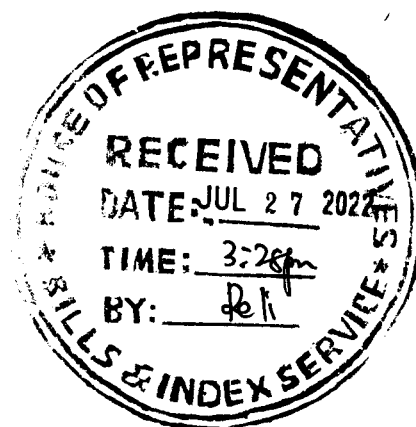


NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

HOUSE OF REPRESENTATIVES

H. B. No. 2555



Introduced by Representative Ralph G. Recto

AN ACT
PROMOTING INVESTMENTS IN EXPORT ENTERPRISES, AMENDING FOR
THE PURPOSE SECTION 296 OF THE NATIONAL INTERNAL REVENUE CODE
OF 1997, AS AMENDED

EXPLANATORY NOTE

This proposed measure seeks to extend the period of availment for tax incentives which may be granted to export enterprises under Republic Act No. 11534, or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

In March 2021, the CREATE Act was enacted to improve the equity and efficiency of the corporate tax system by lowering the rate, widening the tax base, and reducing tax distortions and leakages, and provides a tax incentives system that is performance-based, time-bound, targeted, and transparent.

The CREATE Act grants an income tax holiday (ITH) for a period of 4 to 7 years, depending on location and industry priorities, and followed by 10-year special corporate income tax (SCIT) or enhanced deductions (ED) for export enterprises.

However, the existing tax incentives system under the CREATE Act may not be enough to attract foreign investments in the country. Total foreign investments approved in the first quarter of 2022 reached P8.98 billion, 54.1% lower compared with P19.55 billion in the same period in 2021.¹ These investments were pledges from

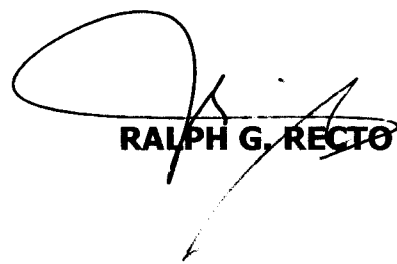
¹ <https://psa.gov.ph/content/approved-foreign-investments-reached-php-898-billion-first-quarter-2022>

six investment promotion agencies (IPAs), namely: Authority of the Freeport Area of Bataan (AFAB), Board of Investments (BOI), Clark Development Corporation (CDC), Cagayan Economic Zone Authority (CEZA), Philippine Economic Zone Authority (PEZA), and Subic Bay Metropolitan Authority (SBMA).² No investment approvals were reported from BOI-Bangsamoro Autonomous Region in Muslim Mindanao (BOI-BARMM) for first quarter of years 2021 and 2022.³

The country is currently facing economic and fiscal challenges. These challenges include the COVID-19 pandemic, supply chain disruptions, energy crisis, Russia-Ukraine conflict, rising commodity prices, soaring inflation, food crisis and the ballooning outstanding debt of the National Government which now stands at P12.50 Trillion⁴ as of end-May 2022.

To counter these global and domestic challenges, the government must prioritize programs that will help accelerate economic growth such as attracting foreign investments in the country and promoting exports. Thus, this bill extends the period of availment for tax incentives which may be granted to export enterprises from 4 to 7 years to 7 to 10 years.

In view of the foregoing, the approval of this bill is earnestly sought.



RALPH G. RECTO

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² <https://psa.gov.ph/content/approved-foreign-investments-reached-php-898-billion-first-quarter-2022>

³ <https://psa.gov.ph/content/approved-foreign-investments-reached-php-898-billion-first-quarter-2022>

⁴ https://www.treasury.gov.ph/wp-content/uploads/2022/07/NG-Debt_May2022_web.pdf

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**AN ACT
PROMOTING INVESTMENTS IN EXPORT ENTERPRISES, AMENDING FOR
THE PURPOSE SECTION 296 OF THE NATIONAL INTERNAL REVENUE CODE
OF 1997, AS AMENDED**

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

1 Section 1. *Short Title.* — This Act shall be known as the "Export Promotion Act".

2 Sec. 2. Section 296 of the National Internal Revenue Code of 1997, as amended,
3 is hereby further amended to read as follows:

4 "SEC. 296. *Period of Availment.* – The period of availment of incentive by
5 the registered business enterprise shall be as follows:

6 (A) For export enterprise, income tax holiday of [~~four (4) to~~] seven (7) **TO**
7 **TEN (10)** years, depending on location and industry priorities as specified in this
8 Section, and followed by special corporate income tax rate or enhanced
9 deductions for ten (10) years.

10 "xxx

11 (B) For domestic market enterprise under the Strategic Investment Priority
12 Plan, income tax holiday for four (4) to seven (7) years followed by enhanced
13 deductions for five (5) years.

14 "xxx

15 The period of availment of incentives based on the combination of both
16 location and industry priorities, as determined in the Strategic Investment Priority
17 Plan, shall be as follows:

18 For exporters:

Location/Industry Tiers	Tier I	Tier II	Tier III
National Capital Region	~~[4]~~ 7 ITH + 10 ED/SCIT	~~[5]~~ 8 ITH + 10 ED/SCIT	~~[6]~~ 9 ITH + 10 ED/SCIT
Metropolitan areas or areas contiguous and adjacent to the National Capital Region	~~[5]~~ 8 ITH + 10 ED/SCIT	~~[6]~~ 9 ITH + 10 ED/SCIT	~~[7]~~ 10 ITH + 10 ED/SCIT
All other areas	~~[6]~~ 9 ITH + 10 ED/SCIT	~~[7]~~ 10 ITH + 10 ED/SCIT	~~[7]~~ 10 ITH + 10 ED/SCIT

"xxx"

Sec. 3. *Implementing Rules and Regulations.* — Within thirty (30) days from the effectivity of this Act, the Secretary of Finance and the Secretary of Trade and Industry, after due consultation with the Commissioner of Internal Revenue, the Board of Investments, and other Investment Promotion Agencies, shall jointly promulgate the necessary rules and regulations for its effective implementation.

Sec. 4. *Separability Clause.* - The provisions of the Act are hereby declared to be separable. If any provision of this Act shall be held unconstitutional, the remainder of the Act not otherwise affected thereby shall remain in full force and effect.

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

Sec. 6. *Effectivity Clause.* - This Act shall take effect within fifteen (15) days from its publication in at least two (2) national newspaper of general circulation or in the *Official Gazette*.

Approved,