



Philippine Economic Zone Authority

MEMORANDUM CIRCULAR NO. 2016-035

TO : All PEZA Registered Enterprises and Developers/Operators Entitled to PEZA Incentives

FROM : Deputy Director General JUSTO PORFIRIO LL. YUSINGCO
Officer-in-Charge

DATE : 30 September 2016

SUBJECT : DOF-DTI Joint Memorandum Circular No. 1-2016 Clarifying Certain Provisions of DOF-DTI Joint Administrative Order No. 1-2016, entitled "Rules and Regulations to Implement Republic Act No. 10708, otherwise known as the "Tax Incentives Management and Transparency Act (TIMTA)"

The Department of Finance and the Department of Trade Industry issued Joint Memorandum Circular (JMC) No. 01, Series of 2016 (copy of the JMC is attached), clarifying certain provisions of Joint Administrative Order (JAO) No. 1-2016 (Rules and Regulations to Implement Republic Act No. 10708).

Please be advised of the key provisions of JMC No. 01-2016, which includes amendments of certain provisions of JAO No. 1-2016, as follows:

- 1. The **deadline of submission of the reports** for both income-based tax incentives and value-added tax (VAT) duty exemptions by RBEs covering **Taxable Year 2015 is amended**, as follows:

Submission by RBEs to PEZA	Submission by IPAs to BIR of Consolidated Annual Tax Incentives Reports and to the NEDA Secretariat of Aggregate Annual Tax Incentives Report
November 15, 2016 ^{a/}	December 30, 2016 ^{b/}

^{a/}from original due date of September 15, 2016 under JAO 1-2016

^{b/}from original due date of November 15, 2016 under JAO 1-2016

- 2. Only Registered Business Entities (RBEs) availing of incentives are mandated to submit the Annual Tax Incentives Report (Annex A.1 and Annex A.2 of JAO No. 1-2016) to their respective Investment Promotions Agency (IPA).
- 3. RBEs employing the Fiscal Year accounting period shall state in the title of their Annual Tax Incentives Report-Income-based Tax Incentives (Annex A.1 of JAO No. 1-2016) the ending date of their fiscal year.
- 4. Deadline of Submission of Annual Tax Incentives Reports for **Taxable Year 2016** shall be as follows:

Accounting Period Ending	Statutory Deadline for filing the Final adjustment Return and payment of tax due thereon, if any	Submission of Annual Tax Incentives Report to <u>PEZA</u>
31 January 2016	15 May 2016	15 December 2016
29 February 2016	15 June 2016	
31 March 2016	15 July 2016	
30 April 2016	15 August 2016	
31 May 2016	15 September 2016	
30 June 2016	15 October 2016	
31 July 2016	15 November 2016	
31 August 2016	15 December 2016	14 January 2017
30 September 2016	15 January 2017	14 February 2017
31 October 2016	15 February 2017	17 March 2017
30 November 2016	15 March 2017	14 April 2017
31 December 2016	15 April 2017	15 May 2017

5. **Submission of Annex A.2 of JAO No. 1-2016 or Annual Tax Incentives Reports-VAT, Excise Tax and Duty-Based Incentives for the year 2016 (calendar)** shall be submitted **on or before 15 March 2017**, regardless of accounting period.
6. Deadline for submission of reports for Taxable Year 2017 and subsequent years is provided (see attached JMC).

We urge all RBEs to please refer to the Notes to the Annual Tax Incentives Report which provides the description of each column in order to avoid inaccurate reports. A considerable number of the reports already submitted by RBEs were returned to the concerned RBEs due to inaccurate or incomplete data reported.

RBEs which have already submitted their 2015 reports are advised to review their reports based on the Notes to the Annual Tax Incentives Reports. RBEs which intend to amend their report, may do so on or before November 15, 2016. The RBE should indicate "Amended" in the printed copy and soft copy.

For any clarification on the Report Forms, please contact the PEZA-Incentives Management Division at 551-9540 loc. 421, 422 or 426 or email to timta@peza.gov.ph

For strict compliance.

HOA/cvc



REPUBLIC OF THE PHILIPPINES
Department of Finance
Department of Trade and Industry



JOINT MEMORANDUM CIRCULAR NO. 01, Series of 2016

TO: Incentives Promotion Agencies, the Bureau of Internal Revenue and the Bureau of Customs, the Registered Business Entities, and Others Concerned

SUBJECT: Clarification on Certain Provisions of Joint Administrative Order No. 1-2016 dated June 23, 2016, entitled "Rules and Regulations to Implement Republic Act No. 10708, otherwise known as the "Tax Incentives Management and Transparency Act (TIMTA)"

1. Objectives

This Circular is issued to clarify certain provisions of Joint Administrative Order No. 1-2016 relating to the implementation of Republic Act No. 10708, entitled "An Act Enhancing Transparency in the Management and Accounting of Tax Incentives Administered by Investment Promotion Agencies, otherwise known as the Tax Incentives Management and Transparency Act (TIMTA).

2. Rule II Section 2 and Rule III Section 1(b)

2.1 Only Registered Business Entities (RBEs) availing of incentives are mandated to submit the Annual Tax Incentives Report (Annex A.1 and Annex A.2) to their respective Investment Promotions Agency (IPA). Thus, the following are no longer required to submit the Annual Tax Incentives Reports:

- 2.1.1 International organizations invoking tax treaties or international agreements to which the Philippines is a signatory;
- 2.1.2 Business entities registered with an IPA but are not qualified for incentives;
- 2.1.3 Business entities registered with an IPA that are qualified for incentives but have not availed or applied for any incentive during the taxable year;
- 2.1.4 Business entities registered with an IPA but are no longer availing any incentives after their incentives entitlement period;
- 2.1.5 Business entities registered with an IPA that utilize special or preferential treatment by virtue of Free Trade Agreements; and

2.1.6 Regional or Area Headquarters and Regional Operating Headquarters under Book III of Executive Order No. 226, as amended by Republic Act No. 8756.

RBEs falling under Item 2.1.2 shall still be included in the Master List (Annex C of JAO 1-2016) required under Rule III Section 1(a).

2.2 For purposes of reporting of incentives for taxable year 2017 and subsequent years, the RBEs shall file with their respective IPAs their Annual Tax Incentives Reports, within thirty (30) days from the statutory deadline for filing of Final Adjustment Return for Income Tax, and payment of tax due thereon, if any, such that:

Year Ending	Statutory deadline for filing the Final Adjustment Return and payment of tax due thereon, if any*	Submission of Annual Tax Incentives Report to IPA**	Accounting Period
31 January 2017	15 May 2017	14 June 2017	Fiscal Year
29 February 2017***	15 June 2017	15 July 2017	
31 March 2017	15 July 2017	14 August 2017	
30 April 2017	15 August 2017	14 September 2017	
31 May 2017	15 September 2017	15 October 2017	
30 June 2017	15 October 2017	14 November 2017	
31 July 2017	15 November 2017	15 December 2017	
31 August 2017	15 December 2017	14 January 2018	
30 September 2017	15 January 2018	14 February 2018	
31 October 2017	15 February 2018	17 March 2018****	
30 November 2017	15 March 2018	14 April 2018	
31 December 2017	15 April 2018	15 May 2018	Calendar Year

* Based on Section 77(B) of the National Internal Revenue Code of 1997, as amended.

** Applying computation of number of days under Article 13 of the New Civil Code.

*** 2016 is a leap year, thus, this may change.

**** May move, if year ends on a leap year.

2.3 RBEs employing the Fiscal Year accounting period shall state in the title of their Annual Tax Incentives Report – Income-based Tax Incentives (Annex A.1) the ending date of their fiscal year.

3. Rule IX Section 1

3.1 The period on the submission of the reports both for income-based tax incentives and value-added tax (VAT) duty exemptions covering Taxable Year 2015 required under R.A. No. 10708 and its implementing rules and regulations is amended to read as:

Submission by RBEs to IPAs	Submission by IPAs to BIR of Consolidated Annual Tax Incentives Report and to the NEDA Secretariat of Aggregate	Submission of BIR to DOF	Submission by IPA to NEDA Secretariat of Other Relevant Date or
----------------------------	---	--------------------------	---

	Annual Tax Incentives Report		Information
From September 15, 2016 to November 15, 2016	On December 30, 2016	On February 28, 2017	April 14, 2017

3.2. For RBEs using the calendar year method, the submission of Annual Tax Incentives Reports for taxable year 2016 to their respective IPAs shall be on 15 May 2017.

3.3. For RBEs with Fiscal Year ending January 31, 2016 to July 31, 2016, the period on the submission of the reports both for income-based tax incentives and value-added tax (VAT) duty exemptions covering Taxable Year 2016 required under R.A. No. 10708 and its implementing rules and regulations are as follows:

Year Ending	Statutory deadline for filing the Final Adjustment Return and payment of tax due thereon, if any*	Submission of Annual Tax Incentives Report to IPA**
31 January 2016	15 May 2016	15 December 2016
29 February 2016***	15 June 2016	
31 March 2016	15 July 2016	
30 April 2016	15 August 2016	
31 May 2016	15 September 2016	
30 June 2016	15 October 2016	
31 July 2016	15 November 2016	
31 August 2016	15 December 2016	14 January 2017
30 September 2016	15 January 2017	14 February 2017
31 October 2016	15 February 2017	17 March 2017****
30 November 2016	15 March 2017	14 April 2017

* Based on Section 77(B) of the National Internal Revenue Code of 1997, as amended.

** Applying computation of number of days under Article 13 of the New Civil Code.

For your guidance.

01 September 2016, Makati City, Philippines.


CARLOS G. DOMIGUEZ III
 Secretary of Finance




RAMON M. LOPEZ
 Secretary of Trade and Industry

Who are required to submit Annual Tax Incentives Report for RBEs

ANS.: RBEs who are registered with tax incentives are required to submit Annual Tax Incentives Report under Annexes A.1 and A.2

Annex A.1 (Based on Accounting Period. If fiscal year, please specify)

Column (A) Registration No. refers to the registration number indicated in the Certificate of Registration issued by PEZA or TIEZA

Column (B) Date of Registration refers to the date of signing of Registration/Supplemental Agreement (R.A./S.A.)

Column (C) Registered activities/Actual Activities refer to the registered activity indicated in the CRTE R.A./S.A.

Column (D) ITH Extension (Y or N) If Y whether Expansion or Bonus Year - If ITH is an extension of 4-year or 6-year indicate Y and also state if Expansion

Column (E) Entitlement Period of Tax Incentives - Start- refers to the date of commercial operation which is the start ITH entitlement -per registered activity;

***PEZA provided a separate column for the start of the 5% of the GIE**

Column (F) Entitlement Period of Tax Incentives - End - refers to the last date of the ITH entitlement or 4th year if it's a 4-year ITH; 6th year if it's a 6-year ITH; including extension/bonus year/s per registered activity

Column(G) Net Sales - Net Sales per registered activity under ITH (if more than 1 registered activity) and consolidated Net Sales for projects under 5% of the GIE

Column(H) Cost of Sales - Cost of Sales per registered activity under ITH (if more than 1 registered activity) and consolidated Cost of Sales for projects under 5% of the GIE

Column(I) Gross Income - Net Sales minus Cost of Sales per registered activity under ITH (if more than 1 registered activity) and consolidated Gross Income for projects under 5% of the GIE

Column (J) Net Taxable Income - Gross Income minus operating expenses presented per registered activity under ITH (if more than 1 registered activity) and consolidated for projects under 5% of the GIE

Column (K) Tax Rate - refers to the preferential income tax rate such as 0% on ITH or 5% on GIE

Column (L) Income Tax Otherwise Due - Special Rate - Net Taxable Income (column J) multiplied by 30%

Column (M) Income Tax Otherwise Due - ITH -Net Taxable Income (column J) multiplied by 30%

Column (N) Income Tax Paid - amount paid on 5% of the GIE; 0 if under ITH regime

Column (O) Net Tax Relief - same amount with Column M, if under ITH regime; the difference between Columns L and N, if under 5% of the GIE regime

Column (P) Other Income Tax Incentives - Indicate other income tax incentives claimed, if there's any, under RA 7916 as amended and other laws eg. Magna Carta for PWD; or TIEZA

Column (Q) Total Tax Incentives Claimed - Net Tax Relief plus Other Income Tax Incentives

ANNEX A.2 (Based on Calendar Year)

Column (A) Registered Activity/Actual Activities refers to the registered activity indicated in the Registration/Supplemental Agreements (R.A./S.A.)

Column (B) Date of Registration refers to the date of signing of the R.A./S.A.

Column (C) Description Raw Materials/Inputs, CE, Motor Vehicle, Consumer Goods refers to the description of VAT and Duty exempt imported commodities classified as Raw Material/Inputs, Capital Equipment, Motor Vehicle, Consumer Goods, Fuel, others

Column (D) District Ports & Number of Import Entries/Admission Entry refers to the Port of Entry of the exempt importation with the corresponding total number of Import Entries/Admission Permit (for 2015 and 2016 reports)

Column (E) and (F) Volume of Imports- Quantity & Unit of Measure refers to the volume of cargo in kilograms (net weight) reflected in Box 38 of Transshipment Single Administrative Documents (TSAD)

Column Value of Imports in US\$ refers to the FOB value in dollars, commonly used in shipping documents or arrived at by deducting other factors such as freight and/or insurance reflected in Box 22 of TSAD (for Direct Import), invoice value for CBW and interzone/intrazone transfers. Includes imports on consignment basis.

Column Value of Imports in Php - refers to the Total Dutiable Value in Peso which is the basis for the computation of Duties and Taxes reflected in Box 46 of TSAD (for Direct Import), the invoice value in Peso for CBW and interzone/intrazone transfers

Columns (G) & (J) Direct Import - refers to the value of VAT and duty exempt commodities directly sourced from foreign suppliers

Columns (H) & (K) Customs Bonded Warehouse (CBW) - refers to value of VAT and duty exempt commodities sourced from bonded warehouse duly licensed by the Commissioner of Customs

Columns (I) & (L) Interzone Transfer (including intrazone)- refers to value of VAT and duty exempt commodities sourced from another Ecozone/Freeport zone locators

Column (M), (N) & (O) Tax and Duty Waived from Direct Import -Duty, VAT, Excise refers to amount of Duties, VAT and/or Excise that should have been collected on exempt imported commodities (Box 47 of TSAD)

Column (P) Value of Sales to Domestic Market - refers to the Value of Sales to the Domestic Market

Columns (Q) to (T) Duty and Tax Payments on Local Sales - refers to the amount of Duties, VAT and/or Excise Tax payments on local sales

Column (U), (V) & (W) Net Tax and Duty Waived -Duties, VAT & Excise - the difference between the amount of Duties, VAT and Excise Waived and the amount paid on local sales respectively

Column (X) & (Y) VAT and Duty Credit Claimed- Applicable to BOI RBEs

Column (Z) & (AA) VAT and Duty Credit Granted- Applicable to BOI RBEs

Column (BB) Value of VAT Zero Rated Purchases (in Php)- refers to the total value of local purchases with 0% VAT

Column (CC) Value of VAT Zero Rated Export Sales (in Php) - refers to the Total Value of Export Sales (indicate whether Direct or Indirect Export Sales)



Philippine Economic Zone Authority

MEMORANDUM ORDER NO. 2016-003

TO : All PEZA Registered Enterprises and Developers/Operators
Entitled to PEZA Incentives

FROM : Deputy Director General JUSTO PORFIRIO LL. YUSINGCO
Officer-in-Charge

DATE : 04 August 2016

SUBJECT : Submission of "Annual Tax Incentives Report of Registered
Business Entity" on or Before 15 September 2016 as Required
under Republic Act No. 10708, the "Tax Incentives
Management and Transparency Act (TIMTA)"

Further to PEZA Memorandum Circular No. 2016-014, dated 11 April 2016 (copy attached) advising all PEZA-registered enterprises, including all Ecozone Developers / Operators, regarding Republic Act (R.A.) No. 10708, entitled "An Act Enhancing Transparency in the Management and Accounting of Tax Incentives Administered by Investment Promotion Agencies, otherwise known as the Tax Incentives Management and Transparency Act (TIMTA)", please be advised that the Department of Finance (DOF) and the Department of Trade and Industry (DTI) have issued the Rules and Regulations to Implement the said Act under their Joint Administrative Order No. 1-2016, dated 23 June 2016 (copy attached).

Section 4 of R.A. No.10708 provides in part as follows: "*For registered business entities availing of incentives administered by the IPAs (Investment Promotion Agencies), they shall file with their respective IPAS a complete annual tax incentives report of their income-based tax incentives, value-added tax and duty exemption, deductions, credits or exclusions from the tax base as provided in the charter of the IPA concerned, within thirty (30) days from the statutory deadline for filing of the tax returns and payment of taxes.*" The IPAs, in turn, are required to subsequently submit an annual consolidated report to the Bureau of Internal Revenue (BIR) consolidating the annual reports of its registered business entities within sixty (60) days from the statutory deadline for filing of the relevant tax returns.

In accordance with the said Section 4 of R.A. No.10798 and as provided in DOF-DTI Joint Administrative Order No. 01-2016, **all PEZA-registered Enterprises (Export, I.T., Tourism, Medical Tourism, Facilities, I.T. Facilities, Utilities, Logistics Service, Agri-Industrial, Domestic Market) and Ecozone Developers / Operators (including Developers/Operators of I.T. Parks and Centers, Tourism Ecozones, Medical Tourism Ecozones, Agri-Industrial Ecozones,) that are entitled to tax incentives, including those entitled only to duty and tax exemption on importations and/or VAT zero-rating of local purchases, are hereby required to submit to PEZA on or before 15 September 2016 their first "Annual Tax Incentives Report of Registered Business Entity" for 2015** which shall consist of the following:

- Annex A.1 Annual Tax Incentives Report : Income Based Tax Incentives
- Annex A.2 Annual Tax Incentives Report : VAT, Excise Tax and Duty-Based Incentives

Please be advised that as provided in R.A. 10708, any Registered Business Entity (RBE) "which fails to comply with the filing and reportorial requirements with the appropriate IPAs and/or fails to show proof of filing of tax returns to IPAs using the electronic system for filing and payment of taxes of the BIR shall be imposed with the following penalties:

- a. *First (1st) violation – payment of a fine amounting to one hundred thousand pesos (P100,000.00);*
- b. *Second (2nd) violation – payment of a fine amounting to five hundred thousand pesos (P500,000.00); and*
- c. *Third (3rd) violation- cancellation of the registration of the registered business entity."*

Likewise, PEZA officials and personnel tasked to submit the **complete** consolidated reports on the Annual Tax Incentives Reports of PEZA Enterprises / Developers-Operators to BIR within the above-cited 30-day period after the due date of submission by the PEZA Enterprises / Developers-Operators of their respective reports to PEZA, "shall be penalized, after due process, by a fine equivalent to the official's or employee's basic salary for a period of one (1) month to six (6) months or suspension from government service for not more than one (1) year, or both, in addition to any criminal and administrative penalties imposable under existing laws."

For this first Annual Tax Incentives Report of Registered Business Entity under the TIMTA, please be advised of the following:

1. To assist all concerned, PEZA will email to all Enterprises and Ecozone Developers / Operators the soft copy of the required forms in Excel worksheets which already contain all the registered activities of the Enterprise or Developer-Operator, and the respective date of registration, tax incentives entitlement, Income Tax Holiday (ITH) Entitlement Period and Start of 5% GIT of each of their respective registered activities.

For Enterprises submitting to PEZA their respective Ecozone Monthly Performance Reports (EZMPR), the Excel worksheets will be e-mailed to the e-mail address of the Enterprise's authorized personnel in-charge of complying with / submitting reports to PEZA, and to its President / Chief Executive Officer, or equivalent, as indicated in the EZMPR submitted by the Enterprise submitted to PEZA.

Enterprises (Facilities and Utilities) / Developers – Operators not submitting any report to PEZA are advised to immediately send to PEZA-Incentives Management Division through timta@peza.gov.ph the name and email address of their respective official/s who will be put in charge of submitting the Annual Report on Tax Incentives to PEZA.

PEZA will email the soft copy of Excel worksheets to Enterprises / Developers-Operators within the week of August 8 to 12, 2016, and August 15, 2016. All Enterprises which do not receive the worksheets within the said period are advised to immediately send to timta@peza.gov.ph the name, position and email address of their respective official/s who will be put in charge of submitting the above-required 2015 Annual Report on Tax Incentives to PEZA.

2. Pending receipt of its Excel worksheet from PEZA, all are advised to immediately start preparing the data required in the Annual Reports on Tax Incentives based on the attached copy of the Report Format.

3. **For the Annual Tax Incentives Report on Income-Based Tax Incentives (Annex A.1)**, all PEZA-registered enterprises which availed of the Income Tax Holiday and/or the 5% Gross Income Tax (GIT) incentive in 2015, are required to accomplish this Form. This Report shall cover any and all **taxable years ending in any month of 2015**, i.e., Taxable Year ending 31 January 2015; Taxable Year ending 28 February 2015; Taxable Year ending 31 March 2015...and so on... until Taxable Year ending 31 December 2015. The amount of income tax incentive claimed shall be based on the 30% Regular Corporate Income Tax.

For projects which availed of the Income Tax Holiday (ITH) incentive in 2015, the Enterprise should be able to present the amount of ITH claimed on a per project basis.

For projects which availed of the 5% Gross Income Tax (GIT) incentive in 2015, the Enterprise may consolidate the computation of the amount of income tax incentive claimed for all projects that availed of the 5% GIT.

The amounts of Sales and Income indicated in the Report must be consistent with the corresponding amounts declared by the Enterprise / Developer-Operator in its 2015 Income Tax Returns and Audited Financial Statements.

4. **For the Annual Tax Incentives Report on VAT, Excise Tax and Duty-Based Incentives (Annex A.2)**, all PEZA-registered enterprises availing of the VAT Zero rating on local purchases and/or Tax and Duty-free importation incentives are required to submit this Report. This Report shall cover importations and local purchases **during the Calendar Year 2015**. Instructions on how to accomplish this Report are indicated in the Report Form.

For the 2015 Report, PEZA-registered enterprises are only required to submit the estimated amount of duties and taxes waived on importations and VAT waived on local purchases. Please provide the value of importations and VAT zero-rated local purchases.

The amount of duties and taxes paid on local sales shall be the actual amount paid by the Enterprise.

5. **Submission to PEZA** : The Enterprise / Developer-Operator shall e-mail back the accomplished forms (still in Excel format) to PEZA through timta@peza.gov.ph for purposes of consolidation and submission by PEZA to the BIR.

The printed copy of the accomplished Reports (Annexes A.1 and A.2), certified and signed by two of the highest responsible official of the Enterprise / Developer-Operators shall be submitted to the office of its respective PEZA Zone Administrator / Zone Manager / Officer-in-Charge. The PEZA Zone Office shall forward the printed copy of the Reports to the PEZA-Incentives Management Division for subsequent submission to the BIR.

For taxable year 2016 and onwards, the deadline for submission of these reports shall be **June 14** of the following year.

For any clarification on the Report Forms, please contact the PEZA-Incentives Management Division at 551-9540 loc. 421, 422 or 426 or email to timta@peza.gov.ph

For strict compliance.

f.
HOA/cvc



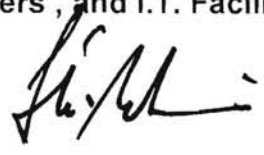


Philippine Economic Zone Authority

MEMORANDUM CIRCULAR No. 2016 - 014

TO : All Ecozone Enterprises (Export, I.T., Logistics Services, Tourism, Medical Tourism, Agro- Industrial, Facilities, Utilities)

All Ecozone Developers / Operators, including Developers / Operators of Tourism Ecozones, Medical Tourism Ecozones, Agri- Ecozones, I.T. Parks and I.T. Centers , and I.T. Facilities Enterprises)

FROM : DIRECTOR GENERAL LILIA B. DE LIMA 

DATE : 11 April 2016

SUBJECT : Impending Implementation of Republic Act No. 10708, Entitled “ An Act Enhancing Transparency in the Management and Accounting of Tax Incentives Administered by Investment Promotion Agencies”

All PEZA-registered Enterprises and Ecozone Developers/Operators are hereby informed of the impending implementation of R.A. No. 10708, otherwise known as the Tax Incentives Management and Transparency Act (TIMTA), which was signed into law by President Benigno S. Aquino III on December 09, 2015 (copy of the TIMTA attached for reference).

In accordance with Section 10 of the TIMTA, the Implementing Rules and Regulations (IRR) of this law are now in the final stages of formulation by the concerned government agencies.

The objective of the law, as stated in Section 2 of the TIMTA, is “to enable the government to monitor, review, and analyze the economic impact (of tax incentives) and thereby optimize the benefits of such incentives.”

The TIMTA requires all business entities registered with Investment Promotion Agencies (IPAs), including PEZA-registered enterprises and Developers/Operators, to submit annual reports to their respective Investment Promotion Agencies (IPAs), including PEZA, particularly on the amount of tax incentives claimed by the business entity for the year. The IPAs, in turn, are required to also submit an annual report to the Bureau of Internal Revenue (BIR) consolidating the annual reports of its registered business entities.

As provided in Section 5 of the TIMTA, *“Nothing in this Act shall be construed to diminish or limit, in whatever manner the amount of incentives that IPAs may grant pursuant to their*

EW ADDRESS : Buildings 3, 4A, 4B (Ground Floor) and 5 DOE-PNOC Complex
Energy Center, Rizal Drive, BGC, Taguig City, Metro Manila
mail: info@peza.gov.ph * www.peza.gov.ph

PEZA - DTS



1511-2016-00022



charters and existing laws, or to prevent, deter or delay the promotion and regulation of investments, processing of applications for registration, and evaluation of entitlement to incentives by IPAs.”

In accordance with the intent of the TIMTA, the 1st annual report on duty and tax exemptions claimed pursuant to the TIMTA that will be required from business entities registered with IPAs will cover the year 2015, to include all Fiscal Years ending in any month of the said year, i.e., beginning with FY ending 31 January 2015 up to Calendar Year ending 31 December 2015. This is aligned with the BIR's reporting of its tax collections. The deadline for submission of the 2015 report from enterprises is being discussed by the concerned government agencies in the crafting of the IRR as part of the transitory provisions thereof.

In view thereof, and in preparation for the said 1st annual report under the TIMTA required to be submitted by business entities registered with IPAs, including all PEZA-registered Enterprises and Developers / Operators of Ecozones and I.T. Parks and Centers, **all are hereby advised of the following:**

1. For Enterprises and Developers / Operators with accounting period ending 31 December 2015, and subsequent accounting periods thereafter beginning with accounting period ending 31 January 2016, submission of the currently required Annual Report to PEZA , in the current prescribed format, as well as the Report on Details on Taxes Paid and Revenue and the Report on Other Income, is hereby deferred until a Memorandum Order on the new due date of submission thereof is issued by PEZA.

PEZA will issue a new Annual Report format to comply with the data requirements of the TIMTA, as prescribed in the TIMTA IRR when this is signed and issued. The new Annual Report format and contents will be included in the Memorandum Order to all PEZA-registered Enterprises and Developers / Operators that will be issued by PEZA.

2. However, submission by all Enterprises and Developers / Operators of copy of their respective final (annual) Income Tax Returns (ITRs) filed with the BIR, together with proof of payment of any income tax due, as applicable, and the corresponding Audited Financial Statements with proof of receipt thereof by the BIR, should still be submitted within thirty (30) days from the statutory deadline for filing of the final (annual) ITR with the BIR, as prescribed in PEZA's Memorandum Circular No. 2007-011, dated 07 May 2007.

Enterprises and Developers / Operators already availing of the 5% Gross Income Tax shall also continue to submit to PEZA proof of payment of 2% of the 5% Gross Income Tax to the concerned Municipal or City Treasurer of the Municipal or City where its facility is located, within the same thirty (30) – day period following the statutory deadline for the filing of the final Income Tax Returns, as likewise prescribed in PEZA Memorandum Circular No. 2012-015 dated 04 May 2012.

3. As mandated under Section 4 of the TIMTA, all business entities registered with IPAs, including all PEZA-registered Enterprises and Developers / Operators, must file their respective Income Tax Returns and pay taxes “using the electronic system for filing and payment of taxes of the Bureau of Internal Revenue” unless the BIR allows the manual filing and / or payment thereof, via a BIR-issued Memorandum, in which case, however, the IPA-registered business entities shall comply with conditions therein as prescribed by the BIR. This matter will be addressed in the TIMTA IRR. All are reminded that PEZA issued Memorandum Circular No. 2010-006, dated 05 February 2010, requiring all PEZA-registered entities to use the BIR Electronic Filing and Payment System (eFPS) in accordance with BIR Revenue Regulations No. 1-2010. Please note the penalty provisions in the TIMTA which will apply to enterprises that do not file their Income Tax Returns through BIR’s electronic filing system.
4. In preparation for the TIMTA-mandated reports, it is advised that in filing their respective final Income Tax Returns henceforth, all PEZA Enterprises and Developers / Operators entitled to Income Tax Holiday and / or the 5% Gross Income Tax incentives already compute for and indicate the Income Tax Due on Net Income (based on 30% Regular Corporate Income Tax Rate in their returns for purposes of their computation of the Income Tax exemption claimed for the year which will be part of the reports to be required from enterprises registered with all IPAs.

For your information and guidance.



REPUBLIC OF THE PHILIPPINES
Department of Finance
Department of Trade and Industry



JOINT ADMINISTRATIVE ORDER NO. 1-2016

RULES AND REGULATIONS TO IMPLEMENT REPUBLIC ACT NO. 10708

Pursuant to Section 10 of Republic Act No. 10708, entitled "*An Act Enhancing Transparency in the Management and Accounting of Tax Incentives Administered by Investment Promotion Agencies, otherwise known as the Tax Incentives Management and Transparency Act (TIMTA)*", the Secretaries of the Department of Finance and Department of Trade and Industry, in coordination with the Director-General of the National Economic Development Authority, Commissioners of the Bureau of Internal Revenue and Bureau of Customs, and Heads of concerned Investment Promotions Agencies, hereby promulgate the following Implementing Rules and Regulations (IRR):

RULE I

GENERAL PROVISIONS

SECTION 1. Declaration of Policy. — It is hereby declared the policy of the State to promote fiscal accountability and transparency in the grant and management of tax incentives by developing means to promptly measure the government's fiscal exposure on these grants and to enable the government to monitor, review and analyze the economic impact thereof and thereby optimize the social benefit of such incentives.

SECTION 2. Definition of Terms. — As used in this IRR, the following definitions shall apply:

- a. "**Investment Promotion Agencies (IPAs)**" shall refer to government entities created by law, executive order, decree or other issuance, in charge of promoting investments, administering tax and non-tax incentives, and/or overseeing the operations of the different economic zones and freeports in accordance with their respective charters. These include the Board of Investments (BOI), Philippine Economic Zone Authority (PEZA), Bases Conversion and Development Authority (BCDA), Subic Bay Metropolitan Authority (SBMA), Clark Development Corporation (CDC), John Hay Management Corporation (JHMC), Poro Point Management Corporation (PPMC), Bataan Technology Park, Inc. (BTPI), Cagayan Economic Zone Authority (CEZA), Zamboanga City Special Economic Zone Authority (ZCSEZA), Phividec Industrial Authority (PIA), Aurora Pacific Economic Zone and Freeport Authority (APECO), Authority of the Freeport Area

of Bataan (AFAB), Tourism Infrastructure and Enterprise Zone Authority (TIEZA) and all other similar authorities that may be created by law in the future;

- b. **"Registered Business Entity (RBE)"** shall refer to any individual, partnership, corporation, Philippine branch of a foreign corporation or other entity incorporated and/or organized and existing under Philippine laws and registered with an IPA;
- c. **"Tax incentives"** shall refer to fiscal incentives such as those which come in the form of income tax holidays (ITH), exemptions, deductions, credits or exclusions from the tax base, as provided by law, to RBEs;
- d. **"Annual Tax Incentives Report of Registered Business Entity"** shall refer to the report to be submitted by RBEs to its respective IPA containing complete information on income-based tax incentives, value-added tax (VAT) incentives, duty exemptions, deductions, credits, exclusions from the tax base and other information required under these rules.

The report shall be in matrix format as presented in **"Annex A.1"** for ITH and other income-based tax incentives and **"Annex A.2"** for VAT incentives and duty exemptions.

- e. **"Consolidated Annual Tax Incentives Report"** shall refer to the report to be submitted by the IPAs to the Bureau of Internal Revenue (BIR) based on the Annual Tax Incentives Report of RBEs.

The reports shall be in matrix format as presented in **"Annex B.1"** for ITH and other income-based tax incentives and **"Annex B.2"** for VAT incentives and duty exemptions; and

- f. **"Aggregate Annual Tax Incentives Report"** shall refer to the tax incentives report to be submitted by the IPAs to the National Economic Development Authority (NEDA) Secretariat containing the aggregate tax incentives and investment-related data, on a sectoral or per industry basis using the Philippine Standard for Industrial Classification (PSIC), including, but not limited to, investment projects, investment cost, actual employment, export earnings and all other benefits derived from the registered projects. In cases wherein the sector or industry is not classified under the PSIC, the NEDA Secretariat shall refer such matters to the Philippine Statistics Authority (PSA); and, in the interim, adopt a proxy classification for the purpose of completing the Cost-Benefit Analysis (CBA) on investment incentives within the period provided in this IRR.

The NEDA Secretariat shall provide the definition of investment projects, investment cost, actual employment and export earnings.

RULE II

COMPLIANCE REQUIREMENTS FOR REGISTERED BUSINESS ENTITIES

Section 1. Filing of Tax Returns and Payment of Tax Liabilities. – All RBEs shall file their tax returns and pay their tax liabilities, on or before the deadline as provided under the National Internal Revenue Code (NIRC), as amended, using the electronic system for filing and payment of taxes of the BIR.

The IPAs, where required under applicable laws, rules and guidelines, shall consider only electronically filed tax returns for purposes of availing income-based tax incentives.

In the event the electronic system for filing and payment of taxes of BIR is unavailable, as evidenced by a written advice issued by the BIR, the RBEs shall file and/or pay the taxes due on or before the statutory deadline manually, in which case the BIR duly stamped tax returns shall be accepted by the IPAs. However, upon written advice of the availability of the electronic system for filing issued by the BIR, the RBEs shall within fifteen (15) days from the date of said written advice, electronically file their tax returns which was initially filed manually.

SECTION. 2. Submission of Annual Tax Incentives Report. – RBEs, availing of incentives administered by the IPAs, shall file with their respective IPAs an Annual Tax Incentives Report within thirty (30) days from the statutory deadline for filing of the Final Adjustment Return for Income Tax and payment of tax due thereon, if any.

RULE III

INCENTIVES MONITORING MECHANISM

SECTION 1. Role of Incentives Promotion Agencies. – The heads of the IPAs shall:

- a. Submit to the BIR a master list ("Annex C") of all RBEs, whether granted incentives or not, within thirty (30) days after the approval of this IRR. The master list shall be updated within thirty (30) days after the close of each calendar year.
- b. Submit to the BIR the Consolidated Annual Tax Incentives Report on income-based tax incentives (Annex B.1) and the Consolidated Annual Tax Incentives Report on VAT incentives and duty exemptions (Annex B.2) within sixty (60) days from the statutory deadline for filing of Final Adjustment Return and payment of taxes due thereon, if any, of those employing the Calendar Year accounting period. The IPAs shall include in the said report the Annual Tax Incentives Report on income tax and Annual Tax Incentive Report on VAT incentives and duty exemptions of RBEs employing the Fiscal Year accounting period with fiscal years ending within the subject year. Thus:

Accounting Period	Year Ending On	IPAs shall submit on:
Calendar Year	December 31	June 14 of the following

		year
Fiscal Year	January – November	June 14 of the following year

- c. Submit to the NEDA Secretariat an Aggregate Annual Tax Incentives Report within four (4) months from the statutory deadline for filing of Final Adjustment Return and payment of taxes due thereon, if any, of those employing the Calendar Year accounting period. The IPAs shall include in the said report the Aggregate Annual Tax Incentives Report of RBEs employing the Fiscal Year accounting period with fiscal years ending within the subject year. Thus:

Accounting Period	Year Ending On	IPAs shall submit on:
Calendar Year	December 31	August 14 of the following year
Fiscal Year	January – November	August 14 of the following year

- d. Submit to the NEDA Secretariat other relevant data or information, such as, but not limited to, aggregate incentives claimed as validated by the IPAs, where required under applicable laws, rules and guidelines, within nine (9) months after the statutory deadline for filing of tax returns and payment of taxes due thereon, for the conduct of a CBA.
- e. Disseminate information for the RBEs to provide proper information in their reports.

SECTION 2. Role of the Bureau of Internal Revenue. – The BIR shall:

- a. On or before September 15 of every year, submit to the Department of Finance (DOF), notwithstanding any law to the contrary, the tax incentives of RBEs as reflected in their filed annual tax returns: Provided, That, pursuant to Section 270 of the NIRC, as amended, such submission of BIR to the DOF shall not contain specific names of the RBEs or other identifiers.
- b. Within ninety (90) days after the lapse of the said period to assess provided under the NIRC, as amended, update the foregoing report with income-based tax incentives, deductions, credits or exclusions from the gross income as assessed under the NIRC, and submit the same to the DOF and NEDA Secretariat.

SECTION 3. Role of the Bureau of Customs (BOC). – The BOC shall, on or before September 15 of every year, submit to the DOF, notwithstanding any law to the contrary, the VAT and duty incentives availed by RBEs as reflected in their filed import entries.

SECTION 4. Role of the Department of Finance. – For purposes of monitoring and transparency, the DOF shall have the following responsibilities:

- a. Maintain a single database for monitoring and analysis of tax incentives granted; and

Handwritten marks:
 CBA
 N
 M

b. On or before June 30 of the subsequent year, submit to the Department of Budget and Management (DBM) and the Joint Congressional Oversight Committee created under Section 9 of RA 10708, and upon request, to the NEDA Secretariat the aggregate data categorized by sector, by IPA and by type of tax:

- (1) the amount of tax incentives availed by RBEs;
- (2) the estimated claims of tax incentives immediately preceding the current year;
- (3) the programmed tax incentives for the current year; and
- (4) the projected tax incentives for the following year.

SECTION 5. Role of Department of Budget and Management. – The aforesaid data shall be reflected by the DBM in the annual Budget of Expenditures and Sources of Financing (BESF), which shall be known as the Tax Incentives Information (TII) section: *Provided*, That the TII shall be limited to the aggregate data related to incentives availed of by RBEs based on the submissions of the DOF and the concerned IPAs, categorized by sector, by IPA and type of incentive.

RULE IV

CONDUCT OF COST-BENEFIT ANALYSIS ON INVESTMENT INCENTIVES

SECTION 1. Role of the National Economic and Development Authority Secretariat. – The NEDA Secretariat shall:

- a. Conduct a CBA on the investment incentives to determine the impact of tax incentives on the Philippine economy.
- b. Conduct a CBA of the Aggregate Annual Tax Incentives Report yearly, within six (6) months from the acceptance of the required submissions from all IPAs as specified in Rule III Section 1 (c) and (d). In the event that IPAs are unable to submit the required submission as specified in Rule III, the NEDA Secretariat shall conduct a CBA and indicate in the CBA report the limitations, as necessary.
- c. Provide to the DOF, DTI, IPAs, DBM and Joint Congressional Oversight Committee the results of the CBA.

SECTION 2. Inputs to the Cost-Benefit Analysis. – The NEDA Secretariat shall utilize the following information:

- a. Aggregate Annual Tax Incentives Report as submitted by the IPAs pursuant to Rule III Section 1 (c) and (d) and the aggregate incentives claimed as validated by the relevant IPAs, where applicable;

- b. Information from the DOF database for monitoring and analysis tax incentives granted pursuant to Rule III Section 4 (b);
- c. Other information and reports, as endorsed by DOF and DTI; and
- d. All other material information to be identified by the NEDA Secretariat.

All reports submitted must be accepted by the NEDA Secretariat and should be in electronic and hard copy.

RULE V

PROMOTION AND REGULATION OF INVESTMENTS AND ADMINISTRATION OF INCENTIVES BY THE IPAs

SECTION 1. Non-diminution of Incentives. – Nothing in this IRR shall be construed to diminish or limit, in whatever manner, the amount of incentives that IPAs may grant pursuant to their charters and existing laws; or to prevent, deter, or delay the promotion and regulation of investments, processing of applications for registrations, and evaluation of entitlement of incentives by IPAs. RBEs availing of incentives shall comply with the incentives validation requirements of their respective IPAs.

For avoidance of doubt, the IPAs shall not be precluded from exercising their authority to evaluate or validate any application for availment of ITH and/or other income-based tax incentives and from endorsing the result of the same to other agencies: Provided, That, such evaluation or validation by the concerned IPA is required under its applicable laws, rules and guidelines.

RULE VI

NON-COMPLIANCE WITH FILING AND REPORTORIAL REQUIREMENTS

SECTION 1. Penalty for Non-compliance with Filing and Reportorial Requirements. — Any RBE which fails to comply with the filing and reportorial requirements with the appropriate IPAs and/or fails to show proof of filing of tax returns to IPAs using the electronic system for filing and payment of taxes of the BIR shall be imposed with the following penalties:

- a. First (1st) violation — payment of a fine amounting to one hundred thousand pesos (P100,000.00);
- b. Second (2nd) violation — payment of a fine amounting to five hundred thousand pesos (P500,000.00); and
- c. Third (3rd) violation — cancellation of the registration of the registered business entity.

Provided, That, the failure to show such proof shall not be a ground for the suspension of the ITH and/or other income-based tax incentives availment where such failure is not due to the fault of the RBE.

SECTION 2. Penalty for Government Official or Employee. — Any government official or employee who fails without justifiable reason to provide or furnish the required tax incentives report or other data or information as required under this IRR shall be penalized, after due process, by a fine equivalent to the official's or employee's basic salary for a period of one (1) month to six (6) months or by suspension from government service for not more than one (1) year, or both, in addition to any criminal and administrative penalties imposable under existing laws.

RULE VII

FUNDING

Such amount necessary to carry out the implementation of these Rules shall be sourced from the current General Appropriations Act.

For this purpose, the DOF, the NEDA Secretariat and IPAs shall be granted supplemental budget, subject to DBM Rules and Regulations, for the development and/or enhancement of systems and database with a view to generating data and reports electronically.

The IPAs, NEDA Secretariat, BIR, BOC and DOF shall endeavor within a period of three (3) years to automate their systems with a view to generating data and reports electronically. For this purpose, the said agencies shall be granted their budgetary requirements to meet the objectives of these Rules.

RULE VIII

REVIEW

The DOF, DTI, and NEDA Secretariat in coordination with the IPAs shall, if necessary, conduct a general review of their rules, policies and programs in relation with this IRR within five (5) years from the effectivity thereof.

RULE IX

FINAL PROVISIONS

SECTION 1. Transitory Provisions. — The first submission of all the reports required under this IRR shall be as follows:

- a. For income-based tax incentives covering taxable year 2015:

Submission by RBE to IPA	Submission by IPA to BIR of Consolidated Annual Tax Incentives Report and to NEDA Secretariat of Aggregate Annual Tax Incentives Report	Submission of BIR to DOF	Submission by IPA to NEDA Secretariat of other relevant data or information
September 15, 2016	November 15, 2016	January 15, 2017	March 15, 2017

b. For VAT and duty exemptions covering calendar year 2015:

Submission by RBE to IPA	Submission by IPA to BIR of Consolidated Annual Tax Incentives Report and to NEDA Secretariat of Aggregate Annual Tax Incentives Report	Submission of BOC to DOF	Submission by IPA to NEDA Secretariat of other relevant data or information
September 15, 2016	November 15, 2016	January 15, 2017	March 15, 2017

SECTION 2. Separability Clause. – If any provision of this IRR is subsequently declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

SECTION 3. Repealing Clause. – All other rules and regulations or parts thereof, inconsistent with the foregoing rules and regulations are repealed, amended, or modified accordingly.


SECTION 4. Effectivity. – This IRR shall take effect fifteen (15) days following its publication in a newspaper of general circulation and filing of three (3) copies hereof with the Office of the National Administrative Register (ONAR) University of the Philippines (UP) Law Center, Diliman, Quezon City pursuant to Presidential Memorandum Circular No. 11 dated 09 October 1992.

APPROVED, this 23 June 2016.


CESAR V. PURISIMA
 Secretary
 Department of Finance
 004603


ADRIAN S. CRISTOBAL JR.
 Secretary
 Department of Trade and Industry

Certified-True-Copy


RHODORA V. REYES
 Chief Administrative Officer
 Central Records Management Division
 DEPARTMENT OF FINANCE

[NAME OF REGISTERED BUSINESS ENTITY]
ANNUAL TAX INCENTIVES REPORT- INCOME-BASED TAX INCENTIVES FOR CALENDAR/FISCAL YEAR _____

Registered Address: _____
Taxpayer Identification No. _____
Revenue District Office No. _____

Registration No.	Date of Registration	Registered Activities/ Actual Activities	ITH Extension (Y or N) If Y whether Expansion of Bonus Year	Entitlement Period of Tax Incentives		Tax Incentives Claimed (As declared by RBE in the ITR)										
				Start	End	Net Sales	Cost of Sales	Gross Income	Net Taxable Income	Tax Rate	Income Tax Otherwise Due		Income Tax Paid	Net Tax Relief	Other Income Tax Incentives	Total Tax Incentives Claimed
						a	b	c=(a-b)	d	e	Special Rate	ITH				
				(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
TOTAL																

Certified By: _____

Note: For BOI RBEs: Columns L and N are not applicable; Value in Column O is the same as the Value in Column M

[NAME OF INCENTIVES PROMOTION AGENCY]
CONSOLIDATED ANNUAL TAX INCENTIVES REPORT-VAT, EXCISE TAX and DUTY-BASED INCENTIVES FOR CALENDAR YEAR _____

No.	Registered Business Entity	Registered Address	Taxpayer Identification No.	Registered Activities/ Actual Activities	Date of Registration	A. VAT, EXCISE TAX and DUTY EXEMPTION																		B. VAT and DUTY CREDIT				C. VAT ZERO RATED				
						Description (Raw materials/inp uts, Capital equipment, Motor vehicle, Consumer goods, others)	District Ports & No. of Import/ Admission Entry	Volume of Imports		Value of Import (In US\$)			Value of Import (In Php)			Tax and Duty Waived from Direct Import			Value of Sales to Domestic Market (In Php)	Duty and Tax Payments on Local Sales				Net Tax and Duty Waived (Tax and Duty Waived from Direct Import -Duty and Tax Payments on Local Sales)			Claimed		Granted		Value of VAT Zero Rated Purchases (In Php)	Value of VAT Zero Rated Exports (In Php)
								Amount/ Quantity	Unit of Measure	Direct Import	CBW	Inter Zone Transfer	Direct Import	CBW	Inter Zone Transfer	Duties	VAT	Excise		Duties	VAT Payment to BIR	VAT Payment to BOC	Excise	Duties	VAT	Excise	VAT	Duty	VAT	Duty		
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	(U)	(V)	(W)	(X)	(Y)	(Z)	(AA)	(BB)	(CC)	(DD)	(EE)	(FF)	(GG)
TOTAL																																

NOTES:

- Volume of Imports- refers to the volume of cargo in kgs reflected in Box 38 of Transhipment Single Administrative Documents (SAD)
- Value of Imports in US\$ - refers to the FOB (Free on Board) value in dollars, commonly used in shipping documents or arrived at by deducting other factors such as freight and/or insurance reflected in Box 22 of TSAD
- Value of Imports in Php- refers to the Total Dutiable Value in Peso which is the basis for the computation of Duties and Taxes reflected in Box 46 of TSAD
- Direct Import- Directly sourced from foreign suppliers
- Customs Bonded Warehouse-sourced from bonded warehouse duly licensed by the Commissioner of Customs.
- Interzone Transfer-sourced from another locators or registered business entity
- Tax and Duty Waived-Amount of Duties and Taxes that should have been collected
- RBEs located inside Ecozones/Freeport Zones
 - a) For the Years 2015 and 2016 the Tax and Duty Waived will be estimated based on the Peso Value of Importation multiplied with equivalent tarriff rates.
 - b) For the Year 2017 onwards, the Tax and Duty Waived is the Amount of Duties and Taxes that should have been collected reflected in Box 47 of TSAD
- RBEs under BOI
 - a) Duty Waived is the Amount of Duty on Capital Equipments that should have been collected reflected in the Consumption Entry
 - VAT and DUTY CREDIT is applicable to RBEs under BOI pursuant to Article 21 and 39(k) of EO 226
 - b) Applicable Columns are (A), (B), (C), (D), (E), (F), (G), (H), (K), (N), (Q), (Y), (BB), (CC), (DD), (EE)

Certified By:

--	--	--	--

174

