



City of Mandaue
Mandaue Investment Promotions Action Center (MIPAC)

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FISCAL INCENTIVES TO PEZA-REGISTERED ECONOMIC ZONE ENTERPRISES

1. Economic Zone Export Manufacturing Enterprise

- Income Tax Holiday (ITH) – 100% exemption from corporate income tax
 - 4 years ITH for Non-pioneer Project
 - 6 years ITH for Pioneer ProjectITH Extension years may be granted if Project complies with the following criteria, (one criterion is equivalent to one ITH extension year), provided that the total ITH entitlement period shall not exceed eight (8) years:
 - > The average net foreign exchange earnings of the project for the first three (3) years of operations is at least US\$500,000.00 and,
 - > The capital equipment to labor ratio of the project does not exceed US\$10,000.00 to 1 for the year immediately preceding the ITH extension year being applied for.
 - > The average cost of indigenous raw materials used in the manufacture of the registered product is at least fifty per cent (50%) of the total cost of raw materials for the preceding years prior to the ITH extension year.
- 3 years ITH for Expansion project (ITH applies to incremental sales)
- Upon expiry of the Income Tax Holiday - 5% Special Tax on Gross Income and exemption from all national and local taxes (“Gross Income” refers to gross sales or gross revenues derived from the registered activity, net of sales discounts, sales return and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)
- Tax and duty free importation of raw materials, capital equipment, machineries and spare parts.
- Exemption from wharfage dues and export tax, impost or fees
- VAT zero-rating of local purchases subject to compliance with BIR and PEZA requirements
- Exemption from payment of any and all local government imposts, fees, licenses or taxes. However, while under Income Tax Holiday, no exemption from real estate tax, but machineries installed and operated in the economic zone for manufacturing, processing or for industrial purposes shall be exempt from real estate taxes for the first three (3) years of operation of such machineries. Production equipment not attached to real estate shall be exempt from real property taxes
- Exemption from expanded withholding tax



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2. Information Technology Enterprise:

- Income Tax Holiday (ITH) – 100% exemption from corporate income tax:
 - 4 years ITH for Non-pioneer project
 - 6 years ITH for Pioneer projectITH Extension year may be granted if Project complies with the following criteria (one criterion is equivalent to one ITH extension year,), provided that the total ITH entitlement period shall not exceed eight (8) years:
 - > The average net foreign exchange earnings of the project for the first three (3) years of operations is at least US\$500,000.00 and,
 - > The capital equipment to labor ratio of the project does not exceed US\$10,000.00 to 1 for the year immediately preceding the ITH extension year being applied for.
 - 3 years ITH for Expansion project (ITH applies to incremental sales)
- Upon expiry of the Income Tax Holiday - 5% Special Tax on Gross Income and exemption from all national and local taxes. (“Gross Income” refers to gross sales or gross revenues derived from the registered activity , net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)
 - Tax and duty free importation of equipment and parts.
 - Exemption from wharfage dues on import shipments of equipment.
 - VAT zero-rating of local purchases of goods and services, including land-based telecommunications, electrical power, water bills, and lease on the building, subject to compliance with Bureau of Internal Revenues and PEZA requirements
 - Exemption from payment of any and all local government imposts, fees, licenses or taxes. However, while under Income Tax Holiday, no exemption from real estate tax, but machineries installed and operated in the economic zone for manufacturing, processing or for industrial purposes shall not be subject to payment of real estate taxes for the first three (3) years of operation of such machineries. Production equipment not attached to the real estate shall be exempt from real property taxes.
 - Exemption from expanded withholding tax.



3. Tourism Economic Zone Locator Enterprise

- Four (4) years of Income Tax Holiday ITH (as qualified under the National Investment Priorities Plan)
- Upon expiry of the Income Tax Holiday - 5% Special Tax on Gross Income and exemption from all national and local taxes (“Gross Income” refers to gross sales or gross revenues derived from the registered activity, net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)
- Tax and duty-free importation of capital equipment
- VAT Zero Rating on local purchases of goods and services, including land-based telecommunications, electric power, and water bills
- Exemption from expanded withholding tax

4. Medical Tourism Enterprise

- Four (4) years of Income Tax Holiday on income solely from servicing foreign patients
- Upon expiry of the Income Tax Holiday - 5% Special tax on Gross Income upon in lieu of all national and local taxes. (“Gross Income” refers to gross sales or gross revenues derived from the registered activity , net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)
- Tax and duty-free importation of medical equipment, including spare parts and equipment supplies, required for the technical viability and operation of the registered activity/ies of the enterprise.
- VAT Zero Rating on local purchases of goods and services, including land-based telecommunications, electric power, and water bills
- Exemption from expanded withholding tax

5. Agro-Industrial Economic Zone Enterprise

- Four (4) years of Income Tax Holiday
- Upon expiry of the Income Tax Holiday - 5% Special tax on Gross Income and exemption from all national and local taxes. (“Gross Income” refers to gross sales or gross revenues derived from the registered activity , net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)



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- Tax and duty free importation of production equipment and machineries, breeding stocks, farm implements including spare parts and supplies of the equipment and machineries
- Exemption from export taxes, wharfage dues, impost and fees
- VAT Zero Rating on local purchases of goods and services, including land-based telecommunications, electric power, and water bills
- Exemption from payment of local government fees such as Mayor's Permit, Business Permit, permit on the Exercise of profession/Occupation/Calling, Health Certificate Fee, Sanitary Inspection Fee, and Garbage Fee

6. Economic Zone Logistics Services Enterprise

- Exemption from duties and taxes on raw materials, semi-finished goods for re-sale to - or for packing/covering, cutting, altering for subsequent sale to PEZA-registered Export Manufacturing Enterprises, for direct export or for consignment to PEZA-registered export enterprise.
- VAT Zero Rating on raw materials for checking, packing, visual inspection, storage and shipping to be sourced locally

7. Economic Zone Developer / Operator

7.a. Manufacturing Economic Zone Developer / Operator

- Special 5% Tax on Gross Income and exemption from all national and local taxes, except real property tax on land owned by the Economic Zone Developer. ("Gross Income" refers to gross sales or gross revenues derived from the registered activity , net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)
- VAT Zero rating of local purchases
- Exemption from expanded withholding tax

7.b. IT Park Developer / Operator

- Special 5% Tax on Gross Income and exemption from all national and local taxes, except real property tax on land owned by the IT Park Developer. ("Gross Income" refers to gross sales or gross revenues derived from the registered activity , net of sales discounts, sales



returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)

- VAT Zero rating of local purchases
- Exemption from expanded withholding tax

7.c. Tourism Economic Zone Developer / Operator

- Special 5% Tax on Gross Income and exemption from all national and local taxes, except real property tax on land owned by the Tourism Economic Zone Developer. (“Gross Income” refers to gross sales or gross revenues derived from the registered activity, net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)
- VAT Zero rating of local purchases
- Exemption from expanded withholding tax

7.d. Medical Tourism Economic Zone Developer / Operator

- Special 5% Tax on Gross Income and exemption from all national and local taxes, except real property tax on land owned by Medical Tourism Zone Developer. (“Gross Income” refers to gross sales or gross revenues derived from the registered activity, net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)
- VAT Zero rating of local purchases
- Exemption from expanded withholding tax

7.e. Agro-Industrial Economic Zone Developer / Operator

- Special 5% Tax on Gross Income and exemption from all national and local taxes, except real property tax on land owned by the Agro-Industrial Economic Zone Developer. (“Gross Income” refers to gross sales or gross revenues derived from the registered activity, net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)
- VAT Zero rating of local purchases
- Exemption from expanded withholding tax



7.f. Retirement Economic Zone Developer / Operator

- Special 5% Tax on Gross Income and exemption from all national and local taxes, except real property tax on land owned by the Retirement Economic Zone Developer. (“Gross Income” refers to gross sales or gross revenues derived from the registered activity, net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)
- VAT Zero rating of local purchases
- Exemption from expanded withholding tax

8. Facilities Enterprises

8.a. Economic Zone Facilities Enterprise

- Special 5% Tax on Gross Income and exemption from all national and local taxes, except real property tax on land owned by developers. (“Gross Income” refers to gross sales or gross revenues derived from the registered activity , net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)
- VAT Zero rating of local purchases
- Exemption from expanded withholding tax

8.b. IT Park Facilities Enterprise

- Special 5% Tax on Gross Income and exemption from all national and local taxes, except real property tax on land owned by developers. (“Gross Income” refers to gross sales or gross revenues derived from the registered activity, net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)
- VAT Zero rating of local purchases
- Exemption from expanded withholding tax

8.c. Retirement Economic Zone Facilities Enterprise

- Special 5% Tax on Gross Income and exemption from all national and local taxes, except real property tax on land owned by developers. (“Gross Income” refers to gross sales or gross revenues derived from the registered activity, net of sales discounts, sales returns



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and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)

- VAT Zero rating of local purchases
- Exemption from expanded withholding tax

9. Economic Zone Utilities Enterprise

- Special 5% Tax on Gross Income and exemption from all national and local taxes, except real property tax on land owned by developers. (“Gross Income” refers to gross sales or gross revenues derived from the registered activity, net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)
- VAT Zero rating of local purchases
- Exemption from expanded withholding tax