

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Eighteenth Congress
First Regular Session



2

COMMITTEE REPORT NO.

Submitted by the Committees on Ways and Means and Appropriations on AUG 22 2019

4157

RE: House Bill No.

Recommending its approval in substitution of House Bills Numbered 176, 313, 1042, 1909, 2084, 2554, 2704, 2956, 3356, and 3846

SPONSORS: Representatives Joey Sarte Salceda, Isidro T. Ungab, Estrellita B. Suansing, and Sharon S. Garin

Mr. Speaker:

The Committees on Ways and Means and Appropriations to which were referred House Bill No. 176, introduced by Reps. Horacio P. Suansing, Jr. and Estrellita B. Suansing, entitled:

“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”

House Bill No. 313, introduced by Rep. Joey Sarte Salceda, entitled:

“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”

House Bill No. 1042, introduced by Rep. Kristine Singson-Meehan, entitled:

“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”

House Bill No. 1909, introduced by Rep. Luis Raymund “LRay” F. Villafuerte, Jr., entitled:

“AN ACT AMENDING SECTIONS 4, 5, 20, 22, 25, 27, 28, 34, 40, 50, 73, 112, 117, 119, 203, 204, 222, 237, 237-A, 255, 256, 257, 258, 260, 261, 262, 263, 264, 265, 266, 275, 282, 290 AND ADDING SECTIONS 6-A AND A NEW TITLE XIII UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES”

House Bill No. 2084, introduced by Rep. Junie E. Cua, entitled:

“AN ACT AMENDING SECTIONS 4, 5, 20, 22, 25, 27, 28, 34, 40, 50, 73, 112, 117, 119, 203, 204, 222, 237, 237-A, 255, 256, 257, 258, 260, 261, 262, 263, 264, 265, 266, 275, 282, 290 AND ADDING SECTIONS 6-A AND A NEW TITLE XIII UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES”

House Bill No. 2554, introduced by Rep. Sharon S. Garin, entitled:

“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”

House Bill No. 2704, introduced by Rep. Aurelio “Dong” D. Gonzales Jr., entitled:

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

House Bill No. 2956, introduced by Rep. Michael Odylon L. Romero, entitled:

“AN ACT AMENDING SECTIONS 4, 5, 20, 22, 25, 27, 28, 34, 40, 50, 73, 112, 117, 119, 203, 204, 222, 237, 237-A, 255, 256, 257, 258, 260, 261, 262, 263, 264, 265, 266, 275, 282, 290 AND ADDING SECTIONS 6-A AND A NEW TITLE XIII UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES”

House Bill No. 3356, introduced by Rep. Ann K. Hofer, entitled:

“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” and

House Bill No. 3846, introduced by Rep. Rufus B. Rodriguez, entitled:

“AN ACT AMENDING SECTIONS 4, 5, 20, 25, 27, 28, 34, 40, 50, 73, 112, 117, 119, 203, 204, 222, 237, 237-A, 255, 256, 257, 258, 260, 261, 262, 263, 264, 265, 266, 275, 282, 290 AND ADDING SECTIONS 6-A AND A NEW TITLE XIII UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSE”

has considered the same and recommends that the attached House Bill No. 4157, entitled:

“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, 261, 263, 264, 266, 275, 290, 291, 292 AND ADDING NEW SECTIONS 6-A, 282-A, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315 AND 316 ALL UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES”

be approved in substitution of House Bills Numbered 176, 313, 1042, 1909, 2084, 2554, 2704, 2956, 3356, and 3846 with Reps. Horacio P. Suansing Jr., Estrellita B. Suansing, Joey Sarte Salceda, Kristine Singson-Meehan, Luis Raymund ‘LRay’ F. Villafuerte Jr., Junie E. Cua, Sharon S. Garin, Aurelio ‘Dong’ D. Gonzales Jr., Michael Odylon L. Romero, Ann K. Hofer, Rufus B. Rodriguez, Isidro T. Ungab, Micaela S. Violago, Alyssa Sheena P. Tan, Aleta C. Suarez, Eric Go Yap, Jose ‘Jun’ L. Ong, Jr., Rolando M. Valeriano, Elpidio F. Barzaga, Jr., Janice Z. Salimbangon, Juliette T. Uy, Corazon T. Nuñez-Malanyaon, Eduardo R. Gullas, Raul ‘Boboy’ C. Tupas, Michael B. Gorriceta, Sabiniano S. Canama, Jose ‘Ping-Ping’ I. Tejada,

Sol Aragones, Joaquin M. Chipeco, Jr., Rudy S. Caoagdan, Lorenz R. Defensor, Anthony Peter "Onyx" D. Crisologo, Joy Myra S. Tambunting, Ria Christina G. Fariñas, Jumel Anthony I. Espino, Ma. Theresa V. Collantes, Joselito "Joel" S. Sacdalan, Michael John R. Duavit, Jake Vincent S. Villa, Arnie B. Fuenteabella, Cesar "Jawo" L. Jimenez, Jr., Cheryl P. Deloso-Montalla, Faustino Michael Carlos T. Dy III, Allan Reyes, Jose Gay G. Padiernos, Sonny "SI" L. Lagon, Virgilio S. Lacson, Michael Edgar Y. Aglipay, Jorge Antonio P. Bustos, Jericho Jonas B. Nograles, Adriano A. Ebcas, Ronnie L. Ong, Stella Luz A. Quimbo, Alex "Aa" L. Advincula, Fernando T. Cabredo, Maximo Y. Dalog Jr., Edgar M. Chatto, Ma. Angelica M. Amante-Matba, Gil "Kabbarangay" A. Acosta Jr., Romeo M. Jalosjos Jr., Elisa 'Olga' T. Kho, Peter John D. Calderon, Juan Miguel Macapagal Arroyo, Lorna P. Bautista-Bandigan, Enrico A. Pineda, Eleandro Jesus F. Madrona, Frederick W. Siao, Dale 'Along' R. Malapitan, Antonio "Tonypet" T. Albano, Samantha Louise Vargas Alfonso, Franz "Chicoy" E. Alvarez, Rose Marie 'Baby' J. Arenas, Robert Ace S. Barbers, Emmanuel "Tawi" Billones, Lianda B. Bolilia, Fredenil "Fred" H. Castro, Solomon R. Chungalao, Leo Rafael M. Cueva, Raul V. Del Mar, Ian Paul L. Dy, Arnold 'Noli' D. Celeste, Paolo Z. Duterte, Pablo John F. Garcia, Doy C. Leachon, Esmael G. Mangudadatu, Prospero A. Pichay Jr., Deogracias Victor 'Dv' B. Savellano, Niña Taduran, Victor A. Yap, Joseph Stephen 'Caraps' S. Paduano, Alan 'Aldu' R. Dujali, Bayani F. Fernando, Jonathan Keith T. Flores, Ed Christopher S. Go, Ferdinand L. Hernandez, Bernadette 'Bh' Herrera-Dy, Juan Fidel Felipe F. Nograles, Anna Marie Villaraza-Suarez, Josefina B. Tallado, Roman T. Romulo, Dan S. Fernandez, John Marvin 'Yul Servo' C. Nieto, Florida 'Rida' P. Robes, Ferdinand Martin G. Romualdez, Luis Iv 'Jon-Jon' A. Ferrer, Jose Jr. 'Bonito' C. Singson, Noel L. Villanueva, Francisco Jose II 'Bingo' F. Matugas, Way Kurat Zamora, Rodolfo B. Albano, Abdullah D. Dimaporo, Jesus Crispin C. Remulla, Romeo S. Momo Sr., Datu Roonie Q. Sinsuat Sr., Ma. Victoria V. Umali, Ramon V. Guico III, Jocelyn P. Tulfo, Erico Aristotle C. Aumentado, Faustino 'Inno' A. Dy V, Juan Pablo "Rimpy" P. Bondoc, Manuel F. Zubiri, Yasser Alonto Balindong, Narciso R. Bravo Jr., Luisa Lloren Cuaresma, Rommel Rico T. Angara, Godofredo N. Guya, Johnny Ty Pimentel, Francisco 'Kiko' B. Benitez, Emmarie "Lolypop" M. Ouano-Dizon, Sandro L. Gonzalez, Jocelyn Sy Limkaichong, Manuel T. Sagarbarria, David 'Jay-Jay' C. Suarez, Diego C. Ty, Paul Ruiz Daza, Ruwel Peter S. Gonzaga, Maricel G. Natividad-Nagafio, Pablo C. Ortega, Rosanna 'Ria' Vergara, Luis N. Campos Jr., Manuel Jose "Mannix" M. Dalipe, John Reynald M. Tiangco, Henry S. Oaminal, Wilter 'Sharky' Wee Palma II, Rolando 'Klarex' A. Uy, 'Kuya' Jose Antonio R. Sy-Alvarado, Greg G. Gasataya, Alfred D. Vargas, Alfred C. Delos Santos and Rodante D. Marcoleta as authors.

Respectfully submitted,



REP. ISIDRO T. UNGAB
Chairperson
Committee on Appropriations



REP. JOEY SARTE SALCEDA
Chairperson
Committee on Ways & Means

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY

EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

HOUSE OF REPRESENTATIVES

House Bill No. **4157**

(in substitution of House Bills Numbered 176, 313, 1042, 1909, 2084, 2554, 2704, 2956,
3356, and 3846)

Introduced by Representatives HORACIO P. SUANSING JR., ESTRELLITA B. SUANSING, JOEY SARTE SALCEDA, KRISTINE SINGSON-MEEHAN, LUIS RAYMUND "LRAY" F. VILLAFUERTE JR., JUNIE E. CUA, SHARON S. GARIN, AURELIO "DONG" D. GONZALES, MICHAEL ODYLON L. ROMERO, ANN K. HOFER, RUFUS B. RODRIGUEZ, ISIDRO T. UNGAB, MICAELA S. VIOLAGO, ALYSSA SHEENA P. TAN, ALETA C. SUAREZ, ERIC GO YAP, JOSE "JUN" L. ONG, JR., ROLANDO M. VALERIANO, ELPIDIO F. BARZAGA, JR., JANICE Z. SALIMBANGON, JULIETTE T. UY, CORAZON T. NUÑEZ-MALANYAON, EDUARDO R. GULLAS, RAUL "BOBOY" C. TUPAS, MICHAEL B. GORRICETA, SABINIANO S. CANAMA, JOSE 'PING-PING' I. TEJADA, SOL ARAGONES, JOAQUIN M. CHIPECO, JR., RUDY S. CAOAGDAN, LORENZ R. DEFENSOR, ANTHONY PETER "ONYX" D. CRISOLOGO, JOY MYRA S. TAMBUNTING, RIA CHRISTINA G. FARIÑAS, JUMEL ANTHONY I. ESPINO, MA. THERESA V. COLLANTES, JOSELITO "JOEL" S. SACDALAN, MICHAEL JOHN R. DUAVIT, JAKE VINCENT S. VILLA, ARNIE B. FUENTEBELLA, CESAR "JAWO" L. JIMENEZ, JR., CHERYL P. DELOSO-MONTALLA, FAUSTINO MICHAEL CARLOS T. DY III, ALLAN REYES, JOSE GAY G. PADIERNOS, SONNY "SL" L. LAGON, VIRGILIO S. LACSON, MICHAEL EDGAR Y. AGLIPAY, JORGE ANTONIO P. BUSTOS, JERICHO JONAS B. NOGRALES, ADRIANO A. EBCAS, RONNIE L. ONG, STELLA LUZ A. QUIMBO, ALEX "AA" L. ADVINCULA, FERNANDO T. CABREDO, MAXIMO Y. DALOG JR., EDGAR M. CHATTO, MA. ANGELICA M. AMANTE-MATBA, GIL "KABARANGAY" A. ACOSTA JR., ROMEO M. JALOSJOS JR., ELISA 'OLGA' T. KHO, PETER JOHN D. CALDERON, JUAN MIGUEL MACAPAGAL ARROYO, LORNA P. BAUTISTA-BANDIGAN, ENRICO A. PINEDA, ELEANDRO JESUS F. MADRONA, FREDERICK W. SIAO, DALE 'ALONG' R. MALAPITAN, ANTONIO "TONYPET" T. ALBANO, SAMANTHA LOUISE VARGAS ALFONSO, FRANZ "CHICOY" E. ALVAREZ, ROSE MARIE 'BABY' J. ARENAS, ROBERT ACE S. BARBERS, EMMANUEL "TAWI" BILLONES, LIANDA B. BOLILIA, FREDENIL "FRED" H. CASTRO, SOLOMON R. CHUNGALAO, LEO RAFAEL M. CUEVA, RAUL V. DEL MAR, IAN PAUL L. DY, ARNOLD 'NOLI' D. CELESTE, PAOLO Z. DUTERTE, PABLO JOHN F. GARCIA, DOY C. LEACHON, ESMAEL G. MANGUDADATU, PROSPERO A. PICHAY JR., DEOGRACIAS VICTOR 'DV' B. SAVELLANO, NIÑA TADURAN, VICTOR A. YAP, JOSEPH STEPHEN 'CARAPS' S. PADUANO, ALAN 'ALDU' R. DUJALI, BAYANI F. FERNANDO, JONATHAN KEITH T. FLORES, ED CHRISTOPHER S. GO, FERDINAND L. HERNANDEZ, BERNADETTE 'BH' HERRERA-DY, JUAN FIDEL FELIPE F. NOGRALES, ANNA MARIE VILLARAZA-SUAREZ, JOSEFINA B. TALLADO, ROMAN T. ROMULO, DAN S. FERNANDEZ, JOHN MARVIN 'YUL SERVO' C. NIETO, FLORIDA 'RIDA' P. ROBES, FERDINAND MARTIN G. ROMUALDEZ, LUIS IV 'JON-JON' A. FERRER, JOSE JR. 'BONITO' C. SINGSON,

NOEL L. VILLANUEVA, FRANCISCO JOSE II 'BINGO' F. MATUGAS, WAY KURAT ZAMORA, RODOLFO B. ALBANO, ABDULLAH D. DIMAPORO, JESUS CRISPIN C. REMULLA, ROMEO S. MOMO SR., DATU ROONIE Q. SINSUAT SR., MA. VICTORIA V. UMALI, RAMON V. GUICO III, JOCELYN P. TULFO, ERICO ARISTOTLE C. AUMENTADO, FAUSTINO 'INNO' A. DY V, JUAN PABLO "RIMPY" P. BONDOC, MANUEL F. ZUBIRI, YASSER ALONTO BALINDONG, NARCISO R. BRAVO JR., LUISA LLOREN CUARESMA, ROMMEL RICO T. ANGARA, GODOFREDO N. GUYA, JOHNNY TY PIMENTEL, FRANCISCO 'KIKO' B. BENITEZ, EMMARIE "LOLYPOP" M. OUANO-DIZON, SANDRO L. GONZALEZ, JOCELYN SY LIMKAICHONG, MANUEL T. SAGARBARRIA, DAVID 'JAY-JAY' C. SUAREZ, DIEGO C. TY, PAUL RUIZ DAZA, RUWEL PETER S. GONZAGA, MARICEL G. NATIVIDAD-NAGAÑO, PABLO C. ORTEGA, ROSANNA 'RIA' VERGARA, LUIS N. CAMPOS JR., MANUEL JOSE "MANNIX" M. DALIPE, JOHN REYNALD M. TIANGCO, HENRY S. OAMINAL, WILTER 'SHARKY' WEE PALMA II, ROLANDO 'KLAREX' A. UY, 'KUYA' JOSE ANTONIO R. SY-ALVARADO, GREG G. GASATAYA, ALFRED D. VARGAS, ALFRED C. DELOS SANTOS, AND RODANTE D. MARCOLETA

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, 261, 263, 264, 266, 275, 290, 291, 292 AND ADDING NEW SECTIONS 6-A, 282-A, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315 AND 316 ALL UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

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

1 **SECTION 1. Short Title.** – This Act shall be known as the “**Corporate Income Tax and Incentives Rationalization Act**” or “**CITIRA**.”

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

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

12 “The power to decide disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto, or other matters arising

1 under this Code or other laws or portions thereof administered by the Bureau of
2 Internal Revenue is vested in the Commissioner, subject to the exclusive appellate
3 jurisdiction of the Court of Tax Appeals.”

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

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

11 “(A) x x x

12 “(B) x x x

13 “(C) x x x

14 “(D) x x x; [and]

15 “(E) x x x[.]; AND

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

28 “**THE SERVICE OF A *SUBPOENA DUCES TECUM* SHALL BE
29 EFFECTED BY THE REVENUE OFFICERS ASSIGNED TO
30 INVESTIGATE THE CASE. HOWEVER, SUCH SERVICE MAY BE
31 MADE BY ANY OTHER AUTHORIZED INTERNAL REVENUE
32 OFFICER.**

33 “**THE *SUBPOENA DUCES TECUM* SHALL BE SERVED THROUGH
34 PERSONAL SERVICE, BUT IF NOT PRACTICABLE, IT SHALL BE**

1 **SERVED BY SUBSTITUTED SERVICE IN ACCORDANCE WITH THE**
2 **RULES OF COURT.**

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

5 **"BOOKS, RECORDS, AND DOCUMENTS SUBMITTED PURSUANT**
6 **TO A SUBPOENA DUCES TECUM SHALL BE PLACED UNDER THE**
7 **CUSTODY OF THE RECEIVING OFFICER WHO SHALL BE**
8 **RESPONSIBLE FOR ITS SAFEKEEPING AND PRESERVATION,**
9 **SUBJECT TO APPLICABLE RULES."**

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

12 **"SEC. 6-A. SERVICE OF LETTER OF AUTHORITY, AND**
13 **ASSESSMENT NOTICES ISSUED BY THE BUREAU. – THE NOTICE TO**
14 **THE TAXPAYER HEREIN REQUIRED MAY BE SERVED BY THE**
15 **COMMISSIONER OR THE DULY AUTHORIZED REPRESENTATIVE**
16 **THROUGH PERSONAL SERVICE AT THE TAXPAYER'S REGISTERED**
17 **ADDRESS. IN CASE PERSONAL SERVICE IS NOT PRACTICABLE, THE**
18 **NOTICE SHALL BE SERVED BY SUBSTITUTED SERVICE IN**
19 **ACCORDANCE WITH THE RULES OF COURT."**

20 SEC. 5. Section 20 of the National Internal Revenue Code of 1997, as amended, is
21 hereby further amended to read as follows:

22 **"SEC. 20. Submission of Report and Pertinent Information by the**
23 **Commissioner. –**

24 "(A) xxx

25 "(B) **SUBMISSION OF TAX-RELATED INFORMATION TO THE**
26 **DEPARTMENT OF FINANCE.– THE PROVISIONS OF SECTION 71,**
27 **NOTWITHSTANDING, THE COMMISSIONER SHALL, UPON THE**
28 **REQUEST OF THE SECRETARY OF FINANCE SPECIFICALLY**
29 **IDENTIFYING THE NEEDED INFORMATION AND JUSTIFICATION**
30 **FOR SUCH REQUEST, FURNISH THE SECRETARY PERTINENT**
31 **TAXPAYER INFORMATION: PROVIDED, HOWEVER, THAT THE**
32 **SECRETARY AND THE RELEVANT OFFICERS HANDLING SUCH**
33 **SPECIFIC INFORMATION SHALL BE COVERED BY THE PROVISIONS**
34 **OF SECTION 270.**

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

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

9 “SEC. 22. *Definitions.* – x x x

10 “(A) x x x

11 “(B) x x x

12 “(C) x x x

13 “(D) x x x

14 “(E) The term ‘nonresident citizen’ means:

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

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

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

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

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

34 “x x x.”

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

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

4 “(A) *In General.* – Except as otherwise provided in this Code, [an income tax
5 of thirty-five percent (35%)] **AN INCOME TAX RATE OF THIRTY
6 PERCENT (30%),** is hereby imposed upon the taxable income derived during
7 each taxable year from all sources within and without the Philippines by every
8 corporation, as defined in Section 22(B) of this Code and taxable under this Title
9 as a corporation, organized in, or existing under the laws of the Philippines:
10 [*Provided*, That effective January 1, 2009, the rate of income tax shall be thirty
11 percent (30%).] **PROVIDED, THAT THE RATE OF CORPORATE INCOME
12 TAX SHALL BE TWENTY-EIGHT PERCENT (28%) BEGINNING
13 JANUARY 1, 2021; TWENTY-SIX PERCENT (26%) BEGINNING
14 JANUARY 1, 2023; TWENTY-FOUR PERCENT (24%) BEGINNING
15 JANUARY 1, 2025; TWENTY-TWO PERCENT (22%) BEGINNING
16 JANUARY 1, 2027; AND TWENTY PERCENT (20%) BEGINNING
17 JANUARY 1, 2029: PROVIDED, FURTHER, THAT THE PRESIDENT MAY
18 ADVANCE THE SCHEDULED REDUCTION IN THE CORPORATE
19 INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED
20 FROM THE RATIONALIZATION OF FISCAL INCENTIVES UNDER
21 TITLE XIII OF THIS CODE, AS CERTIFIED BY THE SECRETARY OF
22 FINANCE.**

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

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

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

1 “(1) A tax effort ratio of twenty percent (20%) of Gross National Product
2 (GNP);

3 “(2) A ratio of forty percent (40%) of income tax collection to total tax
4 revenues;

5 “(3) A VAT tax effort of four percent (4%) of GNP; and

6 “(4) A 0.9 percent (0.9%) ratio of the Consolidated Public Sector Financial
7 Position (CPSFP) to GNP.

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

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

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

18 “For a trading or merchandising concern, ‘cost of goods sold’ shall include
19 the invoice cost of the goods sold, plus import duties, freight in transporting the
20 goods to the place where the goods are actually sold, including insurance while the
21 goods are in transit.

22 “For a manufacturing concern, ‘cost of goods manufactured and sold’ shall
23 include all costs of production of finished goods, such as raw materials used, direct
24 labor and manufacturing overhead, freight cost, insurance premiums and other
25 costs incurred to bring the raw materials to the factory or warehouse.]

26 “[In the case of taxpayers engaged in the sale of service, ‘gross income’
27 means gross receipts less sales returns, allowances and discounts.]

28 “(B) *Proprietary Educational Institutions and Hospitals.* –

29 “x x x.”

30 “Provided, That if the gross income from ‘unrelated trade, business or other
31 activity’ exceeds fifty percent (50%) of the total gross income derived by such
32 educational institutions or hospitals from all sources, the tax prescribed in
33 Subsection (A) hereof shall be imposed on the entire taxable income. For purposes
34 of this Subsection, the term ‘unrelated trade, business or other activity’ means any

1 trade, business or other activity, the conduct of which is not substantially related to
2 the exercise or performance by such educational institution or hospital of its
3 primary purpose or function. A ‘proprietary educational institution’ is any private
4 school maintained and administered by private individuals or groups with an issued
5 permit to operate from the Department of Education[Culture and Sports (DECS)]
6 (**DEPED**), or the Commission on Higher Education (CHED), or the Technical
7 Education and Skills Development Authority (TESDA), as the case may be, in
8 accordance with existing laws and regulations.

9 “(C) *Government-owned or -Controlled Corporations, Agencies or*
10 *Instrumentalities.* – The provisions of existing special or general laws to the
11 contrary notwithstanding, all corporations, agencies, or instrumentalities owned or
12 controlled by the Government, except the Government Service Insurance System
13 (GSIS), the Social Security System (SSS), **HOME DEVELOPMENT MUTUAL**
14 **FUND (HDMF)**, the Philippine Health Insurance Corporation (PHIC), and the
15 local water districts (**LWDs**) shall pay such rate of tax upon their taxable income
16 as are imposed by this Section upon corporations or associations engaged in a
17 similar business, industry, or activity.

18 “(D) x x x

19 “(E) x x x.”

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

22 “SEC. 28. *Rates of Income Tax on Foreign Corporations.* –

23 “(A) *Tax on Resident Foreign Corporations.* –

24 “(1) *In General.* – Except as otherwise provided in this Code, a corporation
25 organized, authorized, or existing under the laws of any foreign country, engaged
26 in trade or business within the Philippines, shall be subject to an income tax
27 equivalent to [thirty-five percent (35%)] **THIRTY PERCENT (30%)** of the
28 taxable income derived in the preceding taxable year from all sources within the
29 Philippines: [*Provided*, That effective January 1, 2009, the rate of income tax shall
30 be thirty percent (30%).] **PROVIDED, THAT THE RATE OF CORPORATE**
31 **INCOME TAX SHALL BE TWENTY-EIGHT PERCENT (28%)**
32 **BEGINNING JANUARY 1, 2021; TWENTY-SIX PERCENT (26%)**
33 **BEGINNING JANUARY 1, 2023; TWENTY-FOUR PERCENT (24%)**
34 **BEGINNING JANUARY 1, 2025; TWENTY-TWO PERCENT (22%)**

1 **BEGINNING JANUARY 1, 2027; AND TWENTY PERCENT (20%)**
2 **BEGINNING JANUARY 1, 2029: PROVIDED, FURTHER, THAT THE**
3 **PRESIDENT MAY ADVANCE THE SCHEDULED REDUCTION IN THE**
4 **CORPORATE INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE**
5 **REALIZED FROM THE RATIONALIZATION OF FISCAL INCENTIVES**
6 **UNDER TITLE XIII OF THIS CODE, AS CERTIFIED BY THE**
7 **SECRETARY OF FINANCE.**

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

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

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

19 “(2) x x x

20 “(3) x x x

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

12 “(b) Regional operating headquarters as defined in Section 22(EE) shall pay
13 a tax of ten percent (10%) of their taxable income: “**PROVIDED, THAT AFTER**
14 **TWO YEARS FROM THE EFFECTIVITY OF THIS ACT, REGIONAL**
15 **OPERATING HEADQUARTERS SHALL BE SUBJECT TO THE**
16 **REGULAR CORPORATE INCOME TAX.**

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, however,*
25 That interest income derived by a resident foreign corporation from a depository
26 bank under the expanded foreign currency deposit system shall be subject to a final
27 income tax at the rate of [seven and one-half percent (7½%)] **FIFTEEN**
28 **PERCENT (15%)** of such interest income.

29 “(b) *Income Derived under the Expanded Foreign Currency Deposit System.*
30 – 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 PERCENT**
33 **(15%)** is hereby imposed upon the net capital gains realized during the taxable year

1 from the sale, barter, exchange or other disposition of shares of stock in a domestic
2 corporation except shares sold or disposed of through the 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 equal
9 to [thirty-five percent (35%)] **THIRTY PERCENT (30%)** of the gross income
10 received during each taxable year from all sources within the Philippines, such as
11 interests, dividends, rents, royalties, salaries, premiums (except reinsurance
12 premiums), annuities, emoluments or other fixed or determinable annual, periodic
13 or casual gains, profits and income, and capital gains, except capital gains subject
14 to tax under subparagraph 5(c): [Provided, That effective January 1, 2009, the
15 rate of income tax shall be thirty percent (30%).]: **PROVIDED, THAT THE**
16 **RATE OF CORPORATE INCOME TAX SHALL BE TWENTY-EIGHT**
17 **PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY-SIX**
18 **PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY-FOUR**
19 **PERCENT (24%) BEGINNING JANUARY 1, 2025; TWENTY-TWO**
20 **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**
23 **REDUCTION IN THE CORPORATE INCOME TAX RATE WHEN**
24 **ADEQUATE SAVINGS ARE REALIZED FROM THE**
25 **RATIONALIZATION OF FISCAL INCENTIVES UNDER TITLE XIII OF**
26 **THIS CODE, AS CERTIFIED BY THE SECRETARY OF 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 dividends
3 received from a domestic corporation, which shall be collected and paid as provided
4 in Section 57(A) of this Code, subject to the condition that the country in which the
5 nonresident foreign corporation is domiciled, shall allow a credit against the tax
6 due from the nonresident foreign corporation taxes deemed to have been paid in the
7 Philippines equivalent to [twenty percent (20%)] **FIFTEEN PERCENT (15%)**,
8 which represents the difference between the regular income tax [of thirty-five
9 percent (35%)] and the fifteen percent (15%) tax on dividends as provided in this
10 subparagraph: *Provided*, That [effective January 1, 2009] **EFFECTIVE**
11 **JANUARY 1, 2020**, the credit against the tax due shall be equivalent to [fifteen
12 percent (15%), which represents] the difference between the regular income tax
13 **RATE** [of thirty percent (30%)] and the fifteen percent (15%) tax on dividends;

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

19 “Not over P100,000 5%

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

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

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

29 “(A) *Expenses.* –

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

31 “x x x

32 “(B) *Interest.* –

33 “(1) *In General.* – The amount of interest paid or incurred within a taxable
34 year on indebtedness in connection with the taxpayer’s profession, trade or business

1 shall be allowed as deduction from gross income: *Provided, however,* That the
2 taxpayer's otherwise allowable deduction for interest expense shall be reduced by
3 [forty-two percent (42%)] **THIRTY-THREE PERCENT (33%)** of the interest
4 income subjected to final tax:[*Provided*, That effective January 1, 2009, the
5 percentage shall be thirty-three percent (33%).] **PROVIDED, FURTHER, THAT**
6 **THE FOLLOWING PERCENTAGES SHALL APPLY IF THE**
7 **CORPORATE INCOME TAX RATE AS PROVIDED IN SECTIONS 27(A)**
8 **AND 28(A)(1) IS ADJUSTED:**

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

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

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

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

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

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

25 “(2) x x x

26 “(C) Taxes. – x x x

27 “(D) Losses. – x x x

28 “(E) Bad Debts. – x x x

29 “(F) Depreciation. – x x x

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

31 “(H) Charitable and Other Contributions. – x x x

32 “(I) Research and Development. – x x x

33 “(J) Pension Trusts. – x x x

34 “(K) Additional Requirements for Deductibility of Certain Payments. – x x x

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

27 “Notwithstanding the provisions of the preceding Subsections, the Secretary
28 of Finance, upon recommendation of the Commissioner, after a public hearing shall
29 have been held for this purpose, may prescribe by rules and regulations, limitations
30 or ceilings for any of the itemized deductions under Subsections (A) to (J) of this
31 Section: *Provided*, That for purposes of determining such ceilings or limitations,
32 the Secretary of Finance shall consider the following factors: (1) adequacy of the
33 prescribed limits on the actual expenditure requirements of each particular industry;
34 and (2) effects of inflation on expenditure levels: *Provided, further*, That no

1 ceilings shall further be imposed on items of expense already subject to ceilings
2 under present law."

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

5 “SEC. 40. *Determination of Amount and Recognition of Gain or Loss.* –

6 “(A) x x x

7 “(B) x x x

8 “(C) *Exchange of Property.* –

9 “(1) x x x

10 “(2) *Exception.* – No gain or loss shall be recognized **ON A**
11 **CORPORATION OR ON ITS STOCK OR SECURITIES IF SUCH**
12 **CORPORATION IS A PARTY TO A REORGANIZATION AND**
13 **EXCHANGES PROPERTY [if] in pursuance of a plan of [merger or**
14 **consolidation] REORGANIZATION SOLELY FOR STOCK OR**
15 **SECURITIES IN ANOTHER CORPORATION THAT IS A PARTY TO**
16 **THE REORGANIZATION. A REORGANIZATION IS DEFINED AS:**

17 “(a) A corporation, which is a party to a merger or consolidation, exchanges
18 property solely for stock in a corporation, which is a party to the merger or
19 consolidation; or

20 “(b) [A shareholder exchanges stock in a corporation, which is a party to the
21 merger or consolidation, solely for the stock of another corporation also a party to
22 the merger or consolidation; or] **THE ACQUISITION BY ONE**
23 **CORPORATION, IN EXCHANGE SOLELY FOR ALL OR A PART OF ITS**
24 **VOTING STOCK, OR IN EXCHANGE SOLELY FOR ALL OR A PART OF**
25 **THE VOTING STOCK OF A CORPORATION WHICH IS IN CONTROL**
26 **OF THE ACQUIRING CORPORATION, OF STOCK OF ANOTHER**
27 **CORPORATION IF, IMMEDIATELY AFTER THE ACQUISITION, THE**
28 **ACQUIRING CORPORATION HAS CONTROL OF SUCH OTHER**
29 **CORPORATION WHETHER OR NOT SUCH ACQUIRING**
30 **CORPORATION HAD CONTROL IMMEDIATELY BEFORE THE**
31 **ACQUISITION;**

32 “(c) [A security holder of a corporation, which is a party to the merger or
33 consolidation, exchanges his securities in such corporation, solely for stock or
34 securities in another corporation, a party to the merger or consolidation.] **THE**

1 **ACQUISITION BY ONE CORPORATION, IN EXCHANGE SOLELY FOR**
2 **ALL OR A PART OF ITS VOTING STOCK OR IN EXCHANGE SOLELY**
3 **FOR ALL OR A PART OF THE VOTING STOCK OF A CORPORATION**
4 **WHICH IS IN CONTROL OF THE ACQUIRING CORPORATION, OR**
5 **SUBSTANTIALLY ALL OF THE PROPERTIES OF ANOTHER**
6 **CORPORATION. IN DETERMINING WHETHER THE EXCHANGE IS**
7 **SOLELY FOR STOCK, THE ASSUMPTION BY THE ACQUIRING**
8 **CORPORATION OF A LIABILITY OF THE OTHER SHALL BE**
9 **DISREGARDED;**

10 **“(D) A RECAPITALIZATION; OR**

11 **“(E) A REINCORPORATION.**

12 “No gain or loss shall also be recognized if property is transferred to a
13 corporation by a person in exchange for stock or unit of participation in such a
14 corporation of which as a result of such exchange said person, alone or together
15 with others, not exceeding four (4) persons, [gains control of said corporation]
16 **AND, IMMEDIATELY AFTER, SUCH PERSON OR PERSONS ARE IN**
17 **CONTROL:** *Provided*, That stocks issued for services shall not be considered as
18 issued in return for property.

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

23 **“THE PROVISION OF SECTION 50 OF THIS CODE SHALL BE**
24 **APPLIED AND ENFORCED IN CASES WHERE THE TRANSACTION OR**
25 **ARRANGEMENT ENTERED INTO IS FOUND TO BE NOT FOR A**
26 **LEGITIMATE OR BONA FIDE BUSINESS PURPOSE.**

27 **“SALE OR EXCHANGES OF PROPERTY USED FOR BUSINESS**
28 **FOR SHARES OF STOCK COVERED UNDER THIS SUBSECTION**
29 **SHALL NOT BE SUBJECT TO VALUE-ADDED TAX (VAT).**

30 “x x x.”

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

33 **“SEC. 50. [Allocation of Income and Deductions. –In the case of two or**
34 **more organizations, trades or businesses (whether or not incorporated and whether**

1 or not organized in the Philippines) owned or controlled directly or indirectly by
2 the same interests, the Commissioner is authorized to distribute, apportion or
3 allocate gross income or deductions between or among such organization, trade or
4 business, if he determines that such distribution, apportionment or allocation is
5 necessary in order to prevent evasion of taxes or clearly to reflect the income of
6 any such organization, trade or business.] **AUTHORITY OF THE**
7 **COMMISSIONER TO DISTRIBUTE, APPORTION, ALLOCATE, AND**
8 **IMPUTE INCOME AND DEDUCTIONS TO DISREGARD AND**
9 **COUNTERACT TAX AVOIDANCE ARRANGEMENTS.** – IN CASE OF TWO
10 (2) OR MORE ORGANIZATIONS, TRADES OR BUSINESSES,
11 WHETHER OR NOT ORGANIZED IN THE PHILIPPINES, OWNED OR
12 CONTROLLED DIRECTLY OR INDIRECTLY BY THE SAME
13 INTERESTS, THE COMMISSIONER IS AUTHORIZED TO DISTRIBUTE,
14 APPORTION, ALLOCATE, OR IMPUTE INCOME OR DEDUCTIONS
15 BETWEEN OR AMONG SUCH ORGANIZATIONS, TRADES OR
16 BUSINESSES, IF THE COMMISSIONER DETERMINES THAT SUCH
17 DISTRIBUTION, APPORTIONMENT, ALLOCATION, OR IMPUTATION
18 IS NECESSARY TO PREVENT AVOIDANCE OF TAXES OR TO
19 CLEARLY REFLECT THE INCOME OF ANY SUCH ORGANIZATION,
20 TRADE, OR BUSINESS.

21 “IN CASES WHEN A TRANSACTION OR ARRANGEMENT,
22 WHETHER ENTERED INTO BY THE PERSON AFFECTED BY THE
23 TRANSACTION OR ARRANGEMENT OR BY ANOTHER PERSON,
24 THAT DIRECTLY OR INDIRECTLY HAS TAX AVOIDANCE AS ITS
25 PURPOSE OR EFFECT, WHETHER OR NOT ANY OTHER PURPOSE OR
26 EFFECT IS ATTRIBUTABLE TO ORDINARY BUSINESS OR FAMILY
27 DEALINGS, IF THE TAX AVOIDANCE PURPOSE OR EFFECT IS NOT
28 MERELY INCIDENTAL, THE COMMISSIONER IS AUTHORIZED TO
29 DISREGARD AND CONSIDER SUCH TRANSACTION OR
30 ARRANGEMENT AS VOID FOR INCOME TAX PURPOSES, AND MAY
31 ADJUST THE TAXABLE INCOME OF A PERSON AFFECTED BY
32 THE ARRANGEMENT.

33 “FOR PURPOSES OF THIS SECTION, THE TERM ‘TAX
34 AVOIDANCE’ INCLUDES: (A) DIRECTLY OR INDIRECTLY

1 **ALTERING THE INCIDENCE OF ANY INCOME TAX; (B) DIRECTLY**
2 **OR INDIRECTLY EXEMPTING A PERSON FROM LIABILITY TO PAY**
3 **INCOME TAX OR FROM A POTENTIAL OR PROSPECTIVE LIABILITY**
4 **TO FUTURE INCOME TAX; OR (C) DIRECTLY OR INDIRECTLY**
5 **AVOIDING, POSTPONING, OR REDUCING ANY LIABILITY TO**
6 **INCOME TAX, OR ANY POTENTIAL OR PROSPECTIVE LIABILITY**
7 **TO FUTURE INCOME TAX. THERE IS TAX AVOIDANCE IN THE**
8 **AFOREMENTIONED INSTANCES WHERE THE TRANSACTION OR**
9 **ARRANGEMENT IS FOR THE PURPOSE OF OBTAINING A TAX**
10 **BENEFIT OR ADVANTAGE WITH NO COMMERCIAL REALITY OR**
11 **ECONOMIC EFFECT AND THE USE OF THE PROVISIONS OF TAX**
12 **LAWS ON SUCH TRANSACTION OR ARRANGEMENT WOULD NOT**
13 **HAVE BEEN THE INTENTION OF THE LAW.”**

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

16 “*SEC. 73. Distribution of Dividends or Assets by Corporations.* –

17 “(A) *Definition of Dividends.* – The term ‘dividends’ when used in this Title
18 means any distribution made by a corporation to its shareholders out of its earnings
19 or profits and payable to its shareholders, whether in money or in other property.

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

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

31 “(C) **LIQUIDATING DIVIDENDS.** – LIQUIDATING DIVIDENDS
32 ARE DIVIDENDS REPRESENTING THE REMAINING GAINS
33 REALIZED OR LOSS SUSTAINED BY THE STOCKHOLDER IN A
34 COMPLETE LIQUIDATION OR DISSOLUTION BY A CORPORATION

1 **AND SHALL BE CONSIDERED AS TAXABLE INCOME OR A
2 DEDUCTIBLE LOSS, AS THE CASE MAY BE.**

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

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

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

16 “SEC. 112. *Refunds [or Tax Credits] of Input Tax.* –

17 “(A) *Zero-Rated or Effectively Zero-Rated Sales.* – Any VAT-registered
18 person, whose sales are zero-rated or effectively zero-rated may, within two (2)
19 years after the close of the taxable quarter when the sales were made, apply for [the
20 issuance of a tax credit certificate or] refund of creditable input tax due or paid
21 attributable to such sales, except transitional input tax, to the extent that such input
22 tax has not been applied against output tax: *Provided, however,* That in the case of
23 zero-rated sales under Section 106(A)(2)(a)(1), (2) and [(b) and] Section 108 (B)(1)
24 and (2), the acceptable foreign currency exchange proceeds thereof had been duly
25 accounted for in accordance with the rules and regulations of the Bangko Sentral
26 ng Pilipinas (BSP): *Provided, further,* That where the taxpayer is engaged in zero-
27 rated or effectively zero-rated sale and also in taxable or exempt sale of goods or
28 properties or services, and the amount of creditable input tax due or paid cannot be
29 directly and entirely attributed to any one of the transactions, it shall be allocated
30 proportionately on the basis of the volume of sales: *Provided, finally,* That for a
31 person making sales that are zero-rated under Section 108(B)(6), the input taxes
32 shall be allocated ratably between his zero-rated and non-zero-rated sales.

33 “(B) *Cancellation of VAT Registration.* – A person whose registration has
34 been cancelled due to retirement from or cessation of business, or due to changes

1 in or cessation of status under Section 106(C) of this Code may, within two (2)
2 years from the date of cancellation, apply for [the issuance of a tax credit certificate
3 for any unused input tax which may be used in payment of his other internal
4 revenue taxes] **A REFUND.**

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

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

14 “x x x.”

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

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

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

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

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

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

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

28 “For other cases, a minimum compromise rate equivalent to forty percent
29 (40%) of the basic assessed tax.

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

1 “x x x.”

2 SEC. 16. Section 222 of the National Internal Revenue Code of 1997, as amended, is
3 hereby amended to read as follows:

4 “*SEC. 222. Exceptions as to Period of Limitation of Assessment and*
5 *Collection of Taxes.* –

6 “(a) x x x

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

15 “x x x.”

16 SEC. 17. Section 237 of the National Internal Revenue Code of 1997, as amended, is
17 hereby amended to read as follows:

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

19 “(A) *Issuance.* – x x x

20 “Within five (5) years from the effectivity of this Act and upon the
21 establishment of a system capable of storing and processing the required data, the
22 Bureau shall require taxpayers engaged in the export of goods and services,
23 taxpayers engaged in e-commerce, and taxpayers under the jurisdiction of the Large
24 Taxpayers Service to issue **AND TRANSMIT** electronic receipts or sales or
25 commercial invoices [in lieu of manual receipts or sales or commercial invoices]
26 **THROUGH DESIGNATED ELECTRONIC CHANNELS WITH A PUBLIC**
27 **CERTIFICATION SYSTEM ACCREDITED BY THE BUREAU**, subject to
28 the rules and regulations to be issued by the Secretary of Finance upon
29 recommendation of the Commissioner [and after a] following a public hearing
30 [shall have been] held for this purpose: *Provided*, That taxpayers not covered by
31 the mandate of this provision may issue electronic receipts of sales or commercial
32 invoices in lieu of manual receipts or sales or commercial invoices: **PROVIDED,**
33 **FURTHER, SUBJECT TO THE RULES AND REGULATIONS TO BE**
34 **ISSUED BY THE SECRETARY OF FINANCE, UPON THE**

1 **RECOMMENDATION OF THE COMMISSIONER, THE BUREAU MAY**
2 **REQUIRE ANY TAXPAYER TO COMPLY WITH THE PROVISIONS OF**
3 **THIS SECTION.**

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

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

18 **“AN APPROVED TAX TRANSACTION NUMBER SHALL REFER**
19 **TO THE UNIQUE ASSIGNED SERVICE NUMBERS AND/OR LETTERS**
20 **LINKED TO A VALIDATED SALES TRANSACTION REPORTED**
21 **THROUGH THE DESIGNATED ELECTRONIC CHANNEL.**

22 “The original of each receipt or invoice shall be issued to the purchaser,
23 customer, or client at the time the transaction is effected, who, if engaged in the
24 business or in the exercise of profession, shall keep and preserve the same in his
25 place of business for a period of three (3) years from the close of the taxable year
26 in which such invoice or receipt was issued, while the duplicate shall be kept and
27 preserved by the issuer, also in his place of business, for a like period: *Provided,*
28 That in case of electronic receipts or sales or commercial invoices, digital record of
29 the same [shall be kept by the purchaser, customer or client and the issuer for the
30 same period above stated] **BEARING THE APPROVED ELECTRONIC TAX**
31 **TRANSACTION NUMBER SHALL BE SUFFICIENT COMPLIANCE.**

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

1 SEC. 18. Section 237-A of the National Internal Revenue Code of 1997, as amended, is
2 hereby amended to read as follows:

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

23 “**IN YEAR ONE (1) TO YEAR FOUR (4) OF THE**
24 **IMPLEMENTATION PERIOD, A TAXPAYER WHO ADOPTS THE**
25 **REQUIRED SYSTEM SHALL BE GRANTED A TAX CREDIT OF 0.1% OF**
26 **THE PURCHASE VALUE, NET OF VALUE-ADDED TAX, FOR EVERY**
27 **ELECTRONIC RECEIPT OR SALE OR COMMERCIAL INVOICE**
28 **TRANSMITTED THROUGH THE DESIGNATED ELECTRONIC**
29 **CHANNELS OF THE BUREAU AND ISSUED AN ELECTRONIC TAX**
30 **TRANSACTION NUMBER.**

31 “**IN SUPPORT OF THE ELECTRONIC SALES REPORTING**
32 **SYSTEM, THE BUREAU OF INTERNAL REVENUE MAY GRANT TAX**
33 **INCENTIVES FOR ELECTRONICALLY TRACEABLE PAYMENTS**
34 **(ETP) IN THE FORM OF ALLOWABLE DEDUCTIBLE EXPENSE OF UP**

1 **TO TEN PERCENT (10%) OF THE ETP MADE BY THE TAXPAYER. AN**
2 **ANNUAL LIMIT ON THE ALLOWED ETP DEDUCTIBLE EXPENSE PER**
3 **TAXPAYER MAY BE SET BY THE COMMISSIONER WITH THE**
4 **APPROVAL OF THE SECRETARY OF FINANCE.**

5 **“ELECTRONICALLY TRACEABLE PAYMENTS REFER TO**
6 **CREDIT CARD, DEBIT CARD, OR OTHER METHODS OF PAYMENT**
7 **WITH A SYSTEM TO VERIFY OR LINK THE PAYMENT TO THE**
8 **IDENTITY OF PAYOR.**

9 **“THE BUREAU MAY LIKEWISE ESTABLISH A RECEIPT AND**
10 **INVOICE LOTTERY PROGRAM FOR ELECTRONIC RECEIPTS OR**
11 **SALES OR COMMERCIAL INVOICES TRANSMITTED THROUGH THE**
12 **DESIGNATED ELECTRONIC CHANNELS OF THE BUREAU AND**
13 **ISSUE A CORRESPONDING ELECTRONIC TAX TRANSACTION**
14 **NUMBER.**

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

19 “The Bureau shall also establish policies, risk management approaches,
20 actions, trainings, and technologies to protect the cyber environment, organization,
21 and data in compliance with Republic Act No. 10175 or the ‘Cybercrime
22 Prevention Act of 2012.’ ”

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

25 “*SEC. 255. Failure to File Return, Supply Correct and Accurate Information,*
26 *Pay Tax Withhold and Remit Tax and Refund Excess Taxes Withheld on*
27 *Compensation.* – Any person required under this Code or by rules and regulations
28 promulgated thereunder to pay any tax, make a return, keep any record, or supply
29 correct and accurate information, who willfully fails to pay such tax, make such
30 return, keep such record, or supply correct and accurate information, or withhold
31 or remit taxes withheld, or refund excess taxes withheld on compensation, at the
32 time or times required by law or rules and regulations shall, in addition to other
33 penalties provided by law, upon conviction thereof, be punished by a fine of not
34 less than [Ten thousand pesos (P10,000)] **ONE HUNDRED THOUSAND**

1 **PESOS (P100,000) BUT NOT MORE THAN ONE MILLION TWO**
2 **HUNDRED THOUSAND PESOS (P1,200,000)** and [suffer] imprisonment of
3 not less than one (1) year but not more than ten (10) years.

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

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

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

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

26 “SEC. 257. *Penal Liability for Making False Entries, Records or Reports, or*
27 *Using Falsified or Fake Accountable Forms.* –

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

31 “(1) Willfully falsifies any report or statement bearing on any examination or
32 audit, or renders a report, including exhibits, statements, schedules or other forms
33 of accountancy work which has not been verified by him personally or under his

1 supervision or by a member of his firm or by a member of his staff in accordance
2 with sound auditing practices; or

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

6 “(B) Any person who:

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

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

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

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

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

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

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

24 “(8) Willfully attempts in any manner to evade or defeat any tax imposed
25 under this Code, or knowingly uses fake or falsified revenue official receipts,
26 Letters of Authority, certificates authorizing registration, Tax Credit Certificates,
27 Tax Debit Memoranda and other accountable forms shall, upon conviction for each
28 act or omission, be punished by a fine not less than [Fifty thousand pesos (P50,000)
29 but not more than One hundred thousand pesos (P100,000)] **THREE HUNDRED**
30 **THOUSAND PESOS (P300,000) BUT NOT MORE THAN ONE MILLION**
31 **TWO HUNDRED THOUSAND PESOS (P1,200,000)** and [suffer]
32 imprisonment of not less than two (2) years but not more than six (6) years.

1 “If the offender is a Certified Public Accountant, [his]**THE** certificate [as]
2 **OF BEING** a Certified Public Accountant shall be automatically revoked or
3 cancelled upon conviction.

4 “In the case of foreigners, conviction under this Code shall result in [his]
5 **THEIR** immediate deportation after serving sentence, without further proceedings
6 for deportation.”

7 SEC. 22. Section 258 of the National Internal Revenue Code of 1997, as amended, is
8 hereby amended to read as follows:

9 “SEC. 258. *Unlawful Pursuit of Business.* – Any person who carries on any
10 business for which an annual registration fee is imposed without paying the tax as
11 required by law shall, upon conviction for each act or omission, be punished by a
12 fine of not less than [Five thousand pesos (P5,000) but not more than Twenty
13 thousand pesos (P20,000)] **FIFTY THOUSAND PESOS (P50,000) BUT NOT**
14 **MORE THAN THREE HUNDRED THOUSAND PESOS (P300,000)** and [
15 suffer] imprisonment of not less than six (6) months but not more than two (2)
16 years: *Provided*, That in the case of a person engaged in the business of distilling,
17 rectifying, repacking, compounding or manufacturing any article subject to excise
18 tax, [he] shall, upon conviction for each act or omission, be punished by a fine of
19 not less than [Thirty thousand pesos (P30,000) but not more than Fifty thousand
20 pesos (P50,000)] **THREE HUNDRED THOUSAND PESOS (P300,000) BUT**
21 **NOT MORE THAN SEVEN HUNDRED THOUSAND PESOS (P700,000)**
22 and [suffer] imprisonment of not less than two (2) years but not more than four
23 (4) years.”

24 SEC. 23. Section 261 of the National Internal Revenue Code of 1997, as amended, is
25 hereby amended to read as follows:

26 “SEC. 261. *Unlawful Use of Denatured Alcohol.* – Any person who for the
27 purpose of manufacturing any beverage, uses denatured alcohol or alcohol
28 specially denatured to be used for motive power or withdrawn under bond for
29 industrial uses or alcohol knowingly misrepresented to be denatured to be unfit for
30 oral intake or who knowingly sells or offers for sale any beverage made in whole
31 or in part from such alcohol or who uses such alcohol for the manufacture of liquid
32 medicinal preparations taken internally, or knowingly sells or offers for sale such
33 preparations containing as an ingredient such alcohol, shall upon conviction for
34 each act or omission be punished by a fine of not less than [Twenty thousand pesos

1 (P20,000) but not more than One hundred thousand pesos (P100,000)] **ONE**
2 **MILLION FIVE HUNDRED THOUSAND PESOS (P1,500,000) BUT NOT**
3 **MORE THAN FIFTEEN MILLION PESOS (P15,000,000)** and [suffer]
4 imprisonment for a term of not less than six (6) years and one (1) day but not more
5 than twelve (12) years.

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

10 SEC. 24. Section 263 of the National Internal Revenue Code of 1997, as amended, is
11 hereby amended to read as follows:

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

18 “(a) XXX

19 “(b) XXX

20 “(c) XXX

21 “(d) XXX

22 **“(E) A FINE OF NOT LESS THAN ONE MILLION FIVE HUNDRED**
23 **THOUSAND PESOS (P1,500,000) BUT NOT MORE THAN FIFTEEN**
24 **MILLION PESOS (P15,000,000), AND IMPRISONMENT OF NOT LESS**
25 **THAN SIX (6) YEARS AND ONE (1) DAY BUT NOT MORE THAN**
26 **TWELVE (12) YEARS, IF THE APPRAISED VALUE, TO BE**
27 **DETERMINED IN THE MANNER PRESCRIBED IN THE CUSTOMS**
28 **MODERNIZATION AND TARIFF ACT, INCLUDING DUTIES AND**
29 **TAXES, OF THE ARTICLES IS MORE THAN FIVE MILLION PESOS**
30 **(P5,000,000) BUT NOT MORE THAN FIFTY MILLION PESOS**
31 **(P50,000,000);**

32 **“(F) A FINE OF NOT LESS THAN FIFTEEN MILLION PESOS**
33 **(P15,000,000) BUT NOT MORE THAN FIFTY MILLION PESOS**
34 **(P50,000,000), AND IMPRISONMENT OF NOT LESS THAN TWELVE (12)**

1 **YEARS AND ONE (1) DAY BUT NOT MORE THAN TWENTY (20)**
2 **YEARS, IF THE APPRAISED VALUE, TO BE DETERMINED IN THE**
3 **MANNER PRESCRIBED IN THE CUSTOMS MODERNIZATION AND**
4 **TARIFF ACT, INCLUDING DUTIES AND TAXES, OF THE ARTICLES IS**
5 **MORE THAN FIFTY MILLION PESOS (P50,000,000) BUT NOT MORE**
6 **THAN TWO HUNDRED MILLION PESOS (P200,000,000); OR**

7 **"(G) A FINE OF NOT LESS THAN FIFTY MILLION PESOS**
8 **(P50,000,000) AND IMPRISONMENT OF TWENTY (20) YEARS AND ONE**
9 **(1) DAY BUT NOT MORE THAN THIRTY (30) YEARS, IF THE**
10 **APPRAISED VALUE OF THE GOODS UNLAWFULLY IMPORTED TO**
11 **BE DETERMINED IN THE MANNER PRESCRIBED IN THE CUSTOMS**
12 **MODERNIZATION AND TARIFF ACT, INCLUDING DUTIES AND**
13 **TAXES, EXCEEDS TWO HUNDRED MILLION PESOS (P200,000,000) OR**
14 **IF THE AGGREGATE AMOUNT OF THE APPRAISED VALUE OF THE**
15 **GOODS WHICH ARE THE SUBJECT OF UNLAWFUL IMPORTATION**
16 **COMMITTED IN MORE THAN ONE INSTANCE, INCLUDING DUTIES**
17 **AND TAXES, EXCEEDS TWO HUNDRED MILLION PESOS**
18 **(P200,000,000).**

19 "XXX

20 SEC. 25. Section 264 of the National Internal Revenue Code of 1997, as amended, is
21 hereby amended to read as follows:

22 *"SEC. 264. Failure or Refusal to Issue Receipts or Sales or Commercial*
23 *Invoices, Violations Related to the Printing of such Receipts or Invoices and Other*
24 *Violations. —*

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

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

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

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

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

9 SEC. 26. Section 266 of the National Internal Revenue Code of 1997, as amended, is
10 hereby amended to read as follows:

11 “SEC. 266. *Failure to Obey Summons.* – Any person who, being duly
12 summoned to appear to testify, or to appear and produce books of accounts,
13 records, memoranda or other papers, or to furnish information as required under
14 the pertinent provisions of this Code, neglects to appear or to produce such books
15 of accounts, records, memoranda or other papers, or to furnish such information,
16 shall, upon conviction, be punished by a fine of not less than [Five thousand pesos
17 (P5,000)] **ONE HUNDRED THOUSAND PESOS (₱100,000)** but not more than
18 [Ten thousand pesos (P10,000)] **THREE HUNDRED THOUSAND PESOS**
19 (**₱300,000**) and [suffer] imprisonment of not less than one (1) year but not more
20 than two (2) years.”

21 SEC. 27. Section 275 of the National Internal Revenue Code of 1997, as amended, is
22 hereby amended to read as follows:

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

30 SEC. 28. A new section is hereby inserted after Section 282 of the National Internal
31 Revenue Code of 1997, as amended, to read as follows:

32 **“SEC. 282-A. VIOLATION OF THE PROVISIONS OF THIS CODE**
33 **AMOUNTING TO ECONOMIC SABOTAGE. – ANY VIOLATION OF**
34 **SECTION 254 OF THIS CODE THAT UNDERMINES, WEAKENS OR**

1 **RENDERS INTO DISREPUTE THE ECONOMIC SYSTEM OR**
2 **VIABILITY OF THE COUNTRY OR TENDS TO BRING OUT SUCH**
3 **EFFECTS, IN LIEU OF THE PENALTY SET IN THE PRECEDING**
4 **PROVISIONS, SHALL CONSTITUTE ECONOMIC SABOTAGE, AND,**
5 **UPON CONVICTION FOR EACH ACT OR OMISSION, BE PUNISHED**
6 **BY A FINE OF NOT LESS THAN FIFTY MILLION PESOS (P50,000,000)**
7 **AND IMPRISONMENT OF TWELVE (12) YEARS AND ONE (1) DAY BUT**
8 **NOT MORE THAN TWENTY (20) YEARS.”**

9 SEC. 29. Section 290 of the National Internal Revenue Code of 1997, as amended, is
10 hereby further amended to read as follows:

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

12 “A Congressional Oversight Committee, hereinafter referred to as the
13 Committee, is hereby constituted in accordance with the provisions of this Code.
14 The Committee shall be composed of the [Chairmen] **CHAIRPERSONS** of the
15 Committee on Ways and Means of the Senate and House of representatives...x x x

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

17 “(1) x x x;

18 “(2) x x x;

19 “(3) x x x; [and]

20 “(4) x x x[.];

21 **“(5) REVIEW THE PERFORMANCE OF INVESTMENT**
22 **PROMOTION AGENCIES AND THE FISCAL INCENTIVES REVIEW**
23 **BOARD; AND**

24 **“(6) EVALUATE THE EFFECTIVENESS OF THE INCENTIVES**
25 **GRANTED TO REGISTERED ENTERPRISES AND THE**
26 **FORMULATION OF THE STRATEGIC INVESTMENT PRIORITY**
27 **PLAN.**

28 “x x x.”

29 SEC. 30. A new Title XIII shall be inserted, to read as follows:

30 **“TITLE XIII**

31 **TAX INCENTIVES**

32 **“CHAPTER I**

33 **“GENERAL PROVISIONS ON TAX INCENTIVES**

1 “SEC 291. **SCOPE AND COVERAGE.** – THIS TITLE SHALL COVER
2 ALL EXISTING INVESTMENT PROMOTION AGENCIES (IPAS) AS
3 DEFINED IN THIS CODE OR RELATED LAWS, AND ALL OTHER IPAS
4 AND SIMILAR AUTHORITIES THAT MAY BE CREATED BY LAW.

5 “THE IPAS SHALL MAINTAIN THEIR FUNCTIONS AND POWERS
6 AS PROVIDED UNDER THE SPECIAL LAWS GOVERNING THEM
7 EXCEPT ON THE EXTENT MODIFIED BY THE PROVISIONS OF THIS
8 CODE.

9 “SEC. 292. **EXTENT OF AUTHORITY TO GRANT TAX INCENTIVES.**
10 – ALL IPAS VESTED WITH THE POWER TO CONFER AND
11 ADMINISTER INCENTIVES SHALL GRANT TAX INCENTIVES
12 PROVIDED IN THIS TITLE TO REGISTERED ENTERPRISES ONLY TO
13 THE EXTENT OF THEIR APPROVED REGISTERED PROJECTS OR
14 ACTIVITIES UNDER THE STRATEGIC INVESTMENT PRIORITY
15 PLAN (SIPP). THE PERIOD OF AVAILMENT OF INCENTIVES SHALL
16 BE RECKONED FROM THE START OF COMMERCIAL OPERATION.

17 “SALES RECEIPTS AND OTHER INCOME DERIVED FROM NON-
18 REGISTERED ACTIVITY OR PROJECT SHALL BE SUBJECT TO
19 APPROPRIATE TAXES UNDER THIS CODE.

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

24 “SEC. 293. **DEFINITIONS.** – WHEN USED IN THIS TITLE:

25 “(A) **CAPITAL EQUIPMENT** REFERS TO MACHINERY,
26 EQUIPMENT, MAJOR COMPONENTS THEREOF, FITTINGS AND
27 ACCOMPANIMENTS WHICH ARE DIRECTLY AND REASONABLY
28 NEEDED IN THE REGISTERED ACTIVITY OF THE REGISTERED
29 ENTERPRISE.

30 “(B) **EXPORT SALES OF GOODS** REFER TO THE SALES OF AN
31 EXPORT ENTERPRISE PAID FOR IN FREELY CONVERTIBLE
32 FOREIGN CURRENCY INWARDLY REMITTED TO THE PHILIPPINES,
33 FROM THE FOLLOWING:

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

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

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

13 “(C) *EXPORT SALES OF SERVICES* REFER TO THE SALES OF AN
14 EXPORT ENTERPRISE, PAID FOR IN FREELY CONVERTIBLE
15 FOREIGN CURRENCY INWARDLY REMITTED TO THE PHILIPPINES,
16 FOR THE FOLLOWING:

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

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

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

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

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

12 “**(E) REGISTERED ENTERPRISE** REFERS TO ANY INDIVIDUAL,
13 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 TAX INCENTIVES MANAGEMENT
18 AND TRANSPARENCY ACT (TIMTA) LAW, EXCLUDING SERVICE
19 ENTERPRISES SUCH AS THOSE ENGAGED IN CUSTOMS
20 BROKERAGE, TRUCKING OR FORWARDING SERVICES,
21 JANITORIAL SERVICES, SECURITY SERVICES, INSURANCE,
22 BANKING, AND OTHER FINANCIAL SERVICES, CONSUMERS'
23 COOPERATIVES, CREDIT UNIONS, CONSULTANCY SERVICES,
24 RETAIL ENTERPRISES, RESTAURANTS, OR SUCH OTHER SIMILAR
25 SERVICES, AS MAY BE DETERMINED BY THE IPA BOARD,
26 IRRESPECTIVE OF LOCATION, WHETHER INSIDE OR OUTSIDE THE
27 ZONES, DULY ACCREDITED 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) SPECIAL ECONOMIC ZONE OR ECOZONE** REFERS TO A
32 SELECTED AREA, WHICH SHALL BE OPERATED AND MANAGED AS
33 A SEPARATE CUSTOMS TERRITORY THAT IS HIGHLY DEVELOPED
34 OR HAS THE POTENTIAL TO BE DEVELOPED INTO AN AGRO-

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

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

34 “CHAPTER II

1 **“TAX AND DUTY INCENTIVES**

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

6 **“(A) INCOME TAX INCENTIVES**

7 **“(1) INCOME TAX HOLIDAY (ITH). – THE ITH SHALL BE**
8 **GRANTED FOR A PERIOD NOT EXCEEDING THREE (3) YEARS;**
9 **PROVIDED, THAT AFTER THE EXPIRATION OF THE ITH, THE**
10 **FOLLOWING INCENTIVES MAY BE APPLIED FOR A PERIOD NOT**
11 **EXCEEDING FIVE (5) YEARS, WHICH INCLUDES THE PERIOD OF**
12 **ITH AVAILMENT, EXCEPT THOSE PROVIDED UNDER SECTIONS**
13 **294(7) and (9), 295, 296, AND 297.**

14 **“(2) REDUCED CORPORATE INCOME TAX. – A REDUCED TAX**
15 **RATE OF EIGHTEEN PERCENT (18%) OF THE TAXABLE INCOME AS**
16 **DEFINED UNDER SECTION 31 OF THIS CODE EFFECTIVE JANUARY**
17 **1, 2020: PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX**
18 **SHALL BE SEVENTEEN PERCENT (17%) BEGINNING JANUARY 1,**
19 **2021; SIXTEEN PERCENT (16%) BEGINNING JANUARY 1, 2023;**
20 **FIFTEEN PERCENT (15%) BEGINNING JANUARY 1, 2025; FOURTEEN**
21 **PERCENT (14%) BEGINNING JANUARY 1, 2027; AND THIRTEEN**
22 **PERCENT (13%) BEGINNING JANUARY 1, 2029: PROVIDED,**
23 **FURTHER, THAT IN THE CASE OF REGISTERED ENTERPRISES**
24 **WITHIN ECONOMIC ZONES AND FREEPORTS, THE TAX SHALL BE**
25 **DIRECTLY REMITTED AS FOLLOWS:**

26 **“FIFTEEN PERCENT (15%) TO THE NATIONAL GOVERNMENT**
27 **IN 2020; FOURTEEN PERCENT (14%) TO THE NATIONAL**
28 **GOVERNMENT IN 2021 AND 2022; THIRTEEN PERCENT (13%) TO**
29 **THE NATIONAL GOVERNMENT IN 2023 AND 2024; TWELVE**
30 **PERCENT (12%) TO THE NATIONAL GOVERNMENT IN 2025 AND**
31 **2026; ELEVEN PERCENT (11%) TO THE NATIONAL GOVERNMENT IN**
32 **2027 AND 2028; AND TEN PERCENT (10%) TO THE NATIONAL**
33 **GOVERNMENT IN 2029 AND THEREAFTER;**

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

4 **“ONE POINT FIVE PERCENT (1.5%) TO THE TREASURER’S
5 OFFICE OF THE MUNICIPALITY OR COMPONENT CITY WHERE
6 THE ENTERPRISE IS LOCATED, IN LIEU OF THE LOCAL BUSINESS
7 TAX;**

8 **“*PROVIDED*, THAT IF THE ENTERPRISE IS UNDER THE
9 JURISDICTION OF A HIGHLY URBANIZED CITY (HUC) OR
10 INDEPENDENT COMPONENT CITY (ICC), THE THREE PERCENT
11 (3%) SHARE OF THE LGU SHALL BE DIRECTLY REMITTED TO THE
12 TREASURER’S OFFICE OF THE HUC OR ICC.**

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

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

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

6 “(6) UP TO ONE HUNDRED PERCENT (100%) ADDITIONAL
7 DEDUCTION ON TRAININGS INCURRED: *PROVIDED*, THAT IT IS
8 GIVEN TO THE EMPLOYEES ENGAGED DIRECTLY IN THE
9 ENTITY'S PRODUCTION OF GOODS AND SERVICES: *PROVIDED*,
10 *FURTHER*, THAT THE CONCERNED IPA HAS ISSUED A
11 CORRESPONDING CERTIFICATE OF ENTITLEMENT UPON
12 APPLICATION, AND A CERTIFICATE OF APPROVAL AFTER A
13 REVIEW OF DOCUMENTATION OF TRAININGS SUBMITTED BY THE
14 ENTERPRISE AT THE END OF THE TAXABLE YEAR, OTHERWISE,
15 THIS INCENTIVE SHALL BE DEEMED WAIVED.

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

1 **SUBSEQUENT YEARS NOT EXCEEDING FIVE (5) YEARS FROM**
2 **COMMERCIAL OPERATION.**

3 **"(8) DEDUCTION FOR REINVESTMENT ALLOWANCE TO**
4 **MANUFACTURING INDUSTRY. – WHEN A MANUFACTURING**
5 **REGISTERED ENTERPRISE REINVESTS ITS UNDISTRIBUTED**
6 **PROFIT OR SURPLUS IN ANY OF THE ACTIVITIES LISTED IN THE**
7 **SIPP, THE AMOUNT SO REINVESTED TO A MAXIMUM OF FIFTY**
8 **PERCENT (50%) SHALL BE ALLOWED AS A DEDUCTION FROM ITS**
9 **TAXABLE INCOME WITHIN A PERIOD OF FIVE (5) YEARS FROM**
10 **THE TIME OF SUCH REINVESTMENT: PROVIDED, THAT PRIOR**
11 **APPROVAL AND RECOMMENDATION BY THE IPA CONCERNED OF**
12 **SUCH REINVESTMENT WAS OBTAINED BY THE REGISTERED**
13 **ENTERPRISE PLANNING SUCH REINVESTMENT.**

14 **"(9) ENHANCED NET OPERATING LOSS CARRY-OVER**
15 **(NOLCO). – THE NET OPERATING LOSS OF THE REGISTERED**
16 **ACTIVITY DURING THE FIRST THREE (3) YEARS FROM THE START**
17 **OF COMMERCIAL OPERATION WHICH HAD NOT BEEN**
18 **PREVIOUSLY OFFSET AS DEDUCTION FROM GROSS INCOME MAY**
19 **BE CARRIED OVER AS DEDUCTION FROM GROSS INCOME WITHIN**
20 **THE NEXT FIVE (5) CONSECUTIVE TAXABLE YEARS IMMEDIATELY**
21 **FOLLOWING THE YEAR OF SUCH LOSS.**

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

27 **"PROVIDED, THAT IN LIEU OF THE ITH UNDER SECTION 294(A)**
28 **(1) OR THE REDUCED TAX RATE OF EIGHTEEN PERCENT (18%)**
29 **UNDER SECTION 294(A)(2), THE TAX INCENTIVES UNDER SECTION**
30 **294(A)(3), (4), (5), (6), (7), (8), (9), AND (10) MAY BE GRANTED ON AN**
31 **INDUSTRY-SPECIFIC BASIS AS DETERMINED BY THE BOI IN THE**
32 **STRATEGIC INVESTMENT PRIORITY PLAN. THE BOI SHALL**
33 **PREScribe THE LEVEL OF ADDITIONAL DEDUCTION FOR**
34 **SELECTED INDUSTRIES.**

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

5 “**(B) EXEMPTION FROM CUSTOMS DUTY ON IMPORTATION OF**
6 **CAPITAL EQUIPMENT AND RAW MATERIALS DIRECTLY AND**
7 **EXCLUSIVELY USED IN THE REGISTERED ACTIVITY BY**
8 **REGISTERED ENTERPRISES: *PROVIDED, THAT THE FIVE (5) YEAR-***
9 **LIMIT IN THIS SUBSECTION SHALL NOT APPLY TO FREEPORT**
10 **ZONES AS DEFINED UNDER THIS TITLE.**

11 “***PROVIDED, FURTHER, THAT EXPANSION OF REGISTERED***
12 ***ACTIVITIES MAY BE GRANTED DUTY EXEMPTION ON CAPITAL***
13 ***EQUIPMENT ONLY, SUBJECT TO THE FOLLOWING CONDITIONS:***

14 “**(1) THE ACTIVITY IS STILL COVERED BY THE STRATEGIC**
15 **INVESTMENT PRIORITY PLAN (SIPP) OR IS AN INNOVATION**
16 **PROJECT AS DEFINED IN THE STRATEGIC INVESTMENT PRIORITY**
17 **PLAN;**

18 “**(2) CUSTOMS DUTY EXEMPTION WILL ONLY APPLY ON THE**
19 **INCREMENTAL PORTION OF THE ACTIVITY; AND**

20 “**(3) THE CUSTOMS DUTY EXEMPTION EXTENSION SHALL NOT**
21 **EXCEED FIVE (5) YEARS.**

22 “**(C) VALUE-ADDED TAX (VAT)**

23 “**(1) REGISTERED ENTERPRISES WHOSE EXPORT SALES MEET**
24 **THE NINETY PERCENT (90%) THRESHOLD AND ARE LOCATED**
25 **WITHIN AN ECOZONE, FREEPORT, OR THOSE UTILIZING**
26 **CUSTOMS BONDED MANUFACTURING WAREHOUSE: VAT**
27 **EXEMPTION ON IMPORTATION AND VAT ZERO-RATING ON**
28 **DOMESTIC PURCHASES OF CAPITAL EQUIPMENT AND RAW**
29 **MATERIALS USED IN THE MANUFACTURING AND PROCESSING OF**
30 **PRODUCTS AND IMPORTATION OF SOURCE DOCUMENTS SHALL**
31 **APPLY.**

32 “**(2) REGISTERED ENTERPRISES WHOSE EXPORT SALES ARE**
33 **BELOW THE NINETY PERCENT (90%) THRESHOLD AND ARE**
34 **LOCATED WITHIN AN ECOZONE, FREEPORT, OR THOSE**

1 UTILIZING CUSTOMS BONDED MANUFACTURING WAREHOUSE:
2 VAT EXEMPTION ON IMPORTATION AND VAT ZERO-RATING ON
3 DOMESTIC PURCHASES OF CAPITAL EQUIPMENT AND RAW
4 MATERIALS USED IN THE MANUFACTURING AND PROCESSING OF
5 PRODUCTS AND IMPORTATION OF SOURCE DOCUMENTS:
6 **PROVIDED**, THAT THEY COMPLY WITH THE ELECTRONIC
7 RECEIPTS OR INVOICING UNDER SECTIONS 237 AND 237-A OF THIS
8 CODE.

9 “(3) REGISTERED ENTERPRISES WHOSE EXPORT SALES ARE
10 BELOW NINETY PERCENT (90%) OR ARE LOCATED OUTSIDE AN
11 ECOZONE OR FREEPORT REGARDLESS OF EXPORT SALES
12 THRESHOLD: THE VALUE-ADDED TAX PROVISION IN TITLE IV OF
13 THIS CODE AND SECTION 307 OF THIS ACT SHALL APPLY.

14 “FOR THIS PURPOSE, PROCESSING REFERS TO THE
15 CONVERSION OF RAW MATERIALS INTO MARKETABLE FORM
16 THROUGH PHYSICAL, MECHANICAL, CHEMICAL, ELECTRICAL,
17 BIOCHEMICAL, BIOLOGICAL, OR OTHER MEANS, OR BY A
18 SPECIAL TREATMENT OR A SERIES OF ACTIONS, SUCH AS
19 SLAUGHTERING, MILLING, PASTEURIZING, DRYING, OR
20 DESICCATING, QUICK FREEZING, THAT RESULTS IN A CHANGE IN
21 THE NATURE OR STATE OF A PRODUCT. MERE PACKING OR
22 PACKAGING SHALL NOT CONSTITUTE PROCESSING.

23 “SOURCE DOCUMENTS REFER TO INPUT MATERIALS AND
24 DOCUMENTS REASONABLY NEEDED BY I.T. AND I.T.-ENABLED
25 INDUSTRIES SUCH AS BOOKS, DIRECTORIES, MAGAZINES,
26 NEWSPAPERS, BROCHURES, PAMPHLETS, MEDICAL RECORDS OR
27 FILES, LEGAL RECORDS OR FILES, INSTRUCTION MATERIALS,
28 AND DRAWINGS, BLUEPRINTS, OR OUTLINES.

29 “SEC. 295. INCENTIVES FOR AGRIBUSINESS. – AGRIBUSINESS
30 PROJECTS OR ACTIVITIES OF REGISTERED ENTERPRISES
31 LOCATED OUTSIDE METRO MANILA AND OTHER URBAN AREAS
32 AS IDENTIFIED IN THE STRATEGIC INVESTMENT PRIORITY PLAN
33 SHALL BE ENTITLED TO ADDITIONAL TWO (2) YEARS OF

1 INCENTIVE UNDER SECTION 294, OF WHICH ONE (1) YEAR MAY BE
2 AN ADDITIONAL YEAR OF INCOME TAX HOLIDAY.

3 “SEC. 296. *PROJECTS OR ACTIVITIES LOCATED IN LESS*
4 *DEVELOPED AREAS OR THOSE RECOVERING FROM ARMED*
5 *CONFLICT OR A MAJOR DISASTER.* – PROJECTS OR ACTIVITIES OF
6 REGISTERED ENTERPRISES LOCATING IN LESS DEVELOPED
7 AREAS AS IDENTIFIED IN THE STRATEGIC INVESTMENT PRIORITY
8 PLAN, OR THOSE RECOVERING FROM ARMED CONFLICT OR A
9 MAJOR DISASTER AS DETERMINED BY THE OFFICE OF THE
10 PRESIDENT SHALL BE ENTITLED TO ADDITIONAL TWO (2) YEARS
11 OF INCENTIVE UNDER SECTION 294, OF WHICH ONE (1) YEAR MAY
12 BE AN ADDITIONAL YEAR OF INCOME TAX HOLIDAY.

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

21 “CHAPTER III
22 “THE FISCAL INCENTIVES REVIEW BOARD

23 “SEC. 298. *EXPANDED FUNCTIONS OF THE FISCAL INCENTIVES*
24 *REVIEW BOARD.* – THE FUNCTIONS AND POWERS OF THE FISCAL
25 INCENTIVES REVIEW BOARD OR FISCAL INCENTIVES REVIEW
26 BOARD (FIRB) CREATED UNDER PRESIDENTIAL DECREE (PD) NO.
27 776, AS AMENDED BY PD NO. 1931 AND PD NO. 1955, OFFICE OF THE
28 PRESIDENT MEMORANDUM ORDER NO. 23, SERIES OF 1986 AND
29 EXECUTIVE ORDER NO. 93, SERIES OF 1986, SHALL BE EXPANDED
30 AS FOLLOWS:

- 31 “(A) TO EXERCISE OVERSIGHT FUNCTIONS OVER IPAS.
32 “(B) TO REQUIRE THE IPAS TO SUBMIT THE FOLLOWING:
33 “(1) LIST OF REGISTERED ENTERPRISES ANNUALLY WITH
34 CORRESPONDING FIRM-LEVEL DATA AS MANDATED UNDER THE

1 **TAX INCENTIVES MANAGEMENT AND TRANSPARENCY ACT OR**
2 **TIMTA LAW;**

3 **“(2) APPROVED AMOUNT OF INVESTMENTS AND**
4 **EMPLOYMENT GENERATION AND OTHER BENEFITS ON A FIRM-**
5 **LEVEL BASIS ANNUALLY; AND**

6 **“(3) APPROVED AMOUNT OF TAX INCENTIVES, BOTH INCOME**
7 **AND NON-INCOME TAX BASED INCENTIVES, ON A FIRM-LEVEL**
8 **BASIS ANNUALLY.**

9 **“(C) FOR PROJECTS OR ACTIVITIES THAT POSE RISK TO THE**
10 **ENVIRONMENT, HEALTH, AND ECONOMIC STABILITY AND**
11 **PROJECTS OR ACTIVITIES THE APPROVAL OF WHICH**
12 **ENCOUNTERS A DEADLOCK IN THE IPAS BOARD, THE FISCAL**
13 **INCENTIVES REVIEW BOARD (FIRB) SHALL:**

14 **“(1) FORMULATE POLICIES ON TAX INCENTIVES IN**
15 **ACCORDANCE WITH THE PROVISIONS OF THIS CODE;**

16 **“(2) REVIEW IPAS’ COMPLIANCE WITH THE POLICIES SET**
17 **FORTH IN THIS CODE: PROVIDED, THAT THE FISCAL INCENTIVES**
18 **REVIEW BOARD (FIRB) MAY CANCEL OR SUSPEND THE POWER OF**
19 **IPAS TO GRANT INCENTIVES FOR VIOLATIONS OF SUCH POLICIES;**

20 **“(3) APPROVE THE GRANT OF INCENTIVES ON THE ABOVE**
21 **INSTANCES; AND**

22 **“(4) SUSPEND OR CANCEL ON THE ABOVE INSTANCES THE**
23 **TAX INCENTIVES GRANTED TO REGISTERED ENTERPRISES**
24 **WHICH ARE NOT COMPLIANT WITH THE CONDITIONS ON THE**
25 **AVAILMENT OF TAX INCENTIVES AS WELL AS THE POLICIES SET**
26 **FORTH BY THE IPAS.**

27 **“(D) PUBLISH THE NAMES OF THE REGISTERED ENTERPRISES**
28 **OR BENEFICIARIES OF TAX INCENTIVES WITH APPROVED**
29 **ESTIMATED AMOUNT OF THE CORRESPONDING TAX INCENTIVES.**

30 **“(E) GRANT TAX SUBSIDIES TO GOVERNMENT -OWNED -OR**
31 **CONTROLLED CORPORATIONS (GOCCS), GOVERNMENT**
32 **INSTRUMENTALITIES (GIS), GOVERNMENT COMMISSIONS, AND**
33 **STATE UNIVERSITIES AND COLLEGES (SUCS) AS MAY BE**
34 **PROVIDED UNDER THE ANNUAL GENERAL APPROPRIATIONS ACT.**

1 **"PROVIDED, THAT, AS CHAIR OF THE FISCAL INCENTIVES**
2 **REVIEW BOARD (FIRB) AND AS THE CUSTODIAN OF FISCAL**
3 **PRUDENCE AND RESPONSIBILITY, THE SECRETARY OF FINANCE**
4 **SHALL EXERCISE OVERSIGHT FUNCTIONS AND SHALL HAVE**
5 **VETO POWER OVER THE APPROVAL AND CANCELLATION OF TAX**
6 **INCENTIVES UNDER SECTION 298 (C).**

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

10 **"PROVIDED, FINALLY, THAT THE NATIONAL ECONOMIC AND**
11 **DEVELOPMENT AUTHORITY (NEDA) AND THE DEPARTMENT OF**
12 **TRADE AND INDUSTRY (DTI) SHALL BE MEMBERS OF ALL THE**
13 **EXISTING AND FUTURE IPAS.**

14 **"SEC. 299. COMPOSITION OF THE FISCAL INCENTIVES REVIEW**
15 **BOARD (FIRB).— THE FIRB SHALL BE RECONSTITUTED AS FOLLOWS:**

16 **"BOARD PROPER:**

17 **"CHAIRPERSON — SECRETARY OF FINANCE**
18 **"MEMBERS — SECRETARY OF TRADE AND INDUSTRY**
19 **— DIRECTOR GENERAL OF THE NATIONAL**
20 **ECONOMIC AND DEVELOPMENT**
21 **AUTHORITY (NEDA)**
22 **— SECRETARY OF BUDGET AND**
23 **MANAGEMENT**
24 **— EXECUTIVE SECRETARY OF THE OFFICE**
25 **OF THE PRESIDENT**

26 **"TECHNICAL COMMITTEE:**

27 **"CHAIRPERSON — UNDERSECRETARY OF FINANCE**
28 **"MEMBERS — UNDERSECRETARY OF TRADE AND**
29 **INDUSTRY AND BOARD OF INVESTMENTS**
30 **MANAGING HEAD**
31 **— UNDERSECRETARY OF BUDGET AND**
32 **MANAGEMENT**
33 **— DEPUTY DIRECTOR GENERAL OF THE**
34 **NATIONAL ECONOMIC AND**

1 **DEVELOPMENT AUTHORITY**

- 2 – **COMMISSIONER OF INTERNAL REVENUE**
- 3 – **COMMISSIONER OF CUSTOMS**
- 4 – **EXECUTIVE DIRECTOR OF THE**
- 5 **NATIONAL TAX RESEARCH CENTER**
- 6 **(NTRC)**

7 **“SECRETARIAT: – NATIONAL TAX RESEARCH CENTER**

8 **“CHAPTER IV**

9 **“QUALIFIED ACTIVITIES FOR TAX INCENTIVES**

10 **“SEC. 300. STRATEGIC INVESTMENT PRIORITY PLAN (SIPP). –**

11 **THE BOARD OF INVESTMENTS (BOI) SHALL, IN COORDINATION**

12 **WITH THE OFFICE OF THE PRESIDENT, THE FISCAL INCENTIVES**

13 **REVIEW BOARD, THE CONCERNED IPAS, AND OTHER**

14 **GOVERNMENT AGENCIES AND THE PRIVATE SECTOR,**

15 **FORMULATE THE SIPP TO BE SUBMITTED TO THE PRESIDENT FOR**

16 **APPROVAL NOT LATER THAN DECEMBER OF THE THIRD YEAR**

17 **SET FOR PERIODIC REVIEW. THE PLAN SHALL BE VALID FOR A**

18 **PERIOD OF THREE (3) YEARS SUBJECT TO REVIEW AND**

19 **AMENDMENT AS THE NEED ARISES. ALL SECTORS OR INDUSTRIES**

20 **THAT MAY BE INCLUDED IN THE SIPP SHALL UNDERGO AN**

21 **EVALUATION PROCESS TO DETERMINE THE SUITABILITY AND**

22 **POTENTIAL OF THE INDUSTRY OR THE SECTOR IN PROMOTING**

23 **LONG-TERM GROWTH AND DEVELOPMENT, AND THE NATIONAL**

24 **INTEREST.**

25 **“THE SIPP SHALL:**

26 **“(A) INCLUDE ACTIVITIES THAT COMPLY WITH THE**

27 **FOLLOWING:**

28 **“(1) BE COVERED BY THE PHILIPPINE DEVELOPMENT PLAN**

29 **OR ITS EQUIVALENT AND OTHER GOVERNMENT PROGRAMS;**

30 **“(2) TAKE INTO ACCOUNT ANY OF THE FOLLOWING:**

31 **“(i) SUBSTANTIAL AMOUNT OF INVESTMENTS;**

32 **“(ii) CONSIDERABLE GENERATION OF EMPLOYMENT;**

33 **“(iii) ADOPT INCLUSIVE BUSINESS ACTIVITIES AND VALUE-**

34 **ADDING PRODUCTION BY MSMES;**

1 “(iv) USE OF MODERN OR NEW TECHNOLOGY;
2 “(v) ADOPTION OF ADEQUATE ENVIRONMENTAL
3 PROTECTION SYSTEMS;

4 “(vi) ADDRESS MISSING GAPS IN THE SUPPLY/VALUE CHAIN
5 OR MOVE UP THE VALUE CHAIN OR PRODUCT LADDER; OR
6 “(vii) PROMOTION OF MARKET COMPETITIVENESS.

7 “(B) IDENTIFY AGRIBUSINESS ACTIVITIES, THE LESS
8 DEVELOPED AREAS OR THOSE RECOVERING FROM ARMED
9 CONFLICT OR A MAJOR DISASTER;

10 “(C) DETERMINE SERVICES AND ACTIVITIES THAT CAN SPUR
11 REGIONAL OR GLOBAL OPERATIONS IN THE COUNTRY; AND

12 “(D) INCLUDE EXISTING REGISTERED PROJECTS OR
13 ACTIVITIES THAT SHALL RELOCATE FROM METRO MANILA TO
14 OTHER AREAS OF THE COUNTRY.

15 “THE ACTIVITIES MUST COMPLY WITH THE SPECIFIC
16 QUALIFICATION REQUIREMENTS OR CONDITIONS FOR A
17 PARTICULAR SECTOR OR INDUSTRY AND OTHER LIMITATIONS AS
18 SET AND DETERMINED BY THE BOI.

19 “THE THRESHOLD AMOUNT OF INVESTMENTS AND
20 EMPLOYMENT GENERATION REQUIRED FOR A SPECIFIC
21 ACTIVITY SHALL BE SUBJECT TO A PERIODIC REVIEW EVERY
22 THREE (3) YEARS TAKING INTO CONSIDERATION
23 INTERNATIONAL STANDARDS AND OTHER INDICATORS.

24 “**SEC. 301. POWER OF THE PRESIDENT TO GRANT INCENTIVES.**
25 – THE PRESIDENT MAY, IN THE INTEREST OF NATIONAL
26 ECONOMIC DEVELOPMENT AND UPON THE RECOMMENDATION
27 OF THE FISCAL INCENTIVES REVIEW BOARD, GRANT INCENTIVES
28 IN ADDITION TO THOSE THAT ARE PROVIDED UNDER THIS CODE,
29 INCLUDING A LONGER PERIOD, TO HIGHLY DESIRABLE
30 PROJECTS: **PROVIDED**, THAT THE BENEFITS THAT THE
31 GOVERNMENT MAY DERIVE FROM SUCH INVESTMENT THERETO
32 ARE CLEAR AND CONVINCING AND FAR OUTWEIGH THE COST OF
33 INCENTIVES THAT WILL BE GRANTED.”

1 “(A) **CRITERIA FOR AVAILMENT.** – IN THE RECOMMENDATION
2 TO THE FISCAL INCENTIVES REVIEW BOARD, THE BOARD OF
3 INVESTMENTS SHALL CONSIDER THE FOLLOWING CRITERIA IN
4 DETERMINING THE TYPES OF INCENTIVES AND THE DURATION
5 THEREOF THAT MAY BE GRANTED BY THE PRESIDENT:

6 “(1) THE PROJECT HAS A COMPREHENSIVE SUSTAINABLE
7 DEVELOPMENT PLAN WITH CLEAR INCLUSIVE BUSINESS
8 APPROACHES AND INNOVATIONS; OR

9 “(2) MINIMUM INVESTMENT OF TWO HUNDRED MILLION US
10 DOLLARS (US\$200,000,000) OR A MINIMUM DIRECT EMPLOYMENT
11 GENERATION OF AT LEAST ONE THOUSAND FIVE HUNDRED (1,500)
12 WITHIN THREE (3) YEARS FROM THE START OF COMMERCIAL
13 OPERATION.

14 “THE THRESHOLD SHALL BE SUBJECT TO A PERIODIC
15 REVIEW EVERY THREE (3) YEARS TAKING INTO CONSIDERATION
16 INTERNATIONAL STANDARDS AND OTHER INDICATORS.

17 “THE BOI MAY IMPOSE OTHER TERMS AND CONDITIONS
18 TAKING INTO CONSIDERATION THE AMOUNT OR KIND OF
19 INCENTIVES THAT WILL BE GRANTED TO SUCH INVESTMENTS.”

20 “(B) **USE OF RESOURCES.** – IN THE EXERCISE OF THE POWER
21 OF THE PRESIDENT TO GRANT INCENTIVES, THE GOVERNMENT
22 MAY UTILIZE ITS RESOURCES SUCH AS LAND USE, WATER
23 APPROPRIATION, POWER PROVISION, AMONG OTHERS, AS MAY
24 BE IDENTIFIED BY THE BOI.”

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

1 “SEC. 303. **PUBLICATION.** – UPON APPROVAL OF THE PLAN, IN
2 WHOLE OR IN PART, OR UPON APPROVAL OF AN AMENDMENT
3 THEREOF, THE PLAN OR THE AMENDMENT, SPECIFYING AND
4 DECLARING THE AREAS OF INVESTMENTS SHALL BE PUBLISHED
5 IN AT LEAST ONE (1) NEWSPAPER OF GENERAL CIRCULATION OR
6 THE *OFFICIAL GAZETTE* AND ALL SUCH AREAS SHALL BE OPEN
7 FOR APPLICATION UNTIL PUBLICATION OF AN AMENDMENT OR
8 DELETION THEREOF.”

9 “SEC. 304. **QUALIFICATIONS OF A REGISTERED ENTERPRISE**
10 **FOR TAX INCENTIVES.** – IN THE REVIEW AND GRANT OF TAX
11 INCENTIVES, A REGISTERED ENTERPRISE MUST:

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

13 “(B) INSTALL AN ADEQUATE ACCOUNTING SYSTEM THAT
14 SHALL IDENTIFY THE INVESTMENTS, REVENUES, COSTS AND
15 PROFITS OR LOSSES OF EACH REGISTERED PROJECT
16 UNDERTAKEN BY THE ENTERPRISE SEPARATELY FROM THE
17 AGGREGATE INVESTMENTS, REVENUES, COSTS AND PROFITS OR
18 LOSSES OF THE WHOLE ENTERPRISE; OR ESTABLISH A SEPARATE
19 CORPORATION FOR EACH REGISTERED PROJECT IF THE IPA
20 SHOULD SO REQUIRE;

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

24 **“CHAPTER V**

25 **“AVAILMENT OF TAX INCENTIVES**

26 “SEC. 305. **INCOME TAX-BASED INCENTIVES.** – ALL
27 REGISTERED ENTERPRISES SHALL FILE THEIR TAX RETURNS
28 USING THE ELECTRONIC OR ONLINE FACILITIES OF THE BUREAU
29 OF INTERNAL REVENUE (BIR). IN AVAILING THE INCOME TAX-
30 BASED INCENTIVES, THE REGISTERED ENTERPRISE SHALL BE
31 REQUIRED TO SECURE A CERTIFICATE OF ENTITLEMENT ISSUED
32 BY THE IPA AND ATTACH THE SAME TO ITS INCOME TAX RETURN
33 (ITR) OR ANNUAL INFORMATION RETURN (AIR), WHICHEVER IS

1 APPLICABLE. THEREAFTER, THE REGISTERED ENTERPRISE
2 SHALL FILE ITS CLAIM WITH THE BIR FOR VALIDATION.

3 “FAILURE TO SECURE AND ATTACH THE CERTIFICATION TO
4 THE ITR OR AIR, AND TO FILE THE INCENTIVE AVAILMENT
5 APPLICATION SHALL CAUSE THE FORFEITURE OF THE
6 INCENTIVE FOR THAT TAXABLE PERIOD.”

7 “SEC. 306. *CUSTOMS DUTY EXEMPTION ON CAPITAL*
8 *EQUIPMENT.* – IMPORTATION OF CAPITAL EQUIPMENT,
9 MACHINERY AND SPARE PARTS EXCLUSIVELY USED FOR
10 CAPITAL EQUIPMENT AND MACHINERY INCLUDING
11 CONSIGNMENT THEREOF BY REGISTERED ENTERPRISES MAY BE
12 EXEMPTED TO THE EXTENT OF ONE HUNDRED PERCENT (100%)
13 OF THE CUSTOMS DUTY: *PROVIDED*, THAT THE FOLLOWING
14 CONDITIONS ARE COMPLIED WITH:

15 “(A) THE CAPITAL EQUIPMENT AND/OR SPARE PARTS ARE
16 DIRECTLY AND REASONABLY NEEDED AND WILL BE USED
17 EXCLUSIVELY IN AND AS PART OF THE DIRECT COST OF THE
18 REGISTERED ACTIVITY OF THE REGISTERED ENTERPRISE, AND
19 ARE NOT MANUFACTURED DOMESTICALLY IN SUFFICIENT
20 QUANTITY OR OF COMPARABLE QUALITY AND AT REASONABLE
21 PRICES. PRIOR APPROVAL OF THE IPA MAY BE SECURED FOR THE
22 PART-TIME UTILIZATION OF SAID EQUIPMENT IN A NON-
23 REGISTERED ACTIVITY TO MAXIMIZE USAGE THEREOF:
24 *PROVIDED*, THAT THE PROPORTIONATE TAXES AND DUTIES ARE
25 PAID ON A SPECIFIC EQUIPMENT AND MACHINERY IN
26 PROPORTION TO ITS UTILIZATION FOR NON-REGISTERED
27 ACTIVITIES. IN THE EVENT THAT IT SHALL BE USED FOR A
28 NON-REGISTERED ACTIVITY OF THE REGISTERED ENTERPRISE
29 AT ANY TIME WITHIN THE FIRST FIVE (5) YEARS FROM DATE OF
30 IMPORTATION, THE REGISTERED ENTERPRISE SHALL FIRST SEEK
31 PRIOR APPROVAL OF THE AUTHORITY AND PAY THE TAXES AND
32 CUSTOMS DUTIES THAT WERE NOT PAID UPON ITS IMPORTATION;
33 AND

1 **“(B) THE APPROVAL OF THE IPA WAS OBTAINED BY THE**
2 **REGISTERED ENTERPRISE PRIOR TO THE IMPORTATION OF SUCH**
3 **CAPITAL EQUIPMENT OR SPARE PARTS.**

4 **“APPROVAL OF THE IPA MUST BE SECURED BEFORE THE**
5 **SALE, TRANSFER OR DISPOSITION OF THE CAPITAL EQUIPMENT**
6 **OR SPARE PARTS WHICH WERE GRANTED TAX AND CUSTOMS**
7 **DUTY EXEMPTION HEREUNDER, AND SHALL BE ALLOWED ONLY**
8 **UNDER THE FOLLOWING CIRCUMSTANCES:**

9 **“(1) IF MADE TO ANOTHER ENTERPRISE AVALING CUSTOMS**
10 **DUTY EXEMPTION ON IMPORTED CAPITAL EQUIPMENT AND/OR**
11 **SPARE PARTS;**

12 **“(2) IF MADE TO ANOTHER ENTERPRISE NOT DUTY**
13 **EXEMPTION ON IMPORTED CAPITAL EQUIPMENT AND/OR SPARE**
14 **PARTS, UPON PAYMENT OF ANY TAXES AND DUTIES DUE ON THE**
15 **NET BOOK VALUE OF THE CAPITAL EQUIPMENT AND/OR SPARE**
16 **PARTS TO BE SOLD;**

17 **“(3) EXPORTATION OF CAPITAL EQUIPMENT, MACHINERY,**
18 **SPARE PARTS OR SOURCE DOCUMENTS, OR THOSE REQUIRED FOR**
19 **POLLUTION ABATEMENT AND CONTROL; OR**

20 **“(4) PROVEN TECHNICAL OBSOLESCENCE OF THE CAPITAL**
21 **EQUIPMENT OR SPAREPARTS.**

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

1 “SEC. 307. *VAT REFUND MECHANISM ON IMPORTATION OF*
2 *CAPITAL EQUIPMENT AND RAW MATERIALS.* – THE VAT ON
3 IMPORTATION OF CAPITAL EQUIPMENT AND RAW MATERIALS
4 PAID BY EXPORT REGISTERED ENTERPRISES THAT FAILED TO
5 MEET THE NINETY PERCENT (90%) EXPORT SALES THRESHOLD
6 OR ARE LOCATED OUTSIDE THE ECOZONE, FREEPORT, OR THOSE
7 UTILIZING THE CUSTOMS BONDED MANUFACTURING
8 WAREHOUSE REGARDLESS OF THE THRESHOLD SHALL BE
9 REFUNDED PURSUANT TO THE ENHANCED VAT REFUND SYSTEM
10 UNDER SECTIONS 106 AND 108 OF THIS CODE.”

11 **“CHAPTER VI**
12 **“PROCEDURES, SUNSET PROVISIONS, AND STRUCTURAL ADJUSTMENT**
13 **FUND**

14 “SEC. 308. *NO DOUBLE REGISTRATION OF ENTERPRISES.* –
15 REGISTERED ENTERPRISES SHALL NOT BE ALLOWED TO
16 REGISTER 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 AN INCOME
25 TAX HOLIDAY SHALL BE ALLOWED TO CONTINUE WITH THE
26 AVAILMENT OF THE SAID INCENTIVE FOR THE REMAINING
27 PERIOD OF THE INCOME TAX HOLIDAY (ITH) OR FOR A PERIOD OF
28 FIVE (5) YEARS ONLY, WHICHEVER COMES FIRST, *PROVIDED*,
29 THAT THE FIVE PERCENT (5%) TAX ON GROSS INCOME EARNED
30 SHALL COMMENCE ONLY AFTER THE INCOME TAX HOLIDAY
31 (ITH) PERIOD HAS LAPSED, *PROVIDED FURTHER*, THAT THE FIVE
32 PERCENT (5%) TAX ON GROSS INCOME EARNED SHALL BE
33 ALLOWED TO CONTINUE FOLLOWING THE SCHEDULE STATED
34 **HEREIN:**

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

3 “(B) THREE (3) YEARS FOR ACTIVITIES ENJOYING THE TAX
4 INCENTIVE BETWEEN FIVE (5) AND TEN (10) YEARS; AND

5 “(C) FIVE (5) YEARS FOR ACTIVITIES ENJOYING THE TAX
6 INCENTIVE BELOW FIVE (5) YEARS.

7 **“SEC. 311. SUSPENSION AND FORFEITURE OF TAX INCENTIVES
8 OF REGISTERED ENTERPRISES, REFUND AND PENALTIES; WAIVER
9 AND CONDONATION.** – THE IPA MAY IMPOSE FINES AND
10 PENALTIES, SUSPEND OR FORFEIT THE INCENTIVES GRANTED TO
11 THE REGISTERED ENTERPRISES FOR VIOLATIONS OF THE
12 REGISTRATION TERMS AND CONDITIONS, WITHOUT PREJUDICE
13 TO THE CANCELLATION OF THE REGISTRATION OF SAID
14 ENTERPRISE.

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

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

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

33 “IN MERITORIOUS CASES, THE IPA MAY WAIVE, CONDONE OR
34 REDUCE FINES OR PENALTIES IMPOSED ON REGISTERED

1 ENTERPRISES BY THE IPAS: *PROVIDED*, THAT THE MINIMUM
2 COMPROMISE RATE, IN CASE OF REDUCTION, SHALL NOT BE LESS
3 THAN FORTY PERCENT (40%) OF THE BASIC ASSESSED FINES OR
4 PENALTIES.”

5 “SEC. 312. *STRUCTURAL ADJUSTMENT FUND.* – THE
6 FOLLOWING AMOUNTS SHALL BE APPROPRIATED TO
7 COMPENSATE WORKERS THAT MAY BE DISPLACED BY THE
8 RATIONALIZATION OF FISCAL INCENTIVES TO IMPROVE
9 EMPLOYABILITY OF WORKERS AND FOR THE DEVELOPMENT OF
10 INFRASTRUCTURE WITHIN ECONOMIC ZONES AND FREEPORTS
11 THAT MAY BE AFFECTED BY THIS ACT:

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

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

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

30 “(4) THE AMOUNT OF FIFTEEN BILLION PESOS
31 (P15,000,000,000), IN ADDITION TO ANY ADJUSTMENT FUND
32 APPROPRIATED UNDER THE BUDGET OF PERTINENT
33 GOVERNMENT DEPARTMENTS OR AGENCIES, SHALL BE
34 APPROPRIATED FOR THE DEVELOPMENT OF INFRASTRUCTURE

1 SURROUNDING AND WITHIN THE AREAS OR LOCALITIES OF
2 SPECIAL ECONOMIC ZONES AND FREEPORTS TO BE AFFECTED BY
3 THIS ACT. THIS SUBSIDY SHALL LIKEWISE BE UTILIZED TO
4 SUPPORT RESEARCH AND DEVELOPMENT; COSTS OF POWER,
5 WATER AND OTHER UTILITIES; LEASE OF PROPERTIES; AND
6 OTHER ECONOMIC ACTIVITIES RELEVANT TO DEVELOPING THE
7 ABOVEMENTIONED AREAS/LOCALITIES.

8 “THE RELEASES TO THE INVESTMENT PROMOTION
9 AGENCIES SHALL BE GOVERNED BY IMPLEMENTING GUIDELINES
10 TO BE PROMULGATED BY THE DEPARTMENT OF FINANCE AND
11 THE DEPARTMENT OF BUDGET AND MANAGEMENT.

12 “THE EARMARKING OF FUNDS FOR THESE PURPOSES SHALL
13 BE TERMINATED FIVE (5) YEARS AFTER THE EFFECTIVITY OF
14 THIS ACT.”

15 “**SEC. 313. ENHANCED TAX EXPENDITURE FUND SYSTEM.** – ALL
16 INTERNAL REVENUE TAX AND DUTY OBLIGATIONS OF
17 GOVERNMENT-OWNED -OR CONTROLLED CORPORATIONS
18 SHALL BE CHARGEABLE TO THE TAX EXPENDITURE FUND OF THE
19 GOVERNMENT UPON THE ESTABLISHMENT AND
20 IMPLEMENTATION OF AN ENHANCED TAX EXPENDITURE FUND
21 SYSTEM THAT GRANTS TAX SUBSIDY WITHIN THIRTY (30) DAYS
22 FROM THE FILING OF APPLICATION WITH THE FISCAL
23 INCENTIVES REVIEW BOARD (FIRB).”

24 “**SEC. 314. ANNUAL REPORT.** –THE INVESTMENT PROMOTION
25 AGENCIES SHALL SUBMIT AN ANNUAL REPORT TO CONGRESS
26 THE NAMES OF RECIPIENTS OF INCENTIVES AND THE AMOUNT OF
27 INCENTIVES AVAILED OF. THE REPORT SHALL BE MADE
28 **AVAILABLE TO THE PUBLIC.**”

29 SEC. 31. Title XIII of the National Internal Revenue Code of 1997, as amended,
30 is hereby renumbered as Title XIV, to read as follows:

31 **“TITLE [XIII] XIV**
32 **“REPEALING PROVISIONS**

1 “SEC. [291]315. *In General.* – All laws, decrees, executive orders, rules and
2 regulations or parts thereof which are contrary to or inconsistent with this Code are hereby
3 repealed, amended or modified accordingly.

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

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

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

14 (3) Section 3 of Executive Order No. 80, series of 1993, entitled “Authorizing the
15 Establishment of the Clark Development Corporation as the Implementing Arm of the Bases
16 Conversion and Development Authority for the Clark Special Economic Zone, and Directing
17 all Heads of Departments, Bureaus, Offices, Agencies and Instrumentalities of Government
18 to Support the Program”;

19 (4) Section 6 of Executive Order No. 132, series of 2002, entitled “Authorizing the
20 Creation of the Poro Point Management Corporation as the Implementing Arm of the Bases
21 Conversion Development Authority Over the Poro Point Special Economic and Freeport Zone
22 and Renaming the John Hay Poro Point Development Corporation as the John Hay
23 Management Corporation”;

24 (5) Section 9 of Republic Act No. 7903, entitled “An Act Creating a Special
25 Economic Zone and Freeport in the City of Zamboanga Creating for this Purpose the
26 Zamboanga City Special Economic Zone Authority, Appropriating Funds Therefor, and for
27 Other Purposes”;

28 (6) Section 14 of Republic Act No. 9728, entitled “An Act Converting the Bataan
29 Economic Zone Located in the Municipality of Mariveles, Province of Bataan, into the
30 Freeport Area of Bataan (FAB), Creating for this Purpose the Authority of the Freeport Area
31 of Bataan (AFAB), Appropriating Funds Therefor and for Other Purposes”;

32 (7) Section 65 of Republic Act No. 9593, entitled “An Act Declaring a National
33 Policy for Tourism as an Engine of Investment, Employment, Growth and National

1 Development, and Strengthening the Department of Tourism and its Attached Agencies to
2 Effectively and Efficiently Implement that Policy, and Appropriating Funds Therefor”;

3 (8) Section 15 of Republic Act No. 9490, entitled “An Act Establishing the Aurora
4 Special Economic Zone in the Province of Aurora, Creating for the Purpose the Aurora Special
5 Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes”, as
6 amended by Republic Act No. 10083;

7 (9) Section 7 of Republic Act No. 7922, entitled “An Act Establishing a Special
8 Economic Zone and Freeport in the Municipality of Santa Ana and the Neighboring Islands
9 in the Municipality of Aparri, Province of Cagayan, Providing Funds Therefor, and for Other
10 Purposes”;

11 (10) Section 6 of Presidential Decree No. 538, entitled “Creating and Establishing
12 the PHIVIDEC Industrial Authority and Making it a Subsidiary Agency of the Philippine
13 Veterans Investment Development Corporation, Defining its Powers, Functions and
14 Responsibilities, and for Other Purposes,” as amended by Executive Order No. 1031, series
15 of 1985; and

16 (11) Section 11 of Republic Act No. 7916, entitled “An Act Providing for the Legal
17 Framework and Mechanisms for the Creation, Operation, Administration, and Coordination
18 of Special Economic Zones in the Philippines, Creating for this Purpose, the Philippine
19 Economic Zone Authority (PEZA), and for Other Purposes”.

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

23 (1) Section 18 of Republic Act No. 7884, entitled “An Act Creating the National
24 Dairy Authority to Accelerate the Development of the Dairy Industry in the Philippines,
25 Providing for a Dairy Development Fund, and for Other Purposes”;

26 (2) Section 8 of Republic Act No. 7903, entitled “An Act Creating Special
27 Economic Zone and Freeport in the City of Zamboanga for this Purpose the Zamboanga City
28 Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purpose”;

29 (3) Section 12(a) of Republic Act No. 10083, entitled “An Act Amending Republic
30 Act No. 9490, Otherwise Known as the ‘Aurora Special Economic Zone Act of 2007’ ”;

31 (4) Sections 29, 57, 74, 95(c) of Republic Act No. 9593,
32 entitled “An Act Declaring Tourism as Engine of Investment, Employment, Growth and
33 National Development and Strengthening the Department of Tourism or Tourism Act of 2009”;

1 (5) Section 10 of Presidential Decree No. 538, entitled “Creating and Establishing
2 the PHIVIDEC Industrial Authority and Making it a Subsidiary Agency of the Philippine
3 Veterans Investment Development Corporation, Defining its Powers, Functions and
4 Responsibilities, and for Other Purposes”;

5 (6) Section 16(a)(b) of Republic Act No. 9497, entitled “An
6 Act Creating the Civil Aviation Authority of the Philippines, Authorizing the Appropriation of
7 Funds Therefor, and for Other Purposes”;

8 (7) Section 14 of Republic Act No. 7354, entitled “An Act Creating the Philippine
9 Postal Corporation, Defining its Powers, Functions and Responsibilities, Providing for
10 Regulation of the Industry and for Other Purposes Connected Therewith”;

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

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

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

26 (11) Section 13 of Republic Act No. 7820, entitled “An Act Creating the Partido
27 Development Administration, Defining its Powers and Functions, Providing Funds Therefor,
28 and for Other Purposes”;

29 (12) Section 5(j) of Republic Act No. 9510, entitled “An Act Establishing the Credit
30 Information System and for Other Purposes”;

31 (13) Section 13(e) of Presidential Decree No. 857, entitled “Providing for the
32 Reorganization of Port Administrative and Operation Functions in the Philippines, Revising

1 Presidential Decree No. 505 dated July 11, 1974, Creating the Philippine Port Authority, by
2 Substitution, and for Other Purposes”;

3 (14) Section 19 of Republic Act No. 6847, entitled “An Act Creating and
4 Establishing the Philippine Sports Commission, Defining its Powers, Functions, and
5 Responsibilities, Appropriating Funds Therefor, and for Other Purposes”;

6 (15) Section 8(a)(b) and Section 13 of Republic Act No. 6395, entitled “An Act
7 Revising the Charter of the National Power Corporation”; and

8 (16) Section 21 of Republic Act No. 7306, entitled “An Act Providing for the
9 Establishment of the People’s Television Network, Inc., Defining its Powers and Functions,
10 Providing for its Sources of Funding and for Other Purposes.”

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

15 (1) Section 9 of Republic Act No. 7953, entitled “An Act Amending Republic Act
16 Numbered Sixty-Six Hundred Thirty-Two, entitled ‘An Act Granting the Philippine Racing
17 Act, Inc., a Franchise to Operate and Maintain a Race Track for Horse Racing in the Province
18 of Rizal, and Extending the Said Franchise by Twenty-five (25) Years From the Expiration of
19 the Term Thereof’ ”;

20 (2) Section 12 of Republic Act No. 8407, entitled “An Act Amending Republic Act
21 Numbered Sixty-Six Hundred Thirty-One, entitled ‘An Act Granting Manila Jockey Club, Inc.,
22 a Franchise to Construct, Operate and Maintain a Race Track for Horse Racing in the City of
23 Manila or any Place Within the Provinces of Bulacan, Cavite or Rizal and Extending the Said
24 Franchise by Twenty-five (25) Years From the Expiration of the Term Thereof’ ”;

25 (3) Section 9 of Republic Act No. 8298, entitled “An
26 Act Amending Republic Act Numbered Seventy-Nine Hundred
27 Seventy-Eight, entitled ‘An Act Granting the Metro Manila Turf Club, Inc., a Franchise to
28 Construct, Operate and Maintain a Racetrack for Horse Racing in the City of Kalookan’ ”; and

29 (4) Section 12 of Republic Act No. 8446, entitled “An Act Granting the Fil-Asia
30 Racing Club a Franchise to Construct, Operate and Maintain a Racetrack for Horse Racing in
31 Rizal or Tarlac, or Pampanga or Batangas or Quezon City”.

32 (D) The provisions of the following laws, including the tax incentives, that are
33 inconsistent with this Act are hereby amended or repealed effective two (2) years from the

1 implementation of this Act: *Provided*, That the tax treatment provisions of entities covered by
2 special laws pertaining to energy, agriculture, and telecommunications shall be deferred for an
3 additional two (2) years:

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

9 (2) Section 17 of Republic Act No. 7906, entitled “An Act Providing for the
10 Regulation of the Organization and Operations of Thrift Banks, and for Other Purposes”;

11 (3) Section 15 of Republic Act No. 7353, entitled “An Act Providing for the
12 Creation, Organization and Operation of Rural Banks, and for Other Purposes”;

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

16 (5) Section 1 of Republic Act No. 7918, entitled “An Act Amending Article 39,
17 Title III of Executive Order No. 226, Otherwise Known as the Omnibus Investments Code of
18 1987, as Amended, and for Other Purposes”;

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

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

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

31 (9) Section 17(1) to (8) insofar as tax exemption and/or VAT zero-rating on
32 domestic merchandise is concerned, and Section 18(a), (b), (c), and (f) of Presidential Decree

1 No. 66, entitled “Creating the Export Processing Zone Authority and Revising Republic Act
2 No. 5490”;

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

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

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

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

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

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

29 (16) Section 4(f), 5, 6, 7, 8, and 9 of Republic Act No. 9490, entitled “An Act
30 Establishing the Aurora Special Economic Zone in the Province of Aurora, Creating for the
31 Purpose the Aurora Special Economic Zone Authority, Appropriating Funds Therefor and for
32 Other Purposes”;

- 1 (17) Sections 3(e)(f)(h) and 4 of Republic Act No. 10083, entitled “An Act
2 Amending Republic Act No. 9490”;
- 3 (18) Section 4(f), insofar as tax exemption and/or value-added tax or VAT zero-
4 rating on domestic merchandise and capital equipment are concerned, and Sections 5, 6, and
5 10 of Republic Act No. 9728, entitled “An Act Converting the Bataan Economic Zone Located
6 in the Municipality of Mariveles, Province of Bataan, into the Freeport Area of Bataan (FAB),
7 Creating for this Purpose the Authority of the Freeport Area of Bataan (AFAB),
8 Appropriating Funds Therefor and for Other Purposes”;
- 9 (19) Section 36(e) and (f) of Presidential Decree No. 705, entitled “Revising PD No.
10 389, Otherwise Known as the Forestry Reform Code of the Philippines”;
- 11 (20) Section (b)(1)(c) of Republic Act No. 9003, entitled “An Act Providing for an
12 Ecological Solid Waste Management Program, Creating the Necessary Institutional
13 Mechanisms and Incentives, Declaring Certain Acts Prohibited and Providing Penalties,
14 Appropriating Funds Therefor and for Other Purposes”;
- 15 (21) Section 26(a)(1)(3) of Republic Act No. 9275, entitled “An Act Providing for
16 Comprehensive Water Quality Management and for Other Purposes”;
- 17 (22) Sections 16 and 17 of Republic Act No. 7844, entitled “An Act to Develop
18 Exports as a Key Towards the Achievement of the National Goals Towards the Year 2000”;
- 19 (23) Section 13 of Republic Act No. 10817, entitled “An Act Instituting the
20 Philippine Halal Export Development and Promotion Program, Creating for the Purpose the
21 Philippine Halal Export Development and Promotion Board, and for Other Purposes”;
- 22 (24) Section 14 of Republic Act No. 8423, entitled “An Act Creating the Philippine
23 Institute of Traditional and Alternative Health Care (PITAHC) to Accelerate the Development
24 of Traditional and Alternative Health Care in the Philippines, Providing for a Traditional and
25 Alternative Health Care Development Fund and for Other Purposes”;
- 26 (25) Section 20(d)(1) to (5) of Republic Act No. 10884, entitled “An Act
27 Strengthening the Balanced Housing Development Program, Amending for the Purpose
28 Republic Act No. 7279, as Amended, Otherwise Known as the Urban Development and
29 Housing Act of 1992”;
- 30 (26) Republic Act No. 7718, entitled “An Act Amending Certain Sections of
31 Republic Act No. 6957, Entitled ‘An Act Authorizing the Financing, Construction, Operation
32 and 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
2 Act 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
5 Promote the Development of the Jewelry Manufacturing Industry, Providing Incentives
6 Therefor and 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
10 Entrepreneurship by Strengthening Development and Assistance Programs to Micro, Small and
11 Medium 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 and
15 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 Shipping
22 in the Philippines and for Other Purposes”;
- 23 (34) Section 6 of Republic Act No. 7471, as amended, entitled “An Act to Promote
24 the 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 Attached
28 Agencies to Effectively and Efficiently Implement That Policy, and Appropriating Funds
29 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 the
32 Philippines”;

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

3 (38) Section 8, insofar as tax exemption and VAT zero-rating of domestic
4 merchandise are concerned, and Section 9 of Presidential Decree No. 538, entitled “Creating
5 and Establishing the PHIVIDECA Industrial Authority and Making it a Subsidiary Agency of
6 the Philippine Veterans Development Corporation, Defining its Powers, Functions and
7 Responsibilities, and for Other Purposes”;

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

11 (40) Sections 4(f) and 5(c)(k), insofar as tax exemption and/or VAT zero-rating on
12 domestic merchandise is concerned, and Section 12(b) of Republic Act No. 10083, entitled
13 “An Act Amending Republic Act No. 9490, Otherwise Known as the Aurora Special Economic
14 Zone Act of 2007”;

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

17 (42) Sections 18 and 20 of Republic Act No. 6847, entitled “An Act Creating and
18 Establishing the Philippine Sports Commission, Defining its Powers, Functions, and
19 Responsibilities, Appropriating Funds Therefor, and for Other Purposes”;

20 (43) Section 22 of Republic Act No. 9337, entitled “An Act Amending Sections 27,
21 28, 34, 106, 107, 108, 109, 110, 111, 112, 113, 114, 116, 117, 119, 121, 148, 151, 236, 237,
22 and 288 of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes”;

23 (44) Sections 1(6) and 2 of Presidential Decree No. 776, entitled “Repealing All
24 Laws, Acts, Decrees, Orders and Ordinances, Granting Exemptions from Taxes, Duties, Fees,
25 Imposts and Other Charges Under Certain Exceptions and Creating a Fiscal Incentives Board”;

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

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

1 (47) Section 1(a) and (b) of Presidential Decree No. 1955, entitled "Withdrawing,
2 Subject to Certain Conditions, the Duty and Tax Privileges Granted to Private Business
3 Enterprises and/or Persons Engaged in Any Economic Activity and for Other Purposes".

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

6 SEC. 32. Title XIV of the National Internal Revenue Code of 1997, as amended, is hereby
7 renumbered as Title XV, to read as follows:

8 **"TITLE [XIV]XV**

9 **"FINAL PROVISIONS**

10 SEC. [292] 316. *Separability Clause.* – If any clause, sentence, paragraph, or part of
11 this Code shall be adjudged by any court of competent jurisdiction to be invalid, such judgment
12 shall not affect, impair, or invalidate the remainder of said Code, but shall be confined in its
13 operation to the clause, sentence, paragraph, or part thereof directly involved in the
14 controversy.

15 SEC. 33. *Implementing Rules and Regulations.* – Within ninety (90) days from the
16 effectivity of this Act, the Secretary of Finance and the Secretary of Trade and Industry shall,
17 upon consultations with the Commissioner of Internal Revenue, the Board of Investments, and
18 other Investment Promotion Agencies, promulgate the necessary rules and regulations for its
19 effective implementation.

20 SEC. 34. *Effectivity.* – This Act shall take effect on January 1, 2020 following its
21 complete publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,

COMMITTEE ON WAYS AND MEANS

FACT SHEET

4157

House Bill No. _____

(in substitution with House Bills Numbered 176, 313, 1042, 1909, 2084, 2554, 2704, 2956, 3356, and 3846)

(As approved by the Committee on Ways and Means on August 14, 2019)

"CORPORATE INCOME TAX AND INCENTIVES RATIONALIZATION ACT"

Introduced by: HORACIO P. SUANSING JR., ESTRELLITA B. SUANSING, JOEY SARTE SALCEDA, KRISTINE SINGSON-MEEHAN, LUIS RAYMUND "LRAY" F. VILLAFUERTE JR., JUNIE E. CUA, SHARON S. GARIN, AURELIO "DONG" D. GONZALES, MICHAEL ODYLON L. ROMERO, ANN K. HOFER, RUFUS B. RODRIGUEZ, ISIDRO T. UNGAB, MICAELA S. VIOLAGO, ALYSSA SHEENA P. TAN, ALETA C. SUAREZ, ERIC GO YAP, JOSE "JUN" L. ONG, JR., ROLANDO M. VALERIANO, ELPIDIO F. BARZAGA, JR., JANICE Z. SALIMBANGON, JULIETTE T. UY, CORAZON T. NUÑEZ-MALANYAON, EDUARDO R. GULLAS, RAUL "BOBOY" C. TUPAS, MICHAEL B. GORRICETA, SABINIANO S. CANAMA, JOSE 'PING-PING' I. TEJADA, SOL ARAGONES, JOAQUIN M. CHIPECO, JR., RUDY S. CAOAGDAN, LORENZ R. DEFENSOR, ANTHONY PETER "ONYX" D. CRISOLOGO, JOY MYRA S. TAMBUNTING, RIA CHRISTINA G. FARIÑAS, JUMEL ANTHONY I. ESPINO, MA. THERESA V. COLLANTES, JOSELITO "JOEL" S. SACDALAN, MICHAEL JOHN R. DUAVIT, JAKE VINCENT S. VILLA, ARNIE B. FUENTEBELLA, CESAR "JAWO" L. JIMENEZ, JR., CHERYL P. DELOSO-MONTALLA, FAUSTINO MICHAEL CARLOS T. DY III, ALLAN REYES, JOSE GAY G. PADIERNOS, SONNY "SL" L. LAGON, VIRGILIO S. LACSON, MICHAEL EDGAR Y. AGLIPAY, JORGE ANTONIO P. BUSTOS, JERICHO JONAS B. NOGRALES, ADRIANO A. EBCAS, RONNIE L. ONG, STELLA LUZ A. QUIMBO, ALEX "AA" L. ADVINCULA, FERNANDO T. CABREDO, MAXIMO Y. DALOG JR., EDGAR M. CHATTO, MA. ANGELICA M. AMANTE-MATBA, GIL "KABARANGAY" A. ACOSTA JR., ROMEO M. JALOSJOS JR., ELISA 'OLGA' T. KHO, PETER JOHN D. CALDERON, JUAN MIGUEL MACAPAGAL ARROYO, LORNA P. BAUTISTA-BANDIGAN, ENRICO A. PINEDA, ELEANDRO JESUS F. MADRONA, FREDERICK W. SIAO, DALE 'ALONG' R. MALAPITAN, ANTONIO "TONYPET" T. ALBANO, SAMANTHA LOUISE VARGAS ALFONSO, FRANZ "CHICOY" E. ALVAREZ, ROSE MARIE 'BABY' J. ARENAS, ROBERT ACE S. BARBERS, EMMANUEL "TAWI" BILLONES, LIANDA B. BOLILIA, FREDENIL "FRED" H. CASTRO, SOLOMON R. CHUNGALAO, LEO RAFAEL M. CUEVA, RAUL V. DEL MAR, IAN PAUL L. DY, ARNOLD 'NOLI' D. CELESTE, PAOLO Z. DUTERTE, PABLO JOHN F. GARCIA, DOY C. LEACHON, ESMAEL G. MANGUDADATU, PROSPERO A. PICHAY JR., DEOGRACIAS VICTOR 'DV' B. SAVELLANO, NIÑA TADURAN, VICTOR A. YAP, JOSEPH STEPHEN 'CARAPS' S. PADUANO, ALAN 'ALDU' R. DUJALI, BAYANI F. FERNANDO, JONATHAN KEITH T. FLORES, ED CHRISTOPHER S. GO, FERDINAND L. HERNANDEZ, BERNADETTE 'BH' HERRERA-DY, JUAN FIDEL FELIPE F. NOGRALES, ANNA MARIE VILLARAZA-SUAREZ, JOSEFINA B. TALLADO, ROMAN T. ROMULO, DAN S. FERNANDEZ, JOHN MARVIN 'YUL SERVO' C. NIETO, FLORIDA 'RIDA' P. ROBES, FERDINAND MARTIN G. ROMUALDEZ, LUIS IV 'JON-JON' A. FERRER, JOSE JR. 'BONITO' C. SINGSON, NOEL L. VILLANUEVA, FRANCISCO JOSE II 'BINGO' F. MATUGAS, WAY KURAT ZAMORA, RODOLFO B. ALBANO, ABDULLAH D. DIMAPORO, JESUS CRISPIN C. REMULLA, ROMEO S. MOMO SR., DATU ROONIE Q. SINSUAT SR., MA. VICTORIA V. UMALI, RAMON V. GUICO III, JOCELYN P. TULFO, ERICO ARISTOTLE C. AUMENTADO, FAUSTINO 'INNO' A. DY V, JUAN PABLO "RIMPY" P.

BONDOC, MANUEL F. ZUBIRI, YASSER ALONTO BALINDONG, NARCISO R. BRAVO JR., LUISA LLOREN CUARESMA, ROMMEL RICO T. ANGARA, GODOFREDO N. GUYA, JOHNNY TY PIMENTEL, FRANCISCO 'KIKO' B. BENITEZ, EMMARIE "LOLYPOP" M. OUANO-DIZON, SANDRO L. GONZALEZ, JOCELYN SY LIMKAICHONG, MANUEL T. SAGARBARRIA, DAVID 'JAY-JAY' C. SUAREZ, DIEGO C. TY, PAUL RUIZ DAZA, RUWEL PETER S. GONZAGA, MARICEL G. NATIVIDAD-NAGAÑO, PABLO C. ORTEGA, ROSANNA 'RIA' VERGARA, LUIS N. CAMPOS JR., MANUEL JOSE "MANNIX" M. DALIPE, JOHN REYNALD M. TIANGCO, HENRY S. OAMINAL, WILTER 'SHARKY' WEE PALMA II, ROLANDO 'KLAREX' A. UY, 'KUYA' JOSE ANTONIO R. SY-ALVARADO, GREG G. GASATAYA, ALFRED D. VARGAS, ALFRED C. DELOS SANTOS, AND RODANTE D. MARCOLETA

Committee Referral: COMMITTEE ON WAYS AND MEANS

Committee Chairperson: HON. JOEY SARTE SALCEDA

OBJECTIVES

- To encourage investment by reducing the corporate income tax (CIT) rate from 30% to 20%
- To ensure that the grant of fiscal incentives helps bring in the greatest benefits, such as higher and more dispersed investments, more jobs, and better technology
- To ensure fairness and transparency in the grant of fiscal incentives
- To enhance the accountability of taxpayers through more efficient tax administration

SALIENT PROVISIONS OF THE BILL

CORPORATE INCOME TAX

- Reduces the current 30% CIT by 2% every two years, to wit:

Year	CIT Rate
2021	28%
2023	26%
2025	24%
2027	22%
2029	20%

- Removes the option for corporations, including resident foreign corporations, to avail of the 15% gross income tax;

- Subjects corporate taxpayers who enjoy preferential rates to the 30% CIT, or the adjusted CIT, to wit:

Taxpayer	Current Rate	Proposed Rate	
Regional operating headquarters	10%	2021	28%
Resident foreign corporation	30%	2023	26%
Non-resident foreign corporations	30%	2025	24%
		2027	22%
		2029	20%
Offshore banking units	10%	2019	30%
		2021	28%
		2023	26%
		2025	24%
		2027	22%
		2029	20%

- Provides a schedule of amount of interest paid or incurred that may be allowed as deduction from gross income; and
- Exempts the Home Development Mutual Fund from income taxation, given that SSS, PHIC, and GSIS are already exempted

MODERNIZATION OF FISCAL INCENTIVES

- Grants fiscal incentives only to registered activities of:
 - a) Exporters; and
 - b) Industries listed in the Strategic Investments Priority Plan (SIPP).
- Provides that the SIPP shall include activities covered by the Philippine Development Plan (PDP) or its equivalent and shall take these into consideration:
 - a) Include activities that comply with the following:
 - 1) Substantial amount of investments;
 - 2) Considerable generation of employment;
 - 3) Inclusive business activities and value-added production of MSMEs;
 - 4) Use of modern or new technology;
 - 5) Adequate environmental protection systems;
 - 6) Addressing of missing gaps in the supply/value chain; and
 - 7) Promoting market competitiveness
 - b) Identify agribusiness activities, the less developed areas or those recovering from armed conflict or a major disaster.
 - c) Determine services and activities that can spur regional or global operations in the country.
 - d) Include existing registered projects or activities that shall relocate from metro manila to other areas of the country.
- Grants 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.

- Grants income incentives for a maximum of five years, removing perpetual 5% on gross income earned (GIE) and limiting income tax holiday (ITH), to wit:

No	Type of Incentive	Duration
1	Income tax holiday	3 years
2	18% CIT: 15% to the National Government, 3% to LGUs	2 years
3	30% Depreciation allowance of qualified Capex incurred within 3 years: 10% for buildings, 20% for machineries and equipment	2 years
4	Up to 50% additional deduction on the labor expense	2 years
5	Up to 100% additional deduction on research and development	2 years
6	Up to 100% additional deduction on trainings	2 years
7	Up to 100% deduction on infrastructure development	5 years
8	Up to 50% deduction for reinvestment allowance to manufacturing	5 years
9	Enhanced Net Operating Loss Carry-Over (NOLCO): carrying-over of losses from first 3 years from the start of commercial operations	Next 5 years from the year loss is incurred
10	Up to 50% additional deduction on domestic input expense	2 years
11	exemption on customs duty of imported capital equipment	5 years, extendible to another 5 years
12	exemption on customs duty of imported raw materials	5 years

- Provides that in lieu of ITH (item 1) or reduced CIT (item 2), incentive items 3 to 10 may be extended on a per industry basis, upon BOI approval;
- Reduces the 18% CIT by one percentage point every other year, to wit:

Year	CIT Rate
2020	18%
2021 to 2022	17%
2023 to 2024	16%
2025 to 2026	15%
2027 to 2028	14%
2029 onwards	13%

- Provides that 1.5% of the proceeds will accrue to the province where the enterprise is located, in lieu of the local business tax
- Provides that 1.5% of the proceeds will accrue to the municipality or city government
- Stipulates that if the enterprise is located in an independent component city (ICC) or highly-urbanized city (HUC), 3% of the proceeds will accrue to the ICC or HUC government
- Adds two years of incentives (inclusive of one-year ITH) for the following:
 - projects located in lagging areas;
 - projects in areas recovering from armed conflict or major disasters;
 - projects in agri-business outside major urban areas; or
 - projects relocated from Metro Manila and nearby urban areas.

- Encourages investors and locators to reapply after the five-year or seven-year period, to qualify for another five years of incentives; and
- Specifies that VAT treatment shall be based on location and export sales, to wit:

Registered Enterprises	VAT Treatment		
	Importation of capital equipment and raw materials	Importation of source documents	Domestic purchases--capital equipment, raw materials
90% to 100% export sales, inside ecozone or those utilizing customs bonded manufacturing warehouse	exempt	exempt	Zero-rated
Below 90% export sales, inside ecozones or those utilizing customs bonded manufacturing warehouse	exempt	exempt	Zero-rated, if registered enterprises have e-invoicing
Below 90% export sales; outside ecozones regardless of threshold	12%, then file for a VAT refund		Zero-rated, then 12% if a successful VAT refund system is established*

*Sec. 106 and 108 of the NIRC of 1997, as amended

TAX ADMINISTRATION

- Empowers the BIR Commissioner to issue subpoena *duces tecum* to compel submission of documents, wherein taxpayers may face criminal action for failure to obey subpoena;
- Authorizes the service of a subpoena, letter of authority, and a tax assessment at the taxpayer's registered business address or, if not practicable, through substituted service;
- Obliges the BIR Commissioner, upon the request of the Secretary of Finance (SOF), to furnish pertinent taxpayer information to the Secretary and concerned officers;
- Defines **tax avoidance** as:
 - 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; and
 - c) Directly or indirectly avoiding, postponing, or reducing any liability to income tax, or any potential or prospective liability to future income tax.
- Grants the BIR 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;
- Stops the issuance of tax credit certificates and instead provides that the creditable input tax of a taxpayer shall now be refunded;
- Requires the digitization of transactions of exporters and large taxpayers (under the jurisdiction of the Large Taxpayer Service) through e-receipts, or sales or commercial invoices, public certification system, and use of electronic transaction number; and
- Rationalizes the penalties on violations of the Tax Code following the adjustment of penalties in the Revised Penal Code

ADMINISTRATION OF TAX INCENTIVES

- Includes 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 Secretary of Finance as the co-chair of all IPA boards;
- Mandates the Fiscal Incentives Review Board (FIRB) to exercise oversight function over IPAs;
 - a) Require IPAs to submit list of registered enterprises with firm level data; approved amount of investments and employment generation; and approved amount of incentives;
 - b) Publish the names of the registered enterprises with approved tax incentives;
 - c) Grant tax subsidies to GOCCs and other government instrumentalities and agencies;
 - d) Exercise veto over the approval of and cancellation of tax incentives that may:
 - i. pose a risk to the environment, health, and economic stability, and
 - ii. projects or activities the approval of which encounters a deadlock.
- Requires a registered enterprise to install an adequate accounting system and an e-invoicing system and to file their tax returns electronically;
- Enhances the VAT refund system for registered enterprises that do not meet the 90% export sales threshold or are located outside the ecozones; and
- Expands the coverage of the Tax Expenditure Fund system to include all tax and duty obligations of GOCCs

EARMARKING OF FUNDS FOR FIVE YEARS

- Appropriates a structural adjustment fund for infrastructure projects of ecozones and freeports amounting to P15,000,000,000 which may be used for research and development, utilities, and lease
- Appropriates a structural adjustment fund for displaced workers, as follows:

Programs and Activities	Appropriations
Targeted cash grants and other support programs for displaced workers	P500,000,000
Targeted trainings to displaced workers	P500,000,000
Skills upgrade program of the IT-BPO	P5,000,000,000

SUNSET PROVISIONS FOR EXISTING REGISTERED ENTERPRISES AVALING OF FISCAL INCENTIVES

- Those availing of incentives shall continue to enjoy the same for two years after the effectivity of the Act; thereafter, they can reapply for incentives under the SIPP;
- Those availing of the ITH shall continue to enjoy this incentive for the remaining period or for 5 years, whichever comes first; and
- Those availing of the 5% GIE shall be allowed to continue for 2 to 5 years, as follows:

Period when GIE was availed of	Transition period when GIE can still be availed of
More than 10 years	2 years
5 to 10 years	3 years
Below 5 years	5 years

RELATED LAWS

1. Article 4 of Executive Order No. 226, as amended, entitled "The Omnibus Investments Code of 1987;"
2. Sections 9 and 13 (c) of Republic Act No. 7227, entitled "An Act Accelerating the Conversion of Military Reservations into Other Productive Uses, Creating the Bases Conversion and Development Authority for this Purpose, Providing Funds therefor and for Other Purposes;"
3. Section 3 of Executive Order No. 80, series of 1993, entitled "Authorizing the Establishment of the Clark Development Corporation as the Implementing Arm of the Bases Conversion and Development Authority for the Clark Special Economic Zone, and Directing All Heads of Departments, Bureaus, Offices, Agencies and Instrumentalities of Government to Support the Program;"
4. Section 6 of Executive Order No. 132, series of 2002, entitled "Authorizing the Creation of the Poro Point Management Corporation as the Implementing Arm of the Bases Conversion Development Authority over the Poro Point Special Economic and Freeport Zone and Renaming the John Hay Poro Point Development Corporation as the John Hay Management Corporation;"
5. Section 9 of Republic Act No. 7903, entitled "An Act Creating a Special Economic Zone and Freeport in the City of Zamboanga Creating for this Purpose the Zamboanga City Special Economic Zone Authority, Appropriating Funds therefor, and for other Purposes;"
6. Section 14 of Republic Act No. 9728, entitled "An Act Converting the Bataan Economic Zone Located in the Municipality of Mariveles, Province Of Bataan, into the Freeport Area of Bataan (FAB), Creating for this Purpose the Authority of the Freeport Area of Bataan (AFAB), Appropriating Funds therefor and for other Purposes;"
7. Section 65 of Republic Act No. 9593, entitled "An Act Declaring a National Policy for Tourism as an Engine of Investment, Employment, Growth and National Development, and Strengthening the Department of Tourism and its Attached Agencies to Effectively and Efficiently implement that Policy, and Appropriating Funds therefor;"
8. Section 15 of Republic Act No. 9490, entitled "An Act Establishing the Aurora Special Economic Zone in the Province of Aurora, Creating for the Purpose the Aurora Special Economic Zone Authority, Appropriating Funds Therefor and for other Purposes," as amended by Republic Act No. 10083;
9. Section 7 of Republic Act No. 7922, entitled "An Act Establishing a Special Economic Zone and Freeport in the Municipality of Santa Ana and the Neighboring Islands in the Municipality of Aparri, Province of Cagayan Providing Funds Therefor, and for other Purposes;"
10. Section 6 of Presidential Decree No. 538, entitled "Creating and Establishing the PHIVIDEC Industrial Authority and Making It a Subsidiary Agency of the Philippine Veterans Investment Development Corporation Defining its Powers, Functions and Responsibilities, and for Other Purposes," as amended by Executive Order No. 1031, series of 1985;
11. Section 11 of Republic Act No. 7916, entitled "An Act Providing for the Legal Framework and Mechanisms for the Creation, Operation, Administration, and Coordination of Special Economic Zones in the Philippines, Creating for this Purpose, the Philippine Economic Zone Authority (PEZA), and for Other Purposes;"
12. Section 18 of Republic Act No. 7884, entitled "An Act Creating the National Dairy Authority to Accelerate the Development of the Dairy Industry in the Philippines, Providing for a Dairy Development Fund, and for Other Purposes;"
13. Section 8 of Republic Act No. 7903, entitled "An Act Creating Special Economic Zone and Freeport in the City of Zamboanga for this Purpose the Zamboanga City Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purpose;"
14. Section 12-a of Republic Act No. 10083, entitled "An Act Amending Republic Act No. 9490, otherwise known as the Aurora Special Economic Zone Act of 2007;"

15. Sections 29, 57, 74, 95 (c) of Republic Act No. 9593, entitled "An Act Declaring Tourism as Engine of Investment, Employment, Growth and National Development and Strengthening the Department of Tourism or Tourism Act of 2009;"
16. Section 10 of Presidential Decree No. 538, entitled "Creating and Establishing the PHIVIDEC Industrial Authority and Making it a Subsidiary Agency of the Philippine Veterans Investment Development Corporation Defining its Powers, Functions and Responsibilities, and for Other Purposes;"
17. Section 16 (a) (b) of Republic Act No. 9497, entitled "An Act Creating the Civil Aviation Authority of the Philippines, Authorizing the Appropriation of Funds Therefor, and for Other Purposes;"
18. Section 14 of Republic Act No. 7354, entitled "An Act Creating the Philippine Postal Corporation, Defining its Powers, Functions and Responsibilities, Providing For Regulation of the Industry and for Other Purposes Connected Therewith;"
19. Section 8 and 14 of Presidential Decree No. 269, entitled "Creating the National Electrification Administration as a Corporation, Prescribing its Powers and Activities, Appropriating the Necessary Funds Therefore and Declaring a National Policy Objective for the Total Electrification of the Philippines on an Area Coverage Service Basis, the Organization, Promotion and Development of Electric Cooperatives to Attain the Said Objective, Prescribing Terms and Conditions for their Operations, the Repeal of Republic Act 6038, and for Other Purposes;"
20. Section 2 and 19 of Republic Act No. 9679, entitled "An Act Amending the Home Development Mutual Fund Otherwise Known as the Pag-Ibig Fund;"
21. Section 17 (c) under Section 8 of Republic Act No. 9576, entitled "An Act Increasing the Maximum Deposit Insurance Coverage, and in connection therewith, to Strengthen the Regulatory and Administrative Authority, and Financial Capability of the Philippine Deposit Insurance Corporation (PDIC) Amending for this Purpose Republic Act Numbered Three Thousand Five Hundred Ninety-One, as amended otherwise known as the PDIC Charter and for other purposes;"
22. Section 13 of Republic Act No. 7820, entitled "An Act Creating the Partido Development Administration, Defining its Powers and Functions, Providing Funds Therefor, and for Other Purposes;"
23. Section 5 (j) of Republic Act No. 9510, entitled "An Act Establishing the Credit Information System and for Other Purposes;"
24. Section 13 (e) of Presidential Decree No. 857, entitled "Providing for the Reorganization of Port Administrative and Operation Functions in the Philippines, Revising Presidential Decree No. 505 dated July 11, 1974, Creating the Philippine Port Authority, by substitution, and for other Purposes;"
25. Section 19 of Republic Act No. 6847, entitled "An Act Creating and Establishing the Philippine Sports Commission, Defining its Powers, Functions, and Responsibilities, Appropriating Funds Therefor, and for Other Purposes;"
26. Section 8 (a) (b) and section 13 of Republic Act No. 6395, entitled "An Act Revising the Charter of the National Power Corporation;"
27. 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;"
28. 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 25 Years from the Expiration of the Term thereof;"
29. 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 25 Years from the Expiration of the Term Thereof;"

30. 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;"
31. 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;"
32. Section 37 of Republic Act No. 6848, entitled "An Act Providing for the 1989 Charter of the Al Amanah Islamic Investment Bank of the Philippines, Authorizing its Conduct of Islamic Banking Business, and Repealing for this Purpose Presidential Decree Numbered Two Hundred And Sixty-Four as Amended by Presidential Decree Numbered Five Hundred and Forty-Two;"
33. Section 17 of Republic Act No. 7906, entitled "An Act Providing for the Regulation of the Organization and Operations of Thrift Banks, and for Other Purposes;"
34. Section 15 of Republic Act No. 7353, entitled "An Act Providing for the Creation, Organization and Operation of Rural Banks, and for Other Purposes;"
35. Book I Title III, Article 39 (a), (b), (c), (d), (e), (g), (i) and (j); Title IV Article 40, Book III Articles 59, 60, 61; Book IV Article 69, Book VI Articles 77, and 78 of Executive Order No. 226, series of 1987, entitled "the Omnibus Investments Code of 1987;"
36. Section 1 of Republic Act No. 7918, entitled "An Act Amending Article 39, Title III of Executive Order No. 226, otherwise Known as the Omnibus Investments Code of 1987, as Amended, and for Other Purposes;"
37. Articles 62, 63, 64, 65, 66, 67 and 69 of Republic Act No. 8756, entitled "An Act Providing for the Terms, Conditions and Licensing Requirements of Regional or Area Headquarters, Regional Operating Headquarters, Regional Warehouses of Multinational Companies Amending for the Purpose Certain Provisions of Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987;"
38. Executive Order No. 22 series of 2017 amending Executive Order No. 70 series of 2012 and Executive Order No. 528, series of 2006 and Executive Order No. 313, series of 2004, entitled "Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories Imported by Board of Investments Registered New and Expanding Enterprises;"
39. Section 12 of Republic Act No. 8047, entitled "An Act Providing for the Development of the Book Publishing Industry through the Formulation and Implementation of a National Book Policy and a National Book Development Plan;"
40. Section 17 (1) to (8) in so far as tax exemption and/or VAT zero rating on domestic merchandise is concerned, and Section 18 (a), (b), (c) and (f) of Presidential Decree No. 66, entitled "Creating the Export Processing Zone Authority and Revising Republic Act No. 5490;"
41. Section 4 (e) and (f), in so far as tax exemption and/or VAT zero rating on domestic merchandise is concerned, of Republic Act No. 7903, entitled "An Act Creating Special Economic Zone and Freeport in the City of Zamboanga and Establishing for this Purpose the Zamboanga City Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purposes;"
42. Section 4 (b) (c), in so far as tax exemption and/or VAT zero rating on domestic merchandise is concerned, of Republic Act No. 7922, entitled "An Act Establishing a Special Economic Zone and Freeport in the Municipality of Santa Ana and the Neighboring Islands in the Municipality of Aparri, Province of Cagayan Providing Funds Therefor, and for other Purposes;"
43. Section 4 of Republic Act No. 8748, entitled "An Act Amending Republic Act No. 7916, otherwise Known as the Special Economic Zone Act of 1995;"
44. Sections 23 and 24 of Republic Act No. 7916, entitled "An Act Providing for the Legal Framework and Mechanisms for the Creation, Operation, Administration, and Coordination of Special Economic Zones in the Philippines, Creating for the Purpose the Philippine Economic Zone Authority (PEZA), and for Other Purposes;"

45. Section 1 of Republic Act No. 9400 amending Section 12 (b) of Republic Act No. 7227, in so far as tax exemption and VAT zero rating of domestic merchandise and capital equipment are concerned, Section 12 (c), Section 2 amending Section 15, second, third and last paragraph of Republic Act No. 7227, Section 3, first and second paragraph; Sections 4 and 5 entitled "An Act Amending Republic Act No. 7227, as amended, otherwise known as the Bases Conversion and Development Act of 1982, and for other Purposes;"
46. Section 1 of Executive Order No. 619, entitled "Creating and Designating Special Economic Zones Pursuant to Republic Act No. 7916, as amended by Republic Act No. 8784, in relation to Republic Act No. 7227, as amended by Republic Act No. 9400, inside the Clark Freeport Zone;"
47. Sections 5, 6, 7, 8 and 9 of Republic Act No. 9490, entitled "An Act Establishing the Aurora Special Economic Zone in the Province of Aurora, creating for the Purpose the Aurora Special Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes;
48. Sections 3 (e) (f) (h) and 4 of Republic Act No. 10083, entitled "An Act Amending Republic Act No. 9490;"
49. Section 4 (f), in so far as tax exemption and/or Value Added Tax or VAT zero rating on domestic merchandise and capital equipment are concerned, and Sections 5, 6 and 10 of Republic Act No. 9728, entitled "An Act Converting the Bataan Economic Zone Located in the Municipality of Mariveles, Province of Bataan, into the Freeport Area of Bataan (FAB), Creating for this Purpose the Authority of the Freeport Area of Bataan (AFAB), Appropriating Funds Therefor and for Other Purposes;"
50. Sections 36 (e) and (f) of Presidential Decree No. 705, entitled "Revising PD No. 389, otherwise known as the Forestry Reform Code of the Philippines;"
51. Section (b) (1) (c) of Republic Act No. 9003, entitled "An Act Providing for an Ecological Solid Waste Management Program, Creating the Necessary Institutional Mechanisms and Incentives, Declaring Certain Acts Prohibited and Providing Penalties, Appropriating Funds Therefor and for Other Purposes;"
52. Section 26 a (1) (3) of Republic Act No. 9275, entitled "An Act Providing for Comprehensive Water Quality Management and for Other Purposes;"
53. Sections 16 and 17 of Republic Act No. 7844, entitled "An Act to Develop Exports as a Key Towards the Achievement of the National Goals Towards the Year 2000;"
54. Section 13 of Republic Act No. 10817, entitled "An Act Instituting the Philippine Halal Export Development and Promotion Program, Creating for the Purpose the Philippine Halal Export Development and Promotion Board, and for Other Purposes;"
55. Section 14 of Republic Act No. 8423, entitled "An Act Creating the Philippine Institute of Traditional and Alternative Health Care (PITAHC) To Accelerate the Development of Traditional and Alternative Health Care in the Philippines, Providing for a Traditional and Alternative Health Care Development Fund and for other Purposes;"
56. Section 20 (d) (1) to (5) of Republic Act No. 10884, entitled "An Act Strengthening the Balanced Housing Development Program, amending for the Purpose Republic Act No. 7279, as amended, otherwise known as the Urban Development and Housing Act of 1992;"
57. Republic Act No. 7718, entitled "An Act Amending Certain Sections of Republic Act No. 6957, Entitled "An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector, and for Other Purposes;"
58. Section 6 (c) (d) (f) and Sections 7 and 8 of Republic Act No. 7103, entitled "An Act to Strengthen the Iron and Steel Industry and Promote Philippine Industrialization and for Other Purposes;"
59. Section 3 (a) to (d) and (h) of Republic Act No. 8502, entitled "An Act to Promote the Development of the Jewelry Manufacturing Industry, Providing Incentives Therefor and for Other Purposes;"
60. Section 5 (a) (b) of Republic Act No. 10771, entitled "An Act Promoting the Creation of Green Jobs, Granting Incentives and Appropriating Funds Therefor;"
61. Section 9 (h) (10) of Republic Act No. 9501, entitled "Promoting Entrepreneurship by Strengthening Development and Assistance Programs to Micro, Small and Medium Scale Enterprises Amending RA 6977, otherwise known as the Magna Carta For Small Enterprises;"

62. Section 7 of Republic Act No. 9178, entitled "An Act to Promote the Establishment of Barangay Micro Business Enterprises (BMBES), Providing Incentives and Benefits Therefor, and for Other Purposes;"
63. Chapter XV, Section 83; Chapter XVI, Sections 90, 91, 92, 93 of Republic Act No. 7942, entitled "An Act Instituting a New System of Mineral Resources Exploration, Development, Utilization and Conservation;"
64. Chapter II, Section 4 and Chapter VIII, Section 19 of Republic Act No. 9295, entitled "An Act Promoting the Development of Philippine Domestic Shipping, Shipbuilding, Ship Repair and Ship Breaking, Ordaining Reforms in Government Policies Towards Shipping in the Philippines and for other Purposes;"
65. Section 6 of Republic Act No. 7471, as amended, entitled "An Act to Promote the Development of Philippine Overseas Shipping;"
66. Sections 86, 88 and 95 (a) and (b) of Republic Act No. 9593, entitled "An Act Declaring a National Policy for Tourism as an Engine of Investment, Employment, Growth and National Development, and Strengthening the Department of Tourism and its Attached Agencies to Effectively and Efficiently Implement that Policy, and Appropriating Funds Therefor;"
67. Section 8, in so far as investment incentives are concerned, of Republic Act No. 10816, entitled "An Act Providing for the Development and Promotion of Farm Tourism in the Philippines;"
68. Section 8 of Presidential Decree 1491- Amending Section 8 of Presidential Decree no. 538 (Philippine Veterans Investment Development Corporation);"
69. Section 8, in so far as tax exemption and VAT zero rating of domestic merchandise are concerned, and Section 9 of Presidential Decree No. 538, entitled "Creating and Establishing the PHIVIDEC Industrial Authority and Making it a Subsidiary Agency of the Philippine Veterans Development Corporation, Defining its Powers, Functions and Responsibilities, and for Other Purposes;"
70. Section 1 (1.1) of Executive Order No. 97-A s. 1993, entitled "Further Clarifying the Tax and Duty-Free Privilege within the Subic Special Economic and Free Port Zone;"
71. Sections 4(f) and 5(c)(k), in so far as tax exemption and/or VAT zero rating on domestic merchandise is concerned, and Section 12-b of Republic Act No. 10083, entitled "An Act Amending Republic Act No. 9490, otherwise known as the Aurora Special Economic Zone Act Of 2007;"
72. 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;"
73. 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;"
74. 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;"
75. 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;"
76. Section 2 of Presidential Decree No. 1931, s. 1984, entitled "Directing the Rationalization of Duty and Tax Exemption Privileges Granted to Government-Owned or Controlled Corporations and All Other Units of Government;"
77. Section 1 (c), (d) Executive Order No. 93, series of 1986, entitled "Withdrawing All Tax and Duty Incentives, Subject to Certain Exceptions, Expanding the Powers of the Fiscal Incentives Review Board and for other Purposes;"
78. 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."

EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

HOUSE OF REPRESENTATIVES

House Bill No. 4157

Introduced by Representatives HORACIO P. SUANSING JR., ESTRELLITA B. SUANSING, JOEY SARTE SALCEDA, KRISTINE SINGSON-MEEHAN, LUIS RAYMUND "LRAY" F. VILLAFUERTE JR., JUNIE E. CUA, SHARON S. GARIN, AURELIO "DONG" D. GONZALES, MICHAEL ODYLON L. ROMERO, ANN K. HOFER, RUFUS B. RODRIGUEZ, ISIDRO T. UNGAB, MICAELA S. VIOLAGO, ALYSSA SHEENA P. TAN, ALETA C. SUAREZ, ERIC GO YAP, JOSE "JUN" L. ONG, JR., ROLANDO M. VALERIANO, ELPIDIO F. BARZAGA, JR., JANICE Z. SALIMBANGON, JULIETTE T. UY, CORAZON T. NUÑEZ-MALANYAON, EDUARDO R. GULLAS, RAUL "BOBOY" C. TUPAS, MICHAEL B. GORRICETA, SABINIANO S. CANAMA, JOSE 'PING-PING' I. TEJADA, SOL ARAGONES, JOAQUIN M. CHIPECO, JR., RUDY S. CAOAGDAN, LORENZ R. DEFENSOR, ANTHONY PETER "ONYX" D. CRISOLOGO, JOY MYRA S. TAMBUNTING, RIA CHRISTINA G. FARIÑAS, JUMEL ANTHONY I. ESPINO, MA. THERESA V. COLLANTES, JOSELITO "JOEL" S. SACDALAN, MICHAEL JOHN R. DUAVIT, JAKE VINCENT S. VILLA, ARNIE B. FUENTEBELLA, CESAR "JAWO" L. JIMENEZ, JR., CHERYL P. DELOSO-MONTALLA, FAUSTINO MICHAEL CARLOS T. DY III, ALLAN REYES, JOSE GAY G. PADIERNOS, SONNY "SL" L. LAGON, VIRGILIO S. LACSON, MICHAEL EDGAR Y. AGLIPAY, JORGE ANTONIO P. BUSTOS, JERICHO JONAS B. NOGRALES, ADRIANO A. EBCAS, RONNIE L. ONG, STELLA LUZ A. QUIMBO, ALEX "AA" L. ADVINCULA, FERNANDO T. CABREDO, MAXIMO Y. DALOG JR., EDGAR M. CHATTO, MA. ANGELICA M. AMANTE-MATBA, GIL "KABARANGAY" A. ACOSTA JR., ROMEO M. JALOSJOS JR., ELISA 'OLGA' T. KHO, PETER JOHN D. CALDERON, JUAN MIGUEL MACAPAGAL ARROYO, LORNA P. BAUTISTA-BANDIGAN, ENRICO A. PINEDA, ELEANDRO JESUS F. MADRONA, FREDERICK W. SIAO, DALE 'ALONG' R. MALAPITAN, ANTONIO "TONYPET" T. ALBANO, SAMANTHA LOUISE VARGAS ALFONSO, FRANZ "CHICOY" E. ALVAREZ, ROSE MARIE 'BABY' J. ARENAS, ROBERT ACE S. BARBERS, EMMANUEL "TAWI" BILLONES, LIANDA B. BOLILIA, FREDENIL "FRED" H. CASTRO, SOLOMON R. CHUNGALAO, LEO RAFAEL M. CUEVA, RAUL V. DEL MAR, IAN PAUL L. DY, ARNOLD 'NOLI' D. CELESTE, PAOLO Z. DUTERTE, PABLO JOHN F. GARCIA, DOY C. LEACHON, ESMAEL G. MANGUDADATU, PROSPERO A. PICHAY JR., DEOGRACIAS VICTOR 'DV' B. SAVELLANO, NIÑA TADURAN, VICTOR A. YAP, JOSEPH STEPHEN 'CARAPS' S. PADUANO, ALAN 'ALDU' R. DUJALI, BAYANI F. FERNANDO, JONATHAN KEITH T. FLORES, ED CHRISTOPHER S. GO, FERDINAND L. HERNANDEZ, BERNADETTE 'BH' HERRERA-DY, JUAN FIDEL FELIPE F. NOGRALES, ANNA MARIE VILLARAZA-SUAREZ, JOSEFINA B. TALLADO, ROMAN T. ROMULO, DAN S. FERNANDEZ, JOHN MARVIN 'YUL SERVO' C. NIETO, FLORIDA 'RIDA' P. ROBES, FERDINAND MARTIN G. ROMUALDEZ, LUIS IV 'JON-JON' A. FERRER, JOSE JR. 'BONITO' C. SINGSON,

NOEL L. VILLANUEVA, FRANCISCO JOSE II 'BINGO' F. MATUGAS, WAY KURAT ZAMORA, RODOLFO B. ALBANO, ABDULLAH D. DIMAPORO, JESUS CRISPIN C. REMULLA, ROMEO S. MOMO SR., DATU ROONIE Q. SINSUAT SR., MA. VICTORIA V. UMALI, RAMON V. GUICO III, JOCELYN P. TULFO, ERICO ARISTOTLE C. AUMENTADO, FAUSTINO 'INNO' A. DY V, JUAN PABLO "RIMPY" P. BONDOD, MANUEL F. ZUBIRI, YASSER ALONTO BALINDONG, NARCISO R. BRAVO JR., LUISA LLOREN CUARESMA, ROMMEL RICO T. ANGARA, GODOFREDO N. GUYA, JOHNNY TY PIMENTEL, FRANCISCO 'KIKO' B. BENITEZ, EMMARIE "LOLYPOP" M. OUANO-DIZON, SANDRO L. GONZALEZ, JOCELYN SY LIMKAICHONG, MANUEL T. SAGARBARRIA, DAVID 'JAY-JAY' C. SUAREZ, DIEGO C. TY, PAUL RUIZ DAZA, RUWEL PETER S. GONZAGA, MARICEL G. NATIVIDAD-NAGAÑO, PABLO C. ORTEGA, ROSANNA 'RIA' VERGARA, LUIS N. CAMPOS JR., MANUEL JOSE "MANNIX" M. DALIPE, JOHN REYNALD M. TIANGCO, HENRY S. OAMINAL, WILTER 'SHARKY' WEE PALMA II, ROLANDO 'KLAREX' A. UY, 'KUYA' JOSE ANTONIO R. SY-ALVARADO, GREG G. GASATAYA, ALFREDD. VARGAS, ALFRED C. DELOS SANTOS, RODANTE D. MARCOLETA, RANEO E. ABU, WES GATCHALIAN, WILTON T. KHO, ROGELIO "RUEL" D. PACQUIAO AND MARK O. GO

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, 261, 263, 264, 266, 275, 290, 291, 292 AND ADDING NEW SECTIONS 6-A, 282-A, 293, 294, 294-A, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, AND 316, ALL UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

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

1 SECTION 1. *Short Title.* – This Act shall be known as the “Corporate Income Tax and
2 Incentives Rationalization Act” or “CITIRA.”

3 SEC. 2. Section 4 of the National Internal Revenue Code of 1997, as amended, is hereby
4 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 laws
7 shall be under the exclusive and original jurisdiction of the Commissioner, subject
8 to review by the Secretary of Finance: **PROVIDED, THAT THE POWER TO
9 INTERPRET THE PROVISIONS OF TITLE XIII OF THIS CODE SHALL
10 BE THE EXCLUSIVE AND ORIGINAL JURISDICTION OF THE
11 SECRETARY OF FINANCE.**

12 “The power to decide disputed assessments, refunds of internal revenue taxes,
13 fees or other charges, penalties imposed in relation thereto, or other matters arising

1 under this Code or other laws or portions thereof administered by the Bureau of
2 Internal Revenue is vested in the Commissioner, subject to the exclusive appellate
3 jurisdiction of the Court of Tax Appeals.”

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

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

11 “(A) x x x

12 “(B) x x x

13 “(C) x x x

14 “(D) x x x; [and]

15 “(E) x x x[.]; AND

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

28 **“THE SERVICE OF A *SUBPOENA DUCES TECUM* SHALL BE
29 EFFECTED BY THE REVENUE OFFICERS ASSIGNED TO
30 INVESTIGATE THE CASE. HOWEVER, SUCH SERVICE MAY BE
31 MADE BY ANY OTHER AUTHORIZED INTERNAL REVENUE
32 OFFICER.**

33 **“THE *SUBPOENA DUCES TECUM* SHALL BE SERVED THROUGH
34 PERSONAL SERVICE, BUT IF NOT PRACTICABLE, IT SHALL BE**

1 **SERVED BY SUBSTITUTED SERVICE IN ACCORDANCE WITH THE**
2 **RULES OF COURT.**

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

5 “**BOOKS, RECORDS, AND DOCUMENTS SUBMITTED PURSUANT**
6 **TO A SUBPOENA DUCES TECUM SHALL BE PLACED UNDER THE**
7 **CUSTODY OF THE RECEIVING OFFICER WHO SHALL BE**
8 **RESPONSIBLE FOR ITS SAFEKEEPING AND PRESERVATION,**
9 **SUBJECT TO APPLICABLE RULES.”**

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

12 “**SEC. 6-A. SERVICE OF LETTER OF AUTHORITY, AND**
13 **ASSESSMENT NOTICES ISSUED BY THE BUREAU.** – THE NOTICE TO
14 THE TAXPAYER HEREIN REQUIRED MAY BE SERVED BY THE
15 COMMISSIONER OR THE DULY AUTHORIZED REPRESENTATIVE
16 THROUGH PERSONAL SERVICE AT THE TAXPAYER’S REGISTERED
17 ADDRESS. IN CASE PERSONAL SERVICE IS NOT PRACTICABLE, THE
18 NOTICE SHALL BE SERVED BY SUBSTITUTED SERVICE IN
19 ACCORDANCE WITH THE RULES OF COURT.”

20 SEC. 5. Section 20 of the National Internal Revenue Code of 1997, as amended, is
21 hereby further amended to read as follows:

22 “**SEC. 20. Submission of Report and Pertinent Information by the**
23 **Commissioner.** –

24 “(A) xxx

25 “(B) **SUBMISSION OF TAX-RELATED INFORMATION TO THE**
26 **DEPARTMENT OF FINANCE.** – THE PROVISIONS OF SECTION 71,
27 NOTWITHSTANDING, THE COMMISSIONER SHALL, UPON THE
28 REQUEST OF THE SECRETARY OF FINANCE SPECIFICALLY
29 IDENTIFYING THE NEEDED INFORMATION AND JUSTIFICATION
30 FOR SUCH REQUEST, FURNISH THE SECRETARY PERTINENT
31 TAXPAYER INFORMATION: **PROVIDED, HOWEVER, THAT THE**
32 **SECRETARY AND THE RELEVANT OFFICERS HANDLING SUCH**
33 **SPECIFIC INFORMATION SHALL BE COVERED BY THE PROVISIONS**
34 **OF SECTION 270.**

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

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

9 “SEC. 22. *Definitions.* – x x x

10 “(A) x x x

11 “(B) x x x

12 “(C) x x x

13 “(D) x x x

14 “(E) The term ‘nonresident citizen’ means:

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

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

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

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

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

34 “x x x.”

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

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

4 “(A) *In General.* – Except as otherwise provided in this Code, [an income tax
5 of thirty-five percent (35%)] **AN INCOME TAX RATE OF THIRTY
6 PERCENT (30%),** is hereby imposed upon the taxable income derived during
7 each taxable year from all sources within and without the Philippines by every
8 corporation, as defined in Section 22(B) of this Code and taxable under this Title
9 as a corporation, organized in, or existing under the laws of the Philippines:
10 [*Provided*, That effective January 1, 2009, the rate of income tax shall be thirty
11 percent (30%).] **PROVIDED, THAT THE RATE OF CORPORATE INCOME
12 TAX SHALL BE TWENTY-NINE PERCENT (29%) BEGINNING
13 JANUARY 1, 2020; TWENTY-EIGHT PERCENT (28%) BEGINNING
14 JANUARY 1, 2021; TWENTY-SEVEN PERCENT (27%) BEGINNING
15 JANUARY 1, 2022; TWENTY-SIX PERCENT (26%) BEGINNING
16 JANUARY 1, 2023; TWENTY-FIVE PERCENT (25%) BEGINNING
17 JANUARY 1, 2024; TWENTY-FOUR PERCENT (24%) BEGINNING
18 JANUARY 1, 2025; TWENTY-THREE PERCENT (23%) BEGINNING
19 JANUARY 1, 2026; TWENTY-TWO PERCENT (22%) BEGINNING
20 JANUARY 1, 2027; TWENTY-ONE PERCENT (21%) BEGINNING
21 JANUARY 1, 2028; AND TWENTY PERCENT (20%) BEGINNING
22 JANUARY 1, 2029: *PROVIDED, FURTHER,* THAT THE SCHEDULED
23 RATE REDUCTION SHALL BE SUBJECT TO REVIEW BY THE
24 SECRETARY OF FINANCE IN 2025: *PROVIDED, FURTHERMORE,*
25 THAT THE SCHEDULED DECREASE IN THE RATE MAY BE
26 SUSPENDED BY THE PRESIDENT UPON RECOMMENDATION OF
27 THE SECRETARY OF FINANCE IF THE PROJECTED DEFICIT
28 TARGET AS A PERCENT OF GDP EXCEEDS THE PROGRAMMED
29 DEFICIT, AS DETERMINED BY THE DEVELOPMENT BUDGET
30 COORDINATION COMMITTEE (DBCC) IN THE PRECEDING YEAR
31 PRIOR TO THE SCHEDULED REDUCTION IN THE CIT RATE, BASED
32 ON THE ANNUAL REVIEW OF THE MEDIUM TERM FISCAL
33 PROGRAM: *PROVIDED, FINALLY,* THAT THE PRESIDENT MAY
34 ADVANCE THE SCHEDULED REDUCTION IN THE CORPORATE**

1 **INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED**
2 **FROM THE RATIONALIZATION OF FISCAL INCENTIVES UNDER**
3 **TITLE XIII OF THIS CODE, AS CERTIFIED BY THE SECRETARY OF**
4 **FINANCE.**

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

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

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

17 “(1) A tax effort ratio of twenty percent (20%) of Gross National Product
18 (GNP);

19 “(2) A ratio of forty percent (40%) of income tax collection to total tax
20 revenues;

21 “(3) A VAT tax effort of four percent (4%) of GNP; and

22 “(4) A 0.9 percent (0.9%) ratio of the Consolidated Public Sector Financial
23 Position (CPSFP) to GNP.

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

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

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

1 “For a trading or merchandising concern, ‘cost of goods sold’ shall include
2 the invoice cost of the goods sold, plus import duties, freight in transporting the
3 goods to the place where the goods are actually sold, including insurance while the
4 goods are in transit.

5 “For a manufacturing concern, ‘cost of goods manufactured and sold’ shall
6 include all costs of production of finished goods, such as raw materials used, direct
7 labor and manufacturing overhead, freight cost, insurance premiums and other
8 costs incurred to bring the raw materials to the factory or warehouse.]

9 “[In the case of taxpayers engaged in the sale of service, ‘gross income’
10 means gross receipts less sales returns, allowances and discounts.]

11 “(B) *Proprietary Educational Institutions and Hospitals.* –

12 “x x x.”

13 *Provided*, That if the gross income from ‘unrelated trade, business or other
14 activity’ exceeds fifty percent (50%) of the total gross income derived by such
15 educational institutions or hospitals from all sources, the tax prescribed in
16 Subsection (A) hereof shall be imposed on the entire taxable income. For purposes
17 of this Subsection, the term ‘unrelated trade, business or other activity’ means any
18 trade, business or other activity, the conduct of which is not substantially related to
19 the exercise or performance by such educational institution or hospital of its
20 primary purpose or function. A ‘proprietary educational institution’ is any private
21 school maintained and administered by private individuals or groups with an issued
22 permit to operate from the Department of Education[Culture and Sports (DECS)]
23 (**DEPED**), or the Commission on Higher Education (CHED), or the Technical
24 Education and Skills Development Authority (TESDA), as the case may be, in
25 accordance with existing laws and regulations.

26 “(C) *Government-owned or -Controlled Corporations, Agencies or
27 Instrumentalities.* – The provisions of existing special or general laws to the
28 contrary notwithstanding, all corporations, agencies, or instrumentalities owned or
29 controlled by the Government, except the Government Service Insurance System
30 (GSIS), the Social Security System (SSS), **HOME DEVELOPMENT MUTUAL
31 FUND (HDMF)**, the Philippine Health Insurance Corporation (PHIC), and the
32 local water districts (**LWDs**) shall pay such rate of tax upon their taxable income
33 as are imposed by this Section upon corporations or associations engaged in a
34 similar business, industry, or activity.

1 “(D) x x x

2 “(E) x x x.”

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

5 “SEC. 28. *Rates of Income Tax on Foreign Corporations.* –

6 “(A) *Tax on Resident Foreign Corporations.* –

7 “(1) *In General.* – Except as otherwise provided in this Code, a corporation
8 organized, authorized, or existing under the laws of any foreign country, engaged
9 in trade or business within the Philippines, shall be subject to an income tax
10 equivalent to [thirty-five percent (35%)] **THIRTY PERCENT (30%)** of the
11 taxable income derived in the preceding taxable year from all sources within the
12 Philippines: *[Provided,* That effective January 1, 2009, the rate of income tax shall
13 be thirty percent (30%).] **PROVIDED, THAT THE RATE OF CORPORATE**
14 **INCOME TAX SHALL BE TWENTY-NINE PERCENT (29%) BEGINNING**
15 **JANUARY 1, 2020; TWENTY-EIGHT PERCENT (28%) BEGINNING**
16 **JANUARY 1, 2021; TWENTY-SEVEN PERCENT (27%) BEGINNING**
17 **JANUARY 1, 2022; TWENTY-SIX PERCENT (26%) BEGINNING**
18 **JANUARY 1, 2023; TWENTY-FIVE PERCENT (25%) BEGINNING**
19 **JANUARY 1, 2024; TWENTY-FOUR PERCENT (24%) BEGINNING**
20 **JANUARY 1, 2025; TWENTY-THREE PERCENT (23%) BEGINNING**
21 **JANUARY 1, 2026; TWENTY-TWO PERCENT (22%) BEGINNING**
22 **JANUARY 1, 2027; TWENTY-ONE PERCENT (21%) BEGINNING**
23 **JANUARY 1, 2028; AND TWENTY PERCENT (20%) BEGINNING**
24 **JANUARY 1, 2029: PROVIDED, FURTHER, THAT THE SCHEDULED**
25 **RATE REDUCTION SHALL BE SUBJECT TO REVIEW BY THE**
26 **SECRETARY OF FINANCE IN 2025: PROVIDED, FURTHERMORE,**
27 **THAT THE SCHEDULED DECREASE IN THE RATE MAY BE**
28 **SUSPENDED BY THE PRESIDENT UPON RECOMMENDATION OF**
29 **THE SECRETARY OF FINANCE IF THE PROJECTED DEFICIT**
30 **TARGET AS A PERCENT OF GDP EXCEEDS THE PROGRAMMED**
31 **DEFICIT, AS DETERMINED BY THE DEVELOPMENT BUDGET**
32 **COORDINATION COMMITTEE (DBCC) IN THE PRECEDING YEAR**
33 **PRIOR TO THE SCHEDULED REDUCTION IN THE CIT RATE, BASED**
34 **ON THE ANNUAL REVIEW OF THE MEDIUM TERM FISCAL**

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

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

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

15 “*[Provided, however,* That a resident foreign corporation shall be granted the
16 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 specified by the
27 Secretary of Finance, upon recommendation of the Monetary Board which shall be
28 subject to the regular income tax payable by banks: *Provided, however,* That any
29 interest income derived from foreign currency loans granted to residents other than
30 offshore banking units or local commercial banks, including local branches of
31 foreign banks that may be authorized by the BSP to transact business with offshore
32 banking units, shall be subject only to a final tax at the rate of ten percent (10%).

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

1 “[(5)] (4) *Tax on Branch Profits Remittances.* – Any profit remitted by a
2 branch to its head office shall be subject to a tax of fifteen percent (15%) which
3 shall be based on the total profits applied or earmarked for remittance without any
4 deduction for the tax component thereof [(except those activities which are
5 registered with the Philippine Economic Zone Authority)]. x x x

6 “[(6)] (5) *Regional or Area Headquarters and Regional Operating
7 Headquarters of Multinational Companies.* –

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

10 “(b) Regional operating headquarters as defined in Section 22(EE) shall pay
11 a tax of ten percent (10%) of their taxable income: **“PROVIDED, THAT AFTER
12 TWO YEARS FROM THE EFFECTIVITY OF THIS ACT, REGIONAL
13 OPERATING HEADQUARTERS SHALL BE SUBJECT TO THE
14 REGULAR CORPORATE INCOME TAX.”**

15 “[(7)] (6) *Tax on Certain Incomes Received by a Resident Foreign
16 Corporation.* –

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

27 “(b) *Income Derived under the Expanded Foreign Currency Deposit System.*
28 – x x x

29 “(c) *Capital Gains from Sale of Shares of Stock Not Traded in the Stock
30 Exchange.* – A final tax at the rate[s prescribed below] **OF FIFTEEN PERCENT
31 (15%)** is hereby imposed upon the net capital gains realized during the taxable year
32 from the sale, barter, exchange or other disposition of shares of stock in a domestic
33 corporation except shares sold or disposed of through the stock exchange:

34 “[Not over P100,000 5%

1 “On any amount in excess of P100,000 10%]

2 “(d) *Intercorporate Dividends.* – x x x

3 “(B) *Tax on Nonresident Foreign Corporation.* –

4 “(1) *In General.* – Except as otherwise provided in this Code, a foreign
5 corporation not engaged in trade or business in the Philippines shall pay a tax equal
6 to [thirty-five percent (35%)] **THIRTY PERCENT (30%)** of the gross income
7 received during each taxable year from all sources within the Philippines, such as
8 interests, dividends, rents, royalties, salaries, premiums (except reinsurance
9 premiums), annuities, emoluments or other fixed or determinable annual, periodic
10 or casual gains, profits and income, and capital gains, except capital gains subject
11 to tax under subparagraph 5(c): [Provided, That effective January 1, 2009, the
12 rate of income tax shall be thirty percent (30%).] **PROVIDED, THAT THE RATE**
13 **OF CORPORATE INCOME TAX SHALL BE TWENTY-NINE PERCENT**
14 **(29%) BEGINNING JANUARY 1, 2020; TWENTY-EIGHT PERCENT**
15 **(28%) BEGINNING JANUARY 1, 2021; TWENTY-SEVEN PERCENT**
16 **(27%) BEGINNING JANUARY 1, 2022; TWENTY-SIX PERCENT (26%)**
17 **BEGINNING JANUARY 1, 2023; TWENTY-FIVE PERCENT (25%)**
18 **BEGINNING JANUARY 1, 2024; TWENTY-FOUR PERCENT (24%)**
19 **BEGINNING JANUARY 1, 2025: TWENTY-THREE PERCENT (23%)**
20 **BEGINNING JANUARY 1, 2026; TWENTY-TWO PERCENT (22%)**
21 **BEGINNING JANUARY 1, 2027; TWENTY-ONE PERCENT (21%)**
22 **BEGINNING JANUARY 1, 2028; AND TWENTY PERCENT (20%)**
23 **BEGINNING JANUARY 1, 2029: PROVIDED, FURTHER, THAT THE**
24 **SCHEDULED RATE REDUCTION SHALL BE SUBJECT TO REVIEW BY**
25 **THE SECRETARY OF FINANCE IN 2025: PROVIDED, FURTHERMORE,**
26 **THAT THE SCHEDULED DECREASE IN THE RATE MAY BE**
27 **SUSPENDED BY THE PRESIDENT UPON RECOMMENDATION OF**
28 **THE SECRETARY OF FINANCE IF THE PROJECTED DEFICIT**
29 **TARGET AS A PERCENT OF GDP EXCEEDS THE PROGRAMMED**
30 **DEFICIT, AS DETERMINED BY THE DEVELOPMENT BUDGET**
31 **COORDINATION COMMITTEE (DBCC) IN THE PRECEDING YEAR**
32 **PRIOR TO THE SCHEDULED REDUCTION IN THE CIT RATE, BASED**
33 **ON THE ANNUAL REVIEW OF THE MEDIUM TERM FISCAL**
34 **PROGRAM: PROVIDED, FINALLY, THAT THE PRESIDENT MAY**

1 **ADVANCE THE SCHEDULED REDUCTION IN THE CORPORATE
2 INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED
3 FROM THE RATIONALIZATION OF FISCAL INCENTIVES UNDER
4 TITLE XIII OF THIS CODE, AS CERTIFIED BY THE SECRETARY OF
5 FINANCE.**

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

9 “(3) x x x

10 “(4) x x x

11 “(5) *Tax on Certain Incomes Received by a Nonresident Foreign
12 Corporation.* –

13 “(a) *Interest on Foreign Loans.* – x x x

14 “(b) *Intercorporate Dividends.* – A final withholding tax at the rate of fifteen
15 percent (15%) is hereby imposed on the amount of cash and/or property dividends
16 received from a domestic corporation, which shall be collected and paid as provided
17 in Section 57(A) of this Code, subject to the condition that the country in which the
18 nonresident foreign corporation is domiciled, shall allow a credit against the tax
19 due from the nonresident foreign corporation taxes deemed to have been paid in the
20 Philippines equivalent to [twenty percent (20%)] **FIFTEEN PERCENT (15%)**,
21 which represents the difference between the regular income tax [of thirty-five
22 percent (35%)] and the fifteen percent (15%) tax on dividends as provided in this
23 subparagraph: *Provided*, That [effective January 1, 2009] **EFFECTIVE
24 JANUARY 1, 2020**, the credit against the tax due shall be equivalent to [fifteen
25 percent (15%), which represents] the difference between the regular income tax
26 RATE [of thirty percent (30%)] and the fifteen percent (15%) tax on dividends;

27 “(c) *Capital Gains from Sale of Shares of Stock not Traded in the Stock
28 Exchange.* – A final tax at the rate[s prescribed below] **OF FIFTEEN PERCENT
29 (15%)** is hereby imposed upon the net capital gains realized during the taxable year
30 from the sale, barter, exchange or other disposition of shares of stock in a domestic
31 corporation, except shares sold, or disposed of through the stock exchange.[:

32 “Not over P100,000 5%

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

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

3 “SEC. 34. *Deductions from Gross Income.* – Except for taxpayers earning
4 compensation income arising from personal services rendered under an employer-
5 employee relationship where no deductions shall be allowed under this Section, in
6 computing taxable income subject to income tax under Sections 24(A); 25(A); 26;
7 27(A), (B), and (C); and 28(A)(1), there shall be allowed the following deductions
8 from gross income:

9 “(A) *Expenses.* –

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

11 “x x x

12 “(B) *Interest.* –

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

23 **“(A) IF RATE IS TWENTY-NINE PERCENT (29%), INTEREST**
24 **EXPENSE REDUCTION RATE IS THIRTY-ONE PERCENT (31%);**

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

27 **“(C) IF RATE IS TWENTY-SEVEN PERCENT (27%), INTEREST**
28 **EXPENSE REDUCTION RATE IS TWENTY-SIX PERCENT (26%);**

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

31 **“(E) IF RATE IS TWENTY-FIVE PERCENT (25%), INTEREST**
32 **EXPENSE REDUCTION RATE IS TWENTY PERCENT (20%);**

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

1 “(G) IF RATE IS TWENTY-THREE PERCENT (23%), INTEREST
2 EXPENSE REDUCTION RATE IS THIRTEEN PERCENT (13%);

3 (H) IF RATE IS TWENTY-TWO PERCENT (22%), INTEREST
4 EXPENSE REDUCTION RATE IS NINE PERCENT (9%);

5 “(I) IF RATE IS TWENTY-ONE PERCENT (21%), INTEREST
6 EXPENSE REDUCTION RATE IS FIVE PERCENT (5%);

7 (J) IF RATE IS TWENTY PERCENT (20%), INTEREST EXPENSE
8 REDUCTION RATE IS ZERO PERCENT (0%).

9 “**PROVIDED, FINALLY, THAT IF THE INTEREST INCOME TAX IS**
10 **ADJUSTED IN THE FUTURE, THE INTEREST EXPENSE REDUCTION**
11 **RATE SHALL BE ADJUSTED ACCORDINGLY BASED ON THE**
12 **PRESCRIBED STANDARD FORMULA AS DEFINED IN THE RULES**
13 **AND REGULATIONS TO BE PROMULGATED BY THE SECRETARY OF**
14 **FINANCE, UPON THE RECOMMENDATION OF THE COMMISSIONER.**

15 “(2) x x x

16 “(C) Taxes. -- x x x

17 “(D) Losses. – x x x

18 “(E) Bad Debts. – x x x

19 “(F) Depreciation. – x x x

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

21 “(H) Charitable and Other Contributions. – x x x

22 “(I) Research and Development. – x x x

23 “(J) Pension Trusts. – x x x

24 “(K) Additional Requirements for Deductibility of Certain Payments. – x x x

25 “(L) Optional Standard Deduction (OSD). – In lieu of the deductions allowed
26 under the preceding Subsections, an individual subject to tax under Section 24,
27 other than a nonresident alien, [may elect a standard deduction in an amount not
28 exceeding forty percent (40%) of his gross sales or gross receipts, as the case
29 maybe. In the case of a] AND A corporation **CLASSIFIED AS A MICRO,**
30 **SMALL AND MEDIUM-SIZED ENTERPRISE AS DETERMINED BY THE**
31 **DEPARTMENT OF TRADE AND INDUSTRY AND** subject to tax under
32 Sections 27(A) and 28(A)(1), [it] may elect a standard deduction in an amount not
33 exceeding forty percent (40%) of its gross income as defined in Section 32 of this
34 Code. Unless the taxpayer signifies in [his] THE TAX return [his] THE intention

1 to elect the optional standard deduction, [he] **THE TAXPAYER** shall be
2 considered as having availed [himself] of the deductions allowed in the preceding
3 Subsections. Such election when made in the return shall be irrevocable for the
4 taxable year for which the return is made: *Provided*, That an individual who is
5 entitled to and claimed for the optional standard deduction shall not be required to
6 submit with [his] **THE** tax return such financial statements otherwise required
7 under this Code: *[Provided, further]*, That a general professional partnership and the
8 partners comprising such partnership may avail of the optional standard deduction
9 only once, either by the general professional partnership or the partners comprising
10 the partnership:] *Provided, [finally,] FURTHER*, That except when the
11 Commissioner otherwise permits, the said individual shall keep such records
12 pertaining to [his] gross sales or gross receipts, or the said corporation shall keep
13 such records pertaining to [his]**THE** gross income as defined in Section 32 of this
14 Code during the taxable year, as may be required by the rules and regulations
15 promulgated by the Secretary of Finance, upon recommendation of the
16 Commissioner.

17 “Notwithstanding the provisions of the preceding Subsections, the Secretary
18 of Finance, upon recommendation of the Commissioner, after a public hearing shall
19 have been held for this purpose, may prescribe by rules and regulations, limitations
20 or ceilings for any of the itemized deductions under Subsections (A) to (J) of this
21 Section: *Provided*, That for purposes of determining such ceilings or limitations,
22 the Secretary of Finance shall consider the following factors: (1) adequacy of the
23 prescribed limits on the actual expenditure requirements of each particular industry;
24 and (2) effects of inflation on expenditure levels: *Provided, further*, That no
25 ceilings shall further be imposed on items of expense already subject to ceilings
26 under present law.”

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

29 “SEC. 40. *Determination of Amount and Recognition of Gain or Loss.* –
30 “(A) x x x
31 “(B) x x x
32 “(C) *Exchange of Property.* –
33 “(1) x x x

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

8 “(a) A corporation, which is a party to a merger or consolidation, exchanges
9 property solely for stock in a corporation, which is a party to the merger or
10 consolidation; or

11 “(b) [A shareholder exchanges stock in a corporation, which is a party to the
12 merger or consolidation, solely for the stock of another corporation also a party to
13 the merger or consolidation; or] **THE ACQUISITION BY ONE**
14 **CORPORATION, IN EXCHANGE SOLELY FOR ALL OR A PART OF ITS**
15 **VOTING STOCK, OR IN EXCHANGE SOLELY FOR ALL OR A PART OF**
16 **THE VOTING STOCK OF A CORPORATION WHICH IS IN CONTROL**
17 **OF THE ACQUIRING CORPORATION, OF STOCK OF ANOTHER**
18 **CORPORATION IF, IMMEDIATELY AFTER THE ACQUISITION, THE**
19 **ACQUIRING CORPORATION HAS CONTROL OF SUCH OTHER**
20 **CORPORATION WHETHER OR NOT SUCH ACQUIRING**
21 **CORPORATION HAD CONTROL IMMEDIATELY BEFORE THE**
22 **ACQUISITION;**

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

1 **"(D) A RECAPITALIZATION; OR**

2 **"(E) A REINCORPORATION.**

3 "No gain or loss shall also be recognized if property is transferred to a
4 corporation by a person in exchange for stock or unit of participation in such a
5 corporation of which as a result of such exchange said person, alone or together
6 with others, not exceeding four (4) persons, [gains control of said corporation]
7 **AND, IMMEDIATELY AFTER, SUCH PERSON OR PERSONS ARE IN**
8 **CONTROL:** *Provided*, That stocks issued for services shall not be considered as
9 issued in return for property.

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

14 **"THE PROVISION OF SECTION 50 OF THIS CODE SHALL BE**
15 **APPLIED AND ENFORCED IN CASES WHERE THE TRANSACTION OR**
16 **ARRANGEMENT ENTERED INTO IS FOUND TO BE NOT FOR A**
17 **LEGITIMATE OR BONA FIDE BUSINESS PURPOSE.**

18 **"SALE OR EXCHANGES OF PROPERTY USED FOR BUSINESS**
19 **FOR SHARES OF STOCK COVERED UNDER THIS SUBSECTION**
20 **SHALL NOT BE SUBJECT TO VALUE-ADDED TAX (VAT).**

21 "x x x."

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

24 **"SEC. 50. [Allocation of Income and Deductions. -In the case of two or**
25 **more organizations, trades or businesses (whether or not incorporated and whether**
26 **or not organized in the Philippines) owned or controlled directly or indirectly by**
27 **the same interests, the Commissioner is authorized to distribute, apportion or**
28 **allocate gross income or deductions between or among such organization, trade or**
29 **business, if he determines that such distribution, apportionment or allocation is**
30 **necessary in order to prevent evasion of taxes or clearly to reflect the income of**
31 **any such organization, trade or business.] AUTHORITY OF THE**
32 **COMMISSIONER TO DISTRIBUTE, APPORTION, ALLOCATE, AND**
33 **IMPUTE INCOME AND DEDUCTIONS TO DISREGARD AND**
34 **COUNTERACT TAX AVOIDANCE ARRANGEMENTS. - IN CASE OF TWO**

1 (2) OR MORE ORGANIZATIONS, TRADES OR BUSINESSES,
2 WHETHER OR NOT ORGANIZED IN THE PHILIPPINES, OWNED OR
3 CONTROLLED DIRECTLY OR INDIRECTLY BY THE SAME
4 INTERESTS, THE COMMISSIONER IS AUTHORIZED TO DISTRIBUTE,
5 APPORTION, ALLOCATE, OR IMPUTE INCOME OR DEDUCTIONS
6 BETWEEN OR AMONG SUCH ORGANIZATIONS, TRADES OR
7 BUSINESSES, IF THE COMMISSIONER DETERMINES THAT SUCH
8 DISTRIBUTION, APPORTIONMENT, ALLOCATION, OR IMPUTATION
9 IS NECESSARY TO PREVENT AVOIDANCE OF TAXES OR TO
10 CLEARLY REFLECT THE INCOME OF ANY SUCH ORGANIZATION,
11 TRADE, OR BUSINESS.

12 “IN CASES WHEN A TRANSACTION OR ARRANGEMENT,
13 WHETHER ENTERED INTO BY THE PERSON AFFECTED BY THE
14 TRANSACTION OR ARRANGEMENT OR BY ANOTHER PERSON,
15 THAT DIRECTLY OR INDIRECTLY HAS TAX AVOIDANCE AS ITS
16 PURPOSE OR EFFECT, WHETHER OR NOT ANY OTHER PURPOSE OR
17 EFFECT IS ATTRIBUTABLE TO ORDINARY BUSINESS OR FAMILY
18 DEALINGS, IF THE TAX AVOIDANCE PURPOSE OR EFFECT IS NOT
19 MERELY INCIDENTAL, THE COMMISSIONER IS AUTHORIZED TO
20 DISREGARD AND CONSIDER SUCH TRANSACTION OR
21 ARRANGEMENT AS VOID FOR INCOME TAX PURPOSES, AND MAY
22 ADJUST THE TAXABLE INCOME OF A PERSON AFFECTED BY
23 THE ARRANGEMENT.

24 “FOR PURPOSES OF THIS SECTION, THE TERM ‘TAX
25 AVOIDANCE’ INCLUDES: (A) DIRECTLY OR INDIRECTLY
26 ALTERING THE INCIDENCE OF ANY INCOME TAX; (B) DIRECTLY
27 OR INDIRECTLY EXEMPTING A PERSON FROM LIABILITY TO PAY
28 INCOME TAX OR FROM A POTENTIAL OR PROSPECTIVE LIABILITY
29 TO FUTURE INCOME TAX; OR (C) DIRECTLY OR INDIRECTLY
30 AVOIDING, POSTPONING, OR REDUCING ANY LIABILITY TO
31 INCOME TAX, OR ANY POTENTIAL OR PROSPECTIVE LIABILITY
32 TO FUTURE INCOME TAX. THERE IS TAX AVOIDANCE IN THE
33 AFOREMENTIONED INSTANCES WHERE THE TRANSACTION OR
34 ARRANGEMENT IS FOR THE PURPOSE OF OBTAINING A TAX

1 **BENEFIT OR ADVANTAGE WITH NO COMMERCIAL REALITY OR**
2 **ECONOMIC EFFECT AND THE USE OF THE PROVISIONS OF TAX**
3 **LAWS ON SUCH TRANSACTION OR ARRANGEMENT WOULD NOT**
4 **HAVE BEEN THE INTENTION OF THE LAW.”**

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

7 “*SEC. 73. Distribution of Dividends or Assets by Corporations.* —

8 “(A) *Definition of Dividends.* — The term ‘dividends’ when used in this Title
9 means any distribution made by a corporation to its shareholders out of its earnings
10 or profits and payable to its shareholders, whether in money or in other property.

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

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

22 **“(C) LIQUIDATING DIVIDENDS. — LIQUIDATING DIVIDENDS**
23 **ARE DIVIDENDS REPRESENTING THE REMAINING GAINS**
24 **REALIZED OR LOSS SUSTAINED BY THE STOCKHOLDER IN A**
25 **COMPLETE LIQUIDATION OR DISSOLUTION BY A CORPORATION**
26 **AND SHALL BE CONSIDERED AS TAXABLE INCOME OR A**
27 **DEDUCTIBLE LOSS, AS THE CASE MAY BE.**

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

33 “[(D)] **(E) Net Income of a Partnership Deemed Constructively Received by**
34 **Partners.** — The taxable income declared by a partnership for a taxable year which

1 is subject to tax under Section 27(A) of this Code, after deducting the corporate
2 income tax imposed therein, shall be deemed to have been actually or
3 constructively received by the partners in the same taxable year and shall be taxed
4 to them in their individual capacity, whether actually distributed or not.”

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

7 “SEC. 112. *Refunds [or Tax Credits] of Input Tax.* –

8 “(A) *Zero-Rated or Effectively Zero-Rated Sales.* – Any VAT-registered
9 person, whose sales are zero-rated or effectively zero-rated may, within two (2)
10 years after the close of the taxable quarter when the sales were made, apply for [the
11 issuance of a tax credit certificate or] refund of creditable input tax due or paid
12 attributable to such sales, except transitional input tax, to the extent that such input
13 tax has not been applied against output tax: *Provided, however,* That in the case of
14 zero-rated sales under Section 106(A)(2)(a)(1), (2) and [(b) and] Section 108 (B)(1)
15 and (2), the acceptable foreign currency exchange proceeds thereof had been duly
16 accounted for in accordance with the rules and regulations of the Bangko Sentral
17 ng Pilipinas (BSP): *Provided, further,* That where the taxpayer is engaged in zero-
18 rated or effectively zero-rated sale and also in taxable or exempt sale of goods or
19 properties or services, and the amount of creditable input tax due or paid cannot be
20 directly and entirely attributed to any one of the transactions, it shall be allocated
21 proportionately on the basis of the volume of sales: *Provided, finally,* That for a
22 person making sales that are zero-rated under Section 108(B)(6), the input taxes
23 shall be allocated ratably between his zero-rated and non-zero-rated sales.

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

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

32 “SEC. 117. *Percentage Tax on Domestic Carriers and Keepers of Garages.*
33 – Cars for rent or hire driven by the lessee; transportation contractors, including
34 persons who transport passengers for hire, and other domestic carriers by land for

1 the transport of passengers (except **OWNERS OR OPERATORS OF**
2 **TRICYCLES OPERATING NOT MORE THAN TWO (2) UNITS**, owners of
3 bancas, and owners of animal-drawn two-wheeled vehicle), and keepers of garages
4 shall pay a tax equivalent to three percent (3%) of their quarterly gross receipts.

5 “x x x.”

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

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

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

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

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

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

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

19 “For other cases, a minimum compromise rate equivalent to forty percent
20 (40%) of the basic assessed tax.

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

26 “x x x.”

27 SEC. 16. Section 222 of the National Internal Revenue Code of 1997, as amended, is
28 hereby amended to read as follows:

29 “*SEC. 222. Exceptions as to Period of Limitation of Assessment and
30 Collection of Taxes.* –

31 “(a) x x x

32 “(b) If before the expiration of the time prescribed in Section 203 for the
33 assessment of the tax, [both the Commissioner and] the taxpayer [have agreed]
34 **APPLIES WITH THE COMMISSIONER** in writing [to its] **FOR** assessment

1 [after such time], the tax may be assessed within the period [agreed upon]
2 **SPECIFIED IN THE APPLICATION WHICH SHALL NOT EXCEED SIX**
3 **(6) MONTHS AT ANY ONE TIME.** The **FOREGOING** period [so agreed upon]
4 may be extended by subsequent written [agreement] **APPLICATION** made before
5 the expiration of the period previously [agreed upon] **APPLIED FOR.**

6 “x x x.”

7 SEC. 17. Section 237 of the National Internal Revenue Code of 1997, as amended, is
8 hereby amended to read as follows:

9 “SEC. 237. *Issuance of Receipts or Sales or Commercial Invoices.* —

10 “(A) *Issuance.* — x x x

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

29 **“A PUBLIC CERTIFICATION SYSTEM SHALL REFER TO A**
30 **DIGITAL PERSONAL AUTHENTICATION PROGRAM WITH ABILITY**
31 **TO VERIFY THE IDENTITY OF ISSUING TAXPAYER AND ATTEST TO**
32 **THE AUTHENTICITY OF THE INFORMATION IN THE ELECTRONIC**
33 **RECEIPTS OR SALES OR COMMERCIAL INVOICES. THIS MAY**
34 **INCLUDE THE USE OF DIGITAL SIGNATURE ISSUED BY**

1 **CERTIFICATION AUTHORITY AS ACCREDITED BY THE BUREAU OF**
2 **INTERNAL REVENUE.**

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

9 **"AN APPROVED TAX TRANSACTION NUMBER SHALL REFER**
10 **TO THE UNIQUE ASSIGNED SERVICE NUMBERS AND/OR LETTERS**
11 **LINKED TO A VALIDATED SALES TRANSACTION REPORTED**
12 **THROUGH THE DESIGNATED ELECTRONIC CHANNEL.**

13 "The original of each receipt or invoice shall be issued to the purchaser,
14 customer, or client at the time the transaction is effected, who, if engaged in the
15 business or in the exercise of profession, shall keep and preserve the same in his
16 place of business for a period of three (3) years from the close of the taxable year
17 in which such invoice or receipt was issued, while the duplicate shall be kept and
18 preserved by the issuer, also in his place of business, for a like period: *Provided*,
19 That in case of electronic receipts or sales or commercial invoices, digital record of
20 the same [shall be kept by the purchaser, customer or client and the issuer for the
21 same period above stated] **BEARING THE APPROVED ELECTRONIC TAX**
22 **TRANSACTION NUMBER SHALL BE SUFFICIENT COMPLIANCE.**

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

25 SEC. 18. Section 237-A of the National Internal Revenue Code of 1997, as amended, is
26 hereby amended to read as follows:

27 "*SEC. 237-A. Electronic Sales Reporting System.* – Within five (5) years
28 from the effectivity of this Act and upon the establishment of a system capable of
29 storing and processing the required data, the Bureau shall require taxpayers
30 engaged in the export of goods and services, and taxpayers engaged in e-commerce
31 and taxpayers under the jurisdiction of the Large Taxpayers Service to **USE A**
32 **SYSTEM CAPABLE OF ISSUING ELECTRONIC RECEIPTS OR SALES**
33 **OR COMMERCIAL INVOICES, COLLECT TRANSACTION RECORDS,**
34 **AND TRANSMIT THE SAME THROUGH THE DESIGNATED**

1 **ELECTRONIC CHANNELS OF THE BUREAU IN THE STANDARD**
2 **FORMAT REQUIRED** [electronically report their sales data to the Bureau
3 through the use of electronic point of sales systems,] subject to the rules and
4 regulations to be issued by the Secretary of Finance upon recommendation of the
5 Commissioner of Internal Revenue: *Provided*, That the **POINT OF SALE (POS)**
6 machines, **VALUE-ADDED NETWORK (VAN) TERMINALS**, fiscal devices,
7 and fiscal memory devices **WITH CAPACITY TO MAKE SUCH**
8 **TRANSMISSION** shall be at the expense of the taxpayers: **PROVIDED,**
9 **FURTHER, THAT SUBJECT TO THE RULES AND REGULATIONS TO**
10 **BE ISSUED BY THE SECRETARY OF FINANCE, THE COMMISSIONER**
11 **MAY REQUIRE ANY TAXPAYER TO COMPLY WITH THE**
12 **PROVISIONS OF THIS SECTION.**

13 “**IN YEAR ONE (1) TO YEAR FOUR (4) OF THE**
14 **IMPLEMENTATION PERIOD, A TAXPAYER WHO ADOPTS THE**
15 **REQUIRED SYSTEM SHALL BE GRANTED A TAX CREDIT OF 0.1% OF**
16 **THE PURCHASE VALUE, NET OF VALUE-ADDED TAX, FOR EVERY**
17 **ELECTRONIC RECEIPT OR SALE OR COMMERCIAL INVOICE**
18 **TRANSMITTED THROUGH THE DESIGNATED ELECTRONIC**
19 **CHANNELS OF THE BUREAU AND ISSUED AN ELECTRONIC TAX**
20 **TRANSACTION NUMBER.**

21 “**IN SUPPORT OF THE ELECTRONIC SALES REPORTING**
22 **SYSTEM, THE BUREAU OF INTERNAL REVENUE MAY GRANT TAX**
23 **INCENTIVES FOR ELECTRONICALLY TRACEABLE PAYMENTS**
24 **(ETP) IN THE FORM OF ALLOWABLE DEDUCTIBLE EXPENSE OF UP**
25 **TO TEN PERCENT (10%) OF THE ETP MADE BY THE TAXPAYER. AN**
26 **ANNUAL LIMIT ON THE ALLOWED ETP DEDUCTIBLE EXPENSE PER**
27 **TAXPAYER MAY BE SET BY THE COMMISSIONER WITH THE**
28 **APPROVAL OF THE SECRETARY OF FINANCE.**

29 “**ELECTRONICALLY TRACEABLE PAYMENTS REFER TO**
30 **CREDIT CARD, DEBIT CARD, OR OTHER METHODS OF PAYMENT**
31 **WITH A SYSTEM TO VERIFY OR LINK THE PAYMENT TO THE**
32 **IDENTITY OF PAYOR.**

33 “**THE BUREAU MAY LIKEWISE ESTABLISH A RECEIPT AND**
34 **INVOICE LOTTERY PROGRAM FOR ELECTRONIC RECEIPTS OR**

1 **SALES OR COMMERCIAL INVOICES TRANSMITTED THROUGH THE**
2 **DESIGNATED ELECTRONIC CHANNELS OF THE BUREAU AND**
3 **ISSUE A CORRESPONDING ELECTRONIC TAX TRANSACTION**
4 **NUMBER.**

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

9 “The Bureau shall also establish policies, risk management approaches,
10 actions, trainings, and technologies to protect the cyber environment, organization,
11 and data in compliance with Republic Act No. 10175 or the ‘Cybercrime
12 Prevention Act of 2012.’”

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

15 “*SEC. 255. Failure to File Return, Supply Correct and Accurate Information,*
16 *Pay Tax Withhold and Remit Tax and Refund Excess Taxes Withheld on*
17 *Compensation.* – Any person required under this Code or by rules and regulations
18 promulgated thereunder to pay any tax, make a return, keep any record, or supply
19 correct and accurate information, who willfully fails to pay such tax, make such
20 return, keep such record, or supply correct and accurate information, or withhold
21 or remit taxes withheld, or refund excess taxes withheld on compensation, at the
22 time or times required by law or rules and regulations shall, in addition to other
23 penalties provided by law, upon conviction thereof, be punished by a fine of not
24 less than [Ten thousand pesos (P10,000)] **ONE HUNDRED THOUSAND**
25 **PESOS (P100,000) BUT NOT MORE THAN ONE MILLION TWO**
26 **HUNDRED THOUSAND PESOS (P1,200,000)** and [suffer] imprisonment of
27 not less than one (1) year but not more than ten (10) years.

28 “Any person who attempts to make it appear for any reason that [he]**THE**
29 **TAXPAYER** or another has in fact filed a return or statement, or actually files a
30 return or statement and subsequently withdraws the same return or statement after
31 securing the official receiving seal or stamp of receipt of internal revenue office
32 wherein the same was actually filed shall, upon conviction therefore, be punished
33 by a fine of not less than [Ten thousand pesos (P10,000) but not more than Twenty
34 thousand pesos (P20,000)] **ONE HUNDRED THOUSAND PESOS (P100,000)**

1 **BUT NOT MORE THAN ONE MILLION TWO HUNDRED THOUSAND**
2 **PESOS (P1,200,000)** and [suffer] imprisonment of not less than one (1) year but
3 not more than three (3) years.”

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

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

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

16 “SEC. 257. *Penal Liability for Making False Entries, Records or Reports, or*
17 *Using Falsified or Fake Accountable Forms.* –

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

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

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

29 “(B) Any person who:

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

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

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

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

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

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

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

14 “(8) Willfully attempts in any manner to evade or defeat any tax imposed
15 under this Code, or knowingly uses fake or falsified revenue official receipts,
16 Letters of Authority, certificates authorizing registration, Tax Credit Certificates,
17 Tax Debit Memoranda and other accountable forms shall, upon conviction for each
18 act or omission, be punished by a fine not less than [Fifty thousand pesos (P50,000)
19 but not more than One hundred thousand pesos (P100,000)] **THREE HUNDRED**
20 **THOUSAND PESOS (P300,000) BUT NOT MORE THAN ONE MILLION**
21 **TWO HUNDRED THOUSAND PESOS (P1,200,000)** and [suffer]
22 imprisonment of not less than two (2) years but not more than six (6) years.

23 “If the offender is a Certified Public Accountant, [his] **THE** certificate [as]
24 **OF BEING** a Certified Public Accountant shall be automatically revoked or
25 cancelled upon conviction.

26 “In the case of foreigners, conviction under this Code shall result in [his]
27 **THEIR** immediate deportation after serving sentence, without further proceedings
28 for deportation.”

29 SEC. 22. Section 258 of the National Internal Revenue Code of 1997, as amended, is
30 hereby amended to read as follows:

31 “SEC. 258. *Unlawful Pursuit of Business.* – Any person who carries on any
32 business for which an annual registration fee is imposed without paying the tax as
33 required by law shall, upon conviction for each act or omission, be punished by a
34 fine of not less than [Five thousand pesos (P5,000) but not more than Twenty

1 thousand pesos (P20,000)] **FIFTY THOUSAND PESOS (P50,000) BUT NOT**
2 **MORE THAN THREE HUNDRED THOUSAND PESOS (P300,000)** and [
3 suffer] imprisonment of not less than six (6) months but not more than two (2)
4 years: *Provided*, That in the case of a person engaged in the business of distilling,
5 rectifying, repacking, compounding or manufacturing any article subject to excise
6 tax, [he] shall, upon conviction for each act or omission, be punished by a fine of
7 not less than [Thirty thousand pesos (P30,000) but not more than Fifty thousand
8 pesos (P50,000)] **THREE HUNDRED THOUSAND PESOS (P300,000) BUT**
9 **NOT MORE THAN SEVEN HUNDRED THOUSAND PESOS (P700,000)**
10 and [suffer] imprisonment of not less than two (2) years but not more than four
11 (4) years.”

12 SEC. 23. Section 261 of the National Internal Revenue Code of 1997, as amended, is
13 hereby amended to read as follows:

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

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

32 SEC. 24. Section 263 of the National Internal Revenue Code of 1997, as amended, is
33 hereby amended to read as follows:

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

7 “(a) XXX

8 “(b) XXX

9 “(c) XXX

10 “(d) XXX

11 **“(E) A FINE OF NOT LESS THAN ONE MILLION FIVE HUNDRED**
12 **THOUSAND PESOS (P1,500,000) BUT NOT MORE THAN FIFTEEN**
13 **MILLION PESOS (P15,000,000), AND IMPRISONMENT OF NOT LESS**
14 **THAN SIX (6) YEARS AND ONE (1) DAY BUT NOT MORE THAN**
15 **TWELVE (12) YEARS, IF THE APPRAISED VALUE, TO BE**
16 **DETERMINED IN THE MANNER PRESCRIBED IN THE CUSTOMS**
17 **MODERNIZATION AND TARIFF ACT, INCLUDING DUTIES AND**
18 **TAXES, OF THE ARTICLES IS MORE THAN FIVE MILLION PESOS**
19 **(P5,000,000) BUT NOT MORE THAN FIFTY MILLION PESOS**
20 **(P50,000,000);**

21 **“(F) A FINE OF NOT LESS THAN FIFTEEN MILLION PESOS**
22 **(P15,000,000) BUT NOT MORE THAN FIFTY MILLION PESOS**
23 **(P50,000,000), AND IMPRISONMENT OF NOT LESS THAN TWELVE (12)**
24 **YEARS AND ONE (1) DAY BUT NOT MORE THAN TWENTY (20)**
25 **YEARS, IF THE APPRAISED VALUE, TO BE DETERMINED IN THE**
26 **MANNER PRESCRIBED IN THE CUSTOMS MODERNIZATION AND**
27 **TARIFF ACT, INCLUDING DUTIES AND TAXES, OF THE ARTICLES IS**
28 **MORE THAN FIFTY MILLION PESOS (P50,000,000) BUT NOT MORE**
29 **THAN TWO HUNDRED MILLION PESOS (P200,000,000); OR**

30 **“(G) A FINE OF NOT LESS THAN FIFTY MILLION PESOS**
31 **(P50,000,000) AND IMPRISONMENT OF TWENTY (20) YEARS AND ONE**
32 **(1) DAY BUT NOT MORE THAN THIRTY (30) YEARS, IF THE**
33 **APPRAISED VALUE OF THE GOODS UNLAWFULLY IMPORTED TO**
34 **BE DETERMINED IN THE MANNER PRESCRIBED IN THE CUSTOMS**

1 **MODERNIZATION AND TARIFF ACT, INCLUDING DUTIES AND**
2 **TAXES, EXCEEDS TWO HUNDRED MILLION PESOS (P200,000,000) OR**
3 **IF THE AGGREGATE AMOUNT OF THE APPRAISED VALUE OF THE**
4 **GOODS WHICH ARE THE SUBJECT OF UNLAWFUL IMPORTATION**
5 **COMMITTED IN MORE THAN ONE INSTANCE, INCLUDING DUTIES**
6 **AND TAXES, EXCEEDS TWO HUNDRED MILLION PESOS**
7 **(P200,000,000).**

8 “XXX

9 SEC. 25. Section 264 of the National Internal Revenue Code of 1997, as amended, is
10 hereby amended to read as follows:

11 “*SEC. 264. Failure or Refusal to Issue Receipts or Sales or Commercial*
12 *Invoices, Violations Related to the Printing of such Receipts or Invoices and Other*
13 *Violations.* —

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

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

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

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

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

32 SEC. 26. Section 266 of the National Internal Revenue Code of 1997, as amended, is
33 hereby amended to read as follows:

1 “SEC. 266. *Failure to Obey Summons.* – Any person who, being duly
2 summoned to appear to testify, or to appear and produce books of accounts,
3 records, memoranda or other papers, or to furnish information as required under
4 the pertinent provisions of this Code, neglects to appear or to produce such books
5 of accounts, records, memoranda or other papers, or to furnish such information,
6 shall, upon conviction, be punished by a fine of not less than [Five thousand pesos
7 (P5,000)] **ONE HUNDRED THOUSAND PESOS (₱100,000)** but not more than
8 [Ten thousand pesos (P10,000)] **THREE HUNDRED THOUSAND PESOS**
9 (**₱300,000**) and [suffer] imprisonment of not less than one (1) year but not more
10 than two (2) years.”

11 SEC. 27. Section 275 of the National Internal Revenue Code of 1997, as amended, is
12 hereby amended to read as follows:

13 “SEC. 275. *Violation of Other Provisions of this Code or Rules and*
14 *Regulations in General.* – Any person who violates any provision of this Code or
15 any rule or regulation promulgated by the Department of Finance, for which no
16 specific penalty is provided by law, shall, upon conviction for each act or omission,
17 be punished by a fine of not more than [One thousand pesos (P1,000)] **TEN**
18 **THOUSAND PESOS (₱10,000)** or [suffer] imprisonment of not more than [six
19 (6 months] **TWO (2) YEARS**, or both.”

20 SEC. 28. A new section is hereby inserted after Section 282 of the National Internal
21 Revenue Code of 1997, as amended, to read as follows:

22 **“SEC. 282-A. VIOLATION OF THE PROVISIONS OF THIS CODE**
23 **AMOUNTING TO ECONOMIC SABOTAGE.** – ANY VIOLATION OF
24 SECTION 254 OF THIS CODE THAT UNDERMINES, WEAKENS OR
25 RENDERS INTO DISREPUTE THE ECONOMIC SYSTEM OR
26 VIABILITY OF THE COUNTRY OR TENDS TO BRING OUT SUCH
27 EFFECTS, IN LIEU OF THE PENALTY SET IN THE PRECEDING
28 PROVISIONS, SHALL CONSTITUTE ECONOMIC SABOTAGE, AND,
29 UPON CONVICTION FOR EACH ACT OR OMISSION, BE PUNISHED
30 BY A FINE OF NOT LESS THAN FIFTY MILLION PESOS (₱50,000,000)
31 AND IMPRISONMENT OF TWELVE (12) YEARS AND ONE (1) DAY BUT
32 NOT MORE THAN TWENTY (20) YEARS.”

33 SEC. 29. Section 290 of the National Internal Revenue Code of 1997, as amended, is
34 hereby further amended to read as follows:

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

2 “A Congressional Oversight Committee, hereinafter referred to as the
3 Committee, is hereby constituted in accordance with the provisions of this Code.
4 The Committee shall be composed of the [Chairmen] **CHAIRPERSONS** of the
5 Committee on Ways and Means of the Senate and House of representatives...x x x

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

7 “(1) x x x;

8 “(2) x x x;

9 “(3) x x x; [and]

10 “(4) x x x[.];

11 **“(5) REVIEW THE PERFORMANCE OF INVESTMENT
12 PROMOTION AGENCIES AND THE FISCAL INCENTIVES REVIEW
13 BOARD; AND**

14 **“(6) EVALUATE THE EFFECTIVENESS OF THE INCENTIVES
15 GRANTED TO REGISTERED ENTERPRISES AND THE
16 FORMULATION OF THE STRATEGIC INVESTMENT PRIORITY
17 PLAN.**

18 “x x x.”

19 SEC. 30. A new Title XIII shall be inserted in the National Internal Revenue Code of
20 1997, as amended, to read as follows:

21 **“TITLE XIII
22 TAX INCENTIVES
23 “CHAPTER I**

24 **“GENERAL PROVISIONS ON TAX INCENTIVES**

25 **“SEC 291. *SCOPE AND COVERAGE.* – THIS TITLE SHALL COVER
26 ALL EXISTING INVESTMENT PROMOTION AGENCIES (IPAS) AS
27 DEFINED IN THIS CODE OR RELATED LAWS, AND ALL OTHER IPAS
28 AND SIMILAR AUTHORITIES THAT MAY BE CREATED BY LAW.**

29 **“THE IPAS SHALL MAINTAIN THEIR FUNCTIONS AND POWERS
30 AS PROVIDED UNDER THE SPECIAL LAWS GOVERNING THEM
31 EXCEPT ON THE EXTENT MODIFIED BY THE PROVISIONS OF THIS
32 CODE.**

33 **“SEC. 292. *EXTENT OF AUTHORITY TO GRANT TAX INCENTIVES.*
34 – ALL IPAS SHALL RECOMMEND TO THE FIRB THE TAX**

1 INCENTIVES PROVIDED IN THIS TITLE TO REGISTERED
2 ENTERPRISES ONLY TO THE EXTENT OF THEIR APPROVED
3 REGISTERED PROJECTS OR ACTIVITIES UNDER THE STRATEGIC
4 INVESTMENT PRIORITY PLAN (SIPP). THE PERIOD OF AVAILMENT
5 OF INCENTIVES SHALL BE RECKONED FROM THE START OF
6 COMMERCIAL OPERATION.

7 “SALES RECEIPTS AND OTHER INCOME DERIVED FROM NON-
8 REGISTERED ACTIVITY OR PROJECT SHALL BE SUBJECT TO
9 APPROPRIATE TAXES UNDER THIS CODE.

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

14 “SEC. 293. **DEFINITIONS.** – WHEN USED IN THIS TITLE:

15 “(A) **CAPITAL EQUIPMENT** REFERS TO MACHINERY,
16 EQUIPMENT, MAJOR COMPONENTS THEREOF, FITTINGS AND
17 ACCOMPANIMENTS WHICH ARE DIRECTLY AND REASONABLY
18 NEEDED IN THE REGISTERED ACTIVITY OF THE REGISTERED
19 ENTERPRISE.

20 “(B) **EXPORT SALES OF GOODS** REFER TO THE SALES OF AN
21 EXPORT ENTERPRISE PAID FOR IN FREELY CONVERTIBLE
22 FOREIGN CURRENCY INWARDLY REMITTED TO THE PHILIPPINES,
23 FROM THE FOLLOWING:

24 “(1) THE SALE AND ACTUAL SHIPMENT OF GOODS FROM THE
25 PHILIPPINES TO A FOREIGN COUNTRY BY AN EXPORT
26 ENTERPRISE INCLUDING OUTSOURCE SERVICES USED TO
27 PRODUCE FINAL EXPORT GOODS;

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

30 “(3) SALES OF AN EXPORT ENTERPRISE TO AN
31 INTERNATIONAL SEA OR AIR TRANSPORT OPERATIONS OF
32 GOODS, EQUIPMENT, SPARE PARTS, AND SUPPLIES, EXCEPT FUEL,
33 FORMING PART OF DIRECT COSTS AND TO BE USED IN THE

AIRCRAFT OR SEACRAFT, AND CAPITAL EQUIPMENT NEEDED FOR THE SHIPPING OR AIR TRANSPORT OPERATIONS.

“(C) *EXPORT SALES OF SERVICES* REFER TO THE SALES OF AN EXPORT ENTERPRISE, PAID FOR IN FREELY CONVERTIBLE FOREIGN CURRENCY INWARDLY REMITTED TO THE PHILIPPINES, FOR THE FOLLOWING:

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

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

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

“(D) *INVESTMENT PROMOTION AGENCIES (IPAS)* REFER TO GOVERNMENT ENTITIES CREATED BY LAW, EXECUTIVE ORDER, DECREE OR OTHER ISSUANCE, IN CHARGE OF PROMOTING INVESTMENTS, ADMINISTERING NON-TAX INCENTIVES, AND OVERSEEING THE OPERATIONS OF THE DIFFERENT ECONOMIC ZONES AND FREEPORTS IN ACCORDANCE WITH THEIR RESPECTIVE CHARTERS. THESE INCLUDE THE BOARD OF INVESTMENTS (BOI), REGIONAL BOARD OF INVESTMENTS AUTONOMOUS REGION IN MUSLIM MINDANAO (RBOI-ARMM), PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA), BASES CONVERSION AND DEVELOPMENT AUTHORITY (BCDA), SUBIC BAY METROPOLITAN AUTHORITY (SBMA), CLARK DEVELOPMENT CORPORATION (CDC), JOHN HAY MANAGEMENT CORPORATION (JHMC), PORO POINT MANAGEMENT CORPORATION (PPMC), CAGAYAN ECONOMIC ZONE AUTHORITY (CEZA), ZAMBOANGA CITY SPECIAL ECONOMIC ZONE AUTHORITY (ZCSEZA), PHIVIDECA INDUSTRIAL AUTHORITY (PIA), AURORA PACIFIC ECONOMIC ZONE AND FREEPORT AUTHORITY (APECO), AUTHORITY OF THE FREEPORT AREA OF BATAAN (AFAB), TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY (TIEZA), AND ALL OTHER

1 **SIMILAR EXISTING AUTHORITIES OR THAT MAY BE CREATED BY**
2 **LAW IN THE FUTURE.**

3 **"(E) OTHER GOVERNMENT AGENCIES ADMINISTERING FISCAL**
4 **INCENTIVES (OGA) REFER TO GOVERNMENT AGENCIES OTHER THAN**
5 **IPAS WHICH REGISTER OR ADMINISTER FISCAL INCENTIVES OF ANY**
6 **KIND TO ANY SPECIFIC ENTITIES AND/OR CLASS OF PERSONS**
7 **PURSUANT TO ANY LAW.**

8 **(F) OTHER REGISTERED ENTITIES (ORES) REFER TO ANY**
9 **INDIVIDUAL, PARTNERSHIP, ORGANIZATION, CORPORATION,**
10 **PHILIPPINE BRANCH OF A FOREIGN CORPORATION, OR OTHER**
11 **ENTITY INCORPORATED AND/OR ORGANIZED AND EXISTING UNDER**
12 **PHILIPPINE LAWS, AND REGISTERED WITH OTHER OGAS**
13 **ADMINISTERING FISCAL INCENTIVES.**

14 **(G) REGISTERED ENTERPRISE REFERS TO ANY INDIVIDUAL,**
15 **PARTNERSHIP, CORPORATION, PHILIPPINE BRANCH OF A**
16 **FOREIGN CORPORATION, OR OTHER ENTITY ORGANIZED AND**
17 **EXISTING UNDER PHILIPPINE LAWS AND REGISTERED WITH AN**
18 **INVESTMENT PROMOTION AGENCY (IPA) AS DEFINED UNDER**
19 **REPUBLIC ACT NO. 10708, OR THE TAX INCENTIVES MANAGEMENT**
20 **AND TRANSPARENCY ACT (TIMTA) LAW, EXCLUDING SERVICE**
21 **ENTERPRISES SUCH AS THOSE ENGAGED IN CUSTOMS**
22 **BROKERAGE, TRUCKING OR FORWARDING SERVICES,**
23 **JANITORIAL SERVICES, SECURITY SERVICES, INSURANCE,**
24 **BANKING, AND OTHER FINANCIAL SERVICES, CONSUMERS'**
25 **COOPERATIVES, CREDIT UNIONS, CONSULTANCY SERVICES,**
26 **RETAIL ENTERPRISES, RESTAURANTS, OR SUCH OTHER SIMILAR**
27 **SERVICES, AS MAY BE DETERMINED BY THE IPA BOARD,**
28 **IRRESPECTIVE OF LOCATION, WHETHER INSIDE OR OUTSIDE THE**
29 **ZONES, DULY ACCREDITED OR LICENSED BY ANY OF THE IPAS**
30 **AND WHOSE INCOME DELIVERED WITHIN THE ECONOMIC ZONES**
31 **SHALL BE SUBJECT TO TAXES UNDER THE NATIONAL INTERNAL**
32 **REVENUE CODE OF 1997, AS AMENDED.**

33 **"(H) SPECIAL ECONOMIC ZONE OR ECOZONE REFERS TO A**
34 **SELECTED AREA, WHICH SHALL BE OPERATED AND MANAGED AS**

A SEPARATE CUSTOMS TERRITORY THAT IS HIGHLY DEVELOPED OR HAS THE POTENTIAL TO BE DEVELOPED INTO AN AGRO-INDUSTRIAL, INDUSTRIAL, INFORMATION TECHNOLOGY, OR TOURIST/RECREATIONAL AREA, WHOSE METES AND BOUNDS ARE FIXED OR DELIMITED BY PRESIDENTIAL PROCLAMATIONS AND WITHIN A SPECIFIC GEOGRAPHICAL AREA: *PROVIDED*, THAT FOR THE ECOZONE TO QUALIFY AS A SEPARATE CUSTOMS TERRITORY, AN ECOZONE SHALL HAVE A PERMANENT CUSTOMS CONTROL OR CUSTOMS OFFICE AT ITS PERIMETER AND MAY CONTAIN ANY OR ALL OF THE FOLLOWING: INDUSTRIAL ESTATES (IES), EXPORT PROCESSING ZONES (EPZS), ICT PARKS AND CENTERS, AND FREE TRADE ZONES: *PROVIDED, HOWEVER*, THAT AREAS WHERE MINING EXTRACTION IS UNDERTAKEN SHALL NOT BE DECLARED AS AN ECOZONE: *PROVIDED, FURTHER*, THAT VERTICAL ECONOMIC ZONES, SUCH AS, BUT NOT LIMITED TO, BUILDINGS, SELECTED FLOORS WITHIN BUILDINGS, AND SELECTED AREAS ON A FLOOR, NEED TO COMPLY WITH THE MINIMUM CONTIGUOUS LAND AREA AS DETERMINED BY THE FISCAL INCENTIVES REVIEW BOARD (FIRB).

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

1 **FREEPORt SHALL HAVE A PERMANENT CUSTOMS CONTROL OR**
2 **CUSTOMS OFFICE AT ITS PERIMETER.**

3 **“CHAPTER II**

4 **“TAX AND DUTY INCENTIVES**

5 **“SEC. 294. INCENTIVES. – REGISTERED PROJECTS OR**
6 **ACTIVITIES UNDER THE STRATEGIC INVESTMENT PRIORITY**
7 **PLAN SHALL BE QUALIFIED TO INCOME TAX INCENTIVES AND**
8 **ENHANCED DEDUCTIONS, THE DURATION OF WHICH SHALL**
9 **FOLLOW SECTION 294 (A) (1) :**

10 **“(A) INCOME TAX INCENTIVES**

11 **“(1) INCOME TAX HOLIDAY (ITH). –**

- 12 **(a) NATIONAL CAPITAL REGION (NCR) – UP TO 3 YEARS;**
- 13 **(b) AREAS ADJACENT TO METRO MANILA COMPOSED OF**
14 **LAGUNA, BULACAN, CAVITE, AND RIZAL – UP TO 4 YEARS;**
- 15 **(c) ALL OTHER AREAS NOT COVERED BY SUBPARAGRAPHS**
16 **(a) AND (b) – UP TO 6 YEARS**

17 **PROVIDED, THAT AFTER THE EXPIRATION OF THE ITH, THE**
18 **REDUCED CORPORATE INCOME TAX RATE UNDER SECTION 294**
19 **(A) (2) OR ENHANCED DEDUCTIONS UNDER SECTION 294-A MAY BE**
20 **APPLIED FOR THE FOLLOWING DURATION:**

- 21 **(a) NATIONAL CAPITAL REGION (NCR) – UP TO 2 YEARS;**
- 22 **(b) AREAS ADJACENT TO METRO MANILA COMPOSED OF**
23 **LAGUNA, BULACAN, CAVITE, AND RIZAL – UP TO 3 YEARS;**
- 24 **(c) ALL OTHER AREAS NOT COVERED BY SUBPARAGRAPHS**
25 **(a) AND (b) – UP TO 4 YEARS**

26 **“(2) REDUCED CORPORATE INCOME TAX. – A REDUCED TAX**
27 **RATE OF EIGHTEEN PERCENT (18%) OF THE TAXABLE INCOME AS**
28 **DEFINED UNDER SECTION 31 OF THIS CODE EFFECTIVE JANUARY**
29 **1, 2020: PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX**
30 **SHALL BE SEVENTEEN PERCENT (17%) BEGINNING JANUARY 1,**
31 **2022; SIXTEEN PERCENT (16%) BEGINNING JANUARY 1, 2024;**
32 **FIFTEEN PERCENT (15%) BEGINNING JANUARY 1, 2026; FOURTEEN**
33 **PERCENT (14%) BEGINNING JANUARY 1, 2028; AND THIRTEEN**
34 **PERCENT (13%) BEGINNING JANUARY 1, 2030: PROVIDED,**

1 **FURTHER, THAT IN THE CASE OF REGISTERED ENTERPRISES
2 WITHIN ECONOMIC ZONES AND FREEPORTS, THE TAX SHALL BE
3 DIRECTLY REMITTED AS FOLLOWS:**

4 **"FIFTEEN PERCENT (15%) TO THE NATIONAL GOVERNMENT
5 IN 2020 AND 2021; FOURTEEN PERCENT (14%) TO THE NATIONAL
6 GOVERNMENT IN 2022 AND 2023; THIRTEEN PERCENT (13%) TO
7 THE NATIONAL GOVERNMENT IN 2024 AND 2025; TWELVE
8 PERCENT (12%) TO THE NATIONAL GOVERNMENT IN 2026 AND
9 2027; ELEVEN PERCENT (11%) TO THE NATIONAL GOVERNMENT IN
10 2028 AND 2029; AND TEN PERCENT (10%) TO THE NATIONAL
11 GOVERNMENT IN 2030 AND THEREAFTER;**

12 **"ONE POINT FIVE PERCENT (1.5%) TO THE TREASURER'S
13 OFFICE OF THE PROVINCE WHERE THE ENTERPRISE IS LOCATED,
14 IN LIEU OF THE LOCAL BUSINESS TAX;**

15 **"ONE POINT FIVE PERCENT (1.5%) TO THE TREASURER'S
16 OFFICE OF THE MUNICIPALITY OR COMPONENT CITY WHERE
17 THE ENTERPRISE IS LOCATED, IN LIEU OF THE LOCAL BUSINESS
18 TAX;**

19 **"*PROVIDED*, THAT IF THE ENTERPRISE IS UNDER THE
20 JURISDICTION OF A HIGHLY URBANIZED CITY (HUC) OR
21 INDEPENDENT COMPONENT CITY (ICC), THE THREE PERCENT
22 (3%) SHARE OF THE LGU SHALL BE DIRECTLY REMITTED TO THE
23 TREASURER'S OFFICE OF THE HUC OR ICC.**

24 **"*PROVIDED*, THAT IN LIEU OF THE ITH UNDER SECTION 294(A)
25 (1) OR THE REDUCED TAX RATE OF EIGHTEEN PERCENT (18%)
26 UNDER SECTION 294(A)(2), THE TAX INCENTIVES UNDER SECTION
27 294-A (1), (2), (3), (4), (5), (6), (7) AND (8) MAY BE GRANTED ON AN
28 INDUSTRY-SPECIFIC BASIS AS DETERMINED BY THE FIRB. THE
29 FIRB SHALL PRESCRIBE THE LEVEL OF ADDITIONAL DEDUCTION
30 FOR SELECTED INDUSTRIES.**

31 **"*PROVIDED, FURTHER*, THAT IN NO SUCH CASE SHALL AN
32 INCOME TAX INCENTIVE BE EXTENDED BEYOND THE INITIAL
33 GRANT INDICATED IN SECTION 294 (A) (1), EXCEPT THOSE**

1 **PROVIDED UNDER SECTION 294-A (5) AND (7), SECTIONS 295 AND**
2 **296.**

3 **“(B) DUTY EXEMPTION - EXEMPTION FROM CUSTOMS DUTY**
4 **ON IMPORTATION OF CAPITAL EQUIPMENT AND RAW**
5 **MATERIALS DIRECTLY AND EXCLUSIVELY USED IN THE**
6 **REGISTERED ACTIVITY BY REGISTERED ENTERPRISES:**
7 **PROVIDED, THAT THE FIVE (5) YEAR- LIMIT IN THIS SUBSECTION**
8 **SHALL NOT APPLY TO FREEPORT ZONES AS DEFINED UNDER THIS**
9 **TITLE.**

10 **“PROVIDED, FURTHER, THAT EXPANSION OF REGISTERED**
11 **ACTIVITIES MAY BE GRANTED DUTY EXEMPTION ON CAPITAL**
12 **EQUIPMENT ONLY, SUBJECT TO THE FOLLOWING CONDITIONS:**

13 **“(1) THE ACTIVITY IS STILL COVERED BY THE STRATEGIC**
14 **INVESTMENT PRIORITY PLAN (SIPP) OR IS AN INNOVATION**
15 **PROJECT AS DEFINED IN THE STRATEGIC INVESTMENT PRIORITY**
16 **PLAN;**

17 **“(2) CUSTOMS DUTY EXEMPTION WILL ONLY APPLY ON THE**
18 **INCREMENTAL PORTION OF THE ACTIVITY; AND**

19 **“(3) THE CUSTOMS DUTY EXEMPTION EXTENSION SHALL NOT**
20 **EXCEED FIVE (5) YEARS.**

21 **“(C) VALUE-ADDED TAX (VAT)**

22 **“(1) REGISTERED ENTERPRISES WHOSE EXPORT SALES MEET**
23 **THE NINETY PERCENT (90%) THRESHOLD AND ARE LOCATED**
24 **WITHIN AN ECOZONE, FREEPORT, OR THOSE UTILIZING**
25 **CUSTOMS BONDED MANUFACTURING WAREHOUSE: VAT**
26 **EXEMPTION ON IMPORTATION AND VAT ZERO-RATING ON**
27 **DOMESTIC PURCHASES OF CAPITAL EQUIPMENT AND RAW**
28 **MATERIALS USED IN THE MANUFACTURING AND PROCESSING OF**
29 **PRODUCTS AND IMPORTATION OF SOURCE DOCUMENTS SHALL**
30 **APPLY.**

31 **“(2) REGISTERED ENTERPRISES WHOSE EXPORT SALES ARE**
32 **BELOW THE NINETY PERCENT (90%) THRESHOLD AND ARE**
33 **LOCATED WITHIN AN ECOZONE, FREEPORT, OR THOSE**
34 **UTILIZING CUSTOMS BONDED MANUFACTURING WAREHOUSE;**

VAT EXEMPTION ON IMPORTATION AND VAT ZERO-RATING ON DOMESTIC PURCHASES OF CAPITAL EQUIPMENT AND RAW MATERIALS USED IN THE MANUFACTURING AND PROCESSING OF PRODUCTS AND IMPORTATION OF SOURCE DOCUMENTS: *PROVIDED*, THAT THEY COMPLY WITH THE ELECTRONIC RECEIPTS OR INVOICING UNDER SECTIONS 237 AND 237-A OF THIS CODE.

“(3) REGISTERED ENTERPRISES WHOSE EXPORT SALES ARE BELOW NINETY PERCENT (90%) OR ARE LOCATED OUTSIDE AN ECOZONE OR FREEPORT REGARDLESS OF EXPORT SALES THRESHOLD: THE VALUE-ADDED TAX PROVISION IN TITLE IV OF THIS CODE AND SECTION 307 OF THIS ACT SHALL APPLY.

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

“SOURCE DOCUMENTS REFER TO INPUT MATERIALS AND DOCUMENTS REASONABLY NEEDED BY I.T. AND I.T.-ENABLED INDUSTRIES SUCH AS BOOKS, DIRECTORIES, MAGAZINES, NEWSPAPERS, BROCHURES, PAMPHLETS, MEDICAL RECORDS OR FILES, LEGAL RECORDS OR FILES, INSTRUCTION MATERIALS, AND DRAWINGS, BLUEPRINTS, OR OUTLINES.

SEC. 294-A. *ENHANCED DEDUCTIONS*. THE FOLLOWING ARE THE ADDITIONAL DEDUCTIONS THAT MAY BE GRANTED AFTER THE EXPIRATION OF THE ITH:

“(1) DEPRECIATION ALLOWANCE OF THE ASSETS ACQUIRED FOR THE ENTITY’S PRODUCTION OF GOODS AND SERVICES (QUALIFIED CAPITAL EXPENDITURE) – TEN PERCENT (10%) FOR BUILDINGS; AND TWENTY PERCENT (20%) FOR MACHINERIES

1 AND EQUIPMENT: *PROVIDED*, THAT DEPRECIATION MAY BE
2 COMPUTED USING ACCELERATED DEPRECIATION METHOD ON A
3 RATE NOT EXCEEDING TWICE THE RATE WHICH WOULD HAVE
4 BEEN USED HAD THE ANNUAL ALLOWANCE BEEN COMPUTED IN
5 ACCORDANCE WITH THE RULES AND REGULATIONS PRESCRIBED
6 BY THE SECRETARY OF FINANCE AND THE PROVISIONS OF THE
7 NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED:
8 *PROVIDED, FURTHER*, THAT THE ASSETS ARE ACQUIRED
9 DIRECTLY FOR THE REGISTERED ENTERPRISE'S PRODUCTION OF
10 GOODS AND SERVICES OTHER THAN ADMINISTRATIVE AND
11 OTHER SUPPORT SERVICES.

12 “(2) UP TO FIFTY PERCENT (50%) ADDITIONAL DEDUCTION ON
13 THE LABOR EXPENSE IN THE TAXABLE YEAR AS A CONSEQUENCE
14 OF AN INCREASE IN DIRECT LOCAL EMPLOYMENT: *PROVIDED*,
15 THAT THIS DOES NOT INCLUDE INDIRECT LABOR, SALARIES AND
16 WAGES, AND OTHER PERSONNEL COSTS INCURRED FOR
17 ADMINISTRATIVE AND OTHER SUPPORT SERVICES.

18 “(3) UP TO ONE HUNDRED PERCENT (100%) ADDITIONAL
19 DEDUCTION ON THE INCREMENT OF RESEARCH AND
20 DEVELOPMENT INCURRED IN THE TAXABLE YEAR: *PROVIDED*,
21 THAT IT IS DIRECTLY RELATED TO THE REGISTERED
22 ACTIVITY/IES OF THE ENTITY.

23 “(4) UP TO ONE HUNDRED PERCENT (100%) ADDITIONAL
24 DEDUCTION ON TRAININGS INCURRED: *PROVIDED*, THAT IT IS
25 GIVEN TO THE EMPLOYEES ENGAGED DIRECTLY IN THE
26 ENTITY'S PRODUCTION OF GOODS AND SERVICES: *PROVIDED*,
27 *FURTHER*, THAT THE FIRB HAS ISSUED A CORRESPONDING
28 CERTIFICATE OF ENTITLEMENT UPON APPLICATION, AND A
29 CERTIFICATE OF APPROVAL AFTER A REVIEW OF
30 DOCUMENTATION OF TRAININGS SUBMITTED BY THE
31 ENTERPRISE AT THE END OF THE TAXABLE YEAR, OTHERWISE,
32 THIS INCENTIVE SHALL BE DEEMED WAIVED.

33 “(5) UP TO ONE HUNDRED PERCENT (100%) DEDUCTION ON
34 INFRASTRUCTURE DEVELOPMENT. – REGISTERED ENTERPRISES

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

20 “(6) DEDUCTION FOR REINVESTMENT ALLOWANCE TO
21 MANUFACTURING INDUSTRY. – WHEN A MANUFACTURING
22 REGISTERED ENTERPRISE REINVESTS ITS UNDISTRIBUTED
23 PROFIT OR SURPLUS IN ANY OF THE ACTIVITIES LISTED IN THE
24 SIPP, THE AMOUNT SO REINVESTED TO A MAXIMUM OF FIFTY
25 PERCENT (50%) SHALL BE ALLOWED AS A DEDUCTION FROM ITS
26 TAXABLE INCOME WITHIN A PERIOD OF FIVE (5) YEARS FROM
27 THE TIME OF SUCH REINVESTMENT: *PROVIDED*, THAT PRIOR
28 APPROVAL BY THE FIRB OF SUCH REINVESTMENT WAS OBTAINED
29 BY THE REGISTERED ENTERPRISE PLANNING SUCH
30 REINVESTMENT.

31 “(7) ENHANCED NET OPERATING LOSS CARRY-OVER
32 (NOLCO). – THE NET OPERATING LOSS OF THE REGISTERED
33 ACTIVITY DURING THE FIRST THREE (3) YEARS FROM THE START
34 OF COMMERCIAL OPERATION WHICH HAD NOT BEEN

1 PREVIOUSLY OFFSET AS DEDUCTION FROM GROSS INCOME MAY
2 BE CARRIED OVER AS DEDUCTION FROM GROSS INCOME WITHIN
3 THE NEXT FIVE (5) CONSECUTIVE TAXABLE YEARS IMMEDIATELY
4 FOLLOWING THE YEAR OF SUCH LOSS.

5 “(8) UP TO FIFTY PERCENT (50%) ADDITIONAL DEDUCTION ON
6 THE INCREMENT OF THE DOMESTIC INPUT EXPENSE INCURRED
7 IN THE TAXABLE YEAR: *PROVIDED*, THAT IT IS DIRECTLY
8 RELATED TO AND ACTUALLY USED IN THE REGISTERED EXPORT
9 ACTIVITY OF THE REGISTERED ENTITY.

10 “**SEC. 295. INCENTIVES FOR AGRIBUSINESS.** – AGRIBUSINESS
11 PROJECTS OR ACTIVITIES OF REGISTERED ENTERPRISES
12 LOCATED OUTSIDE METRO MANILA AND OTHER URBAN AREAS
13 AS IDENTIFIED IN THE STRATEGIC INVESTMENT PRIORITY PLAN
14 SHALL BE ENTITLED TO ADDITIONAL THREE (3) YEARS OF
15 INCENTIVE UNDER SECTION 294, OF WHICH TWO (2) YEARS MAY
16 BE ADDITIONAL YEARS OF INCOME TAX HOLIDAY.

17 “**SEC. 296. PROJECTS OR ACTIVITIES LOCATED IN AREAS**
18 **RECOVERING FROM ARMED CONFLICT OR A MAJOR DISASTER.** –
19 PROJECTS OR ACTIVITIES OF REGISTERED ENTERPRISES
20 LOCATED IN AREAS RECOVERING FROM ARMED CONFLICT OR A
21 MAJOR DISASTER AS DETERMINED BY THE OFFICE OF THE
22 PRESIDENT SHALL BE ENTITLED TO ADDITIONAL THREE (3)
23 YEARS OF INCENTIVE UNDER SECTION 294, OF WHICH TWO (2)
24 YEARS MAY BE AN ADDITIONAL YEAR OF INCOME TAX HOLIDAY.

25 “**SEC. 297. RELOCATION PROJECTS OR ACTIVITIES.** – PRIOR TO
26 THE EFFECTIVITY OF THIS ACT, REGISTERED PROJECTS OR
27 ACTIVITIES RELOCATING FROM METRO MANILA AND SELECTED
28 URBANIZED AREAS ADJACENT TO METRO MANILA TO OTHER
29 AREAS OF THE COUNTRY SHALL BE ENTITLED TO ADDITIONAL
30 THREE (3) YEARS OF INCENTIVE UNDER SECTION 294, OF WHICH
31 TWO (2) YEARS MAY BE AN ADDITIONAL YEAR OF INCOME TAX
32 HOLIDAY.

33 **“CHAPTER III**
34 **“THE FISCAL INCENTIVES REVIEW BOARD**

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

8 (A) TO EXERCISE POLICY MAKING AND OVERSIGHT
9 FUNCTIONS OVER THE IPAS AND OGAS, THE FIRB SHALL:

10 (1) SET AND REVIEW THE GENERAL POLICY WITH REGARD
11 TO THE GRANT OF FISCAL INCENTIVES;

12 (2) REVIEW AND AUDIT THE COMPLIANCE OF IPAS AND
13 OGAS TO THE GENERAL POLICY ON INCENTIVES SET BY THE FIRB AS
14 MANDATED IN THIS ACT, THE STRATEGIC INVESTMENT PRIORITY
15 PLAN, AND THE RESPECTIVE CHARTERS OF THE IPAS AND OGAS; AND
16 IMPOSE SANCTIONS ON VIOLATION OR NON-COMPLIANCE OF IPAS
17 AND OGAS SUCH AS BUT NOT LIMITED TO SUSPENSION OR
18 CANCELATION OF THEIR POWER TO GRANT FISCAL INCENTIVES;

19 (3) DETERMINE THE MINIMUM CONTIGUOUS FLOOR AREA
20 THAT ECONOMIC ZONES SHOULD COMPLY WITH IN THE CASE OF
21 VERTICAL ZONES, SUCH AS BUT NOT LIMITED TO BUILDINGS,
22 SELECTED FLOORS WITHIN BUILDINGS, AND SELECTED AREAS ON A
23 FLOOR;

24 (4) CONDUCT REGULAR MONITORING AND EVALUATION OF
25 INVESTMENT AND NON-INVESTMENT FISCAL INCENTIVES, SUCH AS
26 USING COST-BENEFIT ANALYSIS (CBA), TO DETERMINE THEIR IMPACT
27 ON THE ECONOMY AND WHETHER AGREED PERFORMANCE TARGETS
28 ARE MET; AND

29 (5) CHECK AND VERIFY REGULARLY THE COMPLIANCE OF
30 RBES WHICH ARE GRANTED FISCAL INCENTIVES WITH THE TERMS
31 AND CONDITIONS OF THEIR AVAILMENT, THE RELEVANT PROVISIONS
32 AND RULES AND REGULATIONS OF THIS ACT, AND OTHER RELEVANT
33 LAWS OR ISSUANCES;

1 (B) TO APPROVE OR DISAPPROVE THE GRANT OF FISCAL
2 INCENTIVES TO THE EXTENT OF THE REGISTERED ACTIVITY UPON
3 THE RECOMMENDATION OF THE IPA BOARD: *PROVIDED, THAT* THE
4 APPLICATION FOR TAX INCENTIVES SHALL BE DEEMED APPROVED
5 IF NOT DECIDED UPON BY THE FIRB AFTER FORTY-FIVE (45) DAYS
6 UPON APPLICATION FOR TAX INCENTIVES;

7 (C) TO APPROVE APPLICATIONS FOR TAX SUBSIDIES TO GOCCS,
8 GOVERNMENT INSTRUMENTALITIES (GIS), GOVERNMENT
9 COMMISSARIES, AND STATE UNIVERSITIES AND COLLEGES (SUCS);

10 (D) TO CANCEL, SUSPEND, OR WITHDRAW THE ENJOYMENT
11 OF FISCAL INCENTIVES OF CONCERNED RBES AND ORES, AND
12 ENDORSE THE SAME TO THE CONCERNED REVENUE AGENCIES FOR
13 ASSESSMENT AND COLLECTION OF TAXES AND DUTIES DUE,
14 INCLUDING FINES OR PENALTIES, IF WARRANTED, FOR THE
15 FOLLOWING REASONS: (A) FAILURE TO MAINTAIN THE
16 QUALIFICATIONS REQUIRED BY THE CONCERNED IPA OR BY THE
17 FIRB FOR AVAILMENT OF INCENTIVES; AND (B) VIOLATION OF ANY
18 PROVISIONS OF THIS ACT, RULES AND REGULATIONS ISSUED UNDER
19 THE RESPECTIVE CHARTERS OF THE IPAS, OR OF THE TERMS AND
20 CONDITIONS OF REGISTRATION;

21 (E) TO CANCEL, SUSPEND, OR WITHDRAW THE ENJOYMENT
22 OF TAX SUBSIDY OF CONCERNED GOCCS, GIS, GOVERNMENT
23 COMMISSARIES, AND SUCS AND ENDORSE THE SAME TO THE
24 CONCERNED REVENUE AGENCIES FOR ASSESSMENT AND
25 COLLECTION OF TAXES AND DUTIES DUE, INCLUDING FINES OR
26 PENALTIES, IF WARRANTED, FOR VIOLATIONS OF ANY OF THE
27 CONDITIONS IMPOSED IN THE GRANT OF TAX SUBSIDY, OR
28 PROVISIONS OF THIS ACT, OR APPLICABLE RULES;

29 (F) TO REQUIRE IPAS AND OGAS TO SUBMIT, REGULARLY OR
30 WHEN NECESSARY, SUMMARIES OF APPROVED INVESTMENT AND
31 INCENTIVES GRANTED, AND FIRM- OR ENTITY-LEVEL FISCAL
32 INCENTIVES AND BENEFITS DATA AS INPUT TO THE FIRB'S REVIEW
33 AND AUDIT FUNCTION AND EVALUATION OF PERFORMANCE OF
34 RECIPIENTS OF FISCAL INCENTIVES;

1 (G) TO PUBLISH THE NAMES OF THE RBES AND ORES WITH
2 DETAILED ESTIMATED AMOUNT OF FISCAL INCENTIVES, TAX
3 PAYMENTS, AND OTHER RELATED INFORMATION, INCLUDING
4 BENEFITS DATA;

5 (H) TO REQUIRE THE SUBMISSION AND PRODUCTION OF
6 DOCUMENTS, RECORDS, BOOKS, OR OTHER DATA RELEVANT OR
7 MATERIAL TO THE EVALUATION OF APPLICATION FOR FISCAL
8 INCENTIVES AND TAX SUBSIDIES, FROM IPAS, OGAS, RBES, ORES,
9 GOCCS, GIS, GOVERNMENT COMMISSARIES, AND SUCS, LOCAL
10 GOVERNMENT UNITS (LGUS), AMONG OTHERS;

11 (I) TO OBTAIN INFORMATION, SUMMON, EXAMINE, INQUIRE
12 AND RECEIVE FROM IPAS, OGAS, RBES, ORES, GOCCS, GIS,
13 GOVERNMENT COMMISSARIES, SUCS, AND LGUS, DOCUMENTS,
14 RECORDS, BOOKS, OR OTHER DATA RELEVANT OR MATERIAL TO THE
15 RESOLUTION OF ISSUES ARISING FROM THE APPROVAL,
16 DISAPPROVAL, CANCELLATION, SUSPENSION, WITHDRAWAL OR
17 FORFEITURE OF FISCAL INCENTIVES OR TAX SUBSIDY, OR IN
18 IMPOSING PENALTIES FOR VIOLATIONS OF THE TERMS AND
19 CONDITIONS ON THE AVAILMENT OF FISCAL INCENTIVES AND TAX
20 SUBSIDY, OR ANY OF THE PROVISIONS OF THIS ACT;

21 (J) TO SUBMIT ANNUAL REPORTS TO THE OFFICE OF THE
22 PRESIDENT, AS PART OF THE BUDGET PROCESS COVERING ITS
23 POLICY AND ACTIVITIES IN THE ADMINISTRATION OF THIS ACT,
24 INCLUDING RECOMMENDATIONS ON FISCAL INCENTIVE POLICIES
25 AND APPROVAL OF FISCAL INCENTIVES;

26 (K) TO FIX AND IMPOSE REASONABLE FEES AND CHARGES
27 FOR THE PROCESSING OF APPLICATIONS FOR FISCAL INCENTIVES OR
28 TAX SUBSIDIES: *PROVIDED, THAT* THE PROCEEDS THEREOF SHALL
29 ACCRUE DIRECTLY AND AUTOMATICALLY TO THE FIRB;

30 (L) TO EXERCISE ALL OTHER POWERS NECESSARY OR
31 INCIDENTAL TO ATTAIN THE PURPOSES OF THIS ACT AND OTHER
32 LAWS VESTING ADDITIONAL FUNCTIONS ON THE FIRB; AND

1 (M) TO PROMULGATE SUCH RULES AND REGULATIONS AS
2 MAY BE NECESSARY TO IMPLEMENT THE INTENT AND PROVISIONS OF
3 THIS SECTION.

4 “**PROVIDED**, THAT THE FIRB BOARD PROPER SHALL DECIDE ON ISSUES,
5 AFTER DUE HEARING, CONCERNING THE APPROVAL, DISAPPROVAL,
6 CANCELLATION, SUSPENSION, WITHDRAWAL OR FORFEITURE OF
7 FISCAL INCENTIVES OR TAX SUBSIDY IN ACCORDANCE WITH THIS
8 ACT.

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

12 “**PROVIDED FINALLY**, THAT THE NATIONAL ECONOMIC AND
13 DEVELOPMENT AUTHORITY (NEDA) AND THE DEPARTMENT OF
14 TRADE AND INDUSTRY (DTI) SHALL BE MEMBERS OF ALL THE
15 EXISTING AND FUTURE IPAS.

16 “**SEC. 299. COMPOSITION OF THE FISCAL INCENTIVES REVIEW
17 BOARD (FIRB).**— THE FIRB SHALL BE RECONSTITUTED AS FOLLOWS:

18 **“BOARD PROPER:**

19 **“CHAIRPERSON** — SECRETARY OF FINANCE

20 **“MEMBERS** — SECRETARY OF TRADE AND INDUSTRY
21 — DIRECTOR GENERAL OF THE NATIONAL
22 ECONOMIC AND DEVELOPMENT
23 AUTHORITY (NEDA)
24 — SECRETARY OF BUDGET AND
25 MANAGEMENT
26 — EXECUTIVE SECRETARY OF THE OFFICE
27 OF THE PRESIDENT

28 **“TECHNICAL COMMITTEE:**

29 **“CHAIRPERSON** — UNDERSECRETARY OF FINANCE

30 **“MEMBERS** — UNDERSECRETARY OF TRADE AND
31 INDUSTRY AND BOARD OF INVESTMENTS
32 MANAGING HEAD
33 — UNDERSECRETARY OF BUDGET AND
34 MANAGEMENT

- 1 - DEPUTY DIRECTOR GENERAL OF THE
- 2 NATIONAL ECONOMIC AND
- 3 DEVELOPMENT AUTHORITY
- 4 - COMMISSIONER OF INTERNAL REVENUE
- 5 - COMMISSIONER OF CUSTOMS
- 6 - EXECUTIVE DIRECTOR OF THE
- 7 NATIONAL TAX RESEARCH CENTER
- 8 (NTRC)

9 "SECRETARIAT: - NATIONAL TAX RESEARCH CENTER
10 "CHAPTER IV

11 "QUALIFIED ACTIVITIES FOR TAX INCENTIVES

12 "SEC. 300. *STRATEGIC INVESTMENT PRIORITY PLAN (SIPP).* -
13 THE BOARD OF INVESTMENTS (BOI) SHALL, IN COORDINATION
14 WITH THE OFFICE OF THE PRESIDENT, THE FISCAL INCENTIVES
15 REVIEW BOARD, THE CONCERNED IPAS, AND OTHER
16 GOVERNMENT AGENCIES AND THE PRIVATE SECTOR,
17 FORMULATE THE SIPP TO BE SUBMITTED TO THE PRESIDENT FOR
18 APPROVAL NOT LATER THAN DECEMBER OF THE THIRD YEAR
19 SET FOR PERIODIC REVIEW. THE PLAN SHALL BE VALID FOR A
20 PERIOD OF THREE (3) YEARS SUBJECT TO REVIEW AND
21 AMENDMENT AS THE NEED ARISES. ALL SECTORS OR INDUSTRIES
22 THAT MAY BE INCLUDED IN THE SIPP SHALL UNDERGO AN
23 EVALUATION PROCESS TO DETERMINE THE SUITABILITY AND
24 POTENTIAL OF THE INDUSTRY OR THE SECTOR IN PROMOTING
25 LONG-TERM GROWTH AND DEVELOPMENT, AND THE NATIONAL
26 INTEREST.

27 "THE SIPP SHALL:

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

30 "(1) BE COVERED BY THE PHILIPPINE DEVELOPMENT PLAN
31 OR ITS EQUIVALENT AND OTHER GOVERNMENT PROGRAMS;

32 "(2) TAKE INTO ACCOUNT ANY OF THE FOLLOWING:

33 "(i) SUBSTANTIAL AMOUNT OF INVESTMENTS;

34 "(ii) CONSIDERABLE GENERATION OF EMPLOYMENT;

1 “(iii) ADOPTION OF INCLUSIVE BUSINESS ACTIVITIES AND
2 VALUE-ADDING PRODUCTION BY MSMES;

3 “(iv) USE OF MODERN OR NEW TECHNOLOGY;

4 “(v) ADOPTION OF ADEQUATE ENVIRONMENTAL
5 PROTECTION SYSTEMS;

6 “(vi) ADDRESSING MISSING GAPS IN THE SUPPLY/VALUE
7 CHAIN OR MOVING UP THE VALUE CHAIN OR PRODUCT LADDER;
8 OR

9 “(vii) PROMOTION OF MARKET COMPETITIVENESS.

10 “(B) IDENTIFY AGRIBUSINESS ACTIVITIES, THE LESS
11 DEVELOPED AREAS OR THOSE RECOVERING FROM ARMED
12 CONFLICT OR A MAJOR DISASTER;

13 “(C) DETERMINE SERVICES AND ACTIVITIES THAT CAN SPUR
14 REGIONAL OR GLOBAL OPERATIONS IN THE COUNTRY; AND

15 “(D) INCLUDE EXISTING REGISTERED PROJECTS OR
16 ACTIVITIES THAT SHALL RELOCATE FROM METRO MANILA TO
17 OTHER AREAS OF THE COUNTRY.

18 “THE ACTIVITIES MUST COMPLY WITH THE SPECIFIC
19 QUALIFICATION REQUIREMENTS OR CONDITIONS FOR A
20 PARTICULAR SECTOR OR INDUSTRY AND OTHER LIMITATIONS AS
21 SET AND DETERMINED BY THE BOI.

22 “THE THRESHOLD AMOUNT OF INVESTMENTS AND
23 EMPLOYMENT GENERATION REQUIRED FOR A SPECIFIC
24 ACTIVITY SHALL BE SUBJECT TO A PERIODIC REVIEW EVERY
25 THREE (3) YEARS TAKING INTO CONSIDERATION
26 INTERNATIONAL STANDARDS AND OTHER INDICATORS.

27 “**SEC. 301. POWER OF THE PRESIDENT TO GRANT INCENTIVES.**

28 — THE PRESIDENT MAY, IN THE INTEREST OF NATIONAL
29 ECONOMIC DEVELOPMENT AND UPON THE RECOMMENDATION
30 OF THE FISCAL INCENTIVES REVIEW BOARD, GRANT INCENTIVES
31 IN ADDITION TO THOSE THAT ARE PROVIDED UNDER THIS CODE,
32 INCLUDING A LONGER PERIOD, TO HIGHLY DESIRABLE
33 PROJECTS: *PROVIDED*, THAT THE BENEFITS THAT THE
34 GOVERNMENT MAY DERIVE FROM SUCH INVESTMENT THERETO

1 ARE CLEAR AND CONVINCING AND FAR OUTWEIGH THE COST OF
2 INCENTIVES THAT WILL BE GRANTED.”

3 “(A) *CRITERIA FOR AVAILMENT.* – THE FIRB SHALL CONSIDER
4 THE FOLLOWING CRITERIA IN DETERMINING THE TYPES OF
5 INCENTIVES AND THE DURATION THEREOF THAT MAY BE
6 GRANTED BY THE PRESIDENT:

7 “(1) THE PROJECT HAS A COMPREHENSIVE SUSTAINABLE
8 DEVELOPMENT PLAN WITH CLEAR INCLUSIVE BUSINESS
9 APPROACHES AND INNOVATIONS; OR

10 “(2) MINIMUM INVESTMENT OF TWO HUNDRED MILLION US
11 DOLLARS (US\$200,000,000) OR A MINIMUM DIRECT EMPLOYMENT
12 GENERATION OF AT LEAST ONE THOUSAND FIVE HUNDRED (1,500)
13 WITHIN THREE (3) YEARS FROM THE START OF COMMERCIAL
14 OPERATION.

15 “THE THRESHOLD SHALL BE SUBJECT TO A PERIODIC
16 REVIEW EVERY THREE (3) YEARS TAKING INTO CONSIDERATION
17 INTERNATIONAL STANDARDS AND OTHER INDICATORS.

18 “THE FIRB MAY IMPOSE OTHER TERMS AND CONDITIONS
19 TAKING INTO CONSIDERATION THE AMOUNT OR KIND OF
20 INCENTIVES THAT WILL BE GRANTED TO SUCH INVESTMENTS.”

21 “(B) *USE OF RESOURCES.* – IN THE EXERCISE OF THE POWER
22 OF THE PRESIDENT TO GRANT INCENTIVES, THE GOVERNMENT
23 MAY UTILIZE ITS RESOURCES SUCH AS LAND USE, WATER
24 APPROPRIATION, POWER PROVISION, AMONG OTHERS, AS MAY
25 BE IDENTIFIED BY THE BOI.”

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

1 “SEC. 303. *PUBLICATION.* – UPON APPROVAL OF THE PLAN, IN
2 WHOLE OR IN PART, OR UPON APPROVAL OF AN AMENDMENT
3 THEREOF, THE PLAN OR THE AMENDMENT, SPECIFYING AND
4 DECLARING THE AREAS OF INVESTMENTS SHALL BE PUBLISHED
5 IN AT LEAST ONE (1) NEWSPAPER OF GENERAL CIRCULATION OR
6 THE *OFFICIAL GAZETTE* AND ALL SUCH AREAS SHALL BE OPEN
7 FOR APPLICATION UNTIL PUBLICATION OF AN AMENDMENT OR
8 DELETION THEREOF.”

9 “SEC. 304. *QUALIFICATIONS OF A REGISTERED ENTERPRISE
FOR TAX INCENTIVES.* – IN THE REVIEW AND GRANT OF TAX
10 INCENTIVES BY THE FIRB, A REGISTERED ENTERPRISE MUST:

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

12 “(B) INSTALL AN ADEQUATE ACCOUNTING SYSTEM THAT
13 SHALL IDENTIFY THE INVESTMENTS, REVENUES, COSTS AND
14 PROFITS OR LOSSES OF EACH REGISTERED PROJECT
15 UNDERTAKEN BY THE ENTERPRISE SEPARATELY FROM THE
16 AGGREGATE INVESTMENTS, REVENUES, COSTS AND PROFITS OR
17 LOSSES OF THE WHOLE ENTERPRISE; OR ESTABLISH A SEPARATE
18 CORPORATION FOR EACH REGISTERED PROJECT IF THE IPA
19 SHOULD SO REQUIRE;

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

23 “(D) SUBMIT ANNUALLY REPORTS OF OWNERSHIP OF THE
24 ORGANIZATION.”

25 “CHAPTER V

26 “AVAILMENT OF TAX INCENTIVES

27 “SEC. 305. *INCOME TAX-BASED INCENTIVES.* – ALL
28 REGISTERED ENTERPRISES SHALL FILE THEIR TAX RETURNS
29 USING THE ELECTRONIC OR ONLINE FACILITIES OF THE BUREAU
30 OF INTERNAL REVENUE (BIR). IN AVAILING THE INCOME TAX-
31 BASED INCENTIVES, THE REGISTERED ENTERPRISE SHALL BE
32 REQUIRED TO SECURE A CERTIFICATE OF ENTITLEMENT ISSUED
33 BY THE FIRB AND ATTACH THE SAME TO ITS INCOME TAX

1 RETURN (ITR) OR ANNUAL INFORMATION RETURN (AIR),
2 WHICHEVER IS APPLICABLE. THEREAFTER, THE REGISTERED
3 ENTERPRISE SHALL FILE ITS CLAIM WITH THE BIR FOR
4 VALIDATION.

5 “FAILURE TO SECURE AND ATTACH THE CERTIFICATION TO
6 THE ITR OR AIR, AND TO FILE THE INCENTIVE AVAILMENT
7 APPLICATION SHALL CAUSE THE FORFEITURE OF THE
8 INCENTIVE FOR THAT TAXABLE PERIOD.”

9 “SEC. 306. *CUSTOMS DUTY EXEMPTION ON CAPITAL*
10 *EQUIPMENT.* – IMPORTATION OF CAPITAL EQUIPMENT,
11 MACHINERY AND SPARE PARTS EXCLUSIVELY USED FOR
12 CAPITAL EQUIPMENT AND MACHINERY INCLUDING
13 CONSIGNMENT THEREOF BY REGISTERED ENTERPRISES MAY BE
14 EXEMPTED TO THE EXTENT OF ONE HUNDRED PERCENT (100%)
15 OF THE CUSTOMS DUTY: *PROVIDED*, THAT THE FOLLOWING
16 CONDITIONS ARE COMPLIED WITH:

17 “(A) THE CAPITAL EQUIPMENT AND/OR SPARE PARTS ARE
18 DIRECTLY AND REASONABLY NEEDED AND WILL BE USED
19 EXCLUSIVELY IN AND AS PART OF THE DIRECT COST OF THE
20 REGISTERED ACTIVITY OF THE REGISTERED ENTERPRISE, AND
21 ARE NOT MANUFACTURED DOMESTICALLY IN SUFFICIENT
22 QUANTITY OR OF COMPARABLE QUALITY AND AT REASONABLE
23 PRICES. PRIOR APPROVAL OF THE IPA MAY BE SECURED FOR THE
24 PART-TIME UTILIZATION OF SAID EQUIPMENT IN A NON-
25 REGISTERED ACTIVITY TO MAXIMIZE USAGE THEREOF:
26 *PROVIDED*, THAT THE PROPORTIONATE TAXES AND DUTIES ARE
27 PAID ON A SPECIFIC EQUIPMENT AND MACHINERY IN
28 PROPORTION TO ITS UTILIZATION FOR NON-REGISTERED
29 ACTIVITIES. IN THE EVENT THAT IT SHALL BE USED FOR A
30 NON-REGISTERED ACTIVITY OF THE REGISTERED ENTERPRISE
31 AT ANY TIME WITHIN THE FIRST FIVE (5) YEARS FROM DATE OF
32 IMPORTATION, THE REGISTERED ENTERPRISE SHALL FIRST SEEK
33 PRIOR APPROVAL OF THE AUTHORITY AND PAY THE TAXES AND

1 **CUSTOMS DUTIES THAT WERE NOT PAID UPON ITS IMPORTATION;**
2 **AND**

3 **"(B) THE APPROVAL OF THE IPA WAS OBTAINED BY THE**
4 **REGISTERED ENTERPRISE PRIOR TO THE IMPORTATION OF SUCH**
5 **CAPITAL EQUIPMENT OR SPARE PARTS.**

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

11 **"(1) IF MADE TO ANOTHER ENTERPRISE AVALING CUSTOMS**
12 **DUTY EXEMPTION ON IMPORTED CAPITAL EQUIPMENT AND/OR**
13 **SPARE PARTS;**

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

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

22 **"(4) PROVEN TECHNICAL OBSOLESCENCE OF THE CAPITAL**
23 **EQUIPMENT OR SPAREPARTS.**

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

1 **VALUE OF THE CAPITAL EQUIPMENT IF IT HAS VIOLATED ANY OF**
2 **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**
6 **PAID BY EXPORT REGISTERED ENTERPRISES THAT FAILED TO**
7 **MEET THE NINETY PERCENT (90%) EXPORT SALES THRESHOLD**
8 **OR ARE LOCATED OUTSIDE THE ECOZONE, FREEPORT, OR THOSE**
9 **UTILIZING THE CUSTOMS BONDED MANUFACTURING**
10 **WAREHOUSE REGARDLESS OF THE THRESHOLD SHALL BE**
11 **REFUNDED PURSUANT TO THE ENHANCED VAT REFUND SYSTEM**
12 **UNDER SECTIONS 106 AND 108 OF THIS CODE.”**

13 **“CHAPTER VI**
14 **“PROCEDURES, SUNSET PROVISIONS, AND**
15 **STRUCTURAL ADJUSTMENT FUND**

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

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

25 **“SEC. 310. INVESTMENTS PRIOR TO THE EFFECTIVITY OF THIS**
26 **ACT. – EXISTING REGISTERED ACTIVITIES GRANTED AN INCOME**
27 **TAX HOLIDAY SHALL BE ALLOWED TO CONTINUE WITH THE**
28 **AVAILMENT OF THE SAID INCENTIVE FOR THE REMAINING**
29 **PERIOD OF THE INCOME TAX HOLIDAY (ITH) OR FOR A PERIOD OF**
30 **FIVE (5) YEARS ONLY, WHICHEVER COMES FIRST, PROVIDED,**
31 **THAT THE FIVE PERCENT (5%) TAX ON GROSS INCOME EARNED**
32 **SHALL COMMENCE ONLY AFTER THE INCOME TAX HOLIDAY**
33 **(ITH) PERIOD HAS LAPSED, PROVIDED FURTHER, THAT THE FIVE**
34 **PERCENT (5%) TAX ON GROSS INCOME EARNED SHALL BE**

1 ALLOWED TO CONTINUE FOLLOWING THE SCHEDULE STATED
2 HEREIN:

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

5 “(B) THREE (3) YEARS FOR ACTIVITIES ENJOYING THE TAX
6 INCENTIVE BETWEEN FIVE (5) AND TEN (10) YEARS; AND

7 “(C) FIVE (5) YEARS FOR ACTIVITIES ENJOYING THE TAX
8 INCENTIVE BELOW FIVE (5) YEARS.

9 **“PROVIDED FINALLY, THAT EXISTING REGISTERED**
10 **ACTIVITIES WHICH WILL QUALIFY FOR REGISTRATION UNDER**
11 **THE SIPP, MAY OPT TO BE GOVERNED BY THE PROVISIONS OF**
12 **THIS ACT; IN SUCH CASE, THE SAID ENTERPRISE SHALL BE**
13 **REQUIRED TO SURRENDER ITS CERTIFICATE OF REGISTRATION,**
14 **WHICH SHALL BE DEEMED AS AN EXPRESS WAIVER OF THEIR**
15 **PRIVILEGE TO AVAIL OF INCENTIVES PROVIDED IN THE**
16 **INCENTIVES LAW UNDER WHICH THEY WERE PREVIOUSLY**
17 **REGISTERED.”**

18 **“SEC. 311. SUSPENSION AND FORFEITURE OF TAX INCENTIVES**
19 **OF REGISTERED ENTERPRISES, REFUND AND PENALTIES; WAIVER**
20 **AND CONDONATION. – THE FIRB MAY IMPOSE FINES AND**
21 **PENALTIES, SUSPEND OR FORFEIT THE INCENTIVES GRANTED TO**
22 **THE REGISTERED ENTERPRISES FOR VIOLATIONS OF THE**
23 **REGISTRATION TERMS AND CONDITIONS, WITHOUT PREJUDICE**
24 **TO THE CANCELLATION OF THE REGISTRATION OF SAID**
25 **ENTERPRISE.”**

26 **“WHEN THERE IS PROBABLE CAUSE TO BELIEVE THAT THE**
27 **REGISTERED ENTERPRISE HAS VIOLATED ITS REGISTRATION**
28 **TERMS AND CONDITIONS, THE FIRB, THROUGH THE**
29 **RECOMMENDATION OF THE IPA, SHALL SUSPEND THE**
30 **AVAILMENT OF INCENTIVES UNTIL PROVEN OTHERWISE.”**

31 **“IN CASE OF CANCELLATION OF THE CERTIFICATE OF**
32 **REGISTRATION, THE CONCERNED IPA MAY, IN APPROPRIATE**
33 **CASES, REQUIRE THE PAYMENT OF TAXES, CUSTOMS DUTIES AND**

1 ANY APPLICABLE PENALTIES THEREON TO THE APPROPRIATE
2 AGENCY, AND IMPOSE ADDITIONAL FINES AND PENALTIES.

3 “SEC. 312. *STRUCTURAL ADJUSTMENT FUND.* – THE
4 FOLLOWING AMOUNTS SHALL BE APPROPRIATED TO
5 COMPENSATE WORKERS THAT MAY BE DISPLACED BY THE
6 RATIONALIZATION OF FISCAL INCENTIVES TO IMPROVE
7 EMPLOYABILITY OF WORKERS AND FOR THE DEVELOPMENT OF
8 INFRASTRUCTURE WITHIN ECONOMIC ZONES AND FREEPORTS
9 THAT MAY BE AFFECTED BY THIS ACT:

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

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

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

28 “(4) THE AMOUNT OF FIFTEEN BILLION PESOS
29 (P15,000,000,000), IN ADDITION TO ANY ADJUSTMENT FUND
30 APPROPRIATED UNDER THE BUDGET OF PERTINENT
31 GOVERNMENT DEPARTMENTS OR AGENCIES, SHALL BE
32 APPROPRIATED FOR THE DEVELOPMENT OF INFRASTRUCTURE
33 SURROUNDING AND WITHIN THE AREAS OR LOCALITIES OF
34 SPECIAL ECONOMIC ZONES AND FREEPORTS TO BE AFFECTED BY

1 THIS ACT. THIS SUBSIDY SHALL LIKEWISE BE UTILIZED TO
2 SUPPORT RESEARCH AND DEVELOPMENT; COSTS OF POWER,
3 WATER AND OTHER UTILITIES; LEASE OF PROPERTIES; AND
4 OTHER ECONOMIC ACTIVITIES RELEVANT TO DEVELOPING THE
5 ABOVENAMED AREAS/LOCALITIES.

6 “THE RELEASES TO THE INVESTMENT PROMOTION
7 AGENCIES SHALL BE GOVERNED BY IMPLEMENTING GUIDELINES
8 TO BE PROMULGATED BY THE DEPARTMENT OF FINANCE AND
9 THE DEPARTMENT OF BUDGET AND MANAGEMENT.

10 “THE EARMARKING OF FUNDS FOR THESE PURPOSES SHALL
11 BE TERMINATED FIVE (5) YEARS AFTER THE EFFECTIVITY OF
12 THIS ACT.”

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

22 “**SEC. 314. ANNUAL REPORT.** –THE FIRB SHALL SUBMIT AN
23 ANNUAL REPORT TO CONGRESS THE NAMES OF RECIPIENTS OF
24 INCENTIVES AND THE AMOUNT OF INCENTIVES AVAILED OF. THE
25 REPORT SHALL BE MADE AVAILABLE TO THE PUBLIC.”

26 SEC. 31. Title XIII of the National Internal Revenue Code of 1997, as amended,
27 is hereby renumbered as Title XIV, to read as follows:

28 **“TITLE [XIII] XIV**
29 **“REPEALING PROVISIONS**

30 “**SEC. [291]315. In General.** – All laws, decrees, executive orders, rules and
31 regulations or parts thereof which are contrary to or inconsistent with this Code are hereby
32 repealed, amended or modified accordingly.

33 (A) To ensure that the DOF, NEDA and DTI are represented in the Governing
34 Boards of all IPAS, where the DOF shall automatically serve as Co-chair, and DTI and NEDA

1 as members, pursuant to Section 299 of this Act, the following provisions, among others, are
2 amended accordingly:

3 (1) Article 4 of Executive Order No. 226, as amended, entitled "The Omnibus
4 Investments Code of 1987";

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

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

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

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

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

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

31 (8) Section 15 of Republic Act No. 9490, entitled "An Act Establishing the Aurora
32 Special Economic Zone in the Province of Aurora, Creating for the Purpose the Aurora Special

1 Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes”, as
2 amended by Republic Act No. 10083;

3 (9) Section 7 of Republic Act No. 7922, entitled “An Act Establishing a Special
4 Economic Zone and Freeport in the Municipality of Santa Ana and the Neighboring Islands
5 in the Municipality of Aparri, Province of Cagayan, Providing Funds Therefor, and for Other
6 Purposes”;

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

12 (11) Section 11 of Republic Act No. 7916, entitled “An Act Providing for the Legal
13 Framework and Mechanisms for the Creation, Operation, Administration, and Coordination
14 of Special Economic Zones in the Philippines, Creating for this Purpose, the Philippine
15 Economic Zone Authority (PEZA), and for Other Purposes”.

16 (B) To transfer to the FIRB the power of the IPA Board to review, approve or disapprove
17 fiscal incentives of special projects/activities as defined in this Act, and to mandate the IPA
18 Board to recommend to the FIRB after a thorough review of the application, the approval or
19 disapproval of the same, the following provisions are hereby amended:

20 (1) Article 7 of Executive Order No. 226, series of 1987, entitled “the Omnibus
21 Investments Code of 1987”, as amended by RA 7918, entitled “An Act Amending Article 39,
22 Title III of Executive Order No. 226, series of 1987, entitled, ‘the Omnibus Investment Code
23 of 1987, as Amended, and for Other Purposes”;

24 (2) Section 7 of RA 7903, entitled “An Act Creating a Special Economic Zone and
25 Freeport in the City of Zamboanga City Special Economic Zone Authority, Appropriating
26 Funds Therefor, and for Other Purposes”;

27 (3) Section 1 of Executive Order No. 458, entitled “Devolving the Powers and
28 Functions of the Board of Investments Over Investments Within the Autonomous Region in
29 Muslim Mindanao to the Autonomous Regional Government and for Other Purposes”;

30 (4) Section 13 of RA 9728, entitled “An Act Converting the Bataan Economic Zone
31 located in the Municipality of Mariveles, Province of Bataan, into the Freeport Area of Bataan,
32 Creating for this Purpose the Authority of the Freeport Area of Bataan (AFAB), Appropriating
33 Funds Therefor and for Other Purposes”;

1 (5) Section 13 (b) of RA 7227, as amended by RA 9400 entitled "An Act
2 Accelerating the Conversion of Military Reservations into Other Productive Uses, Creating
3 the Bases Conversion and Development Authority for the Purpose, Providing Funds Therefore
4 and for Other Purposes";

5 (6) Section 8 of RA 9400, entitled "An Act Amending Republic Act No. 7227, as
6 amended, Otherwise Known as the Bases Conversion and Development Act of 1992, and for
7 Other Purposes";

8 (7) Section 69 (n) of Subchapter IV-B of RA 9593, entitled "An Act Declaring a
9 National Policy for Tourism as an Engine of Investment, Employment, Growth and National
10 Development and Strengthening the Department of Tourism and its Attached Agencies to
11 Effectively Implement that Policy, and Appropriating Funds Therefor";

12 (8) Sections 7 and 12 of RA 9490, entitled "An Act Establishing the Aurora Special
13 Economic Zone in the Province of Aurora, Creating for the Purpose the Aurora Special
14 Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes", as
15 amended by RA 10083, entitled "An Act Amending Republic Act No. 9490, Otherwise
16 Known as the "Aurora Special Economic Zone Act of 2007";

17 (9) Section 6 of RA 7922, entitled "An Act Establishing a Special Economic Zone
18 and Free Port in the Municipality of Santa Ana and the Neighboring Islands of Cagayan,
19 Providing Funds Therefor, and for Other Purposes";

20 (10) Section 4, of PD No. 538, entitled "Creating and Establishing the PHIVIDECK
21 Industrial Authority and Making it a Subsidiary Agency of the Philippines Veterans
22 Investment Development Corporation, Defining its Powers, Functions and Responsibilities,
23 and for Other Purposes";

24 (11) Sections 13 and 21 of RA 7916, as amended by RA 8748 entitled "An Act
25 Providing for the Legal Framework and Mechanisms for the Creation, Operation,
26 Administration and Coordination of Special Economic Zones in the Philippines, Creating for
27 this Purpose, the Philippine Economic Zone Authority and for Other Purposes; and

28 (12) Sections 4, 5, 6, and 7 of RA 10708, entitled "An Act Enhancing Transparency
29 in the Management and Accounting of Tax Incentives Administered by Investment Promotion
30 Agencies."

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

- 1 (1) Section 18 of Republic Act No. 7884, entitled "An Act Creating the
2 National Dairy Authority to Accelerate the Development of the Dairy Industry in the
3 Philippines, Providing for a Dairy Development Fund, and for Other Purposes";
4 (2) Section 8 of Republic Act No. 7903, entitled "An Act Creating Special
5 Economic Zone and Freeport in the City of Zamboanga for this Purpose the Zamboanga City
6 Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purpose";
7 (3) Section 12(a) of Republic Act No. 10083, entitled "An Act Amending Republic
8 Act No. 9490, Otherwise Known as the 'Aurora Special Economic Zone Act of 2007'";
9 (4) Sections 29, 57, 74, 95(c) of Republic Act No. 9593,
10 entitled "An Act Declaring Tourism as Engine of Investment, Employment, Growth and
11 National Development and Strengthening the Department of Tourism or Tourism Act of 2009";
12 (5) Section 10 of Presidential Decree No. 538, entitled "Creating and Establishing
13 the PHIVIDECA Industrial Authority and Making it a Subsidiary Agency of the Philippine
14 Veterans Investment Development Corporation, Defining its Powers, Functions and
15 Responsibilities, and for Other Purposes";
16 (6) Section 16(a)(b) of Republic Act No. 9497, entitled "An
17 Act Creating the Civil Aviation Authority of the Philippines, Authorizing the Appropriation of
18 Funds Therefor, and for Other Purposes";
19 (7) Section 14 of Republic Act No. 7354, entitled "An Act Creating the Philippine
20 Postal Corporation, Defining its Powers, Functions and Responsibilities, Providing for
21 Regulation of the Industry and for Other Purposes Connected Therewith";
22 (8) Sections 8 and 14 of Presidential Decree No. 269, entitled "Creating the
23 National Electrification Administration as a Corporation, Prescribing its Powers and Activities,
24 Appropriating the Necessary Funds Therefore and Declaring a National Policy Objective for
25 the Total Electrification of the Philippines on an Area Coverage Service Basis, the
26 Organization, Promotion and Development of Electric Cooperatives to Attain the Said
27 Objective, Prescribing Terms and Conditions for their Operations, the Repeal of Republic Act
28 No. 6038, and for Other Purposes";
29 (9) Sections 2 and 19 of Republic Act No. 9679, entitled "An Act Amending the
30 Home Development Mutual Fund, Otherwise Known as the Pag-IBIG Fund";
31 (10) Section 17(c) under Section 8 of Republic Act No. 9576, entitled "An Act
32 Increasing the Maximum Deposit Insurance Coverage, and in Connection Therewith, to
33 Strengthen the Regulatory and Administrative Authority, and Financial Capability of the

1 Philippine Deposit Insurance Corporation (PDIC), Amending for this Purpose Republic Act
2 Numbered Three Thousand Five Hundred Ninety-One, as Amended, Otherwise Known as the
3 PDIC Charter and for Other Purposes”;

4 (11) Section 13 of Republic Act No. 7820, entitled “An Act Creating the Partido
5 Development Administration, Defining its Powers and Functions, Providing Funds Therefor,
6 and for Other Purposes”;

7 (12) Section 5(j) of Republic Act No. 9510, entitled “An Act Establishing the Credit
8 Information System and for Other Purposes”;

9 (13) Section 13(e) of Presidential Decree No. 857, entitled “Providing for the
10 Reorganization of Port Administrative and Operation Functions in the Philippines, Revising
11 Presidential Decree No. 505 dated July 11, 1974, Creating the Philippine Port Authority, by
12 Substitution, and for Other Purposes”;

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

16 (15) Section 8(a)(b) and Section 13 of Republic Act No. 6395, entitled “An Act
17 Revising the Charter of the National Power Corporation”; and

18 (16) Section 21 of Republic Act No. 7306, entitled “An Act Providing for the
19 Establishment of the People’s Television Network, Inc., Defining its Powers and Functions,
20 Providing for its Sources of Funding and for Other Purposes.”

21 (D) The “in lieu of” clauses in the tax provisions of entities covered by the following
22 franchise laws are hereby repealed two (2) years from the effectivity of this Act and the entities
23 covered shall pay the corresponding franchise tax and all other applicable taxes under the
24 National Internal Revenue Code of 1997, as amended:

25 (1) Section 9 of Republic Act No. 7953, entitled “An Act Amending Republic Act
26 Numbered Sixty-Six Hundred Thirty-Two, entitled ‘An Act Granting the Philippine Racing
27 Act, Inc., a Franchise to Operate and Maintain a Race Track for Horse Racing in the Province
28 of Rizal, and Extending the Said Franchise by Twenty-five (25) Years from the Expiration of
29 the Term Thereof’”;

30 (2) Section 12 of Republic Act No. 8407, entitled “An Act Amending Republic Act
31 Numbered Sixty-Six Hundred Thirty-One, entitled ‘An Act Granting Manila Jockey Club, Inc.,
32 a Franchise to Construct, Operate and Maintain a Race Track for Horse Racing in the City of

1 Manila or any Place Within the Provinces of Bulacan, Cavite or Rizal and Extending the Said
2 Franchise by Twenty-five (25) Years From the Expiration of the Term Thereof ”;

3 (3) Section 9 of Republic Act No. 8298, entitled “An
4 Act Amending Republic Act Numbered Seventy-Nine Hundred
5 Seventy-Eight, entitled ‘An Act Granting the Metro Manila Turf Club, Inc., a Franchise to
6 Construct, Operate and Maintain a Racetrack for Horse Racing in the City of Kalookan”;

7 (4) Section 12 of Republic Act No. 8446, entitled “An Act Granting the Fil-Asia
8 Racing Club a Franchise to Construct, Operate and Maintain a Racetrack for Horse Racing in
9 Rizal or Tarlac, or Pampanga or Batangas or Quezon City”.

10 (E) The provisions of the following laws, including the tax incentives, that are
11 inconsistent with this Act are hereby amended or repealed effective two (2) years from the
12 effectivity of this Act:

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

18 (2) Section 17 of Republic Act No. 7906, entitled “An Act Providing for the
19 Regulation of the Organization and Operations of Thrift Banks, and for Other Purposes”;

20 (3) Section 15 of Republic Act No. 7353, entitled “An Act Providing for the
21 Creation, Organization and Operation of Rural Banks, and for Other Purposes”;

22 (4) Book I, Title I, Article 32; Title III, Article 39(A), (B), (C), (D), (E), (G), (I)
23 and (J); Title IV, Article 40; Book III, Articles 59, 60, 61; Book IV Article 69; Book VI,
24 Articles 77 and 78 of Executive Order No. 226, series of 1987, entitled “The Omnibus
25 Investments Code of 1987”;

26 (5) Section 1 of Republic Act No. 7918, entitled “An Act Amending Article 39,
27 Title III of Executive Order No. 226, Otherwise Known as the Omnibus Investments Code of
28 1987, as Amended, and for Other Purposes”;

29 (6) Articles 62, 63, 64, 65, 66, 67, and 69 of Republic Act No. 8756, entitled “An
30 Act Providing for the Terms, Conditions and Licensing Requirements of Regional or Area
31 Headquarters, Regional Operating Headquarters, Regional Warehouses of Multinational
32 Companies, Amending for the Purpose Certain Provisions of Executive Order No. 226,
33 Otherwise Known as the Omnibus Investment Code of 1987”;

1 (7) Executive Order No. 22, series of 2017, amending Executive Order No. 70,
2 series of 2012 and Executive Order No. 528, series of 2006 and Executive Order No. 313, series
3 of 2004, entitled “Reducing the Rates of Duty on Capital Equipment, Spare Parts and
4 Accessories Imported by Board of Investments - Registered New and Expanding Enterprises”;

5 (8) Section 12 of Republic Act No. 8047, entitled “An Act Providing for the
6 Development of the Book Publishing Industry Through the Formulation and Implementation
7 of a National Book Policy and a National Book Development Plan”;

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

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

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

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

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

28 (14) Section 1 of Republic Act No. 9400, amending Section 12(b) of Republic Act
29 No. 7227, insofar as tax exemption and VAT zero-rating of domestic merchandise and capital
30 equipment are concerned, Section 12(c), Section 2 amending Section 15, second, third and last
31 paragraph of Republic Act No. 7227, Section 3, first and second paragraph; Sections 4 and 5
32 entitled “An Act Amending Republic Act No. 7227, as Amended, Otherwise Known as the
33 Bases Conversion and Development Act of 1982, and for Other Purposes”;

1 (15) Section 1 of Executive Order No. 619, entitled “Creating and Designating
2 Special Economic Zones Pursuant to Republic Act No. 7916, as Amended by Republic Act
3 No. 8784, in Relation to Republic Act No. 7227, as Amended by Republic Act No. 9400, Inside
4 the Clark Freeport Zone”;

5 (16) Section 4(f), 5, 6, 7, 8, and 9 of Republic Act No. 9490, entitled “An Act
6 Establishing the Aurora Special Economic Zone in the Province of Aurora, Creating for the
7 Purpose the Aurora Special Economic Zone Authority, Appropriating Funds Therefor and for
8 Other Purposes”;

9 (17) Sections 3(e)(f)(h) and 4 of Republic Act No. 10083, entitled “An Act
10 Amending Republic Act No. 9490”;

11 (18) Section 4(f), insofar as tax exemption and/or value-added tax or VAT zero-
12 rating on domestic merchandise and capital equipment are concerned, and Sections 5, 6, and
13 10 of Republic Act No. 9728, entitled “An Act Converting the Bataan Economic Zone Located
14 in the Municipality of Mariveles, Province of Bataan, into the Freeport Area of Bataan (FAB),
15 Creating for this Purpose the Authority of the Freeport Area of Bataan (AFAB), Appropriating
16 Funds Therefor and for Other Purposes”;

17 (19) Section 36(e) and (f) of Presidential Decree No. 705, entitled “Revising PD No.
18 389, Otherwise Known as the Forestry Reform Code of the Philippines”;

19 (20) Section (b)(1)(c) of Republic Act No. 9003, entitled “An Act Providing for an
20 Ecological Solid Waste Management Program, Creating the Necessary Institutional
21 Mechanisms and Incentives, Declaring Certain Acts Prohibited and Providing Penalties,
22 Appropriating Funds Therefor and for Other Purposes”;

23 (21) Section 26(a)(1)(3) of Republic Act No. 9275, entitled “An Act Providing for
24 Comprehensive Water Quality Management and for Other Purposes”;

25 (22) Sections 16 and 17 of Republic Act No. 7844, entitled “An Act to Develop
26 Exports as a Key Towards the Achievement of the National Goals Towards the Year 2000”;

27 (23) Section 13 of Republic Act No. 10817, entitled “An Act Instituting the
28 Philippine Halal Export Development and Promotion Program, Creating for the Purpose the
29 Philippine Halal Export Development and Promotion Board, and for Other Purposes”;

30 (24) Section 14 of Republic Act No. 8423, entitled “An Act Creating the Philippine
31 Institute of Traditional and Alternative Health Care (PITAHC) to Accelerate the Development
32 of Traditional and Alternative Health Care in the Philippines, Providing for a Traditional and
33 Alternative Health Care Development Fund and for Other Purposes”;

1 (25) Section 20(d)(1) to (5) of Republic Act No. 10884, entitled “An Act
2 Strengthening the Balanced Housing Development Program, Amending for the Purpose
3 Republic Act No. 7279, as Amended, Otherwise Known as the Urban Development and
4 Housing Act of 1992”;

5 (26) Republic Act No. 7718, entitled “An Act Amending Certain Sections of
6 Republic Act No. 6957, Entitled ‘An Act Authorizing the Financing, Construction, Operation
7 and Maintenance of Infrastructure Projects by the Private Sector, and for Other Purposes’ ”;

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

11 (28) Section 3(a) to (d) and (h) of Republic Act No. 8502, entitled “An Act to
12 Promote the Development of the Jewelry Manufacturing Industry, Providing Incentives
13 Therefor and for Other Purposes”;

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

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

20 (31) Section 7 of Republic Act No. 9178, entitled “An Act to Promote the
21 Establishment of Barangay Micro Business Enterprises (BMBES), Providing Incentives and
22 Benefits Therefor, and for Other Purposes”;

23 (32) Chapter XV, Section 83; Chapter XVI, Sections 90, 91, 92, and 93 of Republic
24 Act No. 7942, entitled “An Act Instituting a New System of Mineral Resources Exploration,
25 Development, Utilization and Conservation”;

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

30 (34) Section 6 of Republic Act No. 7471, as amended, entitled “An Act to Promote
31 the Development of Philippine Overseas Shipping”;

32 (35) Sections 86, 88, and 95(a) and (b) of Republic Act No. 9593, entitled “An Act
33 Declaring a National Policy for Tourism as an Engine of Investment, Employment, Growth

1 and National Development, and Strengthening the Department of Tourism and its Attached
2 Agencies to Effectively and Efficiently Implement That Policy, and Appropriating Funds
3 Therefor";

4 (36) Section 8, insofar as investment incentives are concerned, of Republic Act No.
5 10816, entitled "An Act Providing for the Development and Promotion of Farm Tourism in the
6 Philippines";

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

9 (38) Section 8, insofar as tax exemption and VAT zero-rating of domestic
10 merchandise are concerned, and Section 9 of Presidential Decree No. 538, entitled "Creating
11 and Establishing the PHIVIDEC Industrial Authority and Making it a Subsidiary Agency of
12 the Philippine Veterans Development Corporation, Defining its Powers, Functions and
13 Responsibilities, and for Other Purposes";

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

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

19 (41) Sections 18 and 20 of Republic Act No. 6847, entitled "An Act Creating and
20 Establishing the Philippine Sports Commission, Defining its Powers, Functions, and
21 Responsibilities, Appropriating Funds Therefor, and for Other Purposes";

22 (42) Sections 1(6) and 2 of Presidential Decree No. 776, entitled "Repealing All
23 Laws, Acts, Decrees, Orders and Ordinances, Granting Exemptions from Taxes, Duties, Fees,
24 Imposts and Other Charges Under Certain Exceptions and Creating a Fiscal Incentives Board";

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

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

31 (45) Section 1(a) and (b) of Presidential Decree No. 1955, entitled "Withdrawing,
32 Subject to Certain Conditions, the Duty and Tax Privileges Granted to Private Business
33 Enterprises and/or Persons Engaged in Any Economic Activity and for Other Purposes".

1 (F) Memorandum Order No. 23, series of 1986, entitled "Expanding the Membership of
2 the Fiscal Incentives Review Board", is hereby repealed.

3 SEC. 32. Title XIV of the National Internal Revenue Code of 1997, as amended, is hereby
4 renumbered as Title XV, to read as follows:

5 **"TITLE [XIV]XV**
6 **"FINAL PROVISIONS**

7 SEC. [292] 316. *Separability Clause.* – If any clause, sentence, paragraph, or part of
8 this Code shall be adjudged by any court of competent jurisdiction to be invalid, such judgment
9 shall not affect, impair, or invalidate the remainder of said Code, but shall be confined in its
10 operation to the clause, sentence, paragraph, or part thereof directly involved in the
11 controversy.

12 SEC. 33. *Implementing Rules and Regulations.* – Within ninety (90) days from the
13 effectivity of this Act, the Secretary of Finance and the Secretary of Trade and Industry shall,
14 upon consultations with the Commissioner of Internal Revenue, the Board of Investments, and
15 other Investment Promotion Agencies, promulgate the necessary rules and regulations for its
16 effective implementation.

17 SEC. 34. *Effectivity.* – This Act shall take effect on January 1, 2020 following its
18 complete publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,

