

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila



Thirteenth Congress
First Regular Session

HOUSE BILL NO. 2181

Introduced by Honorable Rodolfo C. Bacani

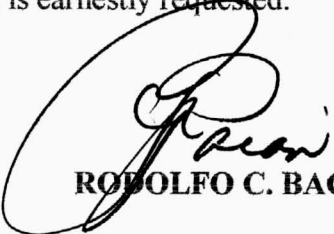
EXPLANATORY NOTE

The Constitution recognizes the vital role of our local inventors and their indigenous inventions in the development of our society. This led to the enactment of Republic Act 7459, otherwise known as the "Inventors and Invention Incentives Act of the Philippines." This law provided, among others, incentives to Filipino inventors such as cash grants, awards, tax incentives and exemptions for their inventions to encourage them in their activities.

However, it has been observed that the law has been constantly misinterpreted. Based on a series of inquiries conducted during the previous congresses, a number of problems regarding the interpretation of certain provisions thereof, particularly Sections 5, 6, and 7, stand in the way towards the effective and proper implementation of the law for the benefit of inventors.

In light of the foregoing, amendments to R.A. 7459 must be introduced in order to set forth in clear and unambiguous terms, the tax incentives and exemptions as well as the other privileges due to Filipino inventors.

Hence, immediate passage of this bill is earnestly requested.


RODOLFO C. BACANI

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Thirteenth Congress
First Regular Session

HOUSE BILL NO. 2181

Introduced by Honorable Rodolfo C. Bacani

AN ACT
AMENDING SECTIONS 5, 6, AND 7 OF REPUBLIC ACT NO. 7459, ENTITLED
“AN ACT PROVIDING INCENTIVES TO FILIPINO INVENTORS AND
EXPANDING THE FUNCTIONS OF THE TECHNOLOGY APPLICATION AND
PROMOTION INSTITUTE, APPROPRIATING FUNDS THEREFOR, AND FOR
OTHER PURPOSES”

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

SECTION 1. Section 5, Article III of R.A. 7459 is hereby amended to read as follows:

“Sec. 5. *Tax Incentives* AND EXEMPTIONS. – Inventors, as certified by the Filipino Inventors Society and duly confirmed by the Screening Committee, INCLUDING THEIR HEIRS, ASSIGNEES OR TRANSFEREES OF THEIR INVENTIONS, SHALL BE EXEMPT FROM LICENSE AND PERMIT FEES OF ANY KIND OR CHARACTER IMPOSED BY THE GOVERNMENT, WHETHER NATIONAL OR LOCAL IN APPLICATION, FOR A PERIOD OF TEN (10) YEARS FROM THE DATE OF REGISTRATION OF THEIR INVENTIOS; AND SHALL LIKEWISE, FOR A PERIOD OF TEN (10) YEARS FROM THE DATE OF THE FIRST SALE OF THEIR INVENTIONS, INCLUDING THE END PRODUCTS DERIVED THEREFROM IN COMMERCIAL SCALE, BE ENTITLED TO THE FOLLOWING TAX EXEMPTIONS:

“(A) PAYMENT OF DIRECT AND INDIRECT TAXES, CUSTOMS DUTIES, IMPORT VALUE-ADDED TAXES, AND OTHER CHARGES ON IMPORT OF MACHINERY, EQUIPMENT, PARTS, MATERIALS AND OTHER IMPORT COMPONENTS FOR THE EXCLUSIVE USE IN THE MANUFACTURE OR PRODUCTION OF THEIR INVENTIONS;

“(B) VALUE-ADDED TAX, PERCENTAGE TAX, AND EXCISE TAX IMPOSED UNDER THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, ON THE MANUFACTURE, PRODUCTION AND SALE OF THEIR INVENTIONS OR ON THE SALE, TRANSFER, LEASE OR DISPOSITION OF THE PATENTS FOR THEIR INVENTIONS;

“(C) INCOME TAX IMPOSED UNDER THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, ON INCOME DERIVED FROM THE MANUFACTURE, PRODUCTION, SALE, TRANSFER, DISPOSITION, LEASE, USE OR UTILIZATION OF THEIR INVENTIONS OR THE PATENTS FOR SUCH INVENTION; AND

“(D) BUSINESS TAXES IMPOSED UNDER THE LOCAL GOVERNMENT CODE.”

[shall be exempt from payment of license fees, permit fees and other business taxes in the development of the particular inventions. This is an exception to the taxing power of the local government units. The certification shall state that the manufacture of the invention is made on a commercial scale.]

[Inventors shall be exempt from paying any fees involved in their application for registration of their inventions.]

SEC. 2. The provisions of Section 6, Article III of the same Act is hereby deleted.

[Sec. 6. *Tax Exemption.* – To promote, encourage, develop and accelerate commercialization of technologies developed by local researchers or adapted locally from foreign sources including inventions, any income derived from these technologies shall be exempted from all kinds of taxes during the first ten (10) years from the date of the first sale, subject to the rules and regulations of the Department of Finance: *Provided,* That this exemption privilege pertaining to invention shall be extended to the legal heir or assignee upon the death of the inventor.]

[The technologies, their manufacture or scale, shall be exempt from payment of license, permit fees, customs duties and charges on imports.]

SEC. 3. Section 7, Article IV of the same Act is hereby amended to read as follows:

“Sec. 7. *Invention Development Assistance Fund.* – There is hereby established an Invention Development Assistance Fund from the operations of the Technology Application and Promotion Institute in the amount of at least twelve percent (12%) of the annual operations fund of the Institute and from donations, bequests, and other sources, of the Institute and from donations, bequests, and other sources, public, private, domestic, or foreign. THE FUND, WHICH SHALL BE USED AS GRANTS for assisting potential or actual

inventors in the initial experiments and prototype development and other inventor-development related activities for invention or innovation, SHALL NOT BE SUBJECT TO ANY REPAYMENT TERMS. The Fund shall be administered by the Institute and in the performance of the evaluation of the proposals therefore, the Institute may be assisted by an advisory board of inventors from the public and private sector. All donations to the Assistance Fund shall be exempt or tax deductible.”

SEC. 4. *Separability Clause.* - The provisions of this Act are hereby declared separable and in the event any such provision is declared unconstitutional, the other provision which are not affected thereby shall remain in force and effect.

SEC. 5. *Repealing Clause.* - All laws, executive orders, rules and regulations, and any provisions thereof which are inconsistent herewith are hereby repealed, modified or amended accordingly.

SEC. 6. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in a newspaper of general circulation or in the Official Gazette, whichever comes first.

Approved,