

A NEW DAY FOR INVESTMENT:

Coherent, Consistent & Creative



2011

INVESTMENT PRIORITIES PLAN

BOARD OF INVESTMENTS

MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

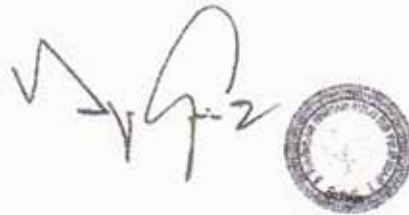
MEMORANDUM ORDER NO. 20

APPROVING THE 2011 INVESTMENT PRIORITIES PLAN

Pursuant to Article 29 of the Omnibus Investments Code of 1987, as amended, the attached 2011 Investment Priorities Plan (IPP) is hereby APPROVED. Further to the provision of said Article, upon the effectivity of the IPP, all government agencies and entities are enjoined not to adopt any policy or take any course of action contrary to or inconsistent with the IPP.

This Memorandum Order shall take effect fifteen (15) days after its publication in a newspaper of general circulation as required under Article 31 of the Omnibus Investments Code of 1987.

DONE, in the City of Manila, this 5th of July in the year of our Lord, Two Thousand and Eleven.



By the President:



PAQUITO N. OCHOA, JR.
Executive Secretary



CERTIFIED COPY



MARIANITO M. DIMASANDAL
DIRECTOR IV
MALACANANG RECORDS OFFICE

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MALACAÑAN PALACE
MANILA

MESSAGE

In the fulfilment of my Social Contract with the Filipino People to prioritize job generation that will empower the people and provide them with opportunities to rise above poverty and at the same time create conditions conducive to growth and competitiveness of private businesses, my administration is hard at work establishing an environment that will promote high and sustained equitable economic growth.

With the help of my economic team, we are undertaking initiatives crucial to attracting investments and mobilizing private capital. Key government reforms are being pursued to ensure that the business community has the support it needs to thrive and profit - streamlined government processes, adequate power supply, improved infrastructure, efficient transport system, etc. With all these changes, we are bringing "A New Day for Investments: Coherent, Consistent and Creative" to the Philippines.

In support of these commitments I made, and my administration's reform agenda, the 2011 Investment Priorities Plan (IPP) seeks to generate more investments in key areas of the economy that are considered as "enablers" and "triggers", thereby creating much needed jobs for our countrymen.

Recognizing the vital role of the private sector in nation building, full promotion of public-private partnership (PPP) projects is an important highlight of this year's IPP. This is one of the key strategies to enhance the country's infrastructure system and competitiveness as an investment destination, and to get the government and the business sector to work together to achieve mutual goals that benefit the entire nation.

I am encouraging both local and foreign investors and businessmen to grasp the opportunities listed in the 2011 IPP and to be part of the economic transformation that we are undergoing. With the measures that my administration is putting in place to minimize and eliminate the hurdle to investments, I am proud to say that the Philippines is open for business!


BENIGNO S. AQUINO III 

05 July 2011



FOREWORD

It is "**A New Day for Investments: Coherent, Consistent and Creative**". The 2011 Investment Priorities Plan (IPP) was specially formulated to support President Aquino's commitment to pursue economic growth while ensuring that the poor and the marginalized will enjoy the benefits of development as contained in his Social Contract with the Filipino People. A key feature of the 2011 IPP is the inclusion of private-public partnerships (PPP) projects to tap the private sector in the improvement of the country's infrastructure system.

This year's IPP is shorter, focusing on activities that will create more jobs, enhance the delivery of basic social services, boost the country's international competitiveness, and address the challenges of climate change.

To ensure that the investments generated will indeed contribute to the development goals of the country, entitlement to incentives will now be dependent on net value-added, job generation, multiplier effect and measured capacity.

The 2011 IPP contains the following priority investment areas:

The **Regular List**, which includes thirteen (13) priority investment areas that were identified to support the current priority programs of the government.

The **Export Activities**, which covers manufacture of export products, services exports and activities in support of exporters.

The **Mandatory List** covers areas/activities where the inclusion in the IPP and/or the grant of incentives under EO 226 is mandated by law.

The **ARMM List**, which covers priority investment areas that have been determined by the Regional Board of Investments of the Autonomous Region of Muslim Mindanao (RBOI-ARMM) in accordance with EO 458.

The 2011 IPP was formulated through the concerted efforts of the IPP Inter-Agency Working Group spearheaded by the Board of Investments, in coordination with the Regional Board of Investments - Autonomous Region of Muslim Mindanao (BOI-ARMM), the Office of the President – Presidential Management Staff, NEDA, and the Departments of Finance, Agriculture, Energy, Environment and Natural Resources, Public Works and Highways, Social Welfare and Development, Science and Technology, Tourism, and Transportation and Communications.

Other participating agencies were the Bureau of Export Trade and Promotion (BETP), Bureau of Micro, Small and Medium Enterprise Development (BMSMED), Civil Aeronautics Board (CAB), Civil Aviation Authority of the Philippines (CAAP), Commission on Higher Education (CHED VII-Regional Office), Construction Industry Authority of the Philippines (CIAP), Department of Health (DOH XI-Regional Office), Department of Labor and Employment (DOLE VII-Regional Office), Environmental Management Bureau (EMB), Film Development Council of the Philippines (FDCP), Fiber Industry Development Authority (FIDA), Housing and Land Use Regulatory Board (HLURB), Maritime Industry Authority (MARINA), Manila Water Sewerage System (MWSS), Mines and Geosciences Bureau (MGB), National Commission on Culture and Arts (NCCA), National Housing Authority (NHA), National Power Corporation (NPC), National Telecommunications Commission (NTC), National Water Resources

Board (NWRB), Philippine Economic Zone Authority (PEZA), Philippine Information Agency (PIA XI-Regional Office), Philippine Ports Authority, Power Sector Assets and Liabilities Management (PSALM) Corporation, Philippine Retirement Authority (PRA), Public-Private Partnership (PPP) Center, Small Business Guarantee and Finance Corporation (SBGFC), Technical Education and Skills Development Authority (TESDA), DTI-Regional Operations Group and the Local Government Units (LGUs).

Private sector inputs were likewise obtained through well-attended simultaneous public hearings in Manila, Cebu and Davao on 07 January 2011.



GREGORY L. DOMINGO
Chairman, Board of Investments
Secretary, Department of Trade and Industry

Part I

PRIORITY INVESTMENT AREAS

The coverage, description and entitlement to incentives of the following listed activities shall be defined and clarified in the General Policies and Specific Guidelines to be issued by the Board of Investments (BOI).

The extent of entitlement to incentives shall be based on the project's net value added, job generation, multiplier effect and measured capacity¹.

PREFERRED ACTIVITIES

1. Agriculture/Agribusiness and Fishery

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

This also covers agriculture- and fishery-related activities such as irrigation, post harvest, cold storage, blast freezing, and production of fertilizers.

2. Creative Industries/Knowledge-Based Services

This covers business process outsourcing (BPO) activities, IT and IT-enabled services, and film and performing arts production.

3. Shipbuilding

This covers the construction and repair of ships. This also covers shipbreaking/shiprecycling.

4. Mass Housing

This covers the development of low-cost mass housing.

5. Energy

This covers the exploration, development, and/or utilization of indigenous energy sources and other energy sources adopting environmentally-friendly technologies.

6. Infrastructure

This covers transport, water, logistics, waste management facilities, physical infrastructure

¹ Section 20 of EO 226 defines measured capacity as the estimated additional volume of production or service which the Board determines to be considerable in each preferred area of investment in order to supply the needs of the economy at reasonable prices, taking into account the export potential of the product including economies of scale which would render such product competitive in the world market. Measured capacity shall not be less than the amount by which the measurable domestic and country's potential export market demand exceeds the existing productive capacity in said preferred areas. For export market industries, when warranted, the Board shall base measured capacity on the availability of domestic raw materials after deducting the needs of the domestic market therefor.

(tollways, railways and telecommunication facilities) and pipeline projects for oil and gas.

7. Research and Development

This covers R&D activities and the establishment of testing laboratories, Centers of Excellence (COE) and technical vocational education and training institutions.

8. Green Projects

This covers the manufacture/assembly of goods, the utilization of which would significantly lead to either the efficient use of energy, natural resources or raw materials; minimize/prevent pollution; or reduce greenhouse gas emissions.

9. Motor Vehicles

This covers the manufacture/assembly of motor vehicles, including alternative fuel vehicles (AFVs) and electric vehicles (EVs) but excluding 2-stroke motorcycles, and manufacture of motor vehicles parts and components.

10. Tourism²

This covers tourism enterprises that are outside the tourism enterprise zones (TEZs) and are engaged in the following:

1. Tourist transport services whether for land, sea and air transport for tourist use;
2. Establishment and operation of:
 - Accommodation establishments such as but not limited to hotels, resorts, apartment hotels, tourist inns, motels, pension houses, private homes for homestay, ecolodges, condotels, serviced apartments, and bed and breakfast facilities;
 - Convention and exhibition facilities or "meetings, incentives, conventions and exhibition" (MICE) facilities;
 - Amusement parks;
 - Adventure and ecotourism facilities;
 - Sports facilities and recreational centers;
 - Theme parks;
 - Health and wellness facilities such as but not limited to spas, tertiary hospitals, and ambulatory clinics;
 - Agri-tourism farms and facilities; and
 - Tourism training centers and institutes.
3. Development of retirement villages.

11. Strategic Projects³

This covers projects that exhibit very high social economic returns that will significantly

² The option to avail of incentives provided under Republic Act No. 9593 shall be governed by the rules and regulations to be jointly promulgated by the BOI and DOT. Until the effectivity thereof, Executive Order No. 226 and its rules and regulations shall apply.

³ Approval of projects shall be subject to the concurrence of DOF and NEDA.

contribute to the country's economic development.

12. PPP Projects³

This covers projects under the Public-Private Partnership (PPP) Program of the government.

13. Disaster Prevention, Mitigation and Recovery Projects

This covers projects that will prevent or mitigate adverse impacts of calamities and disasters (e.g., installation of flood control systems, installation of early warning systems for typhoons, earthquake occurrences, tsunamis, volcanic eruptions, dikes, etc.).

This also covers projects to rehabilitate areas affected by calamities and disasters (e.g., rebuilding of roads and bridges after earthquakes/floodings, volcanic eruptions, oil spill clean-up, etc.).

This further covers training for disaster preparedness, mitigation or recovery/rehabilitation/reconstruction.

MANDATORY LIST

This covers activities that require their inclusion in the IPP as provided for under existing laws.

<u>LAW</u>	<u>ACTIVITY</u>
P.D. No. 705	Revised Forestry Code of the Philippines This covers extensive plantation of forest land of tree crops (except fruit trees) for commercial and industrial purposes.
R.A. No. 7942	Philippine Mining Act of 1995 This covers the exploration and development of mineral resources, mining/quarrying and processing of metallic and non-metallic minerals.
R.A. No. 8047	Book Publishing Industry Development Act This covers printing, re-printing, publication and content development of books or textbooks.
R.A. No. 8479	Downstream Oil Industry Deregulation Act of 1998 This covers refining, storage, distribution, and marketing of petroleum products.
R.A. No. 9003	Ecological Solid Waste Management Act of 2001

³ Approval of projects shall be subject to the concurrence of DOF and NEDA.

LAW

ACTIVITY

This covers the establishment of waste recycling facilities.

R.A. No. 9275 Philippine Clean Water Act of 2004

This covers the establishment of wastewater treatment facilities, and sewage collection integrated with treatment facilities and the adoption of water pollution control technology, cleaner production and waste minimization.

R.A. No. 7277 Magna Carta for Persons with Disability

This covers the manufacture of technical aids and appliances for the use and/or rehabilitation of persons with disability, and the establishment of special schools, homes, residential communities or retirement villages solely to suit the needs and requirements of persons with disability.

R.A. No. 9513 Renewable Energy Act of 2008

This covers developers of renewable energy facilities, including hybrid systems.

This also covers manufacturers, fabricators and suppliers of locally-produced renewable energy (RE) equipment and components.

EXPORT ACTIVITIES

This covers the manufacture of export products, services exports and activities in support of exporters.

ARMM LIST

The ARMM List covers priority activities that have been identified by the Regional Board of Investments of the ARMM (RBOI-ARMM) in accordance with E.O. No. 458. The RBOI-ARMM may also register and administer incentives to activities in this IPP for projects locating in the ARMM.

Export Activities

1. Export Trader and Service Exporters
2. Support Activities for Exporters

Agriculture, Agribusiness/Aquaculture & Fishery

This covers the production and processing of agricultural and fishery products (production of "Halal" meat and foods), vegetable oils, food crops, integrated coconut processing and plantation, activated carbon, production of beverage crops and plantation, seaweeds production and processing, fruit processing, aquaculture (fish production and processing), young/sweet corn production, potato and sweet potato plantation/processing, cutflower production/processing, abaca plantation/processing, oil palm plantation/processing/refining and germinated oil palm seeds, feeds production, jatropha plantation/processing, sugarcane plantation/processing and refineries, quality seed and seedlings of fruit trees and other

planting materials propagated asexually or by tissue culture, pearl culture/processing, production of livestock and poultry that includes processing, crocodile farming and processing, sericulture, feeds production and production of plantation crops and other pharmaceuticals, medical herbs/essential oil plants, biomass, rubber, carrageenan, mangosteen and moringa.

Basic Industries

This covers the production of pharmaceuticals such as antibiotics and medical devices, textile and textile products, inorganic and organic fertilizers using solid wastes materials, mining exploration and development of mineral resources (mining and quarrying of metallic and non-metallic minerals which includes small scale as defined under P. D. 1899 but to exclude river beds in operations and processing of minerals such as beneficiation and other metallurgical methods) and cement production of at least 1.0 million MTPY capacity (clinker based).

Consumer Manufactures

This covers processing of rubber products to be integrated with plantation and leather products.

Infrastructure and Services

This covers public utilities with developmental route of the five provinces and one city of ARMM and other adjacent cities and provinces such as common carriers, electric transmission/distribution, water supply facilities/waterways and sewerage systems, buses/cargo trucks, other specialized mass transport systems, power generation like hydro power, geothermal and natural gas, and telecommunications with international gateways.

Industrial Service Facilities

This covers testing and quality control laboratories, training and demonstration centers, tool shops and similar facilities, metal casting, metal working, furniture, ceramics and food processing, petrochemical complex and industrial gases.

Engineering Industries

This covers engineering products, electronics and telecommunication products, fabrication of construction materials and hydropower plant.

Logistics

This covers the transportation of cargoes and/or passengers (air, sea and/or land) and freight/cargo forwarding.

BIMP – EAGA Trade and Investment Enterprises

This covers enterprises located or have their base of operation in the BIMP – EAGA, namely,

Brunei; Sabah and Sarawak in Malaysia; Maluku, Sulawesi, Kalimantan and Iringaya in Indonesia; and Mindanao and Palawan in the Philippines, who shall invest and engage in economic activity in the ARMM including the age old Traditional Barter Trading System in the BIMP – EAGA.

Tourism

This covers the establishment of tourism estate subject to guidelines developed jointly by RBOI-ARMM and the Department of Tourism – ARMM, tourist accommodation facilities, tourist transport facilities and development of retirement villages which shall include health and medical facilities including amenities required by the Philippine Retirement Authority (PRA) and subject to the guidelines to be approved by RBOI-ARMM in consultation with the PRA, the Department of Health (DOH), the Regional Planning and Development Office (RPDO) and other concerned agencies.

Health and Education Services and Facilities

This covers the establishment of private hospitals, medical clinics, wellness centers, primary education, secondary education, tertiary education (colleges, universities and vocational – technical schools) and ancillary services including any and all health and education related investment.

Halal Industry

This covers services and the production and processing of products under muslim or islamic law.

Part II

GENERAL POLICIES

I. APPROVAL OF APPLICATION AND ENTITLEMENT TO INCENTIVES

The approval of application for registration and entitlement to incentives under this IPP is subject to Article 7, paragraph 3 of Executive Order No. (E.O.) 226, to wit:

“ART. 7 Powers and Duties of the Board. xxx

(3) Process and approve applications for registration with the Board, imposing such terms and conditions as it may deem necessary to promote the objectives of this Code, including refund of incentives when appropriate, restricting availment of certain incentives not needed by the project in the determination of the Board x x x”

The approval of applications for registration, in general, shall take into consideration the existing and prospective demand for the proposed product/service as well as the potential of the project for creating new markets for domestic suppliers of raw materials and/or intermediate goods in the domestic market.

The extent of entitlement to incentives shall be based on the project's net value-added, job generation, multiplier effect and measured capacity¹.

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

II. EQUITY OWNERSHIP

Except as provided for under the Constitution and the Foreign Investment Act (Republic Act No. 7042, as amended), there are no restrictions on the extent of foreign ownership of export-oriented and/or pioneer enterprise that will engage in the activities listed in the IPP.

III. EQUITY REQUIREMENT

In general, the equity of the project applied for registration is 25% of the project cost.

For large projects with a gestation period of more than one (1) year, the 25% equity requirement shall be based on the annual capital requirement of the project; Provided that the total equity requirement of 25% is complied with on the first year of ITH availment.

The following may be exempted from the 25% equity requirement:

1. Project/s of applicant with good track record in implementing registered project;
2. Projects of publicly-listed applicants and included in the PSEi; and
3. Projects not entitled to ITH.

IV. LOCATIONAL RESTRICTION POLICY

A. Regional Dispersal of Industries

The dispersal of economic activities in the countryside is encouraged.

¹ **Measured capacity** is defined as the estimated additional volume of production or service which the Board determines to be desirable in each preferred area of investment in order to supply the needs of the economy at reasonable prices, taking into account the export potential of the product, including economies of scale which would render such product competitive in the world market. Measured capacity shall not be less than the amount by which the measurable domestic and country's potential export market demand exceeds the existing productive capacity in said preferred areas. For export market industries, when warranted, the Board shall base measured capacity on the availability of domestic raw materials after deducting the needs of the domestic market therefor.

1. Unless otherwise specified in the Specific Guidelines, projects in any of the following less developed areas (LDAs) shall be entitled to pioneer incentives and additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure facilities.

<u>REGION</u>	<u>PROVINCE</u>
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

The BOI may, on a case to case basis, consider areas within any province as a less developed area subject to the provision of Article 40 of E.O. No. 226.

2. Projects in any of the following thirty (30) poorest provinces shall be entitled to pioneer or non-pioneer incentives, as may be applicable.

<u>REGION</u>	<u>PROVINCE</u>
CAR	Abra Apayao Mt. Province
IV	Romblon
V	Albay Camarines Sur Camarines Norte Masbate
VI	Aklan
VII	Bohol Negros Oriental Siquijor
VIII	Eastern Samar

<u>REGION</u>	<u>PROVINCE</u>
	Northern Samar Western Samar
IX	Zamboanga del Norte Zamboanga Sibugay
X	Bukidnon Camiguin Lanao del Norte Misamis Occidental
XI	Davao Oriental
XII	Saranggani Sultan Kudarat
ARMM	Maguindanao Sulu Lanao del Sur
CARAGA	Agusan del Sur Surigao del Norte Surigao del Sur

B. Exemption from the Locational Restriction

Complementary to the provision of the law granting pioneer incentives to projects in LDAs, the BOI limits incentives to firms that locate in congested urban centers. The locational restriction applies to the National Capital Region (NCR) wherein projects are not entitled to ITH.

Exemption from the above locational restriction, however, may be given to the following:

1. Projects in government industrial estates² declared by national law or presidential proclamation prior to 01 January 1989 (unless subsequently privatized)
2. Projects that will engage in service type activities
3. Expansion of export-oriented projects
 - a) Expansion shall be effected within the firm's existing premises.
 - b) The enterprise has a good track record of exports and has no record of violation of the terms and conditions governing its existing registration(s), specifically, the earlier project exceeded its projected export commitment in the past three (3) years.
4. Modernization projects
5. Projects of micro and small enterprises (MSEs)

² Government Industrial Estates

- a) Dagat-Dagatan (P.D. No. 569 dated 30 October 1974)
- b) Vitas Industrial Estate, Tondo (E.O. No. 1086 dated 31 January 1986, as amended/expanded through Presidential Proclamation No. 39 dated 09 September 1992 and Proclamation No. 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 No. 900 dated 25 July 1979)
- e) Navotas Fishing Port Complex (E.O. No. 772 dated 08 February 1982)

operation undertaken by:

1. A newly organized/formed enterprise; or
2. An existing enterprise that shall engage in:
 - i. An entirely distinct and different activity from its existing business operations; or
 - ii. The same activity provided it shall establish a new facility⁴ in an area not contiguous to the premises of its existing project and with new investments.

Notwithstanding (1) and (2) above, a project shall be deemed new provided:

1. It involves the manufacture of products utilizing local R&D; or
2. It involves 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.

Projects undertaken by micro and small enterprises with total project cost of not more than PhP15 million, excluding cost of land, that has been in commercial operation for less than one year shall also be deemed new project.

Applications for registration utilizing local R&D must be endorsed by the Department of Science and Technology (DOST) stating that this was undertaken in the Philippines and has not yet been commercialized.

B. Expansion Projects

Expansion shall mean installation of additional facilities/equipment that will result in increase in production capacity of the same product line within the same existing plant/facilities of the enterprise.

For service-type activities, the same principle applies.

C. Modernization Projects

In general, modernization must result in any of the following:

1. at least 25% substantial reduction of production cost/cost of provision of the service; or
2. upgrading of product/service quality or classification of the facility (e.g., hospitals, hotels, resorts) to a higher class.

D. Existing Projects

Project of an existing enterprise that has started commercial operation at the time of application with the Board that does not qualify as new, expansion or modernization project.

IX. PROJECT STATUS AND INCENTIVES

In general, pioneer status with pioneer incentives shall be governed by Article 17 of E.O. No. 226.

Pioneer status with pioneer incentives may be granted to projects that meet the minimum investment requirement and other qualifications as provided in the Specific Guidelines.

Pioneer status with non-pioneer incentives may be granted to projects that meet the minimum investment requirement as provided in the Specific Guidelines.

⁴ New facility refers to new complete line used in the production of the registered product/service separate from existing line.

X. ITH AVAILMENT

A. General Rules

1. In the grant of incentives, the Board shall give priority to projects with substantial benefits to the economy. In this regard, the extent of the project's ITH entitlement shall be based in the following order of importance: (1) project's net value added, (2) job generation, (3) multiplier effect, and (4) measured capacity.

In the event that the registered enterprise fails to implement the project as represented in its project application, the Board may opt to reduce the project's ITH entitlement proportionate to the actual performance (investments, employment generation, production and sales, timetable, and the like) of the enterprise.

2. The income qualified for ITH shall be limited to the income directly attributable to revenue generated from the registered project.
3. Income qualified for ITH availment shall not exceed by more than 10% of the projected income represented by the firm in its application.
4. ITH from projects intended for own use shall only be applicable to revenues on sales generated or services rendered to other enterprises.
5. Only net income from operation of registered activity as certified under oath by CEO or CFO shall be entitled to ITH.
6. In general, the incentives availed of shall translate to the benefit of the consumers such as reduced tariffs of water/power/transport and prices of goods/services/housing units. Proof of compliance must be submitted prior to ITH availment.
7. Enterprises with multiple registrations with the Board and/or several activities (whether BOI-registered or not) shall submit a list of cost items that are common with the qualified project and their cost allocation methodology for the said cost items, to ensure proper, fair and equitable allocation of common cost such as overhead and administrative costs. The methodology to be adopted in accounting for fixed assets particularly the Plant, Property and Equipment account shall be the Straight Line Depreciation Method.

B. Base Figure and Rate of Exemption

1. In general, ITH of expansion projects are subject to a base-figure equivalent to the enterprise's highest sales volume in case of homogenous products or sales value in case of heterogeneous products, in the last three (3) years. In cases when the enterprise has already generated sales for a few months but has not yet started commercial operation prior to application, the sales for that period shall be normalized then annualized prior to the filing of the application for registration of the project.
2. Projects registered under the modernization program without increase in capacity may be entitled to three (3) years ITH and other incentives. The computation of ITH for projects without increase in capacity is as follows:

For single product/activity:

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

For multiple products/activities or when ITH entitlement of other products/activities has lapsed:

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

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

Where:

- ROE shall be fixed for the ITH entitlement period.
- Exchange rate shall be the existing rate at the time of actual investment or time of availment of ITH whichever will result in lower rate of ITH.
- Replacement cost shall refer to the appraised value of its Fixed Assets relative to the concerned plant in the first year of ITH availment duly assessed and certified by an Independent Appraiser. This shall thereon be used as a basis in succeeding ITH availments until the end of the ITH entitlement period of the project.
- % Sales Entitled to ITH shall be based on actual sales values for the year of availment.

C. **Projects with Sovereign Guarantee or Guaranteed Rate of Return**

In general, projects with sovereign guarantee (including direct or indirect subsidy on prices of raw materials and supplies) or guaranteed rate of return (including guaranteed profit margins as approved by the regulatory boards/agencies) are not entitled to ITH.

Projects with sovereign guarantee for risks other than commercial risk may be granted ITH subject to certification as such by the agency/institution providing the guarantee.

Projects with take or pay provisions are not entitled to ITH.

D. **Projects Acquired from PMO/GFIs/GOCCs**

These are 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 either of the following unless the Specific Guidelines provides for other qualifications for pioneer status:

- Projects with a new investment of at least the Philippine Peso equivalent of US\$ 150 million covering purchase cost, 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\$ 30 million covering upfront lease payment equivalent to one (1) year upon signing of contract, pre-operating cost, rehabilitation cost and working capital

E. **Unsolicited BOT/PPP Projects**

In general, unsolicited BOT/PPP projects are not entitled to ITH.

XI. **PROJECTS PREVIOUSLY REGISTERED WITH BOI**

Projects that will utilize facilities (plant and equipment) of a previously registered activity with the

BOI and has availed of incentives shall not qualify for registration.

XII. MULTI-PHASED PROJECTS WITH MULTIPLE LOCATIONS

In general, projects of an enterprise with multiple phases/locations may be registered on a per phase/location or revenue stream basis.

XIII. Corporate Social Responsibility (CSR)

Registered enterprises with non-pioneer incentives are encouraged to undertake Corporate Social Responsibility (CSR) activities, to the extent possible, in accordance with the development plans of the community where the registered project is located.

Enterprises engaged in housing projects, when undertaking CSR activities, must establish facilities (e.g., community centers, child care centers, etc.) for the benefit of the homeowners within the housing project.

Registered enterprises with pioneer incentives must undertake CSR activities, to the extent possible, in accordance with the development plans of the community where the registered project is located. The grant of the last two years of their ITH shall be subject to submission of proof thereof not later than the end of the 4th year of ITH entitlement.

XIV. GOOD CORPORATE GOVERNANCE

All medium and large BOI-registered enterprises must abide by the principles of Good Corporate Governance. All registered enterprises must likewise accomplish the self-rating Governance Scorecard to be provided by BOI every year as a requirement for ITH availment.

XV. SUPPORT TO THE NATIONAL FRAMEWORK STRATEGY ON CLIMATE CHANGE

Registered enterprises shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

XVI. PROJECTS CRITICAL TO THE ENVIRONMENT

New and expansion projects shall be required to secure an Environmental Compliance Certificate pursuant to P.D. No. 1586 (Philippine Environmental Impact Statement System) and other clearances under relevant environmental laws.

A Certificate of Non-Coverage (CNC) issued by the Environmental Management Bureau (EMB) shall be submitted for projects that are not critical to the environment.

Registered projects are encouraged to participate in the Philippines' Eco-labeling Program (ELP), when applicable.

Registered enterprises are encouraged to acquire international certification such as ISO 14000 certification.

XVII. INTERNATIONAL STANDARDS CERTIFICATION

Registered food processing projects shall submit a Hazard Analysis and Critical Control Points (HACCP) certification.

Other registered enterprises are encouraged to acquire international certification such as ISO certification, quality standards (e.g. ICC, CE) or other similar certifications.

XVIII. EQUIPMENT

In general, registered enterprises will use brand new equipment and apply production

processes that meet environmental standards. Application for availment of capital equipment incentive shall be filed prior to the ordering of equipment.

XIX. PROJECTS IN THE AUTONOMOUS REGION IN MUSLIM MINDANAO (ARMM)

The ARMM List covers priority activities that have been identified by the Regional Board of Investments of the ARMM (RBOI-ARMM) in accordance with E.O. No. 458. The RBOI-ARMM may also register and administer incentives to activities in this IPP for projects locating in the ARMM.

Projects in the ARMM should register with the BOI-ARMM.

XX. PROJECTS WITH REVENUES DERIVED FROM CARBON CREDITS PURSUANT TO THE KYOTO PROTOCOL

Revenues from the sale of carbon credits through certified emission reduction (CER) units generated from registered activity may be considered as part of the income entitled to ITH, provided that the enterprise made representation at the time of application for registration that such projects would earn CER units.

Projects with foreign exchange earnings generated from CER units of at least more than 50% of their total revenues may be registered as export-oriented projects.

XXI. OUTSOURCING OF PRODUCTION PROCESS OR SERVICES

Portion/s of the production process or services of the registered activity may be outsourced provided that the core activity or the integrated nature of operation is undertaken by the registered enterprise.

XXII. PUBLIC WELFARE CONSIDERATION

The BOI may deny applications for registration and/or grant of incentives for reasons of public health or morals or for environmental considerations.

**Part III
SPECIFIC GUIDELINES**

I. Preferred Activities

1. Agriculture/Agribusiness and Fishery

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

This also covers productivity improvement in agriculture- and fishery-related activities such as irrigation, post-harvest, cold storage, blast freezing facilities and production of fertilizers.

a. Commercial production

This covers the production of agricultural (crops, poultry and livestock) and fishery products.

In general, crop production should involve new plantation areas to qualify for registration. New plantation areas refer to new hectareage of plantation or lands that have been idle for at least one year or those involving change of crops/variety to achieve higher yield.

b. Commercial processing

This covers the conversion of agricultural and fishery products, their by-products and wastes, to a form ready for further processing or final consumption.

This also covers the extraction of higher value substances from agricultural and forest-based raw materials through bioprocessing.

This also covers the production of animal and aqua feeds excluding those for game animals, fowls and other species for pet/leisure purposes.

Processing of agricultural products should involve domestically produced raw or semi-processed agricultural products, unless the raw or semi-processed raw materials are not locally produced (NLP) or not in sufficient quantity (NISQ).

If using imported raw or semi-processed agricultural products that are locally produced (LP) or in sufficient quantity (ISQ), the project may qualify for registration, provided that the finished/final product is for export, or the project qualifies for pioneer status.

Production of iodized salt should comply with the applicable provision of "An Act for Salt Iodization Nationwide (ASIN)" (R.A. No. 8172).

Production of refined sugar, cooking oil, and rice should involve domestically produced raw or semi-processed agricultural products and comply with the applicable provisions of the Philippine Food Fortification Act of 2000 (R.A. No. 8976).

In addition, rice millers must comply with the following requirements:

1. Must be a National Food Authority (NFA) licensed rice miller
2. Milling recovery must not be less than 70% and the milled rice must meet the following specifications:
 - a. Whole kernels must not be less than 75%
 - b. Broken kernels must not be more than 5%
 - c. Damaged grains including yellow/discolored kernels and brewers must not be more than 1.5%
 - d. Moisture content must not be more than 14%

c. Irrigation

This covers irrigation system primarily intended to render service to agricultural farms.

Irrigation system shall include water source, distribution lines and control mechanism. The system may also include prime mover, pump, generator and transformer. System capacity is expressed in terms of cubic meters of irrigation water per year.

Only revenues generated from services rendered to other agricultural farms may be entitled to ITH.

d. Post Harvest Facilities

This covers the establishment and operation of cold storage, freezing, bulk handling, packing house and storage facilities.
This also covers harvesting services.

Only revenues generated from services rendered to other agricultural enterprises may be entitled to ITH.

Projects that cost at least the Philippine Peso equivalent of US\$20 million may be granted pioneer status but with non-pioneer incentives⁵.

⁵ "Pioneer status with non-pioneer incentives" means that projects may be granted four (4) years of Income Tax Holiday (ITH).

Applications for registration must be endorsed by the concerned agency, when applicable.

2. **Creative Industries/Knowledge-Based Services**

This covers business process outsourcing (BPO), IT and IT-enabled services, and film and performing arts production.

a. **BPO, IT and IT-enabled services**

This covers voice and non-voice IT-enabled services including procurement and sourcing services, contact center, business/knowledge processing, software development, animation, data transcription, engineering design, game development and ICT support services.

A contact center project must have a minimum investment cost of the Philippine Peso equivalent of US\$2,500 per seat to qualify for registration. This amount covers the cost of equipment (hardware and software), office furniture and fixture, building improvements and renovation, and other fixed assets except land, building and working capital. If equipment used were leased, the same should be converted to assets in terms of commercial interest rates and amortized over a five-year period. If equipment were consigned, the same should have an assigned value to be considered as part of the project cost.

Projects that cost at least the Philippine Peso equivalent of US\$5 million (excluding cost of land and building) to be put up during the first year of operations, may be granted pioneer status.

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

b. **Film and Performing Arts**

The BOI may consult and/or require an endorsement from concerned agency such as Film Development Council of the Philippines (FDCCP), National Historical Institute (NHI) and the National Commission for Culture and Arts (NCCA).

Registration of film and performing arts production is on a per project basis.

Projects with at least 50% of revenues derived from export may qualify for pioneer status.

Only income derived from sales, advertisements, tickets/box office returns, royalties including publication rights, and rentals for special showing earned by the producer within the incentive period may be entitled to ITH.

3. **Shipbuilding**

This covers the construction and repair of ships/boats.

This also covers shipbreaking/ship recycling.

The following are the qualifications for registration:

General Requirements:

- Registered enterprises must have the minimum required paid-up capital, capital equipment and technical and skilled manpower as specified by Maritime Industry Authority (MARINA).
- Registered enterprises must comply with DOLE Department Circular No. 1 series of 2009 on the Guidelines on Occupational Safety and Health in Shipbuilding, Ship Repair and Shipbreaking Industry and secure of a copy of Department of Environment and Natural Resources (DENR) issued Environmental Compliance Certificate (ECC).

Requirement for Ship/Boatbuilding:

- Ships/boats to be built must be at least 500 GT

Requirements for Shipbreaking/Ship recycling:

- Must have a drydocking or dismantling slip with a minimum capacity of 1,500 DWT
- Must comply with the requirements of the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships including the preparation of a Ship Recycling Facility Plan and the Technical Guidelines for the Environmentally Sound Management of the Full and Partial Dismantling of Ships.

Any of the following may qualify for pioneer status:

- Shipbuilding or ship repair facilities with a minimum lifting capacity of 20,000 DWT
- Shipbuilding or ship repair facilities with a minimum berthing capacity of 7,500 DWT
- Projects that cost at least the Philippine Peso equivalent of US\$100 million may be granted pioneer status but with non-pioneer incentives⁵.

Registered enterprises may be required to submit a copy of its License/Authorization or its equivalent from the MARINA or other concerned agency prior to start of commercial operation.

4. **Mass Housing**

This covers the development of low-cost mass housing.

The following are the qualifications for registration:

General requirements:

- The selling price of each housing unit shall be more than PhP400,000 but not exceeding PhP2.5 million.
- Must be new or expanding low-cost mass housing project
- Minimum of twenty (20) livable dwelling units in a single site or building
- Project shall conform with the design standards set forth in the Rules and Regulations to Implement B.P. No. 220/P.D. No. 957 and other related laws.
- All low-cost mass housing projects must comply with the socialized housing requirement by developing an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost for horizontal housing and 20% of the total floor area of qualified saleable low cost housing units for vertical housing projects.

This may be done through any of the following modes:

- Development of a new settlement;
 - Slum upgrading or renewal of areas for priority development either through zonal improvement programs or slum improvement and resettlement programs; or
 - Joint-venture projects with either the local government units, non-government organizations (NGOs) accredited by BOI or any of the housing agencies.
- Compliance with the socialized housing requirement must be completed within the ITH availment period.

Requirement for horizontal housing projects:

- 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 LGU.

Requirement for vertical housing projects:

- At least 51% of the total floor area, excluding common facilities and parking areas, must be devoted to housing units

⁵ "Pioneer status with non-pioneer incentives" means that projects may be granted four (4) years of Income Tax Holiday (ITH).

- In lieu of the above modes for compliance with the socialized housing requirement, enterprises may donate 30% of the above socialized housing cost (i.e., 20% of the building construction cost based on the actual number or equivalent total floor area of qualified saleable low cost housing units) to non-government organizations (NGOs) for community development. Equivalent total floor area refers to the sum total of the floor area of all the registered low-cost mass housing units.

The amount of donation required is only up to 40% of the estimated ITH.

Any of the following may be considered as an expansion project:

- Unfinished projects, the construction of which had stopped for at least one (1) year. Only the unsold units may qualify for registration
- Conversion to low-cost or socialized housing project of a building originally intended for commercial, office spaces, or exclusive condominiums
- Construction of additional floors or annexes intended for mass housing units

A project shall 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.

Projects that have already been completed and have incurred sales (booked sales) of housing packages shall, in general, not qualify for registration.

Projects in less-served areas, as may be determined by the Board, may be entitled to four (4) years ITH otherwise, three (3) years. In general, projects in NCR may be entitled to three (3) years ITH.

In cases of un-incorporated joint venture and similar arrangements between land owner and developer wherein the sharing scheme is in terms of the number of lots or units built, only the share of the developer may qualify for registration.

Interest income arising from in-house financing shall not be entitled to ITH.

5. **Energy**

This covers the exploration, development, and/or utilization of indigenous energy sources, and other energy sources adopting environmentally-friendly/green technologies.

Any of the following may qualify for pioneer status:

- Power supply projects located in missionary areas
- Projects that cost at least the Philippine Peso equivalent of US\$1.5 million per megawatt but with non-pioneer incentives⁵

For power generation projects, only revenues from power generated and sold to the grid, other entities and/or communities may be entitled to ITH.

Applications for registration must be endorsed by the Department of Energy (DOE).

6. **Infrastructure**

This covers transport, water, logistics, waste management facilities, physical infrastructure (tollways, railways, and telecommunication facilities), and pipeline projects for oil and gas.

a. **Transport**

This covers air, water and mass rail transport.

⁵ "Pioneer status with non-pioneer incentives" means that projects may be granted four (4) years of Income Tax Holiday (ITH).

(1) **Air Transport**

Air transport operation includes passenger and/or cargo operation for commercial purposes.

Lease with option to purchase an aircraft may be allowed. Pure lease may be allowed provided that the lease contract is for a minimum of five (5) years.

Acquisition of additional aircraft/s may be registered as new project.

Any of the following may qualify for pioneer status:

- Serving the missionary/developmental routes, as indicated in the Certificate of Public Convenience and Necessity (CPCN)
- Air transport projects involving purchase/lease-purchase of brand new aircraft. For lease-purchase, the option to purchase should be exercised before the end of the 4th year of ITH availment.

All applications for registration must be endorsed by the Civil Aeronautics Board (CAB), when applicable. Such endorsement must contain information on the routes to be served.

Prior to start of commercial operation of each aircraft, the registered enterprise must submit a Certificate of Airworthiness issued by Civil Aviation Authority of the Philippines (CAAP).

(2) **Water Transport**

This covers domestic, overseas, and Roll-On/Roll-Off (RORO) shipping.

(a) **Domestic/inter-island shipping**

This covers pure cargo, passenger, and passenger-cargo vessel operations including RORO Terminal System operations.

The following are the qualifications for registration:

- Must be a Philippine shipping enterprise accredited with the MARINA
- Vessel must be registered and operated under the Philippine Flag
- Must comply with following age requirements:

Type of Vessel	Maximum Age from Original Date of Launching
Tankers	10 years
High-speed Craft	5 years
Passenger/Cargo	15 years

The age of the vessel shall be reckoned from the ship's date of launching based on the Builder's Certificate or Certificate of Vessel Registry.

- Tankers, High-speed Craft, RORO Vessels serving primary routes and Passenger/Cargo vessels must have gross weight of 150 GT and above.
- Tankers must be double-hulled.

RORO operator/enterprise serving missionary routes, as indicated in the Certificate of Public Convenience (CPC) issued by MARINA, may qualify for pioneer status.

(b) **Overseas shipping**

The following are the qualifications for registration:

- Must be a Philippine shipping enterprise accredited with the MARINA

- Vessel must be registered and operated under the Philippine Flag
- Vessels must be at least 1,000 GT and must not be more than fifteen (15) years old

Acquisition of brand new vessels may qualify for pioneer status.

Acquisition of additional vessel/s may be registered as new project.

Lease or charter of foreign-owned vessel with option to purchase may be allowed. Pure lease or bareboat charter may be allowed provided the lease contract is for a minimum of one (1) year; Provided further, that any replacement of vessels shall be covered by the enterprise's existing registration involving the leased vessel, which shall be valid for at least one (1) year.

All vessels must be seaworthy and must obtain valid Class and Statutory Certificates as required by MARINA.

Modernization of ships may be allowed with entitlement to ITH limited to investments in safety and navigation devices and equipment.

All applications for registration must be endorsed by the MARINA.

(3) **Mass Rail Transport**

This covers mass rail transport system for passengers and cargoes in line with the transport development plans and programs of the Department of Transportation and Communications (DOTC).

b. **Water Supply and/or Distribution**

This covers the supply and/or distribution of water.

Supply of water shall be limited to supply of treated bulk water for commercial purposes.

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

Applicants must submit a copy of its Water Permit or Certificate of Public Convenience (CPC) or its equivalent, whichever is applicable.

Projects involving any of the foregoing areas of water operations dedicated to a particular industrial estate, industrial community, or subdivision are not qualified for registration under this listing.

c. **Logistics**

This covers ports, terminals (passenger/intermodal terminals, cargo terminals/container yards, LNG/CNG storage terminals, natural gas refueling stations and charging stations for electric vehicles), warehouses and relocation of oil terminals.

(1) **Ports**

This covers the development and operation of airports and seaports.

All applications for registration must be endorsed by the CAAP or the Philippine Ports Authority (PPA), whichever is applicable.

(2) **Terminals**

(a) **Passenger/Intermodal terminals**

The following are the qualifications for registration:

- Must cater to shipping lines or airlines and/or different land transportation systems (rail system, buses, taxis, etc.);
- Must have new facilities with parking, comfort rooms, ticketing and reservation office, air-conditioned waiting area and provide shuttle services; and
- Must have a system of ingress and egress to prevent traffic buildup/obstruction of thoroughfares on a 24-hour basis as certified by DOTC, Metropolitan Manila Development Authority (MMDA) and/or other concerned agency.

(b) **Cargo terminals/Container yards**

The following are the qualifications for registration:

- Must have new facilities; and
- Must have a system of ingress and egress to prevent traffic buildup/obstruction of thoroughfares on a 24-hour basis as certified by DOTC, MMDA and/or other concerned agency.

(c) **LNG/CNG storage terminals**

The following are the qualifications for registration:

- Must have new facilities;
- Must cater to power plants, industrial plants, shipping vessels or land transport; and
- Must cater to at least one (1) clientele, other than the proponent's own business.

Prior to start of commercial operation, the registered enterprise must submit a copy of its Permit to Operate issued by the DOE.

(d) **Natural gas refueling stations**

This covers the establishment and operation of natural gas refueling station and related infrastructures and facilities in accordance with relevant Philippine National Standard (PNS).

Foreign-owned corporations must comply with the Retail Trade Law (R.A. No. 8762).

Prior to start of commercial operation, the registered enterprise must submit a copy of its Permit to Operate issued by the DOE.

(e) **Charging stations for electric vehicles**

This covers the establishment of charging stations for electric vehicles. The charging stations could refer to a 'service station' designed to simultaneously fast charge multiple vehicles similar to gasoline/diesel stations or a network of at least 5 charging stands.

All applications for registration must be endorsed by concerned agency.

(3) **Warehouses**

This covers the establishment and operation of IT-enabled and automated warehousing facilities.

Only revenues generated from services rendered to other enterprises may be entitled to ITH.

(4) Relocation and putting up of a new oil terminal

Projects that cost at least PhP1 billion may be granted pioneer status but with non-pioneer incentives⁵.

All applications for registration must be endorsed by the DOE.

All applications for registration must show such project's compliance with appropriate land use/zone plans including safety and security measures prescribed by the local government unit (LGU)/agency that approved the same.

d. Waste Management Facilities

This covers the establishment of toxic and hazardous waste (THW) treatment facilities.

The following are the qualifications for registration:

- Must involve treatment, storage and disposal (TSD)
- Must be capable of handling THW
- Must handle only locally-generated wastes.

Prior to start of commercial operation, the registered enterprise must submit a copy of its TSD Registration Certificate issued by the Environmental Management Bureau (EMB) of the DENR. If handling radioactive wastes, the registered enterprise must submit a License to Operate a Radioactive Waste Management Facility from the Philippine Nuclear Research Institute (PNRI) of the Department of Science and Technology (DOST) in addition to the TSD Registration Certificate.

e. Physical Infrastructure

This covers tollways, railways and telecommunication facilities.

(1) Tollways and railways

This covers the development, including rehabilitation, upgrading, and/or expansion, and/or operation of tollways and railways.

Upgrading of existing physical infrastructure may be registered as a new project provided that the cost of upgrading already approximates at least 90% of the prevailing cost of constructing a new physical infrastructure, as certified by the concerned agency.

If the cost of upgrading the physical infrastructure is less than 90% of the prevailing cost of constructing a new physical infrastructure, the project may be registered as a modernization activity but not entitled to ITH.

For projects that will involve the development and operation of physical infrastructure to be undertaken by separate entities, both the developer and operator may qualify for registration. However, the developer may be entitled only to incentive on capital equipment directly needed for the operation of the physical infrastructure.

(2) Telecommunication infrastructure

This also covers the establishment of new telecommunications infrastructure as endorsed by National Telecommunications Commission (NTC).

⁵ "Pioneer status with non-pioneer incentives" means that projects may be granted four (4) years of Income Tax Holiday (ITH).

Projects that cost at least the Philippine Peso equivalent of US\$100 million may be granted pioneer status but with non-pioneer incentives⁵.

f. **Pipeline Projects for Oil and Gas**

This covers the establishment of a new pipeline facility for transport of petroleum products and natural gas, petrochemical, and similar products.

Prior to start of commercial operation, the registered enterprise must submit a copy of its Permit to Operate issued by the DOE.

7. **Research and Development**

This covers R&D activities and the establishment of testing laboratories, Centers of Excellence (COE) and technical vocational education and training institutions.

a. **Research and Development**

This covers all R & D activities including the establishment of testing laboratories (e.g., for pharmaceuticals, electronics, construction, etc.), and Clinical Research Organization (CRO) that will conduct clinical trials.

The registered CRO must submit a copy of Permit for Clinical Investigational Use (PCIU) issued by Food and Drugs Administration (FDA) before the conduct of each clinical trial.

Applications for registration must be endorsed by the DOST or other concerned agency, when applicable.

b. **Center of Excellence (COE)**

This covers the establishment of entrepreneurial, technology, business incubation centers, common service facilities, and manufacturing, service and agribusiness entities including those locating in the premises of state universities and colleges (SUCs) outside Metro Manila and with a special arrangement with the SUC on the development of skills of the students.

Projects that cost at least the Philippine Peso equivalent of US\$ 2 million may be granted pioneer status but with non-pioneer incentives⁵.

c. **Training/Learning Institutions**

This covers the establishment of institutions specializing in the technical vocational education and training (e.g., engineering, culinary arts, etc.) in support of the activities listed in this IPP.

The following are the requirements for registration:

- The curriculum must be approved by either the Technical Education and Skills Development Authority (TESDA) for training courses or Commission on Higher Education (CHED) for degree courses or other concerned government agencies/authority and endorsed by the appropriate industry association.
- The registered education/training/learning institutions must provide training laboratories and equipment, if applicable.

8. **Green Projects**

⁵ "Pioneer status with non-pioneer incentives" means that projects may be granted four (4) years of Income Tax Holiday (ITH).

This covers the manufacture/assembly of goods/products and equipment, the utilization of which would lead to either the efficient use of energy, natural resources or raw materials; minimize/prevent pollution; or reduce greenhouse gas emissions.

To qualify for registration, assembly operations must be integrated with the manufacture of at least one part/component for use in the assembly.

Green Projects covers only projects other than those already listed in this IPP.

9. **Motor Vehicles**

This covers the manufacture/assembly of motor vehicles, including alternative fuel vehicles and electric vehicles, and manufacture of motor vehicle parts and components.

a. **Manufacture/assembly of motor vehicles**

The project shall involve the manufacture/assembly of brand new motor vehicle units (excluding 2-stroke motorcycles) that are compliant with the prevailing national standards and regulations on the registration, use and operation of motor vehicles.

Any of the following may qualify as new:

1. Projects that will involve the establishment of a factory complete with production machinery/equipment and facilities such as welding section, assembly section, metal treatment section, painting section, testing facility for road worthiness and emission standard compliance, and pre-delivery inspection section.
2. Projects of an existing motor vehicle manufacturer/assembler that involves the production of a new model or a full model change shall be considered new project, provided there is new investments of at least PhP100 million for four-wheel vehicles and PhP16 million for motorcycles in the acquisition of machinery and equipment, and manufacture of parts and components, otherwise the project will be considered expansion.

Any of the following may qualify for pioneer status:

- Projects covered under paragraph a.1 above for manufacture/assembly of passenger cars and/or commercial vehicles with investments of at least US\$50 million for the manufacture/assembly of motorcycle with investments of at least US\$4 million. Investments may include the cost of the acquisition of an existing assets or facilities.
- Projects covered under paragraph a.2 above with investments of at least US\$7 million (with non-pioneer incentives) or US\$20 million (with pioneer incentives) for passenger cars and/or commercial vehicles, US\$1.5 million for motorcycles
- Projects on the manufacture/assembly of alternative fuel vehicle and electric vehicles. Alternative fuel vehicles include the following:
 - Hybrid vehicles are vehicles that run on electric batteries and gasoline/diesel/other fuels.
 - Electric vehicles are vehicles that run solely on electric power.
 - Flexible-fuel vehicles are vehicles that run on gasoline/diesel in combination with alternative fuel such as but not limited to:
 - o Bioethanol vehicles that run on gasoline and a minimum ethanol content/blend of at least 20%
 - o Biodiesel vehicles that run on diesel and a minimum biodiesel blend/content of at least 5%
 - o Compressed Natural Gas Vehicles are vehicles that run on Compressed Natural Gas (CNG)
 - o Other vehicles powered by LPG, fuel cell and other alternative fuels.
- Manufacture/assembly of brand new three or four-wheel Philippine utility vehicles for cargos and/or passengers

b. **Manufacture of parts and components**

This covers the manufacture of motor vehicle parts and components either as original equipment manufacturer (OEM) or after-market products.

Any of the following may qualify for pioneer status:

- Manufacture of engines and transmissions
- Manufacture of tool & die to produce chassis and engine
- Establishment of common facility for heat treatment, forging, stamping of motor vehicle parts and components
- Production of electric motors, batteries other than lead acid batteries, controller assembly and battery charger for electric vehicles

10. Tourism

This covers tourism enterprises that are outside the tourism enterprise zones (TEZs) and are engaged in the following:

- a. Tourist transport services whether for land, sea and air transport for tourist use
- b. Establishment and operation of:
 - Accommodation establishments such as but not limited to hotels, resorts, apartment hotels, tourist inns, motels, pension houses, private homes for homestay, ecolodges, condotels, serviced apartments, and bed and breakfast facilities;
 - Convention and exhibition facilities or “meetings, incentives, conventions and exhibition” (MICE) facilities;
 - Amusement parks;
 - Adventure and ecotourism facilities;
 - Sports facilities and recreational centers;
 - Theme parks;
 - Health and wellness facilities such as but not limited to spas, tertiary hospitals, and ambulatory clinics;
 - Agri-tourism farms and facilities; and
 - Tourism training centers and institute
- c. Development of retirement villages

a. Tourist transport

This covers transport services whether for land, water and air transport for tourist use.

Land transport covers the operation of brand new, world-class buses and/or mini-buses/coasters. The quantity or number of units of vehicles that may be allowed shall be determined based on the number of tourist arrivals in the area or the ratio of hotel/resort facilities/rooms.

Tourist transport operators must have garage, hangar or berthing/docking facilities.

Applications for registration of water and air transport operators must be endorsed by MARINA or CAAP, respectively.

Registered tourist land transport operators must submit a copy of CPC.

b. Tourism-related facilities

(1) Accommodation facilities

Condotel/apartment hotel/serviced apartment, must cater to tourists/guests to qualify for registration. Each unit must have fully equipped kitchen and laundry facilities.

For modernization projects, replacement of carpets, pillows, mattresses and other similar items shall be excluded from the computation of the ITH rate of exemption.

For hotels and resorts, the quantity or number of units of buses and/or mini-buses/coasters that may be allowed shall be determined based on the number of tourist arrivals in the area or the ratio of hotel/resort facilities/rooms.

Any of the following may qualify for pioneer status:

- Hotel projects/apartment hotels/serviced apartments/condotels classified as first class or deluxe by the Department of Tourism (DOT) and costing at least the Philippine equivalent of US\$100,000/room
- Resort projects classified as “AAA” by the DOT and with project cost of at least the Philippine Peso equivalent of US\$10 million
- Projects located in LDAs
- Modernization of hotels classified as first class or deluxe by the DOT with a project cost of at least the Philippine Peso equivalent of US\$10,000/ room
- Amusement parks/ theme parks with minimum project cost of the Philippine Peso equivalent of US\$10 million involving the development of sites or attractions considered as novel in the Philippines
- Adventure and ecotourism facilities/agri-tourism farms and facilities with a minimum lot area of twenty (20) hectares

(2) **Health and Wellness**

(a) **Health Spa**

This covers the establishment and operation of destination spa, resort/hotel spa, and traditional healing and therapeutic centers, e.g., Philippine “hilot”, “dagdagay”, “ventossa”, etc.

Projects that cost at least the Philippine Peso equivalent of US\$20 million may be granted pioneer status but with non-pioneer incentives⁵.

(b) **Tertiary Hospital**

This covers tertiary hospitals with a minimum of (fifty) 50 rooms (suites and private rooms only) and with a minimum project cost of at least the Philippine Peso Equivalent of US\$10 million.

(c) **Ambulatory Clinics**

This covers services such as elective (non-emergency) surgical treatment whether requiring local, regional or general anesthesia of out-patients whose recovery, under normal and routine circumstances, will not require in-patient care. This includes comprehensive ophthalmologic surgery, dermatology, cosmetic procedure, plastic and reconstructive surgery, cosmetic dentistry, and medical care (diagnosis, observation, treatment and rehabilitation).

Prior to start of commercial operation, the registered enterprise must submit a copy of its License to Operate from the Department of Health (DOH).

(3) **Tourism Training Centers and Institutes**

The following are the requirements for registration:

- The curriculum must be endorsed by the appropriate industry association and approved by either the TESDA for training courses or CHED for degree courses or other concerned government agencies/authority.
- The registered education/training/learning institutions must provide training laboratories/On-the-Job facilities and equipment.

⁵ “Pioneer status with non-pioneer incentives” means that projects may be granted four (4) years of Income Tax Holiday (ITH).

Applications must be endorsed by DOT.

DOT accreditation must be submitted prior to ITH availment. Only income derived from tourism-related activities shall be entitled to ITH.

The option to avail of incentives provided under R.A. No. 9593 shall be governed by the rules and regulations to be jointly promulgated by the BOI and DOT. Until the effectivity thereof, E.O. No. 226 and its rules and regulations shall apply.

c. **Retirement Village**

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, security and other amenities/facilities, 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
- Project cost must be at least the Philippine Peso equivalent of US\$10 million

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

Locators engaged in the activities listed in the IPP that are related to retirement business may be registered as separate activity.

Applications must be endorsed by the Philippine Retirement Authority (PRA). PRA accreditation must be submitted prior to ITH availment.

11. **Strategic Projects**

This covers projects that exhibit very high social economic returns that will significantly contribute to the country's economic development.

The social economic returns of the proposed project shall be measured in terms of the following:

- Consumer-based benefits (e.g., price, availability, quality)
- Forward and backward linkages with existing industries in the country
- Generation of at least 500 direct employment or use of highly-specialized or advanced technology
- Generation of at least US\$1 million in foreign exchange savings, when applicable
- Stature of the proponent as a global player, when applicable

Notwithstanding the preceding paragraphs, manufacture of packaging products that will involve product or process innovation which shall lead to significant improvements in quality and value of the packaged products shall also be deemed as "Strategic Project". Projects that cost at least the Philippine Peso equivalent of US\$500 million may be granted pioneer status but with non-pioneer incentives⁵.

Approval of projects shall be subject to the concurrence of National Economic Development Authority (NEDA) and Department of Finance (DOF).

12. **PPP Projects**

⁵ "Pioneer status with non-pioneer incentives" means that projects may be granted four (4) years of Income Tax Holiday (ITH).

This covers projects under the Public-Private Partnership (PPP) Program of the government.

Applications must be endorsed by the PPP Center or other concerned government agency.

Approval of projects shall be subject to the concurrence of NEDA and DOF.

13. **Disaster Prevention, Mitigation and Recovery Projects**

- a. This covers projects that will prevent or mitigate adverse impacts of calamities and disasters, which may include installation of flood control systems; installation of early warning systems for typhoons, earthquake occurrences, tsunami and volcanic eruptions; manufacture of goods critical to disaster management; construction of dikes; and salvaging operations.

Salvaging pertains to the rescue of a seriously damaged/incapacitated ship that may include refloating and towing of the ship to a safe place. It also pertains to the removal of a sunken or wrecked ship, derelict or hazards including cargoes thereof.

Only income from salvaging operations (excluding income from artifacts/treasure recovered from sunken vessels/ships) may be entitled to ITH.

- b. This also covers projects to rehabilitate areas affected by calamities and disasters, which may include rebuilding of roads and bridges after earthquakes/flooding, volcanic eruptions, and oil spill clean-up.

For projects that will involve the development and operation of physical infrastructure to be undertaken by separate entities, both the developer and operator may qualify for registration. However, the developer may be entitled only to incentive on capital equipment directly needed for the operation of the physical infrastructure.

- c. This further covers training for disaster preparedness, mitigation or recovery/rehabilitation/reconstruction.

All applications for registration must be endorsed by concerned agency.

Disaster Prevention, Mitigation and Recovery Projects covers only projects other than those already listed in this IPP.

II. **Mandatory List**

A. **Revised Forestry Code of the Philippines (P.D. No. 705)**

This covers extensive plantation of forest land of tree crops, except fruit trees, for commercial and industrial purposes.

Tree crops 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 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.

Each Industrial Tree Plantation (ITP) project must have an approved and issued forest management/development agreement such as:

- Socialized Industrial Forest Management Agreement (SIFMA)
- Industrial Forest Management Agreement (IFMA)
- Private Forest Development Agreement (PFDA)
- Community-based Forest Management Agreement (CBFMA)

B. **Philippine Mining Act of 1995 (R.A. No. 7942)**

This covers the exploration and development of mineral resources, mining/quarrying and processing of metallic and non-metallic minerals.

Riverbed operations and cave mining shall not qualify for registration.

All projects must have a mine life of at least ten (10) years.

Exploration of mineral resources including those covered by exploration permits or mineral agreements under valid and existing Exploration Period may qualify for pioneer status.

Not all projects under this listing are entitled to ITH.

All projects must locate outside the National Capital Region and must have the necessary permits/licenses from the concerned agency.

C. **Book Publishing Industry Development Act (R.A. No. 8047)**

This covers printing, re-printing, publication and content development of books or 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.

Content development of books consists of the following:

1. Development of new technologies directly related to book printing or publishing, such as but not limited to digitization, electronic books (E-books), internet-based archiving and retrieval systems, electronic content creation and development systems, educational and/or "how-to" audio-visual presentations with or without interactive segments, and the like
2. Research and development activities directly related to book printing or publishing, such as but not limited to translation, editing, analysis and/or interpretation of text and materials into local dialects or adaptation/application to the domestic setting

Application for registration shall be on a per book or title basis and must be endorsed by the National Book Development Board (NBDB).

D. **Downstream Oil Industry Deregulation Act of 1998 (R.A. No. 8479)**

This covers refining, storage, distribution, and marketing of petroleum products.

Oil refining refers to the manufacture of all petroleum products as defined under R.A. No. 8479 through distillation, conversion and treatment of crude oil and other naturally occurring petroleum hydrocarbons. This may include expansion, modification and modernization of a refinery, resulting in an increase in existing volume of production, and/or improvement in the quality of petroleum products in conformance with the PNS, the Clean Air Act, and other applicable laws and regulations.

Storage refers to the business of receiving/discharging and storing petroleum crudes and/or products of others for compensation or profit.

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 and double-hulled vessels.

Marketing covers the following:

1. 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 that are compliant with PNS. This includes the establishment and operation of gasoline stations and LPG retailing.

For gasoline retailing stations, except those locating in LDAs listed in this IPP, the applicant shall be required to invest a minimum capital of PhP10 million per station, excluding land, or such amount as may be determined jointly by BOI and DOE for augmentation purposes, as the need arises; Provided, that foreign retailers shall comply with the requirements provided under R.A. No. 8762, otherwise known as the Retail Trade Liberalization Law, and its implementing rules and regulations.

2. Fuels bulk marketing refers to the selling of petroleum products or fuels in wholesale through tank trucks, lorries, double-hulled vessels/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.
3. A combination of storage, distribution, and marketing activities.

For storage, marketing and distribution, only investments of new industry participants may be entitled to incentives. The applicant shall submit an endorsement from the DOE certifying that the applicant is a new industry participant with new investments.

For storage, marketing and distribution, petroleum products excluding liquefied petroleum gas (LPG), shall be sourced from the new industry participants as defined under R.A. No. 8479, except in cases of emergency supply situation.

Blending of petroleum products alone may only be entitled to capital equipment and other non-fiscal incentives.

Applicant enterprises shall elect to be governed by the provisions of E.O. No. 226 or R.A. No. 8479 at the time of their application for registration, provided that such election once made shall be final.

E. Ecological Solid Waste Management Act of 2000 (R.A. No. 9003)

This covers the establishment of waste recycling facilities whether or not integrated with manufacturing facility using as inputs 100% locally generated solid waste materials or scraps from the recycling facility to produce semi-finished or finished product.

Waste recycling projects without a manufacturing facility are not entitled to ITH.

All applications for registration must be endorsed by the National Solid Waste Management Commission (NSWMC).

F. Philippine Clean Water Act of 2004 (R.A. No. 9275)

This covers the establishment of wastewater treatment facilities and sewage collection integrated with treatment facilities and the adoption of water pollution control technology, cleaner production and waste minimization undertaken through BOT or non-BOT schemes.

Activities such as 5S and Good Housekeeping are not qualified for registration.

Wastewater treatment facilities and sewage collection integrated with treatment facilities may be entitled to ITH.

Projects adopting water pollution control technology, cleaner production and waste minimization are only entitled to capital equipment incentive.

All applications for registration must be endorsed by the DENR, the Laguna Lake Development Authority (LLDA) or other concerned agency.

Projects that will employ new or proprietary technologies shall submit an Environmental Technology Verification (ETV) issued by the DOST.

G. Magna Carta for Persons with Disability (R.A. No. 7277)

This covers the manufacture of technical aids and appliances for the use and/or rehabilitation of persons with disability, and the establishment of special schools, homes, residential communities or retirement villages solely to suit the needs and requirements of persons with disability.

Persons with disability are those suffering from restriction or different abilities, as result of a mental, physical or sensory impairment, to perform an activity in the manner or within the range considered normal for a human being.

Manufacturing of technical aids and appliances used by persons with disability includes but is not limited to the following:

- Walk-in baths designed for persons with disabilities
- Commode chairs
- Braille books
- Hoists and lifting chairs designed for incapacitated people, including stair lifts
- Wheelchairs, scooters and automobiles using special controls or assistive technology designed for persons with disabilities
- Hearing-aids
- Artificial limbs, orthotics, prosthetics and orthopedic braces
- Automatic/mechanical lifts to be attached to motor vehicle

All applications for registration must be endorsed by the Department of Social Welfare and Development (DSWD).

H. Renewable Energy (RE) Act of 2008 (R.A. No. 9513)

This covers RE developers of renewable energy facilities, including hybrid systems, and manufacturers, fabricators and suppliers of locally produced RE equipment and components.

This also covers processing of feedstocks/biomass for use as biofuel.

Applications for registration must submit DOE Certificate of Registration, Certificate of Accreditation or DOE endorsement, whichever is applicable.

Applicant enterprises shall elect to be governed by the provisions of E.O. No. 226 or R.A. No.

9513 at the time of their application for registration⁶. Under E.O. No. 226, RE projects may qualify for pioneer status.

II. EXPORT ACTIVITIES

⁶ When the DOE moratorium is lifted or when DOE starts issuing certificates of registration/accreditation, applicant enterprises shall elect to be governed by the provisions of EO 226 or RA 9513 at the time of their application for registration, provided that such election once made shall be final.

This covers the production/manufacture of non-traditional export products, services exports and activities in support of exporters.

A. Production and Manufacture of Export Products

This covers the production/manufacture of non-traditional export products and with export requirement of at least 50% of its output, if Filipino-owned or at least 70%, if foreign-owned.

Export products include electronics, garments and textiles (including brassieres, gloves and mittens, and infant's wear), footwear and leather goods, furniture, jewelry, marine and aquaculture, mineral products and others.

In the export of mineral products, the Specific Guidelines for R.A. No. 7942 of this IPP shall apply suppletorily.

B. Services Exports

This covers service activities rendered to clients abroad and paid for in foreign currency with export requirement of at least 50% of its revenue, if Filipino-owned or at least 70%, if foreign-owned.

Mere deployment of people or individual practice of profession abroad is not qualified for registration.

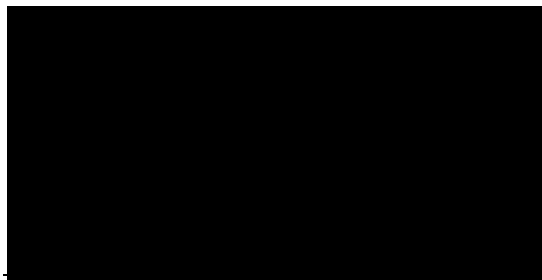
C. Activities in Support of Exporters

This covers activities directly supporting export producers as follows:

1. Manufacture of parts/components and materials and supplies directly/ reasonably needed in the production of the export product;
2. Services comprising a portion of the manufacturing process;
3. Product testing and inspection;
4. Repair and maintenance; and
5. Logistics services

This also covers service providers to foreign film and television production projects in the country as endorsed by the Philippine Film Export Services Office (PFESO) as mandated by E.O. No. 674.

These General Policies and Specific Guidelines shall take effect immediately upon publication.



*****NOTHING ELSE FOLLOWS*****