



HOUSE OF REPRESENTATIVES

H. No. 4157

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

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

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

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

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

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

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

16 “The power to decide disputed assessments,
17 refunds of internal revenue taxes, fees or other charges,
18 penalties imposed in relation thereto, or other matters
19 arising under this Code or other laws or portions thereof

1 administered by the Bureau of Internal Revenue is
2 vested in the Commissioner, subject to the exclusive
3 appellate jurisdiction of the Court of Tax Appeals."

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

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

14 "(A) x x x

15 "(B) x x x

16 "(C) x x x

17 "(D) x x x; [and]

18 "(E) x x x[.]; AND

19 "(F) IN CASE THE INFORMATION OR RECORDS
20 REQUESTED ARE NOT FURNISHED WITHIN THE PERIOD
21 PRESCRIBED IN THE WRITTEN NOTICE, OR WHEN
22 THE INFORMATION OR RECORDS SUBMITTED ARE
23 INCOMPLETE, THE COMMISSIONER OR THE DULY
24 AUTHORIZED REPRESENTATIVE, SHALL ISSUE A
25 *SUBPOENA DUCES TECUM* STATING THEREIN THE
26 RELEVANT FACTS, SPECIFYING THE PARTICULAR
27 DOCUMENTS OR RECORDS NOT MADE AVAILABLE, AND
28 THE TAXPAYER LIABLE OR THE THIRD PARTY/OFFICE
29 CONCERNED: *PROVIDED*, THAT INFORMATION OR

1 RECORDS DULY RECEIVED OR ALREADY WITHIN THE
2 CUSTODY OF THE BUREAU SHALL NOT BE COVERED BY
3 ANY *SUBPOENA DUCES TECUM*.

4 "THE SERVICE OF A *SUBPOENA DUCES TECUM*
5 SHALL BE EFFECTED BY THE REVENUE OFFICERS
6 ASSIGNED TO INVESTIGATE THE CASE. HOWEVER, SUCH
7 SERVICE MAY BE MADE BY ANY OTHER AUTHORIZED
8 INTERNAL REVENUE OFFICER.

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

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

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

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

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

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

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

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

7 "(A) x x x

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

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

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

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

2 "(A) x x x

3 "(B) x x x

4 "(C) x x x

5 "(D) x x x

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

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

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

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

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

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

6 “x x x.”

7 SEC. 7. Section 27 of the National Internal Revenue Code of
8 1997, as amended, is hereby further amended to read as follows:

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

11 “(A) *In General.* – Except as otherwise provided
12 in this Code, [an income tax of thirty-five percent
13 (35%)] **AN INCOME TAX RATE OF THIRTY PERCENT (30%)**
14 is hereby imposed upon the taxable income derived
15 during each taxable year from all sources within and
16 without the Philippines by every corporation, as defined
17 in Section 22(B) of this Code and taxable under this
18 Title as a corporation, organized in, or existing under
19 the laws of the Philippines: [*Provided, That effective*
20 January 1, 2009, the rate of income tax shall be thirty
21 percent (30%).] **PROVIDED, THAT THE RATE OF**
22 **CORPORATE INCOME TAX SHALL BE TWENTY-NINE**
23 **PERCENT (29%) BEGINNING JANUARY 1, 2020;**
24 **TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY**
25 **1, 2021; TWENTY-SEVEN PERCENT (27%) BEGINNING**
26 **JANUARY 1, 2022; TWENTY-SIX PERCENT (26%)**
27 **BEGINNING JANUARY 1, 2023; TWENTY-FIVE PERCENT**
28 **(25%) BEGINNING JANUARY 1, 2024; TWENTY-FOUR**

1 PERCENT (24%) BEGINNING JANUARY 1, 2025;
2 TWENTY-THREE PERCENT (23%) BEGINNING JANUARY
3 1, 2026; TWENTY-TWO PERCENT (22%) BEGINNING
4 JANUARY 1, 2027; TWENTY-ONE PERCENT (21%)
5 BEGINNING JANUARY 1, 2028; AND TWENTY PERCENT
6 (20%) BEGINNING JANUARY 1, 2029: *PROVIDED*,
7 *FURTHER*, THAT THE SCHEDULED RATE REDUCTION
8 SHALL BE SUBJECT TO REVIEW BY THE SECRETARY OF
9 FINANCE IN 2025: *PROVIDED*, *FURTHERMORE*, THAT
10 THE SCHEDULED DECREASE IN THE RATE MAY
11 BE SUSPENDED BY THE PRESIDENT UPON
12 RECOMMENDATION OF THE SECRETARY OF FINANCE IF
13 THE PROJECTED DEFICIT TARGET AS A PERCENTAGE
14 OF GROSS DOMESTIC PRODUCT EXCEEDS THE
15 PROGRAMMED DEFICIT, AS DETERMINED BY THE
16 DEVELOPMENT BUDGET COORDINATION COMMITTEE
17 IN THE PRECEDING YEAR PRIOR TO THE SCHEDULED
18 REDUCTION IN THE CORPORATE INCOME TAX RATE,
19 BASED ON THE ANNUAL REVIEW OF THE MEDIUM TERM
20 FISCAL PROGRAM: *PROVIDED*, *FINALLY*, THAT THE
21 PRESIDENT MAY ADVANCE THE SCHEDULED REDUCTION
22 IN THE CORPORATE INCOME TAX RATE WHEN ADEQUATE
23 SAVINGS ARE REALIZED FROM THE RATIONALIZATION OF
24 FISCAL INCENTIVES UNDER TITLE XIII OF THIS CODE,
25 AS CERTIFIED BY THE SECRETARY OF FINANCE.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 “x x x[:].

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

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

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

29 "(D) x x x

1 “(E) x x x.”

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

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

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

7 “(1) *In General.* — Except as otherwise provided
8 in this Code, a corporation organized, authorized, or
9 existing under the laws of any foreign country, engaged
10 in trade or business within the Philippines, shall be
11 subject to an income tax equivalent to [thirty-five
12 percent (35%)] **THIRTY PERCENT (30%)** of the taxable
13 income derived in the preceding taxable year from all
14 sources within the Philippines: [Provided, That
15 effective January 1, 2009, the rate of income tax shall
16 be thirty percent (30%).] **PROVIDED, THAT THE RATE**
17 **OF CORPORATE INCOME TAX SHALL BE TWENTY-NINE**
18 **PERCENT (29%) BEGINNING JANUARY 1, 2020;**
19 **TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY**
20 **1, 2021; TWENTY-SEVEN PERCENT (27%) BEGINNING**
21 **JANUARY 1, 2022; TWENTY-SIX PERCENT (26%)**
22 **BEGINNING JANUARY 1, 2023; TWENTY-FIVE PERCENT**
23 **(25%) BEGINNING JANUARY 1, 2024; TWENTY-FOUR**
24 **PERCENT (24%) BEGINNING JANUARY 1, 2025;**
25 **TWENTY-THREE PERCENT (23%) BEGINNING JANUARY**
26 **1, 2026; TWENTY-TWO PERCENT (22%) BEGINNING**
27 **JANUARY 1, 2027; TWENTY-ONE PERCENT (21%)**
28 **BEGINNING JANUARY 1, 2028; AND TWENTY PERCENT**

1 (20%) BEGINNING JANUARY 1, 2029: *PROVIDED,*
2 *FURTHER,* THAT THE SCHEDULED RATE REDUCTION
3 SHALL BE SUBJECT TO REVIEW BY THE SECRETARY OF
4 FINANCE IN 2025: *PROVIDED, FURTHERMORE,* THAT
5 THE SCHEDULED DECREASE IN THE RATE MAY
6 BE SUSPENDED BY THE PRESIDENT UPON
7 RECOMMENDATION OF THE SECRETARY OF FINANCE IF
8 THE PROJECTED DEFICIT TARGET AS A PERCENTAGE
9 OF GROSS DOMESTIC PRODUCT EXCEEDS THE
10 PROGRAMMED DEFICIT, AS DETERMINED BY THE
11 DEVELOPMENT BUDGET COORDINATION COMMITTEE
12 IN THE PRECEDING YEAR PRIOR TO THE SCHEDULED
13 REDUCTION IN THE CORPORATE INCOME TAX RATE,
14 BASED ON THE ANNUAL REVIEW OF THE MEDIUM TERM
15 FISCAL PROGRAM: *PROVIDED, FINALLY,* THAT THE
16 PRESIDENT MAY ADVANCE THE SCHEDULED REDUCTION
17 IN THE CORPORATE INCOME TAX RATE WHEN ADEQUATE
18 SAVINGS ARE REALIZED FROM THE RATIONALIZATION OF
19 FISCAL INCENTIVES UNDER TITLE XIII OF THIS CODE,
20 AS CERTIFIED BY THE SECRETARY OF FINANCE.

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

28 "The corporate income tax rate shall be applied on
29 the amount computed by multiplying the number of
30 months covered by the new rate within the fiscal year

1 by the taxable income of the corporation for the period,
2 divided by twelve.

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

7 "(2) x x x

8 "(3) x x x

9 "[4] *Offshore Banking Units*. – The provisions of
10 any law to the contrary notwithstanding, income
11 derived by offshore banking units authorized by the
12 Bangko Sentral ng Pilipinas (BSP), from foreign
13 currency transactions with nonresidents, other offshore
14 banking units, local commercial banks, including
15 branches of foreign banks that may be authorized by the
16 Bangko Sentral ng Pilipinas (BSP) to transact business
17 with offshore banking units shall be exempt from all
18 taxes except net income from such transactions as may
19 be specified by the Secretary of Finance, upon
20 recommendation of the Monetary Board which shall be
21 subject to the regular income tax payable by banks:
22 *Provided, however, That any interest income derived*
23 *from foreign currency loans granted to residents other*
24 *than offshore banking units or local commercial banks,*
25 *including local branches of foreign banks that may be*
26 *authorized by the BSP to transact business with*
27 *offshore banking units, shall be subject only to a final*
28 *tax at the rate of ten percent (10%).*

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

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

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

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

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

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

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

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 1/2%)] **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[s prescribed below] **OF FIFTEEN PERCENT (15%)** is hereby imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic corporation except shares sold or disposed of through the stock exchange:

“[Not over P100,000 5%

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

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

“(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

1 the gross income received during each taxable year from
2 all sources within the Philippines, such as interests,
3 dividends, rents, royalties, salaries, premiums (except
4 reinsurance premiums), annuities, emoluments or other
5 fixed or determinable annual, periodic or casual gains,
6 profits and income, and capital gains, except capital
7 gains subject to tax under subparagraph 5(c):
8 [*Provided*, That effective January 1, 2009, the rate of
9 income tax shall be thirty percent (30%).] *PROVIDED*,
10 THAT THE RATE OF CORPORATE INCOME TAX SHALL BE
11 TWENTY-NINE PERCENT (29%) BEGINNING JANUARY 1,
12 2020; TWENTY-EIGHT PERCENT (28%) BEGINNING
13 JANUARY 1, 2021; TWENTY-SEVEN PERCENT (27%)
14 BEGINNING JANUARY 1, 2022; TWENTY-SIX PERCENT
15 (26%) BEGINNING JANUARY 1, 2023; TWENTY-FIVE
16 PERCENT (25%) BEGINNING JANUARY 1, 2024; TWENTY-
17 FOUR PERCENT (24%) BEGINNING JANUARY 1, 2025;
18 TWENTY-THREE PERCENT (23%) BEGINNING JANUARY
19 1, 2026; TWENTY-TWO PERCENT (22%) BEGINNING
20 JANUARY 1, 2027; TWENTY-ONE PERCENT (21%)
21 BEGINNING JANUARY 1, 2028; AND TWENTY PERCENT
22 (20%) BEGINNING JANUARY 1, 2029: *PROVIDED*,
23 *FURTHER*, THAT THE SCHEDULED RATE REDUCTION
24 SHALL BE SUBJECT TO REVIEW BY THE SECRETARY
25 OF FINANCE IN 2025: *PROVIDED*, *FURTHERMORE*,
26 THAT THE SCHEDULED DECREASE IN THE RATE
27 MAY BE SUSPENDED BY THE PRESIDENT UPON
28 RECOMMENDATION OF THE SECRETARY OF FINANCE IF
29 THE PROJECTED DEFICIT TARGET AS A PERCENTAGE

OF GROSS DEOMESTIC PRODUCT EXCEEDS THE
 PROGRAMMED DEFICIT, AS DETERMINED BY THE
 DEVELOPMENT BUDGET COORDINATION COMMITTEE
 IN THE PRECEDING YEAR PRIOR TO THE SCHEDULED
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 SAVINGS ARE REALIZED FROM THE RATIONALIZATION
 OF FISCAL INCENTIVES UNDER TITLE XIII OF THIS
 CODE, AS CERTIFIED BY THE SECRETARY OF FINANCE.

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

"(3) x x x

"(4) x x x

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

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

"(b) *Intercorporate Dividends.* - A final
 withholding tax at the rate of fifteen percent (15%) is
 hereby imposed on the amount of cash and/or property
 dividends received from a domestic corporation, which
 shall be collected and paid as provided in Section 57(A)
 of this Code, subject to the condition that the country in
 which the nonresident foreign corporation is domiciled,
 shall allow a credit against the tax due from the

nonresident foreign corporation taxes deemed to have been paid in the Philippines equivalent to [twenty percent (20%)] FIFTEEN PERCENT (15%), which represents the difference between the regular income tax [of thirty-five percent (35%)] and the fifteen percent (15%) tax on dividends as provided in this subparagraph[.]: *Provided, That* [effective January 1, 2009] EFFECTIVE JANUARY 1, 2020, the credit against the tax due shall be equivalent to [fifteen percent (15%), which represents] the difference between the regular income tax RATE [of thirty percent (30%)] and the fifteen percent (15%) tax on dividends;

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

“Not over P100,000 5%

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

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

“SEC. 34. *Deductions from Gross Income.* – Except for taxpayers earning compensation income arising from personal services rendered under an

1 employer-employee relationship where no deductions
 2 shall be allowed under this Section, in computing
 3 taxable income subject to income tax under Sections
 4 24(A); 25(A); 26; 27(A), (B), and (C); and 28(A)(1), there
 5 shall be allowed the following deductions from gross
 6 income:

7 “(A) *Expenses.* –

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

10 “x x x

11 “(B) *Interest.* –

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

26 “(A) IF THE RATE IS TWENTY-NINE PERCENT
 27 (29%), THE INTEREST EXPENSE REDUCTION RATE IS
 28 THIRTY-ONE PERCENT (31%);

1 (B) IF THE RATE IS TWENTY-EIGHT PERCENT
2 (28%), THE INTEREST EXPENSE REDUCTION RATE IS
3 TWENTY-NINE PERCENT (29%);

4 (C) IF THE RATE IS TWENTY-SEVEN PERCENT
5 (27%), THE INTEREST EXPENSE REDUCTION RATE IS
6 TWENTY-SIX PERCENT (26%);

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

10 (E) IF THE RATE IS TWENTY-FIVE PERCENT
11 (25%), THE INTEREST EXPENSE REDUCTION RATE IS
12 TWENTY PERCENT (20%);

13 (F) IF THE RATE IS TWENTY-FOUR PERCENT
14 (24%), THE INTEREST EXPENSE REDUCTION RATE IS
15 SIXTEEN PERCENT (16%);

16 (G) IF THE RATE IS TWENTY-THREE PERCENT
17 (23%), THE INTEREST EXPENSE REDUCTION RATE IS
18 THIRTEEN PERCENT (13%);

19 (H) IF THE RATE IS TWENTY-TWO PERCENT
20 (22%), THE INTEREST EXPENSE REDUCTION RATE IS
21 NINE PERCENT (9%);

22 (I) IF THE RATE IS TWENTY-ONE PERCENT
23 (21%), THE INTEREST EXPENSE REDUCTION RATE IS
24 FIVE PERCENT (5%);

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

28 "PROVIDED, FINALLY, THAT IF THE INTEREST
29 INCOME TAX IS ADJUSTED IN THE FUTURE, THE
30 INTEREST EXPENSE REDUCTION RATE SHALL BE

ADJUSTED ACCORDINGLY BASED ON THE PRESCRIBED
STANDARD FORMULA AS DEFINED IN THE RULES
AND REGULATIONS TO BE PROMULGATED BY THE
SECRETARY OF FINANCE, UPON THE RECOMMENDATION
OF THE COMMISSIONER.

"(2) x x x

"(3) x x x

"(C) *Taxes.* - x x x

"(D) *Losses.* - x x x

"(E) *Bad Debts.* - x x x

"(F) *Depreciation.* - x x x

"(G) *Depletion of Oil and Gas Wells and Mines.* -

x x x

"(H) *Charitable and Other Contributions.* - x x x

"(I) *Research and Development.* - x x x

"(J) *Pension Trusts.* - x x x

"(K) *Additional Requirements for Deductibility of
Certain Payments.* - x x x

"(L) *Optional Standard Deduction (OSD).* - In
lieu of the deductions allowed under the preceding
Subsections, an individual subject to tax under Section
24, other than a nonresident alien, [may elect a
standard deduction in an amount not exceeding forty
percent (40%) of his gross sales or gross receipts, as the
case may be. In the case of a] AND A corporation
CLASSIFIED AS A MICRO, SMALL AND MEDIUM-SIZED
ENTERPRISE AS DETERMINED BY THE DEPARTMENT OF
TRADE AND INDUSTRY AND subject to tax under
Sections 27(A) and 28(A)(1), [it] may elect a standard

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

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

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

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

“(A) x x x

“(B) x x x

“(C) *Exchange of Property.* –

“(1) x x x

“(2) *Exception.* – No gain or loss shall be recognized ON A CORPORATION OR ON ITS STOCK OR SECURITIES IF SUCH CORPORATION IS A PARTY TO A REORGANIZATION AND EXCHANGES PROPERTY [if] in pursuance of a plan of [merger or consolidation]

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

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

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

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

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

7 “(D) A RECAPITALIZATION; OR

8 “(E) A REINCORPORATION.

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

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

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

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

1 "x x x."

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

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

5 - In the case of two or more organizations, trades or
6 businesses (whether or not incorporated and whether or
7 not organized in the Philippines) owned or controlled
8 directly or indirectly by the same interests, the
9 Commissioner is authorized to distribute, apportion or
10 allocate gross income or deductions between or among
11 such organization, trade or business, if he determines
12 that such distribution, apportionment or allocation is
13 necessary in order to prevent evasion of taxes or clearly
14 to reflect the income of any such organization, trade or
15 business.] *AUTHORITY OF THE COMMISSIONER TO*

16 *DISTRIBUTE, APPORTION, ALLOCATE, AND IMPUTE*
17 *INCOME AND DEDUCTIONS TO DISREGARD AND*
18 *COUNTERACT TAX AVOIDANCE ARRANGEMENTS. - IN*
19 *CASE OF TWO (2) OR MORE ORGANIZATIONS, TRADES*
20 *OR BUSINESSES, WHETHER OR NOT ORGANIZED IN THE*
21 *PHILIPPINES, OWNED OR CONTROLLED DIRECTLY OR*
22 *INDIRECTLY BY THE SAME INTERESTS, THE*
23 *COMMISSIONER IS AUTHORIZED TO DISTRIBUTE,*
24 *APPORTION, ALLOCATE, OR IMPUTE INCOME OR*
25 *DEDUCTIONS BETWEEN OR AMONG SUCH*
26 *ORGANIZATIONS, TRADES OR BUSINESSES, IF*
27 *THE COMMISSIONER DETERMINES THAT SUCH*
28 *DISTRIBUTION, APPORTIONMENT, ALLOCATION, OR*
29 *IMPUTATION IS NECESSARY IN ORDER TO PREVENT*

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

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

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

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

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

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

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

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

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

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

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

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

SEC. 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] A REFUND.

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

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

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

"x x x."

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

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

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

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

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

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

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

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

"Where the basic tax involved exceeds [One] TEN million pesos [(P1,000,000)] (P10,000,000) or where

1 the settlement offered is less than the prescribed
2 minimum rates, the compromise shall be subject to the
3 approval of the Evaluation Board which shall be
4 composed of the Commissioner and the four (4) Deputy
5 Commissioners.

6 "x x x."

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

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

11 "(a) x x x

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

23 "x x x."

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

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

1 “(A) *Issuance.* — x x x

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

26 “A PUBLIC CERTIFICATION SYSTEM SHALL REFER
27 TO A DIGITAL PERSONAL AUTHENTICATION PROGRAM
28 WITH ABILITY TO VERIFY THE IDENTITY OF THE ISSUING
29 TAXPAYER AND ATTEST TO THE AUTHENTICITY OF THE

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

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

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

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

1 ELECTRONIC TAX TRANSACTION NUMBER SHALL BE
2 SUFFICIENT COMPLIANCE.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

thereof, be punished by a fine of not less than [Ten thousand pesos (P10,000)] ONE HUNDRED THOUSAND PESOS (P100,000) BUT NOT MORE THAN ONE MILLION TWO HUNDRED THOUSAND PESOS (P1,200,000) and [suffer] imprisonment of not less than one (1) year but not more than ten (10) years.

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

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

"SEC. 256. *Penal Liability of Corporations.* -

Any corporation, association or general co-partnership liable for any of the acts or omissions penalized under this Code, in addition to the penalties imposed herein upon the responsible corporate officers, partners, or employees shall, upon conviction for each act or

omission, be punished by a fine of not less than [Fifty thousand pesos (P50,000) but not more than One hundred thousand pesos (P100,000)] TWO HUNDRED THOUSAND PESOS (P200,000) BUT NOT MORE THAN TWO MILLION FOUR HUNDRED THOUSAND PESOS (P2,400,000)."

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

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

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

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

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

"(B) Any person who:

"(1) Not being an independent Certified Public Accountant according to Section 232(B) or a financial

1 officer, examines and audits books of accounts of
2 taxpayers; or

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

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

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

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

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

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

25 "(8) Willfully attempts in any manner to evade
26 or defeat any tax imposed under this Code, or
27 knowingly uses fake or falsified revenue official
28 receipts, Letters of Authority, certificates authorizing
29 registration, Tax Credit Certificates, Tax Debit

Memoranda and other accountable forms shall, upon conviction for each act or omission, be punished by a fine of not less than [Fifty thousand pesos (P50,000) but not more than One hundred thousand pesos (P100,000)] **THREE HUNDRED THOUSAND PESOS (P300,000) BUT NOT MORE THAN ONE MILLION TWO HUNDRED THOUSAND PESOS (P1,200,000)** and [suffer] imprisonment of not less than two (2) years but not more than six (6) years.

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

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

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

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

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

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

16 "SEC. 261. *Unlawful Use of Denatured Alcohol.* -

17 Any person who for the purpose of manufacturing any
18 beverage, uses denatured alcohol or alcohol specially
19 denatured to be used for motive power or withdrawn
20 under bond for industrial uses or alcohol knowingly
21 misrepresented to be denatured to be unfit for oral
22 intake or who knowingly sells or offers for sale any
23 beverage made in whole or in part from such alcohol or
24 who uses such alcohol for the manufacture of liquid
25 medicinal preparations taken internally, or knowingly
26 sells or offers for sale such preparations containing as
27 an ingredient such alcohol, shall, upon conviction for
28 each act or omission be punished by a fine of not less

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

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

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

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

24 "(a) x x x

25 "(b) x x x

26 "(c) x x x

27 "(d) x x x

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

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

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

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

8 "x x x."

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

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

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

1 more than four (4) years] FOUR (4) YEARS BUT NOT
2 MORE THAN EIGHT (8) YEARS.

3 “(b) Any person who commits any of the acts
4 enumerated hereunder shall be penalized with a fine of
5 not less than Five hundred thousand pesos (P500,000)
6 but not more than Ten million pesos (P10,000,000), and
7 imprisonment of not less than six (6) years but not more
8 than ten (10) years;

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

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

14 “(3) Printing of unnumbered receipts or sales or
15 commercial invoices, not bearing the name, business
16 style, Taxpayer Identification Number, and business
17 address of the person or entity; or

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

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

22 “SEC. 266. *Failure to Obey Summons.* – Any
23 person who, being duly summoned to appear to testify,
24 or to appear and produce books of accounts, records,
25 memoranda or other papers, or to furnish information
26 as required under the pertinent provisions of this Code,
27 neglects to appear or to produce such books of accounts,
28 records, memoranda or other papers, or to furnish such
29 information, shall, upon conviction, be punished by a

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

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

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

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

22 “SEC. 282-A. *VIOLATION OF THE PROVISIONS OF*
 23 *THIS CODE AMOUNTING TO ECONOMIC SABOTAGE.* –
 24 ANY VIOLATION OF SECTION 254 OF THIS CODE THAT
 25 UNDERMINES, WEAKENS OR RENDERS INTO DISREPUTE
 26 THE ECONOMIC SYSTEM OR VIABILITY OF THE COUNTRY
 27 OR TENDS TO BRING OUT SUCH EFFECTS, IN LIEU OF
 28 THE PENALTY SET IN THE PRECEDING PROVISIONS,

1 SHALL CONSTITUTE ECONOMIC SABOTAGE, AND, UPON
 2 CONVICTION FOR EACH ACT OR OMISSION, BE PUNISHED
 3 BY A FINE OF NOT LESS THAN FIFTY MILLION PESOS
 4 (P50,000,000) AND IMPRISONMENT OF TWELVE (12)
 5 YEARS AND ONE (1) DAY BUT NOT MORE THAN TWENTY
 6 (20) YEARS."

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

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

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

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

19 "(1) x x x;

20 "(2) x x x;

21 "(3) x x x; [and]

22 "(4) x x x[.];

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

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

1 "x x x."

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

4 "TITLE XIII

5 "TAX INCENTIVES

6 "CHAPTER I

7 "GENERAL PROVISIONS ON TAX INCENTIVES

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

14 "THE INVESTMENT PROMOTION AGENCIES SHALL
15 MAINTAIN THEIR FUNCTIONS AND POWERS AS PROVIDED
16 UNDER THE SPECIAL LAWS GOVERNING THEM EXCEPT
17 ON THE EXTENT MODIFIED BY THE PROVISIONS OF THIS
18 CODE."

19 "SEC. 292. *EXTENT OF AUTHORITY TO GRANT*
20 *TAX INCENTIVES.* - ALL INVESTMENT PROMOTION
21 AGENCIES SHALL RECOMMEND TO THE FISCAL
22 INCENTIVES REVIEW BOARD THE TAX INCENTIVES
23 PROVIDED IN THIS TITLE TO REGISTERED ENTERPRISES
24 ONLY TO THE EXTENT OF THEIR APPROVED REGISTERED
25 PROJECTS OR ACTIVITIES UNDER THE STRATEGIC
26 INVESTMENT PRIORITY PLAN. THE PERIOD OF
27 AVAILMENT OF INCENTIVES SHALL BE RECKONED FROM
28 THE START OF COMMERCIAL OPERATION.

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

1 BE SUBJECT TO APPROPRIATE TAXES UNDER THIS
2 CODE.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 "CHAPTER II

2 "TAX AND DUTY INCENTIVES

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

9 "(A) INCOME TAX INCENTIVES

10 "(1) INCOME TAX HOLIDAY -

11 "(A) NATIONAL CAPITAL REGION - UP TO
12 THREE (3) YEARS;

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

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

23 "(A) NATIONAL CAPITAL REGION - UP TO TWO
24 (2) YEARS;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 "(C) VALUE-ADDED TAX

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

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

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

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

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

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

1 DIRECTORIES, MAGAZINES, NEWSPAPERS, BROCHURES,
2 PAMPHLETS, MEDICAL RECORDS OR FILES, LEGAL
3 RECORDS OR FILES, INSTRUCTION MATERIALS, AND
4 DRAWINGS, BLUEPRINTS, OR OUTLINES.”

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

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

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

1 OTHER PERSONNEL COSTS INCURRED FOR
2 ADMINISTRATIVE AND OTHER SUPPORT SERVICES.

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

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

21 "(5) UP TO ONE HUNDRED PERCENT (100%)
22 DEDUCTION ON INFRASTRUCTURE DEVELOPMENT. -
23 REGISTERED ENTERPRISES ESTABLISHING THEIR
24 ACTIVITY IN AN AREA THAT THE STRATEGIC
25 INVESTMENT PRIORITY PLAN DESIGNATES
26 AS NECESSARY FOR COUNTRYWIDE DEVELOPMENT OR IN
27 AN AREA FOUND TO BE DEFICIENT IN INFRASTRUCTURE,
28 PUBLIC UTILITIES, AND OTHER FACILITIES, SUCH
29 AS IRRIGATION, DRAINAGE, OR OTHER SIMILAR
30 WATERWORKS INFRASTRUCTURE MAY DEDUCT FROM
31 THE GROSS INCOME AN AMOUNT EQUIVALENT TO UP TO

1 ONE HUNDRED PERCENT (100%) OF NECESSARY AND
2 MAJOR INFRASTRUCTURE WORKS IT MAY HAVE
3 UNDERTAKEN WITH THE PRIOR APPROVAL AND
4 RECOMMENDATION OF THE INVESTMENT PROMOTION
5 AGENCY CONCERNED: *PROVIDED*, THAT THE
6 INFRASTRUCTURE SHALL BE OPEN FOR USE BY THE
7 GENERAL PUBLIC: *PROVIDED*, *FURTHER*, THAT THE
8 TITLE TO ALL SUCH INFRASTRUCTURE WORKS SHALL,
9 UPON COMPLETION, BE TRANSFERRED TO THE
10 PHILIPPINE GOVERNMENT: *PROVIDED*, *FINALLY*, THAT
11 ANY AMOUNT NOT DEDUCTED FOR A PARTICULAR YEAR
12 MAY BE CARRIED OVER FOR DEDUCTION FOR
13 SUBSEQUENT YEARS NOT EXCEEDING FIVE (5) YEARS
14 FROM COMMERCIAL OPERATION.

15 " (6) DEDUCTION FOR REINVESTMENT
16 ALLOWANCE TO MANUFACTURING INDUSTRY. - WHEN
17 A MANUFACTURING REGISTERED ENTERPRISE
18 REINVESTS ITS UNDISTRIBUTED PROFIT OR SURPLUS IN
19 ANY OF THE ACTIVITIES LISTED IN THE STRATEGIC
20 INVESTMENT PRIORITY PLAN, THE AMOUNT SO
21 REINVESTED TO A MAXIMUM OF FIFTY PERCENT (50%)
22 SHALL BE ALLOWED AS A DEDUCTION FROM ITS
23 TAXABLE INCOME WITHIN A PERIOD OF FIVE (5) YEARS
24 FROM THE TIME OF SUCH REINVESTMENT: *PROVIDED*,
25 THAT PRIOR APPROVAL BY THE FISCAL INCENTIVES
26 REVIEW BOARD OF SUCH REINVESTMENT WAS
27 OBTAINED BY THE REGISTERED ENTERPRISE PLANNING
28 SUCH REINVESTMENT.

29 " (7) ENHANCED NET OPERATING LOSS
30 CARRY-OVER. - THE NET OPERATING LOSS OF THE
31 REGISTERED ACTIVITY DURING THE FIRST THREE (3)

1 YEARS FROM THE START OF COMMERCIAL OPERATION
2 WHICH HAD NOT BEEN PREVIOUSLY OFFSET AS
3 DEDUCTION FROM GROSS INCOME MAY BE CARRIED
4 OVER AS DEDUCTION FROM GROSS INCOME WITHIN
5 THE NEXT FIVE (5) CONSECUTIVE TAXABLE YEARS
6 IMMEDIATELY FOLLOWING THE YEAR OF SUCH LOSS.

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

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

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

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

10 "CHAPTER III

11 "THE FISCAL INCENTIVES REVIEW BOARD

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"BOARD PROPER:

"CHAIRPERSON - SECRETARY OF FINANCE

"MEMBERS - SECRETARY OF TRADE AND
INDUSTRY

- DIRECTOR GENERAL OF THE
NATIONAL ECONOMIC
AND DEVELOPMENT
AUTHORITY

- SECRETARY OF BUDGET
AND MANAGEMENT

- EXECUTIVE SECRETARY OF
THE OFFICE OF THE
PRESIDENT

"TECHNICAL COMMITTEE:

"CHAIRPERSON - UNDERSECRETARY OF
FINANCE

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

- UNDERSECRETARY OF BUDGET
AND MANAGEMENT

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

11 "SECRETARIAT: - NATIONAL TAX RESEARCH
12 CENTER"

13 "CHAPTER IV

14 "QUALIFIED ACTIVITIES FOR TAX INCENTIVES

15 "SEC. 300. *STRATEGIC INVESTMENT PRIORITY*

16 *PLAN.* - THE BOARD OF INVESTMENTS SHALL, IN
17 COORDINATION WITH THE OFFICE OF THE PRESIDENT,
18 THE FISCAL INCENTIVES REVIEW BOARD, THE
19 CONCERNED INVESTMENT PROMOTION AGENCIES, AND
20 OTHER GOVERNMENT AGENCIES AND THE PRIVATE
21 SECTOR, FORMULATE THE STRATEGIC INVESTMENT
22 PRIORITY PLAN TO BE SUBMITTED TO THE PRESIDENT
23 FOR APPROVAL NOT LATER THAN DECEMBER OF THE
24 THIRD YEAR SET FOR PERIODIC REVIEW. THE PLAN
25 SHALL BE VALID FOR A PERIOD OF THREE (3) YEARS
26 SUBJECT TO REVIEW AND AMENDMENT AS THE NEED
27 ARISES. ALL SECTORS OR INDUSTRIES THAT MAY BE
28 INCLUDED IN THE STRATEGIC INVESTMENT PRIORITY
29 PLAN SHALL UNDERGO AN EVALUATION PROCESS TO
30 DETERMINE THE SUITABILITY AND POTENTIAL OF THE

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

4 "THE STRATEGIC INVESTMENT PRIORITY PLAN
5 SHALL:

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

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

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

13 "(i) SUBSTANTIAL AMOUNT OF INVESTMENTS;

14 "(ii) CONSIDERABLE GENERATION OF
15 EMPLOYMENT;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 INCENTIVES REVIEW BOARD, A REGISTERED
2 ENTERPRISE MUST:

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

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

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

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

20 "CHAPTER V

21 "AVAILMENT OF TAX INCENTIVES

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

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

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

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

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

1 TAXES AND DUTIES ARE PAID ON A SPECIFIC EQUIPMENT
2 AND MACHINERY IN PROPORTION TO ITS UTILIZATION
3 FOR NON-REGISTERED ACTIVITIES. IN THE EVENT THAT
4 IT SHALL BE USED FOR A NON-REGISTERED ACTIVITY OF
5 THE REGISTERED ENTERPRISE AT ANY TIME WITHIN
6 THE FIRST FIVE (5) YEARS FROM THE DATE OF
7 IMPORTATION, THE REGISTERED ENTERPRISE SHALL
8 FIRST SEEK PRIOR APPROVAL OF THE AUTHORITY AND
9 PAY THE TAXES AND CUSTOMS DUTIES THAT WERE NOT
10 PAID UPON ITS IMPORTATION; AND

11 "(B) THE APPROVAL OF THE INVESTMENT
12 PROMOTION AGENCY WAS OBTAINED BY THE
13 REGISTERED ENTERPRISE PRIOR TO THE IMPORTATION
14 OF SUCH CAPITAL EQUIPMENT OR SPARE PARTS.

15 "APPROVAL OF THE INVESTMENT PROMOTION
16 AGENCY MUST BE SECURED BEFORE THE SALE,
17 TRANSFER OR DISPOSITION OF THE CAPITAL
18 EQUIPMENT OR SPARE PARTS WHICH WERE GRANTED
19 TAX AND CUSTOMS DUTY EXEMPTION HEREUNDER, AND
20 SHALL BE ALLOWED ONLY UNDER THE FOLLOWING
21 CIRCUMSTANCES:

22 "(1) IF MADE TO ANOTHER ENTERPRISE
23 AVAILING CUSTOMS DUTY EXEMPTION ON IMPORTED
24 CAPITAL EQUIPMENT AND/OR SPARE PARTS;

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

30 "(3) EXPORTATION OF CAPITAL EQUIPMENT,
31 MACHINERY, SPARE PARTS OR SOURCE DOCUMENTS, OR

1 THOSE REQUIRED FOR POLLUTION ABATEMENT AND
2 CONTROL; OR

3 "(4) PROVEN TECHNICAL OBSOLESCENCE OF
4 THE CAPITAL EQUIPMENT OR SPARE PARTS.

5 "PROVIDED, THAT IF THE REGISTERED
6 ENTERPRISE SELLS, TRANSFERS OR DISPOSES THE
7 AFOREMENTIONED IMPORTED ITEMS WITHOUT PRIOR
8 APPROVAL, THE REGISTERED ENTERPRISE AND THE
9 VENDEE, TRANSFEREE, OR ASSIGNEE SHALL BE
10 SOLIDARILY LIABLE TO PAY TWICE THE AMOUNT OF THE
11 DUTY EXEMPTION THAT SHOULD HAVE BEEN PAID
12 DURING ITS IMPORTATION: *PROVIDED, FURTHER, THAT*
13 *EVEN IF THE SALE, TRANSFER OR DISPOSITION OF THE*
14 *CAPITAL EQUIPMENT WAS MADE AFTER FIVE (5) YEARS*
15 *FROM DATE OF IMPORTATION WITH THE APPROVAL OF*
16 *THE INVESTMENT PROMOTION AGENCY, THE*
17 *REGISTERED ENTERPRISE IS STILL LIABLE TO PAY THE*
18 *DUTIES BASED ON THE NET BOOK VALUE OF THE*
19 *CAPITAL EQUIPMENT IF IT HAS VIOLATED ANY OF ITS*
20 *REGISTRATION TERMS AND CONDITIONS."*

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

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

3 "CHAPTER VI

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

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

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

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

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

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

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

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

19 “*SEC. 311. SUSPENSION AND FORFEITURE OF*
20 *TAX INCENTIVES OF REGISTERED ENTERPRISES,*
21 *REFUND AND PENALTIES; WAIVER AND CONDONATION.*

22 – *THE FISCAL INCENTIVES REVIEW BOARD MAY*
23 *IMPOSE FINES AND PENALTIES, SUSPEND OR FORFEIT*
24 *THE INCENTIVES GRANTED TO THE REGISTERED*
25 *ENTERPRISES FOR VIOLATIONS OF THE REGISTRATION*
26 *TERMS AND CONDITIONS, WITHOUT PREJUDICE TO THE*
27 *CANCELLATION OF THE REGISTRATION OF SAID*
28 *ENTERPRISE.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 "TITLE [XIII] XIV

24 "REPEALING PROVISIONS

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

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

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

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

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

28 “(4) Section 6 of Executive Order No. 132, series
29 of 2002, entitled ‘Authorizing the Creation of the Poro

1 Point Management Corporation as the Implementing
2 Arm of the Bases Conversion Development Authority
3 over the Poro Point Special Economic and Freeport Zone
4 and Renaming the John Hay Poro Point Development
5 Corporation as the John Hay Management Corporation’;

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

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

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

25 “(8) Section 15 of Republic Act No. 9490, entitled
26 ‘An Act Establishing the Aurora Special Economic Zone
27 in the Province of Aurora, Creating for the Purpose the
28 Aurora Special Economic Zone Authority, Appropriating

1 Funds Therefor and for Other Purposes', as amended by
2 Republic Act No. 10083;

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

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

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

23 "(B) To transfer to the Fiscal Incentives Review
24 Board the power of the Investment Promotion Agency
25 Board to review, approve or disapprove fiscal incentives
26 and to mandate the Investment Promotion Agency
27 Board to recommend to the Fiscal Incentives Review
28 Board after a thorough review of the application, the

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

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

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

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

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

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

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

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

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

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

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

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

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

15 “(C) The following laws are hereby amended to
16 mandate all internal revenue tax and duty obligations
17 of the relevant entities be chargeable to the Tax
18 Expenditure Fund (TEF) pursuant to Section 313 of this
19 Act:

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

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

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

5 “(4) Sections 29, 57, 74, 95(c) of Republic Act
6 No. 9593, entitled ‘An Act Declaring Tourism as Engine
7 of Investment, Employment, Growth and National
8 Development and Strengthening the Department of
9 Tourism or Tourism Act of 2009’;

10 “(5) Section 10 of Presidential Decree No. 538,
11 entitled ‘Creating and Establishing the PHIVIDEC
12 Industrial Authority and Making it a Subsidiary Agency
13 of the Philippine Veterans Investment Development
14 Corporation, Defining its Powers, Functions and
15 Responsibilities, and for Other Purposes’;

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

20 “(7) Section 14 of Republic Act No. 7354, entitled
21 ‘An Act Creating the Philippine Postal Corporation,
22 Defining its Powers, Functions and Responsibilities,
23 Providing for Regulation of the Industry and for Other
24 Purposes Connected Therewith’;

25 “(8) Sections 8 and 14 of Presidential Decree No.
26 269, entitled ‘Creating the National Electrification
27 Administration as a Corporation, Prescribing its Powers
28 and Activities, Appropriating the Necessary Funds
29 Therefore and Declaring a National Policy Objective for

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

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

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

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

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

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

Philippines, Revising Presidential Decree No. 505 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, Incorporated, Defining its Powers and Functions, Providing for its Sources of Funding and for Other Purposes’.”

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

“(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

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

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

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

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

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

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

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

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

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

13 “(4) Book I, Title I, Article 32; Title III, Article
14 39(A), (B), (C), (D), (E), (G), (I) and (J); Title IV, Article
15 40; Book III, Articles 59, 60, 61; Book IV, Article 69;
16 Book VI, Articles 77 and 78 of Executive Order No. 226,
17 series of 1987, entitled the ‘Omnibus Investments Code
18 of 1987’;

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

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

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

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

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

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

22 “(10) Section 4(e) and (f), insofar as tax exemption
23 and/or VAT zero-rating on domestic merchandise is
24 concerned, of Republic Act No. 7903, entitled ‘An Act
25 Creating a Special Economic Zone and Freeport in the
26 City of Zamboanga Creating for this Purpose the
27 Zamboanga City Special Economic Zone Authority,
28 Appropriating Funds Therefor, and for Other Purposes’;

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

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

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

19 “(14) Section 1 of Republic Act No. 9400,
20 amending Section 12(b) of Republic Act No. 7227,
21 insofar as tax exemption and VAT zero-rating of
22 domestic merchandise and capital equipment are
23 concerned, Section 12(c), Section 2 amending Section 15,
24 second, third and last paragraph of Republic Act No.
25 7227, Section 3, first and second paragraph; Sections 4
26 and 5 entitled ‘An Act Amending Republic Act No. 7227,
27 as Amended, Otherwise Known as the Bases Conversion
28 and Development Act of 1982, and for Other Purposes’;

1 “(15) Section 1 of Executive Order No. 619,
2 entitled ‘Creating and Designating Special
3 Economic Zones Pursuant to Republic Act No. 7916, as
4 Amended by Republic Act No. 8784, in Relation to
5 Republic Act No. 7227, as Amended by Republic Act No.
6 9400, Inside the Clark Freeport Zone’;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“(F) Memorandum Order No. 23, series of 1986, entitled ‘Expanding the Membership of the Fiscal Incentives Review Board’, is hereby repealed.”

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

“TITLE [XIV] XV

“FINAL PROVISIONS

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

SEC. 33. *Implementing Rules and Regulations.* – Within ninety (90) days from the effectivity of this Act, the Secretary of Finance and the Secretary of Trade and Industry shall, upon

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

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

Approved,

O