

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 231

HOUSE OF REPRESENTATIVES	
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REGISTRATION UNIT BILLS AND INDEX SERVICE	

Introduced by Representative Eric D. Singson

EXPLANATORY NOTE

The Philippines, ranked 103rd of 189 economies in the 2016 World Bank's Doing Business report, needs to further enhance the country's competitiveness. While the report does not measure macroeconomic stability and other fundamentals, the report underscores the need to streamline government's interface with business, complemented by other reforms which encourage investment.

These reforms must include optimizing the grant of incentives to industries critical to development. Redundant incentives must be minimized, if not totally removed, to give way for more productive ones.

This measure aims to provide the policy framework to rationalize the grant of incentives. It seeks to entice increased investments even as it minimizes the revenue foregone from the grant of incentives, estimated to reach more than Php100 Billion annually.

The measure hopes to pursue a market-responsive investment regime and grant investment incentives that encourage long-term and recurrent investment promoting substantial social and economic spillovers and equitable development across income classes and across provinces.

The passage of this bill is earnestly sought.


ERIC D. SINGSON
2nd District, Ilocos Sur

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**AN ACT RATIONALIZING THE GRANT AND ADMINISTRATION OF
FISCAL INCENTIVES AND FOR OTHER PURPOSES**

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

SECTION 1. Title. This Act shall be known as the “Rationalization of Fiscal Incentives Act.”

SEC. 2. Declaration of Policy. The national economy shall be developed to enhance its global competitiveness through the rational grant and administration of incentives to investments and qualified industrial development activities geared towards employment generation and countrywide development. The following are the declared policies of the State:

- a. The State shall pursue a market-responsive investment regime;
- b. The State shall grant investment incentives encouraging long-term and recurrent investment which are simple to administer, time-bound and whose performance and outcomes are easily verifiable;
- c. The State shall ensure that the grant of incentives promotes substantial social and economic spillovers and equitable development across income classes and across provinces and that these are fiscally sustainable, financially and economically justifiable and is consistent with international treaties.
- d. The State shall ensure that investments granted tax incentives shall be conducted in a manner that respects the laws of the land, including the protection of the environment and natural resources, labor and good corporate governance principles.

SEC. 3. Definition of Terms. – As used herein,

- a. "*Investment Promotion Agencies (IPAs)*" shall include the Board of Investments (BOI), Philippine Economic Zone Authority (PEZA), Bases Conversion Development Authority (BCDA), Subic Bay Metropolitan Authority (SBMA), Clark Development Corporation (CDC), Poro Point Management Corporation (PPMC), the John Hay Management Corporation (JHMC), Bataan Technology Park, Inc. (BTPI), Zamboanga City Special Economic Zone Authority (ZCSEZA), Phividec Industrial Authority (PIA), Authority of the Freeport Area of Bataan (AFAB), Cagayan Economic Zone Authority (CEZA), the Aurora Pacific Economic Zone and Freeport Authority (APECO), the Tourism Infrastructure and Enterprise Zone Authority (TIEZA), and all other IPAs that may be created by law.
- b. "*Capital Equipment*" refers to machinery, equipment, major components thereof, spare parts, accessories, tools, devices, apparatus, fixtures, fittings and accompaniments which form part of the direct cost and are directly and reasonably needed in the registered activity of the registered enterprise and those required for pollution abatement and control, cleaner production and water reduction/conservation of said enterprises.
- c. "*Export Enterprise*" shall mean a registered enterprise which is a manufacturer, processor or service provider and whose export sale of its products or services is at least seventy percent (70%) of its total annual production of the preceding taxable year. *Provided, however,* it shall not include any of the following enterprises such as, but not limited to, those engaged in customs brokerage, trucking/forwarding services, parcel services, janitorial services, security services, insurance or banking and other financial services, consumers cooperatives, credit unions, consultancy services, retail business, restaurants or such other services, within the Freeport or Special Economic Zone, as may be determined by the Board of the concerned Authority, duly accredited or licensed by any of the Authorities and whose income derived within the economic zones shall be subject to taxes under the National Internal Revenue Code of 1997, as amended.

Provided, that an existing enterprise that meets the export requirement provided herein may be registered as an export enterprise under this Act, provided that it has not been in operation for more than ten (10) years.

- d. "*Export Sales of Goods*" shall mean the sales revenues of an export enterprise paid for in freely convertible foreign currency, determined from invoices, bills of lading, inward letters of credit, landing certificates, or other commercial documents, of the following:
- (1) the sale and actual shipment of goods from the Philippines to a foreign country by an export enterprise;
 - (2) sales by an export enterprise to another export enterprise of capital

equipment, raw materials, production supplies, packaging materials, and other production requirements forming part of the direct cost of the registered activity of the export enterprise registered under this Act;

- (3) sales to diplomatic missions and to agencies or institutions allowed to import said goods tax and duty-free;
 - (4) sales of an export enterprise to international sea or air transport operations of goods, equipment, spare parts and supplies, except fuel, forming part of direct costs and to be used in the aircraft or sea craft and capital equipment needed for the shipping or air transport operations;
 - (5) sales to a nonresident buyer for delivery to a resident local export enterprise of Capital equipment, raw materials, production supplies, packaging materials and other production requirements forming part of the direct cost and are needed for the registered activity of the said export enterprise.
- e. "*Export Sales of Services*" shall mean the sales revenues or gross receipts of an export enterprise, determined from contracts, invoices, vouchers, official receipts, or other commercial documents paid for in freely convertible foreign currency, of the following:
- (1) services rendered to non-resident foreign clients by export enterprises;
 - (2) services rendered by an export enterprise to another export enterprise as subcontractors or contractors in the manufacture or processing of goods; other services forming part of the direct cost of the registered activity of an export enterprise;
 - (3) services rendered to diplomatic missions and to other agencies or institutions with tax and duty-free privileges;
 - (4) services for the overhaul, repair, and maintenance for international shipping or air transport operations, and foreign military aircraft or sea craft rendered by an export enterprise even if rendered locally.
- f. "*Freeport*" is an isolated and policed area adjacent to a port of entry as defined by Section 3519 of the Tariff and Customs Code, which shall be operated and managed as a separate customs territory to ensure free flow or movement of goods, except those expressly prohibited by law, within, into and exported out in the freeport zone where imported goods may be unloaded for immediate transshipment or stored, repacked, sorted, mixed, or otherwise manipulated without being subject to import duties. However, movement of these imported goods from the free-trade area to a non-free trade area in the country shall be subject to import duties and taxes.

