REVENUE REGULATIONS NO. 15-2002 issued on October 7, 2002 prescribes the regulations relative to the imposition of Income Tax on the Gross Philippine Billings (GPB) and other income of international air carriers, as well as the imposition of common carrier’s tax and the manner of claiming deductions on travel expenses and freight charges incurred.

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 GPB Tax nor to the 3% common carrier’s tax.

An international air carrier having flights originating from any port or point in the Philippines is subject to the GPB Tax of 2 1/2% unless subject to a different tax rate under the applicable tax treaty to which the Philippines is a signatory.

In computing the GPB, 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 shall be included.

The gross revenue for passengers whose tickets are sold in the Philippines shall be the actual amount derived for transportation services, as reflected in the tax coupon part of the plane ticket. For tickets sold outside the Philippines, the gross revenue for passengers 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, the classification of passenger, the date of embarkation, and the place of final destination.

The GPB 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 and per classification of passenger, and multiplied by the corresponding total number of passengers flown for the month as declared in the flight manifest.

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 GPB 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. The amount realized for mails, on the other hand, shall be determined based on the amount reflected in the cargo manifest of the carrier.

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 GPB.
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 GPB.

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 GPB shall be that portion of the revenue corresponding to the leg flown from any point in the Philippines to the point of transshipment.

In computing the taxable amount, the foreign exchange conversion rate to be used shall be the average monthly airline rate or the Bankers Association of the Philippines rate, whichever is higher.

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 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. 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.

For purposes of determining the Common Carrier’s Tax liability of international airline companies, the gross receipts shall be the same as the tax base for computing GPB Tax as prescribed in the Regulations.