

[PRESIDENTIAL DECREE NO. 750, July 21, 1975]

PROVIDING INCENTIVES AND PROTECTION TO THE LOCAL TEXTILE INDUSTRY AND TO MANUFACTURERS OF CERTAIN ARTICLES IN ORDER TO ENCOURAGE EXPORTATION THEREOF.

WHEREAS, the local textile industry has been experiencing lately a depressed market brought about by global inflation and rising production costs;

WHEREAS, the local textile industry may experience further drops in its export sales which may be brought about by competition from other countries which have rationalized their textile industries to attain economies;

WHEREAS, in order to help and promote the local textile industry, bail them out of distressed conditions and meet foreign competition, certain tariff incentives must be provided to reduce its production cost;

WHEREAS, for health reasons, there has been a growing preference for filter-tipped cigarettes here and abroad as may be readily noted in the very significant trend toward the production of said type of cigarettes even in the local cigarette industry;

WHEREAS, the increasing demand for cigarette filter rods by the local cigarette industry has encouraged local entrepreneurs to engage in the local manufacture of said filter rods, thereby contributing to the dollar conservation program of the government even in a modest degree;

WHEREAS, the development and growth of the local cigarette filter rod industry, whose major raw material, acetate tow, is derived from wood pulp, will be in line with the government's objective to accelerate the economic development of the country by utilizing local indigenous materials in the manufacture of industrial products with the use of Filipino skill and labor.

WHEREAS, under the prevailing system of taxation, local cigarette manufacturers producing filter rods for their own use in the production of their brands of cigarette enjoy an undue advantage over other cigarette manufacturers who patronize locally-made filter rods as the former are exempt from the payment of advance sales tax on their importation of acetate tow and other raw materials and are further save from additional costs of packing, delivery and the like incidental expenses, which situation results not only in an unfair competition in the procurement of raw materials vital to the local cigarette industry but also serves as a disincentive for the local producers of filter rods to produce more to meet local demands as well as a barrier to a possible participation in the world market for filter rods as a means of bolstering our foreign exchange revenues;

WHEREAS, the exemption from advance sales tax of imported materials to be used by the importer himself in the manufacture of articles subject to specific tax provided in Section 183(B) of the Tax Code was granted starting only in 1951 by Republic Act No. 594 when there were still no local manufacturers of said imported materials. Considering that there are now several local manufacturers of the imported materials covered by the exemption, the continued grant thereof prejudices local manufacturers, hence, the need for the removal of such exemption in order to place, taxwise, local manufacturers on equal footing with manufacturer

of articles subject to specific tax, and at the same time encourage and promote local manufacture of said articles;

WHEREAS, the specific tax on cigarettes is now based on selling price and no longer on the kind of tobacco fillers and length, thus rendering inapplicable to cigarettes the philosophy of the exemption from the sales tax of articles used in the manufacture of articles subject to specific tax;

WHEREAS, in line with the goals and objectives of the New Society, it has now become imperative for the government to take a hand in stabilizing the situation to insure fair competition in the local cigarette industry as well as stimulate the development and growth of the local manufacturers of cigarette filter rods and ultimately encourage the exportation of locally produced filter rods.

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

SECTION 1. Subsection (b) Section 183 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

*"(b) Sales tax on imported articles.—*When the articles are imported, the percentage taxes established in sections one hundred eighty-four, one hundred eighty-four-A, one hundred eighty-five, one hundred eighty-five-A, one hundred eighty-five-B, one hundred eighty-six and one hundred eighty-six-B of this Code shall be paid in advance by the importer, in accordance with the regulations promulgated by the Secretary of Finance and prior to the release of such articles from customs' custody, based on the import invoice value thereof, certified to as correct under penalties of perjury by the Philippine Consul at the port of origin if there is any, including freight, postage, insurance, commission, customs duty and all similar charges, plus one hundred per centum of such total value in the case of articles enumerated in Section one hundred eighty-four; one hundred and eighty-four-A; fifty per centum of such total value in the case of articles enumerated in sections one hundred eighty-five, one hundred eighty-five-A and one hundred eighty-five B; and twenty-five per centum in the case of articles enumerated in section one hundred eighty-six and one hundred eighty-six-B. The tax imposed in this section shall not apply to articles to be used by the importer himself in the manufacture of motor fuel oils and other fuels.

The provisions of this Act shall not be construed as nullifying whatever interpretation the government has given to the word "importer" heretofore.

In the case of tax-free articles brought or imported into the Philippines by persons, entities or agencies exempt from the tax which are subsequently sold, transferred, or exchanged in the Philippines to non-exempt private persons or entities, the purchasers shall be considered the importers thereof. The tax due on such articles shall constitute a lien on the article itself superior to all other charges or liens, irrespective of the possessor thereof.