

[REPUBLIC ACT NO. 7471, May 05, 1992]

**AN ACT TO PROMOTE THE DEVELOPMENT OF PHILIPPINE
OVERSEAS SHIPPING**

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

SECTION 1. *Title.* - This Act shall be known and cited as the "Philippine Overseas Shipping Development Act."

SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the Government of the Philippines to:

- a. Develop and maintain a Philippine Merchant Marine composed of well-equipped, safe and modern vessels most suited for Philippines requirements and conditions, manned by qualified Filipino officers and crew, and owned and operated under the Philippine flag by citizens of the Philippines or by associations or corporations organized under the laws of the Philippines, at least sixty percent (60%) of the capital of which is owned by citizens of the Philippines;
- b. Assist in the development, recovery and expansion of Philippine overseas shipping capable of meeting the requirements of the expanding international trade of the Philippines;
- c. Provide assistance to Philippine shipping enterprises and encourage the long-range vessel acquisition, development, modernization and expansion through private investments without direct government financial assistance; and
- d. Create a healthy climate to attract private enterprises.

SEC. 3. *Definitions.* - As used in this Act:

- a. "Philippine overseas shipping" means the transport of goods and/or passengers by a ship owned and operated under the Philippine flag by a Philippine shipping enterprise, except when the ship is operated solely between ports in the Philippines;
- b. "Philippine shipping enterprise" means a citizen of the Philippines or an association or corporation organized under the laws of the Philippines, at least sixty percent (60%) of the capital of which is owned by citizens of the Philippines and engaged exclusively in Philippine overseas shipping;
- c. "MARINA" means the Maritime Industry Authority;
- d. "Monetary authority" means the Central Bank of the Philippines and any other agency in charge of foreign exchange controls; and
- e. "Regulations" means the rules and regulations promulgated pursuant to Section 10 hereof

SEC. 4. *Foreign Exchange Requirements.* - Foreign exchange requirements of Philippine shipping enterprises for the purchase of oceangoing vessels for registration under the Philippine flag, for repair or improvement of vessels, for importation of engines, spare parts, accessories, supplies, containers and for other expenses required for the operation of vessels in foreign ports or in the high seas, when recommended by the MARINA, shall be made available to the Philippine shipping enterprise subject to the regulations.

SEC. 5. *Acquisition of Oceangoing Vessels.* - Philippine shipping enterprises may likewise acquire oceangoing vessels for Philippine overseas shipping upon approval by the MARINA, subject to the guidelines prescribed in the regulations: *Provided, That:*

- a. The funds utilized in the acquisition of the vessel are financed from sources other than the Philippine banking system;
- b. No guaranty of the monetary authority or of any Philippine government or private financial institution is granted or extended for the purpose;
- c. The vessel serves as sole collateral for the financing of the vessel and no other asset of the Philippine shipping enterprise is pledged, mortgaged, or used as security in case of default;
- d. All foreign exchange requirements for the servicing of the loan, the operation, maintenance and repair of the vessel, the purchase of supplies and related equipment shall be financed solely from earnings derived from the operation of the vessel and no foreign exchange shall be made available by the monetary authority and the Philippine banking system for these purposes;
- e. Mortgage documents and/or other financial agreements shall be filed with the monetary authority and such other government agencies in charge of such mortgage formalities; and
- f. Any excess foreign exchange earning shall be inwardly remitted and surrendered to the Philippine banking system.

SEC. 6. *Exemption from Import Duties and Taxes.* - The importation by a Philippine shipping enterprise of oceangoing vessels for registration under the Philippine flag shall be exempt from the payment of import duties and taxes. The spare parts for the repair and/or overhaul of vessels shall likewise be exempt from the payment of import duties and taxes: *Provided, That* such items are destined or consigned either to:

- a. A Philippine dry-docking or repair facility, accredited by the MARINA and registered as a customs-bonded warehouse, which will undertake the necessary repairs and works on the vessel; and
- b. The vessel in which the items are to be installed: *Provided, That*, if such items are found in locations other than the two (2) aforementioned ones or in places not authorized by customs, the person or entity in possession of such items shall be subject to full duties and taxes, including surcharges and penalties.

Local manufacturers or dealers who sell machinery, equipment, materials and spare parts to a Philippine shipping enterprise shall be entitled to tax credits for the full amount of import duties and taxes actually paid thereon, or on parts or components thereof, subject to the approval of the Secretary of Finance, upon the recommendation of the MARINA.

SEC. 7. *Exemption from Income Tax.* - A Philippine shipping enterprise shall be