



Republic of the Philippines
House of Representatives
Quezon City

Seventeenth Congress
Regular Session

HOUSE BILL NO. **7458**



Introduced by Congressmen Dakila Carlo E. Cua,
Raneo E. Abu, and Aurelio D. Gonzales, Jr.

AN ACT AMENDING SECTIONS, 20, 22, 27, 28, 34, 40, 50, 73, 112, 119, 203, 204, 220, 222, 228, 237, 237-A, 248, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 275, 290, 291, 292 AND ADDING SECTIONS 293, 294, 295, 296, 297, 298, 298-A, 299, 300, 301, 302, 303, 304, 305, AND 306 UNDER CHAPTERS I, II, III, IV, V AND VI, ALL UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

Explanatory Note

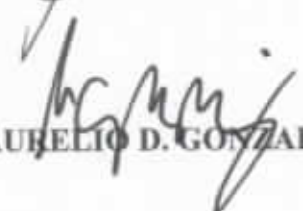
This Bill covers the second package of the Duterte Administration's comprehensive tax reform program. It complements the recently-passed Tax Reform for Acceleration and Inclusion Act. [R.A. No. 10963] by further addressing the inequity in our taxation system.

Specifically, this Bill proposes the lowering of corporate income tax rate, reforming the corporate income tax system, broadening the tax base by modernizing investment tax incentives, removing excessive tax exemptions and privileges given to certain industries, and limiting the grant of tax incentives to strategic industries and lagging regions.

By doing this, we will be able to enhance fairness, improve competitiveness, plug tax leakages, and achieve fiscal sustainability. Thus, the speedy passage of this bill is earnestly sought.


DAKILA CARLO E. CUA


RANEO E. ABU


AURELIO D. GONZALES, JR.

SEVENTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
Second Regular Session

HOUSE OF REPRESENTATIVES

7458

House Bill No. _____

Introduced by Representatives Dakila Carlo E. Cua, Raneo E. Abu,
and Aurelio D. Gonzales, Jr.

AN ACT AMENDING SECTIONS, 20, 22, 27, 28, 34, 40, 50, 73, 112, 119, 203, 204, 220, 222, 228, 237, 237-A, 248, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 275, 290, 291, 292 AND ADDING SECTIONS 293, 294, 295, 296, 297, 298, 298-A, 299, 300, 301, 302, 303, 304, 305, AND 306 UNDER CHAPTERS I, II, III, IV, V AND VI, ALL UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

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

SECTION 1. *Title.* This Act shall be known as the "Corporate Income Tax and Incentives Reform Act."

SEC. 2. A new section shall be inserted as Section 6-A of the National Internal Revenue Code of 1997, as amended, to read as follows:

"SECTION 6-A – POWER OF THE COMMISSIONER TO ISSUE SUBPOENA DUCES TECUM; HOW SERVICE OF SUBPOENA DUCES TECUM IS MADE. – PURSUANT TO SECTION 5 OF THIS CODE, IN CASE THE INFORMATION OR RECORDS REQUESTED ARE NOT FURNISHED WITHIN THE PERIOD PRESCRIBED IN THE WRITTEN NOTICE, OR WHEN THE INFORMATION OR RECORDS SUBMITTED ARE INCOMPLETE, THE COMMISSIONER OR HIS DULY AUTHORIZED REPRESENTATIVE, SHALL ISSUE A SUBPOENA DUCES TECUM STATING THEREIN THE RELEVANT FACTS, SPECIFYING THE PARTICULAR DOCUMENTS OR RECORDS NOT MADE AVAILABLE AND THE TAXPAYER LIABLE OR THE THIRD PARTY/OFFICE CONCERNED.

THE SERVICE OF *SUBPOENA DUCES TECUM* SHALL BE EFFECTED BY THE REVENUE OFFICERS ASSIGNED TO INVESTIGATE THE CASE. HOWEVER, SUCH SERVICE MAY BE MADE BY ANY OTHER INTERNAL REVENUE OFFICER AUTHORIZED FOR THE PURPOSE.

THE *SUBPOENA DUCES TECUM* SHALL BE SERVED THROUGH PERSONAL SERVICE, BUT IF NOT PRACTICABLE, IT SHALL BE SERVED BY SUBSTITUTED SERVICE IN ACCORDANCE WITH THE RULES OF THE COURT.

A CRIMINAL ACTION MAY BE INSTITUTED FOR FAILURE TO OBEY THE *SUBPOENA DUCES TECUM*.

SEC. 3. A new section shall be inserted as Section 6-B of the National Internal Revenue Code of 1997, as amended, to read as follows:

"SECTION 6-B- SERVICE OF LETTER OF AUTHORITY, AND ASSESSMENT NOTICES ISSUED BY THE BUREAU. - THE NOTICE TO THE TAXPAYER HEREIN REQUIRED MAY BE SERVED BY THE COMMISSIONER OR HIS DULY AUTHORIZED REPRESENTATIVE THROUGH PERSONAL SERVICE BY DELIVERING PERSONALLY A COPY THEREOF TO THE PARTY AT HIS REGISTERED OR KNOWN ADDRESS OR WHEREVER HE MAY BE FOUND. A KNOWN ADDRESS SHALL MEAN A PLACE OTHER THAN THE REGISTERED ADDRESS WHERE BUSINESS ACTIVITIES OF THE PARTY ARE CONDUCTED OR HIS PLACE OF RESIDENCE. IN CASE PERSONAL SERVICE IS NOT PRACTICABLE, THE NOTICE SHALL BE SERVED BY SUBSTITUTED SERVICE IN ACCORDANCE WITH THE RULES OF THE COURT.

SEC. 4. Section 20 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 20. Submission of Report and Pertinent Information by the Commissioner. -

(A) xxx

(B) SUBMISSION OF TAX-RELATED INFORMATION TO THE DEPARTMENT OF FINANCE. - THE COMMISSIONER SHALL, UPON THE REQUEST OF THE SECRETARY OF FINANCE SPECIFICALLY IDENTIFYING THE NEEDED INFORMATION AND JUSTIFICATION FOR SUCH REQUEST, FURNISH THE SECRETARY PERTINENT TAXPAYER INFORMATION: *PROVIDED, HOWEVER,* THAT THE SECRETARY AND THE RELEVANT OFFICERS HANDLING SUCH SPECIFIC INFORMATION SHALL BE COVERED BY THE

PROVISIONS OF SECTION 270, UNLESS TAXPAYER CONSENTS IN WRITING TO SUCH DISCLOSURE.

[(B)] **(C) Report to Oversight Committee.** - The Commissioner shall, with reference to Section 204 of this Code, submit to the Oversight Committee referred to in Section 290 hereof, through the Chairmen of the Committee on Ways and Means of the Senate and House of Representatives, a report on the exercise of his powers pursuant to the said Section, every six (6) months of each calendar year."

SEC. 5. Section 22 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"(A) xxx

(B) xxx

(C) xxx

(D) xxx

(E) The term '*nonresident citizen*' means;

(1) A citizen of the Philippines who establishes to the satisfaction of the Commissioner the fact of his physical presence abroad with a definite intention to reside therein.

[(2) A citizen of the Philippines who leaves the Philippines during the taxable year to reside abroad, either as an immigrant or for employment on a permanent basis.]

[(3)] **(2)** A citizen of the Philippines who works and derives income from abroad and whose employment thereat requires him to be physically present [abroad most of the time] **FOR 183 DAYS OR MORE** during the taxable year.

[(4)] **(3)** A citizen who has been previously considered as nonresident citizen and who arrives in the Philippines at any time during the taxable year to reside permanently in the Philippines shall likewise be treated as a nonresident citizen for the taxable year in which he arrives in the Philippines with respect to his income derived from sources abroad until the date of his arrival in the Philippines.

[(5)] **(4)** The taxpayer shall submit proof to the Commissioner to show his intention of leaving the Philippines to reside permanently abroad or to return to and reside in the Philippines as the case may be for purpose of this Section."

SEC. 6. Section 25 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 25. Tax on Nonresident Alien Individual. –

(A) *Nonresident Alien Engaged in Trade or Business Within the Philippines.* –

XXXXXX XXX

(B) *Nonresident Alien Not Engaged in Trade or Business Within the Philippines.* –

XXXXXX XXX

[(C) *Alien Individual Employed by Regional or Area Headquarters and Regional Operating Headquarters of Multinational Companies.* - There shall be levied, collected and paid for each taxable year upon the gross income received by every alien individual employed by regional or area headquarters and regional operating headquarters established in the Philippines by multinational companies as salaries, wages, annuities, compensation, remuneration and other emoluments, such as honoraria and allowances, from such regional or area headquarters and regional operating headquarters, a tax equal to fifteen percent (15%) of such gross income: Provided, however, That the same tax treatment shall apply to Filipinos employed and occupying the same position as those of aliens employed by these multinational companies. For purposes of this Chapter, the term 'multinational company' means a foreign firm or entity engaged in international trade with affiliates or subsidiaries or branch offices in the Asia-Pacific Region and other foreign markets]

[(D) *Alien Individual Employed by Offshore Banking Units.* - There shall be levied, collected and paid for each taxable year upon the gross income received by every alien individual employed by offshore banking units established in the Philippines as salaries, wages, annuities, compensation, remuneration and other emoluments, such as honoraria and allowances, from such offshore banking units, a tax equal to fifteen percent (15%) of such gross income: Provided, however, That the same tax treatment shall apply to Filipinos employed and occupying the same positions as those of aliens employed by these offshore banking units.]

[(E) *Alien Individual Employed by Petroleum Service Contractor and Subcontractor.* - An Alien individual who is a permanent resident of a foreign country but who is employed and assigned in the Philippines by a foreign service contractor or by a foreign service subcontractor engaged in petroleum operations in the Philippines shall be liable to a tax of fifteen percent (15%) of the salaries, wages, annuities, compensation, remuneration and other emoluments, such as honoraria and allowances, received from such contractor or subcontractor:

Provided, however, That the same tax treatment shall apply to a Filipino employed and occupying the same position as an alien employed by petroleum service contractor and subcontractor.]

[Any income earned from all other sources within the Philippines by the alien employees referred to under Subsections (C), (D) and (E) hereof shall be subject to the pertinent income tax, as the case may be, imposed under this Code.]”

SEC. 7. Section 27 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 27. *Rates of Income tax on Domestic Corporations.* –

(A) *In General.* - Except as otherwise provided in this Code, **AN INCOME TAX RATE OF PERCENT (30%)**, is hereby imposed upon the taxable income derived during each taxable year from all sources within and without the Philippines by every corporation, as defined in Section 22(B) of this Code and taxable under this Title as a corporation, organized in, or existing under the laws of the Philippines: [*Provided*, that effective January 1, 2009, the rate of income tax shall be thirty percent (30%).] **PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX SHALL BE REDUCED BY ONE PERCENTAGE POINT EVERY YEAR BEGINNING JANUARY 1, 2019: PROVIDED, FURTHER, THAT THE CORPORATE INCOME TAX RATE SHALL NOT BE LOWER THAN TWENTY PERCENT (20%).**

In the case of corporations adopting the fiscal-year accounting period, the taxable income shall be computed without regard to the specific date when specific sales, purchases and other transactions occur. Their income and expenses for the fiscal year shall be deemed to have been earned and spent equally for each month of the period.

The corporate income tax rate shall be applied on the amount computed by multiplying the number of months covered by the new rate within the fiscal year by the taxable income of the corporation for the period, divided by twelve.

[*Provided, further*, That the President, upon the recommendation of the Secretary of Finance, may effective January 1, 2000, allow corporations the option to be taxed at fifteen percent (15%) of gross income as defined hereinafter the following conditions have been satisfied:

- (1) A tax effort ratio of twenty percent (20%) of Gross National Product (GNP);
- (2) A ratio of forty percent (40%) of income tax collection to total tax revenues;

- (3) A VAT tax effort of four percent (4%) of GNP; and
- (4) A 0.9 percent (0.9%) ratio of the Consolidated Public Sector Financial Position (CPSFP) to GNP.

The option to be taxed based on gross income shall be available only to firms whose ratio of cost of sales to gross sales or receipts from all sources does not exceed fifty-five percent (55%).

The election of the gross income tax option by the corporation shall be irrevocable for three (3) consecutive taxable years during which the corporation is qualified under the scheme.

For purposes of this Section, the term '*gross income*' derived from business shall be equivalent to gross sales less sales returns, discounts and allowances and cost of goods sold. '*Cost of goods sold*' shall include all business expenses directly incurred to produce the merchandise to bring them to their present location and use.

For a trading or merchandising concern, '*cost of goods sold*' shall include the invoice cost of the goods sold, plus import duties, freight in transporting the goods to the place where the goods are actually sold, including insurance while the goods are in transit.]

[For a manufacturing concern, '*cost of goods manufactured and sold*' shall include all costs of production of finished goods, such as raw materials used, direct labor and manufacturing overhead, freight cost, insurance premiums and other costs incurred to bring the raw materials to the factory or warehouse.

In the case of taxpayers engaged in the sale of service, '*gross income*' means gross receipts less sales returns, allowances and discounts.]

[(B) *Proprietary Educational Institutions and Hospitals.*—

Proprietary educational institutions and hospitals which are nonprofit shall pay a tax of ten percent (10%) on their taxable income except those covered by Subsection (D) hereof: *Provided*, that if the gross income from '*unrelated trade, business or other activity*' exceeds fifty percent (50%) of the total gross income derived by such educational institutions or hospitals from all sources, the tax prescribed in Subsection (A) hereof shall be imposed on the entire taxable income. For purposes of this Subsection, the term '*unrelated trade, business or other activity*' means any trade, business or other activity, the conduct of which is not substantially related to the exercise or performance by such educational institution or hospital of its primary purpose or function. A '*proprietary educational institution*' is any private school maintained and administered by

private individuals or groups with an issued permit to operate from the Department of Education, Culture and Sports (DECS), or the Commission on Higher Education (CHED), or the Technical Education and Skills Development Authority (TESDA), as the case may be, in accordance with existing laws and regulations.]

[(C)] **(B)** *Government-owned or -Controlled Corporations, Agencies or Instrumentalities.* - The provisions of existing special or general laws to the contrary notwithstanding, all corporations, agencies, or instrumentalities owned or controlled by the Government, except the Government Service Insurance System (GSIS), the Social Security System (SSS), **AND** the Philippine Health Insurance Corporation (PHIC), [and the local water districts (LWDs)] shall pay such rate of tax upon their taxable income as are imposed by this Section upon corporations or associations engaged in similar business, industry, or activity.

[(D)] **(C)** xxx

[(E)] **(D)** xxx"

SEC. 8. Section 28 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 28. Rates of Income Tax on Foreign Corporations. -

(A) Tax on Resident Foreign Corporations. -

(1) In General. - Except as otherwise provided in this Code, a corporation organized, authorized, or existing under the laws of any foreign country, engaged in trade or business within the Philippines, shall be subject to an income tax equivalent to **THIRTY PERCENT (30%)** [thirty-five percent (35%)] of the taxable income derived in the preceding taxable year from all sources within the Philippines: [*Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).*] **PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX SHALL BE REDUCED BY ONE PERCENTAGE POINT EVERY YEAR BEGINNING JANUARY 1, 2019: PROVIDED, FURTHER, THAT THE CORPORATE INCOME TAX RATE SHALL NOT BE LOWER THAN TWENTY PERCENT (20%).**

In the case of corporations adopting the fiscal-year accounting period, the taxable income shall be computed without regard to the specific date when sales, purchases and other transactions occur. Their income and expenses for the fiscal year shall be deemed to have been earned and spent equally for each month of the period.

The corporate income tax rate shall be applied on the amount computed by multiplying the number of months covered by the new rate within the fiscal year by the taxable income of the corporation for the period, divided by twelve.

[*Provided, however,* That a resident foreign corporation shall be granted the option to be taxed at fifteen percent (15%) on gross income under the same conditions, as provided in Section 27 (A).]

(2) xxx

(3) xxx

[(4) *Offshore Banking Units.* - The provisions of any law to the contrary notwithstanding, income derived by offshore banking units authorized by the BangkoSentral ng Pilipinas (BSP), from foreign currency transactions with nonresidents, other offshore banking units, local commercial banks, including branches of foreign banks that may be authorized by the BangkoSentral ng Pilipinas (BSP) to transact business with offshore banking units shall be exempt from all taxes except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation of the Monetary Board which shall be subject to the regular income tax payable by banks: *Provided, however,* That any interest income derived from foreign currency loans granted to residents other than offshore banking units or local commercial banks, including local, branches of foreign banks that may be authorized by the BSP to transact business with offshore banking units, shall be subject only to a final tax at the rate of ten percent (10%).

Any income of nonresidents, whether individuals or corporations, from transactions with said offshore banking units shall be exempt from income tax.]

[(5)] (4) xxx

[(6) *Regional or Area Headquarters and Regional Operating Headquarters of Multinational Companies.* -

(a) Regional or area headquarters as defined in Section 22(DD) shall not be subject to income tax.

(b) Regional operating headquarters as defined in Section 22(EE) shall pay a tax of ten percent (10%) of their taxable income.]

[(7)] (5) *Tax on Certain Incomes Received by a Resident Foreign Corporation.* -

(a) Interest from Deposits and Yield or any other Monetary Benefit from Deposit Substitutes, Trust Funds and Similar Arrangements and Royalties. -

Interest from any currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements and royalties derived from sources within the Philippines shall be subject to a final income tax at the rate of twenty percent (20%) of such interest: Provided, however, That interest income derived by a resident foreign corporation from a depository bank under the expanded foreign currency deposit system shall be subject to a final income tax at the rate of **FIFTEEN PERCENT (15%)** [seven and one-half percent (7 1/2%)] of such interest income.

(b) Income Derived under the Expanded Foreign Currency Deposit System.

xxx

(c) Capital Gains from Sale of Shares of Stock Not Traded in the Stock Exchange. – A final tax at the rate [s prescribed below] **OF FIFTEEN PERCENT (15%)** is hereby imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic corporation except shares sold or disposed of through the stock exchange:.

[Not over	P100,000	5%
On any amount in excess of	P100,000	10%]

(d) Intercorporate Dividends.- xxx

(B) Tax on Nonresident Foreign Corporation. -

In General. - Except as otherwise provided in this Code, a foreign corporation not engaged in trade or business in the Philippines shall pay a tax equal to **THIRTY PERCENT (30%)** [thirty-five percent (35%)] of the gross income received during each taxable year from all sources within the Philippines, such as interests, dividends, rents, royalties, salaries, premiums (except reinsurance premiums), annuities, emoluments or other fixed or determinable annual, periodic or casual gains, profits and income, and capital gains, except capital gains subject to tax under subparagraph 5 (c): [Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).] **[PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX SHALL BE REDUCED BY ONE PERCENTAGE POINT EVERY YEAR BEGINNING JANUARY 1, 2019: PROVIDED, FURTHER, THAT THE CORPORATE INCOME TAX RATE SHALL NOT BE LOWER THAN TWENTY PERCENT (20%).]**

[(2) *Nonresident Cinematographic Film Owner, Lessor or Distributor. -* A cinematographic film owner, lessor, or distributor shall pay a tax of twenty-five percent (25%) of its gross income from all sources within the Philippines.]

[(3) *Nonresident Owner or Lessor of Vessels Chartered by Philippine Nationals.*— A nonresident owner or lessor of vessels shall be subject to a tax of four and one-half percent (4 1/2%) of gross rentals, lease or charter fees from leases or charters to Filipino citizens or corporations, as approved by the Maritime Industry Authority.]

[(4) *Nonresident Owner or Lessor of Aircraft, Machineries and Other Equipment.* - Rentals, charters and other fees derived by a nonresident lessor of aircraft, machineries and other equipment shall be subject to a tax of seven and one-half percent (7 1/2%) of gross rentals or fees.]

[(5)] **(2) Tax on Certain Incomes Received by a Nonresident Foreign Corporation.**—

(a) *Interest on Foreign Loans.*— xxx

(b) *Intercorporate Dividends.*— A final withholding tax at the rate of fifteen percent (15%) is hereby imposed on the amount of cash and/or property dividends received from a domestic corporation, which shall be collected and paid as provided in Section 57 (A) of this Code, subject to the condition that the country in which the nonresident foreign corporation is domiciled, shall allow a credit against the tax due from the nonresident foreign corporation taxes deemed to have been paid in the Philippines equivalent to [twenty percent (20%)] **FIFTEEN PERCENT (15%)** which represents the difference between the regular income tax [of thirty-five percent (35%)] and the fifteen percent (15%) tax on dividends as provided in this subparagraph: *Provided, that* **EFFECTIVE JANUARY 1, 2019,** [effective January 1, 2009], the credit against the tax due shall be equivalent to [fifteen percent (15%), which represents] the difference between the regular income tax **RATE** [of thirty percent (30%)] and the fifteen percent (15%) tax on dividends.

(c) *Capital Gains from Sale of Shares of Stock not Traded in the Stock Exchange.*— A final tax at the rate[s prescribed below] **OF FIFTEEN PERCENT (15%)** is hereby imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic corporation, except shares sold, or disposed of through the stock exchange.[:

Not over	P100,000	5%
On any amount in excess of P100,000		10%]”

SEC. 9. Section 34 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 34. *Deductions from Gross Income.* - Except for taxpayers earning compensation income arising from personal services rendered under an employer-employee relationship where no deductions shall be allowed under this Section, in computing taxable income subject to income tax under Sections 24 (A); 25 (A); 26; 27 (A), (B) and (C); and 28 (A) (1), there shall be allowed the following deductions from gross income;

(A) *Expenses.* -

(1) *Ordinary and Necessary Trade, Business or Professional Expenses.* -

x xx

[(2) *Expenses Allowable to Private Educational Institutions.* - In addition to the expenses allowable as deductions under this Chapter, a private educational institution, referred to under Section 27 (B) of this Code, may at its option elect either: (a) to deduct expenditures otherwise considered as capital outlays of depreciable assets incurred during the taxable year for the expansion of school facilities or (b) to deduct allowance for depreciation thereof under Subsection (F) hereof.]

(B) *Interest.* -

(1) *In General.* - The amount of interest paid or incurred within a taxable year on indebtedness in connection with the taxpayer's profession, trade or business shall be allowed as deduction from gross income: *Provided, however,* That the taxpayer's otherwise allowable deduction for interest expense shall be reduced by [forty-two percent (42%)] **THIRTY THREE PERCENT(33%)** of the interest income subjected to final tax [; *Provided,* That effective January 1, 2009, the percentage shall be thirty-three percent (33%).] **PROVIDED FURTHER, THAT THE FOLLOWING PERCENTAGES SHALL APPLY IF THE CORPORATE INCOME TAX RATE AS PROVIDED IN SECTIONS 27 (A) AND 28(A)(1) IS ADJUSTED AS FOLLOWS:**

IF RATE IS 29%, INTEREST EXPENSE REDUCTION RATE IS 31%;
IF RATE IS 28%, INTEREST EXPENSE REDUCTION RATE IS 29%
IF RATE IS 27%, INTEREST EXPENSE REDUCTION RATE IS 27%
IF RATE IS 26%, INTEREST EXPENSE REDUCTION RATE IS 26%
IF RATE IS 25%, INTEREST EXPENSE REDUCTION RATE IS 25%
IF RATE IS 24%, INTEREST EXPENSE REDUCTION RATE IS 24 %
IF RATE IS 23%, INTEREST EXPENSE REDUCTION RATE IS 23%
IF RATE IS 22%, INTEREST EXPENSE REDUCTION RATE IS 22%
IF RATE IS 21%, INTEREST EXPENSE REDUCTION RATE IS 21%
IF RATE IS 20%, INTEREST EXPENSE REDUCTION RATE IS 20%

(2) xxx

(C) *Taxes.* - xxx

(D) *Losses.* - xxx

(E) *Bad Debts.* - xxx

(F) *Depreciation.* - xxx

(G) *Depletion of Oil and Gas Wells and Mines.* - xxx

(H) *Charitable and Other Contributions.* - xxx

(I) *Research and Development.* - xxx

(J) *Pension Trusts.* - xxx

(K) *Additional Requirements for Deductibility of Certain Payments.* - xxx

(L) *Optional Standard Deduction (OSD).* - In lieu of the deductions allowed under the preceding Subsections, an individual subject to tax under Section 24, other than a nonresident alien, [may elect a standard deduction in an amount not exceeding forty percent (40%) of his gross sales or gross receipts, as the case maybe. In the case of a] **ANDA** corporation subject to tax under Sections 27(A) and 28 (A)(1), [it] may elect a standard deduction in an amount not exceeding **TWENTY PERCENT (20%)** [forty percent (40%)] of its gross income as defined in Section 32 of this Code. Unless the taxpayer signifies in his return his intention to elect the optional standard deduction, he shall be considered as having availed himself of the deductions allowed in the preceding Subsections. Such election when made in the return shall be irrevocable for the taxable year for which the return is made: *Provided*, That an individual who is entitled to and claimed for the optional standard deduction shall not be required to submit with his tax return such financial statements otherwise required under this Code: *Provided, further*, That except when the Commissioner otherwise permits, the said individual shall keep such records pertaining to his gross sales or gross receipts, or the said corporation shall keep such records pertaining to his gross income as defined in Section 32 of this Code during the taxable year, as may be required by the rules and regulations promulgated by the Secretary of Finance, upon, recommendation of the Commissioner.

Notwithstanding the provision of the preceding Subsections, the Secretary of Finance, upon recommendation of the Commissioner, after a public hearing shall have been held for this purpose, may prescribe by rules and regulations,

limitations or ceilings for any of the itemized deductions under Subsections (A) to (J) of this Section: Provided, That for purposes of determining such ceilings or limitations, the Secretary of Finance shall consider the following factors: (1) adequacy of the prescribed limits on the actual expenditure requirements of each particular industry; and (2) effects of inflation on expenditure levels: Provided, further, That no ceilings shall further be imposed on items of expense already subject to ceilings under present law."

SEC. 10. Section 40(C)(2) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 40. *Determination of Amount and Recognition of Gain or Loss.* -

(A) x xx

(B) x xx

(C) *Exchange of Property.* -

(1) xxx

(2) *Exception.* - No gain or loss shall be recognized **TO A CORPORATION OR ON ITS STOCK OR SECURITIES IF SUCH CORPORATION IS A PARTY TO A REORGANIZATION AND EXCHANGES PROPERTY, [if]** in pursuance of a plan of [merger or consolidation] **REORGANIZATION SOLELY FOR STOCK OR SECURITIES IN ANOTHER CORPORATION A PARTY TO THE REORGANIZATION. A REORGANIZATION IS DEFINED AS:**

(a) A corporation, which is a party to a **A STATUTORY** merger or consolidation, exchanges property solely for stock in a corporation, which is a party to the merger or consolidation; or

(b) [A shareholder exchanges stock in a corporation, which is a party to the merger or consolidation, solely for the stock of another corporation also a party to the merger or consolidation; or] **THE ACQUISITION BY ONE CORPORATION, IN EXCHANGE SOLELY FOR ALL OR A PART OF ITS VOTING STOCK (OR IN EXCHANGE SOLELY FOR ALL OR A PART OF THE VOTING STOCK OF A CORPORATION WHICH IS IN CONTROL OF THE ACQUIRING CORPORATION), OF STOCK OF ANOTHER CORPORATION IF, IMMEDIATELY AFTER THE ACQUISITION, THE ACQUIRING**

CORPORATION HAS CONTROL OF SUCH OTHER CORPORATION WHETHER OR NOT SUCH ACQUIRING CORPORATION HAD CONTROL IMMEDIATELY BEFORE THE ACQUISITION);

(c) [A security holder of a corporation, which is a party to the merger or consolidation, exchanges his securities in such corporation, solely for stock or securities in such corporation, a party to the merger or consolidation.] **THE ACQUISITION BY ONE CORPORATION, IN EXCHANGE SOLELY FOR ALL OR A PART OF ITS VOTING STOCK (OR IN EXCHANGE SOLELY FOR ALL OR A PART OF THE VOTING STOCK OF A CORPORATION WHICH IS IN CONTROL OF THE ACQUIRING CORPORATION), OR SUBSTANTIALLY ALL OF THE PROPERTIES OF ANOTHER CORPORATION, BUT IN DETERMINING WHETHER THE EXCHANGE IS SOLELY FOR STOCK THE ASSUMPTION BY THE ACQUIRING CORPORATION OF A LIABILITY OF THE OTHER SHALL BE DISREGARDED;**

(D) A RECAPITALIZATION; OR

(E) A REINCORPORATION

No gain or loss shall also be recognized if property is transferred to a corporation by [a] **ONE OF MORE** persons in exchange for stock [or unit of participation in such a corporation of which as a result of such exchange said person, alone or together with others, not exceeding four (4) persons, gains control of said corporation] : *Provided*, that stocks issued for services shall not be considered as issued in return for property.

IN ALL OF THE ABOVE INSTANCES, THE TRANSACTION OR ARRANGEMENT MUST BE UNDERTAKEN FOR A LEGITIMATE OR BONA FIDE BUSINESS PURPOSE AND NOT SOLELY FOR THE PURPOSE OF AVOIDING OR ESCAPING THE BURDEN OF TAXATION.

THE PROVISION OF SECTION 50 OF THIS CODE SHALL BE APPLIED AND ENFORCED, IN CASES WHERE THE TRANSACTION OR ARRANGEMENT ENTERED INTO IS FOUND TO BE NOT FOR LEGITIMATE OR BONA FIDE BUSINESS PURPOSE.

PROVIDED, HOWEVER, SALE OR EXCHANGES OF PROPERTY USED FOR BUSINESS FOR SHARES OF STOCK COVERED UNDER

THIS SUBSECTION SHALL NOT BE SUBJECT TO VALUE ADDED TAX (VAT).

x xx"

SEC. 11. Section 50 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 50.*[Allocation of Income and Deductions.* In the case of two or more organizations, trades or businesses (whether or not incorporated and whether or not organized in the Philippines) owned or controlled directly or indirectly by the same interests, the Commissioner is authorized to distribute, apportion or allocate gross income or deductions between or among such organization, trade or business, if he determined that such distribution, apportionment or allocation is necessary in order to prevent evasion of taxes or clearly to reflect the income of any such organization, trade or business.
[AUTHORITY OF THE COMMISSIONER TO DISTRIBUTE, APPORTION, ALLOCATE, AND IMPUTE INCOME AND DEDUCTIONS TO DISREGARD AND COUNTERACT TAX AVOIDANCE ARRANGEMENTS. –
IN CASE OF TWO OR MORE ORGANIZATIONS, TRADES OR BUSINESSES, WHETHER OR NOT ORGANIZED IN THE PHILIPPINES, OWNED OR CONTROLLED DIRECTLY OR INDIRECTLY BY THE SAME INTERESTS, THE COMMISSIONER IS AUTHORIZED TO DISTRIBUTE, APPORTION, ALLOCATE, OR IMPUTE INCOME OR DEDUCTIONS BETWEEN OR AMONG SUCH ORGANIZATION, TRADE OR BUSINESS, IF THE COMMISSIONER DETERMINES THAT SUCH DISTRIBUTION, APPORTIONMENT, ALLOCATION, OR IMPUTATION IS NECESSARY IN ORDER TO PREVENT AVOIDANCE OF TAXES OR TO CLEARLY TO REFLECT THE INCOME OF ANY SUCH ORGANIZATION, TRADE, OR BUSINESS.

IN CASES WHEN A TRANSACTION OR ARRANGEMENT, WHETHER ENTERED INTO BY THE PERSON AFFECTED BY THE TRANSACTION OR ARRANGEMENT OR BY ANOTHER PERSON, THAT DIRECTLY OR INDIRECTLY HAS TAX AVOIDANCE AS ITS PURPOSES OR EFFECTS, WHETHER OR NOT ANY OTHER PURPOSE OR EFFECT IS ATTRIBUTABLE AS TO ORDINARY BUSINESS OR FAMILY DEALINGS, IF THE TAX AVOIDANCE PURPOSE OR EFFECT IS NOT MERELY INCIDENTAL, THE COMMISSIONER IS AUTHORIZED TO DISREGARD AND CONSIDER SUCH TRANSACTION OR ARRANGEMENT AS VOID FOR INCOME TAX PURPOSES, AND MAY ADJUST THE TAXABLE INCOME OF A PERSON AFFECTED BY THE ARRANGEMENT IN A WAY THE COMMISSIONER THINKS APPROPRIATE, IN ORDER TO

COUNTERACT A TAX ADVANTAGE OBTAINED BY THE PERSON FROM OR UNDER THE ARRANGEMENT.

FOR PURPOSES OF THIS SECTION, THE TERM "TAX AVOIDANCE" INCLUDES: (A) DIRECTLY OR INDIRECTLY ALTERING THE INCIDENCE OF ANY INCOME TAX; (B) DIRECTLY OR INDIRECTLY RELIEVING A PERSON FROM LIABILITY TO PAY INCOME TAX OR FROM A POTENTIAL OR PROSPECTIVE LIABILITY TO FUTURE INCOME TAX; OR (C) DIRECTLY OR INDIRECTLY AVOIDING, POSTPONING, OR REDUCING ANY LIABILITY TO INCOME TAX, OR ANY POTENTIAL OR PROSPECTIVE LIABILITY TO FUTURE INCOME TAX. THERE IS 'TAX AVOIDANCE' IN THE AFOREMENTIONED INSTANCES, WHERE THE TRANSACTION OR ARRANGEMENT IS MOTIVATED BY OBTAINING TAX BENEFIT OR ADVANTAGE WITH NO COMMERCIAL REALITY OR ECONOMIC EFFECT AND THE USE OF THE PROVISIONS OF THE TAXATION LAW ON SUCH TRANSACTION OR ARRANGEMENT WOULD NOT HAVE BEEN THE INTENTION OF THE LAW."

SEC. 12. Sec. 73 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 73. *Distribution of Dividends or Assets by Corporations.* -

(A) Definition of Dividends. - The term 'dividends' when used in this Title means any distribution made by a corporation to its shareholders out of its earnings or profits and payable to its shareholders, whether in money or in other property.

[Where a corporation distributes all of its assets in complete liquidation or dissolution, the gain realized or loss sustained by the stockholder, whether individual or corporate, is a taxable income or a deductible loss, as the case may be.]

(B) Stock Dividend. - A stock dividend representing the transfer of surplus to capital account shall not be subject to tax. However, if a corporation cancels or redeems stock issued as a dividend at such time and in such manner as to make the distribution and cancellation or redemption, in whole or in part, essentially equivalent to the distribution of a taxable dividend, the amount so distributed in redemption or cancellation of the stock shall be considered as taxable income to the extent that it represents a distribution of earnings or profits.

(C) LIQUIDATING DIVIDENDS. - LIQUIDATING DIVIDENDS REPRESENTING THE REMAINING GAINS REALIZED OR LOSS

SUSTAINED BY THE STOCKHOLDER IN A COMPLETE LIQUIDATION OR DISSOLUTION BY A CORPORATION.

[(C)] (D) Dividends Distributed are Deemed Made from Most Recently Accumulated Profits. - Any distribution made to the shareholders or members of a corporation shall be deemed to have been made from the most recently accumulated profits or surplus, and shall constitute a part of the annual income of the distributee for the year in which received.

[(D)] (E) Net Income of a Partnership Deemed Constructively Received by Partners. - The taxable income declared by a partnership for a taxable year which is subject to tax under Section 27 (A) of this Code, after deducting the corporate income tax imposed therein, shall be deemed to have been actually or constructively received by the partners in the same taxable year and shall be taxed to them in their individual capacity, whether actually distributed or not."

SEC. 13. Sec. 112 (A) (B) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SECTION 112. Refunds [or Tax Credits] of Input Tax. -

"(A) Zero-rated or Effectively Zero-rated Sales. - Any VAT-registered person, whose sales are zero-rated or effectively zero-rated may, within two (2) years after the close of the taxable quarter when the sales were made, apply for [the issuance of a tax credit certificate or] refund of creditable input tax due or paid attributable to such sales, except transitional input tax, to the extent that such input tax has not been applied against output tax: Provided, however, That in the case of zero-rated sales under Section 106(A)(2)(a)(1) ,(2) and [(b)] and Section 108 (B)(1) and (2), the acceptable foreign currency exchange proceeds thereof had been duly accounted for in accordance with the rules and regulations of the BangkoSentral ng Pilipinas (BSP): **PROVIDED, THAT SECTION 106(A)(2)(a)(2) AND SECTION 108 (B)(1) SHALL NO LONGER BE SUBJECT TO ZERO PERCENT VAT RATE UPON THE SUCCESSFUL ESTABLISHMENT AND IMPLEMENTATION OF AN ENHANCED VAT REFUND SYSTEM IN ACCORDANCE WITH THE VAT REFUND PROVISIONS UNDER SECTION 106(A) AND SECTION 108(B), RESPECTIVELY.** Provided, further, That where the taxpayer is engaged in zero-rated or effectively zero-rated sale and also in taxable or exempt sale of goods or properties or services, and the amount of creditable input tax due or paid cannot be directly and entirely attributed to any one of the transactions, it shall be allocated proportionately on the basis of the volume of sales. Provided, finally, that for a person making sales that are zero-rated under Section 108(B)(6), the input taxes shall be allocated ratably between his zero-rated and non-zero-rated sales.

"(B) Cancellation of VAT Registration. - A person whose registration has been cancelled due to retirement from or cessation of business, or due to changes in or cessation of status under Section 106(C) of this Code may, within two (2) years from the date of cancellation, apply for **REFUND**. [the issuance of a tax credit certificate for any unused input tax. which may be used in payment of his other internal revenue taxes]

SEC. 14. Sec. 119 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

*"Section 119. Tax on Franchises. - Any provision of general or special law to the contrary notwithstanding, there shall be levied, assessed and collected in respect to all **EXISTING** franchise agreement or law pertaining **TO** franchises on radio and/or television broadcasting **AND TELECOMMUNICATION** companies [whose annual gross receipts of the preceding year do not exceed Ten million pesos (P10,000,000.00)] , subject to Section 236 of this Code, a **FRANCHISE** tax of three percent (3%) and on gas and water utilities, a **FRANCHISE** tax of two percent (2%) on the gross receipts derived from the business covered by the law granting the franchise: Provided, however, That radio and/OR television broadcasting **AND TELECOMMUNICATION** companies referred to in this Section shall [have an option to] be registered as a value-added taxpayer and pay the tax due thereon.[: Provided, further, That once the option is exercised, said option shall not be irrevocable]*

SEC. 15. Sec. 204 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 204. Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes. - The Commissioner may -

(A) Compromise the payment of any internal revenue tax, when:

- (1) A reasonable doubt as to the validity of the claim against the taxpayer exists; or
- (2) The financial position of the taxpayer demonstrates a clear inability to pay the assessed tax.

The compromise settlement of any tax liability shall be subject to the following minimum amounts:

For cases of financial incapacity, a minimum compromise rate equivalent to ten percent (10%) of the basic assessed tax; and

For other cases, a minimum compromise rate equivalent to forty percent (40%) of the basic assessed tax.

Where the basic tax involved exceeds [One] TEN million pesos [(P1,000,000)] (P10,000,000) or where the settlement offered is less than the prescribed minimum rates, the compromise shall be subject to the approval of the Evaluation Board which shall be composed of the Commissioner and the four (4) Deputy Commissioners.

xxx”

SEC. 16. Sec. 220 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

“SEC. 220. Form and Mode of Proceeding in Actions Arising under this Code.

– [Civil and criminal actions and proceedings instituted in behalf of the Government under the authority of this Code or other law enforced by the Bureau of Internal Revenue shall be brought in the name of the Government of the Philippines and shall be conducted by legal officers of the Bureau of Internal Revenue but no civil or criminal action for the recovery of taxes or the enforcement of any fine, penalty or forfeiture under this Code shall be filed in court without the approval of the Commissioner.]**CIVIL ACTIONS INVOLVING DISPUTED ASSESSMENTS AND COLLECTIONS OR REFUNDS OF INTERNAL REVENUE TAXES, FEES OR OTHER CHARGES OR PENALTIES IN RELATION THERETO, OR OTHER MATTERS ARISING UNDER THIS CODE OR OTHER LAW ENFORCED BY THE BUREAU OF INTERNAL REVENUE SHALL BE HANDLED EXCLUSIVELY BY LEGAL OFFICERS OF THE BUREAU OF INTERNAL REVENUE IN ALL STAGES OF THE PROCEEDINGS, INCLUDING APPEALS BEFORE THE PROPER COURTS.**

CRIMINAL ACTIONS INVOLVING VIOLATIONS OF THIS CODE OR OTHER LAW ENFORCED BY THE BUREAU OF INTERNAL REVENUE SHALL BE INVESTIGATED, PROSECUTED, AND HANDLED EXCLUSIVELY BY THE LEGAL OFFICERS OF THE BUREAU OF INTERNAL REVENUE IN ALL STAGES OF THE PROCEEDINGS, INCLUDING APPEALS BEFORE THE PROPER COURTS. FOR PURPOSES OF DETERMINING WHETHER THERE IS SUFFICIENT GROUND TO ENGENDER A WELL-FOUNDED BELIEF THAT A CRIMINAL VIOLATION OF THIS CODE OR OTHER LAW ENFORCED BY THE BUREAU OF INTERNAL REVENUE HAS BEEN COMMITTED AND THAT THE RESPONDENT IS PROBABLY GUILTY THEREOF AND SHOULD BE HELD FOR TRIAL, THE LEGAL OFFICERS OF THE BUREAU OF INTERNAL REVENUE ARE HEREBY AUTHORIZED TO CONDUCT THE REQUISITE PRELIMINARY INVESTIGATION. SHOULD THERE EXISTS PROBABLE CAUSE TO HOLD THE RESPONDENT FOR TRIAL, THE INVESTIGATING LEGAL OFFICER

SHALL PREPARE THE INFORMATION TO BE FILED DIRECTLY WITH THE APPROPRIATE COURTS.

ALL CIVIL AND CRIMINAL ACTIONS SHALL BE BROUGHT IN THE NAME OF THE GOVERNMENT OF THE PHILIPPINES AND SHALL BE FILED IN COURT WITH THE APPROVAL OF THE COMMISSIONER OF INTERNAL REVENUE OR HIS/HER DULY AUTHORIZED REPRESENTATIVE. NO REFERRAL BY THE BUREAU OF INTERNAL REVENUE TO THE OFFICE OF THE SOLICITOR GENERAL, DEPARTMENT OF JUSTICE, OR ANY GOVERNMENT AGENCY SHALL BE NEEDED IN CONNECTION WITH A CIVIL OR CRIMINAL ACTION HANDLED BY THE LEGAL OFFICERS OF THE BUREAU OF INTERNAL REVENUE.

FOR THIS PURPOSE, THE SECRETARY OF FINANCE, UPON RECOMMENDATION OF THE COMMISSIONER, SHALL PROMULGATE THE NECESSARY RULES AND REGULATIONS FOR THE IMPLEMENTATION OF THIS PROVISION.”

SEC. 17. Sec. 222 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

“SEC. 222. Exceptions as to Period of Limitation of Assessment and Collection of Taxes.-

(a) xxx

(b) If before the expiration of the time prescribed in Section 203 for the assessment of the tax, [both the Commissioner and] the taxpayer [have agreed] **APPLIES WITH THE COMMISSIONER** in writing to its assessment after such time, the tax may be assessed within the period [agreed upon] **SPECIFIED IN THE APPLICATION WHICH SHALL NOT EXCEED SIX (6) MONTHS AT ANY ONE TIME.** The **FOREGOING** period [so agreed upon] may be extended by subsequent written [agreement] **APPLICATION** made before the expiration of the period previously [agreed upon] **APPLIED FOR.**

xxx”

SEC. 18. Sec. 237 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

“SEC. 237. Issuance of Receipts or Sales or Commercial Invoices. –

(A) *Issuance.* – xxx

“Within five (5) years from the effectivity of this Act and upon the establishment of a system capable of storing and processing the required data, the Bureau shall require taxpayers engaged in the export of goods and service, taxpayers engaged in e-commerce, and taxpayers under the jurisdiction of the Large Taxpayers Service to issue **AND TRANSMIT** electronic receipts or sales or commercial invoices [in lieu of manual receipts or sales or commercial invoices] **THRU DESIGNATED ELECTRONIC CHANNELS WITH A PUBLIC CERTIFICATION SYSTEM ACCREDITED BY THE BUREAU**, subject to the rules and regulations to be issued by the Secretary of Finance upon recommendation of the Commissioner [and after a] following a public hearing [shall have been] held for this purpose: Provided, That taxpayers not covered by the mandate of this provision may issue electronic receipts of sales or commercial invoices in lieu of manual receipts or sales or commercial invoices. **PROVIDED FURTHER, SUBJECT TO THE RULES AND REGULATIONS TO BE ISSUED BY THE SECRETARY OF FINANCE, THE COMMISSIONER MAY REQUIRE ANY TAXPAYER TO COMPLY WITH THE PROVISIONS OF THIS SECTION.**

A PUBLIC CERTIFICATION SYSTEM SHALL REFER TO A DIGITAL PERSONAL AUTHENTICATION PROGRAM WITH ABILITY TO VERIFY THE IDENTITY OF ISSUING TAXPAYER AND ATTEST TO THE AUTHENTICITY OF THE INFORMATION IN THE ELECTRONIC RECEIPTS OR SALES OR COMMERCIAL INVOICES. THIS MAY INCLUDE THE USE OF DIGITAL SIGNATURE ISSUED BY CERTIFICATION AUTHORITY AS ACCREDITED BY THE BUREAU OF INTERNAL REVENUE.

A DESIGNATED ELECTRONIC CHANNEL SHALL REFER TO ANY MEDIUM OR PORTAL IDENTIFIED BY THE BUREAU WITH AN ABILITY TO RECEIVE THE TRANSACTION DATA OF THE ELECTRONIC RECEIPTS OF SALES OR COMMERCIAL INVOICES FOR ASSIGNMENT OF AN APPROVED ELECTRONIC TAX TRANSACTION NUMBER.

AN APPROVED TAX TRANSACTION NUMBER SHALL REFER TO THE UNIQUE ASSIGNED SERIES OF NUMBERS AND/OR LETTERS LINKED TO A VALIDATED SALES TRANSACTION REPORTED THROUGH THE DESIGNATED ELECTRONIC CHANNEL.

The original of each receipt or invoice shall be issued to the purchaser, customer, or client at the time the transaction is effected, who, if engaged in the business or in the exercise of profession, shall keep and preserve the same in his place of business for a period of three (3) years from the close of the taxable year in which such invoice or receipt was issued, while the duplicate shall be kept and preserved by the issuer, also in his place of business, for a like period: Provided, that in case of electronic receipts or sales or commercial invoices, digital record of the same [

shall be kept by the purchaser, customer or client and the issuer for the same period above stated **BEARING THE APPROVED ELECTRONIC TAX TRANSACTION NUMBER SHALL BE SUFFICIENT COMPLIANCE.**

The Commissioner may, in meritorious cases, exempt any person subject to internal revenue tax from compliance with the provision of this Section."

SEC. 19. Sec. 237-A of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 237-A. Electronic Sales Reporting System. – Within five (5) years from the effectivity of this Act and upon the establishment of a system capable of storing and processing the required data, the Bureau shall require taxpayers engaged in the export of goods and services, taxpayers engaged in e-commerce, and taxpayers under the jurisdiction of the Large Taxpayers Service to **USE A SYSTEM CAPABLE OF ISSUING ELECTRONIC RECEIPTS OR SALES OR COMMERCIAL INVOICES, COLLECT TRANSACTION RECORDS, AND TRANSMIT THE SAME THRU THE DESIGNATED ELECTRONIC CHANNELS OF THE BUREAU IN THE STANDARD FORMAT REQUIRED**] electronically report their sales data to the Bureau of through the use of electronic point of sales systems,] subject to the rules and regulations to be issued by the Secretary of Finance upon recommendation of the Commissioner of Internal Revenue: *Provided*, That the **POINT OF SALE (POS) machines, VALUE ADDED NETWORK (VAN) TERMINALS**, fiscal devices, and fiscal memory devices **WITH CAPACITY TO MAKE SUCH TRANSMISSION** shall be at the expense of the taxpayers. **PROVIDED FURTHER, SUBJECT TO THE RULES AND REGULATIONS TO BE ISSUED BY THE SECRETARY OF FINANCE, THE COMMISSIONER MAY REQUIRE ANY TAXPAYER TO COMPLY WITH THE PROVISIONS OF THIS SECTION.**

IN YEAR ONE TO YEAR FOUR OF THE IMPLEMENTATION PERIOD, A TAXPAYER WHO ADOPTS THE REQUIRED SYSTEM SHALL BE GRANTED A TAX CREDIT OF 0.1% OF THE PURCHASE VALUE, NET OF VALUE ADDED TAX, FOR EVERY ELECTRONIC RECEIPT OR SALE OR COMMERCIAL INVOICE TRANSMITTED THRU THE DESIGNATED ELECTRONIC CHANNELS OF THE BUREAU AND ISSUED AN ELECTRONIC TAX TRANSACTION NUMBER.

IN SUPPORT OF THE ELECTRONIC SALES REPORTING SYSTEM, THE BUREAU OF INTERNAL REVENUE MAY GRANT TAX INCENTIVES FOR ELECTRONICALLY TRACEABLE PAYMENTS (ETP) IN THE FORM OF ALLOWABLE DEDUCTIBLE EXPENSE OF UP TO 10% OF THE ETP MADE BY THE TAXPAYER. AN ANNUAL LIMIT ON THE ALLOWED ETP DEDUCTIBLE EXPENSE PER

TAXPAYER MAYBE SET BY THE COMMISSIONER WITH THE APPROVAL OF THE SECRETARY OF FINANCE.

ELECTRONICALLY TRACEABLE PAYMENTS REFER TO CREDIT CARD, DEBIT CARD, OR OTHER METHOD OF PAYMENT WITH A SYSTEM TO VERIFY OR LINK THE PAYMENT TO THE IDENTITY OF PAYOR.

THE BUREAU MAY LIKEWISE ESTABLISH A RECEIPT AND INVOICE LOTTERY PROGRAM FOR ELECTRONIC RECEIPTS OR SALES OR COMMERCIAL INVOICES TRANSMITTED THRU THE DESIGNATED ELECTRONIC CHANNELS OF THE BUREAU AND ISSUED AN ELECTRONIC TAX TRANSACTION NUMBER.

The data processing of sales and purchase data shall comply with the provisions of Republic Act No. 10173, otherwise known as the "Data Privacy Act" and Section 270 of the NIRC, as amended, on unlawful divulgence of taxpayer information and such other laws relating to the confidentiality of information.

The Bureau shall also establish policies, risk management approaches, actions, training, and technologies to protect the cyber environment, organization, and data in compliance with Republic Act No. 10175 or the "Cybercrime Prevention Act of 2012."

SEC. 20. Sec. 254 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 254. Attempt to Evade or Defeat Tax. - Any person who willfully attempts in any manner to evade or defeat any tax imposed under this Code or the payment thereof shall, in addition to other penalties provided by law, upon conviction thereof, be punished by a fine of not less than **THREE HUNDRED THOUSAND (P300,000)** [Thirty thousand pesos (P30,000)] but not more than **ONE MILLION PESOS (P1,000,000)** [One hundred thousand pesos (P100,000)] and suffer imprisonment of not less than [two (2) years but not more than four (4) years] **SIX (6) YEARS BUT NOT MORE THAN TWELVE (12) YEARS**: *Provided*, That the conviction or acquittal obtained under this Section shall not be a bar to the filing of a civil suit for the collection of taxes."

SEC. 21. Sec. 255 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 255. Failure to File Return, Supply Correct and Accurate Information, Pay Tax Withhold and Remit Tax and Refund Excess Taxes Withheld on Compensation. - Any person required under this Code or by rules and regulations promulgated thereunder to pay any tax make a return, keep any record, or supply

correct the accurate information, who willfully fails to pay such tax, make such return, keep such record, or supply correct and accurate information, or withhold or remit taxes withheld, or refund excess taxes withheld on compensation, at the time or times required by law or rules and regulations shall, in addition to other penalties provided by law, upon conviction thereof, be punished by a fine of not less than [Ten thousand pesos (P10,000) **ONE HUNDRED THOUSAND (P100,000)** and suffer imprisonment of not less than one (1) year but not more than ten (10) years.

Any person who attempts to make it appear for any reason that he or another has in fact filed a return or statement, or actually files a return or statement and subsequently withdraws the same return or statement after securing the official receiving seal or stamp of receipt of internal revenue office wherein the same was actually filed shall, upon conviction therefore, be punished by a fine of not less than [Ten thousand pesos (P10,000) but not more than Twenty thousand pesos (P20,000) **ONE HUNDRED THOUSAND PESOS (P100,000) BUT NOT MORE THAN TWO HUNDRED THOUSAND (P200,000)** and suffer imprisonment of not less than one (1) year but not more than three (3) years."

SEC. 22. Sec. 256 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 256. Penal Liability of Corporations. - Any corporation, association or general co-partnership liable for any of the acts or omissions penalized under this Code, in addition to the penalties imposed herein upon the responsible corporate officers, partners, or employees shall, upon conviction for each act or omission, be punished by a fine of not less than [Fifty thousand pesos (P50,000) but not more than One hundred thousand pesos (P100,000) **ONE HUNDRED THOUSAND PESOS (P100,000) BUT NOT MORE THAN THREE HUNDRED THOUSAND PESOS (P300,000).**"

SEC. 23. Sec. 257 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 257. Penal Liability for Making False Entries, Records or Reports, or Using Falsified or Fake Accountable Forms. -

(A) Any financial officer or independent Certified Public Accountant engaged to examine and audit books of accounts of taxpayers under Section 232 (A) and any person under his direction who:

(1) Willfully falsifies any report or statement bearing on any examination or audit, or renders a report, including exhibits, statements, schedules or other forms of accountancy work which has not been verified by him personally or under his supervision or by a member of his firm or by a member of his staff in accordance with sound auditing practices; or

(2) Certifies financial statements of a business enterprise containing an essential misstatement of facts or omission in respect of the transactions, taxable income, deduction and exemption of his client; or

(B) Any person who:

(1) Not being an independent Certified Public Accountant according to Section 232(B) or a financial officer, examines and audits books of accounts of taxpayers; or

(2) Offers to sign and certify financial statements without audit; or

(3) Offers any taxpayer the use of accounting bookkeeping records for internal revenue purposes not in conformity with the requirements prescribed in this Code or rules and regulations promulgated thereunder; or

(4) Knowingly makes any false entry or enters any false or fictitious name in the books of accounts or record mentioned in the preceding paragraphs; or

(5) Keeps two (2) or more sets of such records or books of accounts; or

(6) In any way commits an act or omission, in violation of the provisions of this Section; or

(7) Fails to keep the books of accounts or records mentioned in Section 232 in a native language, English or Spanish, or to make a true and complete translation as required in Section 234 of this Code, or whose books of accounts or records kept in a native language, English or Spanish, and found to be at material variance with books or records kept by him in another language; or

(8) Willfully attempts in any manner to evade or defeat any tax imposed under this Code, or knowingly uses fake or falsified revenue official receipts, Letters of Authority, certificates authorizing registration, Tax Credit Certificates, Tax Debit Memoranda and other accountable forms shall, upon conviction for each act or omission, be punished by a fine not less than [Fifty thousand pesos (P50,000) but not more than One hundred thousand pesos (P100,000)] **ONE HUNDRED THOUSAND PESOS (P100,000) BUT NOT MORE THAN THREE HUNDRED THOUSAND PESOS (P300,000)** and suffer imprisonment of not less than [two (2) years but not more than six (6) years] **SIX (6) years but not more than TWELVE (12) years.**

If the offender is a Certified Public Accountant, his certificate as a Certified Public Accountant shall be automatically revoked or cancelled upon conviction.

In the case of foreigners, conviction under this Code shall result in his immediate deportation after serving sentence, without further proceedings for deportation."

SEC. 24. Sec. 258 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 258. Unlawful Pursuit of Business. - Any person who carries on any business for which an annual registration fee is imposed without paying the tax as required by law shall, upon conviction for each act or omission, be punished by a fine of not less than [Five thousand pesos (P5,000) but not more than Twenty thousand pesos (P20,000)] **FIFTY THOUSAND PESOS (P50,000) BUT NOT MORE THAN TWO HUNDRED THOUSAND PESOS (P200,000)** and suffer imprisonment of not less than six (6) months but not more than two (2) years: *Provided, That in the case of a person engaged in the business of distilling, rectifying, repacking, compounding or manufacturing any article subject to excise tax, he shall, upon conviction for each act or omission, be punished by a fine of not less than [Thirty thousand pesos (P30,000) but not more than Fifty thousand pesos (P50,000)] **THREE HUNDRED THOUSAND PESOS (P300,000) BUT NOT MORE THAN FIVE HUNDRED THOUSAND PESOS (P500,000)** and suffer imprisonment of not less than two (2) years but not more than four (4) years."*

SEC. 25. Sec. 260 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

SEC. 260. Unlawful Possession of Cigarette Paper in Bobbins or Rolls, Etc. - It shall be unlawful for any person to have in his possession cigarette paper in bobbins or rolls, cigarette tipping paper or cigarette filter tips, without the corresponding authority therefor issued by the Commissioner. Any person, importer, manufacturer of cigar and cigarettes, who has been found guilty under this Section, shall, upon conviction for each act or omission, be punished by a fine of not less than [Twenty thousand pesos (P20,000) but not more than One hundred thousand pesos (P100,000)] **ONE HUNDRED THOUSAND PESOS (P100,000) BUT NOT MORE THAN FIVE HUNDRED THOUSAND PESOS (P500,000)** and suffer imprisonment for a term of not less than six (6) years and one (1) day but not more than twelve (12) years."

SEC. 26. Sec. 261 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 261. Unlawful Use of Denatured Alcohol. - Any person who for the purpose of manufacturing any beverage, uses denatured alcohol or alcohol specially denatured to be used for motive power or withdrawn under bond for

industrial uses or alcohol knowingly misrepresented to be denatured to be unfit for oral intake or who knowingly sells or offers for sale any beverage made in whole or in part from such alcohol or who uses such alcohol for the manufacture of liquid medicinal preparations taken internally, or knowingly sells or offers for sale such preparations containing as an ingredient such alcohol, shall upon conviction for each act or omission be punished by a fine of not less than [Twenty thousand pesos (P20,000) but not more than One hundred thousand pesos (P100,000)]**ONE HUNDRED THOUSAND PESOS (P100,000) BUT NOT MORE THAN FIVE HUNDRED THOUSAND PESOS (P500,000)** and suffer imprisonment for a term of not less than six (6) years and one (1) day but not more than twelve (12) years.

Any person who shall unlawfully recover or attempt to recover by distillation or other process any denatured alcohol or who knowingly sells or offers for sale, conceals or otherwise disposes of alcohol so recovered or redistilled shall be subject to the same penalties imposed under this Section."

SEC. 27. Sec. 262 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 262. Shipment or Removal of Liquor or Tobacco Products under False Name or Brand or as an Imitation of any Existing or Otherwise Known Product Name or Brand. - Any person who ships, transports or removes spirituous, compounded or fermented liquors, wines or any manufactured products of tobacco under any other than the proper name or brand known to the trade as designating the kind and quality of the contents of the cask, bottle or package containing the same or as an imitation of any existing or otherwise known product name or brand or causes such act to be done, shall, upon conviction for each act or omission, be punished by a fine of not less than [Twenty thousand pesos (P20,000) but not more than One hundred thousand pesos (P100,000)]**TWO HUNDRED THOUSAND PESOS (P200,000) BUT NOT MORE THAN FIVE HUNDRED THOUSAND PESOS (P500,000)** and suffer imprisonment of not less than six (6) years and one (1) day but not more than twelve (12) years."

SEC. 28. Sec. 263 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 263. Unlawful Possession or Removal of Articles Subject to Excise Tax without Payment of the Tax.- Any person who owns and/or is found in possession of imported articles subject to excise tax, the tax on which has not been paid in accordance with law, or any person who owns and/or is found in possession of imported tax-exempt articles other than those to whom they are legally issued shall be punished by:

(a) A fine of not less than [One thousand pesos (P1,000)]**TWENTY FIVE THOUSAND PESOS (P25,000)** [nor] **BUT NOT** more than [Two

thousand pesos (P2,000) **SEVENTY FIVE THOUSAND PESOS (P75,000)** and suffer imprisonment of not less than **sixty (60) days** but not more than one hundred (100) days **THIRTY (30) DAYS AND ONE (1) DAY BUT NOT MORE THAN SIX (6) MONTHS** if the appraised value, to be determined in the manner prescribed in the **Tariff and Customs Code** **CUSTOMS MODERNIZATION AND TARIFF ACT**, including duties and taxes, of the articles does not exceed **One thousand pesos (P1,000)**. **TWO HUNDRED FIFTY THOUSAND PESOS (P250,000)**.

(b) A fine of not less than **Ten thousand pesos (P10,000)** **SEVENTY FIVE THOUSAND PESOS (P75,000)** but not more than **Twenty thousand pesos (P20,000)** **ONE HUNDRED FIFTY THOUSAND PESOS (P150,000)** and suffer imprisonment of not less than **two (2) years** but not more than four (4) years **SIX (6) MONTHS AND ONE (1) DAY BUT NOT MORE THAN ONE (1) YEAR** if the appraised value, to be determined in the manner prescribed in the **Tariff and Customs Code** **CUSTOMS MODERNIZATION AND TARIFF ACT**, including duties and taxes, of the articles exceeds **One thousand pesos (P1,000)** **TWO HUNDRED FIFTY THOUSAND PESOS (P250,000)** but does not exceed **Fifty thousand pesos (P50,000)** **FIVE HUNDRED THOUSAND PESOS (P500,000)**;

(c) A fine of not less than **Thirty thousand pesos (P30,000)** **ONE HUNDRED FIFTY THOUSAND PESOS (P150,000)** but not more than **Sixty thousand pesos (P60,000)** **THREE HUNDRED THOUSAND PESOS (P300,000)** and suffer imprisonment of not less than **four (4) years** but not more than six (6) years **ONE (1) YEAR AND ONE (1) DAY BUT NOT MORE THAN THREE (3) YEARS**, if the appraised value, to be determined in the manner prescribed in the **Tariff and Customs Code** **CUSTOMS MODERNIZATION AND TARIFF ACT**, including duties and taxes of the articles is more than **Fifty thousand pesos (P50,000)** but does not exceed **One hundred fifty thousand pesos (P150,000)** **FIVE HUNDRED THOUSAND PESOS (P500,000) BUT DOES NOT EXCEED ONE MILLION PESOS (P1,000,000)**; or

(d) A fine of not less than **Fifty thousand pesos (P50,000)** **THREE HUNDRED THOUSAND PESOS (P300,000)** but not more than **One hundred thousand pesos (P100,000)** **ONE MILLION FIVE HUNDRED THOUSAND PESOS (P1,500,000)** and suffer imprisonment of not less than **ten (10) years** but not more than twelve (12) years **THREE (3) YEARS AND ONE (1) DAY BUT NOT MORE THAN SIX (6) years**, if the appraised value, to be determined in the manner prescribed in the **Tariff and Customs Code** **CUSTOMS MODERNIZATION AND TARIFF ACT**, including duties and taxes, of the articles exceeds **One hundred fifty thousand pesos (P150,000)**. **ONE MILLION PESOS (P1,000,000)**.

Any person who is found in possession of locally manufactured articles subject to excise tax, the tax on which has not been paid in accordance with law, or any person who is found in possession of such articles which are exempt from excise tax other than those to whom the same is lawfully issued shall be punished with a fine of not less than (10) times the amount of excise tax due on the articles found but not less than [Five hundred pesos (P500)] **TWENTY FIVE THOUSAND PESOS (P25,000)** and suffer imprisonment of not less than two (2) years but not more than four (4) years.

Any manufacturer, owner or person in charge of any article subject to excise tax who removes or allows or causes the unlawful removal of any such articles from the place of production or bonded warehouse, upon which the excise tax has not been paid at the time and in the manner required, and any person who knowingly aids or abets in the removal of such articles as aforesaid, or conceals the same after illegal removal shall, for the first offense, be punished with a fine of not less than ten (10) times the amount of excise tax due on the articles but not less than [One thousand pesos (P1,000)] **TWENTY FIVE THOUSAND (P25,000)** and suffer imprisonment of not less than [one (1) year but not more than two (2) years] **TWO (2) YEARS BUT NOT MORE THAN FOUR (4) YEARS.**

The mere unexplained possession of articles subject to excise tax, the tax on which has not been paid in accordance with law, shall be punishable under this Section."

SEC. 29. Sec. 264 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 264. Failure or refusal to Issue Receipts or Sales or Commercial Invoices, Violations related to the Printing of such Receipts or Invoices and Other Violations. -

(a) Any person who, being required under Section 237 to issue receipts or sales or commercial invoices, fails or refuses to issue such receipts or invoices, issues receipts or invoices that do not truly reflect and/or contain all the information required to be shown therein, or uses multiple or double receipts or invoices, shall, upon conviction for each act or omission, be punished by a fine of not less than [One thousand pesos (P1,000) but not more than Fifty thousand pesos (P50,000)] **ONE HUNDRED THOUSAND PESOS (P100,000) BUT NOT MORE THAN FIVE HUNDRED THOUSAND PESOS (P500,000)** and suffer imprisonment of not less than [two (2) years but not more than four (4) years] **FOUR (4) YEARS BUT NOT MORE THAN EIGHT (8) YEARS.**

(b) Any person who commits any of the acts enumerated hereunder shall be penalized in the same manner and to the same extent as provided for in this Section:

(1) Printing of receipts or sales or commercial invoices without authority from the Bureau of Internal Revenue; or

(2) Printing of double or multiple sets of invoices or receipts; or

(3) Printing of unnumbered receipts or sales or commercial invoices, not bearing the name, business style, Taxpayer Identification Number, and business address of the person or entity.”

SEC. 30. Sec. 265 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

“SEC. 265. Offenses Relating to Stamps. - Any person who commits any of the acts enumerated hereunder shall, upon conviction thereof, be punished by a fine of not less than [Twenty thousand pesos (P20,000)] **TWO HUNDRED THOUSAND PESOS (P200,000)** but not more than [Fifty thousand pesos (P50,000)] **FIVE HUNDRED THOUSAND PESOS (P500,000)** and suffer imprisonment of not less than four (4) years but not more than eight (8) years:

(a) Making, importing, selling, using or possessing without express authority from the Commissioner, any die for printing or making stamps, labels, tags or playing cards;

(b) Erasing the cancellation marks of any stamp previously used, or altering the written figures or letters or cancellation marks on internal revenue stamps;

(c) Possessing false, counterfeit, restored or altered stamps, labels or tags or causing the commission of any such offense by another;

(d) Selling or offering for sale any box or package containing articles subject to excise tax with false, spurious or counterfeit stamps or labels or selling from any such fraudulent box, package or container as aforementioned; or

(e) Giving away or accepting from another, or selling, buying or using containers on which the stamps are not completely destroyed.”

SEC. 31. Sec. 266 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

“Sec. 266. Failure to Obey Summons. - Any person who, being duly summoned to appear to testify, or to appear **UNDER SECTION 6-A OF THIS CODE** [

and produce books of accounts, records, memoranda or other papers,] or to furnish information as required under the pertinent provisions of this Code, neglects to appear or to produce such books of accounts, records, memoranda or other papers, or to furnish such information, shall, upon conviction, be punished by a fine of not less than [Five thousand pesos (P5,000)] **FIFTY THOUSAND PESOS (P50,000)** but not more than [ten thousand pesos (P10,000)] **ONE HUNDRED THOUSAND PESOS (P100,000)** and suffer imprisonment of not less than [one (1) year but not more than two (2) years] **TWO (2) YEARS BUT NOT MORE THAN FOUR (4) YEARS.**"

SEC. 32. Sec. 275 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 275. Violation of Other Provisions of this Code or Rules and Regulations in General.- Any person who violates any provision of this Code or any rule or regulation promulgated by the Department of Finance, for which no specific penalty is provided by law, shall, upon conviction for each act or omission, be punished by a fine of not more than [One thousand pesos (P1,000)] **TEN THOUSAND PESOS (P10,000)** or suffer imprisonment of not more than [six (6) months] **TWO (2) YEARS**, or both."

SEC. 33. A new title is hereby inserted beginning Section 291, Title XIII of the National Internal Revenue Code of 1997, as amended, to read as follows:

"TITLE XIII

CHAPTER I

GENERAL PROVISIONS ON TAX INCENTIVES

"SEC 291. GENERAL PROVISION. – ALL EXPORT ACTIVITIES AND STRATEGIC INVESTMENTS, INCLUDING THOSE INTENDED FOR THE DOMESTIC MARKET UNDER THE STRATEGIC INVESTMENTS PRIORITY PLAN (SIPP) AS DEFINED UNDER CHAPTER II OF THIS TITLE, WHETHER LOCATED INSIDE OR OUTSIDE ECOZONES AND FREEPORT, ELIGIBLE FOR REGISTRATION IN THE RESPECTIVE INVESTMENT PROMOTION AGENCIES (IPAS) EFFECTIVE JANUARY 1, 2019, AND WHICH WILL QUALIFY FOR INCENTIVES UPON EVALUATION AND REVIEW BY THE FISCAL INCENTIVES REVIEW BOARD (FIRB), MAY ONLY BE GRANTED INCOME TAX AND CUSTOMS DUTY INCENTIVES UNDER THIS TITLE, AND IN NO SUCH CASE SHALL THE VALUE-ADDED TAX AND LOCAL TAXES BE USED AS INVESTMENT TAX INCENTIVES. PROVIDED, THAT THE TAX INCENTIVES AVAILABLE UNDER THIS TITLE TO THE AFOREMENTIONED ENTERPRISES SHALL BE APPLICABLE TO THE REGISTERED ACTIVITY OR

PROJECT ONLY. INCOME DERIVED FROM NON-REGISTERED ACTIVITY OR PROJECT SHALL, THUS, BE SUBJECT TO APPROPRIATE TAXES UNDER THIS CODE. THE PERIOD OF AVAILMENT OF INCENTIVES SHALL BE RECKONED FROM THE START OF COMMERCIAL OPERATION.

SEC. 292. INVESTMENT PROMOTION AGENCIES.

(A) *SCOPE AND COVERAGE.* – THIS TITLE SHALL COVER ALL EXISTING INVESTMENT PROMOTION AGENCIES (IPAS) AS DEFINED IN THIS CODE OR RELATED LAWS, AND ALL OTHER IPAS AND OTHER SIMILAR AUTHORITIES THAT MAY BE CREATED BY LAW. THESE IPAS INCLUDE THE BOARD OF INVESTMENTS (BOI), PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA), BASES CONVERSION AND DEVELOPMENT AUTHORITY (BCDA), SUBIC BAY METROPOLITAN AUTHORITY (SBMA), CLARK DEVELOPMENT CORPORATION (CDC), JOHN HAY MANAGEMENT CORPORATION (JHMC), PORO POINT MANAGEMENT CORPORATION (PPMC), CAGAYAN ECONOMIC ZONE AUTHORITY (CEZA), ZAMBOANGA CITY SPECIAL ECONOMIC ZONE AUTHORITY (ZCSEZA), PHIVIDEK INDUSTRIAL AUTHORITY (PIA), AURORA PACIFIC ECONOMIC ZONE AND FREEPORT AUTHORITY (APECO), AUTHORITY OF THE FREEPORT AREA OF BATAAN (AFAB), TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY (TIEZA), AND ALL OTHER SIMILAR AUTHORITIES THAT MAY BE CREATED BY LAW IN THE FUTURE.

(B) *GOVERNING PROVISION FOR IPAS.* – ALL EXISTING AND FUTURE IPAS SHALL UNIFORMLY RECOMMEND THE GRANT OF TAX INCENTIVES PROVIDED IN THIS TITLE TO THE FIRB FOR ITS APPROVAL.

(C) *EXISTING CHARTERS OF IPAS.* – THE IPAS SHALL MAINTAIN THEIR FUNCTIONS AND POWERS AS PROVIDED UNDER THE SPECIAL LAWS GOVERNING THEM EXCEPT ON THE EXTENT MODIFIED BY THE PROVISIONS OF THIS CODE, SUCH AS THOSE PERTAINING TO THE REVIEW AND GRANT OF TAX INCENTIVES.

SEC. 293. DEFINITIONS - WHEN USED IN THIS TITLE:

(A) THE TERM '*CAPITAL EQUIPMENT*' REFERS TO MACHINERY, EQUIPMENT, MAJOR COMPONENTS THEREOF, FITTINGS AND ACCOMPANIMENTS WHICH ARE DIRECTLY AND REASONABLY NEEDED IN THE REGISTERED ACTIVITY OF THE REGISTERED ENTERPRISE.

(B) THE TERM '*EXPORT ENTERPRISE*' SHALL MEAN A REGISTERED ENTERPRISE WHICH IS A MANUFACTURER, PROCESSOR, OR SERVICE PROVIDER AND WHOSE EXPORT SALE OF ITS PRODUCTS OR SERVICES IS AT LEAST NINETY PERCENT (90%) OF ITS TOTAL ANNUAL PRODUCTION OF THE PRECEDING TAXABLE YEAR.

(C) THE TERM '*DOMESTIC ENTERPRISE*' SHALL MEAN A REGISTERED ENTERPRISE WHICH PRODUCES GOODS FOR SALE OR RENDERS SERVICES EXCLUSIVELY TO THE DOMESTIC MARKET OR DOES NOT MEET THE MINIMUM EXPORT REQUIREMENT OF AN EXPORT ENTERPRISE.

(D) THE TERM '*EXPORT SALES OF GOODS*' SHALL MEAN THE SALES OF AN EXPORT ENTERPRISE PAID FOR IN FREELY CONVERTIBLE FOREIGN CURRENCY INWARDLY REMITTED TO THE PHILIPPINES, FROM THE FOLLOWING:

(1) THE SALE AND ACTUAL SHIPMENT OF GOODS FROM THE PHILIPPINES TO A FOREIGN COUNTRY BY AN EXPORT ENTERPRISE;

(2) SALES TO DIPLOMATIC MISSIONS AND INSTITUTIONS COVERED BY INTERNATIONAL TREATY;

(3) SALES OF AN EXPORT ENTERPRISE TO AN INTERNATIONAL SEA OR AIR TRANSPORT OPERATIONS OF GOODS, EQUIPMENT, SPARE PARTS, AND SUPPLIES, EXCEPT FUEL, FORMING PART OF DIRECT COSTS AND TO BE USED IN THE AIRCRAFT OR SEACRAFT, AND CAPITAL EQUIPMENT NEEDED FOR THE SHIPPING OR AIR TRANSPORT OPERATIONS;

(E) THE TERM '*EXPORT SALES OF SERVICES*' SHALL MEAN THE SALES OF AN EXPORT ENTERPRISE, PAID FOR IN FREELY CONVERTIBLE FOREIGN CURRENCY INWARDLY REMITTED TO THE PHILIPPINES, FOR THE FOLLOWING:

(1) SERVICES RENDERED TO NON-RESIDENT FOREIGN CLIENTS BY EXPORT ENTERPRISES;

(2) SERVICES RENDERED TO DIPLOMATIC MISSIONS AND INSTITUTIONS COVERED BY INTERNATIONAL TREATY;

(3) SERVICES FOR THE OVERHAUL, REPAIR, AND MAINTENANCE OF INTERNATIONAL SHIPPING, OR AIR TRANSPORT OPERATIONS.

(F) THE TERM '*INVESTMENT PROMOTION AGENCIES*' (*IPAS*) SHALL REFER TO GOVERNMENT ENTITIES CREATED BY LAW, EXECUTIVE ORDER, DECREE OR OTHER ISSUANCE, IN CHARGE OF PROMOTING INVESTMENTS, ADMINISTERING TAX AND NON-TAX INCENTIVES, AND/OR OVERSEEING THE OPERATIONS FOR THE DIFFERENT ECONOMIC ZONES AND FREEPORTS IN ACCORDANCE WITH THEIR RESPECTIVE CHARTERS. THESE INCLUDE THE BOARD OF INVESTMENTS (BOI), PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA), BASES CONVERSION AND DEVELOPMENT AUTHORITY (BCDA), SUBIC BAY METROPOLITAN AUTHORITY (SBMA), CLARK DEVELOPMENT CORPORATION (CDC), JOHN HAY MANAGEMENT CORPORATION (JHMC), PORO POINT MANAGEMENT CORPORATION (PPMC), CAGAYAN ECONOMIC ZONE AUTHORITY (CEZA), ZAMBOANGA CITY SPECIAL ECONOMIC ZONE AUTHORITY (ZCSEZA), PHIVIDEC INDUSTRIAL AUTHORITY (PIA), AURORA PACIFIC ECONOMIC ZONE AND FREEPORT AUTHORITY (APECO), AUTHORITY OF THE FREEPORT AREA OF BATAAN (AFAB), TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY (TIEZA), AND ALL OTHER SIMILAR AUTHORITIES THAT MAY BE CREATED BY LAW IN THE FUTURE.

(G) THE TERM '*REGISTERED ENTERPRISE*' SHALL MEAN ANY INDIVIDUAL, PARTNERSHIP, CORPORATION, PHILIPPINE BRANCH OF A FOREIGN CORPORATION, OR OTHER ENTITY ORGANIZED AND EXISTING UNDER PHILIPPINE LAWS AND REGISTERED WITH AN INVESTMENT PROMOTION AGENCY (IPA) AS DEFINED UNDER REPUBLIC ACT NO. 10708, OR THE TIMTA LAW, *PROVIDED, HOWEVER*, THAT THE TERM "REGISTERED ENTERPRISE" SHALL NOT INCLUDE ANY OF THE FOLLOWING SERVICE ENTERPRISES SUCH AS, BUT NOT LIMITED TO, THOSE ENGAGED IN CUSTOMS BROKERAGE, TRUCKING OR FORWARDING SERVICES, JANITORIAL SERVICES, SECURITY SERVICES, INSURANCE, BANKING, AND OTHER FINANCIAL SERVICES, CONSUMERS' COOPERATIVES, CREDIT UNIONS, CONSULTANCY SERVICES, RETAIL BUSINESS, RESTAURANTS, OR SUCH OTHER SIMILAR SERVICES, AS MAY BE DETERMINED BY THE IPA BOARD, IRRESPECTIVE OF LOCATION, WHETHER INSIDE OR OUTSIDE THE ZONES, DULY ACCREDITED AND/OR LICENSED BY ANY OF THE IPAS AND WHOSE INCOME DELIVERED WITHIN THE ECONOMIC ZONES SHALL BE SUBJECT TO TAXES

UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED.

(H) THE TERM '*SPECIAL ECONOMIC ZONE*' OR '*ECOZONE*' SHALL REFER TO A SELECTED AREA WITH WHICH IS HIGHLY DEVELOPED, OR WHICH HAS THE POTENTIAL TO BE DEVELOPED INTO, AGRO-INDUSTRIAL, INDUSTRIAL, INFORMATION TECHNOLOGY, TOURIST/RECREATIONAL, WHOSE METES AND BOUNDS ARE FIXED OR DELIMITED BY PRESIDENTIAL PROCLAMATIONS AND WITHIN A SPECIFIC GEOGRAPHICAL AREA. AN ECOZONE MAY CONTAIN ANY OR ALL OF THE FOLLOWING: INDUSTRIAL ESTATES (IES), EXPORT PROCESSING ZONES (EPZS), ICT PARKS AND CENTERS, AND FREE TRADE ZONES, *PROVIDED, HOWEVER*, THAT AREAS WHERE MINING EXTRACTIONS ARE UNDERTAKEN SHALL NOT BE DECLARED AS ECOZONES. *PROVIDED FURTHER*, THAT THE ECOZONES SHOULD COMPLY WITH THE MINIMUM CONTIGUOUS LAND AREA TO BE DETERMINED BY THE FISCAL INCENTIVES REVIEW BOARD (FIRB).

(I) THE TERM '*FREEPORT ZONES*' REFERS TO AN ISOLATED AND POLICED AREA ADJACENT TO A PORT OF ENTRY, WHICH SHALL BE OPERATED AND MANAGED AS A SEPARATE CUSTOMS TERRITORY TO ENSURE FREE FLOW OR MOVEMENT OF GOODS, EXCEPT THOSE EXPRESSLY PROHIBITED BY LAW, WITHIN, INTO, AND EXPORTED OUT OF THE FREEPORT ZONE WHERE IMPORTED GOODS MAY BE UNLOADED FOR IMMEDIATE TRANSSHIPMENT OR STORED, REPACKED, SORTED, MIXED, OR OTHERWISE MANIPULATED WITHOUT BEING SUBJECT TO IMPORT DUTIES. HOWEVER, MOVEMENT OF THESE IMPORTED GOODS FROM THE FREE-TRADE AREA TO A NON-FREE TRADE AREA IN THE COUNTRY SHALL BE SUBJECT TO ALL APPLICABLE INTERNAL REVENUE TAXES AND DUTIES.

(J) THE TERM '*TAX EXPENDITURES*' REFER TO PROVISIONS OF LAW THAT GIVE RELIEF IN THE FORM OF TAX SUBSIDIES OR TAX INCENTIVES THAT REDUCE TAX REVENUES. FOR PURPOSES OF LOWERING THE CORPORATE INCOME TAX RATE, THE ESTIMATES OF TAX EXPENDITURES SHALL INCLUDE ALL TAX SUBSIDIES OR TAX INCENTIVES AVAILED OF BY BUSINESS TAXPAYERS IN A PARTICULAR YEAR AS REPORTED BY THE DOF, *PROVIDED*, THAT IN THE VAT SHOULD BE ACCOUNTED NET OF REFUND.

CHAPTER II

TAX AND DUTY INCENTIVES

SEC. 294. – THE FOLLOWING TAX AND CUSTOMS DUTY INCENTIVES MAY BE GRANTED FOR QUALIFIED REGISTERED ENTERPRISES, AS DETERMINED BY THE BOARD OF THE RESPECTIVE INVESTMENT PROMOTION AGENCY (IPA), *SUBJECT TO THE REVIEW AND APPROVAL OF THE FIRB.*

(A) INCOME TAX INCENTIVES

(a) *INCOME TAX HOLIDAY (ITH).* – THE ITH SHALL BE GRANTED FOR A PERIOD NOT EXCEEDING THREE (3) YEARS: *PROVIDED*, THAT AFTER THE EXPIRATION OF THE ITH, THE FOLLOWING INCENTIVES MAY BE APPLIED FOR A PERIOD NOT EXCEEDING FIVE (5) YEARS, WHICH INCLUDES THE PERIOD OF ITH AVAILMENT.

(b) *REDUCED CORPORATE INCOME TAX.* – A REDUCED TAX RATE OF FIFTEEN PERCENT (15%) OF THE TAXABLE INCOME AS DEFINED UNDER SECTION 31 OF THIS CODE.

(c) *TAX ALLOWANCE FOR INVESTMENTS.* – AN ALLOWANCE OF UP TO FIFTY PERCENT (50%) OF THE ACTUAL QUALIFIED CAPITAL EXPENDITURE INCURRED WITHIN THREE (3) YEARS SHALL BE ALLOWED AS A DEDUCTION FROM THE TAXABLE INCOME.

(d) *DOUBLE DEDUCTION FOR RESEARCH AND DEVELOPMENT.* – EXPENSES INCURRED FOR RESEARCH AND DEVELOPMENT RELATED TO THE REGISTERED ACTIVITY, IDENTIFIED AND APPROVED AS SUCH BY THE APPROPRIATE GOVERNMENT AGENCY/IES SHALL BE DEDUCTIBLE FROM THE GROSS INCOME FOR INCOME TAX PURPOSES TO THE EXTENT OF TWO HUNDRED PERCENT (200%) ON THE YEAR THE SAID RESEARCH AND DEVELOPMENT EXPENSES WERE INCURRED.

(e) *DOUBLE DEDUCTION FOR TRAINING.* – EXPENSES INCURRED FOR TRAINING GIVEN TO EMPLOYEES BY THE REGISTERED ENTERPRISE FOR THE DEVELOPMENT OF SKILLS, IDENTIFIED AND APPROVED AS NECESSARY BY THE APPROPRIATE GOVERNMENT AGENCY/IES SHALL BE DEDUCTIBLE FROM THE GROSS INCOME FOR INCOME TAX PURPOSES TO THE EXTENT OF TWO HUNDRED PERCENT

(200%) ON THE YEAR THE SAID TRAINING EXPENSE WAS INCURRED.

(f) *ADDITIONAL DEDUCTION FOR LABOR EXPENSE.* – A REGISTERED ENTERPRISE MAY BE ALLOWED AN ADDITIONAL DEDUCTION FROM TAXABLE INCOME OF FIFTY PERCENT (50%) OF THE WAGES CORRESPONDING TO THE INCREMENT IN THE NUMBER OF DIRECT LABOR.

(g) *ONE HUNDRED PERCENT (100%) DEDUCTION ON INFRASTRUCTURE DEVELOPMENT.* – REGISTERED ENTERPRISES ESTABLISHING THEIR ACTIVITY IN AN AREA THAT THE STRATEGIC INVESTMENTS PRIORITY PLAN (SIPP) DESIGNATES AS NECESSARY FOR COUNTRY-WIDE DEVELOPMENT OR IN AN AREA FOUND TO BE DEFICIENT IN INFRASTRUCTURE, PUBLIC UTILITIES, AND OTHER FACILITIES, SUCH AS IRRIGATION, DRAINAGE, OR OTHER SIMILAR WATERWORKS INFRASTRUCTURE MAY DEDUCT FROM THE GROSS INCOME AN AMOUNT EQUIVALENT TO ONE HUNDRED PERCENT (100%) OF NECESSARY AND MAJOR INFRASTRUCTURE WORKS IT MAY HAVE UNDERTAKEN WITH THE PRIOR APPROVAL AND RECOMMENDATION OF THE IPA CONCERNED; *PROVIDED*, THAT THE TITLE TO ALL SUCH INFRASTRUCTURE WORKS SHALL UPON COMPLETION, BE TRANSFERRED TO THE PHILIPPINE GOVERNMENT; *PROVIDED FURTHER*, THAT ANY AMOUNT NOT DEDUCTED FOR A PARTICULAR YEAR MAY BE CARRIED OVER FOR DEDUCTION FOR SUBSEQUENT YEARS NOT EXCEEDING FIVE (5) YEARS FROM COMMERCIAL OPERATION.

(h) *DEDUCTION FOR REINVESTMENT ALLOWANCE TO MANUFACTURING INDUSTRY.* – WHEN A MANUFACTURING REGISTERED ENTERPRISE REINVESTS ITS UNDISTRIBUTED PROFIT OR SURPLUS IN ANY OF THE ACTIVITIES LISTED IN THE SIPP, THE AMOUNT SO REINVESTED SHALL BE ALLOWED AS A DEDUCTION FROM ITS TAXABLE INCOME WITHIN A PERIOD OF FIVE (5) YEARS FROM THE TIME OF SUCH REINVESTMENT; *PROVIDED*, THAT PRIOR APPROVAL AND RECOMMENDATION BY THE IPA CONCERNED OF SUCH REINVESTMENT WAS OBTAINED BY THE REGISTERED ENTERPRISE PLANNING SUCH REINVESTMENT.

PROVIDED, THAT IN LIEU OF THE ITH UNDER (a), THE TAX INCENTIVES UNDER (b), (c), (d), (e), (f), (g) AND (h) MAY BE GRANTED.

PROVIDED FURTHER, THAT IN NO SUCH CASE SHALL AN INCOME TAX INCENTIVE BE EXTENDED BEYOND THE INITIAL GRANT OF FIVE (5) YEARS.

PROVIDED FURTHER, THAT SUPERIOR NON-FISCAL INCENTIVES, AS MAY BE DEFINED IN THE SIPP, MAY BE GRANTED IN LAGGING AREAS, AND AREAS RECOVERING FROM ARMED CONFLICT OR A MAJOR DISASTER.

PROVIDED FINALLY, THAT REGISTERED ACTIVITIES PRIOR TO THE EFFECTIVITY OF THIS ACT RELOCATING FROM METRO MANILA AND SELECTED AREAS OF REGIONS III AND IV-A TO OTHER AREAS OF THE COUNTRY MAY BE ALLOWED A ONE-YEAR INCOME TAX INCENTIVE AS RELOCATION INCENTIVE.

(B) CUSTOMS DUTY INCENTIVES. - REGISTERED ENTERPRISES QUALIFIED FOR INCENTIVES MAY BE ALLOWED A MAXIMUM OF FIVE (5) YEARS EXEMPTION ON CUSTOMS DUTY ON IMPORTED CAPITAL EQUIPMENT, MACHINERY, AND SPARE PARTS EXCLUSIVELY USED FOR CAPITAL EQUIPMENT AND MACHINERY, ALL INCLUDING CONSIGNMENT THEREOF, RAW MATERIALS USED IN THE MANUFACTURE, PROCESSING, AS DEFINED HEREIN, OF PRODUCTS, AND IMPORTATION OF SOURCE DOCUMENTS BY THE REGISTERED ENTERPRISE. PROVIDED, THAT THE DUTY-FREE IMPORTATION SHALL BE USED EXCLUSIVELY FOR THE REGISTERED EXPORT ACTIVITY. PROVIDED FURTHER, THAT EXPANSION OF REGISTERED ACTIVITIES MAY BE GRANTED DUTY EXEMPTION ON CAPITAL EQUIPMENT ONLY, SUBJECT TO THE FOLLOWING CONDITIONS:

(I) THE ACTIVITY IS STILL COVERED BY THE STRATEGIC INVESTMENTS PRIORITY PLAN (SIPP);

(II) CUSTOMS DUTY EXEMPTION WILL ONLY APPLY ON THE INCREMENTAL PORTION OF THE ACTIVITY; AND

(III) THE CUSTOMS DUTY EXEMPTION EXTENSION SHALL NOT EXCEED FIVE (5) YEARS.

FOR THIS PURPOSE, 'PROCESSING' SHALL REFER TO CONVERTING RAW MATERIALS INTO MARKETABLE FORM THROUGH PHYSICAL, MECHANICAL, CHEMICAL, ELECTRICAL, BIOCHEMICAL, BIOLOGICAL, OR OTHER MEANS, OR BY A SPECIAL TREATMENT OR A SERIES OF ACTIONS, SUCH AS SLAUGHTERING, MILLING, PASTEURIZING, DRYING, OR

DESICCATING, QUICK FREEZING, THAT RESULTS IN A CHANGE IN THE NATURE OR STATE OF THE PRODUCTS. MERE PACKING OR PACKAGING SHALL NOT CONSTITUTE PROCESSING.

'SOURCE DOCUMENTS' REFER TO INPUT MATERIALS AND DOCUMENTS REASONABLY NEEDED BY LT. AND LT-ENABLED INDUSTRIES SUCH AS, BUT NOT LIMITED TO, BOOKS, DIRECTORIES, MAGAZINES, NEWSPAPERS, BROCHURES, PAMPHLETS, MEDICAL RECORDS/FILES, LEGAL RECORDS/FILES, INSTRUCTION MATERIALS, AND DRAWINGS/BLEUPRINTS/OUTLINES.

CHAPTER III

ADMINISTRATION OF TAX INCENTIVES

SEC. 295. EXPANDED FUNCTIONS OF THE FISCAL INCENTIVES REVIEW BOARD. - THE INCENTIVES PROVIDED IN SECTION 290 MAY BE GRANTED BY THE FISCAL INCENTIVES REVIEW BOARD (FIRB) TO THE REGISTERED ENTERPRISE TO THE EXTENT OF THEIR REGISTERED ACTIVITY UPON RECOMMENDATION OF THE ADMINISTERING INVESTMENT PROMOTION AGENCY (IPA). THE PERIOD OF AVAILMENT OF INCENTIVES SHALL BE RECKONED FROM THE START OF COMMERCIAL OPERATION. IN THIS REGARD, THE FIRB CREATED UNDER PRESIDENTIAL DECREE (PD) NO. 776, AS AMENDED BY PD 1931 AND PD 1955, OFFICE OF THE PRESIDENT MEMORANDUM ORDER NO. 23, SERIES OF 1986 AND EXECUTIVE ORDER 93, SERIES OF 1986, SHALL BE EXPANDED TO INCLUDE THE FOLLOWING FUNCTIONS AND POWERS:

- a) TO SERVE AS THE OVER-ALL ADMINISTRATOR OF ALL INVESTMENT INCENTIVES;
- b) TO REVIEW ALL IPA POLICY DECISIONS RELATED TO THE ENDORSEMENT AND AVAILMENT OF TAX INCENTIVES;
- c) TO REVIEW AND APPROVE THE GRANT OF INVESTMENT TAX INCENTIVES AS RECOMMENDED BY THE IPAS;
- d) TO PUBLISH THE NAMES OF THE REGISTERED ENTERPRISES OR BENEFICIARIES OF TAX INCENTIVES WITH APPROVED ESTIMATED AMOUNT OF THE CORRESPONDING INCENTIVES; AND
- e) TO GRANT TAX SUBSIDIES TO GOVERNMENT-OWNED AND/OR - CONTROLLED CORPORATIONS (GOCCS), GOVERNMENT

INSTRUMENTALITIES (GIS), GOVERNMENT COMMISSARIES, AND STATE UNIVERSITIES AND COLLEGES (SUCS) AS MAY BE PROVIDED UNDER THE ANNUAL GENERAL APPROPRIATIONS ACT.

PROVIDED THAT, AS CHAIR OF THE FIRB AND APPROVING HEAD, THE SECRETARY OF FINANCE SHALL HAVE VETO POWER AS THE CUSTODIAN OF FISCAL PRUDENCE AND RESPONSIBILITY, AND AS SUCH, MAY CANCEL OR SUSPEND THE GRANT OF INCENTIVES UPON THE REVIEW AND RECOMMENDATION OF THE FIRB.

PROVIDED FURTHER, THAT THE SECRETARY OF FINANCE SHALL AUTOMATICALLY BE THE CO-CHAIR OF ALL THE EXISTING AND FUTURE IPAS.

PROVIDED FINALLY, THAT THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA) AND THE DTI SHALL BE A MEMBER OF ALL IPAS, BOTH EXISTING AND FUTURE.

SEC. 296. COMPOSITION OF THE FIRB - THE FIRB SHALL BE RECONSTITUTED AS FOLLOWS:

BOARD PROPER:

CHAIRPERSON – SECRETARY OF FINANCE

MEMBERS – SECRETARY TRADE AND INDUSTRY
– DIRECTOR GENERAL OF THE NATIONAL
ECONOMICANDDEVELOPMENT AUTHORITY
(NEDA)
– SECRETARY OF BUDGET
– EXECUTIVE SECRETARY OF THE PHILIPPINES

TECHNICAL COMMITTEE – UNDERSECRETARY OF FINANCE
– UNDERSECRETARY OF TRADE AND
INDUSTRY
– UNDERSECRETARY OF BUDGET
– DEPUTY DIRECTOR GENERAL OF NEDA
– COMMISSIONER OF INTERNAL
REVENUE
– COMMISSIONER OF CUSTOMS
– EXECUTIVE DIRECTOR OF
THENATIONAL TAX AND RESEARCH
CENTER(NTRC)

CHAPTER IV

QUALIFIED ACTIVITIES FOR TAX INCENTIVES

SEC. 297. 'STRATEGIC INVESTMENTS PRIORITY PLAN' (SIPP). – THE BOARD OF INVESTMENT (BOI), IN COORDINATION WITH THE OFFICE OF THE PRESIDENT, THE CONCERNED IPAS, AND OTHER GOVERNMENT AGENCIES AND THE PRIVATE SECTOR, SHALL FORMULATE THE PLAN TO BE SUBMITTED TO THE PRESIDENT FOR HIS APPROVAL THROUGH THE ISSUANCE OF AN EXECUTIVE ORDER NOT LATER THAN DECEMBER OF THE THIRD YEAR SET FOR PERIODIC REVIEW. THE PLAN SHALL BE VALID FOR A PERIOD OF THREE (3) YEARS SUBJECT TO REVIEW AND AMENDMENT AS THE NEED ARISES.

THE FOLLOWING CRITERIA SHALL BE COMPLIED WITH IN THE LIST OF ECONOMIC ACTIVITIES IN THE PLAN:

- a. THE ACTIVITY SHALL BE COVERED BY THE PHILIPPINE DEVELOPMENT PLAN OR ITS EQUIVALENT AND OTHER GOVERNMENT PROGRAMS, AND SHALL REFLECT THE HIGH-LEVEL PRIORITIES OF THE COUNTRY;
- b. THE ACTIVITY SHALL ENDEAVOR TO BE NEUTRAL IN TERMS OF NATIONALITY AND MARKET, PROVIDED THAT THOSE INTENDED FOR THE DOMESTIC MARKET BE IMPORT-SUBSTITUTING OR IMPORT-COMPETING PRODUCTS OR ACTIVITIES;
- c. THE ACTIVITY'S PERFORMANCE SHALL BE MEASURABLE IN TERMS OF EXPORT SALES, ACTUAL INVESTMENTS, ACTUAL JOB CREATION, INVESTMENTS IN LAGGING REGIONS AS DEFINED IN THE SIPP, INVESTMENT AND EMPLOYMENT IN RESEARCH AND DEVELOPMENT, LINKAGES CREATION, AND SPILL-OVER EFFECTS, AMONG OTHERS;
- d. THE ACTIVITY SHALL NOT INCLUDE THOSE THAT ARE PART OF CROSS-SUBSIDY SCHEMES;
- e. THE ACTIVITY IN LAGGING REGIONS SHALL BE GIVEN PREFERENCE;

f. THE ACTIVITY SHALL TAKE INTO ACCOUNT THE FOLLOWING:

- (1) SUBSTANTIAL AMOUNT OF ACTUAL INVESTMENTS;**
- (2) CONSIDERABLE GENERATION OF ACTUAL FULL TIME EMPLOYMENT;**
- (3) ADOPT INCLUSIVE BUSINESS ACTIVITIES AND VALUE-ADDED PRODUCTION BY MICRO, SMALL, AND, MEDIUM-SIZE ENTERPRISES (MSMES);**
- (4) USE OF MODERN OR NEW TECHNOLOGY;**
- (5) ADOPTION OF ADEQUATE ENVIRONMENTAL PROTECTION SYSTEMS;**
- (6) ADDRESS MISSING GAPS IN THE SUPPLY/VALUE CHAIN AND/OR MOVE UP THE VALUE CHAIN OR PRODUCT LADDER;**
- (7) PROMOTION OF MARKET COMPETITIVENESS; AND**
- (8) COMMERCIALIZATION OF IDEAS AND INTRODUCTION OF INNOVATION ACTIVITIES WHETHER PRODUCT, PROCESS, MARKETING, OR NEW BUSINESS MODEL.**

THE THRESHOLD AMOUNT OF INVESTMENTS AND EMPLOYMENT GENERATION REQUIRED FOR A SPECIFIC ACTIVITY TO BE GRANTED TAX INCENTIVES AND RETAIN THE TAX INCENTIVE SHALL BE SUBJECT TO A PERIODIC REVIEW EVERY THREE (3) YEARS TAKING INTO CONSIDERATION INTERNATIONAL STANDARDS AND OTHER INDICATORS.

THE ACTIVITY MUST COMPLY WITH THE SPECIFIC QUALIFICATION REQUIREMENTS AND/OR CONDITIONS FOR A PARTICULAR SECTOR OR INDUSTRY AND OTHER LIMITATIONS AS SET AND DETERMINED BY THE BOL.

***PROVIDED*, THAT THE PRESIDENT MAY, IN THE INTEREST OF NATIONAL ECONOMIC DEVELOPMENT AND UPON THE RECOMMENDATION OF THE BOARD OF INVESTMENTS AND THE ECONOMIC MANAGERS, GRANT INCENTIVES TO HIGHLY DESIRABLE PROJECTS THAT MAY INCLUDE THOSE THAT ARE NOT PROVIDED IN THE SIPP: *PROVIDED*, THAT THE BENEFITS THAT THE GOVERNMENT COULD DERIVE FROM SUCH INVESTMENT THERETO IS CLEAR AND CONVINCING AND FAR**

OUTWEIGHS THE COST OF INCENTIVES THAT WILL BE GRANTED. *PROVIDED FURTHER*, THAT THE FOLLOWING CRITERIA, AMONG OTHERS, ARE CONSIDERED: (A) MINIMUM INVESTMENT OF FIVE HUNDRED MILLION US DOLLARS (US\$500,000,000); (B) MINIMUM DIRECT EMPLOYMENT GENERATION OF AT LEAST ONE THOUSAND FIVE HUNDRED (1,500) WITHIN THE FIRST YEAR OF ITS OPERATION. *PROVIDED FINALLY*, THAT THE GOVERNMENT MAY UTILIZE ITS RESOURCES FOR THE GRANT OF INCENTIVES SUCH AS LAND USE, WATER APPROPRIATION, POWER PROVISION, AND THE LIKE.

SEC. 298. *AMENDMENTS*. – SUBJECT TO PUBLICATION REQUIREMENTS AND THE CRITERIA FOR INVESTMENT PRIORITY DETERMINATION, THE BOI MAY, AT ANY TIME, INCLUDE ADDITIONAL AREAS IN THE PLAN, ALTER ANY OF THE TERMS OF THE DECLARATION OF AN INVESTMENT AREA, AND TEMPORARILY OR PERMANENTLY SUSPEND ACTIVITIES ON THE PLAN IF IT CONSIDERS THAT SUCH ACTIVITY IS NO LONGER A PRIORITY. THE IPAS SHALL NOT ACCEPT APPLICATIONS IN AN AREA OF INVESTMENT PRIOR TO THE APPROVAL OF THE SAME AS A PREFERRED AREA OR AFTER APPROVAL OF ITS DELETION AS A PREFERRED AREA OF INVESTMENT IN THE PLAN.

SEC. 299. *PUBLICATION*. – UPON APPROVAL OF THE PLAN, IN WHOLE OR IN PART, OR UPON APPROVAL OF AN AMENDMENT THEREOF, THE PLAN OR THE AMENDMENT, SPECIFYING AND DECLARING THE AREAS OF INVESTMENTS SHALL BE PUBLISHED IN AT LEAST ONE (1) NEWSPAPER OF GENERAL CIRCULATION OR THE OFFICIAL GAZETTE AND ALL SUCH AREAS SHALL BE OPEN FOR APPLICATION UNTIL PUBLICATION OF AN AMENDMENT OR DELETION THEREOF.

SEC. 300. *QUALIFICATIONS OF A REGISTERED ENTERPRISE FOR TAX INCENTIVES*. – A REGISTERED ENTERPRISE MUST SATISFY THE FOLLOWING CONDITIONS FOR CONSIDERATION IN THE REVIEW AND GRANT OF TAX INCENTIVES:

A. IT WILL ENGAGE IN AN ACTIVITY INCLUDED IN THE PLAN;

B. IF THE APPLICANT IS ENGAGED OR PROPOSES TO ENGAGE IN ACTIVITIES OTHER THAN THE REGISTERED PROJECTS, IT SHALL INSTALL AN 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 INVESTMENTS, 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;

C. IT SHALL SATISFY THE PERFORMANCE TARGETS SET FORTH IN THE SIPP, WHICH SHALL INCLUDE, BUT NOT LIMITED TO, EXPORT SALES, ACTUAL INVESTMENTS, ACTUAL JOB CREATION, INVESTMENTS IN LAGGING REGIONS AS DEFINED IN THE SIPP, INVESTMENT AND EMPLOYMENT IN RESEARCH AND DEVELOPMENT, AND INVESTMENT AND EMPLOYMENT IN INTERMEDIATE PARTS AND COMPONENTS, SUPPLIES, AND RAW MATERIALS, AMONG OTHERS; AND

D. IT SHALL REGULARLY REPORT AND COMPLY WITH THE REPORTORIAL REQUIREMENTS UNDER REPUBLIC ACT NO. 10708 OR THE TIMTA LAW.

PROVIDED, THAT NON-COMPLIANCE OF THE ABOVE-MENTIONED CONDITIONS SHALL CAUSE THE REVOCATION OF THE TAX INCENTIVES GRANTED AND THE REGISTERED ENTERPRISE SHALL BE LIABLE TO THE PENALTIES UNDER SECTION 301 OF THIS CODE. *PROVIDED FURTHER*, THAT REGISTERED EXPORT ENTERPRISES INSIDE ECONOMIC ZONES AND FREEPORTS MAY AVAIL OF THE TAX AND DUTY FREE IMPORTATION OF CAPITAL EQUIPMENT AND RAW MATERIALS DIRECTLY AND EXCLUSIVELY USED IN THE REGISTERED ACTIVITY INSIDE THE ZONES.

CHAPTER V

AVAILMENT OF TAX INCENTIVES

SEC. 301. *INCOME TAX-BASED INCENTIVES.* - ALL REGISTERED ENTERPRISES ARE REQUIRED TO FILE ALL THEIR TAX RETURNS USING THE ELECTRONIC/ONLINE FACILITIES OF THE BUREAU OF INTERNAL REVENUE (BIR). ON AVAILING THE INCOME TAX-BASED INCENTIVES, THE REGISTERED ENTERPRISE SHALL BE REQUIRED TO SECURE A CERTIFICATE OF ENTITLEMENT ISSUED BY THE FIRB AND ATTACH THE SAME TO ITS INCOME TAX RETURN (ITR) OR ANNUAL INFORMATION RETURN (AIR), WHICHEVER IS APPLICABLE. THEREAFTER, THE REGISTERED ENTERPRISE SHALL FILE ITS CLAIM WITH THE BIR FOR VALIDATION.

FAILURE TO SECURE AND ATTACH THE CERTIFICATION TO THE ITR OR AIR, AND/OR FILE THE INCENTIVE AVAILMENT

APPLICATION SHALL CAUSE THE FORFEITURE OF THE INCENTIVE FOR THAT TAXABLE PERIOD.

SEC. 302. *CUSTOMS DUTY EXEMPTION ON CAPITAL EQUIPMENT.* IMPORTATION OF CAPITAL EQUIPMENT, MACHINERY AND SPARE PARTS EXCLUSIVELY USED FOR CAPITAL EQUIPMENT AND MACHINERY INCLUDING CONSIGNMENT THEREOF BY REGISTERED ENTERPRISES MAY BE EXEMPTED TO THE EXTENT OF ONE HUNDRED PERCENT (100%) OF THE CUSTOMS DUTY, PROVIDED THAT THE FOLLOWING CONDITIONS ARE COMPLIED WITH:

(A) THE CAPITAL EQUIPMENT AND/OR SPARE PARTS IS ARE DIRECTLY AND REASONABLY NEEDED AND WILL BE USED EXCLUSIVELY IN AND AS PART OF THE DIRECT COST OF THE REGISTERED ACTIVITY OF THE REGISTERED ENTERPRISE, AND ARE NOT MANUFACTURED DOMESTICALLY IN SUFFICIENT QUANTITY, OF COMPARABLE QUALITY AND AT REASONABLE PRICES. PRIOR APPROVAL OF THE IPA MAY BE SECURED FOR THE PART TIME UTILIZATION OF SAID EQUIPMENT IN A NON-REGISTERED ACTIVITY TO MAXIMIZE USAGE THEREOF, PROVIDED THE PROPORTIONATE TAXES AND DUTIES ARE PAID ON A SPECIFIC EQUIPMENT AND MACHINERY IN PROPORTION TO ITS UTILIZATION FOR NON-REGISTERED ACTIVITIES. IN THE EVENT, IT SHALL BE USED FOR NON-REGISTERED ACTIVITY OF THE REGISTERED ENTERPRISE AT ANYTIME WITHIN THE FIRST FIVE (5) YEARS FROM DATE OF IMPORTATION, THE REGISTERED ENTERPRISE SHALL FIRST SEEK PRIOR APPROVAL OF THE AUTHORITY, AND PAY THE TAXES AND CUSTOMS DUTIES THAT WERE NOT PAID UPON ITS IMPORTATION; AND

(B) THE APPROVAL OF THE IPA WAS OBTAINED BY THE REGISTERED ENTERPRISE PRIOR TO THE IMPORTATION OF SUCH CAPITAL EQUIPMENT AND/OR SPARE PARTS.

APPROVAL OF THE IPA MUST BE SECURED BEFORE ANY SALE, TRANSFER OR DISPOSITION OF THE CAPITAL EQUIPMENT AND/OR SPARE PARTS WHICH WAS GRANTED TAX AND CUSTOMS DUTY EXEMPTION HEREUNDER IS MADE, AND IT SHALL BE ALLOWED ONLY UNDER THE FOLLOWING CIRCUMSTANCES:

(A) IF MADE TO ANOTHER ENTERPRISE ENJOYING CUSTOMS DUTY EXEMPTION ON IMPORTED CAPITAL EQUIPMENT AND/OR SPARE PARTS;

(B) IF MADE TO ANOTHER ENTERPRISE NOT DUTY EXEMPTION ON IMPORTED CAPITAL EQUIPMENT AND/OR SPARE PARTS, UPON PAYMENT OF ANY TAXES AND DUTIES DUE ON THE NET BOOK VALUE OF THE CAPITAL EQUIPMENT AND/OR SPARE PARTS TO BE SOLD;

(C) EXPORTATION OF CAPITAL EQUIPMENT, MACHINERY, SPARE PARTS OR SOURCE DOCUMENTS, OR THOSE REQUIRED FOR POLLUTION ABATEMENT AND CONTROL; OR

(D) FOR REASONS OF PROVEN TECHNICAL OBSOLESCENCE.

PROVIDED, THAT IF THE REGISTERED ENTERPRISE SELLS, TRANSFERS OR DISPOSES THE AFOREMENTIONED IMPORTED ITEMS WITHOUT PRIOR APPROVAL, THE REGISTERED ENTERPRISE AND THE VENDEE, TRANSFEREE, OR ASSIGNEE SHALL BE SOLIDARILY LIABLE TO PAY TWICE THE AMOUNT OF THE DUTY EXEMPTION THAT SHOULD HAVE BEEN PAID DURING ITS IMPORTATION. *PROVIDED, FURTHER*, THAT EVEN IF THE SALE, TRANSFER OR DISPOSITION OF THE CAPITAL EQUIPMENT WAS MADE AFTER FIVE (5) YEARS FROM DATE OF IMPORTATION WITH THE APPROVAL OF THE IPA, THE REGISTERED ENTERPRISE IS STILL LIABLE TO PAY THE DUTIES BASED ON THE NET BOOK VALUE OF THE CAPITAL EQUIPMENT IF IT HAS VIOLATED ANY OF ITS REGISTRATION TERMS AND CONDITIONS.

CHAPTER VI

FINAL PROVISIONS

SEC. 303. NO DOUBLE REGISTRATION OF ENTERPRISES. — REGISTERED ENTERPRISES SHALL NOT BE ALLOWED TO REGISTER THEIR ACTIVITIES IN MORE THAN ONE (1) IPA.

SEC. 304. GOVERNANCE RULES. — THE DIFFERENT IPAS MAY REQUIRE DOMESTIC REGISTERED ENTERPRISES TO LIST THEIR SHARES OF STOCK IN ANY ACCREDITED STOCK EXCHANGE OR DIRECTLY OFFER A PORTION OF THEIR CAPITAL STOCK TO THE PUBLIC AND/OR THEIR EMPLOYEES WITHIN FIFTEEN (15) YEARS FROM DATE OF REGISTRATION.

SEC. 305. INVESTMENTS PRIOR TO THE EFFECTIVITY OF THIS ACT. EXISTING REGISTERED ACTIVITIES GRANTED THE INCOME TAX HOLIDAY SHALL BE ALLOWED TO CONTINUE WITH THE

AVAILMENT OF THE SAID INCENTIVE FOR THE REMAINING PERIOD OF THE ITH OR FOR A PERIOD OF FIVE (5) YEARS ONLY, WHICHEVER COMES FIRST; *PROVIDED* THAT THE TAX INCENTIVE GRANTED TO EXISTING REGISTERED ACTIVITIES SHALL BE ALLOWED TO CONTINUE FOLLOWING THE SCHEDULE STATED HEREIN:

(A) TWO (2) YEARS FOR ACTIVITIES THAT HAVE RECEIVED THE SPECIAL TAX RATE OF 5% OF GROSS INCOME EARNED FOR MORE THAN TEN (10) YEARS;

(B) THREE (3) YEARS FOR ACTIVITIES THAT HAVE RECEIVED THE SPECIAL TAX RATE OF 5% OF GROSS INCOME EARNED BETWEEN FIVE (5) AND TEN (10) YEARS;

(C) FIVE (5) YEARS FOR ACTIVITIES THAT HAVE RECEIVED THE INCOME TAX HOLIDAY (ITH) OR THE SPECIAL TAX RATE OF 5% OF GROSS INCOME EARNED BELOW FIVE (5) YEARS. *PROVIDED* THAT THE 5% TAX ON GROSS INCOME EARNED SHALL COMMENCE AFTER THE ITH PERIOD HAS LAPSED ONLY FOR THE REMAINING YEARS WITHIN THE FIVE-YEAR PERIOD.

SEC. 306. *SUSPENSION AND FORFEITURE OF TAX INCENTIVES OF REGISTERED ENTERPRISES, REFUND AND PENALTIES; WAIVER AND CONDONATION.* WHEN THERE IS PROBABLE CAUSE TO BELIEVE THAT THE REGISTERED ENTERPRISE HAS VIOLATED ITS REGISTRATION TERMS AND CONDITIONS, THE IPA SHALL RECOMMEND TO THE FIRB THE SUSPENSION OF ITS AVAILMENT OF INCENTIVES, UNTIL PROVEN OTHERWISE.

IN CASE OF CANCELLATION OF THE CERTIFICATE OF REGISTRATION GRANTED UNDER THIS ACT, THE BIR, IN COORDINATION WITH THE FIRB, WILL REQUIRE THE PAYMENT OF INCENTIVES ASSESSED TO HAVE BEEN GRANTED TO THE SAID ENTERPRISE FOR ITS REGISTERED ACTIVITY AND IMPOSE CORRESPONDING FINES AND PENALTIES.

THE FOREGOING IS WITHOUT PREJUDICE TO THE AUTHORITY OF THE BIR TO CONDUCT AUDIT AND IMPOSE PENALTIES UNDER THIS CODE.

SEC. 307. ALL TAX INCENTIVES OF QUALIFIED REGISTERED ACTIVITIES, INCLUDING INTERNAL REVENUE TAX AND DUTY OBLIGATIONS OF GOVERNMENT CORPORATIONS, SHALL BE

CHARGEABLE TO THE TAX EXPENDITURE FUND, AS DEFINED IN SECTION 293 OF THIS CODE."

SEC. 34. Title XIII of the National Internal Revenue Code of 1997, as amended, is hereby retitled as Title XIV.

SEC. 35. Title XIV of the National Internal Revenue Code of 1997, as amended, is hereby retitled as Title XV.

SEC. 36. *Amending Clause.* - to ensure that the DOF, NEDA and DTI are represented in the Governing Boards of all IPAS, where the DOF shall automatically serve as co-chair, and DTI and NEDA as members, pursuant to section 295 of this act, the following provisions, among others, are amended accordingly:

- i. Article 4 of Executive Order No. 226, as amended, entitled "The Omnibus Investments Code of 1987;"
- ii. Sections 9 and 13 (c) of Republic Act No. 7227, entitled "An Act Accelerating the Conversion of Military Reservations into Other Productive Uses, Creating the Bases Conversion and Development Authority for this Purpose, Providing Funds therefor and for Other Purposes;"
- iii. Section 3 of Executive Order No. 80, series of 1993, entitled "Authorizing the Establishment of the Clark Development Corporation as the Implementing Arm of the Bases Conversion and Development Authority for the Clark Special Economic Zone, and Directing All Heads of Departments, Bureaus, Offices, Agencies and Instrumentalities of Government to Support the Program;"
- iv. Section 6 of Executive Order No. 132, series of 2002, entitled "Authorizing the Creation of the Poro Point Management Corporation as the Implementing Arm of the Bases Conversion Development Authority over the Poro Point Special Economic and Freeport Zone and Renaming the John Hay Poro Point Development Corporation as the John Hay Management Corporation;"
- v. Section 9 of Republic Act No. 7903, entitled "An Act Creating a Special Economic Zone and Freeport in the City of Zamboanga Creating for this Purpose the Zamboanga City Special Economic Zone Authority, Appropriating Funds therefor, and for other Purposes;"
- vi. Section 14 of Republic Act No. 9728, entitled "An Act Converting the Bataan Economic Zone Located in the Municipality of Mariveles, Province Of Bataan, into the Freeport Area of Bataan (Fab), Creating for

this Purpose the Authority of the Freeport Area of Bataan (AFAB), Appropriating Funds therefor and for other Purposes;”

- vii. Section 65 of Republic Act No. 9593, entitled “An Act Declaring a National Policy for Tourism as an Engine of Investment, Employment, Growth and National Development, and Strengthening the Department of Tourism and its Attached Agencies to Effectively Efficiently implement that Policy, and Appropriating Funds therefor;”
- viii. Section 15 of Republic Act No. 9490, entitled “An Act Establishing the Aurora Special Economic Zone in the Province of Aurora, Creating for the Purpose the Aurora Special Economic Zone Authority, Appropriating Funds Therefor and for other Purposes,” as amended by Republic Act No. 10083;
- ix. Section 7 of Republic Act No. 7922, entitled “An Act Establishing a Special Economic Zone and Freeport in the Municipality of Santa Ana and the Neighboring Islands in the Municipality of Aparri, Province of Cagayan Providing Funds Therefor, and for other Purposes;”
- x. Section 6 of Presidential Decree No. 538, entitled “Creating and Establishing the Phividec Industrial Authority and Making It a Subsidiary Agency of the Philippine Veterans Investment Development Corporation Defining its Powers, Functions and Responsibilities, and for Other Purposes,” as amended by Executive Order No. 1031, series of 1985;
- xi. Section 11 of Republic Act No. 7916, entitled “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 This Purpose, The Philippine Economic Zone Authority (PEZA), and for Other Purposes.”

Sec. 37. The following Laws are hereby amended to mandate all internal revenue tax and duty obligations of the relevant entities be chargeable to the Tax Expenditure Fund (TEF):

- i. Section 18 of Republic Act No. 7884, entitled “An Act Creating the National Dairy Authority to Accelerate the Development of the Dairy Industry in the Philippines, Providing for a Dairy Development Fund, and for Other Purposes;”
- ii. Section 8 of Republic Act No. 7903, entitled “An Act Creating Special Economic Zone and Freeport in the City of Zamboanga for this Purpose the Zamboanga City Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purpose;”

- iii. Section 12-a of Republic Act No. 10083, entitled "An Act Amending Republic Act No. 9490, otherwise known as the Aurora Special Economic Zone Act of 2007;"
- iv. Sections 29, 57, 74, 95 (c) of Republic Act No. 9593, entitled "An Act Declaring Tourism as Engine of Investment, Employment, Growth and National Development and Strengthening the Department of Tourism or Tourism Act of 2009;"
- v. Section 10 of Presidential Decree No. 538, entitled "Creating and Establishing the Phividec Industrial Authority and Making it a Subsidiary Agency of the Philippine Veterans Investment Development Corporation Defining its Powers, Functions and Responsibilities, and for Other Purposes;"
- vi. Section 16 (a) (b) of Republic Act No. 9497, entitled "An Act Creating the Civil Aviation Authority of the Philippines, Authorizing the Appropriation of Funds Therefor, and for Other Purposes;"
- vii. Section 8 of Republic Act No. 7278, entitled "An Act Amending Commonwealth Act 111, As Amended by PD 460, Entitled "An Act To Create a Public Corporation Known as the Boys Scouts of the Philippines and to Define its Powers and Purposes," By Strengthening The Volunteer And Democratic Character Of the Boys Scouts of the Philippines and for Other Purposes;"
- viii. Section 11 (a), (b), (c), (d) of Republic Act No. 10073, entitled "An Act Instituting the New Girl Scouts of the Philippines Charter, Penalizing Violations therefor and for Other Purposes;"
- ix. Section 14 of Republic Act No. 7354, entitled "An Act Creating the Philippine Postal Corporation, Defining its Powers, Functions and Responsibilities, Providing For Regulation of the Industry and for Other Purposes Connected Therewith;"
- x. Section 8 and 14 of Presidential Decree No. 269, entitled "Creating the National Electrification Administration as a Corporation, Prescribing its Powers and Activities, Appropriating the Necessary Funds Therefore and Declaring a National Policy Objective for the Total Electrification of the Philippines on an Area Coverage Service Basis, the Organization, Promotion and Development of Electric Cooperatives to Attain the Said Objective, Prescribing Terms and Conditions for their Operations, the Repeal Of RA 6038, and for Other Purposes;"

- xi. Section 2 and 19 of Republic Act No. 9679, entitled "An Act Amending The Home Development Mutual Fund Otherwise Known as the Pag-Ibig Fund;"
- xii. Section 17 (c) under section 8 of Republic Act No. 9576, entitled "Increasing the Maximum Deposit Insurance Coverage, and Strengthening the Regulatory and Administrative Authority and Financial Capability of PDIC;"
- xiii. Section 13 of Republic Act No. 7820, entitled "An Act Creating the Partido Development Administration, Defining its Powers and Functions, Providing Funds Therefor, and for Other Purposes;"
- xiv. Section 5 (j) of Republic Act No. 9510, entitled "An Act Establishing the Credit Information System and for Other Purposes;"
- xv. Section 13 (e) of Presidential Decree No. 857, entitled "An Act Providing for the Reorganization of Port Administration and Operation Functions in the Philippines, Revising PD 505 Dated July 11, 1974, Creating the Philippine Port Authority, by substitution, and for Other Purposes;"
- xvi. Section 19 of Republic Act No. 6847, entitled "An Act Creating and Establishing the Philippine Sports Commission, Defining its Powers, Functions, and Responsibilities, Appropriating Funds Therefor, and for Other Purposes;"
- xvii. Section 8 (a) (b) and section 13 of Republic Act No. 6395, entitled "An Act Revising the Charter of the National Power Corporation;"
- xviii. Section 1 of Republic Act No. 7291, entitled "An Act Restoring the Tax and Duty Incentives Previously Enjoyed by the Veterans Federation of The Philippines Under Republic Act Numbered Twenty-Six Hundred And Forty;" and
- xix. Section 21 of Republic Act No. 7306, entitled "An Act Providing for the Establishment of the People's Television Network, Inc., Defining its Powers and Functions, Providing for its Sources of Funding and for Other Purposes."

Sec. 38. The tax treatment provisions of entities covered by the following franchise laws are hereby amended or repealed to adhere to the provisions of this Act:

- i. Section 14 of Republic Act No. 7783, entitled "An Act Granting the Major Telecoms, Inc., a Franchise to Establish, Install, Maintain, Lease and Operate Wire and/or Wireless Telecommunications Systems, Lines,

Circuits and Stations Throughout the Philippines For Public Domestic and International Communications, and for Other Purposes;”

- ii. Section 10 of Republic Act No. 7939, entitled “An Act Granting the Island Country Telecommunications, Inc., a Franchise to Establish, Install, Maintain, Lease and Operate wire and/or Wireless Telecommunication System and Services, Lines, Circuits and Stations Within and Without the Philippines, and for Other Purposes;”
- iii. Section 9 of Republic Act No. 7961, entitled “An Act Granting to Cruz Telephone Company, Inc., (CRUZTELCO), a Franchise to Install, Operate And Maintain A Telecommunications System Throughout the Philippines;”
- iv. Section 8 of Republic Act No. 7962, entitled “An Act Granting the Philippine Broadcasting Corporation a Franchise to Construct, Install, Operate and Maintain Radio and Television Broadcasting Stations Within the Philippines, and for Other Purposes;”
- v. Section 8 of Republic Act No. 7963, entitled “An Act Granting the Cebu Broadcasting Company a Franchise to Construct, Install, Operate and Maintain Radio and Television Broadcasting Stations Within The Philippines and for Other Purposes;”
- vi. Section 8 of Republic Act No. 7966, entitled “An Act Granting the ABS-CBN Broadcasting Corporation a Franchise to Construct, Install, Operate and Maintain Television and Radio Broadcasting Stations in the Philippines and for Other Purposes;”
- vii. Section 8 of Republic Act No. 7967, entitled “An Act Granting the Pacific Broadcasting System, Inc. a Franchise to Construct, Install, Operate and Maintain Radio and Television Broadcasting Stations Within the Philippines and for Other Purposes;”
- viii. Section 8 of Republic Act No. 7969, entitled “An Act Granting the Central Catv, Inc. a Franchise to Establish, Maintain and Operate for Commercial Purposes Cable/Community Antennae Television Systems in the Philippines;”
- ix. Section 13 of Republic Act No. 8004, entitled “An Act Granting to Millennia Telecommunications Corporation a Franchise to Install, Operate and Maintain Telecommunication Services Within the Philippines and International Points, and for Other Purposes;”
- x. Section 9 of Republic Act No. 10900, entitled “An Act Extending for Another Twenty-Five (25) Years the Franchise Granted to Bell

Telecommunication Philippines, Inc., Amending for the Purpose Republic Act No. 7692, entitled "An Act Granting Bell Telecommunication Philippines, Inc., a Franchise to Install, Operate, and Maintain Telecommunications Systems Throughout the Philippines and for Other Purposes;"

- xi. Section 3 of Republic Act No. 7859, entitled "An Act Amending Section One of the Franchise of Worldwide Communications, Inc., Granted Under Republic Act No. Five Thousand Three Hundred Twenty-One and Extending it for Another Twenty-Five (25) Years, and for Other Purposes;"
- xii. Section 9 of Republic Act No. 7908, entitled "An Act Granting the Multi-Media Telephony Incorporated, a Franchise to Construct, Establish, Operate and Maintain Radio Paging System In the Philippines, and for Other Purposes;"
- xiii. Section 8 of Republic Act No. 8060, entitled "An Act Granting Palawan Broadcasting Corporation a Franchise to Install, Construct, Operate and Maintain Commercial Radio and Television Broadcasting Stations Throughout the Philippines;"
- xiv. Section 8 of Republic Act No. 8063, entitled "An Act Granting the Beacon Communications Systems, Inc., a Franchise to Construct, Install, Establish, Operate and Maintain Commercial Radio Stations in the Philippines;"
- xv. Section 9 of Republic Act No. 8065, entitled "An Act Granting the Isla Cellular Communications, Inc., a Franchise to Construct, Maintain, Establish, Operate Commercial Mobile and Fixed Wireless Telecommunications System in the Philippines;"
- xvi. Section 9 Republic Act No. 8066, entitled "An Act Granting the Isla Paging Company, A Franchise to Construct, Maintain, Establish, and Operate Commercial Radio Paging Services in the Philippines;"
- xvii. Section 8 of Republic Act No. 8067, entitled "An Act Granting the Radio Gubat Network, Inc., a Franchise to Construct, Install, Operate and Maintain Radio Broadcasting Stations in the Bicol Region;"
- xviii. Section 8 of Republic Act No. 8068, entitled "An Act Granting a Franchise to Agusan Communications Foundation, Inc., to Construct, Operate and Maintain Stations for Radio and Television in the Province of Agusan Del Sur and for Other Purposes;"

- xix. Section 8 of Republic Act No. 8071, entitled "An Act Granting Vismin Radio and Television Broadcasting Network, Incorporated a Franchise To Construct, Install, Operate and Maintain for Commercial Purposes Radio and Television Broadcasting Stations in the Visayas and Mindanao, and for Other Purposes;"
- xx. Section 8 of Republic Act No. 8080, entitled "An Act Granting the Asian-Pacific Broadcasting Company, Inc., a Franchise to Construct, Install, Operate and Maintain Broadcasting Stations in the Philippines;"
- xxi. Section 8 of Republic Act No. 8094, entitled "An Act Granting the Ipil Broadcasting News Network, Inc. a Franchise to Construct, Install, Operate and Maintain Radio and Television Broadcasting Stations in Zamboanga Del Sur and for Other Purposes;"
- xxii. Section 10 of Republic Act No. 8095, entitled "An Act Granting the Islatel Corporation a Franchise to Construct, Maintain, Establish and Operate Commercial Nationwide and Regional Transmission Network and Other Telephone Services in the Philippines;"
- xxiii. Section 8 of Republic Act No. 8096, entitled "An Act Granting the Allied Broadcasting Center, Incorporated a Franchise to Construct, Operate and Maintain Stations for Radio in Cebu City and Other Areas in the Philippines Where Frequencies Are Still Available For Radio Broadcasting For Educational And Cultural, As Well As For Commercial Purposes;"
- xxiv. Section 8 of Republic Act No. 8097, entitled "An Act Granting the Partido Broadcasting Corporation a Franchise to Construct, Install, Establish, Operate and Maintain Broadcast and Cable Radio and Television Stations In the Bicol Region;"
- xxv. Section 8 of Republic Act No. 8098, entitled "An Act Granting Broadcast Enterprises and Affiliated Media (BEAM), Inc., a Franchise to Establish, Construct, Operate and Maintain Commercial Radio and Television Broadcast Stations Including Cable Television Systems in the Philippines;"
- xxvi. Section 8 of Republic Act No. 8099, entitled "An Act Granting A Franchise to Sagay Broadcasting Corporation (SBC) to Construct, Operate and Maintain Stations For Radio and Television In the Philippines and for Other Purposes;"
- xxvii. Section 7 of Republic Act No. 8102, entitled "An Act Granting the Ultimate Entertainment, Inc., a Franchise to Construct, Install, Maintain And Operate Radio Broadcasting Stations Within the Philippines;"

- xxviii. Section 8 of Republic Act No. 8116, entitled "An Act Granting the Vimcontu Broadcasting Corporation A Franchise to Construct, Install, Operate and Maintain Radio and Television Broadcasting Stations, Within the Philippines and for Other Purposes;"
- xxix. Section 8 of Republic Act No. 8119, entitled "An Act Granting the Good News Sorsogon Foundation, Inc., A Franchise to Construct, Install, Operate and Maintain for Religious, Educational and Commercial Purposes, Radio and Television Broadcasting Stations Within The Philippines and for Other Purposes;"
- xxx. Section 5 of Republic Act No. 8120, entitled "An Act Granting The Andres Bonifacio College Broadcasting System, Inc., a Franchise to Construct, Maintain and Operate Radio Broadcasting Stations and Stations for Television in The Island Of Mindanao for Educational, Cultural, and Commercial Purposes;"
- xxxi. Section 8 of Republic Act No. 8121, entitled "An Act Granting the M.S. Network Management, Inc. a Franchise to Construct, Install, Operate and Maintain for Commercial Purposes, Radio Broadcasting Stations in the Philippines and for Other Purposes;"
- xxxii. Section 7 of Republic Act No. 8123, entitled "An Act Granting the Royal Broadcasting Corporation. a Franchise to Construct, Operate and Maintain for Commercial Purposes, Radio and Television Broadcasting Stations in the Philippines and for Other Purposes;"
- xxxiii. Section 8 of Republic Act No. 8128, entitled "An Act Granting a Franchise to the Oriental Mindoro Management Resources Corporation (OMARCO) to Construct, Install, Establish, Operate, Manage and Maintain a Network Of Radio and Television Stations Anywhere in the Philippines, and for Other Purposes;"
- xxxiv. Section 8 of Republic Act No. 8132, entitled "An Act Granting Jose M. Luison And Sons, Inc., a Franchise to Construct, Install, Operate and Maintain for Commercial Purposes Radio and Television Broadcasting Stations in the Philippines;"
- xxxv. Section 7 of Republic Act No. 8144, entitled "An Act Granting the Azimuth Broadcasting Corporation a Franchise to Construct, Operate and Maintain for Commercial Purposes Radio and Television Broadcasting Stations in the Philippines;"
- xxxvi. Section 8 of Republic Act No. 8145, entitled "An Act Granting the Radyo Pilipino Corporation A Franchise To Construct, Install, Operate And

Maintain Commercial Radio And Television Broadcasting Stations, Satellite And Cable Stations In the Philippines;”

- xxxvii. Section 14 of Republic Act No. 8147, entitled “An Act Granting the Southern Broadcasting Network a Franchise to Construct, Maintain, Establish and Operate Commercial Radio/Television Broadcasting Stations, in the Philippines;”
- xxxviii. Section 8 of Republic Act No. 8149, entitled “An Act Granting the Tagbilaran Broadcasting System a Franchise to Construct, Install, Operate and Maintain Radio and Television Broadcasting Stations, in the Visayas Region, and for Other Purposes;”
- xxxix. Section 8 of Republic Act No. 8154, entitled “An Act Granting Prime Broadcasting Network, Incorporated, a Franchise to Construct, Operate and Maintain Stations for Radio and Television in the Philippines;”
- xl. Section 4 of Republic Act No. 8158, entitled “An Act Extending the Franchise Granted to Jorge D. Bayona Under Republic Act Numbered Fifty-Seven Hundred Eighty-Nine, Assigning it in Favor of Pbn Broadcasting Network Inc., and Renewing the Term thereof for another Twenty-Five (25) Years from the Date of the Effectivity of this Act;”
- xli. Section 8 of Republic Act No. 8169, entitled “An Act Granting Gv Broadcasting System, Inc., a Franchise to Construct, Install, Maintain and Operate for Commercial Purposes Radio Broadcasting Stations in the Island of Luzon and for Other Purposes;”
- xlii. Section 5 of Republic Act No. 10926, entitled “An Act Extending for Twenty-Five (25) Years the Franchise Granted to Smart Communications, Inc., (Formerly Smart Information Technologies, Inc.) Amending for the Purpose Republic Act No. 7294, entitled “An Act Granting Smart Information Technologies Inc. (SMART) a Franchise to Establish, Maintain, Lease And Operate Integrated Telecommunications/Computer/Electronic Services, and Stations throughout the Philippines for Public Domestic and International Telecommunications, and for Other Purposes;”
- xliii. Section 9 of Republic Act No. 9511, entitled “An Act Granting the National Grid Corporation of the Philippines a Franchise to Engage in the Business of Conveying or Transmitting Electricity Through High Voltage Backbone Systems of Interconnected Transmission Lines, Substations and Related Facilities;”
- xliv. Section 9 of Republic Act No. 7953, entitled “An Act Amending Ra 6632, Entitled “An Act Granting the Philippine Racing Act, Inc., a Franchise to

Operate And Maintain a Race Track for Horse Racing in the Province of Rizal, and Extending the said Franchise by 25 Years from the Expiration of the Term thereof;"

- xlv. Section 12 of Republic Act No. 8407, entitled "an act amending RA 6631, entitled "An Act Granting Manila Jockey Club, Inc., a Franchise to Construct, Operate and Maintain a Race Track for Horse Racing in the City of Manila or any Place within the Provinces Of Bulacan, Cavite or Rizal and Extending the Said Franchise by 25 Years from the Expiration of the Term Thereof;"
- xlvi. Section 9 of Republic Act No. 8298, entitled "An Act Amending Republic Act Numbered Seventy-Nine Hundred Seventy-Eight, Entitled "An Act Granting the Metro Manila Turf Club, Inc., a Franchise to Construct, Operate and Maintain a Racetrack for Horse Racing in the City of Kalookan;" and
- xlvi. Section 12 of Republic Act No. 8446, entitled "An Act Granting the Fil-Asia Racing Club a Franchise to Construct, Operate And Maintain a Racetrack for Horse Racing in Rizal or Tarlac, or Pampanga or Batangas or Quezon City."

Sec. 39. Repealing Clauses. – A. The provisions of the following Laws that are inconsistent with this Act are hereby repealed:

- i. Section 5 of Republic Act No. 9379, entitled "An Act Defining Handline Fishing, Providing Effective Regulations therefor and for Other Purposes;"
- ii. Section 16 of Republic Act No. 10601, entitled "An Act Promoting Agricultural and Fisheries Mechanization Development in the Country Which Grants Incentives to Local Manufacturers and Assemblers of Agri-Fisheries Machinery Pursuant to EO 226";
- iii. Section 32 of Republic Act No. 10654, entitled "An Act to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing, Amending Republic Act No. 8550, otherwise known as the Philippine Fisheries Code of 1998, and for other purposes;"
- iv. Section 14 (b) of Republic Act No. 7308, entitled "An Act to Promote and Develop the Seed Industry in the Philippines and Create a National Seed Industry Council and for Other Purposes;"
- v. Section 18 of Republic Act No. 7884, entitled "An Act Creating the National Dairy Authority to Accelerate the Development of The Dairy

Industry in the Philippines, Providing for a Dairy Development Fund, and for Other Purposes;”

- vi. Section 9 (e), (f) (i), (j) Republic Act No. 7900, entitled “An Act to Promote the Production, Processing, Marketing, and Distribution of High Value Crops, Providing Funds Therefor, and for Other Purposes;”
- vii. Chapter II, article II, sec. 35 (b), (c) and (d) of Republic Act No. 8550, entitled “An Act Providing for the Development, Management and Conservation of the Fisheries and Aquatic Resources, Integrating all Laws Pertinent Thereto, and for Other Purposes;”
- viii. Section 24 (a) (f) of Republic Act No. 10068, entitled “An Act Providing for the Development and Promotion of Organic Agriculture in the Philippines and for Other Purposes;”
- ix. Section 37 of Republic Act No. 6848, entitled “An Act Providing For the 1989 Charter Of the Al-Amanah Islamic Investment Bank of thePhilippines, Authorizing its Conduct of Islamic Banking Business, and Repealing for this Purpose Presidential Decree Numbered Two Hundred And Sixty-Four as Amended by Presidential Decree Numbered Five Hundred and Forty-Two;”
- x. Section 17 of Republic Act No. 7906, entitled “An Act Providing for the Regulation of the Organization and Operations of Thrift Banks, and for Other Purposes;”
- xi. Section 15 of Republic Act No. 7353, entitled “An Act Providing for the Creation, Organization and Operation of Rural Banks, and for Other Purposes;”
- xii. Executive Order No. 226, series of 1987, entitled “the Omnibus Investments Code of 1987;”
- xiii. Section 1 of Republic Act No. 7918, entitled “An Act Amending Article 39, Title IIIof Executive Order No. 226, Otherwise Known as theOmnibus Investments Code Of 1987, As Amended, and for Other Purposes;”
- xiv. Articles 62, 63, 64, 65, 66, 67 and 69 of Republic Act No. 8756, entitled “An Act Providing for the Terms, Conditions and Licensing Requirements of Regional or Area Headquarters, Regional Operating Headquarters, Regional Warehouses of Multinational Companies Amending for the Purpose Certain Provisions of Executive Order No. 226, Otherwise Known as the Omnibus Investment Code Of 1987;”

- xv. Executive Order No. 22 series of 2017 amending EO 70 series of 2012 528, series of 2006 and 313, series of 2004, entitled "Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories Imported by Boi-Registered New and Expanding Enterprises;"
- xvi. Section 12 of Republic Act No. 8047, entitled "An Act Providing For the Development of the Book Publishing Industry through the Formulation and Implementation of a National Book Policy and a National Book Development Plan;"
- xvii. Section 17 (1) to (8) in so far as tax exemption and/or VAT zero rating on domestic merchandise is concerned, and Section 18 (a), (b), (c) and (f) of Presidential Decree No. 66, entitled "Creating the Export Processing Zone Authority and Revising Republic Act No. 5490;"
- xviii. Section 4 (e) and (f), in so far as tax exemption and/or VAT zero rating on domestic merchandise is concerned, of Republic Act No. 7903, entitled "An Act Creating Special Economic Zone and Freeport in the City Of Zamboanga and Establishing for this Purpose the Zamboanga City Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purposes;"
- xix. Section 4 (b) (c), in so far as tax exemption and/or VAT zero rating on domestic merchandise is concerned, of Republic Act No. 7922, entitled "An Act Establishing a Special Economic Zone and Freeport in the Municipality of Santa Ana and the Neighboring Islands in the Municipality of Aparri, Province of Cagayan Providing Funds Therefor, and for other Purposes;"
- xx. Section 4 of Republic Act No. 8748, entitled "An Act Amending Republic Act No. 7916, otherwise Known as the Special Economic Zone Act of 1995;"
- xxi. Sections 23 and 24 of Republic Act No. 7916, entitled "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;"
- xxii. Section 12 (b), in so far as tax exemption and VAT zero rating of domestic merchandise and capital equipment are concerned, and Section 15, in so far as tax and duty incentives are concerned, of Republic Act No. 7227, entitled "The Bases Conversion and Development Act of 1982, and for other Purposes," as amended by Republic Act No. 9400;

- xxiii. Section 1 of Executive Order No. 619, entitled "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;"
- xxiv. Sections 5, 6, 7, 8 and 9 of Republic Act No. 9490, entitled "An Act Establishing the Aurora Special Economic Zone in the Province of Aurora, Creating for the Purpose the Aurora Special Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes; Sections 3 (e) (f) (h) and 4 of R.A. No. 10083, entitled "An Act Amending Republic Act No. 9490;"
- xxv. Section 4 (f), in so far as tax exemption and/or Value Added Tax or VAT zero rating on domestic merchandise and capital equipment are concerned, and Sections 5, 6 and 10 of Republic Act No. 9728, entitled "An Act Converting the Bataan Economic Zone Located in the Municipality of Mariveles, Province of Bataan, into the Freeport Area of Bataan (Fab), Creating for this Purpose the Authority of the Freeport Area of Bataan (AFAB), Appropriating Funds Therefor and for Other Purposes;"
- xxvi. Sections 12, 21 and 22 of Presidential Decree No. 87 restored by FIRB Resolution 19-87 Amending Presidential Decree 8 issued on October 2, 1972, and Promulgating an Amended Act to promote the Discovery and Production of Indigenous Petroleum and Appropriate Funds Therefor;
- xxvii. Presidential Decree No. 529 (restored by FIRB Resolution 19-87), entitled "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;"
- xxviii. Section 16 (a), (b) and (c) and section 17 (a) to (e) of Presidential Decree No. 972, entitled "Promulgating An Act To Promote An Accelerated Exploration, Development, Exploitation, Production and Utilization Of Coal;"
- xxix. Section 4 (a) of Presidential Decree No. 1442 restored by FIRB resolution 19-87, entitled "An Act to Promote the Exploration and Development of Geothermal Resources;"
- xxx. Section 10 (1) to (6) of Republic Act No. 7156, entitled "An Act Granting Incentives to Mini-Hydro Electric Power Developers and For Other Purposes;"
- xxxi. Section 9 of Republic Act No. 8479, entitled "An Act Deregulating the Downstream Oil Industry, and for Other Purposes;"

- xxxii. Section 6, in so far as value added tax zero-rated sale of generated power is concerned, of Republic Act No. 9136, entitled "An Act Ordaining Reform in the Electric Power Industry, Amending for the Purpose Certain Laws and for other Purposes;"
- xxxiii. Chapter VII, Section 15 except (h), Sections 19, 21 (a) to (d), and 23 of Republic Act No. 9513, entitled "An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for other Purposes;"
- xxxiv. Section 6 (a) (b) of Republic Act No. 9367, entitled "An Act to Direct the Use of Biofuels, Establishing for this Purpose the Biofuel Program, Appropriating Funds Therefore, and for Other Purposes;"
- xxxv. Sections 36 (e) and (f) of Presidential Decree No. 705, entitled "Revising PD No. 389, otherwise known as the Forestry Reform Code of the Philippines;"
- xxxvi. Section (b) (1) (c) of Republic Act No. 9003, entitled "An Act Providing for an Ecological Solid Waste Management Program, Creating the Necessary Institutional Mechanisms and Incentives, Declaring Certain Acts Prohibited and Providing Penalties, Appropriating Funds Therefor and for Other Purposes;"
- xxxvii. Section 26 a (1) (3) of Republic Act No. 9275, entitled "An Act Providing for Comprehensive Water Quality Management and for Other Purposes;"
- xxxviii. Sections 16 and 17 of Republic Act No. 7844, entitled "An Act to Develop Exports as a Key Towards the Achievement of the National Goals Towards the Year 2000;"
- xxxix. Section 13 of Republic Act No. 10817, entitled "An Act Instituting the Philippine Halal Export Development and Promotion Program, Creating for the Purpose the Philippine Halal Export Development and Promotion Board, and for Other Purposes;"
- xl. Section 14 of Republic Act No. 8423, entitled "An Act Creating the Philippine Institute of Traditional and Alternative Health Care (PITAHC) To Accelerate the Development of Traditional and Alternative Health Care in the Philippines, Providing for a Traditional and Alternative Health Care Development Fund and for other Purposes;"
- xli. Section 20 (d) (1) to (5) of Republic Act No. 10884, entitled "An Act Strengthening the Balanced Housing Development Program, Amending

For the Purpose Republic Act No. 7279, as amended, Otherwise Known as the Urban Development and Housing Act of 1992;”

- xl.ii. Republic Act No. 7718, entitled “An Act Amending Certain Sections of RA 6957, Entitled “An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector, and for Other Purposes;”
- xl.iii. Section 6 (c) (d) (f) and Sections 7 and 8 of Republic Act No. 7103, entitled “An Act to Strengthen the Iron and Steel Industry and Promote Philippine Industrialization and for Other Purposes;”
- xl.iv. Section 3 (a) to (d) and (h) of Republic Act No. 8502, entitled “An Act to Promote the Development of the Jewelry Manufacturing Industry, Providing Incentives Therefor and for Other Purposes;”
- xl.v. Section 5 (a) (b) of Republic Act No. 10771, entitled “An Act Promoting the Creation of Green Jobs, Granting Incentives and Appropriating Funds Therefor;”
- xl.vi. Section 9 (h) (10) of Republic Act No. 9501, entitled “Promoting Entrepreneurship by Strengthening Development And Assistance Programs to Micro, Small and Medium Scale Enterprises Amending RA 6977, otherwise known as the Magna Carta For Small Enterprises;”
- xl.vii. Section 7 of Republic Act No. 9178, entitled “An Act to Promote the Establishment of Barangay Micro Business Enterprises (BMBES), Providing Incentives and Benefits Therefor, and for Other Purposes;”
- xl.viii. Chapter XV, Section 83; Chapter XVI, Sections 90, 91, 92, 93 of Republic Act No. 7942, entitled “An Act Instituting A New System of Mineral Resources Exploration, Development, Utilization and Conservation;”
- xl.ix. Chapter II, Section 4 and Chapter VIII, Section 19 of 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;”
 - I. Section 6 of Republic Act No. 7471, as amended, entitled “An Act to Promote the Development of Philippine Overseas Shipping;”
 - II. Sections 86, 88 and 95 (a) and (b) of Republic Act No. 9593, entitled “An Act Declaring a National Policy for Tourism as an Engine of Investment, Employment, Growth and National Development, and Strengthening the

Department of Tourism and its Attached Agencies to Effectively and Efficiently Implement that Policy, and Appropriating Funds Therefor;”

- lii. Section 8, in so far as investment incentives are concerned, of Republic Act No. 10816, entitled “An Act Providing for the Development and Promotion of Farm Tourism in the Philippines;”
- liii. Section 8 of Presidential Decree 1491- Amending Section 8 of Presidential Decree no. 538 (Philippine Veterans Investment Development Corporation);”
- liv. Section 8, in so far as tax exemption and VAT zero rating of domestic merchandise are concerned, and Section 9 of Presidential Decree No. 538, entitled “Creating and Establishing the Phividec Industrial Authority and Making It a Subsidiary Agency of the Philippine Veterans Development Corporation, Defining its Powers, Functions and Responsibilities, and for Other Purposes;”
- lv. Section 1 (1.1) of Executive Order No. 97-A s. 1993, entitled “Further Clarifying the Tax and Duty-Free Privilege within the Subic Special Economic and Free Port Zone;”
- lvi. Section 12(c) of Republic Act No. 7227, entitled “An Act Accelerating the Conversion of Military Reservations into Other Productive Uses, Creating the Bases Conversion and Development Authority for this Purpose, Providing Funds Therefor and for Other Purposes;”
- lvii. Sections 4(f) and 5(c)(k), in so far as tax exemption and/or VAT zero rating on domestic merchandise is concerned, and Section 12-b of Republic Act No. 10083, entitled “An Act Amending Republic Act No. 9490, otherwise known as the Aurora Special Economic Zone Act Of 2007;”
- lviii. Section 5 (5.1) and (5.2) of Executive Order No. 290, entitled “Implementing the Natural Gas Vehicle Program for Public Transport;”
- lix. Sections 18 and 20 of Republic Act No. 6847, entitled “An Act Creating and Establishing the Philippine Sports Commission, Defining Its Powers, Functions, And Responsibilities, Appropriating Funds therefor, And For Other Purposes;”
- lx. Section 10 of Presidential Decree No. 972 or the “Coal Development Act Of 1976,” as Amended by Presidential Decree No. 1174;

- lxi. Section 23 of Republic Act No. 7925, entitled "An Act to Promote and Govern the Development of Philippine Telecommunications and Delivery of Public Telecommunications Services;"
- lxii. Section 42 (c) of Republic Act No. 7277, entitled "An Act Providing For the Rehabilitation, Self-Development and Self-Reliance of Disabled Persons and their Integration into the Mainstream of Society and for Other Purposes."
- lxiii. Section 22 of Republic Act No. 9337, entitled "An Act Amending Sections 27, 28, 34, 106, 107, 108, 109, 110, 111, 112, 113, 114, 116, 117, 119, 121, 148, 151, 236, 237 and 288 of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes,"
- lxiv. Sections 1 (6) and 2 of Presidential Decree No. 776, entitled "Repealing All Laws, Acts, Decrees, Orders and Ordinances Granting Exemptions from Taxes, Duties, Fees, Imposts and Other Charges under Certain Exceptions and Creating a Fiscal Incentives Board"
- lxv. Section 2 of Presidential Decree No. 1931, s. 1984, entitled "Directing the Rationalization of Duty and Tax Exemption Privileges Granted to Government-Owned or Controlled Corporations and All other Units of Government"
- lxvi. Section 1 (c), (d) Executive Order No. 93, series of 1986, entitled "Withdrawing All Tax and Duty Incentives, Subject to Certain Exceptions, Expanding the Powers of the Fiscal Incentives Review Board and for other Purposes"
- lxvii. Section 1 (a) and (b) of Presidential Decree No. 1955, entitled "Withdrawing, Subject to Certain Conditions, the Duty And Tax Privileges Granted To Private Business Enterprises and/or Persons Engaged In Any Economic Activity And For Other Purposes"

B. Memorandum Order No. 23, s. 1986, entitled "Expanding the Membership of the Fiscal Incentives Review Board",

C. *In general.* – All other laws, decrees, Executive Orders, rules and regulations, or parts thereof which are contrary to or inconsistent with this Code are hereby repealed, amended or modified accordingly.

SEC. 40. *Separability Clause.* – If any clause, sentence, paragraph, or part of this Code shall be adjudged by any Court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of said Code, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy.

SEC. 41. *Implementing Rules and Regulations.* – Within thirty (30) days from the effectivity of this Act, the Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue and consultations with the Department of Trade and Industry, promulgate the necessary rules and regulations for its effective implementation.

SEC. 42. *Effectivity.* This Act shall take effect on January 1, 2019 following its complete publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,