

[**PRESIDENTIAL DECREE NO. 1786, January 15, 1981**]

FURTHER AMENDING PRESIDENTIAL DECREE NO. 66 DATED NOVEMBER 20, 1972, CREATING THE EXPORT PROCESSING ZONE AUTHORITY

WHEREAS, for the purpose of accelerating industrial dispersal, employment generation and export promotion, LOI 1033 has mandated the development of twelve (12) more export processing zones in strategic locations in the Philippines;

WHEREAS, in order to make export processing zones more competitive and attractive to potential investors, and to increase the capability and effectiveness of the Export Processing Zone Authority (EPZA) in the attainment of its objectives it has become necessary to update and amend the incentive schemes for enterprises within the zone;

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 the further amendment of Presidential Decree No. 66, dated November 20, 1972, as amended; as follows:

SECTION 1. Gross receipts of registered zone enterprises shall be exempt from the contractor's tax under Section 205 of the Tax Code of 1977, as amended.

SECTION 2. A net operating loss incurred in any of the first ten years of operation as a registered zone enterprise may be carried over as a deduction from taxable income for the six years immediately following one year of such loss. The entire amount of the loss shall be carried over to the first of six taxable years following the loss, and any portion of such loss which exceeds the taxable income of such first year shall be deducted in like manner from the taxable income of the next remaining five years. The net operating loss shall be computed in accordance with the provisions of the National Internal Revenue Code, any provision of this Decree to the contrary notwithstanding, except that income not taxable either in whole or in part under this Decree or other laws shall be included in gross income.

SECTION 3. The bond obligations of EPZA, whether principal or interest, are hereby converted as capital contribution of the National Government to EPZA. The capitalization of EPZA shall be credited for the corresponding amount as each principal or interest matures.

SECTION 4. Production equipment or machineries, not attached to real estate, used directly or indirectly in production, assembly or manufacture of the registered export products of registered zone enterprises shall be exempt from real property tax.

SECTION 5. Utility companies, including the National Power Corporation, Philippine Long Distance Telephone Company, water supply and telex companies shall extend priority service to export processing zones, and shall extend to EPZA the terms and rates prescribed for public utilities of the most preferred terms and rates possible, whichever is lower. EPZA shall have the option within any zone or area administered by it, to install, manage and operate facilities, utilities and systems necessary for its operation.