

S. No. 2762
H. No. 9794

Republic of the Philippines
Congress of the Philippines
Metro Manila

Nineteenth Congress

Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-second day of July, two thousand twenty-four.

[REPUBLIC ACT No. **12066**]

AN ACT AMENDING SECTIONS 27, 28, 32, 34, 57, 106, 108, 109, 112, 135, 237, 237-A, 269, 292, 293, 294, 295, 296, 297, 300, 301, 308, 309, 310, AND 311, AND ADDING NEW SECTIONS 135-A, 295-A, 296-A, AND 297-A OF 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:

SECTION 1. Section 27(A) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

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

(A) In General. – Except as otherwise provided in this Code, an income tax rate of twenty-five percent (25%) effective July 1, 2020 is hereby imposed upon the taxable income derived during each taxable year from all sources within and without the

Philippines by every corporation, as defined in Section 22(B) of this Code and taxable under this Title as a corporation, organized in, or existing under the laws of the Philippines: *Provided*, That corporations with net taxable income not exceeding Five million pesos (P5,000,000) and with total assets not exceeding One hundred million pesos (P100,000,000), excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at twenty percent (20%): *Provided, further*, That registered business enterprises under the enhanced deductions regime as provided in Section 294(C) of this Code shall be taxed at a rate equivalent to twenty percent (20%) on their taxable income derived from registered projects or activities during each taxable year.

x x x.

SEC. 2. Section 28(A)(1) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 28. *Rates of Income Tax on Foreign Corporations.* -

(A) *Tax on Resident Foreign Corporations.* -

(1) *In General.* - Except as otherwise provided in this Code, a corporation organized, authorized, or existing under the laws of any foreign country, engaged in trade or business within the Philippines, shall be subject to an income tax equivalent to twenty-five percent (25%) of the taxable income derived in the preceding taxable year from all sources within the Philippines effective July 1, 2020: *Provided*, That registered business enterprises under the enhanced deductions regime as provided in Section 294(C) of this Code, shall be subject to a tax rate equivalent to twenty percent (20%) of their taxable income derived from registered projects or activities during each taxable year.

x x x.

x x x.

x x x.

(B) *Tax on Nonresident Foreign Corporation.* -

(1) *In General.* - x x x."

SEC. 3. Section 32 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 32. *Gross Income.* -

(A) *General Definition.* - x x x

(B) *Exclusion from Gross Income.* - The following items shall not be included in the gross income and shall be exempt from taxation under this Title:

(1) x x x;

(2) x x x;

(3) x x x;

(4) x x x;

(5) *Income Exempt under Treaty.* - Income of any kind, to the extent required by any treaty obligation, including agreements entered into by the President with economies and administrative regions, subject to the concurrence of the Senate, binding upon the Government of the Philippines.

(6) x x x; and

(7) x x x."

SEC. 4. Section 34 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 34. *Deductions from Gross Income.* –

x x x

(B) *Interest.* – x x x

(C) *Taxes.* – x x x

(1) *In General.* – x x x

(2) *Limitations on Deductions.* – x x x

(3) *Credit Against Tax for Taxes of Foreign Countries.* – x x x

(4) *Limitations on Credit.* – x x x

(5) *Adjustments on Payment of Incurred Taxes.* – x x x

(6) *Year in Which Credit Taken.* – x x x

(7) *Proof of Credits.* – x x x

(8) *Input Tax Attributable to VAT-Exempt Sales.* – Input tax paid on local purchases attributable to VAT-exempt sales shall be deductible from the gross income of the taxpayer.

x x x.”

SEC. 5. Section 57 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 57. *Withholding of Tax at Source.* –

(A) *Withholding of Final Tax on Certain Incomes.* – x x x

(B) *Withholding of Creditable Tax at Source.*
– The Secretary of Finance may, upon the recommendation of the Commissioner, require the withholding of a tax on the items of income payable to natural or juridical persons, residing in the Philippines, by payor-corporation/persons as provided for by law, at the rate of not more than fifteen percent (15%) thereof, which shall be credited against the income tax liability of the taxpayer for the taxable year.

(C) *Tax-free Covenant Bonds.* – x x x

x x x.”

SEC. 6. Section 106 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 106. *Value-Added Tax on Sale of Goods or Properties.* –

(A) *Rate and Base of Tax.* – x x x.

(1) ‘Goods or Properties.’ The term ‘goods’ or ‘properties’ x x x;

(2) The following sales by VAT-registered persons shall be subject to zero percent (0%) rate:

(a) *Export Sales.* – The term ‘export sales’ means:

(1) x x x;

(2) Sale of raw materials or packaging materials to a non-resident buyer for delivery to a resident local export-oriented enterprise to be used in manufacturing, processing, packing or repacking in the Philippines of the said buyer’s goods and paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP);

(3) Sale of goods to an export-oriented enterprise whose export sales is at least seventy percent (70%) of the total annual production of the preceding taxable year: *Provided*, That such goods are directly attributable to the export activity of the export-oriented enterprise: *Provided, further*, That the Export Marketing Bureau of the Department of Trade and Industry (DTI) shall determine compliance with the aforementioned threshold. Any export-oriented enterprise that fails to meet the threshold shall be disqualified from availing of VAT zero-rating on local purchases in the immediately succeeding year: *Provided, finally*, That input tax otherwise due on VAT zero-rated local purchases attributable to VAT-exempt sales shall be paid and deductible from the gross income of the taxpayer. For this purpose, 'directly attributable' shall refer to goods and services that are incidental to and reasonably necessary for the export activity of the export-oriented enterprise, including janitorial, security, financial, consultancy, marketing and promotion services, and services rendered for administrative operations such as human resources, legal, and accounting;

(4) The sale of goods, supplies, equipment, and fuel to persons engaged in international shipping or international air transport operations: *Provided*, That the goods, supplies, equipment, and fuel shall be used for international shipping or air transport operations; and

(5) Sales to bonded manufacturing warehouses of export-oriented enterprises.

The Department of Finance (DOF) shall establish a VAT refund center in the Bureau of Internal Revenue (BIR) and in the Bureau of Customs (BOC) that will handle the electronic processing and granting of cash refunds of creditable input tax.

An amount equivalent to five percent (5%) of the total VAT collection of the BIR and the BOC from the immediately preceding year shall be automatically appropriated annually and shall be

treated as a special account in the General Fund or as trust receipts for the purpose of funding claims for VAT refund: *Provided*, That any unused fund, at the end of the year shall revert to the General Fund: *Provided, further*, That the BIR and the BOC shall be required to submit to the Congressional Oversight Committee on the Comprehensive Tax Reform Program (COCCTRP) a quarterly report of all pending claims for refund and any unused fund.

(b) x x x

(c) x x x

(d) Those sales subject to zero percent (0%) VAT under special laws.

x x x."

SEC. 7. Section 108 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 108. *Value-added Tax on Sale of Services and Use or Lease of Properties.* -

(A) *Rate and Base of Tax.* - x x x

(B) *Transactions Subject to Zero Percent (0%) Rate.* - The following services performed in the Philippines by VAT-registered persons shall be subject to zero percent (0%) rate:

(1) x x x;

(2) x x x;

(3) x x x;

(4) x x x;

(5) Services performed for an export-oriented enterprise whose export sales is at least seventy percent (70%) of the total annual production of the

preceding taxable year: *Provided*, That such services are directly attributable to the export activity of the export-oriented enterprise: *Provided, further*, That the Export Marketing Bureau of the DTI shall determine compliance with the aforementioned threshold. Any export-oriented enterprise that fails to meet the threshold shall be disqualified from availing of VAT zero-rating in the immediately succeeding year: *Provided, finally*, That input tax otherwise due on VAT zero-rated local purchases attributable to VAT-exempt sales shall be paid and deductible from the gross income of the taxpayer. For this purpose, 'directly attributable' shall follow the same definition under Section 106 of this Code.

(6) x x x;

(7) x x x; and

(8) Sales subject to zero percent (0%) VAT under special laws.

The DOF shall establish a VAT refund center in the BIR and in the BOC that will handle the electronic processing and granting of cash refunds of creditable input tax.

x x x."

SEC. 8. Section 109 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 109. *Exempt Transactions.* —

(1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from the VAT:

x x x

(u) Importation of fuel, goods, and supplies used for international shipping or air transport operations;

x x x

(dd) Importation of goods by an export-oriented enterprise whose export sales is at least seventy percent (70%) of the total annual production of the preceding taxable year: *Provided*, That such goods are directly attributable to the export activity of the export-oriented enterprise: *Provided, further*, That the Export Marketing Bureau of the DTI shall determine the compliance with the aforementioned threshold. For this purpose, 'directly attributable' shall follow the same definition under Section 106 of this Code."

SEC. 9. Section 112 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 112. *Refunds or Tax Credits of Input Tax.* —

(A) *Zero-Rated or Effectively Zero-Rated Sales.*
— x x x

(B) *Cancellation of VAT Registration.* — x x x

(C) *Period within which the Refund or Tax Credit of Input Taxes shall be Made.* — In proper cases, the Commissioner shall grant a refund for creditable input taxes within ninety (90) days from the date of submission of certified true copies of invoices and other documents specifically limited to those prescribed in the revenue issuances and in support of the application filed in accordance with Subsections (A) and (B) hereof: *Provided*, That for this purpose, the VAT refund claims shall be classified into low-, medium-, and high-risk claims, with the risk classification to be based on the amount of VAT refund claim, tax compliance history, frequency of filing VAT refund claims, among others: *Provided, further*, That medium- and high-risk claims shall be subject to audit or other verification processes in accordance with the BIR's national audit program for the relevant year. Should the

Commissioner find that the grant of refund is not proper, the Commissioner must, within the ninety (90)-day period, communicate in writing to the taxpayer, the legal and factual basis for the denial, including the deficiencies of the VAT refund claim.

The taxpayer shall have fifteen (15) days from receipt of the full or partial denial to file a request for reconsideration. The Commissioner shall decide on the request for reconsideration within fifteen (15) days from receipt thereof. Failure to file a request for reconsideration within the fifteen (15)-day period shall render the decision final.

In case of full or partial denial of the request for reconsideration, or failure on the part of the Commissioner to act on the application for refund or request for reconsideration within the periods prescribed above, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the request for reconsideration, or after the expiration of the ninety (90)-day period to decide on the application for refund, or after the lapse of the fifteen (15)-day period to decide on the request for reconsideration in cases where no action is made by the Commissioner on the request for reconsideration, appeal the decision with the Court of Tax Appeals: *Provided, however*, That failure on the part of any official, agent, or employee of the BIR to act on the application for VAT refund within the ninety (90)-day period and on the request for reconsideration within the fifteen (15)-day period shall be punishable under Section 269 of this Code.

(D) *Manner of Giving Refund.* – Refunds shall be made upon warrants drawn by the Commissioner or by a duly authorized representative without the necessity of being countersigned by the Chairperson of the Commission on Audit, the provisions of the Administrative Code of 1987 to the contrary notwithstanding: *Provided*, That refunds under this paragraph shall be subject to post audit by the Commission on Audit following the risk-based classification above-described: *Provided, further*, That

the BIR shall publish statistics on the aggregated volume, processing time, approval rate of refund claims, and other relevant statistics in their official website: *Provided, finally*, That in case of disallowance by the Commission on Audit, only the taxpayer shall be liable for the disallowed amount without prejudice to any administrative liability on the part of any employee of the BIR who may be found to be grossly negligent in the grant of refund.”

SEC. 10. Section 135 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 135. – *Petroleum Products Sold to International Carriers and Exempt Entities or Agencies.* – Petroleum products sold to the following are exempt from excise tax:

(a) International carriers of Philippine or foreign registry directly importing petroleum products, on their use or consumption outside the Philippines: *Provided*, That the petroleum products sold to these international carriers shall be stored in a bonded storage tank and may be disposed of only in accordance with the rules and regulations to be prescribed by the Secretary of Finance, upon recommendation of the Commissioner:

Suppliers of petroleum products to international carriers shall be allowed to file a claim for refund of excise tax paid on such products, upon presenting proof that the petroleum products were sold to international carriers of Philippine or foreign registry, for their use or consumption outside the Philippines, following the procedure under Section 135-A of this Code.

(b) x x x

(c) x x x.”

SEC. 11. A new Section 135-A shall be introduced in the National Internal Revenue Code of 1997, as amended. The new Section 135-A shall read as follows:

“SEC. 135-A. *Refund of Excise Tax on Petroleum Products.* – No refund or credit of excise tax paid by suppliers on otherwise exempt sales under Section 135 shall be allowed, unless the taxpayer files a written claim for refund with the Commissioner, within two (2) years after the payment of excise tax: *Provided, however,* That a return filed showing an overpayment shall be considered a written claim for refund.

The Commissioner shall process and decide the refund under this provision within ninety (90) days from the submission of complete documents supporting the application filed. Should the Commissioner deny the claim for refund in full or in part, the Commissioner shall communicate in writing to the taxpayer, the legal and/or factual basis for the denial.

The taxpayer shall have fifteen (15) days from receipt of the denial to file a request for reconsideration, which shall be resolved by the Commissioner within fifteen (15) days from the receipt thereof. Failure to file a request for reconsideration within the fifteen (15)-day period shall render the decision final.

In case of full or partial denial of the request for reconsideration, or failure on the part of the Commissioner to act on the application for refund or request for reconsideration within the periods prescribed above, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the request for reconsideration, or after the lapse of the period to decide on the application for refund or request for reconsideration, in cases where no action is made by the Commissioner, appeal the decision with the Court of Tax Appeals.

Failure on the part of any official agent or employee of the BIR to process and decide on the application within the ninety (90)-day period and on the request for reconsideration within the fifteen (15)-day period shall be punishable under Section 269 of this Code.”

SEC. 12. Section 237 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 237. *Issuance of Invoices.* –

(A) *Issuance.* – x x x

Upon the establishment of a system capable of storing and processing the required data, the Bureau shall require taxpayers engaged in the export of goods and services, taxpayers engaged in e-commerce, and taxpayers under the jurisdiction of the Large Taxpayers Service to issue electronic invoices, subject to rules and regulations to be issued by the Secretary of Finance upon recommendation of the Commissioner following a public hearing held for this purpose: *Provided,* That taxpayers not covered by the mandate of this provision may voluntarily issue electronic invoices: *Provided, further,* That the Secretary of Finance, upon the recommendation of the Commissioner, may require taxpayers to issue electronic invoices.

x x x.”

SEC. 13. Section 237-A of the National Internal Revenue Code of 1997, as amended, is hereby further amended, to read as follows:

“SEC. 237-A. *Electronic Sales Reporting System.* – Upon the establishment of a system capable of storing and processing the required data, the Bureau shall require taxpayers engaged in the export of goods and services, and taxpayers under the jurisdiction of the Large Taxpayers Service to electronically report their sales data to the Bureau

through the use of electronic point of sale systems, subject to rules and regulations to be issued by the Secretary of Finance as recommended by the Commissioner of Internal Revenue: *Provided*, That the machines, fiscal devices, and fiscal memory devices shall be at the expense of the taxpayer: *Provided, further*, That the Secretary of Finance, upon the recommendation of the Commissioner, may require taxpayers to electronically report their sales data to the Bureau.

All taxpayers required to issue and those who voluntarily choose to issue electronic invoices and electronically report their sales data to the Bureau shall be granted, in addition to the allowable deduction provided under Section 34(A)(1), the following allowable deductions:

(1) For micro and small taxpayers as defined under Section 21(B) of this Code, an additional deduction from taxable income of one hundred percent (100%) of the total cost for setting up an electronic sales reporting system.

(2) For medium and large taxpayers as defined under Section 21(B) of this Code, an additional deduction from taxable income of fifty percent (50%) of the total cost for setting up an electronic sales reporting system.

The foregoing allowable deduction shall be availed of only once. The importation of such electronic sales reporting system shall also be exempt from taxes.

x x x.”

SEC. 14. Section 269(j) of the National Internal Revenue Code of 1997, as amended, is further amended to read as follows:

“SEC. 269. *Violations Committed by Government Enforcement Officers.* – Every official, agent, or employee of the BIR or any other agency

of the Government charged with the enforcement of the provisions of this Code, who is guilty of any of the offenses herein below specified shall, upon conviction for each act or omission, be punished by a fine of not less than Fifty thousand pesos (P50,000) but not more than One hundred thousand pesos (P100,000) and suffer imprisonment of not less than ten (10) years but not more than fifteen (15) years and shall likewise suffer an additional penalty of perpetual disqualification to hold public office, to vote, and to participate in any public election:

x x x

(j) Deliberate failure to act on the application for refunds within the prescribed period provided under Sections 112, 135-A, and 204 of this Act.

x x x.”

SEC. 15. Section 292 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 292. *Extent of Authority to Grant Tax Incentives.* – The Fiscal Incentives Review Board or the Investment Promotion Agency, shall grant the appropriate tax incentives provided in this Title to RBEs only to the extent of their approved registered project or activity under the Strategic Investment Priority Plan (SIPP), taking into consideration the infusion of investment capital, generation of direct local employment which takes into account Republic Act No. 11962, otherwise known as the ‘*Trabaho Para sa Bayan Act*’, and other standard and project-specific performance metrics of the registered project or activity that may be imposed by the Fiscal Incentives Review Board or the concerned Investment Promotion Agency.”

SEC. 16. Section 293 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 293. *Definitions.* – When used in this Title:

(A) *Capital equipment* refers to machinery, equipment, major components thereof, tools, devices, applications, or apparatus, which are directly attributable to the registered project or activity of the registered business enterprise;

(B) *Certificate of authority to import* refers to the document issued by the Investment Promotion Agency as proof of entitlement to exemption from value-added tax and/or duty-free importation which shall contain a list of capital equipment, raw materials, spare parts, or accessories to be imported that are directly attributable to the production of goods and services, including goods used for administrative purposes;

(C) *Certificate of registration* refers to the document evidencing registration with an Investment Promotion Agency and entitlement to tax incentives: *Provided*, That each registered project or activity of a registered business enterprise should be supported by a separate certificate of registration;

(D) *Directly attributable* refers to goods and services that are incidental to and reasonably necessary for the registered project or activity of the registered business enterprise, including janitorial, security, financial, consultancy, marketing and promotion services, and services rendered for administrative operations such as human resources, legal, and accounting: *Provided*, That the determination of what is ‘directly attributable’ to the registered project or activity of the registered business enterprise shall be made by the relevant Investment Promotion Agency;

(E) *Direct local employment* x x x

(F) *Domestic input* x x x

(G) *Domestic market enterprise* x x x

(H) *Export enterprise* x x x

(I) *Freeport zones* refer to isolated and policed areas adjacent to a port of entry, which shall be operated and managed as a separate customs territory for purposes of ensuring free flow or movement of goods between registered business enterprises, except those expressly prohibited by law, within, into, and exported out of the freeport zone where imported goods may be unloaded for immediate transshipment or stored, repacked, sorted, mixed, or otherwise manipulated subject to the provisions of Sections 294(D) and (E) and 295(C) and (D): *Provided*, That a freeport shall have a permanent customs control or customs office at its perimeter;

(J) *High-value domestic market enterprises* refer to registered domestic market enterprises with an investment capital exceeding Fifteen billion pesos (Php15,000,000,000) and are engaged in sectors considered import-substituting, or with export sales in the immediately preceding year of at least One hundred million US dollars (USD100,000,000) or its equivalent in an acceptable foreign currency: *Provided*, That the threshold specified herein may be increased by the Fiscal Incentives Review Board;

(K) *Investment capital* refers to the value of investment indicated in Philippine currency, that shall be used to carry out a registered project or activity such as pre-operating expenses, cost of land and land improvements, buildings, leasehold improvements, working capital, machinery and equipment, inventory, and other current and non-current assets;

(L) *Investment Promotion Agencies* refer to government entities created by law, executive order, decree, or other issuances, in charge of promoting investments, granting and administering tax and non-tax incentives, and overseeing the operations of the different economic zones and freeports in accordance with their respective special laws. These include the Board of Investments (BOI), Bangsamoro Board of Investments (BBOI), Bangsamoro Economic Zone Authority (BEZA), Philippine Economic Zone Authority (PEZA), Bases Conversion and Development Authority (BCDA), Subic Bay Metropolitan Authority (SBMA), Clark Development Corporation (CDC), John Hay Management Corporation (JHMC), Poro Point Management Corporation (PPMC), Cagayan Special Economic Zone Authority (CEZA), Zamboanga City Special Economic Zone and Freeport Authority (ZCSEZA), PHIVIDEC Industrial Authority (PIA), Aurora Pacific Economic Zone Authority (APECO), Authority of the Freeport Area of Bataan (AFAB), Tourism Infrastructure and Enterprise Zone Authority (TIEZA), Bulacan Special Economic Zone and Freeport Authority (BEZA), and all other similar existing authorities or those that may be created by law unless otherwise specifically exempted from the coverage of this Code.

(M) *Metropolitan areas* x x x

(N) *Net book value* refers to historical cost less accumulated depreciation, as reflected in the books of account or financial statements of the registered business enterprise, and determined in accordance with accepted accounting standards;

(O) *Other government agencies administering tax incentives* x x x

(P) *Other registered entities* x x x

(Q) *Qualified capital expenditure* x x x

(R) *Registered business enterprise (RBE)* x x x

(S) *Research and development* x x x

(T) *Sophisticated* x x x

(U) *Sophistication* x x x

(V) *Source document* x x x

(W) *Special economic zone* or *ecozone* refers to a selected area which shall be operated and managed as a separate customs territory that is highly developed or has the potential to be developed into an agro-industrial, industrial, information technology, or tourist/recreational area, whose metes and bounds are fixed or delimited by presidential proclamations and is within a specific geographical area which includes industrial estates (IEs), export processing zones (EPZs), ICT parks and centers, and free trade zones: *Provided*, That for the ecozone to qualify as a separate customs territory, an ecozone shall have a permanent customs control or customs office at its perimeter: *Provided, however*, That areas where mining extraction is undertaken shall not be declared as an ecozone: *Provided, further*, That vertical economic zones, such as, but not limited to, buildings, selected floors within buildings, and selected areas on a floor, need to comply with the minimum contiguous land area as determined by the Fiscal Incentives Review Board;

(X) *Technical obsolescence* refers to the state of an asset when its design or specification no longer fulfills the function for which it was originally designed and/or the machinery, equipment, spare parts and/or materials have diminished in value as caused by changes in technology and new inventions, rendering it less desirable in the industry, including a decline in value due to the availability of improved, more cost-effective alternatives, or due to the availability of more advanced technology that allows for more efficiency such as earlier replacement of information technology assets, as may be verified and approved by the Investment Promotion Agency; and

(Y) *Training* x x x."

SEC. 17. Section 294 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 294. *Incentives.* – Subject to the conditions and period of availment in Sections 295, 296, and 296-A, respectively, the following types of tax incentives may be granted to registered projects or activities:

(A) *Income Tax Holiday (ITH).* – For all RBEs, exemption from income tax on registered project or activity imposed under this Code;

(B) *Special Corporate Income Tax (SCIT) Rate.* – For export enterprise, a tax rate equivalent to five percent (5%) based on the gross income earned, in lieu of all national and local taxes and local fees and charges.

x x x.

(C) *Enhanced Deductions Regime (EDR).* – For export enterprise and domestic market enterprise, the following may be allowed as deductions:

(1) x x x

(2) x x x

(3) x x x

(4) x x x

(5) x x x

(6) One hundred percent (100%) additional deduction on power expense incurred in the taxable year;

(7) Deduction for reinvestment allowance to manufacturing and tourism industries. – When a manufacturing or tourism RBE reinvests its undistributed profit or surplus in manufacturing or

tourism projects or activities, respectively, that are listed in the SIPP, no more than fifty percent (50%) of the amount reinvested shall be allowed as a deduction from its taxable income within a period of five (5) years from the time of such reinvestment;

(8) Fifty percent (50%) additional deduction on expenses relating to exhibitions, trade missions, or trade fairs; and

(9) Enhanced Net Operating Loss Carry-Over (NOLCO). – The net operating loss of the registered project or activity during the first three (3) years from the start of commercial operation, which had not been previously offset as deduction from gross income, may be carried over as deduction from gross income within the next five (5) consecutive taxable years immediately following the last year of the ITH entitlement period of the project.

(D) *Duty exemption* on importation of capital equipment, raw materials, spare parts, or accessories, including goods used for administrative purposes, of the registered project or activity;

(E) *Value-Added Tax (VAT) exemption* on importation and VAT zero-rating on local purchases; and

(F) *RBE Local Tax.* – The concerned local government unit may, through an ordinance issued by the concerned *Sanggunian*, impose an RBE local tax at the rate of not more than two percent (2%) of an RBE's gross income, as defined under Section 27(E)(4), during the ITH and EDR, as provided under Sections 294(A) and (C) of this Code, respectively, which shall be in lieu of all local taxes and local fees and charges imposed by the local government unit under Republic Act No. 7160, otherwise known as the "Local Government Code of 1991", as amended: *Provided*, That RBE local tax shall not be imposed on RBEs under SCIT."

SEC. 18. Section 295 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 295. *Conditions of Availment.* – The availment of tax incentives in the preceding section shall be governed by the following rules:

(A) Registered export enterprises may opt for one of the following:

(1) ITH, which shall be followed by SCIT or EDR; or

(2) SCIT, which shall be in lieu of all national and local taxes and local fees and charges, and may be granted immediately at the start of commercial operations; or

(3) EDR, which may be granted immediately at the start of commercial operations.

The elected incentive package shall be irrevocable for the entire duration of entitlement to such incentives under Sections 296 and 296-A of this Code: *Provided*, That in no case shall the EDR be granted simultaneously with the SCIT.

(B) Registered domestic market enterprises may opt for either:

(1) ITH, which shall be followed by EDR; or

(2) EDR, which may be granted immediately at the start of commercial operations.

The elected incentive package shall be irrevocable for the entire duration of entitlement to such incentives under Sections 296 and 296-A of this Code.

The following conditions for the availment of each enhanced deduction shall be complied with:

(1) x x x

(2) x x x

(3) x x x

(4) x x x

(5) x x x

(6) The additional deductions on power expense shall only apply to power utilized for the registered project or activity.

(7) The deduction for reinvestment allowance to manufacturing and tourism industries shall only be availed of until December 31, 2034.

(8) The additional deduction on expenses relating to trade fairs, exhibitions, or trade missions shall include expenses incurred in promoting the export of goods or the provision of services to foreign markets approved by the concerned Investment Promotion Agency.

The Department of Finance, in coordination with the BIR, Fiscal Incentives Review Board, and Investment Promotion Agencies, shall prescribe the terms and conditions on the grant of EDR under Section 294(C) and this Title.

(C) The duty exemption shall only apply to the importation of capital equipment, raw materials, spare parts, or accessories directly attributable to the registered project or activity of RBEs, including goods used for administrative purposes: *Provided*, That the following conditions are complied with:

(1) The capital equipment, raw materials, spare parts, or accessories are directly attributable to the registered project or activity of the RBE, including goods used for administrative purposes, and are not produced or manufactured domestically in sufficient quantity or of comparable quality and at reasonable

prices. Prior approval of the Investment Promotion Agency must be secured for the part-time utilization of said capital equipment, raw materials, spare parts, or accessories in a non-registered project or activity to maximize usage thereof: *Provided*, That the RBE shall adopt a method to best allocate the same at the time of application for a certificate of authority to import, or its equivalent: *Provided, further*, That the proportionate taxes and duties are paid on a specific capital equipment, raw materials, spare parts, or accessories in proportion to the utilization for non-registered projects or activities. In the event that the capital equipment, raw materials, spare parts, or accessories, shall be used for non-registered project or activity of the RBE at any time within the first five (5) years from the date of importation, the RBE shall first seek prior approval of the concerned Investment Promotion Agency and pay the taxes and customs duties that were not paid upon the importation; and

(2) The approval of the Investment Promotion Agency was obtained by the RBE prior to the importation of such capital equipment, raw materials, spare parts, or accessories.

An Investment Promotion Agency may authorize the importation of capital equipment, raw materials, spare parts, or accessories pending issuance of the certificate of registration, subject to the posting of a performance bond or bank guarantee equivalent to duties and taxes waived on such importations and other conditions as may be determined by the concerned Investment Promotion Agency and the BOC.

No taxes and duties shall be imposed on subsequent sale, transfer, or disposition of the capital equipment, raw materials, spare parts, or accessories, which were granted tax and customs duty exemption hereunder within the first five (5) years from date of importation. The approval of the Investment Promotion Agency must be secured before the sale, transfer, or disposition of the capital equipment, raw materials, spare parts, or accessories, which were

granted tax and customs duty exemption hereunder, and shall be allowed only under any of the following circumstances:

(a) If made to another enterprise availing of customs duty exemption on imported capital equipment, raw materials, spare parts, or accessories;

(b) Exportation of capital equipment, raw materials, spare parts, accessories, source documents, or goods required for pollution abatement and control; or

(c) If donated to the Government of the Philippines or to any of its agencies or political subdivisions, including fully-owned government corporations, TESDA, state universities and colleges (SUCs), or DepEd and CHED-accredited schools: *Provided*, That the donation shall be exempt from import duties and taxes, including donor's tax.

In case of subsequent sale, transfer, or disposition of tax and duty-free capital equipment, raw materials, spare parts, or accessories, within the first five (5) years from date of importation and upon approval by the Investment Promotion Agency, there shall be taxes and duties assessed based on the net book value of the capital equipment, raw materials, spare parts, or accessories if:

(a) Made to another enterprise not availing of duty exemption on imported capital equipment, raw materials, spare parts, or accessories; or

(b) There is proven technical obsolescence of the capital equipment, raw materials, spare parts, or accessories.

Provided, That if the RBE sells, transfers, or disposes the aforementioned imported items without prior approval, the RBE and the vendee, transferee, or assignee shall be solidarily liable to pay twice the amount of the duty exemption that should have been paid during its importation: *Provided, further*, That

the sale, transfer, or disposition of the capital equipment, raw materials, spare parts, or accessories made after five (5) years from date of importation shall require that prior notice be given by the RBE to the Investment Promotion Agency: *Provided, furthermore,* That even if the sale, transfer, or disposition of the capital equipment, raw materials, spare parts, or accessories was made after five (5) years from date of importation with notice to the Investment Promotion Agency, the RBE is still liable to pay the duties based on the net book value of the capital equipment, raw materials, spare parts, or accessories if it has violated any of its registration terms and conditions.

(D) The VAT exemption on importation and VAT zero-rating on local purchases shall only apply to goods and services directly attributable to the registered project or activity of a registered export enterprise, or a registered high-value domestic market enterprise, including expenses incidental thereto. The project or activity registered with the Investment Promotion Agency shall be subject to the following conditions:

(1) Sale of goods or services by a VAT-registered seller to a registered export enterprise, regardless of location, shall be subject to zero percent (0%) VAT;

(2) Sale, transfer, or disposal of previously VAT-exempt imported capital equipment, raw materials, spare parts, or accessories shall be subject to the following rules:

I. If the purchaser is a registered export enterprise, regardless of location, the transaction shall be subject to zero percent (0%) VAT; and

II. If the purchaser is a registered domestic market enterprise, regardless of location, the transaction shall be subject to twelve percent (12%) VAT based on the net book value of the capital equipment, raw materials, spare parts, or accessories:

Provided, That local sales of goods and/or services by an RBE, regardless of the income tax incentives regime and location, shall be subject to twelve percent (12%) VAT, unless otherwise exempt or zero-rated under Titles IV and XIII of this Code. For this purpose, 'local sales' shall cover sales of goods and services to domestic market enterprises or non-RBEs, regardless of whether the sale occurs within the freeport or economic zones: *Provided, further,* That the liability to pay and remit the VAT to the government rests with the buyer of the said goods or services.

Any registered export enterprise that fails to meet the seventy percent (70%) export sales threshold in the immediately preceding year or high-value domestic market enterprise that fails to meet the export sale or investment capital requirement shall be disqualified from availing of duty exemption on importation under Section 294(D), and VAT exemption on importation and VAT zero-rating on local purchases under Section 294(E) in the immediately succeeding year.

Notwithstanding the provisions in the preceding paragraphs, sales receipts and other income derived from non-registered project or activity shall be subject to appropriate taxes imposed under this Code.

(E) x x x

(F) x x x

Any law to the contrary notwithstanding, the importation of petroleum products by any person, including RBEs, shall be subject to the payment of applicable duties and taxes as provided under Republic Act No. 10863, otherwise known as the 'Customs Modernization and Tariff Act', and this Code, respectively, upon importation into the Philippine customs territory and/or into free zones as defined under Republic Act No. 10863: *Provided,* That the importation of petroleum products used in international shipping or air transport operations

shall be covered by the provisions of Sections 109(U) and 135(A) of this Code.

x x x

(G) Crude oil x x x

Provided, That applicable duties x x x

(H) The RBE local tax shall be imposed on an RBE which meets and maintains the conditions for its registration, during the period of availment of the ITH and the EDR.

The tax shall be directly remitted by the RBE to the Treasurer's office of the municipality or city where the enterprise is located.

Where two (2) or more local government units cover the same enterprise, the sharing between such local government units shall be as follows:

(1) Fifty percent (50%) of revenues shall be shared equally among the local government units; and

(2) Fifty percent (50%) of revenues shall be apportioned based on the population of the local government units.

Fifty percent (50%) of the share of the municipality based on the foregoing allocation shall be remitted to the province where the said municipality is located: *Provided*, That cities shall retain one hundred percent (100%) of their share.

Local government units may reduce or waive the rate of tax, or their share thereof, in the case of two (2) or more local government units covering the same enterprise.

RBEs, whose performance commitments include job generation, shall maintain their employment levels to the extent practicable. In case of reduced employment or when the performance commitment

for job generation is not met, the RBEs must submit to their respective Investment Promotion Agencies and the Fiscal Incentives Review Board their justifications for and plans to address the same in the succeeding year."

SEC. 19. A new Section 295-A shall be introduced in the National Internal Revenue Code of 1997, as amended. The new Section 295-A shall read as follows:

"SEC. 295-A. *Registered Business Enterprises Taxpayer Service*. - A separate service within the BIR is hereby created to support the end-to-end tax compliance of RBEs. The Commissioner shall prescribe the manner and place of filing returns and payment of taxes by RBEs through the said service. For ease of compliance with tax rules and regulations, simplified filing and payment processes shall be implemented for RBEs."

SEC. 20. Section 296 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 296. *Period of Availment of Incentives for Projects or Activities Approved by the Investment Promotion Agencies*. - The period of availment of incentives granted by the Investment Promotion Agencies to RBEs shall be as follows:

(A) For export enterprise under the SIPP, ITH of four (4) to seven (7) years, depending on location and industry priorities as specified in this section; followed by SCIT or EDR for ten (10) years, or SCIT or EDR for a maximum period of fourteen (14) to seventeen (17) years, depending on location and industry priorities: *Provided*, That the application for extension of availment of incentives shall only be allowed for the same registered project or activity if such project or activity employs at least ten thousand (10,000) direct local employees and maintains the said number during its registration, even if the registered project or activity no longer complies with the conditions and qualifications set

forth in the SIPP: *Provided, further*, That the extension of availment of incentives shall not exceed five (5) years, subject to the performance review by the Investment Promotion Agency. Notwithstanding any provision to the contrary, no ITH shall be granted to registered export enterprises that applied for extension of availment of incentives for the same project or activity.

A qualified expansion project or activity registered under this Act may qualify to avail of SCIT or EDR for eight (8) years, subject to the provisions of Sections 294(B) and (C), qualifications set forth in the SIPP, and performance review by the Investment Promotion Agency: *Provided*, That existing registered projects or activities prior to the effectivity of Republic Act No. 11534 otherwise known as the 'Corporate Recovery and Tax Incentives for Enterprises Act', may qualify to register on or before December 31, 2024 and avail of the incentives granted under Republic Act No. 11534 for the prescribed period, subject to the criteria and conditions set forth in the SIPP. The qualified expansion project or activity may also be entitled to duty exemption on importation, VAT exemption on importation, and VAT zero-rating on local purchases subject to the provisions of Sections 294(D) and (E), respectively.

(B) For domestic market enterprise under the SIPP, ITH for four (4) to seven (7) years followed by EDR for ten (10) years, or EDR for a maximum period of fourteen (14) to seventeen (17) years, depending on location and industry priorities: *Provided*, That the application for extension of availment of incentives shall be allowed for the same registered project or activity only if such project or activity employs at least ten thousand (10,000) direct local employees and maintains the said number during its registration, even if the registered project or activity no longer complies with the conditions and qualifications set forth in the SIPP: *Provided, further*, That the extension of availment of incentives shall not exceed five (5) years, subject to the performance review by the Investment Promotion Agency. Notwithstanding any provision to the

contrary, no ITH shall be granted to domestic market enterprises that have applied for extension of availment of incentives for the same project or activity.

A qualified expansion project or activity registered under this Act may qualify to avail of EDR for eight (8) years, subject to the provisions of Section 294(C), qualifications set forth in the SIPP and performance review by the Investment Promotion Agency or the Fiscal Incentives Review Board, as the case may be: *Provided*, That existing registered projects or activities prior to the effectivity of Republic Act No. 11534 may qualify to register on or before December 31, 2024 and avail of the incentives granted under Republic Act No. 11534 for the prescribed period, subject to the criteria and conditions set forth in the SIPP.

The period of availment of the foregoing income tax-based incentives shall commence from the actual start of commercial operations with the RBE availing of the tax incentives within three (3) years from the date of registration, unless otherwise provided in the SIPP and its corresponding guidelines.

x x x

(3) Tier III activities shall include (i) research and development resulting in demonstrably significant value-added, higher productivity, improved efficiency, breakthroughs in science and health, and high-paying jobs; (ii) generation of new knowledge and intellectual property registered and/or licensed in the Philippines; (iii) commercialization of patents, industrial designs, copyrights and utility models owned or co-owned by an RBE; (iv) highly technical manufacturing; or (v) are critical to the structural transformation of the economy and require substantial catch-up efforts, including but not limited to cyber-security, artificial intelligence, and data-center facilities.

The period of availment of incentives based on the combination of both location and industry

priorities, as determined in the SIPP, shall be as follows:

For exporters:

| Location/ Industry Tiers | Tier I | Tier II | Tier III |
|--|--|--|--|
| National Capital Region | 4 ITH + 10 EDR/SCIT, or 14 EDR/SCIT | 5 ITH + 10 EDR/SCIT, or 15 EDR/SCIT | 6 ITH + 10 EDR/SCIT, or 16 EDR/SCIT |
| Metropolitan areas or areas contiguous and adjacent to the National Capital Region | 5 ITH + 10 EDR/SCIT or 15 EDR/SCIT | 6 ITH + 10 EDR/SCIT, or 16 EDR/SCIT | 7 ITH + 10 EDR/SCIT, or 17 EDR/SCIT |
| All other areas | 6 ITH + 10 EDR/SCIT, or 16 EDR/SCIT | 7 ITH + 10 EDR/SCIT, or 17 EDR/SCIT | 7 ITH + 10 EDR/SCIT, or 17 EDR/SCIT |

For domestic market activities:

| Location/ Industry Tiers | Tier I | Tier II | Tier III |
|--|---------------------------------|---------------------------------|---------------------------------|
| National Capital Region | 4 ITH + 10 EDR, or 14 EDR | 5 ITH + 10 EDR, or 15 EDR | 6 ITH + 10 EDR, or 16 EDR |
| Metropolitan areas or areas contiguous and adjacent to the National Capital Region | 5 ITH + 10 EDR, or 15 EDR | 6 ITH + 10 EDR, or 16 EDR | 7 ITH + 10 EDR, or 17 EDR |
| All other areas | 6 ITH + 10 EDR, or 16 EDR | 7 ITH + 10 EDR, or 17 EDR | 7 ITH + 10 EDR, or 17 EDR |

In addition to the incentives provided in the tiers above, projects or activities of registered business enterprises located in areas recovering from armed conflict or a major disaster, as determined by the Office of the President, shall be entitled to two (2) additional years of income tax-based incentives.

Projects or activities registered prior to the effectivity of this Act, or under the incentive system provided herein that shall, in the duration of their incentives, completely relocate from the National Capital Region, shall be entitled to three (3) additional years of income tax-based incentives: *Provided*, That the additional incentive shall commence at the completion of the relocation of operations.

RBEs may continue to avail of the VAT zero-rating on local purchases and VAT exemption on importation under Section 294(E), and duty exemption on importation under Section 294(D), for the entire registration period as an RBE, reckoned from the date of registration, if the RBEs continue to meet the terms and conditions of registration by their respective Investment Promotion Agencies and if the RBEs maintain at least seventy percent (70%) of total annual production or output as export sales for the immediately preceding year.

Registered domestic market enterprises may avail of duty exemption on importation from the date of registration until the expiration of the income tax-based incentives granted in this section.

After the expiration of the entitlement to VAT zero-rating on local purchases and VAT exemption on importation under this Title, registered export enterprises may avail of the VAT zero-rating on local purchases and VAT exemption on importation under Sections 106, 108, and 109 of this Code: *Provided*, That they comply with the requirements set forth therein."

SEC. 21. A new Section 296-A shall be introduced in the National Internal Revenue Code of 1997, as amended. The new Section 296-A shall read as follows:

“SEC. 296-A. *Period of Availment of Incentives for Projects or Activities Approved by the Fiscal Incentives Review Board.* – The period of availment of incentives granted by the Fiscal Incentives Review Board to RBEs shall be as follows:

(A) For an export enterprise under the SIPP, ITH of four (4) to seven (7) years, depending on location and industry priorities as specified in this section, followed by SCIT or EDR for twenty (20) years, or SCIT or EDR for a maximum period of twenty-four (24) to twenty-seven (27) years, depending on location and industry priorities: *Provided*, That the application for extension of availment of incentives shall only be allowed for the same registered project or activity if such project or activity employs at least ten thousand (10,000) direct local employees and maintains the said number during its registration, even if the registered project or activity no longer complies with the conditions and qualifications set forth in the SIPP: *Provided, further*, That the extension of availment of incentives shall not exceed ten (10) years, subject to the performance review by the Fiscal Incentives Review Board. Notwithstanding any provision to the contrary, no ITH shall be granted to registered export enterprises that have applied for extension of availment of incentives for the same project or activity.

A qualified expansion project or activity registered under this Act may qualify to avail of SCIT or EDR for thirteen (13) years, subject to the provisions of Sections 294(B) and (C), qualifications set forth in the SIPP and performance review by the Fiscal Incentives Review Board: *Provided*, That existing registered projects or activities prior to the effectivity of this Act may qualify to register and avail of the incentives granted under this Act for the prescribed period, subject to the criteria and conditions set forth in the SIPP. The qualified

expansion project or activity may also be entitled to VAT exemption on importation and VAT zero-rating on local purchases under Section 294(E) and duty exemption on importation under Section 294(D).

(B) For domestic market enterprise under the SIPP, ITH of four (4) to seven (7) years, followed by EDR for twenty (20) years, or EDR for a maximum period of twenty-four (24) to twenty-seven (27) years, depending on location and industry priorities: *Provided*, That the application for extension of availment of incentives shall be allowed for the same registered project or activity only if employment level for such project or activity employs at least ten thousand (10,000) direct local employees and maintains the said number during its registration, even if the registered project or activity no longer complies with the conditions and qualifications set forth in the SIPP: *Provided, further*, That the extension of availment of incentives shall not exceed ten (10) years, subject to the performance review by the Fiscal Incentives Review Board. Notwithstanding any provision to the contrary, no ITH shall be granted to domestic market enterprises that have applied for extension of availment of incentives for the same project or activity.

A qualified expansion project or activity registered under this Act may qualify to avail of EDR for thirteen (13) years, subject to the provisions of Section 294(C), qualifications set forth in the SIPP, and performance review by the Investment Promotion Agency or Fiscal Incentives Review Board, as the case may be: *Provided*, That existing registered projects or activities prior to the effectivity of this Act may qualify to register and avail of the incentives granted under this Act for the prescribed period, subject to the criteria and conditions set forth in the SIPP. The qualified expansion project or activity may also be entitled to VAT exemption on importation and VAT zero-rating on local purchases under Section 294(E) and duty exemption on importation under Section 294(D).

The period of availment of the foregoing income tax-based incentives shall commence from the actual start of commercial operations with the RBE availing of the tax incentives within three (3) years from the date of registration, unless otherwise provided in the SIPP and its corresponding guidelines.

The period of availment of incentives based on the combination of both location and industry priorities, as determined in the SIPP, shall be as follows:

For exporters:

| LOCATION/ INDUSTRY TIERS | TIER I | TIER II | TIER III |
|--|--|--|--|
| National Capital Region | 4 ITH + 20 SCIT/EDR, or 24 SCIT/EDR | 5 ITH + 20 SCIT/EDR, or 25 SCIT/EDR | 6 ITH + 20 SCIT/EDR, or 26 SCIT/EDR |
| Metropolitan areas or areas contiguous and adjacent to the National Capital Region | 5 ITH + 20 SCIT/EDR, or 25 SCIT/EDR | 6 ITH + 20 SCIT/EDR, or 26 SCIT/EDR | 7 ITH + 20 SCIT/EDR, or 27 SCIT/EDR |
| All other areas | 6 ITH + 20 SCIT/EDR, or 26 SCIT/EDR | 7 ITH + 20 SCIT/EDR, or 27 SCIT/EDR | 7 ITH + 20 SCIT/EDR, or 27 SCIT/EDR |

For domestic market activities:

| LOCATION/ INDUSTRY TIERS | TIER I | TIER II | TIER III |
|--|---------------------------------|---------------------------------|---------------------------------|
| National Capital Region | 4 ITH + 20 EDR, or 24 EDR | 5 ITH + 20 EDR, or 25 EDR | 6 ITH + 20 EDR, or 26 EDR |
| Metropolitan areas or areas contiguous and adjacent to the National Capital Region | 5 ITH + 20 EDR, or 25 EDR | 6 ITH + 20 EDR, or 26 EDR | 7 ITH + 20 EDR, or 27 EDR |
| All other areas | 6 ITH + 20 EDR, or 26 EDR | 7 ITH + 20 EDR, or 27 EDR | 7 ITH + 20 EDR, or 27 EDR |

RBEs may continue to avail of the VAT zero-rating on local purchases and VAT exemption on importation under Section 294(E), and duty exemption on importation under Section 294(D), for the entire registration period as an RBE, reckoned from the date of registration, if the RBEs continue to meet the terms and conditions of their registration with their respective Investment Promotion Agencies and if the following requirements are met for the immediately preceding year:

(1) Registered export enterprises maintain at least seventy percent (70%) of total annual production or output as export sales;

(2) High-value domestic market enterprises satisfy the investment capital or export requirement under Section 293(J) of this Code. Qualified high-value domestic market enterprises may avail of the said incentives from the date of registration until the expiration of the income tax-based incentives granted in this section.

Registered domestic market enterprises may avail of duty exemption from the date of registration until the expiration of the income tax-based incentives granted in this section.

After the expiration of the entitlement to VAT zero-rating on local purchases and VAT exemption on importation under this Title, registered export enterprises may avail of the VAT zero-rating on local purchases and VAT exemption on importation under Sections 106, 108, and 109 of this Code: *Provided*, That they comply with the requirements set forth therein.

In addition to the incentives provided in the tiers above, projects or activities of registered business enterprises located in areas recovering from armed conflict or a major disaster, as determined by the Office of the President, shall be entitled to two (2) additional years of income tax-based incentives.

Projects or activities registered prior to the effectivity of this Act or under the incentive system provided herein that completely relocate from the National Capital Region, within the duration of their incentives, shall be entitled to three (3) additional years of income tax-based incentives: *Provided*, That the additional incentive shall commence upon the completion of the relocation of operations."

SEC. 22. Section 297 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 297. *Expanded Functions of the Fiscal Incentives Review Board.* – The functions and powers of the Fiscal Incentives Review Board created under Presidential Decree No. 776, as amended, shall be further expanded as follows:

(A) To exercise policy-making, oversight, regulatory, and quasi-judicial functions on the administration and grant of tax incentives by the Investment Promotion Agencies and other

government agencies administering tax incentives. In particular, the Fiscal Incentives Review Board shall:

(1) Determine the target performance metrics as conditions to avail of tax incentives;

(2) Review and audit the compliance of Investment Promotion Agencies and other government agencies administering tax incentives, with respect to the administration and grant of tax incentives and impose sanctions such as, but not limited to, withdrawal, suspension, or cancellation of their authority to grant tax incentives under this Title without prejudice to the conduct of inquiry, investigation, and filing of appropriate criminal and administrative cases against erring officials and employees in accordance with the procedures prescribed under existing laws;

(3) Conduct regular monitoring and evaluation of investment and non-investment tax incentives, such as using cost-benefit analysis to determine their impact on the economy and whether agreed performance targets are met; and prescribe data requirements, reporting standards, processes, and procedures for the application of incentives for the calculation of costs and benefits upon application;

(4) Check and verify, as necessary, the compliance of RBEs, through the Investment Promotion Agencies, with the terms and conditions of their availment, in particular the agreed target performance metrics, rules and regulations of this Act, and other relevant laws or issuances;

(5) Provide Investment Promotion Agencies with capacity-building activities to ensure that they are equipped to comply with reportorial requirements; and

(6) Assess its organizational structure, focusing on the adequacy of its human resources for regulatory and quasi-judicial functions. If necessary, the Fiscal Incentives Review Board shall submit to the Department of Budget and Management the

proposed organizational changes to strengthen its human resources in accordance with existing laws and regulations.

For this purpose, all Investment Promotion Agencies and other government agencies administering tax incentives shall annually furnish the Fiscal Incentives Review Board with all the issuances related to the grant and administration of incentives.

(B) To approve or disapprove, the grant of tax incentives to the extent of the registered project or activity listed in the SIPP upon the recommendation of the Investment Promotion Agency: *Provided*, That the application for tax incentives shall be duly accompanied by a cost-benefit analysis: *Provided, further*, That the Investment Promotion Agencies shall use the Fiscal Incentives Review Board-prescribed data requirements and methodologies for the application of incentives in calculating the costs and benefits upon application: *Provided, further*, That the Investment Promotion Agencies shall grant the tax incentives to registered projects or activities listed in the SIPP with investment capital of Fifteen billion pesos (P15,000,000,000) and below: *Provided, furthermore*, That the Fiscal Incentives Review Board, in consultation with the Investment Promotion Agencies, may increase the threshold amount of Fifteen billion pesos (P15,000,000,000);

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

For this purpose, the other government agencies shall ensure complete submission of applications, documents, records, books, or other relevant data or material;

(D) To formulate additional time-bound or place-specific projects or activities for inclusion in the SIPP during periods of recovery from calamities and post-conflict situations and where the Fiscal Incentives Review Board determines that there is a

need to attract many classes, firms, and other investors that would accelerate the growth of a region's flagship industries, in accordance with the Medium-Term Development Plan and Republic Act No. 11962, otherwise known as the '*Trabaho Para sa Bayan Act*', and recommend incentives to the President;

(E) To cancel, suspend, or withdraw, after due process, the enjoyment of fiscal incentives of concerned RBEs on its own initiative or upon the recommendation of the Investment Promotion Agency for flagrant and material violations of any of the conditions imposed in the grant of fiscal incentives, including, but not limited to, the non-compliance with the agreed performance commitments, and endorse RBEs whose incentives are cancelled, suspended, or withdrawn to the concerned revenue agencies for the assessment and collection of taxes and duties due commencing from the first year of availment;

(F) x x x

(G) To require Investment Promotion Agencies and other government agencies administering tax incentives to submit, regularly or when requested, summaries of approved investment and incentives granted, and firm- or entity-level tax incentives and benefits data as input to the Fiscal Incentives Review Board's review and audit function, and evaluation of performance of recipients of tax incentives. For this purpose, the Fiscal Incentives Review Board shall maintain a masterlist of registered products and services for export or domestic consumption that are entitled to incentives: *Provided*, That to facilitate compliance with the foregoing, the DTI, in coordination with relevant regulatory bodies, shall cause the registration and reporting by RBEs of the types of services rendered whether domestically or to foreign clients; types of products manufactured domestically, products imported and sold locally, and products exported;

(H) To publish regularly, per firm, the data pertaining to the amount of tax incentives, tax payments, and other related information, including benefits data, subject to the provisions of Chapter V of this Title;

(I) x x x

(J) x x x

(K) To decide on issues, on its own initiative or upon the recommendation of the Investment Promotion Agency, after due hearing, concerning the approval, disapproval, cancellation, suspension, withdrawal, or forfeiture of tax incentives or tax subsidy in accordance with this Act. The Fiscal Incentives Review Board shall decide on the matter within ninety (90) days from the date when the Fiscal Incentives Review Board declares the issues submitted for resolution. A business enterprise adversely affected by the decision of the Fiscal Incentives Review Board may, within thirty (30) days from receipt of the adverse decision, appeal the same to the Court of Tax Appeals;

(L) To promulgate such rules and regulations as may be necessary to implement the intent and provisions of this Title. The Fiscal Incentives Review Board may use any electronic means of publication in the *Official Gazette* or its official website;

(M) x x x

(N) x x x

(O) To recommend policies to prevent abuse of fiscal incentives availment and tax evasion under this Code and smuggling activities; and

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

x x x.”

SEC. 23. A new Section 297-A shall be introduced in the National Internal Revenue Code of 1997, as amended. The new Section 297-A shall read as follows:

“SEC. 297-A. *Processing of Tax Incentive Applications.* – The Fiscal Incentives Review Board and Investment Promotion Agencies shall issue a decision on applications for tax incentives within twenty (20) working days from the receipt of all required documents, in accordance with Section 9 of Republic Act No. 11032, otherwise known as the ‘Ease of Doing Business and Efficient Government Service Delivery Act of 2018’. An extension of the processing period may be permitted only once, and shall in no case exceed an additional twenty (20) working days.”

SEC. 24. Section 300 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 300. *Strategic Investment Priority Plan.* – The BOI, in consultation with the Fiscal Incentives Review Board, and the Investment Promotion Agencies, other government agencies administering tax incentives, and the private sector, shall formulate the SIPP to be submitted to the President for approval, which may contain recommendations for types of non-fiscal support needed to create high-skilled jobs to grow a local pool of enterprises, particularly micro, small and medium enterprises (MSMEs), that can supply to domestic and global value chains, to increase the sophistication of products and services that are produced and/or sourced domestically, to expand domestic supply and reduce dependence on imports, and to attract significant foreign capital or investment. The SIPP may include areas of investment that are specific to an area or region, taking into consideration the project or activity that the Investment Promotion Agencies in those areas or regions deem fit to promote, in order to foster regional growth and attract investments: *Provided*, That the project or activity identified by the Investment Promotion

Agencies shall be consistent with the Philippine Development Plan and Republic Act No. 11962, otherwise known as the 'Trabaho Para sa Bayan Act'. The SIPP shall be valid for a period of three (3) years, subject to review and amendment every three (3) years thereafter unless there would be a supervening event that would necessitate its review: *Provided*, That the BOI shall cause the publication of the rules and regulations implementing the SIPP, including any amendments thereof, in the *Official Gazette* or newspaper of general circulation, and on its official website, to be effective.

The SIPP shall contain the following:

(A) Priority projects or activities that are included in the Philippine Development Plan or its equivalent, or other government programs, taking into account any of the following:

x x x

(B) Scope and coverage of location and industry tiers in Section 296.

All sectors or industries that may be included in the SIPP shall undergo an evaluation to determine the suitability and potential of the industry or the sector in promoting long-term growth and sustainable development, and the national interest. In no case shall a sector or industry be included in the SIPP unless it is supported by a formal evaluation process or report.

x x x

In no case shall the Investment Promotion Agencies accept applications unless the project or activity is listed in the SIPP. Projects or activities not listed in the SIPP shall be automatically disapproved."

SEC. 25. Section 301 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 301. *Power of the President to Grant Incentives.* – Notwithstanding the provisions of Sections 295, 296, and 296-A, the President may, in the interest of national economic development, or upon the recommendation of the Fiscal Incentives Review Board, modify the mix, period or manner of availment of incentives provided under this Code or craft the appropriate fiscal and non-fiscal support package for a highly desirable project or a specific industrial activity based on defined development strategies for creating high-value jobs, building new industries to diversify economic activities, and attracting significant foreign and domestic capital or investment, and the fiscal requirements of the activity or project, subject to maximum incentive levels recommended by the Fiscal Incentives Review Board: *Provided*, That the grant of ITH shall not exceed ten (10) years followed by SCIT of five percent (5%) or EDR; or SCIT or EDR, which may be immediately granted at the start of commercial operations: *Provided, further*, That the total period of income tax-based incentive availment shall not exceed forty (40) years.

The Fiscal Incentives Review Board shall determine whether the benefits that the government may derive from such investment are clear and convincing and far outweigh the cost of incentives that will be granted in determining whether a project or activity is highly desirable.

The determination by the Fiscal Incentives Review Board shall guide the President in calibrating either or both the magnitude of the incentives to be granted and the agreed performance target corresponding to the grant.

The President may exercise the powers under this section: *Provided*, That the following conditions are satisfied:

(1) The project has a comprehensive sustainable development plan with clear inclusive business approaches, and high level of sophistication and innovation; and

(2) Minimum investment capital of Fifty billion pesos (P50,000,000,000) or its equivalent in US dollars, or a minimum direct local employment generation of at least ten thousand (10,000) within three (3) years from the issuance of the certificate of entitlement.

Provided, That the threshold shall be subject to a periodic review by the Fiscal Incentives Review Board every three (3) years, taking into consideration international standards or other economic indicators: *Provided, further*, That if the project fails to substantially meet the projected impact on the economy and agreed performance targets, the Fiscal Incentives Review Board shall recommend to the President the cancellation of the tax incentive or fiscal and non-fiscal support package or the modified period or manner of availment of incentives, after due hearing and an adequate opportunity to substantially comply with the agreed performance targets and outputs.

For this purpose, the President may grant non-fiscal support package limited to the utilization of government resources such as use of land and budgetary support provision under the annual General Appropriations Act.

This power of the President, in as far as it commands additional public sector expenditures in support of investors, is suspended during fiscal years when, an unmanageable fiscal deficit is declared by the President on the advice of the Development Budget Coordination Committee with a consequence that even core budgetary obligations, such as, but not limited to, mandatory revenue allotments for local government units and budget for the National

Economic and Development Authority's core public investments program, cannot be fully financed.

Notwithstanding the provisions in the preceding paragraphs, tax and duty incentives granted through legislative franchises shall be exempted from the foregoing powers of the President to review, withdraw, suspend, or cancel tax incentives and subsidies."

SEC. 26. Section 308 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 308. *Penalties for Noncompliance with Filing and Reportorial Requirements.* – Any RBE or other registered enterprise, which fails to comply with filing and reportorial requirements with the appropriate Investment Promotion Agencies or other government agencies administering tax incentives and/or, which fails to show proof of filing of tax returns using the electronic system for filing and payment of taxes of the BIR under Section 305 hereof, shall be imposed the following penalties by the appropriate Investment Promotion Agency or other government agency administering tax incentives:

(A) First (1st) Violation – Payment of a fine amounting to One hundred thousand pesos (P100,000);

(B) Second (2nd) Violation – Payment of a fine amounting to Five hundred thousand pesos (P500,000); and

(C) Third (3rd) Violation – Cancellation by the Investment Promotion Agency of the registration of the RBE.

Provided, That if the failure to show such proof is not due to the fault of the RBEs or other registered enterprises, the same shall not be a ground for the suspension of the ITH and/or other

tax incentives availment: *Provided, further*, That collections from the penalties shall accrue to the general fund.

After due process, the concerned Investment Promotion Agency may cancel the registration, suspend the enjoyment of incentive benefits of any registered enterprise, and/or require refund of incentives enjoyed by such enterprise, including interests and monetary penalties, for any willful and material misrepresentation of information or submission of falsified or misleading information or documents for the purpose of availing of more incentives than what it is entitled to under this Code: *Provided, further*, That in case of cancellation of the certificate of registration, the project or activity of the RBE shall cease to be registered and the RBE shall be required to pay all appropriate taxes and duties from the date the cancellation order becomes final and executory.

Provided, That the Investment Promotion Agency, with the recommendation of the Commissioner, may revoke or suspend incentives granted by the Investment Promotion Agency, and/or order a business closure of the RBE that violates Title VI (Excise Taxes on Certain Goods) and Title X (Statutory Offenses and Penalties) of this Code and other related revenue regulations, orders, or issuances of the government: *Provided, further*, That such authority shall cover the acts of the RBE committed even in the first year of availment of incentives. Notwithstanding the provisions of this section, the DOF, the BIR, and the BOC shall retain their respective mandates, powers and functions as provided for under this Act and related laws.

Any government official or employee who fails without justifiable reason to provide or furnish the required tax incentives report or other data or information as required under Sections 306 and 307 of this Act shall be penalized, after due process, by a fine equivalent to the official's or employee's basic salary for a period of one (1) month to six (6) months or by suspension from government service

for not more than one (1) year, or both, in addition to any criminal and administrative penalties imposable under existing laws."

SEC. 27. Section 309 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 309. *Prohibition on Registered Activities.*
 – Except as allowed under this provision, a qualified registered project or activity under an Investment Promotion Agency administering an economic zone or freeport shall be exclusively conducted or operated within the geographical boundaries of the zone or freeport being administered by the Investment Promotion Agency in which the project or activity is registered: *Provided*, That an RBE may conduct or operate more than one qualified registered project or activity within the same zone or freeport under the same Investment Promotion Agency: *Provided, further*, That any project or activity conducted or performed outside the geographical boundaries of the zone or freeport shall not be entitled to the incentives provided in this Act: *Provided, furthermore*, That RBEs may institute a 'telecommuting' program as defined under Republic Act No. 11165, otherwise known as the 'Telecommuting Act', including work-from-home arrangements, which shall not cover more than fifty percent (50%) of the total workforce, and shall be subject to the rules and regulations formulated by the Investment Promotion Agency. The RBEs shall continue to avail of all the incentives provided under this Act and under their registration with any applicable Investment Promotion Agency: *Provided, finally*, That double registration for purposes of availing of other incentives under special laws shall not be allowed."

SEC. 28. Section 310 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 310. *Establishment of One-Stop Action Center and Initial Point of Contact for Foreign Investment Leads.* – All Investment Promotion Agencies shall establish a one-stop shop or one-stop action center that will facilitate and expedite, to the extent possible, the setting up and conduct of registered projects or activities, including assistance in coordinating with the local government units and other government agencies to comply with Republic Act No. 11032, otherwise known as the ‘Ease of Doing Business and Efficient Government Service Delivery Act of 2018’: *Provided, however,* That the enterprises shall continue to avail of the one-stop shop facility notwithstanding the expiration of their incentives under this Code.

Unless otherwise provided under special laws, local government units may delegate to the concerned Investment Promotion Agency, through appropriate memoranda of agreement, the functions of accepting, processing, and granting business permits and licenses.

The Investment Promotion Agency may also assist RBEs in obtaining licenses and permits from national government agencies by accepting and submitting documentary requirements for such licenses and permits, on behalf of the RBEs to the appropriate national government agencies.

The Investment Promotion Agency may undertake activities necessary to perform the function as the initial point of contact for foreign investment leads. Such activities shall include assisting potential foreign investors in establishing their business enterprises in the concerned Investment Promotion Agency or in the economic zone best suited to their specific needs.”

SEC. 29. Section 311 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 311. *Investments Prior to the Effectivity of Republic Act No. 11534.* – RBEs with incentives granted prior to the effectivity of Republic Act No. 11534 shall be subject to incentives granted in their certificate of registration or certificate of registration and tax exemption, and to the following rules:

(A) x x x;

(B) RBEs, whose projects or activities were granted an ITH prior to the effectivity of Republic Act No. 11534 and are entitled to the five percent (5%) tax on gross income earned incentive after the ITH, shall be allowed to avail of the five percent (5%) tax on gross income earned incentive based on Subsection (C), including all corresponding exemptions from national taxes, local taxes, and local fees and charges until December 31, 2034;

(C) RBEs currently availing of the five percent (5%) tax on gross income earned granted prior to the effectivity of Republic Act No. 11534 shall be allowed to continue availing of the said tax incentives at the rate of five percent (5%), including all corresponding exemptions from national taxes, local taxes, and local fees and charges until December 31, 2034; and

(D) RBEs availing of duty exemption on importation under Section 294(D), VAT exemption on importation, and VAT zero-rating on local purchases under Section 294(E) prior to the effectivity of Republic Act No. 11534 shall be allowed to continue availing of the said tax incentives until December 31, 2034: *Provided,* That registered export enterprises shall continue to avail of the said incentives thereafter, in accordance with Title IV of this Code, the provisions of Republic Act No. 10863, otherwise known as the ‘Customs Modernization and Tariff Act’, as amended, and other applicable laws.”

SEC. 30. *Appropriations.* – The Secretary of Finance shall immediately include in the Department’s program the operationalization of the electronic processing of the VAT refund system, the funding of which shall be included in the annual General Appropriations Act.

SEC. 31. *Transitory Provisions.* – The following provisions shall apply prospectively to projects or activities granted with tax incentives under Republic Act No. 11534 upon the effectivity of this Act:

- (1) The exemption from national and local taxes, including local fees and charges for projects or activities availing of SCIT pursuant to Section 294(B) of Title XIII;
- (2) The availment of additional enhanced deductions provided under Section 294(C)(6), (7), (8), and (9) of Title XIII;
- (3) The imposition of twenty percent (20%) income tax rate specified in Sections 27 and 28 of this Code upon the taxable income of RBEs availing the enhanced deduction regime;
- (4) The imposition of RBE local tax under Section 294(F) of Title XIII, to RBEs availing of ITH or EDR; and
- (5) The conditions for the availment of the duty and VAT exemption on importation and VAT zero-rating on local purchases under Sections 295(C) and (D) of Title XIII.

No tax refund or credit shall be granted to RBEs covered by Section 19 of this Act.

SEC. 32. *Implementing Rules and Regulations.* – Within ninety (90) days from the effectivity of this Act, the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue, shall promulgate the necessary rules and regulations for its effective implementation: *Provided*, That for the provisions under Title XIII of the National Internal Revenue Code of 1997, as amended, the Secretary of Finance and the Secretary of Trade and Industry shall jointly promulgate the necessary rules and regulations thereof within the same period, after due consultation with the BIR, the BOC, the BOI, and other Investment Promotion Agencies, for its effective implementation. Failure to promulgate the rules and regulations shall not prevent the implementation of this Act upon its effectivity.

SEC. 33. *Separability Clause.* – If any provision of this Act is declared unconstitutional, the remaining parts or provisions hereof not affected thereby shall remain in full force and effect.

SEC. 34. *Repealing Clause.* – All laws, decrees, executive orders, implementing rules and regulations, issuances, or any part thereof inconsistent with the provisions of this Act are deemed repealed, amended, or modified accordingly.

SEC. 35. *Effectivity.* – This Act shall take effect after fifteen (15) days following its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,


 FERDINAND MARTIN G. ROMUALDEZ
*Speaker of the House
 of Representatives*


 FRANCIS "CHIZ" G. ESCUDERO
President of the Senate

This Act, which is a consolidation of Senate Bill No. 2762 and House Bill No. 9794, was passed by the Senate of the Philippines and the House of Representatives on September 10, 2024.


 REGINALD S. VELASCO
*Secretary General
 House of Representatives*


 RENATO N. BANTUG JR.
Secretary of the Senate

Approved: NOV 08 2024



FERDINAND ROMUALDEZ MARCOS JR.
President of the Philippines



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 ATTY. LOVELY V. TOLENTINO-NAVA
 ACTING DIRECTOR IV
 11-11-2024