NATIONAL ADMINISTRATIVE REGISTER · [DA JOINT ADMINISTRATIVE ORDER NO. 1, S. 1996 (DA-DILG-DAR-DTI-DENR-DOST), APRIL 23, 1996]

IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 7900, OTHERWISE KNOWN AS THE HIGH-VALUE CROPS DEVELOPMENT ACT OF 1995

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Pursuant to the provisions of Republic Act No. 7900, otherwise known as the High-Value Crops Development Act of 1995 which was enacted on February 23, 1995, the following rules and regulations are hereby adopted in order to carry out and enforce the provisions of the Act.

Rule I

Statement of Policy and Objectives

SECTION 1. The rules and regulations were formulated in consonance with the declared policy of the State to accelerate the growth and development of agriculture in general, enhance productivity and incomes of farmers and the rural population, improve investment climate, competencies and efficiency of agribusiness and develop high-value crops as export crops that will significantly augment the foreign exchange earnings of the country, through an all out promotion of the production, processing, marketing and distribution of high-value crops in suitable areas of the country by both the government and the private sector.

The guidelines, moreover, reflect the avowed policy of the State to effect an efficient use of land and enforce the principles that land has a social function and that land ownership has a social responsibility attached to it.

SECTION 2. The general objective of these guidelines is to insure the proper, effective and efficient implementation and enforcement of the provisions of R.A. No. 7900 in order to enhance the development of high-value crops in the Philippines.

The specific objectives are as follows:

1. Define and clarify terms for uniformity of interpretation by all implementors of the Act.

2. Define and clarify institutional roles and responsibilities of implementing agencies and proponents (e.g., farmer-cooperative, commercial producers, etc.).

3. Define mechanics of implementing tenurial arrangements as well as the various services offered by the Act through the different agencies such as the incentives/privileges, credit assistance, market linkage, technical support, etc.

4. Define and clarify the management and disbursement of the High-Value Crops Development Fund (HVCDF).

Rule II

Scope and Coverage

SECTION 1. Scope and Coverage — The implementing rules and regulations shall cover upland dwellers, lowland

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tenants, indigenous and cultural communities, Comprehensive Agrarian Reform Program (CARP) beneficiaries, upland farm owners, farmers, farmers' organizations/associations/cooperatives community associations, farmworkers and other entities material to the success of the implementation of the law such as agro-processors, input suppliers, corporations engaged in, but not limited to transportation, warehousing, packaging, NGOs and to the extent herein provided, the departments, offices, agencies, subdivisions, branches or instrumentalities in the areas identified by the Department of Agriculture (DA) as key commercial crop production areas.

Rule III

Definition of Terms

SECTION 1. Definition of Terms — When used in relation to the implementation of these rules and regulations, the following terms shall be defined as follows:

1. Non-Traditional Crops — shall refer to crops other than rice, corn, coconut and sugarcane.

2. High-Value Crops — shall refer to crops that can be optimally and sustainably produced in the area and which can generate revenues higher than that of traditional crops. Such crops include, but are not limited to: coffee and cacao, fruit crops (citrus, cashew, guyabano, papaya, mango, pineapple, strawberry, jackfruit, rambutan, durian, mangosteen, guava, lanzones and watermelon), root crops (potato and ubi), vegetable crops (asparagus, broccoli, cabbage, celery, carrots, cauliflower, radish, tomato, bell pepper and patola), legumes (pole sitao, snap beans and garden pea), spices and condiments (black pepper, garlic, ginger, and onion), and cutflower and ornamental foliage plants (chrysanthemum, gladiolus, anthuriums, orchids, and statice).

The priority crops identified under the Department of Agriculture's Key Commercial Crops Development Program (KCCDP) shall be considered as HVC.

3. Idle and Abandoned Land — shall refer to any agricultural land not cultivated, tilled or developed to produce any crop devoted to any specific economic purpose continuously for a period of three (3) years immediately prior to the receipt of notice of acquisition by the government as provided under CARP, but does not include land that has become permanently or regularly devoted to non-agricultural purposes. It does not include land which has become unproductive by reason of force majeure or any other fortuitous event, provided that such land was previously used for agricultural or other economic purpose.

4. Alienable and Disposable Land — shall refer to those lands of the public domain which have been the subject of the present system of classification and declared as not needed for forest purposes.

5. Forest Land — shall refer to the lands of the public domain which have not been declared as alienable or disposable, public forests, permanent forests or forest reserves, forest reservations, timber land, grazing lands, game refuge, and bird sanctuaries.

6. Marginally Suitable Land — shall refer to land with severe physical limitations for the sustained application of a given land use. The productivity of marginally suitable land is slow; an increase of expenditure on required inputs is only marginally justified (Food Agriculture Organization, 1976). A land is considered marginal if it exhibits one or all of the following traits: (1) located in an ecozone with high climatic variability; (2) exposed to the threat of soil degradation; (3) manifests diminishing returns to production inputs; and (4) requires a high level of management to sustain productivity. (Report of Asian Productivity Organization [APO] Seminar on Development of Marginal Land, 1992).

7. Cooperative — shall refer to a duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve a lawful common social, economic end, making equitable contributions to

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the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.

8. Farmers' Organization — shall refer to farmers' cooperatives, associations, or corporations duly registered with appropriate government agencies and which are composed primarily of small agricultural producers, farmers, farmworkers and other agrarian reform beneficiaries who voluntarily join together to form business enterprises which they themselves own, control and patronize.

9. Small Scale Commercial Producer — shall refer to grower/producer with total projects worth fifteen million pesos (P15,000,000) and below.

10. Farmworker — shall refer to a natural person who renders service for value as an employee or laborer in an agricultural enterprise or farm regardless of whether his compensation is paid on a daily, weekly, monthly or "pakyaw" basis.

11. Upland Farming — shall refer to planting of upland crops which usually require less water than other crops, as in non-irrigated and elevated farm areas.

12. Certified Seed — shall refer to seeds that passed the seed certification standards of the Bureau of Plant Industry (BPI) and which are the progeny of foundation, registered or certified seeds that are so handled as to maintain satisfactory genetic identity and varietal purity.

13. Good Seeds — shall refer to seeds that are the progeny of certified seeds so handled as to maintain a minimum acceptable level of genetic purity and identity and which is selected at the farm level.

14. Private Sector — shall refer to entities not belonging to the government.

Rule IV

Site Identification

SECTION 1. The Department of Agriculture and the Department of Agrarian Reform, in coordination with the Department of Environment and Natural Resources and the Department of Interior and Local Government/Local Government Units and the private sector, shall determine the areas nationwide that have comparative advantage in the production of specific high-value crops. These areas which have been identified as having comparative advantage shall be given priority in the implementation of this Act. For an area to have comparative advantage, the following basic criteria should have been met:

a) favorable agro-climatic conditions (e.g. land, water resources and climate are suitable for the crop)

b) accessibility to markets

c) availability of support facilities (e.g. irrigation, transport, roads, etc.)

d) availability of viable groups (e.g. cooperatives and farmers' association with existing economic projects)

SECTION 2. The Department of Agriculture and Department of Agrarian Reform (DAR), in coordination with the Department of Environment and Natural Resources (DENR) and Department of Interior and Local Government/Local Government Units (DILG/LGUs) and the private sector, shall also identify specific locations which are potential areas for specific high value crops, i.e., they met the criteria in Section 1, Rule IV. The aforementioned agencies shall consequently identify and prepare specific development interventions needed for these potential areas to totally meet the criteria for comparative advantage. These agencies are encouraged to consult with farmers' groups and the private sector as much as possible.

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SECTION 3. The suitable sites shall include the 1.3 million hectares of marginally suitable rice and corn areas and 1.2 million hectares of existing commercial crop areas, as provided in the Key Commercial Crops Development Program of the Department of Agriculture as well as areas planted to coconuts which can be intercropped with high value crops.

SECTION 4. The Department of Agriculture and Department of Agrarian Reform, in coordination with Department of Environment and Natural Resources and Department of Interior and Local Government/Local Government Units and the private sector, shall determine the suitable areas for high-value crops production within 6 months after the effectivity of the High Value Crops Act.

SECTION 5. The Department of Agriculture, Department of Environment and Natural Resources, Department of Agrarian Reform and Department of Interior and Local Government/Local Government Units and the private sector shall review identified sites every year to ensure consistency with their respective mandates/programs and the national land use policy. These agencies are encouraged to consult with farmer-groups and private sector in the review of identified sites.

Rule V

Tenurial Arrangement

SECTION 1. Farmer-cooperatives and associations including indigenous cultural communities who are actually tilling or cultivating the land to be allocated, and living in the areas or adjacent barangay, shall have priority in availing of the tenurial arrangements under the High-Value Crops Development Program (HVCDP).

SECTION 2. The Department of Agrarian Reform (DAR) and the Department of Environment and Natural Resources (DENR), in coordination with the Department of Agriculture (DA), may allow the use of lands under their administrative jurisdiction issuing the tenurial instruments under their various programs which are appropriate to the intents and purposes of R.A. 7900.

SECTION 3. Subject to the conditions imposed by the concerned agencies in Section 2 above, and in accordance with Section 6 of R.A. 7900, farmer-cooperatives may lease the lands for a period of twenty-five (25) years, renewable for another twenty-five (25) years, and not to exceed one thousand (1,000) hectares in area.

Rule VI

Farm Model for High-Value Crops Production

SECTION 1. The farm model for high-value crops production shall adhere to the Key Production Area or KPA development approach of the Department of Agriculture to enable the sector to achieve the program's objectives as stated in Rule I, particularly those relating to the promotion of High-Value Crops as preferred areas of investment and their development as export crops/products.

SECTION 2. The KPA development approach seeks to modernize the agriculture sector in general, and high-value crops production in particular, in order to achieve world competitiveness and empower the program participants. Modernization shall enable the country to produce world class products for the world market and for these products to compete on an even footing with imports in the domestic market. Modernizing the agricultural sector shall provide the base for industrialization as increased productivity shall allow farm and rural labor to move into industry.

SECTION 3. The KPA approach encourages farmers/proponents to produce high-value crops only in those areas of the country where the land, water resources and climate are suitable for those commodities, and where ready

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markets are available.

SECTION 4. The farmers/proponents preferably have control over resources, to make high-value crops production profitable.

SECTION 5. Farmers/proponents of the HVC model may organize themselves into cooperatives and thus qualify to benefit from government's assistance in terms of needed technical and institutional support. The Department of Agriculture, Department of Agrarian Reform, Department of Environment and Natural Resources, Department of Interior and Local Government/Local Government Units and Cooperative Development Authority (CDA) shall provide the needed technical and social infrastructure support to develop cooperatives.

SECTION 6. To attain economies of scale, farmer-members shall collectively manage individual farms to handle all phases of production, processing, marketing, and distribution of high-value crops, including joint venture agreements with the private sector.

SECTION 7. The farmers/proponents, as agribusiness entrepreneurs, shall by themselves or through a mechanism, which they shall establish, keep records and financial statements such as Income Statement, Cashflow and Balance Sheet.

SECTION 8. The farmers/proponents shall complement increase in productivity with a deliberate effort to maintain/enhance the quality of the environment and conservation of the country's resources.

Rule VII

The High-Value Crops Development Fund (HVCDF)

SECTION 1. The High-Value Crops Fund, of which 60% shall be utilized for direct lending and the remaining 40% for guarantee operations, shall compromise an initial capitalization of one billion pesos (P 1B) to be sourced from the:

a) Comprehensive Agricultural Loan Fund (CALF)

b) Donation or grants from private or government agencies, either domestic or foreign; and

c) Borrowings from local and international financial institutions.

SECTION 2. The Department of Agriculture shall be directly responsible for the management of the HVC Fund. As such, it shall, through the Agricultural Credit Policy Council (ACPC) and in coordination with the Bangko Sentral ng Pilipinas (BSP):

a) define the procedures for allocation of HVC funds to Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP) and other qualified lending institutions;

b) develop accreditation requirements and selection of participating lending institutions;

c) define availment criteria; and

d) develop systems and procedures for managing the 40% of the HVC Fund allocated as guarantee fund.

SECTION 3. Whenever so required, the Department of Agriculture, in collaboration with support agencies notably the Agricultural Credit and Policy Council, shall undertake the necessary steps related to the sourcing, establishment, and/or augmentation of the HVC Fund. This shall be the case especially in instances when any of the pre-identified fund sources proves inadequate or requires follow-up action.

SECTION 4. To induce especially private lending for high-value crops, a guarantee program shall be developed

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using existing guarantee facilities such as that of QUEDANCOR.

SECTION 5. The Land Bank of the Philippines, Development Bank of the Philippines and other qualified lending institutions shall manage the direct lending operations of the HVC Fund through their facilities or conduits. As such, credit assistance shall be extended in accordance with the banks' lending policies and terms and conditions such as, but not limited to, the interest rate, project/proponent acceptance criteria, and terms of loan payment.

SECTION 6. Participating banks lending at least 5% of their loanable funds directly to farmers' associations or cooperatives without alternative compliance are exempted from the compliance requirement under P.D. No. 717.

SECTION 7. Maturity of Loans —

a) While Section 79 General Banking Act provides that the maximum grace period for a long term loan is only three (3) years, financial institutions participating in financing development projects have been allowed by the Bangko Sentral ng Pilipinas (BSP) to extend credits with grace periods longer than three (3) years.

b) Loan maturities shall be based on the economic life of the project to be financed and the projected cash flow to be derived from the project.

Rule VIII

Incentives and Privileges

SECTION 1. Qualified participants shall be extended incentives by the participating agencies subject to the rules and regulations promulgated by the said agencies.

SECTION 2. Crop Insurance — The Philippine Crop Insurance Corporation (PCIC) shall expand the coverage of its market-rated Commercial Crop Insurance Program to include feasible high-value crops.

The Philippine Crop Insurance Corporation may also develop and extend appropriate guarantee schemes for high-value crops to support or complement other existing guarantee institutions such as the Quedan and Rural Credit Guarantee Corporation (QUEDANCOR).

SECTION 3. Credit Assistance — The financing assistance, to be funded out of the special High-Value Crops Development Fund (hereinafter referred to as HVC Fund), shall be loaned out to the following beneficiaries:

a) Farmer-cooperatives. Once organized into cooperatives, farmers are better able to efficiently manage the available resources and factors of production they need to sustain high-value crop enterprises. Qualified farmer-cooperatives may be engaged in any or all high value crop ventures such as production, processing, marketing and distribution.

b) CARP beneficiaries, farmer-organizations/associations and indigenous people.

c) Individual farmers (upland dwellers, lowland tenants, upland farm owners, farmworkers) and small scale commercial producers.

Availment of the credit assistance, either for production, processing, postharvest or any related purpose, shall be guided by the regular bank lending policies or whatever arrangements for affordable financing that may be evolved with the designated lending conduits including the Land Bank of the Philippines, Development Bank of the Philippines and other qualified financial institutions.

SECTION 4. Credit Guarantee — The Quedan and Rural Credit Guarantee Corporation (QUEDANCOR) shall extend a credit guarantee cover to enhance the bankability of projects. QUEDANCOR shall be provided with a guarantee fund in the form of equity, out of the HVCDF.

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SECTION 5. Grace period on lease of government land payments. Whenever applicable, proponents shall effect payment not earlier than 2 years after the lease agreement is signed and approved. Grace period shall depend on the gestation period of the crops.

SECTION 6. Tax Exemption — Participating farmer-cooperatives shall be entitled to the following exemptions:

a) Exemption from taxes and duties and subject to the provisions of Article 62 of Republic Act No. 6938 or the Cooperative Code of the Philippines (Appendix A);

b) Exemption from the Value-Added tax in accordance with Section 103 of the National Internal Revenue Code, as amended (Appendix B); and

c) Exemption from taxes, fees and charges under Title One, Book Two of the Local Government Code of 1991 in accordance with Section 133 (n) of the said Code (Appendix C).

SECTION 7. Tax Rebates — Agro-processing firms buying directly from farmer-cooperatives shall be granted tax rebates equivalent to the rates as may be fixed by law.

SECTION 8. Marketing Assistance —

a) The Agribusiness Group of the Department of Agriculture shall coordinate with the Department of Trade and Industry (DTI) and the private sector in promoting high-value crops and linking up farmer-cooperatives and other producers of high-value crops with the local and export markets to assure relatively higher and stable prices.

b) It shall tap the private sector for joint ventures, contract growing and other contracting arrangements with farmer-cooperatives.

c) It shall likewise coordinate with various agencies/organizations concerned on the following activities:

> (1) Ensuring fair trade practices with the Bureau of Trade Regulation and Consumer Protection (BTRCP) in the trading of high-value crops and with the Bureau of Food and Drugs (BFAD) and the Fertilizer and Pesticide Authority (FDA) on health standards of high value crops products;
>
> (2) Establishment, implementation and promulgation of product standards with the Postharvest Horticultural Training and Research Center (PHTRC), Bureau of Plant Industry (BPI) and Bureau of Product Standards, respectively; and
>
> (3) Transfer of technologies on packaging, preservation, conservation and transporting of high-value crops with the NAPHIRE, BAR and PHTRC.

SECTION 9. Technical Support —

a) Research and Development - The Bureau of Agricultural Research (BAR) shall coordinate with the Philippine Council for Agriculture, Forestry and Natural Resources Research and Development (PCARRD), State Universities and Colleges (SUCs) and the private sector in developing, commercializing and disseminating packages of appropriate and environment-friendly technologies in the areas of production (particularly research on varietal improvement and superior crop varieties), postharvest, handling, agri-processing, farm mechanization/engineering, and soil and water management for high value crops.

b) Training and Extension - The training component shall address the identified gaps in the proponent's capabilities in the production, processing, marketing and distribution of high-value crops. Training shall be geared towards an agribusiness orientation including entrepreneurship and enterprise development. The Agricultural Training Institute (ATI) shall initiate such training programs, in coordination with Cooperative Development Authority (CDA), Department of Interior and Local Government/Local Government Units and with relevant

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specialized institutions who can lend their expertise in training the proponents.

All abovementioned agencies shall identify private sector or other sources where such technical support (e.g., information and technologies) may be obtained.

SECTION 10. Infrastructure Support — High-value crop production areas shall be the focus of infrastructure investments of the government. These include farm-to-market roads, irrigation systems, trading centers/complexes and ports. Services of concerned government agencies such as Department of Public Works and Highways (DPWH), National Irrigation Administration (NIA), Bureau of Soils and Water Management (BSWM), Department of Transportation and Communication (DOTC), Agricultural Engineering Group of the Department of Agriculture, Department of Trade and Industry (DTI), Department of Interior and Local Government/Local Government Units (DILG/LGUs) and the private sector shall be tapped in constructing these facilities. Whenever possible, these infrastructures shall be established through the Build-Operate-Transfer (BOT) scheme.

SECTION 11. Postharvest Facilities — The National Postharvest Institute for Research and Extension (NAPHIRE) shall coordinate with concerned government agencies in taking an inventory of existing processing, storage, distribution/transport and other postharvest facilities and facilitating the access of proponents to such facilities. It shall also help promote the development of appropriate postharvest technologies by farmers in coordination with research institutions and extension forces to promote the competitiveness of HVC in both local and international markets. Efforts shall be directed towards raising sectoral awareness on various postharvest practices for HVC and the establishment of cooperative-run, agro-processing enterprises.

Credit assistance, in the form of soft loans, shall be granted by Land Bank of the Philippines, Development Bank of the Philippines and other participating banking institutions for the construction/establishment of postharvest, processing and storage facilities.

SECTION 12. Good Seeds and Planting Materials — The Bureau of Plant Industry shall coordinate with State Universities and Colleges (SUCs), private seed companies, government breeding institutions, farmer-organizations and other agencies and institutions engaged in the production of seeds, to make available good seeds and planting materials of improved varieties to ensure high yield and good quality produce. Project proponents maybe allowed to import, free of duties, high quality seeds/planting materials subject to quarantine laws and Section 15 of R.A. 7308 (Seed Act). TAcSaC

SECTION 13. Fiscal Incentives — The proponents shall apply for fiscal incentives, which must be consistent with the Investment Priorities Plan (IPP), to the Board of Investments pursuant to the provisions of E.O. 226 otherwise known as the Omnibus Investment Code, as amended.

Rule IX

High-Value Crops Development Program Coordinating Office

SECTION 1. The Department of Agriculture, through the Agribusiness Group, shall have the overall responsibility of directing and coordinating the activities of its bureaus and attached agencies as well as the activities of other government agencies in the executive department and representatives of non-government organizations and the private sector in the implementation of the High-Value Crops Development Program.

SECTION 2. The Agribusiness Group shall be strengthened to coordinate, implement and monitor the Program. As such, it shall be authorized to hire additional manpower, to contract the services of consultancy firms and to acquire needed resources. In addition to its functions, the Agribusiness Group shall:

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a) Assist in the formulation of general and specific policies for the development of high-value crops;

b) In coordination with other government agencies, spearhead provision of marketing assistance through dissemination of market information, overseas market intelligence, market-matching and promotion.

c) promote the establishment of wholesale markets in major trading centers of the country, in coordination with the Department of Trade and Industry; provided that collection centers may also be established in areas where feasible and that the center may also serve as buying stations of farm products/inputs, packinghouse, pickup points and meeting place of farmers'/growers' cooperatives;

d) Establish linkages with various government and private research institutions for the conduct of studies and researches designed to promote the production and processing and marketing of high-value crops; and

e) Set-up commodity-based data bank.

f) Promote investments in high-value crops by conducting Agribusiness Investment Clinics (AICs) and/or investment counseling to interested investors based on credible/viable researches/studies relative to high-value crops.

g) Assist in packaging investment projects pertaining to HVCs.

h) Set-up a monitoring and evaluation mechanism to ensure effective feedback of the program undertakings.

SECTION 3. The Regional Agribusiness Section of the Department of Agriculture shall be designated as the Regional Program Coordinating Office with the DA Assistant Regional Director for Crops, as head of the office.

SECTION 4. Functions and Responsibilities of the Regional Program Coordinating Office:

a) Establish linkages and working mechanisms with other government agencies, Local Government Units, private sector, farmers' cooperatives, State Universities and Colleges and other agribusiness institutions;

b) In coordination with public and private sectors, prepare and develop the regional high-value crops development program;

c) Coordinate, monitor and evaluate the implementation of the regional high-value crops development program in the region;

d) Submit reports of performance and accomplishments to the Regional Director and to the Agribusiness Group; and

e) Perform other functions related to development of high-value crops in the region.

Rule X

Miscellaneous Provisions

SECTION 1. Funding — The Department of Budget and Management (DBM) shall appropriate the necessary funding to carry out the provisions of High-Value Crops Development Act under the General Appropriations Act every year.

SECTION 2. Repealing Clause — All existing rules and regulations or parts thereof inconsistent with the provisions of these IRRs are hereby repealed, superseded or modified accordingly, except the implementing rules of the Comprehensive Agrarian Reform Law and other laws on agrarian reform.

SECTION 3. Separability Clause — If any of the provisions of these IRRs is declared invalid, the other provisions

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not affected thereby shall remain in full force and effect.

SECTION 4. Amendments — These rules may be amended or revised by the Secretary of Agriculture after consultations with the different agencies concerned, in order to fully implement the intents of the High-Value Crops Act with due publication.

SECTION 5. Effectivity Clause — These IRRs shall take effect immediately following its publication in a newspaper of general circulation or in the Official Gazette, whichever comes first.

Adopted: 23 Apr. 1996

(SGD.) ROBERTO S. SEBASTIAN
Secretary, Department of Agriculture

(SGD.) RAFAEL M. ALUNAN III
Secretary, Department of Interior & Local Government

(SGD.) ERNESTO D. GARILAO
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(SGD.) VICTOR O. RAMOS
Secretary, Department of Environment & Natural Resources

(SGD.) DR. WILLIAM G. PADOLINA
Secretary, Department of Science & Technology

ATTACHMENTS:

APPENDIX A

Tax Exemptions

Rule VIII, Section 6

ARTICLE 62. Tax and Other Exemptions — Cooperatives transacting business with both members and non-members shall not be subject to tax on their transactions to members. Notwithstanding the provisions of any law or regulation to the contrary, such cooperatives dealing with non-members shall enjoy the following tax exemptions:

1) Cooperatives with accumulated reserves and undivided net savings of not more than ten million pesos (P10,000,000.00) shall be exempt from all national, city, provincial, municipal or barangay taxes of whatever name and nature. Such cooperatives shall be exempt from custom duties, advance sales or compensating taxes on their importation of machineries, equipment and spare parts use by them and which are not available locally as certified by the Department of Trade and Industry. All tax-free importations shall not be transferred to any person until after (5) years, otherwise, the cooperative and the transferee or assignee shall be solidarily liable to pay twice the amount of the tax and/or duties thereon.

2) Cooperatives with accumulated reserves and undivided net savings of more than ten million pesos

(P10,000,000.00) shall pay the following taxes at the full rate:

(a) Income Tax — On the amount allocated for interest on capital. Provided, that the same tax is not consequently imposed on interest individually received by members;

(b) Sales Tax — On sales to non-members. Provided, however, that all cooperatives, regardless of classification, are exempt from the payment of income and sales taxes for a period of ten (10) years.

For cooperatives whose exemptions were removed by Executive Order No. 93, the ten-year period shall be reckoned from the effectivity date of said Executive Order. Cooperatives created after the approval of this Code shall be granted the same exemptions, the period of which shall be reckoned from the date of registration with the Authority: Provided, That at least twenty-five percent (25%) of the net income of the cooperatives is returned to the members in the form of interest and/or patronage refunds;

(c) All other taxes unless otherwise provided herein; and

(d) Donations to charitable, research and educational institutions and reinvestment to socio-economic projects within the area of operation of the cooperative may be tax deductible.

3) All cooperatives, regardless of the amount of accumulated reserves and undivided net savings shall be exempt from payment of local taxes and taxes on transactions with banks and insurance companies: Provided, that all sales or services rendered for non-members shall be subject to the applicable percentage taxes except sales made by producers, marketing or service cooperative; Provided, further, That nothing in this article shall preclude examination of the books of account or other accounting records of the cooperative by duly authorized internal revenue officers for internal revenue tax purposes only, after previous authorization by the Authority.

4) Any judge in his capacity as notary public, ex-officio, shall render service, free of charge, to any person or group of persons requiring either the administration of oath or the acknowledgment of articles of cooperation of a cooperative applicant for registration and instruments of loan from cooperatives not exceeding fifty thousand pesos (P50,000.00).

5) Any register of deeds shall accept for registration, free of charge, any instrument relative to a loan made under this Code which does not exceed fifty thousand pesos (P50,000.00) or the deeds of title or any property acquired by the cooperative or any paper or document drawn in connection with any action brought by the cooperative or with any court judgment rendered in its favor or any instrument relative to a bond of any accountable officer of a cooperative for the faithful performance of its duties and obligations.

6) Cooperatives shall be exempt from the payment of all court and sheriffs fees payable to the Philippine Government for and in connection with all actions brought under this Code, or where such action is brought by the Cooperative Development Authority before the court, to enforce the payment of obligations contracted in favor of the cooperative.

7) All cooperatives shall be exempt from putting up a bond for bringing an appeal against the decision of an inferior court or for seeking to set aside any third party claim: Provided, That a certification of the Authority showing that the net assets of the cooperative are in excess of the amount of the bond required by the court in similar cases shall be accepted by the court as sufficient bond.

8) Any security issued by a cooperative shall be exempt from the provisions of the Securities Act provided such security shall not be speculative.

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APPENDIX B

SECTION 103. Exempt Transactions — The following shall be exempt from the value-added tax:

a) Sale of non-food agricultural, marine and forest products in their original state by the primary producer or the owner of the land where the same are produced.

b) Sale of importation in their original state of agricultural and marine food products; livestock and poultry of a kind generally used as, yielding or producing food for human consumption; breeding stock and genetic materials therefor.

Products classified under this paragraph and paragraph (a) shall be considered in their original state even if they have undergone the simple processes of preparation or preservation for the market, such as freezing, drying, salting, smoking or stripping. Polished and/or husked rice, corn grits and raw cane sugar shall be considered in their original state for purpose of this paragraph.

c) Sale or importation of fertilizers, pesticides and herbicides; chemicals for the formulation of pesticides; seeds, seedlings and fingerlings; fish, animal and poultry feeds; and soya bean and fish meals;

d) Sale or importation of petroleum products (except lubricating oil, processed gas, grease, wax and petrolatum) subject to excise tax imposed under Title VI.

e) Sale or importation of raw materials to be used by the buyer or importer himself in the manufacture of petroleum products (except lubricating oil and grease) subject to excise tax;

f) Printing, publication, importation or sale of books and any newspaper, magazine, review or bulletin which appears at regular intervals with fixed prices for subscription and sale and which is not devoted principally to the publication of advertisements;

g) Importation of passenger and/or cargo vessel of more than ten thousand tons, whether coastwise or ocean-going, including engine and spare parts of said vessel, to be used by the importer himself as operator thereof;

h) Importation of personal and household effects belonging to residents of the Philippines returning from abroad and non-residents citizens coming to resettle in the Philippines: Provided, That such goods are exempt from customs duty under the Tariff and Customs Code of the Philippines;

i) Importation of professional instruments and implements, wearing apparel, domestic animals, and personal household effects (except any vehicle, vessel, aircraft, machinery, other goods for use in manufacture and merchandise of any kind in commercial quantity) belonging to persons coming to settle for the first time in the Philippines, for their own use and not for sale, barter or exchange, accompanying such persons, or arriving within ninety days before or after their arrival, upon the production of evidence satisfactory to the Commissioner of Internal Revenue, that such persons are actually coming to settle in the Philippines and that the change of residence is bona fide;

j) Services rendered by persons subject to percentage tax under Title V;

k) Services by agricultural contract growers and milling for others of palay into rice, corn into grits and sugar cane into raw sugar;

l) medical, dental, hospital and veterinary services;

m) Educational services rendered by private educational institutions, duly accredited by the Department of

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Education, Culture and Sports, and those rendered by government educational institutions;

n) Sale by the artist himself of his works of art, literary works, musical compositions and similar creations, or his services performed for the production of such works;

o) Services performed as actors or actresses, talents, singers and emcees; radio and television broadcasters, choreographers; musical, radio, movie, television and stage directors;

p) Services performed as professional athletes;

q) Leasing of real property;

r) Services performed in the exercise of profession or calling (except customs brokers) subject to the occupation tax under the Local Tax Code, and professional services performed by registered general professional partnerships;

s) Services rendered by individuals pursuant to an employer-employee relationship;

t) Services rendered by regional or area headquarters established in the Philippines by multinational corporations which act as supervisory, communications and coordinating centers for their affiliates, subsidiaries or branches in the Asia-Pacific Region and do not earn or derive income from the Philippines;

u) Transactions which are exempt under special laws or international agreements to which the Philippines is a signatory;

v) Export sales by persons who are not VAT-registered; and

w) Sales and/or services performed by persons other than those mentioned in the preceding paragraphs whose annual gross sales and/or receipts do not exceed the amount prescribed in regulations to be promulgated by the Secretary of Finance which shall not be less than P100,000 or higher than P500,000.

APPENDIX C

SECTION 133. Common Limitations on the Taxing Powers of Local Government Units — Unless otherwise provided herein, the exercise of the taxing powers of provinces, cities, municipalities, and barangays shall not extend to the levy of the following:

a) Income tax, except when levied on banks and other financial institutions;

b) Documentary stamp tax;

c) Taxes on estates, inheritance, gifts, legacies and other acquisitions mortis causa, except as otherwise provided herein;

d) Customs duties, registration fees of vessel and wharfage on wharves, tonnage dues, and all other kinds of customs fees, charges and dues except wharfage on wharves constructed and maintained by the local government unit concerned;

e) Taxes, fees and charges and other impositions upon goods carried into or out of, or passing through, the territorial jurisdictions of local government units in the guise of charges for wharfage, tolls for bridges or otherwise, or other taxes, fees or charges in any form whatsoever upon such goods or merchandise;

f) Taxes, fees or charges on agricultural and aquatic products when sold by marginal farmers or fishermen;

g) Taxes on business enterprise certified to by the Board of Investments as pioneer or non-pioneer for a period of

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six (6) and four (4) years, respectively from the date of registration;

h) Excise taxes on articles enumerated under the National Internal Revenue Code, as amended, and taxes, fees or charges on petroleum products;

i) Percentage or value-added tax (VAT) on sales, barters or exchanges or similar transactions on goods or services except as otherwise provided herein;

j) Taxes on the gross receipts of transportation of passengers or freight by hire and common carriers by air, land or water, except as provided in this Code;

k) Taxes on premiums paid by way of reinsurance or retrocession;

l) Taxes, fees or charges for the registration of motor vehicles and for the issuance of all kinds of licenses or permits for the driving thereof, except tricycles;

m) Taxes, fees or other charges on Philippine products actually exported, except as otherwise provided herein;

n) Taxes, fees or charges, on Countryside and Barangay Business Enterprises and cooperatives duly registered under RA No. 6938, otherwise known as the “Cooperatives Code of the Philippines” respectively ; and

o) Taxes, fees or charges of any kind on the National Government, its agencies and instrumentalities, and local government units.

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