INCENTIVES FOR LOCAL MANUFACTURERS, FABRICATORS AND SUPPLIERS OF RE COMPONENTS & EQUIPMENT





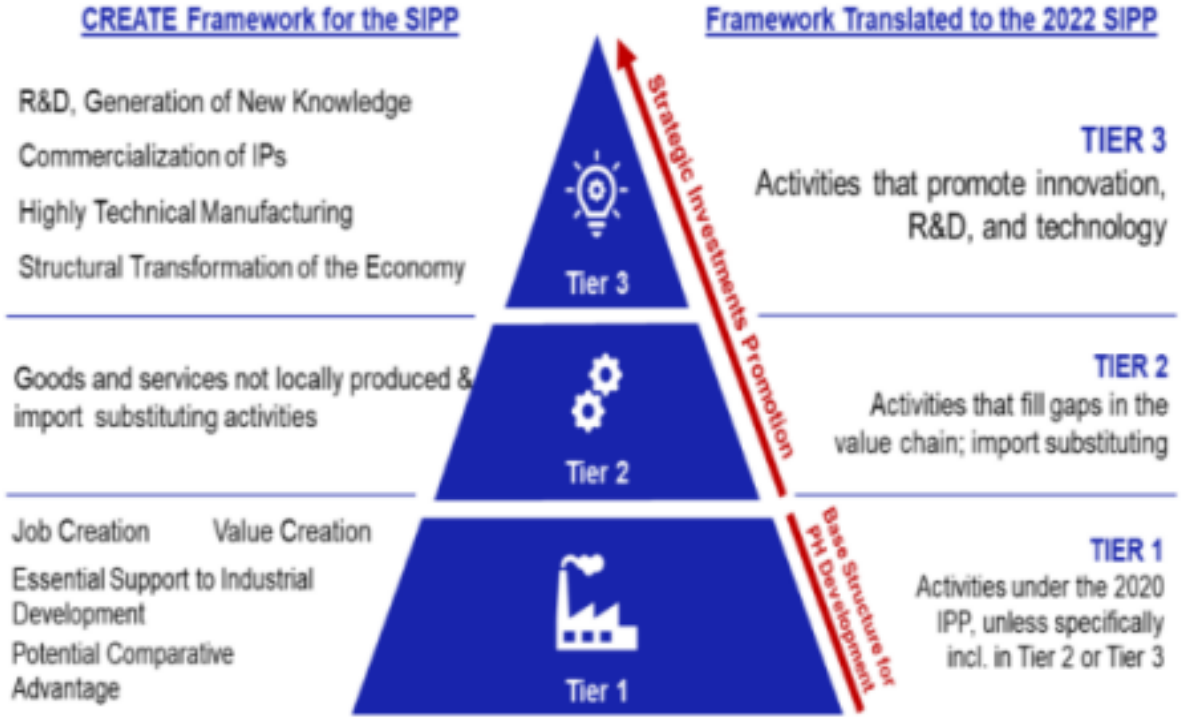




Strategic Investments Priority Plan (SIPP)

- contains the list of preferred areas of investments that may qualify for fiscal as provided under R.A. 11534, otherwise known as **Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act**.

The SIPP categorizes activities into **industry tiers**:



RE projects may qualify for incentives under the 2022 SIPP

Qualification for Incentives

Tier I

- **Qualified Manufacturing (supply chain)**
- **Special Laws: *RE Act of 2008***

Tier II

- **Green Ecosystems: *Renewable Energy***
- **Industrial Value Chain Gaps (supply chain)**

Tier III

- **High-tech Manufacturing (supply chain)**

NOTE: Application for registration must be accompanied by a copy of the DOE Certificate of Registration, Certificate of Accreditation, or DOE endorsement, whichever is applicable.

Special Laws – R.E. Act

Income Tax Holiday (ITH) – 7 Years

Tax and Duty Free Importation of Components, Parts and Materials

Tax Credits on Domestic Capital Components, Parts, and Materials

Zero Rated Value-Added Tax Transactions

Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE)

ENHANCED DEDUCTIONS

- Depreciation Allowance-additional deduction 10% Building , 20% Machinery & Equipment
- 50% Additional Labor Expense
- 100 % Additional Research & Development (limited to local expenditures)
- 100% Additional Training Expense (trainings conducted to Filipinos)
- 50% Additional Deduction on Domestic Input Expense
- Enhanced Net Operation Loss Carry Over (NOLCO)
- 100% Additional Deduction on Power Expense
- 50% Deduction for Reinvestment Allowance to Tourism and Manufacturing Industry (31 December 2034)
- Allowable deduction for Cost of Setting Up an Electronic Sales Reporting System (Micro and Small Tax Payers: 100%; Medium and Large Tax Payers: 50%
- 50% Additional Deduction on Expenses for Trade Fairs, Exhibitions, Missions

KEY FEATURES:

- CIT Rate from 25% to 20% for RBEs under Enhanced Deduction Regime (EDR)
- 2% local business tax in lieu of all local taxes, fees and charges will apply during ITH and EDR period
- Power of the FIRB to approve projects above 15B and with longer period of incentives from 24-27 years
- Allows RBEs in economic or freeport zones to have WFH arrangements covering up to 50% of their total workforce
- **Exclusion from Gross Income. Income of any kind required by any treaty including "agreements entered into by the President with economies and administrative regions" concurred by Senate shall not be included in the gross income; hence exempt from taxation.**
- Sunset Period for incentives granted to RBEs prior to CREATE Act until 31 December 2034

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Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE)

Menu of Incentives

- RBE has the option to have ITH+ED/SCIT or go straight to ED/SCIT from start of commercial operations

TYPE OF RBE	ITH + SCIT/EDR or SCIT/EDR	
	IPA-Approved	FIRB-Approved
DOMESTIC MARKET ENTERPRISES (DME)/ HIGH VALUE DME*	• 4 to 7 years ITH + 10 years EDR, **OR** • 14 to 17 years EDR	• 4 to 7 years ITH + 20 years EDR, **OR** • 24 to 27 years EDR
REGISTERED EXPORT ENTERPRISES (REE)	• 4 to 7 years ITH + 10 years SCIT/EDR, **OR** • 14 to 17 years SCIT/EDR	• 4 to 7 years ITH + 20 years SCIT/EDR, **OR** • 24 to 27 years SCIT/EDR
Extension of Original Incentive Period for existing RBE (with at least 10k direct employees)	• 5 years EDR or SCIT	• 10 years EDR or SCIT

**High-value DME - registered DME with investment capital >15 billion pesos and are engaged in import-substituting sectors, or with export sales in the immediately preceding year of ≥100 million USD, or its equivalent in an acceptable foreign currency; FIRB may increase amount.*

- VAT and Duty Incentives **(availment for the entire registration period as an RBE)**
  - Duty exemption on importation of capital equipment, raw materials, spare parts, or accessories
  - VAT exemption on importation, and VAT Zero-rating on local purchases to all export-oriented enterprises (both registered and non-registered) and high-value DMEs
- Expansion Projects: 8 to 13 years EDR for DME; 8 to 13 years SCIT/EDR for REE

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