

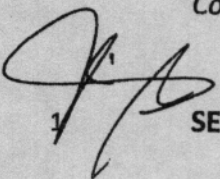
REPUBLIC OF THE PHILIPPINES
CONGRESS OF THE PHILIPPINES

SIXTEENTH CONGRESS
Third Regular Session

REPUBLIC ACT NO. _____

"AN ACT ENHANCING TRANSPARENCY IN THE MANAGEMENT AND ACCOUNTING OF TAX
INCENTIVES ADMINISTERED BY INVESTMENT PROMOTION AGENCIES"

Be it enacted by the Senate and the House of Representatives of the Philippines in
Congress assembled:

 SECTION 1. *Title.* – This Act shall be known as "The Tax Incentives Management
and Transparency Act (TIMTA)."

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to
promote fiscal accountability and transparency in the grant and management of tax
incentives by developing means to promptly measure the government's fiscal exposure
on these grants and to enable the government to monitor, review, and analyze the
economic impact thereof and thereby optimize the social benefit of such incentives.

SEC. 3. *Definition of Terms.* – As used in this Act:

(a) *Investment Promotion Agencies (IPAs)* shall refer to government entities
created by law, executive order, decree or other issuance, in charge of promoting
investments, administering tax and non-tax incentives, and/or overseeing the
operations of the different economic zones and freeports in accordance with their
respective charters. These include the Board of Investments (BOI), Philippine Economic
Zone Authority (PEZA), Bases Conversion Development Authority (BCDA), Subic Bay
Metropolitan Authority (SBMA), Clark Development Corporation (CDC), John Hay
Management Corporation (JHMC), Poro Point Management Corporation (PPMC), Bataan

1 Technology Park, Inc. (BTPI), Cagayan Economic Zone Authority (CEZA), Zamboanga City
2 Special Economic Zone Authority (ZCSEZA), Phividec Industrial Authority (PIA), Aurora
3 Pacific Economic Zone and Freeport Authority (APECO), Authority of the Freeport Area
4 of Bataan (AFAB), Tourism Infrastructure and Enterprise Zone Authority (TIEZA), and all
5 other similar authorities that may be created by law in the future.

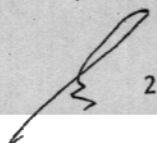
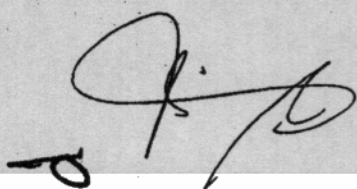
6 (b) *Tax incentives* shall refer to fiscal incentives such as those which come in the
7 form of income tax holidays, exemptions, deductions, credits or exclusions from the tax
8 base, as provided by law, to registered business entities.

9 (c) *Registered business entity* shall refer to any individual, partnership,
10 corporation, Philippine branch of a foreign corporation, or other entity incorporated
11 and/or organized and existing under Philippine laws and registered with an IPA.

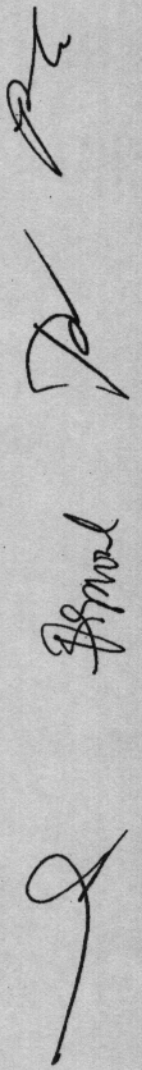
12 **SEC. 4. Filing of Tax Returns and Submission of Tax Incentives Reports.** – All
13 registered business entities are required to file their tax returns and pay their tax
14 liabilities, on or before the deadline as provided under the NIRC, as amended, using the
15 electronic system for filing and payment of taxes of the Bureau of Internal Revenue
16 (BIR).

17 For registered business entities availing of incentives administered by the IPAs,
18 they shall file with their respective IPAs a complete annual tax incentives report of their
19 income-based tax incentives, value-added tax and duty exemptions, deductions, credits
20 or exclusions from the tax base as provided in the charter of the IPA concerned, within
21 thirty (30) days from the statutory deadline for filing of tax returns and payment of
22 taxes.

23 The IPAs shall within sixty (60) days from the end of the statutory deadline for
24 filing of the relevant tax returns submit to the BIR their respective annual tax incentives



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1 reports based on the list of the registered business entities who have filed said tax
2 incentives report.

3 The details of the tax incentives reports, as provided in the preceding paragraphs,
4 shall be provided in the implementing rules and regulations (IRR) of this Act.

5 The foregoing provisions shall be without prejudice to the right of the BIR and the
6 BOC to conduct assessment within the prescribed period provided in the NIRC, as
7 amended, and the Tariff and Customs Code of the Philippines (TCCP), as amended,
8 respectively.

9 **SEC. 5. Monitoring of Tax Incentives.** – The BIR and BOC shall submit to the
10 Department of Finance (DOF), notwithstanding any law to the contrary: (a) the tax and
11 duty incentives of registered business entities as reflected in their filed tax returns and
12 import entries; and (b) actual tax and duty incentives as evaluated and determined by
13 the BIR and the BOC.

14 The DOF shall maintain a single database for monitoring and analysis of tax
15 incentives granted.

16 For purposes of monitoring and transparency, the DOF shall submit to the
17 Department of Budget and Management (DBM) the aggregate data on a sectoral and
18 per industry basis of: (a) the amount of tax incentives availed by registered business
19 entities, (b) the estimate claims of tax incentives immediately preceding the current
20 year, (c) the programmed tax incentives for the current year, and (d) the projected tax
21 incentives for the following year. Such information shall be given to the Oversight
22 Committee created under Section 9 of this Act.

23 The aforesaid data shall be reflected by the DBM in the annual Budget of
24 Expenditures and Sources of Financing (BESF), which shall be known as the Tax

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1 Incentives Information (TII) section: *Provided*, that the TII shall be limited to the
2 aggregate data related to incentives availed of by registered business entities based on
3 the submissions of the DOF and the concerned IPAs, categorized by sector, by IPA and
4 type of incentive.

5 Nothing in this Act shall be construed to diminish or limit, in whatever manner,
6 the amount of incentives that IPAs may grant pursuant to their charters and existing
7 laws; or to prevent, deter, or delay the promotion and regulation of investments,
8 processing of applications of registrations, and evaluation of entitlement of incentives
9 by IPAs.

10 **SEC. 6. Conduct of Cost-Benefit Analysis on Investment Incentives.** – The
11 National Economic and Development Authority (NEDA) is mandated to conduct cost
12 benefit analysis on the investment incentives to determine the impact of tax incentives
13 on the Philippine economy.

14 For this purpose, all heads of the IPAs shall submit to NEDA the aggregate tax
15 incentives, based on the submissions of registered business entities as provided in Sec. 4
16 of this Act, and aggregate investment-related data, both on a sectoral or per industry
17 basis, which may include, but not limited to investment projects, investment cost, actual
18 employment and export earnings.

19 **SEC. 7. Penalties for Non-Compliance with Filing and Reportorial Requirements.**

20 – Any registered business entity which fails to comply with filing and reportorial
21 requirements with the appropriate IPAs and/or which fails to show proof of filing of tax
22 returns using the electronic system for filing and payment of taxes of the BIR shall be
23 imposed the following penalties:

24 I. First (1st) violation – payment of a fine amounting to one hundred
25 thousand (P100,000.00) pesos;

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1 II. Second (2nd) violation –payment of a fine amounting to five hundred
2 thousand (P500,000.00) pesos; and

3 III. Third (3rd) violation – cancellation of the registration of the registered
4 business entity.

5 *Provided;* That if the failure to show such proof is not due to the fault of the
6 registered business entity, the same shall not be a ground for the suspension of the ITH
7 and/or other income-based tax incentives availment.

8 Any government official or employee who fails without justifiable reason to
9 provide or furnish the required tax incentives report or other data or information as
10 required under this Act, shall be penalized, after due process, by a fine equivalent to the
11 official's or employee's basic salary for a period of one (1) month to six (6) months or by
12 suspension from government service for not more than one (1) year, or both, in addition
13 to any criminal and administrative penalties imposable under existing laws.

14 **SEC. 8. Funding.** – Such amount necessary to carry out the implementation of this
15 Act shall be sourced from the current General Appropriations Act (GAA).

16 **SEC. 9. Joint Congressional Oversight Committee.** – A Joint Congressional
17 Oversight Committee, herein referred to as the Oversight Committee, shall be
18 constituted in accordance with the provisions of this Act. The Oversight Committee shall
19 be composed of the respective Chairpersons of the Committees on Ways and Means of
20 the Senate and of the House of Representatives and four additional members from each
21 House, one of whom shall be the Chairperson of the Senate Committee on Trade,
22 Commerce and Entrepreneurship and the Chairperson of the House Committee on
23 Trade and Industry to be designated by the Senate President and the Speaker of the
24 House of Representatives, respectively. The Oversight Committee shall monitor and
25 ensure the proper implementation of this Act.

1 **SEC. 10. *Implementing Rules and Regulations.*** – The Secretaries of the DOF and
2 the Department of Trade and Industry (DTI), in coordination with the NEDA Director-
3 General, Commissioners of the BIR and BOC, and heads of concerned IPAs, shall, within
4 sixty (60) days from the effectivity of this Act, promulgate rules and regulations to
5 faithfully implement the intent and provisions of this Act: *Provided, That* the failure of
6 the Secretaries of the DOF and DTI to promulgate the rules and regulations shall not
7 prevent the implementation of this Act upon its effectivity.

8 **SEC. 11. *Separability Clause.*** – If any provision of this Act is subsequently
9 declared invalid or unconstitutional, other provisions hereof which are not affected
10 thereby shall remain in full force and effect.

11 **SEC. 12. *Repealing Clause.*** – All other laws, acts, presidential decrees, executive
12 orders, issuances, presidential proclamations, rules and regulations or parts thereof
13 which are contrary to and inconsistent with any provisions of this Act are hereby
14 repealed, amended or modified accordingly.

15 **SEC. 13. *Effectivity.*** – This Act shall take effect fifteen (15) days after its complete
16 publication either in the Official Gazette, or in at least one (1) newspaper of general
17 circulation.

18 Approved,

