

[PRESIDENTIAL DECREE NO. 218, June 16, 1973]

PRESCRIBING INCENTIVES FOR THE ESTABLISHMENT OF REGIONAL OR AREA HEADQUARTERS OF MULTINATIONAL COMPANIES IN THE PHILIPPINES.

WHEREAS, it would be desirable to make of the Philippines the business and financial capital of Southeast Asia, thereby hastening the economic and social development of the Philippines, which objective can be accomplished by attracting the regional or area headquarters of multinational companies to base their offices in the Philippines;

WHEREAS, the said headquarters do not earn or derive any income from the host country and all their expenses are financed by their head offices or parent companies; and

WHEREAS, the attainment of the aforesaid goal will mean additional foreign exchange receipts to the Philippines, a boost to air travel, new construction and real estate development, new job opportunities, increase in local tourism and potential investors;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, do hereby order and decree as follows:

SECTION 1. Foreign personnel of regional or area headquarters of multinational companies, their respective spouses, and unmarried children under twenty-one years of age if accompanying them or if following to join them after their admission into the Philippines as non-immigrant shall be issued a multiple entry special visa, valid for a period of one year to enter the Philippines: *Provided*, That a responsible officer of the applicant company submits a certificate to the effect that the person who seeks entry into the Philippines is an executive of the applicant company and will work exclusively for applicant's regional or area headquarters which is duly licensed to operate in the Philippines; and that he will receive a salary and will be paid by the headquarters in the Philippines an amount equivalent to at least twelve thousand United States dollars, or its equivalent in other foreign currencies, per annum.

The admission and stay shall be co-terminus with the validity of the multiple entry special visa. The stay, however, is extendible yearly upon submission to the Commission on Immigration and Deportation of a sworn certification by a responsible officer of the regional or area headquarters: that its license to operate remains valid and subsisting; that he has been paid in the Philippines from the date of original admission, the equivalent of at least one thousand United States dollars per month, or its equivalent in other foreign currencies; and that the regional or area headquarters has withheld the tax due on said compensation and the same has been paid to the Bureau of Internal Revenue.

Non-immigrants who have been admitted under the multiple entry special visa, as well as their respective spouses and dependents, shall be exempt from: the

payment of all fees due under the immigration and alien registration laws; securing alien certificates of registration; and obtaining emigration clearance certificates, and all types of clearances required by any government department or agency, except that upon final departure from the Philippines the employer of the said non-immigrants shall so advise in writing the Commission on Immigration and Deportation at least five (5) working days prior to the non-immigrant's departure, and the finally departing non-immigrant employee shall be required to submit to the said office a tax clearance from the Bureau of Internal Revenue.

SEC. 2. Section 22 of Commonwealth Act Numbered 466, as amended, is hereby amended to include an additional Subsection (c) to read as follows:

"(c) Aliens employed by regional or area headquarters or multinational corporations. There shall be levied, collected and paid for each taxable year upon the gross income received by every alien individual employed by regional or area headquarters established in the Philippines by multinational corporations as salaries, wages, annuities, compensations, remunerations and emoluments from such regional or area headquarters a tax equal to fifteen per centum of such gross income."

SEC. 3. Section 24(b) (1) of Commonwealth Act Numbered 466, as amended, is hereby amended to include an additional proviso to read as follows:

"(b) Tax on foreign corporations. (1) Non-resident corporations.

"*Provided, finally,* That regional or area headquarters established in the Philippines by multinational corporations and which, headquarters do not earn or derive income from the Philippines and which act as supervisory, communications and coordinating centers for their affiliates, subsidiaries or branches in the Asia-Pacific Region shall not be subject to tax."

SEC. 4. In the case of aliens employed by regional or area headquarters established in the Philippines by multinational corporations, there shall be deducted and withheld at the source in the same manner and conditions as that *provided* under Supplement A — Withholding on Wages of Commonwealth Act No. 466, as amended, on the gross salaries, wages, annuities, compensations, remunerations and emoluments from such regional headquarters a tax equal to fifteen per centum of the gross thereof.

SEC. 5. Section 191 of Commonwealth Act Numbered 466, as amended, is hereby amended as follows:

"**SEC. 191.** Contractors, proprietors or operators of dockyards and others. — A contractor's tax of three per centum of the gross receipts is hereby imposed on the following:

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"The term 'independent contractor' shall not include regional or area headquarters established in the Philippines by multinational corporations, including their alien executives, and which headquarters do not earn or derive income from the Philippines and which act as supervisory, communications and coordinating centers for their affiliates, subsidiaries or branches in the Asia-Pacific Region."