

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila

TWENTIETH CONGRESS  
First Regular Session

HOUSE BILL NO. **2597**



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Introduced by **REP. NATHANIEL “ATTY. NAT” M. ODUCAO**

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### **EXPLANATORY NOTE**

By geography and by tradition, the Philippines is a maritime nation. At present, we are the leading supplier of seafarers to the global fleet, with over 578,000 Filipino seafarers deployed worldwide.<sup>1</sup> But aside from leading the world in being home to quality seafarers, we also possess the potential to lead the world in ship and boat building and ship repair and recycling. In 2024, the country ranked among the world’s top shipbuilders, with an output of 805,938 gross tonnage (GT) of vessels.<sup>2</sup>

Despite this, the domestic shipbuilding and ship repair (SBSR) industry remains underappreciated as a driver of industrial development and trade competitiveness. This reality places a significant constraint on our national growth potential. The SBSR industry touches a wide array of economic sectors—from metalworking and logistics to electrical equipment and construction. Unfortunately, it has long suffered from inconsistent policy support, lack of capital incentives, and insufficient modernization programs.

The Shipbuilding and Ship Repair (SBSR) Fiscal Incentives Act of 2025 seeks to change that. This proposed legislation offers a focused, long-term fiscal framework to transform SBSR into a major contributor to industrial output, jobs, and regional development.

The bill is a package of strategic incentives designed to spur private sector investment: an exemption from Value-Added Tax (VAT) and Income Tax Holidays (ITH) for the expansion and upgrading of SBSR facilities and shipyard operations; Tax Credit on domestic capital equipment and materials; and Tax incentives for Green Projects, among others.

This Bill is a catalyst for industrial deepening, job creation, and economic diversification. It is a chance to lay the economic foundation for a modern, job-rich, and globally competitive Philippines. It is a chance to maximize our potential as a nation of seafarers, not just by sending our workers to the world, but by building the vessels they sail on here on our shores.

It is time to bring this industry home. Full speed ahead.

  
**REP. NATHANIEL “ATTY. NAT” M. ODUCAO**  
1Tahanan Party List

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<sup>1</sup> MARINA, SBSR Development Bill Presentation, 2024, p. 6.

<sup>2</sup> UNCTAD, Review of Maritime Transport 2024, as cited in MARINA, SBSR Development Bill Presentation, 2024, p. 6.

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**AN ACT ESTABLISHING TAX INCENTIVES FOR THE REHABILITATION,  
MODERNIZATION, AND EXPANSION OF PHILIPPINE SHIPYARDS AND THE  
CREATION OF JOBS THEREIN, AND FOR OTHER PURPOSES**

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

**SECTION 1. *Short Title.*** – This Act shall be known as the “SHIPYARD FISCAL  
INCENTIVES ACT OF 2025.”

**SECTION 2. *Declaration of Policy.*** – It is hereby declared the policy of the State to:

- (a) Accelerate the development of Philippine Shipbuilding and Ship Repair, Boatbuilding and Ship Recycling Industries to promote economic growth, job creation, skills development, innovation, and competitiveness therein;
- (b) Encourage sustainability and compliance with environmental laws in pursuit of maritime industrial development;
- (c) Promote the participation of the private sector as among the primary drivers of such development;
- (d) Recognize the utility of fiscal incentives in motivating actors to make decisions in line with the public good; and
- (e) Establish the necessary mechanisms to carry out the mandates specified in this Act and other existing laws.

**SECTION 3. *Incentives to MARINA-registered SBSR Entities.*** – To promote investments and to ensure the development of a viable shipbuilding and ship repair, boatbuilding and ship recycling industries in the Philippines, the following incentives shall be made available to qualified MARINA-registered SBSR Entities:

- (a) **Exemption from Value-Added Tax (VAT).** – On the purchase and/or importation of capital equipment, machinery, spare parts, life-saving and navigational equipment, raw materials such as steel plates and other metal plates including marine-grade aluminum plates or steel or other technologically improved hull material to be used in the construction, repair, renovation, alteration, modification, conversion or maintenance of the hull of any ship. Unless the purchase and/or importation of capital equipment, machinery, spare parts, life-saving and navigational equipment and/or raw materials are to be used in the

1 construction, repair, renovation, alteration, modification, conversion, or maintenance of the  
2 hull of any ship, or the construction, repair, expansion, renovation, alteration, modification  
3 or rehabilitation of its shipyard facilities, such exemption from VAT shall be availed of  
4 within ten (10) years from the effectivity of this Act.

5 Approval by the MARINA shall be required prior to the purchase and/or importation of  
6 articles under this Section and exemption from VAT shall be subject to the following  
7 conditions:

- 8 (i) exemption shall be granted to MARINA-registered SBSR entities;
- 9 (ii) articles are not manufactured domestically in sufficient quantity of comparable  
10 quality;
- 11 (iii) articles are directly imported by MARINA-registered SBSR entities; and
- 12 (iv) articles are reasonably needed and will be used exclusively by the MARINA-  
13 registered SBSR entities in its shipyard operations.

14 **(b) Income Tax Holiday (ITH) for the Expansion/ Upgrading of SBSR Facilities and**  
15 **shipyard operations.** – A new MARINA-registered SBSR entity or existing SBSR entity  
16 intending to expand/upgrade its facilities and/or operations shall be granted an ITH for four  
17 (4) to ten (10) years. Provided, that in case of expansion/upgrading or modernization of  
18 shipyard facilities, the entity shall show proof that there is an increase in the number of its  
19 personnel and investment subject to such guidelines as may be prescribed by the MARINA.

20 **(c) Tax Credit on Domestic Capital Equipment and Materials.** – A tax credit equivalent to  
21 one hundred percent (100%) of the value of the national internal revenue taxes and customs  
22 duties that would have been waived on machinery, equipment, and spare parts, had these  
23 items been imported shall be given to the new and/or expanding/upgrading MARINA-  
24 registered SBSR entity which purchases machinery, equipment and spare parts from a  
25 domestic manufacturer.

26 The purchase of machinery, equipment, and spare parts shall be granted tax credit subject  
27 to the condition that said equipment, machinery, and spare parts are reasonably needed and  
28 will be used exclusively by a MARINA-registered SBSR entity in the manufacturing of its  
29 products, wherein the purchase is made within ten (10) years from the date of effectivity of  
30 this Act. If the MARINA-registered SBSR entity sells, transfers, or disposes of these  
31 machinery, equipment, and spare parts, the disposition shall comply with the guidelines  
32 prescribed by the MARINA.

33 **(d) Tax and Duty Exemption on Imported Capital Equipment and Materials.** – The  
34 importation of machinery, equipment, and materials for shipbuilding, ship repair and/or  
35 construction of shipyard facilities, including capital equipment that would be used directly  
36 and exclusively to promote green jobs, green ships, and green shipyards, as well as  
37 replacement and spare parts for the repair and overhaul of ships such as steel plates,  
38 electrical machinery and electronics parts including shipyards facilities, shall be exempt  
39 from the payment of customs duty and compensating tax, Provided that:

- 40 (i) MARINA certifies that the item or items imported are not produced locally in  
41 sufficient quantity and acceptable quality at reasonable prices and that the  
42 importation is directly and actually needed and will be used exclusively for the  
43 construction, repair, alteration, or overhaul of merchant ships and other watercraft;

1 (ii) if the above machinery, equipment, materials, and spare parts are sold to non-tax-  
2 exempt persons or entities, the corresponding duties and taxes shall be paid by the  
3 original importer;

4 (iii) local dealers and/or agents who sell machinery, equipment, materials, and  
5 accessories to shipyards for shipbuilding and ship repair are entitled to tax credits,  
6 subject to approval by the MARINA, equivalent to the total tariff duties and  
7 compensating tax paid for said machinery, equipment, materials, and accessories.

8 (e) **Tax incentives for green projects.** MARINA-registered SBSR entities shall be entitled to  
9 tax deduction equivalent to 50% of the total cost for skills training and research and  
10 development for green jobs creation in conserving and preserving the environment as per  
11 RA 10771 or the Green Job Act.

12 **SECTION 4. Fines and Penalties.** – Any violation of the tax exemption privileges or  
13 incentives provided for in this Act, as well as the terms and conditions for the grant thereof, shall  
14 result in forfeiture of all the tax exemptions and incentives granted herein, and the shipbuilder, ship  
15 repairer, contractor or importer shall be subject to a fine in an amount equivalent to two hundred  
16 (200) percent of all the taxes affected.

17 **SECTION 5. Separability Clause.** – If for any reason, any section, subsection, sentence,  
18 clause or term of this Act is held to be illegal, invalid or unconstitutional, such parts not affected  
19 by such declaration shall remain in full force and effect.

20 **SECTION 6. Repealing Clause.** – Any law, presidential decree or issuance, executive  
21 order, letter of instruction, administrative rule or regulation contrary to or inconsistent with the  
22 provisions of this Act is hereby repealed, modified or amended accordingly.

23 **SECTION 7. Effectivity Clause.** – This Act shall take effect after 15 days following its  
24 publication in at least two (2) newspapers of general circulation.

25 *Approved,*