

# Tax Bulletin

Special Issue on the 2017 Investments  
Priorities Plan



# Highlights

## The Investments Priorities Plan (IPP)

The 2017 IPP was approved by the President in Memorandum Order No. 12 dated 28 February 2017, and takes effect 15 days after its publication on 3 March 2017 until 2019.

### PRIORITY INVESTMENT AREAS

The coverage, description and entitlement to incentives of the following listed activities shall be defined and clarified in the General Policies and Specific Guidelines to be issued by the Board of Investments (BOI).

The extent of entitlement to incentives shall be based on the project's net value added, job generation, multiplier effect and measured capacity.

#### ▶ Preferred Activities

##### 1. All Qualified Manufacturing Activities including Agro-Processing

- ▶ Manufacture of industrial goods
- ▶ Processing of agricultural and fishery products, including Halal and Kosher foods into semi-finished/intermediate goods or finished products
- ▶ Manufacture of modular housing components and machinery and equipment including parts and components

**Except for modernization projects, only projects located outside Metro Manila may qualify for registration.**

##### 2. Agriculture, Fishery and Forestry

- ▶ Commercial production of agricultural, fishery and forestry products
- ▶ Production of seeds and seedlings
- ▶ Establishment of nurseries and hatcheries
- ▶ Other support services and infrastructures such as facilities for drying; cold chain storage; blast freezing; bulk handling and storage; harvesting, plowing, spraying and dusting; packing houses; trading centers; ice plants in less developed areas; AAA slaughterhouses; and AAA dressing plants

**Except for modernization projects for agricultural support services and infrastructure, only projects located outside Metro Manila may qualify for registration.**

##### 3. Strategic Services

- ▶ Integrated circuit design
- ▶ Creative industries/knowledge-based services.
  - a. IT Business process management for the domestic market (i.e. contact centers, data analytics)
  - b. Animation, software development, game development, health information management systems, and engineering design
  - c. Digital or technological start-ups/activities
- ▶ Maintenance, repair and overhaul of aircraft
- ▶ Charging/Refueling stations for alternative energy vehicles, except LPG-run vehicles
- ▶ Industrial Waste Treatment
- ▶ Telecommunications (Only new players may qualify for registration)
- ▶ State-of-the-art engineering, procurement, and construction

---

The 2017 IPP was approved by the President in Memorandum Order No. 12 dated 28 February 2017, and takes effect 15 days after its publication on 3 March 2017, which is on 18 March 2017.

The Board of Investments (BOI) has identified 10 preferred activities for investments in line with the President's zero+10-point SocioEconomic Agenda, Ambisyon Natin 2040, and the Philippine Development Plan 2017-2022.

Significant adjustments from the 2014 IPP have been introduced in the new IPP with the inclusion of more Micro-Small-Medium Enterprise (MSME)-oriented, innovation-driven, and health and environment conscious activities. The 2017 IPP also reflects the administration's industrial policy to bring investments outside of Metro Manila, to favor new players in the industry, and to promote inclusive and participative economic growth across various sectors.

The list of preferred activities continues to prioritize investments in manufacturing particularly on industrial goods and agro-processing. Commercial production includes not only agriculture and fishery, but also forestry products. Priority strategic services now include telecommunications and state of the art engineering, procurement and construction (EPC) with the exclusion of ship repair. For housing, the price ceiling was reduced from Php 3.0 Million to Php 2.0 Million. Priority on health facilities now includes drug rehabilitation centers. Pipeline projects for oil and gas were also added in priority infrastructure.

The ARMM List did away with consumer manufactures but added banking, non-bank financial institutions and facilities, and energy in its priority activities.

---

4. Healthcare Services including Drug Rehabilitation Centers

Subject to a positive list of locations as endorsed by the Department of Health (DOH)

5. Mass Housing (Development of mass housing units based on a price ceiling of P2,000,000)

Only mass housing projects outside Metro Manila may qualify for registration, except for in-city low-cost housing projects for lease.

6. Infrastructure and Logistics, including Local Government Unit Public-Private Partnership (LGU-PPP) Projects.

- ▶ Airports and seaports
- ▶ Air, land and water transport
- ▶ Liquefied natural gas (LNG) storage and regasification facilities
- ▶ Pipeline projects for oil and gas
- ▶ Bulk water treatment and supply
- ▶ Training facilities
- ▶ Testing laboratories
- ▶ Domestic Industrial Zones
- ▶ PPP projects

7. Innovation Drivers

- ▶ Research and development (R&D) activities
- ▶ Conduct of clinical trials
- ▶ Establishment of Centers of Excellence, innovation centers, business incubation hubs and fabrication laboratories/co-working spaces
- ▶ Commercialization of new and emerging technologies and products of the Department of Science and Technology (DOST) or government-funded R&D

8. Inclusive Business Models

Medium and large enterprises (MLEs) in agribusiness and tourism sectors that provide business opportunities to micro and small enterprises (MSEs) as part of their value chains.

9. Environment or Climate Change-Related Projects

- ▶ Manufacture/assembly of goods and establishment of energy efficiency-related facilities
- ▶ Green ship recycling based on international standards
- ▶ Establishment of privately-owned materials recovery facility

10. Energy

- ▶ Power generation projects utilizing conventional fuels, waste heat and other wastes
- ▶ Establishment of battery energy storage systems

▶ **Export Activities**

1. Production and manufacture of export products

2. Services exports

Contact centers and non-voice business processing activities that will be located in Metro Manila may no longer be qualified for incentives by the year 2020.

### 3. Activities in support of exporters

#### ► Special Laws

1. Industrial Tree Plantation (Presidential Decree (PD) No. 705 - Revised Forestry Code of the Philippines)
2. Mining (Republic Act (RA) No. 7942 - Philippine Mining Act of 1995) - limited to capital equipment incentive
3. Publication or Printing of Books/Textbooks (RA No. 8047 - Book Publishing Industry Development Act)
4. Refining, Storage, Marketing and Distribution of Petroleum Products (RA No. 8479 - Downstream Oil Industry Deregulation Act of 1998)
5. Rehabilitation, Self-Development and Self-Reliance of Persons with Disability (RA No. 7277 - Magna Carta for Persons with Disability)
6. Renewable Energy (RA No. 9513 - Renewable Energy Act of 2008)
7. Tourism (R.A. No. 9593 - Tourism Act of 2009)

#### ► ARMM List

The 2017-2019 ARMM List contains the following priority investment areas:

1. Export Activities
  - a. Export trader and service exporters
  - b. Support activities for exporters
2. Agriculture, Agri-business/Aquaculture & Fishery
3. Basic Industries
4. Infrastructure and Services
5. Industrial Service Facilities
6. Engineering Industries
7. Logistics
8. BIMP-EAGA Trade and Investment Enterprises
9. Tourism
10. Health and Education Services and Facilities
11. Halal Industry
12. Banking, Non-Bank Financial Institutions and Facilities
13. Energy

---

## SGV | Assurance | Tax | Transactions | Advisory

### About SGV & Co.

SGV is the largest professional services firm in the Philippines that provides assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities. SGV & Co. is a member firm of Ernst & Young Global Limited.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

For more information about our organization, please visit [www.ey.com/PH](http://www.ey.com/PH).

© 2017 SyCip Gorres Velayo & Co.  
All Rights Reserved.  
APAC No. 10000221  
Expiry date: no expiry

SGV & Co. maintains offices in Makati, Cebu, Davao, Bacolod, Cagayan de Oro, Baguio, General Santos and Cavite.

For an electronic copy of the Tax Bulletin or for further information about Tax Services, please visit our website [www.ey.com/ph](http://www.ey.com/ph)

We welcome your comments, ideas and questions. Please contact Victor C. De Dios via e-mail at [victor.c.de.dios@ph.ey.com](mailto:victor.c.de.dios@ph.ey.com) or at telephone number 8910307 loc. 7929 and Reynante M. Marcelo via e-mail at [reynante.m.marcelo@ph.ey.com](mailto:reynante.m.marcelo@ph.ey.com) or at telephone number 894-8335.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither SGV & Co. nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.