

FIFTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

SENATE  
OFFICE OF THE SECRETARY

10 JUL 27 AM 11:42

SENATE

S. BILL NO. 2142

RECEIVED BY: R

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**Introduced by Senator Ralph G. Recto**

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**Explanatory Note**

This bill seeks to rationalize our system of fiscal incentives that paved the way to a regime of irrational investment plans and wasteful tax breaks. For almost three decades, the Investment Priority Plans have been ineffective in attracting more significant and sustained investments. Jobs created could not even represent 1% of our total employment levels. We are lagging behind our neighbors in terms of foreign direct investments despite our generous incentives package. We could not even recoup half of our foregone revenues of P 282.76 billion as we are only getting \$ 2.9 billion in foreign investments.

This measure also aims to end the indiscriminate dispensation of fiscal perks to investors who are primarily motivated by the prospects in the domestic market and investments that would have been made even without incentives. These redundant incentives, in the form of income tax holidays and VAT exemptions, are enough to build 8,737 elementary and secondary school buildings of the basic one-classroom type, pave 10,000 kilometers of national roads, pay for the increase of the basic pay of 1.4 million lowly-paid government workers, and even wipe out tuberculosis.

This bill will also streamline the administration of fiscal incentives. At present there are about 147 laws which created a myriad of incentive-providing authorities. It aims to consolidate all Investment Promoting Agencies (IPAs) into one centralized agency. Thus, the Board of Investments (BOI) and Philippine Economic Zone Authority (PEZA) will be merged to form the Philippine Investment Promoting Agency (PIPA). This would then prevent locators from cherry-picking incentives by registering with different IPAs to avail themselves of the best possible incentives package.

Under this proposal, incentives are given to registered domestic enterprises that locate in any of the 30 poorest provinces, bring in investments of P500 million and above, or generate at least 200 jobs. They also get reduced income tax rate of 15%; net operating losses carry over during the first 5 years, and accelerated depreciation.

Registered export enterprises would enjoy reduced income tax rate of 15% with option to choose between preferential rate of 15% and 5% on gross income earned in lieu of all taxes except VAT, duty-free importation on capital equipments, extended NOLCO and accelerated depreciation, among others.

The savings to be generated from this measure shall be earmarked for infrastructure (50%) and for education (50%). Better physical infrastructure and a well-educated labor force will undoubtedly be more effective than tax incentives in attracting capital into the country. Investing in infrastructure and education are keys to sustainable growth and are the best factors in luring investments.

This measure is our answer to the challenge of this administration to raise additional revenues for better government services without imposing new taxes.

In view of the foregoing, immediate approval of this bill is requested.

  
RALPH G. RECTO

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SENATE

S. BILL NO. 2142

RECEIVED BY: 2

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Introduced by Senator Ralph G. Recto

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AN ACT  
HARMONIZING THE GRANT AND ADMINISTRATION OF FISCAL AND NON-  
FISCAL INCENTIVES, AND FOR OTHER PURPOSES

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

1 PRELIMINARY TITLE

2 TITLE AND DECLARATION OF POLICY

3 SECTION 1. *Title.* -- This Act shall be known as "The Consolidated Investments and  
4 Incentives Code of the Philippines".

5 SEC. 2. *Declaration of Investment Policies.* -- The national economy shall be developed  
6 so as to enhance its competitiveness in the global economy and encourage investments that  
7 promote countrywide development, generate employment and foreign exchange. Accordingly,  
8 the following are declared policies of the State:

9 (1) The State shall pursue a market responsive investment regime and to that end shall  
10 ensure that the incentives shall promote substantial social and economic spillovers, equitable  
11 development across income classes and across provinces, are fiscally sustainable, financially and  
12 economically justifiable, and are consistent with international treaties. The State shall therefore  
13 provide the means for ascertaining that these objectives are being attained.

14 (2) The State shall grant the necessary incentives that encourage long-term and recurrent  
15 investment, are simple to administer, are time-bound and whose performance and outcomes are  
16 easily verifiable.

17 (3) The State shall devote resources to monitoring enterprises benefiting from incentives,  
18 and shall vigorously prosecute abuses. The State shall also closely monitor the level of tax

1 expenditures arising from the provision of incentives and shall ensure that concerned government  
2 agencies are well-informed of these developments.

3 (4) In the granting of fiscal incentives, the State will make efforts to ascertain that the  
4 incentives are not redundant: that the investments they benefit require and are truly motivated by  
5 the incentives or that the incentives, as much as possible, are not given to investors who would  
6 have made the investments even in the absence of incentives.

7 (5) The State shall vigorously promote investments in basic infrastructure such as, but not  
8 limited to power, roads, airports, water ports and housing.

9 (6) The State recognizes that industrial peace is essential to attracting investments.

10 (7) The State shall undertake investment promotion activities.

## 11 TITLE I

### 12 DEFINITION OF TERMS

13 SEC. 3. *Definition of Terms.* – As used herein, the following shall mean:

14 (a) “PIPA” is the Philippine Investment Promotion Administration created under this Act.

15 (b) “Investment Promotion Agencies (IPAs)” shall include the Philippine Investment Promotion  
16 Administration (PIPA), Bases Conversion and Development Authority (BCDA), Subic  
17 Bay Metropolitan Authority (SBMA), Clark Development Corporation (CDC), John Hay  
18 Management Corporation (JHMC), Poro Point Management Corporation (PPMC),  
19 Bataan Technology Park Inc. (BTPI), Cagayan Economic Zone Authority (CEZA),  
20 Zamboanga City Special Economic Zone Authority (ZCSEZA), and PHIVIDEC  
21 Industrial Authority (PIA).

22 (c) “Registered enterprise” is any individual, partnership, corporation, Philippine branch of a  
23 foreign corporation or other entity incorporated and/or organized and existing under  
24 Philippine laws and registered with any of the IPAs, in accordance with this Act:  
25 *Provided, however,* That the term “registered enterprise” shall not include commercial  
26 banks, savings and mortgage banks, rural banks, savings and loan associations, building  
27 and loan associations, developmental banks, trust companies, investment banks, finance  
28 companies, brokers and dealers in securities, consumers cooperatives and credit unions,  
29 and other business organizations whose principal purpose or principal source of income is

1 to receive deposits, lend or borrow money, buy and sell or otherwise deal, trade or invest  
2 in common or preferred stocks, debentures, bonds or other marketable instruments  
3 generally recognized as securities, or discharge other similar intermediary, trust or  
4 fiduciary functions.

5 (d) "Gross income earned" is the gross sales or gross revenues derived by the registered  
6 enterprise from its registered business activity net of sales discounts, sales returns and  
7 allowances minus cost of sales or direct costs but before any deductions for  
8 administrative, marketing, selling, operating expenses or incidental losses during a given  
9 taxable year.

10 (e) "Export sales" is the sales values and/or revenues paid for in freely convertible foreign  
11 currency, determined from invoices, bills of lading, inward letters of credit, landing  
12 certificates, or other commercial documents, by a registered enterprise of its (1) products  
13 shipped out of the country and sold in the territory of another country or (2) services  
14 rendered to clients abroad such as but not limited to information technology (IT)  
15 activities, application and/or installation of technology and systems in the project sites,  
16 including but not limited to the fields of engineering and construction design and other  
17 similar activities which may be approved by the Board, excluding mere deployment of  
18 people or individual practice of profession abroad; or (3) logistics, repair and  
19 maintenance, and other similar services rendered to international airlines/shipping  
20 lines/military aircraft or seacraft even if rendered locally.

21 (f) "Tax refund" is any refund against taxes and/or duties equal to those actually paid by a  
22 registered export enterprise and to be released by PIPA as provided for under Section 17  
23 of this Act.

24 (g) "Information Technology Activities" are activities which involve the use of any IT software  
25 and/or system for value addition, IT, being the collective term for various technologies  
26 involved in processing and transmitting information which include computing,  
27 multimedia, telecommunications, microelectronics and their interdependencies, including  
28 the convergence of various information-based, broadcast and mass media communication  
29 technologies.

- 1 (h) An “export enterprise” is a registered enterprise which is a manufacturer, processor or  
2 service provider and whose export sale of its products or services is at least seventy  
3 percent (70%) of its output.
- 4 (i) A “domestic enterprise” is a registered enterprise whose export sales is less than seventy  
5 percent (70%) of its output, and is located in the thirty (30) poorest provinces as  
6 determined by the Department of Finance (DOF): *Provided*, That such domestic  
7 enterprise has a minimum investment of Five hundred million pesos (P500,000,000) or  
8 can provide a minimum employment of two hundred (200) jobs: *Provided, further*, That  
9 existing enterprises already located in the thirty (30) poorest provinces as determined by  
10 the DOF before the effectivity of this Act and have satisfied the minimum investment of  
11 Five hundred million pesos (P500,000,000) or minimum employment of two hundred  
12 (200) jobs are qualified to register and avail of the incentives provided in this Act.
- 13 (j) “Capital Equipment” refers to machinery, spare parts, tools and dies, or those required for  
14 pollution abatement and control, cleaner production and water reduction.
- 15 (k) “Source documents” are input materials and documents reasonably needed by IT and IT-  
16 enabled industries such as; but not limited to, books, directories, magazines, newspapers,  
17 brochures, pamphlets, medical records/files, legal records/files, instruction materials,  
18 drawings/blueprints/outlines.
- 19 (l) “Processing” is converting raw materials into marketable form through physical, mechanical,  
20 chemical, electrical, biochemical, biological or other means, or by a special treatment or a  
21 series of actions, such as slaughtering, milling, pasteurizing, drying or desiccating, quick  
22 freezing, that results in a change in the nature or state of the products. Mere packing or  
23 packaging shall not constitute processing.
- 24 (m) “Industrial Estate (IE)” refers to a tract of land subdivided and developed according to a  
25 comprehensive plan under a unified continuous management and with provisions for  
26 basic infrastructure and utilities, with or without pre-built standard factory buildings and  
27 community facilities for the use of a community of industries.
- 28 (n) “Export Processing Zone (EPZ)” refers to a specialized industrial estate and predominantly  
29 oriented to export production.

1 (o) "Special Economic Zones (SEZ)" hereinafter referred to as ecozones, are selected areas with  
2 highly developed or which have the potential to be developed into agro-industrial,  
3 industrial, information technology, tourist/recreational centers. An ecozone may contain  
4 any or all of the following: industrial estates (IEs), export processing zones (EPZs), IT  
5 parks and centers, and tourism estates.

6 (p) "Tourism Estate" is a tract of land with defined boundaries, suitable for development into  
7 an integrated resort complex, with prescribed carrying capacities, of tourist facilities and  
8 activities, such as, but not limited to, sport and recreation centers, accommodations,  
9 convention and cultural facilities, food and beverage outlets, commercial establishments  
10 and other special interest and attraction activities/establishments, and provided with  
11 roads, water supply facilities, power distribution facilities, drainage and sewage systems,  
12 and other necessary infrastructures and facilities. A tourism estate shall be under unified  
13 and continuous management, and can either be a component of an ecozone or the whole  
14 ecozone itself.

15 (q) "Freeport" is an isolated and policed area adjacent to a port of entry as defined by Section  
16 3519 of the Tariff and Customs Code, which shall be operated and managed as a separate  
17 customs territory to ensure free flow or movement of goods, except those expressly  
18 prohibited by law, within, into and exported out in the freeport zone where imported  
19 goods may be unloaded for immediate transshipment or stored, repacked, sorted, mixed,  
20 or otherwise manipulated without being subject to import duties. However, movement of  
21 these imported goods from the free-trade area to a non-free-trade area in the country shall  
22 be subject to import duties and taxes.

## 23 TITLE II

### 24 CREATION OF THE PHILIPPINE INVESTMENT PROMOTION ADMINISTRATION

#### 25 (PIPA)

26 SEC. 4. *Creation of The Philippine Investment Promotion Administration (PIPA)* The  
27 Board of Investments (BOI) created under Executive Order No. 226, Series of 1987, as  
28 amended, and the Philippine Economic Zone Authority (PEZA) created under Republic Act No.  
29 7916, as amended, are hereby merged, renamed, and reorganized as the Philippine Investment

1 Promotion Administration (PIPA), attached to the Department of Trade and Industry (DTI), and  
2 which shall implement the provisions of this Act except as otherwise provided herein. The  
3 unexpended appropriations, assets and properties of BOI and the assets and properties of PEZA  
4 are hereby transferred to PIPA.

5 The personnel of PEZA and BOI shall be absorbed by PIPA or DTI. For this purpose, the  
6 Board shall determine the personnel to be absorbed by PIPA. Those who will not be absorbed  
7 due to either the inability to meet the qualification standards and selection criteria or the non-  
8 existence of a suitable position in PIPA or DTI shall be deemed separated from the service:  
9 *Provided*, That those who will not be absorbed by PIPA or DTI, including those who will opt to  
10 retire from government service shall be entitled to all gratuities and benefits under existing laws.

11 Existing Conventions or Agreements for the Avoidance of Double Taxation and the  
12 Prevention of Fiscal Evasion with Respect to Taxes on Income (income tax treaties) that grant  
13 reduced income tax rates on dividends, interests and royalties paid by BOI-registered enterprises  
14 to foreign persons shall, after the merger of BOI and PEZA by virtue of this Act, continue to  
15 grant the reduced rates to foreign persons until the expiration of the enterprises' registration  
16 certificates with BOI and after such enterprises registered with PIPA.

17 *SEC. 5. General Powers and Functions of the Administration.* - PIPA shall have the  
18 following powers and functions:

- 19 1. To establish, operate, administer, manage and develop the ecozones and freeports  
20 according to the principles and provisions set forth in this Act;
- 21 2. To register, regulate and supervise the enterprises in the ecozones and freeports in an  
22 efficient and decentralized manner;
- 23 3. To register, regulate and supervise qualified enterprises outside the ecozones and  
24 freeports;
- 25 4. To coordinate with local government units and exercise general supervision over the  
26 development, plans, activities and operations of ecozones, industrial estates, export  
27 processing zones, free trade zones, and the like;
- 28 5. To regulate and undertake the establishment, operation and maintenance of utilities, other  
29 services and infrastructure in the ecozones, such as heat, light and power, water supply,

1 telecommunications, transport, toll roads and bridges, port services, and others, and to fix  
2 just, reasonable and competitive rates, charges, and fees therefor: *Provided*, That the  
3 appropriate government regulatory agencies shall regulate the operation, maintenance  
4 and services of utilities such as heat, light, power, water supply, telecommunications,  
5 transport, toll roads and bridges, port services, and others based inside the ecozones  
6 insofar as such services are rendered outside the ecozones.

- 7 6. To construct, acquire, own, lease, operate and maintain on its own or through contract,  
8 franchise, license, bulk purchase from the private sector and build-operate-transfer  
9 scheme or joint venture, adequate facilities and infrastructure, such as light and power  
10 systems, water supply and distribution systems, telecommunication and transportation,  
11 buildings, structures, warehouses, roads, bridges, ports and other facilities for the  
12 operation and development of the ecozones and freeports, in coordination with the local  
13 government units concerned and appropriate agencies,;
- 14 7. To create, operate and/or contract to operate such agencies and functional units or offices  
15 and or subsidiaries of PIPA on its own or jointly with any private individual or entity as it  
16 may deem necessary and provide funds therefor;
- 17 8. To adopt, alter and use a corporate seal; make contracts, lease, own or otherwise dispose  
18 of personal and real property; sue and be sued; and otherwise carry out its duties and  
19 functions as provided for in this Act;
- 20 9. To coordinate the formulation and preparation of the development plans of the qualified  
21 enterprises;
- 22 10. To formulate and implement industrial development plans and programs;
- 23 11. To formulate and coordinate investments promotion activities;
- 24 12. To establish an investments one-stop-action-center;
- 25 13. To formulate positions and strategies on bilateral, regional or multilateral investments  
26 agreements or arrangements;
- 27 14. To coordinate with the National Economic and Development Authority, Department of  
28 Trade and Industry, Department of Science and Technology, and the local government



1 units and appropriate government agencies for policy and program formulation and  
2 implementation; and

3 15. To monitor and evaluate the development and requirements of registered enterprises and  
4 recommend to the local government units or other appropriate authorities the location,  
5 incentives, basic services, utilities and infrastructure required or to be made available for  
6 said enterprises.

7 SEC. 6. *The Board.* – PIPA shall be governed by a Board created under this Act,  
8 hereinafter referred to as the “Board”.

9 SEC. 7. *Composition of the Board.* - The Board shall be composed of thirteen (13)  
10 members as follows: the Secretary of the Department of Trade and Industry (DTI) as Chairman;  
11 the Director-General of PIPA as Vice-Chairman; an undersecretary of the Department of  
12 Finance (DOF), Department of Labor and Employment (DOLE), Department of Environment  
13 and Natural Resources (DENR), Department of Public Works and Highways (DPWH),  
14 Department of Science and Technology (DOST), and Department of Energy (DOE); the Deputy  
15 Director-General of the National Economic and Development Authority (NEDA); the  
16 Commissioner of Bureau of Internal Revenue (BIR); the Commissioner of Bureau of Customs  
17 (BOC); one (1) representative from the labor sector; and one (1) representative from the  
18 investors/business sector. The representatives from the labor and investors/business sectors shall  
19 be appointed by the President from the nominees of their respective sectors and from among the  
20 enterprises registered with PIPA. In case of the unavailability of the Secretary of DTI to attend a  
21 particular Board meeting, the Director-General of PIPA shall act as chairman.

22 SEC. 8. *Powers and Duties of the Board.* – The Board shall be responsible for the  
23 regulation and promotion of investments. It shall meet as often as necessary. Notice of regular  
24 and special meetings shall be given to all members of the Board. The presence of seven (7)  
25 members of the Board shall constitute a quorum and the affirmative vote of seven (7) members  
26 of the Board in a meeting validly held shall be necessary to exercise its powers and perform its  
27 duties, which shall include but not be limited to the following:

28 (1) Set the general policies on the establishment and operations of the ecozones, industrial  
29 estates, export processing zones, free trade zones, and the like;

- 1 (2) Promulgate rules and regulations to implement the purposes of this Act and such other  
2 laws as the Board is mandated to implement;
- 3 (3) Formulate investment promotion policies under a 'one country approach';
- 4 (4) Approve, deny, suspend, revoke applications for registration with the Board, imposing  
5 terms and conditions as it may deem necessary to promote the purposes of this Act,  
6 including the refund and forfeiture of incentives when appropriate, restricting availment  
7 of incentives not needed by the project as determined by the Board, requiring  
8 performance bonds from PIPA-accredited bonding companies, and payment of  
9 application, registration, publication and other fees when warranted;
- 10 (5) Decide controversies arising from the implementation of this Act that may arise, within  
11 thirty (30) days after the controversy has been submitted for decision: *Provided*, That the  
12 investor or the registered enterprise may appeal the decision for registration by the Board  
13 within thirty (30) days from receipt thereof to the President. The Board shall have the  
14 power to subpoena witnesses, administer oaths, and compel the production of books,  
15 papers, and other evidence, and to cite for contempt any person/organization that fails to  
16 comply with the aforestated processes: *Provided, further*, That the Board may grant  
17 immunity from prosecution to any person whose testimony or documents or other  
18 evidence is necessary or relevant to the case;
- 19 (6) Cancel the registration or suspend the incentives of a registered enterprise and/or require  
20 refund of incentives as well as interests and monetary penalties. The Board shall  
21 recommend to the appropriate bureau of DOF to levy penalties of the registered  
22 enterprise for grave failure to comply with the substantive terms and conditions of  
23 registration: *Provided*, That the registration of an enterprise whose project timetable for  
24 implementation, as approved by the Board, shall be considered automatically cancelled if  
25 it is delayed by one year, unless otherwise reinstated as a registered enterprise by the  
26 Board;
- 27 (7) Determine the organizational structure of PIPA taking into account Section 12 of this Act;  
28 appoint, discipline or remove its personnel consistent with the provisions of civil service  
29 laws, rules and regulations;

- 1 (8) Monitor and coordinate investment promotion activities of all IPAs;
- 2 (9) Formulate position for bilateral, regional or multilateral investments and investment-  
3 related trade agreements and/or arrangements;
- 4 (10) Formulate industrial programs on economic development including those relating to the  
5 implementation of international trade, investments and trade, and investment-related  
6 environmental agreements and protocols;
- 7 (11) Formulate industry and sectoral development programs, the National Plan for  
8 Investment Promotions (NPIP) and gather and compile data required for the effective  
9 implementation of this act;
- 10 (12) Recommend to the President, subject to constitutional limitations and other  
11 nationalization laws, the suspension of the nationality requirement provided for in this  
12 Act in cases involving bilateral or regional investments or trading agreements of the  
13 Philippines with other countries or when the existing laws of another country where the  
14 investor comes from provides no nationality restrictions for Filipino investors or provides  
15 for reciprocal nationality accommodations;
- 16 (13) Establish offices in the Philippines and abroad, as needed;
- 17 (14) Within four (4) months after the close of the fiscal year, submit an annual report to the  
18 President and Congress on the Board's administration of this Act, including  
19 recommendations on investment policies;
- 20 (15) Formulate policies that will stimulate investments in the most poverty-stricken areas of  
21 the country, and reduce regional and social inequality;
- 22 (16) Enter into agreements with other agencies for the simplification of systems and  
23 procedures involved in the promotion of investments, operation of economic zones and  
24 registered enterprises, and other activities necessary for the effective implementation of  
25 this Act; and
- 26 (17) In general, exercise all powers necessary or incidental to attain the purposes of this Act  
27 and other laws vesting additional functions on the Board.

28 SEC. 9. *Powers and Duties of the Chairman.* – The Chairman shall have the following  
29 powers and duties:

- 1 (1) Preside over the meetings of the Board;
- 2 (2) Sign annual and special reports to the President and Congress;
- 3 (3) Act as liaison between investors seeking joint venture arrangements;
- 4 (4) Recommend to the Board policies and measures necessary to carry out the objectives of
- 5 this Act; and
- 6 (5) Generally exercise other powers and perform other duties as may be directed by the
- 7 Board.

8 SEC. 10. *The Director-General.* – PIPA shall have a Director-General with the rank of a  
9 department undersecretary who shall be appointed by the President. The Director-General shall  
10 be at least forty (40) years of age, of proven probity and integrity, and a degree holder in any of  
11 the following fields: economics, business, public administration, law, management or their  
12 equivalent, and with at least ten (10) years of relevant working experience preferably in the field  
13 of management or public administration.

14 The Director-General shall be assisted by six (6) Deputy Directors-General each for policy  
15 and planning, administration, operations, investment promotion, industry development, and  
16 Investments One-Stop-Action-Center (OSAC), who shall be appointed by the Board, upon the  
17 recommendation of the Director-General. The Deputy Directors-General shall be at least thirty-  
18 five (35) years old, with proven probity and integrity, and a degree holder in any of the following  
19 fields: economics, business, public administration, law, management or their equivalent.

20 SEC. 11. *Powers and Duties of the Director-General* – The Director-General shall have  
21 the following powers and duties:

- 22 (1) Execute all acts of administration;
- 23 (2) Prepare and recommend to the Board the staffing pattern and personnel complement of
- 24 PIPA and establish regional offices, when necessary, subject to the approval of the Board.
- 25 (3) Prepare the agenda for the meetings of the Board and submit for its consideration and
- 26 approval the policies and measures which the Chairman deems necessary and proper to
- 27 carry out the provisions of this Act;
- 28 (4) Preside over the meetings of the Board in the absence of the Chairman;

1 (5) Assist registered enterprises and prospective investors to expedite processing of papers  
2 required by all government offices, agencies, instrumentalities and financial institutions;  
3 and in addition he shall have the following specific powers and responsibilities:

4 (A) To safeguard all the lands, buildings, records, monies, credits and other  
5 properties and rights of the ecozones under their jurisdictions;

6 (B) To ensure that all revenues of the ecozones are collected and applied in  
7 accordance with its budget;

8 (C) To ensure that the investors/firms and employees of the ecozones are properly  
9 discharging their respective duties;

10 (D) To give such information and recommend such measures to the Board, as he  
11 shall deem advantageous to the ecozone;

12 (E) To submit to the Board the ongoing and proposed projects, work and  
13 financial program, annual budget of receipts, and expenditures of the ecozones;

14 (F) To represent the administration in all its business matters and sign on its  
15 behalf after approval of the Board, all its bonds, borrowings, contracts, agreements and  
16 obligations made in accordance with this Act;

17 (G) To acquire jurisdiction, as he may deem proper, over the protests, complaints,  
18 and claims of the residents and enterprises in the ecozone concerning administrative  
19 matters;

20 (H) To recommend to the Board the grant, approval, refusal, amendment or  
21 termination of franchises, licenses, permits, contracts, and agreements within the  
22 ecozones in accordance with the policies set by the Board;

23 (I) To require owners of houses, buildings or other structures constructed without  
24 the necessary permit whether constructed on public or private lands, to remove or  
25 demolish such houses, buildings, structures within sixty (60) days after notice and upon  
26 failure of such owner to remove or demolish such houses, building or structure within  
27 said period. The Director-General or his authorized representative may summarily cause  
28 their removal or demolition at the expense of the owner, any existing law, decree,  
29 executive order and other issuances or part thereof to the contrary notwithstanding;

1 (J) To take such emergency measures as may be necessary to avoid fires, floods,  
2 and mitigate the effects of storms and other natural or public calamities;

3 (K) To prepare and make out plans for the physical and economic development of  
4 the economic zone, including zoning and land subdivision, and issue such rules and  
5 regulations which shall be submitted to the Board for its approval; and

6 (L) To perform such other duties and exercise such powers as may be prescribed  
7 by the Board, and to implement policies, rules and regulations set by the Board.

8 SEC. 12. *Appointment of Personnel.* – The Board shall provide for an organization of  
9 officers and employees of PIPA, and upon recommendation of the Director-General, appoint and  
10 fix the remunerations and other emoluments: *Provided,* That the Board shall have exclusive and  
11 final authority to promote, transfer, assign or reassign officers and other personnel subject to  
12 civil service laws, rules and regulations.

13 All positions in PIPA shall be governed by a compensation and position classification  
14 system and qualification standards approved by the Board based on a comprehensive job  
15 analysis and audit of actual duties and responsibilities. The compensation plan shall be  
16 comparable with the prevailing compensation plans in the SBMA, CDC, BCDA and the private  
17 sector, and shall be subject to periodic review by the Board no more than once every two (2)  
18 years without prejudice to yearly merit reviews or increases based on productivity and  
19 profitability. PIPA shall therefore be exempt from existing laws, rules and regulations on  
20 compensation and position classification standards. It shall endeavor to make its system conform  
21 as closely as possible with the principles under Republic Act No. 6758, otherwise known as the  
22 Salary Standardization Law.

### 23 TITLE III

#### 24 INCENTIVES TO REGISTERED ENTERPRISES

25 SEC. 13. *Qualified Enterprises.* – The following may register with PIPA to avail of the  
26 incentives provided in this Act:

27 (a) export enterprises; or

28 (b) domestic enterprises

1           SEC. 14. *Incentives to Registered Export Enterprises.* – PIPA shall make the following  
2 incentives available to registered export enterprises:

3 (a) *Reduced Tax Rates.* - Imposition of a preferential tax rate of fifteen percent (15%) of taxable  
4 income as defined under Section 31 of the National Internal Revenue Code of 1997, as  
5 amended.

6 (b) *Net Operating Loss Carryover (NOLCO)* – The net operating loss of the registered export  
7 enterprise during the first five (5) years from start of commercial operation which had not  
8 been previously offset as deduction from gross income shall be carried over as a  
9 deduction from gross income for the next ten (10) years immediately following the year  
10 of such loss: *Provided,* That after the availment of NOLCO of registered export  
11 enterprises under this provision, the pertinent provisions under the National Internal  
12 Revenue Code of 1997, as amended, shall apply.

13 (c) *Accelerated Depreciation.* – Accelerated depreciation of plant, machinery, and equipment that  
14 are reasonably needed and actually used for the production and transport of goods and  
15 services may be depreciated using a rate not exceeding twice the rate which would have  
16 been used had the annual allowance been computed in accordance with the rules and  
17 regulations prescribed by the Secretary of Finance and the provisions of the National  
18 Internal Revenue Code of 1997, as amended.

19 (d) *Capital Equipment Incentives.* – Importations of capital equipment, including consignment  
20 thereof by registered export enterprises upon the effectivity of this Act, shall be exempt  
21 from customs duties: *Provided,* That the importation thereof, shall be used exclusively by  
22 the registered export enterprise in its registered activity. If the capital equipment shall be  
23 used by the registered export enterprise other than for its registered activity, the availment  
24 of incentives under this paragraph shall be subject to the rules and regulations to be  
25 promulgated by PIPA: *Provided, further,* That for export enterprises, value-added tax  
26 paid on imported capital equipment shall be refunded upon proof of exportation of their  
27 products under the mechanism and guidelines provided in Section 17 of this Act.

28 (e) *Raw Material Incentives.* – Every registered export enterprise shall be entitled to duty-free  
29 importation of raw materials which are used in the manufacture, processing as defined in

1 Section 3 of this Act, or production of its export products: *Provided*, That value-added  
2 tax shall be refunded upon presentation of proof of exportation of their products under the  
3 mechanism provided in Section 17 of this Act.

4 (f) Duty-free importation of source documents by IT registered export enterprises.

5 (g) Exemption from Wharfage Dues. – The provisions of law to the contrary notwithstanding,  
6 exports by a registered export enterprise shall be exempted from wharfage dues.

7 (h) Registered export enterprises shall have an option between the preferential tax rate of fifteen  
8 percent (15%) as provided in Section 14 (a) of this Act, or the five percent (5%) of the  
9 gross income earned in lieu of all national and local taxes, except value-added tax (VAT)  
10 and real property tax on land. Once a registered export enterprise has made an option  
11 provided in this paragraph, such option shall be irrevocable for the duration of its  
12 registration.

13 The five percent (5%) of the gross income earned by registered export enterprises  
14 shall be paid and remitted as follows:

- 15 1. Sixty percent (60%) to the National Government; and
- 16 2. Forty percent (40%) to the treasurer's office of the municipality or city where the  
17 enterprise is located.

18 (i) Employment of Foreign Nationals. – Subject to the provisions of Section 29 of  
19 Commonwealth Act No. 613, as amended, a registered export enterprise may employ  
20 foreign nationals in supervisory, technical or advisory positions for a period not  
21 exceeding five (5) years from its registration, extendible for limited periods at the  
22 discretion of the Board: *Provided, however*, That when the majority of the capital stock  
23 of a registered enterprise is owned by foreign investors, the positions of president,  
24 treasurer and general manager of their equivalents may be retained by foreign nationals  
25 beyond the period set forth within.

26 Foreign nationals under employment contract within the purview of this incentive,  
27 their spouses and unmarried children under twenty-one (21) years of age, who are not  
28 excluded by Section 29 of Commonwealth Act No. 613, as amended, shall be permitted



1 to enter and reside in the Philippines during the period of employment of such foreign  
2 nationals.

3 A registered export enterprise shall train Filipinos as understudies of foreign  
4 nationals in administrative, supervisory and technical skills and shall submit annual  
5 reports on such training to the Board: *Provided*, That employment of foreign nationals  
6 hired by registered export enterprises in a supervisory, technical or advisory capacity  
7 shall not exceed five percent (5%) of its workforce without the express authorization of  
8 the Secretary of DOLE.

9 SEC. 15. *Incentives to Registered Domestic Enterprises.*

10 (a) Reduced Tax Rates. - Imposition of a preferential tax rate of fifteen percent (15%) of taxable  
11 income as defined under Section 31 of the National Internal Revenue Code of 1997, as  
12 amended.

13 (b) Net Operating Loss Carryover (NOLCO) - The net operating loss of the registered domestic  
14 enterprise during the first five (5) years from start of commercial operation which had not  
15 been previously offset as deduction from gross income shall be carried over as a  
16 deduction from gross income for the next five (5) years immediately following the year  
17 of such loss: *Provided*, That after the availment of NOLCO of registered domestic  
18 enterprises under this provision, the pertinent provisions under the National Internal  
19 Revenue Code of 1997, as amended, shall apply.

20 (c) Accelerated Depreciation. - Accelerated depreciation of plant, machinery, and equipment  
21 that are reasonably needed and actually used for the production and transport of goods  
22 and services may be depreciated using a rate not exceeding twice the rate which would  
23 have been used had the annual allowance been computed in accordance with the rules and  
24 regulations prescribed by the Secretary of Finance and the provisions of the National  
25 Internal Revenue Code of 1997, as amended.

26 Except as otherwise provided in Sections 14 and 15 of this Act, no other fiscal incentives  
27 shall be granted by PIPA. PIPA shall equip itself with sufficient personnel to ensure that: (1)  
28 investments acquiring incentives under this Act abide by the strict investment location or

1 employment conditions stipulated in Section 3(i) of this Act; and (2) violators will be meted  
2 appropriate penalties.

3 SEC. 16. *Incentives to Investors.*

4 (a) A foreign national who invests an amount of at least US\$150,000 either in cash and/or  
5 equipment, in a registered enterprise shall be entitled to an Investor's Visa: *Provided, That:*

6 (1) He is at least eighteen (18) years of age;

7 (2) He has not been convicted of a crime involving moral turpitude;

8 (3) He is not afflicted with any loathsome, dangerous or contagious disease;

9 (4) He has not been institutionalized for any mental disorder or disability;

10 *Provided, further,* That as a holder of the Investor's Visa, an alien shall be entitled to  
11 reside in the Philippines while his investment subsists. For this purpose, he should submit an  
12 annual report, in the form duly prescribed by the Board for the purpose, to prove that he has  
13 maintained his investment in the country. Should said alien withdraw his investments from the  
14 Philippines, then the Investor's Visa issued to him shall automatically expire.

15 (b) Foreign persons receiving dividends, interests and royalties from BOI-registered  
16 enterprises subject to reduced income tax rates under existing income tax treaties, shall after the  
17 merger of BOI and PEZA by this Act, be entitled to the reduced rates until the expiration of the  
18 enterprises' registration certificates with the BOI and after such enterprises registered with PIPA:  
19 *Provided,* That a favorable ruling is secured from the BIR for this purpose.

20 SEC. 17. *Refund of Value Added Tax (VAT) Paid on Importation of Goods.* - In order to  
21 facilitate the immediate processing, clearance and release of VAT refunds as provided in this  
22 Act, a Trust Liability Account (TLA) is hereby authorized to be established in the Bureau of  
23 Treasury (BTr). All VAT payments on the importation of registered export enterprises of capital  
24 equipment and raw materials shall be deposited in the TLA for the purpose of funding valid VAT  
25 refund claims. The claims for VAT refunds shall be made by the registered export enterprise to  
26 PIPA which, in turn, will process, approve and release the VAT refund.

27 The VAT paid on imported capital equipment may be refunded provided that the capital  
28 equipment is being used by the registered export enterprise pursuant to its registered activity.

1 The amount of VAT refund on a particular shipment of raw materials shall be equivalent  
2 to the proportion of raw materials used in the production of the exported goods to the total raw  
3 materials imported multiplied by the amount of VAT paid on such importation. No claim for  
4 refund shall be allowed on VAT paid on raw materials which are not or no longer intended to be  
5 used in the registered export activity.

6 A registered export enterprise shall file a claim for VAT refund within two (2) years after  
7 the payment was made. All amounts paid but no longer allowed for refund shall immediately  
8 accrue to the general fund of the National Government.

9 All applications for VAT refund shall be processed and acted upon within thirty (30) days  
10 after submission of complete documents. The refund shall be in a form of cash or  
11 managers/cashiers check payable to the registered export enterprise.

12 In cases of dispute under the VAT refund mechanism provided in this section, the  
13 pertinent provisions of the National Internal Revenue Code of 1997, as amended, shall apply.

14 The Implementing Rules and Regulations for this Section shall be formulated by PIPA  
15 DOF, BIR, BOC, BTr and the Department of Budget and Management (DBM), subject to the  
16 approval of the Board.

#### 17 TITLE IV

#### 18 REGISTRATION OF ENTERPRISES

19 SEC. 18. *Qualifications of a Registered Enterprise.* – Other than the qualifications  
20 specified under Section 3(h) and (i) of this Act, an applicant must also satisfy the following  
21 conditions to be registered and avail of the incentives provided in this Act:

22 (a) He is a citizen of the Philippines, in case the applicant is a natural person, or in case of a  
23 corporation or partnership or any other association, regardless of nationality, organized  
24 and/or registered and existing under Philippine laws or Philippine branch of a foreign  
25 corporation and it must comply with all the qualifications provided under this Act:  
26 *Provided, however,* That for purposes of this Act and any law to the contrary  
27 notwithstanding, a natural-born ASEAN citizen or a corporation effectively controlled by  
28 ASEAN citizens shall be considered as a Philippine investor; *Provided, further,* That the

1 investment is made in an activity where the Constitution does not specifically require  
2 Filipino participation;

3 (b) That the activity it will engage in is not within the activities reserved by the Constitution to  
4 Philippine citizens or corporations owned and controlled by Philippine citizens; and

5 (c) That if the applicant is engaged or proposes to engage in undertakings or activities other than  
6 the registered activities, it shall install an accounting system adequate to identify the  
7 investments, revenues, costs, and profits or losses of each registered activity undertaken  
8 by the enterprise separately from the aggregate investment, revenues, costs and profits or  
9 losses of the whole enterprise, or to establish a separate corporation for each registered  
10 activity if PIPA should so require to facilitate proper implementation of this Act.

11 (d) That if the applicant is already registered in any other IPAs, such registration shall *ipso facto*  
12 be cancelled upon registration with PIPA.

13 SEC. 19. *Application.* — Applications shall be filed with PIPA and recorded in a  
14 registration book. The date appearing therein and stamped on the application shall be considered  
15 the date of official acceptance. In the event that an enterprise shall transfer to another IPA or  
16 government assets enjoying incentives will be privatized, only the remaining unutilized  
17 incentives shall be enjoyed by the enterprise or the transferee, vendee or assignee of the  
18 government corporation. All applications and their supporting documents filed under this Act  
19 shall be confidential and shall not be disclosed to any person except with the consent of the  
20 applicant or upon an order of a court of competent jurisdiction.

21 SEC. 20. *Criteria Evaluation of Application.* — The following criteria will be considered  
22 in the evaluation of applications for registration:

23 (a) Impact of the activity on the overall economy and fiscal sustainability;

24 (b) Overall viability of the activity;

25 (c) Extent to which investment incentives are redundant;

26 (d) The extent of employment and skills and foreign exchange generation;

27 (e) The extent to which technological advances are applied and adapted to local  
28 conditions;

29 (f) Extent to which the output of the applicant supports national export objectives;

1 (g) Extent to which incentives contribute to the reduction of poverty and inequality; and

2 (h) The extent to which incentives promote investments that help improve the quality of  
3 the environment.

4 SEC. 21. *Approval and Registration Procedures.* – The Board shall adopt rules and  
5 regulations to facilitate action on applications filed with it; prescribe other criteria it may deem  
6 necessary for the evaluation of applications; devise standard forms for the use of applicants and  
7 delegate to the regional offices of the PIPA the authority to receive and process applications for  
8 enterprises to be located in their respective regions. Applications filed shall be considered  
9 automatically approved if not acted upon by the Board within fifteen (15) working days from  
10 official acceptance thereof. Deferment by the Board shall be considered as an official action:  
11 *Provided, however,* That the Board may defer action on a specific application not more than  
12 twice and: *Provided, finally,* That the Board shall act upon the application within ten (10)  
13 working days from compliance with the cause of the last deferment.

#### 14 TITLE V

#### 15 BASIC RIGHTS AND GUARANTEES OF REGISTERED ENTERPRISES

16 SEC. 22. *Protection of Investments.* – All investors and registered enterprises are entitled  
17 to the basic rights and guarantees provided in the Constitution. Among other rights recognized  
18 by the Government of the Philippines are the following:

19 (a) *Repatriation of Investments.* – In the case of foreign investments, the right to  
20 repatriate the entire proceeds of the liquidation of the investment in the currency in which the  
21 investment was originally made and at the exchange rate prevailing at the time of repatriation,  
22 subject to the provisions of Section 74 of Republic Act No. 265, as amended. For investments  
23 made pursuant to Executive Order No. 32, series of 1986 and its implementing rules and  
24 regulations, remittability shall be as provided therein;

25 (b) *Remittance of Earnings.* – In the case of foreign investments, the right to remit  
26 earnings from the investment in the currency in which the investment was originally made and at  
27 the exchange rate prevailing at the time of remittance, subject to the provisions of Section 74 of  
28 Republic Act No. 265, as amended;

1 (c) Foreign Loans and Contracts. – The right to remit at the exchange rate prevailing at  
2 the time of remittance such sums as may be necessary to meet the payments of interest and  
3 principal on foreign loans and foreign obligations arising from technological assistance contracts,  
4 subject to the provisions of Section 74 of Republic Act No. 265, as amended;

5 (d) Freedom from Expropriation. – There shall be no expropriation by the government of  
6 the property represented by investments or of the property of the enterprise except for public use  
7 or in the interest of national welfare or defense and upon payment of just compensation. In such  
8 cases, foreign investors or enterprises shall have the right to remit sums received as  
9 compensation for the expropriated property in the currency in which the investment was  
10 originally made and at the exchange rate at the time of remittance, subject to the provisions of  
11 Section 74 of Republic Act No. 265, as amended; and

12 (e) Requisition of Investment. – There shall be no requisition of the property represented  
13 by the investment or of the property of enterprises, except in the event of war or national  
14 emergency and only for the duration thereof. Just compensation shall be determined and paid  
15 either at the time of requisition or immediately after cessation of the state of war or national  
16 emergency. Payments received as compensation for the requisitioned property may be remitted  
17 in the currency in which the investment was originally made and at the exchange rate prevailing  
18 at the time of remittance, subject to the provisions of Section 74 of Republic Act No. 265, as  
19 amended.

## 20 TITLE VI

### 21 ADMINISTRATION OF INCENTIVES

22 SEC. 23. *Certificate of Registration.* – A PIPA-registered enterprise shall be issued a  
23 certificate of registration under the seal of PIPA and the signature of its Director-General and/or  
24 such other officer or employee of PIPA as the Board may designate and empower for the  
25 purpose. The certificate shall be in such form and style as the Board may determine.

26 SEC. 24. *Validity of Registration.* – The certificate of registration issued under this Act  
27 shall be valid for a period of twenty (20) years from the start of commercial operation.



1           SEC. 29. *Establishment of Ecozones.* – The metes and bounds of each ecozone are to be  
2 delineated and more particularly described in a proclamation to be issued by the President of the  
3 Philippines, upon the recommendation of the Board in coordination with municipal and/or city  
4 council, the National Land Use Coordinating Committee and/or the Regional Land Use  
5 Committee.

6           The ecozones shall be developed through any of the following schemes:

- 7           1) Private initiative;
- 8           2) Local government initiative with the assistance of the national government; and
- 9           3) National Government initiative.

10          Areas to be established as ecozones shall be subject to the evaluation and  
11 recommendation of the Board, based on a detailed feasibility and engineering study which must  
12 conform with the following criteria:

13          (a) The proposed area must be identified as a regional growth center in the Medium-  
14 Term Philippine Development Plan (MTPDP) or by the Regional Development Council;

15          (b) The existence of required infrastructure in the proposed ecozone, such as roads,  
16 railways, telephones, ports, airports, etc., and the suitability and capacity of the proposed site to  
17 absorb such improvements;

18          (c) The availability of water source and electric power supply for use of the ecozone;

19          (d) the extent of vacant lands available for industrial and commercial development  
20 and future expansion of the ecozone as well as of lands adjacent to the ecozone available for  
21 development of residential areas for the ecozone employees;

22          (e) The availability of skilled, semi-skilled and non-skilled trainable labor force in  
23 and around the ecozone;

24          (f) The area must have a significant incremental advantage over the existing  
25 economic zones and its potential profitability can be established;

26          (g) The area must be strategically located; and

27          (h) The area must be situated where controls can easily be established to curtail  
28 smuggling activities.



1 Other areas which do not meet the foregoing criteria may be established as ecozones:  
2 *Provided*, That the said area shall be developed only through local government and/or private  
3 sector initiative, and without any financial exposure on the part of the National Government:  
4 *Provided, further*, That the area can be easily secured to curtail smuggling activities: *Provided*,  
5 *finally*, That after five (5) years, the area must have attained a substantial degree of  
6 development, the indicators of which shall be formulated by PIPA.

7 SEC. 30. *Ecozone to be a Decentralized Agro-Industrial, Industrial,*  
8 *Commercial/Trading, Tourist, Investment and Financial Community.* - Within the framework of  
9 the constitution, the interest of national sovereignty and territorial integrity of the Republic, the  
10 ecozone shall be developed, as much as possible, into a decentralized, self-reliant and self-  
11 sustaining industrial, commercial/trading, agro-industrial, tourist center with minimum  
12 government intervention. Each ecozone shall be provided with transportation,  
13 telecommunications, and other facilities needed to generate linkage with industries and  
14 employment opportunities for its own inhabitants and those of nearby towns and cities.

15 SEC. 31. *Defense and Security.* - The defense of the ecozone and the security of its  
16 perimeter shall be the responsibility of the National Government in coordination with PIPA.  
17 Military forces sent by the National Government for the purpose of defense shall not interfere in  
18 the internal affairs in any of the ecozone and expenditure for these military forces shall be borne  
19 by the National Government. The PIPA may provide and establish the ecozones' internal  
20 security and firefighting forces.

21 SEC. 32. *Relationship of PIPA to Privately-Owned Industrial Estates.* - Privately-owned  
22 industrial estates shall retain their autonomy and independence and shall be monitored by PIPA  
23 for the implementation of incentives.

24 SEC. 33. *Administration of the National Building Code Inside the Ecozones.*

25 The administration and enforcement of the provisions of PD No. 1096, the National  
26 Building Code of the Philippines (NBCP) in all ecozones and areas owned and administered by  
27 PIPA shall be vested in the Director-General or his duly authorized representative. He shall  
28 appoint such qualified personnel as may be necessary to act as building official who shall be

1 charged with the duty of issuing building permits in the different zones. All fees and dues  
2 collected by the building official under the NBCP shall accrue to PIPA.

### 3 TITLE VIII

#### 4 FINAL PROVISIONS

5 SEC. 34. *Protection of the Environment.* – PIPA, in coordination with the appropriate  
6 agencies, shall take concrete and appropriate steps to enact the proper measures for the  
7 protection of the environment, and shall coordinate with the Environmental Management Bureau  
8 of DENR to avoid undue delay in the issuance of the required Environmental Compliance  
9 Certificate (ECC): *Provided, however,* That applications for environmental clearances, permits,  
10 and/or licenses of registered enterprises shall be acted upon by the appropriate government  
11 agency within one hundred twenty (120) days from date of official acceptance. In the event that  
12 the appropriate government agency failed to act within the aforementioned date, the application  
13 for the said environmental requirement shall be deemed complied with for purposes of operation  
14 of the registered enterprise: *Provided, finally,* That the Board may withdraw the certificate of  
15 registration issued to the enterprise should the appropriate government agency eventually deny  
16 the application.

17 SEC. 35. *Suspension and Forfeiture of Incentives of Registered Enterprises, Refund and*  
18 *Penalties.* – When there is probable cause to believe that the registered enterprise has violated its  
19 registration terms and conditions, the Board may suspend its availment of incentives after due  
20 notice and hearing. The Board may impose fines and penalties and/or forfeit the incentives  
21 granted to the registered enterprise whenever there are violations of the registration terms and  
22 conditions by the latter, without prejudice to the cancellation of the registration of said  
23 enterprise: *Provided, however,* That the Board may cancel or abate only the imposition of fines.  
24 In case of cancellation of the certificate of registration granted under this Act, the Board may, in  
25 appropriate cases, require the refund of incentives availed of and impose corresponding fines and  
26 penalties.

27 Any enterprise which violates any provision of this Act, its implementing rules and  
28 regulations, the terms and conditions of its registration or any lawful directive of the Board, or in  
29 the availment of incentives, including all official reports required to be submitted to the Board,

1 shall be subject to a fine not to exceed One million pesos (P1,000,000) but without prejudice to  
2 the cancellation of its registration: *Provided*, That any willful commission of fraudulent  
3 misrepresentation in its application for registration or submission of reports or gross violation of  
4 this Act and its implementing rules and regulations, a fine of at least One million pesos  
5 (P1,000,000) but not to exceed Ten million pesos (P10,000,000) shall be imposed, in addition to  
6 other penalties that may be imposed by the Board.

7 The Board shall prepare a schedule of fines and penalties to be imposed on erring  
8 registered enterprises depending on the violation incurred, which may be reduced in exceptional  
9 cases. Responsible officers of such enterprises, including duly appointed external consultants-  
10 agents who knowingly commit, aid or abet the commission of any of the acts mentioned above,  
11 shall be subject to a fine of not less than One hundred thousand pesos (P100,000) but not more  
12 than Three hundred thousand pesos (P300,000). Government officers and employees who  
13 participate directly or indirectly in the commission of the foregoing acts shall likewise be liable  
14 to a fine of not less than One hundred thousand pesos (P100,000) but not more than Three  
15 hundred thousand pesos (P300,000), in addition to any criminal and administrative penalties  
16 imposable under the Civil Service Law, Revised Penal Code, Republic Act No. 3019 (Anti-Graft  
17 And Corrupt Practices Act), Republic Act No. 6713 (Code Of Conduct And Ethical Standards  
18 For Public Officials) and other applicable laws. If the offender is a foreign national, the  
19 foregoing acts shall be grounds for his summary deportation in addition to the imposable fines  
20 and penalties above.

21 SEC. 36. *Implementing Rules and Regulations (IRR)*. – The DTI, PIPA, DOF, NEDA,  
22 BIR and BOC shall promulgate the implementing rules and regulations (IRR) within two (2)  
23 months from the effectivity of this Act.

24 SEC. 37. *Transitory Provisions*. – The incentives already granted to enterprises registered  
25 with BOI, PEZA, other IPAs and under existing investment laws shall continue to be legally  
26 binding in accordance with the terms and conditions stated in their respective registration  
27 certificates. Existing enterprises registered with BOI, PEZA and other IPAs may opt to register  
28 with PIPA and be governed by the provisions of this Act prior to the expiration of their existing  
29 contracts. For activities or entities, whether government or private, whose tax and/or duty

1 exemptions or preferential treatment under special laws are withdrawn or repealed by this Act,  
2 the pertinent provisions of the National Internal Revenue Code of 1997, as amended; the Tariff  
3 and Customs Code, as amended; and the Local Government Code of 1991, shall apply.

4 In addition, dividends, interests and royalties subject to reduced income tax rates under  
5 existing income tax treaties paid by BOI-registered enterprises to foreign persons shall, after the  
6 merger of BOI and PEZA by virtue of this Act, be subject to the reduced rates until the  
7 expiration of the enterprises' registration certificates with the BOI and after such enterprises  
8 registered with PIPA: *Provided*, That a favorable ruling is secured from the BIR for this purpose.

9 SEC. 38. *Revenue Gains or Savings from the Rationalization of Fiscal Incentives.* -  
10 Revenue gains or savings from the implementation of this Act shall be utilized exclusively for  
11 the following purposes: fifty percent (50%) for infrastructure and fifty percent (50%) for  
12 education purposes.

13 Such allocations shall be segregated as separate trust funds by the National Treasury and  
14 shall be over and above the annual appropriations for similar purposes.

15 SEC. 39. *Separability Clause.* - If any provision of this Act is declared invalid and  
16 unconstitutional, the other provisions which are not affected thereby shall remain in force and  
17 effect.

18 SEC. 40. *Repealing Clauses.* - The following laws or provisions of laws are hereby  
19 repealed:

- 20 (1) Executive Order No. 226, series of 1987 - "The Omnibus Investments Code of 1987";
- 21 (2) Republic Act No. 7888 - "An Act to Amend Article 7(13) of Executive Order No. 226,  
22 otherwise known as the Omnibus Investment Code of 1987;
- 23 (3) Republic Act No. 7916, otherwise known as the "Special Economic Zone Act of 1995";
- 24 (4) Republic Act No. 8748, otherwise known as "An Act Amending Republic Act No. 7916";
- 25 (5) Presidential Decree No. 66 - "Creating the Export Processing Zone Authority and Revising  
26 Republic Act No. 5490";
- 27 (6) Presidential Decree No. 529 - "Granting to Petroleum Exploration Concessionaires under the  
28 Petroleum Act of 1949 Exemption from Customs Duty and Compensating Tax on

- 1 Importations of Machinery and Equipment, Spare Parts and Materials Required for their  
2 Exploration Operations”;
- 3 (7) Section 8(d) of Republic Act No. 5487, entitled “An Act to Regulate the Organization and  
4 Operation of Private Detective, Watchmen or Security Guard Agencies (The Private Security  
5 Agency Law)”;
- 6 (8) Subparagraph (a)(2) and last sentence of subparagraph (b) of Section 8 and Section 14 of  
7 Presidential Decree No. 269, entitled “Creating the National Electrification Administration as  
8 a Corporation, Prescribing its Powers and Activities, Appropriating the Necessary Funds  
9 Therefore and Declaring a National Policy Objective for the Total Electrification of the  
10 Philippines on an Area Coverage Service Basis, the Organization, Promotion and  
11 Development of Electric Cooperatives to Attain the Said Objective, Prescribing Terms and  
12 Conditions for Their Operations, The Repeal of Republic Act No. 6038, and for Other  
13 Purposes;
- 14 (9) Sections 8, 9 and 10 of Presidential Decree No. 538, entitled “Creating and Establishing the  
15 PHIVIDEC Industrial Authority and Making its Subsidiary Agency of the Philippine  
16 Veterans Investment Development Corporation Defining Its Powers, Functions and  
17 Responsibilities and for Other Purposes”;
- 18 (10) Section 36(f) of Presidential Decree No. 705, otherwise known as the “Revised Forestry  
19 Code”;
- 20 (11) Section 25 of Presidential Decree No. 857, entitled “Providing for the Reorganization of  
21 Port Administration and Operation Functions in the Philippines, Revising Presidential Decree  
22 No. 505 Dated July 11, 1974, Creating the Philippine Port Authority, by Substitution, and for  
23 Other Purposes”;
- 24 (12) Section 16 (a), (b), and (c), and Section 17 (a), (b), (c), (d) and (e) of Presidential Decree  
25 No. 972, as amended, entitled “Promulgating an Act to Promote an Accelerated Exploration,  
26 Development, Exploitation, Production and Utilization of Coal”;
- 27 (13) First sentence of the second paragraph of Section 10 of Presidential Decree No. 972, as  
28 amended by Presidential Decree No. 1174, entitled “Amending PD No. 972, Otherwise  
29 Known as the Coal Development Act of 1976”;

- 1 (14) Sections 2 and 3 of Presidential Decree No. 1362, entitled “Allowing Radio Broadcasting  
2 and Television Stations to Import Radio or Television Equipment, Spare Parts and Allied  
3 Technical and Program Materials to be Used Exclusively in their Broadcast Operations  
4 Subject to Certain Conditions”;
- 5 (15) Section 4 of Presidential Decree No. 1442, entitled “An Act to Promote the Exploration and  
6 Development of Geothermal Resources”;
- 7 (16) Sections 18, 19, 20 and 21 of Republic Act No. 6847, entitled “An Act Creating and  
8 Establishing the Philippine Sports Commission, Defining its Powers, Functions and  
9 Responsibilities Appropriating Funds Therefor, and for Other Purposes”;
- 10 (17) Section 10 (1), (2), (3), (4), (5), and (6) of Republic Act No. 7156, entitled “An Act  
11 Granting Incentives to Mini-Hydro Electric Power Developers and For Other Purposes”;
- 12 (18) Title 9, Section 21 of Republic Act No. 7306, entitled “An Act Providing for the  
13 Establishment of the People’s Television Network, Inc., Defining Its Powers and Functions,  
14 Providing for Its Sources of Funding and For Other Purposes”;
- 15 (19) Section 14 of Republic Act No. 7354, entitled “An Act Creating the Philippine Postal  
16 Corporation, Defining Its Powers, Functions and Responsibilities, Providing for Regulation”;
- 17 (20) Last sentence of Section 17 of Republic Act No. 7820, entitled “An Act Creating the Partido  
18 Development Administration, Defining Its Powers and Functions, Providing Funds Therefor,  
19 and for Other Purposes”;
- 20 (21) Section 16 (a), (b), (c), (d), (e) and Section 17 of Republic Act No. 7844, otherwise known  
21 as the “Export Development Act of 1994”;
- 22 (22) Sections 83, 90, 91, 92 and 93 of Republic Act No. 7942, otherwise known as the  
23 “Philippine Mining Act of 1995”;
- 24 (23) Section 18 of Republic Act No. 8044, entitled “An Act Creating the National Youth  
25 Commission, Establishing a National Comprehensive and Youth Development,  
26 Appropriating Funds Therefor, and for Other Purposes”;
- 27 (24) Section 8 of Republic Act No. 8436, entitled “An Act Authorizing the Commission on  
28 Elections to Use an Automated Election System in the May 11, 1998 National or Local

1 Elections and in Subsequent National or Local Electoral Exercises, Providing Funds Therefor  
2 and for Other Purposes”;

3 (25) Section 9 of Republic Act No. 8479, otherwise known as the “Downstream Oil Deregulation  
4 Act of 1998”;

5 (26) Section 3 a), b), c), d), and h) of Republic Act No. 8502, entitled “An Act to Promote the  
6 Development of the Jewelry Manufacturing Industry, Providing Incentives Therefor and For  
7 Other Purposes”;

8 (27) Section 35 (b), (c) and (d) of Republic Act No. 8550, otherwise known as the “Philippine  
9 Fisheries Code of 1998”;

10 (28) Section 26 (A.1, A.1.1, A.1.2) of Republic Act No. 9275, entitled “The Philippine Clean  
11 Water Act of 2004”;

12 (29) Section 1 of Republic Act No. 9281, entitled “An Act to Strengthen Agriculture and  
13 Fisheries Modernization in the Philippines by Extending the Effectivity of Tax Incentives  
14 and its Mandated Funding Support, Amending for this Purpose Sections 109 and 112 of  
15 Republic Act No. 8435”;

16 (30) Section 3 of Republic Act No. 9290, entitled “An Act Promoting the Development of the  
17 Footwear, Leather Goods and Tannery Industries, Providing Incentives Therefor and for  
18 Other Purposes”

19 (31) Section 5 of Executive Order No. 80, Series of 1993 – “Authorizing the Establishment of  
20 the Clark Development Corporation as the Implementing Arm of the Bases Conversion and  
21 Development Authority for the Clark Special Economic Zone, and Directing All Heads of  
22 Departments, Bureaus, Offices, Agencies and Instrumentalities of Government to Support the  
23 Program”;

24 (32) Section 5 of Proclamation 216, Series of 1993 – “Creating the Poro Point Special Economic  
25 Zone Pursuant to Republic Act No. 7227”;

26 (33) Section 3 of Proclamation No. 420, Series of 1994 - “Creating and Designating a Portion of  
27 the Area Covered by the Former Camp John Hay Special Economic Zone Pursuant to  
28 Republic Act No. 7227”;

1 (34) Section 6 of Proclamation 984, Series of 1997 – “Creating the Morong Special Economic  
2 Zone Pursuant to Republic Act No. 7227”;

3 (35) Executive Order No. 313, series of 2004, as amended by Executive Order 528, Series of  
4 2006 - “Modifying the Rates of Duty on Capital Equipment, Spare Parts and Accessories  
5 Imported by BOI-Registered New and Expanding Enterprises”; and

6 (36) Section 7 of Republic Act No 9282, entitled “An Act Expanding the Jurisdiction of the  
7 Court of Tax Appeals (CTA), Elevating Its Rank to the Level of A Collegiate Court With  
8 Special Jurisdiction and Enlarging Its Membership, Amending for the Purpose Certain  
9 Sections of Republic Act No. 1125, as amended, Otherwise Known as the Law Creating the  
10 Court of Tax Appeals, and for Other Purposes” is modified accordingly to include in its  
11 jurisdiction cases involving the decisions or actions of PIPA in its VAT refund mechanism;

12 All other laws, acts, decrees, orders and issuances or provisions thereof inconsistent with  
13 any of the provisions of this Act are hereby repealed or modified accordingly.

14 SEC. 41. *Effectivity.* – This Act shall take effect fifteen (15) days following its  
15 publication in a newspaper of general circulation in the Philippines.

*Approved,*