

LIMITING THE TAX CREDIT TO TAXES ACTUALLY PAID IN COMPUTING SALES TAX ON MANUFACTURED ARTICLES

EXECUTIVE ORDER NO. 872, February 16, 1983

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WHEREAS, under present law, taxes on tax-exempt articles which are used as raw materials in the manufacture of finished products are allowed as tax credit against sales taxes, although no taxes are actually paid on such tax-exempt articles;

WHEREAS, such concession results in substantial erosion of tax base considering that a tax credit is granted on the basis merely of an assumed payment;

WHEREAS, there is need to rationalize this incentive in accordance with the mandate of Presidential Decree No. 1816;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, pursuant to the powers vested in me under Section 1 of Presidential Decree No. 1816, do hereby direct and order:

SECTION 1. The pertinent provisions in Sections 194, 195, 196, 197, 199 and 201 of the National Internal Revenue Code, as amended, to the effect that the tax otherwise due on any raw material, part or accessory or other article which is exempt from tax shall be deemed to have been paid for the purpose of computing the sales tax due, are hereby repealed.

SEC. 2. Section 200 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

“Sec. 200. – Tax on tax-exempt products of pioneer enterprises registered with the Board of Investments deemed paid. – Whenever a tax-exempt product of a pioneer enterprise registered with the Board of Investments is used in the manufacture or production of any article sold domestically, the sales or specific taxes otherwise due on such tax-exempt product shall be credited against the sales tax due on the manufactured article.”

SEC. 3. The Minister of Finance, upon recommendation of the Commissioner of the Bureau of Internal Revenue, shall promulgate the necessary rules and regulations for the implementation of this Executive Order.

SEC 4. This Executive Order shall take effect April 1, 1983.

Done in the City of Manila, this 16th day of February in the year of Our Lord, Nineteen Hundred and Eighty-Three.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD.) JUAN C. TUVERA
Presidential Executive Assistant

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