



HOUSE OF REPRESENTATIVES

H. No. 4157

BY REPRESENTATIVES SUANSING (H.), SUANSING (E.), SALCEDA, SINGSON-MEEHAN, VILLAFUERTE, CUA, GARIN (S.), GONZALES (A.), ROMERO, HOFER, RODRIGUEZ, UNGAB, VIOLAGO, TAN (A.S.), SUAREZ (A.), YAP (E.), ONG (J.), VALERIANO, BARZAGA, SALIMBANGON, UY (J.), NÚÑEZ-MALANYAON, GULLAS, TUPAS, GORRICETA, CANAMA, TEJADA, ARAGONES, CHIPECO, CAOAGDAN, DEFENSOR (L.), CRISOLOGO, TAMBUNTING, FARIÑAS (R.C.), ESPINO, COLLANTES, SACDALAN, DUAVIT, VILLA, FUENTEBELLA, JIMENEZ, DELOSO-MONTALLA, DY (F.M.C.), REYES, PADIERNOS, LAGON, LACSON, AGLIPAY, BUSTOS, NOGRALES (J.J.), EBCAS, ONG (R.), QUIMBO, ADVINCULA, CABREDO, DALOG, CHATTO, AMANTE-MATBA, ACOSTA, JALOSJOS, KHO (E.), CALDERON, MACAPAGAL ARROYO, BAUTISTA-BANDIGAN, PINEDA, MADRONA, SIAO, MALAPITAN, ALBANO (A.), VARGAS ALFONSO, ALVAREZ (F.), ARENAS, BARBERS, BILLONES, BOLILIA, CASTRO (F.H.), CHUNGALAO, CUEVA, DEL MAR, DY (I.P.), CELESTE, DUTERTE, GARCIA (P.J.), LEACHON, MANGUDADATU, PICHAY, SAVELLANO, TADURAN, YAP (V.), PADUANO, DUJALI, FERNANDO, FLORES, GO (E.C.), HERNANDEZ, HERRERA-DY, NOGRALES (J.F.F.), VILLARAZA-SUAREZ, TALLADO, ROMULO, FERNANDEZ, NIETO, ROBES, ROMUALDEZ (F.M.), FERRER (L.), SINGSON, VILLANUEVA (N.), MATUGAS, ZAMORA (W.K.), ALBANO (R.), DIMAPORO (A.), REMULLA, MOMO, SINSUAT, UMALI (M.V.), GUICO, TULFO, AUMENTADO, DY (F.), BONDOC, ZUBIRI, BALINDONG, BRAVO, CUARESMA, ANGARA, GUYA, PIMENTEL, BENITEZ, OUANO-DIZON, GONZALEZ, LIMKAICHONG, SAGARBARRIA, SUAREZ (D.), TY, DAZA, GONZAGA, NATIVIDAD-NAGAÑO, ORTEGA, VERGARA, CAMPOS, DALIPE, TIANGCO, OAMINAL, PALMA, UY (R.), SY-ALVARADO, GASATAYA, VARGAS, DELOS SANTOS, MARCOLETA, SUNTAY, ALONTE, OLIVAREZ, CASTELO, PANCHO, AMATONG, JAVIER,

DEFENSOR (M.), TEVES (J.), ROMUALDO, TOLENTINO, ERICE, GATCHALIAN, BARBA, NAVA, FORTUNO, DIMAPORO (M.K.), BULUT, FONGWAN, ARBISON, UMALI (A.) AND CARI, PER COMMITTEE REPORT NO. 2

AN ACT AMENDING SECTIONS 4, 5, 20, 22, 27, 28, 34, 40, 50, 73, 112, 117, 204, 222, 237, 237-A, 255, 256, 257, 258, 261, 263, 264, 266, 275, 290, 291, 292 AND ADDING NEW SECTIONS 6-A, 282-A, 293, 294, 294-A, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, AND 316, ALL UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

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

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

4 SEC. 2. Section 4 of the National Internal Revenue Code of  
5 1997, as amended, is hereby further amended to read as follows:

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

16 “The power to decide disputed assessments,  
17 refunds of internal revenue taxes, fees or other charges,  
18 penalties imposed in relation thereto, or other matters  
19 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) x x x

"(B) x x x

"(C) x x x

"(D) x x x; [and]

"(E) x x x[.]; 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 THE 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 SHALL NOT BE COVERED BY ANY *SUBPOENA DUCES TECUM*.

"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 AUTHORIZED INTERNAL REVENUE OFFICER.

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

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

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

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

"SEC. 6-A. *SERVICE OF LETTER OF AUTHORITY, AND ASSESSMENT NOTICES ISSUED BY THE BUREAU.* - THE NOTICE TO THE TAXPAYER HEREIN REQUIRED MAY BE SERVED BY THE COMMISSIONER OR THE DULY AUTHORIZED REPRESENTATIVE THROUGH PERSONAL SERVICE AT THE TAXPAYER'S REGISTERED ADDRESS. IN CASE PERSONAL SERVICE IS NOT PRACTICABLE, THE

1 NOTICE SHALL BE SERVED BY SUBSTITUTED SERVICE IN  
2 ACCORDANCE WITH THE RULES OF COURT."

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

5 "SEC. 20. *Submission of Report and Pertinent*  
6 *Information by the Commissioner.* -

7 "(A) x x x

8 "(B) *SUBMISSION OF TAX-RELATED INFORMATION*  
9 *TO THE DEPARTMENT OF FINANCE.* -  
10 THE PROVISIONS OF SECTION 71, NOTWITHSTANDING,  
11 THE COMMISSIONER SHALL, UPON THE REQUEST OF  
12 THE SECRETARY OF FINANCE SPECIFICALLY  
13 IDENTIFYING THE NEEDED INFORMATION AND  
14 JUSTIFICATION FOR SUCH REQUEST, FURNISH THE  
15 SECRETARY PERTINENT TAXPAYER INFORMATION:  
16 *PROVIDED, HOWEVER, THAT THE SECRETARY AND THE*  
17 *RELEVANT OFFICERS HANDLING SUCH SPECIFIC*  
18 *INFORMATION SHALL BE COVERED BY THE PROVISIONS*  
19 *OF SECTION 270.*

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

28 SEC. 6. Section 22 of the National Internal Revenue Code of  
29 1997, as amended, is hereby further amended to read as follows:

1 "SEC. 22. *Definitions.* - x x x

2 "(A) x x x

3 "(B) x x x

4 "(C) x x x

5 "(D) x x x

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

7 "(1) A citizen of the Philippines who establishes  
8 to the satisfaction of the Commissioner the fact of [his]  
9 physical presence abroad with a definite intention to  
10 reside therein.

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

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

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

"x x x."

SEC. 7. 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 of thirty-five percent (35%)] **AN INCOME TAX RATE OF THIRTY PERCENT (30%)** is hereby imposed upon the taxable income derived during each taxable year from all sources within and without the Philippines by every corporation, as defined in Section 22(B) of this Code and taxable under this Title as a corporation, organized in, or existing under the laws of the Philippines: [*Provided*, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).] **PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX SHALL BE TWENTY-NINE PERCENT (29%) BEGINNING JANUARY 1, 2020; TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY-SEVEN PERCENT (27%) BEGINNING JANUARY 1, 2022; TWENTY-SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2024; TWENTY-FOUR**

**PERCENT (24%) BEGINNING JANUARY 1, 2025; TWENTY-THREE PERCENT (23%) BEGINNING JANUARY 1, 2026; TWENTY-TWO PERCENT (22%) BEGINNING JANUARY 1, 2027; TWENTY-ONE PERCENT (21%) BEGINNING JANUARY 1, 2028; AND TWENTY PERCENT (20%) BEGINNING JANUARY 1, 2029: PROVIDED, FURTHER, THAT THE SCHEDULED RATE REDUCTION SHALL BE SUBJECT TO REVIEW BY THE SECRETARY OF FINANCE IN 2025: PROVIDED, FURTHERMORE, 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 PERCENTAGE OF GROSS DOMESTIC PRODUCT EXCEEDS THE PROGRAMMED DEFICIT, AS DETERMINED BY THE DEVELOPMENT BUDGET COORDINATION COMMITTEE IN THE PRECEDING YEAR PRIOR TO THE SCHEDULED REDUCTION IN THE CORPORATE INCOME TAX RATE, BASED ON THE ANNUAL REVIEW OF THE MEDIUM TERM FISCAL PROGRAM: PROVIDED, FINALLY, THAT THE PRESIDENT MAY ADVANCE THE SCHEDULED REDUCTION IN THE CORPORATE INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED FROM THE RATIONALIZATION OF FISCAL INCENTIVES UNDER TITLE XIII OF THIS CODE, AS CERTIFIED BY THE SECRETARY OF FINANCE.**

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

1 deemed to have been earned and spent equally for each  
2 month of the period.

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

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

14 "(1) A tax effort ratio of twenty percent (20%) of  
15 Gross National Product (GNP);

16 "(2) A ratio of forty percent (40%) of income tax  
17 collection to total tax revenues;

18 "(3) A VAT tax effort of four percent (4%) of GNP;  
19 and

20 "(4) A 0.9 percent (0.9%) ratio of the Consolidated  
21 Public Sector Financial Position (CPSFP) to GNP.

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

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

1 "For purposes of this Section, the term 'gross  
2 income' derived from business shall be equivalent to  
3 gross sales less sales returns, discounts and allowances  
4 and cost of goods sold. 'Cost of goods sold' shall include  
5 all business expenses directly incurred to produce the  
6 merchandise to bring them to their present location and  
7 use.

8 "For a trading or merchandising concern, 'cost of  
9 goods sold' shall include the invoice cost of the goods  
10 sold, plus import duties, freight in transporting the  
11 goods to the place where the goods are actually sold,  
12 including insurance while the goods are in transit.

13 "For a manufacturing concern, 'cost of goods  
14 manufactured and sold' shall include all costs of  
15 production of finished goods, such as raw materials  
16 used, direct labor and manufacturing overhead, freight  
17 cost, insurance premiums and other costs incurred to  
18 bring the raw materials to the factory or warehouse.

19 "In the case of taxpayers engaged in the sale of  
20 service, 'gross income' means gross receipts less sales  
21 returns, allowances and discounts.]

22 "(B) *Proprietary Educational Institutions and*  
23 *Hospitals.* –

24 "x x x[:].

25 "Provided, That if the gross income from  
26 unrelated trade, business or other activity exceeds fifty  
27 percent (50%) of the total gross income derived by such  
28 educational institutions or hospitals from all sources,  
29 the tax prescribed in Subsection (A) hereof shall be

imposed on the entire taxable income. For purposes of this Subsection, the term 'unrelated trade, business or other activity' means any trade, business or other activity, the conduct of which is not substantially related to the exercise or performance by such educational institution or hospital of its primary purpose or function. A 'proprietary educational institution' is any private school maintained and administered by private individuals or groups with an issued permit to operate from the Department of Education[, Culture and Sports (DECS)], or the Commission on Higher Education (CHED), or the Technical Education and Skills Development Authority (TESDA), as the case may be, in accordance with existing laws and regulations.

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

"(D) x x x

"(E) x x x."

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

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

"(A) *Tax on Resident Foreign Corporations.* –

"(1) *In General.* – Except as otherwise provided in this Code, a corporation organized, authorized, or existing under the laws of any foreign country, engaged in trade or business within the Philippines, shall be subject to an income tax equivalent to [thirty-five percent (35%)] **THIRTY PERCENT (30%)** of the taxable income derived in the preceding taxable year from all sources within the Philippines: [Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).] **PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX SHALL BE TWENTY-NINE PERCENT (29%) BEGINNING JANUARY 1, 2020; TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY-SEVEN PERCENT (27%) BEGINNING JANUARY 1, 2022; TWENTY-SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2024; TWENTY-FOUR PERCENT (24%) BEGINNING JANUARY 1, 2025; TWENTY-THREE PERCENT (23%) BEGINNING JANUARY 1, 2026; TWENTY-TWO PERCENT (22%) BEGINNING JANUARY 1, 2027; TWENTY-ONE PERCENT (21%) BEGINNING JANUARY 1, 2028; AND TWENTY PERCENT**

(20%) BEGINNING JANUARY 1, 2029: *PROVIDED*, *FURTHER*, THAT THE SCHEDULED RATE REDUCTION SHALL BE SUBJECT TO REVIEW BY THE SECRETARY OF FINANCE IN 2025: *PROVIDED*, *FURTHERMORE*, 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 PERCENTAGE OF GROSS DOMESTIC PRODUCT EXCEEDS THE PROGRAMMED DEFICIT, AS DETERMINED BY THE DEVELOPMENT BUDGET COORDINATION COMMITTEE IN THE PRECEDING YEAR PRIOR TO THE SCHEDULED REDUCTION IN THE CORPORATE INCOME TAX RATE, BASED ON THE ANNUAL REVIEW OF THE MEDIUM TERM FISCAL PROGRAM: *PROVIDED*, *FINALLY*, THAT THE PRESIDENT MAY ADVANCE THE SCHEDULED REDUCTION IN THE CORPORATE INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED FROM THE RATIONALIZATION OF FISCAL INCENTIVES UNDER TITLE XIII OF THIS CODE, AS CERTIFIED BY THE SECRETARY OF FINANCE.

"In the case of corporations adopting the fiscal-year accounting period, the taxable income shall be computed without regard to the specific date when 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) x x x

"(3) x x x

"[(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%).

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

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

11 "[6] (5) *Regional or Area Headquarters and*  
12 *Regional Operating Headquarters of Multinational*  
13 *Companies.* –

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

16 "(b) Regional operating headquarters as defined  
17 in Section 22(EE) shall pay a tax of ten percent (10%) of  
18 their taxable income[.]: **PROVIDED, THAT AFTER TWO**  
19 **(2) YEARS FROM THE EFFECTIVITY OF THIS ACT,**  
20 **REGIONAL OPERATING HEADQUARTERS SHALL BE**  
21 **SUBJECT TO THE REGULAR CORPORATE INCOME TAX.**

22 "[7] (6) *Tax on Certain Incomes Received by a*  
23 *Resident Foreign Corporation.* –

24 "(a) *Interest from Deposits and Yield or any other*  
25 *Monetary Benefit from Deposit Substitutes, Trust Funds*  
26 *and Similar Arrangements and Royalties.* – Interest  
27 from any currency bank deposit and yield or any other  
28 monetary benefit from deposit substitutes and from

1 trust funds and similar arrangements and royalties  
2 derived from sources within the Philippines shall be  
3 subject to a final income tax at the rate of twenty  
4 percent (20%) of such interest: *Provided, however,* That  
5 interest income derived by a resident foreign  
6 corporation from a depository bank under the expanded  
7 foreign currency deposit system shall be subject to a  
8 final income tax at the rate of [seven and one-half  
9 percent (7 1/2%)] **FIFTEEN PERCENT (15%)** of such  
10 interest income.

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

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

21 "[Not over P100,000 ..... 5%

22 "On any amount in excess of P100,000 ..... 10%]

23 "(d) *Intercompany Dividends.* – x x x

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

25 "(1) *In General.* – Except as otherwise provided  
26 in this Code, a foreign corporation not engaged in trade  
27 or business in the Philippines shall pay a tax equal to  
28 [thirty-five percent (35%)] **THIRTY PERCENT (30%)** 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-NINE PERCENT (29%) BEGINNING JANUARY 1, 2020; TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY-SEVEN PERCENT (27%) BEGINNING JANUARY 1, 2022; TWENTY-SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2024; TWENTY-FOUR PERCENT (24%) BEGINNING JANUARY 1, 2025; TWENTY-THREE PERCENT (23%) BEGINNING JANUARY 1, 2026; TWENTY-TWO PERCENT (22%) BEGINNING JANUARY 1, 2027; TWENTY-ONE PERCENT (21%) BEGINNING JANUARY 1, 2028; AND TWENTY PERCENT (20%) BEGINNING JANUARY 1, 2029: *PROVIDED*, *FURTHER*, THAT THE SCHEDULED RATE REDUCTION SHALL BE SUBJECT TO REVIEW BY THE SECRETARY OF FINANCE IN 2025: *PROVIDED*, *FURTHERMORE*, 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 PERCENTAGE

OF GROSS DEOMESTIC PRODUCT EXCEEDS THE PROGRAMMED DEFICIT, AS DETERMINED BY THE DEVELOPMENT BUDGET COORDINATION COMMITTEE IN THE PRECEDING YEAR PRIOR TO THE SCHEDULED REDUCTION IN THE CORPORATE INCOME TAX RATE, BASED ON THE ANNUAL REVIEW OF THE MEDIUM TERM FISCAL PROGRAM: *PROVIDED*, *FINALLY*, THAT THE PRESIDENT MAY ADVANCE THE SCHEDULED REDUCTION IN THE CORPORATE INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED FROM THE RATIONALIZATION OF FISCAL INCENTIVES UNDER TITLE XIII OF THIS CODE, AS CERTIFIED BY THE SECRETARY OF FINANCE.

"(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) x x x

"(4) x x x

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

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

"(b) *Intercompany 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, 2009] **EFFECTIVE JANUARY 1, 2020**, 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. 9. 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 x x

“(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:**

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

(B) IF THE RATE IS TWENTY-EIGHT PERCENT (28%), THE INTEREST EXPENSE REDUCTION RATE IS TWENTY-NINE PERCENT (29%);

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

(D) IF THE RATE IS TWENTY-SIX PERCENT (26%), THE INTEREST EXPENSE REDUCTION RATE IS TWENTY-THREE PERCENT (23%);

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

(F) IF THE RATE IS TWENTY-FOUR PERCENT (24%), THE INTEREST EXPENSE REDUCTION RATE IS SIXTEEN PERCENT (16%);

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

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

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

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

“PROVIDED, FINALLY, THAT IF THE INTEREST INCOME TAX 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) x x x

“(3) x x x

“(C) *Taxes.* – x x x

“(D) *Losses.* – x x x

“(E) *Bad Debts.* – x x x

“(F) *Depreciation.* – x x x

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

x x x

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

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

“(J) *Pension Trusts.* – x x x

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

“(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 may be. In the case of a] AND A corporation CLASSIFIED AS A MICRO, SMALL AND MEDIUM-SIZED ENTERPRISE 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] THE TAX return [his] THE intention to elect the optional standard deduction, [he] THE TAXPAYER 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] THE tax return such financial statements otherwise required under this Code: [Provided, further, That a general professional partnership and the partners comprising such partnership may avail of the optional standard deduction only once, either by the general professional partnership or the partners comprising the partnership:] *Provided*, [finally,] **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] THE 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 provisions 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. 10. Section 40(C)(2) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

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

"(A) x x x

"(B) x x x

"(C) *Exchange of Property.* -

"(1) x x x

"(2) *Exception.* - No gain or loss shall be recognized ON 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]

1 REORGANIZATION SOLELY FOR STOCK OR SECURITIES IN  
2 ANOTHER CORPORATION THAT IS A PARTY TO THE  
3 REORGANIZATION. A REORGANIZATION IS DEFINED AS:

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

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

22 "(c) [A security holder of a corporation, which is a  
23 party to the merger or consolidation, exchanges his  
24 securities in such corporation, solely for stock or  
25 securities in another corporation, a party to the merger  
26 or consolidation.] THE ACQUISITION BY ONE  
27 CORPORATION, IN EXCHANGE SOLELY FOR ALL OR A  
28 PART OF ITS VOTING STOCK OR IN EXCHANGE SOLELY  
29 FOR ALL OR A PART OF THE VOTING STOCK OF A  
30 CORPORATION WHICH IS IN CONTROL OF THE

1 ACQUIRING CORPORATION, OR SUBSTANTIALLY ALL OF  
2 THE PROPERTIES OF ANOTHER CORPORATION. IN  
3 DETERMINING WHETHER THE EXCHANGE IS SOLELY  
4 FOR STOCK, THE ASSUMPTION BY THE ACQUIRING  
5 CORPORATION OF A LIABILITY OF THE OTHER SHALL BE  
6 DISREGARDED;

7 "(D) A RECAPITALIZATION; OR

8 "(E) A REINCORPORATION.

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

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

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

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

1 "x x x."

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

4 "SEC. 50. [*Allocation of Income and Deductions.*

5 – In the case of two or more organizations, trades or  
6 businesses (whether or not incorporated and whether or  
7 not organized in the Philippines) owned or controlled  
8 directly or indirectly by the same interests, the  
9 Commissioner is authorized to distribute, apportion or  
10 allocate gross income or deductions between or among  
11 such organization, trade or business, if he determines  
12 that such distribution, apportionment or allocation is  
13 necessary in order to prevent evasion of taxes or clearly  
14 to reflect the income of any such organization, trade or  
15 business.] *AUTHORITY OF THE COMMISSIONER TO*  
16 *DISTRIBUTE, APPORTION, ALLOCATE, AND IMPUTE*  
17 *INCOME AND DEDUCTIONS TO DISREGARD AND*  
18 *COUNTERACT TAX AVOIDANCE ARRANGEMENTS. – IN*  
19 *CASE OF TWO (2) OR MORE ORGANIZATIONS, TRADES*  
20 *OR BUSINESSES, WHETHER OR NOT ORGANIZED IN THE*  
21 *PHILIPPINES, OWNED OR CONTROLLED DIRECTLY OR*  
22 *INDIRECTLY BY THE SAME INTERESTS, THE*  
23 *COMMISSIONER IS AUTHORIZED TO DISTRIBUTE,*  
24 *APPORTION, ALLOCATE, OR IMPUTE INCOME OR*  
25 *DEDUCTIONS BETWEEN OR AMONG SUCH*  
26 *ORGANIZATIONS, TRADES OR BUSINESSES, IF*  
27 *THE COMMISSIONER DETERMINES THAT SUCH*  
28 *DISTRIBUTION, APPORTIONMENT, ALLOCATION, OR*  
29 *IMPUTATION IS NECESSARY IN ORDER TO PREVENT*

1 AVOIDANCE OF TAXES OR TO CLEARLY REFLECT THE  
2 INCOME OF ANY SUCH ORGANIZATION, TRADE, OR  
3 BUSINESS.

4 "IN CASES WHERE THE TRANSACTION OR  
5 ARRANGEMENT IS MOTIVATED BY OBTAINING TAX  
6 BENEFIT OR ADVANTAGE WITH NO COMMERCIAL  
7 REALITY OR ECONOMIC EFFECT, SUCH AS; (A) DIRECTLY  
8 OR INDIRECTLY ALTERING THE INCIDENCE OF ANY  
9 INCOME TAX; (B) DIRECTLY OR INDIRECTLY RELIEVING  
10 A PERSON FROM LIABILITY TO PAY INCOME TAX OR  
11 FROM A POTENTIAL OR PROSPECTIVE LIABILITY TO  
12 FUTURE INCOME TAX; OR (C) DIRECTLY OR INDIRECTLY  
13 AVOIDING, POSTPONING, OR REDUCING ANY LIABILITY  
14 TO INCOME TAX, OR ANY POTENTIAL OR PROSPECTIVE  
15 LIABILITY TO FUTURE INCOME TAX, THEN THE  
16 COMMISSIONER IS AUTHORIZED TO DISREGARD AND  
17 CONSIDER SUCH TRANSACTION OR ARRANGEMENT AS  
18 VOID FOR INCOME TAX PURPOSES, AND MAY ADJUST THE  
19 TAXABLE INCOME OF A PERSON AFFECTED BY THE  
20 ARRANGEMENT IN A WAY THE COMMISSIONER DEEMS  
21 APPROPRIATE, IN ORDER TO COUNTERACT A TAX  
22 ADVANTAGE OBTAINED BY THE PERSON FROM OR UNDER  
23 THE ARRANGEMENT."

24 SEC. 12. Section 73 of the National Internal Revenue Code of  
25 1997, as amended, is hereby amended to read as follows:

26 "SEC. 73. *Distribution of Dividends or Assets by*  
27 *Corporations. –*

28 "(A) *Definition of Dividends. –* The term  
29 'dividends' when used in this Title means any  
30 distribution made by a corporation to its shareholders

1 out of its earnings or profits and payable to its  
2 shareholders, whether in money or in other property.

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

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

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

26 “[C)] (D) *Dividends Distributed are Deemed*  
27 *Made from Most Recently Accumulated Profits*. – Any  
28 distribution made to the shareholders or members of a  
29 corporation shall be deemed to have been made from the

1 most recently accumulated profits or surplus, and shall  
2 constitute a part of the annual income of the distributee  
3 for the year in which received.

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

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

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

18 “(A) *Zero-Rated or Effectively Zero-Rated Sales*. –

19 Any VAT-registered person, whose sales are  
20 zero-rated or effectively zero-rated may, within two (2)  
21 years after the close of the taxable quarter when the  
22 sales were made, apply for [the issuance of a tax credit  
23 certificate or] refund of creditable input tax due or paid  
24 attributable to such sales, except transitional input tax,  
25 to the extent that such input tax has not been applied  
26 against output tax: *Provided, however*, That in the case  
27 of zero-rated sales under Section 106(A)(2)(a)(1), (2) and  
28 [(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 [the issuance of a tax credit certificate for any unused input tax which may be used in payment of his other internal revenue taxes] A **REFUND.**

SEC. 14. Section 117 of the National Internal Revenue Code of 1997, as amended, is hereby further 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 OR 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.

“x x x.”

SEC. 15. Section 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.

"x x x."

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

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

"(a) x x x

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

"x x x."

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

"SEC. 237. *Issuance of Receipts or Sales or Commercial Invoices.* -

"(A) *Issuance.* - x x x

"Within five (5) years from the effectivity of this Act and upon the establishment of a system capable of storing and processing the required data, the Bureau shall require taxpayers engaged in the export of goods and services, taxpayers engaged in e-commerce, and taxpayers under the jurisdiction of the Large Taxpayers Service to issue **AND TRANSMIT** electronic receipts or sales or commercial invoices [in lieu of manual receipts or sales or commercial invoices] **THROUGH DESIGNATED ELECTRONIC CHANNELS WITH A PUBLIC CERTIFICATION SYSTEM ACCREDITED BY THE BUREAU**, subject to 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 or, sales or commercial invoices, in lieu of manual receipts, and sales and commercial invoices[.]: **PROVIDED, FURTHER, SUBJECT TO THE RULES AND REGULATIONS TO BE ISSUED BY THE SECRETARY OF FINANCE, UPON THE RECOMMENDATION OF THE COMMISSIONER, THE BUREAU MAY REQUIRE ANY TAXPAYER TO COMPLY WITH THE PROVISIONS OF THIS SECTION.****

"A PUBLIC CERTIFICATION SYSTEM SHALL REFER TO A DIGITAL PERSONAL AUTHENTICATION PROGRAM WITH ABILITY TO VERIFY THE IDENTITY OF THE ISSUING TAXPAYER AND ATTEST TO THE AUTHENTICITY OF THE

1 INFORMATION IN THE ELECTRONIC RECEIPTS OR SALES  
2 OR COMMERCIAL INVOICES. THIS MAY INCLUDE THE  
3 USE OF DIGITAL SIGNATURE ISSUED BY CERTIFICATION  
4 AUTHORITY AS ACCREDITED BY THE BUREAU OF  
5 INTERNAL REVENUE.

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

12 "AN APPROVED TAX TRANSACTION NUMBER SHALL  
13 REFER TO THE UNIQUE ASSIGNED SERVICE NUMBERS  
14 AND/OR LETTERS LINKED TO A VALIDATED SALES  
15 TRANSACTION REPORTED THROUGH THE DESIGNATED  
16 ELECTRONIC CHANNEL.

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

1 ELECTRONIC TAX TRANSACTION NUMBER SHALL BE  
2 SUFFICIENT COMPLIANCE.

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

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

8 "SEC. 237-A. *Electronic Sales Reporting System.*

9 – Within five (5) years from the effectivity of this Act  
10 and upon the establishment of a system capable of  
11 storing and processing the required data, the Bureau  
12 shall require taxpayers engaged in the export of  
13 goods and services, AND TAXPAYERS ENGAGED IN  
14 E-COMMERCE and taxpayers under the jurisdiction of  
15 the Large Taxpayers Service to [electronically report  
16 their sales data to the Bureau through the use of  
17 electronic point of sales systems,] USE A SYSTEM  
18 CAPABLE OF ISSUING ELECTRONIC RECEIPTS OR SALES  
19 OR COMMERCIAL INVOICES, COLLECT TRANSACTION  
20 RECORDS, AND TRANSMIT THE SAME THROUGH THE  
21 DESIGNATED ELECTRONIC CHANNELS OF THE BUREAU  
22 IN THE STANDARD FORMAT REQUIRED subject to rules  
23 and regulations to be issued by the Secretary of Finance  
24 as recommended by the Commissioner of Internal  
25 Revenue: *Provided*, That the POINT OF SALE machines,  
26 VALUE-ADDED NETWORK TERMINALS, fiscal devices, and  
27 fiscal memory devices WITH CAPACITY TO MAKE SUCH  
28 TRANSMISSION shall be at the expense of the  
29 taxpayers[.]: *PROVIDED, FURTHER, THAT SUBJECT TO*

1 THE RULES AND REGULATIONS TO BE ISSUED BY THE  
2 SECRETARY OF FINANCE, THE COMMISSIONER MAY  
3 REQUIRE ANY TAXPAYER TO COMPLY WITH THE  
4 PROVISIONS OF THIS SECTION.

5 "IN YEAR ONE (1) TO YEAR FOUR (4) OF THE  
6 IMPLEMENTATION PERIOD, A TAXPAYER WHO ADOPTS  
7 THE REQUIRED SYSTEM SHALL BE GRANTED A TAX  
8 CREDIT OF 0.1% OF THE PURCHASE VALUE, NET OF  
9 VALUE-ADDED TAX, FOR EVERY ELECTRONIC RECEIPT  
10 OR SALE OR COMMERCIAL INVOICE TRANSMITTED  
11 THROUGH THE DESIGNATED ELECTRONIC CHANNELS OF  
12 THE BUREAU AND ISSUED AN ELECTRONIC TAX  
13 TRANSACTION NUMBER.

14 "IN SUPPORT OF THE ELECTRONIC SALES  
15 REPORTING SYSTEM, THE BUREAU OF INTERNAL  
16 REVENUE MAY GRANT TAX INCENTIVES FOR  
17 ELECTRONICALLY TRACEABLE PAYMENTS IN THE  
18 FORM OF ALLOWABLE DEDUCTIBLE EXPENSE OF UP  
19 TO TEN PERCENT (10%) OF THE ELECTRONICALLY  
20 TRACEABLE PAYMENTS MADE BY THE TAXPAYER. AN  
21 ANNUAL LIMIT ON THE ALLOWED ELECTRONICALLY  
22 TRACEABLE PAYMENTS DEDUCTIBLE EXPENSE PER  
23 TAXPAYER MAY BE SET BY THE COMMISSIONER WITH  
24 THE APPROVAL OF THE SECRETARY OF FINANCE.

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

29 "THE BUREAU MAY LIKEWISE ESTABLISH A  
30 RECEIPT AND INVOICE LOTTERY PROGRAM FOR  
31 ELECTRONIC RECEIPTS OR SALES OR COMMERCIAL  
32 INVOICES TRANSMITTED THROUGH THE DESIGNATED

1 ELECTRONIC CHANNELS OF THE BUREAU AND ISSUE A  
2 CORRESPONDING ELECTRONIC TAX TRANSACTION  
3 NUMBER.

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

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

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

17 "SEC. 255. *Failure to File Return, Supply Correct*  
18 *and Accurate Information, Pay Tax, Withhold and*  
19 *Remit Tax and Refund Excess Taxes Withheld on*  
20 *Compensation.* — Any person required under this Code  
21 or by rules and regulations promulgated thereunder to  
22 pay any tax, make a return, keep any record, or supply  
23 correct and accurate information, who willfully fails to  
24 pay such tax, make such return, keep such record, or  
25 supply such correct and accurate information, or  
26 withhold or remit taxes withheld, or refund excess taxes  
27 withheld on compensation, at the time or times required  
28 by law or rules and regulations shall, in addition to  
29 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 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 ten (10) years.

"Any person who attempts to make it appear for any reason that [he] **THE TAXPAYER** 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 an internal revenue office wherein the same was actually filed shall, upon conviction therefor, 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. 20. Section 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. 21. Section 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 records 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 of 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] **THE** certificate [as] **OF BEING** a Certified Public Accountant shall be automatically revoked or cancelled upon conviction.

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

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

"SEC. 258. *Unlawful Pursuit of Business.* - Any person who carries on any business for which an annual registration fee is imposed without paying the tax as required by law shall, upon conviction for each act or omission, be punished by a fine of not less than [Five thousand pesos (P5,000) but not more than Twenty thousand pesos (P20,000)] **FIFTY THOUSAND PESOS (P50,000) BUT NOT MORE THAN THREE HUNDRED**

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

SEC. 23. Section 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. 24. Section 263 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

"(a) x x x

"(b) x x x

"(c) x x x

"(d) x x x

1           “(E) A FINE OF NOT LESS THAN ONE MILLION FIVE  
2 HUNDRED THOUSAND PESOS (P1,500,000) BUT NOT  
3 MORE THAN FIFTEEN MILLION PESOS (P15,000,000),  
4 AND IMPRISONMENT OF NOT LESS THAN SIX (6) YEARS  
5 AND ONE (1) DAY BUT NOT MORE THAN TWELVE (12)  
6 YEARS, IF THE APPRAISED VALUE, TO BE DETERMINED  
7 IN THE MANNER PRESCRIBED IN THE CUSTOMS  
8 MODERNIZATION AND TARIFF ACT, INCLUDING DUTIES  
9 AND TAXES, OF THE ARTICLES IS MORE THAN FIVE  
10 MILLION PESOS (P5,000,000) BUT NOT MORE THAN  
11 FIFTY MILLION PESOS (P50,000,000);

12           “(F) A FINE OF NOT LESS THAN FIFTEEN MILLION  
13 PESOS (P15,000,000) BUT NOT MORE THAN FIFTY  
14 MILLION PESOS (P50,000,000), AND IMPRISONMENT OF  
15 NOT LESS THAN TWELVE (12) YEARS AND ONE (1) DAY  
16 BUT NOT MORE THAN TWENTY (20) YEARS, IF THE  
17 APPRAISED VALUE, TO BE DETERMINED IN THE MANNER  
18 PRESCRIBED IN THE CUSTOMS MODERNIZATION AND  
19 TARIFF ACT, INCLUDING DUTIES AND TAXES, OF THE  
20 ARTICLES IS MORE THAN FIFTY MILLION PESOS  
21 (P50,000,000) BUT NOT MORE THAN TWO HUNDRED  
22 MILLION PESOS (P200,000,000); OR

23           “(G) A FINE OF NOT LESS THAN FIFTY MILLION  
24 PESOS (P50,000,000) AND IMPRISONMENT OF TWENTY  
25 (20) YEARS AND ONE (1) DAY BUT NOT MORE THAN  
26 THIRTY (30) YEARS, IF THE APPRAISED VALUE OF THE  
27 GOODS UNLAWFULLY IMPORTED TO BE DETERMINED IN  
28 THE MANNER PRESCRIBED IN THE CUSTOMS  
29 MODERNIZATION AND TARIFF ACT, INCLUDING DUTIES

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

8           “x x x.”

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

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

15           “(a) Any person who, being required under  
16 Section 237 to issue receipts or sales or commercial  
17 invoices, fails or refuses to issue such receipts or  
18 invoices, issues receipts or invoices that do not truly  
19 reflect and/or contain all the information required to be  
20 shown therein, or uses multiple or double receipts or  
21 invoices, shall, upon conviction for each act or omission,  
22 be punished by a fine of not less than [One thousand  
23 pesos (P1,000) but not more than Fifty thousand pesos  
24 (P50,000)] ONE HUNDRED THOUSAND PESOS  
25 (P100,000) BUT NOT MORE THAN FIVE HUNDRED  
26 THOUSAND PESOS (P500,000) and [suffer]  
27 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 with a fine of not less than Five hundred thousand pesos (P500,000) but not more than Ten million pesos (P10,000,000), and imprisonment of not less than six (6) years but not more than ten (10) years;

“(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; or

“(4) Printing of other fraudulent receipts or sales or commercial invoices.”

SEC. 26. Section 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. 27. Section 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. 28. 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 PESOS  
(P50,000,000) AND IMPRISONMENT OF TWELVE (12)  
YEARS AND ONE (1) DAY BUT NOT MORE THAN TWENTY  
(20) YEARS."

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

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

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

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

"(1) x x x;

"(2) x x x;

"(3) x x x; [and]

"(4) x x x[.];

"(5) REVIEW THE PERFORMANCE OF INVESTMENT  
PROMOTION AGENCIES AND THE FISCAL INCENTIVES  
REVIEW BOARD; AND

"(6) EVALUATE THE EFFECTIVENESS OF THE  
INCENTIVES GRANTED TO REGISTERED ENTERPRISES  
AND THE FORMULATION OF THE STRATEGIC  
INVESTMENT PRIORITY PLAN.

"x x x."

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

### "TITLE XIII

#### "TAX INCENTIVES

#### "CHAPTER I

#### "GENERAL PROVISIONS ON TAX INCENTIVES

"SEC. 291. *SCOPE AND COVERAGE.* - THIS  
TITLE SHALL COVER ALL EXISTING INVESTMENT  
PROMOTION AGENCIES AS DEFINED IN THIS CODE  
OR RELATED LAWS, AND ALL OTHER INVESTMENT  
PROMOTION AGENCIES AND SIMILAR AUTHORITIES  
THAT MAY BE CREATED BY LAW.

"THE INVESTMENT PROMOTION AGENCIES 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. *EXTENT OF AUTHORITY TO GRANT  
TAX INCENTIVES.* - ALL INVESTMENT PROMOTION  
AGENCIES SHALL RECOMMEND TO THE FISCAL  
INCENTIVES REVIEW BOARD THE 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. THE PERIOD OF  
AVAILMENT OF INCENTIVES SHALL BE RECKONED FROM  
THE START OF COMMERCIAL OPERATION.

"SALES RECEIPTS AND OTHER INCOME DERIVED  
FROM NON-REGISTERED ACTIVITY OR PROJECT SHALL

1 BE SUBJECT TO APPROPRIATE TAXES UNDER THIS  
2 CODE.

3 "UNLESS OTHERWISE PROVIDED IN THIS CODE,  
4 DIRECT EXPORTS ARE SUBJECT TO VALUE-ADDED TAX  
5 ZERO-RATING AND DOMESTIC SALES ARE SUBJECT TO  
6 THE REGULAR VALUE-ADDED TAX RATE."

7 "SEC. 293. *DEFINITIONS.* - WHEN USED IN THIS  
8 TITLE:

9 "(A) *CAPITAL EQUIPMENT* REFERS TO  
10 MACHINERY, EQUIPMENT, MAJOR COMPONENTS  
11 THEREOF, FITTINGS AND ACCOMPANIMENTS WHICH ARE  
12 DIRECTLY AND REASONABLY NEEDED IN THE  
13 REGISTERED ACTIVITY OF THE REGISTERED  
14 ENTERPRISE.

15 "(B) *EXPORT SALES OF GOODS* REFER TO THE  
16 SALES OF AN EXPORT ENTERPRISE PAID FOR IN FREELY  
17 CONVERTIBLE FOREIGN CURRENCY INWARDLY  
18 REMITTED TO THE PHILIPPINES, FROM THE  
19 FOLLOWING:

20 "(1) THE SALE AND ACTUAL SHIPMENT OF GOODS  
21 FROM THE PHILIPPINES TO A FOREIGN COUNTRY BY AN  
22 EXPORT ENTERPRISE INCLUDING OUTSOURCE SERVICES  
23 USED TO PRODUCE FINAL EXPORT GOODS;

24 "(2) SALES TO DIPLOMATIC MISSIONS AND  
25 INSTITUTIONS COVERED BY INTERNATIONAL TREATY;  
26 AND

27 "(3) SALES OF AN EXPORT ENTERPRISE TO AN  
28 INTERNATIONAL SEA OR AIR TRANSPORT OPERATIONS  
29 OF GOODS, EQUIPMENT, SPARE PARTS, AND SUPPLIES,  
30 EXCEPT FUEL, FORMING PART OF DIRECT COSTS AND TO  
31 BE USED IN THE AIRCRAFT OR SEACRAFT, AND CAPITAL

1 EQUIPMENT NEEDED FOR THE SHIPPING OR AIR  
2 TRANSPORT OPERATIONS.

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

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

9 "(2) SERVICES RENDERED TO DIPLOMATIC  
10 MISSIONS AND INSTITUTIONS COVERED BY  
11 INTERNATIONAL TREATY; AND

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

15 "(D) *INVESTMENT PROMOTION AGENCIES* REFER  
16 TO GOVERNMENT ENTITIES CREATED BY LAW,  
17 EXECUTIVE ORDER, DECREE OR OTHER ISSUANCE, IN  
18 CHARGE OF PROMOTING INVESTMENTS, ADMINISTERING  
19 NON-TAX INCENTIVES, AND OVERSEEING THE  
20 OPERATIONS OF THE DIFFERENT ECONOMIC ZONES  
21 AND FREEPORTS IN ACCORDANCE WITH THEIR  
22 RESPECTIVE CHARTERS. THESE INCLUDE THE  
23 BOARD OF INVESTMENTS, REGIONAL BOARD OF  
24 INVESTMENTS AUTONOMOUS REGION IN MUSLIM  
25 MINDANAO, PHILIPPINE ECONOMIC ZONE AUTHORITY,  
26 BASES CONVERSION AND DEVELOPMENT AUTHORITY,  
27 SUBIC BAY METROPOLITAN AUTHORITY, CLARK  
28 DEVELOPMENT CORPORATION, JOHN HAY  
29 MANAGEMENT CORPORATION, PORO POINT  
30 MANAGEMENT CORPORATION, CAGAYAN ECONOMIC

1 ZONE AUTHORITY, ZAMBOANGA CITY SPECIAL  
 2 ECONOMIC ZONE AUTHORITY, PHIVIDEC INDUSTRIAL  
 3 AUTHORITY, AURORA PACIFIC ECONOMIC ZONE AND  
 4 FREEPORT AUTHORITY, AUTHORITY OF THE FREEPORT  
 5 AREA OF BATAAN, TOURISM INFRASTRUCTURE AND  
 6 ENTERPRISE ZONE AUTHORITY, AND ALL OTHER  
 7 SIMILAR EXISTING AUTHORITIES OR THAT MAY BE  
 8 CREATED BY LAW IN THE FUTURE.

9 "(E) *OTHER GOVERNMENT AGENCIES*  
 10 *ADMINISTERING FISCAL INCENTIVES* REFER TO  
 11 GOVERNMENT AGENCIES OTHER THAN INVESTMENT  
 12 PROMOTION AGENCIES WHICH REGISTER OR  
 13 ADMINISTER FISCAL INCENTIVES OF ANY KIND TO ANY  
 14 SPECIFIC ENTITIES AND/OR CLASS OF PERSONS  
 15 PURSUANT TO ANY LAW.

16 "(F) *OTHER REGISTERED ENTITIES* REFER TO  
 17 ANY INDIVIDUAL, PARTNERSHIP, ORGANIZATION,  
 18 CORPORATION, PHILIPPINE BRANCH OF A FOREIGN  
 19 CORPORATION, OR OTHER ENTITY INCORPORATED  
 20 AND/OR ORGANIZED AND EXISTING UNDER  
 21 PHILIPPINE LAWS, AND REGISTERED WITH OTHER  
 22 GOVERNMENT AGENCIES ADMINISTERING FISCAL  
 23 INCENTIVES.

24 "(G) *REGISTERED ENTERPRISE* REFERS TO ANY  
 25 INDIVIDUAL, PARTNERSHIP, CORPORATION,  
 26 PHILIPPINE BRANCH OF A FOREIGN CORPORATION, OR  
 27 OTHER ENTITY ORGANIZED AND EXISTING UNDER  
 28 PHILIPPINE LAWS AND REGISTERED WITH AN  
 29 INVESTMENT PROMOTION AGENCY AS DEFINED UNDER  
 30 REPUBLIC ACT NO. 10708, OR THE TAX INCENTIVES

1 MANAGEMENT AND TRANSPARENCY ACT (TIMTA),  
 2 EXCLUDING SERVICE ENTERPRISES SUCH AS THOSE  
 3 ENGAGED IN CUSTOMS BROKERAGE, TRUCKING OR  
 4 FORWARDING SERVICES, JANITORIAL SERVICES,  
 5 SECURITY SERVICES, INSURANCE, BANKING, AND OTHER  
 6 FINANCIAL SERVICES, CONSUMERS' COOPERATIVES,  
 7 CREDIT UNIONS, CONSULTANCY SERVICES, RETAIL  
 8 ENTERPRISES, RESTAURANTS, OR SUCH OTHER SIMILAR  
 9 SERVICES, AS MAY BE DETERMINED BY THE  
 10 INVESTMENT PROMOTION AGENCY BOARD,  
 11 IRRESPECTIVE OF LOCATION, WHETHER INSIDE OR  
 12 OUTSIDE THE ZONES, DULY ACCREDITED OR LICENSED  
 13 BY ANY OF THE INVESTMENT PROMOTION AGENCIES AND  
 14 WHOSE INCOME DELIVERED WITHIN THE ECONOMIC  
 15 ZONES SHALL BE SUBJECT TO TAXES UNDER THE  
 16 NATIONAL INTERNAL REVENUE CODE OF 1997, AS  
 17 AMENDED.

18 "(H) *SPECIAL ECONOMIC ZONE OR ECOZONE*  
 19 REFERS TO A SELECTED AREA, WHICH SHALL BE  
 20 OPERATED AND MANAGED AS A SEPARATE CUSTOMS  
 21 TERRITORY THAT IS HIGHLY DEVELOPED OR HAS THE  
 22 POTENTIAL TO BE DEVELOPED INTO AN  
 23 AGRO-INDUSTRIAL, INDUSTRIAL, INFORMATION  
 24 TECHNOLOGY, OR TOURIST/RECREATIONAL AREA,  
 25 WHOSE METES AND BOUNDS ARE FIXED OR DELIMITED  
 26 BY PRESIDENTIAL PROCLAMATIONS AND WITHIN A  
 27 SPECIFIC GEOGRAPHICAL AREA: *PROVIDED*, THAT  
 28 FOR THE ECOZONE TO QUALIFY AS A SEPARATE  
 29 CUSTOMS TERRITORY, AN ECOZONE SHALL HAVE A  
 30 PERMANENT CUSTOMS CONTROL OR CUSTOMS  
 31 OFFICE AT ITS PERIMETER AND MAY CONTAIN ANY

OR ALL OF THE FOLLOWING: INDUSTRIAL ESTATES, EXPORT PROCESSING ZONES, INFORMATION AND COMMUNICATIONS TECHNOLOGY PARKS AND CENTERS, AND FREE TRADE ZONES: *PROVIDED, HOWEVER, THAT* AREAS WHERE MINING EXTRACTION IS UNDERTAKEN SHALL NOT BE DECLARED AS AN ECOZONE: *PROVIDED, FURTHER, THAT* VERTICAL ECONOMIC ZONES, SUCH AS, BUT NOT LIMITED TO, BUILDINGS, SELECTED FLOORS WITHIN BUILDINGS, AND SELECTED AREAS ON A FLOOR, NEED TO COMPLY WITH THE MINIMUM CONTIGUOUS LAND AREA AS DETERMINED BY THE FISCAL INCENTIVES REVIEW BOARD.

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

## “CHAPTER II

### “TAX AND DUTY INCENTIVES

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

“(A) INCOME TAX INCENTIVES

“(1) INCOME TAX HOLIDAY -

“(A) NATIONAL CAPITAL REGION - UP TO THREE (3) YEARS;

“(B) AREAS ADJACENT TO METRO MANILA COMPOSED OF LAGUNA, BULACAN, CAVITE, AND RIZAL - UP TO FOUR (4) YEARS;

“(C) ALL OTHER AREAS NOT COVERED BY SUBPARAGRAPHS (A) AND (B) - UP TO SIX (6) YEARS: *PROVIDED, THAT AFTER THE EXPIRATION OF THE* INCOME TAX HOLIDAY, THE REDUCED CORPORATE INCOME TAX RATE UNDER SECTION 294(A)(2) OR ENHANCED DEDUCTIONS UNDER SECTION 294-A MAY BE APPLIED FOR THE FOLLOWING DURATION:

“(A) NATIONAL CAPITAL REGION - UP TO TWO (2) YEARS;

“(B) AREAS ADJACENT TO METRO MANILA COMPOSED OF LAGUNA, BULACAN, CAVITE, AND RIZAL - UP TO THREE (3) YEARS;

“(C) ALL OTHER AREAS NOT COVERED BY SUBPARAGRAPHS (A) AND (B) - UP TO FOUR (4) YEARS.

1       “(2) REDUCED CORPORATE INCOME TAX. - A  
 2       REDUCED TAX RATE OF EIGHTEEN PERCENT (18%) OF  
 3       THE TAXABLE INCOME AS DEFINED UNDER SECTION  
 4       31 OF THIS CODE EFFECTIVE JANUARY 1, 2020:  
 5       *PROVIDED*, THAT THE RATE OF CORPORATE INCOME  
 6       TAX SHALL BE SEVENTEEN PERCENT (17%) BEGINNING  
 7       JANUARY 1, 2022; SIXTEEN PERCENT (16%) BEGINNING  
 8       JANUARY 1, 2024; FIFTEEN PERCENT (15%) BEGINNING  
 9       JANUARY 1, 2026; FOURTEEN PERCENT (14%)  
 10       BEGINNING JANUARY 1, 2028; AND THIRTEEN PERCENT  
 11       (13%) BEGINNING JANUARY 1, 2030: *PROVIDED*,  
 12       *FURTHER*, THAT IN THE CASE OF REGISTERED  
 13       ENTERPRISES WITHIN ECONOMIC ZONES AND  
 14       FREEPORTS, THE TAX SHALL BE DIRECTLY REMITTED AS  
 15       FOLLOWS:

16       “FIFTEEN PERCENT (15%) TO THE NATIONAL  
 17       GOVERNMENT IN 2020 AND 2021; FOURTEEN PERCENT  
 18       (14%) TO THE NATIONAL GOVERNMENT IN 2022 AND  
 19       2023; THIRTEEN PERCENT (13%) TO THE NATIONAL  
 20       GOVERNMENT IN 2024 AND 2025; TWELVE PERCENT  
 21       (12%) TO THE NATIONAL GOVERNMENT IN 2026 AND  
 22       2027; ELEVEN PERCENT (11%) TO THE NATIONAL  
 23       GOVERNMENT IN 2028 AND 2029; AND TEN PERCENT  
 24       (10%) TO THE NATIONAL GOVERNMENT IN 2030 AND  
 25       THEREAFTER;

26       “ONE POINT FIVE PERCENT (1.5%) TO THE  
 27       TREASURER'S OFFICE OF THE PROVINCE WHERE THE  
 28       ENTERPRISE IS LOCATED, IN LIEU OF THE LOCAL  
 29       BUSINESS TAX;

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

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

12       *“PROVIDED, FURTHER*, THAT IN LIEU OF THE  
 13       INCOME TAX HOLIDAY UNDER SECTION 294(A)(1) OR  
 14       THE REDUCED TAX RATE OF EIGHTEEN PERCENT (18%)  
 15       UNDER SECTION 294(A)(2), THE TAX INCENTIVES  
 16       UNDER SECTION 294-A(1), (2), (3), (4), (5), (6), (7),  
 17       AND (8) MAY BE GRANTED ON AN INDUSTRY-SPECIFIC  
 18       BASIS AS DETERMINED BY THE FISCAL INCENTIVES  
 19       REVIEW BOARD. THE FISCAL INCENTIVES REVIEW  
 20       BOARD SHALL PRESCRIBE THE LEVEL OF ADDITIONAL  
 21       DEDUCTION FOR SELECTED INDUSTRIES.

22       *“PROVIDED, FINALLY*, THAT IN NO SUCH CASE  
 23       SHALL AN INCOME TAX INCENTIVE BE EXTENDED  
 24       BEYOND THE INITIAL GRANT INDICATED IN SECTION  
 25       294(A)(1), EXCEPT THOSE PROVIDED UNDER SECTION  
 26       294-A(5), AND (7), SECTIONS 295, 296 AND 297.

27       “(B) DUTY EXEMPTION - EXEMPTION FROM  
 28       CUSTOMS DUTY ON IMPORTATION OF CAPITAL  
 29       EQUIPMENT AND RAW MATERIALS DIRECTLY AND  
 30       EXCLUSIVELY USED IN THE REGISTERED ACTIVITY BY

1 REGISTERED ENTERPRISES: *PROVIDED*, THAT THE FIVE  
2 (5) YEAR-LIMIT IN THIS SUBSECTION SHALL NOT APPLY  
3 TO FREEPORT ZONES AS DEFINED UNDER THIS TITLE.

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

8 "(1) THE ACTIVITY IS STILL COVERED BY THE  
9 STRATEGIC INVESTMENT PRIORITY PLAN OR IS AN  
10 INNOVATION PROJECT AS DEFINED IN THE STRATEGIC  
11 INVESTMENT PRIORITY PLAN;

12 "(2) CUSTOMS DUTY EXEMPTION WILL ONLY  
13 APPLY ON THE INCREMENTAL PORTION OF THE  
14 ACTIVITY; AND

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

17 "(C) VALUE-ADDED TAX

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

28 "(2) REGISTERED ENTERPRISES WHOSE EXPORT  
29 SALES ARE BELOW THE NINETY PERCENT (90%)  
30 THRESHOLD AND ARE LOCATED WITHIN AN ECOZONE,

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

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

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

27 "SOURCE DOCUMENTS REFER TO INPUT  
28 MATERIALS AND DOCUMENTS REASONABLY NEEDED BY  
29 INFORMATION TECHNOLOGY AND INFORMATION  
30 TECHNOLOGY-ENABLED INDUSTRIES SUCH AS BOOKS,

DIRECTORIES, MAGAZINES, NEWSPAPERS, BROCHURES, PAMPHLETS, MEDICAL RECORDS OR FILES, LEGAL RECORDS OR FILES, INSTRUCTION MATERIALS, AND DRAWINGS, BLUEPRINTS, OR OUTLINES."

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

"(1) DEPRECIATION ALLOWANCE OF THE ASSETS ACQUIRED FOR THE ENTITY'S PRODUCTION OF GOODS AND SERVICES (QUALIFIED CAPITAL EXPENDITURE). - TEN PERCENT (10%) FOR BUILDINGS; AND TWENTY PERCENT (20%) FOR MACHINERIES AND EQUIPMENT: *PROVIDED*, THAT DEPRECIATION MAY BE COMPUTED USING ACCELERATED DEPRECIATION METHOD ON A 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 NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED: *PROVIDED, FURTHER*, THAT THE ASSETS ARE ACQUIRED DIRECTLY FOR THE REGISTERED ENTERPRISE'S PRODUCTION OF GOODS AND SERVICES OTHER THAN ADMINISTRATIVE AND OTHER SUPPORT SERVICES.

"(2) UP TO FIFTY PERCENT (50%) ADDITIONAL DEDUCTION ON THE LABOR EXPENSE IN THE TAXABLE YEAR AS A CONSEQUENCE OF AN INCREASE IN DIRECT LOCAL EMPLOYMENT: *PROVIDED*, THAT THIS DOES NOT INCLUDE INDIRECT LABOR, SALARIES AND WAGES, AND

OTHER PERSONNEL COSTS INCURRED FOR ADMINISTRATIVE AND OTHER SUPPORT SERVICES.

"(3) 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 ACTIVITY/IES OF THE ENTITY.

"(4) UP TO ONE HUNDRED PERCENT (100%) ADDITIONAL DEDUCTION ON TRAININGS INCURRED: *PROVIDED*, THAT IT IS GIVEN TO THE EMPLOYEES ENGAGED DIRECTLY IN THE ENTITY'S PRODUCTION OF GOODS AND SERVICES: *PROVIDED, FURTHER*, THAT THE FISCAL INCENTIVES REVIEW BOARD 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.

"(5) UP TO ONE HUNDRED PERCENT (100%) DEDUCTION ON INFRASTRUCTURE DEVELOPMENT. - REGISTERED ENTERPRISES ESTABLISHING THEIR ACTIVITY IN AN AREA THAT THE STRATEGIC INVESTMENT PRIORITY PLAN DESIGNATES AS NECESSARY FOR COUNTRYWIDE 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 INVESTMENT PROMOTION AGENCY CONCERNED: *PROVIDED*, THAT THE INFRASTRUCTURE SHALL BE OPEN FOR USE BY THE GENERAL PUBLIC: *PROVIDED, FURTHER*, THAT THE TITLE TO ALL SUCH INFRASTRUCTURE WORKS SHALL, UPON COMPLETION, BE TRANSFERRED TO THE PHILIPPINE GOVERNMENT: *PROVIDED, FINALLY*, 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.

"(6) 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 STRATEGIC INVESTMENT PRIORITY PLAN, 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 BY THE FISCAL INCENTIVES REVIEW BOARD OF SUCH REINVESTMENT WAS OBTAINED BY THE REGISTERED ENTERPRISE PLANNING SUCH REINVESTMENT.

"(7) ENHANCED NET OPERATING LOSS CARRY-OVER. - 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.

"(8) UP TO FIFTY PERCENT (50%) ADDITIONAL DEDUCTION ON THE INCREMENT OF THE 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."

"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 THREE (3) YEARS OF INCENTIVE UNDER SECTION 294, OF WHICH TWO (2) YEARS MAY BE ADDITIONAL YEARS OF INCOME TAX HOLIDAY."

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



1           "SEC. 297. *RELOCATION PROJECTS OR*  
2 *ACTIVITIES.* - PRIOR TO THE EFFECTIVITY OF THIS  
3 ACT, REGISTERED PROJECTS OR ACTIVITIES  
4 RELOCATING FROM METRO MANILA AND SELECTED  
5 URBANIZED AREAS ADJACENT TO METRO MANILA TO  
6 OTHER AREAS OF THE COUNTRY SHALL BE ENTITLED TO  
7 ADDITIONAL THREE (3) YEARS OF INCENTIVE UNDER  
8 SECTION 294, OF WHICH TWO (2) YEARS MAY BE AN  
9 ADDITIONAL YEAR OF INCOME TAX HOLIDAY."

10                       "CHAPTER III

11                       "THE FISCAL INCENTIVES REVIEW BOARD

12           "SEC. 298. *EXPANDED FUNCTIONS OF THE*  
13 *FISCAL INCENTIVES REVIEW BOARD.* - THE  
14 FUNCTIONS AND POWERS OF THE FISCAL INCENTIVES  
15 REVIEW BOARD CREATED UNDER PRESIDENTIAL  
16 DECREE NO. 776, AS AMENDED BY PRESIDENTIAL  
17 DECREE NO. 1931 AND PRESIDENTIAL DECREE NO.  
18 1955; OFFICE OF THE PRESIDENT MEMORANDUM  
19 ORDER NO. 23, SERIES OF 1986; AND EXECUTIVE  
20 ORDER NO. 93, SERIES OF 1986, SHALL BE EXPANDED  
21 AS FOLLOWS:

22           "(A) TO EXERCISE POLICY MAKING AND  
23 OVERSIGHT FUNCTIONS OVER THE INVESTMENT  
24 PROMOTION AGENCIES AND OTHER GOVERNMENT  
25 AGENCIES, THE FISCAL INCENTIVES REVIEW BOARD  
26 SHALL:

27           "(1) SET AND REVIEW THE GENERAL POLICY  
28 WITH REGARD TO THE GRANT OF FISCAL INCENTIVES;

29           "(2) REVIEW AND AUDIT THE COMPLIANCE OF  
30 INVESTMENT PROMOTION AGENCIES AND OTHER

1 GOVERNMENT AGENCIES TO THE GENERAL POLICY ON  
2 INCENTIVES SET BY THE FISCAL INCENTIVES REVIEW  
3 BOARD AS MANDATED IN THIS ACT, THE STRATEGIC  
4 INVESTMENT PRIORITY PLAN, AND THE RESPECTIVE  
5 CHARTERS OF THE INVESTMENT PROMOTION AGENCIES  
6 AND OTHER GOVERNMENT AGENCIES; AND IMPOSE  
7 SANCTIONS ON VIOLATION OR NONCOMPLIANCE OF  
8 INVESTMENT PROMOTION AGENCIES AND OTHER  
9 GOVERNMENT AGENCIES SUCH AS BUT NOT LIMITED TO  
10 SUSPENSION OR CANCELLATION OF THEIR POWER TO  
11 GRANT FISCAL INCENTIVES;

12           "(3) DETERMINE THE MINIMUM CONTIGUOUS  
13 FLOOR AREA THAT ECONOMIC ZONES SHOULD COMPLY  
14 WITH IN THE CASE OF VERTICAL ZONES SUCH AS BUT  
15 NOT LIMITED TO BUILDINGS, SELECTED FLOORS WITHIN  
16 BUILDINGS, AND SELECTED AREAS ON A FLOOR;

17           "(4) CONDUCT REGULAR MONITORING AND  
18 EVALUATION OF INVESTMENT AND NON-INVESTMENT  
19 FISCAL INCENTIVES, SUCH AS USING COST BENEFIT  
20 ANALYSIS, TO DETERMINE THEIR IMPACT ON THE  
21 ECONOMY AND WHETHER AGREED PERFORMANCE  
22 TARGETS ARE MET; AND

23           "(5) CHECK AND VERIFY REGULARLY THE  
24 COMPLIANCE OF REGISTERED BUSINESS ENTERPRISES  
25 WHICH ARE GRANTED FISCAL INCENTIVES WITH THE  
26 TERMS AND CONDITIONS OF THEIR AVAILMENT, THE  
27 RELEVANT PROVISIONS AND RULES AND REGULATIONS  
28 OF THIS ACT, AND OTHER RELEVANT LAWS OR  
29 ISSUANCES;

30           "(B) TO APPROVE OR DISAPPROVE THE GRANT OF  
31 FISCAL INCENTIVES TO THE EXTENT OF THE  
32 REGISTERED ACTIVITY UPON THE RECOMMENDATION OF

1 THE INVESTMENT PROMOTION AGENCY BOARD:  
 2 *PROVIDED, THAT THE APPLICATION FOR TAX*  
 3 *INCENTIVES SHALL BE DEEMED APPROVED IF NOT*  
 4 *DECIDED UPON BY THE FISCAL INCENTIVES REVIEW*  
 5 *BOARD AFTER FORTY-FIVE (45) DAYS UPON*  
 6 *APPLICATION FOR TAX INCENTIVES;*

7 "(C) TO APPROVE APPLICATIONS FOR  
 8 TAX SUBSIDIES TO GOVERNMENT-OWNED OR  
 9 -CONTROLLED CORPORATIONS, GOVERNMENT  
 10 INSTRUMENTALITIES, GOVERNMENT COMMISSARIES,  
 11 AND STATE UNIVERSITIES AND COLLEGES;

12 "(D) TO CANCEL, SUSPEND, OR WITHDRAW THE  
 13 ENJOYMENT OF FISCAL INCENTIVES OF CONCERNED  
 14 REGISTERED BUSINESS ENTERPRISES AND OTHER  
 15 REGISTERED ENTITIES, AND ENDORSE THE SAME TO THE  
 16 CONCERNED REVENUE AGENCIES FOR ASSESSMENT AND  
 17 COLLECTION OF TAXES AND DUTIES DUE, INCLUDING  
 18 FINES OR PENALTIES, IF WARRANTED, FOR THE  
 19 FOLLOWING REASONS: (1) FAILURE TO MAINTAIN THE  
 20 QUALIFICATIONS REQUIRED BY THE CONCERNED  
 21 INVESTMENT PROMOTION AGENCY OR BY THE FISCAL  
 22 INCENTIVES REVIEW BOARD FOR AVAILMENT OF  
 23 INCENTIVES; AND (2) VIOLATION OF ANY PROVISIONS OF  
 24 THIS ACT, RULES AND REGULATIONS ISSUED UNDER  
 25 THE RESPECTIVE CHARTERS OF THE INVESTMENT  
 26 PROMOTION AGENCIES, OR OF THE TERMS AND  
 27 CONDITIONS OF REGISTRATION;

28 "(E) TO CANCEL, SUSPEND, OR WITHDRAW  
 29 THE ENJOYMENT OF TAX SUBSIDY OF CONCERNED  
 30 GOVERNMENT-OWNED OR -CONTROLLED

1 CORPORATIONS, GOVERNMENT INSTRUMENTALITIES,  
 2 GOVERNMENT COMMISSARIES, AND STATE  
 3 UNIVERSITIES AND COLLEGES AND ENDORSE THE SAME  
 4 TO THE CONCERNED REVENUE AGENCIES FOR  
 5 ASSESSMENT AND COLLECTION OF TAXES AND DUTIES  
 6 DUE, INCLUDING FINES OR PENALTIES, IF WARRANTED,  
 7 FOR VIOLATIONS OF ANY OF THE CONDITIONS IMPOSED  
 8 IN THE GRANT OF TAX SUBSIDY, OR PROVISIONS OF THIS  
 9 ACT, OR APPLICABLE RULES;

10 "(F) TO REQUIRE INVESTMENT PROMOTION  
 11 AGENCIES AND OTHER GOVERNMENT AGENCIES TO  
 12 SUBMIT, REGULARLY OR WHEN NECESSARY, SUMMARIES  
 13 OF APPROVED INVESTMENT AND INCENTIVES GRANTED,  
 14 AND FIRM- OR ENTITY-LEVEL FISCAL INCENTIVES AND  
 15 BENEFITS DATA AS INPUT TO THE FISCAL INCENTIVES  
 16 REVIEW BOARD'S REVIEW AND AUDIT FUNCTION AND  
 17 EVALUATION OF PERFORMANCE OF RECIPIENTS OF  
 18 FISCAL INCENTIVES;

19 "(G) TO PUBLISH THE NAMES OF THE  
 20 REGISTERED BUSINESS ENTERPRISES AND OTHER  
 21 REGISTERED ENTITIES WITH DETAILED ESTIMATED  
 22 AMOUNT OF FISCAL INCENTIVES, TAX PAYMENTS, AND  
 23 OTHER RELATED INFORMATION, INCLUDING BENEFITS  
 24 DATA;

25 "(H) TO REQUIRE THE SUBMISSION AND  
 26 PRODUCTION OF DOCUMENTS, RECORDS, BOOKS, OR  
 27 OTHER DATA RELEVANT OR MATERIAL TO THE  
 28 EVALUATION OF APPLICATION FOR FISCAL INCENTIVES  
 29 AND TAX SUBSIDIES, FROM INVESTMENT PROMOTION  
 30 AGENCIES, OTHER GOVERNMENT AGENCIES,  
 31 REGISTERED BUSINESS ENTERPRISES, OTHER

1 REGISTERED ENTITIES, GOVERNMENT-OWNED OR  
2 -CONTROLLED CORPORATIONS, GOVERNMENT  
3 INSTRUMENTALITIES, GOVERNMENT COMMISSARIES,  
4 AND STATE UNIVERSITIES AND COLLEGES, LOCAL  
5 GOVERNMENT UNITS, AMONG OTHERS;

6 "(I) TO OBTAIN INFORMATION, SUMMON,  
7 EXAMINE, INQUIRE AND RECEIVE FROM INVESTMENT  
8 PROMOTION AGENCIES, OTHER GOVERNMENT  
9 AGENCIES, REGISTERED BUSINESS ENTERPRISES,  
10 OTHER REGISTERED ENTITIES, GOVERNMENT-OWNED  
11 OR -CONTROLLED CORPORATIONS, GOVERNMENT  
12 INSTRUMENTALITIES, GOVERNMENT COMMISSARIES,  
13 STATE UNIVERSITIES AND COLLEGES, AND LOCAL  
14 GOVERNMENT UNITS, DOCUMENTS, RECORDS, BOOKS,  
15 OR OTHER DATA RELEVANT OR MATERIAL TO THE  
16 RESOLUTION OF ISSUES ARISING FROM THE APPROVAL,  
17 DISAPPROVAL, CANCELLATION, SUSPENSION,  
18 WITHDRAWAL OR FORFEITURE OF FISCAL INCENTIVES  
19 OR TAX SUBSIDY, OR IN IMPOSING PENALTIES FOR  
20 VIOLATIONS OF THE TERMS AND CONDITIONS ON THE  
21 AVAILMENT OF FISCAL INCENTIVES AND TAX SUBSIDY,  
22 OR ANY OF THE PROVISIONS OF THIS ACT;

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

29 "(K) TO SUBMIT TO CONGRESS MONTHLY  
30 REPORTS ON APPROVALS, DISAPPROVALS,

1 CANCELLATIONS, SUSPENSIONS, AND WITHDRAWALS OF  
2 FISCAL INCENTIVES IN ACCORDANCE WITH THIS ACT,  
3 INCLUDING THE METHODOLOGY UTILIZED IN  
4 RECOMMENDING THE SAME;

5 "(L) TO FIX AND IMPOSE REASONABLE FEES AND  
6 CHARGES FOR THE PROCESSING OF APPLICATIONS FOR  
7 FISCAL INCENTIVES OR TAX SUBSIDIES: *PROVIDED*,  
8 THAT THE PROCEEDS THEREOF SHALL ACCRUE  
9 DIRECTLY AND AUTOMATICALLY TO THE FISCAL  
10 INCENTIVES REVIEW BOARD;

11 "(M) TO EXERCISE ALL OTHER POWERS  
12 NECESSARY OR INCIDENTAL TO ATTAIN THE PURPOSES  
13 OF THIS ACT AND OTHER LAWS VESTING ADDITIONAL  
14 FUNCTIONS ON THE FISCAL INCENTIVES REVIEW  
15 BOARD; AND

16 "(N) TO PROMULGATE SUCH RULES AND  
17 REGULATIONS AS MAY BE NECESSARY TO IMPLEMENT  
18 THE INTENT AND PROVISIONS OF THIS SECTION.

19 "*PROVIDED*, THAT THE FISCAL INCENTIVES  
20 REVIEW BOARD PROPER SHALL DECIDE ON ISSUES,  
21 AFTER DUE HEARING, CONCERNING THE APPROVAL,  
22 DISAPPROVAL, CANCELLATION, SUSPENSION,  
23 WITHDRAWAL OR FORFEITURE OF FISCAL INCENTIVES  
24 OR TAX SUBSIDY IN ACCORDANCE WITH THIS ACT.

25 "*PROVIDED, FURTHER*, THAT THE SECRETARY  
26 OF FINANCE SHALL AUTOMATICALLY BE THE CO-CHAIR  
27 OF ALL THE EXISTING AND FUTURE INVESTMENT  
28 PROMOTION AGENCIES.

29 "*PROVIDED, FINALLY*, THAT THE NATIONAL  
30 ECONOMIC AND DEVELOPMENT AUTHORITY AND THE

DEPARTMENT OF TRADE AND INDUSTRY SHALL BE  
MEMBERS OF ALL THE EXISTING AND FUTURE  
INVESTMENT PROMOTION AGENCIES.

"SEC. 299. COMPOSITION OF THE FISCAL  
INCENTIVES REVIEW BOARD. - THE FISCAL  
INCENTIVES REVIEW BOARD SHALL BE  
RECONSTITUTED AS FOLLOWS:

"BOARD PROPER:

"CHAIRPERSON - SECRETARY OF FINANCE

"MEMBERS - SECRETARY OF TRADE AND  
INDUSTRY

- DIRECTOR GENERAL OF THE  
NATIONAL ECONOMIC  
AND DEVELOPMENT  
AUTHORITY

- SECRETARY OF BUDGET  
AND MANAGEMENT

- EXECUTIVE SECRETARY OF  
THE OFFICE OF THE  
PRESIDENT

"TECHNICAL COMMITTEE:

"CHAIRPERSON - UNDERSECRETARY OF  
FINANCE

"MEMBERS - UNDERSECRETARY OF  
TRADE AND INDUSTRY AND  
BOARD OF INVESTMENTS  
MANAGING HEAD

- UNDERSECRETARY OF BUDGET  
AND MANAGEMENT

- DEPUTY DIRECTOR GENERAL OF  
THE NATIONAL ECONOMIC  
AND DEVELOPMENT  
AUTHORITY

- COMMISSIONER OF INTERNAL  
REVENUE

- COMMISSIONER OF CUSTOMS

- EXECUTIVE DIRECTOR OF  
THE NATIONAL TAX  
RESEARCH CENTER

"SECRETARIAT: - NATIONAL TAX RESEARCH  
CENTER"

"CHAPTER IV

"QUALIFIED ACTIVITIES FOR TAX INCENTIVES

"SEC. 300. STRATEGIC INVESTMENT PRIORITY  
PLAN. - THE BOARD OF INVESTMENTS SHALL, IN  
COORDINATION WITH THE OFFICE OF THE PRESIDENT,  
THE FISCAL INCENTIVES REVIEW BOARD, THE  
CONCERNED INVESTMENT PROMOTION AGENCIES, AND  
OTHER GOVERNMENT AGENCIES AND THE PRIVATE  
SECTOR, FORMULATE THE STRATEGIC INVESTMENT  
PRIORITY PLAN TO BE SUBMITTED TO THE PRESIDENT  
FOR 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 AS THE NEED  
ARISES. ALL SECTORS OR INDUSTRIES THAT MAY BE  
INCLUDED IN THE STRATEGIC INVESTMENT PRIORITY  
PLAN SHALL UNDERGO AN EVALUATION PROCESS TO  
DETERMINE THE SUITABILITY AND POTENTIAL OF THE

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

4 "THE STRATEGIC INVESTMENT PRIORITY PLAN  
5 SHALL:

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

8 "(1) BE COVERED BY THE PHILIPPINE  
9 DEVELOPMENT PLAN OR ITS EQUIVALENT AND OTHER  
10 GOVERNMENT PROGRAMS;

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

13 "(i) SUBSTANTIAL AMOUNT OF INVESTMENTS;

14 "(ii) CONSIDERABLE GENERATION OF  
15 EMPLOYMENT;

16 "(iii) ADOPTION OF INCLUSIVE BUSINESS  
17 ACTIVITIES AND VALUE-ADDING PRODUCTION BY MICRO,  
18 SMALL AND MEDIUM-SIZED ENTERPRISES;

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

20 "(v) ADOPTION OF ADEQUATE ENVIRONMENTAL  
21 PROTECTION SYSTEMS;

22 "(vi) ADDRESSING MISSING GAPS IN THE  
23 SUPPLY/VALUE CHAIN OR MOVING UP THE VALUE CHAIN  
24 OR PRODUCT LADDER;

25 "(vii) PROMOTION OF MARKET COMPETITIVENESS  
26 OR;

27 "(viii) EXPORT OF AT LEAST SEVENTY PERCENT  
28 (70%) OF PRODUCTS OR SERVICES FROM ITS  
29 REGISTERED ACTIVITY.

1 "(B) IDENTIFY AGRIBUSINESS ACTIVITIES, THE  
2 LESS DEVELOPED AREAS OR THOSE RECOVERING FROM  
3 ARMED CONFLICT OR A MAJOR DISASTER;

4 "(C) DETERMINE SERVICES AND ACTIVITIES  
5 THAT CAN SPUR REGIONAL OR GLOBAL OPERATIONS IN  
6 THE COUNTRY; AND

7 "(D) INCLUDE EXISTING REGISTERED PROJECTS  
8 OR ACTIVITIES THAT SHALL RELOCATE FROM METRO  
9 MANILA TO OTHER AREAS OF THE COUNTRY.

10 "THE ACTIVITIES MUST COMPLY WITH THE  
11 SPECIFIC QUALIFICATION REQUIREMENTS OR  
12 CONDITIONS FOR A PARTICULAR SECTOR OR INDUSTRY  
13 AND OTHER LIMITATIONS AS SET AND DETERMINED BY  
14 THE BOARD OF INVESTMENTS.

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

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

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

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

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

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

19       “(3) IN THE CASE OF A FREEPORT ZONE, THE  
20 FISCAL INCENTIVES REVIEW BOARD SHALL ASSESS THE  
21 TOTALITY OF ALL ECONOMIC ACTIVITIES WITHIN ITS  
22 JURISDICTION.”

23       “THE FISCAL INCENTIVES REVIEW BOARD MAY  
24 IMPOSE OTHER TERMS AND CONDITIONS TAKING INTO  
25 CONSIDERATION THE AMOUNT OR KIND OF INCENTIVES  
26 THAT WILL BE GRANTED TO SUCH INVESTMENTS.

27       “(B) *USE OF RESOURCES.* - IN THE EXERCISE  
28 OF THE POWER OF THE PRESIDENT TO GRANT  
29 INCENTIVES, THE GOVERNMENT MAY UTILIZE ITS  
30 RESOURCES SUCH AS LAND USE, WATER  
31 APPROPRIATION, POWER PROVISION, AMONG OTHERS,

1 AS MAY BE IDENTIFIED BY THE BOARD OF  
2 INVESTMENTS.”

3       “SEC. 302. *AMENDMENTS TO THE STRATEGIC*  
4 *INVESTMENT PRIORITY PLAN.* - SUBJECT TO  
5 PUBLICATION REQUIREMENTS AND THE CRITERIA FOR  
6 INVESTMENT PRIORITY DETERMINATION, THE BOARD  
7 OF INVESTMENTS MAY, AT ANY TIME, INCLUDE  
8 ADDITIONAL AREAS IN THE STRATEGIC INVESTMENT  
9 PRIORITY PLAN, ALTER ANY OF THE TERMS OF THE  
10 DECLARATION OF AN INVESTMENT AREA, AND  
11 TEMPORARILY OR PERMANENTLY SUSPEND ACTIVITIES  
12 ON THE STRATEGIC INVESTMENT PRIORITY PLAN IF IT  
13 CONSIDERS THAT SUCH ACTIVITY IS NO LONGER A  
14 PRIORITY. IN NO CASE SHALL THE INVESTMENT  
15 PROMOTION AGENCIES ACCEPT APPLICATIONS UNLESS  
16 THE ACTIVITY IS LISTED IN THE STRATEGIC  
17 INVESTMENT PRIORITY PLAN.”

18       “SEC. 303. *PUBLICATION.* - UPON APPROVAL  
19 OF THE PLAN, IN WHOLE OR IN PART, OR UPON  
20 APPROVAL OF AN AMENDMENT THEREOF, THE PLAN OR  
21 THE AMENDMENT, SPECIFYING AND DECLARING THE  
22 AREAS OF INVESTMENTS SHALL BE PUBLISHED IN AT  
23 LEAST ONE (1) NEWSPAPER OF GENERAL CIRCULATION  
24 OR THE *OFFICIAL GAZETTE* AND ALL SUCH AREAS SHALL  
25 BE OPEN FOR APPLICATION UNTIL PUBLICATION OF AN  
26 AMENDMENT OR DELETION THEREOF.”

27       “SEC. 304. *QUALIFICATIONS OF A REGISTERED*  
28 *ENTERPRISE FOR TAX INCENTIVES.* - IN THE REVIEW  
29 AND GRANT OF TAX INCENTIVES BY THE FISCAL

1 INCENTIVES REVIEW BOARD, A REGISTERED  
2 ENTERPRISE MUST:

3 "(A) BE ENGAGED IN AN ACTIVITY INCLUDED IN  
4 THE STRATEGIC INVESTMENT PRIORITY PLAN;

5 "(B) INSTALL AN ADEQUATE ACCOUNTING  
6 SYSTEM THAT SHALL IDENTIFY THE INVESTMENTS,  
7 REVENUES, COSTS AND PROFITS OR LOSSES OF EACH  
8 REGISTERED PROJECT UNDERTAKEN BY THE  
9 ENTERPRISE SEPARATELY FROM THE AGGREGATE  
10 INVESTMENTS, REVENUES, COSTS AND PROFITS OR  
11 LOSSES OF THE WHOLE ENTERPRISE; OR ESTABLISH A  
12 SEPARATE CORPORATION FOR EACH REGISTERED  
13 PROJECT IF THE INVESTMENT PROMOTION AGENCY  
14 SHOULD SO REQUIRE;

15 "(C) COMPLY WITH THE E-INVOICE AND E-SALES  
16 REQUIREMENT IN ACCORDANCE WITH SECTION 237-A  
17 OF THIS CODE; AND

18 "(D) SUBMIT ANNUALLY REPORTS OF OWNERSHIP  
19 OF THE ORGANIZATION."

20 "CHAPTER V

21 "AVAILMENT OF TAX INCENTIVES

22 "SEC. 305. *INCOME TAX-BASED INCENTIVES.* -  
23 ALL REGISTERED ENTERPRISES SHALL FILE THEIR TAX  
24 RETURNS USING THE ELECTRONIC OR ONLINE  
25 FACILITIES OF THE BUREAU OF INTERNAL REVENUE.  
26 IN AVAILING THE INCOME TAX-BASED INCENTIVES, THE  
27 REGISTERED ENTERPRISE SHALL BE REQUIRED TO  
28 SECURE A CERTIFICATE OF ENTITLEMENT ISSUED BY  
29 THE FISCAL INCENTIVES REVIEW BOARD AND ATTACH  
30 THE SAME TO ITS INCOME TAX RETURN OR ANNUAL

1 INFORMATION RETURN, WHICHEVER IS APPLICABLE.  
2 THEREAFTER, THE REGISTERED ENTERPRISE SHALL  
3 FILE ITS CLAIM WITH THE BUREAU OF INTERNAL  
4 REVENUE FOR VALIDATION.

5 "FAILURE TO SECURE AND ATTACH THE  
6 CERTIFICATION TO THE INCOME TAX RETURN OR  
7 ANNUAL INFORMATION RETURN, AND TO FILE THE  
8 INCENTIVE AVAILMENT APPLICATION SHALL CAUSE THE  
9 FORFEITURE OF THE INCENTIVE FOR THAT TAXABLE  
10 PERIOD."

11 "SEC. 306. *CUSTOMS DUTY EXEMPTION ON*  
12 *CAPITAL EQUIPMENT.* - IMPORTATION OF CAPITAL  
13 EQUIPMENT, MACHINERY AND SPARE PARTS  
14 EXCLUSIVELY USED FOR CAPITAL EQUIPMENT AND  
15 MACHINERY INCLUDING CONSIGNMENT THEREOF BY  
16 REGISTERED ENTERPRISES MAY BE EXEMPTED TO THE  
17 EXTENT OF ONE HUNDRED PERCENT (100%) OF THE  
18 CUSTOMS DUTY: *PROVIDED*, THAT THE FOLLOWING  
19 CONDITIONS ARE COMPLIED WITH:

20 "(A) THE CAPITAL EQUIPMENT AND/OR SPARE  
21 PARTS ARE DIRECTLY AND REASONABLY NEEDED AND  
22 WILL BE USED EXCLUSIVELY IN AND AS PART OF  
23 THE DIRECT COST OF THE REGISTERED ACTIVITY OF  
24 THE REGISTERED ENTERPRISE, AND ARE NOT  
25 MANUFACTURED DOMESTICALLY IN SUFFICIENT  
26 QUANTITY OR OF COMPARABLE QUALITY AND AT  
27 REASONABLE PRICES. PRIOR APPROVAL OF THE  
28 INVESTMENT PROMOTION AGENCY MAY BE SECURED  
29 FOR THE PART-TIME UTILIZATION OF SAID EQUIPMENT  
30 IN A NON-REGISTERED ACTIVITY TO MAXIMIZE USAGE  
31 THEREOF: *PROVIDED*, THAT THE PROPORTIONATE

TAXES AND DUTIES ARE PAID ON A SPECIFIC EQUIPMENT AND MACHINERY IN PROPORTION TO ITS UTILIZATION FOR NON-REGISTERED ACTIVITIES. IN THE EVENT THAT IT SHALL BE USED FOR A NON-REGISTERED ACTIVITY OF THE REGISTERED ENTERPRISE AT ANY TIME WITHIN THE FIRST FIVE (5) YEARS FROM THE 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 INVESTMENT PROMOTION AGENCY WAS OBTAINED BY THE REGISTERED ENTERPRISE PRIOR TO THE IMPORTATION OF SUCH CAPITAL EQUIPMENT OR SPARE PARTS.

"APPROVAL OF THE INVESTMENT PROMOTION AGENCY MUST BE SECURED BEFORE THE SALE, TRANSFER OR DISPOSITION OF THE CAPITAL EQUIPMENT 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 AVAILING 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) PROVEN TECHNICAL OBSOLESCENCE OF THE CAPITAL EQUIPMENT OR SPARE PARTS.

"*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 INVESTMENT PROMOTION AGENCY, 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."

"SEC. 307. *VALUE-ADDED TAX REFUND MECHANISM ON IMPORTATION OF CAPITAL EQUIPMENT AND RAW MATERIALS.* - THE VALUE-ADDED TAX ON IMPORTATION OF CAPITAL EQUIPMENT AND RAW MATERIALS PAID BY EXPORT REGISTERED ENTERPRISES THAT FAILED TO MEET THE NINETY PERCENT (90%) EXPORT SALES THRESHOLD OR ARE LOCATED OUTSIDE THE ECOZONE, FREEPORT, OR THOSE UTILIZING THE CUSTOMS BONDED MANUFACTURING WAREHOUSE REGARDLESS OF THE THRESHOLD SHALL BE REFUNDED PURSUANT TO THE ENHANCED VALUE-ADDED TAX



1 REFUND SYSTEM UNDER SECTIONS 106 AND 108 OF  
2 THIS CODE."

3 "CHAPTER VI

4 "PROCEDURES, SUNSET PROVISIONS, AND  
5 STRUCTURAL ADJUSTMENT FUND

6 "SEC. 308. *NO DOUBLE REGISTRATION OF*  
7 *ENTERPRISES.* - REGISTERED ENTERPRISES SHALL  
8 NOT BE ALLOWED TO REGISTER THEIR ACTIVITIES IN  
9 MORE THAN ONE (1) INVESTMENT PROMOTION AGENCY."

10 "SEC. 309. *GOVERNANCE RULES.* - THE  
11 DIFFERENT INVESTMENT PROMOTION AGENCIES MAY  
12 REQUIRE DOMESTIC REGISTERED ENTERPRISES TO LIST  
13 THEIR SHARES OF STOCK IN ANY ACCREDITED STOCK  
14 EXCHANGE OR DIRECTLY OFFER A PORTION OF THEIR  
15 CAPITAL STOCK TO THE PUBLIC AND/OR THEIR  
16 EMPLOYEES WITHIN FIVE (5) YEARS FROM DATE OF  
17 REGISTRATION."

18 "SEC. 310. *INVESTMENTS PRIOR TO THE*  
19 *EFFECTIVITY OF THIS ACT.* - EXISTING REGISTERED  
20 ACTIVITIES GRANTED AN INCOME TAX HOLIDAY SHALL  
21 BE ALLOWED TO CONTINUE WITH THE AVAILMENT OF  
22 THE SAID INCENTIVE FOR THE REMAINING PERIOD OF  
23 THE INCOME TAX HOLIDAY OR FOR A PERIOD OF FIVE (5)  
24 YEARS ONLY, WHICHEVER COMES FIRST, *PROVIDED,*  
25 *THAT THE FIVE PERCENT (5%) TAX ON GROSS INCOME*  
26 *EARNED SHALL COMMENCE ONLY AFTER THE INCOME*  
27 *TAX HOLIDAY PERIOD HAS LAPSED, PROVIDED,*  
28 *FURTHER, THAT THE FIVE PERCENT (5%) TAX ON GROSS*  
29 *INCOME EARNED SHALL BE ALLOWED TO CONTINUE*  
30 *FOLLOWING THE SCHEDULE STATED HEREIN:*

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

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

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

8 "*PROVIDED, FINALLY, THAT EXISTING*  
9 *REGISTERED ACTIVITIES WHICH WILL QUALIFY FOR*  
10 *REGISTRATION UNDER THE STRATEGIC INVESTMENT*  
11 *PRIORITY PLAN, MAY OPT TO BE GOVERNED BY THE*  
12 *PROVISIONS OF THIS ACT. IN SUCH CASE, THE SAID*  
13 *ENTERPRISE SHALL BE REQUIRED TO SURRENDER*  
14 *ITS CERTIFICATE OF REGISTRATION, WHICH SHALL BE*  
15 *DEEMED AS AN EXPRESS WAIVER OF THEIR PRIVILEGE*  
16 *TO AVAIL OF INCENTIVES PROVIDED IN THE INCENTIVES*  
17 *LAW UNDER WHICH THEY WERE PREVIOUSLY*  
18 *REGISTERED.*"

19 "SEC. 311. *SUSPENSION AND FORFEITURE OF*  
20 *TAX INCENTIVES OF REGISTERED ENTERPRISES,*  
21 *REFUND AND PENALTIES; WAIVER AND CONDONATION.*  
22 - THE FISCAL INCENTIVES REVIEW BOARD MAY  
23 IMPOSE FINES AND PENALTIES, SUSPEND OR FORFEIT  
24 THE INCENTIVES GRANTED TO THE REGISTERED  
25 ENTERPRISES FOR VIOLATIONS OF THE REGISTRATION  
26 TERMS AND CONDITIONS, WITHOUT PREJUDICE TO THE  
27 CANCELLATION OF THE REGISTRATION OF SAID  
28 ENTERPRISE.

29 "WHEN THERE IS PROBABLE CAUSE TO BELIEVE  
30 THAT THE REGISTERED ENTERPRISE HAS VIOLATED ITS  
31 REGISTRATION TERMS AND CONDITIONS, THE FISCAL

1 INCENTIVES REVIEW BOARD, THROUGH THE  
2 RECOMMENDATION OF THE INVESTMENT PROMOTION  
3 AGENCY, SHALL SUSPEND THE AVAILMENT OF  
4 INCENTIVES UNTIL PROVEN OTHERWISE.

5 "IN CASE OF CANCELLATION OF THE CERTIFICATE  
6 OF REGISTRATION, THE CONCERNED INVESTMENT  
7 PROMOTION AGENCY MAY, IN APPROPRIATE CASES,  
8 REQUIRE THE PAYMENT OF TAXES, CUSTOMS DUTIES  
9 AND ANY APPLICABLE PENALTIES THEREON TO THE  
10 APPROPRIATE AGENCY, AND IMPOSE ADDITIONAL FINES  
11 AND PENALTIES."

12 "SEC. 312. *STRUCTURAL ADJUSTMENT FUND.* -  
13 THE FOLLOWING AMOUNTS SHALL BE APPROPRIATED  
14 TO COMPENSATE WORKERS THAT MAY BE DISPLACED BY  
15 THE RATIONALIZATION OF FISCAL INCENTIVES TO  
16 IMPROVE EMPLOYABILITY OF WORKERS AND FOR THE  
17 DEVELOPMENT OF INFRASTRUCTURE WITHIN ECONOMIC  
18 ZONES AND FREEPORTS THAT MAY BE AFFECTED BY  
19 THIS ACT:

20 "(1) THE AMOUNT OF FIVE HUNDRED MILLION  
21 PESOS (P500,000,000) SHALL BE APPROPRIATED  
22 ANNUALLY, IN ADDITION TO ANY ADJUSTMENT FUND  
23 APPROPRIATED UNDER THE BUDGET OF THE  
24 DEPARTMENT OF LABOR AND EMPLOYMENT, TO  
25 PROVIDE TARGETED CASH GRANTS OR OTHER SUPPORT  
26 PROGRAMS TO DISPLACED WORKERS OF FIRMS THAT  
27 MAY BE AFFECTED BY THE RATIONALIZATION OF FISCAL  
28 INCENTIVES;

29 "(2) THE AMOUNT OF FIVE HUNDRED MILLION  
30 PESOS (P500,000,000) SHALL BE APPROPRIATED  
31 ANNUALLY TO PROVIDE TARGETED TRAININGS TO

1 DISPLACED WORKERS OF FIRMS THAT MAY BE AFFECTED  
2 BY THE RATIONALIZATION OF FISCAL INCENTIVES;

3 "(3) THE AMOUNT OF FIVE BILLION PESOS  
4 (P5,000,000,000) SHALL BE ALLOCATED ANNUALLY  
5 FOR THE SKILLS UPGRADE PROGRAM OF  
6 THE INFORMATION TECHNOLOGY-BUSINESS PROCESS  
7 OUTSOURCING INDUSTRY. THE FUND SHALL BE SOLELY  
8 USED TO PAY FOR FORMAL ACADEMIC OR TRAINING  
9 PROGRAMS OF ACCREDITED PRIVATE OR PUBLIC  
10 SCHOOLS AND TRAINING CENTERS; AND

11 "(4) THE AMOUNT OF FIFTEEN BILLION PESOS  
12 (P15,000,000,000), IN ADDITION TO ANY ADJUSTMENT  
13 FUND APPROPRIATED UNDER THE BUDGET OF  
14 PERTINENT GOVERNMENT DEPARTMENTS OR AGENCIES,  
15 SHALL BE APPROPRIATED FOR THE DEVELOPMENT OF  
16 INFRASTRUCTURE SURROUNDING AND WITHIN THE  
17 AREAS OR LOCALITIES OF SPECIAL ECONOMIC ZONES  
18 AND FREEPORTS TO BE AFFECTED BY THIS ACT.  
19 THIS SUBSIDY SHALL LIKEWISE BE UTILIZED TO  
20 SUPPORT RESEARCH AND DEVELOPMENT; COSTS OF  
21 POWER, WATER AND OTHER UTILITIES; LEASE OF  
22 PROPERTIES; AND OTHER ECONOMIC ACTIVITIES  
23 RELEVANT TO DEVELOPING THE ABOVEMENTIONED  
24 AREAS/LOCALITIES.

25 "THE RELEASES TO THE INVESTMENT PROMOTION  
26 AGENCIES SHALL BE GOVERNED BY IMPLEMENTING  
27 GUIDELINES TO BE PROMULGATED BY THE  
28 DEPARTMENT OF FINANCE AND THE DEPARTMENT OF  
29 BUDGET AND MANAGEMENT.

1 "THE EARMARKING OF FUNDS FOR THESE  
2 PURPOSES SHALL BE TERMINATED FIVE (5) YEARS  
3 AFTER THE EFFECTIVITY OF THIS ACT."

4 "SEC. 313. *ENHANCED TAX EXPENDITURE FUND*  
5 *SYSTEM.* - ALL INTERNAL REVENUE TAX AND  
6 DUTY OBLIGATIONS OF GOVERNMENT-OWNED OR  
7 -CONTROLLED CORPORATIONS SHALL BE CHARGEABLE  
8 TO THE TAX EXPENDITURE FUND OF THE GOVERNMENT  
9 UPON THE ESTABLISHMENT AND IMPLEMENTATION OF  
10 AN ENHANCED TAX EXPENDITURE FUND SYSTEM THAT  
11 GRANTS TAX SUBSIDY WITHIN THIRTY (30) DAYS FROM  
12 THE FILING OF APPLICATION WITH THE FISCAL  
13 INCENTIVES REVIEW BOARD."

14 "SEC. 314. *ANNUAL REPORT.* - THE FISCAL  
15 INCENTIVES REVIEW BOARD SHALL SUBMIT AN ANNUAL  
16 REPORT TO CONGRESS THE NAMES OF RECIPIENTS OF  
17 INCENTIVES AND THE AMOUNT OF INCENTIVES AVAILED  
18 OF. THE REPORT SHALL BE MADE AVAILABLE TO THE  
19 PUBLIC."

20 SEC. 31. Title XIII of the National Internal Revenue Code of  
21 1997, as amended, is hereby renumbered as Title XIV, to read as  
22 follows:

23 "TITLE [XIII] XIV

24 "REPEALING PROVISIONS

25 "SEC. [291]315. *In General.* - All laws, decrees,  
26 executive orders, rules and regulations or parts thereof  
27 which are contrary to or inconsistent with this Code are  
28 hereby repealed, amended or modified accordingly.

1 "(A) To ensure that the Department of Finance,  
2 National Economic and Development Authority and  
3 Department of Trade and Industry are represented in  
4 the Governing Boards of all investment promotion  
5 agencies, where the Department of Finance shall  
6 automatically serve as Co-chair, and the Department  
7 of Trade and Industry and National Economic and  
8 Development Authority as members, pursuant to  
9 Section 299 of this Act, the following provisions, among  
10 others, are amended accordingly:

11 "(1) Article 4 of Executive Order No. 226, as  
12 amended, entitled 'The Omnibus Investments Code of  
13 1987';

14 "(2) Sections 9 and 13(c) of Republic Act No. 7227,  
15 entitled 'An Act Accelerating the Conversion of Military  
16 Reservations into Other Productive Uses, Creating the  
17 Bases Conversion and Development Authority for this  
18 Purpose, Providing Funds Therefor and for Other  
19 Purposes';

20 "(3) Section 3 of Executive Order No. 80, series of  
21 1993, entitled 'Authorizing the Establishment of the  
22 Clark Development Corporation as the Implementing  
23 Arm of the Bases Conversion and Development  
24 Authority for the Clark Special Economic Zone, and  
25 Directing all Heads of Departments, Bureaus, Offices,  
26 Agencies and Instrumentalities of Government to  
27 Support the Program';

28 "(4) Section 6 of Executive Order No. 132, series  
29 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 PHIVIDECON 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; and

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

“(B) To transfer to the Fiscal Incentives Review Board the power of the Investment Promotion Agency Board to review, approve or disapprove fiscal incentives and to mandate the Investment Promotion Agency Board to recommend to the Fiscal Incentives Review Board after a thorough review of the application, the

1 approval or disapproval of the same, the following  
2 provisions are hereby amended:

3 “(1) Article 7 of Executive Order No. 226, series  
4 of 1987, entitled the ‘Omnibus Investments Code of  
5 1987’, as amended by RA No. 7918, entitled ‘An  
6 Act Amending Article 39, Title III of Executive  
7 Order No. 226, Otherwise Known as the Omnibus  
8 Investments Code of 1987, as Amended, and for  
9 Other Purposes’;

10 “(2) Section 7 of Republic Act No. 7903, entitled  
11 ‘An Act Creating a Special Economic Zone and Freeport  
12 in the City of Zamboanga City Special Economic Zone  
13 Authority, Appropriating Funds Therefor, and for Other  
14 Purposes’;

15 “(3) Section 1 of Executive Order No. 458, entitled  
16 ‘Devolving the Powers and Functions of the Board of  
17 Investments Over Investments Within the Autonomous  
18 Region in Muslim Mindanao to the Autonomous  
19 Regional Government and for Other Purposes’;

20 “(4) Section 13 of Republic Act No. 9728, entitled  
21 ‘An Act Converting the Bataan Economic Zone located  
22 in the Municipality of Mariveles, Province of Bataan,  
23 into the Freeport Area of Bataan, Creating for this  
24 Purpose the Authority of the Freeport Area of Bataan  
25 (AFAB), Appropriating Funds Therefor and for Other  
26 Purposes’;

27 “(5) Section 13(b) of Republic Act No. 7227, as  
28 amended by Republic Act No. 9400, entitled ‘An Act  
29 Accelerating the Conversion of Military Reservations

1 into Other Productive Uses, Creating the Bases  
2 Conversion and Development Authority for the Purpose,  
3 Providing Funds Therefor and for Other Purposes’;

4 “(6) Section 8 of Republic Act No. 9400, entitled  
5 ‘An Act Amending Republic Act No. 7227, as amended,  
6 Otherwise Known as the Bases Conversion and  
7 Development Act of 1992, and for Other Purposes’;

8 “(7) Section 69(n) of Subchapter IV-B of Republic  
9 Act No. 9593, entitled ‘An Act Declaring a National  
10 Policy for Tourism as an Engine of Investment,  
11 Employment, Growth and National Development and  
12 Strengthening the Department of Tourism and its  
13 Attached Agencies to Effectively Implement that Policy,  
14 and Appropriating Funds Therefor’;

15 “(8) Sections 7 and 12 of Republic Act No. 9490,  
16 entitled ‘An Act Establishing the Aurora Special  
17 Economic Zone in the Province of Aurora, Creating for  
18 the Purpose the Aurora Special Economic Zone  
19 Authority, Appropriating Funds Therefor and for Other  
20 Purposes’, as amended by Republic Act No. 10083,  
21 entitled ‘An Act Amending Republic Act No. 9490,  
22 Otherwise Known as the ‘Aurora Special Economic Zone  
23 Act of 2007’;

24 “(9) Section 6 of Republic Act No. 7922, entitled  
25 ‘An Act Establishing a Special Economic Zone and Free  
26 Port in the Municipality of Santa Ana and the  
27 Neighboring Islands of Cagayan, Providing Funds  
28 Therefor, and for Other Purposes’;

“(10) Section 4 of Presidential Decree No. 538, entitled ‘Creating and Establishing the PHIVIDEA 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’; and

“(11) Sections 13 and 21 of Republic Act No. 7916, as amended by Republic Act No. 8748, entitled ‘An Act Providing for the Legal Framework and Mechanisms for the Creation, Operation, Administration, and Coordination of Special Economic Zones in the Philippines, Creating for this Purpose, the Philippine Economic Zone Authority (PEZA), and for Other Purposes’.”

“(C) 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 313 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 Creating for this Purpose the Zamboanga City Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purposes’;

“(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 PHIVIDEA 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 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’;

“(8) Sections 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

1 the Total Electrification of the Philippines on an Area  
2 Coverage Service Basis, the Organization, Promotion  
3 and Development of Electric Cooperatives to Attain the  
4 Said Objective, Prescribing Terms and Conditions for  
5 their Operations, the Repeal of Republic Act No. 6038,  
6 and for Other Purposes’;

7 “(9) Sections 2 and 19 of Republic Act No. 9679,  
8 entitled ‘An Act Further Strengthening the Home  
9 Development Mutual Fund, and for Other Purposes’;

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

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

24 “(12) Section 5(j) of Republic Act No. 9510,  
25 entitled ‘An Act Establishing the Credit Information  
26 System and for Other Purposes’;

27 “(13) Section 13(e) of Presidential Decree No. 857,  
28 entitled ‘Providing for the Reorganization of Port  
29 Administrative and Operation Functions in the

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

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

9 “(15) Section 8(a)(b) and Section 13 of Republic  
10 Act No. 6395, entitled ‘An Act Revising the Charter of  
11 the National Power Corporation’; and

12 “(16) Section 21 of Republic Act No. 7306, entitled  
13 ‘An Act Providing for the Establishment of the People’s  
14 Television Network, Incorporated, Defining its Powers  
15 and Functions, Providing for its Sources of Funding and  
16 for Other Purposes’.”

17 “(D) The ‘in lieu of’ clauses in the tax provisions  
18 of entities covered by the following franchise laws are  
19 hereby repealed two (2) years from the effectivity of this  
20 Act and the entities covered shall pay the corresponding  
21 franchise tax and all other applicable taxes under the  
22 National Internal Revenue Code of 1997, as amended:

23 “(1) Section 9 of Republic Act No. 7953,  
24 entitled ‘An Act Amending Republic Act Numbered  
25 Sixty-Six Hundred Thirty-Two Entitled “An Act  
26 Granting the Philippine Racing Act, Inc., a Franchise to  
27 Operate and Maintain a Race Track for Horse Racing in  
28 the Province of Rizal, and Extending the Said Franchise

by Twenty-Five Years from the Expiration of the Term  
Thereof”;

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

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

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

“(E) The provisions of the following laws,  
including the tax incentives, that are inconsistent with  
this Act are hereby amended or repealed effective two  
(2) years from the effectivity of this Act:

“(1) Section 37 of Republic Act No. 6848, entitled  
‘An Act Providing for the 1989 Charter of the Al-  
Amanah Islamic Investment Bank of the Philippines,

Authorizing its Conduct of Islamic Banking Business,  
and Repealing for this Purpose Presidential Decree  
Numbered Two Hundred and Sixty-Four as Amended  
by Presidential Decree Numbered Five Hundred and  
Forty-Two (Creating the Philippine Amanah Bank);

“(2) 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’;

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

“(4) Book I, Title I, Article 32; Title III, Article  
39(A), (B), (C), (D), (E), (G), (I) and (J); Title IV, Article  
40; Book III, Articles 59, 60, 61; Book IV, Article 69;  
Book VI, Articles 77 and 78 of Executive Order No. 226,  
series of 1987, entitled the ‘Omnibus Investments Code  
of 1987’;

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

“(6) Articles 62, 63, 64, 65, 66, 67, and 69  
of Republic Act No. 8756, entitled ‘An Act Providing  
for the Terms, Conditions and Licensing Requirements  
of Regional or Area Headquarters, Regional  
Operating Headquarters, and Regional Warehouses of  
Multinational Companies, Amending for the Purpose



Certain Provisions of Executive Order No. 226, Otherwise Known as the Omnibus Investments Code of 1987’;

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

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

“(9) Section 17(1) to (8), insofar 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’;

“(10) Section 4(e) and (f), insofar as tax exemption and/or VAT zero-rating on domestic merchandise is concerned, 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’;

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

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

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

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

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

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

“(17) Sections 3(e)(f)(h) and 4 of Republic Act No. 10083, entitled ‘An Act Amending Republic Act No. 9490’;

“(18) Section 4(f), insofar as tax exemption and/or value-added tax or VAT zero-rating on domestic merchandise and capital equipment are concerned, and Sections 5, 6, and 10 of Republic Act No. 9728, entitled ‘An Act Converting the Bataan Economic Zone Located in the Municipality of Mariveles, Province of Bataan, into the Freeport Area of Bataan (FAB), Creating for this Purpose the Authority of the Freeport Area of Bataan (AFAB), Appropriating Funds Therefor and for Other Purposes’;

“(19) Section 36(e) and (f) of Presidential Decree No. 705, entitled ‘Revising Presidential Decree No. 389, Otherwise Known as the Forestry Reform Code of the Philippines’;

“(20) Section (b)(1)(c) of Republic Act No. 9003, entitled ‘An Act Providing for an Ecological Solid Waste Management Program, Creating the Necessary Institutional Mechanisms and Incentives, Declaring Certain Acts Prohibited and Providing Penalties, Appropriating Funds Therefor, and for Other Purposes’;

“(21) Section 26(a)(1)(3) of Republic Act No. 9275, entitled ‘An Act Providing for a Comprehensive Water Quality Management and for Other Purposes’;

“(22) Sections 16 and 17 of Republic Act No. 7844, entitled ‘An Act to Develop Exports as a Key Towards the Achievement of the National Goals Towards the Year 2000’;

(23) Section 13 of Republic Act No. 10817, entitled ‘An Act Instituting the Philippine Halal Export Development and Promotion Program, Creating for the Purpose the Philippine Halal Export Development and Promotion Board, and for Other Purposes’;

“(24) Section 14 of Republic Act No. 8423, entitled ‘An Act Creating the Philippine Institute of Traditional and Alternative Health Care (PITAHC) to Accelerate the Development of Traditional and Alternative Health Care in the Philippines, Providing for a Traditional and Alternative Health Care Development Fund and for Other Purposes’;

“(25) Republic Act No. 7718, entitled ‘An Act Amending Certain Sections of Republic Act No. 6957, Entitled “An Act Authorizing the Financing, Construction, Operation and Maintenance of

1 Infrastructure Projects by the Private Sector, and for  
2 Other Purposes";

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

7 "(27) Section 3(a) to (d) and (h) of Republic Act  
8 No. 8502, entitled 'An Act to Promote the Development  
9 of the Jewelry Manufacturing Industry, Providing  
10 Incentives Therefor and for Other Purposes';

11 "(28) Section 5(a)(b) of Republic Act No. 10771,  
12 entitled 'An Act Promoting the Creation of Green  
13 Jobs, Granting Incentives and Appropriating Funds  
14 Therefor';

15 "(29) Sections 9(h), (10) of Republic Act No. 9501,  
16 entitled 'An Act to Promote Entrepreneurship by  
17 Strengthening Development and Assistance Programs  
18 to Micro, Small and Medium Scale Enterprises,  
19 Amending for the Purpose Republic Act No. 6977, as  
20 Amended, Otherwise Known as the "Magna Carta For  
21 Small Enterprises and for Other Purposes" ';

22 "(30) Section 7 of Republic Act No. 9178, entitled  
23 'An Act to Promote the Establishment of Barangay  
24 Micro Business Enterprises (BMBES), Providing  
25 Incentives and Benefits Therefor, and for Other  
26 Purposes';

27 "(31) Chapter XV, Section 83; Chapter XVI,  
28 Sections 90, 91, 92, and 93 of Republic Act No. 7942,  
29 entitled 'An Act Instituting a New System of Mineral

1 Resources Exploration, Development, Utilization, and  
2 Conservation';

3 "(32) Chapter II, Section 4 and Chapter VIII,  
4 Section 19 of Republic Act No. 9295, entitled 'An Act  
5 Promoting the Development of Philippine Domestic  
6 Shipping, Shipbuilding, Ship Repair and Ship Breaking,  
7 Ordaining Reforms in Government Policies Towards  
8 Shipping in the Philippines, and for Other Purposes';

9 "(33) Section 6 of Republic Act No. 7471, as  
10 amended, entitled 'An Act to Promote the Development  
11 of Philippine Overseas Shipping';

12 "(34) Sections 86, 88, and 95(a) and (b) of  
13 Republic Act No. 9593, entitled 'An Act Declaring a  
14 National Policy for Tourism as an Engine of  
15 Investment, Employment, Growth and National  
16 Development, and Strengthening the Department of  
17 Tourism and its Attached Agencies to Effectively and  
18 Efficiently Implement That Policy, and Appropriating  
19 Funds Therefor';

20 "(35) Section 8, insofar as investment incentives  
21 are concerned, of Republic Act No. 10816, entitled 'An  
22 Act Providing for the Development and Promotion of  
23 Farm Tourism in the Philippines';

24 "(36) Section 8 of Presidential Decree No. 1491,  
25 Amending Section 8 of Presidential Decree No. 538  
26 (Philippine Veterans Investment Development  
27 Corporation);

28 "(37) Section 8, insofar as tax exemption and VAT  
29 zero-rating of domestic merchandise are concerned, and

Section 9 of Presidential Decree No. 538, entitled 'Creating and Establishing the PHIVIDEC Industrial Authority and Making it a Subsidiary Agency of the Philippine Veterans Investment Development Corporation, Defining its Powers, Functions and Responsibilities, and for Other Purposes';

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

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

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

"(41) Sections 1(6) and 2 of Presidential Decree No. 776, entitled 'Modifying All Laws, Acts, Decrees, Orders and Ordinances Granting Subsidies, Exemptions from Taxes, Duties, Fees, Imposts and Other Charges Under Certain Exceptions and Creating a Fiscal Incentives Board';

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

"(43) Section 1(c) and (d) 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'; and

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

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

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

#### "TITLE [XIV] XV

#### "FINAL PROVISIONS

"SEC. [292] 316. *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. 33. *Implementing Rules and Regulations.* - Within ninety (90) days from the effectivity of this Act, the Secretary of Finance and the Secretary of Trade and Industry shall, upon

1 consultations with the Commissioner of Internal Revenue, the  
2 Board of Investments, and other investment promotion agencies,  
3 promulgate the necessary rules and regulations for its effective  
4 implementation."

5 SEC. 34. *Effectivity.* – This Act shall take effect on January  
6 1, 2020 following its complete publication in the *Official Gazette* or  
7 in a newspaper of general circulation.

Approved,

**O**