCTIONS ON
TRAVEL EXPENSES AND FREIGHT CHARGES INCURRED
PURSUANT TO SECTION 34 OF THE SAME CODE.**

SECTION 1. Scope. — Pursuant to the provisions of Section 244 of the National Internal Revenue Code of 1997 (hereinafter referred to as the "Code"), the following Regulations are hereby promulgated to implement the provisions of Sections 28(A)(3)(a), 28(A)(1), and 118 of the Code, relative to the imposition of income tax on the Gross Philippine Billings and Other income of international air carriers doing business in the Philippines as well as the imposition of common carrier's tax. These Regulations further prescribe the manner of claiming the deductions for travel expenses and freight charges incurred pursuant to Section 34 of the same Code.

SECTION 2. Definition Of Terms. — For purposes of these Regulations, the following terms shall be construed as follows:

- (a) *International air carrier* — shall refer to a foreign airline corporation doing business in the Philippines having been granted landing rights in any Philippine port to perform international air transportation services/activities or flight operations anywhere in the world.
- (b) *Off-line carrier* — shall refer to an international air carrier having no flight operations to and from the Philippines.
- (c) *On-line carrier* — shall refer to an international air carrier having or maintaining flight operations to and from the Philippines.
- (d) *Off-line flights* — shall refer to flight operations carried out or maintained by an international air carrier between ports or points outside the territorial jurisdiction of the Philippines, without touching a port or point situated in the Philippines, except when in distress or due to *force majeure*.
- (e) *On-line flights* — shall refer to flight operations carried out or maintained by an international air carrier between ports or points in the territorial jurisdiction of the Philippines and any port or point outside the Philippines.

(f) *Chartered flight* — shall refer to flight operation which includes operations between ports or points situated in the Philippines and ports and points outside the Philippines, which includes block charter, placed under the custody and control of a charterer by a contract/charter for rent or hire relating to a particular airplane.

(g) *"Originating from the Philippines"* — shall include the following:

(1) Where passengers, their excess baggage, cargo and/or mail originally commence their flight from any Philippine port to any other port or point outside the Philippines;

(2) Chartered flights of passengers, their excess baggage, cargo and/or mail originally commencing their flights from any foreign port and whose stay in the Philippines is for more than forty-eight (48) hours prior to embarkation save in cases where the flight of the airplane belonging to the same airline company failed to depart within forty-eight (48) hours by reason of force majeure;

(3) Chartered flights of passengers, their excess baggage, cargo and/or mail originally commencing their flights from any Philippine port to any foreign port; and

(4) Where a passenger, his excess baggage, cargo and/or mail originally commencing his flight from a foreign port alights or is discharged in any Philippine port and thereafter boards or is loaded on another aircraft, owned by the same airline company, the flight from the Philippines to any foreign port shall not be considered originating from the Philippines, unless the time intervening between arrival and departure of said passenger, his excess baggage, cargo and/or mail from the Philippines exceeds forty-eight (48) hours, except, however, when the failure to depart within forty-eight (48) hours is due to reasons beyond his control, such as, when the only next available flight leaves beyond forty-eight (48) hours or by force majeure. Provided, however, that if the second aircraft belongs to a different airline company, the flight from the Philippines to any foreign port shall be considered originating from the Philippines regardless of the intervening period between the arrival and departure from the Philippines by said passenger, his excess baggage, cargo and/or mail.

(h) *"Continuous and Uninterrupted Flight"* — shall refer to a flight in the carrier of the same airline company from the moment a passenger, excess baggage, cargo, and/or mail is lifted from the Philippines up to the point of final destination of the passenger, excess baggage, cargo and/or mail. The flight is not considered continuous and uninterrupted if transshipment of passenger, excess baggage, cargo and/or mail takes

place at any port outside the Philippines on another aircraft belonging to a different airline company.

(i) *"Place of Final Destination"* — shall refer to the place of final disembarkation designated or agreed upon by the parties in a contract of air transportation where the passengers, their excess baggage, cargo and/or mail are to be transported and unloaded by the contracting airline company.

(j) *"Transient Passengers"* — shall refer to a passenger who originated from outside of the Philippines towards a final destination also outside of the Philippines but stops in the Philippines for a period of less than forty eight (48) hours, or even more than forty-eight (48) hours, if the delay is due to force majeure or reasons beyond his control, wherein in both cases the passenger boarded an airplane of the same airline company bound to the place of final destination.

"Non-revenue passengers" — shall refer to the non-revenue passengers as defined under *Resolution No. 788 of the International Air Transport Association regarding Free and Reduced Fare or Rate Transportation and any other Free/Reduced Rate Mileage Programs Administered by individual International Air Carriers*.

"Adult passenger" — shall refer to a passenger who has attained his twelfth birthday.

"Children" — shall refer to passengers who have attained their second but not their twelfth birthday.

"Infant" — shall refer to a passenger who has not attained his second birthday.

(k) *"Baggage"* — shall refer to such articles, effects and other personal property of a passenger as are necessary or appropriate for wear, use, comfort or convenience in connection with his trip.

"Excess baggage" — shall refer to that part of the baggage which is in excess of that baggage which may be carried free of charge.

(l) *"Refund"* — shall refer to the repayment to the purchaser of all or a portion of the fare, rate or charge for unused carriage or service.

SECTION 3. *Foreign Airline Companies Without Flights Starting From Or Passing Through Any Point In The Philippines.* — An off-line airline having a branch office or a sales agent in the Philippines which sells passage documents for compensation or commission to cover off-line flights of its principal or head office, or for other airlines covering flights originating from Philippine ports or off-line flights, is not considered engaged in business as an international air carrier in the Philippines and is, therefore, not subject to Gross Philippine Billings Tax provided for in Section 28(A) (3)(a) of the Code nor to the three percent (3%) common carrier's tax under Section 118(A) of the same Code. This provision is without prejudice to classifying such taxpayer under a different category pursuant to a separate provision of the same Code.

SECTION 4. *Tax Imposed On International Air Carrier With Flights Originating From Philippine Ports.* — An international air carrier having flights originating from any port or point in the Philippines, as clarified in Sec. 2(g) and (h) hereof,

irrespective of the place where passage documents are sold or issued, is subject to the Gross Philippine Billings Tax of 2½% imposed under Section 28(A)(3)(a) of the Code unless subject to a different tax rate under the applicable tax treaty to which the Philippines is a signatory.

SECTION 5. Determination Of Gross Philippine Billings. —

(a) In computing for "Gross Philippine Billings", there shall be included the total amount of gross revenue derived from passage of persons, excess baggage, cargo and/or 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 passage documents:

The gross revenue for passengers whose tickets are sold in the Philippines shall be the actual amount derived for transportation services, for a first class, business class or economy class passage, as the case may be, on its continuous and uninterrupted flight from any port or point in the Philippines to its final destination in any port or point of a foreign country, as reflected in the remittance area of the tax coupon forming an integral part of the plane ticket. For this purpose, the Gross Philippine Billings shall be determined by computing the monthly average net fare of all the tax coupons of plane tickets issued for the month per point of final destination, per class of passage (i.e., first class, business class, or economy class) and per classification of passenger (i.e., adult, child or infant), and multiplied by the corresponding total number of passengers flown for the month as declared in the flight manifest.

For tickets sold outside the Philippines, the gross revenue for passengers for first class, business class or economy class passage, as the case may be, on a continuous and uninterrupted flight from any port or point in the Philippines to final destination in any port or point of a foreign country shall be determined using the locally available net fares applicable to such flight taking into consideration the seasonal fare rate established at the time of the flight, the class of passage (whether first class, business class, economy class or non-revenue), the classification of passenger (whether adult, child or infant), the date of embarkation, and the place of final destination. Correspondingly, the Gross Philippine Billings for tickets sold outside the Philippines shall be determined in the manner as provided in the preceding paragraph.

Passage documents revalidated, exchanged and/or endorsed to another on-line international airline shall be included in the taxable base of the carrying airline and shall be subject to Gross Philippine Billings tax if the passenger is lifted/boarded on an aircraft from any port or point in the Philippines towards a foreign destination.

The gross revenue on excess baggage which originated from any port or point in the Philippines and destined to any part of a foreign country shall be computed based on the actual revenue derived as appearing on the official receipt or any similar document for the said transaction.

The gross revenue for freight or cargo and mail shall be determined based on the revenue realized from the carriage thereof. The amount realized for freight or cargo shall be based on the amount appearing on the airway bill after deducting therefrom the amount of discounts granted which shall be validated using the monthly cargo sales reports generated by the IATA Cargo Accounts Settlement System (IATA CASS) for airway bills issued through their cargo agents or the monthly reports prepared