HOUSE OF REPRESENTATIVES

H. No. 4157

BY REPRESENTATIVES SUANSING (H.), SUANSING (E), SALCEDA, SINGSON-MEHEEAN, VILLAFUERTE, CUA, GARIN (S.), GONZALEZ (A.), ROMERO, HOFER, RODRIGUEZ, UNGAB, VIOLAGO, TAN (A.S.), SUAREZ (A.), YAP (E.), ONG (J.), VALERIANO, BARZAGA, SALIMBANGON, UY (J.), NUNEZ-MALANYAON, GULLAS, TUPAS, GORKICETA, CANAMA, TEJADA, ARAGONES, CHIPCO, CAOADAN, DEFENSOR (L.), CRISOLICO, TAMBUUNG, FARINAS (R.C.), ESPINO, COLLANTES, SACDALAN, DUAVIT, VILLA, FUENTEVELLA, JIMENEZ, DELOSO-MONTALYA, DY (F.M.C.), REYES, PADIERNOS, LAGON, LAASON, AGLIPAY, BUSTOS, NOGARES (J.J.), EBCAS, ONG (R.), QUMBO, ADVINCULA, CABRERA, DIALOG, CHATTO, AMANTE-MATRA, ACOSTA, JALOSIOS, KHO (E.), CALDEBON, MACAPAGAL ARROYO, BAUTISTA-BANDIJAN, PINEDA, MADRIGAL, SIAO, MALAPITAN, ALBANO (A.), VARGAS ALPONSO, ALVAREZ (F.), ARENAS, BARRIOS, BILLONRES, BOLILJA, CASTRO (F.H.), CHINGALAO, CUEVA, DEL MAR, DY (L.P.), CELESTE, DUTERRE, GARCIA (P.J.), LEACHON, MANGUADATU, PICAY, SAVELLANO, TADURAN, YAP (V.), PADUANO, DJUALL, FERNANDO, FLORES, GO (E.C.), HERNANDEZ, HERRERA-DY, NOGARES (J.F.F.), VILLARAZA-SUAREZ, TALLADO, ROMULO, FERNANDEZ, NIETO, ROBES, ROMUALDEZ (F.M.), FERRE (L.), SINGSON, VILLANUEVA (N.), MATUGAS, ZAMORA (W.K.), ALBANO (R.), DIMAPORO (A.), REMULLA, MOMO, SINSUAY, UMALI (M.V.), GUICO, TULFO, AUGMENTADO, DY (F.), BONDOC, ZUBIRI, BALINDONG, BRAVO, CUAJESMA, ANGARA, GUYA, PIMENTEL, BENITEZ, OUANG-DIZON, GONZALEZ, LIMKAIKONG, SAGABBARRIA, SUAREZ (D.), TY, DAZA, GONZAGA, NATIVIDAD-NAHARO, ORTRO, VERGARA, CAMPOS, DALIPE, TIANGCO, OAMINAL, PALMA, UY (R.), SY-ALVARADO, GASATAYA, VARGAS, DELOS SANTOS, MARCOLETA, SUNIT, ALONTE, OLIVARES, CASTELLO, PANCHO, AMATONG, JAVIER.


BE IT ENACTED by the Senate and 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 this 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 AS CHAIR OF THE FISCAL INCENTIVES REVIEW BOARD.

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
distributed 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 Summons, 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;
“(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
PERSUIT 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 SUBSTITUTE 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) (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 purposes of this Section.

"x x x."

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

"Sec. 27. Rates of Income Tax on Domestic Corporations. —

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

In the case of corporations adopting the fiscal-year accounting period, the taxable income shall be computed without regard to the specific date when specific sales, purchases and other transactions occur. Their income and expenses for the fiscal year shall be
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[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)], or the Commission on Higher Education (CHED), or the Technical Education and Skills Development Authority (TESDA), as the case may be, in accordance with existing laws and regulations.

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

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

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

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

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

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

"(2) xxx

"(3) xxx

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

"[(5)] (4) Tax on Branch Profits Remittances. — Any profit remitted by a branch to its head office shall be subject to a tax of fifteen percent (15%) which shall be based on the total profits applied or earmarked for remittance without any deduction for the tax component thereof [(except 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 (2) 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 1/2%)] FIFTEEN PERCENT (15%) of such interest income.

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

"(c) Capital Gains from Sale of Shares of Stock Not Traded in the Stock Exchange. — A final tax at the rates 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-nine percent (29%) beginning January 1, 2020;
twenty-eight percent (28%) beginning January 1, 2021;
twenty-seven percent (27%) beginning January 1, 2022;
twenty-six percent (26%) beginning January 1, 2023;
twenty-five percent (25%) beginning January 1, 2024;
twenty-four percent (24%) beginning January 1, 2025;
twenty-three percent (23%) beginning January
1, 2026; twenty-two percent (22%) beginning
January 1, 2027; twenty-one percent (21%)
beginning January 1, 2028; and twenty percent
(20%) beginning January 1, 2029: PROVIDED,
FURTHER, That the scheduled rate reduction
shall be subject to review by the Secretary
of Finance in 2025: PROVIDED, FURTHERMORE,
That the scheduled decrease in the rate
may be suspended by the President upon
recommendation of the Secretary of Finance if
the projected deficit target as a percentage
of gross domestic product exceeds the
programmed deficit, as determined by the
Development Budget Coordination Committee
in the preceding year prior to the scheduled
reduction in the corporate income tax rate,
based on the annual review of the medium term
fiscal program: PROVIDED, finally, That the
President may advance the scheduled reduction
in the corporate income tax rate when adequate
savings are realized from the rationalization
of fiscal incentives under Title XIII of this
Code, as certified by the Secretary of Finance.

"(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) Inter-corporate Dividends. — A final
withholding tax at the rate of fifteen percent (15%) is
hereby imposed on the amount of cash and/or property
dividends received from a domestic corporation, which
shall be collected and paid as provided in Section 57(A)
of this Code, subject to the condition that the country in
which the nonresident foreign corporation is domiciled,
shall allow a credit against the tax due from the
nonresident foreign corporation taxes deemed to have been paid in the Philippines equivalent to [twenty percent (20%)] FIFTEEN PERCENT (15%), which represents the difference between the regular income tax [of thirty-five percent (35%)] and the fifteen percent (15%) tax on dividends as provided in this subparagraph[]. Provided, That [effective January 1, 2009] EFFECTIVE JANUARY 1, 2020, the credit against the tax due shall be equivalent to [fifteen percent (15%), which represents] the difference between the regular income tax RATE [of thirty percent (30%)] and the fifteen percent (15%) tax on dividends;

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

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

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

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

"SEC. 34. Deductions from Gross Income. — Except for taxpayers earning compensation income arising from personal services rendered under an employer-employee relationship where no deductions shall be allowed under this Section, in computing taxable income subject to income tax under Sections 24(A); 25(A); 26; 27(A), (B), and (C); and 28(A)(1), there shall be allowed the following deductions from gross income:

"(A) Expenses. —

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

"x x x

"(B) Interest. —

"(1) In General. — The amount of interest paid or incurred within a taxable year on indebtedness in connection with the taxpayer's profession, trade or business shall be allowed as deduction from gross income: Provided, however, That the taxpayer's otherwise allowable deduction for interest expense shall be reduced by [forty-two percent (42%)] THIRTY-THREE PERCENT (33%) of the interest income subjected to final tax:[Provided, That effective January 1, 2009, the percentage shall be thirty-three percent (33%).]

PROVIDED, FURTHER, THAT THE FOLLOWING PERCENTAGES SHALL APPLY IF THE CORPORATE INCOME TAX RATE AS PROVIDED IN SECTIONS 27(A) AND 28(A)(1) IS ADJUSTED:

"(A) IF THE RATE IS TWENTY-NINE PERCENT (29%), THE INTEREST EXPENSE REDUCTION RATE IS THIRTY-ONE PERCENT (31%);"
(B) IF THE RATE IS TWENTY-EIGHT PERCENT
(28%), THE INTEREST EXPENSE REDUCTION RATE IS
TWENTY-NINE PERCENT (29%);

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

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

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

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

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

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

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

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

"PROVIDED, finally, THAT IF THE INTEREST
INCOME TAX IS ADJUSTED IN THE FUTURE, THE
INTEREST EXPENSE REDUCTION RATE SHALL BE

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

"(2) xxx
"(3) xxx
"(C) Taxes. – xxx
"(D) Losses. – xxx
"(E) Bad Debts. – xxx
"(F) Depreciation. – xxx
"(G) Depletion of Oil and Gas Wells and Mines. –

xxx
"(H) Charitable and Other Contributions. – xxx
"(I) Research and Development. – xxx
"(J) Pension Trusts. – xxx
"(K) Additional Requirements for Deductibility of
Certain Payments. – xxx

"(L) Optional Standard Deduction (OSD). – In
lieu of the deductions allowed under the preceding
Subsections, an individual subject to tax under Section
24, other than a nonresident alien, [may elect a
standard deduction in an amount not exceeding forty
percent (40%) of his gross sales or gross receipts, as the
case 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 [of] 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).
AVOIDANCE OF TAXES OR TO CLEARLY REFLECT THE
INCOME OF ANY SUCH ORGANIZATION, TRADE, OR
BUSINESS.

"IN CASES WHERE THE TRANSACTION OR
ARRANGEMENT IS MOTIVATED BY OBTAINING TAX
BENEFIT OR ADVANTAGE WITH NO COMMERCIAL
REALITY OR ECONOMIC EFFECT, SUCH 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; OR (C) DIRECTLY OR INDIRECTLY
AVOIDING, POSTPONING, OR REDUCING ANY LIABILITY
TO INCOME TAX, OR ANY POTENTIAL OR PROSPECTIVE
LIABILITY TO FUTURE INCOME TAX, THEN THE
COMMISSIONER IS AUTHORIZED TO DISREGARD AND
CONSIDER SUCH TRANSACTION OR ARRANGEMENT AS
VOID FOR INCOME TAX PURPOSES, AND MAY ADJUST THE
TAXABLE INCOME OF A PERSON AFFECTED BY THE
ARRANGEMENT IN A WAY THE COMMISSIONER DEEMS
APPROPRIATE, IN ORDER TO COUNTERACT A TAX
ADVANTAGE OBTAINED BY THE PERSON FROM OR UNDER
THE ARRANGEMENT."

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 further amended to read as follows:

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

"x x x."

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

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

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

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

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

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

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

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

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

"x x x."

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

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

(a) x x x

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

"x x x."

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

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

"(A) Issuance. — x x x

"Within five (5) years from the effectivity of this
Act and upon the establishment of a system capable of
storing and processing the required data, the Bureau
shall require taxpayers engaged in the export of goods
and services, taxpayers engaged in e-commerce, and
taxpayers under the jurisdiction of the Large Taxpayers
Service to issue AND TRANSMIT electronic receipts or
sales or commercial invoices [in lieu of manual receipts
or sales or commercial invoices] THROUGH DESIGNATED
ELECTRONIC CHANNELS WITH A PUBLIC CERTIFICATION
SYSTEM ACCREDITED BY THE BUREAU, subject to rules
and regulations to be issued by the Secretary of Finance
upon recommendation of the Commissioner [and after
a] FOLLOWING A public hearing [shall have been] held
for this purpose: Provided, That taxpayers not covered
by the mandate of this provision may issue electronic
receipts or, sales or commercial invoices, in lieu of
manual receipts, and sales and commercial invoices[.]:

PROVIDED, FURTHER, SUBJECT TO THE RULES AND
REGULATIONS TO BE ISSUED BY THE SECRETARY OF
FINANCE, UPON THE RECOMMENDATION OF THE
COMMISSIONER, THE BUREAU MAY REQUIRE ANY
TAXPAYER TO COMPLY WITH THE PROVISIONS OF THIS
SECTION.

"A PUBLIC CERTIFICATION SYSTEM SHALL REFER
TO A DIGITAL PERSONAL AUTHENTICATION PROGRAM
WITH ABILITY TO VERIFY THE IDENTITY OF THE ISSUING
TAXPAYER AND ATTEST TO THE AUTHENTICITY OF THE
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 OR 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 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, the digital records 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 provisions 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:


– 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 [electronically report their sales data to the Bureau through the use of electronic point of sales systems,] 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 subject to rules and regulations to be issued by the Secretary of Finance as recommended by the Commissioner of Internal Revenue: Provided, That the POINT OF SALE machines, VALUE-ADDED NETWORK 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 IN THE FORM OF ALLOWABLE DEDUCTIBLE EXPENSE OF UP TO TEN PERCENT (10%) OF THE ELECTRONICALLY TRACEABLE PAYMENTS MADE BY THE TAXPAYER. AN ANNUAL LIMIT ON THE ALLOWED ELECTRONICALLY TRACEABLE PAYMENTS 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 wilfully fails to pay such tax, make such return, keep such record, or supply such 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 an internal revenue office wherein the same was actually filed shall, upon conviction therefor, be punished by a fine of not less than [Ten thousand pesos (P10,000) but not more than Twenty thousand pesos (P20,000)] ONE HUNDRED THOUSAND PESOS (P100,000) BUT NOT MORE THAN ONE MILLION TWO HUNDRED THOUSAND PESOS (P1,200,000) and [suffer] imprisonment of not less than one (1) year but not more than three (3) years."

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

"SEC. 256. Penal Liability of Corporations. — Any corporation, association or general co-partnership liable for any of the acts or omissions penalized under this Code, in addition to the penalties imposed herein upon the responsible corporate officers, partners, or employees shall, upon conviction for each act or omission, be punished by a fine of not less than [Fifty thousand pesos (P50,000) but not more than One hundred thousand pesos (P100,000)] TWO HUNDRED THOUSAND PESOS (P200,000) BUT NOT MORE THAN TWO MILLION FOUR HUNDRED THOUSAND PESOS (P2,400,000)."

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

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

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

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

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

(B) Any person who:

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

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

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

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

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

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

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

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

Memoranda and other accountable forms shall, upon conviction for each act or omission, be punished by a fine of not less than [Fifty thousand pesos (P50,000) but not more than One hundred thousand pesos (P100,000)]

THREE HUNDRED THOUSAND PESOS (P300,000) BUT NOT MORE THAN ONE MILLION TWO HUNDRED THOUSAND PESOS (P1,200,000) and [suffer] imprisonment of not less than two (2) years but not more than six (6) years.

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

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

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

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

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

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

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

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

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

"(a) x x x
"(b) x x x
"(c) x x x
"(d) x x x
“(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).

“x x x.”

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 with a fine of
not less than Five hundred thousand pesos (P500,000)
but not more than Ten million pesos (P10,000,000), and
imprisonment of not less than six (6) years but not more
than ten (10) years;

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

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

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

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

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

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

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

"SEC. 275. VIOLATION OF OTHER PROVISIONS OF THIS
CODE OR RULES AND REGULATIONS IN GENERAL. — Any
person who violates any provision of this Code or any
rule or regulation promulgated by the Department of
Finance, for which no specific penalty is provided by
law, shall, upon conviction for each act or omission, be
punished by a fine of not more than [One thousand
pesos (P1,000)] TEN THOUSAND PESOS (P10,000) or
[suffer] imprisonment of not more than [six (6)
months.] TWO (2) YEARS, or both."

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

"SEC. 282-A. VIOLATION OF THE PROVISIONS OF
THIS CODE AMOUNTING TO ECONOMIC SABOTAGE. —
ANY VIOLATION OF SECTION 254 OF THIS CODE THAT
UNDERMINES, weakens or renders into disrepute
the economic system or viability of the country
or tends to bring out such effects, in lieu of
the penalty set in the preceding provisions,
SHALL CONSTITUTE ECONOMIC SABOTAGE, AND, UPON
CONVICTION FOR EACH ACT OR OMISSION, BE PUNISHED
BY A FINE OF NOT LESS THAN FIFTY MILLION PESOS
(P50,000,000) AND IMPRISONMENT OF TWELVE (12)
YEARS AND ONE (1) DAY BUT NOT MORE THAN TWENTY
(20) YEARS."

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

"SEC. 290. Congressional Oversight Committee. —
A Congressional Oversight Committee,
hereinafter referred to as the Committee, is hereby
constituted in accordance with the provisions of
this Code. The Committee shall be composed of
the [Chairmen] CHAIRPERSONS of the Committee on
Ways and Means of the Senate and House of
Representatives... x x x

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

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

"x x x."

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

"TITLE XIII
"TAX INCENTIVES
"CHAPTER I

"GENERAL PROVISIONS ON TAX INCENTIVES

"SEC. 291. SCOPE AND COVERAGE. — This
Title shall cover all existing investment
promotion agencies as defined in this Code
or related laws, and all other investment
promotion agencies and similar authorities
that may be created by law.

"The investment promotion agencies shall
maintain their functions and powers as provided
under the special laws governing them except
on the extent modified by the provisions of this
Code."

"SEC. 292. EXTENT OF AUTHORITY TO GRANT
TAX INCENTIVES. — All investment promotion
agencies shall recommend to the Fiscal
Incentives Review Board the tax incentives
provided in this Title to registered enterprises
only to the extent of their approved registered
projects or activities under the Strategic
Investment Priority Plan. The period of
availment of incentives shall be reckoned from
the start of commercial operation.

"Sales receipts and other income derived
from non-registered activity or project shall
BE SUBJECT TO APPROPRIATE TAXES UNDER THIS
Code.

"UNLESS OTHERWISE PROVIDED IN THIS CODE,
DIRECT EXPORTS ARE SUBJECT TO VALUE-ADDED TAX
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;

AND

"(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; AND

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

"(D) INVESTMENT PROMOTION AGENCIES REFER
TO GOVERNMENT ENTITIES CREATED BY LAW,
EXECUTIVE ORDER, DEGREE 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, REGIONAL BOARD OF
INVESTMENTS AUTONOMOUS REGION IN MUSLIM
MINDANAO, PHILIPPINE ECONOMIC ZONE AUTHORITY,
BASES CONVERSION AND DEVELOPMENT AUTHORITY,
SUBIC BAY METROPOLITAN AUTHORITY, CLARK
DEVELOPMENT CORPORATION, JOHN HAY
MANAGEMENT CORPORATION, PORO POINT
MANAGEMENT CORPORATION, CAGAYAN ECONOMIC
ZONE AUTHORITY, ZAMBOANGA CITY SPECIAL
ECONOMIC ZONE AUTHORITY, PHIVIDEC INDUSTRIAL
AUTHORITY, AURORA PACIFIC ECONOMIC ZONE AND
FREEPORT AUTHORITY, AUTHORITY OF THE FREEPORT
AREA OF BATAAN, TOURISM INFRASTRUCTURE AND
ENTERPRISE ZONE AUTHORITY, AND ALL OTHER
SIMILAR EXISTING AUTHORITIES OR THAT MAY BE
CREATED BY LAW IN THE FUTURE.

"(E) OTHER GOVERNMENT AGENCIES
ADMINISTERING FISCAL INCENTIVES REFER TO
GOVERNMENT AGENCIES OTHER THAN INVESTMENT
PROMOTION AGENCIES 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 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
government agencies 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 AS DEFINED UNDER
REPUBLIC ACT NO. 10708, OR THE TAX INCENTIVES

MANAGEMENT AND TRANSPARENCY ACT (TMTA),
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
INVESTMENT PROMOTION AGENCY BOARD,
irrespective of location, whether inside or
outside the zones, duly accredited or licensed
by any of the investment promotion agencies 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 METERS 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,
EXPORT PROCESSING ZONES, INFORMATION AND
COMMUNICATIONS TECHNOLOGY PARKS AND CENTERS,
AND FREE TRADE ZONES: PROVIDED, HOWEVER, THAT
AREAS WHERE MINING EXTRACTION IS UNDERTAKEN
SHALL NOT BE DECLARED AS AN ECOZONE: PROVIDED,
FURTHER, THAT VERTICAL ECONOMIC ZONES, SUCH AS,
BUT NOT LIMITED TO, BUILDINGS, SELECTED FLOORS
WITHIN BUILDINGS, AND SELECTED AREAS ON A FLOOR,
NEED TO COMPLY WITH THE MINIMUM CONTIGUOUS
LAND AREA AS DETERMINED BY THE FISCAL
INCENTIVES REVIEW BOARD.

"(I) FREEPORT ZONE REFERS TO AN ISOLATED
AND POLICED AREA ADJACENT TO A PORT OF ENTRY,
WHICH SHALL BE OPERATED AND MANAGED AS A
SEPARATE CUSTOMS TERRITORY TO ENSURE FREE FLOW
OR MOVEMENT OF GOODS, EXCEPT THOSE EXPRESSLY
PROHIBITED BY LAW, WITHIN, INTO, AND EXPORTED
OUT OF THE FREEPORT ZONE WHERE IMPORTED GOODS
MAY BE UNLOADED FOR IMMEDIATE TRANSSHIPMENT
OR STORED, REPACKED, SORTED, MIXED, OR
OTHERWISE MANIPULATED WITHOUT BEING SUBJECT TO
IMPORT DUTIES. HOWEVER, MOVEMENT OF THESE
IMPORTED GOODS FROM THE FREE-TRADE AREA TO A
NON-FREE TRADE AREA IN THE COUNTRY SHALL BE
SUBJECT TO ALL APPLICABLE INTERNAL REVENUE
TAXES AND DUTIES: PROVIDED, THAT FOR THE
FREEPORT TO QUALIFY AS A SEPARATE CUSTOMS
TERRITORY, A FREEPORT SHALL HAVE A PERMANENT
CUSTOMS CONTROL OR CUSTOMS OFFICE AT ITS
PERIMETER."
“(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 municipality or component city 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 or independent component city, the three percent (3%) share of the local government unit shall be directly remitted to the treasurer’s office of the highly urbanized city or independent component city.

“Provided, further, That in lieu of the income tax holiday 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 Fiscal Incentives Review Board. The Fiscal Incentives Review Board shall prescribe the level of additional deduction for selected industries.

“Provided, finally, 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, 296 and 297.

“(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 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

"(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: value-added tax exemption on importation and value-added tax 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 information technology and information technology-enabled industries such as books,
DIRECTORIES, MAGAZINES, NEWSPAPERS, BROCHURES, PAMPHLETS, MEDICAL RECORDS OR FILES, LEGAL RECORDS OR FILES, INSTRUCTION MATERIALS, AND DRAWINGS, BLUEPRINTS, OR OUTLINES."

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

"(1) Depreciation Allowance of the Assets Acquired for the Entity’s Production of Goods and Services (Qualified Capital Expenditure). - Ten percent (10%) for buildings; and Twenty percent (20%) for machineries and equipment: Provided, That Depreciation may be computed using accelerated depreciation method on a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Secretary of Finance and the provisions of the National Internal Revenue Code of 1997, as amended: Provided, further, That the assets are acquired directly for the registered enterprise’s production of goods and services other than administrative and other support services.

"(2) Up to Fifty percent (50%) Additional Deduction on the Labor Expense in the Taxable Year as a consequence of an increase in direct local employment: Provided, that this does not include indirect labor, salaries and wages, and

OTHER PERSONNEL COSTS INCURRED FOR ADMINISTRATIVE AND OTHER SUPPORT SERVICES.

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

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

"(5) Up to One Hundred Percent (100%) Deduction on Infrastructure Development. - Registered enterprises establishing their activity in an area that the Strategic Investment Priority Plan designates as necessary for countrywide development or in an area found to be deficient in infrastructure, public utilities, and other facilities, such as irrigation, drainage, or other similar waterworks infrastructure may deduct from the gross income an amount equivalent to up to
ONE HUNDRED PERCENT (100%) OF NECESSARY AND
MAJOR INFRASTRUCTURE WORKS IT MAY HAVE
UNDERTAKEN WITH THE PRIOR APPROVAL AND
RECOMMENDATION OF THE INVESTMENT PROMOTION
AGENCY CONCERNED: PROVIDED, THAT THE
INFRASTRUCTURE SHALL BE OPEN FOR USE BY THE
GENERAL PUBLIC: PROVIDED, FURTHER, THAT THE
TITLE TO ALL SUCH INFRASTRUCTURE WORKS SHALL,
UPON COMPLETION, BE TRANSFERRED TO THE
PHILIPPINE GOVERNMENT: PROVIDED, FINALLY, THAT
ANY AMOUNT NOT DEDUCTED FOR A PARTICULAR YEAR
MAY BE CARRIED OVER FOR DEDUCTION FOR
SUBSEQUENT YEARS NOT EXCEEDING FIVE (5) YEARS
FROM COMMERCIAL OPERATION.

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

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

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

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

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

"SEC. 298. EXPANDED FUNCTIONS OF THE FISCAL INCENTIVES REVIEW BOARD. — The functions and powers of the Fiscal Incentives Review Board created under Presidential Decree No. 776, as amended by Presidential Decree No. 1931 and Presidential Decree No. 1955; Office of the President Memorandum Order No. 23, Series of 1986; and Executive Order No. 98, Series of 1986, shall be expanded as follows:

"(A) To exercise policy making and oversight functions over the investment promotion agencies and other government agencies, the Fiscal Incentives Review Board shall:

"(1) Set and review the general policy with regard to the grant of fiscal incentives;

"(2) Review and audit the compliance of investment promotion agencies and other government agencies with the terms and conditions of their availing 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 government agencies to the general policy on incentives set by the Fiscal Incentives Review Board as mandated in this Act, the Strategic Investment Priority Plan, and the respective charters of the investment promotion agencies and other government agencies; and impose sanctions on violation of noncompliance of investment promotion agencies and other government agencies 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, to determine their impact on the economy and whether agreed performance targets are met; and

"(5) Check and verify regularly the compliance of registered business enterprises which are granted fiscal incentives with the terms and conditions of their availing, the relevant provisions and rules and regulations of this Act, and other relevant laws or issuances;"
THE INVESTMENT PROMOTION AGENCY BOARD: 
Provided, That the application for tax 
Incentives shall be deemed approved if not 
decided upon by the Fiscal Incentives Review 
Board after forty-five (45) days upon 
application for tax incentives;

"(C) To approve applications for 
tax subsidies to government-owned or 
-controlled corporations, government 
instrumentalities, government commissaries, 
and state universities and colleges;

"(D) To cancel, suspend, or withdraw the 
enjoyment of fiscal incentives of concerned 
registered business enterprises and other 
registered entities, 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: (1) failure to maintain the 
qualifications required by the concerned 
investment promotion agency or by the Fiscal 
Incentives Review Board for availment of 
incentives; and (2) violation of any provisions of 
this Act, rules and regulations issued under 
the respective charters of the investment 
promotion agencies, or of the terms and 
conditions of registration;

"(E) To cancel, suspend, or withdraw 
the enjoyment of tax subsidy of concerned 
government-owned or -controlled 
corporations, government instrumentalities, 
government commissaries, and state 
universities and colleges 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 investment promotion 
agencies and other government agencies 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 Fiscal Incentives 
Review Board's review and audit function and 
evaluation of performance of recipients of 
fiscal incentives;

"(G) To publish the names of the 
registered business enterprises and other 
registered entities 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 investment promotion 
agencies, other government agencies, 
registered business enterprises, other
REGISTERED ENTITIES, GOVERNMENT-OWNED OR
-CONTROLLED CORPORATIONS, GOVERNMENT
INSTRUMENTALITIES, GOVERNMENT COMMISSARIES,
AND STATE UNIVERSITIES AND COLLEGES, LOCAL
GOVERNMENT UNITS, AMONG OTHERS;

"(I) To obtain information, summon,
examine, inquire and receive from investment
promotion agencies, other government
agencies, registered business enterprises,
other registered entities, government-owned
or -controlled corporations, government
instrumentalities, government commissaries,
state universities and colleges, and local
government units, 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 submit to Congress monthly
reports on approvals, disapprovals,
cancellations, suspensions, and withdrawals of
fiscal incentives in accordance with this Act,
including the methodology utilized in
recommending the same;

"(L) 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 Fiscal
Incentives Review Board;

"(M) To exercise all other powers
necessary or incidental to attain the purposes
of this Act and other laws vesting additional
functions on the Fiscal Incentives Review
Board; and

"(N) To promulgate such rules and
regulations as may be necessary to implement
the intent and provisions of this Section.

"Provided, that the Fiscal Incentives
Review 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 investment
promotion agencies.

"Provided, finally, that the National
Economic and Development Authority and the
DEPARTMENT OF TRADE AND INDUSTRY SHALL BE MEMBERS OF ALL THE EXISTING AND FUTURE INVESTMENT PROMOTION AGENCIES.

"Sec. 299. Composition of the Fiscal Incentives Review Board. — The Fiscal Incentives Review Board shall be reconstituted as follows:

"Board Proper:

"Chairperson — Secretary of Finance

"Members — Secretary of Trade and Industry

— Director General of the National Economic and Development Authority

— Secretary of Budget and Management

— Executive Secretary of the Office of the President

"Technical Committee:

"Chairperson — Undersecretary of Finance

"Members — Undersecretary of Trade and Industry and Board of Investments Managing Head

— Undersecretary of Budget and Management

"Deputy Director General of the National Economic and Development Authority

— Commissioner of Internal Revenue

— Commissioner of Customs

— Executive Director of the National Tax Research Center

"Secretariat: — National Tax Research Center

"Chapter IV

"Qualified Activities for Tax Incentives

"Sec. 300. Strategic Investment Priority Plan. — The Board of Investments shall, in coordination with the Office of the President, the Fiscal Incentives Review Board, the concerned investment promotion agencies, and other government agencies and the private sector, formulate the Strategic Investment Priority Plan to be submitted to the President for approval not later than December of the third year set for periodic review. The Plan shall be valid for a period of three (3) years subject to review and amendment as the need arises. All sectors or industries that may be included in the Strategic Investment Priority Plan shall undergo an evaluation process to determine the suitability and potential of the
INDUSTRY OR THE SECTOR IN PROMOTING LONG-TERM GROWTH AND DEVELOPMENT, AND THE NATIONAL INTEREST.

"THE STRATEGIC INVESTMENT PRIORITY PLAN 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 MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES;

(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;

(vii) PROMOTION OF MARKET COMPETITIVENESS OR;

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

(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 BOARD OF INVESTMENTS.

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 OR DENY INCENTIVES. — THE PRESIDENT MAY, IN THE INTEREST OF NATIONAL ECONOMIC DEVELOPMENT AND UPON THE RECOMMENDATION OF THE FISCAL INCENTIVES REVIEW BOARD, GRANT OR DENY 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 THEREOF ARE CLEAR AND CONVINCING AND FAR OUTWEIGH THE COST OF INCENTIVES THAT WILL BE GRANTED."
"(A) Criteria for availability. - The Fiscal Incentives Review Board 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.

"(3) In the case of a freeport zone, the Fiscal Incentives Review Board shall assess the totality of all economic activities within its jurisdiction."

"The Fiscal Incentives Review Board 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 Board of Investments."

"Sec. 302. Amendments to the Strategic Investment Priority Plan. - Subject to publication requirements and the criteria for investment priority determination, the Board of Investments may, at any time, include additional areas in the Strategic Investment Priority Plan, alter any of the terms of the declaration of an investment area, and temporarily or permanently suspend activities on the Strategic Investment Priority Plan if it considers that such activity is no longer a priority. In no case shall the investment promotion agencies accept applications unless the activity is listed in the Strategic Investment Priority Plan."

"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 Fiscal
INCENTIVES REVIEW BOARD, A REGISTERED ENTERPRISE MUST:

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

"(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 INVESTMENT PROMOTION AGENCY SHOULD SO REQUIRE;

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

"(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. In availing the income tax-based incentives, the registered enterprise shall be required to secure a certificate of entitlement issued by the Fiscal Incentives Review Board and attach the same to its income tax return or annual

INFORMATION RETURN, WHICHERVER IS APPLICABLE. THEREAFTER, THE REGISTERED ENTERPRISE SHALL FILE ITS CLAIM WITH THE BUREAU OF INTERNAL REVENUE FOR VALIDATION.

"FAILURE TO SECURE AND ATTACH THE CERTIFICATION TO THE INCOME TAX RETURN OR ANNUAL INFORMATION RETURN, 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 investment promotion agency 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 THE DATE OF IMPORTATION, THE REGISTERED ENTERPRISE SHALL FIRST SEEK PRIOR APPROVAL OF THE AUTHORITY AND PAY THE TAXES AND CUSTOMS DUTIES THAT WERE NOT PAID UPON ITS IMPORTATION; AND

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

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

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

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

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

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


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

"SEC. 309. GOVERNANCE RULES. - THE DIFFERENT INVESTMENT PROMOTION AGENCIES 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 OR FOR A PERIOD OF FIVE (5) YEARS ONLY, WHICHEVER COMES FIRST, PROVIDED, THAT THE FIVE PERCENT (5%) TAX ON GROSS INCOME EARNED SHALL COMENCE ONLY AFTER THE INCOME TAX HOLIDAY PERIOD HAS LAPPEDSED, 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 STRATEGIC INVESTMENT PRIORITY PLAN, 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 AVAIL OF 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 FISCAL INCENTIVES REVIEW BOARD 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 FISCAL
INCENTIVES Review Board, through the recommendation of the Investment Promotion agency, shall suspend the availingment of incentives until proven otherwise.

"In case of cancellation of the certificate of registration, the concerned investment promotion agency 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 information technology-business process outsourcing 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."

"SEC. 314. ANNUAL REPORT. – THE FISCAL
INCENTIVES REVIEW BOARD 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. [29]1315. 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 Department of Finance,
National Economic and Development Authority and
Department of Trade and Industry are represented in
the Governing Boards of all investment promotion
agencies, where the Department of Finance shall
automatically serve as Co-chair, and the Department
of Trade and Industry and National Economic and
Development Authority 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 1986; and

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

“(B) To transfer to the Fiscal Incentives Review Board the power of the Investment Promotion Agency Board to review, approve or disapprove fiscal incentives and to mandate the Investment Promotion Agency Board to recommend to the Fiscal Incentives Review Board after a thorough review of the application, the
approval or disapproval of the same, the following provisions are hereby amended:

"(1) Article 7 of Executive Order No. 226, series of 1987, entitled the 'Omnibus Investments Code of 1987', as amended by RA 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';

"(2) Section 7 of Republic Act No. 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 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, 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 Republic Act No. 7227, as amended by Republic Act No. 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 Therefor and for Other Purposes';

"(6) Section 8 of Republic Act No. 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 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 Implement that Policy, and Appropriating Funds Therefor';

"(8) Sections 7 and 12 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, entitled 'An Act Amending Republic Act No. 9490, Otherwise Known as the 'Aurora Special Economic Zone Act of 2007';

"(9) Section 6 of Republic Act No. 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 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’; and

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

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

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

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

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

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

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

“(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 Further Strengthening the Home
Development Mutual Fund, and for Other Purposes';

"(10) Section 17(c) under Section 8 of Republic Act
No. 9876, entitled 'An Act Increasing the Maximum
Deposit Insurance Coverage, and in Connection
Therewith, to Strengthen the Regulatory and
Administrative Authority, and Financial Capability of
the Philippine Deposit Insurance Corporation (PDIC),
Amending for this Purpose Republic Act Numbered
Three Thousand Five Hundred Ninety-One, as
Amended, Otherwise Known as the PDIC Charter and
for Other Purposes';

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

"(12) Section 6(d) 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, Incorporated, Defining its Powers
and Functions, Providing for its Sources of Funding and
for Other Purposes.'

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(21) Section 26(a)(l)(g) of Republic Act No. 9275, entitled 'An Act Providing for a Comprehensive Water Quality Management and for Other Purposes';

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

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

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

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

“(26) 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’;

“(27) 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’;

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

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

“(30) 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’;

“(31) 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’;

“(32) 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’;

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

“(34) 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’;

“(35) 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’;

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

“(37) 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 Investment Development
Corporation, Defining its Powers, Functions and
Responsibilities, and for Other Purposes';

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

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

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

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

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

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

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

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

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

"TITLE [XIV] XV

"FINAL PROVISIONS

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

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

0