

AN ACT TO PROMOTE INVESTMENTS IN LESS DEVELOPED AREAS.

BATAS PAMBANSA BLG. 44, November 26, 1979

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Be it enacted by the Batasang Pambansa in session assembled:

SECTION 1. Title.—This Act shall be known as the Investments Promotion Act for Less Developed Areas.

SEC. 2. Declaration of Policy.—In line with the policy of equitable distribution of wealth and balanced national economic growth and development, it is hereby declared as the policy of the State to encourage investments and to assist the establishment and development of industrial and agricultural projects to generate employment and raise the standard of living in less developed areas.

SEC. 3. Definition of Terms.—For the purposes of this Act:

- "Board" shall refer to the Board of Investments created under Republic Act 5186, as amended.
- "Less Developed Area" shall refer to specific localities within the country appearing in the "Less Developed Areas List" prepared jointly by the Ministry of Industry, the Ministry of Human Settlements, and the National Economic and Development Authority.
- "Less Developed Area Registered Enterprise" shall mean enterprises located in an identified less developed area and registered with the Board under either Republic Act 5186 or 6135 or Presidential Decree 1159 or this Act for incentive availment in industrial and agricultural activities listed in the priorities plans of the Board.

SEC. 4. Additional Investors' Incentives in a Less Developed Area Registered Enterprise.—An investor in a less developed area registered enterprise, in addition to the investors' incentives provided under Republic Act 5186 or 6135 or Presidential Decree 1159, shall, subject to the nationality requirements provided under the said laws, be entitled to an investment allowance to the extent of his actual investment, paid in cash or property, as a deduction from his taxable income but not to exceed thirty per cent (30%) thereof, inclusive of the normal tax allowance under its law of registration: Provided, (1) That this incentive shall not apply to investments in mining ventures; (2) That the investment is made in subscription of shares in the original and/or increased capital stock of an enterprise within seven years from the date of registration as a less developed area registered enterprise; (3) That the shares are held for a period of not less than three years; and (4) That the investment is registered with the Board and deemed necessary by the Board for setting up the business or expanding or strengthening an existing business already located or proposed to be transferred to a less developed area. If the shares are disposed of within the said three-year period, the taxpayer shall lose the benefit of this deduction, his income tax liability shall be recomputed, and he shall pay the same and whatever additional sum be due, plus interest thereon, within thirty days from the date of disposition. A surcharge shall be imposed thereon in the event of failure to pay the obligation within the said period.

SEC. 5. Additional Incentives to Less Developed Area Registered Enterprises.—An enterprise in a less developed area registered with the Board under either Republic Act 5186 or 6135, or Presidential Decree 1159 or this Act, whether a proposed, or an expansion of an existing venture, shall comply with the nationality requirements and be entitled to the incentives provided for a pioneer registered enterprise under its law of registration and shall, if not

otherwise exempt, be exempt from the application of Presidential Decree 1395: Provided, however, That less developed area registered enterprises engaged in non-pioneer activities shall not be exempt from the payment of sales taxes.

SEC. 6. Financial Assistance.—All government-owned or controlled financing institutions are hereby enjoined to liberalize their collateral requirements, rediscounting policies, and other lending policies and requirements in favor of less developed area registered enterprises which are either sole proprietorships of Filipino citizens, or partnerships at least sixty per cent (60%) of the capital of which is owned by citizens of the Philippines, or corporations or cooperatives, of which at least sixty per cent (60%) of the capital stock outstanding and entitled to vote is owned by citizens of the Philippines. In order to effect a meaningful differential financing cost advantage to the setting up of industrial and agricultural enterprises in less developed areas in relation to other areas in the country, and subject to such guidelines as the Central Bank may formulate, loans to less developed area registered enterprises shall be exempted from the provisions of Section 78 of the General Banking Act with respect to collateral requirements.

Other government agencies concerned are hereby directed to render such assistance as may be necessary in order to carry out the purposes of this Act.

SEC. 7. Identification of Less Developed Areas.—The Ministry of Industry, the Ministry of Human Settlements, and the National Economic and Development Authority shall jointly draw up the "Less Developed Areas List" taking into consideration the following criteria in each area in relation to developed areas: (1) low per capita gross domestic product; (2) low level of investments; (3) high rate of unemployment and/or underemployment; and (4) low level of infrastructure development, including its accessibility to developed urban centers: Provided, That the total population of the areas so listed shall not exceed twenty per cent (20%) of the national population. For this purpose, the above-mentioned agencies shall draw up the initial "Less Developed Areas List" within six months from the approval of this Act.

The Ministry of Industry, the Ministry of Human Settlements, and the National Economic and Development Authority shall jointly classify or re-classify the "Less Developed Areas List" at least once in every three years. The Board shall from time to time recommend the delisting of a less developed area: Provided, That a less developed area registered enterprise shall continue to enjoy its status as such, notwithstanding deletion of the area where it is located, from the "Less Developed Areas List".

SEC. 8. Exemption from Fees.—Less developed area registered enterprises with total assets worth less than one million pesos (P1,000,000) shall be exempted from the payment of filing, processing and all other fees of the Board of Investments as well as of the Securities and Exchange Commission.

SEC. 9. Rules and Regulations.—The Board is hereby authorized to promulgate the rules and regulations as may be necessary to implement the intent and provisions of this Act which shall take effect thirty (30) days after their publication in two (2) newspapers of general circulation in the Philippines.

SEC. 10. Penal Provision.—The penal provisions provided for in Republic Act 5186 shall likewise apply for the violation of any provision of this Act, or of the rules and regulations promulgated pursuant thereto.

SEC. 11. Suppletory Effect of Incentives Acts.—Republic Acts 5186 and 6135 and Presidential Decree 1159, as far as applicable and not inconsistent with the provisions of this Act, shall apply to enterprises registered under this Act.

SEC. 12. Repealing Clause.—All acts, decrees, executive orders, rules and regulations, or parts thereof, which are inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly.

SEC. 13. Separability Clause.—If for any reason, any provision of this Act is declared invalid, the other provisions of this Act which are not affected thereby shall continue in full force and effect.

Sec. 14. Effectivity.—This Act shall take effect upon its approval.

Approved, November 26, 1979.

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