

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**  
Quezon City

May 30, 2002

**REVENUE REGULATIONS NO. 15-2002**

**SUBJECT:** 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.

**TO :** All Internal Revenue Officers and Others Concerned.

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**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.

**SEC. 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.

**SEC. 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.

**SEC. 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.

## **SEC. 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 Billing 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 by the airline themselves or by their general sales agents for direct issues made. The amount realized for mails shall, on the other hand, be determined based on the amount as reflected in the cargo manifest of the carrier.

*Provided, however,* that in the case of the passenger's passage documents or flights from any port or point in the Philippines and back, that portion of revenue pertaining to the return trip to the Philippines shall not be included as part of "Gross Philippine Billings".

In cases where a flight is interrupted by *force majeure* resulting in the transshipment of the passengers, their excess baggage, freight, cargo and/or mail to another airplane operated by another airline company and transshipment takes place in another country, the Gross Philippine Billings shall be determined based on that portion of flight from the Philippines up to the point of said transshipment.

(b) Non-revenue passengers shall not be given value for purposes of computing the taxable base subject to tax. Refunded tickets shall likewise not be included in the computation of Gross Philippine Billings.

(c) In the case of a flight that originates from the Philippines but transshipment of passenger, excess baggage, cargo and/or mail takes place elsewhere in another aircraft belonging to a different airline company, the Gross Philippine Billings shall be that portion of the revenue corresponding to the leg flown from any point in the Philippines to the point of transshipment.

(d) In computing the taxable amount, the foreign exchange conversion rate to be used shall be the average monthly Airline Rate as provided in the Bank Settlement Plan (BSP) Monthly sales report or the Bankers Association of the Philippines (BAP) rate, whichever is higher. The average monthly BAP rate shall be computed by adding all the different BAP rates during the month and dividing the same by the number of days during the month.

**SEC. 6. ATTACHMENTS TO THE RETURN.** – In the filing of the quarterly and annual GPB returns and the payment of tax due thereon, there shall be attached to the quarterly/annual returns, a Statement of Gross Philippine Billings duly certified by an independent Certified Public Accountant, showing among others, the Taxable Passenger Revenue for each flight number, the cumulative quarterly/annual summary as well as the monthly summary totals of gross revenue derived from the uplifts of passengers, excess baggage, cargo and mails from the Philippines subject to tax under Section 28(A)(3)(a) of the Code, the applicable average conversion rate mentioned in Sec. 5(d) hereof to arrive at the Taxable Gross Philippine Billings, and the GPB rate used in arriving at the tax due for the quarter/year.

## **SEC. 7. SCHEDULES, RECORDS AND DOCUMENTS REQUIRED TO BE**

**KEPT.** - In addition to the quarterly schedule prescribed in Sec. 6 hereof, other adequate schedules, records and documents, such as but not limited to the following, shall be kept and maintained at all times in the local principal office or place of business of the international airline and shall be made available to the assigned internal revenue officers for verification of the gross revenues reported for GPB tax purposes:

1. Passenger Flight Manifest showing date; Flight Number; the names of the passengers grouped per each point of final destination as classified in accordance with the classes of passage (whether first class, business class or economy class) and further sub-grouped in accordance with the classification of passenger (whether adult, child, infant or non-revenue);

2. Monthly Summary of Taxable and Non-Revenue Passengers Passenger Per Day ; per Flight Number showing the daily number of passengers per flight route on each day and per each point of final destination grouped in accordance with class of passage (whether first class, business class or economy class) and classification of passenger (whether adult, child, infant, or non-revenue);

3. A complete file of cargo/mail manifests in chronological order. Based on the cargo and/or mail manifests, monthly schedules of mail revenue and cargo sales reports must be prepared containing the following information:

A. Cargo/mail manifest should include information on:

- (a) Flight number;
- (b) Date and time of departure;
- (c) Destination of the aircraft ;
- (d) Number of airway bills per flight;

B. Semi-monthly Cargo Sales Reports should include information on:

- (a) Airway bill number;
- (b) Weight of cargo and the actual amount of revenue derived;
- (c) Total amount of Cargo revenue for the sales period covering half month sales;

C. Monthly Mail Revenue should include information on:

- (a) Weight of Mail and Freight rate per unit of measurement; and
- (b) Total amount of Mail Revenue for the month

4. A complete record of the income/revenue from excess baggage of passengers derived in Philippine Pesos or applicable foreign currency;

5. BSP Airline Billing Analysis Report containing the following information:

- (a) Name of travel agent;
- (b) Ticket number;
- (c) Gross fare of the ticket;
- (d) Fare Adjustments and Other Deductions;
- (e) Net fare derived by airline;
- (f) Philippine Travel Taxes and Miscellaneous Taxes and fees; and
- (g) Net amount payable to the airline company (including taxes and miscellaneous fees);

6. Semi-Monthly Sales Report for Direct Sales or Issues made by the airline company and/or its General Sales Agent in the Philippines containing the following information :

- (a) Ticket number;
- (b) Date of issuance of ticket;
- (c) Gross fare of ticket;
- (d) Fare adjustments and other deductions;
- (e) Net fare derived by airline;
- (f) Philippine Travel Taxes and miscellaneous taxes and fees; and
- (g) Net amount received (including taxes and miscellaneous fees).

7. A complete file of the tax coupons of airline tickets sold and ticketed in the Philippines indicating the net fare paid by the travel agent/passenger;

8. A file of charter agreements/contracts in the case of chartered flights;

9. A complete file of airline tickets issued based on incoming prepaid ticket advices which plain tickets were sold outside the Philippines; and

10. Copies of passenger manifests duly submitted to the Bureau of Immigration and Deportation.

**SEC. 8. TAXABILITY OF INCOME OTHER THAN INCOME FROM INTERNATIONAL AIR TRANSPORT SERVICES MENTIONED IN SEC. 5 HEREOF.** – All items of income other than income from international air transport services mentioned in Sec. 5 hereof shall be subject to tax under the pertinent provisions of the Code.

**SEC.9. PROOF OF DEDUCTIBILITY FOR TRAVEL EXPENSES CLAIMED BY PASSENGERS AS WELL AS FREIGHT CHARGES INCURRED ON TRANSPORT OF CARGOES BY AIRLINE CARRIERS.** – For purposes of validating the deductions claimed on travel expenses incurred by passengers as well as freight charges incurred in the transport of cargoes by international air carriers, the passenger coupon of the plane ticket/airway bill which reflects the CAB rate shall not be used as the basis for the claim of the expense. The amount of expense to be claimed shall be the actual cost incurred for the

purchase of the plane ticket/airway bill which is the net amount of the ticket fare/airway bill after deducting the corresponding fare/freight adjustments. In the case of plane tickets, if said tickets are purchased from travel agents, travel expenses as claimed by the passengers shall be validated on the basis of the sales invoice/official receipt issued by the travel agent representing the actual cost of the ticket and the reasonable margin added by the travel agent as payment for services.

**SEC.10. COMMON CARRIER'S TAX LIABILITY OF INTERNATIONAL AIRLINE COMPANIES.** – For purposes of determining Common Carrier's Tax liability of international airline companies pursuant to Section 118 of the Code, gross receipts shall be the same as the tax base for computing Gross Philippine Billings Tax as prescribed by these Regulations.

**SEC. 11. REPEALING CLAUSE.** - The provisions of these Regulations expressly amend Revenue Regulations No. 6-66 as well as all other existing rules and regulations which are inconsistent herewith.

**SEC. 12. EFFECTIVITY CLAUSE.** - These Regulations shall take effect fifteen (15) days after publication in the Official Gazette or any newspaper of general circulation, whichever comes first.

(Original Signed)  
**JOSE ISIDRO N. CAMACHO**  
Secretary of Finance

Recommended by:

(Original Signed)  
**EDMUNDO P. GUEVARRA**  
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