

[PRESIDENTIAL DECREE NO. 666, March 05, 1975]

PROVIDING FOR INCENTIVES TO THE SHIPBUILDING AND SHIP REPAIR INDUSTRY

WHEREAS, shipping plays a vital role in the economic development and growth of the country;

WHEREAS, the promotion and maintenance of an adequate Philippine merchant fleet depend upon the adequacy of supporting shipbuilding and ship repair facilities;

WHEREAS, the absence of adequate investment incentives has deterred the expansion and modernization of existing shipyards and/or the development of new shipyard facilities;

WHEREAS, to accelerate the development of shipbuilding and ship repair industry such incentives are imperative and necessary;

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

SECTION 1. Shipbuilding and ship repair yards duly registered with the Maritime Industry Authority shall be entitled to the following incentive benefits:

- a. *Exemption from import duties and taxes.*—The importation of machinery, equipment and materials for shipbuilding, ship repair and or alteration, including indirect import, as well as replacement and spare parts for the repair and overhaul of vessels such as steel plates, electrical machinery and electronics parts, shall be exempt from the payment of customs duty and compensating tax: *Provided, however*, That the Maritime Industry Authority certifies that the item or items imported are not produced locally in sufficient quantity and acceptable quality at reasonable prices, and that the importation is directly and actually needed and will be used exclusively for the construction, repair, alteration, or overhaul of merchant vessels and other watercrafts; *Provided, further*, That if the above machinery, equipment, materials and spare parts are sold to non-tax exempt persons or entities, the corresponding duties and taxes shall be paid by the original importer; *Provided, finally*, That local dealers and/or agents who sell machinery, equipment, materials and accessories to shipyards for shipbuilding and ship repair are entitled to tax credits, subject to approval by the Maritime Industry Authority, equivalent to the total tariff duties and compensating taxes paid for said machinery, equipment, materials and accessories.
- b. *Accelerated, depreciation.*—Industrial plant and equipment may, at the option of the shipbuilder and ship repairer, be depreciated for any number of years between five years and the expected economic life.
- c. *Exemption from contractor's percentage tax.*—The gross receipts derived by shipbuilders and ship repairers from shipbuilding and ship repairing activities shall be exempt from the Contractor's Tax provided in Section 91 of the National Internal Revenue Code during the first ten years from registration with the Maritime Industry Authority, provided that such registration is effected