

**[BIR REVENUE MEMORANDUM CIRCULAR NO. 31-
2011, August 04, 2011]**

**REVOCATION OF BIR RULING [DA-(VAT-057) 552-08] DATED
DECEMBER 18,2008 PURSUANT TO BIR RULING 099-2011 DATED
APRIL 6, 2011**

This refers to the revocation of a previous ruling which declared that sale of services by hotels to persons engaged in international air transport operations, shall be subject to the value-added tax (VAT) at zero percent (0%) rate.

Whereas, in BIR Ruling [DA-(VAT-057) 552-08] dated December 18; 2008, "it was held that the hotel services of Robinsons Land Corporation (RLC), a VAT-registered entity, are services performed in the Philippines and that the international airlines, i.e., Etihad, is engaged exclusively in international air transport operations, such hotel services rendered by RLC in their favor, therefore, are subject to VAT at zero percent (0%) rate."

Whereas, in BIR Ruling 099-2011 dated April 16,2011, "the services provided by the Hotel to its clients engaged in international air transport operations pertain to room accommodations and food and beverage services. As they are rendered within the Hotel's premises they have no direct connection with the transport of goods or passengers, and as such they cannot be considered as services directly attributable to the transport of goods and passengers from a Philippine port directly to a foreign port entitled to zero-rating Such being the case, the sale of the foregoing services by the Hotel is not zero rated, but is appropriately subject to the 12% VAT."

Section 108 (B)(4) of the Tax Code of 1997, as amended, provides:

"SECTION 108. Value-added Tax on Sale of Services and Use or Lease of Properties. —

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"(B) Transactions Subject to Zero Percent (0%) Rate. — The following services performed in the Philippines by VAT-registered persons shall be subject to zero percent (0%) rate:

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"(4) Services rendered to persons engaged in international shipping or international air transport operations, including leases of property for use thereof;