

[LETTER OF INSTRUCTIONS No. 1427, September 18, 1984]

TO: The Minister of Finance
The Acting Commissioner of Customs
The Commissioner of Internal Revenue
All Concerned

WHEREAS, on June 11, 1984, Presidential Decree No. 1981 was promulgated directing the rationalization of duty and tax exemption privileges granted to government-owned and controlled corporations and all other units of government;

WHEREAS, subsequently, on July 16, 1984, Letter of Instructions No. 1415 was issued clarifying that Philippine Airlines, Inc. (PAL) is exempt from customs and *ad valorem* duties on its purchases of fuel and other petroleum products for use in domestic operations, in view of PAL's franchise (Act No. 4271, as amended by P.D. 1294 among others) which requires the company to pay either a quarterly tax of two percent (2%) on its gross revenues or the basic corporate income tax, whichever is lower, in lieu of all other taxes, duties, fees and licenses of any kind, nature or description, levied, established, or collected by any municipal, provincial or national authority; kind, nature or description, levied, established, or collected by any municipal, provincial or national authority;

WHEREAS, there is a further need to clarify that P.D No. 1931 is not applicable to PAL considering that under its franchise, which is a contract with the State, PAL is not a tax-exempt corporation but remains subject to the payment of either a quarterly tax on its gross revenues or the basic corporate income tax, whichever is lower, and that such alternative tax scheme is in lieu of all other taxes, duties and fees that may be imposed by the State;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution of the Philippines, particularly the power of control and supervision of the President over all ministries, bureaus and other executive offices of the government, do hereby order and direct that:

1) Presidential Decree No. 1931, promulgated June 11, 1984, shall not apply to PAL. Accordingly, PAL shall remain liable to pay either a quarterly tax of two percent (2%) on its gross revenues or the basic corporate income tax, as set forth in Section 18 of Act No. 4271, as amended by Presidential Decree No. 1284, whichever will result in a lower tax. Such liability of PAL, in any of the foregoing alternatives, is in lieu of all taxes, duties, fees, excises and licenses of any kind, nature or description levied, established, or collected by any municipal, provincial or national authority and PAL shall therefore remain exempt from such other taxes, duties, fees, excises and licenses, as provided by PAL's aforementioned Franchise.

2) LOI 1415, issued July 16, 1984, shall be implemented without further delay.

Done in the City of Manila this 18th day of September in the year of Our Lord, nineteen hundred and eighty-four.