

**[AMENDED RULES AND REGULATIONS TO
IMPLEMENT PRESIDENTIAL DECREE NO. 66, AS
FURTHER AMENDED BY EXECUTIVE ORDER NO.
226 OTHERWISE KNOWN AS THE OMNIBUS
INVESTMENTS CODE OF 1987, September 04,
1991]**

**PURSUANT TO PARAGRAPH (A) OF SECTION 11 OR
PRESIDENTIAL DECREE NO. 66, AS FURTHER AMENDED BY
EXECUTIVE ORDER NO. 226, THE FOLLOWING RULES ARE
HEREBY PROMULGATED:**

**RULE I
PRELIMINARY PROVISIONS**

SECTION 1. Title. — These rules shall be referred to as the "Amended Rules and Regulations to Implement Presidential Decree No. 66, as further amended by Executive Order No. 226"

SECTION 2. Definition of Terms. — For purposes of these Rules and Regulations, the following definitions shall apply:

- a. **Decree** — shall refer to Presidential Decree No. 66, as amended.
- b. **Code** — shall refer to Executive Order No. 226 otherwise known as the Omnibus Investments Code of 1987.
- c. **Authority** — shall mean the Export Processing Zone Authority.
- d. **Board** — shall refer to the Board of Commissioners of the Authority.
- e. **Zone** — shall refer to the area or areas fixed or delimited by Presidential Proclamation(s) or Board Resolution(s) as export processing zone(s).
- f. **Customs Territory** — shall mean the national territory outside of the zone.
- g. **Zone Export Enterprise** — refers to an individual firm, association, partnership or other form of business organization which has been authorized by the Board to engage in an activity inside the zone falling within the purview of Article 77 of the Code resulting in the exportation of goods or merchandise.
- h. **Pioneer Enterprise** — shall mean a zone export enterprise (1) engaged in the manufacture, processing or production and not merely in the assembly or packaging of goods, product, commodities or raw

materials that have not been or are not being produced in the Philippines on a commercial scale or (2) which uses a design, formula, scheme, method, process or system of production or transformation of any element, substance or raw materials into another raw material or finished goods which is new and untried in the Philippines or (3) which produces non-conventional fuels or manufactures equipment which utilizes non-conventional sources of energy or uses or converts to coal or other non-conventional fuels or sources of energy in its production, manufacturing or processing operations; Provided, That the final product in any of the foregoing instances involves or will involve substantial use and processing of domestic raw materials, whenever available, taking into account the risk and magnitude of investment.

i. **Date of official Acceptance** — shall be the date stamped on complete and complying applications and recorded in appropriate books of the Authority. For incomplete and non-complying applications, the "date of official acceptance" shall be the date of full compliance with the requirements of the application.

j. **Certificate of Registration** — shall mean the certificate issued by the Authority to a zone export enterprise upon its registration.

k. **Date of Registration** — shall refer to the date appearing in the certificate of registration.

l. **Registration Agreement** — shall refer to final agreement executed by the Authority and the zone enterprise setting forth the terms and conditions for the latter's operation of business or engagement of economic activity within the zone.

m. **Start of Commercial Operations** — for purposes of the income tax holiday shall be the date specified in the Registration Agreement or the date when the particular zone export enterprise actually begins production of the registered product for commercial purposes, whichever comes first, irrespective of phrases or modules or schedule of development.

n. **Expansion** — shall mean installation of additional facilities/equipment that will result in increase in production capacity. It may include modernization and rehabilitation.

o. **Prohibited Merchandise** — shall mean those items mentioned in Section 102, Book 1 of Republic Act No. 1937, otherwise known as the Tariff and Customs Code of the Philippines, as amended by Presidential Decree No. 34, and such other items which may be prohibited by special laws.

p. **Domestic Merchandise** — shall mean those articles which are the growth, origin or manufacture of the Philippines.

q. **Foreign Merchandise** — shall mean those articles imported into the Philippines, except those previously exported therefrom and returned having been advanced in value or improved in condition by any process

of manufacture or other similarly artificial means or processes and upon which no drawback or bounty has been allowed.

r. **Export Product** — shall mean the manufactured, processed and/or assembled products belonging to the class of products approved by the Board to be undertaken by the enterprise, including such packaging materials and containers necessary to put the product into exportable form.

s. **Rejects/Seconds** — shall mean finished or semifinished products or raw materials which are defective or inferior in quality, such that any further processing or manipulation thereof is not technically or economically feasible.

t. **Semi-finished Products** — shall mean an article, which in relation to the particular product, is intended to be used as a direct input, is unfinished or incomplete but possesses the essential character of a finished product.

u. **Raw Materials** — refers to nonfabricated materials directly used in processing or manufacturing, during the course of which its nature or form is changed.

v. **Spare Parts** — shall mean usual components of machinery and/or equipment which are subject to wear and tear arising from normal use, utilization and operation.

w. **Machinery and Equipment** — shall refer to capital equipment, major components thereof, nonperishable tools, machines and other mechanical, chemical and or electrical apparatus, whether fixed or movable, needed in the manufacturing operations of the zone export enterprise.

x. **Packaging Materials** — shall refer to wrapping materials, receptacles and containers, tags, labels, and such other materials as are necessary to put the zone export enterprise product in exportable form.

y. **Construction Materials** — shall refer to articles or materials that shall form part of the zone export enterprises's factory building whether built by the zone enterprise or leased from the Authority, including fixtures thereof, enclosure, driveways and other auxiliary structures.

z. **Merchandise or Goods** — shall collectively refer to raw materials supplies, equipment, machineries, spare parts, packaging materials, or wares of every description to be used in connection with the registered activity of a zone export enterprise.

(aa) **Assembly** — shall mean the process by which semi-finished parts or materials are put together or combined to form a distinct product without substantially changing the physical or mechanical characteristics or electro-magnetic and or chemical properties.

(bb) **Manufacturing/Processing/Manipulation** — shall mean the process by which raw or semi-finished materials are converted into a new

product through a change in their physical, mechanical or electro-magnetic characteristics and/or chemical properties.

(cc) **Packaging** — shall mean the process by which raw materials, semi-finished products or finished products whether locally produced or not are placed without substantial alteration in a container or receptacle or wrapped in preparation for the market. It may include weighing and/or reduction of products to standard measurements and specifications and other similar packaging processes.

(dd) **Export Sales** — shall mean the Philippine port F.O.B. value, determined from invoices, bills of lading, inward letters of credit, landing certificates and other commercial documents of export products exported directly by a registered export enterprise or the net selling price of the export products sold by a registered export enterprise to another export producer or to an export trader that subsequently exports the same; Provided, That sales of export products to another producer or to an export trader shall only be deemed export sales when actually exported by the latter, as evidenced by the landing certificate or similar commercial documents; Provided, further, That without actual exportation, the following shall be considered constructively exported:

1. sales to the bonded manufacturing warehouses of export-oriented manufacturers;
2. sales to export processing zones;
3. sales to registered export traders operating bonded trading warehouses supplying raw materials used in the manufacture of export products;
4. sales to foreign military bases, diplomatic missions and other agencies and/or instrumentalities granted tax immunities, of locally manufactured, assembled or repacked products whether paid for in foreign currency or not.

(ee) **Gross Income** — shall mean the income of a business or an individual for a stated term before any expenses, deductions or incidental losses are deducted.

(ff) **Net Taxable Income** — shall mean taxable gross income less allowable deductions.

(gg) **Value Added** — is the difference between the selling price of merchandise and the value of the raw materials used in the manufacture, processing or manipulation thereof, which were either imported directly by a zone export enterprise or imported through the customs territory.

(hh) **Net Foreign Exchange Earnings** — shall mean the total foreign exchange proceeds from the export of the registered product minus the total foreign exchange expenses incurred in the production of the registered product and the depreciation of imported capital equipment.

(ii) **Net Foreign Exchange Savings** — shall mean the foreign exchange that would have been expended had the registered product

been imported less the total foreign exchange expenses incurred in the production of the registered product and the depreciation of capital equipment.

(jj) **Fixed Assets** — shall mean those assets subject to depreciation under the National Internal Revenue Code.

(kk) **Training Program** — shall refer to an organized activity primarily designed for the systematic development of the attitude, knowledge, skill and behavior pattern of employees required for the adequate performance of a given job or task conducted by a juridical or natural person or persons.

(ll) **Labor Training Expense** — refers to the direct, ordinary and necessary expenses incurred by any zone export enterprise in a training program or activity. These shall include, among others, the following expenses or any combination of them.

- a. Training materials, books and supplies.
- b. Cost of raw materials and non-depreciable tools actually consumed and used during the training.
- c. Honoraria for resource speakers and training coordinators and other fees approved by the National Manpower and Youth Council (NMYC).
- d. Travelling expenses of resource speakers and training coordinators while away from home on account of the training program.
- e. Salaries of trainees and training staff for the duration of training.
- f. Travelling expenses of trainees and training staff while away from home on account of the training program.
- g. Tuition, registration or similar fees paid for sponsored trainees.
- h. Cost of repairs of training equipment facilities and other fixed assets used in the training program, if breakdown occurs as a result of training;
- i. Others (not to exceed 5% of the total training cost)
 - i. foods
 - ii. rental or venue (if held outside of the zone export enterprise' factory/office building
 - iii. rental of equipment
 - iv. work clothes for trainees and instructors
 - v. certificates of training
 - vi. group insurance of trainees

(mm) **Unskilled Labor** — shall refer to any person, employed or unemployed by the zone export enterprise lacking the skill, training or