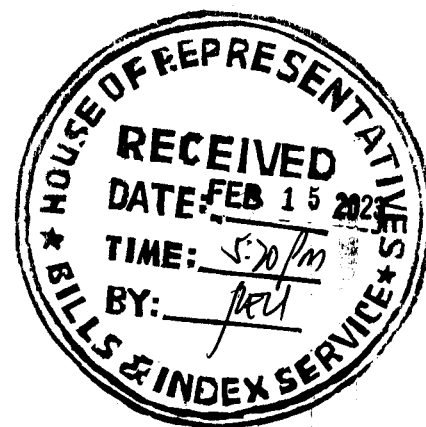


NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

HOUSE OF REPRESENTATIVES

H. B. No. 7190



Introduced by Representative Ralph G. Recto

AN ACT
PROMOTING INVESTMENTS IN EXPORT AND DOMESTIC MARKET
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 and domestic market 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, followed by special corporate income tax (SCIT) or enhanced deductions (ED) for 10 years for export enterprises, and ED for 5 years for domestic market enterprises in the Strategic Investment Priorities Plan (SIPP).

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 third quarter of 2022 reached P13.05 billion, 22.4% lower compared with P16.82 billion in the same period in 2021.¹ These investments were pledges from four investment promotion agencies (IPAs), namely: Board of Investments (BOI), Clark Development Corporation (CDC), Philippine Economic Zone Authority (PEZA), and Subic Bay Metropolitan Authority (SBMA).² There were no foreign investment approvals reported from the Authority of the Freeport Area of Bataan (AFAB), BOI-Bangsamoro Autonomous Region in Muslim Mindanao (BOI-BARMM), Cagayan Economic Zone Authority (CEZA), Poro Point Management Corporation (PPMC), and Tourism Infrastructure Economic Zone Authority (TIEZA) for the third 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 P13.42 trillion⁴ as of end-December 2022.

To counter these global and domestic challenges, the government must prioritize programs that will help accelerate economic growth such as promoting investments, not only in export-oriented enterprises but also in domestic market enterprises. Thus, this bill extends the period of availment of ITH which may be granted to export and domestic market 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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¹ <https://psa.gov.ph/foreign-investments-press-releases/2022%20Q3>

² <https://psa.gov.ph/foreign-investments-press-releases/2022%20Q3>

³ <https://psa.gov.ph/foreign-investments-press-releases/2022%20Q3>

⁴ https://www.treasury.gov.ph/wp-content/uploads/2023/02/NG-Debt_Dec22_web.pdf

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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 "Investments Promotion
2 Act".

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

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

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

11 "xxx

12 "(B) For domestic market enterprise under the Strategic Investment
13 Priority Plan, income tax holiday for [~~four (4) to~~] seven (7) **TO TEN (10)** years
14 followed by enhanced deductions for five (5) years.

15 "xxx

16 "The industry of the registered project or activity shall be prioritized
17 according to national industrial strategy specified in the Strategic Investment
18 Priority Plan. The Strategic Investment Priority Plan shall define the coverage of
19 the tiers and provide the conditions for qualifying the activities:

"(1) Tier I shall include activities that (i) have high potential for job creation, **INCLUDING MINING AND TOURISM**; (ii) take place in sectors with market failures resulting in underprovision of basic goods and services; (iii) generate value creation through innovation, upgrading or moving up the value chain; (iv) provide essential support for sectors that are critical to industrial development; or (v) are emerging owing to potential comparative advantage.

"(2) xxx

"(3) xxx

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

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

For domestic market activities:

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

All other areas	[6]9 ITH + 5 ED	[7]10 ITH + 5 ED	[7]10 ITH + 5 ED

1 "xxx"

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

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

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

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

Approved,