

REGISTRATION OF ENERGY PROJECTS UNDER CREATE ACT

RAQUEL B. ECHAGUE
Director, Resource-Based Industries Service
Board of Investments, Department of Trade and Industry

VIRTUAL ENERGY INVESTMENT FORUM
28 October 2022

OUTLINE OF PRESENTATION

- ❑ CREATE ACT
- ❑ 2022 STRATEGIC INVESTMENT PRIORITY PLAN
- ❑ INCENTIVES
- ❑ REGISTRATION PROCEDURE

CREATE (R.A. No. 11534)

- Corporate Recovery and Tax Incentives for Enterprises Act signed on 26 March 2021
- Amended incentives provisions of E.O. 226 (Omnibus Investment Code of 1987) and other incentives laws
- Covers all Investment Promotion Agencies (IPAs)
- IPAs shall maintain their functions under the laws governing them, except to the extent modified by CREATE
- BOI shall formulate the Strategic Investment Priority Plan (SIPP)
- All IPAs will use and follow one SIPP

- New Incentives Regime for Qualified Projects (new or expansion)
- Qualification of projects is based on Industry Tier and Location
- Approval or disapproval of incentives:
 - **IPAs** - projects with investment capital of Php1B and below.
 - **Fiscal Incentives Review Board (FIRB)** - projects with investment capital of more than Php1B.

Registered Business Enterprise

- Any individual, partnership, corporation, Philippine branch of a foreign corporation, or other entity organized and existing under Philippine laws, whose proposed activity/project is listed in the current SIPP
- Excludes service enterprises such as those engaged in **customs brokerage, trucking or forwarding services, janitorial services, security services, insurance, banking, and other financial services, consumers' cooperatives, credit unions, consultancy services, retail enterprises, restaurants**, or such other similar services, as may be determined by the FIRB

Qualified Expansion Project

- A project of an existing enterprise that would **involve the installation of additional facilities or equipment, or infusion of additional investment** that will result in increase in capacity of the same or similar activity within the same existing plant or facility of the enterprise and additional benefits to the economy, provided the proposed activity/project is listed in the current SIPP
- Includes **modernization and rehabilitation resulting in the upgrade** of the product or service.
- Registered expansion projects may be granted an **Income Tax Holiday incentive of three (3) years**.

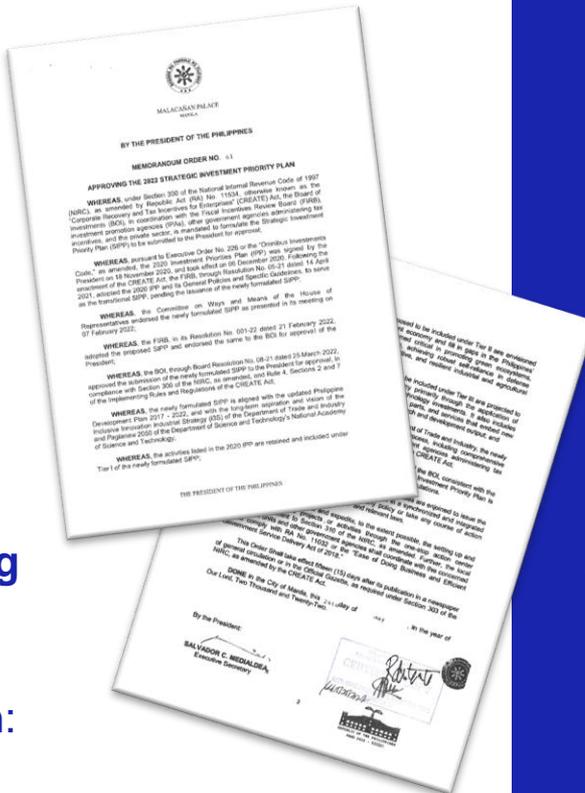
Strategic Investment Priority Plan (SIPP)

Memorandum Order No. 61 (Approving the 2022 SIPP)

- Signed: **24 May 2022**
- Published: **27 May 2022**
(Daily Tribune)
- Effectivity: **11 June 2022**

BOI Memorandum Circular No. 2022-007 (Implementing Guidelines)

- Effectivity upon publication:
12 August 2022
(Philippine Star)



- The country's investment plan containing the list of priority activities for investment promotion and facilitation and supported through fiscal and non-fiscal incentives as provided in the CREATE Act
- Categorizes activities into **INDUSTRY TIERS I, II and III**

SIPP – Industry Tiers

Tier I

- Have high potential for job creation;
- Take place in sectors with market failures resulting in under provision of basic goods & services;
- Generate value creation through innovation, upgrading, moving up the value chain;
- Provide essential support for sectors critical to industrial development; or
- Are emerging owing to potential comparative advantage

Tier II

- Activities that produce supplies, parts & components, & intermediate services that are not locally produced but are critical to industrial development & import substituting activities, including crude oil refining.

Tier III

- Research & Development resulting in demonstrably significant value added, higher productivity, breakthroughs in science and health, and high paying jobs;
- Generation of new knowledge & Intellectual property registered or licensed in Philippines;
- Commercialization of patents, industrial designs, copyrights, & utility models owned or co-owned by a registered business enterprises;
- Highly technical manufacturing;
- Are critical to structural transformation of the economy and require substantial catch-up efforts.

Tier I

A. PREFERRED ACTIVITIES



1. Qualified Activities Relating to the Fight against COVID-19



2. Activities in Support of Government Programs (e.g., Balik Probinsya, Bagong Pag-asa)



3. All Qualified Manufacturing Activities incl Agro-Processing



4. Agriculture, Fishery, and Forestry



5. Strategic Services (e.g., charging/refueling stations for alternative energy vehicles)



6. Healthcare and Disaster Risk Reduction Management Services



7. Mass Housing



8. Infrastructure and Logistics incl LGU-PPPs (e.g., LNG Storage & Regasification Facility; Pipeline for Oil & Gas)



9. Innovation Drivers



10. Inclusive Business Models



11. Environment & Climate Change-Related Projects



12. Energy (Power generation using conventional fuels; waste heat; BESS)

Tier I

B. EXPORT ACTIVITIES

Production and
Manufacture of
Export Products



Services
Exports



Activities in
Support of
Exporters



C. SPECIAL LAWS



1. Industrial Tree
Plantation



2. Mining (Limited to
Capital Equipment
Incentive)



3. Publication or Printing
of Books/Textbooks



4. Refining, Storage,
Marketing & Distribution
of Petroleum Products



5. Rehabilitation and Self
Development of PWDs



6. Renewable Energy



7. Tourism



8. Energy Efficiency and
Conservation

TIER II



1. Industrial Value-chain gaps

- Iron and Steel production
- Copper and Nickel production

2. Green Ecosystems

- Electric Vehicle (EV) assembly, manufacture of EV parts, components and systems
- Establishment and operations of EV infrastructure (i.e. charging stations)
- **Renewable energy**
- **Energy efficiency and conservation**
- **Energy storage technologies**

3. Health related activities

- Manufacture of vaccines

4. Defense related activities

- Manufacture of handguns
- Shipbuilding vessels for the Philippine Navy

5. Food Security related activities

- Integrated dairy production and processing

TIER III



1. R&D and activities adopting advanced digital production technologies of the 4th Industrial Revolution

- AI and robotics
- Hyperscalers and data centers

2. Highly technical manufacturing and production of innovative products

- Household appliance manufacturing with integrated R&D
- R&D center for automation manufacturing of telecom and broadband equipment
- Camera components manufacturing with integrated R&D

3. Innovation support facilities

- S&T hubs, R&D hubs, Centers of Excellence

Incentives to Improve Competitiveness

INCENTIVES	BENEFITS
Income Tax Holiday Duty Free Importation 5% Special Corporate Income Tax	<ul style="list-style-type: none"> • Reduce operating costs • Increase net income • Shorter payback period <ul style="list-style-type: none"> • Improve IRR • Improve cash flow position

NEW INCENTIVES: ENHANCED DEDUCTIONS

100% additional deduction on R&D	50% additional deduction on power expense
50% additional deduction on labor expense	Deduction for reinvestment allowance to manufacturing industry
100% additional deduction on training expense (Filipino Employees)	Depreciation allowance of the assets acquired for the entity's production of goods and services (qualified capital expenditure)
50% additional deduction on domestic input expense	Enhanced Net Operating Loss Carry-Over (NOLCO)

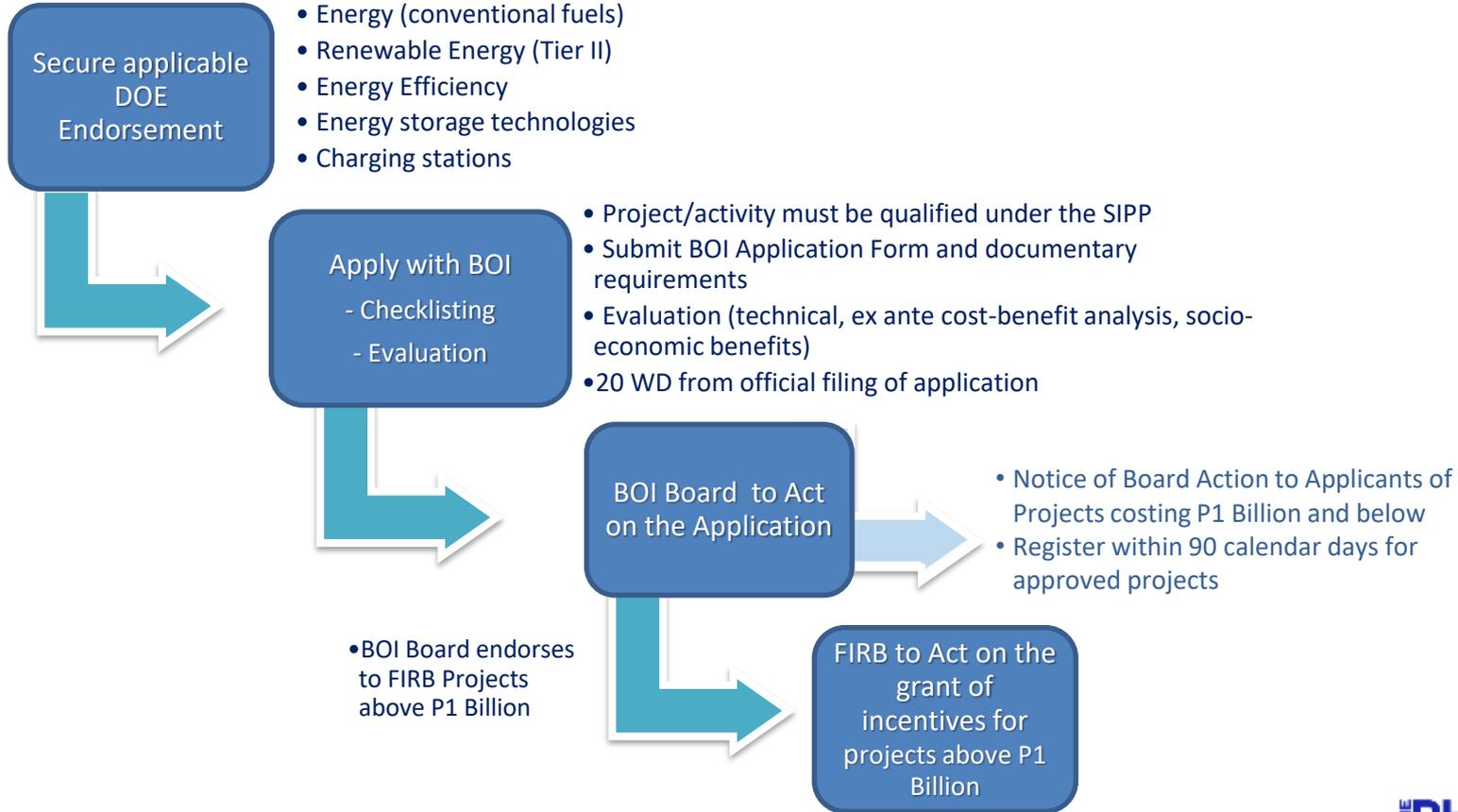
Progression of Incentives based on Industry Tier

LOCATION	TIER I		TIER II		TIER III	
	EXPORT	DOMESTIC	EXPORT	DOMESTIC	EXPORT	DOMESTIC
National Capital Region (NCR)	14 (4 years of ITH and 10 Years of ED/SCIT)	9 (4 years of ITH and 5 Years of ED)	15 (5 years of ITH and 10 Years of ED/SCIT)	10 (5 years of ITH and 5 Years of ED)	16 (6 years of ITH and 10 Years of ED/SCIT)	11 (6 years of ITH and 5 Years of ED)
Metropolitan Areas ¹ or Areas Contiguous and Adjacent to NCR ²	15 (5 years of ITH and 10 Years of ED/SCIT)	10 (5 years of ITH and 5 Years of ED)	16 (6 years of ITH and 10 Years of ED/SCIT)	11 (6 years of ITH and 5 Years of ED)	17 (7 years of ITH and 10 Years of ED/SCIT)	12 (7 years of ITH and 5 Years of ED)
All other areas	16 (6 years of ITH and 10 Years of ED/SCIT)	11 (6 years of ITH and 5 Years of ED)	17 (7 years of ITH and 10 Years of ED/SCIT)	12 (7 years of ITH and 5 Years of ED)	17 (7 years of ITH and 10 Years of ED/SCIT)	12 (7 years of ITH and 5 Years of ED)

¹ Metro Cebu and Metro Davao and other areas declared as metropolitan areas by NEDA or LGUs

² Bulacan (Meycauayan City, San Jose del Monte City), Cavite (Bacoor, Imus, Dasmaringas), Laguna (Binan, Cabuyao, Calamba, San Pedro, Sta. Rosa), Rizal (Antipolo, Cainta, Taytay) per BOI Memorandum Circular No. 2022-002 dated 27 May 2022.

BOI Registration Process for Energy Projects



BOI Documentary Requirements upon Application

- ✓ BOI Application Form (BOI Form 501)
- ✓ Endorsement from the Department of Energy
- ✓ Secretary's Certificate authorizing the firm's official representative to BOI
- ✓ Financial Projections up to 20th year of commercial operations (complete with P&L, Cost of Goods Sold, Operating Expenses, Cash Flow Statements, Balance Sheet)
- ✓ SEC Certificate of Incorporation with Articles of Incorporation and By-Laws or DTI Registration Certificate
- ✓ BIR Certificate of Registration (TIN)
- ✓ Audited Financial Statements for the past 3 years, if available
- ✓ General Information Sheet (GIS), latest
- ✓ Business Model
- ✓ Integrity Pledge
- ✓ Google Map showing specific location of the applied project
- ✓ Environmental Compliance Certificate (ECC) or Certificate of Non-Coverage (NCC), if available, otherwise prior to start of commercial operation
- ✓ Other documents or information as may be required under the SIPP

THE PHILIPPINES

MAKE IT HAPPEN

Thank You!



SPEAK TO OUR TEAM AT
WWW.PHILIPPINES.BUSINESS



www.boi.gov.ph

For project registration:
rbisperd@boi.gov.ph

For other queries:
RBEchague@boi.gov.ph



385 Senator Gil Puyat
Avenue, Makati City