

ADVISORY ON CREATE MORE

A simplified summary of the changes introduced by Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy Act (RA NO. 12066)

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REPUBLIC ACT NO. 12066
Corporate Recovery and Tax Incentives
for Enterprises to Maximize Opportunities
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Significant Amendments under CREATE MORE

I. Income Tax- Based Incentives

I. A. Special Corporate Income Tax (SCIT)

	CREATE	CREATE MORE																
5% gross income tax in lieu of	National and local taxes	National and local taxes, local fees and charges																
Commencement of availment	After ITH ¹	Upon election of the REE ² : <input checked="" type="checkbox"/> After ITH; or <input checked="" type="checkbox"/> Outright from actual start of commercial operations																
Period of availment by REEs	<table border="1"> <thead> <tr> <th>Incentive</th> <th>Period</th> </tr> </thead> <tbody> <tr> <td>ITH + SCIT</td> <td>ITH - 4 to 7 years SCIT - 10 years</td> </tr> </tbody> </table>	Incentive	Period	ITH + SCIT	ITH - 4 to 7 years SCIT - 10 years	<p>If granted by IPAs³:</p> <table border="1"> <thead> <tr> <th>Incentive</th> <th>Period</th> </tr> </thead> <tbody> <tr> <td>ITH + SCIT</td> <td>ITH - 4 to 7 years SCIT - 10 years</td> </tr> <tr> <td>Outright SCIT</td> <td>14 to 17 years</td> </tr> </tbody> </table> <p>If granted by FIRB⁴:</p> <table border="1"> <thead> <tr> <th>Incentive</th> <th>Period</th> </tr> </thead> <tbody> <tr> <td>ITH + SCIT</td> <td>ITH - 4 to 7 years SCIT - 20 years</td> </tr> <tr> <td>Outright SCIT</td> <td>24 to 27 years</td> </tr> </tbody> </table>	Incentive	Period	ITH + SCIT	ITH - 4 to 7 years SCIT - 10 years	Outright SCIT	14 to 17 years	Incentive	Period	ITH + SCIT	ITH - 4 to 7 years SCIT - 20 years	Outright SCIT	24 to 27 years
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¹ Income Tax Holiday

² Registered Export Enterprise

³ Investment Promotion Agency

⁴ Fiscal Incentives Review Board

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I. B. Enhanced Deduction Regime (EDR)

	CREATE	CREATE MORE														
Income tax rate based on taxable income	25%	20%														
Rate of Enhanced Deductions	<table border="1"> <thead> <tr> <th>Deduction</th> <th>Additional Rate</th> </tr> </thead> <tbody> <tr> <td>Power expense</td> <td>50%</td> </tr> <tr> <td>Reinvestment allowance for manufacturing industry</td> <td>50%</td> </tr> </tbody> </table>	Deduction	Additional Rate	Power expense	50%	Reinvestment allowance for manufacturing industry	50%	<table border="1"> <thead> <tr> <th>Deduction</th> <th>Additional Rate</th> </tr> </thead> <tbody> <tr> <td>Power expense</td> <td>100%</td> </tr> <tr> <td>Reinvestment allowance for manufacturing and tourism industries</td> <td>50%</td> </tr> <tr> <td>Expenses on exhibitions, trade missions, or trade fairs</td> <td>50%</td> </tr> </tbody> </table>	Deduction	Additional Rate	Power expense	100%	Reinvestment allowance for manufacturing and tourism industries	50%	Expenses on exhibitions, trade missions, or trade fairs	50%
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Carry-over period of NOLCO	5 taxable years following the year of loss	5 taxable years following the last year of ITH entitlement														
Commencement of availment	After ITH	Availment upon election of the REE or DME ⁵ : <input checked="" type="checkbox"/> After ITH; or <input checked="" type="checkbox"/> Outright from actual start of commercial operations														
Period of availment by REEs and DMEs	<table border="1"> <thead> <tr> <th>Incentive</th> <th>Period</th> </tr> </thead> <tbody> <tr> <td>ITH + EDR</td> <td>ITH - 4 to 7 years EDR - 5 years</td> </tr> </tbody> </table>	Incentive	Period	ITH + EDR	ITH - 4 to 7 years EDR - 5 years	<p>If granted by IPAs:</p> <table border="1"> <thead> <tr> <th>Incentive</th> <th>Period</th> </tr> </thead> <tbody> <tr> <td>ITH + EDR</td> <td>ITH - 4 to 7 years EDR - 10 years</td> </tr> <tr> <td>Outright SCIT</td> <td>14 to 17 years</td> </tr> </tbody> </table>	Incentive	Period	ITH + EDR	ITH - 4 to 7 years EDR - 10 years	Outright SCIT	14 to 17 years				
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⁵ Domestic Market Enterprise

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II. Other Incentives

II. A. Duty exemption on importations

	CREATE	CREATE MORE
Covered importations	Directly and exclusively used in the registered project or activity of the RBEs ⁶	Directly attributable to the registered activity of the RBE including goods for administrative purposes

II. B. VAT exemption on importation and VAT zero-rating on local purchases

	CREATE	CREATE MORE
Covered local purchases	Directly and exclusively used in the registered project or activity of the RBEs	Directly attributable to the registered activity of the REE or HVDME ⁷ including incidental expenses

II. C. RBE Local Tax (RBELT)

	CREATE	CREATE MORE
Nature	No existing provision	Imposition made by an LGU through an ordinance

⁶ Registered Business Entities

⁷ High Value DME; Refers to DMEs with investment capital exceeding P15 Billion and are engaged in import-substituting sectors, or with export sales of USD100 Million (or its equivalent in an acceptable foreign currency) in the immediately preceding year

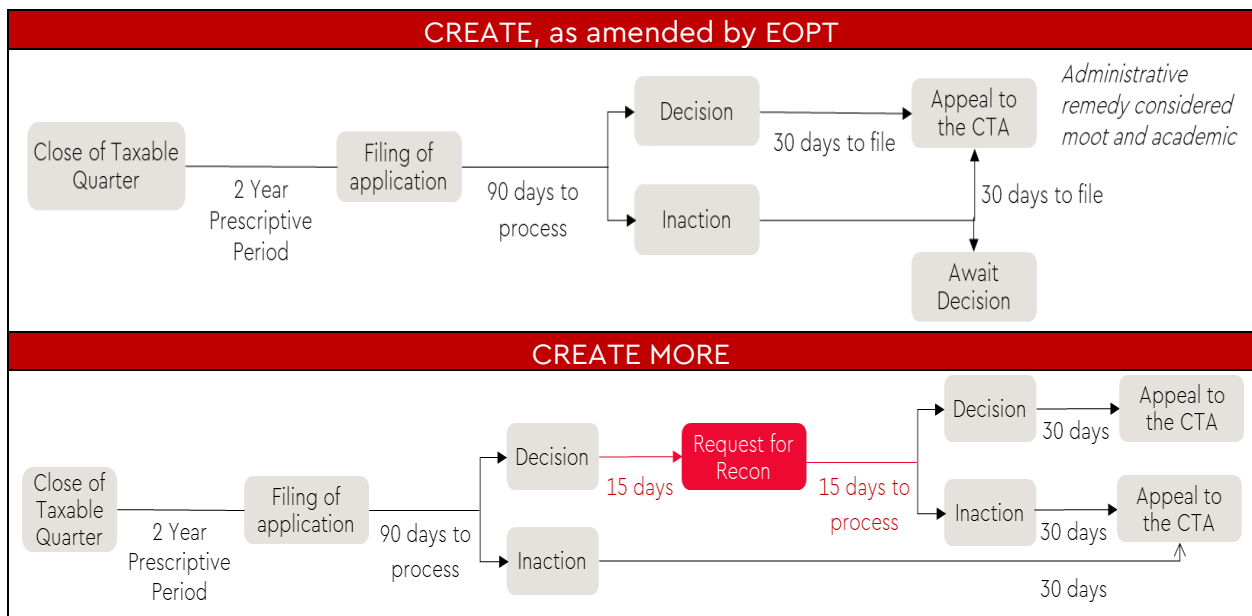
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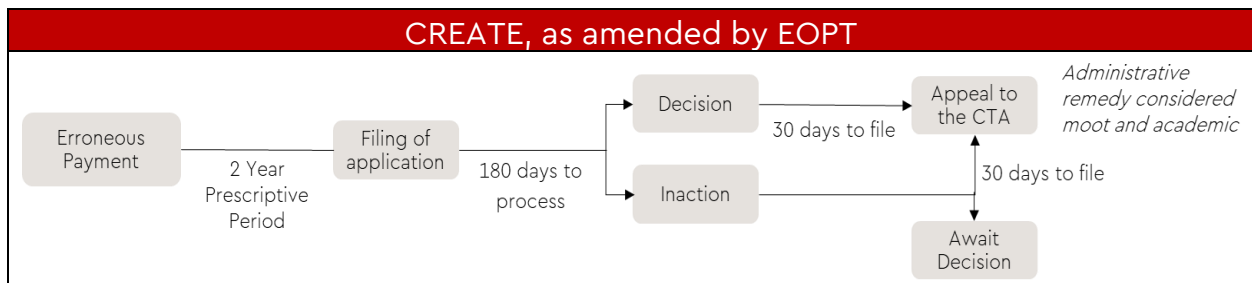
	CREATE	CREATE MORE
Applicable local tax rate	No existing provision	2% of an RBE's gross income in lieu of local taxes, fees, and charges
Covered tax regime	No existing provision	Applicable during ITH and EDR; Not to be imposed under SCIT

III. Refund Procedures

III. A. VAT Refund Procedure

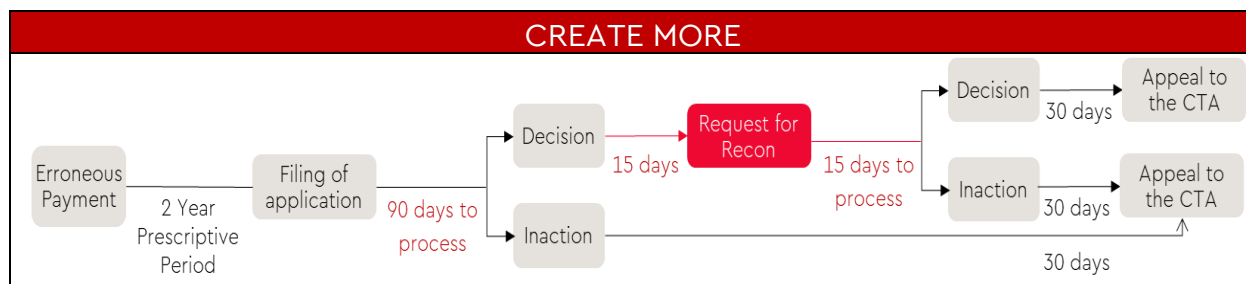


III. B. Refund of Erroneously Paid Excise Taxes on Petroleum Products



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IV. Other Amendments

IV. A. Exclusions and Deductions from Gross Income

	CREATE	CREATE MORE
Income exempt under treaty	Income of any kind, to the extent required by any treaty obligation	Income of any kind, to the extent required by any treaty obligation, including agreements with economies and administrative regions (subject to Senate concurrence)
Deductible input tax	No existing provision	Input tax on local purchases attributable to VAT-exempt sales are deductible from gross income

IV. B. Creditable Withholding Tax (CWT)

	CREATE	CREATE MORE
CWT Rate	At the rate of not less than 1% but not more than 32%	At the rate of not more than 15%

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IV. C. Electronic Sales Reporting System (ESRS)

	CREATE	CREATE MORE						
Covered taxpayers	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Those engaged in export of goods/services <input checked="" type="checkbox"/> Large taxpayers 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Those engaged in export of goods/services <input checked="" type="checkbox"/> Large taxpayers <input checked="" type="checkbox"/> Taxpayers as required by the DOF upon recommendation by the BIR 						
Additional one-time allowable deduction	No existing provision	<table border="1"> <thead> <tr> <th>Type of Taxpayer</th> <th>Additional Deduction</th> </tr> </thead> <tbody> <tr> <td>Micro and Small</td> <td>100% of total cost for setting up ESRS</td> </tr> <tr> <td>Medium and Large</td> <td>50% of total cost for setting up ESRS</td> </tr> </tbody> </table>	Type of Taxpayer	Additional Deduction	Micro and Small	100% of total cost for setting up ESRS	Medium and Large	50% of total cost for setting up ESRS
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		Micro and Small	100% of total cost for setting up ESRS					
Medium and Large	50% of total cost for setting up ESRS							

IV. D. Registered Business Enterprises Taxpayer Service

	CREATE	CREATE MORE
Nature	No existing provision	Separate service to be established within the BIR to handle end-to-end tax compliance of RBEs
Purpose	No existing provision	Implementation of simplified filing and payment processes

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IV. E. Significant Expanded Functions

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FIRB	<ul style="list-style-type: none"> ☑ Exercise policy-making and oversight functions; ☑ Monitor and evaluate incentives; ☑ Approve or disapprove grant of tax incentives to the extent of the registered project or activity 	<ul style="list-style-type: none"> ☑ Exercise policy-making, oversight, regulatory, and quasi-judicial functions; ☑ Monitor and evaluate incentives and prescribe data requirements, reporting standards, processes and procedures; ☑ Approve or disapprove grant of tax incentives to the extent of the registered project or activity listed in the SIPP; ☑ Recommend policies to prevent abuse of tax incentives, tax evasion, and smuggling.
IPA	No existing provision	<ul style="list-style-type: none"> ☑ LGUs may delegate the function of accepting, processing, and granting business permits and licenses to IPAs; ☑ IPAs may assist in obtaining permits and licenses from national government agencies

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IV. F. Telecommuting

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Effect on incentives	No existing provision	RBEs shall continue to avail of all incentives
Covered workforce	No existing provision	Telecommuting program shall not cover more than 50% of the total workforce
Registration	No existing provision	Double registration to avail of other incentives is not allowed

IV. G. Availment of Incentives Granted Prior to CREATE

	CREATE	CREATE MORE
ITH + 5% SCIT after ITH	Continued availment for 10 years	Until December 31, 2034
Currently availing 5% SCIT		
Currently availing duty exemption, VAT exemption on importation, and VAT zero-rating on local purchases	No existing provision	Until December 31, 2034; REEs may continue to avail of the incentives under the general VAT provisions and customs laws

Source: Republic Act No. 12066