

Proposed Strategic Investment Priority Plan (SIPP)

What should be in the SIPP?

The BOI shall formulate the SIPP, in coordination with the FIRB, IPAs, other government agencies administering tax incentives, and the private sector. The IPAs shall not accept any applications unless the activity is listed in the SIPP. It shall contain the following:

- A. Priority projects included in the PDP or its equivalent: Sec. 300 (A);
- B. Scope and coverage of location and industry tiers: Sec. 300 (B);
- C. Terms and conditions on the grant of enhanced deductions: Sec. 300 (C) taking into consideration Sec. 295;
- D. Qualifications of the following projects to register under CREATE:
 - Qualified expansion or entirely new project or activity registered under create: Sec 296; and
 - Existing registered projects or activities prior to the effectivity of this act.
- E. Qualifications of export enterprises registered prior to the effectivity of CREATE to reapply and avail of SCIT for 10 years, after the expiration of the transitory period (10 years);

What should be in the SIPP? (cont.)

- F. Recommend the types of Non – Fiscal Support to create High Skilled Jobs to a local pool of enterprises. Sec. 300;
- G. Period of availment. The period of availment of the incentives shall commence from the start of commercial operation unless otherwise provided in the SIPP. Sec. 296.

Inclusion in the SIPP

ALL SECTORS OR INDUSTRIES THAT MAY BE INCLUDED IN THE STRATEGIC INVESTMENT PRIORITY PLAN SHALL **UNDERGO AN EVALUATION PROCESS** TO DETERMINE THE SUITABILITY AND POTENTIAL OF THE INDUSTRY OR THE SECTOR IN PROMOTING LONG-TERM GROWTH AND SUSTAINABLE DEVELOPMENT, AND THE NATIONAL INTEREST.

IN NO CASE SHALL A SECTOR OR INDUSTRY BE INCLUDED IN THE STRATEGIC INVESTMENT PRIORITY PLAN UNLESS IT IS **SUPPORTED BY A FORMAL EVALUATION PROCESS OR REPORT.**

(SEC. 300)



**A. Sec. 300 (A):
Priority
projects
included in the
PDP or its
equivalent,
taking into
account any of
the following:**

1. SUBSTANTIAL AMOUNT OF INVESTMENTS

2. CONSIDERABLE GENERATION OF EMPLOYMENT, ESPECIALLY TOWARDS LESS DEVELOPED AREAS

3. CONSIDERABLE AMOUNT OF NET EXPORTS

4. USE OF MODERN, ADVANCE, OR NEW TECHNOLOGY

5. PROCESSES AND INNOVATIONS THAT WILL LEAD TOWARDS THE ATTAINMENT OF THE **SUSTAINABLE DEVELOPMENT GOALS**, SHALL INCLUDE, BUT NOT BE LIMITED TO, ADOPTION OF ADEQUATE ENVIRONMENTAL PROTECTION SYSTEMS AND SUSTAINABILITY STRATEGIES



**A. Sec. 300 (A):
Priority
projects
included in the
PDP or its
equivalent ,
taking into
account any of
the following:**

6. ADDRESSING MISSING LINKS AND OTHER GAPS IN THE SUPPLY OR VALUE CHAIN OR OTHERWISE MOVING UP THE VALUE CHAIN OR PRODUCT LADDER

7. PROMOTION OF MARKET COMPETITIVENESS

8. ENHANCEMENT OF THE CAPABILITIES OF FILIPINO ENTERPRISES AND PROFESSIONALS TO PRODUCE AND OFFER INCREASINGLY **SOPHISTICATED** PRODUCTS AND SERVICES

9. CONTRIBUTION TO PHILIPPINE FOOD SECURITY AND INCREASED INCOMES IN THE AGRICULTURE AND FISHERIES SECTOR

10. SERVICES AND ACTIVITIES THAT CAN PROMOTE REGIONAL AND GLOBAL OPERATIONS IN THE COUNTRY



**B. Sec. 300 (B):
Scope and
coverage of
location and
industry tiers in
Sec. 296**

PARAMETERS FOR INDUSTRY TIER

TIER I SHALL INCLUDE ACTIVITIES THAT:

- I. HAVE HIGH POTENTIAL FOR JOB CREATION;
- II. TAKE PLACE IN SECTORS WITH MARKET FAILURES RESULTING IN UNDERPROVISION OF GOODS AND SERVICES;
- III. GENERATE VALUE CREATION THROUGH INNOVATION, UPGRADING OR MOVING UP THE VALUE CHAIN;
- IV. PROVIDE ESSENTIAL SUPPORT FOR SECTORS THAT ARE CRITICAL TO INDUSTRIAL DEVELOPMENT; OR
- V. ARE EMERGING OWING TO POTENTIAL COMPARATIVE ADVANTAGE



B. Sec. 300 (B): Scope and coverage of location and industry tiers in Sec. 296

TIER II

SHALL INCLUDE ACTIVITIES THAT PRODUCE SUPPLIES, PARTS AND COMPONENTS, AND INTERMEDIATE SERVICES THAT ARE NOT LOCALLY PRODUCED BUT ARE CRITICAL TO INDUSTRIAL DEVELOPMENT AND IMPORT-SUBSTITUTING ACTIVITIES, INCLUDING CRUDE OIL REFINING.

TIER III SHALL INCLUDE

- I. RESEARCH AND DEVELOPMENT RESULTING IN DEMONSTRABLY SIGNIFICANT VALUE-ADDED, HIGHER PRODUCTIVITY, IMPROVED EFFICIENCY, BREAKTHROUGHS IN SCIENCE AND HEALTH, AND HIGH PAYING JOBS;
- II. GENERATION OF NEW KNOWLEDGE AND INTELLECTUAL PROPERTY REGISTERED AND/OR LICENSED IN THE PHILIPPINES;
- III. COMMERCIALIZATION OF PATENTS, INDUSTRIAL DESIGNS, COPYRIGHTS, AND UTILITY MODELS OWNED OR CO-OWNED BY A REGISTERED BUSINESS ENTERPRISE
- IV. HIGHLY TECHNICAL MANUFACTURING; OR
- V. ARE CRITICAL TO THE STRUCTURAL TRANSFORMATION OF THE ECONOMY AND REQUIRE SUBSTANTIAL CATCH-UP EFFORTS.



**B. Sec. 300 (B):
Scope and
coverage of
location and
industry tiers in
Sec. 296**

FOR EXPORTERS :

| LOCATION / INDUSTRY TIERS | TIER I | TIER II | TIER III |
|---|-----------------------|-----------------------|-----------------------|
| National Capital Region | 4 ITH + 10 ED/SCIT | 5 ITH + 10 ED/SCIT | 6 ITH + 10 ED/SCIT |
| Metropolitan areas or Areas contiguous and adjacent to the National Capital Region | 5 ITH + 10 ED/SCIT | 6 ITH + 10 ED/SCIT | 7 ITH + 10 ED/SCIT |
| All other areas | 6 ITH + 10 ED/SCIT | 7 ITH + 10 ED/SCIT | 7 ITH + 10 ED/SCIT |

ITH = Income Tax Holiday

ED/SCIT = Enhanced Deductions or Special Corporate Income Tax



**B. Sec. 300 (B):
Scope and
coverage of
location and
industry tiers in
Sec. 296**

FOR DOMESTIC MARKET ACTIVITIES:

| LOCATION / INDUSTRY TIERS | TIER I | TIER II | TIER III |
|---|-----------------|-----------------|-------------------|
| National Capital Region | 4 ITH + 5 ED | 5 ITH + 5 ED | 6 ITH + 5 EDIT |
| Metropolitan areas or Areas contiguous and adjacent to the National Capital Region | 5 ITH + 5 ED | 6 ITH + 5 ED | 7 ITH + 5 ED |
| All other areas | 6 ITH + 5 ED | 7 ITH + 5 ED | 7 ITH + 5 ED |

ITH = Income Tax Holiday

ED/SCIT = Enhanced Deductions



C. Sec. 300 (C): Terms and conditions on the grant of enhanced deductions under Sec. 294(C)

1. DEPRECIATION ALLOWANCE OF THE ASSETS ACQUIRED FOR THE ENTITY'S PRODUCTION OF GOODS AND SERVICES (QUALIFIED CAPITAL EXPENDITURE)
 - ADDITIONAL TEN PERCENT (10%) FOR BUILDINGS; and
 - ADDITIONAL TWENTY PERCENT (20%) FOR MACHINERIES AND EQUIPMENT
2. FIFTY PERCENT (50%) ADDITIONAL DEDUCTION ON THE LABOR EXPENSE INCURRED IN THE TAXABLE YEAR
3. ONE HUNDRED PERCENT (100%) ADDITIONAL DEDUCTION ON RESEARCH AND DEVELOPMENT EXPENSE INCURRED IN THE TAXABLE YEAR
4. ONE HUNDRED PERCENT (100%) ADDITIONAL DEDUCTION ON TRAINING EXPENSE INCURRED IN THE TAXABLE YEAR
5. FIFTY PERCENT (50%) ADDITIONAL DEDUCTION ON DOMESTIC INPUT EXPENSE INCURRED IN THE TAXABLE YEAR



**C. Sec. 300 (C):
Terms and
conditions on
the grant of
enhanced
deductions
under Sec.
294(C)**

6. FIFTY PERCENT (50%) ADDITIONAL DEDUCTION ON POWER EXPENSE INCURRED IN THE TAXABLE YEAR
7. DEDUCTION FOR REINVESTMENT ALLOWANCE TO MANUFACTURING INDUSTRY – WHEN A MANUFACTURING REGISTERED BUSINESS ENTERPRISE REINVESTS ITS UNDISTRIBUTED PROFIT OR SURPLUS IN ANY OF THE PROJECTS OR ACTIVITIES LISTED IN THE STRATEGIC INVESTMENT PRIORITY PLAN, THE AMOUNT REINVESTED TO A MAXIMUM OF FIFTY PERCENT (50%) SHALL BE ALLOWED AS A DEDUCTION FROM ITS TAXABLE INCOME WITHIN A PERIOD OF FIVE (5) YEARS FROM THE TIME OF SUCH REINVESTMENT
8. ENHANCED NET OPERATING LOSS CARRY-OVER (NOLCO) – THE NET OPERATING LOSS OF THE REGISTERED PROJECT OR ACTIVITY DURING THE FIRST THREE (3) YEARS FROM THE START OF COMMERCIAL OPERATION WHICH HAD NOT BEEN PREVIOUSLY OFFSET AS DEDUCTION FROM GROSS INCOME MAY BE CARRIED OVER AS DEDUCTION FROM GROSS INCOME WITHIN THE NEXT FIVE (5) CONSECUTIVE TAXABLE YEARS IMMEDIATELY FOLLOWING THE YEAR OF SUCH LOSS

Definition of Terms (Sec. 293)

Domestic Market Enterprise refers to any enterprise registered with the IPAs other than export enterprise

Export Enterprise refers to enterprises registered with the IPAs that results in the direct exportation, and/or sale of its products and/or services to another registered export enterprise of at least 70% of its total production or output

Metropolitan Areas refer to Metro Cebu, Davao, or LGUs qualified or grouped as such by NEDA

Sophisticated shall refer to the state when a product or service requires a high level of technology, human capital, competencies or know-how, and infrastructure to be produced or offered.

Sophistication shall refer to the level of technology, human capital, competencies or know-how, and infrastructure required for a product or service to be offered by an economy like that of the Philippines.

What are the Sustainable Development Goals?



SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

| | | | | | |
|--|--|--|--|--|--|
| 1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION |
| 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION |
| 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS | |

Proposed Approach

1. 2020 IPP as the interim SIPP – all listed activities can be considered as Tier 1
2. To consider inclusion in the SIPP the areas/sectors in REBUILD PH
3. Simultaneously work on the 1st SIPP as prescribed in CREATE
 - Hold inter-agency (IPAs, NEDA and other concerned agencies) meetings to formulate the list with qualifications/conditions
 - Conduct Expert Group consultations/discussions
 - Develop a consolidated database of all IPAs for data analytics to implement conditions for inclusion in SIPP and industry tier categorization
 - Conduct public hearing

Thank you!



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