
MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER No. 341

ESTABLISHING RULES AND REGULATIONS FOR
THE QUALIFICATION OF INDUSTRIES FOR TAX
EXEMPTION UNDER REPUBLIC ACT NO. 35.

Pursuant to the provisions of section 79(b) of the Re-
vised Administrative Code and section 2 of Republic Act

No. 35, the following rules and regulations for the qualification of industries seeking exemption from the payment of all internal revenue taxes under section 1 of Republic Act No. 35, are hereby promulgated for the information and guidance of all concerned:

1. *What may be considered "new" industry.*—A "new" industry as used in Republic Act No. 35 shall be construed to mean the manufacture, processing or transformation of raw materials, either in form, utility or substance, by any industrial unit the production or manufacture of which has not been undertaken on a commercial scale in the Philippines subsequent to July 4, 1946. For purposes of this definition:

(1) An "industrial unit" is deemed to be any plant, factory, machine or machine assembly having a capacity for performing the major functions involved in the production of a manufactured product on a commercial scale.

(2) By production on a "commercial scale" is meant the production for sale in the market in the normal course of business, in quantities and at prices which justify the operation of an industrial unit as a going concern and with a reasonable degree of permanency.

2. *What may be considered "necessary" industry.*—The word "necessary" as used in Republic Act No. 35 shall be construed to mean an industry which is conducive to sound economic development and which promotes employment and raises the standard of living of the people. In determining whether an enterprise is "necessary" or not the Secretary of Economic Coordination shall take into account the number of such similar enterprises already in existence and their collective productive capacity relative to the size of the domestic and/or export demand for their product.

3. *When exemption shall begin.*—The benefits of four years exemption of "new and necessary" industries from the payment of all internal revenue taxes shall begin from the date of the application when approved by the Secretary of Finance but not later than the month during which such industry entered into the production stage.

4. *Who will determine.*—All applications for exemption from the payment of all internal revenue taxes under the provisions of Republic Act No. 35 shall be filed with the Secretary of Finance. The opinion of the Secretary of Economic Coordination shall be obtained on whether the industry complies with the requirements of Republic Act No. 35. For this purpose he shall avail himself of the facilities in the Department of Commerce and Industry, the Central Bank, the National Economic Council, and other agencies of the Government in determining from time to time whether a sufficient number of individual industries has been granted exemption in any one particular class or type of industry and whether any further grant of exemption would be in the interest of sound industrial policy. The Secretary of Finance shall base his certification on said findings.

5. *Who may apply for exemption.*—Any person, partnership, company or corporation who or which shall engage in a new and necessary industry and operating in the Philippines, may apply for exemption from the payment of all internal revenue taxes for a period of four (4) years from the date of the organization of such industry.

6. *What must be stated in the application.*—The application shall contain the following statements:

- (a) The name or firm name; its address;
- (b) Name of the owner or manager of the firm; its address;
- (c) Nationality of the owner;
- (d) Location of firm or factory;
- (e) Capital invested. If partnership, company or corporation, state the names of the partners or stockholders, amount contributed, nationality and their addresses. State also if registered, the date and place of registration;
- (f) If with a firm name or business name, the fact that it is registered in the Bureau of Commerce both as a business name and as a merchant; number and date of registration;
- (g) Date when factory began operation;
- (h) The name and description of the product or products whose exemption is applied for;
- (i) Is the plant already in operation? State capacity per 8 working hours;
- (j) If owned by foreigner, state alien registration number; and
- (k) Other information necessary for the effective enforcement of this Act.

7. *Obligation to report.*—Any industry granted tax exemption under the provisions of Republic Act No. 35 shall report to the Secretary of Finance at the end of every fiscal year a complete list and a correct valuation of all real and personal property of its industrial plant or factory; shall file a separate income tax return; shall keep separately the accounting records relative to the industry declared tax exempt; shall keep such records and submit such sworn statements as may be prescribed from time to time by the Secretary of Finance;

8. *Revocation of tax exemption.*—The Secretary of Finance may revoke any tax exemption granted under this Act, when after investigation and hearing, it is established that:

- (1) The grantee fails to comply with any of the obligations imposed by this Order and the regulations promulgated pursuant thereto;
- (2) When the grantee discontinues production on a commercial scale for a period of more than thirty (30) days without the previous approval of the Secretary of Finance.

COMMON PROVISIONS

9. *Form of application.*—All applications shall be made upon forms duly prescribed by the Department of Finance for the purpose, and shall be accomplished in quadruplicate and sworn to before a notary public.

10. *Issuance of certificates of exemption.*—Upon receipt of the application by the Secretary of Finance, the date and time of receipt thereof shall be noted and if it appears upon physical inspection and examination that the factory

is exemptible under the law and regulations, a certificate of exemption may be issued.

11. *Duration of certificate.*—The certificate of exemption shall be in force for a period of four years from the date of the establishment of the factory.

12. *Fees.*—The following fees shall be collected for the qualification and issuance of certificate of exemption:

(a) For inspection fee	P10.00
(b) For the issuance of a certificate of exemption	20.00

13. *Change of address.*—Any change of address of applicant, or applicant manager, or the change of location of the factory granted exemption shall be reported to the Secretary of Finance in writing, immediately upon change of address or location, otherwise the certificate will be revoked.

14. *Date of effectivity.*—This Executive Order shall take effect as of the date of its publication in the *Official Gazette*.

Done in the City of Manila, this 9th day of August, in the year of Our Lord, nineteen hundred and fifty, and of the Independence of the Philippines, the fifth.

ELPIDIO QUIRINO

President of the Philippines

By the President:

TEODORO EVANGELISTA

Executive Secretary