

BOARD OF INVESTMENT INCENTIVES

FISCAL INCENTIVES

A. Income tax holiday (ITH)

BOI-registered enterprise shall be exempt from the payment of income taxes reckoned from the scheduled start of commercial operations, as follows:

- a. New projects with a pioneer status for six (6) years;
- b. New projects with a non-pioneer status for four (4) years;
- c. Expansion projects for three (3) years. As a general rule, exemption is limited to incremental sales revenue/volume.

ITH Sample Computation Registered As NEW

Net income	- P10 M
Tax rate	- 35%
Income tax	- P3.5 m
ITH	- P3.5 m

ITH Computation Registered As Expansion

Net income	- P10 M
Total sales	- P50 M
Base figure	- P10 M
Tax rate	- 35%

Computation:

A. Total sales	- P50 M
B. Less: base figure	- P10 M
C. Incremental sales (A-B)	- P40 M
D. Exemption ratio (C/A)	- 80%
E. Income tax	- P3.5 m
D. Income tax holiday	- P2.8 m
F. Income tax to be paid	- P0.7 m

New registered firms may avail themselves of a bonus year in each of the following cases:

- a. The indigenous raw materials used in the manufacture of the registered product must at least be fifty percent (50%) of the total cost of raw materials for the preceding years prior to the extension unless the board prescribes a higher percentage; Or
- b. The ratio of total imported and domestic capital equipment to the number of workers for the project does not exceed US\$10,000 to one (1) worker; Or
- c. The net foreign exchange savings or earnings amount to at least US\$500,000 annually during the first three (3) years of operation. In no case shall the registered pioneer firm avail of the ITH for a period exceeding eight (8) years.

B. Exemption from taxes and duties on imported spare parts

A registered enterprise with a bonded manufacturing warehouse shall be exempt from customs duties and national internal revenue taxes on its importation of required supplies/spare parts for consigned equipment or those imported with incentives.

C. Exemption from wharfage dues and export tax, duty, impost and fees

All enterprises registered under the IPP will be given a ten (10) year period from the date of registration to avail of the exemption from wharfage dues and any export tax, impost and fees on its non-traditional export products.

D. Tax exemption on breeding stocks and genetic materials

Agricultural producers will be exempted from the payment of all taxes and duties on their importation of breeding stocks and genetic materials within ten (10) years from the date of registration or commercial operation.

E. Tax credits

1. Tax credit on tax and duty portion of 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 on local breeding stocks within ten (10) years from date of registration or commercial operation for agricultural producers.
2. Tax credit on raw materials and supplies. A tax credit equivalent to the national internal revenue taxes and duties paid on raw materials, supplies and semi-manufacture of export products and forming part thereof shall be granted to a registered enterprise.

F. Additional deductions for labor expense

G. The firm may qualify to import capital equipment, spare parts and accessories at 1% duty rate from date of registration or up to June 5, 2006 pursuant to executive order no. 313 and its implementing rules and regulations.

NON-FISCAL INCENTIVES

A. Employment of foreign nationals

A registered enterprise may be allowed to employ foreign nationals in supervisory, technical or advisory positions for five (5) years from date of registration. The position of president, general manager and treasurer of foreign-owned registered enterprises or their equivalent shall however not be subject to the foregoing limitations.

B. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies and exports of processed products.

C. Importation of consigned equipment for a period of 10 years from date of registration, subject to posting of a re-export bond.

D. The privilege to operate a bonded manufacturing/trading warehouse subject to customs rules and regulations.