

Voluntary Report – Voluntary - Public Distribution

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Report Name: CREATE to Extend Tariff and Tax Incentives to Source
Agricultural Inputs

Country: Philippines

Post: Manila

Report Category: SP1 - Expand International Marketing Opportunities, Policy and Program
Announcements, Trade Policy Incident Report

Prepared By: Pia Ang

Approved By: Morgan Haas

Report Highlights:

The Philippines has two laws to provide tariff and tax exemptions that support the importation of raw materials and/or inputs for the benefit of local agricultural production. While a 1997 law, AFMA, has long facilitated duty-free imports for a select list of agricultural inputs, the more recent 2021 law, CREATE, has the promise to expand tariff and tax incentives to a priority list of agricultural sub-sectors.

Background:

The Philippines has two laws that provide for the exemption of import duties and taxes on raw materials and/or inputs in order to support local agricultural production.

- The Agriculture Fisheries Modernization Act (AFMA) of 1997
- The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act of 2021

CREATE

[Republic Act \(RA\) No. 11534](#), otherwise known as the CREATE Act was created by the Philippine Congress in response to the COVID-19 pandemic as a fiscal relief to domestic and foreign corporations doing business in the Philippines. President Duterte signed CREATE into law on March 26, 2021. It was published on March 27 and took effect on April 11, 2021. CREATE amended several provisions in the old Tax Code, with a central focus on lowering corporate income tax rates from 30 to 20 percent while including fiscal incentives to attract local and foreign investments in the Philippines. CREATE further enhanced the powers and functions of the [Fiscal Incentives Review Board](#) (FIRB) – the interagency government body given the authority to grant tax incentives to registered business enterprises. The GPH and Congress are currently in consultations to finalize the agricultural subsectors in the Strategic Investment Priorities Plan (SIPP), which will determine eligibility for the incentives under CREATE, including as follows.

TITLE XIII INCENTIVES

Menu of Incentives

- ❑ Income Tax Holiday (ITH)
- ❑ 5% Special Corporate Income Tax (SCIT) based on Gross Income Earned, in lieu of all national and local taxes
- ❑ Enhanced Deductions (EDs)
- ❑ Duty exemption on importation of Capital Equipment, raw materials, spare parts, or accessories
- ❑ VAT exemption on importation and VAT Zero-rating on local purchases

Enhanced Deductions:

1. Depreciation allowance of assets- additional 10% for buildings; and additional 20% for machineries and equipment
2. 50% additional deduction on labor expense
3. 100% additional deduction on R&D
4. 100% additional deduction on training expense given to Filipino employees
5. 50% additional deduction on domestic input expense
6. 50% additional deduction on power expense;
7. Deduction for reinvestment allowance to manufacturing industry - the amount reinvested to a maximum of 50%
8. Enhanced NOLCO

AFMA

[Republic Act 8435](#), simply known as AFMA, was enacted on December 22, 1997. It was designed as a policy instrument aimed at modernizing Philippine agriculture to compete in the global market.

In general, AFMA aimed to transform the agriculture and fisheries sectors to a technology-based, advanced and competitive industry; ensure that the small farmers and fisherfolk have equal access to assets, resources and service; guarantee food security; encourage farmer and fisherfolk groups to bond together for more bargaining power; strengthen people's organizations, cooperatives and non-government organizations by enhancing their participation in decision-making; pursue an aggressive market-driven approach to make the products more competitive in the market; stimulate further processing of agricultural products and make it marketable; and implement policies that will invite more investors to establish business in the country.

The law includes broad-based provisions covering 1) production and marketing support services; 2) human resource development; 3) research development and extension; 4) rural non-farm employment; 5) trade and fiscal incentives; and 6) general provisions.

The [Implementing Rules and Regulations](#) (IRRs) of AFMA grant tariff exemptions on the importation of agriculture and fisheries inputs, machinery and equipment by agriculture enterprise to any single proprietorship, partnership, cooperative, corporation, farmer's organization/association, or juridical entity engaged in the cultivation of the soil, planting of crops, growing of fruit trees, raising of livestock or poultry, the harvesting, and marketing of such farm products, and other farm activities and practices.

Under AFMA, agriculture inputs, machinery and equipment refer to goods that are used or employed in cultivation of the soil, planting of crops, growing of fruit trees, raising of livestock or poultry, the harvesting and marketing of such farm products, and in the conduct of farm activities and practices.

All articles under [Annex "B"](#) imported by qualified agriculture and fisheries enterprises and micro-agricultural processors shall be duty-exempt, including the following agricultural products:

AHTN CODE	AHTN HDG. NO.	DESCRIPTION
01.02	0102.10.00	Pure-bred breeding animals (bovine)
	0102.90.20	Buffaloes
	0102.90.90	Other (live bovine animals)
01.03	0103.10. 00	Pure-bred breeding animals (swine)
01.04	0104.10.10	Sheep, pure-bred for breeding
	0104.10.90	Other (sheep, other than pure-bred for breeding)
	0104.20.10	Pure-bred breeding animals (goats)
	0104.20.90	Other (live goats, other than pure-bred for breeding):
	0104.20.90A	In-Quota

	0104.20.90B	Out-Quota
01.05	0105.11.10	Chicks, for breeding (of the species <i>Gallus domesticus</i> weighing not more than 185g)
	0105.12.10	Turkeys, for breeding, (weighing not more than 185 g)
	0105.19.10	Breeding ducklings
	0105.19.30	Breeding goslings
	0105.92.10	Chicken, for breeding (of the species <i>Gallus domesticus</i> weighing not more than 2,000 g)
	0105.93.10	Chicken, for breeding (of the species <i>Gallus domesticus</i> weighing more than 2,000 g)
01.06	ex 0106.19.00	Other mammals, pure-bred for breeding
	ex 0106.39.00	Other birds, pure bred for breeding
03.01	ex 0301.99.11	Lapu-lapu fry for breeding
	ex 0301.99.19	Other lapu-lapu fry
	0301.99.30A	Milkfish breeder
04.02	ex0402.10.21A	Skim milk, feed grade, not containing added sugar or other sweetening matter, in powder form, in containers of gross weight 20 kg or more
	ex0402.10.21B	Skim milk, feed grade, not containing added sugar or other sweetening matter, in powder form, in containers of gross weight less than 20 kg
	ex0402.10.22A	Skim milk, feed grade, not containing added sugar or other sweetening matter, in other form, in containers of gross weight 20 kg or more
	ex0402.10.22B	Skim milk, feed grade, not containing added sugar or other sweetening matter, in other form, in containers of gross weight less than 20 kg
	ex0402.10.23A	Skim milk, feed grade, containing added sugar or other sweetening matter, in powder form, in containers of gross weight 20 kg or more
	ex0402.10.23B	Skim milk, feed grade, containing added sugar or other sweetening matter, in powder form, in containers of gross weight less than 20 kg
	ex0402.10.29A	Skim milk, feed grade, containing added sugar or other sweetening matter, in other form, in containers of gross weight 20 kg or more
	ex0402.10.29B	Skim milk, feed grade, containing added sugar or other sweetening matter, in other form, in containers of gross weight less than 20 kg
04.04	0404.10.91	Whey, fit for animal feeding
04.07	0407.00.11A	Hens' eggs for breeding
	0407.00.12A	Ducks' eggs for breeding
	0407.00.19A	Other birds' eggs for breeding
05.11	0511.10.00	Bovine semen
	0511.91.10	Dead animals of Chapter 3
	0511.91.20	Roes
	0511.91.30	Artemia eggs (brine shrimp eggs)
	0511.91.90	Other (products of fish or crustaceans, molluscs or other aquatic invertebrates, n.e.s.)

	0511.99.11	Domestic animal semen, of swine, sheep or goats
	0511.99.19	Domestic animal semen, of other animals
	0511.99.20	Silk worm eggs
	0511.99.90	Other animal products, n.e.s.
06.01	0601.10.00	Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, dormant
	0601.20.90	Other (<i>bulbs, tubers, tuberous roots, corms, crowns and rhizomes, in growth or in flower</i>)
06.02	0602.10.10	Orchid cuttings and slips, unrooted
	0602.10.20	Rubber wood (<i>unrooted cuttings and slips</i>)
	0602.10.90	Other (<i>unrooted cuttings and slips</i>)
	0602.20.00	Trees, shrubs and bushes, grafted or not, of kinds which bear edible fruit or nuts
	0602.30.00	Rhododendrons and azaleas, grafted or not
	0602.40.00	Roses, grafted or not
	0602.90.10	Rooted orchid cuttings and slips
	0602.90.20	Orchid seedlings
	0602.90.30	Aquarium plants
	0602.90.40	Budded rubber stumps
	0602.90.50	Rubber seedlings
	0602.90.60	Rubber budwood
	0602.90.90	Other live plants
07.01	0701.10.00	Seed potatoes, fresh or chilled
07.13	0713.10.10A	Peas (<i>Pisum sativum</i>), for sowing, in containers exceeding 45 kg g.w.
	0713.10.10B	Peas (<i>Pisum sativum</i>), for sowing, in containers less than 45 kg g.w.
	0713.40.10	Lentils, for sowing
	0713.40.90	Other (<i>lentils not for sowing</i>)
08.01	ex 0801.31.00	Cashew nuts in shell, for planting
10.05	1005.10.00	Maize (corn) seed
10.08	1008.10.00	Buckwheat
	1008.20.00	Millet
	1008.30.00	Canary seed
12.01	1201.00.10	Soya beans, for sowing*
12.06	1206.00.00	Sunflower seeds, whether or not broken
12.07	1207.20.00	Cotton seeds
	1207.30.00	Castor oil seeds
12.09	1209.21.00	Lucerne (alfalfa) seed
	1209.22.00	Clover (<i>Trifolium</i> spp.) seed

	1209.23.00	Fescue seed
	1209.24.00	Kentucky blue grass (<i>Poa pratensis</i> L.) seed
	1209.25.00	Rye grass (<i>Lolium multiflorum</i> Lam., <i>Lolium perenne</i> L.) seed
	1209.26.00	Timothy grass seed
	1209.30.00	Seeds of herbaceous plants cultivated principally for their flowers
	1209.91.00	Vegetable seeds
	1209.99.10	Rubber seeds, kenaf seeds
	1209.99.90	Other (<i>seeds, fruit and spores, of a kind used for sowing</i>)
23.01	2301.10.00	Flours, meals and pellets, of meat or meat offal; greaves (unfit for human consumption)
	2301.20.00	Flours, meals and pellets, of fish or of crustaceans, molluscs or other aquatic invertebrates
23.03	2303.10.10	Residues of starch manufacture and similar residues, of manioc or sago
	2303.10.90	Other (<i>residues of starch manufacture and similar residues</i>)
23.04	2304.00.00	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya-bean oil
23.09	2309.90.13	Prawn feeds
	2309.90.20	Premixes, feed supplements and feed additives

Attachments:

No Attachments.