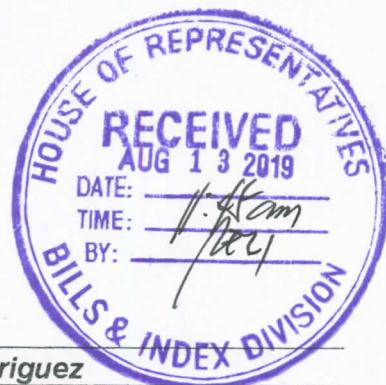


EIGHTEENTH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES

Introduced by Representative Rufus B. Rodriguez

House Bill No. 3846

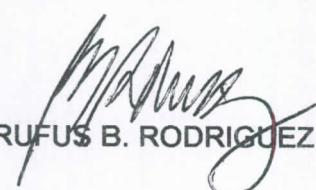
EXPLANATORY NOTE

This bill covers part of the second package of the Duterte Administration's comprehensive tax reform program. It complements the recently-passed Tax Reform for Acceleration and inclusion (TRAIN) Act (RA 10963) by lowering the corporate income tax rate, reforming the corporate income tax system and modernizing investment tax incentives which will broaden the tax base.

Specifically, this bill endeavors to address the following major policy issues:

1. The Philippines' corporate income tax system is characterized by a high rate and a narrow base. Despite having the highest corporate income tax rate in the ASEAN region at 30%, its collection efficiency is one of the lowest. This is addressed by overhauling the corporate income tax system and improving the collection process.
2. Rationalize, modernize and simplify the Philippines' tax incentives system.
3. The outdated tax code lacks adequate provisions to address transfer pricing and other anti-avoidance practices which is being corrected by this bill.

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



RUFUS B. RODRIGUEZ

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

HOUSE OF REPRESENTATIVES

Introduced by Representative Rufus B. Rodriguez

House Bill No. 3846

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

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

SECTION 1. Title. This Act shall be known as the "Corporate Income Tax and Reform Act."

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

"**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 UNDER THE EXCLUSIVE AND ORIGINAL JURISDICTION OF THE SECRETARY OF FINANCE.**

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

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

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

- (A) xxx
- (B) xxx
- (C) xxx

(D) xxx; [and]

(E) xxx; AND

(F) IN CASE THE INFORMATION OR RECORDS REQUESTED ARE NOT FURNISHED WITHIN THE PERIOD PRESCRIBED IN THE WRITTEN NOTICE, OR WHEN THE INFORMATION OR RECORDS SUBMITTED ARE INCOMPLETE, THE COMMISSIONER OR HIS DULY AUTHORIZED REPRESENTATIVE, SHALL ISSUE A *SUBPOENA DUCES TECUM* STATING THEREIN THE RELEVANT FACTS, SPECIFYING THE PARTICULAR DOCUMENTS OR RECORDS NOT MADE AVAILABLE AND THE TAXPAYER LIABLE OR THE THIRD PARTY/OFFICE CONCERNED: PROVIDED, THAT INFORMATION OR RECORDS DULY RECEIVED OR ALREADY WITHIN THE CUSTODY OF THE BUREAU, AS THEREAFTER DECLARED BY THE PERSON SUBJECT OF THE *SUBPOENA DUCES TECUM*, SHALL BE REMOVED THEREFROM.

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

THE *SUBPOENA DUCES TECUM* SHALL BE SERVED PERSONALLY OR BY MAIL, OR IF NOT PRACTICABLE, IT SHALL BE SERVED BY SUBSTITUTED SERVICE IN ACCORDANCE WITH THE RULES OF THE COURT.

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

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

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

"SEC. 6-A. – SERVICE OF LETTER OF AUTHORITY, AUDIT AND ASSESSMENT NOTICES ISSUED BY THE BUREAU. - THE NOTICE TO THE TAXPAYER HEREIN REQUIRED MAY BE SERVED BY THE COMMISSIONER OR HIS DULY AUTHORIZED REPRESENTATIVE THROUGH PERSONAL SERVICE AT HIS REGISTERED ADDRESS. IN CASE PERSONAL SERVICE IS NOT PRACTICABLE, THE NOTICE SHALL BE SERVED BY SUBSTITUTED SERVICE IN ACCORDANCE WITH THE RULES OF THE COURT.

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

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

(A) xxx

(B) SUBMISSION OF TAX-RELATED INFORMATION TO THE DEPARTMENT OF FINANCE. – THE COMMISSIONER SHALL, UPON THE REQUEST OF THE SECRETARY OF FINANCE SPECIFICALLY IDENTIFYING THE NEEDED INFORMATION AND JUSTIFICATION FOR SUCH REQUEST, FURNISH THE SECRETARY PERTINENT TAXPAYER INFORMATION: *PROVIDED, HOWEVER, THAT THE SECRETARY AND THE RELEVANT OFFICERS HANDLING SUCH SPECIFIC INFORMATION SHALL BE COVERED BY THE PROVISIONS OF SECTION 270, UNLESS TAXPAYER CONSENTS IN WRITING TO SUCH DISCLOSURE.*

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

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

SEC. 22. Definitions. - xxx

"(A) xxx

(B) xxx

(C) xxx

(D) xxx

(E) The term '*nonresident citizen*' means;

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

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

(3) A citizen of the Philippines who works and derives income from abroad and whose employment thereat requires him to be physically present abroad [most of the time] **FOR 183 DAYS OR MORE** during the taxable year.

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

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

xxx."

SEC. 7. Section 25 (A) (1) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 25. Tax on Nonresident Alien Individual. -

(A) *Non-resident Alien Engaged in trade or Business Within the Philippines.* -

(1) *In General.* – A nonresident alien individual engaged in trade or business in the Philippines shall be subject to an income tax in the same manner as an individual citizen and a resident alien individual, on taxable income received from all sources within the Philippines. A nonresident alien individual who shall come to the Philippines and stay therein for an aggregate period of more than one hundred eighty THREE [(180)] (183) days OR MORE during any calendar year shall be deemed a ‘nonresident alien doing business in the Philippines.’ Section 22 (G) of this Code notwithstanding.

SEC. 8. Section 27 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 27. Rates of Income tax on Domestic Corporations. –

(A) *In General.* - Except as otherwise provided in this Code, AN INCOME TAX RATE OF PERCENT (30%), is hereby imposed upon the taxable income derived during each taxable year from all sources within and without the Philippines by every corporation, as defined in Section 22(B) of this Code and taxable under this Title as a corporation, organized in, or existing under the laws of the Philippines: [*Provided*, that effective January 1, 2009, the rate of income tax shall be thirty percent (30%).] *PROVIDED*, THAT THE RATE OF CORPORATE INCOME TAX SHALL BE TWENTY EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY FOUR PERCENT (24%) BEGINNING JANUARY 1, 2025; TWENTY TWO PERCENT (22%) BEGINNING JANUARY 1, 2027; AND TWENTY PERCENT (20%) BEGINNING JANUARY 1, 2029. *PROVIDED FURTHER*, THAT THE SCHEDULED DECREASE IN THE RATE MAY BE SUSPENDED BY THE PRESIDENT UPON RECOMMENDATION OF THE SECRETARY OF FINANCE IF THE PROJECTED DEFICIT TARGET AS A PERCENT OF GDP EXCEEDS THE PROGRAMMED DEFICIT, AS DETERMINED BY THE DEVELOPMENT BUDGET COORDINATION COMMITTEE (DBCC), IN THE PRECEDING YEAR PRIOR TO THE SCHEDULED REDUCTION IN THE CIT RATE, BASED ON THE ANNUAL REVIEW OF THE MEDIUM TERM FISCAL PROGRAM.

In the case of corporations adopting the fiscal-year accounting period, the taxable income shall be computed without regard to the specific date when specific sales, purchases and other transactions occur. Their income

and expenses for the fiscal year shall be deemed to have been earned and spent equally for each month of the period.

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

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

- (1) A tax effort ratio of twenty percent (20%) of Gross National Product (GNP);
- (2) A ratio of forty percent (40%) of income tax collection to total tax revenues;
- (3) A VAT tax effort of four percent (4%) of GNP; and
- (4) A 0.9 percent (0.9%) ratio of the Consolidated Public Sector Financial Position (CPSFP) to GNP.]

xxx

- (B) xxx
- (C) xxx
- (D) xxx
- (E) xxx

SEC. 9. Section 28 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"**SEC. 28. Rates of Income Tax on Foreign Corporations. -**

(A) Tax on Resident Foreign Corporations. -

(1) *In General.* - Except as otherwise provided in this Code, a corporation organized, authorized, or existing under the laws of any foreign country, engaged in trade or business within the Philippines, shall be subject to an income tax equivalent to **THIRTY PERCENT (30%)** [thirty-five percent (35%)] of the taxable income derived in the preceding taxable year from all sources within the Philippines: [*Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).*] **PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX SHALL BE TWENTY EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY FOUR PERCENT (24%) BEGINNING JANUARY 1, 2025; TWENTY TWO PERCENT (22%) BEGINNING JANUARY 1, 2027; AND TWENTY PERCENT (20%)**

BEGINNING JANUARY 1, 2029. PROVIDED FURTHER, THAT THE SCHEDULED DECREASE IN THE RATE MAY BE SUSPENDED BY THE PRESIDENT UPON RECOMMENDATION OF THE SECRETARY OF FINANCE IF THE PROJECTED DEFICIT TARGET AS A PERCENT OF GDP EXCEEDS THE PROGRAMMED DEFICIT, AS DETERMINED BY THE DBCC, IN THE PRECEDING YEAR PRIOR TO THE SCHEDULED REDUCTION IN THE CIT RATE, BASED ON THE ANNUAL REVIEW OF THE MEDIUM TERM FISCAL PROGRAM.

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

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

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

(2) xxx

(3) xxx

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

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

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

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

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

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

[(7)] (5) *Tax on Certain Incomes Received by a Resident Foreign Corporation.* -

(a) Interest from Deposits and Yield or any other Monetary Benefit from Deposit Substitutes, Trust Funds and Similar Arrangements and Royalties. – Interest from any currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements and royalties derived from sources within the Philippines shall be subject to a final income tax at the rate of twenty percent (20%) of such interest: Provided, however, That interest income derived by a resident foreign corporation from a depository bank under the expanded foreign currency deposit system shall be subject to a final income tax at the rate of **FIFTEEN PERCENT (15%)** [seven and one-half percent ($7 \frac{1}{2}\%$)] of such interest income.

(b) Income Derived under the Expanded Foreign Currency Deposit System.

xxx

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

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

(d) Intercorporate Dividends.- xxx

(B) *Tax on Nonresident Foreign Corporation.* -

(1) *In General.* - Except as otherwise provided in this Code, a foreign corporation not engaged in trade or business in the Philippines shall pay a tax equal to **THIRTY PERCENT (30%)** [thirty-five percent (35%)] of the gross income received during each taxable year from all sources within the Philippines, such as interests, dividends, rents, royalties, salaries, premiums (except reinsurance premiums), annuities, emoluments or other fixed or determinable annual, periodic or casual gains, profits and income, and capital gains, except capital gains subject to tax under subparagraph 5 (c): [Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).] **PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX SHALL BE TWENTY EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY FOUR PERCENT (24%) BEGINNING JANUARY 1, 2025; TWENTY TWO PERCENT (22%) BEGINNING JANUARY 1, 2027; AND**

TWENTY PERCENT (20%) BEGINNING JANUARY 1, 2029. PROVIDED FURTHER, THAT THE SCHEDULED DECREASE IN THE RATE MAY BE SUSPENDED BY THE PRESIDENT UPON RECOMMENDATION OF THE SECRETARY OF FINANCE IF THE PROJECTED DEFICIT TARGET AS A PERCENT OF GDP EXCEEDS THE PROGRAMMED DEFICIT, AS DETERMINED BY THE DBCC, IN THE PRECEDING YEAR PRIOR TO THE SCHEDULED REDUCTION IN THE CIT RATE, BASED ON THE ANNUAL REVIEW OF THE MEDIUM TERM FISCAL PROGRAM.

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

(3) xxx

(4) xxx

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

(a) *Interest on Foreign Loans.* – xxx

(b) *Intercorporate Dividends.* – A final withholding tax at the rate of fifteen percent (15%) is hereby imposed on the amount of cash and/or property dividends received from a domestic corporation, which shall be collected and paid as provided in Section 57 (A) of this Code, subject to the condition that the country in which the nonresident foreign corporation is domiciled, shall allow a credit against the tax due from the nonresident foreign corporation taxes deemed to have been paid in the Philippines equivalent to [twenty percent (20%)] **FIFTEEN PERCENT (15%)** which represents the difference between the regular income tax [of thirty-five percent (35%)] and the fifteen percent (15%) tax on dividends as provided in this subparagraph: *Provided, that EFFECTIVE JANUARY 1, 2021, [effective January 1, 2009], the credit against the tax due shall be equivalent to [fifteen percent (15%), which represents] the difference between the regular income tax RATE [of thirty percent (30%)] and the fifteen percent (15%) tax on dividends.*

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

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

SEC. 10. Section 34 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"**SEC. 34. Deductions from Gross Income.** – Except for taxpayers earning compensation income arising from personal services rendered under an employer-employee relationship where no deductions shall be allowed under

this Section, in computing taxable income subject to income tax under Sections 24 (A); 25 (A); 26; 27 (A), (B) and (C); and 28 (A) (1), there shall be allowed the following deductions from gross income;

(A) *Expenses.* -

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

x xx

(2) xxx

(B) *Interest.*-

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

IF RATE IS 28%, INTEREST EXPENSE REDUCTION RATE IS 29%

IF RATE IS 26%, THE INTEREST EXPENSE REDUCTION RATE IS 23%

IF RATE IS 24%, THE INTEREST EXPENSE REDUCTION RATE IS 16%

IF RATE IS 22%, THE INTEREST EXPENSE REDUCTION RATE IS 9%

IF RATE IS 20%, THE INTEREST EXPENSE REDUCTION RATE IS 0%

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

(2) xxx

(C) *Taxes.* - xxx

(D) *Losses.* - xxx

(E) *Bad Debts.* – xxx

(F) *Depreciation.* - xxx

- (G) *Depletion of Oil and Gas Wells and Mines.* - xxx
- (H) *Charitable and Other Contributions.* - xxx
- (I) *Research and Development.* - xxx
- (J) *Pension Trusts.* - xxx
- (K) *Additional Requirements for Deductibility of Certain Payments.* - xxx
- (L) *Optional Standard Deduction (OSD).* – In lieu of the deductions allowed under the preceding Subsections, an individual subject to tax under Section 24, other than a nonresident alien, [may elect a standard deduction in an amount not exceeding forty percent (40%) of his gross sales or gross receipts, as the case maybe. In the case of a] AND A corporation CLASSIFIED AS MICRO, SMALL OR MEDIUM-SIZED ENTERPRISE (MSME) AS DETERMINED BY THE DEPARTMENT OF TRADE AND INDUSTRY AND subject to tax under Sections 27(A) and 28 (A)(1), [it] may elect a standard deduction in an amount not exceeding forty percent (40%) of its gross income as defined in Section 32 of this Code: Unless the taxpayer signifies in his return his intention to elect the optional standard deduction, he shall be considered as having availed himself of the deductions allowed in the preceding Subsections. Such election when made in the return shall be irrevocable for the taxable year for which the return is made: *Provided*, That an individual who is entitled to and claimed for the optional standard deduction shall not be required to submit with his tax return such financial statements otherwise required under this Code: *Provided, further*, That except when the Commissioner otherwise permits, the said individual shall keep such records pertaining to his gross sales or gross receipts, or the said corporation shall keep such records pertaining to his gross income as defined in Section 32 of this Code during the taxable year, as may be required by the rules and regulations promulgated by the Secretary of Finance, upon, recommendation of the Commissioner.

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

SEC. 11. Section 40(C)(2) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

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

(A) x xx

(B) x xx

(C) *Exchange of Property.* –
(1) xxx

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

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

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

(c) [A security holder of a corporation, which is a party to the merger or consolidation, exchanges his securities in such corporation, solely for stock or securities in such corporation, a party to the merger or consolidation.] THE ACQUISITION BY ONE CORPORATION, IN EXCHANGE SOLELY FOR ALL OR A PART OF ITS VOTING STOCK OR IN EXCHANGE SOLELY FOR ALL OR A PART OF THE VOTING STOCK OF A CORPORATION WHICH IS IN CONTROL OF THE ACQUIRING CORPORATION, OR SUBSTANTIALLY ALL OF THE PROPERTIES OF ANOTHER CORPORATION, BUT IN DETERMINING WHETHER THE EXCHANGE IS SOLELY FOR STOCK THE ASSUMPTION BY THE ACQUIRING CORPORATION OF A LIABILITY OF THE OTHER SHALL BE DISREGARDED;

(D) A RECAPITALIZATION; OR

(E) A REINCORPORATION

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

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

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

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

xxx"

SEC. 12. Section 50 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 50. [*Allocation of Income and Deductions*. In the case of two or more organizations, trades or businesses (whether or not incorporated and whether or not organized in the Philippines) owned or controlled directly or indirectly by the same interests, the Commissioner is authorized to distribute, apportion or allocate gross income or deductions between or among such organization, trade or business, if he determined that such distribution, apportionment or allocation is necessary in order to prevent evasion of taxes or clearly to reflect the income of any such organization, trade or business.] **AUTHORITY OF THE COMMISSIONER TO DISTRIBUTE, APPORTION, ALLOCATE, AND IMPUTE INCOME AND DEDUCTIONS TO DISREGARD AND COUNTERACT TAX AVOIDANCE ARRANGEMENTS.** – IN CASE OF TWO OR MORE ORGANIZATIONS, TRADES OR BUSINESSES, WHETHER OR NOT ORGANIZED IN THE PHILIPPINES, OWNED OR CONTROLLED DIRECTLY OR INDIRECTLY BY THE SAME INTERESTS, THE COMMISSIONER IS AUTHORIZED TO DISTRIBUTE, APPORTION, ALLOCATE, OR IMPUTE INCOME OR DEDUCTIONS BETWEEN OR AMONG SUCH ORGANIZATIONS, TRADES OR BUSINESSES, IF THE COMMISSIONER DETERMINES THAT SUCH DISTRIBUTION, APPORTIONMENT, ALLOCATION, OR IMPUTATION IS NECESSARY IN ORDER TO PREVENT EVASION OF TAXES OR TO CLEARLY REFLECT THE INCOME OF ANY SUCH ORGANIZATION, TRADE, OR BUSINESS.

IN CASES WHERE THE TRANSACTION OR ARRANGEMENT IS MOTIVATED BY OBTAINING TAX BENEFIT OR ADVANTAGE WITH NO COMMERCIAL REALITY OR ECONOMIC EFFECT, SUCH 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; OR (C) DIRECTLY OR INDIRECTLY AVOIDING, POSTPONING, OR REDUCING ANY LIABILITY TO INCOME TAX, OR ANY POTENTIAL OR PROSPECTIVE LIABILITY TO FUTURE INCOME TAX, THEN THE COMMISSIONER IS AUTHORIZED TO DISREGARD AND CONSIDER SUCH TRANSACTION OR ARRANGEMENT AS VOID FOR INCOME TAX PURPOSES, AND MAY ADJUST THE TAXABLE INCOME OF A PERSON AFFECTED BY THE ARRANGEMENT IN A WAY THE COMMISSIONER DEEMS APPROPRIATE, IN ORDER TO COUNTERACT A TAX ADVANTAGE OBTAINED BY THE PERSON FROM OR UNDER THE ARRANGEMENT.

SEC. 13. Sec. 73 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 73. *Distribution of Dividends or Assets by Corporations.* -

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

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

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

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

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

[(D)] (E) *Net Income of a Partnership Deemed Constructively Received by Partners.* - The taxable income declared by a partnership for a taxable year which is subject to tax under Section 27 (A) of this Code, after deducting the corporate income tax imposed therein, shall be deemed to have

been actually or constructively received by the partners in the same taxable year and shall be taxed to them in their individual capacity, whether actually distributed or not."

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

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

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

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

SEC. 15. SEC. 117 of the National Internal Revenue code of 1997, as amended, is hereby amended to read as follows:

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

xxx"

SEC. 16. Sec. 119 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"**SEC. 119. Tax on Franchises.** - Any provision of general or special law to the contrary notwithstanding, there shall be levied, assessed and collected in respect to all EXISTING franchise agreement or law pertaining TO franchises

on radio and/or television broadcasting companies [whose annual gross receipts of the preceding year do not exceed Ten million pesos (P10,000,000.00)], subject to Section 236 of this Code, a **FRANCHISE** tax of three percent (3%) and on gas and water utilities, a **FRANCHISE** tax of two percent (2%) on the gross receipts derived from the business covered by the law granting the franchise: Provided, however, That radio and/OR television broadcasting companies referred to in this Section shall [have an option to] be registered as a value-added taxpayer and pay the tax due thereon [: Provided, further, That once the option is exercised, said option shall not be irrevocable].

xxx"

SEC. 17. Sec. 203 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"**SEC. 203. Period of Limitation Upon Assessment and Collection.** – Except as provided in Section 222, internal revenue taxes "Except as provided in Section 222, internal revenue taxes shall be assessed within [three (3)] **FIVE (5)** years after the last day prescribed by law of the filing of the return, and no proceeding in court without assessment for the collection of such taxes shall be begun after the expiration of such period: Provided, That in a case where a return is filed beyond the period prescribed by law, the [three (3)] **FIVE (5)** year period shall be counted from the day the return was filed. For purposes of this Section, a return filed before the last day prescribed by law for the filing thereof shall be considered filed on such last day."

SEC. 18. Sec. 204 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

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

- (1) A reasonable doubt as to the validity of the claim against the taxpayer exists; or
- (2) The financial position of the taxpayer demonstrates a clear inability to pay the assessed tax.

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

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

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

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

xxx"

SEC. 19. Sec. 222 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 222. Exceptions as to Period of Limitation of Assessment and Collection of Taxes.-

(a) xxx

(b) If before the expiration of the time prescribed in Section 203 for the assessment of the tax, [both the Commissioner and] the taxpayer [have agreed] **APPLIES WITH THE COMMISSIONER** in writing to its assessment after such time, the tax may be assessed within the period

[agreed upon] **SPECIFIED IN THE APPLICATION WHICH SHALL NOT EXCEED SIX (6) MONTHS AT ANY ONE TIME.** The **FOREGOING** period [so agreed upon] may be extended by subsequent written [agreement]**APPLICATION** made before the expiration of the period previously [agreed upon]**APPLIED FOR.**

xxx"

SEC. 20. Sec. 237 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 237. Issuance of Receipts or Sales or Commercial Invoices. –

(A) *Issuance. –* xxx

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

The original of each receipt or invoice shall be issued to the purchaser, customer, or client at the time the transaction is effected, who, if engaged in the business or in the exercise of profession, shall keep and preserve the same in his place of business for a period of [three (3)] **FIVE (5)** years from the close of the taxable year in which such invoice or receipt was issued,

while the duplicate shall be kept and preserved by the issue, also in his place of business, for a like period: *Provided*, that in case of electronic receipts or sales or commercial invoices, digital record of the same [shall be kept by the purchaser, customer or client and the issuer for the same period above stated] BEARING THE APPROVED ELECTRONIC TAX TRANSACTION NUMBER SHALL BE SUFFICIENT COMPLIANCE.

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

SEC. 21. Sec. 237-A of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

IN YEAR ONE TO YEAR FOUR OF THE IMPLEMENTATION PERIOD, A TAXPAYER WHO ADOPTS THE REQUIRED SYSTEM SHALL BE GRANTED A TAX CREDIT OF 0.1% OF THE PURCHASE VALUE, NET OF VALUE ADDED TAX, FOR EVERY ELECTRONIC RECEIPT OR SALE OR COMMERCIAL INVOICE TRANSMITTED THROUGH THE DESIGNATED ELECTRONIC CHANNELS OF THE BUREAU AND ISSUED AN ELECTRONIC TAX TRANSACTION NUMBER.

IN SUPPORT OF THE ELECTRONIC SALES REPORTING SYSTEM, THE BUREAU OF INTERNAL REVENUE MAY GRANT TAX INCENTIVES FOR ELECTRONICALLY TRACEABLE PAYMENTS (ETP) IN THE FORM OF ALLOWABLE DEDUCTIBLE EXPENSE OF UP TO 10% OF THE ETP MADE BY THE TAXPAYER. AN ANNUAL LIMIT ON THE ALLOWED ETP DEDUCTIBLE EXPENSE PER TAXPAYER MAYBE SET BY THE COMMISSIONER WITH THE APPROVAL OF THE SECRETARY OF FINANCE.

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

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

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

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

SEC. 22. Sec. 255 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

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

SEC. 23. Sec. 256 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 256. Penal Liability of Corporations. - Any corporation, association or general co-partnership liable for any of the acts or omissions penalized under this Code, in addition to the penalties imposed herein upon the responsible corporate officers, partners, or employees shall, upon conviction for each act or omission, be punished by a fine of not less than [Fifty thousand pesos (P50,000) but not more than One hundred thousand pesos (P100,000)] TWO

HUNDRED THOUSAND PESOS (P200,000) BUT NOT MORE THAN TWO MILLION FOUR HUNDRED THOUSAND PESOS (P2,400,000)."

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

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

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

- (1) Willfully falsifies any report or statement bearing on any examination or audit, or renders a report, including exhibits, statements, schedules or other forms of accountancy work which has not been verified by him personally or under his supervision or by a member of his firm or by a member of his staff in accordance with sound auditing practices; or
- (2) Certifies financial statements of a business enterprise containing an essential misstatement of facts or omission in respect of the transactions, taxable income, deduction and exemption of his client; or

(B) Any person who:

- (1) Not being an independent Certified Public Accountant according to Section 232(B) or a financial officer, examines and audits books of accounts of taxpayers; or
- (2) Offers to sign and certify financial statements without audit; or
- (3) Offers any taxpayer the use of accounting bookkeeping records for internal revenue purposes not in conformity with the requirements prescribed in this Code or rules and regulations promulgated thereunder; or
- (4) Knowingly makes any false entry or enters any false or fictitious name in the books of accounts or record mentioned in the preceding paragraphs; or
- (5) Keeps two (2) or more sets of such records or books of accounts; or
- (6) In any way commits an act or omission, in violation of the provisions of this Section; or
- (7) Fails to keep the books of accounts or records mentioned in Section 232 in a native language, English or Spanish, or to make a true and complete translation as required in Section 234 of this Code, or whose books of accounts or records kept in a native language, English or Spanish, and found to be at material variance with books or records kept by him in another language; or

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

If the offender is a Certified Public Accountant, his certificate as a Certified Public Accountant shall be automatically revoked or cancelled upon conviction.

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

SEC. 25. Sec. 258 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

SEC. 26. Sec. 260 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"**SEC. 260. Unlawful Possession of Cigarette Paper in Bobbins or Rolls, Etc.** - It shall be unlawful for any person to have in his possession cigarette paper in bobbins or rolls, cigarette tipping paper or cigarette filter tips, without the corresponding authority therefor issued by the Commissioner. Any person, importer, manufacturer of cigar and cigarettes, who has been found guilty under this Section, shall, upon conviction for each act or omission, be punished by a fine of not less than [Twenty thousand pesos (P20,000) but not more than One hundred thousand pesos (P100,000)] **ONE MILLION FIVE HUNDRED THOUSAND PESOS (P1,500,000) BUT NOT MORE THAN FIFTEEN MILLION PESOS (P15,000,000)** and suffer imprisonment for a term of not less than six (6) years and one (1) day but not more than twelve (12) years."

SEC. 27. Sec. 261 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

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

SEC. 28. Sec. 262 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 262. Shipment or Removal of Liquor or Tobacco Products under False Name or Brand or as an Imitation of any Existing or Otherwise Known Product Name or Brand. - Any person who ships, transports or removes spirituous, compounded or fermented liquors, wines or any manufactured products of tobacco under any other than the proper name or brand known to the trade as designating the kind and quality of the contents of the cask, bottle or package containing the same or as an imitation of any existing or otherwise known product name or brand or causes such act to be done, shall, upon conviction for each act or omission, be punished by a fine of not less than [Twenty thousand pesos (P20,000) but not more than One hundred thousand pesos (P100,000)] **ONE MILLION FIVE HUNDRED THOUSAND PESOS (P1,500,000) BUT NOT MORE THAN FIFTEEN MILLION PESOS (P15,000,000)** and suffer imprisonment of not less than six (6) years and one (1) day but not more than twelve (12) years."

SEC. 29. Sec. 263 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

(a) A fine of not less than [One thousand pesos (P1,000)]**TWENTY FIVE THOUSAND PESOS (P25,000) [nor] BUT NOT more than [Two thousand pesos (P2,000)]SEVENTY FIVE THOUSAND PESOS (P75,000)** and suffer imprisonment of not less than [sixty (60) days but not more than one hundred

(100) days] THIRTY (30) DAYS BUT NOT MORE THAN SIX (6) MONTHS if the appraised value, to be determined in the manner prescribed in the [Tariff and Customs Code]CUSTOMS MODERNIZATION AND TARIFF ACT, including duties and taxes, of the articles does not exceed [One thousand pesos (P1,000).]TWO HUNDRED FIFTY THOUSAND PESOS (P250,000).

(b) A fine of not less than [Ten thousand pesos (P10,000)] SEVENTY FIVE THOUSAND PESOS (P75,000) but not more than [Twenty thousand pesos (P20,000)]ONE HUNDRED FIFTY THOUSAND PESOS (P150,000) and suffer imprisonment of not less than [two (2) years but not more than four (4) years]SIX (6) MONTHS AND ONE (1) DAY BUT NOT MORE THAN ONE (1) YEAR if the appraised value, to be determined in the manner prescribed in the [Tariff and Customs Code]CUSTOMS MODERNIZATION AND TARIFF ACT, including duties and taxes, of the articles exceeds [One thousand pesos (P1,000)] TWO HUNDRED FIFTY THOUSAND PESOS (P250,000) but does not exceed [Fifty thousand pesos (P50,000)]FIVE HUNDRED THOUSAND PESOS (P500,000);

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

(d) A fine of not less than [Fifty thousand pesos (P50,000)]THREE HUNDRED THOUSAND PESOS (P300,000) but not more than [One hundred thousand pesos (P100, 000)] ONE MILLION FIVE HUNDRED THOUSAND PESOS (P1,500, 000) and suffer imprisonment of [not less than ten (10) years but not more than twelve (12) years] THREE (3) YEARS AND ONE (1) DAY BUT NOT MORE THAN SIX (6) years, if the appraised value, to be determined in the manner prescribed in the [Tariff and Customs Code] CUSTOMS MODERNIZATION AND TARIFF ACT, including duties and taxes, of the articles exceeds [One hundred fifty thousand pesos (P150,000)] IS MORE THAN ONE MILLION PESOS (P1,000,000.00) BUT NOT MORE THAN FIVE MILLION PESOS (P5,000,000.00);

(E) A FINE OF NOT LESS THAN ONE MILLION FIVE HUNDRED THOUSAND PESOS (P 1,500,000.00) BUT NOT MORE THAN FIFTEEN MILLION PESOS (P15,000,000.00), AND SUFFER IMPRISONMENT OF NOT LESS THAN SIX (6) YEARS AND ONE (1) DAY BUT NOT MORE THAN TWELVE (12) YEARS, IF THE APPRAISED VALUE, TO BE DETERMINED IN THE MANNER PRESCRIBED IN THE CUSTOMS MODERNIZATION AND TARIFF ACT, INCLUDING DUTIES AND TAXES, OF THE ARTICLES IS MORE THAN FIVE MILLION PESOS (P5,000,000) BUT NOT MORE THAN FIFTY MILLION PESOS (P50,000,000);

(F) A FINE OF NOT LESS THAN FIFTEEN MILLION PESOS (P 15,000,000.00) BUT NOT MORE THAN FIFTY MILLION PESOS

(P50,000,000), AND SUFFER IMPRISONMENT OF NOT LESS THAN TWELVE (12) YEARS AND ONE (1) DAY BUT NOT MORE THAN TWENTY (20) YEARS, IF THE APPRAISED VALUE, TO BE DETERMINED IN THE MANNER PRESCRIBED IN THE CUSTOMS MODERNIZATION AND TARIFF ACT, INCLUDING DUTIES AND TAXES, OF THE ARTICLES IS MORE THAN FIFTY MILLION PESOS (P50,000,000.00) BUT NOT MORE THAN TWO HUNDRED MILLION PESOS (P200,000,000); OR

(G) IF THE APPRAISED VALUE OF THE GOODS UNLAWFULLY IMPORTED TO BE DETERMINED IN THE MANNER PRESCRIBED UNDER IN THE CUSTOMS MODERNIZATION AND TARIFF ACT, INCLUDING DUTIES AND TAXES, EXCEEDS TWO HUNDRED MILLION PESOS (P200,000,000) OR IF THE AGGREGATE AMOUNT OF THE APPRAISED VALUE OF THE GOODS WHICH ARE THE SUBJECT OF UNLAWFUL IMPORTATION COMMITTED IN MORE THAN ONE INSTANCE, INCLUDING DUTIES AND TAXES, EXCEEDS TWO HUNDRED MILLION PESOS (P200,000,000), THE SAME SHALL BE PUNISHABLE WITH A PENALTY OF TWENTY YEARS ONE DAY BUT NOT MORE THAN THIRTY YEARS AND A FINE OF NOT LESS THAN FIFTY MILLION PESOS (P50,000,000.00).

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

Any manufacturer, owner or person in charge of any article subject to excise tax who removes or allows or causes the unlawful removal of any such articles from the place of production or bonded warehouse, upon which the excise tax has not been paid at the time and in the manner required, and any person who knowingly aids or abets in the removal of such articles as aforesaid, or conceals the same after illegal removal shall, for the first offense, be punished with a fine of not less than ten (10) times the amount of excise tax due on the articles but not less than [One thousand pesos (P1,000)]TWENTY FIVE THOUSAND (P25,000) and suffer imprisonment of not less than [one (1) year but not more than two (2) years] TWO (2) YEARS BUT NOT MORE THAN FOUR (4) YEARS.

The mere unexplained possession of articles subject to excise tax, the tax on which has not been paid in accordance with law, shall be punishable under this Section."

SEC. 30. Sec. 264 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 264. Failure or refusal to Issue Receipts or Sales or Commercial Invoices, Violations related to the Printing of such Receipts or Invoices and Other Violations. -

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

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

- (1) Printing of receipts or sales or commercial invoices without authority from the Bureau of Internal Revenue; or
- (2) Printing of double or multiple sets of invoices or receipts; or
- (3) Printing of unnumbered receipts or sales or commercial invoices, not bearing the name, business style, Taxpayer Identification Number, and business address of the person or entity.”

SEC. 31. Sec. 265 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 265. Offenses Relating to Stamps. - Any person who commits any of the acts enumerated hereunder shall, upon conviction thereof, be punished by a fine of not less than [Twenty thousand pesos (P20,000)] **SEVEN HUNDRED THOUSAND PESOS (P700,000.00)** but not more than [Fifty thousand pesos (P50,000)] **ONE MILLION TWO HUNDRED THOUSAND PESOS (P1,200,000)** and suffer imprisonment of not less than four (4) years but not more than eight (8) years:

- (a) Making, importing, selling, using or possessing without express authority from the Commissioner, any die for printing or making stamps, labels, tags or playing cards;
- (b) Erasing the cancellation marks of any stamp previously used, or altering the written figures or letters or cancellation marks on internal revenue stamps;
- (c) Possessing false, counterfeit, restored or altered stamps, labels or tags or causing the commission of any such offense by another;
- (d) Selling or offering for sale any box or package containing articles subject to excise tax with false, spurious or counterfeit stamps or labels or selling from any such fraudulent box, package or container as aforementioned; or

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

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

"**SEC. 266. Failure to Obey Summons.** - Any person who, being duly summoned to appear to testify, or to appear and produce books of accounts, records, memoranda or other papers, or to furnish information as required under the pertinent provisions of this Code, neglects to appear or to produce such books of accounts, records, memoranda or other papers, or to furnish such information, shall, upon conviction, be punished by a fine of not less than [Five thousand pesos (P5,000)] **ONE HUNDRED THOUSAND PESOS (P100,000)** but not more than [ten thousand pesos (P10,000)] **THREE HUNDRED THOUSAND PESOS (P300,000)**) and suffer imprisonment of not less than [one (1) year but not more than two (2) years.]

SEC. 33. Sec. 275 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

SEC. 34. A new section is hereby inserted after Section 282 of the National Internal Revenue Code of 1997, as amended, to read as follows:

"SEC. 282-A. VIOLATION OF THE PROVISIONS OF THIS CODE AMOUNTING TO ECONOMIC SABOTAGE. – ANY VIOLATION OF SECTION 254 OF THIS CODE THAT UNDERMINES, WEAKENS OR RENDERS INTO DISREPUTE THE ECONOMIC SYSTEM OR VIABILITY OF THE COUNTRY OR TENDS TO BRING OUT SUCH EFFECTS, IN LIEU OF THE PENALTY SET IN THE PRECEDING PROVISIONS, SHALL CONSTITUTE ECONOMIC SABOTAGE, AND, UPON CONVICTION FOR EACH ACT OR OMISSION, BE PUNISHED BY A FINE OF NOT LESS THAN FIFTY MILLION (P50,000,000) AND RECLUSION TEMPORAL.

SEC. 35. Sec. 290 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"**SEC. 290. Congressional Oversight Committee.** –

xxx

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

- (1) xxx;
- (2) xxx;
- (3) xxx; [and]
- (4) xxx[.];

(5) REVIEW THE PERFORMANCE OF FUNCTIONS OF THE INVESTMENT PROMOTION AGENCIES AND THE FISCAL INCENTIVES REVIEW BOARD, PARTICULARLY IN THE GRANT OF INCENTIVES TO REGISTERED ENTERPRISES AND IN THE REVIEW AND EVALUATION OF GRANTED INCENTIVES, RESPECTIVELY, AS WELL AS IN THE FORMULATION OF THE STRATEGIC INVESTMENTS PRIORITY PLAN; AND

xxx"

SEC. 36. A new title is hereby inserted beginning Section 291, Title XIII of the National Internal Revenue Code of 1997, as amended, to read as follows:

"TITLE XIII

CHAPTER I

GENERAL PROVISIONS ON TAX INCENTIVES

SEC 291. SCOPE AND COVERAGE. – THIS TITLE SHALL COVER ALL EXISTING INVESTMENT PROMOTION AGENCIES (IPAS) AS DEFINED IN THIS CODE OR RELATED LAWS, AND ALL OTHER IPAS AND OTHER SIMILAR AUTHORITIES THAT MAY BE CREATED BY LAW, EXCEPT THE PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA),

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

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

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

UNLESS OTHERWISE PROVIDED IN THIS CODE, VALUE-ADDED TAX SHALL FOLLOW THE DESTINATION PRINCIPLE WHERE EXPORTS ARE ZERO-RATED AND DOMESTIC SALES ARE SUBJECT TO THE REGULAR VALUE-ADDED TAX RATE.

SEC. 293. DEFINITIONS - WHEN USED IN THIS TITLE TO AVAIL OF INCENTIVES:

(A) THE TERM '*ANNUAL FISCAL INCENTIVES REPORT*' REFERS TO THE DETAILED REPORT ON FISCAL INCENTIVES AVAILED IN A TAXABLE YEAR AND BENEFITS CORRESPONDING THERETO. THE REPORT SHALL CONTAIN FIRM- OR ENTITY-LEVEL DATA SUCH AS BUT NOT LIMITED TO THE ACTUAL AMOUNT OF INVESTMENTS, TAXES WITHHELD AND FOREGONE, EMPLOYMENT IMPACT, AND EXPORTS, IMPORTS AND DOMESTIC INPUTS.

(B) THE TERM '*CAPITAL EQUIPMENT*' REFERS TO MACHINERY, EQUIPMENT, MAJOR COMPONENTS THEREOF, FITTINGS AND ACCOMPANIMENTS WHICH ARE DIRECTLY AND REASONABLY NEEDED IN THE REGISTERED ACTIVITY OF THE REGISTERED ENTERPRISE.

(C) THE TERM '*FISCAL INCENTIVES*' SHALL MEAN TAX INCENTIVES SUCH AS INCOME TAX HOLIDAY, REDUCED INCOME TAX RATE, ADDITIONAL INCOME TAX DEDUCTIONS, CUSTOMS DUTY EXEMPTION, VAT EXEMPTION AND ZERO-RATING, LOCAL TAX EXEMPTION, AND OTHER EXEMPTIONS AND SPECIAL RATE AS MAY BE PROVIDED BY LAW TO REGISTERED BUSINESS ENTERPRISES AND OTHER REGISTERED ENTITIES.

(D) THE TERM '*INVESTMENT PROMOTION AGENCIES (IPAS)*' SHALL REFER TO GOVERNMENT ENTITIES CREATED BY LAW, EXECUTIVE ORDER, DECREE OR OTHER ISSUANCE, IN CHARGE OF PROMOTING INVESTMENTS, ADMINISTERING TAX AND NON-TAX INCENTIVES, AND/OR OVERSEEING THE OPERATIONS FOR 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), 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 (ZCSEA), 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 SIMILAR AUTHORITIES EXISTING OR THAT MAY BE CREATED BY LAW. THE PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA) IS NOT COVERED BY THIS SECTION.

(E) THE TERM '*OTHER GOVERNMENT AGENCIES ADMINISTERING FISCAL INCENTIVES (OGA)*' SHALL REFER TO GOVERNMENT AGENCIES OTHER THAN IPAS WHICH REGISTER OR ADMINISTER FISCAL INCENTIVES OF ANY KIND TO ANY SPECIFIC ENTITIES AND/OR CLASS OF PERSONS PURSUANT TO ANY LAW. THESE SHALL INCLUDE, BUT SHALL NOT BE LIMITED TO THE COOPERATIVE DEVELOPMENT AUTHORITY (CDA), DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT (DSWD), COMMISSION ON HIGHER EDUCATION (CHED), BUREAU OF INTERNAL REVENUE (BIR), DEPARTMENT OF AGRARIAN REFORM (DAR), DEPARTMENT OF AGRICULTURE (DA), DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS (DOTC), CIVIL AVIATION AUTHORITY OF THE PHILIPPINES (CAAP), DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS (DPWH), REGIONAL GOVERNMENT-AUTONOMOUS REGION IN MUSLIM MINDANAO, REGIONAL GOVERNMENT-CORDILLERA ADMINISTRATIVE REGION, DEPARTMENT OF TOURISM (DOT), BANGKO SENTRAL NG PILIPINAS (BSP), NATIONAL BOOK DEVELOPMENT BOARD (NBDB), BOY SCOUT OF THE PHILIPPINES, GIRL SCOUT OF THE PHILIPPINES, DEPARTMENT OF FINANCE (DOF), BUREAU OF CUSTOMS (BOC), NATIONAL TELECOMMUNICATIONS COMMISSION (NTC), PRESIDENTIAL COMMUNICATIONS OPERATIONS OFFICE (PCOO), NATIONAL COUNCIL FOR CHILDREN'S TELEVISION (NCCT), NATIONAL COMMISSION FOR CULTURE

AND THE ARTS (NCCA), NATIONAL HISTORICAL COMMISSION OF THE PHILIPPINES (NHCP), FILM DEVELOPMENT COUNCIL, NATIONAL COUNCIL FOR DISABILITY AFFAIRS, SECURITIES AND EXCHANGE COMMISSION (SEC), COMMISSION ON HIGHER EDUCATION (CHED), DEPARTMENT OF EDUCATION (DEPED), DEPARTMENT OF SCIENCE AND TECHNOLOGY (DOST), TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY (TESDA), COMMISSION ON ELECTIONS (COMELEC), NATIONAL ELECTRIFICATION ADMINISTRATION (NEA), NATIONAL POWER CORPORATION (NPC), DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES (DENR), NATIONAL DISASTER AND RISK REDUCTION MANAGEMENT COUNCIL (NDRRMC), DEPARTMENT OF FOREIGN AFFAIRS (DFA), DEPARTMENT OF HEALTH (DOH), PHILIPPINE RED CROSS, HOUSING AND URBAN DEVELOPMENT COORDINATING COUNCIL (HUDCC), NATIONAL GOVERNMENT CENTER ADMINISTRATION COMMITTEE, HOUSING AND LAND USE REGULATORY BOARD (HLURB), NATIONAL COMMISSION ON INDIGENOUS PEOPLE (NCIP), QUEZON CITY DEVELOPMENT AUTHORITY, SOCIAL SECURITY SYSTEM (SSS), GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS), PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC), SUPREME COURT (SC), DEPARTMENT OF LABOR AND EMPLOYMENT (DOLE), OVERSEAS WORKERS WELFARE ADMINISTRATION (OWWA), PHILIPPINE OVERSEAS EMPLOYMENT ADMINISTRATION (POEA), DEPARTMENT OF JUSTICE (DOJ), DEPARTMENT OF INTERIOR AND LOCAL GOVERNMENT (DILG), NATIONAL ANTI-POVERTY COMMISSION (NAPC), PARTIDO DEVELOPMENT ADMINISTRATION, PHILIPPINE VETERANS AFFAIRS OFFICE (PVAO), DEPARTMENT OF NATIONAL DEFENSE (DND), PHILIPPINE PORTS AUTHORITY (PPA), PHILIPPINE SPORTS COMMISSION (PSC), NATIONAL YOUTH COMMISSION, AND HUMAN RIGHTS VIOLATIONS VICTIM'S MEMORIAL COMMISSION, AMONG OTHERS.

(F) THE TERM '*OTHER REGISTERED ENTITIES (OREs)*' REFER TO ANY INDIVIDUAL, PARTNERSHIP, ORGANIZATION, CORPORATION, PHILIPPINE BRANCH OF A FOREIGN CORPORATION, OR OTHER ENTITY INCORPORATED AND/OR ORGANIZED AND EXISTING UNDER PHILIPPINE LAWS, AND REGISTERED WITH OTHER OGAS ADMINISTERING FISCAL INCENTIVES.

(G) THE TERM '*REGISTERED BUSINESS ENTERPRISE (RBE)*' SHALL MEAN INDIVIDUAL, PARTNERSHIP, CORPORATION, PHILIPPINE BRANCH OF A FOREIGN CORPORATION, OR OTHER ENTITY ORGANIZED AND EXISTING UNDER PHILIPPINE LAWS AND REGISTERED WITH AN IPA AS DEFINED UNDER REPUBLIC ACT (RA) NO. 10708, OR THE TIMTA LAW: PROVIDED, HOWEVER, THAT THE TERM "REGISTERED ENTERPRISE" SHALL NOT INCLUDE ANY OF THE FOLLOWING SERVICE ENTERPRISES SUCH AS, BUT NOT LIMITED TO, THOSE ENGAGED IN CUSTOMS BROKERAGE, TRUCKING OR FORWARDING SERVICES, JANITORIAL SERVICES, SECURITY SERVICES, INSURANCE, BANKING, AND OTHER FINANCIAL SERVICES, CONSUMERS' COOPERATIVES, CREDIT UNIONS, CONSULTANCY SERVICES, RETAIL BUSINESS, RESTAURANTS, OR SUCH OTHER SIMILAR SERVICES, AS MAY BE DETERMINED BY THE FISCAL INCENTIVES REVIEW BOARD (FIRB) OR IPA BOARD, IRRESPECTIVE OF LOCATION, WHETHER INSIDE OR OUTSIDE THE ECOZONES, DULY ACCREDITED AND/OR LICENSED BY ANY OF THE IPAS AND WHOSE INCOME DELIVERED WITHIN THE ECONOMIC ZONES SHALL BE SUBJECT TO TAXES UNDER THE NATIONAL INTERNAL REVENUE CODE (NIRC) OF 1997, AS AMENDED.

(H) THE TERM ‘SPECIAL ECONOMIC ZONE’ OR ‘ECOZONE’ SHALL REFER TO A 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, WHOSE METES AND BOUNDS ARE FIXED OR DELIMITED BY PRESIDENTIAL PROCLAMATIONS AND WITHIN A SPECIFIC GEOGRAPHICAL AREA. AN ECOZONE 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 EXTRactions ARE UNDERTAKEN SHALL NOT BE DECLARED AS ECOZONES: PROVIDED, FURTHER, THAT VERTICAL ECONOMIC ZONES, SUCH AS BUT NOT LIMITED TO BUILDINGS, SELECTED FLOORS WITHIN BUILDINGS, AND SELECTED AREAS ON A FLOOR, SHOULD COMPLY WITH THE MINIMUM CONTIGUOUS LAND AREA AS DETERMINED BY THE FIRB.

(I) THE TERM ‘SPECIAL PROJECTS/ACTIVITIES’ SHALL REFER TO PROJECTS/ACTIVITIES DEFINED AS FOLLOWS:

(1) REGISTERED PROJECTS WITH INVESTMENT AMOUNT OF FIFTY MILLION PESOS (PHP 50,000,000) AND ABOVE, AS MAY BE ADJUSTED IN THE IMPLEMENTING RULES AND REGULATIONS;

(2) REGISTERED PROJECTS OR ACTIVITIES THAT ARE:

(2.1) “ENVIRONMENTALLY RISKY PROJECTS” SUCH AS BUT NOT LIMITED TO:

(a) THOSE FALLING WITHIN THE SCOPE OF THE ENVIRONMENTAL IMPACT STATEMENT (EIS) SYSTEM ESTABLISHED UNDER PD NO. 1586 AND PROCLAIMED PURSUANT TO PRESIDENTIAL PROCLAMATION (PP) NO. 2146, AS AMENDED BY PP NO. 803, OR AS MAY BE AMENDED IN THE FUTURE:

(i) ENVIRONMENTALLY CRITICAL PROJECTS (ECP) WHICH HAVE A HIGH POTENTIAL FOR NEGATIVE ENVIRONMENTAL IMPACTS AND WHOSE PROPONENTS ARE REQUIRED TO SUBMIT ENVIRONMENTAL IMPACT STATEMENTS (EIS), SUCH AS BUT NOT LIMITED TO: (A) HEAVY INDUSTRIES (NON-FERROUS METAL INDUSTRIES, IRON AND STEEL MILLS, PETROLEUM AND PETROCHEMICAL INDUSTRIES, AND SMELTING PLANTS); (B) RESOURCE EXTRACTIVE INDUSTRIES (MAJOR MINING AND QUARRYING PROJECTS, FORESTRY PROJECTS, DIKES AND FISHPOND DEVELOPMENT PROJECTS); (C) INFRASTRUCTURE PROJECTS (MAJOR DAMS, MAJOR POWER PLANTS, MAJOR

RECLAMATION PROJECTS, MAJOR ROAD AND BRIDGES); AND (D) GOLF COURSE PROJECTS.

- (ii) PROJECTS LOCATED IN ENVIRONMENTALLY CRITICAL AREAS (ECA) WHOSE PROJECT PROponent IS REQUIRED TO SUBMIT AN EIS LATER, IF DEEMED NECESSARY, IS REQUIRED. SUCH AREAS INCLUDE BUT ARE NOT LIMITED TO: (A) ALL AREAS DECLARED BY LAW AS NATIONAL PARKS, WATERSHED RESERVES, WILDLIFE PRESERVES, AND SANCTUARIES; (B) AREAS SET ASIDE AS AESTHETIC POTENTIAL TOURIST SPOTS; (C) AREAS WHICH CONSTITUTE THE HABITAT FOR ANY ENDANGERED OR THREATENED SPECIES OF INDIGENOUS PHILIPPINE WILDLIFE (FLORA AND FAUNA); (D) AREAS OF UNIQUE HISTORIC, ARCHEOLOGICAL OR SCIENTIFIC INTEREST; (E) AREAS WHICH ARE TRADITIONALLY OCCUPIED BY CULTURAL COMMUNITIES OR TRIBES (INDIGENOUS CULTURAL COMMUNITIES); (F) AREAS FREQUENTLY VISITED AND/OR HARD-HIT BY NATURAL CALAMITIES (GEOLOGIC HAZARDS, FLOODS, TYPHOONS, VOLCANIC ACTIVITY, ETC.); (G) AREAS WITH CRITICAL SLOPES; (H) AREAS CLASSIFIED AS PRIME AGRICULTURAL LANDS; (I) RECHARGED AREAS OF AQUIFERS; (J) WATER BODIES CHARACTERIZED BY ONE OR ANY COMBINATION OF THE FOLLOWING CONDITIONS: (I.) TAPPED FOR DOMESTIC PURPOSES, (II) WITHIN THE CONTROLLED AND/OR PROTECTED AREAS DECLARED BY APPROPRIATE AUTHORITIES, (III) WHICH SUPPORT WILDLIFE AND FISHERY ACTIVITIES; (K) MANGROVE AREAS CHARACTERIZED BY ONE OR ANY COMBINATION OF THE FOLLOWING CONDITIONS: (I) WITH PRIMARY PRISTINE AND DENSE YOUNG GROWTH, (II) ADJOINING MOUTH OF MAJOR RIVER SYSTEMS, (III) NEAR OR ADJACENT TO TRADITIONAL PRODUCTIVE FRY OR FISHING GROUNDS, (IV) WHICH ACT AS NATURAL BUFFERS AGAINST SHORE EROSION, STRONG WINDS AND STORM FLOODS, (V) ON WHICH PEOPLE ARE DEPENDENT FOR THEIR LIVELIHOOD; AND (L) CORAL REEFS CHARACTERIZED BY ONE OR ANY COMBINATION OF THE FOLLOWING CONDITIONS: (I) WITH FIFTY PERCENT (50%) AND ABOVE LIVE CORALLINE COVER, (II) SPAWNING AND NURSERY GROUNDS FOR FISH, (III) WHICH ACT AS NATURAL BREAKWATER OF COASTLINES.

- (b) PROJECTS AND ACTIVITIES THAT REQUIRE THE IMPORTATION, MANUFACTURE, PROCESSING, SALE, DISTRIBUTION, USE AND DISPOSAL OF CHEMICAL SUBSTANCES AND MIXTURES THAT PRESENT UNREASONABLE RISK AND/OR INJURY TO HEALTH AND/OR ENVIRONMENT UNDER RA 6969, OTHERWISE KNOWN AS THE "TOXIC SUBSTANCES AND HAZARDOUS AND NUCLEAR WASTES CONTROL ACT OF 1990";
- (c) INDUSTRIES THAT DISCHARGE REGULATED EFFLUENTS AND ARE REQUIRED TO SECURE A DISCHARGE PERMIT FROM THE DENR UNDER RA 9275, OTHERWISE KNOWN AS THE "PHILIPPINE CLEAN WATER ACT OF 2004";
- (2.2) "HEALTH RISKY PROJECTS" OR THOSE FALLING UNDER THE SCOPE OF THE PHILIPPINE NATIONAL FRAMEWORK AND GUIDELINES FOR ENVIRONMENTAL HEALTH IMPACT ASSESSMENT SUCH AS PROJECTS THAT HAVE HEALTH-SENSITIVE COMPONENTS AND THOSE LOCATED IN HEALTH-SENSITIVE PROJECT LOCATIONS AS DETERMINED BY THE DEPARTMENT OF HEALTH (DOH), OTHER GOVERNMENT AGENCIES AND RELEVANT ENTITIES, WITHOUT PREJUDICE TO THE ESTABLISHMENT OF A HEALTH IMPACT ASSESSMENT (HIA) SYSTEM IN THE FUTURE, AND ISSUANCE OF A PRESIDENTIAL PROCLAMATION ON THE MATTER.
- (2.3) "ECONOMICALLY RISKY PROJECTS" OR PROJECTS THAT POSE RISKS TO ECONOMIC STABILITY WHICH INCLUDE THOSE THAT HAVE HIGH RELIANCE ON IMPORTS, LIMIT COMPETITION, AND ARE POTENTIALLY SPECULATIVE IN NATURE.
- (3) REGISTERED PROJECTS OR ACTIVITIES WHOSE APPROVAL IN THE IPA BOARD LEVEL DOES NOT MEET THE MINIMUM REQUIRED VOTES OF AT LEAST TWO-THIRDS.

(J) THE TERM 'TAX SUBSIDY OR TAX EXPENDITURE SUBSIDY' SHALL REFER TO SUBSIDY GIVEN TO NATIONAL GOVERNMENT AGENCIES, GOCCS AND GOVERNMENT INSTRUMENTALITIES, STATE UNIVERSITIES AND COLLEGES (SUCS), AND OTHER GOVERNMENT ENTITIES AS MAY BE PROVIDED UNDER THE ANNUAL GENERAL APPROPRIATIONS ACT (GAA), IN LIEU OF PAYMENT OF TAXES AND CUSTOM DUTIES, CHARGEABLE AGAINST THE TAX EXPENDITURE FUND.

CHAPTER II

TAX AND DUTY INCENTIVES

SEC. 294. INCENTIVES. - REGISTERED PROJECTS OR ACTIVITIES UNDER THE STRATEGIC INVESTMENTS PRIORITY PLAN SHALL BE QUALIFIED TO ANY OF THE FOLLOWING INCENTIVES:

(A) INCOME TAX INCENTIVES

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

(2) REDUCED CORPORATE INCOME TAX. - A REDUCED TAX RATE OF EIGHTEEN PERCENT (18%) OF THE TAXABLE INCOME AS DEFINED UNDER SECTION 31 OF THIS CODE. PROVIDED, THAT IN THE CASE OF REGISTERED ENTERPRISES WITHIN ECONOMIC ZONES AND FREEPORTS, THAT TAX SHALL BE PAID AS FOLLOWS:

FIFTEEN PERCENT (15%) TO THE NATIONAL GOVERNMENT;

ONE POINT FIVE PERCENT (1.5%) TO BE DIRECTLY REMITTED TO THE TREASURER'S OFFICE OF THE PROVINCE WHERE THE ENTERPRISE IS LOCATED, IN LIEU OF THE LOCAL BUSINESS TAX;

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

PROVIDED, THAT IF THE ENTERPRISE IS UNDER THE JURISDICTION OF A HIGHLY URBANIZED CITY (HUC), THE 3% SHARE OF THE LGU SHALL BE DIRECTLY REMITTED TO THE TREASURER'S OFFICE OF THE HUC.

(3) DEPRECIATION ALLOWANCE OF THE ASSETS THAT IS ACQUIRED FOR THE ENTITY'S PRODUCTION OF GOODS AND SERVICES (QUALIFIED CAPITAL EXPENDITURE) OF TEN PERCENT (10%) FOR BUILDINGS; AND TWENTY PERCENT (20%) FOR MACHINERIES AND EQUIPMENT. PROVIDED, THAT DEPRECIATION MAY BE COMPUTED USING ACCELERATED DEPRECIATION METHOD ON RATE NOT EXCEEDING TWICE THE RATE WHICH WOULD HAVE BEEN USED HAD THE ANNUAL ALLOWANCE BEEN COMPUTED IN ACCORDANCE WITH THE RULES AND REGULATIONS PRESCRIBED BY THE SECRETARY OF FINANCE AND THE PROVISIONS OF THE NIRC OF 1997, AS AMENDED: PROVIDED FURTHER, THAT THE ASSETS ARE ACQUIRED DIRECTLY FOR THE ENTITY'S PRODUCTION OF GOODS AND SERVICES OTHER THAN ADMINISTRATIVE AND OTHER SUPPORT SERVICES.

(4) UP TO FIFTY PERCENT (50%) ADDITIONAL DEDUCTION ON THE INCREMENT OF LABOR EXPENSE: PROVIDED, THAT THIS DOES NOT

INCLUDE INDIRECT LABOR, SALARIES AND WAGES, AND OTHER PERSONNEL COSTS INCURRED FOR ADMINISTRATIVE AND OTHER SUPPORT SERVICES.

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

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

(7) UP TO ONE HUNDRED PERCENT (100%) DEDUCTION ON *INFRASTRUCTURE DEVELOPMENT*. - REGISTERED ENTERPRISES ESTABLISHING THEIR ACTIVITY IN AN AREA THAT THE STRATEGIC INVESTMENT PRIORITY PLAN (SIPP) DESIGNATES AS NECESSARY FOR COUNTRY-WIDE DEVELOPMENT OR IN AN AREA FOUND TO BE DEFICIENT IN INFRASTRUCTURE, PUBLIC UTILITIES, AND OTHER FACILITIES, SUCH AS IRRIGATION, DRAINAGE, OR OTHER SIMILAR WATERWORKS INFRASTRUCTURE, MAY DEDUCT FROM THE GROSS INCOME AN AMOUNT EQUIVALENT TO UP TO ONE HUNDRED PERCENT (100%) OF NECESSARY AND MAJOR INFRASTRUCTURE WORKS IT MAY HAVE UNDERTAKEN WITH THE PRIOR APPROVAL AND RECOMMENDATION OF THE IPA CONCERNED: *PROVIDED*, THAT THE TITLE TO ALL SUCH INFRASTRUCTURE WORKS SHALL UPON COMPLETION, BE TRANSFERRED TO THE PHILIPPINE GOVERNMENT: *PROVIDED FURTHER*, THAT ANY AMOUNT NOT DEDUCTED FOR A PARTICULAR YEAR MAY BE CARRIED OVER FOR DEDUCTION FOR SUBSEQUENT YEARS NOT EXCEEDING FIVE (5) YEARS FROM COMMERCIAL OPERATION.

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

(9) ENHANCED NET OPERATING LOSS CARRY-OVER (NOLCO). - THE NET OPERATING LOSS OF THE REGISTERED ACTIVITY DURING THE FIRST THREE (3) YEARS FROM THE START OF COMMERCIAL OPERATION WHICH HAD NOT BEEN PREVIOUSLY OFFSET AS

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

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

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

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

(B) EXEMPTION FROM CUSTOMS DUTY ON IMPORTATION OF CAPITAL EQUIPMENT AND RAW MATERIALS DIRECTLY AND EXCLUSIVELY USED IN THE REGISTERED ACTIVITY FOR A PERIOD NOT EXCEEDING FIVE (5) YEARS BY REGISTERED ENTERPRISES: PROVIDED, THAT THE FIVE YEARS LIMIT IN THIS SUBSECTION SHALL NOT APPLY TO SPECIAL ECONOMIC ZONES AS DEFINED UNDER THIS TITLE.

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

- (1) THE ACTIVITY IS STILL COVERED BY THE STRATEGIC INVESTMENTS PRIORITY PLAN (SIPP) OR IS AN INNOVATION PROJECT AS DEFINED IN THE STRATEGIC INVESTMENT PRIORITY PLAN;
- (2) CUSTOMS DUTY EXEMPTION WILL ONLY APPLY ON THE INCREMENTAL PORTION OF THE ACTIVITY; AND
- (3) THE CUSTOMS DUTY EXEMPTION EXTENSION SHALL NOT EXCEED FIVE (5) YEARS.

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

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

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

CHAPTER III

GOVERNANCE OF FISCAL INCENTIVES

SEC. 298. COMPOSITION OF THE FIRB - FOR PURPOSES OF THIS ACT, THE FISCAL INCENTIVES REVIEW BOARD OR FIRB CREATED UNDER PRESIDENTIAL DECREE (PD) NO. 776, AS AMENDED BY PD 1931 AND PD 1955, OFFICE OF THE PRESIDENT MEMORANDUM ORDER NO. 23, SERIES OF 1986 AND EXECUTIVE ORDER 93, SERIES OF 1986, SHALL BE RECONSTITUTED AS FOLLOWS:

- (A) **BOARD.** – THE BOARD SHALL BE COMPOSED OF THE SECRETARY OF FINANCE AS CHAIRPERSON, AND FOUR (4) MEMBERS CONSISTING OF: (1) THE EXECUTIVE SECRETARY OF THE OFFICE OF THE PRESIDENT; (2) THE SECRETARY OF TRADE AND INDUSTRY; (3) THE DIRECTOR-GENERAL OF THE NATIONAL ECONOMIC DEVELOPMENT AUTHORITY; AND (4) THE SECRETARY OF BUDGET AND MANAGEMENT;
- (B) **TECHNICAL COMMITTEE.** – THE TECHNICAL COMMITTEE SHALL BE COMPOSED OF AN UNDERSECRETARY OF FINANCE DESIGNATED BY THE SECRETARY OF FINANCE AS CHAIRPERSON AND SIX (6) MEMBERS CONSISTING OF: (1) A DEPUTY OR ASSISTANT DEPUTY EXECUTIVE SECRETARY OF THE OFFICE OF THE PRESIDENT; (2) AN UNDERSECRETARY OR ASSISTANT SECRETARY OF TRADE AND INDUSTRY; (3) A DEPUTY OR ASSISTANT DIRECTOR GENERAL OF NATIONAL ECONOMIC DEVELOPMENT AUTHORITY; (4) AN UNDERSECRETARY OR ASSISTANT SECRETARY OF BUDGET AND MANAGEMENT; (5) THE COMMISSIONER OR DEPUTY COMMISSIONER OF INTERNAL REVENUE; AND (6) THE COMMISSIONER OR DEPUTY COMMISSIONER OF CUSTOMS.
- (C) **SECRETARIAT.** – THE NATIONAL TAX RESEARCH CENTER (NTRC) SHALL BE THE SECRETARIAT OF THE FIRB. THE EXECUTIVE DIRECTOR OF NTRC SHALL ACT AS HEAD OF THE SECRETARIAT.

SEC. 299. EXPANDED FUNCTIONS OF THE FIRB. – THE POWERS AND FUNCTIONS OF THE FIRB WHICH SHALL BE VESTED IN AND EXERCISED BY THE BOARD SHALL BE EXPANDED AS FOLLOWS:

- (A) TO EXERCISE OVERSIGHT FUNCTIONS OVER THE IPAS. FOR THIS PURPOSE, THE FIRB SHALL:
- (1) SET AND REVIEW THE GENERAL POLICY WITH REGARD TO THE GRANT OF FISCAL INCENTIVES;
 - (2) REVIEW AND AUDIT THE COMPLIANCE OF IPAS AND OGAS TO THE GENERAL POLICY ON INCENTIVES SET BY THE FIRB AS MANDATED IN THIS ACT, THE STRATEGIC INVESTMENT PRIORITY PLAN, AND THE RESPECTIVE CHARTERS OF THE IPAS AND OGAS; AND IMPOSE SANCTIONS ON VIOLATION OR NON-COMPLIANCE OF IPAS AND OGAS SUCH AS BUT NOT LIMITED TO SUSPENSION OR CANCELATION OF THEIR POWER TO GRANT FISCAL INCENTIVES;
 - (3) CANCEL, SUSPEND, OR WITHDRAW THE ENJOYMENT OF FISCAL INCENTIVES OF CONCERNED RBES AND ORES, AND ENDORSE THE SAME TO THE CONCERNED REVENUE AGENCIES FOR ASSESSMENT AND COLLECTION OF TAXES AND DUTIES DUE, INCLUDING FINES OR PENALTIES, IF WARRANTED, FOR THE FOLLOWING REASONS: (A) FAILURE TO MAINTAIN THE QUALIFICATIONS REQUIRED BY THE CONCERNED IPA OR BY THE FIRB FOR AVALIMENT OF INCENTIVES; AND (B) VIOLATION OF ANY PROVISIONS OF THIS ACT, RULES AND REGULATIONS ISSUED UNDER THE RESPECTIVE CHARTERS OF THE IPAS, OR OF THE TERMS AND CONDITIONS OF REGISTRATION;
 - (4) REQUIRE IPAS AND OGAS TO SUBMIT, REGULARLY OR WHEN NECESSARY, SUMMARIES OF APPROVED INVESTMENT AND INCENTIVES GRANTED, AND FIRM- OR ENTITY-LEVEL FISCAL INCENTIVES AND BENEFITS DATA AS INPUT TO THE FIRB'S REVIEW AND AUDIT FUNCTION AND EVALUATION OF PERFORMANCE OF RECIPIENTS OF FISCAL INCENTIVES;
 - (5) PUBLISH THE NAMES OF THE RBES AND ORES WITH DETAILED ESTIMATED AMOUNT OF FISCAL INCENTIVES, TAX PAYMENTS, AND OTHER RELATED INFORMATION, INCLUDING BENEFITS DATA; AND
 - (6) IN THE CASE OF VERTICAL ZONES, DETERMINE THE MINIMUM CONTIGUOUS FLOOR AREA THAT ECONOMIC ZONES SHOULD COMPLY WITH, SUCH AS BUT NOT LIMITED TO BUILDINGS, SELECTED FLOORS WITHIN BUILDINGS, AND SELECTED AREAS ON A FLOOR.
- (B) TO APPROVE OR DISAPPROVE THE GRANT OF FISCAL INCENTIVES TO SPECIAL PROJECTS/ACTIVITIES AS DEFINED IN THIS ACT UPON THE RECOMMENDATION OF THE IPA BOARD: *PROVIDED*, THAT FOR THESE SPECIAL PROJECTS/ACTIVITIES, THE IPA BOARD SHALL RECOMMEND

TO THE FIRB THE APPROVAL OF SUCH GRANT OF FISCAL INCENTIVES ONLY AFTER A THOROUGH REVIEW OF THE APPLICATION;

- (C) TO APPROVE APPLICATIONS FOR TAX SUBSIDIES TO GOCCS, GOVERNMENT INSTRUMENTALITIES (GIS), GOVERNMENT COMMISSARIES, AND STATE UNIVERSITIES AND COLLEGES (SUCS);
- (D) TO CANCEL, SUSPEND, OR WITHDRAW THE ENJOYMENT OF TAX SUBSIDY OF CONCERNED GOCCS, GIS, GOVERNMENT COMMISSARIES, AND SUCS AND ENDORSE THE SAME TO THE CONCERNED REVENUE AGENCIES FOR ASSESSMENT AND COLLECTION OF TAXES AND DUTIES DUE, INCLUDING FINES OR PENALTIES, IF WARRANTED, FOR VIOLATIONS OF ANY OF THE CONDITIONS IMPOSED IN THE GRANT OF TAX SUBSIDY, OR PROVISIONS OF THIS ACT, OR APPLICABLE RULES AND REGULATIONS;
- (E) TO CONDUCT REGULAR MONITORING AND EVALUATION OF INVESTMENT AND NON-INVESTMENT FISCAL INCENTIVES IN ACCORDANCE WITH SECTION 306 OF THIS ACT, SUCH AS USING COST-BENEFIT ANALYSIS (CBA), TO DETERMINE THEIR IMPACT ON THE ECONOMY AND WHETHER AGREED PERFORMANCE TARGETS ARE MET;
- (F) TO CHECK AND VERIFY REGULARLY THE COMPLIANCE OF RBES WITH SPECIAL PROJECTS/ACTIVITIES GRANTED FISCAL INCENTIVES BY THE FIRB WITH THE TERMS AND CONDITIONS OF THEIR AVAILMENT, THE RELEVANT PROVISIONS AND RULES AND REGULATIONS OF THIS ACT, AND OTHER RELEVANT LAWS OR ISSUANCES;
- (G) TO DECIDE ON ISSUES, AFTER DUE HEARING, CONCERNING THE APPROVAL, DISAPPROVAL, CANCELLATION, SUSPENSION, WITHDRAWAL OR FORFEITURE OF FISCAL INCENTIVES OR TAX SUBSIDY IN ACCORDANCE WITH THIS ACT;
- (H) TO REQUIRE THE SUBMISSION AND PRODUCTION OF DOCUMENTS, RECORDS, BOOKS, OR OTHER DATA RELEVANT OR MATERIAL TO THE EVALUATION OF APPLICATION FOR FISCAL INCENTIVES AND TAX SUBSIDIES, FROM IPAS, OGAS, RBES, ORES, GOCCS, GIS, GOVERNMENT COMMISSARIES, AND SUCS, LOCAL GOVERNMENT UNITS (LGUS), AMONG OTHERS.
- (I) TO OBTAIN INFORMATION, SUMMON, EXAMINE, INQUIRE AND RECEIVE FROM IPAS, OGAS, RBES, ORES, GOCCS, GIS, GOVERNMENT COMMISSARIES, SUCS, AND LGUS, DOCUMENTS, RECORDS, BOOKS, OR OTHER DATA RELEVANT OR MATERIAL TO THE RESOLUTION OF ISSUES ARISING FROM THE APPROVAL, DISAPPROVAL, CANCELLATION, SUSPENSION, WITHDRAWAL OR FORFEITURE OF FISCAL INCENTIVES OR TAX SUBSIDY, OR IN IMPOSING PENALTIES FOR VIOLATIONS OF THE TERMS AND CONDITIONS ON THE AVAILMENT OF FISCAL INCENTIVES AND TAX SUBSIDY, OR ANY OF THE PROVISIONS OF THIS ACT;

- (J) TO SUBMIT ANNUAL REPORTS TO THE OFFICE OF THE PRESIDENT, AS PART OF THE BUDGET PROCESS COVERING ITS POLICY AND ACTIVITIES IN THE ADMINISTRATION OF THIS ACT, INCLUDING RECOMMENDATIONS ON FISCAL INCENTIVE POLICIES AND APPROVAL OF FISCAL INCENTIVES;
- (K) TO FIX AND IMPOSE REASONABLE FEES AND CHARGES FOR THE PROCESSING OF APPLICATIONS FOR FISCAL INCENTIVES OR TAX SUBSIDIES: *PROVIDED, THAT THE PROCEEDS THEREOF SHALL ACCRUE DIRECTLY AND AUTOMATICALLY TO THE FIRB.*
- (L) TO EXERCISE ALL OTHER POWERS NECESSARY OR INCIDENTAL TO ATTAIN THE PURPOSES OF THIS ACT AND OTHER LAWS VESTING ADDITIONAL FUNCTIONS ON THE FIRB; AND
- (M) TO PROMULGATE SUCH RULES AND REGULATIONS AS MAY BE NECESSARY TO IMPLEMENT THE INTENT AND PROVISIONS OF THIS ACT.

PROVIDED, THAT, AS CHAIR OF THE FIRB AND AS THE CUSTODIAN OF FISCAL PRUDENCE AND RESPONSIBILITY, THE SECRETARY OF FINANCE SHALL EXERCISE OVERSIGHT FUNCTIONS AND SHALL HAVE VETO POWER OVER THE APPROVAL AND CANCELLATION OF TAX INCENTIVES UNDER SEC. 302 HEREOF.

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

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

SEC. 300. ROLES AND RESPONSIBILITIES OF THE TECHNICAL COMMITTEE. – THE TECHNICAL COMMITTEE SHALL HAVE THE FOLLOWING ROLES AND RESPONSIBILITIES:

- (A) TO EVALUATE APPLICATIONS FOR FISCAL INCENTIVES AND TAX SUBSIDIES FORWARDED BY THE SECRETARIAT;
- (B) TO RECOMMEND TO THE BOARD THE APPROVAL, DISAPPROVAL, SUSPENSION, OR WITHDRAWAL OF FISCAL INCENTIVES AND TAX SUBSIDIES AND PERTINENT MATTERS RELATIVE THERETO;
- (C) TO ASSIST THE BOARD IN THE EFFECTIVE DISCHARGE OF ITS FUNCTIONS AND RECOMMEND OTHER POLICIES AND MEASURES DEEMED NECESSARY TO CARRY OUT THE OBJECTIVES OF THIS ACT; AND
- (D) TO PERFORM OTHER FUNCTIONS AS MAY BE DIRECTED BY THE BOARD.

SEC. 301. ROLES AND RESPONSIBILITIES OF THE SECRETARIAT. – THE SECRETARIAT SHALL HAVE THE FOLLOWING ROLES AND RESPONSIBILITIES:

- (A) TO RECEIVE, REVIEW, AND PROCESS APPLICATIONS ON FISCAL INCENTIVES COVERING SPECIAL PROJECTS/ACTIVITIES OF REGISTERED BUSINESS ENTERPRISES, SUBSIDIIES OF GOCCS, GIS, GOVERNMENT COMMISSARIES AND SUCCS, AND OTHER MATTERS REGARDING FISCAL INCENTIVES AND TAX SUBSIDIES, AND RECOMMEND TO THE TECHNICAL COMMITTEE THE APPROVAL, DISAPPROVAL, SUSPENSION, OR WITHDRAWAL OF FISCAL INCENTIVES AND TAX SUBSIDIES AND OTHER PERTINENT MATTERS RELATIVE THERETO;
- (B) TO ASSIST THE BOARD IN THE MONITORING AND EVALUATION OF INVESTMENT AND NON-INVESTMENT FISCAL INCENTIVES AND TAX SUBSIDIES IN ACCORDANCE WITH SECTION 306 OF THIS ACT;
- (C) TO MAINTAIN, ORGANIZE, AND SECURE DATA RECEIVED FROM OTHER ENTITIES, SUCH AS BUT NOT LIMITED TO IPAS, OGAS, RBES, AND ORES;
- (D) TO PREPARE THE AGENDA, MINUTES, TRANSCRIPTIONS OF THE MEETINGS, AND SUCH OTHER DOCUMENTS AS MAY BE REQUIRED BY THE BOARD OR THE TECHNICAL COMMITTEE;
- (E) TO ACT AS THE CUSTODIAN OF ALL FIRB RECORDS AND DOCUMENTS;
- (F) TO COLLECT AND RECEIVE REASONABLE FEES AND CHARGES FOR THE PROCESSING OF APPLICATIONS FOR FISCAL INCENTIVES OR SUBSIDIES; AND
- (G) TO PERFORM SUCH OTHER DUTIES AS MAY BE ASSIGNED BY THE TECHNICAL COMMITTEE AND THE BOARD.

SEC. 302. COVERAGE AND SCOPE OF THE POWER OF THE FIRB TO GRANT FISCAL INCENTIVES. – THE FIRB HAS THE POWER TO GRANT FISCAL INCENTIVES TO THE FOLLOWING SPECIAL PROJECTS/ACTIVITIES AS DEFINED UNDER SEC. 293(I) OF THIS ACT.

- (A) REGISTERED PROJECTS WITH INVESTMENT AMOUNT OF FIFTY MILLION PESOS (PHP 50,000,000) AND ABOVE;
- (B) REGISTERED PROJECTS OR ACTIVITIES THAT POSE RISK TO THE ENVIRONMENT, HEALTH AND ECONOMIC STABILITY. THE FIRB JOINTLY WITH THE IPAS AND IN CONSULTATION WITH THE DOH, DENR, NEDA, AND OTHER CONCERNED AGENCIES SHALL DETERMINE WHICH PROJECTS AND ACTIVITIES FALL UNDER THIS CATEGORY AS MAY PROVIDED IN THE IMPLEMENTING RULES AND REGULATIONS OF THIS ACT; AND
- (C) REGISTERED PROJECTS OR ACTIVITIES WHOSE APPROVAL IN THE IPA BOARD LEVEL DOES NOT MEET THE MINIMUM REQUIRED VOTES OF AT LEAST TWO-THIRDS. FOR THIS PURPOSE, THE IPA BOARD SHALL ELEVATE TO THE FIRB THESE TYPES OF PROJECTS OR ACTIVITIES TOGETHER WITH THE ENTIRE DOCKET, FOR APPROPRIATE ACTION.

SEC. 303. REVIEW OF APPLICATIONS FOR FISCAL INCENTIVES ON SPECIAL PROJECTS AND ACTIVITIES. – AFTER A DETERMINATION THAT THE APPLICATION FALLS UNDER THE SPECIAL PROJECTS/ACTIVITIES ENUMERATED IN THE PREVIOUS SECTION, THE IPA CONCERNED SHALL FORWARD THE ENTIRE APPLICATION DOCKET TO THE FIRB FOR ITS REVIEW AND APPROVAL.

WITHIN FIFTEEN (15) WORKING DAYS FROM THE RECEIPT THEREOF, THE SECRETARIAT SHALL ENSURE THE COMPLETENESS OF THE DOCUMENTS SUBMITTED, CONDUCT AN INITIAL EVALUATION OF THE DOCUMENTS SUBMITTED, AND ELEVATE ITS RECOMMENDATION TO THE TECHNICAL COMMITTEE FOR THEIR REVIEW AND EVALUATION. THE TECHNICAL COMMITTEE SHALL HAVE TEN (10) WORKING DAYS TO ISSUE THEIR RECOMMENDATION AND SUBMIT THE SAME TO THE BOARD FOR APPROPRIATE ACTION.

SEC. 304. ISSUANCE OF THE FIRB RESOLUTION AND CERTIFICATE OF ENTITLEMENT TO FISCAL INCENTIVES. – THE BOARD SHALL ISSUE ITS RESOLUTION WITHIN FIVE (5) WORKING DAYS FROM RECEIPT OF THE RECOMMENDATION OF THE TECHNICAL COMMITTEE. IF THE APPLICATION FOR FISCAL INCENTIVES IS APPROVED, A CERTIFICATE OF ENTITLEMENT TO FISCAL INCENTIVES SHALL BE ISSUED TO THE APPLICANT.

CHAPTER IV

FISCAL INCENTIVES MANAGEMENT AND TRANSPARENCY

SEC. 305. FILING OF TAX RETURNS AND SUBMISSION OF FISCAL INCENTIVES REPORTS. — ALL RBES AND ORES WHETHER TAXABLE OR EXEMPT, ARE REQUIRED TO FILE THEIR TAX RETURNS AND PAY THEIR TAX LIABILITIES, ON OR BEFORE THE DEADLINE AS PROVIDED UNDER THE NIRC, AS AMENDED, USING THE ELECTRONIC SYSTEM FOR FILING AND PAYMENT OF TAXES WITH THE BIR.

FOR RBES AND ORES AVAILING OF INCENTIVES ADMINISTERED BY THE IPAS AND OGAS, THEY SHALL FILE WITH THEIR RESPECTIVE IPAS OR OGAS A COMPLETE ANNUAL FISCAL INCENTIVES REPORT OF THEIR INCOME-BASED FISCAL INCENTIVES, VALUE-ADDED TAX EXEMPTIONS AND ZERO-RATING, AND CUSTOMS DUTY EXEMPTIONS, DEDUCTIONS, CREDITS OR EXCLUSIONS FROM THE INCOME TAX BASE, AND EXEMPTIONS FROM LOCAL TAXES, AS PROVIDED IN THE CHARTER OF THE IPA CONCERNED OR OGA, AND RESPECTIVE LAWS, AND BENEFITS DATA SUCH AS BUT NOT LIMITED TO THE ACTUAL AMOUNT OF INVESTMENTS, TAXES PAID, WITHHELD, AND FOREGONE, EMPLOYMENT IMPACT, AND EXPORTS, IMPORTS, AND DOMESTIC INPUTS WITHIN THIRTY (30) CALENDAR DAYS FROM THE STATUTORY DEADLINE FOR FILING OF TAX RETURNS AND PAYMENT OF TAXES; *PROVIDED*, THAT, A COPY OF THE REPORT SHALL BE SIMULTANEOUSLY SUBMITTED TO THE FIRB IN ELECTRONIC FORM.

THE IPAS AND OGAS SHALL, WITHIN SIXTY (60) CALENDAR DAYS FROM THE END OF THE STATUTORY DEADLINE FOR FILING OF THE RELEVANT TAX RETURNS, SUBMIT TO THE BIR, THEIR RESPECTIVE ANNUAL FISCAL INCENTIVES REPORTS BASED ON THE LIST OF THE RBES AND ORES WHICH HAVE FILED SAID FISCAL INCENTIVES REPORT.

THE DETAILS OF THE FISCAL INCENTIVES REPORTS, AS PROVIDED IN THE PRECEDING PARAGRAPHS, SHALL BE PROVIDED IN THE IRR OF THIS ACT.

THE FOREGOING PROVISIONS SHALL BE WITHOUT PREJUDICE TO THE RIGHT OF THE BIR AND THE BUREAU OF CUSTOMS (BOC) TO ASSESS AND/OR AUDIT TAX LIABILITIES, IF ANY; WITHIN THE PRESCRIBED PERIOD PROVIDED IN THE NIRC, AS AMENDED, AND THE CUSTOMS MODERNIZATION AND TARIFF ACT (CMTA), AS AMENDED, RESPECTIVELY.

SEC. 306. *MONITORING, EVALUATION AND REPORTING OF FISCAL INCENTIVES.* — THE BIR AND THE BOC SHALL SUBMIT TO THE DOF NOTWITHSTANDING ANY LAW TO THE CONTRARY: (A) THE TAX AND DUTY INCENTIVES OF RBES AND ORES AS REFLECTED IN THEIR FILED TAX RETURNS AND IMPORT ENTRIES; AND (B) ACTUAL TAX AND DUTY INCENTIVES AS EVALUATED AND DETERMINED BY THE BIR AND THE BOC.

THE DOF SHALL MAINTAIN A SINGLE DATABASE FOR MONITORING AND ANALYSIS OF FISCAL INCENTIVES GRANTED.

THE FIRB IS MANDATED TO CONDUCT A SYSTEMATIC COLLECTION OF INFORMATION FROM THE DOF, IPAS, OGAS, RBES AND ORES, AS WELL AS EVALUATE AND ASSESS THE PROCESS, OUTCOMES, AND IMPACT OF INCENTIVES GRANTED TO FIRMS TO DETERMINE WHETHER AGREED PERFORMANCE TARGETS AND INTENDED RESULTS AND OUTCOMES ARE MET. THE METHOD OF EVALUATION MAY INCLUDE THE CONDUCT OF COST-BENEFIT ANALYSIS OR OTHER PROCESS AND IMPACT EVALUATION METHODS: *PROVIDED, THAT* FOR PURPOSES OF THIS ACT, THE TERM COST-BENEFITS ANALYSIS REFERS TO THE SYSTEMATIC EVALUATION OF THE TOTAL COSTS OF GRANTING FISCAL INCENTIVES VIS-À-VIS THE TOTAL BENEFITS DERIVED FROM THE GRANT OF FISCAL INCENTIVES BASED ON THE ANNUAL FISCAL INCENTIVE REPORT AND OTHER RELATED SOURCES, TO CALCULATE THE NET BENEFIT OR COST ASSOCIATED TO FISCAL INCENTIVES AND EVALUATE THE OVERALL IMPACT OF FISCAL INCENTIVES IN MONETIZED TERMS.

FOR PURPOSES OF MONITORING AND TRANSPARENCY, THE DOF SHALL SUBMIT TO THE DBM AGGREGATE DATA ON A SECTORAL AND PER INDUSTRY BASIS OF: (1) THE AMOUNT OF FISCAL INCENTIVES AVAILED BY RBES AND ORES; (2) THE ESTIMATE CLAIMS OF FISCAL INCENTIVES IMMEDIATELY PRECEDING THE CURRENT YEAR; (3) THE PROGRAMMED FISCAL INCENTIVES FOR THE CURRENT YEAR; AND (4) THE PROJECTED FISCAL INCENTIVES FOR THE FOLLOWING YEAR. SUCH INFORMATION SHALL BE GIVEN TO THE JOINT CONGRESSIONAL OVERSIGHT COMMITTEE CREATED UNDER SECTION 9 OF RA NO. 10708 OR THE TIMTA LAW.

THE AFORESAID DATA SHALL BE REFLECTED BY THE DBM IN THE ANNUAL BUDGET OF EXPENDITURES AND SOURCES OF FINANCING (BESF), WHICH SHALL BE KNOWN AS THE FISCAL INCENTIVES INFORMATION (FII) SECTION: *PROVIDED, THAT* THE FII SHALL BE LIMITED TO THE AGGREGATE DATA RELATED TO INCENTIVES AVAILED OF BY RBES AND ORES BASED ON THE SUBMISSIONS OF THE DOF AND THE CONCERNED IPAS AND OGAS, CATEGORIZED BY SECTOR, BY IPA OR OGA AND BY TYPE OF FISCAL INCENTIVE.

NOTHING IN THIS ACT SHALL BE CONSTRUED TO DIMINISH OR LIMIT, IN WHATEVER MANNER, THE AMOUNT OF INCENTIVES THAT THE IPAS OR OGAS MAY GRANT PURSUANT TO THEIR CHARTERS AND EXISTING LAWS; OR TO PREVENT, DETER, OR DELAY THE PROMOTION AND REGULATION OF INVESTMENTS,

PROCESSING OF APPLICATIONS FOR REGISTRATIONS, AND EVALUATION OF ENTITLEMENT OF INCENTIVES BY IPAS OR OGAS.

SEC. 307. PENALTIES FOR NONCOMPLIANCE WITH FILING AND REPORTORIAL REQUIREMENTS. — ANY RBE OR ORE WHICH FAILS TO COMPLY WITH FILING AND REPORTORIAL REQUIREMENTS WITH THE APPROPRIATE IPAS OR OGAS AND/OR WHICH FAILS TO SHOW PROOF OF FILING OF TAX RETURNS USING THE ELECTRONIC SYSTEM FOR FILING AND PAYMENT OF TAXES OF THE BIR UNDER SECTION 305 HEREOF, SHALL BE IMPOSED THE FOLLOWING PENALTIES BY THE APPROPRIATE IPA OR OGA:

- (A) FIRST VIOLATION – PAYMENT OF A FINE AMOUNTING TO ONE HUNDRED THOUSAND PESOS (P100,000.00);
- (B) SECOND VIOLATION – PAYMENT OF A FINE AMOUNTING TO FIVE HUNDRED THOUSAND PESOS (P500,000.00); AND
- (C) THIRD VIOLATION – CANCELLATION OF THE REGISTRATION OF THE REGISTERED BUSINESS ENTERPRISE OR REGISTERED ENTITY WITH THE IPA OR OGA.

PROVIDED, THAT IF THE FAILURE TO SHOW SUCH PROOF IS NOT DUE TO THE FAULT OF THE RBES OR ORES, THE SAME SHALL NOT BE A GROUND FOR THE SUSPENSION OF THE ITH AND/OR OTHER FISCAL INCENTIVES AVAILMENT: PROVIDED, FURTHER THAT COLLECTIONS FROM THE PENALTIES SHALL ACCRUE TO THE GENERAL FUND.

ANY GOVERNMENT OFFICIAL OR EMPLOYEE WHO FAILS WITHOUT JUSTIFIABLE REASON TO PROVIDE OR FURNISH THE REQUIRED FISCAL INCENTIVES REPORT OR OTHER DATA OR INFORMATION AS REQUIRED UNDER SECTIONS 305 AND 306 OF THIS ACT SHALL BE PENALIZED, AFTER DUE PROCESS, BY A FINE EQUIVALENT TO THE OFFICIAL'S OR EMPLOYEE'S BASIC SALARY FOR A PERIOD OF ONE (1) MONTH TO SIX (6) MONTHS OR BY SUSPENSION FROM GOVERNMENT SERVICE FOR NOT MORE THAN ONE (1) YEAR, OR BOTH, IN ADDITION TO ANY CRIMINAL AND ADMINISTRATIVE PENALTIES IMPOSABLE UNDER EXISTING LAWS.

CHAPTER V

SUSPENSION AND FORFEITURE OF FISCAL INCENTIVES

SEC. 308. SUSPENSION OF INCENTIVES. — THE FIRB MAY SUSPEND AND/OR FORFEIT THE INCENTIVES GRANTED TO THE RBES OR ORES WHENEVER THERE ARE VIOLATIONS OF THE TERMS AND CONDITIONS ON THE AVAILMENT OF INCENTIVES BY THE LATTER, WITHOUT PREJUDICE TO THE CANCELLATION OF THE REGISTRATION OF SAID ENTERPRISES.

SEC. 309. CANCELLATION OF CERTIFICATE OF ENTITLEMENT TO FISCAL INCENTIVES OR CERTIFICATE OF ENTITLEMENT TO TAX SUBSIDY. — IN CASE OF CANCELLATION OF CERTIFICATE OF ENTITLEMENT TO FISCAL INCENTIVES OR CERTIFICATE OF ENTITLEMENT TO TAX SUBSIDY, THE FIRB SHALL ENDORSE ITS DECISION TO THE CONCERNED REVENUE AGENCIES FOR PROPER ASSESSMENT AND COLLECTION OF TAXES, CUSTOMS DUTIES, AND ANY APPLICABLE PENALTIES THEREON.

CHAPTER VI

ADMINISTRATIVE REMEDIES

SEC. 310. PERIOD OF FILING. – A REQUEST FOR RECONSIDERATION OF THE DENIAL OF THE APPLICATION FOR TAX SUBSIDY OR FISCAL INCENTIVES, MAY BE FILED WITH THE FIRB, WITHIN FIFTEEN (15) WORKING DAYS FROM THE RECEIPT OF NOTICE OF DENIAL/SUSPENSION/FORFEITURE.

SEC. 311. RESOLUTION OF MOTION. – THE REQUEST FOR RECONSIDERATION SHALL BE RESOLVED WITHIN THIRTY (30) WORKING DAYS FROM THE DATE IT WAS SUBMITTED.

SEC. 312. NO SECOND MOTION FOR RECONSIDERATION. – NO SECOND MOTION FOR RECONSIDERATION SHALL BE ENTERTAINED.

CHAPTER VII

QUALIFIED ACTIVITIES FOR TAX INCENTIVES

SEC. 313. ‘STRATEGIC INVESTMENTS PRIORITY PLAN’ (SIPP). – THE BOARD OF INVESTMENTS (BOI), IN COORDINATION WITH THE OFFICE OF THE PRESIDENT, THE FIRB, THE CONCERNED IPAS, AND OTHER GOVERNMENT AGENCIES AND THE PRIVATE SECTOR, SHALL FORMULATE THE SIPP TO BE SUBMITTED TO THE PRESIDENT FOR HIS APPROVAL NOT LATER THAN DECEMBER OF THE THIRD YEAR SET FOR PERIODIC REVIEW. THE PLAN SHALL BE VALID FOR A PERIOD OF THREE (3) YEARS SUBJECT TO REVIEW AND AMENDMENT, OR AS THE NEED ARISES. ALL SECTORS OR INDUSTRIES THAT MAY BE INCLUDED IN THE SIPP SHALL UNDERGO AN EVALUATION PROCESS TO DETERMINE THE SUITABILITY AND POTENTIAL OF THE INDUSTRY OR THE SECTOR IN PROMOTING LONG-TERM GROWTH AND DEVELOPMENT, AND THE NATIONAL INTEREST.

THE SIPP SHALL:

(A) INCLUDE ACTIVITIES THAT COMPLY WITH THE FOLLOWING:

- (1) THE ACTIVITY SHALL BE COVERED BY THE PHILIPPINE DEVELOPMENT PLAN OR ITS EQUIVALENT AND OTHER GOVERNMENT PROGRAMS;
- (2) THE ACTIVITY SHALL TAKE INTO ACCOUNT ANY OF THE FOLLOWING:
 - (A) SUBSTANTIAL AMOUNT OF INVESTMENTS;
 - (B) CONSIDERABLE GENERATION OF EMPLOYMENT;
 - (C) ADOPT INCLUSIVE BUSINESS ACTIVITIES AND VALUE ADDING PRODUCTION BY MSMES;
 - (D) USE OF MODERN OR NEW TECHNOLOGY;
 - (E) ADOPTION OF ADEQUATE ENVIRONMENTAL PROTECTION SYSTEMS;

(F) ADDRESS MISSING GAPS IN THE SUPPLY/VALUE CHAIN OR MOVE UP THE VALUE CHAIN OR PRODUCT LADDER; OR

(G) PROMOTION OF MARKET COMPETITIVENESS.

(B) IDENTIFY AGRIBUSINESS PROJECTS OR ACTIVITIES, AND PROJECTS AND ACTIVITIES IN AREAS THAT ARE LESS DEVELOPED OR THOSE RECOVERING FROM ARMED CONFLICT OR 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.

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

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

SEC. 314. POWER OF THE PRESIDENT TO GRANT INCENTIVES. - THE PRESIDENT MAY, IN THE INTEREST OF NATIONAL ECONOMIC DEVELOPMENT AND UPON THE RECOMMENDATION OF THE BOARD OF INVESTMENTS AND THE ECONOMIC MANAGERS, GRANT INCENTIVES IN ADDITION TO THOSE THAT ARE PROVIDED UNDER THIS CODE, INCLUDING A LONGER PERIOD, TO HIGHLY DESIRABLE PROJECTS: *PROVIDED*, THAT THE BENEFITS THAT THE GOVERNMENT MAY DERIVE FROM SUCH INVESTMENT THERETO IS CLEAR AND CONVINCING AND FAR OUTWEIGH THE COST OF INCENTIVES THAT WILL BE GRANTED.

SEC. 314-A. CRITERIA FOR AVAILMENT. THE BOARD OF INVESTMENTS SHALL CONSIDER THE FOLLOWING CRITERIA IN DETERMINING THE TYPES OF INCENTIVES AND THE DURATION THEREOF THAT MAY BE GRANTED:

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

(B) MINIMUM INVESTMENT OF FIVE HUNDRED MILLION US DOLLARS (US\$500,000,000) OR A MINIMUM DIRECT EMPLOYMENT GENERATION OF AT LEAST ONE THOUSAND FIVE HUNDRED (1,500) WITHIN THREE YEARS FROM THE START OF COMMERCIAL OPERATION.

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

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

SEC. 314-B. USE OF RESOURCES. - IN THE EXERCISE OF THE POWER OF THE PRESIDENT TO GRANT INCENTIVES, THE GOVERNMENT MAY UTILIZE ITS RESOURCES SUCH AS LAND USE, WATER APPROPRIATION, POWER PROVISION, AMONG OTHERS, AS MAY BE IDENTIFIED BY THE BOI.

SEC. 315. AMENDMENTS. - SUBJECT TO PUBLICATION REQUIREMENTS AND THE CRITERIA FOR INVESTMENT PRIORITY DETERMINATION, THE BOI MAY, AT ANY TIME, INCLUDE ADDITIONAL AREAS IN THE SIPP, ALTER ANY OF THE TERMS OF THE DECLARATION OF AN INVESTMENT AREA, AND TEMPORARILY OR PERMANENTLY SUSPEND ACTIVITIES ON THE SIPP IF IT CONSIDERS THAT SUCH ACTIVITY IS NO LONGER A PRIORITY. IN NO CASE SHALL THE IPAS ACCEPT APPLICATIONS UNLESS THE ACTIVITY IS LISTED IN THE SIPP.

SEC. 316. PUBLICATION. - UPON APPROVAL OF THE PLAN, IN WHOLE OR IN PART, OR UPON APPROVAL OF AN AMENDMENT THEREOF, THE PLAN OR THE AMENDMENT, SPECIFYING AND DECLARING THE AREAS OF INVESTMENTS SHALL BE PUBLISHED IN AT LEAST ONE (1) NEWSPAPER OF GENERAL CIRCULATION OR THE OFFICIAL GAZETTE AND ALL SUCH AREAS SHALL BE OPEN FOR APPLICATION UNTIL PUBLICATION OF AN AMENDMENT OR DELETION THEREOF.

SEC. 317. QUALIFICATIONS OF A REGISTERED ENTERPRISE FOR TAX INCENTIVES. - IN THE REVIEW AND GRANT OF TAX INCENTIVES, A REGISTERED ENTERPRISE MUST:

- A. BE ENGAGED IN AN ACTIVITY INCLUDED IN THE SIPP;
- B. INSTALL AN ADEQUATE ACCOUNTING SYSTEM THAT SHALL IDENTIFY THE INVESTMENTS, REVENUES, COSTS AND PROFITS OR LOSSES OF EACH REGISTERED PROJECT UNDERTAKEN BY THE ENTERPRISE SEPARATELY FROM THE AGGREGATE INVESTMENTS, REVENUES, COSTS AND PROFITS OR LOSSES OF THE WHOLE ENTERPRISE; OR ESTABLISH A SEPARATE CORPORATION FOR EACH REGISTERED PROJECT IF THE IPA SHOULD SO REQUIRE;
- C. COMPLY WITH THE E-INVOICE AND E-SALES REQUIREMENT IN ACCORDANCE WITH SECTION 237-A OF THIS CODE.

CHAPTER VIII

AVAILMENT OF TAX INCENTIVES

SEC. 318. INCOME TAX-BASED INCENTIVES. - ALL REGISTERED ENTERPRISES ARE REQUIRED TO FILE ALL THEIR TAX RETURNS USING THE ELECTRONIC FACILITIES OF THE BUREAU OF INTERNAL REVENUE (BIR). IN AVAILING THE INCOME TAX-BASED INCENTIVES, THE REGISTERED ENTERPRISE SHALL BE REQUIRED TO SECURE A CERTIFICATE OF ENTITLEMENT ISSUED BY THE IPA AND ATTACH THE SAME TO ITS INCOME TAX RETURN (ITR) OR ANNUAL INFORMATION RETURN (AIR), WHICHEVER IS APPLICABLE. THEREAFTER, THE REGISTERED ENTERPRISE SHALL FILE ITS CLAIM WITH THE BIR FOR VALIDATION.

FAILURE TO SECURE AND ATTACH THE CERTIFICATION TO THE ITR OR AIR, AND/OR FILE THE INCENTIVE AVAILMENT APPLICATION SHALL CAUSE THE FORFEITURE OF THE INCENTIVE FOR THAT TAXABLE PERIOD.

SEC. 319. CUSTOMS DUTY EXEMPTION ON CAPITAL EQUIPMENT. IMPORTATION OF CAPITAL EQUIPMENT, MACHINERY AND SPARE PARTS EXCLUSIVELY USED FOR CAPITAL EQUIPMENT AND MACHINERY INCLUDING CONSIGNMENT THEREOF BY REGISTERED ENTERPRISES MAY BE EXEMPTED TO THE EXTENT OF ONE HUNDRED PERCENT (100%) OF THE CUSTOMS DUTY: PROVIDED, THAT THE FOLLOWING CONDITIONS ARE COMPLIED WITH:

- (A) THE CAPITAL EQUIPMENT AND/OR SPARE PARTS ARE DIRECTLY AND REASONABLY NEEDED AND WILL BE USED EXCLUSIVELY IN AND AS PART OF THE DIRECT COST OF THE REGISTERED ACTIVITY OF THE REGISTERED ENTERPRISE, AND ARE NOT MANUFACTURED DOMESTICALLY IN SUFFICIENT QUANTITY, OF COMPARABLE QUALITY AND AT REASONABLE PRICES. PRIOR APPROVAL OF THE IPA MAY BE SECURED FOR THE PART TIME UTILIZATION OF SAID EQUIPMENT IN A NON-REGISTERED ACTIVITY TO MAXIMIZE USAGE THEREOF: PROVIDED, THAT THE PROPORTIONATE TAXES AND DUTIES ARE PAID ON A SPECIFIC EQUIPMENT AND MACHINERY IN PROportion TO ITS UTILIZATION FOR NON-REGISTERED ACTIVITIES. IN THE EVENT THAT IT SHALL BE USED FOR A NON-REGISTERED ACTIVITY OF THE REGISTERED ENTERPRISE AT ANYTIME WITHIN THE FIRST FIVE (5) YEARS FROM DATE OF IMPORTATION, THE REGISTERED ENTERPRISE SHALL FIRST SEEK PRIOR APPROVAL OF THE AUTHORITY, AND PAY THE TAXES AND CUSTOMS DUTIES THAT WERE NOT PAID UPON ITS IMPORTATION; AND
- (B) THE APPROVAL OF THE IPA WAS OBTAINED BY THE REGISTERED ENTERPRISE PRIOR TO THE IMPORTATION OF SUCH CAPITAL EQUIPMENT AND/OR SPARE PARTS.

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

- (1) IF MADE TO ANOTHER ENTERPRISE ENJOYING CUSTOMS DUTY EXEMPTION ON IMPORTED CAPITAL EQUIPMENT AND/OR SPARE PARTS;
- (2) IF MADE TO ANOTHER ENTERPRISE NOT DUTY EXEMPTION ON IMPORTED CAPITAL EQUIPMENT AND/OR SPARE PARTS, UPON PAYMENT OF ANY TAXES AND DUTIES DUE ON THE NET BOOK VALUE OF THE CAPITAL EQUIPMENT AND/OR SPARE PARTS TO BE SOLD;
- (3) EXPORTATION OF CAPITAL EQUIPMENT, MACHINERY, SPARE PARTS OR SOURCE DOCUMENTS, OR THOSE REQUIRED FOR POLLUTION ABATEMENT AND CONTROL; OR
- (4) FOR REASONS OF PROVEN TECHNICAL OBSOLESCENCE.

PROVIDED, THAT IF THE REGISTERED ENTERPRISE SELLS, TRANSFERS OR DISPOSES THE AFOREMENTIONED IMPORTED ITEMS WITHOUT PRIOR APPROVAL, THE REGISTERED ENTERPRISE AND THE VENDEE, TRANSFeree, OR ASSIGNEE

SHALL BE SOLIDARILY LIABLE TO PAY TWICE THE AMOUNT OF THE DUTY EXEMPTION THAT SHOULD HAVE BEEN PAID DURING ITS IMPORTATION: PROVIDED, FURTHER, THAT EVEN IF THE SALE, TRANSFER OR DISPOSITION OF THE CAPITAL EQUIPMENT WAS MADE AFTER FIVE (5) YEARS FROM DATE OF IMPORTATION WITH THE APPROVAL OF THE IPA, THE REGISTERED ENTERPRISE IS STILL LIABLE TO PAY THE DUTIES BASED ON THE NET BOOK VALUE OF THE CAPITAL EQUIPMENT IF IT HAS VIOLATED ANY OF ITS REGISTRATION TERMS AND CONDITIONS.

CHAPTER IX

MISCELLANEOUS PROVISIONS

SEC. 320. *SUBMISSION OF ANNUAL REPORT TO THE PRESIDENT AND CONGRESS.* – A REPORT SHALL BE SUBMITTED ANNUALLY TO THE PRESIDENT OF THE PHILIPPINES AND THE CONGRESS SUMMARIZING THE TAX SUBSIDIES AND FISCAL INCENTIVES GRANTED BY THE FIRB, IPAS AND OGAS, AS WELL AS THE RESULT OF THE MONITORING AND EVALUATION OF FISCAL INCENTIVES.

CHAPTER X

FINAL PROVISIONS

SEC. 321. *NO DOUBLE REGISTRATION OF ENTERPRISES.* -- REGISTERED ENTERPRISES SHALL NOT BE ALLOWED TO REGISTER THEIR ACTIVITIES IN MORE THAN ONE (1) IPA.

SEC. 322. *GOVERNANCE RULES.* – THE DIFFERENT IPAS MAY REQUIRE DOMESTIC REGISTERED ENTERPRISES TO LIST THEIR SHARES OF STOCK IN ANY ACCREDITED STOCK EXCHANGE OR DIRECTLY OFFER A PORTION OF THEIR CAPITAL STOCK TO THE PUBLIC AND/OR THEIR EMPLOYEES WITHIN FIVE (5) YEARS FROM DATE OF REGISTRATION.

SEC. 323. *INVESTMENTS PRIOR TO THE EFFECTIVITY OF THIS ACT.* EXISTING REGISTERED ACTIVITIES GRANTED THE INCOME TAX HOLIDAY SHALL BE ALLOWED TO CONTINUE WITH THE AVAILMENT OF THE SAID INCENTIVE FOR THE REMAINING PERIOD OF THE ITH OR FOR A PERIOD OF FIVE (5) YEARS ONLY, WHICHEVER COMES FIRST: PROVIDED, THAT OTHER TAX INCENTIVES GRANTED TO EXISTING REGISTERED ACTIVITIES, SUCH AS THE FIVE PERCENT (5%) TAX ON GROSS INCOME EARNED IN LIEU OF ALL TAXES, BOTH NATIONAL AND LOCAL, SHALL BE ALLOWED TO CONTINUE FOLLOWING THE SCHEDULE STATED HEREIN:

- (A) TWO (2) YEARS FOR ACTIVITIES ENJOYING THE TAX INCENTIVE FOR MORE THAN TEN (10) YEARS;
- (B) THREE (3) YEARS FOR ACTIVITIES ENJOYING THE TAX INCENTIVE BETWEEN FIVE (5) AND TEN (10) YEARS;
- (C) FIVE (5) YEARS FOR ACTIVITIES ENJOYING THE TAX INCENTIVE BELOW FIVE (5) YEARS.

PROVIDED, THAT THE FIVE PERCENT (5%) TAX ON GROSS INCOME EARNED SHALL COMMENCE AFTER THE ITH PERIOD HAS LAPSED ONLY FOR THE REMAINING YEARS WITHIN THE FIVE-YEAR PERIOD.

SEC. 324. SUSPENSION AND FORFEITURE OF TAX INCENTIVES OF REGISTERED ENTERPRISES, REFUND AND PENALTIES; WAIVER AND CONDONATION. - THE IPA MAY IMPOSE FINES AND PENALTIES, SUSPEND AND/OR FORFEIT THE INCENTIVES GRANTED TO THE REGISTERED ENTERPRISES WHENEVER THERE ARE VIOLATIONS OF THE REGISTRATION TERMS AND CONDITIONS BY THE LATTER, WITHOUT PREJUDICE TO THE CANCELLATION OF THE REGISTRATION OF SAID ENTERPRISE.

WHEN THERE IS PROBABLE CAUSE TO BELIEVE THAT THE REGISTERED ENTERPRISE HAS VIOLATED ITS REGISTRATION TERMS AND CONDITIONS, THE IPA SHALL SUSPEND THE AVAILMENT OF INCENTIVES UNTIL PROVEN OTHERWISE: *PROVIDED*, THAT FOR PROJECTS OR ACTIVITIES UNDER SECTION 302, THE CONCERNED IPA SHALL RECOMMEND TO THE FIRB THE SUSPENSION OF ITS AVAILMENT OF INCENTIVES.

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

FOR THIS PURPOSE, THE IPAS SHALL PREPARE A SCHEDULE OF FEES, FINES AND PENALTIES TO BE IMPOSED ON ERRING REGISTERED ENTERPRISES DEPENDING ON THE GRAVITY OF THE VIOLATION INCURRED.

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

SEC. 325. ENHANCED TAX EXPENDITURE FUND SYSTEM - ALL INTERNAL REVENUE TAX AND DUTY OBLIGATIONS OF GOVERNMENT-OWNED AND/OR CONTROLLED CORPORATIONS SHALL BE CHARGEABLE TO THE TAX EXPENDITURE FUND OF THE GOVERNMENT UPON THE ESTABLISHMENT AND IMPLEMENTATION OF AN ENHANCED TAX EXPENDITURE FUND SYSTEM THAT GRANTS TAX SUBSIDY WITHIN THIRTY (30) DAYS FROM THE FILING OF APPLICATION WITH THE FIRB.

SEC. 326. THE NAME OF RECIPIENTS OF INCENTIVES AND THE AMOUNT OF INCENTIVES AVAILED SHALL BE REPORTED BY THE INVESTMENT PROMOTION AGENCIES ANNUALLY TO CONGRESS, THE REPORT SHALL BE MADE AVAILABLE TO THE PUBLIC.

SEC. 37. Title XIII of the National Internal Revenue Code of 1997, as amended, is hereby retitled as Title XIV.

SEC. 38. Title XIV of the National Internal Revenue Code of 1997, as amended, is hereby retitled as Title XV.

SEC. 39. Amendatory Clause. -

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

- (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;

(B) The following laws are hereby amended to mandate all internal revenue tax and duty obligations of the relevant entities be chargeable to the Tax Expenditure Fund (TEF) pursuant to Section 325 of this Act:

- (1) 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,"
- (2) 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;"
- (3) 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;"
- (4) 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;"
- (5) 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;"
- (6) 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;"
- (7) Section 8 of Republic Act No. 7278, entitled, An Act Amending Commonwealth Act 111, as amended by PD 460, entitled An Act to Create a Public Corporation known as the Boy Scouts of the Philippines and to define its Powers and Purposes," by strengthening the volunteer and democratic character of the Boy Scouts of the Philippines and for other Purposes;"
- (8) Section 11 (A), (B), (C), (D) of Republic Act No. 10073, entitled, "An Act Instituting the New Girl Scouts of the Philippines Charter, Penalizing Violations Therefor and for other Purposes;
- (9) 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;"
- (10) 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;"
- (11) 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;"

- (12) 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;"
- (13) 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;"
- (14) Section 5 (j) of Republic Act No. 9510, entitled "An Act Establishing the Credit Information System and for Other Purposes;"
- (15) 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;"
- (16) 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;"
- (17) Section 8 (a) (b) and section 13 of Republic Act No. 6395, entitled "An Act Revising the Charter of the National Power Corporation;"
- (18) Section 1 of Republic Act No. 7291, entitled, An Act Restoring the Tax and Duty Incentives Previously Enjoyed by the Veterans Federation of the Philippines Under Republic Act Numbered Twenty-Six Hundred and Forty; and
- (19) Section 21 of Republic Act No. 7306, entitled "An Act Providing for the Establishment of the People's Television Network, Inc., Defining its Powers and Functions, Providing for its Sources of Funding and for Other Purposes."

Sec. 40. Repealing Clauses. –

(A) In consideration of the franchise and rights granted under applicable laws, the grantee shall pay to the Philippine Government during the life of its franchise all the applicable taxes and impositions levied under the National Internal Revenue Code, as amended, and the Local Government Code, as amended, for revenues earned from all activities: *Provided*, That the Secretary of Finance shall be consulted on any changes in the tax and duty treatment of any grantee. For this purpose, the following provisions of laws shall be amended or repealed in conformity with this Section:

- (1) Section 14 of Republic Act No. 7783 entitled "An Act Granting The Major Telecoms, Inc., A Franchise To Establish, Install, Maintain, Lease And Operate Wire And/Or Wireless Telecommunications Systems, Lines, Circuits And Stations Throughout The Philippines For Public Domestic And International Communications, And For Other Purposes";

- (2) Section 10 of Republic Act No 7939 entitled "An Act Granting The Island Country Telecommunications, Inc., A Franchise To Establish, Install, Maintain, Lease And Operate Were And/Or Wireless Telecommunication System And Services, Lines, Circuits And Stations Within And Without The Philippines, And For Other Purposes";
- (3) Section 9 of Republic Act No. 7961 entitled "An Act Granting To Cruz Telephone Company, Inc., (Cruztelco), A Franchise To Install, Operate And Maintain A Telecommunications System Throughout The Philippines";
- (4) Section 8 of Republic Act No. 7962 entitled "An Act Granting The Philippine Broadcasting Corporation A Franchise To Construct, Install, Operate And Maintain Radio And Television Broadcasting Stations Within The Philippines, And For Other Purposes";
- (5) Section 8 of Republic Act No. 7963 entitled "An Act Granting The Cebu Broadcasting Company A Franchise To Construct, Install, Operate And Maintain Radio And Television Broadcasting Stations Within The Philippines And For Other Purposes";
- (6) Section 8 of Republic Act No. 7966 entitled "An Act Granting The ABS-CBN Broadcasting Corporation A Franchise To Construct, Install, Operate And Maintain Television And Radio Broadcasting Stations In The Philippines And For Other Purposes";
- (7) Section 8 of Republic Act No. 7967 entitled "An Act Granting The Pacific Broadcasting System, Inc. A Franchise To Construct, Install, Operate And Maintain Radio And Television Broadcasting Stations Within The Philippines And For Other Purposes";
- (8) Section 8 of Republic Act No. 7969 entitled "An Act Granting The Central Catv, Inc. A Franchise To Establish, Maintain And Operate For Commercial Purposes Cable/Community Antennae Television Systems In The Philippines";
- (9) Section 13 of Republic Act No. 8004 entitled "An Act Granting To Millennia Telecommunications Corporation A Franchise To Install, Operate And Maintain Telecommunication Services Within The Philippines And International Points, And For Other Purposes";
- (10) Section 9 of Republic Act No. 10900 entitled "An Act Extending For Another Twenty-Five (25) Years The Franchise Granted To Bell Telecommunication Philippines, Inc., Amending For The Purpose Republic Act No. 7692, Entitled "An Act Granting Bell Telecommunication Philippines, Inc., A Franchise To Install, Operate, And Maintain Telecommunications Systems Throughout The Philippines And For Other Purposes";
- (11) Section 3 of Republic Act No. 7859 entitled "An Act Amending Section One Of The Franchise Of Worldwide Communications, Inc., Granted Under Republic Act No. Five Thousand Three Hundred Twenty-One And Extending It For Another Twenty-Five (25) Years, And For Other Purposes";

- (12) Section 8 of Republic Act No. 8060 entitled "An Act Granting Palawan Broadcasting Corporation A Franchise To Install, Construct, Operate And Maintain Commercial Radio And Television Broadcasting Stations Throughout The Philippines";
- (13) Section 8 of Republic Act No. 8063 entitled "An Act Granting The Beacon Communications Systems, Inc., A Franchise To Construct, Install, Establish, Operate And Maintain Commercial Radio Stations In The Philippines";
- (14) Section 9 of Republic Act No. 8065 entitled "An Act Granting The Isla Cellular Communications, Inc., A Franchise To Construct, Maintain, Establish, Operate Commercial Mobile And Fixed Wireless Telecommunications System In The Philippines";
- (15) Section 9 of Republic Act No. 8066 entitled "An Act Granting The Isla Paging Company, A Franchise To Construct, Maintain, Establish, And Operate Commercial Radio Paging Services In The Philippines";
- (16) Section 8 of Republic Act No. 8067 entitled "An Act Granting The Radio Gubat Network, Inc., A Franchise To Construct, Install, Operate And Maintain Radio Broadcasting Stations In The Bicol Region";
- (17) Section 8 of Republic Act No. 8068 entitled "An Act Granting A Franchise To Agusan Communications Foundation, Inc., To Construct, Operate And Maintain Stations For Radio And Television In The Province Of Agusan Del Sur And For Other Purposes";
- (18) Section 8 of Republic Act No. 8071 entitled "An Act Granting Vismin Radio And Television Broadcasting Network, Incorporated A Franchise To Construct, Install, Operate And Maintain For Commercial Purposes Radio And Television Broadcasting Stations In The Visayas And Mindanao, And For Other Purposes";
- (19) Section 8 of Republic Act No. 8080 entitled "An Act Granting The Asian-Pacific Broadcasting Company, Inc., A Franchise To Construct, Install, Operate And Maintain Broadcasting Stations In The Philippines";
- (20) Section 8 of Republic Act No. 8094 entitled "An Act Granting The Ipil Broadcasting News Network, Inc. A Franchise To Construct, Install, Operate And Maintain Radio And Television Broadcasting Stations In Zamboanga Del Sur And For Other Purposes";
- (21) Section 10 of Republic Act No. 8095 entitled "An Act Granting The Islatel Corporation A Franchise To Construct, Maintain, Establish And Operate Commercial Nationwide And Regional Transmission Network And Other Telephone Services In The Philippines";
- (22) Section 8 of Republic Act No. 8096 entitled "An Act Granting The Allied Broadcasting Center, Incorporated A Franchise To Construct, Operate And Maintain Stations For Radio In Cebu City And Other Areas In The

Philippines Where Frequencies Are Still Available For Radio Broadcasting For Educational And Cultural, As Well As For Commercial Purposes";

(23) Section 8 of Republic Act No. 8097 entitled "An Act Granting The Partido Broadcasting Corporation A Franchise To Construct, Install, Establish, Operate And Maintain Broadcast And Cable Radio And Television Stations In The Bicol Region";

(24) Section 8 of Republic Act No. 8098 entitled "An Act Granting Broadcast Enterprises And Affiliated Media (Beam), Inc., A Franchise To Establish, Construct, Operate And Maintain Commercial Radio And Television Broadcast Stations Including Cable Television Systems In The Philippines";

(25) Section 8 of Republic Act No. 8099 entitled "An Act Granting A Franchise To Sagay Broadcasting Corporation (Sbc) To Construct, Operate And Maintain Stations For Radio And Television In The Philippines And For Other Purposes";

(26) Section 7 of Republic Act No. 8102 entitled "An Act Granting The Ultimate Entertainment, Inc., A Franchise To Construct, Install, Maintain And Operate Radio Broadcasting Stations Within The Philippines";

(27) Section 8 of Republic Act No. 8116 entitled, "An Act Granting The Vimcontu Broadcasting Corporation A Franchise To Construct, Install, Operate And Maintain Radio And Television Broadcasting Stations, Within The Philippines And For Other Purposes";

(28) Section 8 of Republic Act No. 8119 entitled "An Act Granting The Good News Sorsogon Foundation, Inc., A Franchise To Construct, Install, Operate And Maintain For Religious, Educational And Commercial Purposes, Radio And Television Broadcasting Stations Within The Philippines And For Other Purposes";

(29) Section 5 of Republic Act No. 8120 entitled "An Act Granting The Andres Bonifacio College Broadcasting System, Inc., A Franchise To Construct, Maintain And Operate Radio Broadcasting Stations And Stations For Television In The Island Of Mindanao For Educational, Cultural, And Commercial Purposes";

(30) Section 8 of Republic Act No. 8121 entitled "An Act Granting The M.S. Network Management, Inc. A Franchise To Construct, Install, Operate And Maintain For Commercial Purposes, Radio Broadcasting Stations In The Philippines And For Other Purposes";

(31) Section 7 of Republic Act No. 8123 entitled "An Act Granting The Royal Broadcasting Corporation. A Franchise To Construct, Operate And Maintain For Commercial Purposes, Radio And Television Broadcasting Stations In The Philippines And For Other Purposes";

(32) Section 8 of Republic Act No. 8128 entitled "An Act Granting. A Franchise To The Oriental Mindoro Management Resources Corporation

(Omarco) To Construct, Install, Establish, Operate, Manage And Maintain A Network Of Radio And Television Stations Anywhere In The Philippines, And For Other Purposes”;

(33) Section 8 of Republic Act No. 8132 entitled “An Act Granting Jose M. Luison And Sons, Inc., A Franchise To Construct, Install, Operate And Maintain For Commercial Purposes Radio And Television Broadcasting Stations In The Philippines”;

(34) Section 7 of Republic Act No. 8144 entitled “An Act Granting The Azimuth Broadcasting Corporation Of Franchise To Construct, Operate And Maintain For Commercial Purposes Radio And Television Broadcasting Stations In The Philippines”;

(35) Section 8 of Republic Act No. 8145 entitled “An Act Granting The Radyo Pilipino Corporation Afranchise To Construct, Install, Operate And Maintain Commercial Radio And Television Broadcasting Stations, Satellite And Cable Stations In The Philippines”;

(36) Section 14 of Republic Act No. 8147 entitled “An Act Granting The Southern Broadcasting Network Afranchise To Construct, Maintain, Establish And Operatecommercial Radio/Television Broadcasting Stations, In The Philippines”;

(37) Section 8 of Republic Act No. 8149 entitled “An Act Granting The Tagbilaran Broadcasting System Afranchise To Construct, Install, Operate And Maintain Radio And Television Broadcasting Stations, In The Visayas Region, And For Other Purposes”;

(38) Section 8 of Republic Act No. 8154 entitled “An Act Granting Prime Broadcasting Network, Incorporated, A Franchise To Construct, Operate And Maintain Stations For Radio And Television In The Philippines;”

(39) Section 4 of Republic Act No. 8158 entitled “An Act Extending The Franchise Granted To Jorge D. Bayona Under Republic Act Numbered Fifty-Seven Hundred Eighty-Nine, Assigning It In Favor Of Pbn Broadcasting Network Inc., And Renewing The Term Thereof For Another Twenty-Five (25) Years From The Date Of The Effectivity Of This Act”;

(40) Section 8 of Republic Act No. 8169 entitled “An Act Granting GV Broadcasting System, Inc., A Franchise To Construct, Install, Maintain And Operate For Commercial Purposes Radio Broadcasting Stations In The Island Of Luzon And For Other Purposes”;

(41) Section 5 of Republic Act No. 10926 entitled “An Act Extending For Twenty-Five (25) Years The Franchise Granted To Smart Communications, Inc., (Formerly Smart Information Technologies, Inc.) Amending For The Purpose Republic Act No. 7294, Entitled, “An Act Granting Smart Information Technologies Inc. (Smart) A Franchise To Establish, Maintain, Lease And Operate Integrated Telecommunications/Computer/Electronic Services, And Stations Throughout The Philippines For Public Domestic And International Telecommunications, And For Other Purposes”;

- (42) Section 9 of Republic Act No. 9511 entitled "An Act Granting The National Grid Corporation Of The Philippines A Franchise To Engage In The Business Of Conveying Or Transmitting Electricity Through High Voltage Back-Bone Systems Of Interconnected Transmission Lines, Substations And Related Facilities";
- (43) Section 13 of Presidential Decree 1869 – Restored Per Office Of The President Memorandum Dated August 24, 1995 Consolidating And Amending Presidential Decree Nos. 1067-A, 1067-B, 1067-C, 1399 And 1632 Relative To The Franchise And Powers Of The Philippine Amusement And Gaming Corporation (PAGCOR);
- (44) Section 9 of Republic Act No. 7953 entitled "An Act Amending Ra 6632 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";
- (45) Section 12 of Republic Act No. 8407 entitled "An Act Amending Ra 6631 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";
- (46) 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";
- (47) 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";
- (48) Section 3, paragraph 2 of Republic Act No. 4540 entitled, "An Act Amending Certain Sections of Republic Act Numbered Four Hundred and Two, As Amended";
- (49) Section 11 of Republic Act No. 7633 entitled "An Act Amending Certain Sections Of Republic Act No. 3259, As Amended, Entitled "An Act Granting The International Communications Corporation A Franchise To Establish Radio Stations, For Domestic Telecommunications, Radiophone," Extending The Term Of The Franchise By Twenty-Five (25) Years From August 9, 1996 As Provided In Republic Act No. 4905, And For Other Purposes";
- (50) Section 8 of Republic Act No. 8153 entitled "An Act Granting The Rex Electronics Communications System, Inc., A Franchise To Construct, Operate And Maintain Public Radiotelephone And Radiotelegraph Stations For The Reception And Transmission Of Radiotelephone And Radiotelegraph Communications Within The Philippines";

(51) Section 10 of Republic Act No. 10972 entitled "An Act Renewing For Another Twenty-Five (25) Years The Franchise Granted To Infocom Communications Network, Inc. (Presently Known As Now Telecom Company, Inc.) Under Republic Act No. 7301, Entitled " An Act Granting Infocom Communications Network, Inc. (Icni), A Franchise To Construct, Establish, Operate And Maintain Mobile Radio Systems Such As Radio, Paging Systems, Cellular Phone Systems, Personal Communication Network (Pcn), And Trunked Radio Systems Within And Without The Philippines For A Period Of Twenty-Five (25) Years, And For Other Purposes", As Amended By The Republic Act No. 7940";

(52) Section 8 of Republic Act No. 7816 entitled "An Act Granting The Manila Broadcasting Company A Franchise To Construct, Install, Operate And Maintain Radio And Television Broadcasting Stations Within The Philippines, And For Other Purposes";

(53) Section 8 of Republic Act No. 8027 entitled "An Act Granting A Franchise To The Kaissar Broadcasting Network, Inc. (Kbni), To Construct, Install, Establish, Operate, Manage And Maintain A Network Of Radio And Television Stations Anywhere In The Philippines, And For Other Purposes";

(54) Section 8 of Republic Act No. 8032 entitled "An Act Granting The Philippine Radio Corporation A Franchise To Construct, Install, Establish, Operate And Maintain Commercial Radio Stations In The Philippines"; And

(55) Section 8 of Republic Act No. 8122 entitled "An Act Granting The Swara Sug Media Corporation Of The Philippines A Franchise To Construct, Install, Operate And Maintain For Commercial Purposes Radio And Television Broadcasting Stations In The Philippines And For Other Purposes"

(56) Section 10 of Republic Act No. 11089, entitled "An Act Granting the Streamtech Systems Technologies Inc. A Franchise to Construct, Install, Establish, Operate and Maintain Telecommunications Systems Throughout the Philippines

(57) Section 1, paragraph 17 of Republic Act No. 11151 entitled, "An Act Renewing for Another Twenty-Five (25) Years the Franchise Granted to Isla Communications Company, Inc., Presently Known as Innove Communications, Inc., Amending for the Purpose Republic Act No. 7372, entitled, "An Act Granting the Isla Communications Co. a Franchise to Install, Operate and Maintain Telecommunications Services within the Territory of the Republic of the Philippines and International Points and for Other Purposes"

(B) The provisions of the following laws, including the tax incentives, that are inconsistent with this Act are hereby amended or repealed:

(1) Section 5 of Republic Act No. (R.A.) 9379, or "An Act Defining Handline Fishing, Providing Effective Regulations Therefor And For Other Purposes";

- (2) Section 16, The Last Sentence Thereof, of R.A. 10601, or "An Act Promoting Agricultural And Fisheries Mechanization Development In The Country";
- (3) Section 32 of R.A. 10654, or "An Act To Prevent, Deter And Eliminate Illegal, Unreported And Unregulated Fishing, Amending Republic Act No. 8550, Otherwise Known As The Philippine Fisheries Code Of 1998, And For Other Purposes";
- (4) Section 14 (B) of R.A. 7308, or "The Seed Industry Development Act Of 1992";
- (5) Section 18, 2nd and 3rd Paragraph Thereof, of R.A. 7884, or "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";
- (6) Section 9 (E), (F), (I), and (J) of R.A. 7900, or "An Act To Promote The Production, Processing, Marketing, And Distribution Of High Value Crops, Providing Funds Therefor, And For Other Purposes";
- (7) Chapter II, Article II, Sec. 35 (B), (C) and (D) of R.A. 8550, or "The Philippine Fisheries Code Of 1998";
- (8) Section 24 (A) and (F) of R.A. 10068, or "An Act Providing For The Development And Promotion Of Organic Agriculture In The Philippines And For Other Purposes";
- (9) Section 37 of R.A. 6848, or "The Charter Of The Al-Amanah Islamic Investment Bank Of The Philippines";
- (10) 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;"
- (11) Section 15 of R.A. 7353, or The "Rural Bank Act Of 1992";
- (12) Book I, Title III, Article 39 (A), (B), (C), (D), (E), (G), (I), (J), (K), (M) And (N); Title IV, Article 40, Book III Article 59, 60, 61, 63, 64, 65, 66; Book IV Article 69, Book VI, Articles 77, 78, And 81 of Executive Order No. 226, Series of 1987, or "The Omnibus Investments Code Of 1987";
- (13) Section 1 of R.A. 7918, "An Act Amending Article 39, Title III The Omnibus Investments Code of 1987, As Amended";
- (14) Articles 62, 63, 64, 65, 66, 67 And 69 of R.A. 8756, or "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 The Omnibus Investment Code Of 1987";
- (15) Executive Order No. 22, s. of 2017 Amending E.O. 70, s. of 2012, E.O. 528, s. of 2006 and E.O. 313, s. of 2004, Entitled "Reducing The Rates Of Duty On Capital Equipment, Spare Parts And Accessories Imported By BOI-Registered New And Expanding Enterprises";

- (16) Section 12 of R.A. 8047, or "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";
- (17) Section 17, 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";
- (18) Section 4 (E) and (F), In So Far As Tax Exemption and/or VAT Zero Rating On Domestic Merchandise Is Concerned, of R.A. 7903, or The "Zamboanga City Special Economic Zone Act Of 1995";
- (19) Section 4 (B) (C), In So Far As Tax Exemption and/or VAT Zero Rating On Domestic Merchandise Is Concerned, of R.A. 7922, or "An Act Establishing A Special Economic Zone And Free Port 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";
- (20) Section 4 of R.A. 8748, or "An Act Amending Republic Act No. 7916, Otherwise Known As The Special Economic Zone Act Of 1995";
- (21) Sections 23 and 24 of R.A. 7916, or "The Special Economic Zone Act Of 1995";
- (22) Sections 12 (B) and (C) and Section 15, second, third, and last paragraph of R.A. 7227, or "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," as amended by R.A. 9400;
- (23) Section 1 of E.O. 619, s. of 2017 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";
- (24) Sections 5, 6, 7, 8 And 9 of R.A 9490, or "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";
- (25) Sections 3 (E) (F) (H) and 4 of R.A. No. 10083, or "An Act Amending Republic Act No. 9490";
- (26) Section 4 (F), in so far as tax exemption and/or VAT zero rating on domestic merchandise and capital equipment are concerned, and Sections 5, 6 and 10 of R.A. 9728, or The "Freeport Area Of Bataan (FAB) Act Of 2009";
- (27) Sections 12, 21, and 22 of P.D. 87 (Restored By FIRB Resolution 19-87), or The "Oil Exploration And Development Act";
- (28) P.D. 529 (Restored By FIRB Resolution 19-87), Entitled "Granting To Petroleum Exploration Concessionaires Under The Petroleum Act Of 1949

Exemption From Customs Duty And Compensating Tax On Importations Of Machinery And Equipment, Spare Parts And Materials Required For Their Exploration Operations";

(29) Section 16 (A), (B), and (C) and Section 17 (A) to (E) of P.D. 972, or "The Coal Development Act Of 1976";

(30) Section 4 (A) of P.D. 1442 (Restored By FIRB Resolution 19-87), or "An Act To Promote The Exploration And Development Of Geothermal Resources";

(31) Section 10 (1) to (6) of R.A. 7156, or The "Mini-Hydroelectric Incentive Act";

(32) Section 9 of R.A. 8479, or The "Downstream Oil Industry Deregulation Act Of 1998";

(33) Section 6, Fifth Paragraph of R.A. 9136, or the "Electric Power Industry Reform Act Of 2001";

(34) Chapter VII, Section 15 Except (H), Sections 19, 21 (A) to (D), and 23 of R.A. 9513, or "An Act Promoting The Development, Utilization And Commercialization Of Renewable Energy Resources And For Other Purposes";

(35) Section 6 (A) (B) of R.A. 9367, or "An Act To Direct The Use Of Biofuels, Establishing For This Purpose The Biofuel Program, Appropriating Funds Therefor, And For Other Purposes";

(36) Sections 36 (E) and (F) of P.D. 705 Entitled, "Revising P.D. 389, Or The 'Revised Forestry Code Of The Philippines'";

(37) Section 45 (b) (1) (c) of R.A. 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";

(38) Section 26 A (1) to (3) of R.A. 9275, or The "Philippine Clean Water Act Of 2004";

(39) Sections 16 and 17 of R.A. 7844, or The "Export Development Act Of 1994";

(40) Section 13 of R.A. 10817, or "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";

(41) Section 14 of R.A. 8423, or "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";

- (42) Section 20 (D) (1) to (5) of R.A. 10884, or "An Act Strengthening The Balanced Housing Development Program, Amending For The Purpose Republic Act No. 7279, Or 'The Urban Development And Housing Act Of 1992";
- (43) Section 10 of R.A. 7718, or "An Act Amending Certain Sections Of R.A. 6957, Entitled 'An Act Authorizing The Financing, Construction, Operation And Maintenance Of Infrastructure Projects By The Private Sector, And For Other Purposes'";
- (44) Section 6 (C) (D) (F) and Sections 7 and 8 of R.A. 7103, or "An Act To Strengthen The Iron And Steel Industry And Promote Philippine Industrialization And For Other Purposes";
- (45) Section 3 (A) to (D) and (H) of R.A. 8502, or "The Jewelry Industry Development Act Of 1998";
- (46) Section 5 (A) (B) of R.A. 10771, or "An Act Promoting The Creation Of Green Jobs, Granting Incentives And Appropriating Funds Therefor";
- (47) Section 7-B (h) (10) of R.A. 6977 or the "Magna Carta for Micro, Small and Medium Enterprises (MSMEs)," as amended by R.A. 9501;
- (48) Section 7 of R.A. 9178, or "An Act To Promote The Establishment Of Barangay Micro Business Enterprises (BMBES), Providing Incentives And Benefits Therefor, And For Other Purposes";
- (49) Chapter XV, Section 83; Chapter XVI, Sections 90, 91, 92, 93 of R.A. 7942, or The "Philippine Mining Act Of 1995";
- (50) Chapter II, Section 4 and Chapter VIII, Section 19 of R.A. 9295, or The "Domestic Shipping Development Act Of 2004";
- (51) Section 6 of R.A. 7471, As Amended, or The "Philippine Overseas Shipping Development Act";
- (52) Subchapter V-A, Sections 86, 88, And 95 (A) and (B) of R.A. 9593, or The "Tourism Act of 2009", as amended by Republic Act No. 11262;
- (53) Section 8, Second and Third Paragraphs Thereof, of R.A. 10816, or "An Act Providing For The Development And Promotion Of Farm Tourism In The Philippines";
- (54) Sections 8 and 9, In So Far As Tax Exemption and VAT Zero Rating of Domestic Merchandise, of P.D. 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", as amended by P.D. No. 1491;
- (55) Section 1 (1.1) of E.O. 97-A s. of 1993 Entitled, "Further Clarifying The Tax And Duty-Free Privilege Within The Subic Special Economic And Free Port Zone";

(56) Section 4(F) and Section 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, Or 'The Aurora Special Economic Zone Act Of 2007";

(57) Section 5 (5.1) and (5.2) of E.O. 290 Entitled, "Implementing The Natural Gas Vehicle Program For Public Transport";

(58) Sections 18 and 20 of R.A. 6847 Entitled, "An Act Creating And Establishing The Philippine Sports Commission, Defining Its Powers, Functions, And Responsibilities, Appropriating Funds Therefor, And For Other Purposes";

(59) Section 10 of P.D. 1174, Amending P.D. 972, or The "Coal Development Act of 1976";

(60) Section 23 of R.A. 7925, or "An Act To Promote And Govern The Development Of Philippine Telecommunications And Delivery Of Public Telecommunications Services";

(61) Section 8 (b) and (c) and Section 42 (C) of R.A. 7277, or "An Act Providing For The Rehabilitation, Self-Development And Self-Reliance Of Disabled Persons And Their Integration Into The Mainstream Society And For Other Purposes";

(62) Section (32) (a) (1-8) and Section 33 (a) of Republic Act No. 10754 Entitled, "An Act Expanding the Benefits and Privileges of Persons with Disability (PWDs);

(63) Section 12 (a), (b), and (d) of Republic Act No. 11321 Entitled, "An Act Instituting The Farmers And Fisherfolk Enterprise Development Program Of The Department Of Agriculture"

(64) Section 25 of Republic Act No. 11285 Entitled, "An Act Institutionalizing Energy Efficiency And Conservation, Enhancing The Efficient Use Of Energy, And Granting Incentives To Energy And Conservation Projects"

(C) The provisions on Investment Priority Plan (IPP) under Chapter I, Article 26 and Chapter II of EO 226 s. of 1987, or the "Omnibus Investments Code of 1987", are hereby repealed.

(D) To expand the power of FIRB to include approval or disapproval of the grant of fiscal incentives of special projects/activities as defined in this Act, as well as to reconstitute the composition of the FIRB, the following provisions or laws are hereby amended, accordingly.

- (1) 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"
- (2) Section 1 (c) and (d); Section 2 of 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"

- (3) Memorandum Order No. 23, s. 1986, entitled "Expanding the Membership of the Fiscal Incentives Review Board"

(E) To transfer to the FIRB the power of the IPA Board to review, approve or disapprove fiscal incentives of special projects/activities as defined in this Act, and to mandate the IPA Board to recommend to the FIRB after a thorough review of the application, the approval or disapproval of the same, the following provisions are hereby amended, accordingly.

- (1) Article 7 of Executive Order No. 226, series of 1987, entitled "the Omnibus Investments Code of 1987", as amended by RA 7918, entitled "An Act Amending Article 39, Title III of Executive Order No. 226, series of 1987, entitled, 'the Omnibus Investment Code of 1987, as Amended, and for Other Purposes'";
- (2) Section 7 of RA 7903, entitled "An Act Creating a Special Economic Zone and Freeport in the City of Zamboanga City Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purposes";
- (3) Section 1 of Executive Order No. 458, entitled "Devolving the Powers and Functions of the Board of Investments Over Investments Within the Autonomous Region in Muslim Mindanao to the Autonomous Regional Government and for Other Purposes";
- (4) Section 13 of RA 9728, entitled "An Act Converting the Bataan Economic Zone located in the Municipality of Mariveles, Province of Bataan, into the Freeport Area of Bataan, Creating for this Purpose the Authority of the Freeport Area of Bataan (AFAB), Appropriating Funds Therefor and for Other Purposes";
- (5) Section 13 (b) of RA 7227, as amended by RA 9400 entitled "An Act Accelerating the Conversion of Military Reservations into Other Productive Uses, Creating the Bases Conversion and Development Authority for the Purpose, Providing Funds Therefore and for Other Purposes";
- (6) Section 8 of RA 9400, entitled "An Act Amending Republic Act No. 7227, as amended, Otherwise Known as the Bases Conversion and Development Act of 1992, and for Other Purposes";
- (7) Section 69 (n) of Subchapter IV-B of RA 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 Implement that Policy, and Appropriating Funds Therefor";
- (8) Sections 7 and 12 of RA 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 RA 10083, entitled "An Act Amending Republic Act No. 9490, Otherwise Known as the "Aurora Special Economic Zone Act Of 2007";

- (9) Section 6 of RA 7922, entitled "An Act Establishing a Special Economic Zone and Free Port in the Municipality of Santa Ana and the Neighboring Islands of Cagayan, Providing Funds Therefor, and for Other Purposes";
- (10) Section 4, of PD No. 538, entitled "Creating and Establishing the PHIVIDEV Industrial Authority and Making it a Subsidiary Agency of the Philippines Veterans Investment Development Corporation, Defining its Powers, Functions and Responsibilities, and for Other Purposes";
- (F) Sections 4, 5, 6, and 7 of RA 10708, entitled "An Act Enhancing Transparency in the Management and Accounting of Tax Incentives Administered by Investment Promotion Agencies"
- (G) *In general.* – All other laws, decrees, Executive Orders, rules and regulations, or parts thereof which are contrary to or inconsistent with this Code are hereby repealed, amended or modified accordingly.

SEC. 41. *Implementing Rules and Regulations.* – Within thirty (30) days from the effectiveness of this Act, the Secretaries of Finance, and Trade and Industry, shall, upon consultations with the Bureau of Internal Revenue and Board of Investments and other Investment Promotion Agencies, promulgate the necessary rules and regulations for its effective implementation.

SEC. 42. *Separability Clause.* – If any clause, sentence, paragraph, or part of this Code shall be adjudged by any Court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of said Code, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy.

SEC. 43. *Effectivity.* This Act shall take effect on January 1, 2020 following its complete publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,