

**[ REPUBLIC ACT NO. 9301, July 27, 2004 ]**

**AN ACT AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT NO. 7471, ENTITLED "AN ACT TO PROMOTE THE DEVELOPMENT OF PHILIPPINE OVERSEAS SHIPPING" AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

SECTION 1. Section 3(a) of Republic Act No. 7471 is hereby amended as follows:

"SEC. 3. *Definitions.* — As used in this Act:

"(a) 'Philippine overseas shipping' means the operation of a Philippine shipping enterprise in the overseas trade of any type of Philippine registered ship for any kind of shipping operation, which shall include, but shall not be limited to the transport of goods and/or passengers, and the purchase of ships for operation and the sale of ships after operation, except when the ship is operated solely between ports in the Philippines."

SEC. 2. Section 7 of the same Act is reinstated with amendments, to read as follows:

"SEC. 7. *Exemption from Income Tax.* — A Philippine shipping enterprise shall be exempt from payment of income tax on income derived from Philippine overseas shipping for a period of ten (10) years from the date of approval of this Act: Provided, That:

"(a) The entire net income, after deducting not more than fifteen percent (15%) thereof for distribution of profits or declaration of dividends, which would otherwise be taxable under the provisions of Title II of the National Internal Revenue Code, is reinvested for the construction, purchase, or acquisition of vessels and related equipment and/or in the improvement or modernization of its vessels and related equipment in accordance with the regulations; and

"(b) The cumulative amount so reinvested shall not be withdrawn for a period of seven (7) years after the expiration of the period of income tax exemption or until the vessel or related equipment so acquired have been fully paid, whichever date comes earlier.

"Any amount not so invested or withdrawn prior to the expiration of the period stipulated herein shall be subject to the corresponding income tax, including penalties, surcharges and interests."