TRABAHO Bill
Tax Reform for Attracting Better and High-quality Opportunities bill (HB 8083)
Lower corporate income tax

The President may advance the scheduled reduction in the CIT rate when **adequate savings** are realized from the rationalization of fiscal incentives.
Package 2

Fair and accountable tax incentives system

Every peso granted as tax incentive is a peso off the budget that could have been spent for infrastructure, health, education, and social protection that benefit all, and not only a few.

Performance-based  Targeted  Time-bound  Transparent
Incentives menu

**Income tax holiday**
Up to 3 years plus 1 year extension if investing in agribusiness, or in less developed areas, or if relocating outside Metro Manila and adjacent urban areas

<table>
<thead>
<tr>
<th>Year</th>
<th>Special rate (%)</th>
<th>National government (%)</th>
<th>Province (%)</th>
<th>Municipality (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>18</td>
<td>15</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>2021</td>
<td>17</td>
<td>14</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>2023</td>
<td>16</td>
<td>13</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>2025</td>
<td>15</td>
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<tr>
<td>2027</td>
<td>14</td>
<td>11</td>
<td>1.5</td>
<td>1.5</td>
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<tr>
<td>2029</td>
<td>13</td>
<td>10</td>
<td>1.5</td>
<td>1.5</td>
</tr>
</tbody>
</table>

**Special rate (2019)**
18% on net taxable income after ITH for up to 5 years including the ITH
- 1.5% to province
- 1.5% to municipality
Incentives menu

• Depreciation allowance of qualified capital expenditure:
  • 10% for buildings
  • 20% for machineries

• Additional deduction of up to:
  • 100% for research and development (R&D) and training
  • 50% for labor expense
  • 100% for country-wide infrastructure development
  • 50% for reinvestment allowance to manufacturing industry
  • 50% for domestic input expense

• Enhanced net operating loss carry-over (NOLCO) (5 years)
• Exemption from customs duty on imported capital equipment and raw materials
Incentives menu

- VAT incentives to registered enterprises whose export meet the 90% of sales threshold, and are within an ecozone or free port:
  - VAT exemption on importation
  - VAT zero rating on domestic purchases

- Additional 2 years of incentives for:
  - registered activities relocating outside Metro Manila and selected urbanized areas adjacent to Metro Manila
  - agribusiness projects of registered enterprises located outside Metro Manila and urban areas
  - projects located in less developed areas or those recovering from armed conflict or a major disaster
Sunset provision for existing incentives

For RBEs which availed of ITH: Continue until remaining period ends or for a period of 5 years, whichever comes first

For RBEs enjoying existing 5% GIE:

<table>
<thead>
<tr>
<th>No. of years enjoying 5% GIE</th>
<th>No. of years allowed to continue</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 years below</td>
<td>5</td>
</tr>
<tr>
<td>5 to 10 years</td>
<td>3</td>
</tr>
<tr>
<td>Above 10 years</td>
<td>2</td>
</tr>
</tbody>
</table>
There are other and may be better ways to support firms

Granting tax incentives is not the only way to directly help firms.

The government can use more efficient and targeted subsidies. Ex. lifeline subsidies, power subsidies, housing vouchers, skills training, etc.

The real solution in the medium-term is to address infrastructure gaps, corruption, inefficiency in government, and complex business regulations.
Tax reform as bridging the future

Source: https://www.pinterest.com/explore/social-stratification/
Who wants change?

Who wants to change?

Who wants to *lead the* change?

Source: https://scottdeutschtalks.files.wordpress.com/2016/05/who-wants-change.jpg
Let’s be partners for change!

• For more information, please visit:
  www.dof.gov.ph/taxreform/
  facebook.com/DOFph

• For questions: DOFtaxreform@dof.gov.ph