

[PRESIDENTIAL DECREE NO. 1646, October 09, 1979]

FURTHER STRENGTHENING THE FISCAL INCENTIVES ADMINISTERED BY THE BOARD OF INVESTMENTS TO ENCOURAGE EXPORTS AND THE SETTING UP OF OVERSEAS TRADE OFFICES

WHEREAS, the present economic situation necessitates more export earnings to supply our foreign exchange requirements, particularly in view of the increasing cost of petroleum imports;

WHEREAS, it is essential that firms which are in position to export be so encouraged by liberalizing the provisions of R.A. 5186, R.A. 6135 and P.D. 1159;

NOW, THEREFORE, I, FERDINAND E. MARCOS, by virtue of the powers vested in me by the Constitution, do hereby decree and order that:

SEC. 1. The allowable deduction of a registered export trader under Republic Act 6135 of ten per cent (10%) of its total export sales is hereby increased to twenty per cent (20%). *Provided, further*, that a registered export trader with its own offices abroad may additionally deduct from its taxable income an amount equivalent to its expenses in establishing and maintaining for the first five (5) years, such overseas offices; *Provided, finally*, That the Central Bank shall provide the necessary foreign exchange required to maintain such overseas offices of a registered export trader.

SEC. 2. The following additional incentives shall be granted registered export producers under R.A. 61-35, subject to such conditions as the Board of Investments may impose:

1. Amortized deduction of organizational and pre-operating expenses as *provided* under Sec. 7(a) of R.A. 5186;
2. Accelerated depreciation as *provided* under Sec. 7 (b) of R. A. 5186;
3. Net operating loss carry-over as *provided* in Sec. 7(c) of R.A. 5186;
4. Exemption from the provisions of P.D. 1395 on five per cent (5%) duty and five percent (5%) tax on previously exempt importation;
5. Exemption from P.D. 485 with respect to the reduction of tax exemption on imported capital equipment for non-pioneer enterprises with total assets or projected total assets of P500,000.00 for replacement or modernization or for expansion of projects with over 20% return on equity;
6. The tax-free importation of capital equipment' by a registered export producer is hereby extended from five (5) to seven (7) years;
7. Sales tax exemption *provided* for in Sec. 2 of P.D. 1469 for articles sold by a registered export producer to another export producer or export trader, under such guidelines to be formulated by the Board of Investments in consultation with the Bureau of Internal Revenue.

SEC. 3. For purposes of qualifying as a registered export producer and the enjoyment of the reduce income tax incentive under R.A. 5186, R.A. 6135 and P.D. 1159, export sales shall be deemed to include sales to another export producer who