



Philippine Economic Zone Authority

Roxas Boulevard corner San Luis Street Pasay City, Metro Manila, Philippines
Telephone (632)5513438 * 5513454* Facsimile (632) 5513436
E-Mail: info@peza.gov.ph * Website: www.peza.gov.ph

MEMORANDUM CIRCULAR NO. 2004 024 *ep*

TO : All Economic Zone Stakeholders

FROM : Director General LILIA B. DE LIMA *Lilia B. De Lima*

DATE : 24 September 2004

SUBJECT : Exemption of PEZA-Registered Economic Zone Enterprises from LGU Permits and Local Taxes, Licenses and Fees

A number of PEZA-registered economic zone enterprises have called PEZA to inquire whether they are exempted from securing LGU Permits and from payment of local taxes, fees, licenses, etc.

In view of the continuing inquiries, PEZA is issuing this Memorandum Circular to inform all economic zone stakeholders of the following:

1. All PEZA-registered economic zone locator enterprises, which are entitled to any or all 3 fiscal incentives [i.e., Income Tax Holiday incentive; the option to pay the special 5 % Tax on Gross Income, in lieu of all national and local taxes except real property taxes on land owned by developers (5% GIT incentive); and/or tax- and duty-free importation of machinery and equipment, raw materials, supplies, spare parts and other production inputs], including Logistics Facilities Enterprises, are exempted from having to secure all LGU permits.

Legal Basis:

Republic Act No. 7916: "The Special Economic Zone Act of 1995", as amended by R.A. No. 8748

Section 13. General Powers and Functions of the Authority expressly vests PEZA with the power to "... operate, administer, manage and develop the ECOZONE" and "...register, regulate and supervise the enterprises in the ECOZONE in an efficient and decentralized manner". This provision echoes

" Trabaho at kabuhayan sa bawat tao"
President gloria Macapagal Arroyo

Section 7 of R.A. No. 7916 which provides that the "ECOZONE shall be developed, as much as possible, into a decentralized, self-reliant and self-sustaining industrial, commercial/ trading, agro-industrial, tourist, banking, financial and investment center with minimum government intervention" and that the "ECOZONE shall administer itself on economic, financial, industrial, tourism development and such other matters within the exclusive competence of the national government".

2. PEZA-registered economic zone enterprises availing of the Income Tax Holiday incentive are exempted from payment of all local taxes, licenses, imposts and fees, except real estate taxes; provided that these enterprises shall also be exempted from payment of real property taxes on machineries and equipment they acquire for use in their production operations, during the first 3 years use of such machinery and equipment.

(Note: An eligible enterprise is entitled to the 3-year exemption from payment of the real property tax on machinery and equipment for every machinery and equipment it acquires for its operation, at any point of its operation, and not only on those acquired during the start of its operation. This means that an eligible enterprise will have to pay the real property tax on a machinery and equipment only on the fourth year of use/operation of such machinery and equipment, except in cases where the eligible economic zone enterprise is already exempted from payment of the real property tax on the machinery and equipment by virtue of it having graduated to the availment of the 5 % GIT incentive.)

Legal Basis :

Republic Act No. 7916: "The Special Economic Zone Act of 1995", as amended by R.A. No. 8748

Section 23. Fiscal Incentives provides that "Business establishments operating within the ECOZONES shall be entitled to the fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority, or those provided under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987".

Executive Order No. 226, "The Omnibus Investments Code of 1987"

"Article 78. Additional Incentives. – A zone registered enterprise shall also enjoy all the incentive benefits provided in Article 39 hereof under the same terms and conditions stated therein. In addition zone registered enterprises shall also be entitled to the following:

(a) *Exemption from Local Taxes and Licenses. – Notwithstanding the provisions of law to the contrary, zone registered enterprises 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 xxx 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 xxx”*

(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.”*

3. PEZA-registered economic zone enterprises availing of the 5 % GIT incentive are exempted from payment of all national and local taxes, except real property tax on land owned by developers.

Legal Basis :

Republic Act No. 7916: “The Special Economic Zone Act of 1995”, as amended by R.A. No. 8748

Section 24. Exemption from National and Local Taxes.

Except for real property taxes on land owned by developers, no taxes, local and national, shall be imposed on business establishments operating within the ECOZONE. In lieu thereof, five percent (5%) of the gross income earned by all business enterprises within the ECOZONE shall be paid and remitted. . . x x x . . .

Bureau of Internal Revenue’s Revenue Regulations No. 12-97: “Regulations Implementing Section 24 of RA 7916) defines “local taxes”

i. “Local Taxes” – shall refer to all local taxes, business taxes, real estate taxes, and other taxes, fees and charges imposed by local government units pursuant to the Local Government Code of 1991, as amended.”

PEZA issues Certificates of Incentives upon the request of registered economic zone enterprises

For the information and guidance of all concerned.