

AMENDING SECTION 30 OF THE TAX CODE TO ALLOW ACCELERATED DEDUCTION UNDER CERTAIN CONDITIONS OF EXPLORATION AND DEVELOPMENT EXPENDITURES

PRESIDENTIAL DECREE NO. 1353, April 21, 1978

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WHEREAS, it is vital to the national development program to encourage the mining industry to pursue continuous exploration and development of our natural resources;

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

SECTION 1. Section 30(g) of the National Internal Revenue Code is hereby amended by adding a new subparagraph to read as follows:

"(3) Election to deduct exploration and development expenditures.—In computing taxable income, the taxpayer may, at his option, deduct exploration and development expenditures accumulated as cost or adjusted basis for cost depletion as of January 1, 1978, as well as exploration and development expenditures paid or incurred during the taxable year: Provided, That the total amount deductible for exploration and development expenditures shall not exceed twenty-five percent (25%) of the net income from mining operations computed without the benefit of any tax incentives under existing laws. This subparagraph shall not apply to expenditures for the acquisition or improvement of property of a character which is subject to the allowances for depreciation under Section 30(f)(1) of this Code but the allowance for depreciation thereon shall be treated as expenditures.

"The election by the taxpayer to deduct the exploration and development expenditures is irrevocable and shall be binding in succeeding taxable years.

"In no case shall this paragraph apply with respect to amounts paid or incurred for the exploration and development of oil and gas. The term "exploration expenditures" means expenditures paid or incurred for the purpose of ascertaining the existence, location, extent, or quality of any deposit of ore or other mineral, and paid or incurred before the beginning of the development stage of the mine or deposit. The term "development expenditures" means expenditures paid or incurred during the development stage of the mine or other natural deposits. The development stage of a mine or other natural deposit shall begin at the time when deposits or ore or other minerals are shown to exist in sufficient commercial quantity and quality and shall end upon commencement of actual commercial extraction."

SECTION 2. Effectivity.—This Decree shall take effect on January 1, 1978.

DONE in the City of Manila, this 21st day of April in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(Sgd.) JACOBO C. CLAVE

Presidential Executive Assistant

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