



HOUSE OF REPRESENTATIVES

H. No. 8083

BY REPRESENTATIVES CUA, GONZALES (A.D.), ABU, SUANSING (H.), SUANSING (E.), YAP (A.), SINGSON, HERRERA-DY, ANGARA-CASTILLO, QUIMBO, GARIN (S.), ZUBIRI, VILLAFUERTE, BENITEZ, BATOCABE, SALCEDA, SAMBAR, FLOIRENDO, VIOLAGO, MENDING, ROMERO, ATIENZA, MONTORO, SALO, CANAMA, ALONTE, MARCOLETA, GONZAGA, LOBREGAT, SARMIENTO (C.), SY-ALVARADO, PANGANIBAN, ANTONIO, AGGABAO, NOEL, TY, BRAVO (A.), YU, NAVA, RELAMPAGOS, BERTIZ, SAVELLANO, CO, LOPEZ (M.L.), BATAOIL, MACAPAGAL-ARROYO, ANDAYA, LOPEZ (B.), BRAVO (M.V.), ROCAMORA, LIMKAICHONG, TAN (A.), BOLILIA, SACDALAN, AUMENTADO, ERIGUEL, CHIPECO, CATAMCO, LANETE, ABUEG, TING, DUAVIT, BAUTISTA-BANDIGAN, ACOP, NIETO, RAMOS, MATUGAS, MARQUEZ, JALOSJOS, MADRONA, PANOTES, JAVIER, ARBISON, NUÑEZ-MALANYAON, SAGARBARRIA, UY (J.), KHO, ZAMORA (M.C.), SANDOVAL, NOGRALES (J.J.), GARBIN, CALDERON, ROBES, ERMITA-BUHAIN, ADVINCULA, ROMUALDO, BARZAGA, TAMBUNTING, MANGUDADATU (S.), SALIMBANGON, DELOSO-MONTALLA, TEJADA, MANGUDADATU (Z.), HOFER, CAMINERO, ORTEGA (P.), ADIONG, FERRER (J.), SAHALI, LAZATIN, CORTES, UY (R.), ONG (H.), ABAYON AND TREÑAS, PER COMMITTEE REPORT NO. 818

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

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

1 SECTION 1. *Title.* – This Act shall be known as the “Tax
2 Reform for Attracting Better and High-quality Opportunities,” or
3 “TRABAHO.”

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

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

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

22 SEC. 3. Section 5 of the National Internal Revenue Code of
23 1997, as amended, is hereby further amended to read as follows:

24 “SEC. 5. *Power of the Commissioner to Obtain*
25 *Information and to Summon, Examine, and Take*
26 *Testimony of Persons.* – In ascertaining the correctness

1 of any return, or in making a return when none has
2 been made, or in determining the liability of any
3 person for any internal revenue tax, or in collecting
4 any such liability, or in evaluating tax compliance, the
5 Commissioner is authorized:

6 “(A) x x x

7 “(B) x x x

8 “(C) x x x

9 “(D) x x x; [and]

10 “(E) x x x[.]; AND

11 “(F) IN CASE THE INFORMATION OR RECORDS
12 REQUESTED ARE NOT FURNISHED WITHIN THE
13 PERIOD PRESCRIBED IN THE WRITTEN NOTICE, OR
14 WHEN THE INFORMATION OR RECORDS SUBMITTED
15 ARE INCOMPLETE, THE COMMISSIONER OR HIS
16 DULY AUTHORIZED REPRESENTATIVE, SHALL ISSUE
17 A *SUBPOENA DUCES TECUM* STATING THEREIN
18 THE RELEVANT FACTS, SPECIFYING THE PARTICULAR
19 DOCUMENTS OR RECORDS NOT MADE AVAILABLE
20 AND THE TAXPAYER LIABLE OR THE THIRD
21 PARTY/OFFICE CONCERNED: *PROVIDED*, THAT
22 INFORMATION OR RECORDS DULY RECEIVED OR
23 ALREADY WITHIN THE CUSTODY OF THE BUREAU
24 SHALL NOT BE COVERED BY ANY *SUBPOENA DUCES*
25 *TECUM*.

26 “THE SERVICE OF A *SUBPOENA DUCES TECUM*
27 SHALL BE EFFECTED BY THE REVENUE OFFICERS
28 ASSIGNED TO INVESTIGATE THE CASE. HOWEVER, SUCH

1 SERVICE MAY BE MADE BY ANY OTHER INTERNAL
2 REVENUE OFFICER AUTHORIZED FOR THE PURPOSE.

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

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

10 "BOOKS, RECORDS, AND DOCUMENTS SUBMITTED
11 AS A RESULT OF A *SUBPOENA DUCES TECUM* SHALL
12 BE UNDER THE CUSTODIANSHIP OF THE RECEIVING
13 OFFICER WHO SHALL BE RESPONSIBLE FOR ITS
14 SAFEKEEPING AND PRESERVATION, SUBJECT TO
15 APPLICABLE RULES."

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

19 "SEC. 6-A. *SERVICE OF LETTER OF AUTHORITY,*
20 *AND ASSESSMENT NOTICES ISSUED BY THE BUREAU.* –
21 THE NOTICE TO THE TAXPAYER HEREIN REQUIRED MAY
22 BE SERVED BY THE COMMISSIONER OR HIS DULY
23 AUTHORIZED REPRESENTATIVE THROUGH PERSONAL
24 SERVICE AT HIS REGISTERED ADDRESS. IN CASE
25 PERSONAL SERVICE IS NOT PRACTICABLE, THE NOTICE
26 SHALL BE SERVED BY SUBSTITUTED SERVICE IN
27 ACCORDANCE WITH THE RULES OF THE COURT."

1 SEC. 5. Section 20 of the National Internal Revenue Code of
2 1997, as amended, is hereby further amended to read as follows:

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

5 “(A) x x x

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

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

25 SEC. 6. Section 22 of the National Internal Revenue Code of
26 1997, as amended, is hereby further amended to read as follows:

27 “SEC. 22. *Definitions.* – x x x

28 “(A) x x x

1 “(B) x x x

2 “(C) x x x

3 “(D) x x x

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

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

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

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

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

26 “(5) The taxpayer shall submit proof to the
27 Commissioner to show his intention of leaving the
28 Philippines to reside permanently abroad or to return to

1 and reside in the Philippines as the case may be for
2 purpose of this Section.

3 “x x x.”

4 SEC. 7. Section 27 of the National Internal Revenue Code of
5 1997, as amended, is hereby further amended to read as follows:

6 “SEC. 27. *Rates of Income Tax on Domestic*
7 *Corporations.* –

8 “(A) *In General.* – Except as otherwise provided
9 in this Code, [an income tax of thirty-five percent
10 (35%)] **AN INCOME TAX RATE OF THIRTY PERCENT**
11 **(30%)**, is hereby imposed upon the taxable income
12 derived during each taxable year from all sources within
13 and without the Philippines by every corporation, as
14 defined in Section 22(B) of this Code and taxable under
15 this Title as a corporation, organized in, or existing
16 under the laws of the Philippines: [*Provided*, That
17 effective January 1, 2009, the rate of income tax shall be
18 thirty percent (30%).] **PROVIDED, THAT THE RATE OF**
19 **CORPORATE INCOME TAX SHALL BE TWENTY-EIGHT**
20 **PERCENT (28%) BEGINNING JANUARY 1, 2021; TWENTY-**
21 **SIX PERCENT (26%) BEGINNING JANUARY 1, 2023;**
22 **TWENTY-FOUR PERCENT (24%) BEGINNING JANUARY 1,**
23 **2025; TWENTY-TWO PERCENT (22%) BEGINNING**
24 **JANUARY 1, 2027; AND TWENTY PERCENT (20%)**
25 **BEGINNING JANUARY 1, 2029: PROVIDED, FURTHER,**
26 **THAT THE PRESIDENT MAY ADVANCE THE SCHEDULED**
27 **REDUCTION IN THE CORPORATE INCOME TAX RATE**

1 **WHEN ADEQUATE SAVINGS ARE REALIZED FROM THE**
2 **RATIONALIZATION OF FISCAL INCENTIVES UNDER TITLE**
3 **XIII OF THIS CODE, AS CERTIFIED BY THE SECRETARY**
4 **OF FINANCE.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 “x x x.”

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

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

14 “(D) x x x

15 “(E) x x x.”

16 SEC. 8. Section 28 of the National Internal Revenue Code of
 17 1997, as amended, is hereby further amended to read as follows:

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

20 “(A) *Tax on Resident Foreign Corporations.* –

21 “(1) *In General.* – Except as otherwise provided in
 22 this Code, a corporation organized, authorized, or
 23 existing under the laws of any foreign country, engaged
 24 in trade or business within the Philippines, shall be
 25 subject to an income tax equivalent to [thirty-five
 26 percent (35%)] **THIRTY PERCENT (30%)** of the taxable
 27 income derived in the preceding taxable year from all

1 sources within the Philippines: [*Provided*, That effective
2 January 1, 2009, the rate of income tax shall be thirty
3 percent (30%).] **PROVIDED, THAT THE RATE OF**
4 **CORPORATE INCOME TAX SHALL BE TWENTY-EIGHT**
5 **PERCENT (28%) BEGINNING JANUARY 1, 2021;**
6 **TWENTY-SIX PERCENT (26%) BEGINNING JANUARY 1,**
7 **2023; TWENTY-FOUR PERCENT (24%) BEGINNING**
8 **JANUARY 1, 2025; TWENTY-TWO PERCENT (22%)**
9 **BEGINNING JANUARY 1, 2027; AND TWENTY PERCENT**
10 **(20%) BEGINNING JANUARY 1, 2029: PROVIDED,**
11 **FURTHER, THAT THE PRESIDENT MAY ADVANCE THE**
12 **SCHEDULED REDUCTION IN THE CORPORATE INCOME**
13 **TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED**
14 **FROM THE RATIONALIZATION OF FISCAL INCENTIVES**
15 **UNDER TITLE XIII OF THIS CODE, AS CERTIFIED BY THE**
16 **SECRETARY OF FINANCE.**

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

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

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

5 “(2) x x x

6 “(3) x x x

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

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

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

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

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

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

19 “**PROVIDED, THAT REGIONAL OPERATING**
20 **HEADQUARTERS SHALL BE SUBJECT TO THE REGULAR**
21 **CORPORATE INCOME TAX TWO (2) YEARS FROM THE**
22 **EFFECTIVITY OF THIS ACT.**

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

25 “(a) *Interest from Deposits and Yield or any other*
26 *Monetary Benefit from Deposit Substitutes, Trust Funds*
27 *and Similar Arrangements and Royalties.* – Interest

1 from any currency bank deposit and yield or any other
 2 monetary benefit from deposit substitutes and from
 3 trust funds and similar arrangements and royalties
 4 derived from sources within the Philippines shall be
 5 subject to a final income tax at the rate of twenty
 6 percent (20%) of such interest: *Provided, however,* That
 7 interest income derived by a resident foreign corporation
 8 from a depository bank under the expanded foreign
 9 currency deposit system shall be subject to a final
 10 income tax at the rate of [seven and one-half percent
 11 (7½%)] **FIFTEEN PERCENT (15%)** of such interest
 12 income.

13 “(b) *Income Derived under the Expanded Foreign*
 14 *Currency Deposit System.* – x x x

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

23 “[Not over P100,000 5%

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

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

26 “(B) *Tax on Nonresident Foreign Corporation.* –

1 “(1) *In General.* – Except as otherwise provided
2 in this Code, a foreign corporation not engaged in trade
3 or business in the Philippines shall pay a tax equal to
4 **[thirty-five percent (35%)] THIRTY PERCENT (30%)** of
5 the gross income received during each taxable year from
6 all sources within the Philippines, such as interests,
7 dividends, rents, royalties, salaries, premiums (except
8 reinsurance premiums), annuities, emoluments or other
9 fixed or determinable annual, periodic or casual gains,
10 profits and income, and capital gains, except capital
11 gains subject to tax under subparagraph 5(c):
12 **[Provided, That effective January 1, 2009, the rate of**
13 **income tax shall be thirty percent (30%).] PROVIDED,**
14 **THAT THE RATE OF CORPORATE INCOME TAX SHALL BE**
15 **TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1,**
16 **2021; TWENTY-SIX PERCENT (26%) BEGINNING JANUARY**
17 **1, 2023; TWENTY-FOUR PERCENT (24%) BEGINNING**
18 **JANUARY 1, 2025; TWENTY-TWO PERCENT (22%)**
19 **BEGINNING JANUARY 1, 2027; AND TWENTY PERCENT**
20 **(20%) BEGINNING JANUARY 1, 2029: PROVIDED,**
21 **FURTHER, THAT THE PRESIDENT MAY ADVANCE THE**
22 **SCHEDULED REDUCTION IN THE CORPORATE INCOME**
23 **TAX RATE WHEN ADEQUATE SAVINGS ARE REALIZED**
24 **FROM THE RATIONALIZATION OF FISCAL INCENTIVES**
25 **UNDER TITLE XIII OF THIS CODE, AS CERTIFIED BY THE**
26 **SECRETARY OF FINANCE.**

27 “(2) *Nonresident Cinematographic Film Owner,*
28 *Lessor or Distributor.* – A cinematographic film owner,

1 lessor, or distributor shall pay a tax of twenty-five
2 percent (25%) of its gross income from all sources within
3 the Philippines.

4 “(3) x x x

5 “(4) x x x

6 “(5) *Tax on Certain Incomes Received by a*
7 *Nonresident Foreign Corporation.* –

8 “(a) *Interest on Foreign Loans.* – x x x

9 “(b) *Intercorporate Dividends.* – A final
10 withholding tax at the rate of fifteen percent (15%) is
11 hereby imposed on the amount of cash and/or property
12 dividends received from a domestic corporation, which
13 shall be collected and paid as provided in Section 57(A)
14 of this Code, subject to the condition that the country in
15 which the nonresident foreign corporation is domiciled,
16 shall allow a credit against the tax due from the
17 nonresident foreign corporation taxes deemed to have
18 been paid in the Philippines equivalent to [twenty
19 percent (20%)] **FIFTEEN PERCENT (15%)**, which
20 represents the difference between the regular income
21 tax [of thirty-five percent (35%)] and the fifteen percent
22 (15%) tax on dividends as provided in this
23 subparagraph: *Provided, That* [effective January 1,
24 2009] **EFFECTIVE JANUARY 1, 2019**, the credit against
25 the tax due shall be equivalent to [fifteen percent (15%),
26 which represents] the difference between the regular

1 income tax RATE [of thirty percent (30%)] and the
2 fifteen percent (15%) tax on dividends;

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

11 “Not over P100,000 5%

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

13 SEC. 9. Section 34 of the National Internal Revenue Code of
14 1997, as amended, is hereby further amended to read as follows:

15 “SEC. 34. *Deductions from Gross Income.* –
16 Except for taxpayers earning compensation income
17 arising from personal services rendered under an
18 employer-employee relationship where no deductions
19 shall be allowed under this Section, in computing
20 taxable income subject to income tax under Sections
21 24(A); 25(A); 26; 27(A), (B), and (C); and 28(A)(1), there
22 shall be allowed the following deductions from gross
23 income:

24 “(A) *Expenses.* –

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

27 “x x x

1 “(B) *Interest.* –

2 “(1) *In General.* – The amount of interest paid or
3 incurred within a taxable year on indebtedness in
4 connection with the taxpayer’s profession, trade or
5 business shall be allowed as deduction from gross
6 income: *Provided, however,* That the taxpayer’s
7 otherwise allowable deduction for interest expense shall
8 be reduced by [forty-two percent (42%)]
9 **THIRTY-THREE PERCENT (33%)** of the interest income
10 subjected to final tax[: *Provided,* That effective January
11 1, 2009, the percentage shall be thirty-three percent
12 (33%).]: **PROVIDED, FURTHER, THAT THE FOLLOWING**
13 **PERCENTAGES SHALL APPLY IF THE CORPORATE**
14 **INCOME TAX RATE AS PROVIDED IN SECTIONS 27(A) AND**
15 **28(A)(1) IS ADJUSTED AS FOLLOWS:**

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

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

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

25 **“IF RATE IS TWENTY-TWO PERCENT (22%),**
26 **INTEREST EXPENSE REDUCTION RATE IS NINE PERCENT**
27 **(9%);**

1 **“IF RATE IS TWENTY PERCENT (20%), INTEREST**
2 **EXPENSE REDUCTION RATE IS ZERO PERCENT (0%).**

3 **“PROVIDED, FINALLY, THAT IF THE INTEREST**
4 **INCOME TAX IS ADJUSTED IN THE FUTURE, THE**
5 **INTEREST EXPENSE REDUCTION RATE SHALL BE**
6 **ADJUSTED ACCORDINGLY BASED ON THE PRESCRIBED**
7 **STANDARD FORMULA AS DEFINED IN THE RULES**
8 **AND REGULATIONS TO BE PROMULGATED BY THE**
9 **SECRETARY OF FINANCE, UPON THE RECOMMENDATION**
10 **OF THE COMMISSIONER.**

11 “(2) x x x

12 “(C) *Taxes.* – x x x

13 “(D) *Losses.* – x x x

14 “(E) *Bad Debts.* – x x x

15 “(F) *Depreciation.* – x x x

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

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

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

20 “(J) *Pension Trusts.* – x x x

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

23 “(L) *Optional Standard Deduction (OSD).* – In
24 lieu of the deductions allowed under the preceding
25 Subsections, an individual subject to tax under Section
26 24, other than a nonresident alien, [may elect a
27 standard deduction in an amount not exceeding forty
28 percent (40%) of his gross sales or gross receipts, as the

1 case maybe. In the case of a] AND A corporation
2 CLASSIFIED AS A MICRO, SMALL AND MEDIUM-SIZED
3 ENTERPRISE AS DETERMINED BY THE DEPARTMENT OF
4 TRADE AND INDUSTRY AND subject to tax under Sections
5 27(A) and 28(A)(1), [it] may elect a standard deduction
6 in an amount not exceeding forty percent (40%) of its
7 gross income as defined in Section 32 of this Code.
8 Unless the taxpayer signifies in his return his intention
9 to elect the optional standard deduction, he shall be
10 considered as having availed himself of the deductions
11 allowed in the preceding Subsections. Such election
12 when made in the return shall be irrevocable for the
13 taxable year for which the return is made: *Provided*,
14 That an individual who is entitled to and claimed for
15 the optional standard deduction shall not be required
16 to submit with his tax return such financial
17 statements otherwise required under this Code:
18 [*Provided, further*, That a general professional
19 partnership and the partners comprising such
20 partnership may avail of the optional standard
21 deduction only once, either by the general professional
22 partnership or the partners comprising the
23 partnership:] *Provided, [finally,] FURTHER*, That except
24 when the Commissioner otherwise permits, the said
25 individual shall keep such records pertaining to his
26 gross sales or gross receipts, or the said corporation
27 shall keep such records pertaining to his gross income

1 as defined in Section 32 of this Code during the taxable
 2 year, as may be required by the rules and regulations
 3 promulgated by the Secretary of Finance, upon
 4 recommendation of the Commissioner.

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

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

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

25 “(A) x x x

26 “(B) x x x

27 “(C) *Exchange of Property.* –

28 “(1) x x x

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

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

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

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

16 **“(D) A RECAPITALIZATION; OR**

17 **“(E) A REINCORPORATION.**

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

27 **“IN ALL OF THE ABOVE INSTANCES, THE
28 TRANSACTION OR ARRANGEMENT MUST BE
29 UNDERTAKEN FOR A LEGITIMATE OR *BONA FIDE***

1 BUSINESS PURPOSE AND NOT SOLELY FOR THE PURPOSE
2 OF AVOIDING OR ESCAPING THE BURDEN OF TAXATION.

3 "THE PROVISION OF SECTION 50 OF THIS CODE
4 SHALL BE APPLIED AND ENFORCED IN CASES WHERE
5 THE TRANSACTION OR ARRANGEMENT ENTERED INTO IS
6 FOUND TO BE NOT FOR LEGITIMATE OR *BONA FIDE*
7 BUSINESS PURPOSE.

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

12 "x x x."

13 SEC. 11. Section 50 of the National Internal Revenue Code of
14 1997, as amended, is hereby further amended to read as follows:

15 "SEC. 50. [*Allocation of Income and Deductions.* –
16 In the case of two or more organizations, trades or
17 businesses (whether or not incorporated and whether or
18 not organized in the Philippines) owned or controlled
19 directly or indirectly by the same interests, the
20 Commissioner is authorized to distribute, apportion or
21 allocate gross income or deductions between or among
22 such organization, trade or business, if he determines
23 that such distribution, apportionment or allocation is
24 necessary in order to prevent evasion of taxes or clearly
25 to reflect the income of any such organization, trade or
26 business.] *AUTHORITY OF THE COMMISSIONER TO*
27 *DISTRIBUTE, APPORTION, ALLOCATE, AND IMPUTE*
28 *INCOME AND DEDUCTIONS TO DISREGARD AND*

1 **COUNTERACT TAX AVOIDANCE ARRANGEMENTS.** – IN
2 CASE OF TWO (2) OR MORE ORGANIZATIONS, TRADES
3 OR BUSINESSES, WHETHER OR NOT ORGANIZED IN
4 THE PHILIPPINES, OWNED OR CONTROLLED DIRECTLY
5 OR INDIRECTLY BY THE SAME INTERESTS, THE
6 COMMISSIONER IS AUTHORIZED TO DISTRIBUTE,
7 APPORTION, ALLOCATE, OR IMPUTE INCOME OR
8 DEDUCTIONS BETWEEN OR AMONG SUCH
9 ORGANIZATIONS, TRADES OR BUSINESSES, IF THE
10 COMMISSIONER DETERMINES THAT SUCH
11 DISTRIBUTION, APPORTIONMENT, ALLOCATION, OR
12 IMPUTATION IS NECESSARY IN ORDER TO PREVENT
13 AVOIDANCE OF TAXES OR TO CLEARLY REFLECT
14 THE INCOME OF ANY SUCH ORGANIZATION, TRADE,
15 OR BUSINESS.

16 “IN CASES WHEN A TRANSACTION OR
17 ARRANGEMENT, WHETHER ENTERED INTO BY THE
18 PERSON AFFECTED BY THE TRANSACTION OR
19 ARRANGEMENT OR BY ANOTHER PERSON, THAT
20 DIRECTLY OR INDIRECTLY HAS TAX AVOIDANCE AS ITS
21 PURPOSE OR EFFECT, WHETHER OR NOT ANY OTHER
22 PURPOSE OR EFFECT IS ATTRIBUTABLE TO ORDINARY
23 BUSINESS OR FAMILY DEALINGS, IF THE TAX AVOIDANCE
24 PURPOSE OR EFFECT IS NOT MERELY INCIDENTAL, THE
25 COMMISSIONER IS AUTHORIZED TO DISREGARD AND
26 CONSIDER SUCH TRANSACTION OR ARRANGEMENT AS
27 VOID FOR INCOME TAX PURPOSES, AND MAY ADJUST
28 THE TAXABLE INCOME OF A PERSON AFFECTED BY
29 THE ARRANGEMENT IN A WAY THE COMMISSIONER

1 THINKS APPROPRIATE, IN ORDER TO COUNTERACT A
2 TAX ADVANTAGE OBTAINED BY THE PERSON FROM OR
3 UNDER THE ARRANGEMENT.

4 “FOR PURPOSES OF THIS SECTION, THE TERM ‘TAX
5 AVOIDANCE’ INCLUDES: (A) DIRECTLY OR INDIRECTLY
6 ALTERING THE INCIDENCE OF ANY INCOME TAX;
7 (B) DIRECTLY OR INDIRECTLY RELIEVING A PERSON
8 FROM LIABILITY TO PAY INCOME TAX OR FROM A
9 POTENTIAL OR PROSPECTIVE LIABILITY TO FUTURE
10 INCOME TAX; OR (C) DIRECTLY OR INDIRECTLY
11 AVOIDING, POSTPONING, OR REDUCING ANY LIABILITY
12 TO INCOME TAX, OR ANY POTENTIAL OR PROSPECTIVE
13 LIABILITY TO FUTURE INCOME TAX. THERE IS TAX
14 AVOIDANCE IN THE AFOREMENTIONED INSTANCES,
15 WHERE THE TRANSACTION OR ARRANGEMENT IS
16 MOTIVATED BY OBTAINING TAX BENEFIT OR ADVANTAGE
17 WITH NO COMMERCIAL REALITY OR ECONOMIC EFFECT
18 AND THE USE OF THE PROVISIONS OF TAX LAWS ON SUCH
19 TRANSACTION OR ARRANGEMENT WOULD NOT HAVE
20 BEEN THE INTENTION OF THE LAW.”

21 SEC. 12. Section 73 of the National Internal Revenue Code of
22 1997, as amended, is hereby amended to read as follows:

23 “SEC. 73. *Distribution of Dividends or Assets by*
24 *Corporations.* –

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

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

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

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

24 “[~~(C)~~] (D) *Dividends Distributed are Deemed*
25 *Made from Most Recently Accumulated Profits.* – Any
26 distribution made to the shareholders or members of a
27 corporation shall be deemed to have been made from the
28 most recently accumulated profits or surplus, and shall

1 constitute a part of the annual income of the distributee
2 for the year in which received.

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

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

16 “SEC. 112. *Refunds [or Tax Credits] of Input*
17 *Tax.* –

18 “(A) *Zero-Rated or Effectively Zero-Rated Sales.* –
19 Any VAT-registered person, whose sales are zero-rated
20 or effectively zero-rated may, within two (2) years after
21 the close of the taxable quarter when the sales were
22 made, apply for [the issuance of a tax credit certificate
23 or] refund of creditable input tax due or paid
24 attributable to such sales, except transitional input tax,
25 to the extent that such input tax has not been applied
26 against output tax: *Provided, however,* That in the case
27 of zero-rated sales under Section 106(A)(2)(a)(1), (2) and

1 **[(b) and]** Section 108 (B)(1) and (2), the acceptable
2 foreign currency exchange proceeds thereof had been
3 duly accounted for in accordance with the rules and
4 regulations of the Bangko Sentral ng Pilipinas (BSP):
5 *Provided, further,* That where the taxpayer is engaged
6 in zero-rated or effectively zero-rated sale and also in
7 taxable or exempt sale of goods or properties or services,
8 and the amount of creditable input tax due or paid
9 cannot be directly and entirely attributed to any one of
10 the transactions, it shall be allocated proportionately on
11 the basis of the volume of sales: *Provided, finally,* That
12 for a person making sales that are zero-rated under
13 Section 108(B)(6), the input taxes shall be allocated
14 ratably between his zero-rated and non-zero-rated sales.

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

23 SEC. 14. Section 117 of the National Internal Revenue Code of
24 1997, as amended, is hereby amended to read as follows:

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

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

8 "x x x."

9 SEC. 15. Section 204 of the National Internal Revenue Code of
10 1997, as amended, is hereby amended to read as follows:

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

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

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

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

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

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

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

1 “Where the basic tax involved exceeds **[One] TEN**
 2 million pesos **[(P1,000.000)] (P10,000,000)** or where the
 3 settlement offered is less than the prescribed minimum
 4 rates, the compromise shall be subject to the approval of
 5 the Evaluation Board which shall be composed of the
 6 Commissioner and the four (4) Deputy Commissioners.

7 “x x x.”

8 SEC. 16. Section 222 of the National Internal Revenue Code of
 9 1997, as amended, is hereby amended to read as follows:

10 “SEC. 222. *Exceptions as to Period of Limitation of*
 11 *Assessment and Collection of Taxes.* –

12 “(a) x x x

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

24 “x x x.”

25 SEC. 17. Section 237 of the National Internal Revenue Code of
 26 1997, as amended, is hereby amended to read as follows:

1 “SEC. 237. *Issuance of Receipts or Sales or*
2 *Commercial Invoices.* –

3 “(A) *Issuance.* – x x x

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

27 “A PUBLIC CERTIFICATION SYSTEM SHALL REFER
28 TO A DIGITAL PERSONAL AUTHENTICATION PROGRAM

1 WITH ABILITY TO VERIFY THE IDENTITY OF ISSUING
2 TAXPAYER AND ATTEST TO THE AUTHENTICITY OF
3 THE INFORMATION IN THE ELECTRONIC RECEIPTS OR
4 SALES OR COMMERCIAL INVOICES. THIS MAY INCLUDE
5 THE USE OF DIGITAL SIGNATURE ISSUED BY
6 CERTIFICATION AUTHORITY AS ACCREDITED BY THE
7 BUREAU OF INTERNAL REVENUE.

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

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

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

1 same period above stated] **BEARING THE APPROVED**
2 **ELECTRONIC TAX TRANSACTION NUMBER SHALL BE**
3 **SUFFICIENT COMPLIANCE.**

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

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

9 “SEC. 237-A. *Electronic Sales Reporting System.* –
10 Within five (5) years from the effectivity of this Act and
11 upon the establishment of a system capable of storing
12 and processing the required data, the Bureau shall
13 require taxpayers engaged in the export of goods
14 and services, and taxpayers engaged in e-commerce and
15 taxpayers under the jurisdiction of the Large Taxpayers
16 Service to **USE A SYSTEM CAPABLE OF ISSUING**
17 **ELECTRONIC RECEIPTS OR SALES OR COMMERCIAL**
18 **INVOICES, COLLECT TRANSACTION RECORDS, AND**
19 **TRANSMIT THE SAME THROUGH THE DESIGNATED**
20 **ELECTRONIC CHANNELS OF THE BUREAU IN THE**
21 **STANDARD FORMAT REQUIRED** [electronically report
22 their sales data to the Bureau through the use of
23 electronic point of sales systems,] subject to the rules
24 and regulations to be issued by the Secretary of Finance
25 upon recommendation of the Commissioner of Internal
26 Revenue: *Provided,* That the **POINT OF SALE (POS)**
27 **machines, VALUE-ADDED NETWORK (VAN) TERMINALS,**
28 **fiscal devices, and fiscal memory devices WITH CAPACITY**

1 TO MAKE SUCH TRANSMISSION shall be at the expense
2 of the taxpayers: *PROVIDED, FURTHER*, SUBJECT TO
3 THE RULES AND REGULATIONS TO BE ISSUED BY
4 THE SECRETARY OF FINANCE, THE COMMISSIONER
5 MAY REQUIRE ANY TAXPAYER TO COMPLY WITH THE
6 PROVISIONS OF THIS SECTION.

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

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

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

1 **“THE BUREAU MAY LIKEWISE ESTABLISH A**
2 **RECEIPT AND INVOICE LOTTERY PROGRAM FOR**
3 **ELECTRONIC RECEIPTS OR SALES OR COMMERCIAL**
4 **INVOICES TRANSMITTED THROUGH THE DESIGNATED**
5 **ELECTRONIC CHANNELS OF THE BUREAU AND ISSUED AN**
6 **ELECTRONIC TAX TRANSACTION NUMBER.**

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

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

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

20 “SEC. 255. *Failure to File Return, Supply Correct*
21 *and Accurate Information, Pay Tax Withhold and*
22 *Remit Tax and Refund Excess Taxes Withheld on*
23 *Compensation.* – Any person required under this Code
24 or by rules and regulations promulgated thereunder to
25 pay any tax, make a return, keep any record, or supply
26 correct and accurate information, who willfully fails to
27 pay such tax, make such return, keep such record, or
28 supply correct and accurate information, or withhold or

1 remit taxes withheld, or refund excess taxes withheld on
2 compensation, at the time or times required by law or
3 rules and regulations shall, in addition to other
4 penalties provided by law, upon conviction thereof, be
5 punished by a fine of not less than [Ten thousand pesos
6 (P10,000)] **ONE HUNDRED THOUSAND PESOS (P100,000)**
7 **BUT NOT MORE THAN ONE MILLION TWO HUNDRED**
8 **THOUSAND PESOS (P1,200,000)** and suffer
9 imprisonment of not less than one (1) year but not more
10 than ten (10) years.

11 “Any person who attempts to make it appear for
12 any reason that he or another has in fact filed a return
13 or statement, or actually files a return or statement and
14 subsequently withdraws the same return or statement
15 after securing the official receiving seal or stamp of
16 receipt of internal revenue office wherein the same was
17 actually filed shall, upon conviction therefore, be
18 punished by a fine of not less than [Ten thousand pesos
19 (P10,000) but not more than Twenty thousand pesos
20 (P20,000)] **ONE HUNDRED THOUSAND PESOS (P100,000)**
21 **BUT NOT MORE THAN ONE MILLION TWO HUNDRED**
22 **THOUSAND PESOS (P1,200,000)** and suffer
23 imprisonment of not less than one (1) year but not more
24 than three (3) years.”
25

1 SEC. 20. Section 256 of the National Internal Revenue Code of
2 1997, as amended, is hereby amended to read as follows:

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

15 SEC. 21. Section 257 of the National Internal Revenue Code of
16 1997, as amended, is hereby amended to read as follows:

17 “SEC. 257. *Penal Liability for Making False*
18 *Entries, Records or Reports, or Using Falsified or Fake*
19 *Accountable Forms.* –

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

24 “(1) Willfully falsifies any report or statement
25 bearing on any examination or audit, or renders a
26 report, including exhibits, statements, schedules or
27 other forms of accountancy work which has not been

1 verified by him personally or under his supervision or by
2 a member of his firm or by a member of his staff in
3 accordance with sound auditing practices; or

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

8 “(B) Any person who:

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

13 “(2) Offers to sign and certify financial statements
14 without audit; or

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

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

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

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

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

1 or Spanish, or to make a true and complete translation
2 as required in Section 234 of this Code, or whose books
3 of accounts or records kept in a native language,
4 English or Spanish, and found to be at material
5 variance with books or records kept by him in another
6 language; or

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

20 “If the offender is a Certified Public Accountant,
21 his certificate as a Certified Public Accountant shall be
22 automatically revoked or cancelled upon conviction.

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

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

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

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

26 “SEC. 260. *Unlawful Possession of Cigarette Paper*
27 *in Bobbins or Rolls, Etc.* – It shall be unlawful for any

1 person to have in his possession cigarette paper in
2 bobbins or rolls, cigarette tipping paper or cigarette
3 filter tips, without the corresponding authority therefor
4 issued by the Commissioner. Any person, importer,
5 manufacturer of cigar and cigarettes, who has been
6 found guilty under this Section, shall, upon conviction
7 for each act or omission, be punished by a fine of not
8 less than [Twenty thousand pesos (P20,000) but not
9 more than One hundred thousand pesos (P100,000)]
10 **ONE MILLION FIVE HUNDRED THOUSAND PESOS**
11 **(P1,500,000) BUT NOT MORE THAN FIFTEEN MILLION**
12 **PESOS (P15,000,000)** and suffer imprisonment for a
13 term of not less than six (6) years and one (1) day but
14 not more than twelve (12) years.”

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

17 “SEC. 261. *Unlawful Use of Denatured Alcohol.* –
18 Any person who for the purpose of manufacturing any
19 beverage, uses denatured alcohol or alcohol specially
20 denatured to be used for motive power or withdrawn
21 under bond for industrial uses or alcohol knowingly
22 misrepresented to be denatured to be unfit for oral
23 intake or who knowingly sells or offers for sale any
24 beverage made in whole or in part from such alcohol or
25 who uses such alcohol for the manufacture of liquid
26 medicinal preparations taken internally, or knowingly
27 sells or offers for sale such preparations containing as

1 an ingredient such alcohol, shall upon conviction for
2 each act or omission be punished by a fine of not less
3 than [Twenty thousand pesos (P20,000) but not more
4 than One hundred thousand pesos (P100,000)] **ONE**
5 **MILLION FIVE HUNDRED THOUSAND PESOS**
6 **(P1,500,000) BUT NOT MORE THAN FIFTEEN MILLION**
7 **PESOS (P15,000,000)** and suffer imprisonment for a
8 term of not less than six (6) years and one (1) day but
9 not more than twelve (12) years.

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

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

18 “SEC. 262. *Shipment or Removal of Liquor or*
19 *Tobacco Products under False Name or Brand or as an*
20 *Imitation of any Existing or Otherwise Known Product*
21 *Name or Brand.* – Any person who ships, transports or
22 removes spirituous, compounded or fermented liquors,
23 wines or any manufactured products of tobacco under
24 any other than the proper name or brand known to the
25 trade as designating the kind and quality of the
26 contents of the cask, bottle or package containing the
27 same or as an imitation of any existing or otherwise
28 known product name or brand or causes such act to be

1 done, shall, upon conviction for each act or omission, be
2 punished by a fine of not less than [Twenty thousand
3 pesos (P20,000) but not more than One hundred
4 thousand pesos (P100,000)] **ONE MILLION FIVE**
5 **HUNDRED THOUSAND PESOS (P1,500,000) BUT NOT**
6 **MORE THAN FIFTEEN MILLION PESOS (P15,000,000)**
7 and suffer imprisonment of not less than six (6) years
8 and one (1) day but not more than twelve (12) years.”

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

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

19 “(a) A fine of not less than [One thousand pesos
20 (P1,000)] **TWENTY-FIVE THOUSAND PESOS (P25,000)**
21 **[nor] BUT NOT** more than [Two thousand pesos
22 (P2,000)] **SEVENTY-FIVE THOUSAND PESOS (P75,000)**
23 and suffer imprisonment of not less than [sixty (60)
24 days but not more than one hundred (100) days]
25 **THIRTY (30) DAYS BUT NOT MORE THAN SIX (6) MONTHS**
26 if the appraised value, to be determined in the manner

1 prescribed in the [Tariff and Customs Code] CUSTOMS
2 MODERNIZATION AND TARIFF ACT, including duties and
3 taxes, of the articles does not exceed [One thousand
4 pesos (P1,000)] TWO HUNDRED FIFTY THOUSAND PESOS
5 (P250,000);

6 “(b) A fine of not less than [Ten thousand pesos
7 (P10,000)] SEVENTY-FIVE THOUSAND PESOS (P75,000)
8 but not more than [Twenty thousand pesos (P20,000)]
9 ONE HUNDRED FIFTY THOUSAND PESOS (P150,000)
10 and suffer imprisonment of not less than [two (2) years
11 but not more than four (4) years] SIX (6) MONTHS AND
12 ONE (1) DAY BUT NOT MORE THAN ONE (1) YEAR if the
13 appraised value, to be determined in the manner
14 prescribed in the [Tariff and Customs Code] CUSTOMS
15 MODERNIZATION AND TARIFF ACT, including duties
16 and taxes, of the articles exceeds [One thousand pesos
17 (P1,000)] TWO HUNDRED FIFTY THOUSAND PESOS
18 (P250,000) but does not exceed [Fifty thousand pesos
19 (P50,000)] FIVE HUNDRED THOUSAND PESOS
20 (P500,000);

21 “(c) A fine of not less than [Thirty thousand
22 pesos (P30,000)] ONE HUNDRED FIFTY THOUSAND
23 PESOS (P150,000) but not more than [Sixty thousand
24 pesos (P60,000)] THREE HUNDRED THOUSAND PESOS

1 **(P300,000)** and suffer imprisonment of not less than
2 **[four (4) years but not more than six (6) years] ONE (1)**
3 **YEAR AND ONE (1) DAY BUT NOT MORE THAN THREE (3)**
4 **YEARS**, if the appraised value, to be determined in the
5 manner prescribed in the **[Tariff and Customs Code]**
6 **CUSTOMS MODERNIZATION AND TARIFF ACT**, including
7 duties and taxes, of the articles is more than **[Fifty**
8 **thousand pesos (P50,000) but does not exceed One**
9 **hundred fifty thousand pesos (P150,000)] FIVE**
10 **HUNDRED THOUSAND PESOS (P500,000) BUT DOES NOT**
11 **EXCEED ONE MILLION PESOS (P1,000,000); [or]**

12 “(d) A fine of not less than **[Fifty thousand**
13 **pesos (P50,000)] THREE HUNDRED THOUSAND PESOS**
14 **(P300,000)** but not more than **[One hundred**
15 **thousand pesos (P100,000)] ONE MILLION FIVE**
16 **HUNDRED THOUSAND PESOS (P1,500,000)** and suffer
17 imprisonment of **[not less than ten (10) years but not**
18 **more than twelve (12) years] THREE (3) YEARS AND**
19 **ONE (1) DAY BUT NOT MORE THAN SIX (6) YEARS**, if the
20 appraised value, to be determined in the manner
21 prescribed in the **[Tariff and Customs Code] CUSTOMS**
22 **MODERNIZATION AND TARIFF ACT**, including duties
23 and taxes, of the articles exceeds **[One hundred fifty**
24 **thousand pesos (P150,000)] IS MORE THAN ONE**

1 MILLION PESOS (P1,000,000) BUT NOT MORE THAN
2 FIVE MILLION PESOS (P5,000,000)[.];

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

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

25 “(G) IF THE APPRAISED VALUE OF THE GOODS
26 UNLAWFULLY IMPORTED TO BE DETERMINED IN
27 THE MANNER PRESCRIBED IN THE CUSTOMS
28 MODERNIZATION AND TARIFF ACT, INCLUDING DUTIES

1 AND TAXES, EXCEEDS TWO HUNDRED MILLION PESOS
2 **(P200,000,000)** OR IF THE AGGREGATE AMOUNT OF THE
3 APPRAISED VALUE OF THE GOODS WHICH ARE THE
4 SUBJECT OF UNLAWFUL IMPORTATION COMMITTED IN
5 MORE THAN ONE INSTANCE, INCLUDING DUTIES AND
6 TAXES, EXCEEDS TWO HUNDRED MILLION PESOS
7 **(P200,000,000)**, THE SAME SHALL BE PUNISHABLE
8 WITH A PENALTY OF TWENTY **(20)** YEARS AND ONE **(1)**
9 DAY BUT NOT MORE THAN THIRTY **(30)** YEARS AND A
10 FINE OF NOT LESS THAN FIFTY MILLION PESOS
11 **(P50,000,000)**.

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

23 “Any manufacturer, owner or person in charge of
24 any article subject to excise tax who removes or allows
25 or causes the unlawful removal of any such articles
26 from the place of production or bonded warehouse, upon
27 which the excise tax has not been paid at the time and
28 in the manner required, and any person who knowingly

1 aids or abets in the removal of such articles as
2 aforesaid, or conceals the same after illegal removal
3 shall, for the first offense, be punished with a fine of not
4 less than ten (10) times the amount of excise tax due on
5 the articles but not less than [One thousand pesos
6 (P1,000)] **TWENTY-FIVE THOUSAND PESOS (P25,000)**
7 and suffer imprisonment of not less than [one (1) year
8 but not more than two (2) years] **TWO (2) YEARS BUT**
9 **NOT MORE THAN FOUR (4) YEARS.**

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

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

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

20 “(a) Any person who, being required under
21 Section 237 to issue receipts or sales or commercial
22 invoices, fails or refuses to issue such receipts or
23 invoices, issues receipts or invoices that do not truly
24 reflect and/or contain all the information required to be
25 shown therein, or uses multiple or double receipts or
26 invoices, shall, upon conviction for each act or omission,
27 be punished by a fine of not less than [One thousand

1 pesos (P1,000) but not more than Fifty thousand pesos
2 (P50,000)] **ONE HUNDRED THOUSAND PESOS**
3 **(P100,000) BUT NOT MORE THAN FIVE HUNDRED**
4 **THOUSAND PESOS (P500,000)** and suffer imprisonment
5 of not less than [two (2) years but not more than four
6 (4) years] **FOUR (4) YEARS BUT NOT MORE THAN EIGHT**
7 **(8) YEARS.**

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

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

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

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

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

23 “SEC. 265. *Offenses Relating to Stamps.* – Any
24 person who commits any of the acts enumerated
25 hereunder shall, upon conviction thereof, be punished
26 by a fine of not less than [Twenty thousand pesos
27 (P20,000)] **SEVEN HUNDRED THOUSAND PESOS**

1 **(P700,000)** but not more than **[Fifty thousand pesos**
2 **(P50,000)] ONE MILLION TWO HUNDRED THOUSAND**
3 **PESOS (P1,200,000)** and suffer imprisonment of not less
4 than four (4) years but not more than eight (8) years:

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

9 “(b) Erasing the cancellation marks of any stamp
10 previously used, or altering the written figures or
11 letters or cancellation marks on internal revenue
12 stamps;

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

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

21 “(e) Giving away or accepting from another, or
22 selling, buying or using containers on which the stamps
23 are not completely destroyed.”

24 SEC. 29. Section 266 of the National Internal Revenue Code
25 of 1997, as amended, is hereby amended to read as follows:

26 “SEC. 266. *Failure to Obey Summons.* – Any
27 person who, being duly summoned to appear to testify,

1 or to appear and produce books of accounts, records,
2 memoranda or other papers, or to furnish information
3 as required under the pertinent provisions of this Code,
4 neglects to appear or to produce such books of accounts,
5 records, memoranda or other papers, or to furnish such
6 information, shall, upon conviction, be punished by a
7 fine of not less than **[Five thousand pesos (P5,000)]**
8 **ONE HUNDRED THOUSAND PESOS (P100,000)** but not
9 more than **[Ten thousand pesos (P10,000)]** **THREE**
10 **HUNDRED THOUSAND PESOS (P300,000)** and suffer
11 imprisonment of not less than one (1) year but not more
12 than two (2) years.”

13 SEC. 30. Section 275 of the National Internal Revenue Code
14 of 1997, as amended, is hereby amended to read as follows:

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

25 SEC. 31. A new section is hereby inserted after Section 282 of
26 the National Internal Revenue Code of 1997, as amended, to read as
27 follows:

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

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

16 “**SEC. 288. Disposition of Incremental Revenue. –**

17 “(A) X X X

18 “(B) X X X

19 “(C) X X X

20 “(D) X X X

21 “(E) X X X

22 “(F) X X X

23 “**(G) STUDENT VOUCHERS. – INCREMENTAL**
24 **REVENUE FROM TAX PAYMENTS OF EDUCATIONAL**
25 **INSTITUTIONS THAT FAIL TO MEET THE ESTABLISHED**
26 **PERFORMANCE CRITERIA SHALL FUND A STUDENT**
27 **VOUCHER PROGRAM TO BE IMPLEMENTED UNDER THE**
28 **COMMISSION ON HIGHER EDUCATION (CHED) OR THE**
29 **DEPARTMENT OF EDUCATION (DEPED).**

1 **“(H) UNIVERSAL HEALTHCARE. – INCREMENTAL**
 2 **REVENUE FROM TAX PAYMENTS OF HOSPITALS THAT**
 3 **FAIL TO MEET THE ESTABLISHED PERFORMANCE**
 4 **CRITERIA SHALL FUND THE UNIVERSAL HEALTHCARE**
 5 **PROGRAM TO BE IMPLEMENTED UNDER THE**
 6 **DEPARTMENT OF HEALTH (DOH).**

7 **“(I) HOUSING VOUCHERS. – INCREMENTAL**
 8 **REVENUES FROM TAX PAYMENTS OF REAL ESTATE**
 9 **DEVELOPERS SHALL FUND A HOUSING VOUCHER**
 10 **PROGRAM TO BE IMPLEMENTED UNDER THE NATIONAL**
 11 **HOUSING AUTHORITY.”**

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

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

15 “x x x

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

18 “(1) x x x;

19 “(2) x x x;

20 “(3) x x x; [and]

21 “(4) x x x[.]; AND

22 **“(5) REVIEW THE PERFORMANCE OF FUNCTIONS**
 23 **OF THE INVESTMENT PROMOTION AGENCIES AND THE**
 24 **FISCAL INCENTIVES REVIEW BOARD, PARTICULARLY**
 25 **IN THE GRANT OF INCENTIVES TO REGISTERED**
 26 **ENTERPRISES AND IN THE REVIEW AND EVALUATION OF**
 27 **GRANTED INCENTIVES, RESPECTIVELY, AS WELL AS IN**
 28 **THE FORMULATION OF THE STRATEGIC INVESTMENT**
 29 **PRIORITY PLAN.**

1 “x x x.”

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

5 **“TITLE XIII**

6 **“CHAPTER I**

7 **“GENERAL PROVISIONS ON TAX INCENTIVES**

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

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

17 **“SEC. 292. GOVERNING PROVISION FOR IPAS. –**
18 **ALL IPAS VESTED WITH THE POWER TO CONFER AND**
19 **ADMINISTER INCENTIVES SHALL GRANT TAX INCENTIVES**
20 **PROVIDED IN THIS TITLE TO REGISTERED ENTERPRISES**
21 **ONLY TO THE EXTENT OF THEIR APPROVED REGISTERED**
22 **PROJECTS OR ACTIVITIES UNDER THE STRATEGIC**
23 **INVESTMENT PRIORITY PLAN (SIPP). THE PERIOD OF**
24 **AVAILMENT OF INCENTIVES SHALL BE RECKONED FROM**
25 **THE START OF COMMERCIAL OPERATION.**

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

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

5 “SEC. 293. *DEFINITIONS.* – WHEN USED IN THIS
6 TITLE:

7 “(A) THE TERM ‘CAPITAL EQUIPMENT’ REFERS
8 TO MACHINERY, EQUIPMENT, MAJOR COMPONENTS
9 THEREOF, FITTINGS AND ACCOMPANIMENTS WHICH ARE
10 DIRECTLY AND REASONABLY NEEDED IN THE
11 REGISTERED ACTIVITY OF THE REGISTERED
12 ENTERPRISE.

13 “(B) THE TERM ‘EXPORT SALES OF GOODS’ SHALL
14 MEAN THE SALES OF AN EXPORT ENTERPRISE PAID
15 FOR IN FREELY CONVERTIBLE FOREIGN CURRENCY
16 INWARDLY REMITTED TO THE PHILIPPINES, FROM THE
17 FOLLOWING:

18 “(1) THE SALE AND ACTUAL SHIPMENT OF GOODS
19 FROM THE PHILIPPINES TO A FOREIGN COUNTRY BY
20 AN EXPORT ENTERPRISE INCLUDING OURSOURCED
21 SERVICES USED TO PRODUCE FINAL EXPORT GOODS;

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

24 “(3) SALES OF AN EXPORT ENTERPRISE TO
25 AN INTERNATIONAL SEA OR AIR TRANSPORT
26 OPERATIONS OF GOODS, EQUIPMENT, SPARE PARTS,
27 AND SUPPLIES, EXCEPT FUEL, FORMING PART OF
28 DIRECT COSTS AND TO BE USED IN THE AIRCRAFT OR

1 SEACRAFT, AND CAPITAL EQUIPMENT NEEDED FOR THE
2 SHIPPING OR AIR TRANSPORT OPERATIONS.

3 “(C) THE TERM ‘EXPORT SALES OF SERVICES’
4 SHALL MEAN THE SALES OF AN EXPORT ENTERPRISE,
5 PAID FOR IN FREELY CONVERTIBLE FOREIGN CURRENCY
6 INWARDLY REMITTED TO THE PHILIPPINES, FOR THE
7 FOLLOWING:

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

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

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

16 “(D) THE TERM ‘INVESTMENT PROMOTION
17 AGENCIES’ (IPAS) SHALL REFER TO GOVERNMENT
18 ENTITIES CREATED BY LAW, EXECUTIVE ORDER, DECREE
19 OR OTHER ISSUANCE, IN CHARGE OF PROMOTING
20 INVESTMENTS, ADMINISTERING TAX AND NON-TAX
21 INCENTIVES, AND/OR OVERSEEING THE OPERATIONS
22 FOR THE DIFFERENT ECONOMIC ZONES AND FREEPORTS
23 IN ACCORDANCE WITH THEIR RESPECTIVE CHARTERS.
24 THESE INCLUDE THE BOARD OF INVESTMENTS (BOI),
25 REGIONAL BOARD OF INVESTMENTS AUTONOMOUS
26 REGION IN MUSLIM MINDANAO (RBOI-ARMM),
27 PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA),
28 BASES CONVERSION AND DEVELOPMENT AUTHORITY

1 (BCDA), SUBIC BAY METROPOLITAN AUTHORITY
2 (SBMA), CLARK DEVELOPMENT CORPORATION
3 (CDC), JOHN HAY MANAGEMENT CORPORATION
4 (JHMC), PORO POINT MANAGEMENT CORPORATION
5 (PPMC), CAGAYAN ECONOMIC ZONE AUTHORITY
6 (CEZA), ZAMBOANGA CITY SPECIAL ECONOMIC ZONE
7 AUTHORITY (ZCSEZA), PHIVIDEC INDUSTRIAL
8 AUTHORITY (PIA), AURORA PACIFIC ECONOMIC ZONE
9 AND FREEPORT AUTHORITY (APECO), AUTHORITY OF
10 THE FREEPORT AREA OF BATAAN (AFAB), TOURISM
11 INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY
12 (TIEZA), AND ALL OTHER SIMILAR AUTHORITIES
13 EXISTING OR THAT MAY BE CREATED BY LAW IN THE
14 FUTURE.

15 “(E) THE TERM ‘REGISTERED ENTERPRISE’
16 SHALL MEAN ANY INDIVIDUAL, PARTNERSHIP,
17 CORPORATION, PHILIPPINE BRANCH OF A FOREIGN
18 CORPORATION, OR OTHER ENTITY ORGANIZED AND
19 EXISTING UNDER PHILIPPINE LAWS AND REGISTERED
20 WITH AN INVESTMENT PROMOTION AGENCY (IPA) AS
21 DEFINED UNDER REPUBLIC ACT NO. 10708, OR THE
22 TIMTA LAW: *PROVIDED, HOWEVER*, THAT THE TERM
23 ‘REGISTERED ENTERPRISE’ SHALL NOT INCLUDE ANY OF
24 THE FOLLOWING SERVICE ENTERPRISES SUCH AS, BUT
25 NOT LIMITED TO, THOSE ENGAGED IN CUSTOMS
26 BROKERAGE, TRUCKING OR FORWARDING SERVICES,
27 JANITORIAL SERVICES, SECURITY SERVICES,
28 INSURANCE, BANKING, AND OTHER FINANCIAL

1 SERVICES, CONSUMERS' COOPERATIVES, CREDIT
2 UNIONS, CONSULTANCY SERVICES, RETAIL BUSINESS,
3 RESTAURANTS, OR SUCH OTHER SIMILAR SERVICES, AS
4 MAY BE DETERMINED BY THE IPA BOARD,
5 IRRESPECTIVE OF LOCATION, WHETHER INSIDE OR
6 OUTSIDE THE ZONES, DULY ACCREDITED AND/OR
7 LICENSED BY ANY OF THE IPAS AND WHOSE INCOME
8 DELIVERED WITHIN THE ECONOMIC ZONES SHALL BE
9 SUBJECT TO TAXES UNDER THE NATIONAL INTERNAL
10 REVENUE CODE OF 1997, AS AMENDED.

11 “(F) THE TERM ‘SPECIAL ECONOMIC ZONE’ OR
12 ‘ECOZONE’ SHALL REFER TO A SELECTED AREA, WHICH
13 SHALL BE OPERATED AND MANAGED AS A SEPARATE
14 CUSTOMS TERRITORY THAT IS HIGHLY DEVELOPED
15 OR HAS THE POTENTIAL TO BE DEVELOPED
16 INTO AN AGRO-INDUSTRIAL, INDUSTRIAL, INFORMATION
17 TECHNOLOGY, OR TOURIST/RECREATIONAL, WHOSE
18 METES AND BOUNDS ARE FIXED OR DELIMITED BY
19 PRESIDENTIAL PROCLAMATIONS AND WITHIN A
20 SPECIFIC GEOGRAPHICAL AREA: *PROVIDED*, THAT FOR
21 THE ECOZONE TO QUALIFY AS A SEPARATE CUSTOMS
22 TERRITORY, IT SHALL HAVE A PERMANENT CUSTOMS
23 CONTROL OR CUSTOMS OFFICE AT ITS PERIMETER. AN
24 ECOZONE MAY CONTAIN ANY OR ALL OF THE
25 FOLLOWING: INDUSTRIAL ESTATES (IES), EXPORT
26 PROCESSING ZONES (EPZs), ICT PARKS AND CENTERS,
27 AND FREE TRADE ZONES: *PROVIDED, HOWEVER*, THAT
28 AREAS WHERE MINING EXTRACTIONS ARE UNDERTAKEN
29 SHALL NOT BE DECLARED AS ECOZONES: *PROVIDED*,
30 *FURTHER*, THAT VERTICAL ECONOMIC ZONES, SUCH AS,

1 BUT NOT LIMITED TO, BUILDINGS, SELECTED FLOORS
2 WITHIN BUILDINGS, AND SELECTED AREAS ON A FLOOR,
3 SHOULD COMPLY WITH THE MINIMUM CONTIGUOUS
4 LAND AREA AS DETERMINED BY THE FISCAL
5 INCENTIVES REVIEW BOARD (FIRB).

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

24 “CHAPTER II

25 “TAX AND DUTY INCENTIVES

26 “SEC. 294. *INCENTIVES*. – REGISTERED
27 PROJECTS OR ACTIVITIES UNDER THE STRATEGIC
28 INVESTMENT PRIORITY PLAN SHALL BE QUALIFIED TO
29 ANY OF THE FOLLOWING INCENTIVES:

30 “(A) INCOME TAX INCENTIVES

1 “(1) INCOME TAX HOLIDAY (ITH). – THE ITH
2 SHALL BE GRANTED FOR A PERIOD NOT EXCEEDING
3 THREE (3) YEARS: *PROVIDED*, THAT AFTER THE
4 EXPIRATION OF THE ITH, THE FOLLOWING INCENTIVES
5 MAY BE APPLIED FOR A PERIOD NOT EXCEEDING FIVE
6 (5) YEARS, WHICH INCLUDES THE PERIOD OF ITH
7 AVAILMENT, EXCEPT THOSE PROVIDED UNDER
8 SECTIONS 294(7) and (9), 295, 296, AND 297.

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

23 “FIFTEEN PERCENT (15%) TO THE NATIONAL
24 GOVERNMENT IN 2019 AND 2020; FOURTEEN PERCENT
25 (14%) TO THE NATIONAL GOVERNMENT IN 2021
26 AND 2022; THIRTEEN PERCENT (13%) TO THE NATIONAL
27 GOVERNMENT IN 2023 AND 2024; TWELVE PERCENT
28 (12%) TO THE NATIONAL GOVERNMENT IN 2025 AND
29 2026; ELEVEN PERCENT (11%) TO THE NATIONAL

1 **GOVERNMENT IN 2027 AND 2028; AND TEN PERCENT**
2 **(10%) TO THE NATIONAL GOVERNMENT IN 2029 AND**
3 **THEREAFTER;**

4 **“ONE POINT FIVE PERCENT (1.5%) TO THE**
5 **TREASURER’S OFFICE OF THE PROVINCE WHERE THE**
6 **ENTERPRISE IS LOCATED, IN LIEU OF THE LOCAL**
7 **BUSINESS TAX;**

8 **“ONE POINT FIVE PERCENT (1.5%) TO THE**
9 **TREASURER’S OFFICE OF THE MUNICIPALITY OR**
10 **COMPONENT CITY WHERE THE ENTERPRISE IS LOCATED,**
11 **IN LIEU OF THE LOCAL BUSINESS TAX;**

12 **“*PROVIDED*, THAT IF THE ENTERPRISE IS UNDER**
13 **THE JURISDICTION OF A HIGHLY URBANIZED CITY**
14 **(HUC) OR INDEPENDENT COMPONENT CITY (ICC), THE**
15 **THREE PERCENT (3%) SHARE OF THE LGU SHALL BE**
16 **DIRECTLY REMITTED TO THE TREASURER’S OFFICE OF**
17 **THE HUC OR ICC.**

18 **“(3) DEPRECIATION ALLOWANCE OF THE ASSETS**
19 **ACQUIRED FOR THE ENTITY’S PRODUCTION OF GOODS**
20 **AND SERVICES (QUALIFIED CAPITAL EXPENDITURE) –**
21 **TEN PERCENT (10%) FOR BUILDINGS; AND TWENTY**
22 **PERCENT (20%) FOR MACHINERIES AND EQUIPMENT:**
23 ***PROVIDED*, THAT DEPRECIATION MAY BE COMPUTED**
24 **USING ACCELERATED DEPRECIATION METHOD ON A**
25 **RATE NOT EXCEEDING TWICE THE RATE WHICH**
26 **WOULD HAVE BEEN USED HAD THE ANNUAL ALLOWANCE**
27 **BEEN COMPUTED IN ACCORDANCE WITH THE RULES**
28 **AND REGULATIONS PRESCRIBED BY THE SECRETARY**
29 **OF FINANCE AND THE PROVISIONS OF THE NATIONAL**

1 INTERNAL REVENUE CODE OF 1997, AS AMENDED:
2 *PROVIDED, FURTHER*, THAT THE ASSETS ARE ACQUIRED
3 DIRECTLY FOR THE REGISTERED ENTERPRISE'S
4 PRODUCTION OF GOODS AND SERVICES OTHER THAN
5 ADMINISTRATIVE AND OTHER SUPPORT SERVICES.

6 “(4) UP TO FIFTY PERCENT (50%) ADDITIONAL
7 DEDUCTION ON THE LABOR EXPENSE IN THE TAXABLE
8 YEAR AS A CONSEQUENCE OF AN INCREASE IN
9 DIRECT LOCAL EMPLOYMENT: *PROVIDED*, THAT THIS
10 DOES NOT INCLUDE INDIRECT LABOR, SALARIES AND
11 WAGES, AND OTHER PERSONNEL COSTS INCURRED FOR
12 ADMINISTRATIVE AND OTHER SUPPORT SERVICES.

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

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

1 **“(7) UP TO ONE HUNDRED PERCENT (100%)**
2 **DEDUCTION ON INFRASTRUCTURE DEVELOPMENT. –**
3 **REGISTERED ENTERPRISES ESTABLISHING THEIR**
4 **ACTIVITY IN AN AREA THAT THE STRATEGIC**
5 **INVESTMENT PRIORITY PLAN (SIPP) DESIGNATES**
6 **AS NECESSARY FOR COUNTRYWIDE DEVELOPMENT**
7 **OR IN AN AREA FOUND TO BE DEFICIENT IN**
8 **INFRASTRUCTURE, PUBLIC UTILITIES, AND OTHER**
9 **FACILITIES, SUCH AS IRRIGATION, DRAINAGE, OR**
10 **OTHER SIMILAR WATERWORKS INFRASTRUCTURE**
11 **MAY DEDUCT FROM THE GROSS INCOME AN AMOUNT**
12 **EQUIVALENT TO UP TO ONE HUNDRED PERCENT**
13 **(100%) OF NECESSARY AND MAJOR INFRASTRUCTURE**
14 **WORKS IT MAY HAVE UNDERTAKEN WITH THE PRIOR**
15 **APPROVAL AND RECOMMENDATION OF THE IPA**
16 **CONCERNED: *PROVIDED*, THAT THE INFRASTRUCTURE**
17 **SHALL BE OPEN FOR USE BY THE GENERAL PUBLIC:**
18 ***PROVIDED, FURTHER*, THAT THE TITLE TO ALL SUCH**
19 **INFRASTRUCTURE WORKS SHALL UPON COMPLETION,**
20 **BE TRANSFERRED TO THE PHILIPPINE GOVERNMENT:**
21 ***PROVIDED, FINALLY*, THAT ANY AMOUNT NOT**
22 **DEDUCTED FOR A PARTICULAR YEAR MAY BE CARRIED**
23 **OVER FOR DEDUCTION FOR SUBSEQUENT YEARS NOT**
24 **EXCEEDING FIVE (5) YEARS FROM COMMERCIAL**
25 **OPERATION.**

26 **“(8) DEDUCTION FOR REINVESTMENT ALLOWANCE**
27 **TO MANUFACTURING INDUSTRY. – WHEN A**
28 **MANUFACTURING REGISTERED ENTERPRISE REINVESTS**
29 **ITS UNDISTRIBUTED PROFIT OR SURPLUS IN ANY OF THE**
30 **ACTIVITIES LISTED IN THE SIPP, THE AMOUNT SO**

1 REINVESTED TO A MAXIMUM OF FIFTY PERCENT (50%)
2 SHALL BE ALLOWED AS A DEDUCTION FROM ITS
3 TAXABLE INCOME WITHIN A PERIOD OF FIVE (5)
4 YEARS FROM THE TIME OF SUCH REINVESTMENT:
5 *PROVIDED*, THAT PRIOR APPROVAL AND
6 RECOMMENDATION BY THE IPA CONCERNED OF SUCH
7 REINVESTMENT WAS OBTAINED BY THE REGISTERED
8 ENTERPRISE PLANNING SUCH REINVESTMENT.

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

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

24 “*PROVIDED*, THAT IN LIEU OF THE ITH UNDER
25 SECTION 294(A)(1) OR THE REDUCED TAX RATE OF
26 EIGHTEEN PERCENT (18%) UNDER SECTION 294(A)(2),
27 THE TAX INCENTIVES UNDER SECTION 294(A)(3), (4),
28 (5), (6), (7), (8), (9), AND (10) MAY BE GRANTED ON AN
29 INDUSTRY-SPECIFIC BASIS AS DETERMINED BY THE BOI
30 IN THE STRATEGIC INVESTMENT PRIORITY PLAN. THE

1 BOI SHALL PRESCRIBED THE LEVEL OF ADDITIONAL
2 DEDUCTION FOR SELECTED INDUSTRIES.

3 “*PROVIDED, FURTHER, THAT IN NO SUCH CASE*
4 *SHALL AN INCOME TAX INCENTIVE BE EXTENDED*
5 *BEYOND THE INITIAL GRANT OF FIVE (5) YEARS, EXCEPT*
6 *THOSE PROVIDED UNDER SECTION 294(A)(7) AND (9),*
7 *SECTIONS 295, 296, AND 297.*

8 “(B) EXEMPTION FROM CUSTOMS DUTY ON
9 IMPORTATION OF CAPITAL EQUIPMENT AND RAW
10 MATERIALS DIRECTLY AND EXCLUSIVELY USED IN THE
11 REGISTERED ACTIVITY BY REGISTERED ENTERPRISES:
12 *PROVIDED, THAT THE FIVE (5) YEARS LIMIT IN THIS*
13 SUBSECTION SHALL NOT APPLY TO FREEPORT ZONES AS
14 DEFINED UNDER THIS TITLE.

15 “*PROVIDED, FURTHER, THAT EXPANSION OF*
16 *REGISTERED ACTIVITIES MAY BE GRANTED DUTY*
17 EXEMPTION ON CAPITAL EQUIPMENT ONLY, SUBJECT TO
18 THE FOLLOWING CONDITIONS:

19 “(1) THE ACTIVITY IS STILL COVERED BY THE
20 STRATEGIC INVESTMENT PRIORITY PLAN (SIPP) OR IS
21 AN INNOVATION PROJECT AS DEFINED IN THE
22 STRATEGIC INVESTMENT PRIORITY PLAN;

23 “(2) CUSTOMS DUTY EXEMPTION WILL ONLY
24 APPLY ON THE INCREMENTAL PORTION OF THE
25 ACTIVITY; AND

26 “(3) THE CUSTOMS DUTY EXEMPTION EXTENSION
27 SHALL NOT EXCEED FIVE (5) YEARS.

28 “(C) VALUE-ADDED TAX (VAT)

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

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

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

28 “FOR THIS PURPOSE, ‘PROCESSING’ SHALL REFER
29 TO THE CONVERSION OF RAW MATERIALS INTO
30 MARKETABLE FORM THROUGH PHYSICAL, MECHANICAL,

1 CHEMICAL, ELECTRICAL, BIOCHEMICAL, BIOLOGICAL,
2 OR OTHER MEANS, OR BY A SPECIAL TREATMENT OR A
3 SERIES OF ACTIONS, SUCH AS SLAUGHTERING, MILLING,
4 PASTEURIZING, DRYING, OR DESICCATING, QUICK
5 FREEZING, THAT RESULTS IN A CHANGE IN THE NATURE
6 OR STATE OF A PRODUCT. MERE PACKING OR
7 PACKAGING SHALL NOT CONSTITUTE PROCESSING.

8 “‘SOURCE DOCUMENTS’ REFER TO INPUT
9 MATERIALS AND DOCUMENTS REASONABLY NEEDED BY
10 I.T. AND I.T.-ENABLED INDUSTRIES SUCH AS, BUT NOT
11 LIMITED TO, BOOKS, DIRECTORIES, MAGAZINES,
12 NEWSPAPERS, BROCHURES, PAMPHLETS, MEDICAL
13 RECORDS/FILES, LEGAL RECORDS/FILES, INSTRUCTION
14 MATERIALS, AND DRAWINGS/BLEUPRINTS/OUTLINES.

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

23 “SEC. 296. *PROJECTS OR ACTIVITIES LOCATED*
24 *IN LESS DEVELOPED AREAS OR THOSE RECOVERING*
25 *FROM ARMED CONFLICT OR A MAJOR DISASTER.* –
26 PROJECTS OR ACTIVITIES OF REGISTERED
27 ENTERPRISES LOCATING IN LESS DEVELOPED
28 AREAS AS IDENTIFIED IN THE STRATEGIC INVESTMENT

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

3 “(1) LIST OF REGISTERED ENTERPRISES
4 ANNUALLY WITH CORRESPONDING FIRM-LEVEL DATA AS
5 MANDATED UNDER THE TAX INCENTIVES MANAGEMENT
6 AND TRANSPARENCY ACT OR TIMTA LAW;

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

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

13 “(C) FOR PROJECTS OR ACTIVITIES THAT POSE
14 RISK TO THE ENVIRONMENT, HEALTH, AND ECONOMIC
15 STABILITY AND PROJECTS OR ACTIVITIES THE
16 APPROVAL OF WHICH ENCOUNTERS A DEADLOCK IN THE
17 IPAS BOARD, THE FIRB:

18 “(1) SHALL FORMULATE POLICIES ON TAX
19 INCENTIVES IN ACCORDANCE WITH THE PROVISIONS OF
20 THIS CODE;

21 “(2) SHALL REVIEW IPAS’ COMPLIANCE WITH
22 THE POLICIES SET FORTH IN THIS CODE: *PROVIDED*,
23 THAT THE FIRB MAY CANCEL OR SUSPEND THE POWER
24 OF IPAS TO GRANT INCENTIVES FOR VIOLATIONS OF
25 SUCH POLICIES;

26 “(3) SHALL APPROVE THE GRANT OF INCENTIVES
27 ON THE ABOVE INSTANCES; AND

28 “(4) ON THE ABOVE INSTANCES MAY SUSPEND OR
29 CANCEL THE TAX INCENTIVES GRANTED TO REGISTERED

1 ENTERPRISES WHICH ARE NOT COMPLIANT WITH THE
2 CONDITIONS ON THE AVAILMENT OF TAX INCENTIVES AS
3 WELL AS THE POLICIES SET FORTH BY THE IPAS.

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

8 “(E) TO GRANT TAX SUBSIDIES TO GOVERNMENT
9 -OWNED AND/OR -CONTROLLED CORPORATIONS
10 (GOCCs), GOVERNMENT INSTRUMENTALITIES (GIs),
11 GOVERNMENT COMMISSARIES, AND STATE UNIVERSITIES
12 AND COLLEGES (SUCs) AS MAY BE PROVIDED UNDER
13 THE ANNUAL GENERAL APPROPRIATIONS ACT.

14 “*PROVIDED, THAT, AS CHAIR OF THE FIRB*
15 *AND AS THE CUSTODIAN OF FISCAL PRUDENCE*
16 *AND RESPONSIBILITY, THE SECRETARY OF FINANCE*
17 *SHALL EXERCISE OVERSIGHT FUNCTIONS AND SHALL*
18 *HAVE VETO POWER OVER THE APPROVAL AND*
19 *CANCELLATION OF TAX INCENTIVES UNDER SECTION*
20 *298 (C).*

21 “*PROVIDED, FURTHER, THAT THE SECRETARY OF*
22 *FINANCE SHALL AUTOMATICALLY BE THE CO-CHAIR OF*
23 *ALL THE EXISTING AND FUTURE IPAS.*

24 “*PROVIDED, FINALLY, THAT THE NATIONAL*
25 *ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA)*
26 *AND THE DEPARTMENT OF TRADE AND INDUSTRY (DTI)*
27 *SHALL BE MEMBERS OF ALL THE EXISTING AND FUTURE*
28 *IPAS.*

1 “(1) THE ACTIVITY SHALL BE COVERED BY THE
2 PHILIPPINE DEVELOPMENT PLAN OR ITS EQUIVALENT
3 AND OTHER GOVERNMENT PROGRAMS;

4 “(2) THE ACTIVITY SHALL TAKE INTO ACCOUNT
5 ANY OF THE FOLLOWING:

6 “(i) SUBSTANTIAL AMOUNT OF INVESTMENTS;

7 “(ii) CONSIDERABLE GENERATION OF
8 EMPLOYMENT;

9 “(iii) ADOPT INCLUSIVE BUSINESS ACTIVITIES
10 AND VALUE-ADDING PRODUCTION BY MSMEs;

11 “(iv) USE OF MODERN OR NEW TECHNOLOGY;

12 “(v) ADOPTION OF ADEQUATE ENVIRONMENTAL
13 PROTECTION SYSTEMS;

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

17 “(vii) PROMOTION OF MARKET
18 COMPETITIVENESS.

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

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

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

1 “THE ACTIVITIES MUST COMPLY WITH THE
2 SPECIFIC QUALIFICATION REQUIREMENTS OR
3 CONDITIONS FOR A PARTICULAR SECTOR OR INDUSTRY
4 AND OTHER LIMITATIONS AS SET AND DETERMINED BY
5 THE BOI.

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

11 “SEC. 301. *POWER OF THE PRESIDENT TO*
12 *GRANT INCENTIVES.* – THE PRESIDENT MAY, IN THE
13 INTEREST OF NATIONAL ECONOMIC DEVELOPMENT AND
14 UPON THE RECOMMENDATION OF THE FISCAL
15 INCENTIVES REVIEW BOARD, GRANT INCENTIVES IN
16 ADDITION TO THOSE THAT ARE PROVIDED UNDER THIS
17 CODE, INCLUDING A LONGER PERIOD, TO HIGHLY
18 DESIRABLE PROJECTS: *PROVIDED*, THAT THE BENEFITS
19 THAT THE GOVERNMENT MAY DERIVE FROM SUCH
20 INVESTMENT THERETO IS CLEAR AND CONVINCING AND
21 FAR OUTWEIGH THE COST OF INCENTIVES THAT WILL BE
22 GRANTED.”

23 “SEC. 301-A. *CRITERIA FOR AVAILMENT.* – THE
24 BOARD OF INVESTMENTS SHALL CONSIDER THE
25 FOLLOWING CRITERIA IN DETERMINING THE TYPES OF
26 INCENTIVES AND THE DURATION THEREOF THAT MAY BE
27 GRANTED:

28 “(A) THE PROJECT HAS A COMPREHENSIVE
29 SUSTAINABLE DEVELOPMENT PLAN WITH CLEAR

1 INCLUSIVE BUSINESS APPROACHES AND INNOVATIONS;
2 OR

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

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

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

17 “SEC. 301-B. *USE OF RESOURCES.* – IN THE
18 EXERCISE OF THE POWER OF THE PRESIDENT TO
19 GRANT INCENTIVES, THE GOVERNMENT MAY UTILIZE
20 ITS RESOURCES SUCH AS LAND USE, WATER
21 APPROPRIATION, POWER PROVISION, AMONG OTHERS,
22 AS MAY BE IDENTIFIED BY THE BOI.”

23 “SEC. 302. *AMENDMENTS.* – SUBJECT TO
24 PUBLICATION REQUIREMENTS AND THE CRITERIA FOR
25 INVESTMENT PRIORITY DETERMINATION, THE BOI MAY,
26 AT ANY TIME, INCLUDE ADDITIONAL AREAS IN THE
27 SIPP, ALTER ANY OF THE TERMS OF THE DECLARATION
28 OF AN INVESTMENT AREA, AND TEMPORARILY OR
29 PERMANENTLY SUSPEND ACTIVITIES ON THE SIPP IF IT

1 CONSIDERS THAT SUCH ACTIVITY IS NO LONGER A
2 PRIORITY. IN NO CASE SHALL THE IPAS ACCEPT
3 APPLICATIONS UNLESS THE ACTIVITY IS LISTED IN THE
4 SIPP.”

5 “SEC. 303. *PUBLICATION.* – UPON APPROVAL
6 OF THE PLAN, IN WHOLE OR IN PART, OR UPON
7 APPROVAL OF AN AMENDMENT THEREOF, THE PLAN OR
8 THE AMENDMENT, SPECIFYING AND DECLARING THE
9 AREAS OF INVESTMENTS SHALL BE PUBLISHED IN AT
10 LEAST ONE (1) NEWSPAPER OF GENERAL CIRCULATION
11 OR THE *OFFICIAL GAZETTE* AND ALL SUCH AREAS
12 SHALL BE OPEN FOR APPLICATION UNTIL PUBLICATION
13 OF AN AMENDMENT OR DELETION THEREOF.”

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

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

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

1 EXTENT OF ONE HUNDRED PERCENT (100%) OF THE
2 CUSTOMS DUTY: *PROVIDED*, THAT THE FOLLOWING
3 CONDITIONS ARE COMPLIED WITH:

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

26 “(B) THE APPROVAL OF THE IPA WAS OBTAINED
27 BY THE REGISTERED ENTERPRISE PRIOR TO THE
28 IMPORTATION OF SUCH CAPITAL EQUIPMENT AND/OR
29 SPARE PARTS.

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

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

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

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

19 “(4) FOR REASONS OF PROVEN TECHNICAL
20 OBSOLESCENCE.

21 “*PROVIDED*, THAT IF THE REGISTERED
22 ENTERPRISE SELLS, TRANSFERS OR DISPOSES THE
23 AFOREMENTIONED IMPORTED ITEMS WITHOUT PRIOR
24 APPROVAL, THE REGISTERED ENTERPRISE AND THE
25 VENDEE, TRANSFEREE, OR ASSIGNEE SHALL BE
26 SOLIDARILY LIABLE TO PAY TWICE THE AMOUNT OF THE
27 DUTY EXEMPTION THAT SHOULD HAVE BEEN PAID
28 DURING ITS IMPORTATION: *PROVIDED, FURTHER*, THAT
29 EVEN IF THE SALE, TRANSFER OR DISPOSITION OF THE

1 CAPITAL EQUIPMENT WAS MADE AFTER FIVE (5) YEARS
2 FROM DATE OF IMPORTATION WITH THE APPROVAL OF
3 THE IPA, THE REGISTERED ENTERPRISE IS STILL
4 LIABLE TO PAY THE DUTIES BASED ON THE NET BOOK
5 VALUE OF THE CAPITAL EQUIPMENT IF IT HAS VIOLATED
6 ANY OF ITS REGISTRATION TERMS AND CONDITIONS.”

7 “SEC. 307. *VAT REFUND MECHANISM ON*
8 *IMPORTATION OF CAPITAL EQUIPMENT AND RAW*
9 *MATERIALS.* – THE VAT ON IMPORTATION OF CAPITAL
10 EQUIPMENT AND RAW MATERIALS PAID BY EXPORT
11 REGISTERED ENTERPRISES THAT DID NOT MEET THE
12 NINETY PERCENT (90%) EXPORT SALES THRESHOLD OR
13 ARE LOCATED OUTSIDE THE ECOZONE, FREEPORT, OR
14 THOSE UTILIZING THE CUSTOMS BONDED
15 MANUFACTURING WAREHOUSE REGARDLESS OF THE
16 THRESHOLD SHALL BE REFUNDED PURSUANT TO THE
17 ENHANCED VAT REFUND SYSTEM UNDER SECTIONS 106
18 AND 108 OF THIS CODE.”

19 “CHAPTER VI

20 “FINAL PROVISIONS

21 “SEC. 308. *NO DOUBLE REGISTRATION OF*
22 *ENTERPRISES.* – REGISTERED ENTERPRISES SHALL NOT
23 BE ALLOWED TO REGISTER THEIR ACTIVITIES IN MORE
24 THAN ONE (1) IPA.”

25 “SEC. 309. *GOVERNANCE RULES.* – THE
26 DIFFERENT IPAS MAY REQUIRE DOMESTIC REGISTERED
27 ENTERPRISES TO LIST THEIR SHARES OF STOCK IN ANY
28 ACCREDITED STOCK EXCHANGE OR DIRECTLY OFFER A
29 PORTION OF THEIR CAPITAL STOCK TO THE PUBLIC

1 AND/OR THEIR EMPLOYEES WITHIN FIVE (5) YEARS
2 FROM DATE OF REGISTRATION.”

3 “SEC. 310. *INVESTMENTS PRIOR TO THE*
4 *EFFECTIVITY OF THIS ACT.* – EXISTING REGISTERED
5 ACTIVITIES GRANTED THE INCOME TAX HOLIDAY SHALL
6 BE ALLOWED TO CONTINUE WITH THE AVAILMENT OF
7 THE SAID INCENTIVE FOR THE REMAINING PERIOD OF
8 THE ITH OR FOR A PERIOD OF FIVE (5) YEARS ONLY,
9 WHICHEVER COMES FIRST: *PROVIDED*, THAT OTHER TAX
10 INCENTIVES GRANTED TO EXISTING REGISTERED
11 ACTIVITIES, SUCH AS THE FIVE PERCENT (5%) TAX ON
12 GROSS INCOME EARNED IN LIEU OF ALL TAXES, BOTH
13 NATIONAL AND LOCAL, SHALL BE ALLOWED TO
14 CONTINUE FOLLOWING THE SCHEDULE STATED HEREIN:

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

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

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

22 “*PROVIDED*, THAT THE FIVE PERCENT (5%) TAX
23 ON GROSS INCOME EARNED SHALL COMMENCE AFTER
24 THE ITH PERIOD HAS LAPSED ONLY FOR THE
25 REMAINING YEARS WITHIN THE FIVE (5)-YEAR PERIOD.”

26 “SEC. 311. *SUSPENSION AND FORFEITURE OF*
27 *TAX INCENTIVES OF REGISTERED ENTERPRISES,*
28 *REFUND AND PENALTIES; WAIVER AND CONDONATION.*
29 – THE IPA MAY IMPOSE FINES AND PENALTIES,

1 SUSPEND AND/OR FORFEIT THE INCENTIVES GRANTED
2 TO THE REGISTERED ENTERPRISES WHENEVER THERE
3 ARE VIOLATIONS OF THE REGISTRATION TERMS AND
4 CONDITIONS BY THE LATTER, WITHOUT PREJUDICE TO
5 THE CANCELLATION OF THE REGISTRATION OF SAID
6 ENTERPRISE.

7 “WHEN THERE IS PROBABLE CAUSE TO BELIEVE
8 THAT THE REGISTERED ENTERPRISE HAS VIOLATED ITS
9 REGISTRATION TERMS AND CONDITIONS, THE IPA
10 SHALL SUSPEND THE AVAILMENT OF INCENTIVES UNTIL
11 PROVEN OTHERWISE: *PROVIDED*, THAT FOR PROJECTS
12 UNDER SECTION 298(C), THE CONCERNED IPA SHALL
13 RECOMMEND TO THE FIRB THE SUSPENSION OF ITS
14 AVAILMENT OF INCENTIVES.

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

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

27 “IN MERITORIOUS CASES, THE IPA MAY WAIVE,
28 CONDONE OR REDUCE FINES OR PENALTIES IMPOSED ON
29 REGISTERED ENTERPRISES BY THE IPAS: *PROVIDED*,
30 THAT THE MINIMUM COMPROMISE RATE, IN CASE OF

1 REDUCTION, SHALL NOT BE LESS THAN FORTY PERCENT
2 (40%) OF THE BASIC ASSESSED FINES OR PENALTIES.”

3 “**SEC. 312. *STRUCTURAL ADJUSTMENT FUND.*** –
4 **THE FOLLOWING AMOUNTS SHALL BE APPROPRIATED**
5 **TO COMPENSATE WORKERS THAT MAY BE DISPLACED BY**
6 **THE RATIONALIZATION OF FISCAL INCENTIVES TO**
7 **IMPROVE EMPLOYABILITY OF WORKERS:**

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

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

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

29 “(4) **THE AMOUNT OF FIFTEEN BILLION PESOS**
30 **(P15,000,000,000), IN ADDITION TO ANY ADJUSTMENT**

1 FUND APPROPRIATED UNDER THE BUDGET OF
2 PERTINENT GOVERNMENT DEPARTMENTS/AGENCIES,
3 SHALL BE APPROPRIATED FOR THE DEVELOPMENT OF
4 INFRASTRUCTURE SURROUNDING AND WITHIN THE
5 AREAS/LOCALITIES OF SPECIAL ECONOMIC ZONES AND
6 FREEPORTS TO BE AFFECTED BY THIS ACT. THIS
7 SUBSIDY SHALL LIKEWISE BE UTILIZED TO SUPPORT
8 RESEARCH AND DEVELOPMENT; COSTS OF POWER,
9 WATER AND OTHER UTILITIES; LEASE OF PROPERTIES;
10 AND OTHER ECONOMIC ACTIVITIES RELEVANT
11 TO DEVELOPING THE ABOVEMENTIONED
12 AREAS/LOCALITIES.

13 “*PROVIDED*, THAT RELEASES TO THE
14 INVESTMENT PROMOTION AGENCIES SHALL BE
15 GOVERNED BY IMPLEMENTING GUIDELINES TO BE
16 PROMULGATED BY THE DEPARTMENT OF FINANCE AND
17 THE DEPARTMENT OF BUDGET AND MANAGEMENT.

18 “*PROVIDED, FURTHER*, THAT EARMARKING FOR
19 THESE FUNDS IN THIS SECTION SHALL BE TERMINATED
20 FIVE (5) YEARS AFTER THE EFFECTIVITY OF THIS ACT.”

21 “**SEC. 313. *ENHANCED TAX EXPENDITURE FUND***
22 ***SYSTEM.*** – ALL INTERNAL REVENUE TAX AND DUTY
23 OBLIGATIONS OF GOVERNMENT-OWNED AND/OR
24 CONTROLLED CORPORATIONS SHALL BE CHARGEABLE
25 TO THE TAX EXPENDITURE FUND OF THE GOVERNMENT
26 UPON THE ESTABLISHMENT AND IMPLEMENTATION OF
27 AN ENHANCED TAX EXPENDITURE FUND SYSTEM THAT
28 GRANTS TAX SUBSIDY WITHIN THIRTY (30) DAYS FROM
29 THE FILING OF APPLICATION WITH THE FIRB.”

1 **“SEC. 314. THE NAME OF RECIPIENTS OF**
2 **INCENTIVES AND THE AMOUNT OF INCENTIVES AWAILED**
3 **SHALL BE REPORTED BY THE INVESTMENT PROMOTION**
4 **AGENCIES ANNUALLY TO CONGRESS. THE REPORT**
5 **SHALL BE MADE AVAILABLE TO THE PUBLIC.”**

6 SEC. 35. Title XIII of the National Internal Revenue Code of
7 1997, as amended, is hereby retitled as Title XIV.

8 SEC. 36. Title XIV of the National Internal Revenue Code of
9 1997, as amended, is hereby retitled as Title XV.

10 SEC. 37. *Amendatory Clause.* –

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

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

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

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

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

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

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

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

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

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

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

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

18 (b) The following laws are hereby amended to mandate all
19 internal revenue tax and duty obligations of the relevant entities be
20 chargeable to the Tax Expenditure Fund (TEF) pursuant to Section
21 313 of this Act:

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

26 (2) Section 8 of Republic Act No. 7903, entitled “An Act
27 Creating Special Economic Zone and Freeport in the City of
28 Zamboanga for this Purpose the Zamboanga City Special Economic

1 Zone Authority, Appropriating Funds Therefor, and for Other
2 Purpose”;

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

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

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

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

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

23 (8) Sections 8 and 14 of Presidential Decree No. 269, entitled
24 “Creating the National Electrification Administration as a
25 Corporation, Prescribing its Powers and Activities, Appropriating
26 the Necessary Funds Therefore and Declaring a National Policy
27 Objective for the Total Electrification of the Philippines on an Area
28 Coverage Service Basis, the Organization, Promotion and

1 Development of Electric Cooperatives to Attain the Said Objective,
2 Prescribing Terms and Conditions for their Operations, the Repeal
3 of Republic Act No. 6038, and for Other Purposes”;

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

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

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

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

22 (13) Section 13(e) of Presidential Decree No. 857, entitled
23 “Providing for the Reorganization of Port Administrative and
24 Operation Functions in the Philippines, Revising Presidential
25 Decree No. 505 dated July 11, 1974, Creating the Philippine Port
26 Authority, by Substitution, and for Other Purposes”;

27 (14) Section 19 of Republic Act No. 6847, entitled “An Act
28 Creating and Establishing the Philippine Sports Commission,

1 Defining its Powers, Functions, and Responsibilities, Appropriating
2 Funds Therefor, and for Other Purposes”;

3 (15) Section 8(a)(b) and Section 13 of Republic Act No. 6395,
4 entitled “An Act Revising the Charter of the National Power
5 Corporation”; and

6 (16) Section 21 of Republic Act No. 7306, entitled “An Act
7 Providing for the Establishment of the People’s Television Network,
8 Inc., Defining its Powers and Functions, Providing for its Sources of
9 Funding and for Other Purposes.”

10 SEC. 38. *Repealing Clauses.* –

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

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

23 (2) Section 12 of Republic Act No. 8407, entitled “An Act
24 Amending Republic Act Numbered Sixty-Six Hundred Thirty-One,
25 entitled ‘An Act Granting Manila Jockey Club, Inc., a Franchise to
26 Construct, Operate and Maintain a Race Track for Horse Racing in
27 the City of Manila or any Place Within the Provinces of Bulacan,

1 Cavite or Rizal and Extending the Said Franchise by Twenty-five
2 (25) Years From the Expiration of the Term Thereof’ ”;

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

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

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

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

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

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

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

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

12 (6) Articles 62, 63, 64, 65, 66, 67, and 69 of Republic Act No.
13 8756, entitled “An Act Providing for the Terms, Conditions and
14 Licensing Requirements of Regional or Area Headquarters, Regional
15 Operating Headquarters, Regional Warehouses of Multinational
16 Companies, Amending for the Purpose Certain Provisions of
17 Executive Order No. 226, Otherwise Known as the Omnibus
18 Investment Code of 1987”;

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

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

1 (9) Section 17(1) to (8) insofar as tax exemption and/or VAT
2 zero-rating on domestic merchandise is concerned, and Section
3 18(a), (b), (c), and (f) of Presidential Decree No. 66, entitled
4 “Creating the Export Processing Zone Authority and Revising
5 Republic Act No. 5490”;

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

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

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

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

27 (14) Section 1 of Republic Act No. 9400, amending
28 Section 12(b) of Republic Act No. 7227, insofar as tax exemption

1 and VAT zero-rating of domestic merchandise and capital
2 equipment are concerned, Section 12(c), Section 2 amending Section
3 15, second, third and last paragraph of Republic Act No. 7227,
4 Section 3, first and second paragraph; Sections 4 and 5 entitled “An
5 Act Amending Republic Act No. 7227, as Amended, Otherwise
6 Known as the Bases Conversion and Development Act of 1982, and
7 for Other Purposes”;

8 (15) Section 1 of Executive Order No. 619, entitled “Creating
9 and Designating Special Economic Zones Pursuant to Republic Act
10 No. 7916, as Amended by Republic Act No. 8784, in Relation to
11 Republic Act No. 7227, as Amended by Republic Act No. 9400, Inside
12 the Clark Freeport Zone”;

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

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

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

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

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

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

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

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

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

25 (25) Section 20(d)(1) to (5) of Republic Act No. 10884, entitled
26 “An Act Strengthening the Balanced Housing Development
27 Program, Amending for the Purpose Republic Act No. 7279, as

1 Amended, Otherwise Known as the Urban Development and
2 Housing Act of 1992”;

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

8 (27) Section 6(c)(d)(f) and Sections 7 and 8 of Republic Act No.
9 7103, entitled “An Act to Strengthen the Iron and Steel Industry
10 and Promote Philippine Industrialization and for Other Purposes”;

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

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

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

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

27 (32) Chapter XV, Section 83; Chapter XVI, Sections 90, 91, 92,
28 and 93 of Republic Act No. 7942, entitled “An Act Instituting a New

1 System of Mineral Resources Exploration, Development, Utilization
2 and Conservation”;

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

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

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

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

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

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

1 (39) Section 1(1.1) of Executive Order No. 97-A, series of
2 1993, entitled “Further Clarifying the Tax and Duty-Free Privilege
3 Within the Subic Special Economic and Free Port Zone”;

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

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

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

16 (43) Section 22 of Republic Act No. 9337, entitled “An Act
17 Amending Sections 27, 28, 34, 106, 107, 108, 109, 110, 111, 112, 113,
18 114, 116, 117, 119, 121, 148, 151, 236, 237, and 288 of the National
19 Internal Revenue Code of 1997, as Amended, and for Other
20 Purposes”;

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

26 (45) Section 2 of Presidential Decree No. 1931, series of 1984,
27 entitled “Directing the Rationalization of Duty and Tax Exemption

1 Privileges Granted to Government-Owned or -Controlled
2 Corporations and All Other Units of Government”;

3 (46) Section 1(c) and (d) of Executive Order No. 93, series of
4 1986, entitled “Withdrawing All Tax and Duty Incentives, Subject to
5 Certain Exceptions, Expanding the Powers of the Fiscal Incentives
6 Review Board and for Other Purposes”; and

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

11 (c) Memorandum Order No. 23, series of 1986, entitled
12 “Expanding the Membership of the Fiscal Incentives Review Board”,
13 is hereby repealed.

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

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

24 SEC. 40. *Separability Clause.* – If any clause, sentence,
25 paragraph, or part of this Code shall be adjudged by any court of
26 competent jurisdiction to be invalid, such judgment shall not affect,
27 impair, or invalidate the remainder of said Code, but shall be

1 confined in its operation to the clause, sentence, paragraph, or part
2 thereof directly involved in the controversy.

3 SEC. 41. *Effectivity.* – This Act shall take effect on
4 January 1, 2019 following its complete publication in the
5 *Official Gazette* or in a newspaper of general circulation.

Approved,

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