

Republika ng Pilipinas  
**PANGASIWAAN NG DAUNGAN NG PILIPINAS**  
(PHILIPPINE PORTS AUTHORITY)  
Marsman Bldg 22 M de San Francisco  
South Harbor, Manila 1018



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**FEB 25 1997**

RECORDS OFFICE

Revised/

PPA ADMINISTRATIVE ORDER  
NUMBER 01-97

**T O** : All Port District Managers, Port Managers, Shipping Companies, Cargo Handling Operators, Ports Operators and Others Concerned

**SUBJECT:** REVISED IMPLEMENTING GUIDELINES OF E.O. 273, THE VALUE-ADDED TAX LAW, AS AMENDED BY R.A. 7716 AND R.A. 8241

1. Authority

- 1.1 Executive Order No. 273 which took effect on January 1, 1988
- 1.2 Republic Act No. 7716 which took effect on January 1, 1996
- 1.3 Republic Act No. 8241 which took effect on January 1, 1997
- 1.4 National Internal Revenue Code - Sections 99 to 111 of Title IV, Sections 112, 115, 117, 119 to 122 of Title V and Sections 233, 236 to 239, 242 and 244 of Title IX
- 1.5 Revenue Regulations No. 7-95
- 1.6 Revenue Memorandum Circular No. 3-96
- 1.7 Revenue Memorandum Circular No. 20-88

2. Scope

This guidelines cover all gross receipts of the Authority that are subject to the Value Added Tax and Expanded Value Added Tax (EVAT)

3. Guiding Policies

- 3.1 As provided in the law, Value Added Tax (VAT) is an indirect tax which can be legally shifted or passed on to the buyer of goods and services

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3.2. All port charges, fees and dues imposed by the Authority are exclusive of VAT, hence, in the collection of charges subject to Value Added Tax, 10% VAT shall be added thereto.

3.3. On the same principle, the shifting of VAT by the cargo handling operators/port operators to cargo owners/clients/port users is also proper.

#### 4. Guidelines

##### 4.1. PPA Gross Receipts Subject to VAT

4.1.1. Government Share on the gross income of Cargo Handling Operators from cargo handling charges

4.1.1.1 Fixed Fees and/or Variable Fees

4.1.1.2 Revised Fixed Fees

4.1.1.3 Percentage Government Share

4.1.2. Rental/lease charges on the land, reclamation areas, buildings, warehouses, transit sheds and all real properties.

4.1.3. Rental/lease charges on the dredgers, cargo handling equipments, heavy machineries and other movable properties.

4.1.4. Harbor Pilot Fees/Professional Fees (exempted up to December 31, 1997)

• 4.1.5. Management/Commitment Fees

4.1.6. Collection Fees

4.1.7. Consultancy Fees

4.1.8. Service Contract Fees

4.1.9. Non-Traditional Fees and Charges

4.1.9.1 Port related ancillary services

4.1.9.1.1 cargo checking

4.1.9.1.2 cargo surveying

4.1.9.1.3 equipment/appliance hire

4.1.9.1.4 security services

- 4.1.9.1.5 special cargo storage services
- 4.1.9.1.6 warehousing
- 4.1.9.1.7 weighbridge/truck scale
- 4.1.9.2 Services on Vessels
  - 4.1.9.2.1 bunkering
  - 4.1.9.2.2 docking
  - 4.1.9.2.3 mooring
  - 4.1.9.2.4 towing/tugging
  - 4.1.9.2.5 vessel maintenance/repair service
- 4.1.9.3 Services on passengers, consignees, shippers and the general public
  - 4.1.9.3.1 passenger terminal services
  - 4.1.9.3.2 porterage services
- 4.1.9.4 Terminal Ancilliary Services
  - 4.1.9.4.1 Services on Cargoes
    - 4.1.9.4.1.1 Container Repair
  - 4.1.9.4.2 Services on Vessels
    - 4.1.9.4.2.1 Chandling
    - 4.1.9.4.2.2 Cleaning Services
    - 4.1.9.4.2.3 Fumigation
    - 4.1.9.4.2.4 Laundering
    - 4.1.9.4.2.5 Phone Patch Service
    - 4.1.9.4.2.6 Waste Disposal
    - 4.1.9.4.2.7 Water Taxi



4.1.9.4.3 Services on Passengers, Consignees, Shippers and the General Public

4.1.9.4.3.1 Board and Lodging Service

4.1.9.4.3.2 Food Service

4.1.9.4.3.2.1 Canteen

4.1.9.4.3.2.2 Carinderia

4.1.9.4.3.2.3 Catering

4.1.9.4.3.2.4 Mobile

Store

4.1.9.4.3.2.5 Parking/

Garage

Services

4.1.9.4.3.2.6 Shops/

Stores

4.1.9.4.3.2.7 Transport-

ation

Services

4.1.10 Charges Against Foreign Shipping (zero-rated or 0% VAT up to December 31, 1997)

4.1.10.1 All charges against the vessels of foreign shipping companies paid thru the members of the Association of International Shipping Lines, Inc. (AISL)

4.1.11 All other charges not classified under VAT exempt charges.

4.2 VAT Exempt PPA Charges

4.2.1 Fees and Charges which arise from the use of government facilities are exempt from VAT.

4.2.1.1 Harbor/Port dues

4.2.1.2 Berthing/Anchorage/Dockage Fees

4.2.1.3 Usage Fees

4.2.1.4 Wharfage Dues

4.2.1.5 Storage Fees

4.2.1.6 Lay-up Fees

4.2.2 Other VAT exempt PPA Charges

4.2.2.1 Administrative fines and penalties

4.2.2.2 Water Supply Service Charges

4.2.2.3 Electrical Consumption Charges

4.2.2.4 Interest and penalty charges

#### 4.3 Illustrative Computation

Example 1 ABC Arrastre & Stevedoring Co. was granted a Management Contract with financial obligations to PPA as follows:

Annual Fixed Fee of P591,000.00 payable in 12 monthly equal installments of P49,250.00.

10% Variable Fee on income in excess of required tonnage

For the month of January, 1995, the company has a gross income of P1,085,520.00, P500,000.00 of which is subject to Variable Fees.

Monthly Fixed Fee		P 49,250.00
Add: 10% VAT		<u>4,925.00</u>
Sub-Total		P54,175.00
Variable Fee	P50,000.00	
Add: 10% VAT	<u>5,000.00</u>	
Sub-Total		<u>55,000.00</u>
Total Payable to PPA		
for the month of January		<u>P109,175.00</u>

Thereafter, the total amount payable to PPA monthly will be a fixed fee of P54,175.00 plus the new computed variable fee with 10% VAT added.

Example 2 MNO Arrastre & Stevedoring Co. was granted a Management Contract with financial obligations to PPA as follows:

Annual Fixed Fee of P1,670,000.00 payable in 12 monthly equal installments of P139,166.67 in its first year of operation.

Thereafter, subject fixed fee shall be increased yearly by a minimum of 5% compounded annually until the expiration of the contract.

On its first year of operation, the company has a gross income of P1,725,000.00 for the month of January, 1995.

Monthly Fixed Fee	P139,166.67
Add: 10% VAT	<u>13,916.67</u>
Total Payable to PPA monthly for 12 months	<u><u>P153,083.34</u></u>

On its second year of operation, the company has a gross income of P1,500,000.00 for the month of January.

Monthly Fixed Fee (P139,166.67 X 105%)	P146,125.00
Add: 10% VAT	<u>14,612.50</u>
Total Payable to PPA monthly for 12 months	<u><u>P160,737.50</u></u>

Example 3 PQR Arrastre & Stevedoring Co. was granted a Management Contract under the terms and conditions, among others, that it will remit to PPA 10% government share on its gross income.

For the month of January, 1995, the company has a gross income of P12,386,000.00

10% Government Share	P1,238,600.00
Add: 10% VAT	<u>123,860.00</u>
Total Payable to PPA	<u><u>P1,362,460.00</u></u>

Example 4 XYZ Arrastre & Stevedoring Co. was granted a Management Contract under the direct collection system whereby it will collect from the port user/cargo owner 90% of the cargo handling charges and PPA shall directly collect from the port user/cargo owner the 10% Government Share.

For the month of January, 1995, the company has a gross income of P12,386,000.00

In this example, XYZ Arrastre & Stevedoring Co., should have collected its own share of P11,147,400.00 plus P1,114,740.00 VAT from the port user/cargo owners. It has nothing to remit to PPA since the 10% Government Share plus VAT thereof is collected directly by PPA from the port users/cargo owners and has issued PPA Official Receipt therefor, computed as follows:

Direct Collection of	
10% Government Share	P1,238,600.00
Add: 10% VAT	<u>123,860.00</u>
Total Collection of PPA	<u><u>P1,362,460.00</u></u>

Example 5 MBJ Terminal Services was granted a Management Contract under the terms and conditions, among others that it will remit to PPA a Commitment Fee consisting of Fixed Fee of \$241,600,000.00 in one hundred quarterly installments and a Variable Fee in accordance with the following schedule, net of port dues collected:

1988 - 1990	- 12% of gross revenues
1991 - 1993	- 15% of gross revenues
1994 - 1996	- 17.5% of gross revenues
1997 - 2012	- 20% of gross revenues

For the 1st quarter of 1996, the company has a gross revenue of P503,307,600.00. Port dues (under 4.2 hereof) collected for the quarter is P69,213,770.00.

Fixed Fee(\$2416000XP26.197)	P 63,291,952.00
Variable Fee (17.5% X P503,307,600.00)	<u>88,078,830.00</u>
Total	P151,370,782.00
Less: Port Dues Collected	<u>69,213,170.00</u>
Commitment Fee	P 82,157,012.00
Add: 10% VAT	<u>8,215,701.20</u>
Total Payable to PPA	<u><u>P 90,372,713.20</u></u>

In this example, the P69 Million port dues had been directly collected by PPA and corresponding PPA Official Receipts were issued.



Example 6 B & R Terminal Services was granted a Management Contract under the terms and conditions, among others, that it will remit to PPA on a quarterly basis the following:

a) Fixed Fee	
Containerized Cargo	\$1,150,000
General Cargo	\$ 300,000
Storage	P5,445,000

b) Variable Fees

8% of gross income from containerized cargo  
 7.5% of gross income from general cargo  
 14% of gross income from stevedoring  
 11% of gross income from storage

For the First Quarter of 1996, the company has the following gross income:

Containerized	P229,104,398.00
General Cargo	92,388,230.00
Stevedoring	120,987,832.00
Storage	<u>34,791,365.00</u>
Total	<u>P477,271,825.00</u>

Fixed Fee	
Containerized Cargo	
\$1,150,000 X P26.197	P 30,126,550.00
General Cargo	
\$300,000 X P26.197	7,859,100.00
Storage	<u>5,445,000.00</u>
	P 43,430,650.00
Add: 10% VAT	<u>4,343,065.00</u>
Sub-Total	<u>P 47,773,715.00</u>

Variable Fee	
Containerized Cargo	
P229,104,398 X 8%	P 18,328,351.84
General Cargo	
P92,388,230 X 7.5%	6,929,117.25
Stevedoring	
P120,987,832 X 14%	16,938,296.48
Storage	
P34,791,365. X 11%	<u>3,827,050.15</u>
	P46,022,815.72
Add: 10% VAT	<u>4,602,281.57</u>
Sub-Total	<u>P50,625,097.29</u>

Total Payable to PPA	<u>P98,398,812.29</u>
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Example 7 BEM Brokerage entered into a 15-year contract with PPA in 1991 for the lease of 5,000 sq.m. lot at a monthly rental rate of P180,000.

Rental for the month of January, 1996	P180,000.00
Add: 10% VAT	<u>18,000.00</u>
Total Payable to PPA	<u><u>P198,000.00</u></u>

#### 4.4 Effect of VAT to Cargo Handling/Management/Collection Contractor/Port Operator

4.4.1 The 10% Value Added Tax collected by the contractors from the port users/cargo owners and from their other customers in addition to the basic charge/price is technically called "Output VAT".

4.4.2 The 10% Value Added Tax paid by the contractors/operators to PPA and to their suppliers in addition to the basic charge/price is technically called "Input VAT".

4.4.3 In the VAT remittance of the contractors to BIR, only the excess of VAT collections after deducting their VAT payments shall be remitted to BIR. In case their total VAT payments is bigger than their VAT collections, there will be no remittance to BIR for that month/quarter and the excess/difference can still be claimed in the succeeding month/s (until exhausted) as Input VAT Carry Over.

4.4.4 VAT payments to PPA is claimed as deductible Input VAT by the contractor on the month that actual payment thereof was made. It is deducted from any VAT collections of that month before remittance of the net is made to BIR.

#### 4.5 Reporting Mechanics

4.5.1 Section 110, E.O. 273 provides that only one consolidated VAT Return shall be filed by a company for all the branches and lines of business subject to Value Added Tax.


4.5.2 The PDOs and PMOs have been required to submit their respective report to the DAGM-FAS for consolidation. The procedures and financial guidelines therefor are detailed in PPA Memorandum Order No. 15-88 dated May 2, 1988

entitled "Financial Guidelines Regarding the Implementation of E.O. 273 (The VAT law)."

5. Repealing Clause

This Administrative Order supersedes PPA Memorandum Circular No. 13-88 and PPA Memorandum Circular No. 22-95 and all other PPA issuances inconsistent herewith are hereby amended/modified accordingly.

For strict compliance.



CARLOS L. AGUSTIN  
General Manager

Published in the Manila Standard  
March 04, 1997