



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



EIGHTEENTH CONGRESS

First Regular Session

2554

House Bill No. _____

Introduced by Representative Sharon S. Garin

EXPLANATORY NOTE

The Tax Reform for Attracting Better and High Quality Opportunities (TRABAHO) bill is a part of the Comprehensive Tax Reform Program (CTR) of the President's economic team with the end view of accelerating poverty reduction and sustainability address inequality to attain the his promise of *Tunay na Pagbabago*. By making the tax system simpler, fairer, and more efficient, additional and more sustainable stream of revenues need to be generated to make meaningful investments on the people and infrastructure to achieve the vision for the Philippines.

This measure will, among others, encourage investment by bringing down the corporate income tax (CIT) rate from 30% to 20%, help bring in the greatest benefits based on the indicated fiscal incentives, create an environment of fairness and transparency in the grant of fiscal incentives, and enhance tax administration through a clear taxpayers' accountability.

Some of the salient features of the bill are as follows:

1. Reducing the current 30% corporate income tax (CIT) by 2% every after two (2) years;
2. Exempting Home Development Mutual Fund from income taxation to have equal footing with SSS, PHIC, and GSIS;
3. Removing the option for corporations, including resident foreign corporations, to avail of the 15% gross income tax;
4. Subjecting corporate taxpayers who enjoy preferential rates to the 30% CIT;
5. Providing a schedule of amount of interest paid or incurred which may be allowed as deduction from gross income;
6. Granting fiscal incentives only to registered activities of exporters and industries listed in the Strategic Investments Priority Plan (SIPP).

7. Mandating the SIPP shall include those activities covered by the Philippine Development Plan (PDP) taking into consideration the substantial amount of investments, employment to be generated, business activities and value-added production of MSME's, modern technology, environment protection, missing gaps in the supply/value chain and market competitiveness;
8. Granting the President the power to grant incentives if the project has a comprehensive sustainable development plan and will bring in at least US \$200 Million;
9. Granting income incentives for a maximum of five years thus, removing perpetual 5% on gross income earned (GIE) and limiting income tax holiday (ITH);
10. Providing that in lieu of ITH or reduced CIT, incentive may be extended on a per industry basis, upon Board of Investment (BOI) approval;
11. Reducing the 18% CIT by one percentage point every other year;
12. Adding two (2) years of incentives (inclusive of one-year ITH) for the projects located in lagging areas, areas covering from armed conflict or major disasters, agri-business outside major urban areas or those relocated from Metro Manila and nearby urban areas;
13. Encouraging investors and locators to reapply after the five-year or seven-year period, to qualify for another five years of incentives;
14. Specifying that VAT treatment shall be based on location and export sales;
15. Enhancing the tax administration through:
 - a. Empowering the Commissioner to issue subpoena *duces tecum* to compel submission of documents, wherein taxpayers may face criminal action for failure to obey subpoena;
 - b. Authorizing the service of subpoena, letters of authority, and assessments at the taxpayer's registered business address or if not practicable, through substituted service;
 - c. Obliging the Bureau of Internal Revenue Commissioner, upon the request of the Secretary of Finance (SOF), to furnish pertinent taxpayer information to the Secretary and the concerned officers;
 - d. Defining tax avoidance as, either directly or indirectly, altering the incidence of any income tax, or relieving a person from liability to pay income tax or from a potential or prospective liability to future income tax or, avoiding, postponing, or reducing any liability to income tax, or any potential or prospective liability to future income tax;
 - e. Granting the Commissioner the authority to distribute, apportion, allocate and impute income and deductions to disregard and counteract tax avoidance arrangements in transfer pricing scheme by a taxpayer;
 - f. Stopping the issuance of tax credit certificates, instead, refund of creditable input tax of a taxpayer shall now be through a refund;

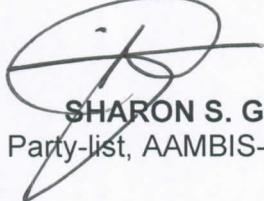
- g. Requiring digitization among taxpayers under the Large Taxpayer Service (LTS), and exporters, i.e., e-receipts, or sales or commercial invoices, public certification system, use of electronic transaction number; and
- h. Increasing the fines and rationalizes imprisonment on violations of the Tax Code following the adjustment of fines and penalties in the Revised Penal Code.

16. Providing for efficient administration of tax incentives by:

- a. including the Department of the Trade and Industry (DTI) and the National Economic and Development Authority (NEDA) as members in the Boards of investment promotion agencies (IPAs), with the SOF as the co-chair of all IPA boards;
- b. expanding the powers of the Fiscal Incentives Review Board (FIRB);
- c. requiring the registered enterprises to install an adequate accounting system and an e-invoicing system and to file their tax returns electronically;
- d. enhancing the VAT refund system for registered enterprises that did not meet the 90% export sales threshold or are located outside the ecozones; and
- e. expands the coverage of the Tax Expenditure Fund system to include all tax and duty obligations of GOCCs.

17. Incremental revenue collected from the measure will provide for subsidies in school, housing vouchers, universal health care, funds for displaced workers, infrastructure needs for IPAs.

TRABAHO bill has been approved on third reading last 17th Congress and it is high time for the immediate passage of important piece of legislation.



SHARON S. GARIN
Party-list, AAMBIS-OWA



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AN ACT

AMENDING SECTIONS 4, 5, 20, 22, 27, 28, 34, 40, 50, 73, 112, 117, 204, 222, 237, 237-A, 255, 256, 257, 258, 260, 261, 262, 263, 264, 265, 266, 275, 288, 290 AND ADDING SECTIONS 6-A, 282-A, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 301-A, 301-B, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, AND 314 UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

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

1 SECTION 1. *Title.* – This Act shall be known as the "Tax Reform for Attracting
2 Better and High-quality Opportunities," or "TRABAHO."

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

5 "SEC. 4. *Power of the Commissioner to Interpret Tax Laws and to Decide*
6 *Tax Cases.* – The power to interpret the provisions of the Code and other tax
7 laws shall be under the exclusive and original jurisdiction of the Commissioner,
8 subject to review by the Secretary of Finance: **PROVIDED, THAT THE POWER**
9 **TO INTERPRET THE PROVISIONS OF TITLE XIII OF THIS CODE SHALL**
10 **BE UNDER THE EXCLUSIVE AND ORIGINAL JURISDICTION OF THE**
11 **SECRETARY OF FINANCE.**

12 "The power to decide disputed assessments, refunds of internal revenue
13 taxes, fees or other charges, penalties imposed in relation thereto, or other
14 matters arising under this Code or other laws or portions thereof administered
15 by the Bureau of Internal Revenue is vested in the Commissioner, subject to the
16 exclusive appellate jurisdiction of the Court of Tax Appeals."

1 SEC. 3. Section 5 of the National Internal Revenue Code of 1997, as amended, is
2 hereby further amended to read as follows:

3 "SEC. 5. *Power of the Commissioner to Obtain Information and to*
4 *Summon, Examine, and Take Testimony of Persons.* – In ascertaining the
5 correctness of any return, or in making a return when none has been made, or
6 in determining the liability of any person for any internal revenue tax, or
7 in collecting any such liability, or in evaluating tax compliance, the
8 Commissioner is authorized:

- 9 "(A) x x x
- 10 "(B) x x x
- 11 "(C) x x x
- 12 "(D) x x x; [and]
- 13 "(E) x x x[.]; AND

14 "**(F) IN CASE THE INFORMATION OR RECORDS REQUESTED ARE**
15 **NOT FURNISHED WITHIN THE PERIOD PRESCRIBED IN THE WRITTEN**
16 **NOTICE, OR WHEN THE INFORMATION OR RECORDS SUBMITTED**
17 **ARE INCOMPLETE, THE COMMISSIONER OR HIS DULY AUTHORIZED**
18 **REPRESENTATIVE, SHALL ISSUE A SUBPOENA DUCES**
19 **TECUM STATING THEREIN THE RELEVANT FACTS,**
20 **SPECIFYING THE PARTICULAR DOCUMENTS OR RECORDS NOT MADE**
21 **AVAILABLE AND THE TAXPAYER LIABLE OR THE THIRD**
22 **PARTY/OFFICE CONCERNED: PROVIDED, THAT INFORMATION OR**
23 **RECORDS DULY RECEIVED OR ALREADY WITHIN THE CUSTODY OF**
24 **THE BUREAU SHALL NOT BE COVERED BY ANY SUBPOENA**
25 **DUCES TECUM.**

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

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

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

"BOOKS, RECORDS, AND DOCUMENTS SUBMITTED AS A RESULT OF A *SUBPOENA DUCES TECUM* SHALL BE UNDER THE CUSTODIANSHIP OF THE RECEIVING OFFICER WHO SHALL BE RESPONSIBLE FOR ITS SAFEKEEPING AND PRESERVATION, SUBJECT TO APPLICABLE RULES."

SEC. 4. A new section shall be inserted as Section 6-A of the National Internal Revenue Code of 1997, as amended, to read as follows:

"SEC. 6-A. 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 AT HIS REGISTERED ADDRESS. IN CASE PERSONAL SERVICE IS NOT PRACTICABLE, THE NOTICE SHALL BE SERVED BY SUBSTITUTED SERVICE IN ACCORDANCE WITH THE RULES OF THE COURT."

SEC. 5. 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) x x x

"(B) **SUBMISSION OF TAX-RELATED INFORMATION TO THE DEPARTMENT OF FINANCE.** - THE PROVISIONS OF SECTION 71, NOTWITHSTANDING, 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.

“[(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

1 Ways and Means of the Senate and House of Representatives, a report on the
2 exercise of his powers pursuant to the said Section, every six (6) months of
3 each calendar year."

4 SEC. 6. Section 22 of the National Internal Revenue Code of 1997, as amended, is
5 hereby further amended to read as follows:

6 "SEC. 22. *Definitions.* – x x x

7 "(A) x x x

8 "(B) x x x

9 "(C) x x x

10 "(D) x x x

11 "(E) The term 'nonresident citizen' means:

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

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

18 "(3) A citizen of the Philippines who works and derives income from abroad
19 and whose employment thereat requires him to be physically present abroad
20 [most of the time] **FOR ONE HUNDRED EIGHTY-THREE (183) DAYS OR**
21 **MORE** during the taxable year.

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

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

31 "x x x."

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

34 "SEC. 27. *Rates of Income Tax on Domestic Corporations.* –

"(A) In General. – Except as otherwise provided in this Code, [an income tax of thirty-five percent (35%)] **AN INCOME TAX RATE OF THIRTY 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 TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY-SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY-FOUR PERCENT (24%) BEGINNING JANUARY 1, 2025; TWENTY-TWO PERCENT (22%) BEGINNING JANUARY 1, 2027; AND TWENTY PERCENT (20%) BEGINNING JANUARY 1, 2029:** **PROVIDED, FURTHER, THAT THE PRESIDENT MAY ADVANCE THE SCHEDULED REDUCTION IN THE CORPORATE INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED FROM THE RATIONALIZATION OF FISCAL INCENTIVES UNDER TITLE XIII OF THIS CODE, AS CERTIFIED BY THE SECRETARY OF FINANCE.**

"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 herein, after 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. -

"X X X."

"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)] (**DEPED**), 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) 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), **HOME DEVELOPMENT MUTUAL FUND**, 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 a similar business, industry, or activity.

"(D) x x x

"(E) x x x."

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-five percent (35%)] **THIRTY PERCENT (30%)** 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 TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY-SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY-FOUR PERCENT (24%) BEGINNING JANUARY 1, 2025; TWENTY-TWO PERCENT (22%) BEGINNING JANUARY 1, 2027; AND TWENTY PERCENT (20%)**

1 BEGINNING JANUARY 1, 2029: *PROVIDED, FURTHER, THAT THE*
2 *PRESIDENT MAY ADVANCE THE SCHEDULED REDUCTION IN THE*
3 *CORPORATE INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE*
4 *REALIZED FROM THE RATIONALIZATION OF FISCAL INCENTIVES*
5 *UNDER TITLE XIII OF THIS CODE, AS CERTIFIED BY THE SECRETARY OF*
6 *FINANCE.*

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

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

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

18 "(2) x x x

19 "(3) x x x

20 "*[4] Offshore Banking Units.* – The provisions of any law to the contrary
21 notwithstanding, income derived by offshore banking units authorized by the
22 Bangko Sentral ng Pilipinas (BSP), from foreign currency transactions with
23 nonresidents, other offshore banking units, local commercial banks, including
24 branches of foreign banks that may be authorized by the Bangko Sentral ng
25 Pilipinas (BSP) to transact business with offshore banking units shall be exempt
26 from all taxes except net income from such transactions as may be
27 specified by the Secretary of Finance, upon recommendation of the Monetary
28 Board which shall be subject to the regular income tax payable by banks:
29 *Provided, however,* That any interest income derived from foreign currency
30 loans granted to residents other than offshore banking units or local commercial
31 banks, including local branches of foreign banks that may be authorized by the
32 BSP to transact business with offshore banking units, shall be subject only to a
33 final tax at the rate of ten percent (10%).

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

3 "**[(5)] (4) Tax on Branch Profits Remittances.** – Any profit remitted by a
4 branch to its head office shall be subject to a tax of fifteen percent (15%) which
5 shall be based on the total profits applied or earmarked for remittance without
6 any deduction for the tax component thereof [(except those activities which are
7 registered with the Philippine Economic Zone Authority)]. x x x

8 "**[(6)] (5) Regional or Area Headquarters and Regional Operating**
9 *Headquarters of Multinational Companies.* –

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

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

14 **"PROVIDED, THAT REGIONAL OPERATING HEADQUARTERS SHALL**
15 **BE SUBJECT TO THE REGULAR CORPORATE INCOME TAX TWO (2)**
16 **YEARS FROM THE EFFECTIVITY OF THIS ACT.**

17 "**[(7)] (6) Tax on Certain Incomes Received by a Resident Foreign**
18 *Corporation.* –

19 "(a) *Interest from Deposits and Yield or any other Monetary Benefit from*
20 *Deposit Substitutes, Trust Funds and Similar Arrangements and Royalties.* –
21 Interest from any currency bank deposit and yield or any other monetary benefit
22 from deposit substitutes and from trust funds and similar arrangements and
23 royalties derived from sources within the Philippines shall be subject to a final
24 income tax at the rate of twenty percent (20%) of such interest: *Provided,*
25 *however,* That interest income derived by a resident foreign corporation from a
26 depository bank under the expanded foreign currency deposit system shall be
27 subject to a final income tax at the rate of [seven and one-half percent (7½%)]
28 **FIFTEEN PERCENT (15%)** of such interest income.

29 "(b) *Income Derived under the Expanded Foreign Currency Deposit*
30 *System.* – x x x

31 "(c) *Capital Gains from Sale of Shares of Stock Not Traded in the Stock*
32 *Exchange.* – A final tax at the rate[s prescribed below] **OF FIFTEEN**
33 **PERCENT (15%)** is hereby imposed upon the net capital gains realized during
34 the taxable year from the sale, barter, exchange or other disposition of shares

1 of stock in a domestic corporation except shares sold or disposed of through the
2 stock exchange:

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

5 "(d) *Intercorporate Dividends.* – x x x

6 "(B) *Tax on Nonresident Foreign Corporation.* –

7 "(1) *In General.* – Except as otherwise provided in this Code, a foreign
8 corporation not engaged in trade or business in the Philippines shall pay a tax
9 equal to [thirty-five percent (35%)] **THIRTY PERCENT (30%)** of the gross
10 income received during each taxable year from all sources within the
11 Philippines, such as interests, dividends, rents, royalties, salaries, premiums
12 (except reinsurance premiums), annuities, emoluments or other fixed or
13 determinable annual, periodic or casual gains, profits and income, and capital
14 gains, except capital gains subject to tax under subparagraph 5(c): [Provided,
15 That effective January 1, 2009, the rate of income tax shall be thirty percent
16 (30%).] **PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX**
17 **SHALL BE TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1,**
18 **TWENTY-SIX PERCENT (26%) BEGINNING JANUARY 1, 2023;**
19 **TWENTY-FOUR PERCENT (24%) BEGINNING JANUARY 1, 2025; TWENTY-**
20 **TWO PERCENT (22%) BEGINNING JANUARY 1, 2027; AND TWENTY**
21 **PERCENT (20%) BEGINNING JANUARY 1, 2029: PROVIDED, FURTHER,**
22 **THAT THE PRESIDENT MAY ADVANCE THE SCHEDULED REDUCTION IN**
23 **THE CORPORATE INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE**
24 **REALIZED FROM THE RATIONALIZATION OF FISCAL INCENTIVES**
25 **UNDER TITLE XIII OF THIS CODE, AS CERTIFIED BY THE SECRETARY OF**
26 **FINANCE.**

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

30 "(3) x x x

31 "(4) x x x

32 "(5) *Tax on Certain Incomes Received by a Nonresident Foreign*
33 *Corporation.* –

34 "(a) *Interest on Foreign Loans.* – x x x

1 “(b) *Intercorporate Dividends.* – A final withholding tax at the rate of fifteen
2 percent (15%) is hereby imposed on the amount of cash and/or property
3 dividends received from a domestic corporation, which shall be collected and
4 paid as provided in Section 57(A) of this Code, subject to the condition that the
5 country in which the nonresident foreign corporation is domiciled, shall allow a
6 credit against the tax due from the nonresident foreign corporation taxes
7 deemed to have been paid in the Philippines equivalent to [twenty percent
8 (20%)] **FIFTEEN PERCENT (15%)**, which represents the difference between
9 the regular income tax [of thirty-five percent (35%)] and the fifteen percent
10 (15%) tax on dividends as provided in this subparagraph: *Provided, That*
11 [effective January 1, 2009] **EFFECTIVE JANUARY 1, 2019**, the credit against
12 the tax due shall be equivalent to [fifteen percent (15%), which represents] the
13 difference between the regular income tax **RATE** [of thirty percent (30%)] and
14 the fifteen percent (15%) tax on dividends;

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

21 “Not over P100,000 5%

22 “On any amount in excess of P100,000 10%”

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

25 “SEC. 34. *Deductions from Gross Income.* – Except for taxpayers
26 earning compensation income arising from personal services rendered under an
27 employer-employee relationship where no deductions shall be allowed under
28 this Section, in computing taxable income subject to income tax under Sections
29 24(A); 25(A); 26; 27(A), (B), and (C); and 28(A)(1), there shall be allowed the
30 following deductions from gross income:

31 “(A) *Expenses.* –

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

33 –

34 “x x x

1 “(B) *Interest.* –

2 “(1) *In General.* – The amount of interest paid or incurred within a taxable
3 year on indebtedness in connection with the taxpayer’s profession, trade or
4 business shall be allowed as deduction from gross income: *Provided, however,*
5 That the taxpayer’s otherwise allowable deduction for interest expense shall be
6 reduced by [forty-two percent (42%)] **THIRTY-THREE PERCENT (33%)**
7 of the interest income subjected to final tax[: *Provided, That effective January 1,*
8 *2009, the percentage shall be thirty-three percent (33%).*]: **PROVIDED,**
9 **FURTHER, THAT THE FOLLOWING PERCENTAGES SHALL APPLY IF THE**
10 **CORPORATE INCOME TAX RATE AS PROVIDED IN SECTIONS 27(A) AND**
11 **28(A)(1) IS ADJUSTED AS FOLLOWS:**

12 **“IF RATE IS TWENTY-EIGHT PERCENT (28%), INTEREST EXPENSE**
13 **REDUCTION RATE IS TWENTY-NINE PERCENT (29%);**

14 **“IF RATE IS TWENTY-SIX PERCENT (26%), INTEREST EXPENSE**
15 **REDUCTION RATE IS TWENTY-THREE PERCENT (23%);**

16 **“IF RATE IS TWENTY-FOUR PERCENT (24%), INTEREST EXPENSE**
17 **REDUCTION RATE IS SIXTEEN PERCENT (16%);**

18 **“IF RATE IS TWENTY-TWO PERCENT (22%), INTEREST EXPENSE**
19 **REDUCTION RATE IS NINE PERCENT (9%);**

20 **“IF RATE IS TWENTY PERCENT (20%), INTEREST EXPENSE**
21 **REDUCTION RATE IS ZERO PERCENT (0%).**

22 **“PROVIDED, FINALLY, THAT IF THE INTEREST INCOME TAX IS**
23 **ADJUSTED IN THE FUTURE, THE INTEREST EXPENSE REDUCTION RATE**
24 **SHALL BE ADJUSTED ACCORDINGLY BASED ON THE PRESCRIBED**
25 **STANDARD FORMULA AS DEFINED IN THE RULES AND**
26 **REGULATIONS TO BE PROMULGATED BY THE SECRETARY OF**
27 **FINANCE, UPON THE RECOMMENDATION OF THE COMMISSIONER.**

28 “(2) x x x

29 “(C) *Taxes.* – x x x

30 “(D) *Losses.* – x x x

31 “(E) *Bad Debts.* – x x x

32 “(F) *Depreciation.* – x x x

33 “(G) *Depletion of Oil and Gas Wells and Mines.* – x x x

34 “(H) *Charitable and Other Contributions.* – x x x

1 "(I) *Research and Development.* – x x x
2 "(J) *Pension Trusts.* – x x x
3 "(K) *Additional Requirements for Deductibility of Certain Payments.* – x x

4 X

5 "(L) *Optional Standard Deduction (OSD).* – In lieu of the deductions
6 allowed under the preceding Subsections, an individual subject to tax under
7 Section 24, other than a nonresident alien, [may elect a standard deduction in
8 an amount not exceeding forty percent (40%) of his gross sales or gross
9 receipts, as the case maybe. In the case of a] **AND A** corporation **CLASSIFIED**
10 **AS A MICRO, SMALL AND MEDIUM-SIZED ENTERPRISE AS DETERMINED**
11 **BY THE DEPARTMENT OF TRADE AND INDUSTRY AND** subject to tax
12 under Sections 27(A) and 28(A)(1), [it] may elect a standard deduction in an
13 amount not exceeding forty percent (40%) of its gross income as defined in
14 Section 32 of this Code. Unless the taxpayer signifies in his return his intention
15 to elect the optional standard deduction, he shall be considered as having
16 availed himself of the deductions allowed in the preceding Subsections. Such
17 election when made in the return shall be irrevocable for the taxable year for
18 which the return is made: *Provided*, That an individual who is entitled to and
19 claimed for the optional standard deduction shall not be required to
20 submit with his tax return such financial statements otherwise
21 required under this Code: *[Provided, further,* That a general professional
22 partnership and the partners comprising such partnership may avail of the
23 optional standard deduction only once, either by the general professional
24 partnership or the partners comprising the partnership:] *Provided, [finally,]*
25 **FURTHER**, That except when the Commissioner otherwise permits, the said
26 individual shall keep such records pertaining to his gross sales or gross
27 receipts, or the said corporation shall keep such records pertaining to his gross
28 income as defined in Section 32 of this Code during the taxable year, as may be
29 required by the rules and regulations promulgated by the Secretary of Finance,
30 upon recommendation of the Commissioner.

31 "Notwithstanding the provisions of the preceding Subsections, the
32 Secretary of Finance, upon recommendation of the Commissioner, after a
33 public hearing shall have been held for this purpose, may
34 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 x x

"(B) x x x

"(C) *Exchange of Property.* –

"(1) x x x

"(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 THAT IS A PARTY TO THE REORGANIZATION. A
REORGANIZATION IS DEFINED AS:**

"(a) A corporation, which is a party to a 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 another 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 person 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] **AND, IMMEDIATELY AFTER, SUCH PERSON OR PERSONS ARE IN CONTROL:** *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.

"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).

1 "X X X."

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

4 "SEC. 50. *[Allocation of Income and Deductions.* –In the case of
5 two or more organizations, trades or businesses (whether or not incorporated
6 and whether or not organized in the Philippines) owned or controlled directly or
7 indirectly by the same interests, the Commissioner is authorized to distribute,
8 apportion or allocate gross income or deductions between or among such
9 organization, trade or business, if he determines that such distribution,
10 apportionment or allocation is necessary in order to prevent evasion of taxes or
11 clearly to reflect the income of any such organization, trade or business.]

12 **AUTHORITY OF THE COMMISSIONER TO DISTRIBUTE, APPORTION,**
13 **ALLOCATE, AND IMPUTE INCOME AND DEDUCTIONS TO DISREGARD**
14 **AND COUNTERACT TAX AVOIDANCE ARRANGEMENTS.** – IN CASE OF
15 TWO (2) OR MORE ORGANIZATIONS, TRADES OR BUSINESSES,
16 WHETHER OR NOT ORGANIZED IN THE PHILIPPINES, OWNED
17 OR CONTROLLED DIRECTLY OR INDIRECTLY BY THE SAME INTERESTS,
18 THE COMMISSIONER IS AUTHORIZED TO DISTRIBUTE, APPORTION,
19 ALLOCATE, OR IMPUTE INCOME OR DEDUCTIONS BETWEEN OR
20 AMONG SUCH ORGANIZATIONS, TRADES OR BUSINESSES, IF THE
21 COMMISSIONER DETERMINES THAT SUCH DISTRIBUTION,
22 APPORTIONMENT, ALLOCATION, OR IMPUTATION IS NECESSARY IN
23 ORDER TO PREVENT AVOIDANCE OF TAXES OR TO CLEARLY REFLECT
24 THE INCOME OF ANY SUCH ORGANIZATION, TRADE, OR
25 BUSINESS.

26 "IN CASES WHEN A TRANSACTION OR ARRANGEMENT, WHETHER
27 ENTERED INTO BY THE PERSON AFFECTED BY THE TRANSACTION OR
28 ARRANGEMENT OR BY ANOTHER PERSON, THAT DIRECTLY OR
29 INDIRECTLY HAS TAX AVOIDANCE AS ITS PURPOSE OR EFFECT,
30 WHETHER OR NOT ANY OTHER PURPOSE OR EFFECT IS
31 ATTRIBUTABLE TO ORDINARY BUSINESS OR FAMILY DEALINGS, IF THE
32 TAX AVOIDANCE PURPOSE OR EFFECT IS NOT MERELY INCIDENTAL,
33 THE COMMISSIONER IS AUTHORIZED TO DISREGARD AND CONSIDER
34 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 TAX LAWS ON SUCH TRANSACTION OR ARRANGEMENT WOULD NOT HAVE BEEN THE INTENTION OF THE LAW."

SEC. 12. Section 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,

1 essentially equivalent to the distribution of a taxable dividend, the amount so
2 distributed in redemption or cancellation of the stock shall be considered as
3 taxable income to the extent that it represents a distribution of earnings or
4 profits.

5 **"(C) LIQUIDATING DIVIDENDS. – LIQUIDATING DIVIDENDS ARE**
6 **DIVIDENDS REPRESENTING THE REMAINING GAINS REALIZED OR LOSS**
7 **SUSTAINED BY THE STOCKHOLDER IN A COMPLETE LIQUIDATION OR**
8 **DISSOLUTION BY A CORPORATION AND SHALL BE CONSIDERED AS**
9 **TAXABLE INCOME OR A DEDUCTIBLE LOSS, AS THE CASE MAY BE.**

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

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

21 SEC. 13. Section 112(A) and 112(B) of the National Internal Revenue Code of
22 1997, as amended, is hereby further amended to read as follows:

23 "SEC. 112. *Refunds [or Tax Credits] of Input Tax. –*

24 **"(A) Zero-Rated or Effectively Zero-Rated Sales. – Any VAT-registered**
25 **person, whose sales are zero-rated or effectively zero-rated may, within two (2)**
26 **years after the close of the taxable quarter when the sales were made, apply for**
27 **[the issuance of a tax credit certificate or] refund of creditable input tax due or**
28 **paid attributable to such sales, except transitional input tax, to the extent that**
29 **such input tax has not been applied against output tax: Provided, however, That**
30 **in the case of zero-rated sales under Section 106(A)(2)(a)(1), (2) and [(b) and]**
31 **Section 108 (B)(1) and (2), the acceptable foreign currency exchange proceeds**
32 **thereof had been duly accounted for in accordance with the rules and**
33 **regulations of the Bangko Sentral ng Pilipinas (BSP): Provided, further, That**
34 **where the taxpayer is engaged in zero-rated or effectively zero-rated sale and**

1 also in taxable or exempt sale of goods or properties or services, and the
2 amount of creditable input tax due or paid cannot be directly and entirely
3 attributed to any one of the transactions, it shall be allocated proportionately on
4 the basis of the volume of sales: *Provided, finally,* That for a person making
5 sales that are zero-rated under Section 108(B)(6), the input taxes shall be
6 allocated ratably between his zero-rated and non-zero-rated sales.

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

13 SEC. 14. Section 117 of the National Internal Revenue Code of 1997, as
14 amended, is hereby amended to read as follows:

15 “**SEC. 117. Percentage Tax on Domestic Carriers and Keepers of**
16 **Garages.** – Cars for rent or hire driven by the lessee; transportation contractors,
17 including persons who transport passengers for hire, and other domestic
18 carriers by land for the transport of passengers (except
OWNERS/OPERATORS OF TRICYCLES OPERATING NOT MORE THAN
20 **TWO (2) UNITS**, owners of bancas, and owners of animal-drawn two-wheeled
21 vehicle), and keepers of garages shall pay a tax equivalent to three percent
22 (3%) of their quarterly gross receipts.

23 “x x x.”

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

26 “**SEC. 204. Authority of the Commissioner to Compromise, Abate and**
27 **Refund or Credit Taxes.** – The Commissioner may –

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

29 “(1) A reasonable doubt as to the validity of the claim against the taxpayer
30 exists; or

31 “(2) The financial position of the taxpayer demonstrates a clear inability to
32 pay the assessed tax.

33 “The compromise settlement of any tax liability shall be subject to the
34 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.

"X X X."

SEC. 16. Section 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) x x x

"(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.**

"X X X."

SEC. 17. Section 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. - x x x

"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 issue **AND TRANSMIT** electronic

1 receipts or sales or commercial invoices [in lieu of manual receipts or sales or
2 commercial invoices] THRU DESIGNATED ELECTRONIC CHANNELS WITH
3 A PUBLIC CERTIFICATION SYSTEM ACCREDITED BY THE BUREAU,
4 subject to the rules and regulations to be issued by the Secretary of Finance
5 upon recommendation of the Commissioner [and after a] following a public
6 hearing [shall have been] held for this purpose: *Provided*, That taxpayers not
7 covered by the mandate of this provision may issue electronic receipts
8 of sales or commercial invoices in lieu of manual receipts or sales or
9 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.

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

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

26 "AN APPROVED TAX TRANSACTION NUMBER SHALL REFER TO
27 THE UNIQUE ASSIGNED SERVICE NUMBERS AND/OR LETTERS LINKED
28 TO A VALIDATED SALES TRANSACTION REPORTED THROUGH THE
29 DESIGNATED ELECTRONIC CHANNEL.

30 "The original of each receipt or invoice shall be issued to the purchaser,
31 customer, or client at the time the transaction is effected, who, if engaged in the
32 business or in the exercise of profession, shall keep and preserve the same in
33 his place of business for a period of three (3) years from the close of the taxable
34 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. 18. Section 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, and 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 THROUGH THE DESIGNATED ELECTRONIC CHANNELS OF THE BUREAU IN THE STANDARD FORMAT REQUIRED** [electronically report their sales data to the Bureau 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 (1) TO YEAR FOUR (4) 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

1 OR COMMERCIAL INVOICE TRANSMITTED THROUGH THE DESIGNATED
2 ELECTRONIC CHANNELS OF THE BUREAU AND ISSUED AN
3 ELECTRONIC TAX TRANSACTION NUMBER.

4 "IN SUPPORT OF THE ELECTRONIC SALES REPORTING SYSTEM,
5 THE BUREAU OF INTERNAL REVENUE MAY GRANT TAX INCENTIVES
6 FOR ELECTRONICALLY TRACEABLE PAYMENTS (ETP) IN THE FORM OF
7 ALLOWABLE DEDUCTIBLE EXPENSE OF UP TO TEN PERCENT
8 (10%) OF THE ETP MADE BY THE TAXPAYER. AN ANNUAL LIMIT ON THE
9 ALLOWED ETP DEDUCTIBLE EXPENSE PER TAXPAYER MAY BE SET BY
10 THE COMMISSIONER WITH THE APPROVAL OF THE SECRETARY OF
11 FINANCE.

12 "ELECTRONICALLY TRACEABLE PAYMENTS REFER TO CREDIT
13 CARD, DEBIT CARD, OR OTHER METHODS OF PAYMENT WITH A
14 SYSTEM TO VERIFY OR LINK THE PAYMENT TO THE IDENTITY OF
15 PAYOR.

16 "THE BUREAU MAY LIKEWISE ESTABLISH A RECEIPT AND INVOICE
17 LOTTERY PROGRAM FOR ELECTRONIC RECEIPTS OR SALES OR
18 COMMERCIAL INVOICES TRANSMITTED THROUGH THE DESIGNATED
19 ELECTRONIC CHANNELS OF THE BUREAU AND ISSUED AN
20 ELECTRONIC TAX TRANSACTION NUMBER.

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

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

30 SEC. 19. Section 255 of the National Internal Revenue Code of 1997, as
31 amended, is hereby amended to read as follows:

32 "SEC. 255. *Failure to File Return, Supply Correct and Accurate*
33 *Information, Pay Tax Withhold and Remit Tax and Refund Excess*
34 *Taxes Withheld on Compensation.* – Any person required under this Code or

1 by rules and regulations promulgated thereunder to pay any tax, make a return,
2 keep any record, or supply correct and accurate information, who willfully fails to
3 pay such tax, make such return, keep such record, or supply correct and
4 accurate information, or withhold or remit taxes withheld, or refund excess taxes
5 withheld on compensation, at the time or times required by law or rules and
6 regulations shall, in addition to other penalties provided by law, upon conviction
7 thereof, be punished by a fine of not less than [Ten thousand pesos (P10,000)]
ONE HUNDRED THOUSAND PESOS (P100,000) BUT NOT MORE
THAN ONE MILLION TWO HUNDRED THOUSAND PESOS (P1,200,000) and
8 suffer imprisonment of not less than one (1) year but not more than ten (10)
9 years.

10 “Any person who attempts to make it appear for any reason that he or
11 another has in fact filed a return or statement, or actually files a return or
12 statement and subsequently withdraws the same return or statement after
13 securing the official receiving seal or stamp of receipt of internal revenue office
14 wherein the same was actually filed shall, upon conviction therefore, be
15 punished by a fine of not less than [Ten thousand pesos (P10,000) but not more
16 than Twenty thousand pesos (P20,000)] **ONE HUNDRED THOUSAND PESOS**
17 **(P100,000) BUT NOT MORE THAN ONE MILLION TWO HUNDRED**
18 **THOUSAND PESOS (P1,200,000)** and suffer imprisonment of not less than
19 one (1) year but not more than three (3) years.”

20 SEC. 20. Section 256 of the National Internal Revenue Code of 1997, as
21 amended, is hereby amended to read as follows:

22 “SEC. 256. *Penal Liability of Corporations.* – Any corporation,
23 association or general co-partnership liable for any of the acts or omissions
24 penalized under this Code, in addition to the penalties imposed herein upon the
25 responsible corporate officers, partners, or employees shall, upon conviction for
26 each act or omission, be punished by a fine of not less than [Fifty thousand
27 pesos (P50,000) but not more than One hundred thousand pesos (P100,000)]
28 **TWO HUNDRED THOUSAND PESOS (P200,000) BUT NOT MORE THAN**
29 **TWO MILLION FOUR HUNDRED THOUSAND PESOS (P2,400,000).**”

30 SEC. 21. Section 257 of the National Internal Revenue Code of 1997, as
31 amended, is hereby amended to read as follows:

1 "SEC. 257. *Penal Liability for Making False Entries, Records or*
2 *Reports, or Using Falsified or Fake Accountable Forms.* –

3 "(A) Any financial officer or independent Certified Public Accountant
4 engaged to examine and audit books of accounts of taxpayers under Section
5 232(A) and any person under his direction who:

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

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

14 "(B) Any person who:

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

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

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

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

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

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

27 "(7) Fails to keep the books of accounts or records mentioned in Section
28 232 in a native language, English or Spanish, or to make a true and complete
29 translation as required in Section 234 of this Code, or whose books of accounts
30 or records kept in a native language, English or Spanish, and found to be at
31 material variance with books or records kept by him in another language; or

32 "(8) Willfully attempts in any manner to evade or defeat any tax imposed
33 under this Code, or knowingly uses fake or falsified revenue official receipts,
34 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)] **THREE HUNDRED THOUSAND PESOS (P300,000) BUT NOT MORE THAN ONE MILLION TWO HUNDRED THOUSAND PESOS (P1,200,000)** and suffer imprisonment of not less than two (2) years but not more than six (6) 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] **THEIR** immediate deportation after serving sentence, without further proceedings for deportation."

SEC. 22. Section 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 THREE HUNDRED THOUSAND PESOS (P300,000)** 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 SEVEN HUNDRED THOUSAND PESOS (P700,000)** and suffer imprisonment of not less than two (2) years but not more than four (4) years."

SEC. 23. Section 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,

1 without the corresponding authority therefor issued by the Commissioner. Any
2 person, importer, manufacturer of cigar and cigarettes, who has been found
3 guilty under this Section, shall, upon conviction for each act or omission, be
4 punished by a fine of not less than [Twenty thousand pesos (P20,000) but not
5 more than One hundred thousand pesos (P100,000)] **ONE MILLION FIVE**
6 **HUNDRED THOUSAND PESOS (P1,500,000)** **BUT NOT MORE THAN**
7 **FIFTEEN MILLION PESOS (P15,000,000)** and suffer imprisonment for a term
8 of not less than six (6) years and one (1) day but not more than twelve (12)
9 years."

10 SEC. 24. Section 261 of the National Internal Revenue Code of 1997, as
11 amended, is hereby amended to read as follows:

12 "SEC. 261. *Unlawful Use of Denatured Alcohol.* – Any person who
13 for the purpose of manufacturing any beverage, uses denatured alcohol or
14 alcohol specially denatured to be used for motive power or withdrawn under
15 bond for industrial uses or alcohol knowingly misrepresented to be denatured to
16 be unfit for oral intake or who knowingly sells or offers for sale any beverage
17 made in whole or in part from such alcohol or who uses such alcohol for the
18 manufacture of liquid medicinal preparations taken internally, or knowingly sells
19 or offers for sale such preparations containing as an ingredient such alcohol,
20 shall upon conviction for each act or omission be punished by a fine of not less
21 than [Twenty thousand pesos (P20,000) but not more than One hundred
22 thousand pesos (P100,000)] **ONE MILLION FIVE HUNDRED THOUSAND**
23 **PESOS (P1,500,000)** **BUT NOT MORE THAN FIFTEEN MILLION PESOS**
24 **(P15,000,000)** and suffer imprisonment for a term of not less than six (6) years
25 and one (1) day but not more than twelve (12) years.

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

30 SEC. 25. Section 262 of the National Internal Revenue Code of 1997, as
31 amended, is hereby amended to read as follows:

32 "SEC. 262. *Shipment or Removal of Liquor or Tobacco Products*
33 *under False Name or Brand or as an Imitation of any Existing or Otherwise*
34 *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)] **ONE MILLION FIVE HUNDRED THOUSAND PESOS (P1,500,000) BUT NOT MORE THAN FIFTEEN MILLION PESOS (P15,000,000)** and suffer imprisonment of not less than six (6) years and one (1) day but not more than twelve (12) years."

SEC. 26. Section 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 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

1 the [Tariff and Customs Code] **CUSTOMS MODERNIZATION AND TARIFF**
2 **ACT**, including duties and taxes, of the articles exceeds [One thousand pesos
3 (P1,000)] **TWO HUNDRED FIFTY THOUSAND PESOS (P250,000)** but does
4 not exceed [Fifty thousand pesos (P50,000)] **FIVE HUNDRED THOUSAND**
5 **PESOS (P500,000)**;

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

18 "(d) A fine of not less than [Fifty thousand pesos (P50,000)] **THREE**
19 **HUNDRED THOUSAND PESOS (P300,000)** but not more than [One hundred
20 thousand pesos (P100,000)] **ONE MILLION FIVE HUNDRED THOUSAND**
21 **PESOS (P1,500,000)** and suffer imprisonment of [not less than ten (10) years
22 but not more than twelve (12) years] **THREE (3) YEARS AND ONE (1) DAY**
23 **BUT NOT MORE THAN SIX (6) YEARS**, if the appraised value, to be
24 determined in the manner prescribed in the [Tariff and Customs Code]
25 **CUSTOMS MODERNIZATION AND TARIFF ACT**, including duties and taxes,
26 of the articles exceeds [One hundred fifty thousand pesos (P150,000)] **IS**
27 **MORE THAN ONE MILLION PESOS (P1,000,000) BUT NOT MORE THAN**
28 **FIVE MILLION PESOS (P5,000,000)[;]**

29 "**(E)A FINE OF NOT LESS THAN ONE MILLION FIVE HUNDRED**
30 **THOUSAND PESOS (P1,500,000) BUT NOT MORE THAN FIFTEEN**
31 **MILLION PESOS (P15,000,000), AND SUFFER IMPRISONMENT OF NOT**
32 **LESS THAN SIX (6) YEARS AND ONE (1) DAY BUT NOT MORE THAN**
33 **TWELVE (12) YEARS, IF THE APPRAISED VALUE, TO BE DETERMINED IN**
34 **THE MANNER PRESCRIBED IN THE CUSTOMS MODERNIZATION AND**

1 TARIFF ACT, INCLUDING DUTIES AND TAXES, OF THE ARTICLES IS
2 MORE THAN FIVE MILLION PESOS (P5,000,000) BUT NOT MORE THAN
3 FIFTY MILLION PESOS (P50,000,000);

4 "(F) A FINE OF NOT LESS THAN FIFTEEN MILLION PESOS
5 (P15,000,000) BUT NOT MORE THAN FIFTY MILLION PESOS
6 (P50,000,000), AND SUFFER IMPRISONMENT OF NOT LESS THAN
7 TWELVE (12) YEARS AND ONE (1) DAY BUT NOT MORE THAN TWENTY
8 (20) YEARS, IF THE APPRAISED VALUE, TO BE DETERMINED IN THE
9 MANNER PRESCRIBED IN THE CUSTOMS MODERNIZATION AND TARIFF
10 ACT, INCLUDING DUTIES AND TAXES, OF THE ARTICLES IS MORE THAN
11 FIFTY MILLION PESOS (P50,000,000) BUT NOT MORE THAN TWO
12 HUNDRED MILLION PESOS (P200,000,000); OR

13 "(G) IF THE APPRAISED VALUE OF THE GOODS UNLAWFULLY
14 IMPORTED TO BE DETERMINED IN THE MANNER
15 PRESCRIBED IN THE CUSTOMS MODERNIZATION AND TARIFF ACT,
16 INCLUDING DUTIES AND TAXES, EXCEEDS TWO HUNDRED MILLION
17 PESOS (P200,000,000) OR IF THE AGGREGATE AMOUNT OF THE
18 APPRAISED VALUE OF THE GOODS WHICH ARE THE SUBJECT OF
19 UNLAWFUL IMPORTATION COMMITTED IN MORE THAN ONE INSTANCE,
20 INCLUDING DUTIES AND TAXES, EXCEEDS TWO HUNDRED MILLION
21 PESOS (P200,000,000), THE SAME SHALL BE PUNISHABLE WITH A
22 PENALTY OF TWENTY (20) YEARS AND ONE (1) DAY BUT NOT MORE
23 THAN THIRTY (30) YEARS AND A FINE OF NOT LESS THAN FIFTY
24 MILLION PESOS (P50,000,000).

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

33 "Any manufacturer, owner or person in charge of any article subject to
34 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 PESOS (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. 27. Section 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

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

4 SEC. 28. Section 265 of the National Internal Revenue Code of 1997, as
5 amended, is hereby amended to read as follows:

6 “SEC. 265. *Offenses Relating to Stamps.* – Any person who
7 commits any of the acts enumerated hereunder shall, upon conviction thereof,
8 be punished by a fine of not less than [Twenty thousand pesos (P20,000)]
9 **SEVEN HUNDRED THOUSAND PESOS (P700,000)** but not more than [Fifty
10 thousand pesos (P50,000)] **ONE MILLION TWO HUNDRED THOUSAND**
11 **PESOS (P1,200,000)** and suffer imprisonment of not less than four (4) years
12 but not more than eight (8) years:

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

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

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

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

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

27 SEC. 29. Section 266 of the National Internal Revenue Code of 1997, as
28 amended, is hereby amended to read as follows:

29 “SEC. 266. *Failure to Obey Summons.* – Any person who, being duly
30 summoned to appear to testify, or to appear and produce books of accounts,
31 records, memoranda or other papers, or to furnish information as required
32 under the pertinent provisions of this Code, neglects to appear or to produce
33 such books of accounts, records, memoranda or other papers, or to furnish
34 such information, shall, upon conviction, be punished by a fine of not less than

1 [Five thousand pesos (P5,000)] **ONE HUNDRED THOUSAND PESOS**
2 (**P100,000**) but not more than [Ten thousand pesos (P10,000)] **THREE**
3 **HUNDRED THOUSAND PESOS (P300,000)** and suffer imprisonment of not
4 less than one (1) year but not more than two (2) years."

5 SEC. 30. Section 275 of the National Internal Revenue Code of 1997, as
6 amended, is hereby amended to read as follows:

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

14 SEC. 31. A new section is hereby inserted after Section 282 of the National
15 Internal Revenue Code of 1997, as amended, to read as follows:

16 "SEC. 282-A. **VIOLATION OF THE PROVISIONS OF THIS CODE**
17 **AMOUNTING TO ECONOMIC SABOTAGE.** – ANY VIOLATION OF
18 SECTION 254 OF THIS CODE THAT UNDERMINES, WEAKENS OR
19 RENDERS INTO DISREPUTE THE ECONOMIC SYSTEM OR VIABILITY OF
20 THE COUNTRY OR TENDS TO BRING OUT SUCH EFFECTS, IN LIEU OF
21 THE PENALTY SET IN THE PRECEDING PROVISIONS, SHALL
22 CONSTITUTE ECONOMIC SABOTAGE, AND, UPON CONVICTION FOR
23 EACH ACT OR OMISSION, BE PUNISHED BY A FINE OF NOT LESS THAN
24 FIFTY MILLION PESOS (P50,000,000) AND IMPRISONMENT OF TWELVE
25 (12) YEARS AND ONE (1) DAY BUT NOT MORE THAN TWENTY (20)
26 YEARS."

27 SEC. 32. Section 288 of the National Internal Revenue Code of 1997, as
28 amended, is hereby amended to read as follows:

29 "SEC. 288. *Disposition of Incremental Revenue.* –
30 "(A) X X X
31 "(B) X X X
32 "(C) X X X
33 "(D) X X X
34 "(E) X X X

1 “(F) X X X

2 “(G) STUDENT VOUCHERS. – INCREMENTAL REVENUE FROM
3 TAX PAYMENTS OF EDUCATIONAL INSTITUTIONS THAT FAIL TO MEET
4 THE ESTABLISHED PERFORMANCE CRITERIA SHALL FUND A STUDENT
5 VOUCHER PROGRAM TO BE IMPLEMENTED UNDER THE COMMISSION
6 ON HIGHER EDUCATION (CHED) OR THE DEPARTMENT OF EDUCATION
7 (DEPED).

8 “(H) UNIVERSAL HEALTHCARE. – INCREMENTAL REVENUE
9 FROM TAX PAYMENTS OF HOSPITALS THAT FAIL TO MEET THE
10 ESTABLISHED PERFORMANCE CRITERIA SHALL FUND THE UNIVERSAL
11 HEALTHCARE PROGRAM TO BE IMPLEMENTED UNDER THE
12 DEPARTMENT OF HEALTH (DOH).

13 “(I) HOUSING VOUCHERS. – INCREMENTAL REVENUES FROM TAX
14 PAYMENTS OF REAL ESTATE DEVELOPERS SHALL FUND A HOUSING
15 VOUCHER PROGRAM TO BE IMPLEMENTED UNDER THE NATIONAL
16 HOUSING AUTHORITY.”

17 SEC. 33. Section 290 of the National Internal Revenue Code of 1997, as
18 amended, is hereby further amended to read as follows:

19 “SEC. 290. *Congressional Oversight Committee.* –

20 “X X X

21 “The Committee shall, among others, in aid of legislation:

22 “(1) x x x;

23 “(2) x x x;

24 “(3) x x x; [and]

25 “(4) x x x[.]; AND

26 “(5) REVIEW THE PERFORMANCE OF FUNCTIONS OF THE
27 INVESTMENT PROMOTION AGENCIES AND THE FISCAL INCENTIVES
28 REVIEW BOARD, PARTICULARLY IN THE GRANT OF INCENTIVES TO
29 REGISTERED ENTERPRISES AND IN THE REVIEW AND EVALUATION OF
30 GRANTED INCENTIVES, RESPECTIVELY, AS WELL AS IN THE
31 FORMULATION OF THE STRATEGIC INVESTMENT PRIORITY PLAN.

32 “X X X.”

33 SEC. 34. A new title is hereby inserted beginning Section 291, Title XIII of the
34 National Internal Revenue Code of 1997, as amended, to read as follows:

"TITLE XIII

"CHAPTER I

“GENERAL PROVISIONS ON TAX INCENTIVES

"SEC 291. 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.

"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.

**"SEC. 292. GOVERNING PROVISION FOR IPAS. – ALL IPAS
VESTED WITH THE POWER TO CONFER AND ADMINISTER INCENTIVES
SHALL GRANT TAX INCENTIVES PROVIDED IN THIS TITLE TO
REGISTERED ENTERPRISES ONLY TO THE EXTENT OF THEIR
APPROVED REGISTERED PROJECTS OR ACTIVITIES UNDER THE
STRATEGIC INVESTMENT PRIORITY PLAN (SIPP). THE PERIOD OF
AVAILMENT OF INCENTIVES SHALL BE RECKONED FROM THE START
OF COMMERCIAL OPERATION.**

"SALES RECEIPTS AND/OR OTHER INCOME DERIVED FROM NON-REGISTERED ACTIVITY OR PROJECT SHALL BE SUBJECT TO APPROPRIATE TAXES UNDER THIS CODE.

"UNLESS OTHERWISE PROVIDED IN THIS CODE, DIRECT EXPORTS ARE SUBJECT TO VALUE-ADDED TAX (VAT) ZERO-RATING AND DOMESTIC SALES ARE SUBJECT TO THE REGULAR VALUE-ADDED TAX RATE.

"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 SALES OF GOODS' SHALL MEAN THE SALES OF AN EXPORT ENTERPRISE PAID FOR IN FREELY

1 CONVERTIBLE FOREIGN CURRENCY INWARDLY REMITTED TO THE
2 PHILIPPINES, FROM THE FOLLOWING:

3 " (1) THE SALE AND ACTUAL SHIPMENT OF GOODS FROM THE
4 PHILIPPINES TO A FOREIGN COUNTRY BY AN EXPORT
5 ENTERPRISE INCLUDING OURSOURCED SERVICES USED TO PRODUCE
6 FINAL EXPORT GOODS;

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

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

15 " (C) THE TERM 'EXPORT SALES OF SERVICES' SHALL MEAN
16 THE SALES OF AN EXPORT ENTERPRISE, PAID FOR IN FREELY
17 CONVERTIBLE FOREIGN CURRENCY INWARDLY REMITTED TO THE
18 PHILIPPINES, FOR THE FOLLOWING:

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

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

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

25 " (D) THE TERM 'INVESTMENT PROMOTION AGENCIES' (IPAS)
26 SHALL REFER TO GOVERNMENT ENTITIES CREATED BY LAW,
27 EXECUTIVE ORDER, DECREE OR OTHER ISSUANCE, IN CHARGE OF
28 PROMOTING INVESTMENTS, ADMINISTERING TAX AND NON-TAX
29 INCENTIVES, AND/OR OVERSEEING THE OPERATIONS FOR THE
30 DIFFERENT ECONOMIC ZONES AND FREEPORTS IN ACCORDANCE
31 WITH THEIR RESPECTIVE CHARTERS. THESE INCLUDE THE BOARD OF
32 INVESTMENTS (BOI), REGIONAL BOARD OF INVESTMENTS
33 AUTONOMOUS REGION IN MUSLIM MINDANAO (RBOI-ARMM),
34 PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA), BASES CONVERSION

1 AND DEVELOPMENT AUTHORITY (BCDA), SUBIC BAY METROPOLITAN
2 AUTHORITY (SBMA), CLARK DEVELOPMENT CORPORATION (CDC),
3 JOHN HAY MANAGEMENT CORPORATION (JHMC), PORO POINT
4 MANAGEMENT CORPORATION (PPMC), CAGAYAN ECONOMIC ZONE
5 AUTHORITY (CEZA), ZAMBOANGA CITY SPECIAL ECONOMIC ZONE
6 AUTHORITY (ZCSEZA), PHIVIDEK INDUSTRIAL AUTHORITY (PIA),
7 AURORA PACIFIC ECONOMIC ZONE AND FREEPORT AUTHORITY
8 (APECO), AUTHORITY OF THE FREEPORT AREA OF BATAAN (AFAB),
9 TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY
10 (TIEZA), AND ALL OTHER SIMILAR AUTHORITIES EXISTING OR THAT
11 MAY BE CREATED BY LAW IN THE FUTURE.

12 "(E) THE TERM 'REGISTERED ENTERPRISE' SHALL MEAN ANY
13 INDIVIDUAL, PARTNERSHIP, CORPORATION, PHILIPPINE BRANCH OF A
14 FOREIGN CORPORATION, OR OTHER ENTITY ORGANIZED AND
15 EXISTING UNDER PHILIPPINE LAWS AND REGISTERED WITH AN
16 INVESTMENT PROMOTION AGENCY (IPA) AS DEFINED UNDER
17 REPUBLIC ACT NO. 10708, OR THE TIMTA LAW: PROVIDED, HOWEVER,
18 THAT THE TERM 'REGISTERED ENTERPRISE' SHALL NOT INCLUDE ANY
19 OF THE FOLLOWING SERVICE ENTERPRISES SUCH AS, BUT NOT
20 LIMITED TO, THOSE ENGAGED IN CUSTOMS BROKERAGE, TRUCKING
21 OR FORWARDING SERVICES, JANITORIAL SERVICES, SECURITY
22 SERVICES, INSURANCE, BANKING, AND OTHER FINANCIAL SERVICES,
23 CONSUMERS' COOPERATIVES, CREDIT UNIONS, CONSULTANCY
24 SERVICES, RETAIL BUSINESS, RESTAURANTS, OR SUCH OTHER
25 SIMILAR SERVICES, AS MAY BE DETERMINED BY THE IPA BOARD,
26 IRRESPECTIVE OF LOCATION, WHETHER INSIDE OR OUTSIDE THE
27 ZONES, DULY ACCREDITED AND/OR LICENSED BY ANY OF THE IPAS
28 AND WHOSE INCOME DELIVERED WITHIN THE ECONOMIC ZONES
29 SHALL BE SUBJECT TO TAXES UNDER THE NATIONAL INTERNAL
30 REVENUE CODE OF 1997, AS AMENDED.

31 "(F)THE TERM 'SPECIAL ECONOMIC ZONE' OR 'ECOZONE' SHALL
32 REFER TO A SELECTED AREA, WHICH SHALL BE OPERATED AND
33 MANAGED AS A SEPARATE CUSTOMS TERRITORY THAT IS HIGHLY
34 DEVELOPED OR HAS THE POTENTIAL TO BE DEVELOPED

1 INTO AN AGRO-INDUSTRIAL, INDUSTRIAL, INFORMATION
2 TECHNOLOGY, OR TOURIST/RECREATIONAL, WHOSE METES AND
3 BOUNDS ARE FIXED OR DELIMITED BY PRESIDENTIAL
4 PROCLAMATIONS AND WITHIN A SPECIFIC GEOGRAPHICAL AREA:
5 PROVIDED, THAT FOR THE ECOZONE TO QUALIFY AS A SEPARATE
6 CUSTOMS TERRITORY, IT SHALL HAVE A PERMANENT CUSTOMS
7 CONTROL OR CUSTOMS OFFICE AT ITS PERIMETER. AN ECOZONE
8 MAY CONTAIN ANY OR ALL OF THE FOLLOWING: INDUSTRIAL
9 ESTATES (IES), EXPORT PROCESSING ZONES (EPZS), ICT PARKS AND
10 CENTERS, AND FREE TRADE ZONES: PROVIDED, HOWEVER, THAT
11 AREAS WHERE MINING EXTRACTIONS ARE UNDERTAKEN SHALL NOT
12 BE DECLARED AS ECOZONES: PROVIDED, FURTHER, THAT VERTICAL
13 ECONOMIC ZONES, SUCH AS, BUT NOT LIMITED TO, BUILDINGS,
14 SELECTED FLOORS WITHIN BUILDINGS, AND SELECTED AREAS ON A
15 FLOOR, SHOULD COMPLY WITH THE MINIMUM CONTIGUOUS LAND
16 AREA AS DETERMINED BY THE FISCAL INCENTIVES REVIEW BOARD
17 (FIRB).

18 "(G) THE TERM 'FREEPORT ZONES' REFERS TO AN ISOLATED
19 AND POLICED AREA ADJACENT TO A PORT OF ENTRY, WHICH SHALL
20 BE OPERATED AND MANAGED AS A SEPARATE CUSTOMS TERRITORY
21 TO ENSURE FREE FLOW OR MOVEMENT OF GOODS, EXCEPT THOSE
22 EXPRESSLY PROHIBITED BY LAW, WITHIN, INTO, AND EXPORTED OUT
23 OF THE FREEPORT ZONE WHERE IMPORTED GOODS MAY BE
24 UNLOADED FOR IMMEDIATE TRANSSHIPMENT OR STORED,
25 REPACKED, SORTED, MIXED, OR OTHERWISE MANIPULATED WITHOUT
26 BEING SUBJECT TO IMPORT DUTIES. HOWEVER, MOVEMENT OF THESE
27 IMPORTED GOODS FROM THE FREE-TRADE AREA TO A NON-FREE
28 TRADE AREA IN THE COUNTRY SHALL BE SUBJECT TO ALL
29 APPLICABLE INTERNAL REVENUE TAXES AND DUTIES: PROVIDED,
30 THAT FOR THE FREEPORT ZONE TO QUALIFY AS A SEPARATE
31 CUSTOMS TERRITORY, IT SHALL HAVE A PERMANENT CUSTOMS
32 CONTROL OR CUSTOMS OFFICE AT ITS PERIMETER.

33 "CHAPTER II
34 "TAX AND DUTY INCENTIVES

1 “SEC. 294. *INCENTIVES.* – REGISTERED PROJECTS OR ACTIVITIES
2 UNDER THE STRATEGIC INVESTMENT PRIORITY PLAN SHALL BE
3 QUALIFIED TO ANY OF THE FOLLOWING INCENTIVES:

4 “(A) INCOME TAX INCENTIVES

5 “(1)INCOME TAX HOLIDAY (ITH). – THE ITH SHALL BE GRANTED
6 FOR A PERIOD NOT EXCEEDING THREE (3) YEARS: *PROVIDED*, THAT
7 AFTER THE EXPIRATION OF THE ITH, THE FOLLOWING INCENTIVES
8 MAY BE APPLIED FOR A PERIOD NOT EXCEEDING FIVE (5) YEARS,
9 WHICH INCLUDES THE PERIOD OF ITH AVAILMENT, EXCEPT THOSE
10 PROVIDED UNDER SECTIONS 294(7) and (9), 295, 296, AND 297.

11 “(2)REDUCED CORPORATE INCOME TAX. – A REDUCED TAX
12 RATE OF EIGHTEEN PERCENT (18%) OF THE TAXABLE INCOME AS
13 DEFINED UNDER SECTION 31 OF THIS CODE: *PROVIDED*, THAT THE
14 RATE OF CORPORATE INCOME TAX SHALL BE SEVENTEEN PERCENT
15 (17%) BEGINNING JANUARY 1, 2021; SIXTEEN PERCENT (16%)
16 BEGINNING JANUARY 1, 2023; FIFTEEN PERCENT (15%) BEGINNING
17 JANUARY 1, 2025; FOURTEEN PERCENT (14%) BEGINNING JANUARY 1,
18 2027; AND THIRTEEN PERCENT (13%) BEGINNING JANUARY 1, 2029:
19 *PROVIDED, FURTHER*, THAT IN THE CASE OF REGISTERED
20 ENTERPRISES WITHIN ECONOMIC ZONES AND FREEPORTS, THE TAX
21 SHALL BE DIRECTLY REMITTED AS FOLLOWS:

22 “FIFTEEN PERCENT (15%) TO THE NATIONAL GOVERNMENT IN
23 2019 AND 2020; FOURTEEN PERCENT (14%) TO THE NATIONAL
24 GOVERNMENT IN 2021 AND 2022; THIRTEEN PERCENT (13%) TO
25 THE NATIONAL GOVERNMENT IN 2023 AND 2024; TWELVE PERCENT
26 (12%) TO THE NATIONAL GOVERNMENT IN 2025 AND 2026; ELEVEN
27 PERCENT (11%) TO THE NATIONAL GOVERNMENT IN 2027 AND 2028;
28 AND TEN PERCENT (10%) TO THE NATIONAL GOVERNMENT IN 2029
29 AND THEREAFTER;

30 “ONE POINT FIVE PERCENT (1.5%) TO THE TREASURER’S OFFICE
31 OF THE PROVINCE WHERE THE ENTERPRISE IS LOCATED, IN LIEU OF
32 THE LOCAL BUSINESS TAX;

1 “ONE POINT FIVE PERCENT (1.5%) TO THE TREASURER'S OFFICE
2 OF THE MUNICIPALITY OR COMPONENT CITY WHERE THE ENTERPRISE
3 IS LOCATED, IN LIEU OF THE LOCAL BUSINESS TAX;

4 “*PROVIDED*, THAT IF THE ENTERPRISE IS UNDER THE
5 JURISDICTION OF A HIGHLY URBANIZED CITY (HUC) OR INDEPENDENT
6 COMPONENT CITY (ICC), THE THREE PERCENT (3%) SHARE OF THE
7 LGU SHALL BE DIRECTLY REMITTED TO THE TREASURER'S OFFICE OF
8 THE HUC OR ICC.

9 “(3) DEPRECIATION ALLOWANCE OF THE ASSETS ACQUIRED FOR
10 THE ENTITY'S PRODUCTION OF GOODS AND SERVICES (QUALIFIED
11 CAPITAL EXPENDITURE) – TEN PERCENT (10%) FOR BUILDINGS; AND
12 TWENTY PERCENT (20%) FOR MACHINERIES AND EQUIPMENT:
13 *PROVIDED*, THAT DEPRECIATION MAY BE COMPUTED USING
14 ACCELERATED DEPRECIATION METHOD ON A RATE NOT EXCEEDING
15 TWICE THE RATE WHICH WOULD HAVE BEEN USED HAD THE
16 ANNUAL ALLOWANCE BEEN COMPUTED IN ACCORDANCE WITH THE
17 RULES AND REGULATIONS PRESCRIBED BY THE SECRETARY
18 OF FINANCE AND THE PROVISIONS OF THE NATIONAL INTERNAL
19 REVENUE CODE OF 1997, AS AMENDED: *PROVIDED, FURTHER*, THAT
20 THE ASSETS ARE ACQUIRED DIRECTLY FOR THE REGISTERED
21 ENTERPRISE'S PRODUCTION OF GOODS AND SERVICES OTHER THAN
22 ADMINISTRATIVE AND OTHER SUPPORT SERVICES.

23 “(4) UP TO FIFTY PERCENT (50%) ADDITIONAL DEDUCTION ON THE
24 LABOR EXPENSE IN THE TAXABLE YEAR AS A CONSEQUENCE OF AN
25 INCREASE IN DIRECT LOCAL EMPLOYMENT: *PROVIDED*,
26 THAT THIS DOES NOT INCLUDE INDIRECT LABOR, SALARIES AND
27 WAGES, AND OTHER PERSONNEL COSTS INCURRED FOR
28 ADMINISTRATIVE AND OTHER SUPPORT SERVICES.

29 “(5) UP TO ONE HUNDRED PERCENT (100%) ADDITIONAL
30 DEDUCTION ON THE INCREMENT OF RESEARCH AND DEVELOPMENT
31 INCURRED IN THE TAXABLE YEAR: *PROVIDED*, THAT IT IS DIRECTLY
32 RELATED TO THE REGISTERED ACTIVITY/IES OF THE ENTITY.

33 “(6) UP TO ONE HUNDRED PERCENT (100%) ADDITIONAL
34 DEDUCTION ON TRAININGS INCURRED: *PROVIDED*, THAT IT IS GIVEN

1 TO THE EMPLOYEES ENGAGED DIRECTLY IN THE ENTITY'S
2 PRODUCTION OF GOODS AND SERVICES: *PROVIDED, FURTHER,*
3 THAT THE CONCERNED IPA HAS ISSUED A CORRESPONDING
4 CERTIFICATE OF ENTITLEMENT UPON APPLICATION, AND A
5 CERTIFICATE OF APPROVAL AFTER A REVIEW OF DOCUMENTATION
6 OF TRAININGS SUBMITTED BY THE ENTERPRISE AT THE END OF THE
7 TAXABLE YEAR, OTHERWISE, THIS INCENTIVE SHALL BE DEEMED
8 WAIVED.

9 "(7) UP TO ONE HUNDRED PERCENT (100%) DEDUCTION ON
10 INFRASTRUCTURE DEVELOPMENT. – REGISTERED ENTERPRISES
11 ESTABLISHING THEIR ACTIVITY IN AN AREA THAT THE STRATEGIC
12 INVESTMENT PRIORITY PLAN (SIPP) DESIGNATES AS
13 NECESSARY FOR COUNTRYWIDE DEVELOPMENT OR IN AN
14 AREA FOUND TO BE DEFICIENT IN INFRASTRUCTURE, PUBLIC
15 UTILITIES, AND OTHER FACILITIES, SUCH AS IRRIGATION, DRAINAGE,
16 OR OTHER SIMILAR WATERWORKS INFRASTRUCTURE MAY
17 DEDUCT FROM THE GROSS INCOME AN AMOUNT EQUIVALENT TO UP
18 TO ONE HUNDRED PERCENT (100%) OF NECESSARY AND
19 MAJOR INFRASTRUCTURE WORKS IT MAY HAVE UNDERTAKEN WITH
20 THE PRIOR APPROVAL AND RECOMMENDATION OF THE IPA
21 CONCERNED: *PROVIDED*, THAT THE INFRASTRUCTURE SHALL BE
22 OPEN FOR USE BY THE GENERAL PUBLIC: *PROVIDED, FURTHER*, THAT
23 THE TITLE TO ALL SUCH INFRASTRUCTURE WORKS SHALL UPON
24 COMPLETION, BE TRANSFERRED TO THE PHILIPPINE GOVERNMENT:
25 *PROVIDED, FINALLY*, THAT ANY AMOUNT NOT DEDUCTED FOR A
26 PARTICULAR YEAR MAY BE CARRIED OVER FOR DEDUCTION FOR
27 SUBSEQUENT YEARS NOT EXCEEDING FIVE (5) YEARS FROM
28 COMMERCIAL OPERATION.

29 "(8) DEDUCTION FOR REINVESTMENT ALLOWANCE TO
30 MANUFACTURING INDUSTRY. – WHEN A MANUFACTURING
31 REGISTERED ENTERPRISE REINVESTS ITS UNDISTRIBUTED PROFIT OR
32 SURPLUS IN ANY OF THE ACTIVITIES LISTED IN THE SIPP, THE
33 AMOUNT SO REINVESTED TO A MAXIMUM OF FIFTY PERCENT (50%)
34 SHALL BE ALLOWED AS A DEDUCTION FROM ITS TAXABLE INCOME

1 **WITHIN A PERIOD OF FIVE (5) YEARS FROM THE TIME OF SUCH**
2 **REINVESTMENT: *PROVIDED*, THAT PRIOR APPROVAL AND**
3 **RECOMMENDATION BY THE IPA CONCERNED OF SUCH REINVESTMENT**
4 **WAS OBTAINED BY THE REGISTERED ENTERPRISE PLANNING SUCH**
5 **REINVESTMENT.**

6 **"(9) ENHANCED NET OPERATING LOSS CARRY-OVER**
7 **(NOLCO). – THE NET OPERATING LOSS OF THE REGISTERED ACTIVITY**
8 **DURING THE FIRST THREE (3) YEARS FROM THE START OF**
9 **COMMERCIAL OPERATION WHICH HAD NOT BEEN PREVIOUSLY**
10 **OFFSET AS DEDUCTION FROM GROSS INCOME MAY BE CARRIED**
11 **OVER AS DEDUCTION FROM GROSS INCOME WITHIN THE NEXT FIVE**
12 **(5) CONSECUTIVE TAXABLE YEARS IMMEDIATELY FOLLOWING THE**
13 **YEAR OF SUCH LOSS.**

14 **"(10) UP TO FIFTY PERCENT (50%) ADDITIONAL DEDUCTION ON**
15 **THE INCREMENT OF THE DOMESTIC INPUT EXPENSE INCURRED IN THE**
16 **TAXABLE YEAR: *PROVIDED*, THAT IT IS DIRECTLY RELATED TO AND**
17 **ACTUALLY USED IN THE REGISTERED EXPORT ACTIVITY OF THE**
18 **REGISTERED ENTITY.**

19 **"*PROVIDED*, THAT IN LIEU OF THE ITH UNDER SECTION 294(A)(1)**
20 **OR THE REDUCED TAX RATE OF EIGHTEEN PERCENT (18%) UNDER**
21 **SECTION 294(A)(2), THE TAX INCENTIVES UNDER SECTION 294(A)(3), (4),**
22 **(5), (6), (7), (8), (9), AND (10) MAY BE GRANTED ON AN INDUSTRY-**
23 **SPECIFIC BASIS AS DETERMINED BY THE BOI IN THE STRATEGIC**
24 **INVESTMENT PRIORITY PLAN. THE BOI SHALL PRESCRIBED THE**
25 **LEVEL OF ADDITIONAL DEDUCTION FOR SELECTED INDUSTRIES.**

26 **"*PROVIDED, FURTHER*, THAT IN NO SUCH CASE SHALL AN INCOME**
27 **TAX INCENTIVE BE EXTENDED BEYOND THE INITIAL GRANT OF FIVE (5)**
28 **YEARS, EXCEPT THOSE PROVIDED UNDER SECTION 294(A)(7) AND (9),**
29 **SECTIONS 295, 296, AND 297.**

30 **"(B) EXEMPTION FROM CUSTOMS DUTY ON IMPORTATION OF**
31 **CAPITAL EQUIPMENT AND RAW MATERIALS DIRECTLY AND**
32 **EXCLUSIVELY USED IN THE REGISTERED ACTIVITY BY REGISTERED**
33 **ENTERPRISES: *PROVIDED*, THAT THE FIVE (5) YEARS LIMIT IN THIS**

1 SUBSECTION SHALL NOT APPLY TO FREEPORT ZONES AS DEFINED
2 UNDER THIS TITLE.

3 "PROVIDED, FURTHER, THAT EXPANSION OF REGISTERED
4 ACTIVITIES MAY BE GRANTED DUTY EXEMPTION ON CAPITAL
5 EQUIPMENT ONLY, SUBJECT TO THE FOLLOWING CONDITIONS:

6 "(1) THE ACTIVITY IS STILL COVERED BY THE STRATEGIC
7 INVESTMENT PRIORITY PLAN (SIPP) OR IS AN INNOVATION PROJECT
8 AS DEFINED IN THE STRATEGIC INVESTMENT PRIORITY PLAN;

9 "(2) CUSTOMS DUTY EXEMPTION WILL ONLY APPLY ON THE
10 INCREMENTAL PORTION OF THE ACTIVITY; AND

11 "(3) THE CUSTOMS DUTY EXEMPTION EXTENSION SHALL NOT
12 EXCEED FIVE (5) YEARS.

13 "(C) VALUE-ADDED TAX (VAT)

14 "(1) REGISTERED ENTERPRISES WHOSE EXPORT SALES MEET
15 THE NINETY PERCENT (90%) THRESHOLD AND ARE LOCATED WITHIN
16 AN ECOZONE, FREEPORT, OR THOSE UTILIZING CUSTOMS BONDED
17 MANUFACTURING WAREHOUSE: VAT EXEMPTION ON IMPORTATION
18 AND VAT ZERO-RATING ON DOMESTIC PURCHASES OF CAPITAL
19 EQUIPMENT AND RAW MATERIALS USED IN THE MANUFACTURING
20 AND PROCESSING OF PRODUCTS AND IMPORTATION OF SOURCE
21 DOCUMENTS SHALL APPLY.

22 "(2) REGISTERED ENTERPRISES WHOSE EXPORT SALES ARE
23 BELOW THE NINETY PERCENT (90%) THRESHOLD AND ARE LOCATED
24 WITHIN AN ECOZONE, FREEPORT, OR THOSE UTILIZING CUSTOMS
25 BONDED MANUFACTURING WAREHOUSE: VAT EXEMPTION ON
26 IMPORTATION AND VAT ZERO-RATING ON DOMESTIC PURCHASES OF
27 CAPITAL EQUIPMENT AND RAW MATERIALS USED IN THE
28 MANUFACTURING AND PROCESSING OF PRODUCTS AND
29 IMPORTATION OF SOURCE DOCUMENTS: PROVIDED, THAT THEY
30 COMPLY WITH THE ELECTRONIC RECEIPTS OR INVOICING UNDER
31 SECTIONS 237 AND 237-A OF THIS CODE.

32 "(3) REGISTERED ENTERPRISES WHOSE EXPORT SALES ARE
33 BELOW NINETY PERCENT (90%) OR ARE LOCATED OUTSIDE AN
34 ECOZONE OR FREEPORT REGARDLESS OF EXPORT SALES

1 THRESHOLD: THE VALUE-ADDED TAX PROVISION IN TITLE IV OF THIS
2 CODE AND SECTION 307 OF THIS ACT SHALL APPLY.

3 “FOR THIS PURPOSE, ‘PROCESSING’ SHALL REFER TO THE
4 CONVERSION OF RAW MATERIALS INTO MARKETABLE FORM
5 THROUGH PHYSICAL, MECHANICAL, CHEMICAL, ELECTRICAL,
6 BIOCHEMICAL, BIOLOGICAL, OR OTHER MEANS, OR BY A SPECIAL
7 TREATMENT OR A SERIES OF ACTIONS, SUCH AS SLAUGHTERING,
8 MILLING, PASTEURIZING, DRYING, OR DESICCATING, QUICK FREEZING,
9 THAT RESULTS IN A CHANGE IN THE NATURE OR STATE OF A
10 PRODUCT. MERE PACKING OR PACKAGING SHALL NOT CONSTITUTE
11 PROCESSING.

12 “‘SOURCE DOCUMENTS’ REFER TO INPUT MATERIALS AND
13 DOCUMENTS REASONABLY NEEDED BY I.T. AND I.T.-ENABLED
14 INDUSTRIES SUCH AS, BUT NOT LIMITED TO, BOOKS, DIRECTORIES,
15 MAGAZINES, NEWSPAPERS, BROCHURES, PAMPHLETS, MEDICAL
16 RECORDS/FILES, LEGAL RECORDS/FILES, INSTRUCTION MATERIALS,
17 AND DRAWINGS/BLUEPRINTS/OUTLINES.

18 “SEC. 295. *INCENTIVES FOR AGRIBUSINESS.* –AGRIBUSINESS
19 PROJECTS OR ACTIVITIES OF REGISTERED ENTERPRISES LOCATED
20 OUTSIDE METRO MANILA AND OTHER URBAN AREAS AS IDENTIFIED IN
21 THE STRATEGIC INVESTMENT PRIORITY PLAN SHALL BE ENTITLED TO
22 ADDITIONAL TWO (2) YEARS OF INCENTIVE UNDER SECTION 294, OF
23 WHICH ONE (1) YEAR MAY BE AN ADDITIONAL YEAR OF INCOME TAX
24 HOLIDAY.

25 “SEC. 296. *PROJECTS OR ACTIVITIES LOCATED IN LESS*
26 *DEVELOPED AREAS OR THOSE RECOVERING FROM ARMED CONFLICT*
27 *OR A MAJOR DISASTER.* – PROJECTS OR ACTIVITIES OF REGISTERED
28 ENTERPRISES LOCATING IN LESS DEVELOPED AREAS AS
29 IDENTIFIED IN THE STRATEGIC INVESTMENT PRIORITY PLAN, OR
30 THOSE RECOVERING FROM ARMED CONFLICT AND/OR A MAJOR
31 DISASTER AS DETERMINED BY THE OFFICE OF THE PRESIDENT SHALL
32 BE ENTITLED TO ADDITIONAL TWO (2) YEARS OF INCENTIVE UNDER
33 SECTION 294, OF WHICH ONE (1) YEAR MAY BE AN ADDITIONAL YEAR
34 OF INCOME TAX HOLIDAY.

"SEC. 297. RELOCATION PROJECTS OR ACTIVITIES. – PRIOR TO THE EFFECTIVITY OF THIS ACT, REGISTERED PROJECTS OR ACTIVITIES RELOCATING FROM METRO MANILA AND SELECTED URBANIZED AREAS ADJACENT TO METRO MANILA TO OTHER AREAS OF THE COUNTRY SHALL BE ENTITLED TO ADDITIONAL TWO (2) YEARS OF INCENTIVE UNDER SECTION 294, OF WHICH ONE (1) YEAR MAY BE AN ADDITIONAL YEAR OF INCOME TAX HOLIDAY.

"CHAPTER III

“THE FISCAL INCENTIVES REVIEW BOARD

"SEC. 298. EXPANDED FUNCTIONS OF THE FISCAL INCENTIVES REVIEW BOARD. – THE FUNCTIONS AND POWERS OF THE FISCAL INCENTIVES REVIEW BOARD OR FIRB CREATED UNDER PRESIDENTIAL DECREE (PD) NO. 776, AS AMENDED BY PD NO. 1931 AND PD NO. 1955, OFFICE OF THE PRESIDENT MEMORANDUM ORDER NO. 23, SERIES OF 1986 AND EXECUTIVE ORDER NO. 93, SERIES OF 1986, SHALL BE EXPANDED AS FOLLOWS:

“(A) TO EXERCISE OVERSIGHT FUNCTIONS OVER IPAS.

"(B) TO REQUIRE THE IPAS TO SUBMIT THE FOLLOWING:

"(1) LIST OF REGISTERED ENTERPRISES ANNUALLY WITH CORRESPONDING FIRM-LEVEL DATA AS MANDATED UNDER THE TAX INCENTIVES MANAGEMENT AND TRANSPARENCY ACT OR TIMTA LAW;

"(2) APPROVED AMOUNT OF INVESTMENTS AND EMPLOYMENT
GENERATION AND OTHER BENEFITS ON A FIRM-LEVEL BASIS
ANNUALLY; AND

**"(3) APPROVED AMOUNT OF TAX INCENTIVES, BOTH INCOME AND
NON-INCOME TAX BASED INCENTIVES, ON A FIRM-LEVEL BASIS
ANNUALLY**

"(C) FOR PROJECTS OR ACTIVITIES THAT POSE RISK TO THE ENVIRONMENT, HEALTH, AND ECONOMIC STABILITY AND PROJECTS OR ACTIVITIES THE APPROVAL OF WHICH ENCOUNTERS A DEADLOCK IN THE IPAS BOARD, THE FIRB:

"(1) SHALL FORMULATE POLICIES ON TAX INCENTIVES IN ACCORDANCE WITH THE PROVISIONS OF THIS CODE;

1 “(2) SHALL REVIEW IPAS’ COMPLIANCE WITH THE POLICIES SET
2 FORTH IN THIS CODE: *PROVIDED*, THAT THE FIRB MAY CANCEL OR
3 SUSPEND THE POWER OF IPAS TO GRANT INCENTIVES FOR
4 VIOLATIONS OF SUCH POLICIES;

5 “(3) SHALL APPROVE THE GRANT OF INCENTIVES ON THE ABOVE
6 INSTANCES; AND

7 “(4) ON THE ABOVE INSTANCES MAY SUSPEND OR CANCEL THE
8 TAX INCENTIVES GRANTED TO REGISTERED ENTERPRISES WHICH
9 ARE NOT COMPLIANT WITH THE CONDITIONS ON THE AVAILMENT OF
10 TAX INCENTIVES AS WELL AS THE POLICIES SET FORTH BY THE IPAS.

11 “(D) TO PUBLISH THE NAMES OF THE REGISTERED ENTERPRISES
12 OR BENEFICIARIES OF TAX INCENTIVES WITH APPROVED ESTIMATED
13 AMOUNT OF THE CORRESPONDING TAX INCENTIVES.

14 “(E) TO GRANT TAX SUBSIDIES TO GOVERNMENT -OWNED
15 AND/OR -CONTROLLED CORPORATIONS (GOCCS), GOVERNMENT
16 INSTRUMENTALITIES (GIS), GOVERNMENT COMMISSIONS, AND
17 STATE UNIVERSITIES AND COLLEGES (SUCS) AS MAY BE PROVIDED
18 UNDER THE ANNUAL GENERAL APPROPRIATIONS ACT.

19 “*PROVIDED*, THAT, AS CHAIR OF THE FIRB AND AS THE
20 CUSTODIAN OF FISCAL PRUDENCE AND RESPONSIBILITY,
21 THE SECRETARY OF FINANCE SHALL EXERCISE OVERSIGHT
22 FUNCTIONS AND SHALL HAVE VETO POWER OVER THE APPROVAL
23 AND CANCELLATION OF TAX INCENTIVES UNDER SECTION 298 (C).

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

27 “*PROVIDED, FINALLY*, THAT THE NATIONAL ECONOMIC AND
28 DEVELOPMENT AUTHORITY (NEDA) AND THE DEPARTMENT OF TRADE
29 AND INDUSTRY (DTI) SHALL BE MEMBERS OF ALL THE EXISTING AND
30 FUTURE IPAS.

31 “SEC. 299. **COMPOSITION OF THE FIRB.** – THE FIRB SHALL BE
32 RECONSTITUTED AS FOLLOWS:

33 “BOARD PROPER:

34 “CHAIRPERSON – SECRETARY OF FINANCE

1 “MEMBERS – SECRETARY OF TRADE AND INDUSTRY
2 – DIRECTOR GENERAL OF THE NATIONAL
3 ECONOMIC AND DEVELOPMENT AUTHORITY
4 (NEDA)
5 – SECRETARY OF BUDGET AND MANAGEMENT
6 – EXECUTIVE SECRETARY OF THE OFFICE OF THE
7 PRESIDENT

8 “TECHNICAL COMMITTEE:

9 “CHAIRPERSON – UNDERSECRETARY OF FINANCE

10 “MEMBERS – UNDERSECRETARY OF TRADE AND
11 INDUSTRY/BOARD OF INVESTMENTS MANAGING
12 HEAD
13 – UNDERSECRETARY OF BUDGET AND
14 MANAGEMENT
15 – DEPUTY DIRECTOR GENERAL OF THE NATIONAL
16 ECONOMIC AND DEVELOPMENT AUTHORITY
17 – COMMISSIONER OF INTERNAL REVENUE
18 – COMMISSIONER OF CUSTOMS
19 – EXECUTIVE DIRECTOR OF THE NATIONAL TAX
20 RESEARCH CENTER (NTRC)

21 “SECRETARIAT: – NATIONAL TAX RESEARCH CENTER
22 “CHAPTER IV

23 “QUALIFIED ACTIVITIES FOR TAX INCENTIVES

24 “SEC. 300. *STRATEGIC INVESTMENT PRIORITY PLAN (SIPP).* –
25 THE BOARD OF INVESTMENTS (BOI), IN COORDINATION WITH THE
26 OFFICE OF THE PRESIDENT, THE FISCAL INCENTIVES REVIEW BOARD,
27 THE CONCERNED IPAS, AND OTHER GOVERNMENT AGENCIES AND
28 THE PRIVATE SECTOR, SHALL FORMULATE THE SIPP TO BE
29 SUBMITTED TO THE PRESIDENT FOR HIS APPROVAL NOT LATER THAN
30 DECEMBER OF THE THIRD YEAR SET FOR PERIODIC REVIEW. THE
31 PLAN SHALL BE VALID FOR A PERIOD OF THREE (3) YEARS SUBJECT
32 TO REVIEW AND AMENDMENT AS THE NEED ARISES. ALL SECTORS OR
33 INDUSTRIES THAT MAY BE INCLUDED IN THE SIPP SHALL UNDERGO
34 AN EVALUATION PROCESS TO DETERMINE THE SUITABILITY AND

1 POTENTIAL OF THE INDUSTRY OR THE SECTOR IN PROMOTING LONG-
2 TERM GROWTH AND DEVELOPMENT, AND THE NATIONAL INTEREST.

3 "THE SIPP SHALL:

4 "(A) INCLUDE ACTIVITIES THAT COMPLY WITH THE FOLLOWING:

5 "(1) THE ACTIVITY SHALL BE COVERED BY THE PHILIPPINE
6 DEVELOPMENT PLAN OR ITS EQUIVALENT AND OTHER GOVERNMENT
7 PROGRAMS;

8 "(2) THE ACTIVITY SHALL TAKE INTO ACCOUNT ANY OF THE
9 FOLLOWING:

10 "(i) SUBSTANTIAL AMOUNT OF INVESTMENTS;

11 "(ii) CONSIDERABLE GENERATION OF EMPLOYMENT;

12 "(iii) ADOPT INCLUSIVE BUSINESS ACTIVITIES AND VALUE-
13 ADDING PRODUCTION BY MSMES;

14 "(iv) USE OF MODERN OR NEW TECHNOLOGY;

15 "(v) ADOPTION OF ADEQUATE ENVIRONMENTAL PROTECTION
16 SYSTEMS;

17 "(vi) ADDRESS MISSING GAPS IN THE SUPPLY/VALUE CHAIN OR
18 MOVE UP THE VALUE CHAIN OR PRODUCT LADDER; OR

19 "(vii) PROMOTION OF MARKET COMPETITIVENESS.

20 "(B) IDENTIFY AGRIBUSINESS ACTIVITIES, THE LESS DEVELOPED
21 AREAS OR THOSE RECOVERING FROM ARMED CONFLICT OR A MAJOR
22 DISASTER.

23 "(C) DETERMINE SERVICES AND ACTIVITIES THAT CAN SPUR
24 REGIONAL OR GLOBAL OPERATIONS IN THE COUNTRY.

25 "(D) INCLUDE EXISTING REGISTERED PROJECTS OR ACTIVITIES
26 THAT SHALL RELOCATE FROM METRO MANILA TO OTHER AREAS OF
27 THE COUNTRY.

28 "THE ACTIVITIES MUST COMPLY WITH THE SPECIFIC
29 QUALIFICATION REQUIREMENTS OR CONDITIONS FOR A PARTICULAR
30 SECTOR OR INDUSTRY AND OTHER LIMITATIONS AS SET AND
31 DETERMINED BY THE BOI.

32 "THE THRESHOLD AMOUNT OF INVESTMENTS AND EMPLOYMENT
33 GENERATION REQUIRED FOR A SPECIFIC ACTIVITY SHALL BE
34 SUBJECT TO A PERIODIC REVIEW EVERY THREE (3) YEARS TAKING

1 INTO CONSIDERATION INTERNATIONAL STANDARDS AND OTHER
2 INDICATORS.

3 "SEC. 301. *POWER OF THE PRESIDENT TO GRANT*
4 *INCENTIVES.* – THE PRESIDENT MAY, IN THE INTEREST OF NATIONAL
5 ECONOMIC DEVELOPMENT AND UPON THE RECOMMENDATION OF THE
6 FISCAL INCENTIVES REVIEW BOARD, GRANT INCENTIVES IN ADDITION
7 TO THOSE THAT ARE PROVIDED UNDER THIS CODE, INCLUDING A
8 LONGER PERIOD, TO HIGHLY DESIRABLE PROJECTS: *PROVIDED,* THAT
9 THE BENEFITS THAT THE GOVERNMENT MAY DERIVE FROM SUCH
10 INVESTMENT THERETO IS CLEAR AND CONVINCING AND FAR
11 OUTWEIGH THE COST OF INCENTIVES THAT WILL BE GRANTED."

12 "SEC. 301-A. *CRITERIA FOR AVAILMENT.* – THE BOARD OF
13 INVESTMENTS SHALL CONSIDER THE FOLLOWING CRITERIA IN
14 DETERMINING THE TYPES OF INCENTIVES AND THE DURATION
15 THEREOF THAT MAY BE GRANTED:

16 "(A) THE PROJECT HAS A COMPREHENSIVE SUSTAINABLE
17 DEVELOPMENT PLAN WITH CLEAR INCLUSIVE BUSINESS
18 APPROACHES AND INNOVATIONS; OR

19 "(B) MINIMUM INVESTMENT OF TWO HUNDRED MILLION US
20 DOLLARS (US\$200,000,000) OR A MINIMUM DIRECT EMPLOYMENT
21 GENERATION OF AT LEAST ONE THOUSAND FIVE HUNDRED (1,500)
22 WITHIN THREE (3) YEARS FROM THE START OF COMMERCIAL
23 OPERATION.

24 "THE THRESHOLD SHALL BE SUBJECT TO A PERIODIC REVIEW
25 EVERY THREE (3) YEARS TAKING INTO CONSIDERATION
26 INTERNATIONAL STANDARDS AND OTHER INDICATORS.

27 "THE BOI MAY IMPOSE OTHER TERMS AND CONDITIONS TAKING
28 INTO CONSIDERATION THE AMOUNT OR KIND OF INCENTIVES THAT
29 WILL BE GRANTED TO SUCH INVESTMENTS."

30 "SEC. 301-B. *USE OF RESOURCES.* – IN THE EXERCISE OF THE
31 POWER OF THE PRESIDENT TO GRANT INCENTIVES, THE
32 GOVERNMENT MAY UTILIZE ITS RESOURCES SUCH AS LAND USE,
33 WATER APPROPRIATION, POWER PROVISION, AMONG OTHERS, AS
34 MAY BE IDENTIFIED BY THE BOI."

"SEC. 302. **AMENDMENTS.** — **SUBJECT** TO
PUBLICATION REQUIREMENTS AND THE CRITERIA FOR INVESTMENT
PRIORITY DETERMINATION, THE BOI MAY, AT ANY TIME, INCLUDE
ADDITIONAL AREAS IN THE SIPP, ALTER ANY OF THE TERMS OF THE
DECLARATION OF AN INVESTMENT AREA, AND TEMPORARILY OR
PERMANENTLY SUSPEND ACTIVITIES ON THE SIPP IF IT CONSIDERS
THAT SUCH ACTIVITY IS NO LONGER A PRIORITY. IN NO CASE SHALL
THE IPAS ACCEPT APPLICATIONS UNLESS THE ACTIVITY IS LISTED IN
THE SIPP."

"SEC. 303. *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. 304. QUALIFICATIONS OF A REGISTERED ENTERPRISE
FOR TAX INCENTIVES. - IN THE REVIEW AND GRANT OF TAX
INCENTIVES, A REGISTERED ENTERPRISE MUST:**

“(A) BE ENGAGED IN AN ACTIVITY INCLUDED IN THE SIPP;

"(B) 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 IPA SHOULD SO REQUIRE;

“(C) COMPLY WITH THE E-INVOICE AND E-SALES REQUIREMENT IN ACCORDANCE WITH SECTION 237-A OF THIS CODE.”

"CHAPTER V

“AVAILMENT OF TAX INCENTIVES

"SEC. 305. 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). IN AVAILING THE INCOME TAX-BASED INCENTIVES, THE REGISTERED ENTERPRISE SHALL BE REQUIRED TO SECURE A CERTIFICATE OF ENTITLEMENT ISSUED BY THE IPA 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. 306. **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 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, THAT 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 THAT IT SHALL BE USED FOR A NON-REGISTERED ACTIVITY OF THE REGISTERED ENTERPRISE AT ANY

1 TIME WITHIN THE FIRST FIVE (5) YEARS FROM DATE OF IMPORTATION,
2 THE REGISTERED ENTERPRISE SHALL FIRST SEEK PRIOR APPROVAL
3 OF THE AUTHORITY, AND PAY THE TAXES AND CUSTOMS DUTIES
4 THAT WERE NOT PAID UPON ITS IMPORTATION; AND

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

8 "APPROVAL OF THE IPA MUST BE SECURED BEFORE THE SALE,
9 TRANSFER OR DISPOSITION OF THE CAPITAL EQUIPMENT AND/OR
10 SPARE PARTS WHICH WERE GRANTED TAX AND CUSTOMS DUTY
11 EXEMPTION HEREUNDER, AND SHALL BE ALLOWED ONLY UNDER THE
12 FOLLOWING CIRCUMSTANCES:

13 "(1) IF MADE TO ANOTHER ENTERPRISE ENJOYING CUSTOMS
14 DUTY EXEMPTION ON IMPORTED CAPITAL EQUIPMENT AND/OR SPARE
15 PARTS;

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

20 "(3) EXPORTATION OF CAPITAL EQUIPMENT, MACHINERY, SPARE
21 PARTS OR SOURCE DOCUMENTS, OR THOSE REQUIRED FOR
22 POLLUTION ABATEMENT AND CONTROL; OR

23 "(4) FOR REASONS OF PROVEN TECHNICAL OBSOLESCENCE.

24 "PROVIDED, THAT IF THE REGISTERED ENTERPRISE SELLS,
25 TRANSFERS OR DISPOSES THE AFOREMENTIONED IMPORTED ITEMS
26 WITHOUT PRIOR APPROVAL, THE REGISTERED ENTERPRISE AND THE
27 VENDEE, TRANSFeree, OR ASSIGNEE SHALL BE SOLIDARILY LIABLE
28 TO PAY TWICE THE AMOUNT OF THE DUTY EXEMPTION THAT SHOULD
29 HAVE BEEN PAID DURING ITS IMPORTATION: PROVIDED, FURTHER,
30 THAT EVEN IF THE SALE, TRANSFER OR DISPOSITION OF THE CAPITAL
31 EQUIPMENT WAS MADE AFTER FIVE (5) YEARS FROM DATE OF
32 IMPORTATION WITH THE APPROVAL OF THE IPA, THE REGISTERED
33 ENTERPRISE IS STILL LIABLE TO PAY THE DUTIES BASED ON THE NET

1 BOOK VALUE OF THE CAPITAL EQUIPMENT IF IT HAS VIOLATED ANY
2 OF ITS REGISTRATION TERMS AND CONDITIONS.”

3 “SEC. 307. VAT REFUND MECHANISM ON IMPORTATION OF
4 CAPITAL EQUIPMENT AND RAW MATERIALS. – THE VAT ON
5 IMPORTATION OF CAPITAL EQUIPMENT AND RAW MATERIALS PAID BY
6 EXPORT REGISTERED ENTERPRISES THAT DID NOT MEET THE NINETY
7 PERCENT (90%) EXPORT SALES THRESHOLD OR ARE LOCATED
8 OUTSIDE THE ECOZONE, FREEPORT, OR THOSE UTILIZING THE
9 CUSTOMS BONDED MANUFACTURING WAREHOUSE REGARDLESS OF
10 THE THRESHOLD SHALL BE REFUNDED PURSUANT TO THE ENHANCED
11 VAT REFUND SYSTEM UNDER SECTIONS 106 AND 108 OF THIS CODE.”

12 “CHAPTER VI

13 “FINAL PROVISIONS

14 “SEC. 308. NO DOUBLE REGISTRATION OF ENTERPRISES. –
15 REGISTERED ENTERPRISES SHALL NOT BE ALLOWED TO REGISTER
16 THEIR ACTIVITIES IN MORE THAN ONE (1) IPA.”

17 “SEC. 309. GOVERNANCE RULES. – THE DIFFERENT IPAS MAY
18 REQUIRE DOMESTIC REGISTERED ENTERPRISES TO LIST THEIR
19 SHARES OF STOCK IN ANY ACCREDITED STOCK EXCHANGE OR
20 DIRECTLY OFFER A PORTION OF THEIR CAPITAL STOCK TO THE
21 PUBLIC AND/OR THEIR EMPLOYEES WITHIN FIVE (5) YEARS FROM
22 DATE OF REGISTRATION.”

23 “SEC. 310. INVESTMENTS PRIOR TO THE EFFECTIVITY OF THIS
24 ACT. – EXISTING REGISTERED ACTIVITIES GRANTED THE INCOME TAX
25 HOLIDAY SHALL BE ALLOWED TO CONTINUE WITH THE AVAILMENT OF
26 THE SAID INCENTIVE FOR THE REMAINING PERIOD OF THE ITH OR FOR
27 A PERIOD OF FIVE (5) YEARS ONLY, WHICHEVER COMES FIRST:
28 PROVIDED, THAT OTHER TAX INCENTIVES GRANTED TO EXISTING
29 REGISTERED ACTIVITIES, SUCH AS THE FIVE PERCENT (5%) TAX ON
30 GROSS INCOME EARNED IN LIEU OF ALL TAXES, BOTH NATIONAL AND
31 LOCAL, SHALL BE ALLOWED TO CONTINUE FOLLOWING THE
32 SCHEDULE STATED HEREIN:

33 “(A) TWO (2) YEARS FOR ACTIVITIES ENJOYING THE TAX
34 INCENTIVE FOR MORE THAN TEN (10) YEARS;

1 **"(B) THREE (3) YEARS FOR ACTIVITIES ENJOYING THE TAX**
2 **INCENTIVE BETWEEN FIVE (5) AND TEN (10) YEARS;**

3 **"(C) FIVE (5) YEARS FOR ACTIVITIES ENJOYING THE TAX**
4 **INCENTIVE BELOW FIVE (5) YEARS.**

5 **"PROVIDED, THAT THE FIVE PERCENT (5%) TAX ON GROSS**
6 **INCOME EARNED SHALL COMMENCE AFTER THE 1TH PERIOD HAS**
7 **LAPSED ONLY FOR THE REMAINING YEARS WITHIN THE FIVE (5)-YEAR**
8 **PERIOD."**

9 **"SEC. 311. SUSPENSION AND FORFEITURE OF TAX**
10 ***INCENTIVES OF REGISTERED ENTERPRISES, REFUND AND PENALTIES;***
11 ***WAIVER AND CONDONATION.*** – THE IPA MAY IMPOSE FINES AND
12 PENALTIES, SUSPEND AND/OR FORFEIT THE INCENTIVES GRANTED TO
13 THE REGISTERED ENTERPRISES WHENEVER THERE ARE VIOLATIONS
14 OF THE REGISTRATION TERMS AND CONDITIONS BY THE LATTER,
15 WITHOUT PREJUDICE TO THE CANCELLATION OF THE REGISTRATION
16 OF SAID ENTERPRISE.

17 "WHEN THERE IS PROBABLE CAUSE TO BELIEVE THAT THE
18 REGISTERED ENTERPRISE HAS VIOLATED ITS REGISTRATION TERMS
19 AND CONDITIONS, THE IPA SHALL SUSPEND THE AVAILMENT OF
20 INCENTIVES UNTIL PROVEN OTHERWISE: *PROVIDED, THAT FOR*
21 PROJECTS UNDER SECTION 298(C), THE CONCERNED IPA SHALL
22 RECOMMEND TO THE FIRB THE SUSPENSION OF ITS AVAILMENT OF
23 INCENTIVES.

24 "IN CASE OF CANCELLATION OF THE CERTIFICATE OF
25 REGISTRATION, THE CONCERNED IPA MAY, IN APPROPRIATE CASES,
26 REQUIRE THE PAYMENT OF TAXES, CUSTOMS DUTIES AND ANY
27 APPLICABLE PENALTIES THEREON TO THE APPROPRIATE AGENCY,
28 AND IMPOSE ADDITIONAL FINES AND PENALTIES.

29 "FOR THIS PURPOSE, THE IPAS SHALL PREPARE A SCHEDULE OF
30 FEES, FINES AND PENALTIES TO BE IMPOSED ON ERRING
31 REGISTERED ENTERPRISES DEPENDING ON THE GRAVITY OF THE
32 VIOLATION INCURRED IN ADDITION TO THE FINES AND PENALTIES
33 IMPOSABLE UNDER THIS CODE.

1 “IN MERITORIOUS CASES, THE IPA MAY WAIVE, CONDONE OR
2 REDUCE FINES OR PENALTIES IMPOSED ON REGISTERED
3 ENTERPRISES BY THE IPAS: PROVIDED, THAT THE MINIMUM
4 COMPROMISE RATE, IN CASE OF REDUCTION, SHALL NOT BE LESS
5 THAN FORTY PERCENT (40%) OF THE BASIC ASSESSED FINES OR
6 PENALTIES.”

7 “SEC. 312. STRUCTURAL ADJUSTMENT FUND. – THE
8 FOLLOWING AMOUNTS SHALL BE APPROPRIATED TO COMPENSATE
9 WORKERS THAT MAY BE DISPLACED BY THE RATIONALIZATION OF
10 FISCAL INCENTIVES TO IMPROVE EMPLOYABILITY OF WORKERS:

11 “(1) THE AMOUNT OF FIVE HUNDRED MILLION PESOS
12 (P500,000,000) SHALL BE APPROPRIATED ANNUALLY, IN ADDITION TO
13 ANY ADJUSTMENT FUND APPROPRIATED UNDER THE BUDGET OF THE
14 DEPARTMENT OF LABOR AND EMPLOYMENT, TO PROVIDE TARGETED
15 CASH GRANTS OR OTHER SUPPORT PROGRAMS TO DISPLACED
16 WORKERS OF FIRMS THAT MAY BE AFFECTED BY THE
17 RATIONALIZATION OF FISCAL INCENTIVES;

18 “(2) THE AMOUNT OF FIVE HUNDRED MILLION PESOS
19 (P500,000,000) SHALL BE APPROPRIATED ANNUALLY TO PROVIDE
20 TARGETED TRAININGS TO DISPLACED WORKERS OF FIRMS THAT MAY
21 BE AFFECTED BY THE RATIONALIZATION OF FISCAL INCENTIVES;

22 “(3) THE AMOUNT OF FIVE BILLION PESOS (P5,000,000,000) SHALL
23 BE ALLOCATED ANNUALLY FOR THE SKILLS UPGRADE PROGRAM OF
24 THE IT-BPO INDUSTRY. THE FUND SHALL BE SOLELY USED TO PAY
25 FOR FORMAL ACADEMIC OR TRAINING PROGRAMS OF ACCREDITED
26 PRIVATE OR PUBLIC SCHOOLS AND TRAINING CENTERS; AND

27 “(4) THE AMOUNT OF FIFTEEN BILLION PESOS (P15,000,000,000), IN
28 ADDITION TO ANY ADJUSTMENT FUND APPROPRIATED UNDER THE
29 BUDGET OF PERTINENT GOVERNMENT DEPARTMENTS/AGENCIES,
30 SHALL BE APPROPRIATED FOR THE DEVELOPMENT OF
31 INFRASTRUCTURE SURROUNDING AND WITHIN THE
32 AREAS/LOCALITIES OF SPECIAL ECONOMIC ZONES AND FREEPORTS
33 TO BE AFFECTED BY THIS ACT. THIS SUBSIDY SHALL LIKEWISE BE
34 UTILIZED TO SUPPORT RESEARCH AND DEVELOPMENT; COSTS OF

1 POWER, WATER AND OTHER UTILITIES; LEASE OF PROPERTIES; AND
2 OTHER ECONOMIC ACTIVITIES RELEVANT
3 TO DEVELOPING THE ABOVENTIONED AREAS/LOCALITIES.

4 “*PROVIDED*, THAT RELEASES TO THE INVESTMENT PROMOTION
5 AGENCIES SHALL BE GOVERNED BY IMPLEMENTING GUIDELINES TO
6 BE PROMULGATED BY THE DEPARTMENT OF FINANCE AND THE
7 DEPARTMENT OF BUDGET AND MANAGEMENT.

8 “*PROVIDED, FURTHER*, THAT EARMARKING FOR THESE FUNDS IN
9 THIS SECTION SHALL BE TERMINATED FIVE (5) YEARS AFTER THE
10 EFFECTIVITY OF THIS ACT.”

11 “SEC. 313. *ENHANCED TAX EXPENDITURE FUND SYSTEM*. –
12 ALL INTERNAL REVENUE TAX AND DUTY OBLIGATIONS OF
13 GOVERNMENT-OWNED AND/OR CONTROLLED CORPORATIONS SHALL
14 BE CHARGEABLE TO THE TAX EXPENDITURE FUND OF THE
15 GOVERNMENT UPON THE ESTABLISHMENT AND IMPLEMENTATION OF
16 AN ENHANCED TAX EXPENDITURE FUND SYSTEM THAT GRANTS TAX
17 SUBSIDY WITHIN THIRTY (30) DAYS FROM THE FILING OF APPLICATION
18 WITH THE FIRB.”

19 “SEC. 314. THE NAME OF RECIPIENTS OF INCENTIVES AND
20 THE AMOUNT OF INCENTIVES AVAILED SHALL BE REPORTED BY THE
21 INVESTMENT PROMOTION AGENCIES ANNUALLY TO CONGRESS. THE
22 REPORT SHALL BE MADE AVAILABLE TO THE PUBLIC.”

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

25 SEC. 36. Title XIV of the National Internal Revenue Code of 1997, as amended,
26 is hereby retitled as Title XV.

27 SEC. 37. *Amendatory Clause*. –

28 (a) To ensure that the DOF, NEDA and DTI are represented in the Governing Boards
29 of all IPAS, where the DOF shall automatically serve as Co-chair, and DTI and NEDA as
30 members, pursuant to Section 299 of this Act, the following provisions, among others, are
31 amended accordingly:

32 (1) Article 4 of Executive Order No. 226, as amended, entitled “The Omnibus
33 Investments Code of 1987”;

1 (2) Sections 9 and 13(c) of Republic Act No. 7227, entitled
2 "An Act Accelerating the Conversion of Military Reservations into Other Productive Uses,
3 Creating the Bases Conversion and Development Authority for this Purpose, Providing
4 Funds Therefor and for Other Purposes";

5 (3) Section 3 of Executive Order No. 80, series of 1993, entitled "Authorizing the
6 Establishment of the Clark Development Corporation as the Implementing Arm of the
7 Bases Conversion and Development Authority for the Clark Special Economic Zone, and
8 Directing all Heads of Departments, Bureaus, Offices, Agencies and Instrumentalities of
9 Government to Support the Program";

10 (4) Section 6 of Executive Order No. 132, series of 2002, entitled "Authorizing the
11 Creation of the Poro Point Management Corporation as the Implementing Arm of the
12 Bases Conversion Development Authority Over the Poro Point Special Economic and
13 Freeport Zone and Renaming the John Hay Poro Point Development Corporation as the
14 John Hay Management Corporation";

15 (5) Section 9 of Republic Act No. 7903, entitled "An Act Creating a Special Economic
16 Zone and Freeport in the City of Zamboanga Creating for this Purpose the Zamboanga
17 City Special Economic Zone Authority, Appropriating Funds Therefor, and for Other
18 Purposes";

19 (6) Section 14 of Republic Act No. 9728, entitled "An Act Converting the Bataan
20 Economic Zone Located in the Municipality of Mariveles, Province of Bataan, into the
21 Freeport Area of Bataan (FAB), Creating for this Purpose the Authority of the Freeport
22 Area of Bataan (AFAB), Appropriating Funds Therefor and for Other Purposes";

23 (7) Section 65 of Republic Act No. 9593, entitled "An Act Declaring a National Policy
24 for Tourism as an Engine of Investment, Employment, Growth and National Development,
25 and Strengthening the Department of Tourism and its Attached Agencies to Effectively and
26 Efficiently Implement that Policy, and Appropriating Funds Therefor";

27 (8) Section 15 of Republic Act No. 9490, entitled "An Act Establishing the Aurora
28 Special Economic Zone in the Province of Aurora, Creating for the Purpose the Aurora
29 Special Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes",
30 as amended by Republic Act No. 10083;

31 (9) Section 7 of Republic Act No. 7922, entitled "An Act Establishing a Special
32 Economic Zone and Freeport in the Municipality of Santa Ana and the Neighboring Islands

1 in the Municipality of Aparri, Province of Cagayan, Providing Funds Therefor, and for
2 Other Purposes";

3 (10) Section 6 of Presidential Decree No. 538, entitled "Creating and Establishing the
4 PHIVIDEC Industrial Authority and Making it a Subsidiary Agency of the Philippine
5 Veterans Investment Development Corporation, Defining its Powers, Functions and
6 Responsibilities, and for Other Purposes," as amended by Executive Order No. 1031,
7 series of 1985; and

8 (11) Section 11 of Republic Act No. 7916, entitled "An Act Providing for the Legal
9 Framework and Mechanisms for the Creation, Operation, Administration, and Coordination
10 of Special Economic Zones in the Philippines, Creating for this Purpose, the Philippine
11 Economic Zone Authority (PEZA), and for Other Purposes".

12 (b) The following laws are hereby amended to mandate all internal revenue tax and
13 duty obligations of the relevant entities be chargeable to the Tax Expenditure Fund (TEF)
14 pursuant to Section 313 of this Act:

15 (1) Section 18 of Republic Act No. 7884, entitled "An Act Creating the National Dairy
16 Authority to Accelerate the Development of the Dairy Industry in the Philippines, Providing
17 for a Dairy Development Fund, and for Other Purposes";

18 (2) Section 8 of Republic Act No. 7903, entitled "An Act Creating Special Economic
19 Zone and Freeport in the City of Zamboanga for this Purpose the Zamboanga City Special
20 Economic Zone Authority, Appropriating Funds Therefor, and for Other Purpose";

21 (3) Section 12(a) of Republic Act No. 10083, entitled "An Act Amending Republic Act
22 No. 9490, Otherwise Known as the 'Aurora Special Economic Zone Act of 2007'";

23 (4) Sections 29, 57, 74, 95(c) of Republic Act No. 9593,
24 entitled "An Act Declaring Tourism as Engine of Investment, Employment, Growth and
25 National Development and Strengthening the Department of Tourism or Tourism Act of
26 2009";

27 (5) Section 10 of Presidential Decree No. 538, entitled "Creating and Establishing
28 the PHIVIDEC Industrial Authority and Making it a Subsidiary Agency of the Philippine
29 Veterans Investment Development Corporation, Defining its Powers, Functions and
30 Responsibilities, and for Other Purposes";

31 (6) Section 16(a)(b) of Republic Act No. 9497, entitled "An
32 Act Creating the Civil Aviation Authority of the Philippines, Authorizing the Appropriation of
33 Funds Therefor, and for Other Purposes";

1 (7) Section 14 of Republic Act No. 7354, entitled "An Act Creating the Philippine
2 Postal Corporation, Defining its Powers, Functions and Responsibilities, Providing for
3 Regulation of the Industry and for Other Purposes Connected Therewith";

4 (8) Sections 8 and 14 of Presidential Decree No. 269, entitled "Creating the National
5 Electrification Administration as a Corporation, Prescribing its Powers and Activities,
6 Appropriating the Necessary Funds Therefore and Declaring a National Policy Objective
7 for the Total Electrification of the Philippines on an Area Coverage Service Basis, the
8 Organization, Promotion and Development of Electric Cooperatives to Attain the Said
9 Objective, Prescribing Terms and Conditions for their Operations, the Repeal of Republic
10 Act No. 6038, and for Other Purposes";

11 (9) Sections 2 and 19 of Republic Act No. 9679, entitled "An Act Amending the
12 Home Development Mutual Fund, Otherwise Known as the Pag-IBIG Fund";

13 (10) Section 17(c) under Section 8 of Republic Act No. 9576, entitled "An Act
14 Increasing the Maximum Deposit Insurance Coverage, and in Connection Therewith, to
15 Strengthen the Regulatory and Administrative Authority, and Financial Capability of the
16 Philippine Deposit Insurance Corporation (PDIC), Amending for this Purpose Republic Act
17 Numbered Three Thousand Five Hundred Ninety-One, as Amended, Otherwise Known as
18 the PDIC Charter and for Other Purposes";

19 (11) Section 13 of Republic Act No. 7820, entitled "An Act Creating the Partido
20 Development Administration, Defining its Powers and Functions, Providing Funds
21 Therefor, and for Other Purposes";

22 (12) Section 5(j) of Republic Act No. 9510, entitled "An Act Establishing the Credit
23 Information System and for Other Purposes";

24 (13) Section 13(e) of Presidential Decree No. 857, entitled "Providing for the
25 Reorganization of Port Administrative and Operation Functions in the Philippines, Revising
26 Presidential Decree No. 505 dated July 11, 1974, Creating the Philippine Port Authority, by
27 Substitution, and for Other Purposes";

28 (14) Section 19 of Republic Act No. 6847, entitled "An Act Creating and Establishing
29 the Philippine Sports Commission, Defining its Powers, Functions, and Responsibilities,
30 Appropriating Funds Therefor, and for Other Purposes";

31 (15) Section 8(a)(b) and Section 13 of Republic Act No. 6395, entitled "An Act
32 Revising the Charter of the National Power Corporation"; and

(16) 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. *Repealing Clauses. —*

(a) The tax treatment provisions of entities covered by the following franchise laws are hereby amended or repealed effective two (2) years from the implementation of this Act: *Provided*, That the tax treatment provisions of entities covered by franchise laws pertaining to energy and telecommunications shall be deferred for an additional two (2) years:

(1) Section 9 of Republic Act No. 7953, entitled "An Act Amending Republic Act Numbered Sixty-Six Hundred Thirty-Two, 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 Twenty-five (25) Years From the Expiration of the Term Thereof '";

(2) Section 12 of Republic Act No. 8407, entitled "An Act Amending Republic Act Numbered Sixty-Six Hundred Thirty-One, 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 Twenty-five (25) Years From the Expiration of the Term Thereof '";

(3) 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

(4) 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".

(b) The provisions of the following laws, including the tax incentives, that are inconsistent with this Act are hereby amended or repealed effective two (2) years from the implementation of this Act: *Provided*, That the tax treatment provisions of entities covered by special laws pertaining to energy, agriculture, and telecommunications shall be deferred for an additional two (2) years:

1 (1) Section 37 of Republic Act No. 6848, entitled "An Act Providing for the 1989
2 Charter of the Al-Amanah Islamic Investment Bank of the Philippines, Authorizing its
3 Conduct of Islamic Banking Business, and Repealing for this Purpose Presidential Decree
4 Numbered Two Hundred and Sixty-Four as Amended by Presidential Decree Numbered
5 Five Hundred and Forty-Two";

6 (2) Section 17 of Republic Act No. 7906, entitled "An Act Providing for the
7 Regulation of the Organization and Operations of Thrift Banks, and for Other Purposes";

8 (3) Section 15 of Republic Act No. 7353, entitled "An Act Providing for the Creation,
9 Organization and Operation of Rural Banks, and for Other Purposes";

10 (4) Book I, Title III, Article 39(A), (B), (C), (D), (E), (G), (I) and (J); Title IV, Article 40;
11 Book III, Articles 59, 60, 61; Book IV Article 69; Book VI, Articles 77 and 78 of Executive
12 Order No. 226, series of 1987, entitled "The Omnibus Investments Code of 1987";

13 (5) Section 1 of Republic Act No. 7918, entitled "An Act Amending Article 39, Title III
14 of Executive Order No. 226, Otherwise Known as the Omnibus Investments Code of 1987,
15 as Amended, and for Other Purposes";

16 (6) Articles 62, 63, 64, 65, 66, 67, and 69 of Republic Act No. 8756, entitled "An Act
17 Providing for the Terms, Conditions and Licensing Requirements of Regional or Area
18 Headquarters, Regional Operating Headquarters, Regional Warehouses of Multinational
19 Companies, Amending for the Purpose Certain Provisions of Executive Order No. 226,
20 Otherwise Known as the Omnibus Investment Code of 1987";

21 (7) Executive Order No. 22, series of 2017, amending Executive Order No. 70,
22 series of 2012 and Executive Order No. 528, series of 2006 and Executive Order No. 313,
23 series of 2004, entitled "Reducing the Rates of Duty on Capital Equipment, Spare Parts
24 and Accessories Imported by Board of Investments - Registered New and Expanding
25 Enterprises";

26 (8) Section 12 of Republic Act No. 8047, entitled "An Act Providing for the
27 Development of the Book Publishing Industry Through the Formulation and
28 Implementation of a National Book Policy and a National Book Development Plan";

29 (9) Section 17(1) to (8) insofar as tax exemption and/or VAT zero-rating on domestic
30 merchandise is concerned, and Section 18(a), (b), (c), and (f) of Presidential Decree No.
31 66, entitled "Creating the Export Processing Zone Authority and Revising Republic Act No.
32 5490";

1 (10)Section 4(e) and (f), insofar as tax exemption and/or VAT zero-rating on
2 domestic merchandise is concerned, of Republic Act No. 7903, entitled "An Act Creating
3 Special Economic Zone and Freeport in the City of Zamboanga and Establishing for this
4 Purpose the Zamboanga City Special Economic Zone Authority, Appropriating Funds
5 Therefor, and for Other Purposes";

6 (11)Section 4(b)(c), insofar as tax exemption and/or VAT
7 zero-rating on domestic merchandise is concerned, of Republic Act No. 7922, entitled "An
8 Act Establishing a Special Economic Zone and Freeport in the Municipality of Santa Ana
9 and the Neighboring Islands in the Municipality of Aparri, Province of Cagayan Providing
10 Funds Therefor, and for Other Purposes";

11 (12)Section 4 of Republic Act No. 8748, entitled "An Act Amending Republic Act No.
12 7916, Otherwise Known as the Special Economic Zone Act of 1995";

13 (13)Sections 23 and 24 of Republic Act No. 7916, entitled "An Act Providing for the
14 Legal Framework and Mechanisms for the Creation, Operation, Administration, and
15 Coordination of Special Economic Zones in the Philippines, Creating for the Purpose the
16 Philippine Economic Zone Authority (PEZA), and for Other Purposes";

17 (14)Section 1 of Republic Act No. 9400, amending Section 12(b) of Republic
18 Act No. 7227, insofar as tax exemption and VAT zero-rating of domestic merchandise and
19 capital equipment are concerned, Section 12(c), Section 2 amending Section 15, second,
20 third and last paragraph of Republic Act No. 7227, Section 3, first and second paragraph;
21 Sections 4 and 5 entitled "An Act Amending Republic Act No. 7227, as Amended,
22 Otherwise Known as the Bases Conversion and Development Act of 1982, and for Other
23 Purposes";

24 (15)Section 1 of Executive Order No. 619, entitled "Creating and Designating Special
25 Economic Zones Pursuant to Republic Act No. 7916, as Amended by Republic Act No.
26 8784, in Relation to Republic Act No. 7227, as Amended by Republic Act No. 9400, Inside
27 the Clark Freeport Zone";

28 (16)Sections 5, 6, 7, 8, and 9 of Republic Act No. 9490, entitled "An Act Establishing
29 the Aurora Special Economic Zone in the Province of Aurora, Creating for the Purpose the
30 Aurora Special Economic Zone Authority, Appropriating Funds Therefor and for Other
31 Purposes";

32 (17)Sections 3(e)(f)(h) and 4 of Republic Act No. 10083, entitled "An Act Amending
33 Republic Act No. 9490";

- 1 (18) Section 4(f), insofar as tax exemption and/or value-added tax or VAT
2 zero-rating on domestic merchandise and capital equipment are concerned, and Sections
3 5, 6, and 10 of Republic Act No. 9728, entitled "An Act Converting the Bataan Economic
4 Zone Located in the Municipality of Mariveles, Province of Bataan, into the Freeport Area
5 of Bataan (FAB), Creating for this Purpose the Authority of the Freeport Area of
6 Bataan (AFAB), Appropriating Funds Therefor and for Other Purposes";
7 (19) Section 36(e) and (f) of Presidential Decree No. 705, entitled "Revising PD No.
8 389, Otherwise Known as the Forestry Reform Code of the Philippines";
9 (20) Section (b)(1)(c) of Republic Act No. 9003, entitled "An Act Providing for an
10 Ecological Solid Waste Management Program, Creating the Necessary Institutional
11 Mechanisms and Incentives, Declaring Certain Acts Prohibited and Providing Penalties,
12 Appropriating Funds Therefor and for Other Purposes";
13 (21) Section 26(a)(1)(3) of Republic Act No. 9275, entitled "An Act Providing for
14 Comprehensive Water Quality Management and for Other Purposes";
15 (22) Sections 16 and 17 of Republic Act No. 7844, entitled "An Act to Develop
16 Exports as a Key Towards the Achievement of the National Goals Towards the Year
17 2000";
18 (23) Section 13 of Republic Act No. 10817, entitled "An Act Instituting the Philippine
19 Halal Export Development and Promotion Program, Creating for the Purpose the
20 Philippine Halal Export Development and Promotion Board, and for Other Purposes";
21 (24) Section 14 of Republic Act No. 8423, entitled "An Act Creating the Philippine
22 Institute of Traditional and Alternative Health Care (PITAHC) to Accelerate the
23 Development of Traditional and Alternative Health Care in the Philippines, Providing for a
24 Traditional and Alternative Health Care Development Fund and for Other Purposes";
25 (25) Section 20(d)(1) to (5) of Republic Act No. 10884, entitled "An Act Strengthening
26 the Balanced Housing Development Program, Amending for the Purpose Republic Act No.
27 7279, as Amended, Otherwise Known as the Urban Development and Housing Act of
28 1992";
29 (26) Republic Act No. 7718, entitled "An Act Amending Certain Sections of Republic
30 Act No. 6957, Entitled 'An Act Authorizing the Financing, Construction, Operation and
31 Maintenance of Infrastructure Projects by the Private Sector, and for Other Purposes'";

1 (27) Section 6(c)(d)(f) and Sections 7 and 8 of Republic Act No. 7103, entitled "An Act
2 to Strengthen the Iron and Steel Industry and Promote Philippine Industrialization and for
3 Other Purposes";

4 (28) Section 3(a) to (d) and (h) of Republic Act No. 8502, entitled "An Act to Promote
5 the Development of the Jewelry Manufacturing Industry, Providing Incentives Therefor and
6 for Other Purposes";

7 (29) Section 5(a)(b) of Republic Act No. 10771, entitled "An Act Promoting the
8 Creation of Green Jobs, Granting Incentives and Appropriating Funds Therefor";

9 (30) Sections 9(h)(10) of Republic Act No. 9501, entitled "Promoting Entrepreneurship
10 by Strengthening Development and Assistance Programs to Micro, Small and Medium
11 Scale Enterprises Amending Republic Act No. 6977, Otherwise Known as the Magna
12 Carta For Small Enterprises";

13 (31) Section 7 of Republic Act No. 9178, entitled "An Act to Promote the
14 Establishment of Barangay Micro Business Enterprises (BMBES), Providing Incentives
15 and Benefits Therefor, and for Other Purposes";

16 (32) Chapter XV, Section 83; Chapter XVI, Sections 90, 91, 92, and 93 of Republic
17 Act No. 7942, entitled "An Act Instituting a New System of Mineral Resources Exploration,
18 Development, Utilization and Conservation";

19 (33) Chapter II, Section 4 and Chapter VIII, Section 19 of Republic Act No. 9295,
20 entitled "An Act Promoting the Development of Philippine Domestic Shipping, Shipbuilding,
21 Ship Repair and Ship Breaking, Ordaining Reforms in Government Policies Towards
22 Shipping in the Philippines and for Other Purposes";

23 (34) Section 6 of Republic Act No. 7471, as amended, entitled "An Act to Promote the
24 Development of Philippine Overseas Shipping";

25 (35) Sections 86, 88, and 95(a) and (b) of Republic Act No. 9593, entitled "An Act
26 Declaring a National Policy for Tourism as an Engine of Investment, Employment, Growth
27 and National Development, and Strengthening the Department of Tourism and its
28 Attached Agencies to Effectively and Efficiently Implement That Policy, and Appropriating
29 Funds Therefor";

30 (36) Section 8, insofar as investment incentives are concerned, of Republic Act No.
31 10816, entitled "An Act Providing for the Development and Promotion of Farm Tourism in
32 the Philippines";

(37) Section 8 of Presidential Decree No. 1491, Amending Section 8 of Presidential Decree No. 538 (Philippine Veterans Investment Development Corporation);

(38) Section 8, insofar 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 PHIVIDECA Industrial Authority and Making it a Subsidiary Agency of the Philippine Veterans Development Corporation, Defining its Powers, Functions and Responsibilities, and for Other Purposes";

(39) Section 1(1.1) of Executive Order No. 97-A, series of 1993, entitled "Further Clarifying the Tax and Duty-Free Privilege Within the Subic Special Economic and Free Port Zone";

(40) Sections 4(f) and 5(c)(k), insofar 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";

(41) Section 5(5.1) and (5.2) of Executive Order No. 290, series of 2004, entitled "Implementing the Natural Gas Vehicle Program for Public Transport";

(42) 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";

(43) 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";

(44) 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":

(45) Section 2 of Presidential Decree No. 1931, series of 1984, entitled "Directing the Rationalization of Duty and Tax Exemption Privileges Granted to Government-Owned or -Controlled Corporations and All Other Units of Government";

(46) Section 1(c) and (d) of Executive Order No. 93, series of 1986, entitled "Withdrawning All Tax and Duty Incentives, Subject to Certain Exceptions, Expanding the Powers of the Fiscal Incentives Review Board and for Other Purposes"; and

(47) 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".

4 (c) Memorandum Order No. 23, series of 1986, entitled "Expanding the Membership
5 of the Fiscal Incentives Review Board", is hereby repealed.

6 (d) In General. – All other laws, decrees, executive orders, rules and
7 regulations or parts thereof which are contrary to or inconsistent with this Code are hereby
8 repealed, amended or modified accordingly.

9 SEC. 39. *Implementing Rules and Regulations.* – Within ninety (90) days from
10 the effectivity of this Act, the Secretaries of Finance and Trade and Industry shall, upon
11 consultations with the Commissioner of Internal Revenue and the Board of Investments
12 and other Investment Promotion Agencies, promulgate the necessary rules and
13 regulations for its effective implementation.

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

19 SEC. 41. *Effectivity.* – This Act shall take effect on January 1, 2019
20 following its complete publication in the *Official Gazette* or in a newspaper of
21 general circulation.

22
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24 APPROVED.