



Philippine Economic Zone Authority

MEMORANDUM CIRCULAR NO. 2016-035

TO : All PEZA Registered Enterprises and Developers/Operators Entitled to PEZA Incentives

FROM : Deputy Director General JUSTO PORFIRIO LL. YUSINGCO
Officer-in-Charge

DATE : 30 September 2016

SUBJECT : DOF-DTI Joint Memorandum Circular No. 1-2016
Clarifying Certain Provisions of DOF-DTI Joint Administrative Order No. 1-2016, entitled "Rules and Regulations to Implement Republic Act No. 10708, otherwise known as the "Tax Incentives Management and Transparency Act (TIMTA)"

The Department of Finance and the Department of Trade Industry issued Joint Memorandum Circular (JMC) No. 01, Series of 2016 (copy of the JMC is attached), clarifying certain provisions of Joint Administrative Order (JAO) No. 1-2016 (Rules and Regulations to Implement Republic Act No. 10708).

Please be advised of the key provisions of JMC No. 01-2016, which includes amendments of certain provisions of JAO No. 1-2016, as follows:

1. The **deadline of submission of the reports** for both income-based tax incentives and value-added tax (VAT) duty exemptions by RBEs covering **Taxable Year 2015 is amended**, as follows:

Submission by RBEs to PEZA	Submission by IPAs to BIR of Consolidated Annual Tax Incentives Reports and to the NEDA Secretariat of Aggregate Annual Tax Incentives Report
November 15, 2016 ^{a/}	December 30, 2016 ^{b/}

^{a/}from original due date of September 15, 2016 under JAO 1-2016

^{b/}from original due date of November 15, 2016 under JAO 1-2016

2. Only Registered Business Entities (RBEs) availing of incentives are mandated to submit the Annual Tax Incentives Report (Annex A.1 and Annex A.2 of JAO No. 1-2016) to their respective Investment Promotions Agency (IPA).
3. RBEs employing the Fiscal Year accounting period shall state in the title of their Annual Tax Incentives Report-Income-based Tax Incentives (Annex A.1 of JAO No. 1-2016) the ending date of their fiscal year.
4. Deadline of Submission of Annual Tax Incentives Reports for **Taxable Year 2016** shall be as follows:

Accounting Period Ending	Statutory Deadline for filing the Final adjustment Return and payment of tax due thereon, if any	Submission of Annual Tax Incentives Report to <u>PEZA</u>
31 January 2016	15 May 2016	15 December 2016
29 February 2016	15 June 2016	
31 March 2016	15 July 2016	
30 April 2016	15 August 2016	
31 May 2016	15 September 2016	
30 June 2016	15 October 2016	
31 July 2016	15 November 2016	
31 August 2016	15 December 2016	14 January 2017
30 September 2016	15 January 2017	14 February 2017
31 October 2016	15 February 2017	17 March 2017
30 November 2016	15 March 2017	14 April 2017
31 December 2016	15 April 2017	15 May 2017


5. **Submission of Annex A.2 of JAO No. 1-2016 or Annual Tax Incentives Reports-VAT, Excise Tax and Duty-Based Incentives for the year 2016 (calendar)** shall be submitted **on or before 15 March 2017**, regardless of accounting period.
6. Deadline for submission of reports for Taxable Year 2017 and subsequent years is provided (see attached JMC).

We urge all RBEs to please refer to the Notes to the Annual Tax Incentives Report which provides the description of each column in order to avoid inaccurate reports. A considerable number of the reports already submitted by RBEs were returned to the concerned RBEs due to inaccurate or incomplete data reported.

RBEs which have already submitted their 2015 reports are advised to review their reports based on the Notes to the Annual Tax Incentives Reports. RBEs which intend to amend their report, may do so on or before November 15, 2016. The RBE should indicate "Amended" in the printed copy and soft copy.

For any clarification on the Report Forms, please contact the PEZA-Incentives Management Division at 551-9540 loc. 421, 422 or 426 or email to timta@peza.gov.ph

For strict compliance.

 HOA/cvc



REPUBLIC OF THE PHILIPPINES
Department of Finance
Department of Trade and Industry



JOINT MEMORANDUM CIRCULAR NO. 01, Series of 2016

TO: Incentives Promotion Agencies, the Bureau of Internal Revenue and the Bureau of Customs, the Registered Business Entities, and Others Concerned

SUBJECT: Clarification on Certain Provisions of Joint Administrative Order No. 1-2016 dated June 23, 2016, entitled "Rules and Regulations to Implement Republic Act No. 10708, otherwise known as the "Tax Incentives Management and Transparency Act (TIMTA)"

1. Objectives

This Circular is issued to clarify certain provisions of Joint Administrative Order No. 1-2016 relating to the implementation of Republic Act No. 10708, entitled "An Act Enhancing Transparency in the Management and Accounting of Tax Incentives Administered by Investment Promotion Agencies, otherwise known as the Tax Incentives Management and Transparency Act (TIMTA).

2. Rule II Section 2 and Rule III Section 1(b)

2.1 Only Registered Business Entities (RBEs) availing of incentives are mandated to submit the Annual Tax Incentives Report (Annex A.1 and Annex A.2) to their respective Investment Promotions Agency (IPA). Thus, the following are no longer required to submit the Annual Tax Incentives Reports:

- 2.1.1 International organizations invoking tax treaties or international agreements to which the Philippines is a signatory;
- 2.1.2 Business entities registered with an IPA but are not qualified for incentives;
- 2.1.3 Business entities registered with an IPA that are qualified for incentives but have not availed or applied for any incentive during the taxable year;
- 2.1.4 Business entities registered with an IPA but are no longer availing any incentives after their incentives entitlement period;
- 2.1.5 Business entities registered with an IPA that utilize special or preferential treatment by virtue of Free Trade Agreements; and

2.1.6 Regional or Area Headquarters and Regional Operating Headquarters under Book III of Executive Order No. 226, as amended by Republic Act No. 8756.

RBEs falling under Item 2.1.2 shall still be included in the Master List (Annex C of JAO 1-2016) required under Rule III Section 1(a).

2.2 For purposes of reporting of incentives for taxable year 2017 and subsequent years, the RBEs shall file with their respective IPAs their Annual Tax Incentives Reports, within thirty (30) days from the statutory deadline for filing of Final Adjustment Return for Income Tax, and payment of tax due thereon, if any, such that:

Year Ending	Statutory deadline for filing the Final Adjustment Return and payment of tax due thereon, if any*	Submission of Annual Tax Incentives Report to IPA**	Accounting Period
31 January 2017	15 May 2017	14 June 2017	Fiscal Year
29 February 2017***	15 June 2017	15 July 2017	
31 March 2017	15 July 2017	14 August 2017	
30 April 2017	15 August 2017	14 September 2017	
31 May 2017	15 September 2017	15 October 2017	
30 June 2017	15 October 2017	14 November 2017	
31 July 2017	15 November 2017	15 December 2017	
31 August 2017	15 December 2017	14 January 2018	
30 September 2017	15 January 2018	14 February 2018	
31 October 2017	15 February 2018	17 March 2018****	
30 November 2017	15 March 2018	14 April 2018	
31 December 2017	15 April 2018	15 May 2018	Calendar Year

* Based on Section 77(B) of the National Internal Revenue Code of 1997, as amended.

** Applying computation of number of days under Article 13 of the New Civil Code.

*** 2016 is a leap year, thus, this may change.

**** May move, if year ends on a leap year.

2.3 RBEs employing the Fiscal Year accounting period shall state in the title of their Annual Tax Incentives Report – Income-based Tax Incentives (Annex A.1) the ending date of their fiscal year.

3. Rule IX Section 1

3.1 The period on the submission of the reports both for income-based tax incentives and value-added tax (VAT) duty exemptions covering Taxable Year 2015 required under R.A. No. 10708 and its implementing rules and regulations is amended to read as:

Submission by RBEs to IPAs	Submission by IPAs to BIR of Consolidated Annual Tax Incentives Report and to the NEDA Secretariat of Aggregate	Submission of BIR to DOF	Submission by IPA to NEDA Secretariat of Other Relevant Date or
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	Annual Tax Incentives Report		Information
From September 15, 2016 to November 15, 2016	On December 30, 2016	On February 28, 2017	April 14, 2017

3.2. For RBEs using the calendar year method, the submission of Annual Tax Incentives Reports for taxable year 2016 to their respective IPAs shall be on 15 May 2017.

3.3. For RBEs with Fiscal Year ending January 31, 2016 to July 31, 2016, the period on the submission of the reports both for income-based tax incentives and value-added tax (VAT) duty exemptions covering Taxable Year 2016 required under R.A. No. 10708 and its implementing rules and regulations are as follows:

Year Ending	Statutory deadline for filing the Final Adjustment Return and payment of tax due thereon, if any*	Submission of Annual Tax Incentives Report to IPA**
31 January 2016	15 May 2016	15 December 2016
29 February 2016***	15 June 2016	
31 March 2016	15 July 2016	
30 April 2016	15 August 2016	
31 May 2016	15 September 2016	
30 June 2016	15 October 2016	
31 July 2016	15 November 2016	
31 August 2016	15 December 2016	14 January 2017
30 September 2016	15 January 2017	14 February 2017
31 October 2016	15 February 2017	17 March 2017****
30 November 2016	15 March 2017	14 April 2017

* Based on Section 77(B) of the National Internal Revenue Code of 1997, as amended.


** Applying computation of number of days under Article 13 of the New Civil Code.

For your guidance.

01 September 2016, Makati City, Philippines.


CARLOS G. DOMIGUEZ III
 Secretary of Finance




RAMON M. LOPEZ
 Secretary of Trade and Industry

Who are required to submit Annual Tax Incentives Report for RBEs

ANS.: RBEs who are registered with tax incentives are required to submit Annual Tax Incentives Report under Annexes A.1 and A.2

Annex A.1 (Based on Accounting Period. If fiscal year, please specify)

Column (A) Registration No. refers to the registration number indicated in the Certificate of Registration issued by PEZA or TIEZA

Column (B) Date of Registration refers to the date of signing of Registration/Supplemental Agreement (R.A./S.A.)

Column (C) Registered activities/Actual Activities refer to the registered activity indicated in the CRTE R.A./S.A.

Column (D) ITH Extension (Y or N) If Y whether Expansion or Bonus Year - If ITH is an extension of 4-year or 6-year indicate Y and also state if Expansion

Column (E) Entitlement Period of Tax Incentives - Start- refers to the date of commercial operation which is the start ITH entitlement -per registered activity;

***PEZA provided a separate column for the start of the 5% of the GIE**

Column (F) Entitlement Period of Tax Incentives - End - refers to the last date of the ITH entitlement or 4th year if it's a 4-year ITH; 6th year if it's a 6-year ITH; including extension/bonus year/s per registered activity

Column(G) Net Sales - Net Sales per registered activity under ITH (if more than 1 registered activity) and consolidated Net Sales for projects under 5% of the GIE

Column(H) Cost of Sales - Cost of Sales per registered activity under ITH (if more than 1 registered activity) and consolidated Cost of Sales for projects under 5% of the GIE

Column(I) Gross Income - Net Sales minus Cost of Sales per registered activity under ITH (if more than 1 registered activity) and consolidated Gross Income for projects under 5% of the GIE

Column (J) Net Taxable Income - Gross Income minus operating expenses presented per registered activity under ITH (if more than 1 registered activity) and consolidated for projects under 5% of the GIE

Column (K) Tax Rate - refers to the preferential income tax rate such as 0% on ITH or 5% on GIE

Column (L) Income Tax Otherwise Due - Special Rate - Net Taxable Income (column J) multiplied by 30%

Column (M) Income Tax Otherwise Due - ITH -Net Taxable Income (column J) multiplied by 30%

Column (N) Income Tax Paid - amount paid on 5% of the GIE; 0 if under ITH regime

Column (O) Net Tax Relief - same amount with Column M, if under ITH regime; the difference between Columns L and N, if under 5% of the GIE regime

Column (P) Other Income Tax Incentives - Indicate other income tax incentives claimed, if there's any, under RA 7916 as amended and other laws eg. Magna Carta for PWD; or TIEZA

Column (Q) Total Tax Incentives Claimed - Net Tax Relief plus Other Income Tax Incentives

ANNEX A.2 (Based on Calendar Year)

Column (A) Registered Activity/Actual Activities refers to the registered activity indicated in the Registration/Supplemental Agreements (R.A./S.A.)

Column (B) Date of Registration refers to the date of signing of the R.A./S.A.

Column (C) Description Raw Materials/Inputs, CE, Motor Vehicle, Consumer Goods refers to the description of VAT and Duty exempt imported commodities classified as Raw Material/Inputs, Capital Equipment, Motor Vehicle, Consumer Goods, Fuel, others

Column (D) District Ports & Number of Import Entries/Admission Entry refers to the Port of Entry of the exempt importation with the corresponding total number of Import Entries/Admission Permit (for 2015 and 2016 reports)

Column (E) and (F) Volume of Imports- Quantity & Unit of Measure refers to the volume of cargo in kilograms (net weight) reflected in Box 38 of Transshipment Single Administrative Documents (TSAD)

Column Value of Imports in US\$ refers to the FOB value in dollars, commonly used in shipping documents or arrived at by deducting other factors such as freight and/or insurance reflected in Box 22 of TSAD (for Direct Import), invoice value for CBW and interzone/intrazone transfers. Includes imports on consignment basis.

Column Value of Imports in Php - refers to the Total Dutiable Value in Peso which is the basis for the computation of Duties and Taxes reflected in Box 46 of TSAD (for Direct Import), the invoice value in Peso for CBW and interzone/intrazone transfers

Columns (G) & (J) Direct Import - refers to the value of VAT and duty exempt commodities directly sourced from foreign suppliers

Columns (H) & (K) Customs Bonded Warehouse (CBW) - refers to value of VAT and duty exempt commodities sourced from bonded warehouse duly licensed by the Commissioner of Customs

Columns (I) & (L) Interzone Transfer (including intrazone)- refers to value of VAT and duty exempt commodities sourced from another Ecozone/Freeport zone locators

Column (M), (N) & (O) Tax and Duty Waived from Direct Import -Duty, VAT, Excise refers to amount of Duties, VAT and/or Excise that should have been collected on exempt imported commodities (Box 47 of TSAD)

Column (P) Value of Sales to Domestic Market - refers to the Value of Sales to the Domestic Market

Columns (Q) to (T) Duty and Tax Payments on Local Sales - refers to the amount of Duties, VAT and/or Excise Tax payments on local sales

Column (U), (V) & (W) Net Tax and Duty Waived -Duties, VAT & Excise - the difference between the amount of Duties, VAT and Excise Waived and the amount paid on local sales respectively

Column (X) & (Y) VAT and Duty Credit Claimed- Applicable to BOI RBEs

Column (Z) & (AA) VAT and Duty Credit Granted- Applicable to BOI RBEs

Column (BB) Value of VAT Zero Rated Purchases (in Php)- refers to the total value of local purchases with 0% VAT

Column (CC) Value of VAT Zero Rated Export Sales (in Php) - refers to the Total Value of Export Sales (indicate whether Direct or Indirect Export Sales)