Submitted by the Committees on Ways and Means and Appropriations on 4157

RE: House Bill No. 4157

Recommending its approval in substitution of House Bills Numbered 176, 313, 1042, 1909, 2084, 2554, 2704, 2956, 3356, and 3846

SPONSORS: Representatives Joey Sarte Salceda, Isidro T. Ungab, Estrellita B. Suansing, and Sharon S. Garin

Mr. Speaker:

The Committees on Ways and Means and Appropriations to which were referred House Bill No. 176, introduced by Reps. Horacio P. Suansing, Jr. and Estrellita B. Suansing, entitled:


House Bill No. 313, introduced by Rep. Joey Sarte Salceda, entitled:

House Bill No. 1042, introduced by Rep. Kristine Singson-Mechan, entitled:


House Bill No. 1909, introduced by Rep. Luis Raymund “LRay” F. Villafruerte, Jr., entitled:


House Bill No. 2084, introduced by Rep. Junie E. Cua, entitled:


House Bill No. 2554, introduced by Rep. Sharon S. Garin, entitled:


House Bill No. 2704, introduced by Rep. Aurelio “Dong” D. Gonzales Jr., entitled:

House Bill No. 2956, introduced by Rep. Michael Odylon L. Romero, entitled:


House Bill No. 3356, introduced by Rep. Ann K. Hofer, entitled:


House Bill No. 3846, introduced by Rep. Rufus B. Rodriguez, entitled:


has considered the same and recommends that the attached House Bill No. 4157, entitled:


Respectfully submitted,

REP. ISIDRO T. UNGAB
Chairperson
Committee on Appropriations

REP. JOEY-SARTE SALCEDA
Chairperson
Committee on Ways & Means

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY
EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

HOUSE OF REPRESENTATIVES

House Bill No. 4157
(in substitution of House Bills Numbered 176, 313, 1042, 1909, 2084, 2554, 2704, 2956, 3356, and 3846)

NOEL L. VILLANUEVA, FRANCISCO JOSE II 'BINGO' F. MATUGAS, WAY KURAT
ZAMORA, RODOLFO B. ALBANO, ABDULLAH D. DIMAPORO, JESUS CRISPIN C.
REMULLA, ROMEO S. MOMO SR., DATU ROONIE Q. SINSUAT SR., MA. VICTORIA
V. UMALI, RAMON V. GUICO III, JOCELYN P. TULFO, ERICO ARISTOTLE C.
AUMENTADO, FAUSTINO 'INNO' A. DY V, JUAN PABLO "RIMPY" P. BONDOC,
MANUEL F. ZUBIRI, YASSER ALONTO BALINDONG, NARCISO R. BRAVO JR.,
LUISA LLOREN CUARESMA, ROMMEL RICO T. ANGARA, GODOFREDO N. GUYA,
JOHNNY TY PIMENTEL, FRANCISCO 'KIKO' B. BENITEZ, EMMARIE "LOLYPOP"
M. OUANO-DIZON, SANDRO L. GONZALEZ, JOCELYN SY LIMKAICHONG,
MANUEL T. SAGARBARRIA, DAVID 'JAY-JAY' C. SUAREZ, DIEGO C. TY, PAUL
RUZ DAZA, RUWEL PETER S. GONZAGA, MARICEL G. NATIVIDAD-NAGAÑO,
PABLO C. ORTEGA, ROSANNA 'RIA' VERGARA, LUIS N. CAMPOS JR., MANUEL
JOSE "MANNIX" M. DALIPE, JOHN REYNALD M. TIANGCO, HENRY S. OAMINAL,
WILTER 'SHARKY' WEE PALMA II, ROLANDO 'KLALEX' A. UY, 'KUYA' JOSE
ANTONIO R. SY-ALVARADO, GREG G. GASATAYA, ALFRED D. VARGAS, ALFRED
C. DELOS SANTOS, AND RODANTE D. MARCOLETA

AN ACT
AMENDING SECTIONS 4, 5, 20, 22, 27, 28, 34, 40, 50, 73, 112, 117, 204, 222,
ADDING NEW SECTIONS 6-A, 282-A, 293, 294, 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 the House of Representatives of the Philippines in
Congress assembled:

1 SECTION 1. Short Title. – This Act shall be known as the "Corporate Income Tax and
2 Incentives Rationalization Act" or "CITIRA."
3 SEC. 2. Section 4 of the National Internal Revenue Code of 1997, as amended, is hereby
4 further amended to read as follows:

5 "SEC. 4. Power of the Commissioner to Interpret Tax Laws and to Decide
6 Tax Cases. – The power to interpret the provisions of the Code and other tax laws
7 shall be under the exclusive and original jurisdiction of the Commissioner, subject
8 to review by the Secretary of Finance: PROVIDED, THAT THE POWER TO
9 INTERPRET THE PROVISIONS OF TITLE XIII OF THIS CODE SHALL
10 BE THE EXCLUSIVE AND ORIGINAL JURISDICTION OF THE
11 SECRETARY OF FINANCE.
12 "The power to decide disputed assessments, refunds of internal revenue taxes,
13 fees or other charges, penalties imposed in relation thereto, or other matters arising
under this Code or other laws or portions thereof administered by the Bureau of
Internal Revenue is vested in the Commissioner, subject to the exclusive appellate
jurisdiction of the Court of Tax Appeals."

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

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

(A) x x x

(B) x x x

(C) x x x

(D) x x x; [and]

(E) x x x[ ]; AND

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

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

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

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

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

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

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

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

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

(A) x x x

(B) SUBMISSION OF TAX-RELATED INFORMATION TO THE
DEPARTMENT OF FINANCE. – THE PROVISIONS OF SECTION 71,
NOTWITHSTANDING, THE COMMISSIONER SHALL, UPON THE
REQUEST OF THE SECRETARY OF FINANCE SPECIFICALLY
IDENTIFYING THE NEEDED INFORMATION AND JUSTIFICATION
FOR SUCH REQUEST, FURNISH THE SECRETARY PERTINENT
TAXPAYER INFORMATION: PROVIDED, HOWEVER, THAT THE
SECRETARY AND THE RELEVANT OFFICERS HANDLING SUCH
SPECIFIC INFORMATION SHALL BE COVERED BY THE PROVISIONS
OF SECTION 270.
"[B] [C] Report to Oversight Committee. – The Commissioner shall, with
reference to Section 204 of this Code, submit to the Oversight Committee referred
to in Section 290 hereof, through the [Chairmen] CHAIRPERSONS of the
Committee on Ways and Means of the Senate and House of Representatives, a
report on the exercise of his powers pursuant to the said Section, every six (6)
months of each calendar year."

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

"SEC. 22. Definitions. – x x x

"(A) x x x

"(B) x x x

"(C) x x x

"(D) x x x

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

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

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

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

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

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

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

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

(A) In General. – Except as otherwise provided in this Code, [an income tax of thirty-five percent (35%) ] AN INCOME TAX RATE OF THIRTY PERCENT (30%), is hereby imposed upon the taxable income derived during each taxable year from all sources within and without the Philippines by every corporation, as defined in Section 22(B) of this Code and taxable under this Title as a corporation, organized in, or existing under the laws of the Philippines: [Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).] PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX SHALL BE TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY-SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY-FOUR PERCENT (24%) BEGINNING JANUARY 1, 2025; TWENTY-TWO PERCENT (22%) BEGINNING JANUARY 1, 2027; AND TWENTY PERCENT (20%) BEGINNING JANUARY 1, 2029: PROVIDED, FURTHER, THAT THE PRESIDENT MAY ADVANCE THE SCHEDULED REDUCTION IN THE CORPORATE INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED FROM THE RATIONALIZATION OF FISCAL INCENTIVES UNDER TITLE XIII OF THIS CODE, AS CERTIFIED BY THE SECRETARY OF FINANCE.

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

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

[Provided, further, That the President, upon the recommendation of the Secretary of Finance, may, effective January 1, 2000, allow corporations the option to be taxed at fifteen percent (15%) of gross income as defined herein, after the following conditions have been satisfied:
“(1) A tax effort ratio of twenty percent (20%) of Gross National Product (GNP);

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

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

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

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

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

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

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

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

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

“(B) Proprietary Educational Institutions and Hospitals. –

“x x x.”

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

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

“(D) x x x
“(E) x x x.”

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

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

8
BEGINNING JANUARY 1, 2027; AND TWENTY PERCENT (20%)
BEGINNING JANUARY 1, 2029: PROVIDED, FURTHER, THAT THE
PRESIDENT MAY ADVANCE THE SCHEDULED REDUCTION IN THE
CORPORATE INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE
REALIZED FROM THE RATIONALIZATION OF FISCAL INCENTIVES
UNDER TITLE XIII OF THIS CODE, AS CERTIFIED BY THE
SECRETARY OF FINANCE.

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

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

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

"(2) x x x

"(3) x x x

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

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

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

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

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

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

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

"(a) Interest from Deposits and Yield or any other Monetary Benefit from Deposit Substitutes, Trust Funds and Similar Arrangements and Royalties. – Interest from any currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements and royalties derived from sources within the Philippines shall be subject to a final income tax at the rate of twenty percent (20%) of such interest: Provided, however, That interest income derived by a resident foreign corporation from a depository bank under the expanded foreign currency deposit system shall be subject to a final income tax at the rate of [seven and one-half percent (7½%)] 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 the gross income
received during each taxable year from all sources within the Philippines, such as
interests, dividends, rents, royalties, salaries, premiums (except reinsurance
 premiums), annuities, emoluments or other fixed or determinable annual, periodic
or casual gains, profits and income, and capital gains, except capital gains subject
to tax under subparagraph 5(c): [Provided, That effective January 1, 2009, the
rate of income tax shall be thirty percent (30%).]: PROVIDED, THAT THE
RATE OF CORPORATE INCOME TAX SHALL BE TWENTY-EIGHT
PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY-SIX
PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY-FOUR
PERCENT (24%) BEGINNING JANUARY 1, 2025; TWENTY-TWO
PERCENT (22%) BEGINNING JANUARY 1, 2027; AND TWENTY
PERCENT (20%) BEGINNING JANUARY 1, 2029: PROVIDED, FURTHER,
THAT THE PRESIDENT MAY ADVANCE THE SCHEDULED
REDUCTION IN THE CORPORATE INCOME TAX RATE WHEN
ADEQUATE SAVINGS ARE REALIZED FROM THE
RATIONALIZATION OF FISCAL INCENTIVES UNDER TITLE XIII 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 employer-employee relationship where no deductions shall be allowed under this Section, in computing taxable income subject to income tax under Sections 24(A); 25(A); 26; 27(A), (B), and (C); and 28(A)(1), there shall be allowed the following deductions from gross income:

“(A) Expenses. –

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

“x x x

“(B) Interest. –

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

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

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

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

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

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

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

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

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

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

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

“(A) x x x

“(B) x x x

“(C) Exchange of Property. –

“(1) x x x

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

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

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

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

“(D) A RECAPITALIZATION; OR
“(E) A REINCORPORATION.

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

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

“The provision of Section 50 of this Code shall be
applied and enforced in cases where the transaction or
arrangement entered into is found to be not for a
legitimate or bona fide business purpose.

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

“x x x.”

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

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

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

"FOR PURPOSES OF THIS SECTION, THE TERM ‘TAX
AVOIDANCE’ INCLUDES: (A) DIRECTLY OR INDIRECTLY
ALTERING THE INCIDENCE OF ANY INCOME TAX; (B) DIRECTLY
OR INDIRECTLY EXEMPTING A PERSON FROM LIABILITY TO PAY
INCOME TAX OR FROM A POTENTIAL OR PROSPECTIVE LIABILITY
TO FUTURE INCOME TAX; OR (C) DIRECTLY OR INDIRECTLY
AVOIDING, POSTPONING, OR REDUCING ANY LIABILITY TO
INCOME TAX, OR ANY POTENTIAL OR PROSPECTIVE LIABILITY
TO FUTURE INCOME TAX. THERE IS TAX AVOIDANCE IN THE
AFOREMENTIONED INSTANCES WHERE THE TRANSACTION OR
ARRANGEMENT IS FOR THE PURPOSE OF OBTAINING A TAX
BENEFIT OR ADVANTAGE WITH NO COMMERCIAL REALITY OR
ECONOMIC EFFECT AND THE USE OF THE PROVISIONS OF TAX
LAWS ON SUCH TRANSACTION OR ARRANGEMENT WOULD NOT
HAVE BEEN THE INTENTION OF THE LAW.”

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

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

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

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

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

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

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

SEC. 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 amended to read as follows:

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

   "x x x."

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

"SEC. 204. Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes. – The Commissioner may –
   "(A) Compromise the payment of any internal revenue tax, when:
   "(1) A reasonable doubt as to the validity of the claim against the taxpayer exists; or
   "(2) The financial position of the taxpayer demonstrates a clear inability to pay the assessed tax.
   "The compromise settlement of any tax liability shall be subject to the following minimum amounts:
   "For cases of financial incapacity, a minimum compromise rate equivalent to ten percent (10%) of the basic assessed tax; and
   "For other cases, a minimum compromise rate equivalent to forty percent (40%) of the basic assessed tax.
   "Where the basic tax involved exceeds [One] TEN million pesos [(P1,000,000)] (P10,000,000) or where the settlement offered is less than the prescribed minimum rates, the compromise shall be subject to the approval of the Evaluation Board which shall be composed of the Commissioner and the four (4) Deputy Commissioners."
SEC. 16. Section 222 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

"(a) x x x

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

"x x x."

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

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

"(A) Issuance. -- x x x

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

"A PUBLIC CERTIFICATION SYSTEM SHALL REFER TO A DIGITAL PERSONAL AUTHENTICATION PROGRAM WITH ABILITY TO VERIFY THE IDENTITY OF ISSUING TAXPAYER AND ATTEST TO THE AUTHENTICITY OF THE INFORMATION IN THE ELECTRONIC RECEIPTS OR SALES OR COMMERCIAL INVOICES. THIS MAY INCLUDE THE USE OF DIGITAL SIGNATURE ISSUED BY CERTIFICATION AUTHORITY AS ACCREDITED BY THE BUREAU OF INTERNAL REVENUE.

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

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

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

"The Commissioner may, in meritorious cases, exempt any person subject to internal revenue tax from compliance with the provision of this Section."
SEC. 18. Section 237-A of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

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

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

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

“The Bureau may likewise establish a receipt and
Invoice lottery program for electronic receipts or
sales or commercial invoices transmitted through the
designated electronic channels of the Bureau and
issue a corresponding electronic tax transaction
number.

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

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

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

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

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

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

or general co-partnership liable for any of the acts or omissions penalized under
this Code, in addition to the penalties imposed herein upon the responsible
corporate officers, partners, or employees shall, upon conviction for each act or
omission, be punished by a fine of not less than [Fifty thousand pesos (P50,000)
but not more than One hundred thousand pesos (P100,000)] TWO HUNDRED
THOUSAND PESOS (P200,000) BUT NOT MORE THAN TWO MILLION
FOUR HUNDRED THOUSAND PESOS (P2,400,000)."

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

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

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

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

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

"(B) Any person who:

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

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

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

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

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

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

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

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

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

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

"SEC. 258. Unlawful Pursuit of Business. – Any person who carries on any
business for which an annual registration fee is imposed without paying the tax as
required by law shall, upon conviction for each act or omission, be punished by a
fine of not less than [Five thousand pesos (P5,000) but not more than Twenty
thousand pesos (P20,000)] FIFTY THOUSAND PESOS (P50,000) BUT NOT
MORE THAN THREE HUNDRED THOUSAND PESOS (P300,000) and [1
suffer ] imprisonment of not less than six (6) months but not more than two (2)
years: Provided, That in the case of a person engaged in the business of distilling,
rectifying, repacking, compounding or manufacturing any article subject to excise
tax, [he] shall, upon conviction for each act or omission, be punished by a fine of
not less than [Thirty thousand pesos (P30,000) but not more than Fifty thousand
pesos (P50,000)] THREE HUNDRED THOUSAND PESOS (P300,000) BUT
NOT MORE THAN SEVEN HUNDRED THOUSAND PESOS (P700,000)
and [suffer ] imprisonment of not less than two (2) years but not more than four
(4) years."

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

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

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

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

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

"(a) XXX

"(b) XXX

"(c) XXX

"(d) XXX

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

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

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

“XXX

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

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

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

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

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

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

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

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

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

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

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

“SEC. 282-A. VIOLATION OF THE PROVISIONS OF THIS CODE AMOUNTING TO ECONOMIC SABOTAGE. – ANY VIOLATION OF SECTION 254 OF THIS CODE THAT UNDERMINES, WEAKENS OR
RENDELS INTO DISREPUTE THE ECONOMIC SYSTEM OR
VIABILITY OF THE COUNTRY OR TENDS TO BRING OUT SUCH
EFFECTS, IN LIEU OF THE PENALTY SET IN THE PRECEDING
PROVISIONS, SHALL CONSTITUTE ECONOMIC SABOTAGE, AND,
UPON CONVICTION FOR EACH ACT OR OMISSION, BE PUNISHED
BY A FINE OF NOT LESS THAN FIFTY MILLION PESOS (P50,000,000)
AND IMPRISONMENT OF TWELVE (12) YEARS AND ONE (1) DAY BUT
NOT MORE THAN TWENTY (20) YEARS.”

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

“SEC. 290. Congressional Oversight Committee. –

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

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

“(1) x x x;
“(2) x x x;
“(3) x x x; [and]
“(4) x x x[ ];
“(5) REVIEW THE PERFORMANCE OF INVESTMENT
PROMOTION AGENCIES AND THE FISCAL INCENTIVES REVIEW
BOARD; AND
“(6) EVALUATE THE EFFECTIVENESS OF THE INCENTIVES
GRANTED TO REGISTERED ENTERPRISES AND THE
FORMULATION OF THE STRATEGIC INVESTMENT PRIORITY
PLAN.

“x x x.”

SEC. 30. A new Title XIII shall be inserted, to read as follows:

“TITLE XIII
TAX INCENTIVES
“CHAPTER I
“GENERAL PROVISIONS ON TAX INCENTIVES
"SEC 291. SCOPE AND COVERAGE. – THIS TITLE SHALL COVER
ALL EXISTING INVESTMENT PROMOTION AGENCIES (IPAS) AS
DEFINED IN THIS CODE OR RELATED LAWS, AND ALL OTHER IPAS
AND SIMILAR AUTHORITIES THAT MAY BE CREATED BY LAW.
"THE IPAS SHALL MAINTAIN THEIR FUNCTIONS AND POWERS
AS PROVIDED UNDER THE SPECIAL LAWS GOVERNING THEM
EXCEPT ON THE EXTENT MODIFIED BY THE PROVISIONS OF THIS
CODE.
"SEC. 292. EXTENT OF AUTHORITY TO GRANT TAX INCENTIVES.
– ALL IPAS VESTED WITH THE POWER TO CONFER AND
ADMINISTER INCENTIVES SHALL GRANT TAX INCENTIVES
PROVIDED IN THIS TITLE TO REGISTERED ENTERPRISES ONLY TO
THE EXTENT OF THEIR APPROVED REGISTERED PROJECTS OR
ACTIVITIES UNDER THE STRATEGIC INVESTMENT PRIORITY
PLAN (SIPP). THE PERIOD OF AVAILMENT OF INCENTIVES SHALL
BE RECKONED FROM THE START OF COMMERCIAL OPERATION.
"SALES RECEIPTS AND OTHER INCOME DERIVED FROM NON-
REGISTERED ACTIVITY OR PROJECT SHALL BE SUBJECT TO
APPROPRIATE TAXES UNDER THIS CODE.
"UNLESS OTHERWISE PROVIDED IN THIS CODE, DIRECT
EXPORTS ARE SUBJECT TO VALUE-ADDED TAX (VAT) ZERO-
RATING AND DOMESTIC SALES ARE SUBJECT TO THE REGULAR
VALUE-ADDED TAX RATE.
"SEC. 293. DEFINITIONS. – WHEN USED IN THIS TITLE:
"(A) CAPITAL EQUIPMENT REFERS TO MACHINERY,
EQUIPMENT, MAJOR COMPONENTS THEREOF, FITTINGS AND
ACCOMPANIMENTS WHICH ARE DIRECTLY AND REASONABLY
NEEDED IN THE REGISTERED ACTIVITY OF THE REGISTERED
ENTERPRISE.
"(B) EXPORT SALES OF GOODS REFER TO THE SALES OF AN
EXPORT ENTERPRISE PAID FOR IN FREELY CONVERTIBLE
FOREIGN CURRENCY INWARDLY REMITTED TO THE PHILIPPINES,
FROM THE FOLLOWING:
“(1) THE SALE AND ACTUAL SHIPMENT OF GOODS FROM THE PHILIPPINES TO A FOREIGN COUNTRY BY AN EXPORT ENTERPRISE INCLUDING OUTSOURCE SERVICES USED TO PRODUCE FINAL EXPORT GOODS;

“(2) SALES TO DIPLOMATIC MISSIONS AND INSTITUTIONS COVERED BY INTERNATIONAL TREATY;

“(3) SALES OF AN EXPORT ENTERPRISE TO AN INTERNATIONAL SEA OR AIR TRANSPORT OPERATIONS OF GOODS, EQUIPMENT, SPARE PARTS, AND SUPPLIES, EXCEPT FUEL, FORMING PART OF DIRECT COSTS AND TO BE USED IN THE AIRCRAFT OR SEACRAFT, AND CAPITAL EQUIPMENT NEEDED FOR THE SHIPPING OR AIR TRANSPORT OPERATIONS.

“(C) EXPORT SALES OF SERVICES REFER TO THE SALES OF AN EXPORT ENTERPRISE, PAID FOR IN FREELY CONVERTIBLE FOREIGN CURRENCY INWARDLY REMITTED TO THE PHILIPPINES, FOR THE FOLLOWING:

“(1) SERVICES RENDERED TO NON-RESIDENT FOREIGN CLIENTS BY EXPORT ENTERPRISES;

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

“(3) SERVICES FOR THE OVERHAUL, REPAIR, AND MAINTENANCE OF INTERNATIONAL SHIPPING, OR AIR TRANSPORT OPERATIONS.

“(D) INVESTMENT PROMOTION AGENCIES (IPAS) REFER TO GOVERNMENT ENTITIES CREATED BY LAW, EXECUTIVE ORDER, DECREE OR OTHER ISSUANCE, IN CHARGE OF PROMOTING INVESTMENTS, ADMINISTERING TAX AND NON-TAX INCENTIVES, AND OVERSEEING THE OPERATIONS OF THE DIFFERENT ECONOMIC ZONES AND FREEPORTS IN ACCORDANCE WITH THEIR RESPECTIVE ChARTERS. THESE INCLUDE THE BOARD OF INVESTMENTS (BOI), REGIONAL BOARD OF INVESTMENTS AUTONOMOUS REGION IN MUSLIM MINDANAO (RBOI-ARMM), PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA), BASES CONVERSION AND DEVELOPMENT AUTHORITY (BCDA), SUBIC
BAY METROPOLITAN AUTHORITY (SBMA), CLARK DEVELOPMENT CORPORATION (CDC), JOHN HAY MANAGEMENT CORPORATION (JHMC), PORO POINT MANAGEMENT CORPORATION (PPMC), CAGAYAN ECONOMIC ZONE AUTHORITY (CEZA), ZAMBOANGA CITY SPECIAL ECONOMIC ZONE AUTHORITY (ZCSEZA), PHIVIDEC INDUSTRIAL AUTHORITY (PIA), AURORA PACIFIC ECONOMIC ZONE AND FREEPORT AUTHORITY (APECO), AUTHORITY OF THE FREEPORT AREA OF BATAAN (AFAB), TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY (TIEZA), AND ALL OTHER SIMILAR EXISTING AUTHORITIES OR THAT MAY BE CREATED BY LAW IN THE FUTURE.

"(E) REGISTERED ENTERPRISE REFERS TO ANY INDIVIDUAL, PARTNERSHIP, CORPORATION, PHILIPPINE BRANCH OF A FOREIGN CORPORATION, OR OTHER ENTITY ORGANIZED AND EXISTING UNDER PHILIPPINE LAWS AND REGISTERED WITH AN INVESTMENT PROMOTION AGENCY (IPA) AS DEFINED UNDER REPUBLIC ACT NO. 10708, OR THE TAX INCENTIVES MANAGEMENT AND TRANSPARENCY ACT (TMTA) LAW, EXCLUDING SERVICE ENTERPRISES SUCH AS THOSE ENGAGED IN CUSTOMS BROKERAGE, TRUCKING OR FORWARDING SERVICES, JANITORIAL SERVICES, SECURITY SERVICES, INSURANCE, BANKING, AND OTHER FINANCIAL SERVICES, CONSUMERS' COOPERATIVES, CREDIT UNIONS, CONSULTANCY SERVICES, RETAIL ENTERPRISES, RESTAURANTS, OR SUCH OTHER SIMILAR SERVICES, AS MAY BE DETERMINED BY THE IPA BOARD, IRRESPECTIVE OF LOCATION, WHETHER INSIDE OR OUTSIDE THE ZONES, DULY ACCREDITED OR LICENSED BY ANY OF THE IPAS AND WHOSE INCOME DELIVERED WITHIN THE ECONOMIC ZONES SHALL BE SUBJECT TO TAXES UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED.

“(F) SPECIAL ECONOMIC ZONE OR ECOZONE REFERS TO A SELECTED AREA, WHICH SHALL BE OPERATED AND MANAGED AS A SEPARATE CUSTOMS TERRITORY THAT IS HIGHLY DEVELOPED OR HAS THE POTENTIAL TO BE DEVELOPED INTO AN AGRO-
INDUSTRIAL, INDUSTRIAL, INFORMATION TECHNOLOGY, OR TOURIST/RECREATIONAL AREA, WHOSE METES AND BOUNDS ARE FIXED OR DELIMITED BY PRESIDENTIAL PROCLAMATIONS AND WITHIN A SPECIFIC GEOGRAPHICAL AREA: PROVIDED, THAT FOR THE ECOZONE TO QUALIFY AS A SEPARATE CUSTOMS TERRITORY, AN ECOZONE SHALL HAVE A PERMANENT CUSTOMS CONTROL OR CUSTOMS OFFICE AT ITS PERIMETER AND MAY CONTAIN ANY OR ALL OF THE FOLLOWING: INDUSTRIAL ESTATES (IES), EXPORT PROCESSING ZONES (EPZS), ICT PARKS AND CENTERS, AND FREE TRADE ZONES: PROVIDED, HOWEVER, THAT AREAS WHERE MINING EXTRACTION IS UNDERTAKEN SHALL NOT BE DECLARED AS AN ECOZONE: PROVIDED, FURTHER, THAT VERTICAL ECONOMIC ZONES, SUCH AS, BUT NOT LIMITED TO, BUILDINGS, SELECTED FLOORS WITHIN BUILDINGS, AND SELECTED AREAS ON A FLOOR, NEED TO COMPLY WITH THE MINIMUM CONTIGUOUS LAND AREA AS DETERMINED BY THE FISCAL INCENTIVES REVIEW BOARD (FIRB).

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

"CHAPTER II
"TAX AND DUTY INCENTIVES

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

"(A) INCOME TAX INCENTIVES


"(2) REDUCED CORPORATE INCOME TAX. – A REDUCED TAX RATE OF EIGHTEEN PERCENT (18%) OF THE TAXABLE INCOME AS DEFINED UNDER SECTION 31 OF THIS CODE EFFECTIVE JANUARY 1, 2020: PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX SHALL BE SEVENTEEN PERCENT (17%) BEGINNING JANUARY 1, 2021; SIXTEEN PERCENT (16%) BEGINNING JANUARY 1, 2023; FIFTEEN PERCENT (15%) BEGINNING JANUARY 1, 2025; FOURTEEN PERCENT (14%) BEGINNING JANUARY 1, 2027; AND THIRTEEN PERCENT (13%) BEGINNING JANUARY 1, 2029: PROVIDED, FURTHER, THAT IN THE CASE OF REGISTERED ENTERPRISES WITHIN ECONOMIC ZONES AND FREEPORTS, THE TAX SHALL BE DIRECTLY REMITTED AS FOLLOWS:

"FIFTEEN PERCENT (15%) TO THE NATIONAL GOVERNMENT IN 2020; FOURTEEN PERCENT (14%) TO THE NATIONAL GOVERNMENT IN 2021 AND 2022; THIRTEEN PERCENT (13%) TO THE NATIONAL GOVERNMENT IN 2023 AND 2024; TWELVE PERCENT (12%) TO THE NATIONAL GOVERNMENT IN 2025 AND 2026; ELEVEN PERCENT (11%) TO THE NATIONAL GOVERNMENT IN 2027 AND 2028; AND TEN PERCENT (10%) TO THE NATIONAL GOVERNMENT IN 2029 AND THEREAFTER;
"ONE POINT FIVE PERCENT (1.5%) TO THE TREASURER'S OFFICE OF THE PROVINCE WHERE THE ENTERPRISE IS LOCATED, IN LIEU OF THE LOCAL BUSINESS TAX;

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

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


"(4) UP TO FIFTY PERCENT (50%) ADDITIONAL DEDUCTION ON THE LABOR EXPENSE IN THE TAXABLE YEAR AS A CONSEQUENCE OF AN INCREASE IN DIRECT LOCAL EMPLOYMENT: PROVIDED, THAT THIS DOES NOT INCLUDE INDIRECT LABOR, SALARIES AND WAGES, AND OTHER PERSONNEL COSTS INCURRED FOR ADMINISTRATIVE AND OTHER SUPPORT SERVICES.
“(5) UP TO ONE HUNDRED PERCENT (100%) ADDITIONAL DEDUCTION ON THE INCREMENT OF RESEARCH AND DEVELOPMENT INCURRED IN THE TAXABLE YEAR: PROVIDED, THAT IT IS DIRECTLY RELATED TO THE REGISTERED ACTIVITY/IES OF THE ENTITY.

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

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

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


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

"PROVIDED, THAT IN LIEU OF THE ITH UNDER SECTION 294(A) (1) OR THE REDUCED TAX RATE OF EIGHTEEN PERCENT (18%) UNDER SECTION 294(A)(2), THE TAX INCENTIVES UNDER SECTION 294(A)(3), (4), (5), (6), (7), (8), (9), AND (10) MAY BE GRANTED ON AN INDUSTRY-SPECIFIC BASIS AS DETERMINED BY THE BOI IN THE STRATEGIC INVESTMENT PRIORITY PLAN. THE BOI SHALL PRESCRIBE THE LEVEL OF ADDITIONAL DEDUCTION FOR SELECTED INDUSTRIES.
"PROVIDED, FURTHER, THAT IN NO SUCH CASE SHALL AN
INCOME TAX INCENTIVE BE EXTENDED BEYOND THE INITIAL
GRANT OF FIVE (5) YEARS, EXCEPT THOSE PROVIDED UNDER
SECTION 294(A)(7) AND (9), SECTIONS 295, 296, AND 297.

"(B) EXEMPTION FROM CUSTOMS DUTY ON IMPORTATION OF
CAPITAL EQUIPMENT AND RAW MATERIALS DIRECTLY AND
EXCLUSIVELY USED IN THE REGISTERED ACTIVITY BY
REGISTERED ENTERPRISES: PROVIDED, THAT THE FIVE (5) YEAR-
LIMIT IN THIS SUBSECTION SHALL NOT APPLY TO FREEPORT
ZONES AS DEFINED UNDER THIS TITLE.

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

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

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

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

"(C) VALUE-ADDED TAX (VAT)

"(1) REGISTERED ENTERPRISES WHOSE EXPORT SALES MEET
THE NINETY PERCENT (90%) THRESHOLD AND ARE LOCATED
WITHIN AN ECOZONE, FREEPORT, OR THOSE UTILIZING
CUSTOMS BONDED MANUFACTURING WAREHOUSE: VAT
EXEMPTION ON IMPORTATION AND VAT ZERO-RATING ON
DOMESTIC PURCHASES OF CAPITAL EQUIPMENT AND RAW
MATERIALS USED IN THE MANUFACTURING AND PROCESSING OF
PRODUCTS AND IMPORTATION OF SOURCE DOCUMENTS SHALL
APPLY.

"(2) REGISTERED ENTERPRISES WHOSE EXPORT SALES ARE
BELOW THE NINETY PERCENT (90%) THRESHOLD AND ARE
LOCATED WITHIN AN ECOZONE, FREEPORT, OR THOSE
UTILIZING CUSTOMS BONDED MANUFACTURING WAREHOUSE:
VAT EXEMPTION ON IMPORTATION AND VAT ZERO-RATING ON
DOMESTIC PURCHASES OF CAPITAL EQUIPMENT AND RAW
MATERIALS USED IN THE MANUFACTURING AND PROCESSING OF
PRODUCTS AND IMPORTATION OF SOURCE DOCUMENTS:
PROVIDED, THAT THEY COMPLY WITH THE ELECTRONIC
RECEIPTS OR INVOICING UNDER SECTIONS 237 AND 237-A OF THIS
CODE.

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

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

“SOURCE DOCUMENTS REFER TO INPUT MATERIALS AND
DOCUMENTS REASONABLY NEEDED BY I.T. AND I.T.-ENABLED
INDUSTRIES SUCH AS BOOKS, DIRECTORIES, MAGAZINES,
NEWSPAPERS, BROCHURES, PAMPHLETS, MEDICAL RECORDS OR
FILES, LEGAL RECORDS OR FILES, INSTRUCTION MATERIALS,
AND DRAWINGS, BLUEPRINTS, OR OUTLINES.

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

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

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

"CHAPTER III

"THE FISCAL INCENTIVES REVIEW BOARD


"(A) TO EXERCISE OVERSIGHT FUNCTIONS OVER IPAS.

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

"(1) LIST OF REGISTERED ENTERPRISES ANNUALLY WITH CORRESPONDING FIRM-LEVEL DATA AS MANDATED UNDER THE
TAX INCENTIVES MANAGEMENT AND TRANSPARENCY ACT OR
TMTA LAW;

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

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

"(C) FOR PROJECTS OR ACTIVITIES THAT POSE RISK TO THE
ENVIRONMENT, HEALTH, AND ECONOMIC STABILITY AND
PROJECTS OR ACTIVITIES THE APPROVAL OF WHICH
ENCOUNTERS A DEADLOCK IN THE IPAS BOARD, THE FISCAL
INCENTIVES REVIEW BOARD (FIRB) SHALL:

"(1) FORMULATE POLICIES ON TAX INCENTIVES IN
ACCORDANCE WITH THE PROVISIONS OF THIS CODE;

"(2) REVIEW IPAS' COMPLIANCE WITH THE POLICIES SET
FORTH IN THIS CODE: PROVIDED, THAT THE FISCAL INCENTIVES
REVIEW BOARD (FIRB) MAY CANCEL OR SUSPEND THE POWER OF
IPAS TO GRANT INCENTIVES FOR VIOLATIONS OF SUCH POLICIES;

"(3) APPROVE THE GRANT OF INCENTIVES ON THE ABOVE
INSTANCES; AND

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

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

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

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

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

"SEC. 299. COMPOSITION OF THE FISCAL INCENTIVES REVIEW BOARD (FIRB). – THE FIRB SHALL BE RECONSTITUTED AS FOLLOWS:

"BOARD PROPER:

"CHAIRPERSON – SECRETARY OF FINANCE

"MEMBERS – SECRETARY OF TRADE AND INDUSTRY
– DIRECTOR GENERAL OF THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA)
– SECRETARY OF BUDGET AND MANAGEMENT
– EXECUTIVE SECRETARY OF THE OFFICE OF THE PRESIDENT

"TECHNICAL COMMITTEE:

"CHAIRPERSON – UNDERSECRETARY OF FINANCE

"MEMBERS – UNDERSECRETARY OF TRADE AND INDUSTRY AND BOARD OF INVESTMENTS MANAGING HEAD
– UNDERSECRETARY OF BUDGET AND MANAGEMENT
– DEPUTY DIRECTOR GENERAL OF THE NATIONAL ECONOMIC AND
DEVELOPMENT AUTHORITY

– COMMISSIONER OF INTERNAL REVENUE
– COMMISSIONER OF CUSTOMS
– EXECUTIVE DIRECTOR OF THE
  NATIONAL TAX RESEARCH CENTER
  (NTRC)

SECRETARIAT: – NATIONAL TAX RESEARCH CENTER

“CHAPTER IV

“QUALIFIED ACTIVITIES FOR TAX INCENTIVES

“SEC. 300. STRATEGIC INVESTMENT PRIORITY PLAN (SIPP). –
THE BOARD OF INVESTMENTS (BOI) SHALL, IN COORDINATION
WITH THE OFFICE OF THE PRESIDENT, THE FISCAL INCENTIVES
REVIEW BOARD, THE CONCERNED IPAS, AND OTHER
GOVERNMENT AGENCIES AND THE PRIVATE SECTOR,
FORMULATE THE SIPP TO BE SUBMITTED TO THE PRESIDENT FOR
APPROVAL NOT LATER THAN DECEMBER OF THE THIRD YEAR
SET FOR PERIODIC REVIEW. THE PLAN SHALL BE VALID FOR A
PERIOD OF THREE (3) YEARS SUBJECT TO REVIEW AND
AMENDMENT AS THE NEED ARISES. ALL SECTORS OR INDUSTRIES
THAT MAY BE INCLUDED IN THE SIPP SHALL UNDERGO AN
EVALUATION PROCESS TO DETERMINE THE SUITABILITY AND
POTENTIAL OF THE INDUSTRY OR THE SECTOR IN PROMOTING
LONG-TERM GROWTH AND DEVELOPMENT, AND THE NATIONAL
INTEREST.

“THE SIPP SHALL:

“(A) INCLUDE ACTIVITIES THAT COMPLY WITH THE
FOLLOWING:

“(1) BE COVERED BY THE PHILIPPINE DEVELOPMENT PLAN
OR ITS EQUIVALENT AND OTHER GOVERNMENT PROGRAMS;
“(2) TAKE INTO ACCOUNT ANY OF THE FOLLOWING:
“(i) SUBSTANTIAL AMOUNT OF INVESTMENTS;
“(ii) CONSIDERABLE GENERATION OF EMPLOYMENT;
“(iii) ADOPT INCLUSIVE BUSINESS ACTIVITIES AND VALUE-
ADDING PRODUCTION BY MSMES;
“(iv) USE OF MODERN OR NEW TECHNOLOGY;

“(v) ADOPTION OF ADEQUATE ENVIRONMENTAL PROTECTION SYSTEMS;

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

“(vii) PROMOTION OF MARKET COMPETITIVENESS.

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

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

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

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

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

“SEC. 301. POWER OF THE PRESIDENT TO GRANT INCENTIVES.
– THE PRESIDENT MAY, IN THE INTEREST OF NATIONAL ECONOMIC DEVELOPMENT AND UPON THE RECOMMENDATION OF THE FISCAL INCENTIVES REVIEW BOARD, GRANT INCENTIVES IN ADDITION TO THOSE THAT ARE PROVIDED UNDER THIS CODE, INCLUDING A LONGER PERIOD, TO HIGHLY DESIRABLE PROJECTS: PROVIDED, THAT THE BENEFITS THAT THE GOVERNMENT MAY DERIVE FROM SUCH INVESTMENT THERETO ARE CLEAR AND CONVINCING AND FAR OUTFITWEIGH THE COST OF INCENTIVES THAT WILL BE GRANTED.”
“(A) **CRITERIA FOR AVAILMENT.** – IN THE RECOMMENDATION TO THE FISCAL INCENTIVES REVIEW BOARD, THE BOARD OF INVESTMENTS SHALL CONSIDER THE FOLLOWING CRITERIA IN DETERMINING THE TYPES OF INCENTIVES AND THE DURATION THEREOF THAT MAY BE GRANTED BY THE PRESIDENT:

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

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

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

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

“(B) **USE OF RESOURCES.** – IN THE EXERCISE OF THE POWER OF THE PRESIDENT TO GRANT INCENTIVES, THE GOVERNMENT MAY UTILIZE ITS RESOURCES SUCH AS LAND USE, WATER APPROPRIATION, POWER PROVISION, AMONG OTHERS, AS MAY BE IDENTIFIED BY THE BOI.”

“SEC. 302. **AMENDMENTS TO THE SIPP.** – SUBJECT TO PUBLICATION REQUIREMENTS AND THE CRITERIA FOR INVESTMENT PRIORITY DETERMINATION, THE BOI MAY, AT ANY TIME, INCLUDE ADDITIONAL AREAS IN THE SIPP, ALTER ANY OF THE TERMS OF THE DECLARATION OF AN INVESTMENT AREA, AND TEMPORARILY OR PERMANENTLY SUSPEND ACTIVITIES ON THE SIPP IF IT CONSIDERS THAT SUCH ACTIVITY IS NO LONGER A PRIORITY. IN NO CASE SHALL THE IPAS ACCEPT APPLICATIONS UNLESS THE ACTIVITY IS LISTED IN THE SIPP.”
“SEC. 303. PUBLICATION. – UPON APPROVAL OF THE PLAN, IN WHOLE OR IN PART, OR UPON APPROVAL OF AN AMENDMENT THEREOF, THE PLAN OR THE AMENDMENT, SPECIFYING AND DECLARING THE AREAS OF INVESTMENTS SHALL BE PUBLISHED IN AT LEAST ONE (1) NEWSPAPER OF GENERAL CIRCULATION OR THE OFFICIAL GAZETTE AND ALL SUCH AREAS SHALL BE OPEN FOR APPLICATION UNTIL PUBLICATION OF AN AMENDMENT OR DELETION THEREOF.”

“SEC. 304. QUALIFICATIONS OF A REGISTERED ENTERPRISE FOR TAX INCENTIVES. – IN THE REVIEW AND GRANT OF TAX INCENTIVES, A REGISTERED ENTERPRISE MUST:

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

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

“(C) COMPLY WITH THE E-INVOICE AND E-SALES REQUIREMENT IN ACCORDANCE WITH SECTION 237-A OF THIS CODE.”

“CHAPTER V

“AVAILMENT OF TAX INCENTIVES

“SEC. 305. INCOME TAX-BASED INCENTIVES. – ALL REGISTERED ENTERPRISES SHALL FILE THEIR TAX RETURNS USING THE ELECTRONIC OR ONLINE FACILITIES OF THE BUREAU OF INTERNAL REVENUE (BIR). IN AVAILING THE INCOME TAX-BASED INCENTIVES, THE REGISTERED ENTERPRISE SHALL BE REQUIRED TO SECURE A CERTIFICATE OF ENTITLEMENT ISSUED BY THE IPA AND ATTACH THE SAME TO ITS INCOME TAX RETURN (ITR) OR ANNUAL INFORMATION RETURN (AIR), WHICHEVER IS
APPLICABLE. THEREAFTER, THE REGISTERED ENTERPRISE SHALL FILE ITS CLAIM WITH THE BIR FOR VALIDATION.

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

"SEC. 306. CUSTOMS DUTY EXEMPTION ON CAPITAL EQUIPMENT. — IMPORTATION OF CAPITAL EQUIPMENT, MACHINERY AND SPARE PARTS EXCLUSIVELY USED FOR CAPITAL EQUIPMENT AND MACHINERY INCLUDING CONSIGNMENT THEREOF BY REGISTERED ENTERPRISES MAY BE EXEMPTED TO THE EXTENT OF ONE HUNDRED PERCENT (100%) OF THE CUSTOMS DUTY: PROVIDED, THAT THE FOLLOWING CONDITIONS ARE COMPLIED WITH:

“(B) THE APPROVAL OF THE IPA WAS OBTAINED BY THE
REGISTERED ENTERPRISE PRIOR TO THE IMPORTATION OF SUCH
CAPITAL EQUIPMENT OR SPARE PARTS.

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

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

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

“(3) EXPORTATION OF CAPITAL EQUIPMENT, MACHINERY,
SPARE PARTS OR SOURCE DOCUMENTS, OR THOSE REQUIRED FOR
POLLUTION ABATEMENT AND CONTROL; OR

“(4) PROVEN TECHNICAL OBsolescence OF THE CAPITAL
EQUIPMENT OR SPAREPARTS.

“Provided, that if the registered enterprise sells,
transfers or disposes the aforementioned imported
items without prior approval, the registered
enterprise and the vendee, transferee, or assignee
shall be solidarily liable to pay twice the amount of
the duty exemption that should have been paid during
its importation: Provided, further, that even if the sale,
transfer or disposition of the capital equipment was
made after five (5) years from date of importation with
the approval of the IPA, the registered enterprise is
still liable to pay the duties based on the net book
value of the capital equipment if it has violated any of
its registration terms and conditions.”
"SEC. 307. VAT REFUND MECHANISM ON IMPORTATION OF CAPITAL EQUIPMENT AND RAW MATERIALS. – THE VAT ON IMPORTATION OF CAPITAL EQUIPMENT AND RAW MATERIALS PAID BY EXPORT REGISTERED ENTERPRISES THAT FAILED TO MEET THE NINETY PERCENT (90%) EXPORT SALES THRESHOLD OR ARE LOCATED OUTSIDE THE ECOZONE, FREEPORT, OR THOSE UTILIZING THE CUSTOMS BONDED MANUFACTURING WAREHOUSE REGARDLESS OF THE THRESHOLD SHALL BE REFUNDED PURSUANT TO THE ENHANCED VAT REFUND SYSTEM UNDER SECTIONS 106 AND 108 OF THIS CODE."

"CHAPTER VI

"PROCEDURES, SUNSET PROVISIONS, AND STRUCTURAL ADJUSTMENT FUND

"SEC. 308. NO DOUBLE REGISTRATION OF ENTERPRISES. – REGISTERED ENTERPRISES SHALL NOT BE ALLOWED TO REGISTER THEIR ACTIVITIES IN MORE THAN ONE (1) IPA."

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

"SEC. 310. INVESTMENTS PRIOR TO THE EFFECTIVITY OF THIS ACT. – EXISTING REGISTERED ACTIVITIES GRANTED AN INCOME TAX HOLIDAY SHALL BE ALLOWED TO CONTINUE WITH THE AVAILMENT OF THE SAID INCENTIVE FOR THE REMAINING PERIOD OF THE INCOME TAX HOLIDAY (ITH) OR FOR A PERIOD OF FIVE (5) YEARS ONLY, WHICHEVER COMES FIRST, PROVIDED, THAT THE FIVE PERCENT (5%) TAX ON GROSS INCOME EARNED SHALL COMMENCE ONLY AFTER THE INCOME TAX HOLIDAY (ITH) PERIOD HAS LAPPED, PROVIDED FURTHER, THAT THE FIVE PERCENT (5%) TAX ON GROSS INCOME EARNED SHALL BE ALLOWED TO CONTINUE FOLLOWING THE SCHEDULE STATED HEREIN:
“(A) TWO (2) YEARS FOR ACTIVITIES ENJOYING THE TAX INCENTIVE FOR MORE THAN TEN (10) YEARS;

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

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

“SEC. 311. SUSPENSION AND FORFEITURE OF TAX INCENTIVES OF REGISTERED ENTERPRISES, REFUND AND PENALTIES; WAIVER AND CONDONATION. – THE IPA MAY IMPOSE FINES AND PENALTIES, SUSPEND OR FORFEIT THE INCENTIVES GRANTED TO THE REGISTERED ENTERPRISES FOR VIOLATIONS OF THE REGISTRATION TERMS AND CONDITIONS, WITHOUT PREJUDICE TO THE CANCELLATION OF THE REGISTRATION OF SAID ENTERPRISE.

“WHEN THERE IS PROBABLE CAUSE TO BELIEVE THAT THE REGISTERED ENTERPRISE HAS VIOLATED ITS REGISTRATION TERMS AND CONDITIONS, THE IPA SHALL SUSPEND THE AVAILMENT OF INCENTIVES UNTIL PROVEN OTHERWISE: PROVIDED, THAT FOR PROJECTS UNDER SECTION 298(C), THE CONCERNED IPA SHALL RECOMMEND TO THE FISCAL INCENTIVES REVIEW BOARD (FIRB) THE SUSPENSION OF ITS AVAILMENT OF INCENTIVES.

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

“FOR THIS PURPOSE, THE IPA SHALL PREPARE A SCHEDULE OF FEES, FINES AND PENALTIES TO BE IMPOSED ON ERRING REGISTERED ENTERPRISES DEPENDING ON THE GRAVITY OF THE VIOLATION INCURRED IN ADDITION TO THE FINES AND PENALTIES IMPOSABLE UNDER THIS CODE.

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

"SEC. 312. STRUCTURAL ADJUSTMENT FUND. — THE
FOLLOWING AMOUNTS SHALL BE APPROPRIATED TO
COMPENSATE WORKERS THAT MAY BE DISPLACED BY THE
RATIONALIZATION OF FISCAL INCENTIVES TO IMPROVE
EMPLOYABILITY OF WORKERS AND FOR THE DEVELOPMENT OF
INFRASTRUCTURE WITHIN ECONOMIC ZONES AND FREEPORTS
THAT MAY BE AFFECTED BY THIS ACT:

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

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

“(3) THE AMOUNT OF FIVE BILLION PESOS (P5,000,000,000)
SHALL BE ALLOCATED ANNUALLY FOR THE SKILLS UPGRADE
PROGRAM OF THE IT-BPO INDUSTRY. THE FUND SHALL BE
SOLELY USED TO PAY FOR FORMAL ACADEMIC OR TRAINING
PROGRAMS OF ACCREDITED PRIVATE OR PUBLIC SCHOOLS AND
TRAINING CENTERS; AND

“(4) THE AMOUNT OF FIFTEEN BILLION PESOS
(P15,000,000,000), IN ADDITION TO ANY ADJUSTMENT FUND
APPROPRIATED UNDER THE BUDGET OF PERTINENT
GOVERNMENT DEPARTMENTS OR AGENCIES, SHALL BE
APPROPRIATED FOR THE DEVELOPMENT OF INFRASTRUCTURE
SURROUNDING AND WITHIN THE AREAS OR LOCALITIES OF
SPECIAL ECONOMIC ZONES AND FREEPORTS TO BE AFFECTED BY
THIS ACT. THIS SUBSIDY SHALL LIKewise BE UTILIZED TO
SUPPORT RESEARCH AND DEVELOPMENT; COSTS OF POWER,
WATER AND OTHER UTILITIES; LEASE OF PROPERTIES; AND
OTHER ECONOMIC ACTIVITIES RELEVANT TO DEVELOPING THE
ABOVEMENTIONED AREAS/LOCALITIES.

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

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

"SEC. 313. ENHANCED TAX EXPENDITURE FUND SYSTEM. – ALL
INTERNAL REVENUE TAX AND DUTY OBLIGATIONS OF
GOVERNMENT-OWNED -OR CONTROLLED CORPORATIONS
SHALL BE CHARGEABLE TO THE TAX EXPENDITURE FUND OF THE
GOVERNMENT UPON THE ESTABLISHMENT AND
IMPLEMENTATION OF AN ENHANCED TAX EXPENDITURE FUND
SYSTEM THAT GRANTS TAX SUBSIDY WITHIN THIRTY (30) DAYS
FROM THE FILING OF APPLICATION WITH THE FISCAL
INCENTIVES REVIEW BOARD (FIRB)."

"SEC. 314. ANNUAL REPORT. –THE INVESTMENT PROMOTION
AGENCIES SHALL SUBMIT AN ANNUAL REPORT TO CONGRESS
THE NAMES OF RECIPIENTS OF INCENTIVES AND THE AMOUNT OF
INCENTIVES AVAILED OF. THE REPORT SHALL BE MADE
AVAILABLE TO THE PUBLIC."

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

"TITLE [XIII] XIV

"REPEALING PROVISIONS

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“SEC. [291] 315. In General. — All laws, decrees, executive orders, rules and regulations or parts thereof which are contrary to or inconsistent with this Code are hereby repealed, amended or modified accordingly.

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

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

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

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

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

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

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

(7) Section 65 of Republic Act No. 9593, entitled “An Act Declaring a National Policy for Tourism as an Engine of Investment, Employment, Growth and National
Development, and Strengthening the Department of Tourism and its Attached Agencies to
Effectively and Efficiently Implement that Policy, and Appropriating Funds Therefor”;
(8) Section 15 of Republic Act No. 9490, entitled “An Act Establishing the Aurora
Special Economic Zone in the Province of Aurora, Creating for the Purpose the Aurora Special
Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes”, as
amended by Republic Act No. 10083;
(9) Section 7 of Republic Act No. 7922, entitled “An Act Establishing a Special
Economic Zone and Freeport in the Municipality of Santa Ana and the Neighboring Islands
in the Municipality of Aparri, Province of Cagayan, Providing Funds Therefor, and for Other
Purposes”; and
(10) Section 6 of Presidential Decree No. 538, entitled “Creating and Establishing
the PHIVIDEC Industrial Authority and Making it a Subsidiary Agency of the Philippine
Veterans Investment Development Corporation, Defining its Powers, Functions and
Responsibilities, and for Other Purposes,” as amended by Executive Order No. 1031, series
of 1985; and
(11) Section 11 of Republic Act No. 7916, entitled “An Act Providing for the Legal
Framework and Mechanisms for the Creation, Operation, Administration, and Coordination
of Special Economic Zones in the Philippines, Creating for this Purpose, the Philippine
Economic Zone Authority (PEZA), and for Other Purposes”.
(B) The following laws are hereby amended to mandate all internal revenue tax and
duty obligations of the relevant entities be chargeable to the Tax Expenditure Fund (TEF)
pursuant to Section 313 of this Act:
(1) Section 18 of Republic Act No. 7884, entitled “An Act Creating the National
Dairy Authority to Accelerate the Development of the Dairy Industry in the Philippines,
Providing for a Dairy Development Fund, and for Other Purposes”;
(2) Section 8 of Republic Act No. 7903, entitled “An Act Creating Special
Economic Zone and Freeport in the City of Zamboanga for this Purpose the Zamboanga City
Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purpose”;
(3) Section 12(a) of Republic Act No. 10083, entitled “An Act Amending Republic
Act No. 9490, Otherwise Known as the ‘Aurora Special Economic Zone Act of 2007’ ”;
(4) Sections 29, 57, 74, 95(c) of Republic Act No. 9593,
entitled “An Act Declaring Tourism as Engine of Investment, Employment, Growth and
National Development and Strengthening the Department of Tourism or Tourism Act of 2009”;
(5) Section 10 of Presidential Decree No. 538, entitled “Creating and Establishing the PHIVIDECC Industrial Authority and Making it a Subsidiary Agency of the Philippine Veterans Investment Development Corporation, Defining its Powers, Functions and Responsibilities, and for Other Purposes”;

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

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

(8) Sections 8 and 14 of Presidential Decree No. 269, entitled “Creating the National Electrification Administration as a Corporation, Prescribing its Powers and Activities, Appropriating the Necessary Funds Therefore and Declaring a National Policy Objective for the Total Electrification of the Philippines on an Area Coverage Service Basis, the Organization, Promotion and Development of Electric Cooperatives to Attain the Said Objective, Prescribing Terms and Conditions for their Operations, the Repeal of Republic Act No. 6038, and for Other Purposes”;

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

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

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

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

(13) Section 13(e) of Presidential Decree No. 857, entitled “Providing for the Reorganization of Port Administrative and Operation Functions in the Philippines, Revising
Presidential Decree No. 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, Inc., Defining its Powers and Functions,
Providing for its Sources of Funding and for Other Purposes.”

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

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

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

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

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

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

(1) Section 37 of Republic Act No. 6848, entitled “An Act Providing for the 1989
Charter of the Al-Amanah Islamic Investment Bank of the Philippines, Authorizing its Conduct
of Islamic Banking Business, and Repealing for this Purpose Presidential Decree Numbered
Two Hundred and Sixty-Four as Amended by Presidential Decree Numbered Five Hundred
and Forty-Two”;

(2) Section 17 of Republic Act No. 7906, entitled “An Act Providing for the
Regulation of the Organization and Operations of Thrift Banks, and for Other Purposes”;

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

(4) Book I, Title III, Article 39(A), (B), (C), (D), (E), (G), (I) and (J); Title IV,
Article 40; Book III, Articles 59, 60, 61; Book IV Article 69; Book VI, Articles 77 and 78 of

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

(6) Articles 62, 63, 64, 65, 66, 67, and 69 of Republic Act No. 8756, entitled “An
Act Providing for the Terms, Conditions and Licensing Requirements of Regional or Area
Headquarters, Regional Operating Headquarters, Regional Warehouses of Multinational
Companies, Amending for the Purpose Certain Provisions of Executive Order No. 226,
Otherwise Known as the Omnibus Investment Code of 1987”;

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

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

(9) Section 17(1) to (8) insofar as tax exemption and/or VAT zero-rating on
domestic merchandise is concerned, and Section 18(a), (b), (c), and (f) of Presidential Decree
No. 66, entitled “Creating the Export Processing Zone Authority and Revising Republic Act No. 5490”;
(10) Section 4(e) and (f), insofar as tax exemption and/or VAT zero-rating on domestic merchandise is concerned, of Republic Act No. 7903, entitled “An Act Creating Special Economic Zone and Freeport in the City of Zamboanga and Establishing for this Purpose the Zamboanga City Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purposes”;
(11) Section 4(b)(c), insofar as tax exemption and/or VAT zero-rating on domestic merchandise is concerned, of Republic Act No. 7922, entitled “An Act Establishing a Special Economic Zone and Freeport in the Municipality of Santa Ana and the Neighboring Islands in the Municipality of Aparri, Province of Cagayan Providing Funds Therefor, and for Other Purposes”;
(12) Section 4 of Republic Act No. 8748, entitled “An Act Amending Republic Act No. 7916, Otherwise Known as the Special Economic Zone Act of 1995”;
(13) Sections 23 and 24 of Republic Act No. 7916, entitled “An Act Providing for the Legal Framework and Mechanisms for the Creation, Operation, Administration, and Coordination of Special Economic Zones in the Philippines, Creating for the Purpose the Philippine Economic Zone Authority (PEZA), and for Other Purposes”;
(14) Section 1 of Republic Act No. 9400, amending Section 12(b) of Republic Act No. 7227, insofar as tax exemption and VAT zero-rating of domestic merchandise and capital equipment are concerned, Section 12(c), Section 2 amending Section 15, second, third and last paragraph of Republic Act No. 7227, Section 3, first and second paragraph; Sections 4 and 5 entitled “An Act Amending Republic Act No. 7227, as Amended, Otherwise Known as the Bases Conversion and Development Act of 1982, and for Other Purposes”;
(15) Section 1 of Executive Order No. 619, entitled “Creating and Designating Special Economic Zones Pursuant to Republic Act No. 7916, as Amended by Republic Act No. 8784, in Relation to Republic Act No. 7227, as Amended by Republic Act No. 9400, Inside the Clark Freeport Zone”;
(16) Section 4(f), 5, 6, 7, 8, and 9 of Republic Act No. 9490, entitled “An Act Establishing the Aurora Special Economic Zone in the Province of Aurora, Creating for the Purpose the Aurora Special Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes”;
(17) Sections 3(c)(f)(h) and 4 of Republic Act No. 10083, entitled “An Act Amending Republic Act No. 9490”;

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

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

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

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

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

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

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

(25) Section 20(d)(1) to (5) of Republic Act No. 10884, entitled “An Act Strengthening the Balanced Housing Development Program, Amending for the Purpose Republic Act No. 7279, as Amended, Otherwise Known as the Urban Development and Housing Act of 1992”;

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

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

(28) Section 3(a) to (d) and (h) of Republic Act No. 8502, entitled “An Act to Promote the Development of the Jewelry Manufacturing Industry, Providing Incentives Therefor and for Other Purposes”;

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

(30) Sections 9(h)(10) of Republic Act No. 9501, entitled “Promoting Entrepreneurship by Strengthening Development and Assistance Programs to Micro, Small and Medium Scale Enterprises Amending Republic Act No. 6977, Otherwise Known as the Magna Carta For Small Enterprises”;

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

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

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

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

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

(36) Section 8, insofar as investment incentives are concerned, of Republic Act No. 10816, entitled “An Act Providing for the Development and Promotion of Farm Tourism in the Philippines”;
(37) Section 8 of Presidential Decree No. 1491, Amending Section 8 of Presidential Decree No. 538 (Philippine Veterans Investment Development Corporation);

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

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

(40) Sections 4(f) and 5(c)(k), insofar as tax exemption and/or VAT zero-rating on domestic merchandise is concerned, and Section 12(b) of Republic Act No. 10083, entitled “An Act Amending Republic Act No. 9490, Otherwise Known as the Aurora Special Economic Zone Act of 2007”;

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

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


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

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

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

(E) 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 consultations with the Commissioner of Internal Revenue, the Board of Investments, and other Investment Promotion Agencies, promulgate the necessary rules and regulations for its effective implementation.

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

Approved,
COMMITTEE ON WAYS AND MEANS

FACT SHEET

House Bill No. 4157
(in substitution with House Bills Numbered 176, 313, 1042, 1909, 2084, 2554, 2704, 2956, 3356, and 3846)
(As approved by the Committee on Ways and Means on August 14, 2019)

"CORPORATE INCOME TAX AND INCENTIVES RATIONALIZATION ACT"

Introduced by: HORACIO P. SUANSING JR., ESTRELLITA B. SUANSING, JOEY SARTE SALCEDA, KRISTINE SINGSION-MEEHAN, LUIS RAYMUND "LRAY" F. VILLAFUERTE JR., JUNIE E. CUA, SHARON S. GARIN, AURELIO "DONG" D. GONZALES, MICHAEL ODYLYON L. ROMERO, ANN K. HOFER, RUFUS B. RODRIGUEZ, ISIDRO T. UNGAB, MICAELA S. VIOLAGO, ALYSSA SHEENA P. TAN, ALETA C.

Committee Referral: COMMITTEE ON WAYS AND MEANS
Committee Chairperson: HON. JOEY SARTE SALCEDA

OBJECTIVES

- To encourage investment by reducing the corporate income tax (CIT) rate from 30% to 20%
- To ensure that the grant of fiscal incentives helps bring in the greatest benefits, such as higher and more dispersed investments, more jobs, and better technology
- To ensure fairness and transparency in the grant of fiscal incentives
- To enhance the accountability of taxpayers through more efficient tax administration

SALIENT PROVISIONS OF THE BILL

CORPORATE INCOME TAX

- Reduces the current 30% CIT by 2% every two years, to wit:

<table>
<thead>
<tr>
<th>Year</th>
<th>CIT Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>28%</td>
</tr>
<tr>
<td>2023</td>
<td>26%</td>
</tr>
<tr>
<td>2025</td>
<td>24%</td>
</tr>
<tr>
<td>2027</td>
<td>22%</td>
</tr>
<tr>
<td>2029</td>
<td>20%</td>
</tr>
</tbody>
</table>

- Removes the option for corporations, including resident foreign corporations, to avail of the 15% gross income tax;
• Subjects corporate taxpayers who enjoy preferential rates to the 30% CIT, or the adjusted CIT, to wit:

<table>
<thead>
<tr>
<th>Taxpayer</th>
<th>Current Rate</th>
<th>Proposed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional operating headquarters</td>
<td>10%</td>
<td>2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td>28%</td>
</tr>
<tr>
<td>Resident foreign corporation</td>
<td>30%</td>
<td>2023</td>
</tr>
<tr>
<td></td>
<td></td>
<td>26%</td>
</tr>
<tr>
<td>Non-resident foreign corporations</td>
<td>30%</td>
<td>2025</td>
</tr>
<tr>
<td></td>
<td></td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2027</td>
</tr>
<tr>
<td></td>
<td></td>
<td>22%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2029</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20%</td>
</tr>
<tr>
<td>Offshore banking units</td>
<td>10%</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td>28%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2023</td>
</tr>
<tr>
<td></td>
<td></td>
<td>26%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2025</td>
</tr>
<tr>
<td></td>
<td></td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2027</td>
</tr>
<tr>
<td></td>
<td></td>
<td>22%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2029</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20%</td>
</tr>
</tbody>
</table>

• Provides a schedule of amount of interest paid or incurred that may be allowed as deduction from gross income; and

• Exempts the Home Development Mutual Fund from income taxation, given that SSS, PHIC, and GSIS are already exempted

MODERNIZATION OF FISCAL INCENTIVES

• Grants fiscal incentives only to registered activities of:
  a) Exporters; and
  b) Industries listed in the Strategic Investments Priority Plan (SIPP).

• Provides that the SIPP shall include activities covered by the Philippine Development Plan (PDP) or its equivalent and shall take these into consideration:
  a) Include activities that comply with the following:
     1) Substantial amount of investments;
     2) Considerable generation of employment;
     3) Inclusive business activities and value-added production of MSMEs;
     4) Use of modern or new technology;
     5) Adequate environmental protection systems;
     6) Addressing of missing gaps in the supply/value chain; and
     7) Promoting market competitiveness
  b) Identify agribusiness activities, the less developed areas or those recovering from armed conflict or a major disaster.
  c) Determine services and activities that can spur regional or global operations in the country.
  d) Include existing registered projects or activities that shall relocate from metro manila to other areas of the country.

• Grants the President the power to grant incentives if the project has a comprehensive sustainable development plan and will bring in at least US $200 Million.
• Grants income incentives for a maximum of five years, removing perpetual 5% on gross income earned (GIE) and limiting income tax holiday (ITH), to wit:

<table>
<thead>
<tr>
<th>No</th>
<th>Type of Incentive</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Income tax holiday</td>
<td>3 years</td>
</tr>
<tr>
<td>2</td>
<td>18% CIT: 15% to the National Government, 3% to LGUs</td>
<td>2 years</td>
</tr>
<tr>
<td>3</td>
<td>30% Depreciation allowance of qualified Capex incurred within 3 years: 10% for buildings, 20% for machineries and equipment</td>
<td>2 years</td>
</tr>
<tr>
<td>4</td>
<td>Up to 50% additional deduction on the labor expense</td>
<td>2 years</td>
</tr>
<tr>
<td>5</td>
<td>Up to 100% additional deduction on research and development</td>
<td>2 years</td>
</tr>
<tr>
<td>6</td>
<td>Up to 100% additional deduction on trainings</td>
<td>2 years</td>
</tr>
<tr>
<td>7</td>
<td>Up to 100% deduction on infrastructure development</td>
<td>5 years</td>
</tr>
<tr>
<td>8</td>
<td>Up to 50% deduction for reinvestment allowance to manufacturing</td>
<td>5 years</td>
</tr>
<tr>
<td>9</td>
<td>Enhanced Net Operating Loss Carry-Over (NOLCO): carrying-over of losses from first 3 years from the start of commercial operations</td>
<td>Next 5 years from the year loss is incurred</td>
</tr>
<tr>
<td>10</td>
<td>Up to 50% additional deduction on domestic input expense</td>
<td>2 years</td>
</tr>
<tr>
<td>11</td>
<td>Exemption on customs duty of imported capital equipment</td>
<td>5 years, extendible to another 5 years</td>
</tr>
<tr>
<td>12</td>
<td>Exemption on customs duty of imported raw materials</td>
<td>5 years</td>
</tr>
</tbody>
</table>

• Provides that in lieu of ITH (item 1) or reduced CIT (item 2), incentive items 3 to 10 may be extended on a per industry basis, upon BOI approval;

• Reduces the 18% CIT by one percentage point every other year, to wit:

<table>
<thead>
<tr>
<th>Year</th>
<th>CIT Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>18%</td>
</tr>
<tr>
<td>2021 to 2022</td>
<td>17%</td>
</tr>
<tr>
<td>2023 to 2024</td>
<td>16%</td>
</tr>
<tr>
<td>2025 to 2026</td>
<td>15%</td>
</tr>
<tr>
<td>2027 to 2028</td>
<td>14%</td>
</tr>
<tr>
<td>2029 onwards</td>
<td>13%</td>
</tr>
</tbody>
</table>

• Provides that 1.5% of the proceeds will accrue to the province where the enterprise is located, in lieu of the local business tax

• Provides that 1.5% of the proceeds will accrue to the municipality or city government

• Stipulates that if the enterprise is located in an independent component city (ICC) or highly-urbanized city (HUC), 3% of the proceeds will accrue to the ICC or HUC government

• Adds two years of incentives (inclusive of one-year ITH) for the following:
  a) projects located in lagging areas;
  b) projects in areas recovering from armed conflict or major disasters;
  c) projects in agri-business outside major urban areas; or
  d) projects relocated from Metro Manila and nearby urban areas.
• Encourages investors and locators to reapply after the five-year or seven-year period, to qualify for another five years of incentives; and

• Specifies that VAT treatment shall be based on location and export sales, to wit:

<table>
<thead>
<tr>
<th>Registered Enterprises</th>
<th>VAT Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Importation of capital equipment and raw materials</td>
<td>Importation of source documents</td>
</tr>
<tr>
<td>90% to 100% export sales, inside ecozone or those utilizing customs bonded manufacturing warehouse</td>
<td>exempt</td>
</tr>
<tr>
<td>Below 90% export sales, Inside ecozones or those utilizing customs bonded manufacturing warehouse</td>
<td>exempt</td>
</tr>
<tr>
<td>Below 90% export sales; outside ecozones regardless of threshold</td>
<td>12%, then file for a VAT refund</td>
</tr>
</tbody>
</table>

*Sec. 106 and 108 of the NIRC of 1997, as amended

**TAX ADMINISTRATION**

• Empowers the BIR Commissioner to issue subpoena *duces tecum* to compel submission of documents, wherein taxpayers may face criminal action for failure to obey subpoena;

• Authorizes the service of a subpoena, letter of authority, and a tax assessment at the taxpayer’s registered business address or, if not practicable, through substituted service;

• Obliges the BIR Commissioner, upon the request of the Secretary of Finance (SOF), to furnish pertinent taxpayer information to the Secretary and concerned officers;

• Defines **tax avoidance** as:
  a) Directly or indirectly altering the incidence of any income tax;
  b) Directly or indirectly relieving a person from liability to pay income tax or from a potential or prospective liability to future income tax; and
  c) Directly or indirectly avoiding, postponing, or reducing any liability to income tax, or any potential or prospective liability to future income tax.

• Grants the BIR Commissioner the authority to distribute, apportion, allocate and impute income and deductions to disregard and counteract tax avoidance arrangements in transfer pricing scheme by a taxpayer;

• Stops the issuance of tax credit certificates and instead provides that the creditable input tax of a taxpayer shall now be refunded;

• Requires the digitization of transactions of exporters and large taxpayers (under the jurisdiction of the Large Taxpayer Service) through e-receipts, or sales or commercial invoices, public certification system, and use of electronic transaction number; and

• Rationalizes the penalties on violations of the Tax Code following the adjustment of penalties in the Revised Penal Code
ADMINISTRATION OF TAX INCENTIVES

- Includes the Department of the Trade and Industry (DTI) and the National Economic and Development Authority (NEDA) as members in the Boards of investment promotion agencies (IPAs), with the Secretary of Finance as the co-chair of all IPA boards;
- Mandates the Fiscal Incentives Review Board (FIRB) to exercise oversight function over IPAs;
  a) Require IPAs to submit list of registered enterprises with firm level data; approved amount of investments and employment generation; and approved amount of incentives;
  b) Publish the names of the registered enterprises with approved tax incentives;
  c) Grant tax subsidies to GOCCs and other government instrumentalities and agencies;
  d) Exercise veto over the approval of and cancellation of tax incentives that may:
     i. pose a risk to the environment, health, and economic stability, and
     ii. projects or activities the approval of which encounters a deadlock.
- Requires a registered enterprise to install an adequate accounting system and an e-invoicing system and to file their tax returns electronically;
- Enhances the VAT refund system for registered enterprises that do not meet the 90% export sales threshold or are located outside the ecozones; and
- Expands the coverage of the Tax Expenditure Fund system to include all tax and duty obligations of GOCCs

EARMARKING OF FUNDS FOR FIVE YEARS

- Appropriates a structural adjustment fund for infrastructure projects of ecozones and freeports amounting to ₱15,000,000,000 which may be used for research and development, utilities, and lease
- Appropriates a structural adjustment fund for displaced workers, as follows:

<table>
<thead>
<tr>
<th>Programs and Activities</th>
<th>Appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted cash grants and other support programs for displaced workers</td>
<td>₱500,000,000</td>
</tr>
<tr>
<td>Targeted trainings to displaced workers</td>
<td>₱500,000,000</td>
</tr>
<tr>
<td>Skills upgrade program of the IT-BPO</td>
<td>₱5,000,000,000</td>
</tr>
</tbody>
</table>

SUNSET PROVISIONS FOR EXISTING REGISTERED ENTERPRISES AVAILING OF FISCAL INCENTIVES

- Those availing of incentives shall continue to enjoy the same for two years after the effectivity of the Act; thereafter, they can reapply for incentives under the SIIPP;
- Those availing of the ITH shall continue to enjoy this incentive for the remaining period or for 5 years, whichever comes first; and
- Those availing of the 5% GIE shall be allowed to continue for 2 to 5 years, as follows:

<table>
<thead>
<tr>
<th>Period when GIE was availed of</th>
<th>Transition period when GIE can still be availed of</th>
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<td>More than 10 years</td>
<td>2 years</td>
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<td>5 to 10 years</td>
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RELATED LAWS

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

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

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

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

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

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

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

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

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

10. Section 6 of Presidential Decree No. 538, entitled “Creating and Establishing the PHiVDEC Industrial Authority and Making It a Subsidiary Agency of the Philippine Veterans Investment Development Corporation Defining its Powers, Functions and Responsibilities, and for Other Purposes,” as amended by Executive Order No. 1031, series of 1985;

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

12. Section 18 of Republic Act No. 7884, entitled “An Act Creating the National Dairy Authority to Accelerate the Development of the Dairy Industry in the Philippines, Providing for a Dairy Development Fund, and for Other Purposes;”

13. Section 8 of Republic Act No. 7903, entitled “An Act Creating Special Economic Zone and Freeport in the City of Zamboanga for this Purpose the Zamboanga City Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purpose;”

14. Section 12-a of Republic Act No. 10083, entitled “An Act Amending Republic Act No. 9490, otherwise known as the Aurora Special Economic Zone Act of 2007;”
15. Sections 29, 57, 74, 95 (c) of Republic Act No. 9593, entitled "An Act Declaring Tourism as Engine of Investment, Employment, Growth and National Development and Strengthening the Department of Tourism or Tourism Act of 2009;"

16. Section 10 of Presidential Decree No. 538, entitled "Creating and Establishing the PHIVDEC Industrial Authority and Making it a Subsidiary Agency of the Philippine Veterans Investment Development Corporation Defining its Powers, Functions and Responsibilities, and for Other Purposes;"

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

18. Section 14 of Republic Act No. 7354, entitled "An Act Creating the Philippine Postal Corporation, Defining its Powers, Functions and Responsibilities, Providing For Regulation of the Industry and for Other Purposes Connected Therewith;"

19. Section 8 and 14 of Presidential Decree No. 269, entitled "Creating the National Electrification Administration as a Corporation, Prescribing its Powers and Activities, Appropriating the Necessary Funds Therefore and Declaring a National Policy Objective for the Total Electrification of the Philippines on an Area Coverage Service Basis, the Organization, Promotion and Development of Electric Cooperatives to Attain the Said Objective, Prescribing Terms and Conditions for their Operations, the Repeal of Republic Act 6038, and for Other Purposes;"

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

21. Section 17 (c) under Section 8 of Republic Act No. 9576, entitled "An Act Increasing the Maximum Deposit Insurance Coverage, and in connection therewith, to Strengthen the Regulatory and Administrative Authority, and Financial Capability of the Philippine Deposit Insurance Corporation (PDIC) Amending for this Purpose Republic Act Numbered Three Thousand Five Hundred Ninety-One, as amended otherwise known as the PDIC Charter and for other purposes;"

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

23. Section 5 (j) of Republic Act No. 9510, entitled "An Act Establishing the Credit Information System and for Other Purposes;"

24. Section 13 (e) of Presidential Decree No. 857, entitled "Providing for the Reorganization of Port Administrative and Operation Functions in the Philippines, Revising Presidential Decree No. 505 dated July 11, 1974, Creating the Philippine Port Authority, by substitution, and for other Purposes;"

25. 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;"

26. Section 8 (a) (b) and section 13 of Republic Act No. 6395, entitled "An Act Revising the Charter of the National Power Corporation;"

27. Section 21 of Republic Act No. 7306, entitled "An Act Providing for the Establishment of the People’s Television Network, Inc., Defining its Powers and Functions, Providing for its Sources of Funding and for Other Purposes;"

28. Section 9 of Republic Act No. 7953, entitled "An Act Amending Republic Act Numbered Sixty – Six Hundred Thirty - Two, Entitled “An Act Granting the Philippine Racing Act, Inc., a Franchise to Operate and Maintain a Race Track for Horse Racing in the Province of Rizal, and Extending the said Franchise by 25 Years from the Expiration of the Term thereof;"

29. Section 12 of Republic Act No. 8407, entitled "an act amending Republic Act Numbered Sixty – Six Hundred Thirty - One, entitled “An Act Granting Manila Jockey Club, Inc., a Franchise to Construct, Operate and Maintain a Race Track for Horse Racing in the City of Manila or any Place within the Provinces of Bulacan, Cavite or Rizal and Extending the Said Franchise by 25 Years from the Expiration of the Term Thereof;"
30. Section 9 of Republic Act No. 8298, entitled “An Act Amending Republic Act Numbered Seventy-Nine Hundred Seventy-Eight, entitled “An Act Granting the Metro Manila Turf Club, Inc., a Franchise to Construct, Operate and Maintain a Racetrack for Horse Racing in the City of Kalookan;”

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

32. Section 37 of Republic Act No. 6848, entitled “An Act Providing for the 1989 Charter of the Al Amanah Islamic Investment Bank of the Philippines, Authorizing its Conduct of Islamic Banking Business, and Repealing for this Purpose Presidential Decree Numbered Two Hundred And Sixty-Four as Amended by Presidential Decree Numbered Five Hundred and Forty-Two;”

33. Section 17 of Republic Act No. 7906, entitled “An Act Providing for the Regulation of the Organization and Operations of Thrift Banks, and for Other Purposes;”

34. Section 15 of Republic Act No. 7353, entitled “An Act Providing for the Creation, Organization and Operation of Rural Banks, and for Other Purposes;”

35. Book I Title III, Article 39 (a), (b), (c), (d), (e), (g), (i) and (j); Title IV Article 40, Book III Articles 59, 60, 61; Book IV Article 69, Book VI Articles 77, and 78 of Executive Order No. 226, series of 1987, entitled “the Omnibus Investments Code of 1987;”

36. Section 1 of Republic Act No. 7918, entitled “An Act Amending Article 39, Title III of Executive Order No. 226, otherwise Known as the Omnibus Investments Code of 1987, as Amended, and for Other Purposes;”

37. Articles 62, 63, 64, 65, 66, 67 and 69 of Republic Act No. 8756, entitled “An Act Providing for the Terms, Conditions and Licensing Requirements of Regional or Area Headquarters, Regional Operating Headquarters, Regional Warehouses of Multinational Companies Amending for the Purpose Certain Provisions of Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987;”


40. Section 17 (1) to (8) in so far as tax exemption and/or VAT zero rating on domestic merchandise is concerned, and Section 18 (a), (b), (c) and (f) of Presidential Decree No. 66, entitled “Creating the Export Processing Zone Authority and Revising Republic Act No. 5490;”

41. Section 4 (e) and (f), in so far as tax exemption and/or VAT zero rating on domestic merchandise is concerned, of Republic Act No. 7903, entitled “An Act Creating Special Economic Zone and Freeport in the City of Zamboanga and Establishing for this Purpose the Zamboanga City Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purposes;”

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

43. Section 4 of Republic Act No. 8748, entitled “An Act Amending Republic Act No. 7916, otherwise Known as the Special Economic Zone Act of 1995;”

44. Sections 23 and 24 of Republic Act No. 7916, entitled “An Act Providing for the Legal Framework and Mechanisms for the Creation, Operation, Administration, and Coordination of Special Economic Zones in the Philippines, Creating for the Purpose the Philippine Economic Zone Authority (PEZA), and for Other Purposes;”
45. Section 1 of Republic Act No. 9400 amending Section 12 (b) of Republic Act No. 7227, in so far as tax exemption and VAT zero rating of domestic merchandise and capital equipment are concerned, Section 12 (c), Section 2 amending Section 15, second, third and last paragraph of Republic Act No. 7227, Section 3, first and second paragraph; Sections 4 and 5 entitled "An Act Amending Republic Act No. 7227, as amended, otherwise known as the Bases Conversion and Development Act of 1982, and for other Purposes;"

46. Section 1 of Executive Order No. 619, entitled "Creating and Designating Special Economic Zones Pursuant to Republic Act No. 7916, as amended by Republic Act No. 8784, in relation to Republic Act No. 7227, as amended by Republic Act No. 9400, inside the Clark Freeport Zone;"

47. Sections 5, 6, 7, 8 and 9 of Republic Act No. 9490, entitled "An Act Establishing the Aurora Special Economic Zone in the Province of Aurora, creating for the Purpose the Aurora Special Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes;"

48. Sections 3 (e) (f) (h) and 4 of Republic Act No. 10083, entitled "An Act Amending Republic Act No. 9490;"

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

50. Sections 36 (e) and (f) of Presidential Decree No. 705, entitled "Revising PD No. 389, otherwise known as the Forestry Reform Code of the Philippines;"

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

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

53. Sections 16 and 17 of Republic Act No. 7844, entitled "An Act to Develop Exports as a Key Towards the Achievement of the National Goals Towards the Year 2000;"

54. Section 13 of Republic Act No. 10817, entitled "An Act Instituting the Philippine Halal Export Development and Promotion Program, Creating for the Purpose the Philippine Halal Export Development and Promotion Board, and for Other Purposes;"

55. Section 14 of Republic Act No. 8423, entitled "An Act Creating the Philippine Institute of Traditional and Alternative Health Care (PITAHC) To Accelerate the Development of Traditional and Alternative Health Care in the Philippines, Providing for a Traditional and Alternative Health Care Development Fund and for other Purposes;"

56. Section 20 (d) (1) to (5) of Republic Act No. 10884, entitled "An Act Strengthening the Balanced Housing Development Program, amending for the Purpose Republic Act No. 7279, as amended, otherwise known as the Urban Development and Housing Act of 1992;"

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

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

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

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

61. Section 9 (h) (10) of Republic Act No. 9501, entitled "Promoting Entrepreneurship by Strengthening Development and Assistance Programs to Micro, Small and Medium Scale Enterprises Amending RA 6977, otherwise known as the Magna Carta For Small Enterprises;"
62. Section 7 of Republic Act No. 9178, entitled "An Act to Promote the Establishment of Barangay Micro Business Enterprises (BMBES), Providing Incentives and Benefits Therefor, and for Other Purposes;"

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

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

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

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

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

68. Section 8 of Presidential Decree 1491- Amending Section 8 of Presidential Decree no. 538 (Philippine Veterans Investment Development Corporation);"

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

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

71. Sections 4(f) and 5(c)(k), in so far as tax exemption and/or VAT zero rating on domestic merchandise is concerned, and Section 12-b of Republic Act No. 10083, entitled "An Act Amending Republic Act No. 9490, otherwise known as the Aurora Special Economic Zone Act of 2007;"

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

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


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

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

77. Section 1 (c), (d) 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;"

78. 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."
EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

HOUSE OF REPRESENTATIVES

House Bill No. 4157

Introduced by Representatives HORACIO P. SUANSING JR., ESTRELLITA B. SUANSING,
JOEY SARTO SALCEDA, KRISTINE SINGSON-MEEHAN, LUIS RAYMUND "LRAY" F.
VILLAFAUERTE JR., JUNIE E. CUA, SHARON S. GARIN, AURELIO "DONG" D.
GONZALES, MICHAEL ODYLON L. ROMERO, ANN K. HOFER, RUFUS B.
RODRIGUEZ, ISIDRO T. UNGAB, MICHAEL S. VIOLAGO, ALYSSA SHEENA P. TAN,
ALETA C. SUAREZ, ERIC GO YAP, JOSE "JUN" L. ONG, JR., ROLANDO M.
VALERIANO, ELPIDIO F. BARZAGA, JR., JANICE Z. SALIMBANGON, JULIETTE T.
UY, CORAZON T. NUÑEZ-MALANYAN, EDUARDO R. GULLAS, RAUL "BOBOY" C.
TUPAS, MICHAEL B. GORRICETA, SABINIANO S. CANAMA, JOSE 'PING-PING' I.
TEJADA, SOL ARAGONES, JOAQUIN M. CHIPECO, JR., RUDY S. CAOAGDAN,
LORENZ R. DEFENSOR, ANTHONY PETER "ONYX" D. CRISOLOGO, JOY MYRA S.
TAMBUNTING, RIA CHRISTINA G. FARIÑAS, JUMEL ANTHONY I. ESPINO, MA.
THERESA V. COLLANTES, JOSELITO "JOEL" S. SACDALAN, MICHAEL JOHN R.
DUAVIT, JAKE VINCENT S. VILLA, ARNIE B. FUENTEBELLA, CESAR "JAWO" L.
JIMENEZ, JR., CHERYL P. DELOSO-MONTALLA, FAUSTINO MICHAEL CARLOS T.
DY III, ALLAN REYES, JOSE GAY G. PADIERNOS, SONNY "SL" L. LAGON,
VIRGILIO S. LACSON, MICHAEL EDGAR Y. AGLIPAY, JORGE ANTONIO P.
BUSTOS, JERICHO JONAS B. NOGRALES, ADRIANO A. EBCAS, RONNIE L. ONG,
STELLA LUZ A. QUIIMO, ALEX "AA" L. ADVINCOLA, FERNANDO T. CABREDO,
MAXIMO Y. DALOG JR., EDGAR M. CHATTO, MA. ANGELICA M. AMANTE-MATBA,
GIL "KABARANGAY" A. ACOSTA JR., ROMEO M. JALOJSOS JR., ELISA 'OLGA' T.
KHO, PETER JOHN D. CALDERON, JUAN MIGUEL MACAPAGAL ARROYO, LORNA P.
BAUTISTA-BANDIGAN, ENRICO A. PINEDA, ELEANDRO JESUS F. MADRONA,
FREDERICK W. SIAO, DALE 'ALONG' R. MALAPITAN, ANTONIO "TONYPET" T.
ALBANO, SAMANTHA LOUISE VARGAS ALFONSO, FRANZ "CHICOY" E.
ALVAREZ, ROSE MARIE 'BABY' J. ARENAS, ROBERT ACE S. BARBERS,
EMMANUEL "TAWI" BILLONES, LIANDA B. BOLILIA, FREDENIL "FRED" H.
CASTRO, SOLOMON R. CHUNGALAO, LEO RAFAEL M. CUEVA, RAUL V. DEL MAR,
IAN PAUL L. DY, ARNOLD 'NOLI' D. CELESTE, PAOLO Z. DUTERTE, PABLO JOHN F.
GARCIA, DOY C. LEACHON, ESMAEL G. MANGUDADTU, PROSPERO A.
PICHAY JR., DEOGRACIAS VICTOR 'DV' B. SAVELLANO, NIÑA TADURAN, VICTOR
A. YAP, JOSEPH STEPHEN 'CARAPS' S. PADUANO, ALAN 'ALDU' R. DUJALI,
BAYANI F. FERNANDO, JONATHAN KEITH T. FLORES, ED CHRISTOPHER S. GO,
FERNANDO L. HERNANDEZ, BERNADETTE 'BH' HERRERA-DY, JUAN FIDEL
FELIPE F. NOGRALES, ANNA MARIE VILLARAZA-SUAREZ, JOSEFINA B.
TALLADO, ROMAN T. ROMULO, DANI S. FERNANDEZ, JOHN MARVIN 'YUL
SERVO' C. NIETO, FLORIDA 'RIDA' P. ROBES, FERDINAND MARTIN G.
ROMUALDEZ, LUIS IV 'JON-JON' A. FERRER, JOSE JR. 'BONITO' C. SINGSON,

AN ACT


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

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

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

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

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

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

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

"(A) x x x

"(B) x x x

"(C) x x x

"(D) x x x; [and]

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

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

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

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

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

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

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

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

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

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

"(A) x x x

"(B) SUBMISSION OF TAX-RELATED INFORMATION TO THE
DEPARTMENT OF FINANCE. – THE PROVISIONS OF SECTION 71,
NOTWITHSTANDING, THE COMMISSIONER SHALL, UPON THE
REQUEST OF THE SECRETARY OF FINANCE SPECIFICALLY
IDENTIFYING THE NEEDED INFORMATION AND JUSTIFICATION
FOR SUCH REQUEST, FURNISH THE SECRETARY PERTINENT
TAXPAYER INFORMATION: PROVIDED, HOWEVER, THAT THE
SECRETARY AND THE RELEVANT OFFICERS HANDLING SUCH
SPECIFIC INFORMATION SHALL BE COVERED BY THE PROVISIONS
OF SECTION 270."
"[(B)] (C) Report to Oversight Committee. – The Commissioner shall, with
reference to Section 204 of this Code, submit to the Oversight Committee referred
to in Section 290 hereof, through the [Chairmen] CHAIRPERSONS of the
Committee on Ways and Means of the Senate and House of Representatives, a
report on the exercise of his powers pursuant to the said Section, every six (6)
months of each calendar year."

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

"SEC. 22. Definitions. – x x x

"(A) x x x

"(B) x x x

"(C) x x x

"(D) x x x

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

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

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

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

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

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

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

"SEC. 27. Rates of Income Tax on Domestic Corporations. --

"(A) In General. — Except as otherwise provided in this Code, [an income tax of thirty-five percent (35%)] AN INCOME TAX RATE OF THIRTY PERCENT (30%), is hereby imposed upon the taxable income derived during each taxable year from all sources within and without the Philippines by every corporation, as defined in Section 22(B) of this Code and taxable under this Title as a corporation, organized in, or existing under the laws of the Philippines: [Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%)] PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX SHALL BE TWENTY-NINE PERCENT (29%) BEGINNING JANUARY 1, 2020; TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY-SEVEN PERCENT (27%) BEGINNING JANUARY 1, 2022; TWENTY-SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2024; TWENTY-FOUR PERCENT (24%) BEGINNING JANUARY 1, 2025: TWENTY-THREE PERCENT (23%) BEGINNING JANUARY 1, 2026; TWENTY-TWO PERCENT (22%) BEGINNING JANUARY 1, 2027; TWENTY-ONE PERCENT (21%) BEGINNING JANUARY 1, 2028; AND TWENTY PERCENT (20%) BEGINNING JANUARY 1, 2029: PROVIDED, FURTHER, THAT THE SCHEDULED RATE REDUCTION SHALL BE SUBJECT TO REVIEW BY THE SECRETARY OF FINANCE IN 2025: PROVIDED, FURTHERMORE, THAT THE SCHEDULED DECREASE IN THE RATE MAY BE SUSPENDED BY THE PRESIDENT UPON RECOMMENDATION OF THE SECRETARY OF FINANCE IF THE PROJECTED DEFICIT TARGET AS A PERCENT OF GDP EXCEEDS THE PROGRAMMED DEFICIT, AS DETERMINED BY THE DEVELOPMENT BUDGET COORDINATION COMMITTEE (DBCC) IN THE PRECEDING YEAR PRIOR TO THE SCHEDULED REDUCTION IN THE CIT RATE, BASED ON THE ANNUAL REVIEW OF THE MEDIUM TERM FISCAL PROGRAM: PROVIDED, FINALLY, THAT THE PRESIDENT MAY ADVANCE THE SCHEDULED REDUCTION IN THE CORPORATE
INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED
FROM THE RATIONALIZATION OF FISCAL INCENTIVES UNDER
TITLE XIII OF THIS CODE, AS CERTIFIED BY THE SECRETARY OF
FINANCE.

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

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

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

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

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

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

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

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

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

"For purposes of this Section, the term 'gross income' derived from business
shall be equivalent to gross sales less sales returns, discounts and allowances and
cost of goods sold. 'Cost of goods sold' shall include all business expenses directly
incurred to produce the merchandise to bring them to their present location and use.
"For a trading or merchandising concern, ‘cost of goods sold’ shall include the invoice cost of the goods sold, plus import duties, freight in transporting the goods to the place where the goods are actually sold, including insurance while the goods are in transit.

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

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

"(B) Proprietary Educational Institutions and Hospitals. —

"x x x."

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

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

“(E) x x x.”

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

“SEC. 28. Rates of Income Tax on Foreign Corporations. –

“(A) Tax on Resident Foreign Corporations. –

“(1) In General. – Except as otherwise provided in this Code, a corporation organized, authorized, or existing under the laws of any foreign country, engaged in trade or business within the Philippines, shall be subject to an income tax equivalent to [thirty-five percent (35%)] THIRTY PERCENT (30%) of the taxable income derived in the preceding taxable year from all sources within the Philippines: [Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).] PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX SHALL BE TWENTY-NINE PERCENT (29%) BEGINNING JANUARY 1, 2020; TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY-SEVEN PERCENT (27%) BEGINNING JANUARY 1, 2022; TWENTY-SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2024; TWENTY-FOUR PERCENT (24%) BEGINNING JANUARY 1, 2025: TWENTY-THREE PERCENT (23%) BEGINNING JANUARY 1, 2026; TWENTY-TWO PERCENT (22%) BEGINNING JANUARY 1, 2027; TWENTY-ONE PERCENT (21%) BEGINNING JANUARY 1, 2028; AND TWENTY PERCENT (20%) BEGINNING JANUARY 1, 2029: PROVIDED, FURTHER, THAT THE SCHEDULED RATE REDUCTION SHALL BE SUBJECT TO REVIEW BY THE SECRETARY OF FINANCE IN 2025: PROVIDED, FURTHERMORE, THAT THE SCHEDULED DECREASE IN THE RATE MAY BE SUSPENDED BY THE PRESIDENT UPON RECOMMENDATION OF THE SECRETARY OF FINANCE IF THE PROJECTED DEFICIT TARGET AS A PERCENT OF GDP EXCEEDS THE PROGRAMMED DEFICIT, AS DETERMINED BY THE DEVELOPMENT BUDGET COORDINATION COMMITTEE (DBCC) IN THE PRECEDING YEAR PRIOR TO THE SCHEDULED REDUCTION IN THE CIT RATE, BASED ON THE ANNUAL REVIEW OF THE MEDIUM TERM FISCAL
PROGRAM: PROVIDED, FINALLY, THAT THE PRESIDENT MAY
ADVANCE THE SCHEDULED REDUCTION IN THE CORPORATE
INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED
FROM THE RATIONALIZATION OF FISCAL INCENTIVES UNDER
TITLE XIII OF THIS CODE, AS CERTIFIED BY THE SECRETARY OF
FINANCE.

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

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

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

"(2) x x x

"(3) x x x

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

"Any income of nonresidents, whether individuals or corporations, from
transactions with said offshore banking units shall be exempt from income tax.]
"[(5)] (4) Tax on Branch Profits Remittances. – Any profit remitted by a
branch to its head office shall be subject to a tax of fifteen percent (15%) which
shall be based on the total profits applied or earmarked for remittance without any
deduction for the tax component thereof [(except those activities which are
registered with the Philippine Economic Zone Authority)].

"[(6)] (5) Regional or Area Headquarters and Regional Operating
Headquarters of Multinational Companies. –
(a) Regional or area headquarters as defined in Section 22(DD) shall not be
subject to income tax.
(b) Regional operating headquarters as defined in Section 22(EE) shall pay
a tax of ten percent (10%) of their taxable income: "PROVIDED, THAT AFTER
TWO YEARS FROM THE EFFECTIVITY OF THIS ACT, REGIONAL
OPERATING HEADQUARTERS SHALL BE SUBJECT TO THE
REGULAR CORPORATE INCOME TAX.

"[(7)] (6) Tax on Certain Incomes Received by a Resident Foreign
Corporation. –
(a) Interest from Deposits and Yield or any other Monetary Benefit from
Deposit Substitutes, Trust Funds and Similar Arrangements and Royalties. –
Interest from any currency bank deposit and yield or any other monetary benefit
from deposit substitutes and from trust funds and similar arrangements and
royalties derived from sources within the Philippines shall be subject to a final
income tax at the rate of twenty percent (20%) of such interest: Provided, however,
That interest income derived by a resident foreign corporation from a depository
bank under the expanded foreign currency deposit system shall be subject to a final
income tax at the rate of [seven and one-half percent (7\(\frac{1}{2}\)%)] 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 ₱100,000 ..... 10%]

“(d) Intercompany 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 the gross income received during each taxable year from all sources within the Philippines, such as interests, dividends, rents, royalties, salaries, premiums (except reinsurance premiums), annuities, emoluments or other fixed or determinable annual, periodic or casual gains, profits and income, and capital gains, except capital gains subject to tax under subparagraph 5(c): [Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).] PROVIDED, THAT THE RATE OF CORPORATE INCOME TAX SHALL BE TWENTY-NINE PERCENT (29%) BEGINNING JANUARY 1, 2020; TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY-SEVEN PERCENT (27%) BEGINNING JANUARY 1, 2022; TWENTY-SIX PERCENT (26%) BEGINNING JANUARY 1, 2023; TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2024; TWENTY-FOUR PERCENT (24%) BEGINNING JANUARY 1, 2025: TWENTY-THREE PERCENT (23%) BEGINNING JANUARY 1, 2026; TWENTY-TWO PERCENT (22%) BEGINNING JANUARY 1, 2027; TWENTY-ONE PERCENT (21%) BEGINNING JANUARY 1, 2028; AND TWENTY PERCENT (20%) BEGINNING JANUARY 1, 2029: PROVIDED, FURTHER, THAT THE SCHEDULED RATE REDUCTION SHALL BE SUBJECT TO REVIEW BY THE SECRETARY OF FINANCE IN 2025: PROVIDED, FURTHERMORE, THAT THE SCHEDULED DECREASE IN THE RATE MAY BE SUSPENDED BY THE PRESIDENT UPON RECOMMENDATION OF THE SECRETARY OF FINANCE IF THE PROJECTED DEFICIT TARGET AS A PERCENT OF GDP EXCEEDS THE PROGRAMMED DEFICIT, AS DETERMINED BY THE DEVELOPMENT BUDGET COORDINATION COMMITTEE (DBCC) IN THE PRECEDING YEAR PRIOR TO THE SCHEDULED REDUCTION IN THE CIT RATE, BASED ON THE ANNUAL REVIEW OF THE MEDIUM TERM FISCAL PROGRAM: PROVIDED, FINALLY, THAT THE PRESIDENT MAY
ADVANCE THE SCHEDULED REDUCTION IN THE CORPORATE
INCOME TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED
FROM THE RATIONALIZATION OF FISCAL INCENTIVES UNDER
TITLE XIII OF THIS CODE, AS CERTIFIED BY THE SECRETARY OF
FINANCE.

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

"(3) x x x

"(4) x x x

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

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

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

"(A) Expenses. –

"(1) Ordinary and Necessary Trade, Business or Professional Expenses. –

"x x x

"(B) Interest. –

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

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

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

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

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

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

(F) IF RATE IS TWENTY-FOUR PERCENT (24%), INTEREST EXPENSE REDUCTION RATE IS SIXTEEN PERCENT (16%);"
“(G) IF RATE IS TWENTY-THREE PERCENT (23%), INTEREST EXPENSE REDUCTION RATE IS THIRTEEN PERCENT (13%);

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

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

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

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

“(2) x x x

“(C) Taxes. – x x x

“(D) Losses. – x x x

“(E) Bad Debts. – x x x

“(F) Depreciation. – x x x

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

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

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

“(J) Pension Trusts. – x x x

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

“(L) Optional Standard Deduction (OSD). – In lieu of the deductions allowed under the preceding Subsections, an individual subject to tax under Section 24, other than a nonresident alien, [may elect a standard deduction in an amount not exceeding forty percent (40%) of his gross sales or gross receipts, as the case may be. In the case of a] AND A corporation CLASSIFIED AS A MICRO, SMALL AND MEDIUM-SIZED ENTERPRISE AS DETERMINED BY THE DEPARTMENT OF TRADE AND INDUSTRY AND subject to tax under Sections 27(A) and 28(A)(1), [it] may elect a standard deduction in an amount not exceeding forty percent (40%) of its gross income as defined in Section 32 of this Code. Unless the taxpayer signifies in [his] THE TAX return [his] THE intention
to elect the optional standard deduction, he THE TAXPAYER shall be
considered as having availed himself of the deductions allowed in the preceding
Subsections. Such election when made in the return shall be irrevocable for the
taxable year for which the return is made: Provided, That an individual who is
entitled to and claimed for the optional standard deduction shall not be required to
submit with his THE tax return such financial statements otherwise required
under this Code: Provided, further. That a general professional partnership and the
partners comprising such partnership may avail of the optional standard deduction
only once, either by the general professional partnership or the partners comprising
the partnership: Provided, finally, FURTHER, That except when the
Commissioner otherwise permits, the said individual shall keep such records
pertaining to his gross sales or gross receipts, or the said corporation shall keep
such records pertaining to his THE gross income as defined in Section 32 of this
Code during the taxable year, as may be required by the rules and regulations
promulgated by the Secretary of Finance, upon recommendation of the
Commissioner.

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

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

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

(A) x x x

(B) x x x

(C) Exchange of Property. --

(I) 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] REORGANIZATION SOLELY FOR STOCK OR
SECURITIES IN ANOTHER CORPORATION THAT IS A PARTY TO
THE REORGANIZATION. A REORGANIZATION IS DEFINED AS:

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

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

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

“(E) A REINCORPORATION.

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

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

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

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

“x x x.”

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

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

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

"FOR PURPOSES OF THIS SECTION, THE TERM 'TAX AVOIDANCE' INCLUDES: (A) DIRECTLY OR INDIRECTLY ALTERING THE INCIDENCE OF ANY INCOME TAX; (B) DIRECTLY OR INDIRECTLY EXEMPTING A PERSON FROM LIABILITY TO PAY INCOME TAX OR FROM A POTENTIAL OR PROSPECTIVE LIABILITY TO FUTURE INCOME TAX; OR (C) DIRECTLY OR INDIRECTLY AVOIDING, POSTPONING, OR REDUCING ANY LIABILITY TO INCOME TAX, OR ANY POTENTIAL OR PROSPECTIVE LIABILITY TO FUTURE INCOME TAX. THERE IS TAX AVOIDANCE IN THE AFOREMENTIONED INSTANCES WHERE THE TRANSACTION OR ARRANGEMENT IS FOR THE PURPOSE OF OBTAINING A TAX
BENEFIT OR ADVANTAGE WITH NO COMMERCIAL REALITY OR
ECONOMIC EFFECT AND THE USE OF THE PROVISIONS OF TAX
LAWS ON SUCH TRANSACTION OR ARRANGEMENT WOULD NOT
HAVE BEEN THE INTENTION OF THE LAW.”

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

“SEC. 73. Distribution of Dividends or Assets by Corporations. —

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

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

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

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

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

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

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

"\( x x x.\)"

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

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

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

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

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

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

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

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

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

"\( x x x.\)"

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

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

"(a) \( x x x\)

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

"x x x."

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

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

(A) Issuance. — x x x

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

"A PUBLIC CERTIFICATION SYSTEM SHALL REFER TO A
DIGITAL PERSONAL AUTHENTICATION PROGRAM WITH ABILITY
TO VERIFY THE IDENTITY OF ISSUING TAXPAYER AND ATTEST TO
THE AUTHENTICITY OF THE INFORMATION IN THE ELECTRONIC
RECEIPTS OR SALES OR COMMERCIAL INVOICES. THIS MAY
INCLUDE THE USE OF DIGITAL SIGNATURE ISSUED BY
CERTIFICATION AUTHORITY AS ACCREDITED BY THE BUREAU OF INTERNAL REVENUE.

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

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

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

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

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

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

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

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

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

"THE BUREAU MAY LIKewise ESTABLISH A RECEIPT AND
INVOICE LOTTERY PROGRAM FOR ELECTRONIC RECEIPTS OR
SALES OR COMMERCIAL INVOICES TRANSMITTED THROUGH THE
DESIGNATED ELECTRONIC CHANNELS OF THE BUREAU AND
ISSUE A CORRESPONDING ELECTRONIC TAX TRANSACTION
NUMBER.

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

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

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

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

"Any person who attempts to make it appear for any reason that [ he ]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 internal revenue office
wherein the same was actually filed shall, upon conviction therefore, be punished
by a fine of not less than [Ten thousand pesos (P10,000) but not more than Twenty
thousand pesos (P20,000)] ONE HUNDRED THOUSAND PESOS (P100,000)"
BUT NOT MORE THAN ONE MILLION TWO HUNDRED THOUSAND
PESOS (P1,200,000) and suffer imprisonment of not less than one (1) year but
not more than three (3) years.”
SEC. 20. Section 256 of the National Internal Revenue Code of 1997, as amended, is
hereby amended to read as follows:
“SEC. 256. Penal Liability of Corporations. – Any corporation, association
or general co-partnership liable for any of the acts or omissions penalized under
this Code, in addition to the penalties imposed herein upon the responsible
corporate officers, partners, or employees shall, upon conviction for each act or
omission, be punished by a fine of not less than [Fifty thousand pesos (P50,000)
but not more than One hundred thousand pesos (P100,000)] TWO HUNDRED
THOUSAND PESOS (P200,000) BUT NOT MORE THAN TWO MILLION
FOUR HUNDRED THOUSAND PESOS (P2,400,000).”
SEC. 21. Section 257 of the National Internal Revenue Code of 1997, as amended, is
hereby amended to read as follows:
“SEC. 257. Penal Liability for Making False Entries, Records or Reports, or
Using Falsified or Fake Accountable Forms. –
“(A) Any financial officer or independent Certified Public Accountant
engaged to examine and audit books of accounts of taxpayers under Section 232(A)
and any person under his direction who:
“(1) Willfully falsifies any report or statement bearing on any examination or
audit, or renders a report, including exhibits, statements, schedules or other forms
of accountancy work which has not been verified by him personally or under his
supervision or by a member of his firm or by a member of his staff in accordance
with sound auditing practices; or
“(2) Certifies financial statements of a business enterprise containing an
essential misstatement of facts or omission in respect of the transactions, taxable
income, deduction and exemption of his client; or
“(B) Any person who:
“(1) Not being an independent Certified Public Accountant according to
Section 232(B) or a financial officer, examines and audits books of accounts of
taxpayers; or
“(2) Offers to sign and certify financial statements without audit; or
“(3) Offers any taxpayer the use of accounting bookkeeping records for internal revenue purposes not in conformity with the requirements prescribed in this Code or rules and regulations promulgated thereunder; or

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

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

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

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

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

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

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

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

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

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

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

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

SEC. 24. Section 263 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:
"SEC. 263. Unlawful Possession or Removal of Articles Subject to Excise Tax Without Payment of the Tax. – Any person who owns and/or is found in possession of imported articles subject to excise tax, the tax on which has not been paid in accordance with law, or any person who owns and/or is found in possession of imported tax-exempt articles other than those to whom they are legally issued shall be punished by:

“(a) XXX
“(b) XXX
“(c) XXX
“(d) XXX

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

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

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

"XXX"

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

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

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

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

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

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

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

SEC. 26. Section 266 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:
“SEC. 266. Failure to Obey Summons. – Any person who, being duly summoned to appear to testify, or to appear and produce books of accounts, records, memoranda or other papers, or to furnish information as required under the pertinent provisions of this Code, neglects to appear or to produce such books of accounts, records, memoranda or other papers, or to furnish such information, shall, upon conviction, be punished by a fine of not less than [Five thousand pesos (P5,000)] ONE HUNDRED THOUSAND PESOS (P100,000) but not more than [Ten thousand pesos (P10,000)] THREE HUNDRED THOUSAND PESOS (P300,000) and [ suffer ] imprisonment of not less than one (1) year but not more than two (2) years.”

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

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

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

“SEC. 282-A. VIOLATION OF THE PROVISIONS OF THIS CODE AMOUNTING TO ECONOMIC SABOTAGE. – ANY VIOLATION OF SECTION 254 OF THIS CODE THAT UNDERMINES, WEAKENS OR RENDERS INTO DISREPUTE THE ECONOMIC SYSTEM OR VIABILITY OF THE COUNTRY OR TENDS TO BRING OUT SUCH EFFECTS, IN LIEU OF THE PENALTY SET IN THE PRECEDING PROVISIONS, SHALL CONSTITUTE ECONOMIC SABOTAGE, AND, UPON CONVICTION FOR EACH ACT OR OMISSION, BE PUNISHED BY A FINE OF NOT LESS THAN FIFTY MILLION PESOS (P50,000,000) AND IMPRISONMENT OF TWELVE (12) YEARS AND ONE (1) DAY BUT NOT MORE THAN TWENTY (20) YEARS.”

SEC. 29. Section 290 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:
"SEC. 290. Congressional Oversight Committee. –

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

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

"(1) x x x;

"(2) x x x;

"(3) x x x; [and]

"(4) x x x[.];

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

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

"x x x."

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

"TITLE XIII  TAX INCENTIVES  "CHAPTER I  "GENERAL PROVISIONS ON TAX INCENTIVES

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

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

"SEC. 292. EXTENT OF AUTHORITY TO GRANT TAX INCENTIVES. – ALL IPAS SHALL RECOMMEND TO THE FIRB THE TAX
INCENTIVES PROVIDED IN THIS TITLE TO REGISTERED ENTERPRISES ONLY TO THE EXTENT OF THEIR APPROVED REGISTERED PROJECTS OR ACTIVITIES UNDER THE STRATEGIC INVESTMENT PRIORITY PLAN (SIPP). THE PERIOD OF AVAILMENT OF INCENTIVES SHALL BE RECKONED FROM THE START OF COMMERCIAL OPERATION.

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

"UNLESS OTHERWISE PROVIDED IN THIS CODE, DIRECT EXPORTS ARE SUBJECT TO VALUE-ADDED TAX (VAT) ZERO-RATING AND DOMESTIC SALES ARE SUBJECT TO THE REGULAR VALUE-ADDED TAX RATE.

"SEC. 293. DEFINITIONS. – WHEN USED IN THIS TITLE:

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

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

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

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

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

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

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

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

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

"(D) INVESTMENT PROMOTION AGENCIES (IPAS) REFER TO
GOVERNMENT ENTITIES CREATED BY LAW, EXECUTIVE ORDER,
DECREES OR OTHER ISSUANCE, IN CHARGE OF PROMOTING
INVESTMENTS, ADMINISTERING NON-TAX INCENTIVES, AND
OVERSEEING THE OPERATIONS OF THE DIFFERENT ECONOMIC
ZONES AND FREEPORTS IN ACCORDANCE WITH THEIR
RESPECTIVE ChARTERS. THESE INCLUDE THE BOARD OF
INVESTMENTS (BOI), REGIONAL BOARD OF INVESTMENTS
AUTONOMOUS REGION IN MUSLIM MINDANAO (RBOI-ARMM),
PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA), BASES
CONVERSION AND DEVELOPMENT AUTHORITY (BCDA), SUBIC
BAY METROPOLITAN AUTHORITY (SBMA), CLARK DEVELOPMENT
CORPORATION (CDC), JOHN HAY MANAGEMENT CORPORATION
(JHMC), PORO POINT MANAGEMENT CORPORATION (PPMC),
CAGAYAN ECONOMIC ZONE AUTHORITY (CEZA), ZAMBOANGA
CITY SPECIAL ECONOMIC ZONE AUTHORITY (ZCSEZA), PHIVIDEC
INDUSTRIAL AUTHORITY (PIA), AURORA PACIFIC ECONOMIC
ZONE AND FREEPORT AUTHORITY (APECO), AUTHORITY OF THE
FREEPORT AREA OF BATAAN (AFAB), TOURISM INFRASTRUCTURE
AND ENTERPRISE ZONE AUTHORITY (TIEZA), AND ALL OTHER
SIMILAR EXISTING AUTHORITIES OR THAT MAY BE CREATED BY
LAW IN THE FUTURE.

"(E) OTHER GOVERNMENT AGENCIES ADMINISTERING FISCAL
INCENTIVES (OGA) REFER TO GOVERNMENT AGENCIES OTHER THAN
IPAS WHICH REGISTER OR ADMINISTER FISCAL INCENTIVES OF ANY
KIND TO ANY SPECIFIC ENTITIES AND/OR CLASS OF PERSONS
PURSUANT TO ANY LAW.

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

(G) REGISTERED ENTERPRISE REFERS TO ANY INDIVIDUAL,
PARTNERSHIP, CORPORATION, PHILIPPINE BRANCH OF A
FOREIGN CORPORATION, OR OTHER ENTITY ORGANIZED AND
EXISTING UNDER PHILIPPINE LAWS AND REGISTERED WITH AN
INVESTMENT PROMOTION AGENCY (IPA) AS DEFINED UNDER
REPUBLIC ACT NO. 10708, OR THE TAX INCENTIVES MANAGEMENT
AND TRANSPARENCY ACT (TIMTA) LAW, EXCLUDING SERVICE
ENTERPRISES SUCH AS THOSE ENGAGED IN CUSTOMS
BROKERAGE, TRUCKING OR FORWARDING SERVICES,
JANITORIAL SERVICES, SECURITY SERVICES, INSURANCE,
BANKING, AND OTHER FINANCIAL SERVICES, CONSUMERS'
COOPERATIVES, CREDIT UNIONS, CONSULTANCY SERVICES,
RETAIL ENTERPRISES, RESTAURANTS, OR SUCH OTHER SIMILAR
SERVICES, AS MAY BE DETERMINED BY THE IPA BOARD,
IRRESPECTIVE OF LOCATION, WHETHER INSIDE OR OUTSIDE THE
ZONES, DULY ACCREDITED OR LICENSED BY ANY OF THE IPAS
AND WHOSE INCOME DELIVERED WITHIN THE ECONOMIC ZONES
SHALL BE SUBJECT TO TAXES UNDER THE NATIONAL INTERNAL
REVENUE CODE OF 1997, AS AMENDED.

"(H) SPECIAL ECONOMIC ZONE OR ECOZONE REFERS TO A
SELECTED AREA, WHICH SHALL BE OPERATED AND MANAGED AS
A SEPARATE CUSTOMS TERRITORY THAT IS HIGHLY DEVELOPED OR HAS THE POTENTIAL TO BE DEVELOPED INTO AN AGRO-INDUSTRIAL, INDUSTRIAL, INFORMATION TECHNOLOGY, OR TOURIST/RECREATIONAL AREA, WHOSE METES AND BOUNDS ARE FIXED OR DELIMITED BY PRESIDENTIAL PROCLAMATIONS AND WITHIN A SPECIFIC GEOGRAPHICAL AREA: PROVIDED, THAT FOR THE ECOZONE TO QUALIFY AS A SEPARATE CUSTOMS TERRITORY, AN ECOZONE SHALL HAVE A PERMANENT CUSTOMS CONTROL OR CUSTOMS OFFICE AT ITS PERIMETER AND MAY CONTAIN ANY OR ALL OF THE FOLLOWING: INDUSTRIAL ESTATES (IES), EXPORT PROCESSING ZONES (EPZS), ICT PARKS AND CENTERS, AND FREE TRADE ZONES: PROVIDED, HOWEVER, THAT AREAS WHERE MINING EXTRACTION IS UNDERTAKEN SHALL NOT BE DECLARED AS AN ECOZONE: PROVIDED, FURTHER, THAT VERTICAL ECONOMIC ZONES, SUCH AS, BUT NOT LIMITED TO, BUILDINGS, SELECTED FLOORS WITHIN BUILDINGS, AND SELECTED AREAS ON A FLOOR, NEED TO COMPLY WITH THE MINIMUM CONTIGUOUS LAND AREA AS DETERMINED BY THE FISCAL INCENTIVES REVIEW BOARD (FIRB).

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

"CHAPTER II

"TAX AND DUTY INCENTIVES

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

"(A) INCOME TAX INCENTIVES

"(1) INCOME TAX HOLIDAY (ITH). –

(a) NATIONAL CAPITAL REGION (NCR) – UP TO 3 YEARS;
(b) AREAS ADJACENT TO METRO MANILA COMPOSED OF
LAGUNA, BULACAN, CAVITE, AND RIZAL – UP TO 4 YEARS;
(c) ALL OTHER AREAS NOT COVERED BY SUBPARAGRAPHS
(a) AND (b) – UP TO 6 YEARS

PROVIDED, THAT AFTER THE EXPIRATION OF THE ITH, THE
REDUCED CORPORATE INCOME TAX RATE UNDER SECTION 294
(A) (2) OR ENHANCED DEDUCTIONS UNDER SECTION 294-A MAY BE
APPLIED FOR THE FOLLOWING DURATION:

(a) NATIONAL CAPITAL REGION (NCR) – UP TO 2 YEARS;
(b) AREAS ADJACENT TO METRO MANILA COMPOSED OF
LAGUNA, BULACAN, CAVITE, AND RIZAL – UP TO 3 YEARS;
(c) ALL OTHER AREAS NOT COVERED BY SUBPARAGRAPHS
(a) AND (b) – UP TO 4 YEARS

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

"FIFTEEN PERCENT (15%) TO THE NATIONAL GOVERNMENT
IN 2020 AND 2021; FOURTEEN PERCENT (14%) TO THE NATIONAL
GOVERNMENT IN 2022 AND 2023; THIRTEEN PERCENT (13%) TO
THE NATIONAL GOVERNMENT IN 2024 AND 2025; TWELVE
PERCENT (12%) TO THE NATIONAL GOVERNMENT IN 2026 AND
2027; ELEVEN PERCENT (11%) TO THE NATIONAL GOVERNMENT IN
2028 AND 2029; AND TEN PERCENT (10%) TO THE NATIONAL
GOVERNMENT IN 2030 AND THEREAFTER;

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

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

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

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

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

"(B) DUTY EXEMPTION - EXEMPTION FROM CUSTOMS DUTY ON IMPORTATION OF CAPITAL EQUIPMENT AND RAW MATERIALS DIRECTLY AND EXCLUSIVELY USED IN THE REGISTERED ACTIVITY BY REGISTERED ENTERPRISES: PROVIDED, THAT THE FIVE (5) YEAR LIMIT IN THIS SUBSECTION SHALL NOT APPLY TO FREEPORT ZONES AS DEFINED UNDER THIS TITLE.

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

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

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

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

"(C) VALUE-ADDED TAX (VAT)

"(1) REGISTERED ENTERPRISES WHOSE EXPORT SALES MEET THE NINETY PERCENT (90%) THRESHOLD AND ARE LOCATED WITHIN AN ECOZONE, FREEPORT, OR THOSE UTILIZING CUSTOMS BONDED MANUFACTURING WAREHOUSE: VAT EXEMPTION ON IMPORTATION AND VAT ZERO-RATING ON DOMESTIC PURCHASES OF CAPITAL EQUIPMENT AND RAW MATERIALS USED IN THE MANUFACTURING AND PROCESSING OF PRODUCTS AND IMPORTATION OF SOURCE DOCUMENTS SHALL APPLY.

"(2) REGISTERED ENTERPRISES WHOSE EXPORT SALES ARE BELOW THE NINETY PERCENT (90%) THRESHOLD AND ARE LOCATED WITHIN AN ECOZONE, FREEPORT, OR THOSE UTILIZING CUSTOMS BONDED MANUFACTURING WAREHOUSE:
VAT EXEMPTION ON IMPORTATION AND VAT ZERO-RATING ON DOMESTIC PURCHASES OF CAPITAL EQUIPMENT AND RAW MATERIALS USED IN THE MANUFACTURING AND PROCESSING OF PRODUCTS AND IMPORTATION OF SOURCE DOCUMENTS: PROVIDED, THAT THEY COMPLY WITH THE ELECTRONIC RECEIPTS OR INVOICING UNDER SECTIONS 237 AND 237-A OF THIS CODE.

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

“FOR THIS PURPOSE, PROCESSING REFERS TO THE CONVERSION OF RAW MATERIALS INTO MARKetable FORM THROUGH PHYSICAL, MECHANICAL, CHEMICAL, ELECTRICAL, BIOCHEMICAL, BIOLOGICAL, OR OTHER MEANS, OR BY A SPECIAL TREATMENT OR A SERIES OF ACTIONS, SUCH AS SLAUGHTERING, MILLING, PASTEURIZING, DRYING, OR DESICCATING, QUICK FREEZING, THAT RESULTS IN A CHANGE IN THE NATURE OR STATE OF A PRODUCT. MERE PACKING OR PACKAGING SHALL NOT CONSTITUTE PROCESSING.

“SOURCE DOCUMENTS REFER TO INPUT MATERIALS AND DOCUMENTS REASONABLY NEEDED BY LT. AND LT.-ENABLED INDUSTRIES SUCH AS BOOKS, DIRECTORIES, MAGAZINES, NEWSPAPERS, BROCHURES, PAMPHLETS, MEDICAL RECORDS OR FILES, LEGAL RECORDS OR FILES, INSTRUCTION MATERIALS, AND DRAWINGS, BLUEPRINTS, OR OUTLINES.

SEC. 294-A. ENHANCED DEDUCTIONS. THE FOLLOWING ARE THE ADDITIONAL DEDUCTIONS THAT MAY BE GRANTED AFTER THE EXPIRATION OF THE ITH:

“(1) DEPRECIATION ALLOWANCE OF THE ASSETS ACQUIRED FOR THE ENTITY'S PRODUCTION OF GOODS AND SERVICES (QUALIFIED CAPITAL EXPENDITURE) – TEN PERCENT (10%) FOR BUILDINGS; AND TWENTY PERCENT (20%) FOR MACHINERIES
AND EQUIPMENT: *Provided*, that depreciation may be computed using accelerated depreciation method on a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Secretary of Finance and the provisions of the National Internal Revenue Code of 1997, as amended: *Provided, further*, that the assets are acquired directly for the registered enterprise's production of goods and services other than administrative and other support services.

"(2) Up to fifty percent (50%) additional deduction on the labor expense in the taxable year as a consequence of an increase in direct local employment: *Provided,* that this does not include indirect labor, salaries and wages, and other personnel costs incurred for administrative and other support services.

"(3) Up to one hundred percent (100%) additional deduction on the increment of research and development incurred in the taxable year: *Provided,* that it is directly related to the registered activity/ies of the entity.

"(4) Up to one hundred percent (100%) additional deduction on trainings incurred: *Provided,* that it is given to the employees engaged directly in the entity's production of goods and services: *Provided, further,* that the FIRB has issued a corresponding certificate of entitlement upon application, and a certificate of approval after a review of documentation of trainings submitted by the enterprise at the end of the taxable year, otherwise, this incentive shall be deemed waived.

"(5) Up to one hundred percent (100%) deduction on infrastructure development. — Registered enterprises
ESTABLISHING THEIR ACTIVITY IN AN AREA THAT THE STRATEGIC INVESTMENT PRIORITY PLAN (SIPP) DESIGNATES AS NECESSARY FOR COUNTRYWIDE DEVELOPMENT OR IN AN AREA FOUND TO BE DEFICIENT IN INFRASTRUCTURE, PUBLIC UTILITIES, AND OTHER FACILITIES, SUCH AS IRRIGATION, DRAINAGE, OR OTHER SIMILAR WATERWORKS INFRASTRUCTURE MAY DEDUCT FROM THE GROSS INCOME AN AMOUNT EQUIVALENT TO UP TO ONE HUNDRED PERCENT (100%) OF NECESSARY AND MAJOR INFRASTRUCTURE WORKS IT MAY HAVE UNDERTAKEN WITH THE PRIOR APPROVAL AND RECOMMENDATION OF THE IPA CONCERNED: PROVIDED, THAT THE INFRASTRUCTURE SHALL BE OPEN FOR USE BY THE GENERAL PUBLIC: PROVIDED, FURTHER, THAT THE TITLE TO ALL SUCH INFRASTRUCTURE WORKS SHALL UPON COMPLETION, BE TRANSFERRED TO THE PHILIPPINE GOVERNMENT: PROVIDED, FINALLY, THAT ANY AMOUNT NOT DEDUCTED FOR A PARTICULAR YEAR MAY BE CARRIED OVER FOR DEDUCTION FOR SUBSEQUENT YEARS NOT EXCEEDING FIVE (5) YEARS FROM COMMERCIAL OPERATION.

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

“(7) ENHANCED NET OPERATING LOSS CARRY-OVER (NOLCO). — THE NET OPERATING LOSS OF THE REGISTERED ACTIVITY DURING THE FIRST THREE (3) YEARS FROM THE START OF COMMERCIAL OPERATION WHICH HAD NOT BEEN
PREVIOUSLY OFFSET AS DEDUCTION FROM GROSS INCOME MAY 
BE CARRIED OVER AS DEDUCTION FROM GROSS INCOME WITHIN 
THE NEXT FIVE (5) CONSECUTIVE TAXABLE YEARS IMMEDIATELY 
FOLLOWING THE YEAR OF SUCH LOSS.

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

"SEC. 295. INCENTIVES FOR AGROBUSINESS. – AGROBUSINESS 
PROJECTS OR ACTIVITIES OF REGISTERED ENTERPRISES 
LOCATED OUTSIDE METRO MANILA AND OTHER URBAN AREAS 
AS IDENTIFIED IN THE STRATEGIC INVESTMENT PRIORITY PLAN 
SHALL BE ENTITLED TO ADDITIONAL THREE (3) YEARS OF 
INCENTIVE UNDER SECTION 294, OF WHICH TWO (2) YEARS MAY 
BE ADDITIONAL YEARS OF INCOME TAX HOLIDAY.

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

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

"CHAPTER III

"THE FISCAL INCENTIVES REVIEW BOARD

(A) TO EXERCISE POLICY MAKING AND OVERSIGHT FUNCTIONS OVER THE IPAS AND OGAS, THE FIRB SHALL:

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

(2) REVIEW AND AUDIT THE COMPLIANCE OF IPAS AND OGAS TO THE GENERAL POLICY ON INCENTIVES SET BY THE FIRB AS MANDATED IN THIS ACT, THE STRATEGIC INVESTMENT PRIORITY PLAN, AND THE RESPECTIVE CHARTERS OF THE IPAS AND OGAS; AND IMPOSE SANCTIONS ON VIOLATION OR NON-COMPLIANCE OF IPAS AND OGAS SUCH AS BUT NOT LIMITED TO SUSPENSION OR CANCELLATION OF THEIR POWER TO GRANT FISCAL INCENTIVES;

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

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

(5) CHECK AND VERIFY REGULARLY THE COMPLIANCE OF RBES WHICH ARE GRANTED FISCAL INCENTIVES WITH THE TERMS AND CONDITIONS OF THEIR AVAILMENT, THE RELEVANT PROVISIONS AND RULES AND REGULATIONS OF THIS ACT, AND OTHER RELEVANT LAWS OR ISSUANCES;
(B) TO APPROVE OR DISAPPROVE THE GRANT OF FISCAL INCENTIVES TO THE EXTENT OF THE REGISTERED ACTIVITY UPON THE RECOMMENDATION OF THE IPA BOARD: PROVIDED, THAT THE APPLICATION FOR TAX INCENTIVES SHALL BE DEEMED APPROVED IF NOT DECIDED UPON BY THE FIRB AFTER FORTY-FIVE (45) DAYS UPON APPLICATION FOR TAX INCENTIVES;

(C) TO APPROVE APPLICATIONS FOR TAX SUBSIDIES TO GOCCS, GOVERNMENT INSTRUMENTALITIES (GIS), GOVERNMENT COMMISSARIES, AND STATE UNIVERSITIES AND COLLEGES (SUCS);

(D) TO CANCEL, SUSPEND, OR WITHDRAW THE ENJOYMENT OF FISCAL INCENTIVES OF CONCERNED RBES AND ORES, AND ENDORSE THE SAME TO THE CONCERNED REVENUE AGENCIES FOR ASSESSMENT AND COLLECTION OF TAXES AND DUTIES DUE, INCLUDING FINES OR PENALTIES, IF WARRANTED, FOR THE FOLLOWING REASONS: (A) FAILURE TO MAINTAIN THE QUALIFICATIONS REQUIRED BY THE CONCERNED IPA OR BY THE FIRB FOR AVAILMENT OF INCENTIVES; AND (B) VIOLATION OF ANY PROVISIONS OF THIS ACT, RULES AND REGULATIONS ISSUED UNDER THE RESPECTIVE ChARTERS OF THE IPAS, OR OF THE TERMS AND CONDITIONS OF REGISTRATION;

(E) TO CANCEL, SUSPEND, OR WITHDRAW THE ENJOYMENT OF TAX SUBSIDY OF CONCERNED GOCCS, GIS, GOVERNMENT COMMISSARIES, AND SUCS AND ENDORSE THE SAME TO THE CONCERNED REVENUE AGENCIES FOR ASSESSMENT AND COLLECTION OF TAXES AND DUTIES DUE, INCLUDING FINES OR PENALTIES, IF WARRANTED, FOR VIOLATIONS OF ANY OF THE CONDITIONS IMPOSED IN THE GRANT OF TAX SUBSIDY, OR PROVISIONS OF THIS ACT, OR APPLICABLE RULES;

(F) TO REQUIRE IPAS AND OGAS TO SUBMIT, REGULARLY OR WHEN NECESSARY, SUMMARIES OF APPROVED INVESTMENT AND INCENTIVES GRANTED, AND FIRM- OR ENTITY-LEVEL FISCAL INCENTIVES AND BENEFITS DATA AS INPUT TO THE FIRB'S REVIEW AND AUDIT FUNCTION AND EVALUATION OF PERFORMANCE OF RECIPIENTS OF FISCAL INCENTIVES;
(G) TO PUBLISH THE NAMES OF THE RBES AND ORES WITH
DETAILED ESTIMATED AMOUNT OF FISCAL INCENTIVES, TAX
PAYMENTS, AND OTHER RELATED INFORMATION, INCLUDING
BENEFITS DATA;

(H) TO REQUIRE THE SUBMISSION AND PRODUCTION OF
DOCUMENTS, RECORDS, BOOKS, OR OTHER DATA RELEVANT OR
MATERIAL TO THE EVALUATION OF APPLICATION FOR FISCAL
INCENTIVES AND TAX SUBSIDIES, FROM IPAS, OGAS, RBES, ORES,
GOCCS, GIS, GOVERNMENT COMMISSARIES, AND SUCS, LOCAL
GOVERNMENT UNITS (LGUS), AMONG OTHERS;

(I) TO OBTAIN INFORMATION, SUMMON, EXAMINE, INQUIRE
AND RECEIVE FROM IPAS, OGAS, RBES, ORES, GOCCS, GIS,
GOVERNMENT COMMISSARIES, SUCS, AND LGUS, DOCUMENTS,
RECORDS, BOOKS, OR OTHER DATA RELEVANT OR MATERIAL TO THE
RESOLUTION OF ISSUES ARISING FROM THE APPROVAL,
DISAPPROVAL, CANCELLATION, SUSPENSION, WITHDRAWAL OR
FORFEITURE OF FISCAL INCENTIVES OR TAX SUBSIDY, OR IN
IMPOSING PENALTIES FOR VIOLATIONS OF THE TERMS AND
CONDITIONS ON THE AVAILMENT OF FISCAL INCENTIVES AND TAX
SUBSIDY, OR ANY OF THE PROVISIONS OF THIS ACT;

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

(K) TO FIX AND IMPOSE REASONABLE FEES AND CHARGES
FOR THE PROCESSING OF APPLICATIONS FOR FISCAL INCENTIVES OR
TAX SUBSIDIES: PROVIDED, THAT THE PROCEEDS THEREOF SHALL
ACCRUE DIRECTLY AND AUTOMATICALLY TO THE FIRB;

(L) TO EXERCISE ALL OTHER POWERS NECESSARY OR
INCIDENTAL TO ATTAIN THE PURPOSES OF THIS ACT AND OTHER
LAWS VESTING ADDITIONAL FUNCTIONS ON THE FIRB; AND
(M) TO PROMULGATE SUCH RULES AND REGULATIONS AS MAY BE NECESSARY TO IMPLEMENT THE INTENT AND PROVISIONS OF THIS SECTION.

"PROVIDED, THAT THE FIRB BOARD PROPER SHALL DECIDE ON ISSUES, AFTER DUE HEARING, CONCERNING THE APPROVAL, DISAPPROVAL, CANCELLATION, SUSPENSION, WITHDRAWAL OR FORFEITURE OF FISCAL INCENTIVES OR TAX SUBSIDY IN ACCORDANCE WITH THIS ACT.

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

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

"SEC. 299. COMPOSITION OF THE FISCAL INCENTIVES REVIEW BOARD (FIRB). – THE FIRB SHALL BE RECONSTITUTED AS FOLLOWS:

"BOARD PROPER:

"CHAIRPERSON – SECRETARY OF FINANCE

"MEMBERS – SECRETARY OF TRADE AND INDUSTRY

– DIRECTOR GENERAL OF THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA)

– SECRETARY OF BUDGET AND MANAGEMENT

– EXECUTIVE SECRETARY OF THE OFFICE OF THE PRESIDENT

"TECHNICAL COMMITTEE:

"CHAIRPERSON – UNDERSECRETARY OF FINANCE

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

– UNDERSECRETARY OF BUDGET AND MANAGEMENT
— DEPUTY DIRECTOR GENERAL OF THE
NATIONAL ECONOMIC AND
DEVELOPMENT AUTHORITY
— COMMISSIONER OF INTERNAL REVENUE
— COMMISSIONER OF CUSTOMS
— EXECUTIVE DIRECTOR OF THE
NATIONAL TAX RESEARCH CENTER
(NTRC)

"SECRETARIAT: — NATIONAL TAX RESEARCH CENTER

"CHAPTER IV

"QUALIFIED ACTIVITIES FOR TAX INCENTIVES


"THE SIPP SHALL:

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

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

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

"(i) SUBSTANTIAL AMOUNT OF INVESTMENTS;

"(ii) CONSIDERABLE GENERATION OF EMPLOYMENT;
"(iii) ADOPTION OF INCLUSIVE BUSINESS ACTIVITIES AND
VALUE-ADDING PRODUCTION BY MSMES;

"(iv) USE OF MODERN OR NEW TECHNOLOGY;

"(v) ADOPTION OF ADEQUATE ENVIRONMENTAL
PROTECTION SYSTEMS;

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

"(vii) PROMOTION OF MARKET COMPETITIVENESS.

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

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

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

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

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

"SEC. 301. POWER OF THE PRESIDENT TO GRANT INCENTIVES.

- THE PRESIDENT MAY, IN THE INTEREST OF NATIONAL
ECONOMIC DEVELOPMENT AND UPON THE RECOMMENDATION
OF THE FISCAL INCENTIVES REVIEW BOARD, GRANT INCENTIVES
IN ADDITION TO THOSE THAT ARE PROVIDED UNDER THIS CODE,
INCLUDING A LONGER PERIOD, TO HIGHLY DESIRABLE
PROJECTS: PROVIDED, THAT THE BENEFITS THAT THE
GOVERNMENT MAY DERIVE FROM SUCH INVESTMENT THERETO

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ARE CLEAR AND CONVINCING AND FAR OUTWEIGH THE COST OF INCENTIVES THAT WILL BE GRANTED."

"(A) CRITERIA FOR AVAILMENT. – THE FIRB SHALL CONSIDER THE FOLLOWING CRITERIA IN DETERMINING THE TYPES OF INCENTIVES AND THE DURATION THEREOF THAT MAY BE GRANTED BY THE PRESIDENT:

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

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

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

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

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

"SEC. 302. AMENDMENTS TO THE SIPP. – SUBJECT TO PUBLICATION REQUIREMENTS AND THE CRITERIA FOR INVESTMENT PRIORITY DETERMINATION, THE BOI MAY, AT ANY TIME, INCLUDE ADDITIONAL AREAS IN THE SIPP, ALTER ANY OF THE TERMS OF THE DECLARATION OF AN INVESTMENT AREA, AND TEMPORARILY OR PERMANENTLY SUSPEND ACTIVITIES ON THE SIPP IF IT CONSIDERS THAT SUCH ACTIVITY IS NO LONGER A PRIORITY. IN NO CASE SHALL THE IPAS ACCEPT APPLICATIONS UNLESS THE ACTIVITY IS LISTED IN THE SIPP."
"SEC. 303. PUBLICATION. – UPON APPROVAL OF THE PLAN, IN
WHOLE OR IN PART, OR UPON APPROVAL OF AN AMENDMENT
THEREOF, THE PLAN OR THE AMENDMENT, SPECIFYING AND
DECLARING THE AREAS OF INVESTMENTS SHALL BE PUBLISHED
IN AT LEAST ONE (1) NEWSPAPER OF GENERAL CIRCULATION OR
THE OFFICIAL GAZETTE AND ALL SUCH AREAS SHALL BE OPEN
FOR APPLICATION UNTIL PUBLICATION OF AN AMENDMENT OR
DELETION THEREOF."

"SEC. 304. QUALIFICATIONS OF A REGISTERED ENTERPRISE
FOR TAX INCENTIVES. – IN THE REVIEW AND GRANT OF TAX
INCENTIVES BY THE FIRB, A REGISTERED ENTERPRISE MUST:

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

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

(C) COMPLY WITH THE E-INVOICE AND E-SALES
REQUIREMENT IN ACCORDANCE WITH SECTION 237-A OF THIS
CODE.”

(D) SUBMIT ANNUALLY REPORTS OF OWNERSHIP OF THE
ORGANIZATION.”

"CHAPTER V

“AVAILMENT OF TAX INCENTIVES

"SEC. 305. INCOME TAX-BASED INCENTIVES. – ALL
REGISTERED ENTERPRISES SHALL FILE THEIR TAX RETURNS
USING THE ELECTRONIC OR ONLINE FACILITIES OF THE BUREAU
OF INTERNAL REVENUE (BIR). IN AVAILING THE INCOME TAX-
BASED INCENTIVES, THE REGISTERED ENTERPRISE SHALL BE
REQUIRED TO SECURE A CERTIFICATE OF ENTITLEMENT ISSUED
BY THE FIRB AND ATTACH THE SAME TO ITS INCOME TAX
RETURN (ITR) OR ANNUAL INFORMATION RETURN (AIR),
WHICHEVER IS APPLICABLE. THEREAFTER, THE REGISTERED
ENTERPRISE SHALL FILE ITS CLAIM WITH THE BIR FOR
VALIDATION.

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

"SEC. 306. CUSTOMS DUTY EXEMPTION ON CAPITAL
EQUIPMENT. — IMPORTATION OF CAPITAL EQUIPMENT,
MACHINERY AND SPARE PARTS EXCLUSIVELY USED FOR
CAPITAL EQUIPMENT AND MACHINERY INCLUDING
CONSIGNMENT THEREOF BY REGISTERED ENTERPRISES MAY BE
EXEMPTED TO THE EXTENT OF ONE HUNDRED PERCENT (100%)
OF THE CUSTOMS DUTY: PROVIDED, THAT THE FOLLOWING
CONDITIONS ARE COMPLIED WITH:

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

"(B) THE APPROVAL OF THE IPA WAS OBTAINED BY THE
REGISTERED ENTERPRISE PRIOR TO THE IMPORTATION OF SUCH
CAPITAL EQUIPMENT OR SPARE PARTS.

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

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

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

"(3) EXPORTATION OF CAPITAL EQUIPMENT, MACHINERY,
SPARE PARTS OR SOURCE DOCUMENTS, OR THOSE REQUIRED FOR
POLLUTION ABATEMENT AND CONTROL; OR

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

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

"SEC. 307. VAT REFUND MECHANISM ON IMPORTATION OF CAPITAL EQUIPMENT AND RAW MATERIALS. – THE VAT ON IMPORTATION OF CAPITAL EQUIPMENT AND RAW MATERIALS PAID BY EXPORT REGISTERED ENTERPRISES THAT FAILED TO MEET THE NINETY PERCENT (90%) EXPORT SALES THRESHOLD OR ARE LOCATED OUTSIDE THE ECOZONE, FREEPORT, OR THOSE UTILIZING THE CUSTOMS BONDED MANUFACTURING WAREHOUSE REGARDLESS OF THE THRESHOLD SHALL BE REFUNDED PURSUANT TO THE ENHANCED VAT REFUND SYSTEM UNDER SECTIONS 106 AND 108 OF THIS CODE."

"CHAPTER VI

"PROCEDURES, SUNSET PROVISIONS, AND STRUCTURAL ADJUSTMENT FUND

"SEC. 308. NO DOUBLE REGISTRATION OF ENTERPRISES. – REGISTERED ENTERPRISES SHALL NOT BE ALLOWED TO REGISTER THEIR ACTIVITIES IN MORE THAN ONE (1) IPA."

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

"SEC. 310. INVESTMENTS PRIOR TO THE EFFECTIVITY OF THIS ACT. – EXISTING REGISTERED ACTIVITIES GRANTED AN INCOME TAX HOLIDAY SHALL BE ALLOWED TO CONTINUE WITH THE AVAILMENT OF THE SAID INCENTIVE FOR THE REMAINING PERIOD OF THE INCOME TAX HOLIDAY (ITH) OR FOR A PERIOD OF FIVE (5) YEARS ONLY, WHICHEVER COMES FIRST, PROVIDED, THAT THE FIVE PERCENT (5%) TAX ON GROSS INCOME EARNED SHALL, COMMENCE ONLY AFTER THE INCOME TAX HOLIDAY (ITH) PERIOD HAS LAPPED, PROVIDED FURTHER, THAT THE FIVE PERCENT (5%) TAX ON GROSS INCOME EARNED SHALL BE
ALLOWED TO CONTINUE FOLLOWING THE SCHEDULE STATED
HEREIN:

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

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

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

"PROVIDED FINALLY, THAT EXISTING REGISTERED
ACTIVITIES WHICH WILL QUALIFY FOR REGISTRATION UNDER
THE SIPP, MAY OPT TO BE GOVERNED BY THE PROVISIONS OF
THIS ACT; IN SUCH CASE, THE SAID ENTERPRISE SHALL BE
REQUIRED TO SURRENDER ITS CERTIFICATE OF REGISTRATION,
WHICH SHALL BE DEEMED AS AN EXPRESS WAIVER OF THEIR
PRIVILEGE TO AVOID INCENTIVES PROVIDED IN THE
INCENTIVES LAW UNDER WHICH THEY WERE PREVIOUSLY
REGISTERED.

"SEC. 311. SUSPENSION AND FORFEITURE OF TAX INCENTIVES
OF REGISTERED ENTERPRISES, REFUND AND PENALTIES; WAIVER
AND CONDONATION. — THE FIRB MAY IMPOSE FINES AND
PENALTIES, SUSPEND OR FORFEIT THE INCENTIVES GRANTED TO
THE REGISTERED ENTERPRISES FOR VIOLATIONS OF THE
REGISTRATION TERMS AND CONDITIONS, WITHOUT PREJUDICE
TO THE CANCELLATION OF THE REGISTRATION OF SAID
ENTERPRISE.

"WHEN THERE IS PROBABLE CAUSE TO BELIEVE THAT THE
REGISTERED ENTERPRISE HAS VIOLATED ITS REGISTRATION
TERMS AND CONDITIONS, THE FIRB, THROUGH THE
RECOMMENDATION OF THE IPA, SHALL SUSPEND THE
AVAILMENT OF INCENTIVES UNTIL PROVEN OTHERWISE.

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

"SEC. 312. STRUCTURAL ADJUSTMENT FUND. — THE
FOLLOWING AMOUNTS SHALL BE APPROPRIATED TO
COMPENSATE WORKERS THAT MAY BE DISPLACED BY THE
RATIONALIZATION OF FISCAL INCENTIVES TO IMPROVE
EMPLOYABILITY OF WORKERS AND FOR THE DEVELOPMENT OF
INFRASTRUCTURE WITHIN ECONOMIC ZONES AND FREEPORTS
 THAT MAY BE AFFECTED BY THIS ACT:

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

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

"(3) THE AMOUNT OF FIVE BILLION PESOS (P5,000,000,000)
SHALL BE ALLOCATED ANNUALLY FOR THE SKILLS UPGRADE
PROGRAM OF THE IT-BPO INDUSTRY. THE FUND SHALL BE
SOLELY USED TO PAY FOR FORMAL ACADEMIC OR TRAINING
PROGRAMS OF ACCREDITED PRIVATE OR PUBLIC SCHOOLS AND
TRAINING CENTERS; AND

"(4) THE AMOUNT OF FIFTEEN BILLION PESOS
(P15,000,000,000), IN ADDITION TO ANY ADJUSTMENT FUND
APPROPRIATED UNDER THE BUDGET OF PERTINENT
GOVERNMENT DEPARTMENTS OR AGENCIES, SHALL BE
APPROPRIATED FOR THE DEVELOPMENT OF INFRASTRUCTURE
SURROUNDING AND WITHIN THE AREAS OR LOCALITIES OF
SPECIAL ECONOMIC ZONES AND FREEPORTS TO BE AFFECTED BY
THIS ACT. THIS SUBSIDY SHALL LIKewise BE UTILIZED TO SUPPORT RESEARCH AND DEVELOPMENT; COSTS OF POWER, WATER AND OTHER UTILITIES; LEASE OF PROPERTIES; AND OTHER ECONOMIC ACTIVITIES RELEVANT TO DEVELOPING THE ABOVEMENTIONED AREAS/LOCALITIES.

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

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

"SEC. 313. ENHANCED TAX EXPENDITURE FUND SYSTEM. — ALL INTERNAL REVENUE TAX AND DUTY OBLIGATIONS OF GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS SHALL BE CHARGEABLE TO THE TAX EXPENDITURE FUND OF THE GOVERNMENT UPON THE ESTABLISHMENT AND IMPLEMENTATION OF AN ENHANCED TAX EXPENDITURE FUND SYSTEM THAT GRANTS TAX SUBSIDY WITHIN THIRTY (30) DAYS FROM THE FILING OF APPLICATION WITH THE FISCAL INCENTIVES REVIEW BOARD (FIRB)."

"SEC. 314. ANNUAL REPORT. — THE FIRB SHALL SUBMIT AN ANNUAL REPORT TO CONGRESS THE NAMES OF RECIPIENTS OF INCENTIVES AND THE AMOUNT OF INCENTIVES AVAILED OF. THE REPORT SHALL BE MADE AVAILABLE TO THE PUBLIC."

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

"TITLE [ XIII ] XIV

"REPEALING PROVISIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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


(2) Section 7 of RA 7903, entitled “An Act Creating a Special Economic Zone and Freeport in the City of Zamboanga City Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purposes”;

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

(4) Section 13 of RA 9728, entitled “An Act Converting the Bataan Economic Zone located in the Municipality of Mariveles, Province of Bataan, into the Freeport Area of Bataan, Creating for this Purpose the Authority of the Freeport Area of Bataan (AFAB), Appropriating Funds Therefor and for Other Purposes”;
(5) Section 13 (b) of RA 7227, as amended by RA 9400 entitled “An Act Accelerating the Conversion of Military Reservations into Other Productive Uses, Creating the Bases Conversion and Development Authority for the Purpose, Providing Funds Therefore and for Other Purposes”;

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

(7) Section 69 (n) of Subchapter IV-B of RA 9593, entitled “An Act Declaring a National Policy for Tourism as an Engine of Investment, Employment, Growth and National Development and Strengthening the Department of Tourism and its Attached Agencies to Effectively Implement that Policy, and Appropriating Funds Therefor”;

(8) Sections 7 and 12 of RA 9490, entitled “An Act Establishing the Aurora Special Economic Zone in the Province of Aurora, Creating for the Purpose the Aurora Special Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes”, as amended by RA 10083, entitled “An Act Amending Republic Act No. 9490, Otherwise Known as the “Aurora Special Economic Zone Act of 2007”;

(9) Section 6 of RA 7922, entitled “An Act Establishing a Special Economic Zone and Free Port in the Municipality of Santa Ana and the Neighboring Islands of Cagayan, Providing Funds Therefor, and for Other Purposes”;

(10) Section 4, of PD No. 538, entitled “Creating and Establishing the PHIVIDEC Industrial Authority and Making it a Subsidiary Agency of the Philippines Veterans Investment Development Corporation, Defining its Powers, Functions and Responsibilities, and for Other Purposes”;

(11) Sections 13 and 21 of RA 7916, as amended by RA 8748 entitled “An Act Providing for the Legal Framework and Mechanisms for the Creation, Operation, Administration and Coordination of Special Economic Zones in the Philippines, Creating for this Purpose, the Philippine Economic Zone Authority and for Other Purposes; and

(12) Sections 4, 5, 6, and 7 of RA 10708, entitled “An Act Enhancing Transparency in the Management and Accounting of Tax Incentives Administered by Investment Promotion Agencies.”

(C) The following laws are hereby amended to mandate all internal revenue tax and duty obligations of the relevant entities be chargeable to the Tax Expenditure Fund (TEF) pursuant to Section 313 of this Act:
(1) Section 18 of Republic Act No. 7884, entitled "An Act Creating the National Dairy Authority to Accelerate the Development of the Dairy Industry in the Philippines, Providing for a Dairy Development Fund, and for Other Purposes";

(2) Section 8 of Republic Act No. 7903, entitled "An Act Creating Special Economic Zone and Freeport in the City of Zamboanga for this Purpose the Zamboanga City Special Economic Zone Authority, Appropriating Funds Therefor, and for Other Purpose";

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

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

(5) Section 10 of Presidential Decree No. 538, entitled "Creating and Establishing the PHEVIDEC Industrial Authority and Making it a Subsidiary Agency of the Philippine Veterans Investment Development Corporation, Defining its Powers, Functions and Responsibilities, and for Other Purposes";

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

(7) Section 14 of Republic Act No. 7354, entitled "An Act Creating the Philippine Postal Corporation, Defining its Powers, Functions and Responsibilities, Providing for Regulation of the Industry and for Other Purposes Connected Therewith";

(8) Sections 8 and 14 of Presidential Decree No. 269, entitled "Creating the National Electrification Administration as a Corporation, Prescribing its Powers and Activities, Appropriating the Necessary Funds Therefore and Declaring a National Policy Objective for the Total Electrification of the Philippines on an Area Coverage Service Basis, the Organization, Promotion and Development of Electric Cooperatives to Attain the Said Objective, Prescribing Terms and Conditions for their Operations, the Repeal of Republic Act No. 6038, and for Other Purposes";

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

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

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

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

(13) Section 13(e) of Presidential Decree No. 857, entitled “Providing for the Reorganization of Port Administrative and Operation Functions in the Philippines, Revising Presidential Decree No. 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, Inc., 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 by Twenty-five (25) Years from the Expiration of the Term Thereof’’;

(2) Section 12 of Republic Act No. 8407, entitled “An Act Amending Republic Act Numbered Sixty-Six Hundred Thirty-One, entitled ‘An Act Granting Manila Jockey Club, Inc., a Franchise to Construct, Operate and Maintain a Race Track for Horse Racing in the City of
Manila or any Place Within the Provinces of Bulacan, Cavite or Rizal and Extending the Said
Franchise by Twenty-five (25) Years From the Expiration of the Term Thereof”;
(3) Section 9 of Republic Act No. 8298, entitled “An
Act Amending Republic Act Numbered Seventy-Nine Hundred
Seventy-Eight, entitled ‘An Act Granting the Metro Manila Turf Club, Inc., a Franchise to
Construct, Operate and Maintain a Racetrack for Horse Racing in the City of Kalookan’”; and
(4) Section 12 of Republic Act No. 8446, entitled “An Act Granting the Fil-Asia
Racing Club a Franchise to Construct, Operate and Maintain a Racetrack for Horse Racing in
Rizal or Tarlac, or Pampanga or Batangas or Quezon City”.
(E) The provisions of the following laws, including the tax incentives, that are
inconsistent with this Act are hereby amended or repealed effective two (2) years from the
effectivity of this Act:
(1) Section 37 of Republic Act No. 6848, entitled “An Act Providing for the 1989
Charter of the Al-Amanah Islamic Investment Bank of the Philippines, Authorizing its Conduct
of Islamic Banking Business, and Repealing for this Purpose Presidential Decree Numbered
Two Hundred and Sixty-Four as Amended by Presidential Decree Numbered Five Hundred
and Forty-Two”;
(2) Section 17 of Republic Act No. 7906, entitled “An Act Providing for the
Regulation of the Organization and Operations of Thrift Banks, and for Other Purposes”;
(3) Section 15 of Republic Act No. 7353, entitled “An Act Providing for the
Creation, Organization and Operation of Rural Banks, and for Other Purposes”;
(4) Book I, Title I, Article 32; Title III, Article 39(A), (B), (C), (D), (E), (G), (I)
and (J); Title IV, Article 40; Book III, Articles 59, 60, 61; Book IV Article 69; Book VI,
Articles 77 and 78 of Executive Order No. 226, series of 1987, entitled “The Omnibus
Investments Code of 1987”;
(5) Section 1 of Republic Act No. 7918, entitled “An Act Amending Article 39,
Title III of Executive Order No. 226, Otherwise Known as the Omnibus Investments Code of
1987, as Amended, and for Other Purposes”;
(6) Articles 62, 63, 64, 65, 66, 67, and 69 of Republic Act No. 8756, entitled “An
Act Providing for the Terms, Conditions and Licensing Requirements of Regional or Area
Headquarters, Regional Operating Headquarters, Regional Warehouses of Multinational
Companies, Amending for the Purpose Certain Provisions of Executive Order No. 226,
Otherwise Known as the Omnibus Investment Code of 1987”;


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

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

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

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

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

(14) Section 1 of Republic Act No. 9400, amending Section 12(b) of Republic Act No. 7227, insofar as tax exemption and VAT zero-rating of domestic merchandise and capital equipment are concerned, Section 12(c), Section 2 amending Section 15, second, third and last paragraph of Republic Act No. 7227, Section 3, first and second paragraph; Sections 4 and 5 entitled “An Act Amending Republic Act No. 7227, as Amended, Otherwise Known as the Bases Conversion and Development Act of 1982, and for Other Purposes”;
Section 1 of Executive Order No. 619, entitled “Creating and Designating Special Economic Zones Pursuant to Republic Act No. 7916, as Amended by Republic Act No. 8784, in Relation to Republic Act No. 7227, as Amended by Republic Act No. 9400, Inside the Clark Freeport Zone”;

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

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

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

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

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

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

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

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

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

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(25) Section 20(d)(1) to (5) of Republic Act No. 10884, entitled “An Act Strengthening the Balanced Housing Development Program, Amending for the Purpose Republic Act No. 7279, as Amended, Otherwise Known as the Urban Development and Housing Act of 1992”;

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

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

(28) Section 3(a) to (d) and (h) of Republic Act No. 8502, entitled “An Act to Promote the Development of the Jewelry Manufacturing Industry, Providing Incentives Therefor and for Other Purposes”;

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

(30) Sections 9(h)(10) of Republic Act No. 9501, entitled “Promoting Entrepreneurship by Strengthening Development and Assistance Programs to Micro, Small and Medium Scale Enterprises Amending Republic Act No. 6977, Otherwise Known as the Magna Carta For Small Enterprises”;

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

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

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

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

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

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

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

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

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

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

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

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

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

(44) 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

(45) 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 consultations with the Commissioner of Internal Revenue, the Board of Investments, and other Investment Promotion Agencies, promulgate the necessary rules and regulations for its effective implementation.

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

Approved,