




Republic of the Philippines

# PHILIPPINE ECONOMIC ZONE AUTHORITY

MEMORANDUN CIRCULAR NO. 2024 - 037

TO : ALL PEZA-REGISTERED BUSINESS ENTERPRISES (RBEs)  
ALL ZONE ADMINISTRATORS / ZONE MANAGERS / OFFICERS-IN-CHARGE

FROM : TERESO O. PANGA  
Director General 

DATE : 22 August 2024

SUBJECT : PEZA Board Resolution No. 24-190 on the Updated Guidelines on Local Sales

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As a background, under PEZA Board Resolution No. 06-063 dated 15 February 2006, any excess of the allowable local sales limit of a registered export enterprise shall be subject to payment of income tax, local business tax, real property tax, duties and taxes on depreciation value of machinery and equipment proportionate to the local sales in excess of the allowable local sales limit for each year during which the enterprise exceeded its local sales limit.

The said BR No. 06-063 further provides that an existing export enterprises which fails to comply with its export sales requirements for three (3) consecutive years may continue to retain its export enterprise status and may avail of PEZA incentives as an export enterprise as long as its activity/ies is/are included in the Investment Priorities Plan. For this purpose, the export enterprise shall seek separate approval of the PEZA Board.

The PEZA Board, in its meeting on 28 June 2024, approved, among others, the adoption of the following recommendations made by the PEZA Management under Board Resolution No. 24-190:

**A. For excess local sales**

1. Instead of payment of charges and fees stipulated under PEZA BR No. 06-063 as cited above, Registered Business Enterprises (RBEs) shall **only pay RCIT on excess local sales**.
2. RBEs under pre-CREATE Act, exceeding its local sales threshold, regardless of the number of years it has been exceeding the threshold, may be allowed to retain its "Export Enterprise" status until the end of the transitory period under R.A. 11534, or the CREATE Act, without the need for an approval by the PEZA Board, and may be issued by the PEZA Director General a LOA to engage in local sales, provided it has paid the RCIT for its excess local sales, and with complete documentary requirements per PEZA Citizen's Charter.
3. However, RBEs (whether registered pre-CREATE or post CREATE) which fail to meet their respective export sales threshold, as indicated above, shall no longer be issued a VAT-zero rating certificate for purposes of their local purchases for the year preceding the year of its non-compliance, in lieu of the following charges/penalties as contained under PEZA Board Resolution No. 06-063 dated 15 February 2006:



1. Local Business Tax for gross receipts in the amount of excess local sales
2. Duties and taxes on the annual depreciation value of imported production machinery and equipment proportionate to the excess local sales
3. Real property tax on the assessed value of machinery and equipment proportionate to the excess local sales

*To illustrate, if the RBE, which is required to export at least 70% of its total production output, was able to export only 65% in 2023, it will not be issued a VAT zero rating certificate in 2024. However, if in 2024 the RBE was able to meet the 70% export requirement, it will be issued a VAT zero rating certificate in 2025.*

Note: Export Enterprises registered prior CREATE shall be allowed to enjoy the local sales threshold, i.e., 50% of total sales for Filipino-owned and 30% of total sales for foreign-owned until the end of the transitory period provided under CREATE. On the other hand, those registered under CREATE are required to export at least 70% of its total production/output, regardless of nationality.

**B. For all local sales**

4. Withdrawal of finished goods from the Ecozone to the customs territory regardless whether this has not been recognized as sales by the RBE shall be considered by PEZA as local sales, thus included in the computation of local sales rate.
5. For local sales of services, specifically subcontracting, where the raw materials are owned by the RBE's domestic market enterprise-client, only the service revenue (excluding the value of raw materials owned by the domestic client) but including other inputs owned by the RBE shall be included in the computation of local sales rate, provided that the subcontracting activity is rendered in the RBE's facility inside the ecozone.

Likewise, local sales of services with deployment of RBE's personnel in the client's facility located outside the ecozone shall be subject to the Regular Corporate Income Tax (RCIT).

6. For purposes of determining the local sales rate of the RBEs, the amount of local sales shall be **net of 12% VAT.** This is to harmonize the total sales for local sales rate determination, since export sales are VAT zero rated.

For information and guidance.

  
VSS/CVC/ljf/mls





### CERTIFICATE OF BOARD RESOLUTION

This is to certify that at the Board Meeting of the Philippine Economic Zone Authority (PEZA) held on **28 June 2024**, during which a quorum was present, the following resolution was approved:

#### **“RESOLUTION NO. 24 - 190**

RESOLVED, That the Board hereby **APPROVES**, the following recommendation of the Management:

1. Retention of the Export Enterprise status of the Registered Business Enterprises (RBEs) under Categories A, B, and C;
2. Issuance of Letter of Authority (LOA) to engage in Local Sales to the RBEs under Categories A and B; and
3. Require the RBEs under Category C to pay the applicable charges/taxes proportionate to their excess local sales, as indicated in Board Resolution Nos. 22-015 and 23-159 prior to the issuance of a LOA to engage in local sales.

#### **Guidelines on Local Sales to the Registered Business Enterprises (RBEs) exceeding their local sales threshold:**

1. Retention only of payment of the Regular Corporate Income Tax and elimination of the other charges (regardless of whether it is registered pre-Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act or under CREATE) in relation to its excess local sales provided under B.R. No.06-063 dated 15 February 2006, as shown below:

#### **From:**

1. Payment of the Regular Corporate Income Tax (RCIT);
2. Real Property Tax on machinery and equipment;
3. Duties and Taxes on the depreciated value of machinery and equipment; and
4. Local Business Tax, proportionate to the local sales in excess of the allowable local sales limit.

#### **To:**

1. Payment of the Regular Corporate Income Tax (RCIT);

*dk*





2. An RBE under pre-CREATE Act, exceeding its local sales threshold, regardless of the number of years it has been exceeding the threshold, may be allowed to retain its "Export Enterprise" status until the end of the transitory provision of R.A. No. 11534 or the CREATE Act, or until 11 April 2031, without the need for an approval by the PEZA Board, and may be issued by the PEZA Director General a LOA to engage in local sales, provided it has paid the RCIT, and with complete documentary requirements per PEZA Citizen's Charter; and
3. All RBEs (pre-CREATE Act and post CREATE Act) which failed to meet its export sales requirement shall not be issued a VAT-zero rating certificate for purposes of their local purchases for the year preceding the year of its non-compliance in accordance with the Rule 2 of CREATE Act Implementing Rules and Regulations (IRR) and the Bureau of Internal Revenue (BIR) Revenue Regulations No. 21-2021 dated 03 December 2021 and Revenue Memorandum Circular No. 24-2022 dated 23 February 2022, in addition to the required payment under No. 1 above.

**All RBEs with Local Sales Transactions:**

4. Withdrawal of finished goods from the Ecozone to the customs territory regardless of whether this has not been recognized as sales by the RBE shall be considered by PEZA as local sales, thus included in the computation of local sales rate.
5. For local sales of services, specifically subcontracting, where the raw materials are owned by the RBE's domestic market enterprise-client, only the service revenue (excluding the value of raw materials owned by the domestic client) but including other inputs owned by the RBE shall be included in the computation of local sales rate, provided that the subcontracting activity is rendered in the RBE's facility inside the economic zone. Likewise, local sales of services with deployment of the RBE's personnel in the client's facility located outside the economic zone shall be subject to the RCIT.
6. For purposes of determining the local sales rate of the RBEs, the amount of local sales shall be net of 12% VAT. This is to harmonize the total sales for local sales rate determination, since export sales are VAT zero rated."

The above-quoted resolution is true and correct in accordance with the records of the Office of the Board Secretariat.

  
**ATTY. CHRISTINE HEIDE A. ROSALES**  
Acting Board Secretary

05/08/2024  
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