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SENATE

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S.B. No. 2411

(In substitution of HB 3295, taking into consideration SBNos. 513, 798, 1104, 1328,  
1332, and 1839)

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Prepared by the Committee with Senators Villar, Drilon, Recto, Flavio, Pangilinan, and  
Gordon as authors thereof.

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AN ACT  
HARMONIZING THE GRANT AND ADMINISTRATION OF FISCAL AND NON-  
FISCAL INCENTIVES, AND FOR OTHER PURPOSES

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

1 PRELIMINARY TITLE

2 TITLE AND DECLARATION OF POLICY

3 SECTION 1. *Title.* – This Act shall be known as “The Consolidated Investments  
4 and Incentives Code of the Philippines”.

5 SEC. 2. *Declaration of Investment Policies.* – The national economy shall be  
6 developed so as to enhance its competitiveness in the global economy and encourage  
7 investments that promote countrywide development, generate employment and foreign  
8 exchange. Accordingly, the following are declared policies of the State:

9 (1) The State shall pursue a market responsive investment regime and to that end  
10 shall ensure that the incentives shall promote substantial social and economic spillovers,  
11 equitable development across income classes and across provinces, are fiscally  
12 sustainable, financially and economically justifiable, and are consistent with international  
13 treaties. The State shall therefore provide the means for ascertaining that these objectives  
14 are being attained.

1 (2) The State shall grant the necessary incentives that encourage long-term and  
2 recurrent investment, are simple to administer, are time-bound and whose performance  
3 and outcomes are easily verifiable.

4 (3) The State shall devote resources to monitoring enterprises benefiting from  
5 incentives, and shall vigorously prosecute abuses. The State shall also closely monitor the  
6 level of tax expenditures arising from the provision of incentives and shall ensure that  
7 concerned government agencies are well-informed of these developments.

8 (4) In the granting of fiscal incentives, the State will make efforts to ascertain that  
9 the incentives are not redundant: that the investments they benefit require and are truly  
10 motivated by the incentives or that the incentives, as much as possible, are not given to  
11 investors who would have made the investments even in the absence of incentives.

12 (5) The State shall vigorously promote investments in basic infrastructure such as,  
13 but not limited to power, roads, airports, water ports and housing.

14 (6) The State recognizes that industrial peace is essential to attracting investments.

15 (7) The State shall undertake investment promotion activities.

## 16 TITLE I

### 17 DEFINITION OF TERMS

18 SEC. 3. *Definition of Terms.* – As used herein, the following shall mean:

19 (a) “PIPA” is the Philippine Investment Promotion Administration created under this Act.

20 (b) “Investment Promotion Agencies (IPAs)” shall include the Philippine Investment  
21 Promotion Administration (PIPA), Bases Conversion and Development Authority  
22 (BCDA), Subic Bay Metropolitan Authority (SBMA), Clark Development  
23 Corporation (CDC), John Hay Management Corporation (JHMC), Poro Point  
24 Management Corporation (PPMC), Bataan Technology Park Inc. (BTPI),  
25 Cagayan Economic Zone Authority (CEZA), Zamboanga City Special Economic  
26 Zone Authority (ZCSEZA), and PHIVIDEC Industrial Authority (PIA).

27 (c) “Registered enterprise” is any individual, partnership, corporation, Philippine branch  
28 of a foreign corporation or other entity incorporated and/or organized and existing  
29 under Philippine laws and registered with any of the IPAs, in accordance with this

1       Act: *Provided, however,* That the term “registered enterprise” shall not include  
2       commercial banks, savings and mortgage banks, rural banks, savings and loan  
3       associations, building and loan associations, developmental banks, trust  
4       companies, investment banks, finance companies, brokers and dealers in  
5       securities, consumers cooperatives and credit unions, and other business  
6       organizations whose principal purpose or principal source of income is to receive  
7       deposits, lend or borrow money, buy and sell or otherwise deal, trade or invest in  
8       common or preferred stocks, debentures, bonds or other marketable instruments  
9       generally recognized as securities, or discharge other similar intermediary, trust or  
10      fiduciary functions.

11     (d) “Gross income earned” is the gross sales or gross revenues derived by the registered  
12      enterprise from its registered business activity net of sales discounts, sales returns  
13      and allowances minus cost of sales or direct costs but before any deductions for  
14      administrative, marketing, selling, operating expenses or incidental losses during  
15      a given taxable year.

16     (e) “Export sales” is the sales values and/or revenues paid for in freely convertible  
17      foreign currency, determined from invoices, bills of lading, inward letters of  
18      credit, landing certificates, or other commercial documents, by a registered  
19      enterprise of its (1) products shipped out of the country and sold in the territory of  
20      another country or (2) services rendered to clients abroad such as but not limited  
21      to information technology (IT) activities, application and/or installation of  
22      technology and systems in the project sites, including but not limited to the fields  
23      of engineering and construction design and other similar activities which may be  
24      approved by the Board, excluding mere deployment of people or individual  
25      practice of profession abroad; or (3) logistics, repair and maintenance, and other  
26      similar services rendered to international airlines/shipping lines/military aircraft  
27      or seacraft even if rendered locally.

1 (f) "Tax refund" is any refund against taxes and/or duties equal to those actually paid by a  
2 registered export enterprise and to be released by PIPA as provided for under  
3 Section 17 of this Act.

4 (g) "Information Technology Activities" are activities which involve the use of any IT  
5 software and/or system for value addition, IT, being the collective term for  
6 various technologies involved in processing and transmitting information which  
7 include computing, multimedia, telecommunications, microelectronics and their  
8 interdependencies, including the convergence of various information-based,  
9 broadcast and mass media communication technologies.

10 (h) An "export enterprise" is a registered enterprise which is a manufacturer, processor  
11 or service provider and whose export sale of its products or services is at least  
12 seventy percent (70%) of its output.

13 (i) A "domestic enterprise" is a registered enterprise whose export sales is less than  
14 seventy percent (70%) of its output, and is located in the thirty (30) poorest  
15 provinces as determined by the Department of Finance (DOF): *Provided, That*  
16 such domestic enterprise has a minimum investment of Five hundred million  
17 pesos (P500,000,000) or can provide a minimum employment of two hundred  
18 (200) jobs: *Provided, further, That* existing enterprises already located in the  
19 thirty (30) poorest provinces as determined by the DOF before the effectivity of  
20 this Act and have satisfied the minimum investment of Five hundred million  
21 pesos (P500,000,000) or minimum employment of two hundred (200) jobs are  
22 qualified to register and avail of the incentives provided in this Act.

23 (j) "Capital Equipment" refers to machinery, spare parts, tools and dies, or those required  
24 for pollution abatement and control, cleaner production and water reduction.

25 (k) "Source documents" are input materials and documents reasonably needed by IT and  
26 IT-enabled industries such as, but not limited to, books, directories, magazines,  
27 newspapers, brochures, pamphlets, medical records/files, legal records/files,  
28 instruction materials, drawings/blueprints/outlines.

- 1 (l) "Processing" is converting raw materials into marketable form through physical,  
2 mechanical, chemical, electrical, biochemical, biological or other means, or by a  
3 special treatment or a series of actions, such as slaughtering, milling, pasteurizing,  
4 drying or desiccating, *quick freezing*, that results in a change in the nature or state  
5 of the products. Mere packing or packaging shall not constitute processing.
- 6 (m) "Industrial Estate (IE)" refers to a tract of land subdivided and developed according  
7 to a comprehensive plan under a unified continuous management and with  
8 provisions for basic infrastructure and utilities, with or without pre-built standard  
9 factory buildings and community facilities for the use of a community of  
10 industries.
- 11 (n) "Export Processing Zone (EPZ)" refers to a specialized industrial estate and  
12 predominantly oriented to export production.
- 13 (o) "Special Economic Zones (SEZ)" hereinafter referred to as ecozones, are selected  
14 areas with highly developed or which have the potential to be developed into  
15 agro-industrial, industrial, information technology, tourist/recreational centers.  
16 An ecozone may contain any or all of the following: *industrial estates (IEs)*,  
17 export processing zones (EPZs), IT parks and centers, and tourism estates.
- 18 (p) "Tourism Estate" is a tract of land with defined boundaries, suitable for  
19 development into an integrated resort complex, with prescribed carrying  
20 capacities, of tourist facilities and activities, such as, but not limited to, sport and  
21 recreation centers, accommodations, convention and cultural facilities, food and  
22 beverage outlets, commercial establishments and other special interest and  
23 attraction activities/establishments, and provided with roads, water supply  
24 facilities, power distribution facilities, drainage and sewage systems, and other  
25 necessary infrastructures and facilities. A tourism estate shall be under unified  
26 and continuous management, and can either be a component of an ecozone or the  
27 whole ecozone itself.
- 28 (q) "Freeport" is an isolated and policed area adjacent to a port of entry as defined by  
29 Section 3519 of the Tariff and Customs Code, which shall be operated and

1 managed as a separate customs territory to ensure free flow or movement of  
2 goods, except those expressly prohibited by law, within, into and exported out in  
3 the freeport zone where imported goods may be unloaded for immediate  
4 transshipment or stored, repacked, sorted, mixed, or otherwise manipulated  
5 without being subject to import duties. However, movement of these imported  
6 goods from the free-trade area to a non-free-trade area in the country shall be  
7 subject to import duties and taxes.

## 8 TITLE II

### 9 CREATION OF THE PHILIPPINE INVESTMENT PROMOTION

#### 10 ADMINISTRATION (PIPA)

##### 11 SEC. 4. *Creation of The Philippine Investment Promotion Administration (PIPA)*

12 The Board of Investments (BOI) created under Executive Order No. 226, Series of 1987,  
13 as amended, and the Philippine Economic Zone Authority (PEZA) created under  
14 Republic Act No. 7916, as amended, are hereby merged, renamed, and reorganized as the  
15 Philippine Investment Promotion Administration (PIPA), attached to the Department of  
16 Trade and Industry (DTI), and which shall implement the provisions of this Act except as  
17 otherwise provided herein. The unexpended appropriations, assets and properties of BOI  
18 and the assets and properties of PEZA are hereby transferred to PIPA.

19 The personnel of PEZA and BOI shall be absorbed by PIPA or DTI. For this  
20 purpose, the Board shall determine the personnel to be absorbed by PIPA. Those who  
21 will not be absorbed due to either the inability to meet the qualification standards and  
22 selection criteria or the non-existence of a suitable position in PIPA or DTI shall be  
23 deemed separated from the service: *Provided*, That those who will not be absorbed by  
24 PIPA or DTI, including those who will opt to retire from government service shall be  
25 entitled to all gratuities and benefits under existing laws.

26 Existing Conventions or Agreements for the Avoidance of Double Taxation and the  
27 Prevention of Fiscal Evasion with Respect to Taxes on Income (income tax treaties) that  
28 grant reduced income tax rates on dividends, interests and royalties paid by BOI-  
29 registered enterprises to foreign persons shall, after the merger of BOI and PEZA by

1 virtue of this Act, continue to grant the reduced rates to foreign persons until the  
2 expiration of the enterprises' registration certificates with BOI and after such enterprises  
3 registered with PIPA.

4       SEC. 5. *General Powers and Functions of the Administration.* - PIPA shall have  
5 the following powers and functions:

- 6       1. To establish, operate, administer, manage and develop the ecozones and freeports  
7       according to the principles and provisions set forth in this Act;
- 8       2. To register, regulate and supervise the enterprises in the ecozones and freeports in  
9       an efficient and *decentralized manner*;
- 10      3. To register, regulate and supervise qualified enterprises outside the ecozones and  
11      freeports;
- 12      4. To coordinate with local government units and exercise general supervision over  
13      the development, plans, activities and operations of ecozones, industrial estates,  
14      export processing zones, free trade zones, and the like;
- 15      5. To regulate and undertake the establishment, operation and maintenance of  
16      utilities, other services and infrastructure in the ecozones, such as heat, light and  
17      power, water supply, telecommunications, transport, toll roads and bridges, port  
18      services, and others, and to fix just, reasonable and competitive rates, charges,  
19      and fees therefor: *Provided*, That the appropriate government regulatory agencies  
20      shall regulate the operation, maintenance and services of utilities such as heat,  
21      light, power, water supply, telecommunications, transport, toll roads and bridges,  
22      port services, and others based inside the ecozones insofar as such services are  
23      rendered outside the ecozones.
- 24      6. To construct, acquire, own, lease, operate and maintain on its own or through  
25      contract, franchise, license, bulk purchase from the private sector and build-  
26      operate-transfer scheme or joint venture, adequate facilities and infrastructure,  
27      such as light and power systems, water supply and distribution systems,  
28      telecommunication and transportation, buildings, structures, warehouses, roads,  
29      bridges, ports and other facilities for the operation and development of the

1        ecozones and freeports, in coordination with the local government units  
2        concerned and appropriate agencies,;

3        7. To create, operate and/or contract to operate such agencies and functional units or  
4        offices and or subsidiaries of PIPA on its own or jointly with any private  
5        individual or entity as it may deem necessary and provide funds therefor;

6        8. To adopt, alter and use a corporate seal; make contracts, lease, own or otherwise  
7        dispose of personal and real property; sue and be sued; and otherwise carry out its  
8        duties and functions as provided for in this Act;

9        9. To coordinate the formulation and preparation of the development plans of the  
10        qualified enterprises;

11        10. To formulate and implement industrial development plans and programs;

12        11. To formulate and coordinate investments promotion activities;

13        12. To establish an investments one-stop-action-center;

14        13. To formulate positions and strategies on bilateral, regional or multilateral  
15        investments agreements or arrangements;

16        14. To coordinate with the National Economic and Development Authority,  
17        Department of Trade and Industry, Department of Science and Technology, and  
18        the local government units and appropriate government agencies for policy and  
19        program formulation and implementation; and

20        15. To monitor and evaluate the development and requirements of registered  
21        enterprises and recommend to the local government units or other appropriate  
22        authorities the location, incentives, basic services, utilities and infrastructure  
23        required or to be made available for said enterprises.

24        *SEC. 6. The Board.* – PIPA shall be governed by a Board created under this Act,  
25        hereinafter referred to as the “Board”.

26        *SEC. 7. Composition of the Board.* - The Board shall be composed of thirteen  
27        (13) members as follows: the Secretary of the Department of Trade and Industry (DTI)  
28        as Chairman; the Director-General of PIPA as Vice-Chairman; an undersecretary of the  
29        Department of Finance (DOF), Department of Labor and Employment (DOLE),



1 Department of Environment and Natural Resources (DENR), Department of Public  
2 Works and Highways (DPWH), Department of Science and Technology (DOST), and  
3 Department of Energy (DOE); the Deputy Director-General of the National Economic  
4 and Development Authority (NEDA); the Commissioner of Bureau of Internal Revenue  
5 (BIR); the Commissioner of Bureau of Customs (BOC); one (1) representative from the  
6 labor sector; and one (1) representative from the investors/business sector. The  
7 representatives from the labor and investors/business sectors shall be appointed by the  
8 President from the nominees of their respective sectors and from among the enterprises  
9 registered with PIPA. In case of the unavailability of the Secretary of DTI to attend a  
10 particular Board meeting, the Director-General of PIPA shall act as chairman.

11         SEC. 8. *Powers and Duties of the Board.* – The Board shall be responsible for the  
12 regulation and promotion of investments. It shall meet as often as necessary. Notice of  
13 regular and special meetings shall be given to all members of the Board. The presence of  
14 seven (7) members of the Board shall constitute a quorum and the affirmative vote of  
15 seven (7) members of the Board in a meeting validly held shall be necessary to exercise  
16 its powers and perform its duties, which shall include but not be limited to the following:

- 17         (1) Set the general policies on the establishment and operations of the ecozones,  
18             industrial estates, export processing zones, free trade zones, and the like;
- 19         (2) Promulgate rules and regulations to implement the purposes of this Act and such  
20             other laws as the Board is mandated to implement;
- 21         (3) Formulate investment promotion policies under a ‘one country approach’;
- 22         (4) Approve, deny, suspend, revoke applications for registration with the Board,  
23             imposing terms and conditions as it may deem necessary to promote the purposes  
24             of this Act, including the refund and forfeiture of incentives when appropriate,  
25             restricting availment of incentives not needed by the project as determined by the  
26             Board, requiring performance bonds from PIPA-accredited bonding companies,  
27             and payment of application, registration, publication and other fees when  
28             warranted;

- 1 (5) Decide controversies arising from the implementation of this Act that may arise,  
2 within thirty (30) days after the controversy has been submitted for decision:  
3 *Provided*, That the investor or the registered enterprise may appeal the decision  
4 for registration by the Board within thirty (30) days from receipt thereof to the  
5 President. The Board shall have the power to subpoena witnesses, administer  
6 oaths, and compel the production of books, papers, and other evidence, and to cite  
7 for contempt any person/organization that fails to comply with the aforesaid  
8 processes: *Provided, further*, That the Board may grant immunity from  
9 prosecution to any person whose testimony or documents or other evidence is  
10 necessary or relevant to the case;
- 11 (6) Cancel the registration or suspend the incentives of a registered enterprise and/or  
12 require refund of incentives as well as interests and monetary penalties. The  
13 Board shall recommend to the appropriate bureau of DOF to levy properties of the  
14 registered enterprise for grave failure to comply with the substantive terms and  
15 conditions of registration: *Provided*, That the registration of an enterprise whose  
16 project timetable for implementation, as approved by the Board, shall be  
17 considered automatically cancelled if it is delayed by one year, unless otherwise  
18 reinstated as a registered enterprise by the Board;
- 19 (7) Determine the organizational structure of PIPA taking into account Section 12 of  
20 this Act; appoint, discipline or remove its personnel consistent with the provisions  
21 of civil service laws, rules and regulations;
- 22 (8) Monitor and coordinate investment promotion activities of all IPAs;
- 23 (9) Formulate position for bilateral, regional or multilateral investments and  
24 investment-related trade agreements and/or arrangements;
- 25 (10) Formulate industrial programs on economic development including those  
26 relating to the implementation of international trade, investments and trade, and  
27 investment-related environmental agreements and protocols;

1 (11) Formulate industry and sectoral development programs, the National Plan for  
2 Investment Promotions (NPIP) and gather and compile data required for the  
3 effective implementation of this act;

4 (12) Recommend to the President, subject to constitutional limitations and other  
5 nationalization laws, the suspension of the nationality requirement provided for in  
6 this Act in cases involving bilateral or regional investments or trading agreements  
7 of the Philippines with other countries or when the existing laws of another  
8 country where the investor comes from provides no nationality restrictions for  
9 Filipino investors or provides for reciprocal nationality accommodations;

10 (13) Establish offices in the Philippines and abroad, as needed;

11 (14) Within four (4) months after the close of the fiscal year, submit an annual report  
12 to the President and Congress on the Board's administration of this Act, including  
13 recommendations on investment policies;

14 (15) Formulate policies that will stimulate investments in the *most poverty-stricken*  
15 areas of the country, and reduce regional and social inequality;

16 (16) Enter into agreements with other agencies for the simplification of systems and  
17 procedures involved in the promotion of investments, operation of economic  
18 zones and registered enterprises, and other activities necessary for the effective  
19 implementation of this Act; and

20 (17) In general, exercise all powers necessary or incidental to attain the purposes of  
21 this Act and other laws vesting additional functions on the Board.

22 SEC. 9. *Powers and Duties of the Chairman.* – The Chairman shall have the  
23 following powers and duties:

24 (1) Preside over the meetings of the Board;

25 (2) Sign annual and special reports to the President and Congress;

26 (3) Act as *liaison* between investors seeking joint venture arrangements;

27 (4) Recommend to the Board policies and measures necessary to carry out the  
28 objectives of this Act; and

1 (5) Generally exercise other powers and perform other duties as may be directed by  
2 the Board.

3 SEC. 10. *The Director-General.* – PIPA shall have a Director-General with the  
4 rank of a department undersecretary who shall be appointed by the President. The  
5 Director-General shall be at least forty (40) years of age, of proven probity and integrity,  
6 and a degree holder in any of the following fields: economics, business, public  
7 administration, law, management or their equivalent, and with at least ten (10) years of  
8 relevant working experience preferably in the field of management or public  
9 administration.

10 The Director-General shall be assisted by six (6) Deputy Directors-General each for  
11 policy and planning, administration, operations, investment promotion, industry  
12 development, and Investments One-Stop-Action-Center (OSAC), who shall be appointed  
13 by the Board, upon the recommendation of the Director-General. The Deputy Directors-  
14 General shall be at least thirty-five (35) years old, with proven probity and integrity, and  
15 a degree holder in any of the following fields: economics, business, public  
16 administration, law, management or their equivalent.

17 SEC. 11. *Powers and Duties of the Director-General* – The Director-General  
18 shall have the following powers and duties:

- 19 (1) Execute all acts of administration;
- 20 (2) Prepare and recommend to the Board the staffing pattern and personnel  
21 complement of PIPA and establish regional offices, when necessary, subject to  
22 the approval of the Board.
- 23 (3) Prepare the agenda for the meetings of the Board and submit for its consideration  
24 and approval the policies and measures which the Chairman deems necessary and  
25 proper to carry out the provisions of this Act;
- 26 (4) Preside over the meetings of the Board in the absence of the Chairman;
- 27 (5) Assist registered enterprises and prospective investors to expedite processing of  
28 papers required by all government offices, agencies, instrumentalities and

1 financial institutions; and in addition he shall have the following specific powers  
2 and responsibilities:

3 (A) To safeguard all the lands, buildings, records, monies, credits and  
4 other properties and rights of the ecozones under their jurisdictions;

5 (B) To ensure that all revenues of the ecozones are collected and applied  
6 in accordance with its budget;

7 (C) To ensure that the investors/firms and employees of the ecozones are  
8 properly discharging their respective duties;

9 (D) To give such information and recommend such measures to the Board,  
10 as he shall deem advantageous to the ecozone;

11 (E) To submit to the Board the ongoing and proposed projects, work and  
12 financial program, annual budget of receipts, and expenditures of the ecozones;

13 (F) To represent the administration in all its business matters and sign on  
14 its behalf after approval of the Board, all its bonds, borrowings, contracts,  
15 agreements and obligations made in accordance with this Act;

16 (G) To acquire jurisdiction, as he may deem proper, over the protests,  
17 complaints, and claims of the residents and enterprises in the ecozone concerning  
18 administrative matters;

19 (H) To recommend to the Board the grant, approval, refusal, amendment  
20 or termination of franchises, licenses, permits, contracts, and agreements within  
21 the ecozones in accordance with the policies set by the Board;

22 (I) To require owners of houses, buildings or other structures constructed  
23 without the necessary permit whether constructed on public or private lands, to  
24 remove or demolish such houses, buildings, structures within sixty (60) days after  
25 notice and upon failure of such owner to remove or demolish such houses,  
26 building or structure within said period. The Director-General or his authorized  
27 representative may summarily cause their removal or demolition at the expense of  
28 the owner, any existing law, decree, executive order and other issuances or part  
29 thereof to the contrary notwithstanding;

1 (J) To take such emergency measures as may be necessary to avoid fires,  
2 floods, and mitigate the effects of storms and other natural or public calamities;

3 (K) To prepare and make out plans for the physical and economic  
4 development of the economic zone, including zoning and land subdivision, and  
5 issue such rules and regulations which shall be submitted to the Board for its  
6 approval; and

7 (L) To perform such other duties and exercise such powers as may be  
8 prescribed by the Board, and to implement policies, rules and regulations set by  
9 the Board.

10 SEC. 12. *Appointment of Personnel.* – The Board shall provide for an  
11 organization of officers and employees of PIPA, and upon recommendation of the  
12 Director-General, appoint and fix the remunerations and other emoluments: *Provided,*  
13 That the Board shall have exclusive and final authority to promote, transfer, assign or  
14 reassign officers and other personnel subject to civil service laws, rules and regulations.

15 All positions in PIPA shall be governed by a compensation and position  
16 classification system and qualification standards approved by the Board based on a  
17 comprehensive job analysis and audit of actual duties and responsibilities. The  
18 compensation plan shall be comparable with the prevailing compensation plans in the  
19 SBMA, CDC, BCDA and the private sector, and shall be subject to periodic review by  
20 the Board no more than once every two (2) years without prejudice to yearly merit  
21 reviews or increases based on productivity and profitability. PIPA shall therefore be  
22 exempt from existing laws, rules and regulations on compensation and position  
23 classification standards. It shall endeavor to make its system conform as closely as  
24 possible with the principles under Republic Act No. 6758, otherwise known as the Salary  
25 Standardization Law.

### 26 TITLE III

#### 27 INCENTIVES TO REGISTERED ENTERPRISES

28 SEC. 13. *Qualified Enterprises.* – The following may register with PIPA to avail  
29 of the incentives provided in this Act:

1 (a) export enterprises; or

2 (b) domestic enterprises

3 SEC. 14. *Incentives to Registered Export Enterprises.* – PIPA shall make the  
4 following incentives available to registered export enterprises:

5 (a) Reduced Tax Rates. - Imposition of a preferential tax rate of fifteen percent (15%) of  
6 taxable income as defined under Section 31 of the National Internal Revenue  
7 Code of 1997, as amended.

8 (b) Net Operating Loss Carryover (NOLCO) – The net operating loss of the registered  
9 export enterprise during the first five (5) years from start of commercial operation  
10 which had not been previously offset as deduction from gross income shall be  
11 carried over as a deduction from gross income for the next ten (10) years  
12 immediately following the year of such loss: *Provided,* That after the availment  
13 of NOLCO of registered export enterprises under this provision, the pertinent  
14 provisions under the National Internal Revenue Code of 1997, as amended, shall  
15 apply.

16 (c) Accelerated Depreciation. – Accelerated depreciation of plant, machinery, and  
17 equipment that are reasonably needed and actually used for the production and  
18 transport of goods and services may be depreciated using a rate not exceeding  
19 twice the rate which would have been used had the annual allowance been  
20 computed in accordance with the rules and regulations prescribed by the Secretary  
21 of Finance and the provisions of the National Internal Revenue Code of 1997, as  
22 amended.

23 (d) Capital Equipment Incentives. – Importations of capital equipment, including  
24 consignment thereof by registered export enterprises upon the effectivity of this  
25 Act, shall be exempt from customs duties: *Provided,* That the importation thereof,  
26 shall be used exclusively by the registered export enterprise in its registered  
27 activity. *If the capital equipment shall be used by the registered export enterprise*  
28 *other than for its registered activity, the availment of incentives under this*  
29 *paragraph shall be subject to the rules and regulations to be promulgated by PIPA:*

1           *Provided, further,* That for export enterprises, value-added tax paid on imported  
2           capital equipment shall be refunded upon proof of exportation of their products  
3           under the mechanism and guidelines provided in Section 17 of this Act.

4           (e) Raw Material Incentives. – Every registered export enterprise shall be entitled to duty-  
5           free importation of raw materials which are used in the manufacture, processing  
6           as defined in Section 3 of this Act, or production of its export products: *Provided,*  
7           That value-added tax shall be refunded upon presentation of proof of exportation  
8           of their products under the mechanism provided in Section 17 of this Act.

9           (f) Duty-free importation of source documents by IT registered export enterprises.

10          (g) Exemption from Wharfage Dues. – The provisions of law to the contrary  
11          notwithstanding, exports by a registered export enterprise shall be exempted from  
12          wharfage dues.

13          (h) Registered export enterprises shall have an option between the preferential tax rate of  
14          fifteen percent (15%) as provided in Section 14 (a) of this Act, or the five percent  
15          (5%) of the gross income earned in lieu of all national and local taxes, except  
16          value-added tax (VAT) and real property tax on land. Once a registered export  
17          enterprise has made an option provided in this paragraph, such option shall be  
18          irrevocable for the duration of its registration.

19                 The five percent (5%) of the gross income earned by registered export  
20          enterprises shall be paid and remitted as follows:

- 21                 1. Sixty percent (60%) to the National Government; and
- 22                 2. Forty percent (40%) to the treasurer's office of the municipality or city where  
23                 the enterprise is located.

24          (i) Employment of Foreign Nationals. – Subject to the provisions of Section 29 of  
25          Commonwealth Act No. 613, as amended, a registered export enterprise may  
26          employ foreign nationals in supervisory, technical or advisory positions for a  
27          period not exceeding five (5) years from its registration, extendible for limited  
28          periods at the discretion of the Board: *Provided, however,* That when the  
29          majority of the capital stock of a registered enterprise is owned by foreign



1 investors, the positions of president, treasurer and general manager of their  
2 equivalents may be retained by foreign nationals beyond the period set forth  
3 within.

4 Foreign nationals under employment contract within the purview of this  
5 incentive, their spouses and unmarried children under twenty-one (21) years of  
6 age, who are not excluded by Section 29 of Commonwealth Act No. 613, as  
7 amended, shall be permitted to enter and reside in the Philippines during the  
8 period of employment of such foreign nationals.

9 A registered export enterprise shall train Filipinos as understudies of  
10 foreign nationals in administrative, supervisory and technical skills and shall  
11 submit annual reports on such training to the Board: *Provided, That employment*  
12 *of foreign nationals hired by registered export enterprises in a supervisory,*  
13 *technical or advisory capacity shall not exceed five percent (5%) of its workforce*  
14 *without the express authorization of the Secretary of DOLE.*

15 *SEC. 15. Incentives to Registered Domestic Enterprises.*

16 (a) *Reduced Tax Rates.* - Imposition of a preferential tax rate of fifteen percent (15%) of  
17 taxable income as defined under Section 31 of the National Internal Revenue  
18 Code of 1997, as amended.

19 (b) *Net Operating Loss Carryover (NOLCO)* - The net operating loss of the registered  
20 domestic enterprise during the first five (5) years from start of commercial  
21 operation which had not been previously offset as deduction from gross income  
22 shall be carried over as a deduction from gross income for the next five (5) years  
23 immediately following the year of such loss: *Provided, That after the availment*  
24 *of NOLCO of registered domestic enterprises under this provision, the pertinent*  
25 *provisions under the National Internal Revenue Code of 1997, as amended, shall*  
26 *apply.*

27 (c) *Accelerated Depreciation.* - Accelerated depreciation of plant, machinery, and  
28 equipment that are reasonably needed and actually used for the production and  
29 transport of goods and services may be depreciated using a rate not exceeding

1 twice the rate which would have been used had the annual allowance been  
2 computed in accordance with the rules and regulations prescribed by the Secretary  
3 of Finance and the provisions of the National Internal Revenue Code of 1997, as  
4 amended.

5 Except as otherwise provided in Sections 14 and 15 of this Act, no other fiscal  
6 incentives shall be granted by PIPA. PIPA shall equip itself with sufficient personnel to  
7 ensure that: (1) investments acquiring incentives under this Act abide by the strict  
8 investment location or employment conditions stipulated in Section 3(i) of this Act; and  
9 (2) violators will be meted appropriate penalties.

10 SEC. 16. *Incentives to Investors.*

11 (a) A foreign national who invests an amount of at least US\$150,000 either in  
12 cash and/or equipment, in a registered enterprise shall be entitled to an Investor's Visa:  
13 *Provided, That:*

- 14 (1) He is at least eighteen (18) years of age;  
15 (2) He has not been convicted of a crime involving moral turpitude;  
16 (3) He is not afflicted with any loathsome, dangerous or contagious disease;  
17 (4) He has not been institutionalized for any mental disorder or disability;

18 *Provided, further,* That as a holder of the Investor's Visa, an alien shall be entitled  
19 to reside in the Philippines while his investment subsists. For this purpose, he should  
20 submit an annual report, in the form duly prescribed by the Board for the purpose, to  
21 prove that he has maintained his investment in the country. Should said alien withdraw  
22 his investments from the Philippines, then the Investor's Visa issued to him shall  
23 automatically expire.

24 (b) Foreign persons receiving dividends, interests and royalties from BOI-  
25 registered enterprises subject to reduced income tax rates under existing income tax  
26 treaties, shall after the merger of BOI and PEZA by this Act, be entitled to the reduced  
27 rates until the expiration of the enterprises' registration certificates with the BOI and after  
28 such enterprises registered with PIPA: *Provided, That* a favorable ruling is secured from  
29 the BIR for this purpose.

1           SEC. 17. *Refund of Value Added Tax (VAT) Paid on Importation of Goods.* - In  
2 order to facilitate the immediate processing, clearance and release of VAT refunds as  
3 provided in this Act, a *Trust Liability Account (TLA)* is hereby authorized to be  
4 established in the Bureau of Treasury (BTr). All VAT payments on the importation of  
5 registered export enterprises of capital equipment and raw materials shall be deposited in  
6 the TLA for the purpose of funding valid VAT refund claims. The claims for VAT  
7 refunds shall be made by the registered export enterprise to PIPA which, in turn, will  
8 process, approve and release the VAT refund.

9           The VAT paid on imported capital equipment may be refunded provided that the  
10 capital equipment is being used by the registered export enterprise pursuant to its  
11 registered activity.

12           The amount of VAT refund on a particular shipment of raw materials shall be  
13 equivalent to the proportion of raw materials used in the production of the exported goods  
14 to the total raw materials imported multiplied by the amount of VAT paid on such  
15 importation. No claim for refund shall be allowed on VAT paid on raw materials which  
16 are not or no longer intended to be used in the registered export activity.

17           A registered export enterprise shall file a claim for VAT refund within two (2)  
18 years after the payment was made. All amounts paid but no longer allowed for refund  
19 shall immediately accrue to the general fund of the National Government.

20           All applications for VAT refund shall be processed and acted upon within thirty  
21 (30) days after submission of complete documents. The refund shall be in a form of cash  
22 or managers/cashiers check payable to the registered export enterprise.

23           In cases of dispute under the VAT refund mechanism provided in this section, the  
24 pertinent provisions of the National Internal Revenue Code of 1997, as amended, shall  
25 apply.

26           The Implementing Rules and Regulations for this Section shall be formulated by  
27 PIPA DOF, BIR, BOC, BTr and the Department of Budget and Management (DBM),  
28 subject to the approval of the Board.

1 TITLE IV

2 REGISTRATION OF ENTERPRISES

3 SEC. 18. *Qualifications of a Registered Enterprise.* – Other than the qualifications  
4 specified under Section 3(h) and (i) of this Act, an applicant must also satisfy the  
5 following conditions to be registered and avail of the incentives provided in this Act:

6 (a) He is a citizen of the Philippines, in case the applicant is a natural person, or in case of  
7 a corporation or partnership or any other association, regardless of nationality,  
8 organized and/or registered and existing under Philippine laws or Philippine  
9 branch of a foreign corporation and it must comply with all the qualifications  
10 provided under this Act: *Provided, however,* That for purposes of this Act and any  
11 law to the contrary notwithstanding, a natural-born ASEAN citizen or a  
12 corporation effectively controlled by ASEAN citizens shall be considered as a  
13 Philippine investor; *Provided, further,* That the investment is made in an activity  
14 where the Constitution does not specifically require Filipino participation;

15 (b) That the activity it will engage in is not within the activities reserved by the  
16 Constitution to Philippine citizens or corporations owned and controlled by  
17 Philippine citizens; and

18 (c) That if the applicant is engaged or proposes to engage in undertakings or activities  
19 other than the registered activities, it shall install an accounting system adequate  
20 to identify the investments, revenues, costs, and profits or losses of each  
21 registered activity undertaken by the enterprise separately from the aggregate  
22 investment, revenues, costs and profits or losses of the whole enterprise, or to  
23 establish a separate corporation for each registered activity if PIPA should so  
24 require to facilitate proper implementation of this Act.

25 (d) That if the applicant is already registered in any other IPAs, such registration shall  
26 *ipso facto* be cancelled upon registration with PIPA.

27 SEC. 19. *Application.* – Applications shall be filed with PIPA and recorded in a  
28 registration book. The date appearing therein and stamped on the application shall be  
29 considered the date of official acceptance. In the event that an enterprise shall transfer to

1 another IPA or government assets enjoying incentives will be privatized, only the  
2 remaining unutilized incentives shall be enjoyed by the enterprise or the transferee,  
3 vendee or assignee of the government corporation. All applications and their supporting  
4 documents filed under this Act shall be confidential and shall not be disclosed to any  
5 person except with the consent of the applicant or upon an order of a court of competent  
6 jurisdiction.

7       SEC. 20. *Criteria Evaluation of Application.* – The following criteria will be  
8 considered in the evaluation of applications for registration:

- 9       (a) Impact of the activity on the overall economy and fiscal sustainability;  
10       (b) Overall viability of the activity;  
11       (c) Extent to which investment incentives are redundant;  
12       (d) The extent of employment and skills and foreign exchange generation;  
13       (e) The extent to which technological advances are applied and adapted to local  
14       conditions;  
15       (f) Extent to which the output of the applicant supports national export objectives;  
16       (g) Extent to which incentives contribute to the reduction of poverty and  
17       inequality; and  
18       (h) The extent to which incentives promote investments that help improve the  
19       quality of the environment.

20       SEC. 21. *Approval and Registration Procedures.* – The Board shall adopt rules  
21 and regulations to facilitate action on applications filed with it; prescribe other criteria it  
22 may deem necessary for the evaluation of applications; devise standard forms for the use  
23 of applicants and delegate to the regional offices of the PIPA the authority to receive and  
24 process applications for enterprises to be located in their respective regions. Applications  
25 filed shall be considered automatically approved if not acted upon by the Board within  
26 fifteen (15) working days from official acceptance thereof. Deferment by the Board shall  
27 be considered as an official action: *Provided, however,* That the Board may defer action  
28 on a specific application not more than twice and: *Provided, finally,* That the Board shall

1 act upon the application within ten (10) working days from compliance with the cause of  
2 the last deferment.

3 TITLE V

4 BASIC RIGHTS AND GUARANTEES OF REGISTERED ENTERPRISES

5 SEC. 22. *Protection of Investments.* – All investors and registered enterprises are  
6 entitled to the basic rights and guarantees provided in the Constitution. Among other  
7 rights recognized by the Government of the Philippines are the following:

8 (a) *Repatriation of Investments.* – In the case of foreign investments, the right to  
9 repatriate the entire proceeds of the liquidation of the investment in the currency in which  
10 the investment was originally made and at the exchange rate prevailing at the time of  
11 repatriation, subject to the provisions of Section 74 of Republic Act No. 265, as amended.  
12 For investments made pursuant to Executive Order No. 32, series of 1986 and its  
13 implementing rules and regulations, remittability shall be as provided therein;

14 (b) *Remittance of Earnings.* – In the case of foreign investments, the right to remit  
15 earnings from the investment in the currency in which the investment was originally  
16 made and at the exchange rate prevailing at the time of remittance, subject to the  
17 provisions of Section 74 of Republic Act No. 265, as amended;

18 (c) *Foreign Loans and Contracts.* – The right to remit at the exchange rate  
19 prevailing at the time of remittance such sums as may be necessary to meet the payments  
20 of interest and principal on foreign loans and foreign obligations arising from  
21 technological assistance contracts, subject to the provisions of Section 74 of Republic Act  
22 No. 265, as amended;

23 (d) *Freedom from Expropriation.* – There shall be no expropriation by the  
24 government of the property represented by investments or of the property of the  
25 enterprise except for public use or in the interest of national welfare or defense and upon  
26 payment of just compensation. In such cases, foreign investors or enterprises shall have  
27 the right to remit sums received as compensation for the expropriated property in the  
28 currency in which the investment was originally made and at the exchange rate at the

1 time of remittance, subject to the provisions of Section 74 of Republic Act No. 265, as  
2 amended; and

3 (e) Requisition of Investment. – There shall be no requisition of the property  
4 represented by the investment or of the property of enterprises, except in the event of war  
5 or national emergency and only for the duration thereof. Just compensation shall be  
6 determined and paid either at the time of requisition or immediately after cessation of the  
7 state of war or national emergency. Payments received as compensation for the  
8 requisitioned property may be remitted in the currency in which the investment was  
9 originally made and at the exchange rate prevailing at the time of remittance, subject to  
10 the provisions of Section 74 of Republic Act No. 265, as amended.

## 11 TITLE VI

### 12 ADMINISTRATION OF INCENTIVES

13 SEC. 23. *Certificate of Registration.* – A PIPA-registered enterprise shall be  
14 issued a certificate of registration under the seal of PIPA and the signature of its  
15 Director-General and/or such other officer or employee of PIPA as the Board may  
16 designate and empower for the purpose. The certificate shall be in such form and style as  
17 the Board may determine.

18 SEC. 24. *Validity of Registration.* – The certificate of registration issued under  
19 this Act shall be valid for a period of twenty (20) years from the start of commercial  
20 operation.

21 SEC. 25. *Extension of Period of Availment.* – The availment period of the  
22 incentives provided herein may be extended by PIPA, in the event that the registered  
23 enterprise has suffered operational *force majeure* that has impaired its viability,  
24 equivalent for the period thereto.

25 SEC. 26. *Duties and Responsibilities of Other IPAs.* – The following are the  
26 duties and responsibilities of the other IPAs under this Act:

27 (a) Adopt uniform and consistent procedures of administering incentives,  
28 monitoring the recipients and to coordinate efforts in this regard;

1 (b) Adopt and implement systems and procedures affecting trade and customs  
2 policies in accordance with the requirements established by the DOF;

3 (c) Submit data and information to PIPA and DOF as required by any of these  
4 agencies to ascertain consistency of investments policies and incentives, including their  
5 implementation as provided in paragraph (a), and to ensure the proper implementation of  
6 systems and procedures affecting trade and customs policies as provided in paragraph (b);  
7 and

8 (d) Perform all other duties and responsibilities as may be required by the  
9 President.

10 *SEC. 27. Administration, Implementation and Monitoring of Incentives.* – The  
11 IPAs shall be responsible for the administration and implementation of the incentives  
12 granted to their respective registered enterprises. The IPAs shall submit to PIPA and DOF  
13 their respective annual tax expenditures based on the computed costs in terms of revenue  
14 foregone on the tax incentives granted to their registered enterprises. For proper  
15 monitoring, PIPA shall create a single database of all incentives provided by all IPAs and  
16 all information thereto. Double entry accounting shall be done in recording all incentives  
17 granted by the government for transparency purposes. The DTI, DOF, NEDA and IPAs  
18 shall meet regularly to monitor and review the investments and incentives granted and  
19 submit an annual report to the President and Congress.

20 *SEC. 28. Payment in Philippine Peso or Foreign Currencies.* – PIPA may receive  
21 Philippine peso or freely convertible foreign currencies as payment of application fees,  
22 fines and penalties.

## 23 TITLE VII

### 24 SPECIAL ECONOMIC ZONES (ECOZONES)

25 *SEC. 29. Establishment of Ecozones.* – The metes and bounds of each ecozone  
26 are to be delineated and more particularly described in a proclamation to be issued by the  
27 President of the Philippines, upon the recommendation of the Board in coordination with  
28 municipal and/or city council, the National Land Use Coordinating Committee and/or the  
29 Regional Land Use Committee.



1 The ecozones shall be developed through any of the following schemes:

- 2 1) Private initiative;
- 3 2) Local government initiative with the assistance of the national  
4 government; and
- 5 3) National Government initiative.

6 Areas to be established as ecozones shall be subject to the evaluation and  
7 recommendation of the Board, based on a detailed feasibility and engineering study  
8 which must conform with the following criteria:

9 (a) The proposed area must be identified as a regional growth center in the  
10 Medium-Term Philippine Development Plan (MTPDP) or by the Regional Development  
11 Council;

12 (b) The existence of required infrastructure in the proposed ecozone, such as  
13 roads, railways, telephones, ports, airports, etc., and the suitability and capacity of the  
14 proposed site to absorb such improvements;

15 (c) The availability of water source and electric power supply for use of the  
16 ecozone;

17 (d) the extent of vacant lands available for industrial and commercial  
18 development and future expansion of the ecozone as well as of lands adjacent to the  
19 ecozone available for development of residential areas for the ecozone employees;

20 (e) The availability of skilled, semi-skilled and non-skilled trainable labor  
21 force in and around the ecozone;

22 (f) The area must have a significant incremental advantage over the existing  
23 economic zones and its potential profitability can be established;

24 (g) The area must be strategically located; and

25 (h) The area must be situated where controls can easily be established to  
26 curtail smuggling activities.

27 Other areas which do not meet the foregoing criteria may be established as  
28 ecozones: *Provided*, That the said area shall be developed only through local government  
29 and/or private sector initiative, and without any financial exposure on the part of the

1 National Government: *Provided, further,* That the area can be easily secured to curtail  
2 smuggling activities: *Provided, finally,* That after five (5) years, the area must have  
3 attained a substantial degree of development, the indicators of which shall be formulated  
4 by PIPA.

5 SEC. 30. *Ecozone to be a Decentralized Agro-Industrial, Industrial,*  
6 *Commercial/Trading, Tourist, Investment and Financial Community.* - Within the  
7 framework of the constitution, the interest of national sovereignty and territorial integrity  
8 of the Republic, the ecozone shall be developed, as much as possible, into a  
9 decentralized, self-reliant and self-sustaining industrial, commercial/trading, agro-  
10 industrial, tourist center with minimum government intervention. Each ecozone shall be  
11 provided with transportation, telecommunications, and other facilities needed to generate  
12 linkage with industries and employment opportunities for its own inhabitants and those of  
13 nearby towns and cities.

14 SEC. 31. *Defense and Security.* - The defense of the ecozone and the security  
15 of its perimeter shall be the responsibility of the National Government in coordination  
16 with PIPA. Military forces sent by the National Government for the purpose of defense  
17 shall not interfere in the internal affairs in any of the ecozone and expenditure for these  
18 military forces shall be borne by the National Government. The PIPA may provide and  
19 establish the ecozones' internal security and firefighting forces.

20 SEC. 32. *Relationship of PIPA to Privately-Owned Industrial Estates.* -  
21 Privately-owned industrial estates shall retain their autonomy and independence and shall  
22 be monitored by PIPA for the implementation of incentives.

23 SEC. 33. *Administration of the National Building Code Inside the Ecozones.*

24 The administration and enforcement of the provisions of PD No. 1096, the  
25 National Building Code of the Philippines (NBCP) in all ecozones and areas owned and  
26 administered by PIPA shall be vested in the Director-General or his duly authorized  
27 representative. He shall appoint such qualified personnel as may be necessary to act as  
28 building official who shall be charged with the duty of issuing building permits in the

1 different zones. All fees and dues collected by the building official under the NBCP shall  
2 accrue to PIPA.

3 TITLE VIII

4 FINAL PROVISIONS

5 SEC. 34. *Protection of the Environment.* – PIPA, in coordination with the  
6 appropriate agencies, shall take concrete and appropriate steps to enact the proper  
7 measures for the protection of the environment, and shall coordinate with the  
8 Environmental Management Bureau of DENR to avoid undue delay in the issuance of the  
9 required Environmental Compliance Certificate (ECC): *Provided, however,* That  
10 applications for environmental clearances, permits, and/or licenses of registered  
11 enterprises shall be acted upon by the appropriate government agency within one hundred  
12 twenty (120) days from date of official acceptance. In the event that the appropriate  
13 government agency failed to act within the aforementioned date, the application for the  
14 said environmental requirement shall be deemed complied with for purposes of operation  
15 of the registered enterprise: *Provided, finally,* That the Board may withdraw the  
16 certificate of registration issued to the enterprise should the appropriate government  
17 agency eventually deny the application.

18 SEC. 35. *Suspension and Forfeiture of Incentives of Registered Enterprises,*  
19 *Refund and Penalties.* – When there is probable cause to believe that the registered  
20 enterprise has violated its registration terms and conditions, the Board may suspend its  
21 availment of incentives after due notice and hearing. The Board may impose fines and  
22 penalties and/or forfeit the incentives granted to the registered enterprise whenever there  
23 are violations of the registration terms and conditions by the latter, without prejudice to  
24 the cancellation of the registration of said enterprise: *Provided, however,* That the Board  
25 may cancel or abate only the imposition of fines. In case of cancellation of the certificate  
26 of registration granted under this Act, the Board may, in appropriate cases, require the  
27 refund of incentives availed of and impose corresponding fines and penalties.

28 Any enterprise which violates any provision of this Act, its implementing rules  
29 and regulations, the terms and conditions of its registration or any lawful directive of the

1 Board, or in the availment of incentives, including all official reports required to be  
2 submitted to the Board, shall be subject to a fine not to exceed One million pesos  
3 (P1,000,000) but without prejudice to the cancellation of its registration: *Provided, That*  
4 any willful commission of fraudulent misrepresentation in its application for registration  
5 or submission of reports or gross violation of this Act and its implementing rules and  
6 regulations, a fine of at least One million pesos (P1,000,000) but not to exceed Ten  
7 million pesos (P10,000,000) shall be imposed, in addition to other penalties that may be  
8 imposed by the Board.

9 The Board shall prepare a schedule of fines and penalties to be imposed on erring  
10 registered enterprises depending on the violation incurred, which may be reduced in  
11 exceptional cases. Responsible officers of such enterprises, including duly appointed  
12 external consultants-agents who knowingly commit, aid or abet the commission of any of  
13 the acts mentioned above, shall be subject to a fine of not less than One hundred thousand  
14 pesos (P100,000) but not more than Three hundred thousand pesos (P300,000).  
15 Government officers and employees who participate directly or indirectly in the  
16 commission of the foregoing acts shall likewise be liable to a fine of not less than One  
17 hundred thousand pesos (P100,000) but not more than Three hundred thousand pesos  
18 (P300,000), in addition to any criminal and administrative penalties imposable under the  
19 Civil Service Law, Revised Penal Code, Republic Act No. 3019 (Anti-Graft And Corrupt  
20 Practices Act), Republic Act No. 6713 (Code Of Conduct And Ethical Standards For  
21 Public Officials) and other applicable laws. *If the offender is a foreign national, the*  
22 *foregoing acts shall be grounds for his summary deportation in addition to the imposable*  
23 *fines and penalties above.*

24 SEC. 36. *Implementing Rules and Regulations (IRR)*: – The DTI, PIPA, DOF,  
25 NEDA, BIR and BOC shall promulgate the implementing rules and regulations (IRR)  
26 within two (2) months from the effectivity of this Act.

27 SEC. 37. *Transitory Provisions.* – The incentives already granted to enterprises  
28 registered with BOI, PEZA, other IPAs and under existing investment laws shall continue  
29 to be legally binding in accordance with the terms and conditions stated in their

1 respective registration certificates. Existing enterprises registered with BOI, PEZA and  
2 other IPAs may opt to register with PIPA and be governed by the provisions of this Act  
3 prior to the expiration of their existing contracts. For activities or entities, whether  
4 government or private, whose tax and/or duty exemptions or preferential treatment under  
5 special laws are withdrawn or repealed by this Act, the pertinent provisions of the  
6 National Internal Revenue Code of 1997, as amended; the Tariff and Customs Code, as  
7 amended; and the Local Government Code of 1991, shall apply.

8 In addition, dividends, interests and royalties subject to reduced income tax rates  
9 under existing income tax treaties paid by BOI-registered enterprises to foreign persons  
10 shall, after the merger of BOI and PEZA by virtue of this Act, be subject to the reduced  
11 rates until the expiration of the enterprises' registration certificates with the BOI and after  
12 such enterprises registered with PIPA: *Provided*, That a favorable ruling is secured from  
13 the BIR for this purpose.

14 *SEC. 38. Revenue Gains or Savings from the Rationalization of Fiscal Incentives.*

15 Revenue gains or savings from the implementation of this Act shall be utilized  
16 exclusively for the following purposes: fifty percent (50%) for infrastructure and fifty  
17 percent (50%) for education purposes.

18 Such allocations shall be segregated as separate trust funds by the National  
19 Treasury and shall be over and above the annual appropriations for similar purposes.

20 *SEC. 39. Separability Clause.* – If any provision of this Act is declared invalid  
21 and unconstitutional, the other provisions which are not affected thereby shall remain in  
22 force and effect.

23 *SEC. 40. Repealing Clauses.* – The following laws or provisions of laws are  
24 hereby repealed:

- 25 (1) Executive Order No. 226, series of 1987 - "The Omnibus Investments Code of 1987";  
26 (2) Republic Act No. 7888 – "An Act to Amend Article 7(13) of Executive Order No.  
27 226, otherwise known as the Omnibus Investment Code of 1987;  
28 (3) Republic Act No. 7916, otherwise known as the "Special Economic Zone Act of  
29 1995";

- 1 (4) Republic Act No. 8748, otherwise known as “An Act Amending Republic Act No.  
2 7916”;
- 3 (5) Presidential Decree No. 66 - “Creating the Export Processing Zone Authority and  
4 Revising Republic Act No. 5490”;
- 5 (6) Presidential Decree No. 529 - “Granting to Petroleum Exploration Concessionaires  
6 under the Petroleum Act of 1949 Exemption from Customs Duty and Compensating  
7 Tax on Importations of Machinery and Equipment, Spare Parts and Materials  
8 Required for their Exploration Operations”;
- 9 (7) Section 8(d) of Republic Act No. 5487, entitled “An Act to Regulate the Organization  
10 and Operation of Private Detective, Watchmen or Security Guard Agencies (The  
11 Private Security Agency Law)”;
- 12 (8) Subparagraph (a)(2) and last sentence of subparagraph (b) of Section 8 and Section 14  
13 of Presidential Decree No. 269, entitled “Creating the National Electrification  
14 Administration as a Corporation, Prescribing its Powers and Activities, Appropriating  
15 the Necessary Funds Therefore and Declaring a National Policy Objective for the  
16 Total Electrification of the Philippines on an Area Coverage Service Basis, the  
17 Organization, Promotion and Development of Electric Cooperatives to Attain the  
18 Said Objective, Prescribing Terms and Conditions for Their Operations, The Repeal  
19 of Republic Act No. 6038, and for Other Purposes;
- 20 (9) Sections 8, 9 and 10 of Presidential Decree No. 538, entitled “Creating and  
21 Establishing the PHIVIDEC Industrial Authority and Making its Subsidiary Agency  
22 of the Philippine Veterans Investment Development Corporation Defining Its Powers,  
23 Functions and Responsibilities and for Other Purposes”;
- 24 (10) Section 36(f) of Presidential Decree No. 705, otherwise known as the “Revised  
25 Forestry Code”;
- 26 (11) Section 25 of Presidential Decree No. 857, entitled “Providing for the  
27 Reorganization of Port Administration and Operation Functions in the Philippines,  
28 Revising Presidential Decree No. 505 Dated July 11, 1974, Creating the Philippine  
29 Port Authority, by Substitution, and for Other Purposes”;

- 1 (12) Section 16 (a), (b), and (c), and Section 17 (a), (b), (c), (d) and (e) of Presidential  
2 Decree No. 972, as amended, entitled "Promulgating an Act to Promote an  
3 Accelerated Exploration, Development, Exploitation, Production and Utilization of  
4 Coal";
- 5 (13) *First sentence of the second paragraph of Section 10 of Presidential Decree No. 972,*  
6 *as amended by Presidential Decree No. 1174, entitled "Amending PD No. 972,*  
7 *Otherwise Known as the Coal Development Act of 1976";*
- 8 (14) Sections 2 and 3 of Presidential Decree No. 1362, entitled "Allowing Radio  
9 Broadcasting and Television Stations to Import Radio or Television Equipment,  
10 Spare Parts and Allied Technical and Program Materials to be Used Exclusively in  
11 their Broadcast Operations Subject to Certain Conditions";
- 12 (15) Section 4 of Presidential Decree No. 1442, entitled "An Act to Promote the  
13 Exploration and Development of Geothermal Resources";
- 14 (16) Sections 18, 19, 20 and 21 of Republic Act No. 6847, entitled "An Act Creating and  
15 Establishing the Philippine Sports Commission, Defining its Powers, Functions and  
16 Responsibilities Appropriating Funds Therefor, and for Other Purposes";
- 17 (17) Section 10 (1), (2), (3), (4), (5), and (6) of Republic Act No. 7156, entitled "An Act  
18 Granting Incentives to Mini-Hydro Electric Power Developers and For Other  
19 Purposes";
- 20 (18) Title 9, Section 21 of Republic Act No. 7306, entitled "An Act Providing for the  
21 Establishment of the People's Television Network, Inc., Defining Its Powers and  
22 Functions, Providing for Its Sources of Funding and For Other Purposes";
- 23 (19) Section 14 of Republic Act No. 7354, entitled "An Act Creating the Philippine  
24 Postal Corporation, Defining Its Powers, Functions and Responsibilities, Providing  
25 for Regulation";
- 26 (20) Last sentence of Section 17 of Republic Act No. 7820, entitled "An Act Creating the  
27 Partido Development Administration, Defining Its Powers and Functions, Providing  
28 Funds Therefor, and for Other Purposes";

- 1 (21) Section 16 (a), (b), (c), (d), (e) and Section 17 of Republic Act No. 7844, otherwise  
2 known as the “Export Development Act of 1994”;
- 3 (22) Sections 83, 90, 91, 92 and 93 of Republic Act No. 7942, otherwise known as the  
4 “Philippine Mining Act of 1995”;
- 5 (23) Section 18 of Republic Act No. 8044, entitled “An Act Creating the National Youth  
6 Commission, Establishing a National Comprehensive and Youth Development,  
7 Appropriating Funds Therefor, and for Other Purposes”;
- 8 (24) Section 8 of Republic Act No. 8436, entitled “An Act Authorizing the Commission  
9 on Elections to Use an Automated Election System in the May 11, 1998 National or  
10 Local Elections and in Subsequent National or Local Electoral Exercises, Providing  
11 Funds Therefor and for Other Purposes”;
- 12 (25) Section 9 of Republic Act No. 8479, otherwise known as the “Downstream Oil  
13 Deregulation Act of 1998”;
- 14 (26) Section 3 a), b), c), d), and h) of Republic Act No. 8502, entitled “An Act to  
15 Promote the Development of the Jewelry Manufacturing Industry, Providing  
16 Incentives Therefor and For Other Purposes”;
- 17 (27) Section 35 (b), (c) and (d) of Republic Act No. 8550, otherwise known as the  
18 “Philippine Fisheries Code of 1998”;
- 19 (28) Section 26 (A.1, A.1.1, A.1.2) of Republic Act No. 9275, entitled “The Philippine  
20 Clean Water Act of 2004”;
- 21 (29) Section 1 of Republic Act No. 9281, entitled “An Act to Strengthen Agriculture and  
22 Fisheries Modernization in the Philippines by Extending the Effectivity of Tax  
23 Incentives and its Mandated Funding Support, Amending for this Purpose Sections  
24 109 and 112 of Republic Act No. 8435”;
- 25 (30) Section 3 of Republic Act No. 9290, entitled “An Act Promoting the Development  
26 of the Footwear, Leather Goods and Tannery Industries, Providing Incentives  
27 Therefor and for Other Purposes”
- 28 (31) Section 5 of Executive Order No. 80, Series of 1993 – “Authorizing the  
29 Establishment of the Clark Development Corporation as the Implementing Arm of the



1 Bases Conversion and Development Authority for the Clark Special Economic Zone,  
2 and Directing All Heads of Departments, Bureaus, Offices, Agencies and  
3 Instrumentalities of Government to Support the Program”;

4 (32) Section 5 of Proclamation 216, Series of 1993 – “Creating the Poro Point Special  
5 Economic Zone Pursuant to Republic Act No. 7227”;

6 (33) Section 3 of Proclamation No. 420, Series of 1994 - “Creating and Designating a  
7 Portion of the Area Covered by the Former Camp John Hay Special Economic Zone  
8 Pursuant to Republic Act No. 7227”;

9 (34) Section 6 of Proclamation 984, Series of 1997 – “Creating the Morong Special  
10 Economic Zone Pursuant to Republic Act No. 7227”;

11 (35) Executive Order No. 313, series of 2004, as amended by Executive Order 528,  
12 Series of 2006 - “Modifying the Rates of Duty on Capital Equipment, Spare Parts and  
13 Accessories Imported by BOI-Registered New and Expanding Enterprises”; and

14 (36) Section 7 of Republic Act No 9282, entitled “An Act Expanding the Jurisdiction of  
15 the Court of Tax Appeals (CTA), Elevating Its Rank to the Level of A Collegiate  
16 Court With Special Jurisdiction and Enlarging Its Membership, Amending for the  
17 Purpose Certain Sections of Republic Act No. 1125, as amended, Otherwise Known  
18 as the Law Creating the Court of Tax Appeals, and for Other Purposes” is modified  
19 accordingly to include in its jurisdiction cases involving the decisions or actions of  
20 PIPA in its VAT refund mechanism;

21 All other laws, acts, decrees, orders and issuances or provisions thereof  
22 inconsistent with any of the provisions of this Act are hereby repealed or modified  
23 accordingly.

24 SEC. 41. *Effectivity.* – This Act shall take effect fifteen (15) days following its  
25 publication in a newspaper of general circulation in the Philippines.

*Approved,*