



Board of Investments

Republic of the Philippines
BOARD OF INVESTMENTS
Industry and Investments Building
385 Sen. Gil Puyat Avenue, Makati City
www.boi.gov.ph



2007

INVESTMENTS PRIORITIES PLAN

TABLE OF CONTENTS

	Message	3
	Foreword	4
	Memorandum Order No. 247	5
Part I	Priority Investment Areas	7
	Preferred Activities	7
	Mandatory Inclusions	8
	Export Activities	9
	Projects under Retention, Expansion and Diversification (R.E.D.) Program	9
	ARMM List	10
Section I:	General Policies <i>(published on 20 July 2007 in Manila Times)</i>	15
	I. Grant of Incentives	15
	II. Equity Ownership	15
	III. Equity Requirement	15
	IV. Regional Dispersal of Industries	15
	V. Exemption from the Locational Restriction	16
	VI. Export of Processed / Manufactured Goods	17
	VII. Export of Products in Short Domestic Supply	17
	VIII. Promotion of Micro, Small and Medium-Sized Enterprises (MSMES)	17
	IX. Assistance to Micro, Small and Medium-Sized Projects	
	X. Project Type and Status	18
	XI. Policy on Projects with Multiple Locations	22
	XII. Policy on Corporate Social Responsibility	22
	XIII. Projects Critical to the Environment	22
	XIV. Industry Clusters	22
	XV. Policy on Food Processing Projects	23
	XVI. Policy on International Certification	23
	XVII. Policy on Equipment	23

XVIII.	Policy on Support Service Providers	23
XIX.	Policy on Projects Locating in the Autonomous Region of Muslim Mindanao	23
XX.	Projects with Sovereign Guarantee	23
Section II:	Specific Guidelines	
I.	Preferred Activities	24
A.	Agriculture/Agribusiness and Fishery	24
B.	Information and Communications Technology (ICT)	24
C.	Electronics	25
D.	Motor Vehicle Products	26
E.	Energy	27
F.	Infrastructure	28
G.	Tourism	32
H.	Shipping/Shipbuilding	35
I.	Iron and Steel	36
J.	Research and Development (R&D)/Training Institutions	37
K.	Machinery and equipment	38
II.	Mandatory Inclusions	38
A.	Tree Plantation under P.D. 705	38
B.	Exploration, Mining, Quarrying and Processing of Minerals under R.A. 7942	39
C.	Publication or Printing of Books or Textbooks under R.A. 8047	39
D.	Refining, Storage, Marketing and Distribution of Petroleum Products under R.A. 8479	40
E.	Solid Waste Management under R.A. 9003	42
F.	Clean Water Act under R.A. 9275	43
G.	Rehabilitation, Self-Development and Self-Reliance of Disabled Persons under R.A. 7277	43
III.	Export Activities	44
1.	Manufacture of Export Products/Services	44
2.	Activities in Support to Exporters	44
IV.	Projects under the Retention, Expansion and Diversification (R.E.D.) Program	44



MALACANAN PALACE
MANILA

MESSAGE

The fundamental economic structure that my Administration has laid down through my 10-point agenda is now beginning to bear fruits. The growing investments, lower interest rates, a stronger currency, a lower budget deficit, and the growth rate of 6.9 percent for the first quarter of 2007, the strongest in 17 years, are firm indications that the economic recovery of the country is on the way.

To further sustain, strengthen and improve the gains that the country has achieved so far, my Administration shall exert all efforts to encourage more economic activities and open more opportunities to our people. The **Board of Investments (BOI)**, as the national investment promotion agency, consistent with the Executive Order No. 226, as amended, prepared the **2007 Investment Priorities Plan (IPP)** based on these goals.

The activities listed in the 2007 IPP shall open opportunities for the country to attract more investments in industries and services that will take us to a higher level of competitiveness and make us a strong player in the global environment. This would ultimately propel our nation to **1st World Country Status in 20 Years**.

The realization of my Administration development agenda and the successful implementation of the 2007 IPP require unity, cooperation and risk sharing among all sectors. I reiterate that a strong and committed partnership between the private sector and the government shall move the Philippines toward economic prosperity and political stability.

Mabuhay!


GLORIA MACAPAGAL-ARROYO

MANILA
June 2007

Jcm/m- 2007 IPP

FOREWORD

The 2007 Investment Priorities Plan (IPP) shall continuously support the Administration's vision of "**Propelling the Nation to 1st World Country Status in 20 Years**". It shall remain in representing the development thrust of the government for sustained and equitable economic growth as espoused in the 10-point agenda of the Macapagal-Arroyo Administration. The IPP was prepared by the Board of Investments (BOI), as the national lead agency in promoting investments, in cooperation with concerned government agencies.

The 2007 IPP shall continue to focus on sustaining the economic momentum the country has attained while persistently pushing towards a strong, stable and sustainable republic. It shall carry on the task of fulfilling the realization of the Administration's goal of generating jobs, providing food and delivering basic services to the people.

This year's IPP contains the following list of priority areas:

The **Preferred Activities** covers the identified eleven (11) investment areas that were recommended by the concerned agencies and private sector to support their respective programs.

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

The **Export Activities** covers the manufacture of non-traditional export products and activities in support of Exporters.

The **Projects under the Retention, Expansion and Diversification (R. E. D.) Program** refers to activities of existing investors either considered as global players or engaged in strategic industries that are encouraged for retention, expansion or diversification of their operations in the country.

In general, activities under these lists shall be eligible to incentives prescribed under E.O. 226, as amended, subject to the General Policies and Specific Guidelines issued by the BOI.

This year's IPP will continue to utilize the Industry Cluster approach to enhance industrial competitiveness, promote investments in the countryside, develop micro, small and medium enterprises (MSMEs) and support the One Town, One Product (OTOP) Program as it applies to the activities listed in the IPP. The modernization of existing activities as well as the establishment and operation of Centers of Excellence and Training Institutions to support the human resources requirements of the preferred activities are also encouraged.

Finally, the **ARMM List** covers priority areas that have been independently determined by the Regional Board of Investments (RBOI) of the Autonomous Region of Muslim Mindanao (ARMM) in accordance with E.O. 458. The economic activities listed in the ARMM shall be entitled to incentives only when said activities are

undertaken within the ARMM region. However, the economic activities listed in the **Preferred Activities, Mandatory Inclusions, Export Activities, and Projects under the R. E. D. Program**, may also be undertaken within the ARMM.

The preparation and formulation of the 2007 IPP was undertaken through the concerted efforts of the IPP Inter-Agency Working Group headed by the Board of Investments (BOI), in coordination with the BOI-Autonomous Region of Muslim Mindanao (BOI-ARMM), Presidential Management Staff (PMS), the National Economic Development Authority (NEDA), the Departments of Finance (DOF), Agriculture (DA), Environment and Natural Resources (DENR), Transportation and Communications (DOTC), Tourism (DOT), Energy (DOE), Science and Technology (DOST), National Telecommunications Commissions (NTC), Housing and Urban Development Coordinating Council (HUDCC), Education (DepED), National Book Development Board (NBDB), Philippine Retirement Authority (PRA), Export Development Council (EDC), and Trade and Industry (DTI). Consultative meetings with various government agencies were held including Public Hearings attended by representatives from various sectors in Manila, Cebu, and Davao.



PETER B. FAVILA
Chairman, Board of Investments
Secretary, Department of Trade and
Industry

MALACAÑANG
Manila

BY THE PRESIDENT OF THE PHILIPPINES

MEMORANDUM ORDER NO. 247

APPROVING THE 2007 INVESTMENT PRIORITIES PLAN


Pursuant to Article 29 of the Omnibus Investments Code of 1987, the attached 2007 Investment Priorities Plan (IPP) is hereby APPROVED.

Upon the effectivity hereof, all government departments, agencies, bureaus, or instrumentalities including government-owned and/or controlled corporations are hereby directed to be cognizant of the 2007 IPP and shall endeavor to adopt policies and courses of action consistent herewith.

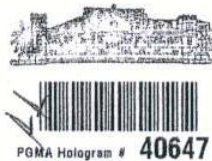
This Memorandum Order shall take effect fifteen (15) days after its complete publication in at least one (1) newspaper of general circulation as required by Article 31 of the Omnibus Investments Code of 1987.

DONE in the City of Manila, this 13th of June in the year of Our Lord, Two Thousand and Seven.

By the President:

Gloria M. Arroyo


Eduardo R. Ermita
EDUARDO R. ERMITA
Executive Secretary



Part I
PRIORITY INVESTMENT AREAS

The descriptions/coverage and the 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 grant of incentives to firms under the 2007 IPP is subject to the powers of the BOI pursuant to Article 7 paragraph 3 of EO 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 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”

In general, all projects with sovereign guarantee and/or government guaranteed rate of return shall not be entitled to income tax holiday (ITH).

Industry Cluster and modernization activities as well as the establishment and operation of Training Institutions/Centers of Excellence are applicable to all listed activities except when specifically excluded.

I. PREFERRED ACTIVITIES

A. Agriculture/Agribusiness and Fishery

This covers commercial production and commercial processing of agricultural and fishery products including their by-products and wastes, feeds and organic fertilizers and establishment of post harvest facilities.

B. Information and Communications Technology (ICT) ¹

This covers contact centers, business/knowledge process outsourcing, software development, animation, data transcription, engineering design, and ICT support services.

C. Electronics ²

This covers Original Design Manufacturing (ODM), electronics manufacturing services (EMS), IC design, the manufacture of electronic products (except home appliances), and their inputs.

D. Motor Vehicle Products

This covers the manufacture or assembly of motor vehicles under the Motor Vehicle Development Program and the production of their parts and components.

¹ The same ICT activities are also encouraged under Export Activities.

² The same Electronics activities including the manufacture of parts and components of electronic products and their inputs and production supplies such as molds and dies, precision tools, etc. used by the electronics industry are also encouraged under Export Activities.

E. Energy

This covers power generation using renewable and other energy sources using environmentally-friendly technologies (except oil-fired power generating plants), power transmission, and activities using energy technologies leading to energy efficiency and conservation such as production, blending, storage, and handling of biofuels, compressed natural gas (CNG) vehicle conversion shops, and CNG refueling stations.

F. Infrastructure

This covers the development of infrastructure, logistics, transport systems, telecommunications facilities (limited only to unserved areas), low cost mass housing, and infrastructure projects under the Build-Operate-Transfer (BOT) Law.

G. Tourism³

This covers the establishment of tourist accommodation facilities, resorts, retirement villages, and medical tourism (healthcare and wellness products and services).

H. Shipbuilding/Shipping⁴

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

I. Iron and Steel

This covers basic iron and steel-making facilities; production of flat hot-/cold-rolled products may be covered provided it is integrated with an upstream facility.

J. Research and Development (R&D)/Training Institutions

This covers commercial R & D activities of private firms and research institutions and in-house R & D activities of manufacturing/services firms.

This also covers establishment of Centers of Excellence and training institutions specializing in developing skills for manufacturing, agriculture, fishery, mining, tourism, infrastructure, information technology (IT), and services (including the training of maintenance personnel, complying with international standards and the development of environmental/sustainable disciplines, i.e., pollution control officers/managers, environmental auditors).

K. Machinery and equipment

This covers the production of machinery and equipment in support of the activities listed in the IPP.

II. MANDATORY INCLUSIONS

These cover all areas and activities, as provided for under existing laws, specifically require their inclusion in the IPP.

³ Industry cluster is not applicable.

⁴ The establishment and operation of Centers of Excellence is limited only to Shipbuilding.

<u>LAW</u>	<u>ACTIVITY</u>
P.D. 705	Industrial Tree Plantation This covers the establishment of forest plantations of timber and non-timber species (excluding fruit trees) for commercial and industrial purposes.
R.A. 7942	Exploration, Mining, Quarrying, and Processing of Minerals ⁵ This covers the exploration, development and utilization of mineral resources.
R.A. 8047	Publication or Printing of Books or Textbooks ⁶ This covers the publication, printing, and re-printing of books and textbooks.
R.A. 8479	Refining, Storage, Marketing and Distribution of Petroleum Products ³ This covers refining, storage, distribution, and marketing of petroleum products.
R.A. 9003	Ecological Solid Waste Management ³ This covers the establishment of waste recycling, waste treatment, and/or waste disposal facility.
R.A. 9275	Clean Water ⁶ This covers projects that involve industrial waste water treatment and/or projects that will adopt water pollution control technology, cleaner production, and waste minimization technology.
R.A. 7277	Rehabilitation, Self-Development and Self-Reliance of Disabled Persons This covers the manufacture of technical aids and appliances for the use and/or rehabilitation of disabled persons.

III. EXPORT ACTIVITIES

This covers the production/manufacture of non-traditional export products and services in support of exporters as identified under the Medium-Term Philippine Development Plan (MTPDP) 2004-2010 and/or the Philippine Export Development Plan (PEDP) 2005-2007.

A. Manufacture of Export Products/Services

³ Industry Cluster is not applicable.

⁵ Also covers cement manufacturing, provided it is integrated with quarrying, which incentives shall be limited to those provided under E.O. 226. In general, mining projects covered by Financial and/or Technical Assistance Agreement (FTAA) are not entitled to ITH.

⁶ Industry Cluster and the establishment and operation of Centers of Excellence are not applicable.

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

B. Activities in Support to Exporters – this covers the following:

1. Services comprising a portion of the manufacturing process;
2. Sub-assembly / fabrication of parts/components of the final export product;
3. Manufacture of supplies directly / reasonably needed in the production of non traditional export products;
4. Product testing and inspection; and,
5. Repair and maintenance.

IV. PROJECTS UNDER THE RETENTION, EXPANSION AND DIVERSIFICATION (R.E.D.) PROGRAM

This covers activities of existing investors either considered as global players or engaged in strategic industries that are encouraged for retention, expansion or diversification of their operations in the country.

V. ARMM LIST

The ARMM List covers priority activities, which have been independently identified by the Regional Board of Investments of the ARMM (RBOI-ARMM) in accordance with E.O. 458. The RBOI-ARMM can grant registration and administer incentives to activities in the IPP, provided these are located in ARMM and subject to the General Policies and Specific Guidelines.

A. EXPORT ACTIVITIES

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

B. AGRICULTURE, FOOD AND FORESTRY-BASED INDUSTRY

1. Processed Food
 - a. Production and processing of Halal Meat and Halal foods
 - b. Leguminous and other vegetable-based protein (textured, palletized or liquid)
 - c. Spices Processing (e.g., hot pepper, black pepper, ginger, etc.)
Note: May be integrated with plantation
 - d. Vegetable Oils (e.g., peanut oil, rice bran oil, sunflower and soybean oil)
 - e. Production of Food Crops
Note: Maybe integrated with post-harvest processing and other vegetables (such as tomatoes)
 - f. Integrated Coconut Processing and Plantation
 - g. Seaweeds Production and Processing
 - h. Cassava Processing and Other Root Crops
Note: Maybe integrated with plantation
 - i. Fruit Processing (e.g. durian, mangosteen, jack fruit, marang, banana, mango, passion guava, calamansi, and guyabanos) and plantation
 - j. Aquaculture (Fish Production and Processing) such as, but not limited to:
 - Frozen fish
 - Chilled fish
 - Canned fish
 - Abalone
 - Crab fattening
 - Eel production

- Squid processing
 - Carp and tilapia production and processing
 - Tropical fish production and processing
 - Shrimps/Prawn
 - Lapu-lapu (grouper) and other marine products
- k. Corn Flour Mill (integrated with plantation)
 - l. Young Corn Production
Note: May include processing/canning
 - m. Mushrooms Culture and Processing
 - n. Sweet Potato Plantation and Processing
 - o. Crocodile Farming and Processing
2. Cutflower Production
 3. Pearl Culture and Processing
 4. Industrial Tree Plantation (rubber, rattan, bamboo, etc.) and Wood Processing (cement wood board, fiberboard and reconstructed veneer)
 5. Shipbuilding / Ship breaking / Ship repair and Watercraft
 6. Abaca Pulp Plantation and Processing
 7. Palm Oil Plantation / Processing/ Refining and Germinated Oil Palm Seeds
 8. Coffee Processing (maybe integrated with plantation)
 9. Particle Board (use of agri-based waste material such as rice straw, wood waste, etc.)
 10. Activated Carbon Manufacturing (use of coconut shell, wood based, etc.)
 11. Feeds Production (animal feeds and feeds for aquaculture)
 12. Tobacco Plantation and Processing
 13. Production of Beverage Crops (but not limited to)
 - a. Cacao Beans
 - b. Coffee Beans (Arabica variety)
 14. Production of Plantation Crops and Other Medical Herbs/Essential Oil Plants (including flower extracts)
 15. Jatropha Plantation and Processing
 16. Production of Livestock and Poultry (including Dairy products)
 - a. Beef (including cow-calf and feedlot operations)
 - b. Carabao (water buffalo) production
 - c. Goats and sheep
 - d. Frozen semen and embryos
Note: includes natural method and artificial insemination and embryo transfer technology
 17. Bricks and Roofing Tiles Production

18. Quality seeds and seedlings of fruit trees and other planting materials propagated asexually or by tissue culture
19. Sugarcane Plantation, Processing and Refineries
20. Sericulture
21. Mosquito Coils

C. BASIC INDUSTRIES

1. Pharmaceuticals
 - a. Antibiotics
 - Penicillin
 - Streptomycin
 - Tetracycline
 - Soft gelatin capsules
 - b. Medical Devices
 - Prosthetics
 - Diagnostics
 - c. Other pharmaceuticals, herbal medicines
2. Textile and Textile Products
 - a. Yarns and fabrics
 - b. Hand-woven textiles
 - c. Specialty fabrics
 - d. Tire cord fabrics
 - Note: Must be integrated with weaving and dipping units.
 - e. Ramie (degummed, staple fiber, combed tops, noel slivers)
 - f. Fish nets
 - g. Fabrics made of indigenous raw materials
 - h. Silk reeling
3. Fertilizers (organic and inorganic)
 - a. Solid waste materials
4. Mining (Exploration and Development of Mineral Resources)
 - a. Mining and quarrying of Metallic and non-metallic minerals (including small scale as defined under P.D. 1899, but to exclude river beds mining operations)
 - b. Processing of Minerals
5. Cement – At least 1.0 million MTPY Capacity (Clinker-based)

D. CONSUMER MANUFACTURES

1. Rubber Products such as:
 - a. High pressure and hydraulic rubber hoses
 - b. Rubber bolts
 - c. Industrial rubber rollers
 - d. Rubber tires
2. Leather Products

E. INFRASTRUCTURE AND SERVICES

1. Public Utilities (with developmental route of the five provinces and one city of the ARMM and other adjacent cities and provinces)
 - a. Common carriers (land, air and water transport facilities)
 - b. Electric transmission/distribution
 - c. Water supply facilities/waterways and sewerage systems
 - d. Buses /Cargo trucks
 - e. Other specialized mass transport systems
 - f. Power generation like hydro power, geothermal and natural gas

2. Telecommunication with International Gateways

3. Tourism

- a. Tourism Estate

Subject to guidelines developed jointly by the Board of Investments – ARMM and Department of Tourism (DOT)

- b. Tourist Accommodation Facilities

- Hotels
- Resorts
- Other tourist accommodation facilities such as apartel, pension houses, tourist inns, and others

- c. Tourist Transport Facilities

- Air
- Water
- Tourist buses and taxi/van

Note: Endorsed by the DOT

New and expansion projects may be registered

4. Industrial Service Facilities

This will cover the following activities:

- a. Common Centers:

- Testing and quality control laboratories
- Training and demonstration centers
- Tool shops and similar facilities
- Metal casting
 - Foundry
 - Die casting
 - Powder
 - Metallurgy
- Metalworking
 - Die and molds
 - Electroplating
 - Forging
 - Machining
 - Heat treatment
 - Brass making
- Furniture
 - Kiln drying
 - Treatment and processing facilities
- Ceramics
 - Kiln

- Glazing
- Food Processing
 - Bottling and canning of distilled water
 - Industrial salt
 - Vapor heat treatment
 - Slaughter house/abattoir
- Automotive battery plate manufacturing

Note: The following criteria must be met:

The project will serve the common needs of the industry in the locality and;

The project will improve the relative status & comparative advantages of the industry.

- b. Development of Retirement Villages
 - Shall include health and medical facilities including amenities required by the Philippine Retirement Authority (PRA).
 - Subject to the guidelines to be approved by BOI-ARMM in consultation with the PRA, the Department of Health (DOH), the Regional Planning and Development Office and other concerned agencies.

5. Petrochemical Complex
6. Industrial Gases (such as oxygen and nitrogen)
7. Miscellaneous Chemical Products
 - a. Biotechnological/biosynthetic chemicals
 - b. Essential oils
 - c. Fine chemicals

F. ENGINEERING INDUSTRIES

1. Engineering Products
 - a. Motor Vehicle parts and components
 - b. Automobile parts and assembly
 - c. Modern offset printing
2. Electronics and Telecommunication Products
3. Fabrication of Construction Materials
4. Hydro Power Plant

G. ARMM PRIORITY AND TOURISM AREAS

Note: Listed below are potential tourist destinations, which need further exploration and evaluation for intensified promotion, development and marketing.

NUCLEUS	GATEWAY	SATELLITE DESTINATION
Area I – Sulu	Jolo	Sulu Province
Area II – Tawi-Tawi	Bongao	Tawi-Tawi Province
Area III – Lanao Del Sur	Marawi City	Lanao Del Sur Province
Area IV– Maguindanao	Cotabato City	Maguindanao Province
Area V – Shariff Kabunsuan	Datu Odin Sinsuat	Shariff Kabunsuan Province

**Part II
GENERAL POLICIES**

I. GRANT OF INCENTIVES

The grant of incentives to firms under the 2007 IPP is subject to the powers of the Board pursuant to Article 7 paragraph 3 of EO 226, quoted as follows:

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

(3) Process and approve applications for registration with the Board, imposing such terms and conditions 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. xxx.”

II. EQUITY OWNERSHIP

Except as provided under the Constitution and the Foreign Investment Act (Republic Act 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

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

IV. REGIONAL DISPERSAL OF INDUSTRIES

The dispersal of economic activities in the countryside is encouraged. Projects locating in the 20 poorest provinces as identified by the National Anti-Poverty Commission (NAPC) and those locating in Less Developed Areas (LDAs) shall be entitled to incentives in addition to those provided under Article 39 of E.O. 226, 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

REGION	<u>PROVINCE</u>
CAR	Abra Apayao Ifugao Kalinga Mt. Province
II	Nueva Vizcaya Quirino
IV	Aurora

	Marinduque Occidental Mindoro Palawan
V	Camarines Norte Masbate
VI	Antique Guimaras
VII	Siquijor
VIII	Biliran Eastern Samar Southern Leyte
IX	Zamboanga del Norte Zamboanga Sibugay
X	Lanao del Norte Misamis Occidental
XII	Saranggani Sultan Kudarat
ARMM	Basilan Maguindanao Shariff Kabunsuan Sulu Tawi-Tawi
CARAGA	Agusan del Sur Surigao del Norte Surigao del Sur

NOTE: The BOI may, on a case-to-case basis, consider areas within any province not listed as a Less Developed Area subject to the provision of Article 40 of EO 226.

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.

V. 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 (unless subsequently privatized), 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)

NOTE:

When these government industrial estates are privatized, existing locators shall continue to enjoy incentives for the period provided for in their BOI registration. Locators after privatization will not be entitled to registration for purposes of incentives, unless they meet the conditions in the following paragraphs V.2, V.3, V.4, V.5, V.6 and V.7.

- 2. Projects that will engage in service type activities.

- 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 foreign tourists may be considered as export sales.

- 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.

- 6. Projects under the R.E.D. Program located within the premises of the firm's existing operations or contiguous thereto.

- 7. Projects of micro and small enterprises (MSEs)

VI. EXPORT OF PROCESSED / MANUFACTURED GOODS

To qualify for incentives, goods (excluding agricultural and mineral products that are covered by specific guidelines thereon) should have undergone manufacturing. Production of 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.

VII. EXPORT OF PRODUCTS IN SHORT DOMESTIC SUPPLY

- 1. The BOI may, if national interest requires, suspend the acceptance of application for registration of projects engaged in the export of products including industry inputs that are in short domestic supply.
- 2. The export commitment of a registered enterprise may be suspended if there is a need to satisfy national interest or in an emergency case/situation that would warrant serving first the need of the economy.

VIII. 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 (MSMEs) on account of their contribution to employment generation, countryside development, and the cultivation of the Filipino entrepreneurial spirit.

IX. ASSISTANCE TO MICRO, SMALL AND MEDIUM-SIZED PROJECTS

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

1. Assistance in the preparation of simplified project report 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.

X. 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 or service, 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 it meets the following:
 - i) The new project will involve the establishment of another line that may be put up in a site either outside or contiguous to its existing premises or compound

"Another Line" refers to new facilities used in the production of the registered product/service. This line may use a facility common to an existing line such as warehouse, finishing, quality control, or laboratory.

"New Facility" refers to the space or area, physical structure and equipment provided for a particular purpose or segment of the production process/service activity.
 - ii) There is new investment in fixed assets and working capital.
- 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\$25 million covering upfront lease payment equivalent to 1 year upon signing of contract, pre-operating cost, rehabilitation cost and working capital.

NOTE:

The grant of pioneer status for projects involving the acquisition and/or lease of power assets is covered by the specific guidelines. [See Part III (E)]

- 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 applicant 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:

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. Projects involving the reactivation of operations not previously registered with BOI, provided that the facility: (a) has been idle for at least one (1) year; or (b) has been rendered inoperable due to substantial damages/losses caused by force majeure

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.

The rehabilitation/upgrading cost should be at least 50% of the total value of plant, property and equipment excluding cost of land based on the latest AFS at the time of application.

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 (excluding cost of land) that have been in commercial operation for less than one year.

h. Multi-phased projects

Multi-phased projects shall be registered as one project.

2. Expansion Projects

These are activities involving the same products of or 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 in the IPP that will result to increase in existing capacity;
- c. ICT projects located in the same building and using the same basic common facilities such as servers, backup generators, internet connections, etc., shall be considered as expansion; and
- d. Other service type activities that do not meet the qualification requirements for new projects under Part II (IX.1).

Income tax holiday of expansion projects 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 Projects

- a. These are projects identified in the IPP as qualified for modernization. For purposes of this IPP, rehabilitation is considered a form of modernization.
- b. In general, modernization programs shall be completed within two (2) years from date of registration.
- c. In general, modernization projects will be eligible to pioneer or non-pioneer status as specifically provided for in the 2007 IPP coverage listing. To be eligible for pioneer status, the project must comply with Article 17 of E. O. 226 unless other conditions are provided in the specific guidelines covering the activity.
- d. In general, modernization projects shall result to yield rate of at least 95%. For rehabilitation, the minimum requirement shall be the restoration of the plant rated capacity.
- e. The modernization program should identify the phases/ stages of production sought to be modernized.

- f. Projects registered under the modernization program shall be considered as expansion projects and may be entitled to three (3) years income tax holiday and other incentives under E.O. 226 applicable to the modernization program.
- g. The general policy on the brand new equipment also applies to modernization program.
- h. The incremental income resulting from modernization 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.
- i. The computation of ITH for projects without increase in capacity is as follows:
 - For single product/activity

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

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

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

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

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.

XI. POLICY ON PROJECTS WITH MULTIPLE LOCATIONS

Projects of an enterprise involving the same activity located in different sites (at least barangay level) shall be registered on a per site basis unless the same falls under multi-phased projects, in which case, the projects shall be covered by one registration.

XII. POLICY ON CORPORATE SOCIAL RESPONSIBILITY

1. Registered firms, in relation to the social objectives of E.O. 226, are encouraged to undertake Corporate Social Responsibility (CSR) activities, which may be chosen from the list of activities identified by National Anti-Poverty Council (NAPC).
2. Registered firms with pioneer status/incentives are enjoined to undertake CSR activities. 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.

XIII. 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.

XIV. 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. Agriculture/Agribusiness and Fishery;
2. Information and Communications Technology;
3. Electronics;
4. Motor Vehicle Products;
5. Energy;
6. Infrastructure;
7. Shipbuilding/Shipping;
8. Iron and Steel;
9. Research and Development/Training Institutions;
10. Machinery and Equipment;
11. Industrial Tree Plantation;
12. Exploration, Mining, Quarrying and Processing of Minerals;
13. 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. Manufacture of supplies directly/reasonably needed by the qualified activities listed in the IPP;
4. Product testing and inspection
 - Compliance with ISO/IEC Guide 25; and
 - Accredited with the Bureau of Product Standards within the first year of registration.

5. Repair, maintenance and calibration of machinery and equipment used by export-oriented companies utilizing high-technology processes.

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”, “Industrial Tree Plantation”, “Mining” and “Energy”, vertical-forward linkages may go beyond first-tier activities.

Note:

- The applicant should clearly state what specific sector it will engage in.
- The applicant should render 70% of its production/services for use of the main activity listed in IPP.

XV. POLICY ON FOOD PROCESSING PROJECTS

For purposes of ITH availment, all registered food processing projects shall submit an international quality standard certification from relevant certifying institutions.

XVI. POLICY ON INTERNATIONAL CERTIFICATION

All enterprises that will register under 2007 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.

XVII. 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.

XVIII. POLICY ON SUPPORT SERVICE PROVIDERS

Support service providers catering to activities with manpower requirements for resident licensed key personnel (such as but not limited to captains, pilots, first and second officers, A & B mechanics, planners and engineers), which supply is considered in critical condition as to pose a security risk, may also qualify for registration.

XIX. 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.

XX. PROJECTS WITH SOVEREIGN GUARANTEE

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

Part III
SPECIFIC GUIDELINES

I. PREFERRED ACTIVITIES

A. Agriculture/Agribusiness and Fishery

This covers commercial production and commercial processing of agricultural and fishery products including their by-products and wastes, feeds and organic fertilizers, and establishment of post harvest facilities.

1. **Commercial production** may include primary processing
2. **Commercial processing** of agricultural/fishery 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 rice should comply with the applicable provisions of the Philippine Food Fortification Act of 2000 (R.A. 8976); production of iodized salt should comply with the applicable provisions of the ASIN Law (R.A. 8172).
 - c. The processing of imported raw materials may qualify for registration, provided that this activity is classified as pioneer.
3. **Feed milling**, excluding those for game animals, fowls and other species for pet/pleasure purposes;
4. **Production of organic fertilizer**;
5. **Post harvest facilities** may include cold storage/ blast freezing, grains handling and storage.

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

B. Information and Communications Technology (ICT)⁷

This covers IT and IT-enabled services activities such as contact center, business/knowledge processing, software development, animation, data transcription, engineering design, and ICT support services.

1. Contact Center

A contact center project must have a minimum investment cost of 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.

- a. 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.
- b. If equipment were consigned, the same should have an assigned value to be considered part of project cost.

⁷ The same ICT activities are also encourage under Export Activities.

2. **Business/Knowledge processing**
3. **Software Development**
4. **Animation**
5. **Data Transcription**
6. **Engineering Design**
7. **ICT Support Activities except internet/cyber cafes**

The following may qualify for pioneer status:

1. Introduces a major innovation in technology; or
2. With project cost of at least the Philippine Peso equivalent of US\$5.0 million (excluding cost of land and building) to be put up during the first year of operations.

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

C. Electronics⁸

This covers Original Design Manufacturing (ODM), Electronics Manufacturing Services (EMS), IC design, the manufacture of electronic products (except home appliances), and their inputs.

1. **Original Design Manufacturing (ODM)** 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.

Prior to availment of ITH, registered firm shall submit proof of its ownership of the design.

2. **Electronics Manufacturing Services (EMS)** covers the manufacture of electronic products and sub-assemblies which may be classified under 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
3. **IC design** and other design engineering services relating to the electronics sector.
4. **Manufacture of electronic products** (except home appliances) and their parts and components.

⁸ The same Electronics activities including the manufacture of parts and components of electronic products and their inputs and production supplies such as molds and dies, precision tools, etc. used by the electronics industry are also encouraged under Export Activities.

D. Motor Vehicle Products

This covers the manufacture or assembly of motor vehicles under the Motor Vehicle Development Program and the production of their parts and components.

1. Manufacture/Assembly of Motor Vehicles

Applicants must be registered participants of good standing under the Motor Vehicle Development Program of the Board.

Projects complying with any of the following may qualify for Pioneer status:

- a. At least US\$100 million (for Passenger Cars, Commercial Vehicles and Buses) and US\$4 million (for motorcycles) new investments, which may include acquisition of existing assets or facilities.
- b. Exports at least 10,000 units (for Passenger Cars and Commercial Vehicle); 30,000 units (for motorcycle) and 500 units (for buses) per annum of completely-built-up (CBU) motor vehicles.
- c. At least US\$20 million (for Passenger Cars, Commercial Vehicles and Buses) and US\$1 million (for motorcycles) incremental investments for Modernization/Expansion projects.
- d. Manufacture of generic vehicles that are designed/suited for Asian market.

Generic vehicles are those produced using a common platform such as but not limited to chassis; and should have the following features:

- Vehicle model/variant should be produced in the Philippines and at least one other ASEAN country;
 - There should be resource sharing/pooling or industrial complementation of parts and components among countries that produce the model.
- e. Manufacture/assembly of brand new three or four-wheel Philippine utility vehicles for cargos and/or passengers.
 - f. Manufacture of alternative fuel vehicle
 - Alternative fuel vehicle covers the manufacture of the following brand new vehicles powered by alternative sources, as classified accordingly under Section 1 of Article 1 of EO 156 (passenger cars, commercial vehicles and motorcycles):
 - Hybrid vehicles –vehicles that run on electric batteries and gasoline/diesel/other fuels;
 - Electric Vehicles – vehicles that run solely on electric power;
 - Flexible-fuel vehicles –vehicles that run on gasoline/diesel in combination with alternative fuel such as but not limited to:
 - Bioethanol vehicles that run on gasoline and a minimum ethanol content/blend of at least 20%
 - Biodiesel vehicles that run on a diesel and a minimum biodiesel blend/content of at least 10%

- Compressed Natural Gas Vehicles – vehicles that run on Compressed Natural Gas (CNG)

2. Manufacture of parts and components of motor vehicles

Projects complying with any of the following may qualify for Pioneer status:

- Manufacture of transmission/engines;
- Manufacture of tool & die to produce chassis and engine; or
- Common facility for forging/metal stamping of motor vehicle parts and components.

E. Energy

This covers power generation using renewable and other energy sources using environmentally-friendly technologies (except oil-fired power generating plants), power transmission, and activities using energy technologies leading to energy efficiency and conservation such as production, blending, storage, and handling of biofuels, compressed natural gas (CNG) vehicle conversion shops, and CNG refueling stations.

1. **Power generation projects** as specified in the Power Development Plan that may qualify for registration are:
 - a. Those utilizing indigenous and renewable energy such as biomass, waste to energy conversion, solar, wind, hydro and tidal;
 - b. Geothermal power plants;
 - c. Those under the NPC privatization plan;
 - d. Coal-fired power plant using environment-friendly technology;
 - e. Those using compressed/liquefied natural gas (CNG/LNG);
 - f. Cogeneration (Combined Heat and Power (CHP)) plants involving waste heat recovery producing electrical energy and forms of useful thermal energy (such as heat or steam) used for industrial, commercial, heating or cooling purposes; or
 - g. Power plants using other energy sources (except oil-fired power generating plants) using environment-friendly technologies.
2. **Activities using energy technologies leading to energy efficiency and conservation** such as:
 - a. Production of biofuels. Production may be integrated with blending, storage and handling.

Activities involving either or a combination of blending, storage, handling and/or distribution of biofuels are not entitled to income tax holiday (ITH).
 - b. Conversion shops providing all of the following services: converting, retrofitting, repairing and maintaining CNG Vehicles in accordance with relevant Philippine National Standard (PNS) and shall provide warranties to

clients; Projects costing at least the Philippine Peso equivalent of US\$200,000 may qualify for registration.

- c. Installation and operation of CNG refueling stations and related infrastructures and facilities as endorsed by the DOE.

Foreign-owned corporations must comply with the Retail Trade Law (R.A. 8762).

Applications for registration shall be endorsed by the Department of Energy that shall include projects' compliance with world-class environmental standards.

Exploration, development and utilization of energy sources including coal are covered under Industry Cluster. If availing of incentives under P.D. 972, the project is not entitled to ITH.

The following may qualify for pioneer status:

- Power generation projects using renewable energy sources; or
- Power projects that cost at least the Philippine Peso equivalent of US\$1 million per megawatt.

F. Infrastructure

This covers the development of infrastructure, logistics, transport systems, telecommunications facilities (limited only to unserved areas), low cost mass housing, and infrastructure projects under the Build-Operate-Transfer (BOT) Law.

1. **Physical infrastructure** refers to the development (including rehabilitation, upgrading, and expansion) of air/sea ports, tollroads, highways, railways, roads, bridges, and agribusiness parks.

An agricultural business park should have a minimum contiguous area of 5 hectares for non-biofuel crops and 3,000 hectares for bio-fuel crops that takes the form of an agro-industrial estate wherein the locators will be agricultural producers, agribusiness enterprises and support service enterprises/institution. The developer should provide basic facilities such as but not limited to roads and drainage system, water and sewerage system, power supply system, and telecommunications system.

The project should be endorsed by Department of Agriculture (DA) and/or Bureau of Fisheries and Aquatic Resources (BFAR).

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 cost of constructing a new physical infrastructure, as certified by the Department of Public Works and Highways (DPWH) or any of its appropriate agencies.

If the cost of upgrading the physical infrastructure is less than 90% of the cost of constructing a new physical infrastructure, the project may be registered as a modernization activity.

2. **Logistics** covers the following:

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

Note: Distribution and/or transportation facilities may be outsourced provided the integrated nature of operations is maintained.

b. Passenger and/or cargo terminals, and inter-modal terminals

- Passenger/Intermodal Terminals

The following are the qualifications for registration:

- Must have new facilities with parking, comfort rooms, ticketing and reservation office 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 system of ingress and egress to prevent traffic buildup/obstruction of thoroughfares on a 24-hour basis as certified by the appropriate DOTC/MMDA traffic management office

- Pipeline Operations

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

c. Water supply/treatment/distribution/sewerage systems

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, and the construction/upgrading of existing sewerage systems facility.

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. Applicants must submit a copy of its Certificate of Public Convenience (CPC).

Construction/upgrading of existing sewerage systems pipeline must include a treatment facility.

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

3. **Transport Systems** covers the operations of the following:

a. **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.

Pure lease may be allowed provided that the lease contract is for a minimum of five (5) years; Provided further, that the lease may be renewed on a yearly basis.

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

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.

b. **Land Transport**

This covers the operation of tourist buses, Public Utility Bus (PUBs), Public Utility Articulated Buses (PUABs), Including buses using CNG/LPG.

The following are the requirements for registration:

- Buses must be brand new and suited to local conditions
- 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

For tourist buses operation, the company must be accredited by the Department of Tourism (DOT). Application must also be endorsed by the DOT.

c. **Rail Transport operations**, which include light railway and other electric-based transit system.

Application for registration shall be endorsed by the DOTC or any of its appropriate government agencies.

4. **Telecommunications** shall cover the establishment of telecommunication infrastructure/facilities such as but not limited to fixed line, leased line and broadband facilities in “unserved areas” as identified, certified and endorsed by the National Telecommunications Commissions (NTC).

5. **Low-Cost Mass Housing**

The following are the qualifications for registration:

a. General requirements:

- Low cost mass housing project as determined through the prevailing Housing and Urban Development Coordinating Council (HUDCC) Resolution on price/loan ceilings.
- 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.
- Minimum of twenty (20) livable dwelling units in a single site or building.
- Low cost mass housing project shall conform with the design standards set forth in the Rules and Regulations to Implement B.P. 220 and other related laws.
- Only new and expanding low cost mass housing projects shall be considered for BOI registration.
- Only income derived from the registered expansion area/project shall be entitled to ITH.

b. Requirements for horizontal housing projects:

- Low cost 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).
- A project shall be considered as an expansion if it will locate adjacent or contiguous to an existing low cost mass housing project owned by the same entity and shall share common facilities with the existing project.

c. Requirements for vertical housing projects:

- The cost of housing units of a medium rise housing (MRH) and high-rise residential building shall not exceed the amount for low cost housing as set by HUDCC.
- At least 51% of the total floor area, excluding common facilities and parking areas, must be devoted to low-cost housing units.
- Projects that have already been completed and have incurred sales (booked sales) of housing packages shall, in general, not qualify for registration.
- 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 into low cost housing project of a building originally intended for commercial, office spaces, or exclusive condominiums; or
 - Construction of additional floors or annexes intended for low cost mass housing units.
- Entitlement to ITH shall be limited to revenues derived from low cost housing units.

6. Infrastructure projects under the BOT Law

Application for registration must include an endorsement from concerned government agency or corporation or LGU, a copy of supply contract, and other relevant supporting documents.

In general, BOT projects with sovereign guarantee and/or government guaranteed rates of return are not entitled to ITH.

The following may qualify for pioneer status:

- a. Physical infrastructure (except Agribusiness Parks), telecommunication, BOT, air and rail transport operation projects costing at least Peso equivalent of US\$100 million.
- b. Other infrastructure projects that cost at least PhP1.0 billion.

G. Tourism ³

This covers the establishment of tourist accommodation facilities, resorts, retirement villages, and medical tourism (healthcare and wellness products and services).

Revenues from golf courses and casinos are not entitled to ITH.

1. **Tourist accommodation facilities** covers the following:

a. **Hotels, apartels, tourist inns, and pension houses**

Following are the qualifications for registration of a hotel project:

- 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; or
- Hotel modernization projects (that are considered as expansion projects) with a project cost of at least the Philippine Peso equivalent of US\$10,000/room.

2. **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.

- a. **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.
- b. **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.

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;
- Projects located in Metro Manila must have project cost of at least the Philippine Peso equivalent of US\$20 million;

³ Industry Cluster is not applicable.

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

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

3. 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; and,
- Project cost must be at least the Philippine Peso equivalent of US\$10 million.

Locators inside the retirement villages/parks such as retirement centers/condominiums or those engaged in the activities listed in the IPP that are related to retirement business may be registered as separate activity.

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

4. Healthcare and Wellness Products and Services

a. Hospital/Medical Services

This covers tertiary care hospitals and specialized services as endorsed by the Department of Tourism (DOT).

- "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" 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.

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 hospitals with a minimum capacity of 100 beds or with investment cost of at least the Philippine Peso equivalent of US\$10 million.

- Specialized services with project cost of at least the Philippine Peso equivalent of US\$10 million.

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 DOT.

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

c. Dental Services

This covers the establishment of a dental services facility offering both regular and specialized dental services such as 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 the following:

- **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 DOT

“Destination spa” or “resort/hotel spa” projects that will apply “hilot” or any indigenous Filipino healing modality as endorsed by the DOT may qualify for pioneer status.

- **Rehabilitation and Recuperation Services**

To qualify for registration, it must have a minimum investment of US\$1 Million, excluding the cost of land.

5. Healthcare and Wellness Products

This covers the manufacture of drugs and medicines in accordance with the Philippine National Drug Formulary (PNDF), food supplements limited to Vitamin A, iron and iodine compounds either mixed, coated or incorporated in appropriate medium added to flour, rice, sugar, oil as required by Food Fortification Law (RA 8976) and salt as required by ASIN Law (R.A. 8172), herbal medicines, and active substances of these drugs.

Prior to availment of ITH, 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.

H. Shipping/Shipbuilding⁹

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.
- Tankers must be double-hulled and not more than ten (10) years old.
- High-speed passenger crafts must not be more than five (5) years old.
- Vessels other than hi-speed crafts and tankers must be at least 200 tons gross tonnage.
- 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.
- Lease or charter of foreign-owned vessel with option to purchase may be allowed.
- Pure lease may be allowed provided that the lease contract is for a minimum of five (5) years subject to the provisions of EO 438; Provided further, that the lease may be renewed on a yearly basis.

⁹ The establishment and operation of Centers of Excellence is limited only to Shipbuilding.

- Entitlement to ITH shall be limited within the validity of bareboat charter under EO 438 unless otherwise amended/extended.

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)
- Projects with the following minimum project cost based on the ship type involved in the project:

Ship Type involved in the Project	Minimum Project Cost per Vessel (the Philippine Peso equivalent of)
Passenger-Cargo Vessel or RORO/ Passenger Vessel	US\$ 5 million
Cargo Ship and Tanker	US\$ 3 million
High-Speed Craft	US\$ 2 million

b. Overseas shipping

The following are the qualifications for registration:

- MARINA accredited Philippine shipping enterprise.
- Vessels must be currently registered under the Philippine Flag.
- Vessels must be at least 500 tons gross tonnage and must not be more than fifteen (15) years old.
- Foreign owned vessels covered by lease purchase agreement may be allowed.

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.

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

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

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

I. Iron and Steel

This covers basic iron and steel-making facilities; production of flat hot/cold-rolled products may be covered provided it is integrated with an upstream facility.

This covers the production of the following:

1. Refined iron ore e.g., pig iron, hot briquetted iron (HBI), direct reduction iron (DRI)
2. Ferro-alloys
3. Primary steel products in the form of slabs
4. Intermediate steel products such as hot-rolled flat products or down to cold-rolled flat products may qualify for registration provided the operations are integrated with slab-making or up to iron-making.

Modernization must result in any of the following:

- a. At least ninety six percent (96%) yield for long products;
- b. At least ninety eight percent (98%) yield for flat products; or
- c. At least five percent (5%) reduction in electricity usage.

J. Research and Development (R&D)/Training Institutions

This covers commercial R & D activities of private firms and research institutions and in-house R & D activities of manufacturing/services firms.

This also covers establishment of Centers of Excellence and training institutions specializing in developing skills for manufacturing, agriculture, fishery, mining, tourism, infrastructure, information technology (IT), services (including the training of maintenance personnel, complying with international standards and the development of environmental/sustainable disciplines, i.e., pollution control officers/managers, environmental auditors).

1. Commercial/Contract R & D

Commercial/contract R & D refers to R & D activities done for external clients.

Application for registration shall be endorsed by the Department of Science and Technology (DOST) or the relevant agency concerned.

2. Center of Excellence (COE) shall serve as venue for any of the following:

- a. Knowledge and skills development through the provision of training facilities and programs.

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. This may involve the establishment of specialized schools, finishing schools and schools offering bridging courses/programs. Only the courses/trainings/programs catering to the activities or created in support of the activities listed in the IPP, except those identified to be not applicable to COE, may qualify for registration and may be granted incentives.

The course offered by COE shall be accredited either by CHED (for academic institutions) or by TESDA or other appropriate accrediting bodies (for occupational skills).

- b. Research and development and other productivity enhancement activities;
- c. Technology scanning, selection and adoption;
- d. Incubation program; or
- e. Common service facilities.

For purposes of BOI registration and availment of incentives, the establishment and operation of COE are not applicable to the following sectors:

- a. Shipping;
- b. Publication or printing of books or textbooks; and
- c. Activities under the Clean Water Act

3. **Training/Learning Institutions** cover those specializing in developing skills for the manufacturing, agriculture, fishery, mining, tourism, infrastructure, and service (including the training of maintenance personnel, seafarers complying with international standards and the development of environmental/sustainable disciplines – i.e., pollution control officers/managers, environmental management auditors) sectors.

Following are the requirements for registration:

- a. The curriculum must be endorsed by the appropriate industry association and 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 appropriate government agencies.
- b. The registered education/training/learning institutions must provide training laboratories and equipment, if applicable.

K. Machinery and equipment

This covers the manufacture of machinery and equipment in support of the activities listed in the IPP.

The machinery and equipment must be directly or reasonably needed by the activities listed in the IPP.

Mere assembly (screwdriver assembly) of machinery and equipment shall not qualify for registration.

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

II. MANDATORY INCLUSIONS

A. Tree Plantation under P.D. 705

This covers the establishment of forest 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:

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

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

B. Exploration, Mining, Quarrying and Processing of Minerals under R.A. 7942¹⁰

This covers the exploration, development and utilization of mineral resources.

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 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. Simple processing such as sorting, crushing, washing, drying and other similar activities must be combined or integrated with one or more other simple processing operations to be 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.
 - 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.

In general, mining projects covered by approved Financial or Technical Assistance Agreements (FTAAs) are not entitled to ITH.

3. Cement Manufacturing Integrated with Quarrying

- a. Cement manufacturing integrated with quarrying shall be limited to a maximum of 40% foreign ownership.
- b. Registration should be limited to new projects with complete new production line (clinker base). Existing firms putting up a complete new production line (clinker base) may also qualify for registration provided that the existing plant (clinker base) is operating at 85% capacity utilization and should be maintained at any given time.

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

C. Publication or Printing of Books or Textbooks under R.A. 8047¹¹

This covers the publication, printing, and re-printing of books and textbooks.

This covers the following activities:

1. Publication of books and textbooks
2. Printing of books and textbooks
3. Reprinting of books and textbooks

¹⁰ Also covers cement manufacturing, provided it is integrated with quarrying, which incentives shall be limited to those provided under E.O. 226. In general, mining projects covered by Financial and/or Technical Assistance Agreement (FTAA) are not entitled to ITH.

¹¹ Industry cluster and the establishment and operation of Centers of Excellence are not applicable.

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.

D. Refining, Storage, Marketing and Distribution of Petroleum Products under R.A. 8479³

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

1. **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 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 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 modernization of facilities in the refinery resulting in an increase in existing capacity for storage, handling and distribution in the refinery.

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

3. **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.

4. **Marketing** covers the following:

³ Industry Cluster is not applicable.

- 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 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 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, 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.
- 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.

Activities covered under d.4. "Marketing" are entitled to capital equipment incentive only.

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.

E. Solid Waste Management under R.A. 9003³

This covers the establishment of waste recycling, waste treatment, and/or waste disposal facility.

1. **Recycling or Treatment Facility** integrated with Manufacturing Facility to produce semi-finished or finished product using as inputs at least 50% recyclable materials from local or domestic sources.

- a. Recycling refers to the treating of used or waste (i.e., biodegradable, non-biodegradable, recyclable, special and **residual**) 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. If ratio of locally sourced recyclable material to the total raw material is less than 50%, Income Tax Holiday rate of exemption shall be computed as follows:

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

- d. 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.
- e. Complete rehabilitation of existing open and controlled dumpsites.

Application for registration should be accompanied by a Closure and Rehabilitation Plan.

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.

³ Industry Cluster is not applicable.

- b. Application for registration must be accompanied by an appropriate ECC or a certification from EMB that the company has a pending application for an appropriate ECC.
- 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).

F. Clean Water Act under R.A. 9275 ⁶

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 accompanied by the following documentary requirements depending on the type of project:

Type of Project	Documentary Requirement
a. Wastewater Treatment and water pollution technology projects within Laguna de Bay area	Certification from LLDA that it has filed an ECC or CNC, whichever is applicable, or a Discharge Permit
b. All other wastewater treatment and water pollution technology projects not covered by LLDA	Endorsement from EMB-DENR
c. All Cleaner Production and waste minimization technology projects	Certification from ITDI-DOST that it has evaluated the same project

- 2. Projects that entail simple a Applicants shall undergo the DOST Environmental Technology Verification (ETV) Protocol to validate the performance/claims of the technology applied or secure a certification from internationally known certifying body that their technology conforms with international standards. The ETV Statement or Certification should be submitted upon filing of BOI application.
- 3. In-house facilities may qualify for registration provided they will service other clients.
- 4. ctivities such as, 5S, Good Housekeeping, are not qualified for registration.

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

This covers the manufacture of technical aids and appliances for the use and/or rehabilitation of disabled persons.

This Act is also known as the "Magna Carta for Disabled Persons".

Disabled Persons 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.

⁶ Industry Cluster and the establishment and operation of Centers of Excellence are not applicable.

This covers the manufacturing of technical aids and appliances used by disabled persons, which shall include but not limited to the following:

- Walk-in baths designed for people 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 people with disabilities
- Hearing-aids
- Artificial limbs, orthotics, prosthetics and orthopedic braces

Application for registration must include an endorsement from the Department of Social Welfare and Development (DSWD).

III. EXPORT ACTIVITIES

This covers the production/manufacture of non-traditional export products and services in support of exporters as identified under the Medium-Term Philippine Development Plan (MTPDP) 2004-2010 and/or the Philippine Export Development Plan (PEDP) 2005-2007.

A. Manufacture of Export Products/Services

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

B. Activities in Support to Exporters

This covers the following:

1. Services comprising a portion of the manufacturing process;
2. Sub-assembly/fabrication of parts/components of the final export product;
3. Manufacture of supplies directly/reasonably needed in the production of non-traditional export products, e.g., chemicals, molding compounds;
4. Product testing and inspection; and,
5. Repair and maintenance.

IV. PROJECTS UNDER THE RETENTION, EXPANSION AND DIVERSIFICATION (R.E.D.) PROGRAM

This covers activities of existing investors either considered as global players or engaged in strategic industries that are encouraged for retention, expansion or diversification of their operations in the country.

Qualifications for Registration

1. Applicant must either be:
 - a. A global player, which is a company that has manufacturing establishments in at least two (2) countries; or
 - b. Engaged in a strategic industry, which is characterized by any of the following:
 - Crucial to the accelerated industrialization of the country;

- Require substantial capital investments to achieve economies of scale for efficient operations;
- Require highly specialized or advanced technology which necessitates technology transfer and proven production techniques in operations;
- Characterized by strong backward and forward linkages with most industries existing in the country;

OR

- Affected by unforeseen changes in the trade policy of a foreign government. Notwithstanding the minimum investment requirement mentioned below (Subject to separate guidelines.)

2. The project should have an investment of at least the peso equivalent of US\$10 million.

Projects with a minimum investment of at least the peso equivalent of US\$20 million may qualify for pioneer status.

Expansion and Diversification projects shall be subject to the locational restriction policy unless said projects are effected within the premises of its existing operations or contiguous thereto.

The BOI, for reasons of public health or morals, may deny applications for registration.

(SGD) LUCITA P. REYES
Executive Director
Industry Development Group

Published: Manila Times, 20 July 2007