



Republic of the Philippines

HOUSE OF REPRESENTATIVES
Quezon City

Fifteenth Congress
First Regular Session

COMMITTEE REPORT NO. **1261**

Submitted by the Committees on Ways and Means and Trade and Industry on
14 JUL 2011

4935

Re. : House Bill No. _____
Recommending its approval in substitution of House Bill Nos. 938,
3162, 4152 and 4402

Sponsors : Representatives Hermilando I. Mandanas, Albert S. Garcia, Susan A.
Yap, Gloria Macapagal-Arroyo, Feliciano Belmonte, Jr. and Neptali
M. Gonzales II

Mr. Speaker:

The Committees on Ways and Means and Trade and Industry to which were referred
House Bill No. 938, introduced by Representative Susan A. Yap, entitled:

"THE INVESTMENTS AND INCENTIVES CODE OF THE
PHILIPPINES,"

House Bill No. 3162, introduced by Representative Gloria Macapagal-Arroyo,
entitled:

"AN ACT RATIONALIZING THE GRANT AND
ADMINISTRATION OF FISCAL AND NON-FISCAL
INCENTIVES, AND FOR OTHER PURPOSES,"

House Bill No. 4152, introduced by Representatives Feliciano Belmonte, Jr. and
Neptali M. Gonzales II, entitled:

"AN ACT RATIONALIZING THE GRANT AND
ADMINISTRATION OF FISCAL INCENTIVES FOR THE
PROMOTION OF INVESTMENTS AND GROWTH, AND FOR
OTHER PURPOSES" and,

House Bill No. 4402, introduced by Representative Albert S. Garcia entitled:

**"AN ACT CREATING THE INVESTMENTS AND INCENTIVES
CODE OF THE PHILIPPINES,"**

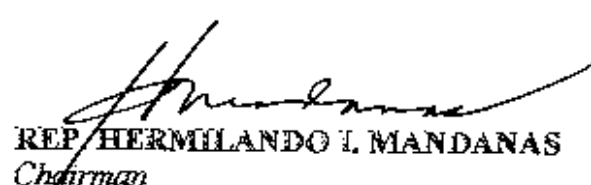
have considered the same and recommend that the attached House Bill No.
4935, entitled:

**"THE INVESTMENTS AND INCENTIVES CODE OF THE
PHILIPPINES,"**

be approved in substitution of House Bill Nos. 938, 3162, 4152 and 4402, with
Representatives Susan A. Yap, Gloria Macapagal-Arroyo, Feliciano Belmonte, Jr.,
Neptali M. Gonzales II, Albert S. Garcia, Hermilando I. Mandanas, Tomas V.
Apacible and Rufus B. Rodriguez, as authors thereof.

Respectfully submitted,


REP. ALBERT S. GARCIA
Chairman
Committee on Trade and Industry


REP. HERMILANDO I. MANDANAS
Chairman
Committee on Ways and Means

**THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY**



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Fifteenth Congress
First Regular Session

HOUSE BILL NO. **4935**

(In substitution of House Bill Nos. 938, 3162, 4152 and 4402)

Introduced by Representatives Susan A. Yap, Gloria Macapagal-Arroyo, Feliciano Belmonte, Jr.,
Neptali M. Gonzales II, Albert S. Garcia, Hermilando I. Mandanas, Tomas V. Apacible and
Rufus B. Rodriguez

THE INVESTMENTS AND INCENTIVES CODE OF THE PHILIPPINES

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

PRELIMINARY TITLE

CHAPTER I

TITLE AND DECLARATION OF POLICY

1 SECTION 1. *Title.* - This Act shall be known as "The Investments and Incentives Code
2 of the Philippines".
3

4 SEC. 2. *Declaration of Investment Policies.* - The national economy shall be developed
5 so as to enhance its competitiveness in the global economy through investment promotion and
6 industrial development activities geared towards employment generation and countrywide
7 development. Accordingly, the following are the declared policies of the State:
8

- a. The State shall pursue a market-responsive investment regime;
- b. The State shall formulate industry and sectoral development programs;
- c. The State shall undertake investment promotion activities;
- d. The State shall grant incentives that are simple to administer, time-bound and performance-based; and
- e. The State recognizes that industrial peace is essential to attracting investments.

CHAPTER II

ORGANIZATION AND FUNCTIONS OF THE BOARD OF INVESTMENTS

SEC. 3. *The Board of Investments (BOI).* – The Board of Investments hereinafter referred to as the “BOI” shall implement the provisions of this Act except as otherwise provided therein

SEC. 4. *Relationship of Investment Promotion Agencies (IPAs) with the BOI and Other Government Agencies.* – IPAs shall maintain their functions as provided for in their respective Charters except to the extent modified by the provisions of this Act.

For purposes of maintaining an efficient database on investment statistics and other investment data and information, all IPAs shall be required to submit to the BOI all investment data and information and such other related data semi-annually or as often as may be required.

SEC 5. *Governing Provision for IPAs.* All existing and future IPAs vested with the power to confer and administer incentives shall offer the incentives provided in this Act: *Provided, however,* That IPAs that are not covered by this Act may opt to administer the incentives hereunder; *Provided, further,* That there shall be no double availment of incentives.

SEC 6. *Composition of the BOI Board of Governors.* – The BOI Board of Governors, hereinafter referred to as the “Board”, shall be composed of nine (9) governors: the Secretary of the Department of Trade and Industry (DTI), the Secretary of the Department of Finance (DOF), the Director General of the National Economic and Development Authority (NEDA), the DTI Undersecretary for Investments and Industry Group (IIG), the DTI Undersecretary for International Trade Group (ITG), the DTI Undersecretary for Regional Operations Group (ROG) and three (3) representatives from the private sector. The Secretary of the DTI shall concurrently be the Chairperson of the BOI and the DTI Undersecretary for Investments and Industry Group shall be the concurrent Vice Chairperson and Managing Governor of the BOI. The three (3) representatives from the private sector shall be appointed by the President for a term not exceeding two (2) years; *Provided,* That a governor may be reappointed; *Provided, further,* That a governor shall serve as such until the successor shall have been appointed and qualified.

The Managing Governor of the BOI shall be assisted by four (4) career deputy managing governors with the rank of Assistant Secretary, who shall be appointed by the Board, upon the recommendation of the Managing Governor.

1 SEC. 7. *Qualifications of the BOI Board of Governors.* -- The governors of the BOI shall
2 be citizens of the Philippines, at least thirty-five (35) years old, with proven probity and integrity,
3 of good moral character and of recognized competence in law, economics, business, marketing,
4 advertising, management or its equivalent
5

6 SEC. 8. *Powers and Functions of the Board.* -- The Board shall be responsible for
7 industry development, policy formulation, investment promotion, and investment facilitation. It
8 shall hold meetings at least once a week for the conduct of business or as often as may be
9 necessary upon the instance of the Chairperson or the Managing Governor. The notice of regular
10 and special meetings shall be given to all the members of the Board and the presence of five (5)
11 members shall constitute a quorum and the affirmative vote of five (5) members in a meeting
12 validly held shall be necessary to exercise its powers and perform its functions which shall
13 include the following:
14

- 15 a. Formulate an evolving National Framework for Investment Promotions (NFIP) and
16 promulgate its rules, regulations and policies that will govern all Investments
17 Promotion Agencies (IPAs);
18
- 19 b. Formulate an evolving National Framework for Industrial Development (NFID) and
20 promulgate its rules, regulations and policies in consultation with the private sector.
21 The NFID shall identify key emerging markets or industries that will substantially
22 enhance the competitiveness of the country, which include among others, research
23 and development, agricultural technology, biomedical devices and systems,
24 renewable energy, logistics and information communications and technologies.
25
- 26 c. Promulgate rules, regulations and policies on the administration of incentives which
27 the IPAs are mandated to implement.
28
- 29 d. Plan and implement industrial programs to hasten economic development including
30 those relating to the implementation of international trade, investment and industry-
31 related environmental agreements and protocols;
32
- 33 e. Determine the criteria for the grant of subsidy on utilities to certain sectors and/or
34 industries and recommend to the President the approval thereof; this shall be carried
35 out and be appropriated in the annual general appropriations or such other sources as
36 may be identified;
37
- 38 f. Prepare the Investments Priorities Plan (IPP) in accordance with Title III, Chapter I of
39 this Act;
40
- 41 g. Formulate rationalization programs for certain industries whose operation may result
42 in dislocation, oversupply or inefficient use of resources that impedes economic
43 growth. In the interest of national development and upon approval of the President,
44 the Board may restrict, either totally or partially, the importation or exportation of any
45 equipment, raw materials, intermediate goods or finished goods;
46
- 47 h. Formulate and negotiate positions for bilateral, multilateral and regional investments
48 and investment-related trade agreements and/or arrangements;
49

- i. Establish the Investment Promotion Action Center (i-PAC);
- j. Establish and operate regional investment centers in the Philippines, and establish and operate overseas investment offices;
- k. Extend assistance to micro and small enterprises in the preparation of feasibility and other pre-investment project studies;
- l. Process and approve, deny, suspend, revoke applications for registration, imposing terms and conditions as it may deem necessary to promote the purposes of this Act, including the refund and forfeiture of incentives when appropriate, restricting availment of incentives not needed by the project as determined by the Board, requiring performance bonds from BOI-accredited bonding companies, and payment of application, registration, publication and other fees, when warranted;
- m. Recommend to the President the suspension of the nationality requirement provided for in this Act in appropriate cases such as those involving bilateral, multilateral, or regional investments, or other trading agreements of the Philippines with other countries; or when the existing laws of another country where the investor comes from provides no nationality restrictions for Filipino investors or provides for reciprocal nationality accommodations;
- n. In meritorious cases, waive, condone or reduce fines or penalties imposed on registered enterprises: *Provided*, That in case of reduction, the minimum compromise rate shall not be less than 40 % of the basic assessed fines or penalties;
- o. Enter into agreements with other agencies for the simplification of systems and procedures involved in the promotion of investments, operation of zones and registered enterprises, and other activities necessary for the effective implementation of this Act;
- p. Exercise general supervision over the ecozones and freeports according to the principles and provisions set forth in this Act;
- q. Establish domestic industrial zones to be approved by the President;
- r. Set the general policies on the establishment and operations of domestic industrial zones and determine the qualifications, responsibilities and functions of the Administrator of such domestic industrial zones;
- s. Coordinate with local government units and exercise general supervision over the development plans, activities and operations of domestic industrial zones;
- t. Set the policies on the establishment of utilities, other services, and infrastructure in the domestic industrial zones such as heat, light, power, water supply, telecommunications, transport, toll roads and bridges, port services, and others and to fix just, reasonable and competitive rates, charges, and fees therefor: *Provided*, That the appropriate government regulatory agencies shall regulate the operation and

1 maintenance of utilities, such as heat, light, power, water supply, telecommunications,
2 transport, toll roads and bridges, port services, and others based inside the domestic
3 industrial zones insofar as such services are rendered outside the domestic industrial
4 zones;

- 5
- 6 u. Approve the construction, acquisition, ownership, and lease through contract,
7 franchise, license, bulk purchase from the private sector and build-operate-transfer
8 scheme or joint venture, or such other scheme as may be determined, adequate
9 facilities and infrastructure, such as light and power systems, water supply and
10 distribution systems, telecommunications and transportation, buildings, structures,
11 warehouses, roads, bridges, ports and other facilities for the operation and
12 development of the domestic industrial zones;
- 13
- 14 v. Gather, consolidate and monitor incentives data and information from all IPAs and
15 other concerned government agencies for submission to the President and Congress;
- 16
- 17 w. Monitor the implementation of Regional Operating Headquarters, Retail Trade Law,
18 Long-Term Lease and other laws as mandated;
- 19
- 20 x. Cancel registration or suspend the availment of incentives of a registered enterprise
21 and/or require the refund of incentives, including interests and monetary penalties,
22 when warranted;
- 23
- 24 y. Mediate controversies and/or disputes involving investors;
- 25
- 26 z. After due hearing, decide controversies that may arise between BOI-registered
27 enterprises arising from the implementation of this Act. The Board shall have the
28 power to subpoena witnesses, administer oaths, and compel the production of books,
29 papers and other evidence, and to cite for contempt any person or organization that
30 fails to comply with the aforesaid processes: *Provided*, That the Board may grant
31 immunity from prosecution to any person whose testimony or possession of relevant
32 documents and other evidence is necessary to the case: *Provided, further*, That a
33 registered enterprise may file a motion for reconsideration of a decision or final order
34 within fifteen (15) days from notice thereof, with proof of service on the parties
35 affected. No second motion for reconsideration of a decision or final order by the
36 same party shall be entertained;
- 37
- 38 aa. Implement the investment projects covered by bilateral, multilateral, and regional
39 agreements subject to rules and guidelines to be formulated by the Board;
- 40
- 41 bb. Determine the organizational structure of the BOI, and
- 42
- 43 cc. Exercise all the powers necessary or incidental to attain the purposes of this Act and
44 other laws vesting additional functions on the Board.
- 45
- 46
- 47
- 48
- 49

1 SEC. 9. *Powers and Duties of the Managing Governor.* – The Managing Governor shall
2 have the following powers and duties:

- 3
- 4 a. Preside over the meetings of the Board in the absence of the Chairperson;
- 5
- 6 b. Prepare the Agenda for the meetings of the Board and submit for its consideration and
7 approval the policies and measures which the Chairperson deems necessary and
8 proper to carry out the provisions of this Act;
- 9
- 10 c. Recommend to the Board such policies and measures may be deemed necessary to
11 carry out the objectives of this Act.
- 12
- 13 d. Sit as member of the Board of all IPAs covered under this Code;
- 14
- 15 e. Assist registered enterprises and prospective investors to have their papers processed
16 with dispatch by all government offices, agencies, instrumentalities and financial
17 institutions;
- 18
- 19 f. Act as liaison to investors, government, affiliated organizations and other
20 stakeholders;
- 21
- 22 g. Coordinate the policies, plans and programs of the BOI. As such, to exercise overall
23 supervision and general direction on the operations and affairs of the BOI;
- 24
- 25 h. Perform the other duties of the Chairperson in the absence of the latter, and such other
26 duties as may be assigned by the Board of Governors; and
- 27
- 28 i. Generally, exercise such other powers and perform such other duties as may be
29 directed by the Board from time to time.
- 30

31 SEC. 10. *The Investment Promotion Action Center (i-PAC).* – There is hereby created an
32 i-PAC at the BOI that shall serve as the link to all government agencies to facilitate entry,
33 retention, expansion and diversification of investments. The BOI shall serve as the Coordinator
34 of the i-PAC.

35

36 The i-PAC shall be composed of all government agencies involved in the establishment
37 of the operation of business enterprises including, but not limited to, all IPAs, the Securities and
38 Exchange Commission (SEC), the Bureau of Internal Revenue (BIR), the Bureau of Customs
39 (BOC), the Bureau of Immigration (BI), the Department of Trade and Industry (DTI), the
40 Department of the Interior and Local Government (DILG), the Department of Agriculture (DA),
41 the Department of Environment and Natural Resources (DENR), the Department of Labor and
42 Employment (DOLE), the Department of Foreign Affairs (DFA), the Department of Energy
43 (DOE), the Department of Public Works and Highways (DPWH), the Department of Agrarian
44 Reform (DAR) and such other agencies as may be determined by the Board. The government
45 agencies involved shall designate representatives to the i-PAC authorized to act and
46 approve/deny any matter relative to their respective agencies.

47

48

49

1 SEC. 11. *Powers and Functions of the i-PAC.* – The i-PAC shall exercise and perform the
2 following powers and functions:

- 3
- 4 a. Provide advice, guidance, information and procedure on various laws, rules and
5 regulations governing investments and the conduct of business in the Philippines;
- 6
- 7 b. Ensure that all investment-related requirements are acted upon within ten (10)
8 working days;
- 9
- 10 c. Recommend the streamlining of existing procedures to ensure that all frontline
11 agencies, dealing with the operation of business enterprises, shall perform their tasks
12 for identified transactions between the government and the enterprises;
- 13
- 14 d. Establish an on-line investment facilitation system;
- 15
- 16 e. Act, in coordination with appropriate government offices or agencies, such as the
17 Office of the Ombudsman and the Civil Service Commission (CSC), on complaints
18 filed by any investor or potential investor against any public official or employee or
19 any office, agency or instrumentality, including local government units (LGUs) and
20 officials, as well as any government-owned and -controlled corporation (GOCC), in
21 connection with any act or duty required by law to facilitate the entry of local and
22 foreign investments; and
- 23
- 24 f. Perform other functions as may be directed by the Board.

25

26 SEC. 12. *Honoraria and Allowances.* -- The Board shall provide for reasonable honoraria
27 and allowances for the i-PAC members and their personnel.

28

29

30 CHAPTER III

31

32

33 ESTABLISHMENT OF DOMESTIC INDUSTRIAL ZONES

34

35

36 SEC. 13. *Criteria for the Establishment of Domestic Industrial Zones.* -- The
37 establishment of domestic industrial zones must conform to the following criteria:

38

- 39 a. The proposed area must be identified as a regional growth center in the Medium-
40 Term Philippine Development Plan or by the Regional Development Council;
- 41
- 42 b. The existence of required infrastructure in the proposed domestic industrial zones,
43 such as roads, railways, telephones, ports, airports, and the suitability and capacity of
44 the proposed site to absorb such improvements;
- 45
- 46 c. The availability of water source and electric power supply for use of the domestic
47 industrial zones;
- 48
- 49

- 1 d. The extent of vacant lands available for industrial and commercial development and
2 future expansion of the domestic industrial zones as well as of lands adjacent to the
3 domestic industrial zones available for development of residential areas for the
4 domestic industrial zones workers;
5
6 e. The availability of skilled, semi-skilled and non-skilled trainable labor force in and
7 around the domestic industrial zones;
8
9 f. The area must have a significant incremental advantage over the existing economic
10 zones and its potential profitability can be established;
11
12 g. The area must be strategically located; and
13
14 h. The area must be situated where controls can easily be established to curtail
15 smuggling activities.
16

17 Other areas which do not meet the foregoing criteria may be established as domestic
18 industrial estates: *Provided*, That the area shall be developed only through local government
19 and/or private sector initiative under any of the schemes allowed in Republic Act No. 6957 or
20 the Build-Operate-Transfer Law, and without any financial exposure on the part of the national
21 government: *Provided, further*, That the area can be easily secured to curtail smuggling
22 activities: *Provided, finally*, That after five (5) years the area must have attained a substantial
23 degree of development, the indicators of which shall be formulated by the Board.
24

25 26 TITLE II

27 28 29 DEFINITION OF TERMS

30
31
32 SEC. 14. *Definition of Terms.* – As used herein, the following shall mean:
33

- 34 a. *BOI* or the *Board* shall refer to the Board of Investments created under this Act.
35
36 b. *Investments Promotion Agencies* (IPAs) shall include the BOI, the Philippine
37 Economic Zone Authority (PEZA), the Bases Conversion Development Authority
38 (BCDA), the Subic Bay Metropolitan Authority (SBMA), the Clark Development
39 Corporation (CDC), the John Hay Management Corporation (JHMC), the Poro Point
40 Management Corporation (PPMC), and the Tourism Infrastructure and Enterprise
41 Zone Authority (TIEZA) and all other IPAs that may be created by law.
42
43 c. *Registered Enterprise* shall refer to any individual, partnership, corporation,
44 Philippine branch of a foreign corporation or other entity incorporated and/or
45 organized and existing under Philippine laws and registered with an IPA, in
46 accordance with this Act: *Provided, however*, That the term "registered enterprise"
47 shall not include any of the following service enterprises such as, but not limited to,
48 those engaged in customs brokerage, trucking/forwarding services, janitorial services,
49

1 security services, insurance and/or banking and other financial services, consumers
2 cooperatives, credit unions, consultancy services, restaurants or such other services,
3 within the economic zones, as may be determined by the IPA Board, duly accredited
4 and/or licensed by any of the IPAs and whose income derived within the economic
5 zones shall be subject to taxes under the National Internal Revenue Code (NIRC) of
6 1997, as amended.

- 7
- 8 d. *Investments Priorities Plan* (IPP) shall refer to the list of industries, services and other
9 economic activities, which will be eligible for incentives under this Act, prepared and
10 determined as priority or preferred activities in accordance with Title III, Chapter 1 of
11 this Act.
- 12
- 13 e. *New Product or Service* shall refer to any product or service not locally or not
14 sufficiently manufactured/rendered to meet the demand.
- 15
- 16 f. *Gross Income Earned* shall refer to gross sales or gross receipts derived from the
17 registered activity less sales returns, discounts and allowances and cost of goods
18 sold/cost of service.
- 19
- 20 g. *Export Sales of Goods* shall refer to the sales revenues paid for in freely convertible
21 foreign currency, determined from invoices, bills of lading, inward letters of credit,
22 landing certificates, or other commercial documents, of the following:
- 23
- 24 1) The sale and actual shipment of goods from the Philippines to a foreign country
25 by a registered enterprise;
 - 26
 - 27 2) Sale of goods to an export enterprise registered in accordance with this Act; to
28 diplomatic missions and to agencies or institutions allowed to import said goods
29 tax and duty-free; to international shipping or international air transport
30 operations; and to foreign military aircraft or seacraft;
 - 31
 - 32 3) Sale to a nonresident buyer for delivery to a resident local export enterprise of
33 capital equipment, raw materials, production supplies, packaging materials and
34 other production requirements needed for the registered activity of the export
35 enterprise; or
 - 36
 - 37 4) Sale of goods to a nonresident buyer, except automobiles and non-essential
38 goods, manufactured or processed in the Philippines, for delivery to a resident in
39 the Philippines: *Provided*, That they are paid for in acceptable foreign currency.
 - 40

41 *Provided*, That in the case of paragraph (2) above, only sales to an export
42 enterprise of capital equipment, raw materials, production supplies, packaging
43 materials and other production requirements needed for the registered activity of the
44 export enterprise; and sales to international sea or air transport operations of goods,
45 equipment, spare parts and supplies, except fuel, to be used in the aircraft or sea craft
46 and capital equipment needed for the shipping or air transport operations, shall be
47 entitled to incentives for export enterprises under this Act.

48

49

1 Sales of locally manufactured or assembled goods for household and personal use
2 under the Internal Export Program and similar programs of the government shall be
3 deemed as "export sales".
4

5 h. *Export Sales of Services* shall mean the sales revenues or receipts, determined from
6 contracts, invoices, vouchers, official receipts, or other commercial documents of the
7 following:
8

- 9 1) Services rendered for clients abroad by registered enterprises;
- 10
- 11 2) Services rendered for an export enterprise registered in accordance with this Act;
12 to diplomatic missions and to other agencies or institutions with tax and duty-free
13 privileges;
14
- 15 3) Services rendered to international airlines or shipping lines, or foreign military
16 aircraft or seacraft, or information and communication technology enterprises,
17 even if rendered locally.
18

19 *Provided*, That in the case of paragraph (2) above, only services for an export
20 enterprise performed by subcontractors and/or contractors in the manufacture or
21 processing of goods; other services necessary for the registered activity of an export
22 enterprise; and in the case of paragraph (3), only services for the overhaul, repair and
23 maintenance for international shipping or air transport operations, and foreign
24 military aircraft or seacraft, shall be entitled to incentives for export enterprises under
25 this Act.
26

27 The foregoing notwithstanding, services rendered locally by registered
28 enterprises that are paid for in freely convertible foreign currency shall be considered
29 as "export sales".
30

- 31 i. *An Export Enterprise* shall refer to a registered enterprise which is a manufacturer,
32 processor or service provider and whose export sale of its products or services
33 exceeds seventy percent (70%) of its total annual production of the preceding taxable
34 year. The export requirement herein provided may be reduced, but shall not be less
35 than thirty (30%), in meritorious cases under such conditions as the Board may
36 determine.
37
- 38 j. *A Domestic Enterprise* shall refer to a registered enterprise, which produces goods for
39 sale or renders services exclusively to the domestic market or does not comply with
40 the minimum export requirement of an export enterprise.
41
- 42 k. *Service Enterprise* shall refer to an enterprise engaged or proposing to engage in
43 rendering technical, professional or other services listed in the IPP.
44

45 Service enterprise that earns more than seventy percent (70%) of its revenues
46 paid for in foreign currency generated from nonresident clients shall be entitled to the
47 incentives provided to an "export enterprise."
48
49

- 1 l. *Source Documents* shall refer to input materials and documents reasonably needed by
2 the registered enterprise such as, but not limited to, books, directories, magazines,
3 newspapers, brochures, pamphlets, medical records or files, legal records or files,
4 instruction materials, drawings, blueprints or outlines.
5
- 6 m. *Processing* shall mean the conversion of raw materials into marketable form through
7 physical, mechanical, chemical, electrical, biochemical, biological or other means, or
8 by a special treatment or a series of actions, such as slaughtering, milling,
9 pasteurizing, drying or desiccating, quick freezing, that results in a change in the
10 nature or state of the products. Processing shall include assembly provided that a
11 distinct or new product is formed. Mere packing or packaging shall not constitute
12 processing.
13
- 14 n. *Domestic Industrial Zone* shall refer to a tract of land subdivided and developed
15 according to a comprehensive plan under a unified continuous management and with
16 provisions for basic infrastructure and utilities, with or without pre-built standard
17 factory buildings and community facilities for the use of a community of industries
18 established under this Act in accordance with the criteria provided in Section 14,
19 Chapter III of the Preliminary Title
20
- 21 o. *ECOZONES or Special Economic Zones (SEZ)* shall refer to selected areas with
22 highly developed or which have the potential to be developed into agro-industrial,
23 industrial, supply chain city, information technology, tourist/recreational,
24 commercial, banking, investment and financial centers, retirement and medical zones
25 whose metes and bounds are fixed or delimited by law or presidential proclamations.
26 An ecozone may contain any or all of the following: industrial estates (IEs), export
27 processing zones (EPZs), supply chain cities, ICT parks and centers, free trade zones
28 and tourism estates: Provided, however, That areas where mining operations are
29 undertaken shall not be declared as ecozones.
30
- 31 p. *Ecozone Developer or Domestic Industrial Zone Developer* shall refer to a business
32 entity duly registered with the Philippine Economic Zone Authority (PEZA) or the
33 BOI, as the case may be, to develop, operate and maintain an ecozone that will put up
34 the required infrastructure facilities and utilities, to include among others, light and
35 power system, water supply and distribution system, sewerage and drainage system,
36 pollution control devices, communication facilities, paved road network,
37 administration building, standard factory buildings, and other facilities as may be
38 required by enterprises registered with the PEZA.
39
- 40 q. *Export Processing Zone (EPZ) or Export Zone* shall refer to a specialized industrial
41 estate located physically and/or administratively outside the customs territory and
42 predominantly oriented to export production.
43
- 44 r. *Freeport* shall refer to an isolated and policed area adjacent to a port of entry, which
45 shall be operated and managed as a separate customs territory to ensure free flow or
46 movement of goods, except those expressly prohibited by law, within, into and
47 exported out in the freeport zone where imported goods may be unloaded for
48 immediate transshipment or stored, repacked, sorted, mixed or otherwise manipulated
49

without being subject to taxes and duties.

- s. *Information and Communications Technology (ICT) Park* or *ICT Park* shall refer to an area which has been developed into an integrated development complex capable of providing infrastructure and other support facilities required by ICT enterprises, as well as amenities required by professionals and workers involved in ICT enterprises, or easy access to such amenities.
- t. *ICT Center* shall refer to a building which has been developed by public or private corporate entities to provide infrastructure and other support facilities required by CT enterprises, as well as amenities required by professionals and workers involved in ICT enterprises, or easy access to such amenities.
- u. *Supply Chain City* shall refer to a self-contained zone that includes manufacturing facility with hub operations in an economic zone: *Provided, That, the manufacturing facility covers whole or partial operations, and the hub operations include Business Process Outsourcing (BPO) in support of the manufacturing activity of the registered enterprise; Provided, further, That the BPO activities cover finance and accounting, high end processes such as marketing, client or buyer- manufacturer relationship, procurement of materials, logistics management, and other related activities of a borderless global manufacturing set-up.*
- v. *Capital Equipment* shall refer to machinery, equipment, major components thereof, spare parts, accessories, tools, devices, apparatus, fixtures, fittings and accompaniments which are directly and/or reasonably needed in the registered activity of the enterprise and those required for pollution abatement and control, cleaner production and water reduction/ conservation.
- w. *Less Developed Area (LDA)* shall refer to an area that is included in the list prepared by the BOI, after consultation with appropriate government agencies. Such listing shall take into consideration the following criteria: low per capita gross domestic product, low level of investments, high rate of unemployment and/or underemployment and low level of infrastructure development including its accessibility to developed urban centers.

TITLE III

INVESTMENTS WITH INCENTIVES

CHAPTER I

QUALIFIED ACTIVITIES

SEC. 15. *Investments Priorities Plan (IPP)*. – The BOI, upon consultation with the Office of the President, concerned IPAs and appropriate government agencies and the private sector, shall formulate a focused IPP to be submitted to the President for approval and which shall be valid for a period of three (3) years.

1 In the listing of activities to be undertaken under the IPP, the following shall be complied
2 with:

3
4 a. The activity shall be covered by the current Medium Term Philippine Development
5 Plan (MTPDP) and Medium Term Philippine Investment Plan (MTPIP) or its
6 equivalent;

7
8 b. The activity shall satisfy the following conditions:

- 9
10 1) Substantial amount of investments;
11 2) Considerable generation of employment;
12 3) Use of modern or new technology; or
13 4) Installation of adequate environmental protection systems:
14

15 *Provided*, That items b(1) and b(4) above shall be required in all activities, and the
16 threshold amount of investments and employment generation required for a specific
17 activity shall be subject to a periodic review taking into consideration international
18 standards and other indicators: *Provided, further*, That the Plan shall be reviewed
19 every three (3) years.
20

21 c. The activity must comply with the specific qualification requirements and conditions
22 for a particular sector or industry as set by the appropriate government agency and
23 such other conditions as may be determined.
24

25 SEC. 16. *Amendments*. – Subject to publication requirements and the criteria for
26 investment priority determination, the Board may, at any time, include additional areas in the
27 IPP, alter any of the terms of the declaration of an investment area, and temporarily or
28 permanently suspend activities on the IPP if it considers that such activity is no longer a priority.
29 In no case, however, shall any amendment of the IPP impair the incentives conferred on a
30 registered enterprise. The Board shall not accept applications in an area of investment prior to
31 the approval of the same as a preferred area or after approval of its deletion as a preferred area of
32 investment in the IPP.
33

34 SEC. 17. *Publication*. – Upon approval of the IPP, in whole or in part, or upon approval
35 of an amendment thereof, the IPP or the amendment, specifying and declaring the areas of
36 investment shall be published in at least one (1) newspaper of general circulation and all such
37 areas shall be open for application until publication of an amendment or deletion thereof.
38

39 SEC. 18. *Strategic Projects*. – The President, upon recommendation of the Board, may
40 allow registration of a strategic project that may not be listed in the IPP, but will locate in the
41 country as a result of stiff competition with other countries.
42

43 A strategic project is a project that exhibits high social economic returns and requires
44 large investments that will significantly contribute to the country's economic development. In
45 the exercise of this authority, any three (3) of the following criteria shall be taken into account:
46 (1) large capital investments; (2) generate sizeable employment; (3) use of new and
47 internationally accepted high level of technology; and (4) create value-added.
48
49

1 Notwithstanding the preceding paragraphs of this Section or any law to the contrary, a
2 project which shall lead to significant improvements in productivity and value-added and that
3 will (a) produce or manufacture new, emerging and technologically advanced product, or (b)
4 involve breakthrough process innovation, or (c) involve new and innovative service; and projects
5 under the flagship program of the government such as projects under the Public-Private
6 Partnership (PPP) program shall also be deemed as "strategic project".
7
8

9 CHAPTER II

10 INCENTIVES TO REGISTERED ENTERPRISES

11
12 SEC. 19. *General Incentive Provision.*- The incentives provided in this Act may be
13 availed of by the registered enterprise to the extent of their registered activity upon election at the
14 time of application for registration; *Provided, That,* such election, once made, shall be final;
15 *Provided, further,* That the reckoning period for availment of incentives shall be at the start of
16 commercial operation.
17
18

19
20 SEC. 20. *Incentives to Registered Export Enterprises.* - Registered Export Enterprises
21 shall have the following incentives;
22

23 *a. Income tax-based incentive options for registered export enterprises located inside or*
24 *outside ecozones or free ports. -*

- 25
26 1) Income Tax Holiday (ITH) for a period of six years (6) years and thereafter, five
27 percent (5%) tax on Gross Income Earned (GIE), in lieu of all national and local
28 taxes except real property tax (RPT) on land owned by private developers, for a
29 period of nineteen (19) years; or
30
31 2) Five Percent (5%) Tax on GIE, in lieu of all national and local taxes except RPT
32 on land owned by private developers, for a period of twenty five years (25) years;
33 or
34
35 3) Fifty Percent (50%) reduction from corporate income tax for a period of twenty-
36 five (25) years.
37

38 The registered export enterprise shall avail 100% of any of these income-tax
39 based incentives; *Provided, That,* the 70% export requirement is reached; *Provided,*
40 *further,* That failure to meet the 70% threshold, the registered export enterprise may
41 only be entitled thereto to the extent of the export sales generated provided that it is
42 not less than 30%, otherwise, all of its income shall be subject to the relevant internal
43 revenue taxes under the National Internal Revenue Code of 1997, as amended;
44 *Provided, finally,* That the registered export enterprise shall pay taxes and duties on
45 importation of raw materials used for domestic sales.
46

47 *b. Value-added Tax (VAT) and Customs Duty Treatment on Importation of Capital*
48 *Equipment and Raw Materials.*
49

1) Located Inside an Economic Zone and/or Freeport Zones

- i. Exemption from VAT and customs duty on importation of capital equipment, including consignment thereof subject to Section 32 of this Act;
- ii. Exemption from VAT and customs duty on importation of raw materials, supplies, spare parts and semi-finished products used exclusively by the registered export enterprise in its registered activity;

2) Located Outside Economic and/or Freeport Zones

- i. Exemption from VAT and customs duty on importation of capital equipment, including consignment thereof subject to Section 32 of this Act.
 - ii. Exemption from VAT and customs duty on importation of raw materials, supplies, spare parts and semi-finished products used exclusively by the registered export enterprise in its registered activity provided that such registered export enterprise is operating a Customs Bonded Manufacturing Warehouse (CBMW) or is an accredited user of a Customs Common Bonded Manufacturing Warehouse (CCBMW).
 - iii. Refund of VAT and customs duty on importation of raw materials, supplies, spare parts and semi-finished products used exclusively by the registered export enterprise in its registered activity if the registered export enterprise is not operating a CBMW or is not an accredited user of a CCBMW.
- c. *Tax and Duty Free Importation of Source Documents.* – The importation of source documents by registered export enterprises shall be eligible for VAT and customs duty exemption. The tax incentive may be granted to the registered export enterprise for a period of ten (10) years
- d. *Zero Percent (0%) Rate of VAT on the Sale by a Domestic Enterprise to a Registered Export Enterprise.* – The provisions of law to the contrary notwithstanding, the sale by a domestic enterprise of goods and/or services to a registered export enterprise, regardless of the latter's location and whether enjoying the ITH, the Reduced Income Tax or the five percent (5%) tax on GIE shall be subject to zero percent (0%) VAT rate: *Provided,* That such goods and/or services are required by registered export enterprise's activity.
- e. *Exemption from Wharfage Dues.* – The provisions of law to the contrary notwithstanding, exports by a registered export enterprise shall be exempted from wharfage dues and export taxes.
- f. *Employment of Foreign Nationals.* – Subject to the provisions of Commonwealth Act No. 613, as amended, a registered export enterprise may employ foreign nationals in managerial, technical or advisory positions.

1 Foreign nationals under employment contract within the purview of this
2 incentive, their spouses and unmarried children under twenty-one (21) years of age,
3 who are not excluded by Section 29 of Commonwealth Act No. 613, as amended,
4 shall be permitted to enter and reside in the Philippines during the period of
5 employment of such foreign nationals.
6

7 Notwithstanding any provision of the law to the contrary, foreign nationals,
8 subject to the following conditions, may be allowed the practice of profession inside
9 an ecozone:
10

- 11 1) The foreign national shall secure the required permit from the Professional
12 Regulatory Commission to practice his profession;
13
- 14 2) The law of the country of that foreign national allows genuine reciprocity for
15 Filipinos to practice their profession thereto;
16
- 17 3) There is no competent, able and willing Filipino at the time of application to
18 perform the profession for which the foreign national is desired;
19
- 20 4) The foreign national shall train two Filipino understudies;
21
- 22 5) The ratio of foreign nationals vis-a-vis Filipinos practicing the same profession in
23 a registered enterprise shall not exceed 1:5 and shall not in any case exceed 5% of
24 the total workforce of the said registered enterprise;
25
- 26 6) The foreign national meets the conditions set forth under Section 28 (b), (c) and
27 (d) of this Act; and
28
- 29 7) The practice of profession of the foreign national in the Philippines shall not
30 exceed a total of five years extendible for a limited period as determined by the
31 Board.
32

33
34 **SEC. 21. Tax Treatment and Other Incentives for Registered Enterprises in Ecozones and**
35 **Freeport Zones.** – In addition to the applicable incentives provided under the preceding section
36 on export incentives, registered enterprises locating in the Special Economic Zones and Freeport
37 Zones shall be entitled to the following incentives:
38

39 **a. Tax Treatment of Merchandise in Ecozones or Freeports.** –
40

- 41 1) Except as otherwise provided in this Act, foreign and domestic merchandise, raw
42 materials, supplies, articles, equipment, machineries, spare parts and wares of
43 every description, except those prohibited by law, brought into the ecozones or
44 freeports to be sold, stored, broken up, repacked, assembled, installed, sorted,
45 cleaned, graded, or otherwise processed, manufactured, mixed with foreign or
46 domestic merchandise whether directly or indirectly related in such activity, shall
47 not be subject to customs and internal revenue laws and regulations nor to local
48 tax ordinances, the provisions of law to the contrary notwithstanding.
49

- 1 2) Merchandise purchased by a registered enterprise located in the ecozones or
2 freeports from the customs territory, and subsequently brought into the ecozones
3 or freeports, shall be considered as export sales and exportation thereof shall be
4 entitled to the benefits allowed by law for such transaction.
5
- 6 3) Merchandise sent from the ecozones or freeports to the customs territory shall,
7 whether or not combined with or made part of other articles likewise of local
8 origin or manufactured in the Philippines while in the ecozones or freeports, be
9 subject to internal revenue and customs laws of the Philippines as domestic goods
10 sold, transferred or disposed of for local consumption. If the finished goods have
11 imported components, the duties shall be based on the value of said imported
12 materials, except when the final product is exempt.
13
- 14 4) Qualified merchandise or articles manufactured by registered ecozone or freeport
15 locators, which are made available for sale in the domestic market shall be
16 imposed the applicable ASEAN Common Effective Preferential Tariff (CEPT)
17 rate, if qualified, or applicable tariff rates under bilateral or regional trade
18 agreements, if qualified, or Most Favoured Nation (MFN) rate on imported raw
19 materials and MFN rates on non-qualified raw materials used in the manufacture
20 of the qualified merchandise or articles. In case of bilateral agreements, the
21 applicable rate shall be the agreed rate.
22
- 23 5) Domestic merchandise on which all internal revenue taxes have been paid, if
24 subject thereto, and foreign merchandise previously imported on which duty or
25 tax has been paid, or which have been admitted free of duty and tax, may be taken
26 into the ecozones or freeports from the customs territory of the Philippines and be
27 brought back thereto free of quotas, duty or tax.
28
- 29 6) Subject to such regulations respecting identity and safeguarding of the revenue as
30 the concerned IPA may deem necessary when the identity of an article entered
31 into the ecozones or freeports under the immediately preceding paragraph has
32 been lost, such article when removed from the ecozones or freeports and taken to
33 the customs territory shall be treated as foreign merchandise entering the country
34 for the first time, under the provisions of the Tariff and Customs Code of the
35 Philippines, as amended.
36
- 37 7) Articles produced or manufactured in the ecozones or freeports and exported
38 therefrom shall, on subsequent importation into the customs territory, be subject
39 to the import laws applicable to like articles manufactured in a foreign country.
40
- 41 8) Articles regulated by law for sale to the domestic market shall only be allowed to
42 be used or consumed within the ecozones or freeports.
43
- 44 9) Unless the contrary is shown, merchandise taken out of the ecozones or freeports
45 shall be considered, for tax purposes, to have been sent to customs territory.
46
47
48
49

1 Special Economic Zones declared by presidential proclamations or created
2 by law may avail of the incentives provided herein as conferred by the appropriate
3 IPA subject to such terms and conditions as may be provided by law.
4

5 b. *Tax Treatment of Services in the Ecozones or Freeports.* –
6

- 7 1) Sale of service by an entity from the customs territory to a registered ecozone or
8 freeport enterprise or by a registered ecozone or freeport enterprise to another
9 ecozone or freeport enterprise shall be treated as indirect export, and hence, shall
10 not be subjected to internal revenue taxes for such transaction.
11
12 2) Sale of service by a registered ecozone or freeport enterprise to the customs
13 territory shall be subject to the applicable internal revenue laws and regulations.
14

15 SEC. 22. *Incentives for Registered Domestic Enterprises.* – Registered domestic
16 enterprises shall be qualified to the following incentives to the extent of their registered activity:
17

18 a. *Income tax-based incentive options:*
19

- 20 1) Income Tax Holiday (ITH) for a period of four (4) years; then ten percent (10%)
21 Corporate Income Tax (CIT) rate for ten (10) years if located in 1st to 3rd class
22 municipalities; twelve 12 years if located in 4th to 6th class municipalities; or
23
24 2) Fifty Percent (50%) reduction from corporate income tax for a period of fifteen
25 (15) years;
26

27 b. *Value-added Tax (VAT) and Customs Duty Treatment on Importation of Capital
28 Equipment:*
29

- 30 1) Exemption from customs duty on importation of capital equipment, including
31 consignment subject to Section 32 of this Act; and
32
33 2) Refund of VAT on importation of capital equipment.
34

35 c. *Preferential Access to Financing and Acceptable Form of Collaterals.* – Registered
36 Small and Medium Enterprises (SMEs), shall be accorded access to financing from
37 government financial institutions at preferential rates below the market rates. Further,
38 capital goods acquired from loans secured from government financial institutions
39 shall be an acceptable form of collateral for the same loan.
40

41 d. *Assistance in the Preparation of Project Study.* – Registered SMEs may be provided
42 assistance in the preparation of project study for purposes of registration under this
43 Act.
44

45 e. *Employment of Foreign Nationals.* – Subject to the provisions of Section 24 of
46 Commonwealth Act No. 613, as amended, a registered domestic “strategic” enterprise
47 may employ foreign nationals in managerial, technical or advisory positions.
48
49

1 Foreign nationals under employment contract within the purview of this incentive, their
2 spouses and unmarried children under twenty-one (21) years of age, who are not excluded by
3 Section 29 of Commonwealth Act No. 613, as amended, shall be permitted to enter and reside in
4 the Philippines during the period of employment of such foreign nationals.

5
6 **SEC. 23. Incentives for Domestic "Strategic" Enterprises.** -- Registered domestic
7 enterprises engaged in strategic projects, as defined under Section 18 of this Act may avail of the
8 following incentives, whenever applicable, to the extent of their registered activity:

- 9
10 a. Income Tax Holiday (ITH) for a period of eight (8) years. Thereafter, fifty percent
11 (50%) reduction from corporate income tax for a period of seventeen (17) years.
12
13 b. Value-added Tax (VAT) and Customs Duty Treatment on Importation of Capital
14 Equipment. --
15
16 1) Exemption from customs duty on importation of capital equipment, including
17 consignment thereof subject to Section 32 of this Act; and
18
19 2) Refund of VAT on importation of capital equipment.
20

21 Notwithstanding (a) above, the President, upon recommendation of the Board, may grant
22 to highly strategic projects ITH for a period up to fifteen (15) years and thereafter, five percent
23 (5%) tax on GIE, in lieu of all national and local taxes except RPT on land owned by private
24 developers and such other incentives as may be determined; Provided that, such projects meets
25 all the following criteria:

- 26
27 a. Large capital investments of at least two billion US dollars (USD2 billion);
28 b. Generate sizeable employment of at least ten thousand (10,000) direct employees;
29 c. Use of new and internationally accepted high level of technology; and
30 d. Creation of value-added.
31

32 The amount of capital investment and employment generation shall be reviewed every
33 five (5) years. In no case shall the requirements prescribed above be reduced.
34

35 **SEC. 24. Incentives for Registered Domestic Enterprises in Mindanao and in the Thirty**
36 **Poorest Provinces outside of Mindanao or Less Developed Areas (LDAs).** -- Registered domestic
37 enterprises located in Mindanao, the thirty poorest provinces outside of Mindanao and LDAs,
38 shall have the following incentives:

39
40 a. *Income tax-based incentive options.* -
41

- 42 1) Income Tax Holiday (ITH) for a period of six (6) years; then ten percent (10%)
43 Corporate Income Tax (CIT) rate for nineteen (19) years; or
44
45 2) Five Percent (5%) Tax on Gross Income Earned (GIE) in lieu of all national and
46 local taxes, except RPT on land owned by private developers, for a period of
47 twenty five (25) years;
48
49

b. *Value-added Tax and Customs Duty Treatment on Importation of Capital Equipment.*—

- 1) Exemption from customs duty on importation of capital equipment, including consignment thereof subject to Section 32 of this Act; and
- 2) Refund of VAT on importation of capital equipment

c. *Special Realty Tax Rate on Equipment and Machinery.*— Realty tax rate on civil works, equipment, machinery, and other improvements by a registered enterprises actually and exclusively used shall not exceed one and a half percent (1.5%) of their original cost less accumulated normal depreciation or net book value.

SEC. 25. *Incentives for Private Ecozone and Domestic Industrial Zone Developers.* — Private ecozone and domestic industrial zone developers may avail of the incentives provided in Section 22 of this Act.

SEC. 26. *Incentives for Registered Enterprises in Supply Chain Cities.* - Registered enterprises located in the supply chain cities shall be granted incentives provided under Sections 20 and 21 hereof. A registered enterprise under the supply chain city engaged in manufacturing may subcontract a portion of its manufacturing processes to its affiliated entities outside the Philippines. Moreover, a registered enterprise may book sales in the Philippines which sales include others undertaken partially outside the Philippines by its affiliated entities.

SEC. 27. *Non-fiscal Incentives.* — Registered enterprises shall be entitled to the following non-fiscal incentives:

- a. *Time-bound Processing of Requirement for Doing Business.* — All application for permits, licenses, authorization and other requirements necessary for doing business including application for renewals thereof shall be acted upon by the government agency concerned within ten (10) working days from official acceptance thereof, otherwise, the same shall be considered automatically approved. For this purpose, all government agencies shall be mandated to post in their respective offices, the procedural process, documentation requirements and the imposable fees to be paid to facilitate the processing of the application.
- b. *Simplification of Customs and Internal Revenue Procedures.* — Customs procedures for the importation of equipment, spare parts, raw materials and supplies, exports of processed products by registered enterprises shall be simplified by the BOC.

. The BIR shall simplify internal revenue procedures for the availment of incentives provided herein for registered enterprises.

- c. *Reduction and Harmonization of Documentary Requirements Submitted to Government Agencies.* — The Board shall formulate guidelines for the reduction and harmonization of related documentary requirements submitted to government agencies.

1 d. *Employment of Foreign Nationals.* – Subject to the provisions of Section 25 of
2 Commonwealth Act No. 613, as amended, a registered domestic “strategic” enterprise
3 may employ foreign nationals in managerial, technical or advisory positions.
4

5 Foreign nationals under employment contract within the purview of this incentive,
6 their spouses and unmarried children under twenty-one (21) years of age, who are not
7 excluded by Section 29 of Commonwealth Act No. 613, as amended, shall be
8 permitted to enter and reside in the Philippines during the period of employment of
9 such foreign nationals.
10

11 SEC. 28. *Entitlement to Investor’s Visa by a Foreign National.* – A foreign national who
12 invests an amount of at least US\$150,000, either in cash and/or equipment, in a registered
13 enterprise shall be entitled to an Investor’s Visa: *Provided, That:*
14

- 15 a. He is at least eighteen (18) years of age;
16 b. He has not been convicted of a crime involving moral turpitude;
17 c. He is not afflicted with any loathsome, dangerous or contagious disease; and
18 d. He has not been institutionalized for any mental disorder or disability;
19

20 *Provided, further,* That as a holder of the Investor’s Visa, an alien shall be entitled to
21 reside in the Philippines while his investment subsists. For this purpose, he should submit an
22 annual report, in the form duly prescribed for the purpose, to prove that he has maintained his
23 investments in the country. Should said alien withdraw his investments from the Philippines,
24 then the Investor’s Visa issued to him shall automatically expire.
25

26 The minimum amount for investment provided for under this Act shall be made
27 applicable to visas granted to investors by the BOI, the PEZA, the SBMA, the CDC, the JHMC,
28 the PPMC, and other IPAs that may be created under the law.
29

30 The investment amount heretofore stated shall be subject to a periodic review every three
31 (3) years by the BOI.
32

33 CHAPTER III

34 AVAILMENT OF INCENTIVES

35
36
37
38
39
40 SEC 29. *Income Tax-Based Incentives.* – On availing the income tax-related incentives,
41 the BIR shall require a registered enterprise to secure a Certificate of Eligibility from the
42 appropriate IPA and attach the same to its Income Tax Return (ITR) or Annual Information
43 Return (AIR), whichever is applicable. Thereafter, the registered enterprise shall file its claim
44 with the appropriate IPA for validation. The IPA shall endorse the result of its validation to the
45 BIR after one year from the filing of a claim for ITH by the registered enterprise.
46

47 Failure to secure and attach the certification to the ITR or AIR, and/or file the ITH
48 availment for validation by the appropriate IPA shall cause the forfeiture of the ITH availment
49 for the taxable period.

1 Within six (6) months from the effectivity of this law, the BIR shall review its regulations
2 on the computation of GIE to ensure that only direct costs, or cost of goods sold and/or services
3 rendered, shall be deductible from gross revenues, and recommend stricter rules to the Secretary
4 of Finance if warranted.

5
6 SEC. 30. *Fifty Percent (50%) Reduction from Corporate Income Tax.* - In computing the
7 net taxable income for this incentive, the enterprise may be entitled to deduct the following
8 expenses, in addition to ordinary and necessary business expenses allowed under the National
9 Internal Revenue Code of 1997 (NIRC of 1997), as amended:

- 10
11 a. *Enhanced Net Operating Loss Carry-over (NOLCO)* - The net operating loss of the
12 registered activity during the first five (5) years from the start of commercial
13 operation which had not been previously offset as deduction from gross income may
14 be carried over as deduction from gross income for the next five (5) consecutive
15 taxable years immediately following the year of such loss.
- 16
17 b. *Accelerated Depreciation* - Plant, machinery, and equipment that are reasonably
18 needed and actually used for the production and transport of goods and services may
19 be depreciated using a rate not exceeding twice the rate which would have been used
20 had the annual allowance been computed in accordance with the rules and regulations
21 prescribed by the Secretary of Finance and the provisions of the NIRC of 1997, as
22 amended.
- 23
24 c. *Double Deduction for Training Expenses* - Expenses incurred for local training given
25 to employees for the development of skills, identified as necessary by the appropriate
26 government agencies and approved by the concerned IPA, may be claimed as
27 deduction from gross income to the extent of two hundred (200%) percent of the
28 actual amount of expenses incurred: *Provided*, That the training expense shall be
29 deductible on the taxable year the said training expenses were incurred: *Provided*,
30 further, That the concerned IPA shall issue the corresponding certificate of
31 entitlement for its incentive upon filing of an application, otherwise, the training
32 incentive shall be deemed waived.
- 33
34 d. *Double Deduction for Research and Development* - Expenses incurred for research
35 and development conducted in the Philippines relating to the business shall entitle the
36 registered enterprise to a special deduction from taxable income equivalent to two
37 hundred (200%) percent of the total expenses over and above the allowable ordinary
38 and business deductions for said expenses under the NIRC of 1997, as amended,
39 *Provided*, That the expenses for research and development shall be deductible
40 from gross income on the taxable year the said research and development expenses
41 were incurred, *Provided, further*, That the concerned IPA shall issue the
42 corresponding certificate of entitlement for this incentive upon filing of an
43 application, otherwise, the research and development incentive shall be deemed
44 waived.

45
46 SEC. 31. *Five Percent (5%) Tax on Gross Income Earned (GIE).* In computing the five
47 percent (5%) tax on Gross Income Earned (GIE), GIE shall refer to gross sales or gross revenues
48 derived from the business activity, net of sales discounts, sales returns and allowances and minus
49 cost of goods sold/cost of services or direct costs but before any deduction is made for

1 administrative, marketing, selling expenses or incidental losses during a given taxable period.

2
3 The 5% tax on GIE shall be paid and remitted by registered enterprises located inside the
4 ecozone or freeport in accordance with the existing sharing allocations provided in the IPAs
5 respective charters. For registered enterprises located outside the ecozones or free ports, the tax
6 on GIE shall be paid and remitted as follows:

7
8 2% to the National Government

9 2% to the Province where the project is located

10 1% to the City or Municipality where the project is located

11
12 SEC. 32. *VAT and Customs Duties Exemption on Capital Equipment.*- Importation of
13 capital equipment, including consignment thereof, by registered enterprises may be exempted to
14 the extent of one hundred percent (100%) of the VAT and customs duties provided that the
15 following conditions are complied with:

16
17 a. The capital equipment is directly and/or reasonably needed and will be used
18 exclusively in the registered activity of the registered enterprise unless prior approval
19 of the IPA is secured for the part time utilization of said equipment in a non-
20 registered activity to maximize usage thereof or the proportionate taxes and duties are
21 paid on a specific equipment and machinery being permanently used for non-
22 registered activities; They are not manufactured domestically in sufficient quantity, of
23 comparable quality and at reasonable prices; and

24
25 b. The approval of the IPA was obtained by the registered enterprise for the importation
26 of such machinery, equipment and spare parts.

27
28 Approval of the IPA must be secured before any sale, transfer or disposition of the
29 imported capital equipment is made: *Provided, That*, if such sale, transfer or disposition is made
30 within the first five (5) years from date of importation, any of the following conditions must be
31 present:

32
33 a. If made to another enterprise enjoying tax and duty exemption on imported capital
34 equipment;

35
36 b. If made to another enterprise, upon payment of any taxes and duties due on the net
37 book value of the capital equipment to be sold;

38
39 c. Exportation of capital equipment, machinery, spare parts or source documents or
40 those required for pollution abatement and control; or

41
42 d. For reasons of proven technical obsolescence.

43
44 When the aforementioned sale, transfer or disposition is made under any of the conditions
45 provided for in the foregoing paragraphs other than paragraph (ii), the registered export
46 enterprise shall not pay the taxes and duties waived on such items: *Provided, further*, That if the
47 registered enterprise sells, transfers or disposes the aforementioned imported items without prior
48 approval within five (5) years from the date of importation, the registered enterprise and the
49 vendee, transferee, or assignee shall be solidarily liable to pay twice the amount of the

1 tax and duty exemption given it: *Provided, finally*, That even if the sale, transfer or disposition of
2 the capital equipment is approved after five (5) years from the date of importation, the registered
3 enterprise is still liable to pay the taxes and duties based on the net book value of the capital
4 equipment if it has violated any of its registration terms and conditions; otherwise, it shall no
5 longer be subject to the payment of the taxes and duties waived thereon.

6
7 **SEC. 33. *VAT Refund Mechanism on Importation of Capital Equipment and/or raw***
8 ***materials.*** – The VAT paid on imported capital equipment and/or raw materials may be
9 refunded provided that the imported items are used exclusively by the registered enterprise
10 pursuant to its registered activity.

11
12 In order to facilitate the immediate processing, clearance and release of VAT refund as
13 provided in this Act, a Trust Liability Account (TLA) is hereby authorized to be established in
14 the Bureau of Treasury (BTr). All VAT payments pertaining to the importation of registered
15 enterprises of capital equipment or raw materials shall be deposited in the TLA for the purpose
16 of funding valid VAT refund claims. The claims for VAT refund shall be made by the registered
17 enterprise to the DOF – One Stop Shop Tax Credit and Duty Drawback Center (DOF-OSS)
18 which, in turn, will process, approve and release the VAT refund.

19
20 A registered enterprise shall file a claim for VAT refund within one (1) year from the
21 date of actual exportation. All amounts paid but no longer allowed for refund shall immediately
22 accrue to the general fund of the National Government.

23
24 All applications for VAT refund shall be processed and acted upon within thirty (30) days
25 after submission of complete documents. The refund shall be in a form of cash or
26 managers/cashiers check payable to the registered export enterprise.

27
28 In cases of dispute under the VAT refund mechanism provided in this section, the
29 pertinent provisions of the National Internal Revenue Code of 1997, as amended, and the Tariff
30 and Customs Code of the Philippines, as amended, shall apply.

31 32 33 **CHAPTER IV**

34 35 36 **REGISTRATION OF ENTERPRISES**

37
38
39 **SEC. 34. *Qualifications of a Registered Enterprise.*** – To qualify for registration and be
40 entitled to avail of incentives, an applicant must satisfy the following conditions:

- 41
42 a. He is a citizen of the Philippines. In case the applicant is a natural person, or in case
43 of a corporation or partnership or any other association, regardless of nationality, it
44 must be organized and/or registered and existing under Philippine laws and that it
45 must comply with all the qualifications provided under this Act: *Provided, however,*
46 That for purposes of this Act and any law to the contrary notwithstanding, a natural-
47 born ASEAN citizen or a corporation effectively controlled by ASEAN citizens, or a
48 corporation organized in any ASEAN country shall be considered as a Philippine
49 investor: *Provided, further,* That the investment is made in an activity where the

Constitution does not specifically require Filipino participation;

- b. The activity it will engage in is not within the activities reserved by the Constitution to Philippine citizens or corporations owned and controlled by Philippine citizens;
- c. It will engage in an activity included in the IPP or in an export activity or in an activity located in supply chain cities, thirty (30) poorest provinces or LDAs or in an activity considered as "strategic project".
- d. It will infuse new investments. For this purpose "new investments" shall mean a new enterprise infusing new investments and undertaking new activity. However, an enterprise with an existing operation may be qualified for registration if it will undertake new activity. Further, an existing enterprise undertaking the same activity that shall infuse additional investments of at least fifty percent (50%) of its present actual investments shall be deemed to be "new investments" but only to the extent of such additional investments; and
- e. If the applicant is engaged or proposes to engage in undertakings or activities other than the registered projects, it shall install adequate accounting system that shall identify the investments, revenues, costs, and profits or losses of each registered project undertaken by the enterprise separately from the aggregate investment, revenues, costs and profits or losses of the whole enterprise, or establish a separate corporation for each registered project if the IPAs should so require, to facilitate proper implementation of this Act.

CHAPTER V

BASIC RIGHTS AND GUARANTEES OF REGISTERED ENTERPRISES

SEC. 35. *Protection of Investments.* – All investors and registered enterprises are entitled to the basic rights and guarantees provided in the Constitution. Among other rights recognized by the Government of the Philippines are the following:

- a. *Repatriation of Investments.* – In the case of foreign investments, the right to repatriate the entire proceeds of the liquidation of the investment in the currency in which the investment was originally made and at the exchange rate prevailing at the time of repatriation, subject to the provisions of Section 74 of Republic Act No. 265, otherwise known as the "Central Bank Act", as amended.
For investments made pursuant to Executive Order No. 32, series of 1986, entitled "Directing the Establishment of a Program for the Conversion of Philippine External Debt into Equity Investments", and its implementing rules and regulations, the repatriation of investments shall be as provided therein.
- b. *Remittance of Earnings.* – In the case of foreign investments, the right to remit earnings from the investment in the currency in which the investment was originally

made and at the exchange rate prevailing at the time of remittance, subject to the provisions of Section 74 of Republic Act No. 265, as amended. For investments made pursuant to Executive Order No. 32, series of 1986, and its implementing rules and regulations, the remittance of earnings shall be as provided therein.

- c. *Foreign Loans and Contracts.* – The right to remit at the prevailing rate at the time of remittance such sums as may be necessary to meet the payments of interest and principal on foreign loans and foreign obligations arising from technological assistance contracts at the exchange rate prevailing at the time of remittance, subject to the provisions of Section 74 of Republic Act No. 265, as amended.
- d. *Freedom from Expropriation.* – There shall be no expropriation by the government of the property represented by investments or of the property of the enterprise except for public use, public interest, lawful purpose, or in the interest of national welfare or defense and upon payment of just compensation. In such cases, foreign investors or enterprises shall have the right to remit sums received as compensation for the expropriated property in the currency in which the investment was originally made and at the exchange rate at the time of remittance, subject to the provisions of Section 74 of Republic Act No. 265, as amended.
- e. *Requisition of Investment.* – There shall be no requisition of the property represented by the investment or of the property of enterprises, except in the event of war or national emergency and only for the duration thereof. Just compensation shall be determined and paid either at the time of requisition or immediately after cessation of the state of war or national emergency. Payments received as compensation for the requisitioned property may be remitted in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance, subject to the provisions of Section 74 of Republic Act No. 265, as amended.

CHAPTER VI

ADMINISTRATION OF INCENTIVES

SEC. 36. *Application for Registration.* – Applications shall be filed with an IPA or any other government office authorized by the BOI to accept applications, recorded in a registration book and the date appearing therein and stamped on the application shall be considered the date of official acceptance.

All applications and their supporting documents filed under this Act shall be confidential and shall not be disclosed to any person except with the consent of the applicant or upon an order of a court of competent jurisdiction.

SEC. 37. *No Double Registration of Enterprises.* – Export or domestic enterprises shall not be allowed to register their export or domestic activity in more than one (1) IPA. In the event that an enterprise shall transfer to another IPA, only the remaining unutilized incentives shall be granted to the enterprise or the transferee.

1 SEC. 38. *Criteria for Evaluation of Application.* – The following criteria shall be
2 considered in the evaluation of applications for registration under a preferred area:

- 3
4 a. Impact of the project on the overall economy;
5 b. Overall viability of the project;
6 c. The extent of employment generation;
7 d. The extent to which technological advances are applied and adopted to local
8 conditions; and
9 e. Such other criteria as the Board may determine.

10
11 SEC. 39. *Environmental Protection and Corporate Social Responsibility.* – Every
12 registered enterprise shall prepare a Program for Environmental Protection and Corporate Social
13 Responsibility (CSR) covering the period for its entitlement to fiscal incentives. Such Program
14 shall be undertaken on a per registration basis and shall be submitted as an accompanying
15 document to the application for registration to be submitted to the appropriate IPA.

16
17 The environmental program shall include activities such as, but not limited to, requiring
18 registered firms to plant trees.

19
20 For the CSR activities, the registered enterprise shall align such activities with the
21 priority programs and projects of the National Anti-Poverty Commission and other special laws
22 such as Republic Act No. 7942 or the Philippine Mining Act of 1995, as amended and DOE
23 Energy Regulation 1-94.

24
25 The amount spent for the CSR activities shall be reflected in the Notes to the Audited
26 Financial Statements.

27
28 SEC. 40. *Approval and Registration Procedures.* – The IPA is authorized to adopt rules
29 and regulations to facilitate action on applications filed with it; prescribe criteria for the
30 evaluation of applications; devise standard forms for the use of applicants and delegate to the
31 regional offices of the DTT the authority to receive and process applications for enterprises
32 located in their respective regions.

33
34 Applications filed shall be considered automatically approved if not acted upon by the
35 IPA within ten (10) working days from official acceptance thereof. Deferment by the IPA shall
36 be considered as an official action: *Provided, however,* That the IPA may defer action to a
37 specific application not more than twice: *Provided, finally,* That the IPA shall act upon the
38 application within ten (10) working days from compliance with the cause of the last deferment.

39
40 SEC. 41. *Certificate of Registration.* – A registered enterprise under this Act shall be
41 issued a Certificate of Registration under the seal of the IPA and the signature of its Chairperson
42 and/or such other official or officer of the IPA as it may empower and designate for the purpose.
43 The certificate shall be in such form and style as the IPA may determine and shall state, among
44 other matters:

- 45
46 a. The name of the registered enterprise;
47 b. The activity in which the registered enterprise is proposing to engage; and
48 c. The terms and conditions to be observed by the registered enterprise by virtue of the
49 registration.

SEC. 42. Extension of Period of Availment of Incentives. – The availment period of the incentives provided herein may be extended by the concerned IPA in the event that the registered enterprise has suffered operational *force majeure* or losses that have impaired the viability of the registered activity.

SEC. 43. Administration of Incentives. – The BOI, the PEZA and the other IPAs shall be responsible for the administration of incentives granted to their respective registered enterprises.

TITLE IV

FINAL PROVISIONS

SEC. 44. *Vested Right.* – Any provision of law to the contrary notwithstanding, incentives granted to existing registered enterprises pursuant to their certificates of registration, contracts or agreements entered into with government instrumentalities/corporations shall continue to be legally binding in accordance with the terms and conditions stated therein. *Provided, further,* That, the registered enterprise may opt to be governed by the provisions of this Act, *Provided, however,* That, only the remaining unutilized incentives shall be granted to the said enterprise. In such case, said enterprise shall be required to surrender its certificate of registration, which shall be deemed as an express waiver of their privilege to apply for and avail of incentives provided in the incentives law, under which they were previously registered.

SEC. 45. Authority to Retain Funds. – Registered enterprises availing of fiscal incentives, except those located in the thirty (30) poorest provinces or LDAs, shall be assessed with a maximum fee of one percent (1%) of the amount of incentives granted. Said amount shall automatically accrue to the BOI to be allotted for investment promotions activities and other special projects to achieve the objectives of this Act, subject to the usual accounting and auditing rules and procedures.

SEC. 46. Protection of the Environment. – The IPAs, in coordination with the appropriate agencies, shall *take* appropriate steps to enact the proper measures for the protection of the environment, and shall coordinate with the Environmental Management Bureau of the Department of Environment and Natural Resources (EMB-DENR) to avoid undue delay in the issuance of the required Environmental Compliance Certificate (ECC): *Provided, however,* That applications for environmental clearances, permits, and/or licenses of registered enterprises shall be acted upon by the appropriate government agency within thirty (30) days from date of official acceptance. In the event that the appropriate government agency failed to act within the aforementioned date, the application for the said environmental requirement shall be deemed complied with for purposes of operation of the registered activity.

SEC. 47. *Appeals.* — All orders or decisions of the IPA in cases involving the provisions of this Act shall be immediately executory. No appeal from the order or decision of the IPA by the party adversely affected shall stay such order or decision, unless a *supersedeas* bond equivalent to the amount stated in the order or decision is posted by the appellant.

1 All appeals involving cases decided by the IPA, except as provided in the next
2 succeeding paragraph, shall be filed with the Court of Appeals within fifteen (15) days from
3 receipt of notice of the order or decision or of the denial of the appellant's motion for new trial or
4 reconsideration. Within the same period, the aggrieved party may file a motion for
5 reinvestigation or reconsideration. Only one (1) motion for reconsideration shall be allowed,
6 subject to the posting of the aforementioned *supersedeas* bond which shall be limited to cash
7 and/or surety bond from a BOI-accredited bonding company.

8
9 In cases involving the denial of an application for registration, the party adversely
10 affected by such denial may appeal the same to the Office of the President within thirty (30) days
11 from receipt of notice of the order denying the application for registration. Where an appeal has
12 been filed, said order or decision shall be final and executory ninety (90) days after the
13 perfection of the appeal, unless reversed.

14
15 **SEC. 48. *Suspension and Forfeiture of Incentives of Registered Enterprises, Refund and***
16 ***Penalties.*** – When there is probable cause to believe that the registered enterprise has violated its
17 registration terms and conditions, the BOI or the IPA may suspend its availment of incentives,
18 until proven otherwise.

19
20 The BOI or the IPA may impose fines and penalties and/or forfeit the incentives granted
21 to its registered enterprises whenever there are violations of the registration terms and conditions
22 by the latter, without prejudice to the cancellation of the registration of said enterprise.

23
24 In case of cancellation of the Certificate of Registration granted under this Act, the BOI
25 or the IPA may, in appropriate cases, require the refund of incentives availed of and impose
26 corresponding fines and penalties.

27
28 Any enterprise which violates any provision of this Act, its implementing rules and
29 regulations, the terms and conditions of its registration, or of any lawful directive of the BOI or
30 the IPA, shall be subject to a fine not to exceed One million pesos (P1,000,000.00), without
31 prejudice to the disapproval of its application for registration or cancellation of its registration:
32 *Provided*, That any willful commission of fraudulent misrepresentation in its application for
33 registration or submission of reports or gross violation of this Act and its implementing rules and
34 regulations, a fine of at least One million pesos (P1,000,000.00) but not to exceed Ten million
35 pesos (P10,000,000.00) shall be imposed, in addition to other penalties that may be imposed by
36 the BOI or the IPA.

37
38 The IPAs shall prepare a schedule of fines and penalties to be imposed on erring
39 registered enterprises depending on the violation incurred, which may be reduced in exceptional
40 cases.

41
42 Responsible officers of such enterprises, including duly appointed external consultants-
43 agents who knowingly commit, aid or abet the commission of any of the acts mentioned above,
44 shall be subject to a fine of not less than One hundred thousand pesos (P100,000.00) but not
45 more than Three hundred thousand pesos (P300,000.00) without prejudice to disqualification
46 from appearing or doing business with the BOI or any IPA.

Government officers and employees who participate directly or indirectly in the commission of the foregoing acts shall likewise be liable to a fine of not less than One hundred thousand pesos (P100,000.00) but not more than Three hundred thousand pesos (P300,000.00), in addition to any criminal and administrative penalties imposable under the Civil Service Law, Revised Penal Code, Republic Act No. 3019, otherwise known as the "Anti-Graft And Corrupt Practices Act", Republic Act No. 6713, otherwise known as the "Code Of Conduct And Ethical Standards For Public Officials", and other applicable laws.

If the offender is a foreign national, in addition to the imposable fines and penalties above, the foregoing acts shall be grounds for summary deportation.

SEC. 49. *Disposition of Savings from the Implementation of this Act* – The total amount of savings to be generated from the implementation of this Act shall be allocated annually and used exclusively for the provision of scholarships under the CHED.

Such allocations shall be segregated as separate trust funds by the National Treasury and shall be over and above the annual appropriations for similar purposes.

The earmarking provided under this provision shall be observed for ten (10) years starting from the effectivity of this Act.

SEC. 50. *Implementing Rules and Regulations (IRR)* – The BOI in coordination with DOF, NEDA, DBM, PEZA, other IPAs and other concerned government agencies, shall promulgate rules and regulations to implement the intent and provisions of this Act within one hundred twenty (120) days from the effectivity of this Act. Such rules and regulations shall take effect fifteen (15) days following its publication in a newspaper of general circulation in the Philippines.

SEC. 51. *Transitory Provision* – Until the IRR of this Act takes effect, the present rules and regulations under the old investments laws shall apply to the extent that they are not inconsistent with the provisions of this Act.

SEC. 52. *Separability Clause* – The provisions of this Act are hereby declared to be separable and, in the event any of such provisions is declared unconstitutional, the other provisions which are not affected thereby, shall remain in full force and effect.

SEC. 53. *Survivor Clause* – The provisions of this Act to the contrary notwithstanding, the following laws, decrees and orders shall continue to have full force and effect:

- a. Section 18(f) of Presidential Decree No. 66, otherwise known as "Creating the Export Processing Zone Authority and Revising Republic Act No. 5490";
- b. Section 1 of Republic Act No. 9281 entitled, "An Act to Strengthen Agriculture and Fisheries Modernization in the Philippines by Extending the Effectivity of Tax Incentives and its Mandated Funding Support, Amending for this Purpose Sections 109 and 112 of Republic Act No. 8435";

- 1 c. Section 10(1) to (6) of Republic Act No. 7156, otherwise known as "An Act Granting
2 Incentives to Mini-Hydro Electric Power Developers and for other Purposes (Mini-
3 Hydroelectric Incentive Act)";
4
5 d. Sections 10, 16(a), (b) and (c) and Section 17(a) to (e) of Presidential Decree No.
6 972, as amended by Presidential Decree No. 1174, otherwise known as
7 "Promulgating an Act to Promote an Accelerated Exploration, Development,
8 Exploitation, Production and Utilization of Coal";
9
10 e. Section 12 of Presidential Decree No. 87, otherwise known as "An Act to Promote
11 the Discovery and Production of Indigenous Petroleum, and Appropriating Funds
12 Therefor";
13
14 f. Section 4 (a) and (d) of Presidential Decree No. 1442, as restored by FIRB Resolution
15 19-87, otherwise known as "An Act to Promote the Exploration and Development of
16 Geothermal Resources";
17
18 g. Chapter II, Section 4(A), (B), (C) and (D); and Chapter VIII, Section 19(A), (B) and
19 (C) of Republic Act No. 9295, Entitled "An Act Promoting the Development of
20 Philippine Domestic Shipping, Shipbuilding, Ship repair and Ship Breaking,
21 Ordaining Reforms in Government Policies Towards Shipping in the Philippines and
22 for other Purposes"; and
23
24 h. Republic Act No. 7903, otherwise known as the "Zamboanga City Special Economic
25 Zone Act of 1995," Republic Act No. 7922, otherwise known as the "Cagayan
26 Special Economic Zone Act of 1995," Republic Act No. 9490, otherwise known as
27 the "Aurora Special Economic Zone Act of 2007," and Republic Act No. 9728,
28 otherwise known as the "Freeport Area of Bataan Act of 2009".
29

30 *Provided, That grantees or operators under their respective laws, decrees and orders shall*
31 *have the option to avail of the incentives provided under this Act.*
32

33 **SEC. 54. *Repealing Clause.*** – The following provisions are hereby repealed:
34

- 35 a. Books I, V and VI of Executive Order No. 226, series of 1987, otherwise known as
36 "The Omnibus Investments Code of 1987";
37 b. Section 24 of Republic Act No. 7916, otherwise known as "An Act Providing for the
38 Legal Framework and Mechanisms for the Creation, Operation, Administration and
39 Coordination of Special Economic Zones in the Philippines, Creating for the Purpose
40 the Philippine Economic Zone Authority (PEZA), and for other Purposes (Special
41 Economic Zone Act of 1995)";
42 c. Section 17(1), (2), (3), (4), (5), (6), (7), (8) and Section 18 (a), (b) and (c) of
43 Presidential Decree No. 66, otherwise known as "Creating the Export Processing
44 Zone Authority and Revising Republic Act No. 5490";
45 d. Fourth paragraph of Presidential Decree No. 529 (restored by FIRB Resolution 19-
46 87), otherwise known as "Granting to Petroleum Exploration Concessionaires under
47 the Petroleum Act of 1949 Exemption from Customs Duty and Compensating Tax on
48 Importations of Machinery and Equipment, Spare Parts and Materials Required for
49 Their Exploration Operations";

- e. Sections 8, 9 and the second sentence of the first paragraph and second paragraph of Section 10 of Presidential Decree No. 538, otherwise known as "Creating and Establishing the PHIVIDEC Industrial Authority and Making Its Subsidiary Agency of the Philippine Veterans Investment Development Corporation Defining Its Powers, Functions and Responsibilities, and for Other Purposes";
- f. Section 36(e) and (f) (1) and (2) of Presidential Decree No. 705, otherwise known as the "Revised Forestry Code";
- g. Section 16 (c) and (d), and Section 17 of Republic Act No. 7844, otherwise known as "An Act to Develop Exports as a Key Towards the Achievement of the National Goals Towards the Year 2000 (Export Development Act of 1994)";
- h. Chapter XVI, Sections 90, 92, 93(a) and (b) of Republic Act No. 7942, otherwise known as the "Philippine Mining Act of 1995";
- i. Section 9 of Republic Act No. 8479, otherwise known as the "Downstream Oil Deregulation Act of 1998";
- j. Chapter II, Article II, Section 35(b), (c) and (d) of Republic Act No. 8550, otherwise known as "The Philippine Fisheries Code of 1998";
- k. Section 5 of Proclamation No. 216, otherwise known as "Creating and Designating the Area Covered by the Former Wallace Air Station and Contiguous Areas in Poro Point as the Poro Point Special Economic and Freeport Zone and Transferring Lands to the Bases Conversion Development Authority pursuant to Republic Act No. 7227"; Section 6 of Proclamation No. 984, otherwise known as "Creating and Designating the Municipality of Morong, Province of Bataan, including the Area of Philippine Refugee Processing Center Complex (PRPCC) as the Morong Special Economic Zone pursuant to Republic Act No. 7227 and transferring the land comprising the PRPCC to the Bases Conversion Development Authority (BCDA)";
- l. Executive Order No. 528, series of 2006, Amending Executive Order No. 31, series of 2004, "Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories Imported by BOI-registered new and Expanding Enterprises";
- m. Section 1 of Executive Order No. 619, otherwise known as "Creating and Designating Special Economic Zones Pursuant to Republic Act No. 7916, as Amended by Republic Act No. 8784, in Relation to Republic Act No. 7227, as Amended by Republic Act No. 9400, Inside the Clark Freeport Zone"; and
- n. All other laws, acts, decrees, orders and issuances or provisions thereof inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly.

SEC. 55. *Effectivity.* – This Act shall take effect fifteen (15) days following its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Fifteenth Congress
First Regular Session

**MINUTES OF THE MEETING OF THE COMMITTEE ON WAYS AND MEANS
HELD ON MAY 24, 2011, 9:30 A.M., ROLANDO ANDAYA HALL, HOUSE OF
REPRESENTATIVES, QUEZON CITY**

I. GUESTS/RESOURCE PERSONS

1. Exec. Dir. Dante Sy	DOF-NTRC
2. Minam Tabarara	DOF
3. Exec. Director Lucita Reyes	BOI
4. Atty. Elyjean Portoja	BOI
5. Atty. Madel Almazora	BOI
6. Atty. Juanito Balbastro	BIR
7. Atty. Heli Tiu	BIR
8. Atty. Robert Bernardo	BIR
9. Ms. Concepcion Simeon	DTI
10. Elmer S. Lucero	EDC
11. Atty. Ruel Cabigting	BCDA
12. Mr. Jon Policarpio	BCDA
13. Mgr. Ronnie Yambao	SBMA
14. Sr. Dep. Admin. Stefani Saño	SBMA
15. Atty. Ruel John Kabigting	SBMA
16. Ms. Levy Vivente	SBMA
17. Atty. Jules Riego	AmCham
18. Ms. Fleur-de-lis Nadura	AmCham
19. Mr. Charlie Gorayeb	CREBA
20. Mr. Oscar Barrera	Philexport
21. Ms. Flordeliza Leong	Philexport

II. CALL TO ORDER

Chairman Hermilando I. Mandanas called the meeting to order at 9:52 a.m. Upon motion of Rep. George P. Amaiz, duly seconded by Rep. Jany P. Treñas, the roll call was dispensed with. The reading of the Minutes of the meeting dated May 17, 2011 was dispensed with and the same was approved upon motion of Rep. Susana A. Yap. The Chairman acknowledged the presence of the Committee Members, guests and resource persons, and then proceeded with the deliberation of the legislative measures in the Agenda.

II. REFERRAL TO THE SUB-COMMITTEES FOR *MOTU PROPRIO* INVESTIGATION OF REVENUE PERFORMANCE AND OTHER TAX RELATED ISSUES:

Chairman Mandanas enjoined the various subcommittees of the Committee on Ways and Means to conduct public hearings in aid of legislation on the Land Transportation Office (LTO), Land Registration Authority (LRA), Bureau of Immigration (BI), Department of Finance- Bureau of Treasury (DOF-BoT), Department of Foreign Affairs (DFA), Overseas Workers Welfare Authority (OWWA), Philippine Overseas Employment Administration (POEA), Philippine Amusement and Gaming Corporation (PAGCOR), the Postal Corporation, Philippine Commission on Good Government (PCGG) and the Coco levy fund, Value-Added Tax (VAT) of local government units (LGUs), the alleged smuggling of petroleum products, and other anti-smuggling measures. The matter of Common Carriers Tax and the Real Estate Insurance Trust (REIT) will however be discussed in the Joint Congressional Oversight Committee (JCOC), in its forthcoming meeting.

III. APPROVAL OF THE SUBSTITUTE BILL TO :

- 1.) HOUSE BILL NOS. 938: The Investments And Incentives Code Of The Philippines (Rep. Susan A. Yap);
- 2.) HB 3162: An Act Rationalizing The Grant And Administration Of Fiscal And Non-Fiscal Incentives, And For Other Purposes (Rep. Gloria Macapagal-Arroyo);
- 3.) HB 4152: An Act Rationalizing The Grant And Administration Of Fiscal Incentives For The Promotion Of Incentives And Growth And For Other Purposes (Rep. Feliciano Belmonte, Jr.);
- 4.) HB 4402: An Act Creating The Investments And Incentives Code Of The Philippines (Rep. Albert S. Garcia)

Chairman Mandanas informed the body that the Committee had prepared a substitute bill to House Bill No. 938 by Rep. Yap which is a re-filed version of the 14th Congress approved Fiscal Incentives Bill; HB 3162 of Rep. Macapagal-Arroyo; HB 4152 of Speaker Belmonte and HB 4402 of Rep. Garcia. He highlighted some features of the measures which include: enhanced incentives for exporters, rationalized income tax holiday (ITH), the number of years of effectivity of the ITH, Board of Investments (BOI) as the incentives giving body, among other features of the four measures.

Executive Director Lucita Reyes of BOI presented a power-point presentation: "Cost Benefit Comparison Of Income Tax Holiday And Benefits Generated For The Period 2004 To 2007". She expounded that the study they are presenting compares the incentives granted by BOI-registered enterprises particularly on the ITH versus the benefits the incentives will generate, employment opportunities, foreign currency revenues, tax revenues generated from the export enterprises, with the end in view of determining if such incentives will produce worthwhile returns for the country. She enumerated four factors in the Cost Benefit Analysis the BOI conducted: 1.) Investment- total working

capital, capital expenditures, pre-operating expenses and other assets of registered projects; 2.) Labor Generated-employment figures as reported by the firms based on their latest ITH; 3.) Export Sales- aggregate foreign-denominated sales or export oriented enterprises during their ITH availment periods; 4.) Taxes and Licenses Paid- total actual taxes and licenses excluding withholding tax paid by the firms (composed mainly of taxes paid to local government) during their ITH availments. She informed the body that the study was conducted using data on the actual amounts of ITH granted for the period 2004 to 2007. The enterprises were separated by market orientation, whether export or domestic-oriented, and aggregated by industry type. The firms were further grouped into three: Projects registered under E.O. 226; Infrastructure projects; Projects registered under the mandatory inclusions. With the following listed firms: Registered- 487; Number of Projects- 582; ITH granted Php 62.9 Billion; Investments- Php 810.34 Billion; Labor generated- 203,760; Taxes & Licenses- Php 9.34 Billion; Export Sales: USD 16.48 Billion and Php 906.19 Billion, there is approximately Php 12.88 worth of investments per Php 1.00 of ITH. Around 15 % of the total ITH is paid by availors as taxes and licenses during their respective availment periods. The taxes and licenses do not factor in the withholding taxes due on the salaries and wages paid to the employees by the BOT-registered enterprises, which would further reduce the revenue foregone by the Government. She added that the amount of export revenues generated by the ITH availors also far exceed the total amount of ITH that has been granted, equivalent approximately to Php 14.41 export sales per Php 1.00 of ITH. Insofar as projects are concerned, projects entitled to ITH: 761 in 2006; 887 in 2007, whereas projects that availed of ITH are 300 in 2006 and 354 in 2007. Comparing across categories, the bulk of the total ITH granted was availed by Infrastructure Projects at 74 %, power generating plants at 55 % which are necessary to support continued growth and development. She expounded that the bulk of investments are composed of infrastructure projects at 81 %, BOT projects at 42 % of total investments. The ratio is Php 14.04 of investment per Php 1.00 of incentive, a large gain with relatively small trade-offs considering the necessity of such projects and the inability of the National Government to undertake them. In the data for labor generation, the Printing and Publishing sector was not considered since there is only 1 firm in the said sector covered by the study. The highest ITH availment in the power generation sector include Team Sual Corporation at (Php 4.9 Billion, San Roque Power Corp. at Php 4.62 Billion and the CE Casacan Water and Energy at Php 4.40 Billion. BOT projects that registered the highest investments are Maynilad Water Services, Inc. at Php 180 Billion; Manila Water Company at Php 85.2 Billion and Manila North Tollways at Php 33.25 Billion. In the area employment generation, IT and BOP firms with the highest employment generation are Sykes Asia at Php 10,433 Billion Telus International Phils. at Php 6,799 Billion and Advanced Contact Solutions at Php 5,982 Billion.

Atty. Tammy Lipana of Philippine Chamber of Commerce and Industry (PCCI), informed the body that the PCCI finds the version of Rep. Yap acceptable, and that in the Senate, it is the version of Senator Villar that they agree with.

Mr. Oscar Barrera of Philexport, likewise informed the Committee that they are also in favor of the version of Rep. Yap and Rep. Garcia. They also requested if a provision that would give to new entrants, the incentive of getting a refund on their tax credit right-away. Chairman Mandanas responded that the Implementing Rules and Regulations (IRR) will take care of that because at this time, the Committee is not changing the definition of "exporters". He added that he was also for tempering the incentives in view of the DOFs concern on how to curb the revenue deficit. Further, that incentives already given will not be taken back.

Upon request for his comments, Exec. Dir. Dante Sy manifested that they are in agreement the BOI, in giving incentives to exporters, investments in strategic and in least developed areas (LDAs). DOF is however not amenable to giving incentives to domestic enterprises, because they are not globally competitive for exports, while on the otherhand, they have the advantage of being exposed in the local market, depending on their location. He added that DOF was not amenable to giving IT to housing projects, and to the power sector because despite the incentives, power rates are still high. He however stated that the DOF will submit its comments and specific proposed amendments to the said substitute bill.

The representative of the Joint Foreign Chambers, Atty. Yzrael Pineda, made the observation that while foreign owned companies have an export threshold of 70%, domestic corporations have a lower threshold of 50%, and that if these thresholds are breached, only then will these locators be entitled to the full incentives, otherwise, the entire export sales will be subject to corporate income tax. In the case of PEZA, it is only the excess, that is subject to corporate income tax. Dir. Sy agreed with this observation, stating that BIR has difficulty in delineating between local and foreign firms and therefore, the proposal was to tax the entire income and not only the excess.

Exec. Dir. Reyes, however informed the body that it is precisely the reason for the need to rationalize the parameters, making the threshold 70 % for both foreign and domestic enterprises. If they hurdle the said threshold, then these firms are entitled to the full tax incentives. Upon query by the Chairman, if the Joint Foreign Chambers has any comment on the threshold of 70 % which would therefore entitle the investor to the same tax incentive on the balance of the 30% domestic sales.

Rep. Rufus B. Rodriguez, manifested an amendment to the Section 25 of the substitute bill to read as follows: "xxx Section 25. *Incentives for Registered Domestic Enterprises in Mindanao and in the Thirty Poorest Provinces outside of Mindanao or Less Developed Areas (LDAs).* – Registered domestic enterprises located in LDAs shall have the following incentives: xxx". He explained that granting such incentives to Mindanao will give it a chance to succeed. He noted that while ten percent out of the thirty percent of the budget for tax administration, Mindanao is able to contribute to the Government twenty percent of its resources. Hence, there is a need to take effective action and make Mindanao an investments destination. Upon clarification by the Chairman, Rep. Rodriguez

informed the body that it will be the entire Mindanao, regardless of whether there are poor or rich provinces in the region.

Rep. Roman T. Romulo inquired from Rep. Rodriguez if the amendment is the best way that Mindanao can be propelled towards economic development? Chairman Mandanas commended the passion of Rep. Rodriguez in pushing for Mindanao's welfare, but agreed that the observation raised by Rep. Romulo was a good point, because there may be other ways in which to help Mindanao, through other laws. He opined that the Code that is being drafted is to have a framework that will harmonize all investments incentives. Rep. Rodriguez opined that perhaps, there could be other incentives that will benefit Mindanao.

Rep. Deogracias B. Ramos inquired from the body if it would also be possible to give the same incentives to the Bicol Region. He then inquired as to what was the basis for determining the 30 poorest provinces, to which Rep. Rodriguez replied that it was the National Statistics and Coordination Board (NSCB), that conducts a census every 3 years and thereafter declares the official list of the 30 poorest provinces in the country. Rep. Tomas V. Apacible also inquired if the proposed amendment of Rep. Rodriguez would cover the entire of Mindanao? Rep. George P. Amaiz on the other hand suggested that an additional section on Mindanao be added to the substitute bill. Chairman Mandanas then clarified that the substitute bill at hand was on the rationalization of fiscal incentives and that the focus of amendments should be to harmonize all such incentives. He opined that if there is a need to additionally amend the substitute bill, the same can be done at plenary. Thereafter, upon motion of Rep. Rodriguez, the substitute bill, with amendments to Sec. 25 and committee amendments subject to style, was approved by the body.

IV. ADJOURNMENT

There being no other matters to discuss, Chairman Mandanas adjourned the meeting at 11:20 a.m.

I hereby certify to the correctness and accuracy of the foregoing minutes.

(SGD.) MAURICIO R. PULHIN
Legislative Committee Secretary

Noted by:

(SGD.) HERMILANDO L. MANDANAS
Chairman
Committee on Ways and Means

FACT SHEET

HOUSE BILL NO. **4935**

(In Substitution of House Bill No. 938, 3162, 4152 and 4402)

THE INVESTMENTS AND INCENTIVES CODE OF THE PHILIPPINES

Introduced by REPS. SUSAN A. YAP, GLORIA MACAPAGAL-ARROYO, FELICIANO BELMONTE, JR., NEPTALI M. GONZALES II, ALBERT S. GARCIA, HERMILANDO I. MANDANAS, TOMAS V. APACIBLE AND RUFUS B. RODRIGUEZ

Committee Referral: Committee on Ways and Means

Chairman: HERMILANDO I. MANDANAS

Committee Referral: Committee on Trade and Industry

Chairman: ALBERT S. GARCIA

OBJECTIVES

- To create a uniform policy on the grant of fiscal incentives to investors by consolidating and rationalizing investment priorities.
- To provide a formula that balances the need to attract investments through fiscal incentives, while complying with the requirements of fiscal prudence.
- To establish a framework that will encourage a stable, predictable and enhanced investment regime to spur sustained economic growth and development in the country.

KEY PROVISIONS

1. Mandates the Board of Investments (BOI), together with the Investments Promotion Agencies (IPAs), concerned government agencies and the private sector to formulate the Investment Priorities Plan (IPP).
2. Grants tax incentives granted to the following specific industries and areas of investments:

A. Incentives for Registered Export Enterprises. –

1. Income Tax-Based Incentive Options:

- a. Income Tax Holiday (ITH) for six (6) years and thereafter, five percent (5%) tax on Gross Income Earned (GIE), in lieu of all national and local taxes except real property tax (RPT) on land owned by private developers, for nineteen (19) years; or
- b. Five percent (5%) Tax on GIE, in lieu of all national and local taxes except RPT on land owned by private developers, for twenty-five (25) years; or
- c. Fifty percent (50%) reduction from corporate income tax for a period of twenty-five (25) years.

2. Value-Added Tax (VAT) and Customs Duties:

a. Inside Economic Zones and Freeports:

1. Exemption from VAT and customs duty on importation of capital equipment, and
2. Exemption from VAT and customs duty on importation of raw materials.

b. Outside Economic and/or Freeport Zones

1. Exemption from VAT and customs duty on importation of capital equipment,
2. Exemption from VAT and customs duty on importation of raw materials provided that such registered export enterprise is operating a Customs Bonded Manufacturing Warehouse (CBMW) or an accredited user of A Customs Common Bonded Manufacturing Warehouse (CCBMW), and
3. Refund of VAT and customs duty on importation of raw materials, if not operating a CBMW or is not an accredited user of a CCBMW.

3. Tax and Duty Free Importation of Source Documents

4. Zero Percent (0%) Rate of VAT on the Sale by a Domestic Enterprise to a Registered Export Enterprise

5. Exemption from Wharfage Dues

6. Employment of Foreign Nationals

7. Exemption from Local Taxes and Licenses

B. Incentives for Registered Domestic Enterprises:

1. Income Tax-Based Incentive Options:

- a. Income Tax Holiday (ITH) for a period of four (4) years; then ten percent (10%) Corporate Income Tax (CIT) rate for ten (10) years if located in 1st to 3rd class municipalities; twelve (12) years if located in 4th to 6th class municipalities; or
- b. Fifty Percent (50%) reduction from corporate income tax for a period of fifteen (15) years;

2. VAT and Customs Duty Treatment on Importation of Capital Equipment:

- a. Exemption from customs duty on importation of capital equipment; and
- b. Refund of VAT on importation of capital equipment.

3. Preferential Access to Financing and Acceptable Form of Collaterals

4. Assistance in the Preparation of Project Study

5. Employment of Foreign Nationals

C. Incentives for Domestic "Strategic" Enterprises which exhibit high social economic returns and require large investments:

1. ITH for eight (8) years and then fifty percent (50%) reduction from corporate income tax for seventeen (17) years.
2. VAT and Customs Duty Treatment on Importation of Capital Equipment.
 - a. Exemption from customs duty on importation of capital including consignment thereof, and
 - b. Refund of VAT on importation of capital equipment.

D. Incentives for Registered Domestic Enterprises in Mindanao and in the Thirty (30) Poorest Provinces outside of Mindanao or Less Developed Areas (LDAs):

1. income Tax-Based Incentive Options:

- a. ITH for six (6) years then 10% CIT rate for nineteen (19) years; or
- b. Five Percent (5%) Tax on GIE in lieu of all national and local taxes, except RPT on land owned by private developers for twenty-five (25) years

2. VAT and Customs Duty Treatment on Importation of Capital Equipment:

- a. Exemption from customs duty on importation of capital equipment including consignment, and
- b. Refund of VAT on importation of capital equipment.

E. Special Realty Tax Rate on Equipment and Machinery- A realty tax rate on civil works, equipment and machinery and other improvements by a registered enterprises actually and exclusively used shall not exceed one and half percent (1.5%) of their original cost less accumulated normal depreciation or net book value.

F. Incentives for Registered Enterprises- In Supply Chain Cities-Registered enterprises located in the supply chain cities shall be granted similar incentives to registered export enterprises.

G. Vested Right - Any provision of law to the contrary notwithstanding, incentives granted to existing registered enterprises pursuant to their certificates of registration, contracts or agreements entered into with government instrumentalities/corporations shall continue to be legally binding in accordance with the terms and conditions stated therein. *Provided, further, That, the registered enterprise may opt to be governed by the provisions of this Act, Provided however, That, only the remaining unutilized incentives shall be granted to the said enterprise. In such case, said enterprise shall be required to surrender its certificate of registration, which shall be deemed as an express waiver of their privilege to apply for and avail of incentives provided in the incentives law, under which they were previously registered.*

RELATED LAWS

- a. Executive Order No. 226, series of 1987, otherwise known as "The Omnibus Investments Code of 1987";
- b. Republic Act No. 7916, otherwise known as "An Act Providing for the Legal Framework and Mechanisms for the Creation, Operation, Administration and Coordination of Special Economic Zones in the Philippines, Creating for the Purpose the Philippine Economic Zone Authority (PEZA), and for other Purposes (Special Economic Zone Act of 1995)";
- c. Presidential Decree No. 66, otherwise known as "Creating the Export Processing Zone Authority and Revising Republic Act No. 5490";
- d. Presidential Decree No. 529 (restored by FIRB Resolution 19-87), otherwise known as "Granting to Petroleum Exploration Concessionaires under the Petroleum Act of 1949 Exemption from Customs Duty and Compensating Tax on Importations of Machinery and Equipment, Spare Parts and Materials Required for Their Exploration Operations";
- e. Presidential Decree No. 538, otherwise known as "Creating and Establishing the PHIVIDEC Industrial Authority and Making Its Subsidiary Agency of the Philippine Veterans Investment Development Corporation Defining Its Powers, Functions and Responsibilities, and for Other Purposes";
- f. Presidential Decree No. 705, otherwise known as the "Revised Forestry Code";
- g. Republic Act No. 7844, otherwise known as "An Act to Develop Exports as a Key Towards the Achievement of the National Goals Towards the Year 2000 (Export Development Act of 1994)";
- h. Republic Act No. 7492, otherwise known as the "Philippine Mining Act of 1995";
- i. Republic Act No. 8479, otherwise known as the "Downstream Oil Deregulation Act of 1998";
- j. Republic Act No. 8550, otherwise known as "The Philippine Fisheries Code of 1998";
- k. Proclamation No. 216, otherwise known as "Creating and Designating the Area Covered by the Former Wallace Air Station and Contiguous Areas in Poro Point as the Poro Point Special Economic and Freeport Zone and Transferring Lands to the Bases Conversion Development Authority pursuant to Republic Act No. 7227";
- l. Proclamation No. 984, otherwise known as "Creating and Designating the Municipality of Morong, Province of Bataan, including the Area of Philippine Refugee Processing Center Complex (PRPCC) as the Morong Special Economic Zone pursuant to Republic Act No. 7227 and transferring the land comprising the PRPCC to the Bases Conversion Development Authority (BCDA)";
- m. Executive Order No. 528, series of 2006, Amending Executive Order No. 31, series of 2004, "Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories Imported by BOI-registered new and Expanding Enterprises";
- n. Republic Act No. 7903, otherwise known as "Zamboanga City Special Economic Zone Act of 1995";
- o. Executive Order No. 619, otherwise known as "Creating and Designating Special Economic Zones Pursuant to Republic Act No. 7916, as Amended by Republic Act No. 8784, in Relation to Republic Act No. 7227, as Amended by Republic Act No. 9400, Inside the Clark Freeport Zone";

- p. Republic Act No. 9281 entitled, "An Act to Strengthen Agriculture and Fisheries Modernization in the Philippines by Extending the Effectivity of Tax Incentives and its Mandated Funding Support, Amending for this Purpose Sections 109 and 112 of Republic Act No. 8435";
- q. Republic Act No. 7156, otherwise known as "An Act Granting Incentives to Mini-Hydro Electric Power Developers and for other Purposes (Mini-Hydroelectric Incentive Act)";
- r. Presidential Decree No. 1174, otherwise known as "Promulgating an Act to Promote an Accelerated Exploration, Development, Exploitation, Production and Utilization of Coal";
- s. Presidential Decree No. 87, otherwise known as "An Act to Promote the Discovery and Production of Indigenous Petroleum, and Appropriating Funds Therefor";
- t. Presidential Decree No. 1442, as restored by FIRB Resolution 19-87, otherwise known as "An Act to Promote the Exploration and Development of Geothermal Resources"; and
- u. Republic Act No. 9295, Entitled "An Act Promoting the Development of Philippine Domestic Shipping, Shipbuilding, Ship repair and Ship Breaking, Ordaining Reforms in Government Policies Towards Shipping in the Philippines and for other Purposes"