

PROVIDING INCENTIVES FOR INTERNAL EXPORTS

LETTER OF INSTRUCTIONS No. 1355, September 24, 1983

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TO:

The Ministry of Trade and Industry, The. Ministry of Finance, The Central Bank of the Philippines, The Ministry of Labor and Employment, The Board of Investments

WHEREAS, fiscal incentives can be utilized to increase the level of foreign exchange of the country to finance developmental requirements;

WHEREAS, gift giving is a part of the Filipino Cultural heritage which is observed by Filipinos by sending or bringing gifts to relatives and friends usually in the form of foreign-manufactured goods;

WHEREAS, Philippine-made products can easily equal if not surpass foreign-made articles;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby declare and instruct the following:

- It is hereby declared to be a policy of the state to encourage the patronage of Philippine made products by providing appropriate incentives therefor, to Filipinos abroad and other non-residents of the Philippines, as well as returning overseas Filipinos.

- Goods paid for foreign exchange by the above mentioned persons shall be governed by the following:

a)

Goods assembled or manufactured in the Philippines for household and personal use, when paid for in convertible foreign currency inwardly remitted through the banking system in the Philippines, termed as foreign exchange denominated sales or internal exports, shall be exempt from the payment of gift taxes and percentage tax on sales under the National Internal Revenue Code as amended.

b)

In order to ensure effective implementation, the Philippines International Trading Corporation (PITC) is hereby designated as the implementing agency for this Program, by way of distributing these products. The PITC will work with the private sector in pursuing the objectives of this program subject to the implementing rules and regulations to be prepared by an Inter-Agency Committee chaired by the Ministry of Trade and Industry and composed of the Ministry of Finance, the Central Bank of the Philippines, Ministry of Labor and Employment, the Board of Investments and the PITC.

c)

The manufacturers of the goods considered as internal exports shall be entitled to a tax, credit equivalent to the sales, compensating, and specific taxes and duties on supplies, raw materials and semi-manufactured products used in the manufacture of the said internal exports. A provision for standard costing of the products may be established by the Inter-Agency Committee.

d)

The foregoing fiscal incentives shall, however, apply only to sales not exceeding an aggregate foreign exchange value of One Thousand United States Dollars (US\$1,000.00) or its equivalent in other convertible foreign currencies.

- Finished goods imported into the Philippines even if paid for in foreign currency, shall not be entitled to the fiscal incentives provided under this LOI.

- The Ministry of Trade and Industry, under an International Gift-giving program, is hereby authorized to make available the facilities of its foreign trade services network in the promotion of the products envisioned under this LOI. Moreover, said Ministry shall cause to be published and distributed a catalogue of products to be eligible to participate in such program under such rules and regulations as the Inter-Agency Committee shall adopt and promulgate.

- Any and all statutes, orders, rules, regulations or parts thereof inconsistent herewith are hereby repealed or modified accordingly.

- These orders and instructions shall take effect immediately.

Done in the City of Manila, this 24th day of September, in the year of Our Lord; nineteen hundred and eighty-three.

(Sgd.) FERDINAND E. MARCOS

President of the Philippines

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