

MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER No. 433

ESTABLISHING RULES AND REGULATIONS FOR
THE QUALIFICATION OF INDUSTRIES FOR TAX
EXEMPTION UNDER REPUBLIC ACT NO. 35,
AND REVOKING EXECUTIVE ORDER NO. 341,
DATED AUGUST 9, 1950.

Pursuant to the powers vested in me by law, and by section 2 of Republic Act No. 35, I, Elpidio Quirino, President of the Philippines, do hereby promulgate the following rules and regulations for the qualification of industries seeking exemption from the payment of all internal revenue taxes under section 1 of Republic Act No. 35:

1. *What may be considered "new" industry.*—A "new" industry is one not existing prior to December 8, 1941, nor covered by any exemption already granted in favor of the same kind of industry prior to the date of filing of the

application for exemption. Where other applications for an exemption are filed within a period of six months from the date of the approval of the first application on the same industry and it is shown that they have investigated the industry independently of each other, the exemption may be granted to all of them, if otherwise entitled to the exemption under this executive order.

2. *What may be considered "necessary" industry.*—A "necessary" industry is one complying with the following requirements:

(1) Not producing articles classified in the Internal Revenue Code as luxuries or semi-luxuries. (Secs. 184 and 185 of the National Internal Revenue Code.)

(2) Where the imported raw materials represent a value not exceeding 50 per cent of the gross value in money of the manufactured products.

(3) Where either the capital investment of the industry excluding land and building exceeds fifty thousand pesos or the industry will be employing more than twenty-five factory personnel.

(4) Where the industry will operate on a commercial scale in conformity with up-to-date practices and will make its products available to the general public in quantities and at prices which will justify its operation with a reasonable degree of permanency.

3. *When exemption shall begin.*—The benefits of four years exemption of "new and necessary" industries from the payment of all internal revenue taxes shall begin from the date the application was approved by the Secretary of Finance but not later than the month during which such industry entered into the production stage.

4. *Who will determine.*—All applications for exemption from the payment of all internal revenue taxes under the provisions of Republic Act No. 35 shall be filed with the Secretary of Finance. In order to determine whether the industry complies with the requirements of Republic Act No. 35, he shall avail of the facilities of the Department of Commerce and Industry, the Office of Economic Coordination, the Central Bank, the National Economic Council, and other agencies of the government. The Secretary of Finance shall base his certification on said findings.

5. *Who shall apply for exemption.*—Any person, partnership, company or corporation who or which shall engage in a new and necessary industry and operating in the Philippines, may apply for exemption from the payment of all internal revenue taxes for a period of four (4) years from the date of the organization of such industry.

6. *What must be stated in the application.*—The application shall contain the following statements:

- (a) The name or firm name; its address;
- (b) Name of the owner or manager of the firm; its address;
- (c) Nationality of the owner;
- (d) Location of firm or factory;
- (e) Capital invested. If partnership, company or corporation, state the names of the partners or stockholders, amount contributed,

nationality and their addresses. State also if registered, the date and place of registration.

(f) If with a firm name or business name, the fact that it is registered in the Bureau of Commerce both as a business name and as a merchant; number and date of registration;

(g) Date when factory began operation;

(h) The name and description of the product or products whose exemption is applied for;

(i) Is the plant already in operation? State capacity per 8 working hours;

(j) If owned by foreigner, state alien registration number;

(k) Other information necessary for the effective enforcement of this Act.

No application for exemption, however, should be filed without attaching to the application a firm quotation of the complete machineries and equipment needed for the factory, and a statement that the applicant is ready to place the order within three months after the granting of the exemption.

7. *Obligation to report.*—Any industry granted tax exemption under the provisions of Republic Act No. 35 shall, during the period of exemption, report to the Secretary of Finance at the end of every fiscal year a complete list and a correct valuation of all real and personal property of its industrial plant or factory; shall file a separate income tax return; shall submit periodically to the proper tax collecting agency applications for certificates of tax exemption, in such form to be prescribed by the Secretary of Finance covering taxes which, if not for the exemption granted, would be due and payable; shall keep separately the accounting records relative to the industry declared tax exempt; shall keep such records and submit such sworn statements as may be prescribed from time to time by the Secretary of Finance.

8. *Revocation of tax exemption.*—The Secretary of Finance may revoke any tax exemption granted under this Act, when after investigation and hearing, it is established that:

(1) The grantee fails to comply with any of the obligations imposed by this Order and the regulations promulgated pursuant thereto;

(2) When the grantee discontinues production on a commercial scale for a period of more than 30 days without the previous approval of the Secretary of Finance.

9. *Form of application.*—All applications shall be made upon forms duly prescribed by the Department of Finance for the purpose, and shall be accomplished in quadruplicate and sworn to before a notary public.

10. *Issuance of certificate of exemption.*—Upon receipt of the application by the Secretary of Finance, the date and time of receipt thereof shall be noted, and if it appears upon physical inspection and examination that

the factory is exemptible under the law and regulations, a certificate of exemption may be issued.

11. *Duration of certificate.*—The certificate of exemption shall be in force for a period of four years from the date of the establishment of the factory.

12. *Fees.*—The following fees shall be collected for the qualification and issuance of certificate of exemption:

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| (a) For inspection fee | P25.00 |
| (b) For the issuance of certificate of exemption | 50.00 |

13. *Change of address.*—Any change of address of applicant, or applicant manager, or the change of location of the factory granted exemption shall be reported to the Secretary of Finance in writing, immediately upon change of address or location, otherwise the certificate will be revoked.

14. *Date of effectivity.*—This Executive Order shall take effect as of the date of its publication in the *Official Gazette*.

15. *Revocation of Executive Order No. 341, dated August 9, 1950.*—Executive Order No. 341, dated August 9, 1950, is hereby revoked.

Done in the City of Manila, this 13th day of April, in the year of Our Lord, nineteen hundred and fifty-one, and of the Independence of the Philippines, the fifth.

ELPIDIO QUIRINO
President of the Philippines

By the President:

TEODORO EVANGELISTA
Executive Secretary