



Republic of the Philippines
House of Representatives
Quezon City
EIGHTEENTH CONGRESS
First Regular Session
HOUSE BILL NO. 3356

INTRODUCED BY REPRESENTATIVE ANN K. HOFER

EXPLANATORY NOTE

This bill covers the second package of the Duterte Administration's comprehensive tax reform program. It complements the recently-passed Tax Reform for Acceleration and Inclusion (TRAIN) Act (RA 10963) by lowering the corporate income tax rate, reforming the corporate income tax system, and broadening the tax base by modernizing investment tax incentives to enhance fairness, improve competitiveness, plug tax leakages, and achieve fiscal sustainability.

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

1. The Philippines' corporate income tax system is characterized by a high rate and a narrow base. Despite having the highest corporate income tax rate in the ASEAN region at 30%, its collection efficiency is one of the lowest. This is because of very generous tax incentives that are given in perpetuity and in lieu of other taxes, and thus seriously erode the tax base.
2. The country's investment tax incentive system is very complex. It has 14 investment promotion agencies and more than 300 laws that grant various types of investment and non-investment incentives with little regard to cost-efficiency and effectiveness. All these result in a tax incentive system that is less transparent, less targeted, not time-bound, and not performance based.
3. The outdated tax code lacks adequate provisions to address transfer pricing and other anti-avoidance practices.
4. Ironically, the DOF, which is the steward of the government's fiscal health and mandated to formulate sound fiscal policy, has very little involvement in the formulation and grant of tax incentives to the registered business enterprises. This is contrary to international best practice where the finance minister holds a significant role in the decision-making process regarding the design and grant of tax incentives.

The cost to the country of this defective system is significant. In 2015, the Department of Finance estimates that the investment tax incentive system costs the government some P301 billion in forgone income tax, VAT (gross of refund), and customs duty. This estimate does not yet include forgone local taxes and leakages that arise from tax avoidance and tax evasion due to the complicated system. While the country benefits from these incentives in terms of investment, jobs, exports, and country-side development, the staggering cost at more than 2% of GDP warrants the government to review its incentives system by making them time-bound, performance-based, transparent, and targeted to ensure that redundant incentives are removed, the benefits fully outweigh the cost, and fiscal prudence is maintained at all times.

Specifically, despite being the most generous provider of incentives in the region, the Philippines' investment tax incentives have not translated into much higher investment and export performance. The Philippines has one of the lowest export share to GDP among the ASEAN5, while the share of foreign direct investment to GDP, while increasing in recent years, remains lackluster relative to its neighbors. The answer to this conundrum lies in the fact that investment and exports are mainly influenced by a country's ability to provide efficient infrastructure, modern logistics, effective governance, low cost of doing business, and a productive work force. In general, while some tax incentives can help the country improve its competitiveness, they are not the real solution and they often serve as band-aid solution to the ills of the country's inability to provide infrastructure and basic services. In this regard, the Duterte Administrations seeks to reform the tax system so that it can generate more tax revenues fairly to fund the priority programs that will make the country attractive to investors without giving away redundant and costly tax incentives.

With tax incentives modernized and the tax base expanded, the corporate income tax rate can be reduced to correct the current inequitable and unjust system that benefits a few industries while negatively impacting the rest of the business community, which pay the regular corporate income tax rate. The reduction of the corporate income tax rate would be a very much welcome relief that will benefit all corporate taxpayers, whether large or small, and whether domestic or foreign, and will enhance the competitiveness of our investment climate. In the end, this bill aims to benefit not just the government, but more importantly, the Filipino taxpayers who have been diligently complying with their tax obligations by making the tax system more progressive, efficient, and simpler.

In view of the foregoing, urgent approval of this bill is earnestly sought.



ANN K. HOFER

2nd District, Zamboanga Sibugay

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **3356**

Introduced by REP. ANN K. HOFER

AN ACT

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

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

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

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

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

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

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

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

"(A) x x x

"(B) xxx

"(C) xxx

"(D) x x ; [and]

"(E) x x x[.J; AND

"(F) IN CASE THE INFORMATION OR RECORDS REQUESTED ARE NOT FURNISHED WITHIN THE PERIOD PRESCRIBED IN THE WRITTEN NOTICE, OR WHEN THE INFORMATION OR RECORDS SUBMITTED ARE

INCOMPLETE, THE COMMISSIONER OR HIS DULY AUTHORIZED REPRESENTATIVE, SHALL ISSUE A *SUBPOENA DUCES TECUM* STATING THEREIN THE RELEVANT FACTS, SPECIFYING THE PARTICULAR DOCUMENTS OR RECORDS NOT MADE AVAILABLE AND THE TAXPAYER LIABLE OB 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 INTERNAL REVENUE OFFICER AUTHORIZED FOR THE PURPOSE.

“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 THE COURT.

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

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

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

“Sec. 6-A. Service of Letter of authority, and Assessment Notices Issued by the Bureau. - THE NOTICE TO THE TAXPAYER HEREIN REQUIRED MAY BE SERVED BY THE COMMISSIONER OR HIS DULY AUTHORIZED REPRESENTATIVE THROUGH PERSONAL SERVICE AT HIS REGISTERED ADDRESS. IN CASE PERSONAL SERVICE IS NOT PRACTICABLE, THE NOTICE SHALL BE SERVED BY SUBSTITUTED SERVICE IN ACCORDANCE WITH THE RULES OF THE COURT.”

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

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

“(A) xxx

“(B) Submission of Tax-related Information to the Department of Finance. – The PROVISIONS OF SECTION 71, NOTWITHSTANDING, THE Commissioner shall, upon the request of the Secretary of Finance specifically identifying THE NEEDED INFORMATION AND JUSTIFICATION FOR SUCH REQUEST, FURNISH THE SECRETARY PERTINENT TAXPAYER INFORMATION: PROVIDED, HOWEVER, THAT the Secretary and the relevant officers HANDLING SUCH SPECIFIC INFORMATION SHALL BE COVERED BY THE PROVISIONS OF SECTION 270.

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

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

“SEC. 22. Definitions, — x x x

“(A) xxx

“(B) xxx

“(C) xxx

“(D) xxx

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

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

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

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

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

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

“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 (36%)] AN INCOME TAX RATE OF THIRTY PERCENT (30%), is hereby imposed upon the taxable income derived during each taxable year from all sources within and without the Philippines by every corporation, as defined in Section 22(B) of this Code and taxable under this Title as a corporation, organized in, or existing under the laws of the Philippines: [*Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).*] *PROVIDED, That the RATE OF CORPORATE INCOME TAX SHALL BE TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY- SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY-FOUR PERCENT (24%) BEGINNING JANUARY 1, 2025; TWENTY-TWO PERCENT (22%) BEGINNING JANUARY 1, 2027; AND TWENTY PERCENT (20%) BEGINNING JANUARY 1, 2029: PROVIDED, FURTHER, That the President may advance the scheduled REDUCTION IN THE CORPORATE INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED FROM THE RATIONALIZATION OF FISCAL INCENTIVES UNDER TITLE XIII of this Code, as certified by the Secretary of Finance.*

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

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

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

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

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

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

”[(4)A 0.9 percent (0.9%) ratio of the Consolidated Public Sector Financial Position (CPSFP) to GNP.

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

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

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

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

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

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

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

“x x x.”

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

“(C) *Government-owned or -Controlled Corporations, Agencies or Instrumentalities. – The provisions of existing special or general laws to the contrary*

notwithstanding, all corporations, agencies, or instrumentalities owned or controlled by the Government, except the Government Service Insurance System (GSIS), the Social Security System (SSS), HOME Development Mutual Fund, the Philippine Health Insurance Corporation (PHIC), and the local water districts (LWDs) shall pay such rate of tax upon their taxable income as are imposed by this Section upon corporations or associations engaged in a similar business, industry, or activity.

“(D) xxx

“(E) x x x.”

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

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

“(A) Tax on Resident Foreign Corporations. -

“(1) *In General.* — Except as otherwise provided in this Code, a corporation organized, authorized, or existing under the laws of any foreign country, engaged in trade or business within the Philippines, shall be subject to an income tax equivalent to [thirty-five percent (35%)] THIRTY PERCENT (30%) of the taxable income derived in the preceding taxable year from all sources within the Philippines: [*Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).*] *PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX SHALL BE TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY-SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY-FOUR PERCENT (24%) BEGINNING January 1, 2026; twenty-two percent (22%) BEGINNING JANUARY 1, 2027; AND TWENTY PERCENT (20%) BEGINNING JANUARY 1, 2029: PROVIDED, further, That the President may advance the SCHEDULED REDUCTION IN THE CORPORATE INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED FROM THE RATIONALIZATION OF FISCAL INCENTIVES UNDER Title XIII of this Code, as certified by the Secretary of Finance.*

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

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

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

“(2) xxx

“(3) xxx

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

to a final tax at the rate of ten percent (10%).

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

"[(5)] (4) *Tax on Branch Profits Remittances.* - Any profit remitted by a branch to its head office shall be subject to a tax of fifteen percent (15%) which shall be based on the total profits applied or earmarked for remittance without any deduction for the tax component thereof ((except those activities which are registered with the Philippine Economic Zone Authority)) xxx "1(6)] (5) *Regional or Area Headquarters and Regional Operating Headquarters of Multinational Companies.* -

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

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

"*Provided, That regional operating HEADQUARTERS SHALL BE SUBJECT TO THE REGULAR CORPORATE INCOME TAX TWO (2) YEARS FROM THE EFFECTIVITY OF THIS ACT.*

"1(7)1 (6) *Tax on Certain Incomes Received by a Resident Foreign Corporation.* -

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

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

"(c) *Capital Gains from Sale of Shares of Stock Not Traded in the Stock Exchange.* — A final tax at the rate[8 prescribed below] OF FIFTEEN PERCENT (15%) is hereby imposed upon the net capital gains realized during the taxable year from the sale, baiter, exchange or other disposition of shares of stock in a domestic corporation except shares sold or disposed of through the stock exchange:

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

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

"(d) Intercorporate Dividends. - xxx

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

"(1) *In General.* - Except as otherwise provided in this Code, a foreign corporation not engaged in trade or business in the Philippines shall pay a tax equal to [thirty-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-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY-SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY-FOUR PERCENT (24%) BEGINNING January 1, 2025; twenty-two percent (22%) BEGINNING JANUARY 1, 2027; AND TWENTY PERCENT (20%) BEGINNING JANUARY 1, 2029: *PROVIDED, further*, That the President may advance the SCHEDULED REDUCTION IN THE CORPORATE INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED FROM THE RATIONALIZATION OF FISCAL INCENTIVES under Title XIII in 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) xxx

“(4) xxx

“(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, 2019, 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 AS FOLLOWS:

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

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

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

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

“IF RATE IS TWENTY PERCENT (20%), 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) XXX

“(C) Taxes. — x x x

“(D) Losses, - x x x

“(E) Bad Debts, — xxx

“(F) Depreciation, -xxx

“(G) Depletion of Oil and Gas Wells and Mines. -xxx

“(H) Charitable and Other Contributions, -xxx

“(I) Research and Development. – xxx

“(J) Pension Trusts, -xxx

“(K) Additional Requirements for Deductibility of Certain Payments, -xxx

“(L) Optional Standard *Deduction (OSD)*. - In lieu of the deductions allowed under the preceding Subsections, an individual subject to tax under Section 24, other than a nonresident alien, [may elect a standard deduction in an amount not exceeding forty percent (40%) of his gross sales or gross receipts, as the case maybe. In the case of a] AND A corporation CLASSIFIED AS 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 return his intention to elect the optional standard deduction, he shall be considered as having availed himself of the deductions allowed in the preceding Subsections. Such election when made in the return shall be irrevocable for the taxable year for which the return is made: *Provided,* That an individual who is entitled to and claimed for the optional standard deduction shall not be required to submit with his tax return such financial statements otherwise required under this Code: [*Provided, further,* That a general professional partnership and the partner 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 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) xxx

“(B) xxx

“(C) Exchange of Property. -

“(1) xxx

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

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

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

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

“(d) A RECAPITALIZATION; OR

“(e) A REINCORPORATION.

“No gain or loss shall also be recognized if property is transferred to a corporation by a person in exchange for stock or unit of participation in such a corporation of which as a result of such exchange said person, alone or together with others, not exceeding four (4) persons, [gains control of said corporation] AND, IMMEDIATELY AFTER, SUCH PERSON OR PERSONS

ARE IN CONTROL: *Provided*, That stocks issued for services shall not be considered as issued in return for property.

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

"THE PROVISION OF SECTION 60 OF THIS CODE SHALL BE APPLIED AND ENFORCED IN CASES WHERE THE TRANSACTION OR ARRANGEMENT ENTERED INTO IS FOUND TO BE NOT FOR LEGITIMATE OR *BONA FIDE* BUSINESS PURPOSE.

"Sale or exchanges of property used for business for shares of stock covered UNDER THIS Subsection shall not be subject to value-added TAX (VAT).

"X X X."

SEC. 11. Section 60 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"*SEC. 50. [Allocation of Income and Deductions. — In the case of two or more organizations, trades or businesses (whether or not incorporated and whether or not organized in the Philippines) owned or controlled directly or indirectly by the same interests, the Commissioner is authorized to distribute, apportion or allocate gross income or deductions between or among such organization, trade or business, if he determines that such distribution, apportionment or allocation is necessary in order to prevent evasion of taxes or clearly to reflect the income of any such organization, trade or business.]* **AUTHORITY OF THE COMMISSIONER TO Distribute, Apportion, Allocate, and Impute Income and Deductions to Disregard and Counteract Tax Avoidance Arrangements. — In CASE OF TWO (2) OR MORE ORGANIZATIONS, TRADES OR BUSINESSES, WHETHER OR NOT ORGANIZED IN the Philippines, owned or controlled directly OR INDIRECTLY BY THE SAME INTERESTS, THE Commissioner is authorized to distribute, APPORTION, allocate, or impute income or deductions between or among such ORGANIZATIONS, TRADES OR BUSINESSES, IF THE Commissioner determines that such distribution, apportionment, allocation, or IMPUTATION IS NECESSARY IN ORDER TO PREVENT AVOIDANCE OF TAXES OR TO CLEARLY REFLECT THE INCOME OF ANY SUCH ORGANIZATION, TRADE, OR BUSINESS.**

"IN CASES WHEN A TRANSACTION OR ARRANGEMENT, WHETHER ENTERED INTO BY THE PERSON AFFECTED BY THE TRANSACTION OR ARRANGEMENT OR BY ANOTHER PERSON, THAT DIRECTLY OR INDIRECTLY HAS TAX AVOIDANCE AS ITS PURPOSE OR EFFECT, WHETHER OR NOT ANY OTHER PURPOSE OR EFFECT IS ATTRIBUTABLE TO ORDINARY BUSINESS OR FAMILY DEALINGS, IF THE TAX AVOIDANCE PURPOSE OR EFFECT IS NOT MERELY INCIDENTAL, THE COMMISSIONER IS AUTHORIZED TO DISREGARD AND CONSIDER SUCH TRANSACTION OR ARRANGEMENT AS VOID FOR INCOME TAX PURPOSES, AND MAY ADJUST THE TAXABLE INCOME OF A PERSON AFFECTED BY THE ARRANGEMENT IN A WAY THE COMMISSIONER THINKS APPROPRIATE, IN ORDER TO COUNTERACT A TAX ADVANTAGE OBTAINED BY THE PERSON FROM OR UNDER THE ARRANGEMENT.

"FOR PURPOSES OF THIS SECTION, THE TERM 'TAX AVOIDANCE' INCLUDES: (A) DIRECTLY OR INDIRECTLY ALTERING THE INCIDENCE OF ANY INCOME TAX; (B) DIRECTLY OR INDIRECTLY RELIEVING A PERSON FROM LIABILITY TO PAY INCOME TAX OR FROM A POTENTIAL OR PROSPECTIVE LIABILITY TO FUTURE INCOME TAX; OR (C) DIRECTLY OR INDIRECTLY AVOIDING, POSTPONING, OR REDUCING ANY LIABILITY TO INCOME TAX, OR ANY POTENTIAL OR PROSPECTIVE LIABILITY TO FUTURE INCOME TAX. THERE IS TAX AVOIDANCE IN THE AFOREMENTIONED INSTANCES, WHERE THE TRANSACTION OR

ARRANGEMENT IS MOTIVATED BY OBTAINING TAX BENEFIT OR ADVANTAGE WITH NO COMMERCIAL REALITY OR ECONOMIC EFFECT AND THE USE OF THE PROVISIONS OF TAX LAWS ON SUCH TRANSACTION OR ARRANGEMENT WOULD NOT HAVE BEEN THE INTENTION OF THE LAW.”

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

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

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

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

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

“(C) Liquidating Dividends. – Liquidating DIVIDENDS ARE DIVIDENDS REPRESENTING THE REMAINING GAINS REALISED OR LOSS SUSTAINED BY THE STOCKHOLDER IN A COMPLETE LIQUIDATION OR DISSOLUTION BY A CORPORATION AND SHALL BE CONSIDERED AS TAXABLE INCOME OR A DEDUCTIBLE LOSS, AS THE CASE MAY BE.

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

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

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

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

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

taxes shall be allocated ratably between his zero-rated and non-zero-rated sales.

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

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

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

SEC. 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)] (P 10,000,000) or where the settlement offered is less than the prescribed minimum rates, the compromise shall be subject to the approval of the Evaluation Board which shall be composed of the Commissioner and the four (4) Deputy Commissioners.

“xxx.”

SEC. 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) xxx

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

“xxx.”

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

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

"(A) *Issuance.* - xxx

"Within Eve (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] THRU DESIGNATED ELECTRONIC CHANNELS WITH A PUBLIC CERTIFICATION SYSTEM ACCREDITED BY THE BUREAU, subject to the rules and regulations to be issued by the Secretary of Finance upon recommendation of the Commissioner [and after a] following a public hearing [shall have been] held for this purpose: *Provided*, That taxpayers not covered by the mandate of this provision may issue electronic receipts of sales or commercial invoices in lieu of manual receipts or sales or commercial invoices: *PROVIDED, FURTHER*, SUBJECT TO THE RULES AND REGULATIONS TO BE ISSUED BY THE SECRETARY OP FINANCE, THE COMMISSIONER 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 ISSUING TAXPAYER AND ATTEST TO THE AUTHENTICITY OF THE INFORMATION IN THE ELECTRONIC RECEIPTS OR SALES OR COMMERCIAL INVOICES. THIS MAY INCLUDE THE USE OF DIGITAL SIGNATURE ISSUED BY CERTIFICATION AUTHORITY AS ACCREDITED BY THE BUREAU OF INTERNAL REVENUE. A DESIGNATED ELECTRONIC CHANNEL SHALL REFER TO ANY MEDIUM OR PORTAL IDENTIFIED by the Bureau with an ability to receive the TRANSACTION DATA OF THE ELECTRONIC RECEIPTS OF SALES OR COMMERCIAL INVOICES FOR ASSIGNMENT OF AN APPROVED ELECTRONIC TAX TRANSACTION NUMBER.

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

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

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

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

"SEC. 237-A. *Electronic Sales Reporting System.* - Within five (5) years from the effectivity of this Act and upon the establishment of a system capable of storing and processing the required data, the Bureau shall require taxpayers engaged in the export of goods and services, and taxpayers engaged in e-commerce and taxpayers under the jurisdiction of the Large Taxpayers Service to USE A SYSTEM CAPABLE OF ISSUING ELECTRONIC RECEIPTS OR SALES OR COMMERCIAL INVOICES, COLLECT TRANSACTION RECORDS, AND TRANSMIT THE SAME THROUGH THE DESIGNATED ELECTRONIC CHANNELS OF THE BUREAU IN THE STANDARD FORMAT REQUIRED [electronically report their sales data to the Bureau through the use of electronic point of sales systems.] subject to the rules and

regulations to be issued by the Secretary of Finance upon recommendation of the Commissioner of Internal Revenue: *Provided*, That the POINT OF SALE (POS) machines, VALUE-ADDED NETWORK (VAN) TERMINALS, fiscal devices, and fiscal memory devices WITH CAPACITY TO MAKE SUCH TRANSMISSION shall be at the expense of the taxpayers: *PROVIDED, FURTHER*, SUBJECT TO THE RULES AND REGULATIONS TO BE ISSUED BY the Secretary of Finance, the Commissioner MAY REQUIRE ANY TAXPAYER TO COMPLY WITH THE provisions of this Section.

“IN YEAR ONE (1) TO YEAR FOUR (4) OF THE IMPLEMENTATION PERIOD, A TAXPAYER WHO ADOPTS THE REQUIRED SYSTEM SHALL BE GRANTED A TAX CREDIT OF 0.1% OF THE PURCHASE VALUE, NET OF VALUE-ADDED TAX, FOR EVERY ELECTRONIC RECEIPT OR SALE OR COMMERCIAL INVOICE TRANSMITTED THROUGH THE DESIGNATED ELECTRONIC CHANNELS OF the Bureau and issued an electronic tax TRANSACTION NUMBER.

“In support of the electronic sales REPORTING SYSTEM, THE BUREAU OF INTERNAL Revenue may grant tax incentives for ELECTRONICALLY TRACEABLE PAYMENTS (ETP) IN THE FORM OF ALLOWABLE DEDUCTIBLE EXPENSE OF UP TO TEN PERCENT (10%) OF THE ETP MADE BY THE TAXPAYER. AN ANNUAL LIMIT ON THE ALLOWED ETP DEDUCTIBLE EXPENSE PER TAXPAYER MAY BE SET BY the Commissioner with the approval of the Secretary of Finance.

“Electronically traceable payments refer to credit card, debit card, or other methods of payment with a system to verify or link the payment to the identity of payor.

“The Bureau may likewise establish a receipt and invoice lottery program for ELECTRONIC RECEIPTS OR SALES OR COMMERCIAL INVOICES TRANSMITTED THROUGH THE DESIGNATED ELECTRONIC CHANNELS OF THE BUREAU AND ISSUED AN ELECTRONIC TAX TRANSACTION NUMBER.

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

The Bureau shall also establish policies, risk management approaches, actions, trainings, and technologies to protect the cyber environment, organization, and data in compliance with Republic Act No. 10176 or the ‘Cybercrime Prevention Act of 2012.’”

SEC. 19. Section 256 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

“*SEC. 265. Failure to File Return, Supply Correct and Accurate Information, Pay Tax Withhold and Remit Tax and Refund Excess Taxes Withheld on Compensation.* - Any person required under this Code or by rules and regulations promulgated thereunder to pay any tax, make a return, keep any record, or supply correct and accurate information, who willfully fails to pay such tax, make such return, keep such record, or supply correct and accurate information, or withhold or remit taxes withheld, or refund excess taxes withheld on compensation, at the time or times required by law or rules and regulations shall, in addition to other penalties provided by law, upon conviction thereof, be punished by a fine of not less than [Ten thousand pesos (P10,000)] ONE HUNDRED THOUSAND 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 or another has in fact filed a return or statement, or actually files a return or statement and subsequently withdraws the same return or statement after securing the official receiving seal or stamp of receipt of internal revenue office wherein the same was actually filed shall, upon conviction therefore, be

punished by a fine of not less than [Ten thousand pesos (P10,000) but not more than Twenty thousand pesos (P20,000)] ONE HUNDRED THOUSAND PESOS (P100,000) BUT NOT MORE THAN ONE MILLION TWO HUNDRED THOUSAND PESOS (P1,200,000) and suffer imprisonment of not less than one (1) year but not more than three (3) years."

SEC. 20. Section 266 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

Sec. 266. 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 267 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 verified by him personally or under his supervision or by a member of his firm or by a member of his staff in accordance with sound auditing practices; or

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

"(B) Any person who:

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

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

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

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

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

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

"(7) Fails to keep the books of accounts or records mentioned in Section 232 in a native language, English

SEC. 22. Section 268 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

*"SEC. 268. Unlawful Pursuit of Business. – Any person who carries on any business for which an annual registration fee is imposed without paying the tax as required by law shall, upon conviction for each act or omission, be punished by a fine of not less than [Five thousand pesos (P5,000) but not more than Twenty thousand pesos (P20,000)] FIFTY THOUSAND PESOS (P50,000) BUT NOT MORE THAN THREE HUNDRED THOUSAND PESOS (P300,000) and suffer imprisonment of not less than six (6) months but not more than two (2) years: *Provided*, That in the case of a person engaged in the business of distilling, rectifying, repacking, compounding or manufacturing any article subject to excise tax, he shall, upon conviction for each act or omission, be punished by a fine of not less than [Thirty thousand pesos (P30,000) but not more than Fifty thousand pesos (P50,000)] THREE HUNDRED*

THOUSAND PESOS (P300,000) BUT NOT MORE THAN SEVEN HUNDRED THOUSAND PESOS (P700,000) and suffer imprisonment of not less than two (2) years but not more than four (4) years.”

SEC. 23. Section 260 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

“*SEC. 260. Unlawful Possession of Cigarette Paper in Bobbins or Bolls, Etc.* - It shall be unlawful for any person to have in his possession cigarette paper in bobbins or rolls, cigarette tipping paper or cigarette filter tips, without the corresponding authority therefor issued by the Commissioner. Any person, importer, manufacturer of cigar and cigarettes, who has been found guilty under this Section, shall, upon conviction for each act or omission, be punished by a fine of not less than [Twenty thousand pesos (P20,000) but not more than One hundred thousand pesos (P100,000)] One million five hundred thousand pesos (P1,600,000) BUT NOT MORE THAN FIFTEEN MILLION PESOS (P15,000,000) and suffer imprisonment for a term of not less than six (6) years and one (1) day but not more than twelve (12) years.”

SEC. 24. Section 261 of the National Internal Revenue Code 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. 25. Section 262 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

“*SEC. 262. Shipment or Removal of Liquor or Tobacco Products under False Name or Brand or as an Imitation of any Existing or Otherwise Known Product Name or Brand.* - Any person who ships, transports or removes spirituous, compounded or fermented liquors, wines or any manufactured products of tobacco under any other than the proper name or brand known to the trade as designating the kind and quality of the contents of the cask, bottle or package containing the same or as an imitation of any existing or otherwise known product name or brand or causes such act to be done, shall, upon conviction for each act or omission, be punished by a fine of not less than [Twenty thousand pesos (P20,000) but not more than One hundred thousand pesos (P100,000)] One MILLION FIVE HUNDRED THOUSAND PESOS (P1,600,000) BUT NOT MORE THAN FIFTEEN MILLION PESOS (P16,000,000) and suffer imprisonment of not less than six (6) years and one (1) day but not more than twelve (12) years.”

SEC. 26. Section 263 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

“*SEC. 263. Unlawful Possession or Removal of Articles Subject to Excise Tax Without Payment of the Tax.* - Any person who owns and/or is found in possession of imported articles subject to excise tax. The tax on which has not been paid in accordance with law, or any person

who owns and/or is found in possession of imported tax-exempt articles other than those to whom they are legally issued shall be punished by:

“(a) A fine of not less than [One thousand pesos (P1,000)] Twenty-five thousand pesos (P25,000) [nor] BUT NOT more than [Two thousand pesos (P2,000)] Seventy-five thousand pesos (P75,000) and suffer imprisonment of not less than [sixty (60) days but not more than one hundred (100) days] THIRTY (30) DAYS BUT NOT MORE THAN SIX (6) MONTHS if the appraised value, to be determined in the manner prescribed in the [Tariff and Customs Code] CUSTOMS Modernization and Tariff Act, including duties and taxes, of the articles does not exceed [One thousand pesos (P1,000)] TWO HUNDRED FIFTY THOUSAND PESOS (P260,000);

“(b) A fine of not less than [Ten thousand pesos (P 10,000)] Seventy-five thousand pesos (P75,000) but not more than [Twenty thousand pesos (P20,000)] One HUNDRED FIFTY THOUSAND PESOS (P150,000) and suffer imprisonment of not less than [two (2) years but not more than four (4) years] SIX (6) MONTHS AND ONE (1) DAY BUT NOT MORE THAN ONE (1) YEAR if the appraised value, to be determined in the manner prescribed in the [Tariff and Customs Code] CUSTOMS MODERNIZATION AND TARIFF ACT, including duties and taxes, of the articles exceeds [One thousand pesos (P1,000)] TWO HUNDRED FIFTY THOUSAND PESOS (P250,000) but does not exceed [Fifty thousand pesos (P50,000)] Five hundred thousand pesos (P500,000):

“(c) A fine of not less than [Thirty thousand pesos (P30,000)] ONE HUNDRED FIFTY THOUSAND PESOS (P150,000) but not more than [Sixty thousand pesos (P60,000)] THREE HUNDRED THOUSAND PESOS (P300,000) and suffer imprisonment of not less than [four (4) years but not more than six (6) years] ONE (1) YEAR AND ONE (1) DAY BUT NOT MORE THAN THREE (3) YEARS, if the appraised value, to be determined in the manner prescribed in the (Tariff and Customs Code] Customs modernization and Tariff Act, including duties and taxes, of the articles is more than [Fifty thousand pesos (P50,000) but does not exceed One hundred fifty thousand pesos (P160,000)] FIVE HUNDRED THOUSAND PESOS (P600,000) BUT DOES NOT EXCEED ONE MILLION PESOS (P1,000,000); [or]

“(d) A fine of not less than [Fifty thousand pesos (P50,000)] THREE HUNDRED THOUSAND PESOS (P300,000) but not more than [One hundred thousand pesos (P100,000)] ONE MILLION FIVE HUNDRED THOUSAND PESOS (P 1,500,000) and suffer imprisonment of [not less than ten (10) years but not more than twelve (12) years] THREE (3) years AND ONE (1) DAY BUT NOT MORE THAN SIX (6) YEARS, if the appraised value, to be determined in the manner prescribed in the [Tariff and Customs Code] CUSTOMS MODERNIZATION AND TARIFF ACT, including duties and taxes, of the articles exceeds [One hundred fifty thousand pesos (P160,000)] IS MORE THAN ONE MILLION PESOS (P1,000,000) BUT NOT MORE THAN FIVE MILLION PESOS (P5,000,000)[.];

“(e) A FINE OF NOT LESS THAN ONE MILLION FIVE HUNDRED THOUSAND PESOS (P1,500,000) BUT NOT MORE THAN FIFTEEN MILLION PESOS (P15,000,000), AND SUFFER IMPRISONMENT OF NOT LESS THAN SIX (6) YEARS AND ONE (1) DAY BUT NOT MORE THAN TWELVE (12) YEARS, IF THE APPRAISED VALUE, TO BE DETERMINED IN THE MANNER PRESCRIBED IN THE Customs Modernization and Tariff Act, INCLUDING DUTIES AND TAXES, OF THE ARTICLES IS MORE THAN FIVE MILLION PESOS (P5,000,000) BUT NOT MORE THAN FIFTY MILLION PESOS (P50,000,000);

“(f) A FINE OF NOT LESS THAN FIFTEEN MILLION PESOS (P15,000,000) BUT NOT MORE THAN Fifty million pesos (P50,000,000), and suffer IMPRISONMENT OF NOT LESS THAN TWELVE (12) YEARS AND ONE (1) DAY BUT NOT MORE THAN TWENTY (20) YEARS, IF THE APPRAISED VALUE, TO BE DETERMINED IN THE MANNER PRESCRIBED IN THE CUSTOMS Modernization and Tariff Act, including duties AND TAXES, OF THE ARTICLES IS MORE THAN FIFTY MILLION PESOS (P50,000,000) BUT NOT MORE THAN TWO HUNDRED MILLION PESOS

(P200,000,000); OR

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

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

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

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

SEC. 27. Section 264 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

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

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

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

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

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

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

"SEC. 265. Offenses Relating to Stamps. – Any person who commits any of the acts enumerated hereunder shall, upon conviction thereof, be punished by a fine of not less than [Twenty thousand pesos (P20,000)] Seven hundred thousand pesos (P700,000) but not more than [Fifty thousand pesos (P50,000)] One million two hundred thousand PESOS (P1,200,000) and suffer imprisonment of not less than four (4) years but not more than eight (8) years:

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

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

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

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

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

SEC. 29. 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. 30. 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. 31. 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 (P60,000,000) AND IMPRISONMENT OF TWELVE (12) YEARS AND ONE (1) DAY BUT NOT MORE THAN TWENTY (20) YEARS."

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

"SEC. 288. Disposition of Incremental Revenue. -

"(A) XXX

"(B) XXX

“(C) XXX

“(D) XXX

“(E) XXX

“(F) XXX

“(g) Student Vouchers. – Incremental REVENUE FROM TAX PAYMENTS OF EDUCATIONAL INSTITUTIONS THAT FAIL TO MEET THE ESTABLISHED PERFORMANCE CRITERIA SHALL FUND A STUDENT VOUCHER PROGRAM TO BE IMPLEMENTED UNDER THE Commission on Higher Education (CHED) or the Department of Education (DepEd).

“(h) Universal Healthcare. – Incremental REVENUE FROM TAX PAYMENTS OF HOSPITALS THAT FAIL TO MEET THE ESTABLISHED PERFORMANCE CRITERIA SHALL FUND THE UNIVERSAL HEALTHCARE PROGRAM TO BE IMPLEMENTED UNDER THE Department of Health (DOH).

“(i) Housing Vouchers. – Incremental REVENUES FROM TAX PAYMENTS OF REAL ESTATE DEVELOPERS SHALL FUND A HOUSING VOUCHER PROGRAM TO BE IMPLEMENTED UNDER THE NATIONAL Housing Authority.’

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

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

“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; AND

“(5) *Review the performance of functions OF the investment promotion agencies and the Fiscal Incentives Review Board, particularly IN THE GRANT OF INCENTIVES TO REGISTERED ENTERPRISES AND IN THE REVIEW AND EVALUATION OF GRANTED INCENTIVES, RESPECTIVELY, AS WELL AS IN THE FORMULATION OF THE STRATEGIC INVESTMENT PRIORITY PLAN.*

“x x x.”

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

“*Title XIII*

“*CHAPTER I*

“*General Provisions on Tax Incentives*

“*Sec 291. Scope and Coverage. - This Title SHALL COVER ALL EXISTING INVESTMENT PROMOTION Agencies (IPAS) as defined in this Code or RELATED LAWS, AND ALL OTHER IPAS AND OTHER SIMILAR AUTHORITIES THAT MAY BE CREATED BY LAW.*

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

“*Sec. 292. Governing Provision for IPAS. - ALL IPAS VESTED WITH THE POWER TO CONFER AND ADMINISTER INCENTIVES SHALL GRANT TAX INCENTIVES PROVIDED IN THIS TITLE TO REGISTERED ENTERPRISES ONLY TO THE EXTENT OF THEIR APPROVED REGISTERED PROJECTS OR ACTIVITIES UNDER THE STRATEGIC INVESTMENT PRIORITY PLAN (SIPP). THE PERIOD OF AVAILMENT OF INCENTIVES SHALL BE RECKONED FROM THE START OF COMMERCIAL OPERATION.*

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

CODE.

"Unless otherwise provided in this Code, DIRECT EXPORTS ARE SUBJECT TO VALUE-ADDED TAX (VAT) ZERO-RATING AND DOMESTIC SALES ARE SUBJECT TO THE REGULAR VALUE-ADDED TAX RATE.

"Sec. 293. Definitions. - When used in this Title:

"(a) The term 'capital equipment' refers to machinery, equipment, major components thereof, fittings and accompaniments which are DIRECTLY AND REASONABLY NEEDED IN THE REGISTERED ACTIVITY OF THE REGISTERED ENTERPRISE

"(b) The term 'export sales of goods' shall MEAN THE SALES OF AN EXPORT ENTERPRISE PAID FOR IN FREELY CONVERTIBLE FOREIGN CURRENCY INWARDLY REMITTED TO THE PHILIPPINES, FROM THE FOLLOWING:

"(1) THE SALE AND ACTUAL SHIPMENT OF GOODS from the Philippines to a foreign country by AN EXPORT ENTERPRISE INCLUDING OURSOURCED SERVICES USED TO PRODUCE FINAL EXPORT GOODS;

"(2) Sales to diplomatic missions and INSTITUTIONS COVERED BY INTERNATIONAL TREATY;

"(3) Sales of an export enterprise to an INTERNATIONAL SEA OR AIR TRANSPORT operations of goods, equipment, spare parts, AND SUPPLIES, EXCEPT FUEL, FORMING PART OF DIRECT COSTS AND TO BE USED IN THE AIRCRAFT OR SEACRAFT, AND CAPITAL EQUIPMENT NEEDED FOR THE SHIPPING OR AIR TRANSPORT OPERATIONS.

"(c) The term "Export sales of services' SHALL MEAN THE SALES OF AN EXPORT ENTERPRISE, PAID FOR IN FREELY CONVERTIBLE FOREIGN CURRENCY INWARDLY REMITTED TO THE PHILIPPINES, FOR THE FOLLOWING:

"(1) Services rendered to non-resident FOREIGN CLIENTS BY EXPORT ENTERPRISES;

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

"(3) Services for the overhaul, repair, and MAINTENANCE OF INTERNATIONAL SHIPPING, OR AIR TRANSPORT OPERATIONS.

(d) The term 'Investment Promotion AGENCIES' (IPAS) SHALL REFER TO GOVERNMENT ENTITIES CREATED BY LAW, EXECUTIVE ORDER, DECREE OR OTHER ISSUANCE, IN CHARGE OF PROMOTING INVESTMENTS, ADMINISTERING TAX AND NON-TAX INCENTIVES, AND/OR OVERSEEING THE OPERATIONS FOR THE DIFFERENT ECONOMIC ZONES AND FREEPORTS IN ACCORDANCE WITH THEIR RESPECTIVE CHARTERS.

These include the Board of Investments (BOI), Regional Board of Investments autonomous Region in Muslim Mindanao (RBOI-ARMM), Philippine Economic Zone Authority (PEZA), Bases Conversion and Development Authority (BCDA), Subic Bay Metropolitan Authority (SBMA), Clark Development Corporation (CDC), John Hay Management Corporation (JHMC), Poro Point Management Corporation (PPMC), Cagayan economic Zone Authority (CEZA), Zamboanga City Special Economic Zone Authority (ZCSEZA), Phividec Industrial Authority (PIA), Aurora Pacific Economic Zone and Freeport authority (APECO), Authority of the Freeport Area of Bataan (AFAB), tourism Infrastructure and Enterprise Zone Authority (TIEZA), AND ALL OTHER SIMILAR AUTHORITIES EXISTING OR THAT MAY BE CREATED BY LAW IN THE FUTURE.

"(e) The TERM 'REGISTERED ENTERPRISE' SHALL MEAN ANY INDIVIDUAL, PARTNERSHIP, CORPORATION, PHILIPPINE BRANCH OF A FOREIGN CORPORATION,

OR OTHER ENTITY ORGANIZED AND EXISTING UNDER PHILIPPINE LAWS AND REGISTERED WITH AN INVESTMENT PROMOTION AGENCY (IPA) AS DEFINED UNDER REPUBLIC ACT NO. 10708, OR THE TLMTA Law: Provided, however, That the term "REGISTERED ENTERPRISE" SHALL NOT INCLUDE ANY OF THE FOLLOWING SERVICE ENTERPRISES SUCH AS, BUT NOT LIMITED TO, THOSE ENGAGED IN CUSTOMS BROKERAGE, TRUCKING OR FORWARDING SERVICES, JANITORIAL SERVICES, SECURITY SERVICES, INSURANCE, BANKING, AND OTHER FINANCIAL SERVICES, CONSUMERS' COOPERATIVES, CREDIT UNIONS, CONSULTANCY SERVICES, RETAIL BUSINESS, RESTAURANTS, OR SUCH OTHER SIMILAR SERVICES, AS MAY BE DETERMINED BY THE IPA BOARD, IRRESPECTIVE OF LOCATION, WHETHER INSIDE OR OUTSIDE THE ZONES, DULY ACCREDITED AND/OR LICENSED BY ANY OF THE IPAS AND WHOSE INCOME DELIVERED WITHIN THE ECONOMIC ZONES SHALL BE SUBJECT TO TAXES UNDER THE NATIONAL INTERNAL Revenue Code of 1997, as amended.

"(f) The term 'special economic zone' or 'ECOZONE' shall refer to a selected area, which SHALL BE OPERATED AND MANAGED AS A SEPARATE CUSTOMS TERRITORY THAT IS HIGHLY DEVELOPED OR HAS THE POTENTIAL TO BE DEVELOPED INTO AN AGRO-INDUSTRIAL, INDUSTRIAL, INFORMATION TECHNOLOGY, OR TOURIST/RECREATIONAL, WHOSE METES AND BOUNDS ARE FIXED OR DELIMITED BY PRESIDENTIAL PROCLAMATIONS AND WITHIN A SPECIFIC GEOGRAPHICAL AREA: PROVIDED, THAT FOR THE ECOZONE TO QUALIFY AS A SEPARATE CUSTOMS TERRITORY, IT SHALL HAVE A PERMANENT CUSTOMS CONTROL OR CUSTOMS OFFICE AT ITS PERIMETER. AN ECOZONE MAY CONTAIN ANY OR ALL OF THE FOLLOWING: INDUSTRIAL ESTATES (IES), EXPORT PROCESSING ZONES (EPZS), ICT PARKS AND CENTERS, AND FREE TRADE ZONES: PROVIDED, HOWEVER, THAT AREAS WHERE MINING EXTRACTIONS ARE UNDERTAKEN SHALL NOT BE DECLARED AS ECOZONES: PROVIDED, FURTHER, THAT VERTICAL ECONOMIC ZONES, SUCH AS BUT NOT LIMITED TO, BUILDINGS, SELECTED FLOORS WITHIN BUILDINGS, AND SELECTED AREAS ON A FLOOR, SHOULD COMPLY WITH THE MINIMUM CONTIGUOUS LAND AREA AS DETERMINED BY THE FISCAL Incentives Review Board (FIRB).

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

"(a) Income Tax Incentives

"(1) Income Tax Holiday (ITH). - The ITH SHALL BE GRANTED FOR A PERIOD NOT EXCEEDING THREE (3) YEARS: PROVIDED, THAT AFTER THE EXPIRATION OF THE ITH, THE FOLLOWING INCENTIVES MAY BE APPUED FOR A PERIOD NOT

EXCEEDING FIVE (5) YEARS, WHICH INCLUDES THE PERIOD OF ITH AVAILMENT, EXCEPT THOSE PROVIDED UNDER SECTIONS 294(7) and (9), 295, 296, AND 297.

"(2) REDUCED CORPORATE INCOME TAX. – A REDUCED TAX RATE OF EIGHTEEN PERCENT (18%) OF THE TAXABLE INCOME AS DEFINED UNDER SECTION 31 of this Code: *Provided*, That the rate of CORPORATE INCOME TAX SHALL BE SEVENTEEN PERCENT (17%) BEGINNING JANUARY 1, 2021; SIXTEEN PERCENT (16%) BEGINNING JANUARY 1, 2023; FIFTEEN PERCENT (15%) BEGINNING JANUARY 1, 2025; FOURTEEN PERCENT (14%) BEGINNING JANUARY 1, 2027; AND THIRTEEN PERCENT (13%) BEGINNING JANUARY 1, 2029: *PROVIDED, FURTHER*, THAT IN THE CASE OF REGISTERED ENTERPRISES WITHIN ECONOMIC ZONES AND FRBEPORIS, THE TAX SHALL BE DIRECTLY REMITTED AS FOLLOWS: "Fifteen percent (15%) to the National Government in 2019 and 2020; fourteen percent (14%) to the National Government in 2021 AND 2022; THIRTEEN PERCENT (13%) TO THE NATIONAL GOVERNMENT IN 2023 AND 2024; TWELVE PERCENT (12%) TO THE NATIONAL GOVERNMENT IN 2025 AND 2026; ELEVEN PERCENT (11%) TO THE NATIONAL Government in 2027 and 2028; and ten percent (10%) to the National Government in 2029 and THEREAFTER; "One point five percent (1.5%) to the TREASURER'S OFFICE OF THE PROVINCE WHERE THE ENTERPRISE IS LOCATED, IN LIEU OF THE LOCAL BUSINESS TAX; "ONE POINT FIVE PERCENT (1.5%) TO THE TREASURER'S OFFICE OF THE MUNICIPALITY OR COMPONENT CITY WHERE THE ENTERPRISE IS LOCATED, IN LIEU OF THE LOCAL BUSINESS TAX; *"Provided*, That if the enterprise is under THE JURISDICTION OF A HIGHLY URBANIZED CITY (HUC) OR INDEPENDENT COMPONENT CITY (ICC), THE THREE PERCENT (3%) SHARE OF THE LGU SHALL BE DIRECTLY REMITTED TO THE TREASURER'S OFFICE OF THE HUC OR ICC.

"(3) 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.

"(4) UP TO FIFTY PERCENT (60%) 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.

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

"(6) 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 CONCERNED I PA HAS ISSUED A CORRESPONDING CERTIFICATE OF ENTITLEMENT UPON APPLICATION, AND A CERTIFICATE OF APPROVAL AFTER A REVIEW OF DOCUMENTATION OF TRAININGS SUBMITTED BY THE ENTERPRISE AT THE END OF THE TAXABLE YEAR, OTHERWISE, THIS INCENTIVE SHALL BE DEEMED WAIVED.

"(7) Up to one hundred percent (100%) DEDUCTION ON INFRASTRUCTURE DEVELOPMENT. - Registered enterprises establishing their ACTIVITY IN AN AREA THAT THE STRATEGIC Investment Priority Plan (SIPP) designates as necessary for 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 IPA 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.

(8) Deduction for reinvestment allowance TO MANUFACTURING INDUSTRY. - WHEN A MANUFACTURING REGISTERED ENTERPRISE REINVESTS ITS UNDISTRIBUTED PROFIT OR SURPLUS IN ANY OF THE ACTIVITIES LISTED IN THE SIPP, THE AMOUNT SO REINVESTED TO A MAXIMUM OF FIFTY PERCENT (60%) SHALL BE ALLOWED AS A DEDUCTION FROM ITS TAXABLE INCOME WITHIN A PERIOD OF FIVE (6) YEARS FROM THE TIME OF SUCH REINVESTMENT: *Provided*, That prior approval and RECOMMENDATION BY THE IPA CONCERNED OF SUCH REINVESTMENT WAS OBTAINED BY THE REGISTERED ENTERPRISE PLANNING SUCH REINVESTMENT.

"(9) Enhanced Net Operating Loss Carry-over (NOLCO). - The net operating loss OF THE REGISTERED ACTIVITY DURING THE FIRST THREE (3) YEARS FROM THE START OF COMMERCIAL OPERATION WHICH HAD NOT BEEN PREVIOUSLY OFFSET AS DEDUCTION FROM GROSS INCOME MAY BE CARRIED OVER AS DEDUCTION FROM GROSS INCOME WITHIN THE NEXT FIVE (6) CONSECUTIVE TAXABLE YEARS IMMEDIATELY FOLLOWING THE YEAR OF SUCH LOSS.

"(10) 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. *Provided*, That in lieu of the ITH under Section 294(A)(1) or the reduced tax rate of EIGHTEEN PERCENT (18%) UNDER SECTION 294(A)(2), THE TAX INCENTIVES UNDER SECTION 294(A)(3), (4), (5), (6), (7), (8), (9), AND (10) MAY BE GRANTED ON AN INDUSTRY-SPECIFIC BASIS AS DETERMINED BY THE BOI in the Strategic Investment Priority Plan. The BOI SHALL PRESCRIBE THE LEVEL OF ADDITIONAL DEDUCTION FOR SELECTED INDUSTRIES. *Provided, further*, That in no such case SHALL AN INCOME TAX INCENTIVE BE EXTENDED BEYOND THE INITIAL GRANT OF FIVE (5) YEARS, EXCEPT THOSE PROVIDED UNDER SECTION 294(A)(7) AND (9), Sections 295, 296, and 297. "(b) Exemption from customs duty on IMPORTATION OF CAPITAL EQUIPMENT AND RAW MATERIALS DIRECTLY AND EXCLUSIVELY USED IN THE REGISTERED ACTIVITY BY REGISTERED ENTERPRISES: *Provided*, That the five (5) years limit in this Subsection shall not apply to freeport zones as DEFINED UNDER THIS TITLE. *Provided, further*, That expansion of REGISTERED ACTIVITIES MAY BE GRANTED DUTY EXEMPTION ON CAPITAL EQUIPMENT ONLY, SUBJECT TO THE FOLLOWING CONDITIONS:

"(1) The activity is still covered by the Strategic Investment Priority Plan (SIPP) or is AN INNOVATION PROJECT AS DEFINED IN THE Strategic Investment Priority Plan;

"(2) Customs duty exemption will only APPLY ON THE INCREMENTAL PORTION OF THE ACTIVITY; AND

"(3) The customs duty exemption extension SHALL NOT EXCEED FIVE (5) YEARS.

“(C) VALUE-ADDED TAX (VAT)

“(1) Registered enterprises whose export sales meet the ninety percent (90%) threshold AND ARE LOCATED WITHIN AN ECOZONE, FREEPORT, OR THOSE UTILIZING CUSTOMS BONDED MANUFACTURING WAREHOUSE: VAT EXEMPTION ON IMPORTATION AND VAT ZERO-RATING ON DOMESTIC PURCHASES OF CAPITAL EQUIPMENT AND RAW MATERIALS USED IN THE MANUFACTURING AND PROCESSING OF PRODUCTS AND IMPORTATION OF SOURCE DOCUMENTS SHALL APPLY.

“(2) Registered enterprises whose export SALES ARE BELOW THE NINETY PERCENT (90%) THRESHOLD AND ARE LOCATED WITHIN AN ECOZONE, FREEPORT, OR THOSE UTILIZING CUSTOMS BONDED MANUFACTURING WAREHOUSE: VAT EXEMPTION ON IMPORTATION AND VAT ZERO-RATING ON DOMESTIC PURCHASES OF CAPITAL EQUIPMENT AND RAW MATERIALS USED IN THE MANUFACTURING AND PROCESSING OF PRODUCTS AND IMPORTATION OF SOURCE DOCUMENTS: *PROVIDED*, THAT THEY COMPLY WITH THE ELECTRONIC RECEIPTS OR INVOICING UNDER Sections 237 and 237-a of this Code. “(3) Registered enterprises whose export sales are below ninety percent (90%) or are LOCATED OUTSIDE AN ECOZONE OR FREEPORT REGARDLESS OF EXPORT SALES THRESHOLD: THE VALUE-ADDED TAX PROVISION IN TITLE IV OF THIS Code and Section 307 of this Act shall apply.

“For this purpose, ‘processing’ shall refer TO the conversion of raw materials into marketable form through physical, mechanical, CHEMICAL, ELECTRICAL, BIOCHEMICAL, BIOLOGICAL, OR OTHER MEANS, OR BY A SPECIAL TREATMENT OR A SERIES OF ACTIONS, SUCH AS SLAUGHTERING, MILLING, PASTEURIZING, DRYING, OR DESICCATING, QUICK FREEZING, THAT RESULTS IN A CHANGE IN THE NATURE OR STATE OF A PRODUCT. MERE PACKING OR PACKAGING SHALL NOT CONSTITUTE PROCESSING. ’ “Source documents’ refer to input MATERIALS AND DOCUMENTS REASONABLY NEEDED BY I.T. AND I.T.-ENABLED INDUSTRIES SUCH AS, BUT NOT LIMITED TO, BOOKS, DIRECTORIES, MAGAZINES, NEWSPAPERS, BROCHURES, PAMPHLETS, MEDICAL RECORDS/FILES, LEGAL RECORDS/FILES, INSTRUCTION MATERIALS, AND DRAWINGS/BLEUPRINTS/OUTLINES.

“*Sec. 295. Incentives for Agribusiness.* - Agribusiness projects or activities of REGISTERED ENTERPRISES LOCATED OUTSIDE METRO Manila and other urban areas as identified in the Strategic Investment Priority Plan shall be ENTITLED TO ADDITIONAL TWO (2) YEARS OF INCENTIVE under Section 294, of which one (1) year may be AN ADDITIONAL YEAR OF INCOME TAX HOLIDAY.

“*Sec. 296. Projects or Activities Located in Less Developed Areas or Those Recovering From armed Conflict or a Major Disaster.* - PROJECTS OR ACTIVITIES OF REGISTERED ENTERPRISES LOCATING IN LESS DEVELOPED AREAS AS IDENTIFIED IN THE STRATEGIC INVESTMENT Priority Plan, or those recovering from armed CONFLICT AND/OR A MAJOR DISASTER AS DETERMINED BY THE OFFICE OF THE PRESIDENT SHALL BE ENTITLED TO ADDITIONAL TWO (2) YEARS OP INCENTIVE under Section 294, of which one (1) year may be AN ADDITIONAL YEAR OF INCOME TAX HOUDAY.

“*Sec. 297. Relocation Pro-jects or Activities.* - Prior to the eFfectivity of this Act, registered projects or activities RELOCATING FROM METRO MANILA AND SELECTED URBANIZED AREAS ADJACENT TO METRO MANILA TO OTHER AREAS OF THE COUNTRY SHALL BE ENTITLED TO ADDITIONAL TWO (2) YEARS OF INCENTIVE under Section 294, of which one (1) year may be AN ADDITIONAL YEAR OF INCOME TAX HOLIDAY.

“Chapter III

“The Fiscal Incentives Review Board

“*Sec. 298. Expanded Functions of the fiscali. Incentives Review Board.* - The functions and powers of the Fiscal Incentives Review Board or FIRB created under Presidential Decree (PD) No. 776,

as amended BY PD No. 1931 AND PD No. 1955, OFFICE OF THE President Memorandum Order No. 23, series of 1986 and Executive Order No. 93, series of 1986, SHALL BE EXPANDED AS FOLLOWS:

“(A) To exercise oversight functions over IPAS

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

“(1) List of registered enterprises ANNUALLY WITH CORRESPONDING FIRM-LEVEL DATA AS MANDATED UNDER THE TAX INCENTIVES MANAGEMENT AND TRANSPARENCY ACT OR *TIMTA* LAW;

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

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

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

“(1) Shall formulate policies on tax INCENTIVES IN ACCORDANCE WITH THE PROVISIONS OF THIS CODE;

“(2) Shall review IPAS’ compliance with THE POLICIES SET FORTH IN THIS CODE: *PROVIDED*, That the FIRB may cancel or suspend the power OF IPAS to grant incentives for violations OF SUCH POLICIES;

“(3) Shall approve the grant of incentives ON THE ABOVE INSTANCES; AND

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

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

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

“*Provided*, That, as Chair of the FIRB AND AS THE CUSTODIAN OF FISCAL PRUDENCE AND RESPONSIBILITY, THE SECRETARY OF FINANCE SHALL EXERCISE OVERSIGHT FUNCTIONS AND SHALL HAVE VETO POWER OVER THE APPROVAL AND CANCELLATION OF TAX INCENTIVES UNDER SECTION 298 (C).

“*Provided, further*, That the Secretary of Finance shall automatically be the Co-chair of ALL THE EXISTING AND FUTURE IPAS.

“*Provided, finally*, That the National Economic and Development Authority (NEDA) AND THE DEPARTMENT OF TRADE AND INDUSTRY (DTI) SHALL BE MEMBERS OF ALL THE EXISTING AND FUTURE IPAS.

“SEC. 299. *COMPOSITION OF THE FIRB*. - THE FIRB 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 (NEDA)
- 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/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 (NTRC)
- “Secretariat: - National Tax Research Center

“Chapter IV “Qualified activities for Tax Incentives

“Sec. 300. *Strategic Investment Priority Plan (SIPP)*. - The Board of Investments (BOI), in coordination with the Office of the President, the Fiscal Incentives Review Board, THE CONCERNED IPAS, AND OTHER GOVERNMENT AGENCIES AND THE PRIVATE SECTOR, SHALL FORMULATE THE SIPP TO BE SUBMITTED TO THE President for his approval not later than December of the third year set for periodic review. The plan shall be valid for a period of THREE (3) YEARS SUBJECT TO REVIEW AND AMENDMENT AS THE NEED ARISES. ALL SECTORS OR INDUSTRIES THAT MAY BE INCLUDED IN THE SIPP SHALL UNDERGO AN EVALUATION PROCESS TO DETERMINE THE SUITABILITY AND POTENTIAL OF THE INDUSTRY OR THE SECTOR IN PROMOTING LONG-TERM GROWTH AND DEVELOPMENT, AND THE NATIONAL INTEREST.

“THE SIPP SHALL:

“(a) Include activities that comply with THE FOLLOWING:

“(1) The activity shall be covered by the Philippine Development Plan or its equivalent AND OTHER GOVERNMENT PROGRAMS;

“(2) The activity shall take into account ANY OF THE FOLLOWING:

“(i) Substantial amount of investments;

“(ii) Considerable generation of employment;

“(iii) Adopt inclusive business activities AND VALUE-ADDING PRODUCTION BY MSMES;

“(iv) Use of modern or new technology;

“(v) Adoption of adequate environmental PROTECTION SYSTEMS;

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

“(vii) Promotion of market COMPETITIVENESS.

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

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

“(D) Include existing registered projects or activities that shall relocate from Metro Manila to other areas of the country.

“The activities must comply with the SPECIFIC QUALIFICATION REQUIREMENTS OR CONDITIONS FOR A PARTICULAR SECTOR OR INDUSTRY AND OTHER LIMITATIONS AS SET AND DETERMINED BY THE BOI.

“The threshold amount of investments and EMPLOYMENT GENERATION REQUIRED FOR A SPECIFIC ACTIVITY SHALL BE SUBJECT TO A PERIODIC REVIEW EVERY THREE (3) YEARS TAKING INTO CONSIDERATION INTERNATIONAL STANDARDS AND OTHER INDICATORS.

“Sec. 301. *Power of the President to Grant Incentives*. - The President may, in the INTEREST OF NATIONAL ECONOMIC DEVELOPMENT AND UPON THE RECOMMENDATION OF THE FISCAL Incentives Review Board, grant incentives in addition to those that are provided under this Code, including a longer period, to highly DESIRABLE PROJECTS: *PROVIDED*, THAT THE BENEFITS THAT THE GOVERNMENT MAY DERIVE FROM SUCH INVESTMENT THERETO IS CLEAR AND CONVINCING AND FAR OUTWEIGH THE COST OF INCENTIVES THAT WILL BE GRANTED.”

“Sec. 301-A. *Criteria for Availment*. – The Board of investments shall consider the FOLLOWING CRITERIA IN DETERMINING THE TYPES OF INCENTIVES AND THE

DURATION THEREOF THAT MAY BE GRANTED:

“(A) THE PROJECT HAS A COMPREHENSIVE SUSTAINABLE DEVELOPMENT PLAN WITH CLEAR INCLUSIVE BUSINESS APPROACHES AND INNOVATIONS; OR “(b) Minimum investment of Two hundred million US Dollars (US\$200,000,000) or a MINIMUM DIRECT EMPLOYMENT GENERATION OF AT LEAST ONE THOUSAND FIVE HUNDRED (1,500) WITHIN THREE (3) YEARS FROM THE START OF COMMERCIAL OPERATION.

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

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

“Sec. 301-B. *Use of Resources.* - In the EXERCISE OF THE POWER OF THE PRESIDENT TO GRANT INCENTIVES, THE GOVERNMENT MAY UTILIZE ITS RESOURCES SUCH AS LAND USE, WATER APPROPRIATION, POWER PROVISION, AMONG OTHERS, AS MAY BE IDENTIFIED BY THE BOI.”

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

“SEC. 303. *PUBLICATION.* - UPON APPROVAL OF THE PLAN, IN WHOLE OR IN PART, OR UPON APPROVAL OF AN AMENDMENT THEREOF, THE PLAN OR THE AMENDMENT, SPECIFYING AND DECLARING THE AREAS OF INVESTMENTS SHALL BE PUBLISHED IN AT LEAST ONE (1) NEWSPAPER OF GENERAL CIRCULATION or the *Official Gazette* and all such areas SHALL BE OPEN FOR APPLICATION UNTIL PUBLICATION OF AN AMENDMENT OR DELETION THEREOF.”

“Sec. 304. *Qualifications of a Registered Enterprise for Tax Incentives.* - In the review AND GRANT OF TAX INCENTIVES, A REGISTERED ENTERPRISE MUST:

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

“(B) INSTALL AN ADEQUATE ACCOUNTING SYSTEM THAT SHALL IDENTIFY THE INVESTMENTS, REVENUES, COSTS AND PROFITS OR LOSSES OF EACH REGISTERED PROJECT UNDERTAKEN BY THE ENTERPRISE SEPARATELY FROM THE AGGREGATE INVESTMENTS, REVENUES, COSTS AND PROFITS OR LOSSES OF THE WHOLE ENTERPRISE; OR ESTABLISH A SEPARATE CORPORATION FOR EACH REGISTERED PROJECT IF THE I PA SHOULD SO REQUIRE;

“(c) Comply with the e-invoice and e-sales REQUIREMENT IN ACCORDANCE WITH SECTION 237-A OF THIS CODE.”

“CHAPTER V

“Availment of Tax Incentives

“Sec. 305. *Income Tax-based Incentives.* - All registered enterprises are required to FILE ALL THEIR TAX RETURNS USING THE ELECTRONIC/ONLINE FACILITIES OF THE BUREAU OF Internal Revenue (BIR). In availing the income TAX-BASED INCENTIVES, THE REGISTERED ENTERPRISE SHALL BE REQUIRED TO SECURE A CERTIFICATE OF ENTITLEMENT ISSUED BY THE I PA AND ATTACH THE SAME TO ITS INCOME TAX RETURN (ITR) OR ANNUAL INFORMATION RETURN (AIR), WHICHEVER IS APPLICABLE. THEREAFTER, THE REGISTERED ENTERPRISE SHALL FILE ITS CLAIM WITH THE BIR FOR VALIDATION.

“Failure to secure and attach the CERTIFICATION TO THE ITR OR AIR, AND/OR FILE THE INCENTIVE AVAILMENT APPLICATION SHALL CAUSE THE FORFEITURE OF THE INCENTIVE FOR THAT TAXABLE PERIOD.”

“*Sec. 306. Customs Duty Exemption on Capital Equipment. - Importation of capital EQUIPMENT, MACHINERY AND SPARE PARTS EXCLUSIVELY USED FOR CAPITAL EQUIPMENT AND MACHINERY INCLUDING CONSIGNMENT THEREOF BY REGISTERED ENTERPRISES MAY BE EXEMPTED TO THE EXTENT OF ONE HUNDRED PERCENT (100%) OF THE CUSTOMS DUTY: PROVIDED, THAT THE FOLLOWING CONDITIONS ARE COMPLIED WITH:*

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

“(b) The approval of the IPA was obtained BY THE REGISTERED ENTERPRISE PRIOR TO THE IMPORTATION OF SUCH CAPITAL EQUIPMENT AND/OR SPARE PARTS.

“Approval of the IPA must be secured BEFORE THE SALE, TRANSFER OR DISPOSITION OF THE CAPITAL EQUIPMENT AND/OR SPARE PARTS WHICH WERE GRANTED TAX AND CUSTOMS DUTY EXEMPTION HEREUNDER, AND SHALL BE ALLOWED ONLY UNDER THE FOLLOWING CIRCUMSTANCES:

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

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

“(3) Exportation of capital equipment, MACHINERY, SPARE PARTS OR SOURCE DOCUMENTS, OR THOSE REQUIRED FOR POLLUTION ABATEMENT AND CONTROL; OR

“(4) FOR REASONS OF PROVEN TECHNICAL OBSOLESCENCE.

“*Provided*, That if the registered ENTERPRISE SELLS, TRANSFERS OR DISPOSES THE AFOREMENTIONED IMPORTED ITEMS WITHOUT PRIOR APPROVAL, THE REGISTERED ENTERPRISE AND THE VENDEE, TRANSFEREE, OR ASSIGNEE SHALL BE SOLIDARILY LIABLE TO PAY TWICE THE AMOUNT OF THE DUTY EXEMPTION THAT SHOULD HAVE BEEN PAID DURING ITS IMPORTATION: *PROVIDED, FURTHER*, THAT EVEN IF THE SALE, TRANSFER OR DISPOSITION OF THE CAPITAL EQUIPMENT WAS MADE AFTER FIVE (5) YEARS FROM DATE OF IMPORTATION WITH THE APPROVAL OF THE IPA, THE REGISTERED ENTERPRISE IS STILL LIABLE TO PAY THE DUTIES BASED ON THE NET BOOK VALUE OF THE

CAPITAL EQUIPMENT IF IT HAS VIOLATED ANY OF ITS REGISTRATION TERMS AND CONDITIONS."

"SBC. 307. VAT REFUND MECHANISM ON Importation of Capital Equipment and Raw Materials. - The VAT on importation of capital EQUIPMENT AND RAW MATERIALS PAID BY EXPORT REGISTERED ENTERPRISES THAT DID NOT 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 VAT REFUND SYSTEM UNDER SECTIONS 106 AND 108 OF THIS CODE."

"CHAPTER VI

"Final Provisions

"Sec. 308. No Double Registration of ENTERPRISES. - REGISTERED ENTERPRISES SHALL NOT BE ALLOWED TO REGISTER THEIR ACTIVITIES IN MORE THAN ONE (1) IPA."

"Sec. 309. Governance Rules. – The DIFFERENT IPAS MAY REQUIRE DOMESTIC REGISTERED ENTERPRISES TO LIST THEIR SHARES OF STOCK IN ANY ACCREDITED STOCK EXCHANGE OR DIRECTLY OFFER A PORTION OF THEIR CAPITAL STOCK TO THE PUBLIC AND/OR THEIR EMPLOYEES WITHIN FIVE (5) YEARS FROM DATE OF REGISTRATION."

"Sec. 310. Investments Prior to the Effectivity of this Act. - Existing registered ACTIVITIES GRANTED THE INCOME TAX HOLIDAY SHALL BE ALLOWED TO CONTINUE WITH THE AVAILMENT OF THE SAID INCENTIVE FOR THE REMAINING PERIOD OF THE ITH OR FOR A PERIOD OF FIVE (5) YEARS ONLY, WHICHEVER COMES FIRST: PROVIDED, THAT OTHER TAX INCENTIVES GRANTED TO EXISTING REGISTERED ACTIVITIES, SUCH AS THE FIVE PERCENT (5%) TAX ON GROSS INCOME EARNED IN LIEU OF ALL TAXES, BOTH NATIONAL AND LOCAL, SHALL BE ALLOWED TO CONTINUE FOLLOWING THE SCHEDULE STATED HEREIN:

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

"(b) Three (3) years for activities enjoying THE TAX INCENTIVE BETWEEN FIVE (5) AND TEN (10) YEARS;

"(c) Five (5) years for activities enjoying THE TAX INCENTIVE BELOW FIVE (6) YEARS.

"Provided, That the five percent (5%) tax ON GROSS INCOME EARNED SHALL COMMENCE AFTER THE ITH PERIOD HAS LAPSED ONLY FOR THE REMAINING YEARS WITHIN THE FIVE (5)-YEAR PERIOD."

"Sec. 311. Suspension and Forfeiture of Tax Incentives of Registered Enterprises, Refund and Penalties; Waiver and Condonation. - The IPA may impose fines and penalties, SUSPEND AND/OR FORFEIT THE INCENTIVES GRANTED TO THE REGISTERED ENTERPRISES WHENEVER THERE ARE VIOLATIONS OF THE REGISTRATION TERMS AND CONDITIONS BY THE LATTER, WITHOUT PREJUDICE TO THE CANCELLATION OF THE REGISTRATION OF SAID ENTERPRISE.

"When there is probable cause to believe THAT THE REGISTERED ENTERPRISE HAS VIOLATED ITS REGISTRATION TERMS AND CONDITIONS, THE IPA SHALL SUSPEND THE AVAILMENT OF INCENTIVES UNTIL PROVEN OTHERWISE: PROVIDED, THAT FOR PROJECTS under Section 298(C), the concerned IPA shall RECOMMEND TO THE FIRB THE SUSPENSION OF ITS AVAILMENT OF INCENTIVES.

"IN CASE OF CANCELLATION OF THE CERTIFICATE OF REGISTRATION, THE CONCERNED IPA MAY, IN APPROPRIATE CASES, REQUIRE THE PAYMENT OF

TAXES, CUSTOMS DUTIES AND ANY APPLICABLE PENALTIES THEREON TO THE APPROPRIATE AGENCY, AND IMPOSE ADDITIONAL FINES AND PENALTIES.

"For this purpose, the IPAs shall prepare A SCHEDULE OF FEES, FINES AND PENALTIES TO BE IMPOSED ON ERRING REGISTERED ENTERPRISES DEPENDING ON THE GRAVITY OF THE VIOLATION INCURRED IN ADDITION TO THE FINES AND PENALTIES IMPOSABLE UNDER THIS CODE.

"In MERITORIOUS CASES, THE IPA MAY WAIVE, CONDONE OR REDUCE FINES OR PENALTIES IMPOSED ON REGISTERED ENTERPRISES BY THE IPAS: *PROVIDED*, That the minimum compromise rate, in case of REDUCTION, SHALL NOT BE LESS THAN FORTY PERCENT (40%) OF THE BASIC ASSESSED FINES OR PENALTIES."

"Sec. 312. Structural Adjustment Fund. - The FOLLOWING AMOUNTS SHALL BE APPROPRIATED TO COMPENSATE WORKERS THAT MAY BE DISPLACED BY THE RATIONALIZATION OF FISCAL INCENTIVES TO IMPROVE EMPLOYABILITY OF WORKERS:

"(1) The amount of Five hundred million PESOS (P500.000.000) SHALL BE APPROPRIATED ANNUALLY, IN ADDITION TO ANY ADJUSTMENT FUND APPROPRIATED UNDER THE BUDGET OF THE Department of Labor and Employment, to PROVIDE TARGETED CASH GRANTS OR OTHER SUPPORT PROGRAMS TO DISPLACED WORKERS OF FIRMS THAT MAY BE AFFECTED BY THE RATIONALIZATION OF FISCAL INCENTIVES;

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

"(3) The amount of Five billion pesos (P5,000,000,000) SHALL be allocated annually for THE SKILLS UPGRADE PROGRAM OF THE IT-BPO INDUSTRY. The fund shall be solely used to pay FOR FORMAL ACADEMIC OR TRAINING PROGRAMS OF ACCREDITED PRIVATE OR PUBLIC SCHOOLS AND TRAINING CENTERS; AND

"(4) The amount of Fifteen billion pesos (P 15,000,000,000), IN ADDITION TO ANY ADJUSTMENT FUND APPROPRIATED UNDER THE BUDGET OF PERTINENT GOVERNMENT DEPARTMENTS/AGENCIES, SHALL BE APPROPRIATED FOR THE DEVELOPMENT OF INFRASTRUCTURE SURROUNDING AND WITHIN THE AREAS/LOCALITIES OF SPECIAL ECONOMIC ZONES AND FREEPORTS TO BE AFFECTED BY THIS ACT. THIS SUBSIDY SHALL LIKEWISE BE UTILIZED TO SUPPORT RESEARCH AND DEVELOPMENT; COSTS OF POWER, WATER AND OTHER UTILITIES; LEASE OF PROPERTIES; AND OTHER ECONOMIC ACTIVITIES RELEVANT TO DEVELOPING THE ABOVEMENTIONED AREAS/LOCALITIES.

"*Provided*, That releases to the INVESTMENT PROMOTION AGENCIES SHALL BE GOVERNED BY IMPLEMENTING GUIDELINES TO BE PROMULGATED BY THE DEPARTMENT OF FINANCE AND the Department of Budget and Management.

"*Provided, further*, That earmarking for THESE FUNDS IN THIS SECTION SHALL BE TERMINATED FIVE (5) YEARS AFTER THE EFFECTIVITY OF THIS ACT."

"Sec. 313. Enhanced Tax Expenditure Fund System. - All internal revenue tax and duty OBLIGATIONS OF GOVERNMENT-OWNED AND/OR CONTROLLED CORPORATIONS SHALL BE CHARGEABLE TO THE TAX EXPENDITURE FUND OF THE GOVERNMENT UPON THE ESTABLISHMENT AND IMPLEMENTATION OF AN ENHANCED TAX EXPENDITURE FUND SYSTEM THAT GRANTS TAX SUBSIDY WITHIN THIRTY (30) DAYS FROM THE FILING OF APPLICATION WITH THE FI RB.

"Sec. 314. The name of recipients of INCENTIVES AND THE AMOUNT OF INCENTIVES

AVAILABLE SHALL BE REPORTED BY THE INVESTMENT PROMOTION AGENCIES ANNUALLY TO CONGRESS. THE REPORT SHALL BE MADE AVAILABLE TO THE PUBLIC.”

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

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

Sec. 37. Amendatory Clause. –

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

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

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

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

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

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

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

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

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

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

(10) Section 6 of Presidential Decree No. 538, entitled "Creating and Establishing the PHIVIDEDEC 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) 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 for this Purpose the Zamboanga City Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purpose";

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

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

(5) Section 10 of Presidential Decree No. 538, entitled "Creating and Establishing the PHIVIDEDEC 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 the Total Electrification of the Philippines on an Area Coverage Service Basis, the Organization, Promotion and Development of Electric Cooperatives to Attain the Said Objective, Prescribing Terms and Conditions for their Operations, the Repeal of Republic Act No. 6038, and for Other Purposes";

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

(10) Section 17(c) under Section 8 of Republic Act No. 9676, entitled "An Act Increasing the Maximum Deposit Insurance Coverage, and in Connection Therewith, to Strengthen the Regulatory and Administrative Authority, and Financial Capability of the Philippine Deposit Insurance Corporation (PDIC), Amending for this Purpose Republic Act Numbered Three Thousand Five Hundred Ninety-One, as Amended, Otherwise Known as the PDIC Charter and for Other Purposes";

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

(12) Section 6(j) of Republic Act No. 9610, entitled "An Act Establishing the Credit Information System and for Other Purposes";

(13) Section 13(e) of Presidential Decree No. 857, entitled "Providing for the Reorganization of Port Administrative and Operation Functions in the Philippines, Revising Presidential Decree No. 605 dated July 11, 1974, Creating the Philippine Port Authority, by Substitution, and for Other Purposes";

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

(15) Section 8(a)(b) and Section 13 of Republic Act No. 6395, entitled "An Act Revising the Charter of the National Power Corporation"; and (16) Section 21 of Republic Act No. 7306, entitled "An Act Providing for the Establishment of the People's Television Network, Inc., Defining its Powers and Functions, Providing for its Sources of Funding and for Other Purposes."

SEC. 38. Repealing Clauses. –

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

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

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

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

(4) Section 12 of Republic Act No. 8446, entitled "An Act Granting the Fil-Asia Racing Club a Franchise to Construct, Operate and Maintain a Racetrack for Horse Racing in Rizal or Tarlac,

or Pampanga or Batangas or Quezon City”.

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

(1) 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”;

(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 16 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 HI, Article 39(A), (B), (C), (D), (E), (G), a) and (J); Title IV, Article 40; Book III, Articles 69, 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 m 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, Regional Warehouses of Multinational Companies, Amending for the Purpose Certain Provisions of Executive Order No. 226, Otherwise Known as the Omnibus Investment Code of 1987”;

(7) Executive Order No. 22, series of 2017, amending Executive Order No. 70, series of 2012 and Executive Order No. 628, series of 2006 and Executive Order No. 313, series of 2004, entitled "Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories Imported by Board of Investments - Registered New and Expanding Enterprises”;

(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 Special Economic Zone and Freeport in the City of Zamboanga and Establishing for this Purpose the Zamboanga City Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purposes”;

(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 n 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 6, 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)(l) and 4 of Republic Act No. 10083, entitled "An Act Amending Republic Act No. 9490"; (18) Section 4(0), 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. 706, entitled "Revising PD 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. 9276, entitled "An Act Providing for 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) Section 20(d)(1) to (5) of Republic Act No. 10884, entitled "An Act Strengthening the Balanced Housing Development Program, Amending for the Purpose Republic Act No. 7279, as Amended, Otherwise Known as the Urban Development and Housing Act of 1992";

(26) Republic Act No. 7718, entitled "An Act Amending Certain Sections of Republic Act No. 6957, Entitled 'An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector, and for Other Purposes' ";

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

(28) Section 3(a) to (d) and (h) of Republic Act No. 8602, entitled "An Act to Promote the Development of the Jewelry Manufacturing Industry, Providing Incentives Therefor and for Other Purposes";

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

(30) Sections 9(h)(10) of Republic Act No. 9601, entitled "Promoting Entrepreneurship by Strengthening Development and Assistance Programs to Micro, Small and Medium Scale Enterprises Amending Republic Act No. 6977, Otherwise Known as the Magna Carta For Small Enterprises";

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

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

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

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

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

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

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

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

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

(40) Sections 4(f) and 6(c)(k), insofar as tax exemption and/or VAT zero-rating on domestic merchandise is concerned, and Section 12(b) of Republic Act No. 10083, entitled "An Act Amending Republic Act No. 9490, Otherwise Known as the Aurora Special Economic Zone Act of 2007";

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

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

(43) Section 22 of Republic Act No. 9337, entitled "An Act Amending Sections 27, 28, 34, 106, 107, 108, 109, 110, 111, 112, 113, 114, 116, 117, 119, 121, 148, 161, 236, 237, and 288 of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes";

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

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

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

(47) Section 1(a) and (b) of Presidential Decree No. 1966, 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".

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

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

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

SEC. 40. *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. 41. *Effectivity.* — This Act shall take effect on January 1, 2020 after its complete publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,