

[REPUBLIC ACT NO. 901, June 20, 1953]

AN ACT TO REVISE REPUBLIC ACT NUMBERED THIRTY-FIVE, ENTITLED "AN ACT AUTHORIZING THE EXEMPTION OF NEW AND NECESSARY INDUSTRIES FROM THE PAYMENT OF THE INTERNAL REVENUE TAXES."

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

SECTION 1. Any person, partnership, company or corporation who or which, subsequent to the approval of this Act, shall engage in a new and necessary industry shall be entitled to exemption until December thirty-one, nineteen hundred and fifty-eight from payment of all taxes directly payable by such person, partnership, company Or corporation in respect to said industry and to a diminishing exemption during the following four years as follows: ninety *per centum* of all said taxes during the period from January first to December thirty-one, nineteen hundred and fifty-nine; seventy-five *per centum* of all said taxes during the period from January first to December thirty. one, nineteen hundred and sixty; fifty *per centum* of all said taxes during the period from January first to December thirty-one, nineteen hundred and sixty-one; and ten *per centum* of all said taxes during the period from January first to December thirty-one, nineteen hundred and sixty-two; after which such person, partnership, company, or corporation shall be liable in full to all taxes: *Provided, however,* That a grantee of tax exemption, whether under Republic Act Numbered Thirty-five or this Act, shall be subject to the full income tax after it shall have enjoyed tax exemption for six years: *Provided, further,* That the tax exemption provided for in this Act shall not include any company or person engaged in the processing of oil, gasoline, lubricants and other similar fuels and by-products: *Provided, still further,* That those who or which were declared engaged in a new and necessary industry under the provisions of Republic Act Numbered Thirty-five and still enjoying exemption thereunder from all internal revenue taxes for a period of four years, shall automatically be entitled to exemption under this Act, but-in no case shall the total number of years of their exemption, both under Republic Act Numbered Thirty-five and this Act, be for more than ten years. A grantee of tax exemption under Republic Act Numbered Thirty-five whose exemption has expired prior to the approval of this Act shall, upon application filed within three months from the approval of this Act and if found to be still qualified under the provisions of the law and regulations pursuant to which its exemption was granted, be entitled to tax exemption under this Act for a period of six years from the approval hereof.

SEC. 2. For the purposes of this Act, a "new" industry is one not existing or operating on a commercial scale prior to January first, nineteen hundred and forty-five. Where several applications for exemption are filed in connection with the same kind of industry, the Secretary of Finance shall approve them in the order in which they have been filed until the total output or production of those already granted

exemption for that particular kind of industry is sufficient to meet local demand or consumption: *Provided*, That the limitation shall not apply to products intended for export.

SEC. 3. For the purposes of this Act, a "necessary" industry is one complying with the following requirements:

1. Where the establishment of the industry will contribute to the attainment of a stable and balanced national economy.
2. Where the industry will operate on a commercial scale in conformity with up-to-date practices and will make its products available to the general public in quantities and at prices which will justify its operation with a reasonable degree of permanency.
3. Where the imported raw materials represent a value not exceeding sixty *per centum* of the manufacturing cost plus reasonable selling and administrative expenses: *Provided*, That a grantee of tax exemption shall use materials of domestic origin, growth, or manufacture wherever the same are available or could be made available in reasonable quantity and quality and at reasonable prices.

Notwithstanding the provisions of paragraph (3) above, an industry may be classified as necessary: (a) if it is determined that a substantial portion of the imported raw materials may, as local industrialization and technological development advance, be available locally so as to enable the industry to utilize substantially greater quantities of domestic materials or if its products are used principally in the manufacture or preparation of products of another necessary industry or products intended for export; and (b) if the initial investment in machinery and equipment be at least two hundred thousand pesos.

SEC. 4. The benefits of exemption of new and necessary industries from the payment of all taxes under this act shall, upon the approval of the application for exemption by the Secretary of Finance, retroact as of the date of the filing of the application for exemption.

SEC. 5. All applications for exemption from the payment of all taxes under the provisions of this Act shall be filed with the Secretary of Finance. In order to determine whether the industry complies with the requirements of this Act, the Secretary of Finance shall avail of the facilities of the Department of Commerce and Industry, the Central Bank and the Office of the Economic Coordination.

SEC. 6. Every application for exemption shall contain the following statements:

- a. The name or firm name; its address;
- b. Name of the owner or manager of the firm; his address;
- c. Nationality of the owner;
- d. Location of firm or factory;
- e. Capital invested. If partnership, company, or corporation, state the names of the partners or stockholders, amount contributed, nationality and their addresses.
State also if registered, the date and place of registration;
- f. If with a firm name or business name, the fact that it is registered with the Bureau of Commerce both as a business name and as a merchant; number and date of registration;