

# [ PRESIDENTIAL DECREE NO. 1820, January 16, 1981 ]

## TREATING CERTAIN TRANSACTIONS AS INTERNAL EXPORTS AND PROVIDING INCENTIVES THEREFOR.

**WHEREAS**, certain fiscal incentives can be improved to increase the level of foreign exchange of the country to finance its growing import bill;

**WHEREAS**, gift giving is a part of the Filipino cultural heritage which is observed even by citizens who have migrated abroad by sending gifts to relatives and friends in the homeland, usually in the form of foreign manufactured goods;

**WHEREAS**, Philippine-made products can easily equal if not surpass foreign-made articles, so that if pushed in the right direction it can generate substantial foreign exchange for the country.

**NOW, THEREFORE, I. FERDINAND E. MARCOS**, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree as part of the law of the land:

**SECTION 1.** *Declaration of Policy.*—It is hereby declared to be a policy of the state to encourage Filipinos abroad and other non-residents of the Philippines, to patronize Philippine-made products by providing incentives therefore, so that locally manufactured goods paid for in foreign exchange through the banking system of the Philippines, by Filipinos abroad and nonresidents in general for delivery in the Philippines, are treated as internal exports, consistently with similar practices elsewhere in the world.

**SECTION 2.** *Transactions Permitted.*—Gifts paid for in foreign exchange by Filipinos abroad and nonresidents in general for delivery in the Philippines, shall be governed by and made subject to the following:

- a. Goods assembled or manufactured in the Philippines, when paid for in convertible foreign currency inwardly remitted through the banking system in the Philippines, shall be subject to a sales tax equivalent to ten percent (10%) of the gross selling price or gross value in money of the goods sold and shall be exempt from the payment of gift taxes.
- b. This exemption shall, however, apply only to sales not exceeding an aggregate foreign exchange value of One Thousand United States dollars (US\$1,000,00), or its equivalent in other convertible foreign currencies, but in no case to exceed three (3) units or pieces of the same goods sold and delivered as gifts in the Philippines.
- c. The Minister of Finance shall adopt and promulgate such rules and regulations as shall be necessary to effectively implement the fiscal incentives *provided* in this Decree.

**SECTION 3.** *Transactions not Covered.*—Finished goods imported into the Philippines, purchased for delivery as gift to a resident, even if paid for in foreign currency by the donor, shall not be entitled to the fiscal incentives *provided* under this Decree.