

LETTER OF INSTRUCTIONS NO. 128, September 14, 1973

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TO: 1. The Secretary of Finance

2. The Director-General

National Economic and Development Authority

In order to secure uniformity in the tax treatment of consultants contracted by the Philippine Government, its agencies, entities and instrumentalities in connection with projects financed with foreign loans, the following guidelines, in addition to those already observed in the review and approval of projects proposed for foreign financing, shall be further observed:

- Approval of projects proposed by government agencies shall prescribe the condition that in negotiating tax provisions in consultancy contracts entered into by such agencies in implementation of the foreign loan and involving utilization of loan proceeds, the agency concerned shall agree to provisions exempting consultants from taxes and duties unless otherwise indicated by the consultants.

- With respect to projects proposed by "proprietary" government corporations, as well as those involving the private sector availing of government feasibility loans, approval of such projects shall be under the condition that the consultancy contracts to be entered into by such "proprietary" government corporations, including private Sector contracts, in implementation of the foreign loan and involving utilization of loan proceeds, shall provide for the imposition of taxes and duties on the consultants irrespective of whether the taxes and duties are to be paid by the consultants or by the other party on a reimbursement basis.

You are hereby enjoined to act accordingly.

(Sgd.) FERDINAND E. MARCOS

President

Republic of the Philippines

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