



REPUBLIC OF THE PHILIPPINES  
**BOARD OF INVESTMENTS**  
Industry and Investments Building  
385 Sen. Gil J. Puyat Ave., Makati City



## NOTICE

Notice is hereby given that the Board, in its meeting of 02 August 2005, approved the General Policies and Specific Guidelines to Implement the 2005 Investments Priorities Plan (IPP), as follows:

### Section I GENERAL POLICIES

#### I. EQUITY OWNERSHIP

- As a general rule, there are no restrictions on the extent of foreign ownership of export-oriented enterprises.
- 100% foreign ownership for domestic-oriented enterprises is allowed, provided that:
  - the project is not engaged in an activity covered under the areas specified in the Foreign Investment Negative List (FINL)\*; and
  - the paid-up capital is at least the Philippine Peso equivalent of US\$200,000.

\* The FINL is updated every two (2) years by an Inter-Agency Working Group led by National Economic Development Authority (NEDA).

#### II. EQUITY REQUIREMENT

- In general, the minimum equity required to finance the project applied for registration with the BOI shall be equal to 25% of project cost.
- Equity could be in the form of paid-up capital or retained earnings that has been or will be converted into paid-up capital of the applicant firm.

#### III. REGIONAL DISPERSAL OF INDUSTRIES

The dispersal of economic activities in the countryside is encouraged. Unless provided for in these guidelines, projects locating in the National Capital Region (NCR) are provided limited incentives. Accordingly, projects locating in Less Developed Areas (LDAs) are granted additional incentives, as follows:

- Six (6) year income tax holiday (ITH) regardless of status (pioneer or non-pioneer) or type of project (new or expansion);
- Additional deductions from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure facilities.

## **LESS DEVELOPED AREAS**

<b>REGION</b>	<b>PROVINCE</b>
CAR	Abra Apayao Ifugao Kalinga Mt. Province
II	Quirino Nueva Vizcaya
IV	Aurora Marinduque
V	Masbate
VI	Guimaras
VII	Siquijor
VIII	Biliran Eastern Samar Southern Leyte
ARMM	Basilan Maguindanao Sulu Tawi-Tawi

NOTE: The BOI may, on a case-to-case basis, consider areas within any province not listed as a Less Developed Area

Complementary to the provision of the law granting maximum incentives to registered enterprises in LDAs, firms that locate in congested urban centers may be given limited incentives.

#### **IV. EXEMPTION FROM THE LOCATIONAL RESTRICTION**

1. Projects that will locate in government industrial estates declared as such by national law or by presidential proclamation prior to 01 January 1989, as follows:
  - a. Dagat-Dagatan (P.D. 569 dated 30 October 1974)
  - b. Vitas Industrial Estate, Tondo (E.O. 1086 dated 31 January 1986, as amended/expanded through Presidential Proclamation No. 39 dated 09 September 1992 and Proclamation 465 dated 01 August 1994) (Vitas Industrial Estate/Smokey Mountain)
  - c. Bagong Silang Industrial Estate, Caloocan City (Presidential Proclamation No. 843 dated 26 July 1971)
  - d. Food Terminal Inc., Taguig (LOI 900 dated 25 July 1979)
  - e. Navotas Fishing Port Complex (E.O. 772 dated 08 February 1982)
2. Projects that will engage in service type activities listed in Part 1(I) of the IPP

### 3. Export-oriented projects

In general, a project may be considered as export-oriented when at least fifty percent (50%) of production output/services rendered is for export, if Filipino-owned, and seventy percent (70%), if foreign-owned.

Revenues generated from services rendered to tourists may be considered as export sales.

- a. Projects that will engage in activities listed in Part 1(I) of the IPP may be entitled to full incentives subject to the limitations set forth in the Specific Guidelines
- b. Projects that will engage in activities not listed in Part 1(I) of the IPP are granted limited incentives

### 4. Modernization projects

5. New and expansion projects in support to export-oriented jewelry enterprises engaged in electroplating, gemstone appraisal and certification, assaying and hallmarking

## **V. EXPORT ACTIVITIES**

This covers non-traditional export products. To qualify for incentives, industrial goods should have undergone manufacturing. Production of industrial goods and products from recycled materials involving simple processing covering any or a combination of activities such as but not limited to cleaning, sorting, cutting, shredding, pulverizing, grinding, crushing, compacting, dissolving and filtration are not qualified for registration.

The BOI may, if national interest requires, withhold registration of projects engaged in the export of a product including industry inputs that are in short supply domestically.

## **VI. PROMOTION OF MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES (MSMES)**

In line with the Medium Term Philippine Development Plan (MTPDP), the BOI promotes the development of micro, small and medium-sized enterprises on account of their contribution to employment generation, countryside development, and the cultivation of the Filipino entrepreneurial spirit. The sectors given priority under the MSMEs are the activities that will support the activities listed under Part 1(I) and (III) of the IPP.

## **VII. ASSISTANCE TO MICRO, SMALL AND MEDIUM-SIZED PROJECTS**

(In addition to the incentives under E.O. 226)

1. Assistance in the preparation of project feasibility studies (PFS) for BOI registration;
2. Availability of an exchange and assistance facility that identifies MSME support companies of a registered enterprise, thereby encouraging intra-sector linkages;
3. Technical assistance through BOI's regular programs and other supporting industries promotion program;
4. Assistance in sourcing financing support;

5. Assistance to overseas contract workers who will engage in MSME activities; and,
6. Promotion of specific area of economic activities that will support export and priority programs of the government that encourage inter-sector linkages.

## **VIII. POLICIES ON PROJECT TYPE AND STATUS**

### **1. New Projects**

Other than the normal definition of a new project, i.e., one to be undertaken by a newly formed/incorporated enterprise, the following are deemed new projects:

- a. Project to be established by an existing enterprise with existing business operation(s) entirely distinct and different from the proposed project in terms of either final product, production process, equipment or raw materials;
- b. Project to be established by an existing enterprise along the same line of business as any of its existing operations, provided:
  1. The new project will involve the establishment of a completely new line which may be put up in a site either outside or contiguous to its existing premises or compound; and
  2. There is new investment in fixed assets and working capital, whether through stockholders' equity and/or loan.

Investment in additional facility that will result in the increase of production capacity using the firm's existing line is considered as expansion.

"Complete Line" covers production from processing of raw materials to produce the goods including quality control and packing.

"Facility" refers to the space or area, physical structure and equipment provided for a particular purpose or segment of the production process.

- c. Projects with assets acquired from PMO/GFIs/GOCCs:

This covers projects involving assets purchased/leased from the Privatization and Management Office (PMO), government financial institutions (GFIs) and government owned or controlled corporations (GOCCs), or entities wherein the government has ownership or interest.

Pioneer status may be granted to:

- Projects utilizing purchased assets with new investment of at least the Philippine Peso equivalent of US\$100 million covering acquisition cost (contract price), pre-operating cost, rehabilitation cost, if any, and working capital, or
- Projects utilizing leased assets with new investment of at least the Philippine Peso equivalent of US\$20 million covering upfront lease payment equivalent to 1 year upon signing of contract, pre-operating cost, rehabilitation cost and working capital.

- d. When an existing facility is closed and a new one will be opened:

When an enterprise closes its existing facility/project and puts up the same activity in another location or place, which may involve the utilization of some of the existing machinery and equipment, the said activity may be registered as New, subject to the following conditions:

1. New investment in fixed assets and working capital, of at least 100% of the value of the firm's fixed assets based on AFS prior to closure, shall be put up by the proponent, whether through stockholders' equity and/or loan; and,
2. If the existing project is registered with the BOI, the enterprise should notify the Board of the cessation of operations, and the existing registration shall be cancelled prior to the registration of the new project.

- e. Projects that will involve the utilization of an existing idle facility or plant through lease, purchase or lease-purchase arrangement:

These projects are subject to the following:

1. New investments shall be equivalent to:
  - At least 100% of the total value of the idle facility/plant being leased/purchased based on the latest AFS; or
  - 100% of the original value of the idle facility/plant if at least 50% of the facility/plant is depreciated based on the latest AFS;

New investment shall refer to capital infusion for the rehabilitation of the idle plant/machinery, acquisition of new machinery, furniture and fixture and the like, including cost of lease equivalent to upfront lease payment of 1 year or cost of purchasing the idle plant and working capital.

2. 85% of the original rated capacity of the existing idle facility or plant should be attained; and,
3. If the existing project is registered with the BOI, the enterprise should notify the Board of the cessation of operations, and the existing registration shall be cancelled prior to the registration of the new project.

- f. A project that will involve the reactivation of facilities that have been idle for at least one (1) year

The applicant should submit to the Board a notarized certification from the owner of the idle plant/facilities confirming that the same subject of application has been idle for at least one (1) year.

- g. Projects of Micro and Small Enterprises operating for less than one (1) year

These are projects of micro and small enterprises with total project cost of not more than PhP15 million that have been in commercial operation for less than one year.

- h. Multi-phased projects

Projects where capacity build-up will be implemented in several stages may be registered on a per phase basis. The first phase may be registered as a new project and the succeeding phases may be registered as expansions.

This shall not apply to infrastructure and energy projects where commitment for total development is required.

- i. Upgrading/rehabilitation of existing infrastructure projects

The cost of upgrading/rehabilitation of existing infrastructure projects should be at least 90% of the cost of the activity to be registered. If the cost of upgrading/rehabilitation is less than 90%, the project may be registered as a modernization activity.

## 2. Expansion Projects

These are activities involving the same products of/services rendered by an existing firm, as follows:

- a. Projects that will involve the installation of additional capacity-determinant equipment within the same existing plant or facility of the enterprise
- b. Projects that will involve the modernization and rehabilitation of an existing facility of activities listed under Part 1(I) and (III) of the IPP that will result to increase in the existing capacity

Income tax holiday for items (a) and (b) shall be subject to base-figure equivalent to the firm's highest production volume or sales value in the last three (3) years prior to the filing of the application for registration of the project.

## 3. Modernization or Rehabilitation Projects

- a. These are projects engaging in the activities listed under Part 1(I), (II) B and (III) of the IPP.
- b. In general, modernization programs shall be completed within two (2) years from date of registration.
- c. Modernization or rehabilitation projects must result in any of the following:
  - i. Substantial reduction of production cost; or
  - ii. Significant increase in production efficiency including debottlenecking; or
  - iii. Meaningful upgrading of product quality; or
  - iv. Utilization of latest technology.
- d. The incremental income resulting from modernization/rehabilitation shall be entitled to ITH subject to a base figure equivalent to the current operating capacity or sales of the firm at the time of filing of application for registration.
- e. The computation of ITH for projects without increase in capacity is as follows:
  - i. for single product/activity

$$\text{Rate of Exemption (ROE)} = \frac{\text{New Investment (in US\$)}}{\text{Total Investments (existing + new) relative to the concerned plant (in US\$)}} \times 100$$

- ii. for multiple products/activities or when ITH entitlement of other products/activities has lapsed:

$$\% \text{ Share to Total Sales} = \frac{\text{Sales of the Product subject of retooling}}{\text{Total Sales}} \times 100$$

$$\text{ROE} = \frac{\text{New Investment (in US\$)}}{\text{Total Investments (existing + new) relative to the concerned plant (in US\$)}} \times 100$$

Where:

- The ROE shall be fixed for the ITH entitlement period.
- The exchange rate shall be the existing rate at the time of actual investment.
- For purposes of determining existing investments, the Total Fixed Assets relative to the concerned plant including the land on which the project is situated shall be based on the latest audited financial statements at the time of application for registration.
- The % share in Total Sales shall be based on actual sales values for the year of availment.

#### 4. Existing Export Projects

Existing producers that will export part of production may qualify for registration with limited incentives, i.e., Tax Credit and/or VAT zero rating of their exported products, under certain conditions.

### IX. PROJECTS CRITICAL TO THE ENVIRONMENT

1. New and expansion projects shall be required to secure an Environmental Compliance Certificate pursuant to P.D. No. 1586 (Philippine Environmental Impact Statement System).
2. All projects that will involve handling, transport, processing and/or storage of toxic, hazardous substances and/or nuclear wastes shall be subject to the provisions of R.A. No. 6969 (Toxic and Hazardous Substances and Nuclear Wastes Control Act of 1990) and such other laws and/or relevant Presidential issuances.
3. Projects involving the importation of wastes for final disposal as material of no economic value to the country cannot be registered.

### X. ESTABLISHMENT AND OPERATION OF CENTERS OF EXCELLENCE, TEST AND OTHER SERVICE FACILITIES

Center of Excellence (COE) shall refer to the venue that serves as:

- A convergence point for sharing the latest industry business and technical development trends and best practices;
- A location where government, academe and the private sector can unite to support a particular program for the development of a particular industry;
- A site where individuals will find the networking opportunity and the source to advance learning not normally available in either their existing workplace or in the academe community; and
- A place that will ensure that industry players keep abreast and acquire latest capability to be competitive globally.

The COE shall offer continuing education for purposes of acquiring new skills and/or providing advanced training in the area of excellence it is in. The COE shall engage in research and projects that are leading edge in technology, which may come from direct research supported by the Center or coming from reputable sources outside the Center in an order of magnitude more advanced than what is available in the academe. The COE shall have credible and reputable faculty and administrators and must have state-of-the-art laboratories.

## **XI. INDUSTRY CLUSTERS**

Industry Cluster refers to geographical concentration of interconnecting companies, specialized suppliers, service providers, firms in related industries and associated institutions (universities, standard agencies, and trade associations) in particular fields that compete but also cooperate. It will enhance industrial competitiveness, promote investments in the countryside, develop micro, small and medium enterprises (MSMEs), and support the One Town, One Product (OTOP) Program. These apply to the following listed activities in the IPP:

1. Agribusiness
2. Healthcare and Wellness Products
3. Information and Communications Technology
4. Electronics
5. Motor Vehicle Products
6. Energy
7. Infrastructure
8. Tourism
9. Shipbuilding/Shipping
10. Jewelry
11. Fashion Garments
12. Industrial Tree Plantation
13. Iron and Steel
14. Exploration, Mining, Quarrying and Processing of Minerals
15. Rehabilitation, Self-Development and Self-Reliance of Disabled Persons

Industry Clusters may cover the following activities:

1. Services comprising a portion of the manufacturing process
2. Sub-assembly/fabrication of parts/components of the final product
3. Product testing and inspection
  - Compliance with ISO/IEC Guide 25; and
  - Accredited with the Bureau of Product Standards within the first year of registration.
4. Repair, maintenance and calibration of machinery and equipment used by export-oriented companies utilizing high-technology processes

The following activities are excluded from Industry Clusters:

1. Other export activities not identified under Part 1(I) of the IPP
2. Publication or printing of books or textbooks
3. Refining, storage, marketing and distribution of petroleum products
4. Ecological Solid Waste Management
5. Clean Water Act
6. Activities covered under Bilateral Agreements

Industry cluster shall cover horizontal and vertical linkages. In general, horizontal and vertical linkages are limited to first-tier activities. For wholly-obtained raw materials for vertical-forward linkages under “Agribusiness” and “Mining”, vertical-forward linkages may go beyond first-tier activities.

## **XII. POLICY ON INTERNATIONAL CERTIFICATION**

All enterprises that will register under 2005 IPP are encouraged to acquire international certification such as ISO 9000 certification, Quality Standards (QS) or other similar certifications to improve efficiency and global competitiveness.

Enterprises are encouraged to submit a timeframe of activities leading to the certification as a measure to monitor each enterprise’s progress towards achieving accreditation status.

## **XIII. POLICY ON EQUIPMENT**

As a general rule, the acquisition of brand new equipment and the use of production processes/ equipment that meet environmental standards apply.

## **XIV. POLICY ON PROJECTS LOCATING IN THE AUTONOMOUS REGION OF MUSLIM MINDANAO**

Projects locating in the Autonomous Region of Muslim Mindanao (ARMM) should register with the BOI-ARMM.

## **XV. PROJECTS WITH SOVEREIGN GUARANTEE**

All projects with sovereign guarantee and/or guaranteed rate of return shall not be entitled to income tax holiday (ITH).

## **Section II SPECIFIC GUIDELINES**

### **I. PREFERRED ACTIVITIES**

#### **A. Agribusiness**

This covers commercial production and commercial processing of agricultural and fishery products including their by-products and wastes.

1. Commercial production of agricultural and fishery products

This covers commercial production of agricultural crops, livestock and poultry and fishery products up to primary processing thereof.

2. Commercial processing of agricultural and fishery products including their by-products including their by-products and wastes.

- a) This covers the conversion of agricultural/fishery products, their by-products and wastes to a form ready for further processing or final consumption.
- b) The production of refined sugar, cooking oil and milling of rice should comply with the applicable provisions of the Philippine Food Fortification Act of 2000 (R.A. 8976).
- c) The processing of imported raw materials may qualify for registration, provided that the product is for export or that the activity is classified as pioneer.
- d) Projects that cost at least the Philippine Peso equivalent of US\$10 million may qualify for pioneer status.
- e) All food processing projects shall comply with international quality standards.

The following may qualify under Industry Clusters:

1. Feed Milling, excluding those for game animals/fowls and other species for pet/pleasure purposes
2. Agricultural/Agri-processing Services such as cold storage/blast freezing, post-harvest facilities, production related services (such as equipment pooling, toll processing, etc.), specialized transport or bulk handling of farm products
3. Cold storage facilities may include ice plants; registration of ice plants only may be allowed if located in a Less Developed Area
4. Packaging products manufacturing
5. Fertilizer production, both organic and inorganic
6. Farm equipment, tools and machinery manufacturing
7. Research and Development
8. Production of agricultural chemicals (such as those for pest and disease control, etc.) and veterinary supplies (such as vaccines, medications, etc)

Notes:

1. The term "Agri-processing" for this purpose includes fishery.
2. Incentives will be limited to capacity intended or utilized for agribusiness activities.

#### **B. Healthcare and Wellness Products and Services**

This covers hospital services, medical and dental services, other human health and wellness services (including services in the field of nursing care, rehabilitation and recuperation, spas), retirement villages and related services located either in

identified medical zones or outside Metro Manila when catering mainly to foreigners and non-residents. This also covers the manufacture of drugs and medicines in accordance with the Philippine Drug Formulary of the Department of Health (DOH), supplements limited to Vitamin A, iron and iodine for use in the Food Fortification Law, and herbal medicines.

## 1. Healthcare and Wellness Services

### a) Hospital/Medical Services

This covers primary, secondary, and tertiary care hospitals and specialized services/hospital-based centers of excellence as per Department of Health (DOH) standards.

- “Primary care hospital” is a non-departmentalized hospital that provides clinical care and management on the prevalent diseases in the locality. Clinical services include general medicine, pediatrics, obstetrics and gynecology, surgery and anesthesia.
- “Secondary care hospital” is a departmentalized hospital that provides clinical care and management on the prevalent diseases in the locality, as well as particular forms of treatment, surgical procedure and intensive care.
- “Tertiary care hospital” is a teaching and training hospital that provides clinical care and management on the prevalent diseases in the locality as well as specialized and sub-specialized forms of treatment, surgical procedure and intensive care.
- “Specialized services/hospital-based Centers of Excellence” refers to focused expertise on certain types of services mostly with low patient numbers, and need critical mass of patients to make treatment centers cost effective. Services generally include training of specialist staff, high quality research programs and use of scarce resources like expertise, high technology equipment and donated organs.

Applications for registration must be endorsed by the DOH.

Primary care hospitals locating outside Metro Manila, Metro Cebu, and Metro Davao may qualify for registration.

Prior to availment of ITH, hospitals classified for ‘medical tourism’ must be accredited by the Department of Tourism (DOT).

The following may qualify for pioneer status:

- Tertiary or secondary care hospitals with a minimum capacity of 100 beds and an investment cost of at least the Philippine Peso equivalent of US\$10 million
- Specialized services or Centers of Excellence with the following project cost:
  - Cancer Center – the Philippine Peso equivalent of US\$6 million
  - Heart/Lung/Kidney Center – the Philippine Peso equivalent of US\$10 million

Prior to availment of ITH, projects must be accredited by the DOH.

b) Ambulatory Surgical Services

This covers services such as elective (non-emergency) surgical procedures ranging from minor to major operations, where patients are discharged within the day for continuing post-operative care. This includes comprehensive ophthalmologic, dermatologic, cosmetic, and reconstructive surgeries, etc. Applications for registration must be endorsed by the DOH.

Projects that cost at least the Philippine Peso equivalent of US\$2.0 million may qualify for pioneer status.

Prior to availment of ITH, ambulatory surgical services projects must be accredited by the DOH.

c) Dental Services

This covers the establishment of a dental services facility offering both regular and specialized dental services orthodontic procedures, dental implants and cosmetic dentistry.

Projects that cost at the least the Philippine Peso equivalent of US\$1.0 million may qualify for pioneer status.

d) Other Human Health and Wellness Services including Rehabilitation and Recuperation Services

This covers health spa, traditional and alternative healthcare services, therapy centers, nursing care programs, and facilities for mental health.

- Health spa

The following are the qualifications for registration:

- The activity must be either a 'destination spa' or a 'resort/hotel spa' category based on DOT accreditation and classification;
- Must be endorsed by the DOH and the DOT, if applicable

Health spa projects that will make use and/or apply the 'Filipino healing modality' using indigenous essential oils as endorsed by the DOT may qualify for pioneer status.

- Traditional and alternative healthcare services

- Traditional and alternative healthcare is the sum total of knowledge, skills and practices on healthcare, other than those embodied in biomedicine, used in the prevention, diagnosis and elimination of physical or mental disorder. Alternative healthcare modalities include reflexology, acupuncture, massage, acupressure, chiropractics, nutritional therapy, and other similar methods.
- Application must be endorsed by the Philippine Institute of Traditional and Alternative Health Care (PITAHC).
- Prior to availment of ITH, projects must be accredited by the DOH.

- Nursing care facility shall provide in-patient nursing, rehabilitation, and health-related personal care to clients who need continuous healthcare, but do not require hospital services.

Following are the qualifications for registration:

- Facility must include convalescent homes; and,
  - Project must be endorsed by the DOH
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- Mental health facility shall provide residential care services including protective supervision and counseling for persons diagnosed with mental retardation. This also covers facility for stress management program, which aims to provide a person with effective coping mechanisms for dealing with psychological stress.  
Application must be endorsed by the DOH.

Prior to availment of ITH, projects must be accredited by the DOH.

#### e) Retirement Village and Other Related Services

This refers to areas suitable for development that will ensure healthful, safe and environmentally-sound community life with prescribed carrying capacities of village facilities and activities such as but not limited to accommodation, food, recreation, medical/health care needs, institutional insurance, security and other amenities, and provided with roads, power and water supply systems, drainage and sewerage systems and other infrastructures. The village should be under a unified and continuous management.

The following are the qualifications for registration:

- A retirement village must have a minimum of four (4) hectares of contiguous land; and,
- Project cost must be at least the Philippine Peso equivalent of US\$5 million

Retirement villages with a minimum area of twenty (20) hectares may qualify for pioneer status.

#### f) Development of Medical Zones

Medical zones are selected areas declared by the President, which are developed into centers for professional health care provided by physicians and nurses, for the treatment of inpatients and diagnosis and/or therapy of outpatients, inclusive of emergency medical services, with large numbers of beds for intensive care and long-term care, facilities for surgery and childbirth, bioassay laboratories, trauma centers, children's hospitals, seniors' hospitals, and hospitals for dealing with specific medical needs. It shall include affiliation with universities for medical research and the training of medical personnel.

Registration of projects for the establishment/ development/operation of a medical zone shall be subject to the guidelines to be developed and adopted by the BOI in consultation with the DOT and PEZA.

In general, projects locating in an identified medical zone may qualify for BOI registration.

## 2. Healthcare and Wellness Products

This covers the manufacture of drugs and medicines in accordance with the Philippine National Drug Formulary (PNDF) of the Department of Health (DOH),

food supplements limited to Vitamin A, iron and iodine for use in the Food Fortification Law, herbal medicines, and active substances of these drugs.

“Drugs and medicines” shall mean pharmaceutical products included in the Essential Drugs List, otherwise known as the Philippine National Drug Formulary (PNDF), which is a list of drugs prepared and periodically updated by the DOH on the basis of health conditions obtaining in the Philippines as well as in the internationally accepted criteria.

“Food supplements” shall be limited to the manufacture of highly concentrated Vitamin A, iron or iodine compounds either mixed, coated or incorporated in appropriate medium added to flour, rice, sugar, oil and salt as required by R.A. 8976 and R.A. 8172 to produce fortified foods. Specifically, it shall cover the following:

- a) Manufacture of Vitamin A compounds or premixes for the fortification of flour, sugar or oil;
- b) Manufacture of iodine compounds or premixes for the fortification of salt; and,
- c) Manufacture of iron compounds or premixes for the fortification of flour and rice

“Vitamin A, Iron and Iodine Compounds” shall refer to the element iron or iodine or vitamin A molecule (retinol) chemically-bound with other elements and/or chemical groups, as in Iron (II) sulfate ( $\text{FeSO}_4$ , Ferrous Sulfate), Potassium Iodate ( $\text{KIO}_3$ ), and retinol palmitate.

“Herbal medicines” shall mean finished, labeled, medicinal products that contain as active ingredient/s aerial or underground part/s of plant or other materials or combination thereof, whether in the crude state or as plant preparations. Plant material includes juices, gums, fatty oils, essential oils, and other substances of this nature. Herbal medicines, however, may contain excipients in addition to the active ingredient(s). Medicines containing plant material(s) combined with chemically defined active substances, including chemically defined, isolated constituents of plants, are not considered to be herbal medicines.

An “active substance,” otherwise known as the active ingredient, is the chemical component responsible for the claimed therapeutic effect of the pharmaceutical product.

Application for registration shall be endorsed by DOH or BFAD, whichever is applicable or the appropriate government agency.

As post-registration requirement, the firm shall submit a License to Operate (LTO) issued by BFAD.

Projects that cost at least the Philippine Peso equivalent of US\$20 million may qualify for pioneer status.

### **C. Information and Communications Technology**

This covers ICT services, ICT-enabled services and ICT support services located either outside Metro Manila or in identified IT hubs.

ICT Services – software development (system software, middleware, application software/systems), computer graphics/animation.

ICT-enabled Services – refer to business lines that can be transformed and delivered through the means of ICT infrastructure. These include call/contact centers, medical/legal transcription, engineering design, (BPO) business process outsourcing activities (back-office operations), such as but not limited to: general accounting & bookkeeping services; expense and revenue reporting/sales auditing; financial analysis and auditing; payroll processing; travel & expense management, HR application development & management; data entry/data processing; inventory control; technology support; litigation support; server management; content conversion.

ICT Support Activities – refer to business that supports the operations or development of ICT Services and ICT-Enabled Services sectors, i.e., R&D center, incubation centers, educational/training institutions, community access facilities/shared access facilities and internet service providers (ISP).

All ICT projects shall install internal security system compliant with BS 7799 or its equivalent.

Call/Contact Centers Projects must have a minimum investment cost of Philippine Peso equivalent of US\$2,500 per seat to be qualified for BOI incentives. This amount covers the cost of equipment (hardware and software), office furniture and fixture, building improvements and renovation, and fixed assets except land, building and working capital.

1. If equipment used were leased, the same should be converted to assets in terms of commercial interest rates and amortization over a five-year period.
2. If equipment were consigned, the same should have a stated value to be considered part of investment cost.

The required minimum investment cost of the Philippine Peso equivalent of US\$2,500 per seat is subject to BOI modification as technology and requirement of clients evolve.

“ICT Learning Institutions” refers to the establishment and operation of training institution/center specializing in developing skills for the information and communication technology sector. The project must provide training laboratories with reliable means of internet connection. The enterprise shall submit proof that its curriculum has been endorsed by either TESDA or CHED or any other appropriate government agencies or recognized industry associations in the field of training.

“Community Access Facilities” refers to activities that will provide facilities for mass-based use of internet such as internet/cyber cafés, multipurpose communication telecenters, shared access facilities, located either outside Metro Manila or in identified IT hubs.

The firm shall:

1. Support the programs of the Local Government Units (LGUs) aimed at complying with “Government On-line Program” as certified by the Commission on Information and Communication Technology (CICT)
2. Tie-up with schools/educational institutions in promoting E-Learning and in augmenting the lack of sufficient computer facilities.

Documents proving compliance with the above shall be submitted prior to availment of ITH.

### Expansion Projects of Existing IT Companies:

Registration for expansion of existing/current ICT projects must comply with all of the following criteria:

1. additional employment
2. additional investment

Following are the qualifications for pioneer status:

1. introduces a major innovation in software development
2. with project cost of at least the Philippine Peso equivalent of US\$2.5 million to be put up during the first year of operations

### **D. Electronics**

This covers all segments within the value-chain structure of the industry such as Original Design Manufacturing (ODM), electronics manufacturing services (EMS), the manufacture of electronic products (except home appliances), IC design, the manufacture of parts and components of electronic products including the inputs for the manufacture of such components, and the manufacture of production supplies (e.g., molds and dies, precision tools, etc.) used by the electronics industry. This also covers the establishment and operation of Centers of Excellence, test and other service facilities catering to the electronic industry.

1. Manufacture and test of electronic products

Electronic products includes sub-assemblies and finished products which may be classified but not limited to the following sub-sectors of the electronics industry:

- a) Semiconductors
- b) Electronic Data processing
- c) Telecommunications
- d) Communications and Radar
- e) Office Equipment
- f) Control and Instrumentation
- g) Medical and Industrial
- h) Automotive Electronics

2. Manufacture of parts and components of electronic products including the inputs for the manufacture of such components

This covers all inputs of electronic products including the materials for the production of such parts and components.

3. Manufacture of production supplies to be used exclusively by the electronics industry

This covers items that are necessary for the production of electronic products and its parts and components such as but not limited to molds and dies, precision tools, anti-static suits, etc.

4. Research and Development (R&D)

This covers research and development activities relating to the electronics sector.

5. IC design and its related training requirements and other design engineering services

6. Establishment and operation of Centers of Excellence, test and other service facilities catering to the electronics industry

The COE shall offer continuing education for purposes of acquiring new skill and/or providing advanced training in the area of excellence it is in.

The COE shall engage in research and projects that are leading edge in technology, which may come from direct research supported by the Center or coming from reputable sources outside the Center in an order of magnitude more advanced than what is available in the academe.

The COE shall have credible and reputable faculty and administrators and must have laboratories comparable to existing COEs.

7. Original Design Manufacturing (ODM)

This covers activity wherein both the design and manufacture of a product must be done in the Philippines. Products may be manufactured by the same company, which designed it or may be subcontracted to other Philippine-based manufacturers.

Companies proposing to engage in said activity should have a functioning R&D unit as certified by DOST-ASTI.

Prior to availment of ITH, any of the following documents must be submitted: trademark, copyright, patent, maskworks, or such other related materials that proves ownership of the intellectual property/design.

#### **E. Motor Vehicle Products**

This covers the production and/or manufacture of motor vehicle parts and components, and the manufacture or assembly of motor vehicles provided that the activity includes a program for the development of motor vehicle parts and components. This also covers the establishment and operation of Centers of Excellence that support the development of the motor vehicle industry.

*Note:*

*Existing guidelines under the 2004 IPP shall apply until a new set of guidelines is published and becomes effective.*

#### **F. Energy**

This covers the exploration, development, and/or utilization of energy. This also covers activities using energy technologies leading to energy efficiency and conservation in accordance with the program of the Department of Energy. All applications for registration shall be endorsed by the Department of Energy that shall include projects' compliance with world-class environmental standards.

This covers exploration or development of indigenous and/or renewable energy, utilization of such energy in power generation, and energy efficiency and conservation activities.

1. Power generation projects, including those under the NPC privatization plan, that may qualify for registration are:
  - a) Those utilizing indigenous, and renewable energy such as biomass, waste to

- energy conversion, solar, wind, geothermal, hydro and tidal
- b) Those using natural gas and Liquefied Petroleum Gas (LPG)
- c) Those utilizing fossil fuels as specified in the Power Development Plan using environment-friendly technology
- d) Cogeneration or Combined Heat and Power (CHP) plants producing electrical energy and forms of useful thermal energy (such as heat or steam) used for industrial, commercial, heating or cooling purposes

Full incentives will be given to cogeneration projects for commercial purposes. Only sale of electricity shall be entitled to ITH if it involves partial commercial sale.

Following are the qualifications for pioneer status:

- a) All projects using renewable energy sources.
  - b) For non-renewable energy sources including power generation projects under the NPC privatization plan, a project must comply with any of the following:
    - The project shall utilize new and clean technology
    - For power generation projects using natural gas, project cost should be at least the Philippine Peso equivalent of US\$400 million
    - For other projects using non-renewable energy sources, the project cost should be at least the Philippine Peso equivalent of US\$20 million
2. Power transmission projects that cost at least Php1.0 billion may qualify for pioneer status.
3. Energy efficiency and conservation activities that may qualify for registration are:
- a) Development of fuel blends (such as but not limited to coco bio-diesel and bio-ethanol) – This involves the construction of new plants or the retrofit and expansion of existing facilities.
  - b) Services involving energy labeling and efficiency standards for appliances, vehicles, electrical devices and equipment (such as but not limited to activities that aim to promote awareness on vehicle fuel efficiency, and to improve efficiency and performance of appliances, equipment and other energy consuming devices)
  - c) Activities involving heat rate recovery and/or improvement of power plants in compliance with the heat rate standards set by the Energy Regulatory Commission (ERC)
  - d) Conversion shops providing all of the following services: converting, retrofitting, repairing and maintaining CNG/LPG Vehicles in accordance with relevant Philippine National Standard (PNS) and procedures that shall provide warranties to stakeholders; Projects with at least the Philippine Peso equivalent of US\$200,000 may qualify for registration
  - e) Installation and operation of CNG/LPG refueling stations and related infrastructures and facilities as endorsed by the DOE. Projects costing at least the Philippine Peso equivalent of US\$500,000 may qualify for pioneer status. Foreign-owned corporations must comply with the Retail Trade Law (R.A. 8762)

Except for item (a), ITH incentives shall only be applicable to the income derived from the services rendered by the energy service companies to its client.

DOE endorsement shall include project's compliance with the DOE's energy efficiency and conservation program.

The following may qualify for pioneer status:

- a) Projects utilizing new and clean technology; or
- b) Projects that cost at least Php1.0 billion.

## **G. Infrastructure**

This covers the establishment of infrastructure of the following:

- Business parks
- Mass housing
- Mass transport involving rail system
- Physical infrastructure such as roads and bridges
- Telecommunications involving at least 3<sup>rd</sup> generation cellular mobile telephone system (CMTS) and rural telephony system located in less developed areas (LDA)
- Logistics
  - Agricultural services involving post harvest facilities, grains-highway facilities, cold storage, blast freezing, vapor heat treatment (VHT), and ice plants in less developed areas (LDA);
  - Air and land transport;
  - Multi-modal passenger and/or cargo terminals;
  - Pipeline operations;
  - Toxic and hazardous waste (THW) management; and
  - Water supply, treatment and distribution.
- Other infrastructure projects under the BOT Law

### **1. Business Parks**

Micro, Small and Medium Enterprises (MSME) Business Parks (MBP) refers to large tracts of land primarily for the use of a community of micro, small, and medium enterprises. "Small and Medium Enterprises" is defined as any business activity or enterprise engaged in industry, agribusiness and/or services whether single proprietorship, cooperative, partnership or corporation which total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have a value falling under the following categories:

- Micro - up to P3,000,000
- Small - Php3,000,001 – Php15,000,000
- Medium - Php15,000,001 – Php100,000,000

The following are the qualifications for registration:

- a) The business park shall be under a unified and continuous management and shall not be less than fifteen (15) hectares of contiguous land;
- b) At least 50% of the total area shall be allocated for micro-enterprises;
- c) The plot size shall be a minimum of 100 square meters but not more than 1,000 square meters;
- d) The minimum plot size for micro-enterprises may be utilized by one or more locator micro-enterprises.
- e) It must be located outside Metro Manila and in areas classified as appropriate for cottage industry-type micro, small and medium enterprises (MSME) in the production, assembly, processing, warehousing, or service-provision business, based on site inspection guidelines issued by the Housing and Land Use Regulatory Board (HLURB) in consultation with government agencies like the concerned DTI-Regional Office, DOST, and UP-ISSI;
- f) The establishment of MBPs must conform with the land use regulation in specific areas where it will be located as determined/required by concerned

local government unit (LGU), HLURB, and/or the Department of Land Reform (DLR);

- g) The MBP developer shall provide the following basic structure and facilities:
- Paved roads within the MBP;
  - Power and water supply;
  - Communication facilities;
  - Sewerage and drainage systems;
  - Pollution control devices; and
  - Community facilities such as clinics, leisure parks, banks, post offices, convenience stores, and warehouses.
- h) The development of the whole business park must be completed within the development schedule approved by the HLURB.

Only income derived from the sale and lease of areas or units to micro, small and medium enterprises and support services enterprises shall be entitled to income tax holiday (ITH) incentive. Income derived from the sale and lease of residential areas or units will not qualify for ITH.

Prior to availment of ITH, firm shall submit an HLURB Certificate of Compliance on its approved development schedule.

## 2. Mass Housing

This covers the development of mass housing and fabrication of housing components.

- a) Development of mass housing projects includes socialized, low cost/economic, and medium rise housing

The following are the qualifications for registration:

- Socialized housing projects or low-cost/economic housing project as determined by Housing and Urban Development Coordinating Council (HUDCC) prevailing resolution on price/loan ceilings
- The cost of a medium rise housing (MRH) unit shall not exceed the cost of a low cost housing as determined by HUDCC
- Minimum of twenty (20) livable dwelling units in a single site or building
- Mass housing project shall conform with the design standards set forth in the Rules and Standards to Implement B.P. 220 and other related laws
- Land development components for housing sites must contain provisions for road system, drainage system, water supply system, power system, sewage system in conformity with the minimum design standards for B.P. 220 and provisions for amenities and utilities.
- Mass housing projects must be located in areas zoned and classified for residential use/purposes in conformity with the approved Comprehensive Land Use Plan and Zoning of the concerned Local Government Unit (LGU)
- New and expanding mass housing projects may be considered for BOI registration. Socialized, low-cost/ economic or MRH housing projects that have already been in existence and have incurred sales of housing packages shall not qualify for registration.
- A project may be considered as an expansion if it will locate adjacent or contiguous to an existing mass housing project owned by the same entity and shall share common facilities with the existing project.
- Only income derived from the registered expansion area/project shall be entitled to ITH.

Projects using any of the following technologies/methodologies may qualify for pioneer status

- New production processes of housing components/materials
- New construction systems/methodologies whereby the cost of materials used account for at least 50% of the direct cost per housing unit
- New technologies, systems, materials and designs that will effectively bring down the cost of constructing housing packages

b) Fabrication of Mass Housing Components

This covers the manufacture of major mass housing components such as roof/framing systems, partition systems, flooring systems, door/window systems, finishing/ceiling systems, and plumbing/sewerage systems.

The volume of production to be sold to mass housing projects shall account for at least seventy per cent (70%) of the total sales volume.

3. Telecommunications involving at least 3<sup>rd</sup> generation cellular mobile telephone system (CMTS) and rural telephony system located in less developed areas (LDAs).

“Third Generation (3G) telecommunications” refers to investments in wireless telecommunication infrastructure using 3G technology which shall be compliant with the International Telecommunications Union (ITU) approved family of five (5) radio standards for the implementation of 3G or International Mobile Telecommunications 2000 (IMT-2000). These standards are as follows:

- a) IMT – DS (Direct Spread) – Wide Code Division Multiple Access (WCDMA)
- b) IMT – MC (Multi-Carrier) – Code Division Multiple Access 2000 (CDMA 2000)
- c) IMT – TC (Time Code) – Code Division Multiple Access Time Division Duplex (CDMA TDD)
- d) IMT – SC (Single Carrier) – Time Division Multiple Access (TDMA)
- e) IMT – FT (Frequency Time) – Frequency Division Multiple Access (FDMA)

The use of any of the above standards falls under the scope of 3G wireless infrastructure projects

A Certificate of Compliance with any of the above standards issued by the National Telecommunications Commission (NTC) shall be submitted prior to availment of ITH.

“Rural telephony system projects located in less developed areas (LDAs)” shall include but not limited to any of the following activities:

- a) Local exchange services whether wired or wireless
- b) Any type of broadband data services or infrastructure
- c) Telecommunications projects involving satellites such as inter-exchange service, global mobile personal communications, and international satellite communications
- d) Multi-media services
- e) Fixed and portable voice service
- f) Value added data services
- g) Data networking service

Applications for registration must be endorsed by the National Telecommunications Commission (NTC).

Projects that cost at least the Philippine Peso equivalent of US\$20 million may qualify for pioneer status for both 3G and rural telephony systems.

#### 4. Logistics

This covers the following:

a) Agricultural services involving post harvest facilities, grains-highway facilities, cold storage, blast freezing, vapor heat treatment (VHT) and ice plants in LDAs

- Post-harvest facilities such as cold storage facilities and blast freezing facilities, bulk handling and specialized transport facilities, food and agri-products terminal market including livestock auction market
- Cold storage facilities may include ice plants; registration of ice plants only may be allowed if located in a Less Developed Area
- Other types of farm services for production activities, e.g., irrigation

Agri-products terminal market and livestock auction market shall be endorsed by the Department of Agriculture and/or the Bureau of Animal Industry.

b) Air Transport

Air transport operation includes passenger and/or cargo operation classified as a public utility.

Lease with option to purchase the aircraft may be allowed. Lease without option to purchase may be allowed provided that the lease agreement is for a minimum of five (5) years.

The following may qualify for pioneer status:

- Serving the missionary/developmental routes, as indicated in the Certificate of Public Convenience and Necessity (CPCN); or
- Providing support services to village enterprises, e.g., consolidation of products

c) Land Transport

This covers the operation of Public Utility Bus (PUBs) operations and Public Utility Articulated Buses (PUABs) including buses using CNG/LPG

The following are the qualifications for registration:

- Buses must be brand new (per LTFRB Memorandum Circular 2003-024 definition1)
- Retrofitted/re-powered buses with brand new engines using CNG/LPG may be allowed
- Operators must have their own terminals and garage that can accommodate the total number of buses under their franchises
- Operators must undertake to operate within the franchise routes

d) Multi-modal passenger and/or cargo terminals

- Passenger Terminals

The following are the qualifications for registration:

- Must have new facilities and must provide parking, comfort rooms, ticketing and reservation systems and air-conditioned waiting area; and
  - Caters to shipping lines or airlines and/or different land transportation systems (rail system, buses, taxis, etc.)
- Cargo Terminals/Container Yards

Must have a plan of ingress and egress to prevent traffic build-up/obstruction of thoroughfares on a 24-hour basis as certified by the appropriate DOTC/MMDA traffic management office

e) Pipeline Operations

Application for registration on the establishment of infrastructure for transport of petroleum products, natural gas, petrochemicals, and similar products must include proof of filing of an application for Authority to Operate Pipeline System with the DOE and/or appropriate government agency.

The transport from mother station to daughter station should be in accordance with PNS standards.

f) Integrated Logistics

This covers all activities from door-to-door pick-up and delivery of goods, supply chain management to loading and re-loading into any carrier, whereby the location of goods may be tracked electronically at any time. The project should have the following facilities:

- Warehousing
- Distribution; and
- Transport (any or a combination of land, air, water)

Projects that cost at least the Philippine Peso equivalent of US\$20 million may qualify for pioneer status.

g) Toxic and hazardous waste (THW) management

This covers the establishment of a THW Merchant facility, an integrated and self-contained facility capable of processing a wide range of toxic and hazardous waste (THW) that involves complete treatment, storage and disposal (TSD).

- Only projects using locally generated THW are may qualify
- Projects costing more than Php1.0 billion may be granted pioneer status

h) Water supply, treatment and distribution

This covers the supply of raw water, treatment, and/or distribution in the major areas of water operations on a provincial, municipal or city level.

- Supply of raw water refers to the extraction of water from its natural source for commercial purposes.
- Water treatment facility shall cover the minimum basic process flow of a treatment plant (i.e. screening, mixing, flocculation, sedimentation, filtration and chlorination) with capacity sufficient to handle the volume of raw water for its target subscriber area.

- Distribution activity must involve the installation of a piping network that includes water main service pipelines and flow metering systems.

Projects involving any of the foregoing areas of water operations dedicated solely to either an industrial estate, industrial communities, service cities, or subdivision development areas are not qualified for registration under this listing.

## **H. Tourism**

This covers the establishment of tourism zones, tourist accommodation facilities, tourist estates, and eco-agri tourism facilities. This also covers historico-cultural heritage project and services provided by tourist operators as endorsed by the Department of Tourism (DOT).

### **1. Tourism Estates/Zones**

This refers to areas with defined boundaries suitable for development into an integrated tourist complex.

Following are the qualifications for registration:

- a) Provision of facilities such as but not limited to accommodation, food and recreational centers and commercial outlets
- b) Provision of basic infrastructure such as roads, water supply, power distribution, drainage and sewerage systems and other necessary facilities; and
- c) Area should be at least twenty five (25) hectares that are contiguous and must be under a unified management; Estates in an island less than twenty (25) hectares may also be registered provided the whole island is developed

Locators may qualify for registration if the activities are covered by the 2005 IPP.

Tourism estates/zones with a minimum area of fifty (50) hectares may qualify for pioneer status.

### **2. Tourist Accommodation Facilities**

This covers the following:

- a) Hotels, apartels, tourist inns, and pension houses
- b) Resorts that include special interest activities (that may or may not have accommodation facilities) such as but not limited to eco-tourism, agri-tourism, theme parks, conventions and exhibition/trade display centers
  - Eco-tourism projects or those involving environmentally-sound tourism activities which blend with the natural and cultural environment in a given eco-system/specific locality
  - Agri-tourism projects or those involving working farms where the working environment forms part of the tourism project and promotes an appreciation of local culture, heritage and traditions through personal contact with people and maximize the potentials of income generation of existing farms through tourism-related activities

#### **a) Hotel**

To qualify for registration:

- Project cost must be at least the Philippine Peso equivalent of US\$20,000 /room to exclude cost of land; and,

- Must have the facilities that would entitle it to a standard class hotel in accordance with DOT classification

The following may qualify for pioneer status:

- Projects costing at least the Philippine Peso equivalent of US\$100,000/room
- Projects locating in LDAs
- Hotel modernization projects with a project cost of at least Php360,000/room or Php100 million

#### b) Resorts

The following may qualify for pioneer status:

- Projects locating outside Metro Manila must have project cost of at least the Philippine Peso equivalent of US\$ 10.0 million/project
- Projects locating in LDA must have project cost of at least the Philippine Peso equivalent of US\$ 5.0 million/project
- Agricultural and ecological tourism projects with a minimum lot area of fifty (50) hectares or with project cost of at least the Philippine Peso equivalent of US\$50,000

Income from golf courses and casinos will not be entitled to ITH.

Application for registration shall be endorsed by the Department of Tourism.

### 3. Historico-Cultural Heritage Projects

This covers the conservation, preservation or restoration of national sites or properties.

Projects undertaking the conservation and preservation, restoration or maintenance of historico-cultural heritage that includes any of the following may qualify for registration:

- a) National shrines, monuments, and/or landmarks
- b) Local historical sites/properties classified, identified, and listed in the National Registry of Historic Structures
- c) Cultural properties, treasures and/or artifacts

### 5. Services provided by tourist operators

This covers packaged services rendered to tourists from transport, accommodation, recreation, guided tours and other related services.

To qualify for registration:

- a) Application must be endorsed by the DOT; and
- b) Must have online facilities for reservations, bookings and payments

## I. Shipbuilding/Shipping

This covers shipbuilding, ship repair, shipyard operations (excluding shipbreaking), and overseas, domestic and RORO shipping and terminal operations.

### 1. Shipbuilding

This covers shipbuilding, ship repair and shipyard operations (excluding shipbreaking).

- a) Shipbuilding refers to the design, construction, outfitting and launching of any type of ship.
- b) Ship Repair refers to the conversion, overhaul, alteration, modification or repair of hull, machinery, equipment, outfits and components of any type of ship.

Prior to start of commercial operation, the registered enterprise must submit a License to Operate from the Maritime Industry Authority (MARINA).

Any of the following may qualify for pioneer status:

- a. Shipyard operation with a minimum berthing capacity of 7,500 DWT; or
- b. Project cost of at least the Philippine Peso equivalent of US\$10 million.

## 2. Shipping

This shall cover overseas, domestic, and RORO shipping, and terminal operations.

- a) Domestic/inter-island shipping covers pure cargo vessel, passenger carrying vessel, and passenger-cargo vessel operations including Roll-On/Roll-Off Terminal System (RRTS) operations.

The following are the qualifications for registration:

- Vessels must not be more than fifteen (15) years old;
- High-speed passenger crafts must not be more than ten (10) years old;
- Vessels other than hi-speed crafts and tankers must be at least 500 tons gross tonnage; and
- RORO vessels must be at least 250 tons gross tonnage for those serving primary routes and at least 100 tons gross tonnage for those serving the secondary, tertiary and developmental routes.

The following may qualify for pioneer status:

- RORO operator/enterprise serving the secondary, tertiary or developmental routes, as indicated in the Certificate of Public Convenience (CPC)
- Acquisition of brand new vessels

Applications for registration must be endorsed by the MARINA. Vessels for tourism purposes must be endorsed also by the Department of Tourism (DOT).

Prior to start of commercial operation, the registered enterprise must submit a Certificate of Seaworthiness issued by MARINA.

- b) Overseas shipping

The following are the qualifications for registration:

- MARINA accredited Philippine shipping enterprise;
- Vessels must be currently registered under the Philippine Flag; and,
- Vessels must be at least 500 tons gross tonnage and must not be more than fifteen (15) years old

Applications for registration must be endorsed by the MARINA.

Prior to start of commercial operation of each vessel, the registered enterprise must submit a Certificate of Seaworthiness issued by MARINA.

The following may qualify for pioneer status:

- Projects that cost at least the Philippine Peso equivalent of US\$10 million per vessel.
- Acquisition of brand new vessels.

#### **J. Jewelry**

This covers the manufacture of fine jewelry and costume jewelry.

This covers, among others, the following:

1. Manufacture of fine jewelry;
2. Manufacture of costume jewelry;
3. Cutting and polishing of stones;
4. Pearl farming/culturing
5. Refining of metals; manufacture and/or processing of other raw materials and parts used in the manufacture of jewelry; and,
6. Activities in support of jewelry manufacturing, such as electroplating, precious stone appraisal and certification, assaying and hallmarking

For activities in support of jewelry manufacturing, the following qualifications are further required:

- a) Assaying – the firm/facility shall secure accreditation from the Bureau of Product Standards (BPS)
- b) For Precious Stone Appraisal and Certification – precious stone appraisal and certification shall be in accordance with the BPS standards

#### **K. Fashion Garments**

This covers the production of fashion garments as endorsed by the Department of Trade and Industry (DTI). Fashion garments essentially refers to wearing apparel for a specific season with a distinct style and color based on international trends.

Wearing apparel shall include men's, women's, children's and infants' wear.

The following are the qualifications for registration:

1. Existing enterprises with branded or trademarked wearing apparel shall submit a Certificate of Registration (CR) from the Intellectual Property Office (IPO).
2. New enterprises with pending application for registration with the IPO may also qualify. Denial of IPO registration shall result to the cancellation of BOI registration and refund of incentives.
3. Endorsement from the DTI.

Projects that cost at least the Philippine Peso equivalent of US\$1 million may qualify for pioneer status.

## **II. OTHER PREFERRED ACTIVITIES**

This covers the following:

- A. Other export activities not identified under Part 1 (I).
- B. Industry clusters supporting activities under Part 1 (I) and (III).
- C. Modernization activities under Part 1(I), (II) (B) and (III).

Notes to Part 1(II):

- A. Other export activities shall be entitled to limited incentives.

- B. Industry cluster covers horizontal and vertical linkages. Horizontal and vertical-backward linkages are limited to first-tier activities only. Raw materials for vertical-forward linkages under “Agribusiness” and “Mining” should be wholly obtained.

### III. MANDATORY INCLUSIONS

All areas/activities, which as provided for under existing laws, specifically require their inclusion in the IPP.

#### A. Industrial Tree Plantation under P.D. 705

This covers the establishment of forest tree plantations, which include timber and non-timber species such as rubber, bamboo, rattan, etc. (excluding fruit trees) for commercial and industrial purposes.

New project refers to the development of any public or private land to plantation of timber and non-timber producing species to supply the raw material requirements of forest-based industries. It also includes plantation with existing tree crops, which have not yet reached commercial harvest.

Forest plantation in public and private lands must have been approved and issued forest management/development agreements such as:

1. Socialized Industrial Forest Management Agreement (SIFMA)
2. Industrial Forest Management Agreement (IFMA)
3. Private Forest Development Agreement (PEDA)
4. Community-Based Forest Management Agreement (CBFMA)

*Note: Income tax holiday (ITH) incentive shall commence from start of commercial harvest of forest plantation.*

#### B. Iron and Steel under R.A. 7103

This covers the following:

1. Primary steel products in the form of refined iron ore, ingots, slabs or blooms/billets;
2. Intermediate steel products such as:
  - Plates
  - Hot-rolled or cold-rolled flat products or their equivalents (e.g. tin mill black plates for tinplates)
  - Tinplates
  - Bars/rods that are not currently produced in the Philippines

Modernization must result in any of the following:

1. At least ninety six percent (96%) yield for long products;
2. At least ninety eight percent (98%) yield for flat products;
3. At least five percent (5%) reduction in electricity usage for firms with melting facilities

### **C. Exploration, Mining, Quarrying and Processing of Minerals under R.A. 7942**

All projects must have the necessary permits/licenses from competent authorities.

This covers the following:

1. Exploration and development of mineral resources including those covered by mineral agreements may qualify for pioneer status.

*Note: Not entitled to Income Tax Holiday (ITH).*

2. Mining, quarrying and processing of metallic and non-metallic minerals (except those involving riverbed operations, cave mining and beach mining)
  - a) Mining and/or quarrying integrated with mineral processing\* (e.g., flotation) shall be entitled to ITH. Production of direct shipping ore is not entitled to ITH.
  - b) Mineral processing\* without mining or quarrying shall be entitled to full incentives.
  - c) Mining and processing of aggregates is not entitled to ITH.
  - d) Marble processing projects, whether or not integrated with mining and quarrying, must export at least fifty percent (50%) of production, if Filipino-owned or at least seventy percent (70%), if foreign-owned.
  - e) Mineral processing projects must locate outside the National Capital Region.

*Note: \*Simple processing such as sorting, crushing, washing, drying and other similar activities, is not entitled to ITH. Provided that reduction to powder/granular size (e.g. grinding), classification and/or chemical washing/scrubbing of non-metallic minerals may be granted ITH.*

Projects of foreign-owned corporations with approved Financial or Technical Assistance Agreements (FTAAs) or Mineral Processing Permits (MPPs) are qualified for pioneer status, with full ITH incentive. Provided further, that FTAA and MPP projects covered under Art. 17, Title 1 of E.O. 226, as amended, or located in less-developed areas shall be granted full incentives.

### **D. Publication or Printing of Books or Textbooks under R.A. 8047<sup>1</sup>**

This covers the following activities:

- i) Publication of books and textbooks
- ii) Printing of books and textbooks
- iii) Reprinting of books and textbooks

Book is defined as a printed non-periodical publication of at least forty-eight (48) pages, exclusive of cover pages, published in the country and made available to the public. Textbook is an exposition of generally accepted principles in one subject, intended primarily as a basis of instruction in a classroom or pupil-book-teacher situation.

Application for registration shall be endorsed by the National Book Development Board (NBDB).

For printing and/or reprinting, applicants shall indicate its copyright ownership or the authority from the copyright owner.

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<sup>1</sup> Excluded from Industry Clusters

**E. Refining, Storage, Marketing and Distribution of Petroleum Products under R.A. 8479<sup>1</sup>**

This covers all activities under the downstream oil industry, specifically refining, storage, distribution and marketing of petroleum products.

a) Refinery refers to oil refining, oil processing and oil movements and storage within the refinery, defined as follows:

- Oil refining refers to and covers the activity of manufacturing locally petroleum products through distillation, conversion and treatment of crude oil and other naturally occurring petroleum hydrocarbons.
- Oil processing refers to and covers the activity of manufacturing locally petroleum products with or without the use of the distillation process.
- Oil movement and storage cover receiving/discharging and storing petroleum within the refinery intended for refining and/or processing and eventual distribution purposes.

Investments in oil refining and/or oil processing shall include expansion, modification and rehabilitation in a refinery, resulting in an increase in existing volume of production, and/or improvement in the quality of petroleum products in conformance with the Philippine National Standards (PNS), the Clean Air Act, and other applicable laws and regulation.

Investments in oil movement and storage shall include expansion, modification and rehabilitation of facilities in the refinery resulting in an increase in existing capacity for storage, handling and distribution in the refinery.

b) Storage refers to the business of receiving/discharging and storing petroleum crudes and/or products of others for compensation or profit. This shall include fuels transshipment or terminalling (pertains to the last point prior to distribution).

c) Distribution refers to bunkering and fuels shipping and transport. Fuels shipping and transport cover shipping and transport through land such as tank trucks, lorries and pipeline and tankers, and barges for the fuels to get to the points or areas where they are needed. Bunkering covers the activity of selling fuel for direct use by a vessel, usually for water and air transport, through a smaller transport vessel.

Distribution projects are limited to those utilizing brand new equipment.

d) Marketing covers the following:

- Retailing of petroleum products refers to selling of petroleum products or fuels in retail generally directed to the end users, through dispensing pumps in gasoline stations or in packaged containers such as drums for the liquid fuels or metal cylinders for LPG. This includes the establishment and operation of gasoline stations and LPG retailing.

For gasoline retailing stations, except those locating in Less Developed Areas (LDAs) listed in this IPP, the applicant shall be required to invest a minimum capital of the PhP10 million per station, excluding land, or such amount as may be determined jointly by BOI and DOE for augmentation purposes, as

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<sup>1</sup> Excluded from Industry Clusters

the need arises; Provided, that foreign retailers shall comply with the requirements provided under RA 8762, otherwise known as the Retail Trade Liberalization Law, and its implementing rules and regulations.

- Fuels bulk marketing covers the selling of petroleum products or fuels in wholesale through tank trucks, lorries, tankers, barges or pipelines, which may be sourced from one's own storage facilities. Investment shall include underground tanks and other equipment intended for fuels retailing through outlets such as gasoline stations and LPG outlets.
- LPG refilling and marketing – A combination of storage, distribution, and marketing activities may also be eligible for registration. For storage, marketing and distribution, only investments of new industry participants may be entitled to incentives. The applicant shall submit an endorsement from the Department of Energy certifying that the applicant is a new industry participant with new investments.

Except for availment of incentive on Duty of three (3) percent on imported capital equipment, a DOE certification on actual new investments of the registered enterprise shall be required in the application for incentives availment. Said investments shall be validated by an ocular inspection by DOE.

Incentives shall be available for a period of five (5) years from the date of registration except Income Tax Holiday (ITH), which shall be reckoned from date of commercial operation. Date of commercial operation shall refer to the scheduled start of commercial operation, which is indicated in the firm's specific registration terms and conditions, which shall be based on the following:

- For refineries, it will be the date when the registered enterprise actually first begins production of the registered product for commercial purposes. In cases of expansion, modification and rehabilitation of refineries, the start of commercial operation shall be the date after the scheduled completion of the said activities.
- For storage, it will be the date when the registered enterprise actually first received the registered product for storage.
- For distribution, it will be the date when the registered enterprise actually first transferred the registered product for distribution.
- For marketing, it will be the date when the registered enterprise actually first sold the registered product.
- For combinations involving storage, distribution, and marketing, it will be the date referred to in "marketing;" Provided no separate transactions for either storage or distribution is undertaken; otherwise, it will be the earliest date of commercial operation, as defined, among the combined registered activities.

ITH shall be applicable to income derived from the activity covered by the registration reckoned five (5) years from date of commercial operation: Provided that in case of gasoline retailing stations, except those locating in LDAs, the incentive shall be available only to those with minimum capital requirement, excluding land, of PhP 20 Million or such amount as may be determined jointly by BOI and DOE for augmentation purposes, as the need arises.

Availment of ITH incentive shall be based on new investments made. New investments should account for at least 20% of the total investments (inclusive of

equipment and plant facilities at acquisition cost) or a minimum of Philippine Peso equivalent of US \$2 million, whichever is lower.

**F. Ecological Solid Waste Management under R.A. 9003<sup>1</sup>**

This covers:

1. Recycling or Treatment Facility integrated with Manufacturing Facility to produce semi-finished or finished product using as inputs at least 50% recycled materials from local or domestic sources. If ratio of locally sourced recycled material/total raw material is less than 50%, Income Tax Holiday rate of exemption shall be computed as follows:

$$\% \text{ ITH rate of exemption} = \frac{\text{Locally sourced recycled material}}{\text{Total raw material}} \times 100$$

- a) Recycling refers to the treating of used or waste (i.e., biodegradable, non-biodegradable, recyclable and special) materials through a process of making them suitable for beneficial use and for other purposes, and includes any process by which solid waste materials are transformed into new products in such a manner that the original products may lose their identity, and which may be used as raw materials for the production of other goods or services.
  - b) The Income Tax Holiday incentive shall be based on the amount of locally sourced recycled material used to produce a semi-finished/finished product.
  - c) Recycling projects with higher level of processing, in addition to the above, shall qualify for registration and (a) ITH availment, in accordance with the guidelines, if for domestic market, and (b) 100% ITH availment in accordance to export commitment, if recycled product is for export.
2. Sanitary landfill
    - a) Sanitary landfill refers to a waste disposal site designed, constructed, operated and maintained in a manner that exerts engineering control over significant potential environmental impacts arising from the development and operation of the facility.
    - b) Application for registration must be accompanied by an endorsement from the National Solid Waste Management Commission (NSWMC), through the DENR, or EMB indicating therein that the proposed sanitary landfill conforms with the minimum considerations/standards/ criteria defined under Section 1, Rule XIV of the Implementing Rules and Regulations of RA 9003;
    - c) In case a new sanitary landfill will be applied for registration by the same operators/owners/shareholders within or near the premises of the existing site, the existing site should have reached at least 90% of its maximum loading capacity (as certified by the NSWMC, through the DENR, or EMB) or is ready for closure three (3) months before the start of commercial operation of the new site (as certified by the NSWMC, through the DENR, or EMB).
  3. Support services, identified below, that will improve or enhance solid waste management:
    - a) Research and Development on any of the following:
      - New or innovative technology or process for recycling/treatment of solid

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<sup>1</sup> Excluded from Industry Clusters

- wastes or composting is eligible to register on a Pioneer status;
- Improved semi-finished or finished product or compost materials with new or different application or use.

b) Equipment Fabrication

- Fabrication or manufacture of machinery and equipment for new or innovative technology or production process is eligible to register on a Pioneer status.

**G. Clean Water Act under R.A. 9275<sup>1</sup>**

This covers projects that involve industrial wastewater treatment and/or that will adopt water pollution control technology, cleaner production and waste minimization technology.

1. Application for registration shall be endorsed by the appropriate government agency such as EMB-DENR or ITDI-DOST, whichever is applicable.
2. Applicants shall adopt a technology that conforms with the international standards as certified by DOST or other internationally known certifying body. The certification should be submitted upon filing of BOI application.
3. In-house facilities may qualify for registration provided they will service other clients.

**H. Rehabilitation, Self-Development and Self-Reliance of Disabled Persons under R.A. 7277**

Guidelines to follow.

**I. Activities covered under Bilateral Agreements<sup>1</sup>**

Existing guidelines under the 2004 IPP shall apply until a new set of guidelines is published and becomes effective.

This notice shall take effect immediately after its publication in a newspaper of general circulation.

**(SGD) ELMER C. HERNANDEZ**  
DTI Undersecretary and BOI Managing Head

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<sup>1</sup> Excluded from Industry Clusters