

TAX AND DUTY FREE INCENTIVES

Investors in APECO enjoy investment incentives designed to be highly competitive with the other Ecozones around the world.

1. Income Tax Holiday (ITH)

Category A – Registered Domestic enterprise located in highly developed areas, as determined by BOI, shall be entitled to 4 year income tax holiday;

Category B - Registered domestic enterprise on the following shall be entitled to a 6 year income tax holiday:

- a) Located in less developed areas as defined by BOI; or
- b) Producing/rendering new products/services or having strong backward or forward linkages

Category C - Registered export Enterprise shall be entitled to 6 year income tax holiday, provided (1) enterprise involves large capital investments or sizeable employment generation; or (2) enterprise uses high level of technology; or (3) if enterprise is located outside Metro Manila, it shall be entitled to 8 year income tax holiday.

2. **Net Operating Loss Carryover (NOLCO)** – Net operating loss of the business or enterprise during the first three years from the start of commercial operations which have not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next five consecutive years immediately following the year of such loss.
3. Imposition of a tax rate of five percent (5%) on Gross Income Earned (GIE)
4. Accelerated Depreciation - Accelerated depreciation of plant, machinery and equipment that are reasonably needed and actually used for the production and transport of goods and services
5. Capital Equipment Incentives - (1) Importations of capital equipment, spare parts, tools and dye, or those required for pollution abatement and control, cleaner production and waste reduction including consignment thereof by registered enterprises upon the effectivity of this law, shall be exempted to the extent of one hundred percent (100%) of the taxes and customs duties: Provided, That the imported items thereof shall be used exclusively by the registered enterprises in its registered activity.

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- 6.** The importation of source documents by information technology-registered enterprises shall be eligible for tax and duty free importation.
- 7.** Raw Materials Incentives - Every registered export-oriented enterprise shall enjoy a tax credit equivalent to the internal revenue taxes and customs duties paid on the supplies, raw materials and semi-manufactured products provided the same are not sufficient in quantity, quality or are not competitively priced in the Philippines and which are used in the manufacture, processing or production of its export products forming part thereof, exported directly and indirectly by the registered export-oriented enterprise, based on the actual taxes and duties paid for such materials/supplies/semi-manufactured products by the registered enterprise.
- 8.** Incentives on Breeding Stocks and Genetic Materials - Importation of breeding stocks and genetic materials within ten (10) years from the date of registration of commercial operation of the enterprise shall be exempt from all taxes and duties: Provided, that such breeding stocks and genetic materials are reasonably needed in the registered activity, and approved by the AURORA ECOZONE.
- 9.** Exemption from Wharfage Dues
- 10.** Deferred Imposition of the Minimum Corporate Income Tax
- 11.** Employment of Foreign Nationals – a registered enterprise may employ foreign nationals in supervisory or technical positions for a period not exceeding ten (10) years from its registration
- 12.** Incentive to Investors - any foreign national who invests an amount of US\$ 150,000.00 in there in cash and/or equipment, in a registered enterprise shall be entitled to an investor's Visa.

As a holder of investor's visa, an alien shall be entitled to reside in the Philippines while his investment subsists.

Taxes and Fiscal obligations

Imposition of a tax rate of five percent (5%) on Gross Income Earned (GIE)

– Except for real property tax on land, no local and national taxes as prescribed under Republic Act No. 8424, also known as “The National Internal Revenue Code of 1997, as Amended” such as income tax, exercise tax and franchise taxes, shall be imposed on registered enterprises operating within the Aurora Pacific Ecozone.

In lieu thereof, five percent (5%) of the gross income earned shall be paid as follows:

- a) Three percent (3%) to the national government; and
- b) One percent (1%) shall be remitted by the business establishments in equal share to the respective treasurer’s office of the province and the municipality where the enterprise is located; and
- c) One percent (1%) shall be remitted by the registered enterprise to the APECO.

All persons and service establishments in the Aurora Ecozone shall be subject to National Internal Revenue Code of 1997, as amended, and the Local Government Code.

ALLOWABLE DEDUCTIONS BY INDUSTRY

Gross Income Earned (GIE) shall refer to gross sales or gross revenues derived from business activities within the subject Ecozone or Freeport, net of sales discounts, sales returns and allowances minus cost of sales or direct costs but before any deduction for administrative, marketing, selling and/or operating expenses or incidental losses during a given taxable year. Provided, that, in the case of financial enterprises within Freeports, gross income shall include interest income, gains from sales, and other income, net of costs of funds.

Only the following cost of sales/direct cost shall be allowed as deductions for purposes of calculating the GIE earned for the following Ecozone or Freeport Enterprises/industries, to wit:

TRADING ENTERPRISES

- Cost of Sales (beginning inventory plus purchases, minus ending inventory of goods).

MANUFACTURING ENTERPRISES

- Direct salaries, wages, or labor expenses, inclusive of training directly related to the registered activity;
- Production supervision salaries
- Raw materials used in the manufacture of products;
- Decrease in goods in process account (intermediate goods);
- Decrease in finished goods account;
- Supplies and fuels used in production;
- Depreciation of machinery and equipment used in production, and of that portion of the building owned or constructed by the registered enterprise that is used exclusively in the production of goods;
- Rent and utility charges associated with building, equipment and warehouses used in production; and
- Financing charges associated with fixed assets used in production, the amount of which was not previously capitalized.

Note:

Allowable deductions by industry was obtained from Dept. of Finance (DOF) Dept. Order no. 3-08 - Rules & Regulations to implement RA9400

SERVICE ENTERPRISES

- Direct salaries, wages, or labor expenses, inclusive of training directly related to the registered activity;
- Service supervision salaries;
- Direct materials, supplied used;

- Depreciation of machinery, equipment used in the rendition of registered services;
- Financing charges associated with fixed assets used in the registered service business amount of which was not previously capitalized.

FINANCIAL INSTITUTIONS

- None