



City of Mandaue  
Mandaue Investment Promotions Action Center (MIPAC)

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**Executive Order 226:  
OMNIBUS INVESTMENT CODE OF 1987**

**Incentives to Registered Enterprises**

**1. Income Tax Holiday**

(1) For six (6) years from commercial operation for pioneer firms and four (4) years for non-pioneer firms, new registered firms shall be fully exempt from income taxes levied by the National Government. Subject to such guidelines as may be prescribed by the Board, the income tax exemption will be extended for another year in each of the following cases:

i. the project meets the prescribed ratio of capital equipment to number of workers set by the Board; ii. utilization of indigenous raw materials at rates set by the Board;

iii. the net foreign exchange savings or earnings amount to at least US\$500,000.00 annually during the first three (3) years of operation.

The preceding paragraph notwithstanding, no registered pioneer firm may avail of this incentive for a period exceeding eight (8) years.

(2) For a period of three (3) years from commercial operation, registered expanding firms shall be entitled to an exemption from income taxes levied by the National Government proportionate to their expansion under such terms and conditions as the Board may determine; Provided, however, That during the period within which this incentive is availed of by the expanding firm it shall not be entitled to additional deduction for incremental labor expense.

(3) The provision of Article 7 (14) notwithstanding, registered firms shall not be entitled to any extension of this incentive.

**2. Additional Deduction for Labor Expense**

For the first five (5) years from registration a registered enterprise shall be allowed an additional deduction from the taxable income of fifty percent (50%) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers if the project meets the prescribed ratio of capital equipment to number of workers set by the Board: Provided, That this additional deduction shall be doubled if the activity is located in less developed areas as defined in Art. 40.



### 3. Tax and Duty Exemption on Imported Capital Equipment

Within five (5) years from the effectivity of this Code, importations of machinery and equipment and accompanying spare parts of new and expanding registered enterprise shall be exempt to the extent of one hundred percent (100%) of the customs duties and national internal revenue tax payable thereon: Provided, That the importation of machinery and equipment and accompanying spare parts shall comply with the following conditions:

- (1) They are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices;
- (2) They are reasonably needed and will be used exclusively by the registered enterprise in the manufacture of its products, unless prior approval of the Board is secured for the part-time utilization of said equipment in a non-registered activity to maximize usage thereof or the proportionate taxes and duties are paid on the specific equipment and machinery being permanently used for non-registered activities; and
- (3) The approval of the Board was obtained by the registered enterprise for the importation of such machinery, equipment and spare parts.

In granting the approval of the importations under this paragraph, the Board may require international canvassing but if the total cost of the capital equipment or industrial plant exceeds US\$5,000,000, the Board shall apply or adopt the provisions of Presidential Decree Numbered 1764 on International Competitive Bidding.

If the registered enterprise sells, transfers or disposes of these machinery, equipment and spare parts without prior approval of the Board within five (5) years from date of acquisition, the registered enterprise and the vendee, transferee, or assignee shall be solidarily liable to pay twice the amount of the tax exemption given it.

The Board shall allow and approve the sale, transfer or disposition of the said items within the said period of five (5) years if made:

- (aa) to another registered enterprise or registered domestic producer enjoying similar incentives;
- (bb) for reasons of proven technical obsolescence; or
- (cc) for purposes of replacement to improve and/or expand the operations of the registered enterprise.



#### **4. Tax Credit on Domestic Capital Equipment**

A tax credit equivalent to one hundred percent (100%) of the value of the national internal revenue taxes and customs duties that would have been waived on the machinery, equipment and spare parts, had these items been imported shall be given to the new and expanding registered enterprise which purchases machinery, equipment and spare parts from a domestic manufacturer: Provided, That (1) That the said equipment, machinery and spare parts are reasonably needed and will be used exclusively by the registered enterprise in the manufacture of its products, unless prior approval of the Board is secured for the part-time utilization of said equipment in a non-registered activity to maximize usage thereof; (2) that the equipment would have qualified for tax and duty-free importation under paragraph (c) hereof; (3) that the approval of the Board was obtained by the registered enterprise; and (4) that the purchase is made within five (5) years from the date of effectivity of the Code. If the registered enterprise sells, transfers or disposes of these machinery, equipment and spare parts, the provisions in the preceding paragraph for such disposition shall apply.

#### **5. Exemption from Contractor's Tax**

The registered enterprise shall be exempt from the payment of contractor's tax, whether national or local.

#### **6. Simplification of Customs Procedure**

Customs procedures for the importation of equipment, spare parts, raw materials and supplies, and exports of processed products by registered enterprises shall be simplified by the Bureau of Customs.

#### **7. Unrestricted Use of Consigned Equipment**

Provisions of existing laws notwithstanding, machinery, equipment and spare part consigned to any registered enterprises shall not be subject to restrictions as

to period of use of such machinery, equipment and spare parts Provided, that the appropriate re-export bond is posted unless the importation is otherwise covered under subsections (c) and (m) of this Article.

Provided, further, that such consigned equipment shall be for the exclusive use of the registered enterprise.



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If such equipment is sold, transferred or otherwise disposed of by the registered enterprise the related provision of Article 39 (c) (3) shall apply. Outward remittance of foreign exchange covering the proceeds of such sale, transfer or disposition shall be allowed only upon prior Central Bank approval.

## **8. Employment of Foreign Nationals**

Subject to the provisions of Section 29 of Commonwealth Act Number 613, as amended, a registered enterprise may employ foreign nationals in supervisory, technical or advisory positions for a period not exceeding five (5) years from its registration, extendible for limited periods at the discretion of the Board: Provided, however, That when the majority of the capital stock of a registered enterprise is owned by foreign investors, the position of president, treasurer and general manager or their equivalents may be retained by foreign nationals beyond the period set forth herein.

Foreign nationals under employment contract within the purview of this incentive, their spouses and unmarried children under twenty-one (21) years of age, who are not excluded by Section 29 of Commonwealth Act Numbered 613, as amended, shall be permitted to enter and reside in the Philippines during the period of employment of such foreign nationals.

A registered enterprise shall train Filipinos as understudies of foreign nationals in administrative, supervisory and technical skills and shall submit annual reports on such training to the Board.

## **9. Exemption on Breeding Stocks and Genetic Materials**

The importation of breeding stocks and genetic materials within ten (10) years from the date of registration or commercial operation of the enterprise shall be exempt from all taxes and duties: Provided, that such breeding stocks and genetic materials are (1) not locally available and/or obtainable locally in comparable quality and at reasonable prices; (2) reasonably needed in the registered activity; and (3) approved by the Board.

## **10. Tax Credit on Domestic Breeding Stocks and Genetic Materials**

A tax credit equivalent to one hundred percent (100%) of the value of national internal revenue taxes and customs duties that would have been waived on the breeding stocks and genetic materials had these items been imported shall be given to the registered enterprise which purchases breeding stocks and generic materials from a domestic producer: Provided, 1) That said breeding stocks and generic materials would have qualified for tax and duty free importation under the



preceding paragraph; 2) that the breeding stocks and genetic materials are reasonably needed in the registered activity; 3) that the approval of the board has been obtained by the registered enterprise; and 4) that the purchase is made within ten (10) years from date of registration or commercial operation of the registered enterprise.

#### **11. Tax Credit for Taxes and Duties on Raw materials**

Every registered enterprise shall enjoy a tax credit equivalent to the National Internal Revenue taxes and Customs duties paid on the supplies, raw materials and semi-manufactured products used in the manufacture, processing or production of its export products and forming part thereof, exported directly or indirectly by the registered enterprise: Provided, however, that the taxes on the supplies, raw materials and semi-manufactured products domestically purchased are indicated as a separate item in the sales invoice.

Nothing herein shall be construed as to preclude the Board from setting a fixed percentage of export sales as the approximate tax credit for taxes and duties of raw materials based on an average or standard usage for such materials in the industry.

#### **12. Access to Bonded Manufacturing/Trading Warehouse System**

Registered export-oriented enterprises shall have access to the utilization of the bonded warehousing system in all areas required by the project subject to such guidelines as may be issued by the Board upon prior consultation with the Bureau of Customs.

#### **13. Exemption from Taxes and Duties on Imported Spare Parts**

Importation of required supplies and spare parts for consigned equipment or those imported tax and duty free by a registered enterprise with a bonded manufacturing warehouse shall be exempt from customs duties and national internal revenue taxes payable thereon, Provided, However, That at least seventy percent (70%) of production is exported; Provided, further, that such spare parts and supplies are not locally available at reasonable prices, sufficient quantity and comparable quality; Provided, finally, That all such spare parts and supplies shall be used only in the bonded manufacturing warehouse of the registered enterprise under such requirements as the Bureau of Customs may impose.

#### **14. Exemption from Wharfage Dues and any Export Tax, Duty, Impost and Fee**

The provisions of law to the contrary notwithstanding, exports by a registered enterprise of its non-traditional export products shall be exempted of its non-traditional export



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products shall be exempted from any wharfage dues, and any export tax, duty, impost and fee.

### **Incentives to Multinational Companies Establishing Regional or Area Headquarters in the Philippines**

#### **1. Incentives to Expatriates**

- a. Multiple Entry Visa
- b. Withholding Tax of 15%
- c. Tax and Duty Free Importation
- d. Travel Tax Exemption

#### **2. Incentives to the Regional Headquarters**

- a. Exemption from Income Tax
- b. Exemption from Contractor's Tax
- c. Exemption from all Kinds of Local Licenses Fees, Dues
- d. Tax and Duty Free Importation of Training materials; Importation of Motor Vehicles
- e. Exemption from Registration Requirements

### **Incentives to Multinational Companies Establishing Regional Warehouses to Supply Spare Parts or Manufactured Components and Raw Materials to the Asia-Pacific Region and other Foreign Markets**

1. Tax Incentives for Qualified Goods Destined for Re-exportation to the Asia-Pacific and other Foreign Markets
2. Payment of Applicable Duties and Taxes on Qualified Goods subject to Laws and Regulations Covering Imported Merchandise if destined for the Local
3. Exemption from the Maximum Storage Period under the Tariff and Customs Code;

### **Incentives of Export Processing Zone Enterprises**

1. Additional incentives of a zone registered enterprise
  - a. Exemption from Local Taxes and Licenses

Notwithstanding the provisions of law to the contrary, zone registered enterprise shall, to the extent of their construction, operation or production inside the zone be exempt from the payment of any and all local government imposts, fees, licenses or taxes except real estate taxes which shall be collected by the Province/City/Municipality responsible for the collection thereof under the provisions of the Real Property Tax Code: Provided, That machineries owned by zone registered enterprises which are actually installed and operated in the Zone for manufacturing, processing or for industrial purposes shall not be subject to the payment of real estate taxes for the first three (3) years of operation of such machineries: Provided, further, That fifty percent (50%) of the proceeds of the real



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estate taxes collected from all real properties located in the Zone and such other areas owned or administered by the Authority shall be remitted to the Authority by the province/city/municipality responsible for the collection of such taxes under the provisions of the Real Property Tax Code. All real estate taxes accruing to the Authority as herein provided shall be expanded for such community facilities, utilities and/or services as the Authority may determine.

- b. Production equipment or machineries, not attached to real estate, used directly or indirectly, in the production, assembly or manufacture of the registered product of the zone registered enterprise shall be exempt from real property taxes.