

TO SAFEGUARD AND PROMOTE THE DEVELOPMENT OF THE PHILIPPINE SEMICONDUCTOR ELECTRONICS INDUSTRY

EXECUTIVE ORDER NO. 815, June 26, 1982

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WHEREAS, in the last five years, the Philippines has attracted the investments of the major multinational semiconductor manufacturers;

WHEREAS, the present Philippine semiconductor electronics industry already accounts for some 20% of the world's merchant semiconductor assembly production (measured in units);

WHEREAS, the semiconductor electronics industry is a high technology industry which is characterized by rapid technological changes that require continuous new capital investments and higher manpower skills and productivity;

WHEREAS, new technological inventions, such as the higher technology, higher priced large scale- and very large scale-integrated circuits will soon be the major products for semiconductor assembly;

WHEREAS, the forthcoming semiconductor assembly will require more intensive capital process and production equipment, and less of the historical labor content;

WHEREAS, the Philippines has sufficient educated; trainable manpower resources for the production operations, technical and management needs of the semiconductor electronics industry;

WHEREAS, to increase its value, the semiconductor process technology in the Philippines should be raised to higher levels, and operations be integrated forward into testing, and when conditions are favorable, backward into wafer fabrication;

WHEREAS, it is to the national interest that the Philippines is viewed by investors as an attractive, cost competitive environment in the face of changing needs of the semiconductor electronics industry;

WHEREAS, Article 57 of Presidential Decree No. 1789, otherwise known as the Omnibus Investments Code, empowers the President to grant new or additional incentives or modify existing ones in the interests of national development;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution and the authority vested in me by the Presidential Decree No. 1789, do hereby order and ordain:

SECTION 1. Policy Statement and Objectives. -It is hereby declared to be the policy of the State to maintain an investment environment conducive to the growth and development of the semiconductor electronics industry. Such investment environment shall:

- (a) Provide operational maximum flexibility;
- (b) Be cost competitive;

- (c) Provide an adequate supply of required skills in the manpower pool;
- (d) Provide training to ensure a future supply of highly skilled engineers and technicians;
- (e) Create the infrastructure of suppliers needed by the industry for the supply of services, materials and supplies;
- (f) Encourage investors to evolve higher levels of assembly processes, automation, forward integration into device testing, and backward integration into wafer fabrication;
- (g) Encourage investors to develop a viable Consumer and Industrial Electronics Products Industry to serve both domestic and export markets.

SEC. 2. Additional Incentives to the Semiconductor Industry. -In addition to the incentives provided for firms in the semiconductor electronics industry registered with the Board of Investments as export producers under Book I of P.D. 1789, otherwise known as the Omnibus Investments Code or R.A. 6135, otherwise known as the Exports Incentives Act, such enterprise shall enjoy the incentives enumerated hereunder:

- (a) Exemption from taxes and duties on imported spare parts. -Within seven years from the date of registration, importation of required spare parts and supplies shall be exempt from tariff duties and compensating tax payable thereon, Provided, however, that such spare parts and supplies are not locally available at reasonable price, sufficient quantity and comparable quality.
- (b) Exemption from contractor's tax. -Gross receipts of a registered firm in the semiconductor electronics industry shall be exempt from the contractor's tax under the Internal Revenue Code.
- (c) Exemption from tax on accumulated profits or surplus. -Registered enterprises in the semiconductor electronics industry shall be exempt from the tax on accumulated profits or surplus as provided for in Sec. 25 of the National Internal Revenue Code, as amended.
- (d) Deemed compliance with General Order 47. -Registered enterprises in the semiconductor electronics industry are deemed to have complied with General Order No. 47, requiring large companies to produce rice and corn for their employees: Provided, however, that such company shall, in addition to the specific in-company training for its personnel, share in the financing of the industry-wide training of engineers and technicians for the semiconductor electronics industry to be organized by the Ministry of Trade and Industry.
- (e) Declaration as vital industry. -Pursuant to Article 264 (g) of the Labor Code (Batas Pambansa Blg. 130 as amended by Batas Pambansa Blg. 227), the semiconductor electronics industry is hereby declared a vital industry and any labor dispute therein causing or likely to cause strikes or lockouts will adversely affect the national interest. In the event of such labor dispute in the industry, the Minister of Labor and Employment shall immediately assume jurisdiction over such dispute and decide it or certify the same to the National Labor Relations Commission for compulsory arbitration. Such assumption or certification shall have the effect of automatically enjoining the intended or impending strike or lockout as specified in the assumption or certification order. If one has already taken place at the time of assumption or certification, all striking or locked out employees shall immediately return to work and the employers shall immediately resume operations and readmit all workers under the same terms and conditions prevailing before the strike or lockout.
- (f) Exemption from locational clearance. -Any provision of law to the contrary notwithstanding, the enterprise shall be exempt from the locational clearance required by any government agency.
- (g) Customs clearance. -The clearance for the importation of equipment, spare parts, raw materials and supplies, and exports of processed products shall be expedited by the Bureau of Customs for semiconductor companies certified by the Board of Investments.

(h) Unrestricted use of consigned equipment. -Provisions of the existing laws notwithstanding, machinery, equipment and spare parts consigned to any registered firm engaged in the manufacture of semiconductor devices shall not be subject to restrictions as to period of use of such machinery, equipment and spare parts provided that the appropriate re-export bond is posted.

SEC. 3. Incentives to enterprises registered with the Export Processing Zone. -The Board of Investments may extend additional incentives herein provided to firms registered with the Export Processing Zones without need of complying with the registration requirement of the Board of Investments.

SEC. 4. Existing Firms. -Existing firms embarking in higher technological processes such as automation or in forward and/or backward integration, shall qualify to register such projects as an expansion entitled to the new registration with the Board of Investments.

SEC. 5. Extension of Incentives. -The Board may extend the period of availment of incentives by firms in the semiconductor electronics industry if such is necessary to maintain the country's competitive position in attracting additional investments in the industry, Provided, however, that such extension shall not be for more than twice the original period under the law.

SEC. 6. Assistance by the Government Agencies. -The Central Bank of the Philippines, Ministry of Labor and Employment, Human Settlements Regulation Commission, National Food Authority, Bureau of Customs, Bureau of Internal Revenue, Ministry of Finance, Securities and Exchange Commission and other government offices concerned are directed to adopt respective rules and regulations which are applicable to the semiconductor electronics industry to support the full and expeditious implementation of the policy and objectives herein declared.

SEC. 7. Rules and Regulations. -The Board of Investments is empowered to adopt rules and regulations for the implementation of this Order.

SEC. 8. Repealing Clause. -Any provision of law, decrees, or executive orders, instructions, rules, regulations or circulars inconsistent with this Executive Order is hereby repealed or modified accordingly.

SEC. 9. Effectivity. -This Executive Order shall take effect immediately.

Done in the City of Manila, this 26th day of June, in the year of Our Lord, nineteen hundred and eighty-two.

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

By the President:

(SGD.) JUAN C. TUVERA

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