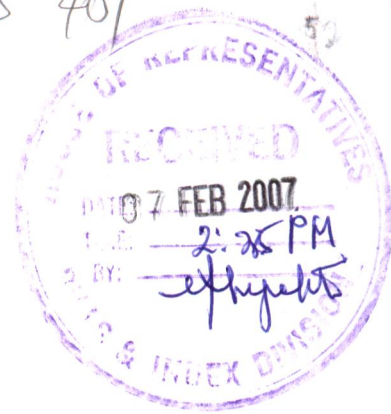


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



THIRTEENTH CONGRESS
Third Regular Session

House Bill No. 6096

Introduced by **Hon. Judy J. Syjuco**

Trade between the Philippines and foreign ports, up to 1946 was not controlled by Filipinos. Filipinos ventured into overseas shipping operations after we had gained our independence in 1946.

An Overseas Shipping Act was passed in 1955 granting incentives to the sector. Terms for acquiring vessels under this Act were a disincentive to the acquisition and disposition of vessels because it lacked the flexibility needed by ship owners to quickly purchase and dispose of vessels. The incentives under this law expired in 1985. New incentives were given to the sector in 1992. The incentives granted by this law will expire in 2002.

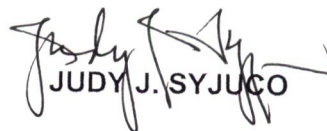
At present, our overseas fleet carries a very small percentage of our import and export trade. The bulk of our import and export trade is carried by foreign-flagged vessels.

Affordable financing is a major concern of this sector, thus, its growth has been stunted. The Mortgage Law has not helped ship owners to gain access to more affordable financing because foreign banks, generally, do not accept a mortgage over a vessel constituted under Philippine law. There, apparently, is a problem in the concurrence and preference of credits as provided in the law.

As an alternative, Filipino vessel operators serving the overseas trade have resorted to chartering vessels and they have been the primary beneficiaries of the Bareboat Charter Law. They have used it as a vehicle to gain access to vessels that are manned by Filipino seafarers and which serve cross trades.

We need strengthen our overseas shipping so that vessels owners will be encouraged to serve more of our trade and carry at least 50% of our import and export trade by 2010.

In view hereof, immediate passage of this measure is earnestly sought.


JUDY J. SYJUCO

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
Third Regular Session

House Bill No. **6096**

Introduced by **Honorable Judy J. Syjuco**

AN ACT PROVIDING FOR THE EXTENSION OF EXEMPTION FROM INCOME TAX ON INCOME DERIVED FROM PHILIPPINE OVERSEAS SHIPPING, AMENDING FOR THE PURPOSE CERTAIN PROVISIONS OF REPUBLIC ACT NO. 7471, OTHERWISE KNOWN AS THE PHILIPPINE OVERSEAS SHIPPING DEVELOPMENT ACT

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

Section 1. Section 3 (a) of Republic Act No. 7471 is hereby amended to read as follows:

Section 3 (a.) "Philippine Overseas Shipping" means THE ACQUISITION, CHARTERING, OPERATIONS, SALE OR SCRAPPING OF A SHIP TO BE REGISTERED OR ALREADY REGISTERED UNDER THE PHILIPPINE-FLAG AS THE CASE MAY BE, BY A PHILIPPINE SHIPPING ENTERPRISE FOR OVERSEAS TRADE except when the vessel is operated solely between ports in the Philippines.

Section 2. Section 7, paragraph (a) of the same Act thereof is hereby reiterated, as follows:

Section 7. Exemption from Income Tax. Philippine shipping enterprise shall be exempt from payment of income tax on income derived from Philippine overseas shipping for a period of fifteen (15) years from the date of the approval of this Act.

Provided, That: The entire net income, after deducting not more than twenty percent (20%) thereof for distribution of profits for declaration of dividends, which would otherwise be taxable under the provisions of Title II of the National Internal Revenue Code, is reinvested for the construction, purchase, or acquisition of vessels and related equipment and/or in the improvement or modernization of its vessels and related equipment in accordance with these Regulations that may be adopted for the purpose of implementing this Act.

Section 3. A new paragraph is hereby inserted under Section 10, to read as follows:

Section 10 (a). TO IMPLEMENT THE PROVISIONS OF SECTIONS 1 AND 2 HEREOF, THE MARITIME INDUSTRY AUTHORITY (MARINA), IN COORDINATION WITH THE DEPARTMENT OF FINANCE SHALL PROMULGATE RULES AND REGULATIONS WHICH SHALL TAKE EFFECT THIRTY (30) DAYS AFTER PUBLICATION IN ONE NEWSPAPER OF GENERAL CIRCULATION IN THE PHILIPPINES.

Section 4. Repealing Clause. All laws, decrees, orders or rules and Regulations inconsistent with this Act are hereby repealed, amended or modified accordingly.

Section 5. Effectivity. This Act shall take effect after thirty (30) days

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following its full publication in a newspaper of general circulation in the Philippines.

Approved: