

CREATE MORE Act

Republic Act No. 12066
Empowering Economic Recovery
and Investment Growth

December 4, 2024

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Salient Features of the CREATE MORE Act

- ✓ Revisions on the income tax-based incentives
- ✓ Revisions on VAT and other fiscal incentives
- ✓ Local Tax
- ✓ Other Amendments and Transitory Provisions
- ✓ Revisions on refund procedures

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CREATE MORE

Effective Date – November 28, 2024

IRR – Due on February 26, 2025 (90 days from the effectivity of the law)

INCOME TAX

Income Tax-Based Incentives

☑ Special Corporate Income Tax (SCIT) – Available to REEs only

	CREATE	CREATE MORE
5% gross income tax in lieu of	National and local taxes	National and local taxes, local fees and charges
Commencement of availment	After ITH	Upon election of REE: ☑ After ITH; or ☑ Outright from actual start of commercial operations

Income Tax-Based Incentives

☑ Special Corporate Income Tax (SCIT) – Available to REEs only

Period of availment	CREATE		CREATE MORE	
	Incentive	Period	Incentive	Period
	ITH + SCIT	ITH – 4 to 7 years SCIT – 10 years	☑ If granted by IPAs	
			ITH + SCIT	ITH – 4 to 7 years SCIT – 10 years
			Outright SCIT	14 to 17 years
			☑ If granted by FIRB	
			ITH + SCIT	ITH – 4 to 7 years SCIT – 20 years
			Outright SCIT	24 to 27 years

Income Tax-Based Incentives

☑ Enhanced Deduction Regime (EDR) – Available to REEs and DMEs

	CREATE	CREATE MORE														
Income tax rate based on taxable income	25%	20%														
Rate of Enhanced Deductions	<table border="1"> <thead> <tr> <th>Deduction</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>Power expense</td> <td>50%</td> </tr> <tr> <td>Reinvestment allowance for manufacturing industry</td> <td>50%</td> </tr> </tbody> </table>	Deduction	Rate	Power expense	50%	Reinvestment allowance for manufacturing industry	50%	<table border="1"> <thead> <tr> <th>Deduction</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>Power expense</td> <td>100%</td> </tr> <tr> <td>Reinvestment allowance for manufacturing and tourism industry</td> <td>50%</td> </tr> <tr> <td>Expenses on exhibitions, trade missions, or trade fairs</td> <td>50%</td> </tr> </tbody> </table>	Deduction	Rate	Power expense	100%	Reinvestment allowance for manufacturing and tourism industry	50%	Expenses on exhibitions, trade missions, or trade fairs	50%
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Income Tax-Based Incentives

☑ Enhanced Deduction Regime (EDR) – Available to REEs and DMEs

	CREATE	CREATE MORE
Carry-over period of NOLCO	5 taxable years following the year of loss	5 taxable years following the last year of ITH entitlement
Commencement of availment	After ITH	Upon election of REE: ☑ After ITH; or ☑ Outright from actual start of commercial operations
Period of availment	9 to 14 years	☑ If granted by IPAs – 14 to 17 years ☑ If granted by FIRB – 24 to 27 years

Income Tax-Based Incentives

☑ Incentives Granted by IPAs

Type of RBE	Period of Availment	Extensions/Expansions	
REE	4-7 years ITH + 10 SCIT/EDR	Conditions for extension of the SAME activity: <ul style="list-style-type: none"> ☑ Maintain/employ 10,000 employees ☑ Not exceeding 5 years ☑ No ITH 	
	14-17 years outright SCIT/EDR		
DME	4-7 years ITH + 10 EDR		Qualified expansions: <ul style="list-style-type: none"> ☑ 8 years EDR ☑ Those registered prior to CREATE may qualify to register on or before December 31, 2024
	14-17 years outright EDR		

Commencement of availment – Actual start of commercial operations within 3 years from date of registration

Additional years:

- ☑ +2 years – Areas recovering from armed conflict or major disaster
- ☑ +3 years – Relocation from NCR (commencement upon completion of relocation)

Income Tax-Based Incentives

☑ Incentives Granted by FIRB

Type of RBE	Period of Availment	Extensions/Expansions
REE	4-7 years ITH + 20 SCIT/EDR	Conditions for extension for the SAME activity: <ul style="list-style-type: none"> ☑ Maintain/employ 10,000 employees ☑ Not exceeding 10 years ☑ No ITH
	24-27 years outright SCIT/EDR	
DME	4-7 years ITH + 20 EDR	Qualified expansions: <ul style="list-style-type: none"> ☑ 13 years EDR ☑ Those registered prior to CREATE may qualify to register on or before December 31, 2024
	24-27 years outright EDR	

Commencement of availment – Actual start of commercial operations within 3 years from date of registration

Additional years:

- ☑ +2 years – Areas recovering from armed conflict or major disaster
- ☑ +3 years – Relocation from NCR (commencement upon completion of relocation)

Other Incentives

- ☑ Duty exemption on importations

	CREATE	CREATE MORE
Covered importations	Directly and exclusively used in the registered project or activity of the RBEs	Directly attributable to the registered activity of the RBE including goods for administrative purposes
Additional condition for availment	No existing provision	RBEs shall adopt a method to best allocate the capital equipment, raw materials, spare parts, and accessories at the time of application of the certificate of authority to import

Other Incentives

- ☑ Duty exemption on importations

	CREATE	CREATE MORE
Limitation on availment		Only until expiration of the income tax-based incentives
Importation pending issuance of COR	No existing provision	May be allowed subject to posting of performance bond or bank guarantee
Duty exemption on donations	Donations to TESDA, SUCs, DepEd and CHED-accredited schools	Donations to Government, any agency/political subdivision, fully-owned GOCC , TESDA, SUCs, DepEd and CHED-accredited schools

VAT

VAT Incentives

☑ VAT exemption on importation and VAT zero-rating on local purchases

	CREATE	CREATE MORE
Covered transactions	Directly and exclusively used in the registered project or activity of the RBEs	Directly attributable to the registered activity of the REE or HVDME including incidental expenses

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Zero-Rated Sale to REE and HVDME

Sale of goods/services to registered export enterprise or HVDME is subject to 0% VAT provided that the goods/services are directly attributable to the registered project or activity.

Expenses attributable to the registered project or activity - administrative expenses which shall include:

- ✓ Janitorial services
- ✓ Security services
- ✓ Financial services
- ✓ Consultancy services
- ✓ Marketing and promotion
- ✓ Services rendered for administrative operations such as:
 - Human resources
 - Legal
 - Accounting

Other Amendments

General VAT provisions – Zero-rated Export Sales

CREATE	CREATE MORE
<p>Sale of goods/services to export oriented enterprises with export sales exceeding 70% of total annual production</p>	<p>Sale of goods and/or services to export-oriented enterprise, provided:</p> <ul style="list-style-type: none"> ☑ Directly attributable to the export activity ☑ Export threshold is at least 70% ☑ Failure to meet the threshold shall result in disqualification from availment of VAT zero-rating on local purchases in the immediately succeeding year

Other Amendments

General VAT provisions – Zero-rated Export Sales

CREATE	CREATE MORE
No existing provision	Sales to bonded manufacturing warehouses of export-oriented enterprise
No existing provision	Sales subject to zero-percent VAT under special laws

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Other Amendments

General VAT provisions - VAT-exempt Transactions

	CREATE	CREATE MORE
Covered transactions	Importation of fuel, goods and supplies by persons engaged in international shipping or air transport operations: Provided, That the fuel, goods, and supplies shall be used for international shipping or air transport operations	Importation of fuel, goods and supplies by persons engaged in international shipping or air transport operations: Provided, That the fuel, goods, and supplies shall be used for international shipping or air transport operations

VAT Incentives

☑ VAT treatment of specific transactions

	VAT Treatment
Sales of goods/services by a VAT-registered seller to an REE, regardless of location	Zero-rated
Sale of previously VAT-exempt imported capital equipment, raw materials, spare parts, or accessories:	
☑ If purchaser is an REE, regardless of location	Zero-rated
☑ If purchaser is registered DME, regardless of location	VATable
Sales by a DME to another DME	VATable, unless sale to a HVDME which is zero-rated
REEs that fail to meet the 70% export sale threshold or HVDME that fail to meet export sale or investment requirements	Disqualified from availing duty exemption and VAT zero-rating

LOCAL TAX

Local Tax

☑ Registered Business Entity Local Tax (RBELT)

	CREATE MORE
Nature	Imposition made by an LGU through an ordinance
Tax Rate	2% of an RBE's gross income in lieu of local taxes, fees, and charges
Covered Tax Regime	Applicable during ITH and EDR; Not to be imposed under SCIT

OTHER AMENDMENTS AND TRANSITORY PROVISIONS

RBE Taxpayer Service

	CREATE MORE
Nature	Separate service to be established within the BIR to handle end-to-end tax compliance of RBEs
Purpose	Implementation of simplified filing and payment processes

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Grant of Incentives

	Investment Capital
Investment Promotion Agencies	P15 Billion and below
Fiscal Incentives Review Board	Above P15 Billion

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Significant Expanded Functions

Fiscal Incentives Review Board

CREATE	CREATE MORE
Exercise policy-making and oversight functions	Exercise policy-making, oversight, regulatory, and quasi-judicial functions
Monitor and evaluate incentives	Monitor and evaluate incentives and prescribe data requirements, reporting standards, processes and procedures
Approve or disapprove grant of tax incentives to the extent of the registered project or activity	Approve or disapprove grant of tax incentives to the extent of the registered project or activity listed in the SIPP
No existing provision	Recommend policies to prevent abuse of tax incentives, tax evasion, and smuggling

Significant Expanded Functions

Investment Promotion Agency

CREATE	CREATE MORE
No existing provision	LGUs may delegate the function of accepting, processing, and granting business permits and licenses to IPAs
No existing provision	IPAs may assist in obtaining permits and licenses from national government agencies

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Other Amendments

Exclusions and Deductions from Gross Income

	CREATE	CREATE MORE
Income exempt under treaty	Income of any kind, to the extent required by any treaty obligation	Income of any kind, to the extent required by any treaty obligation, including agreements with economies and administrative regions (subject to Senate concurrence)
Deductible input tax	No existing provision	Input tax on local purchases attributable to VAT-exempt sales are deductible from gross income

Other Amendments

Creditable Withholding Tax Rate

	CREATE	CREATE MORE
CWT Rate	At the rate of not less than 1% but not more than 32%	At the rate of not more than 15%

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Other Amendments

Electronic Sales Reporting System

	CREATE	CREATE MORE						
Covered taxpayers	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Those engaged in export of goods/services <input checked="" type="checkbox"/> Large taxpayers 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Those engaged in export of goods/services <input checked="" type="checkbox"/> Large taxpayers <input checked="" type="checkbox"/> Taxpayers as required by the DOF upon recommendation by the BIR 						
Additional one-time allowable deduction	No existing provision	<table border="1"> <thead> <tr> <th>Type of Taxpayer</th> <th>Additional Deduction</th> </tr> </thead> <tbody> <tr> <td>Micro and Small</td> <td>100% of total cost for setting up ESRS</td> </tr> <tr> <td>Medium and Large</td> <td>50% of total cost for setting up ESRS</td> </tr> </tbody> </table>	Type of Taxpayer	Additional Deduction	Micro and Small	100% of total cost for setting up ESRS	Medium and Large	50% of total cost for setting up ESRS
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Micro and Small	100% of total cost for setting up ESRS							
Medium and Large	50% of total cost for setting up ESRS							

Other Amendments

Telecommuting

	CREATE	CREATE MORE
Effect on incentives	No existing provision	RBEs shall continue to avail of all incentives
Covered workforce	No existing provision	Shall not cover more than 50% of the total workforce
Registration	No existing provision	Double registration to avail of other incentives is not allowed

Incentives Granted Prior to CREATE

	CREATE	CREATE MORE
ITH + 5% SCIT after ITH	Continued availment for 10 years	Until December 31, 2034
Currently availing 5% SCIT		
Currently availing duty exemption, VAT exemption on importation, and VAT zero-rating on local purchases	No existing provision	Until December 31, 2034; REEs may continue to avail of the incentives under the general VAT provisions and customs laws

Transitory Provisions

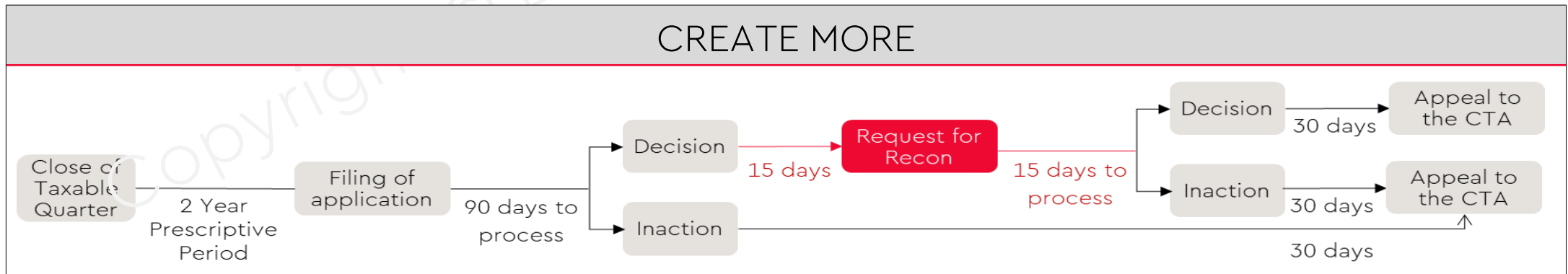
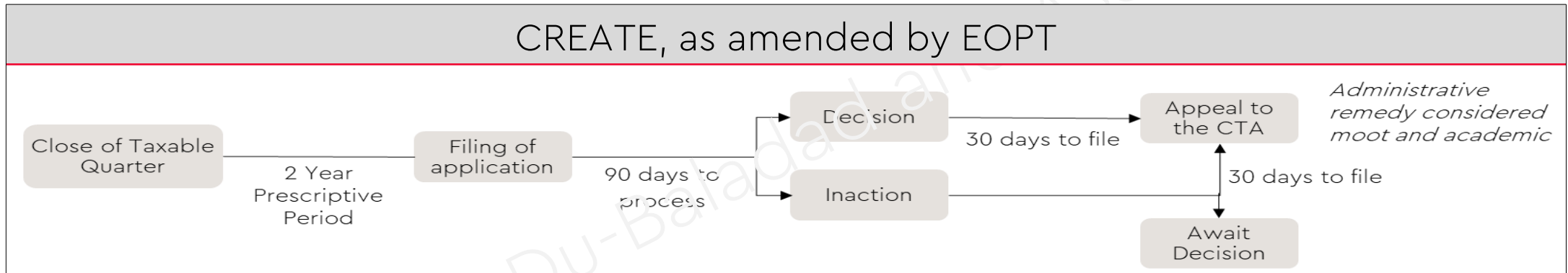
Prospective application for tax incentives granted under CREATE:

- ☑ SCIT – exemption from national and local taxes, including local fees and charges
- ☑ EDR – Availment of additional enhanced deductions and the 20% income tax rate
- ☑ Imposition of RBELT
- ☑ Duty and VAT exemption on importation and VAT zero-rating on local purchases –
Conditions for availment

REFUND PROCEDURE

Refund Procedures

✓ VAT Refund



Refund Procedures

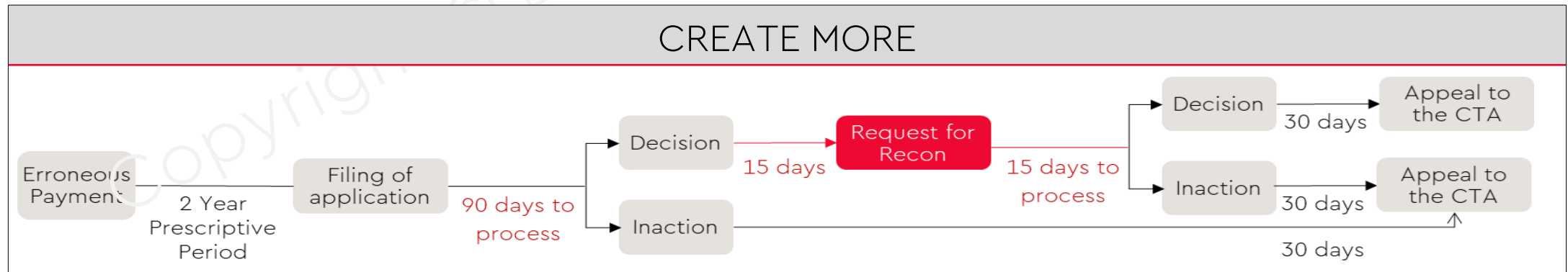
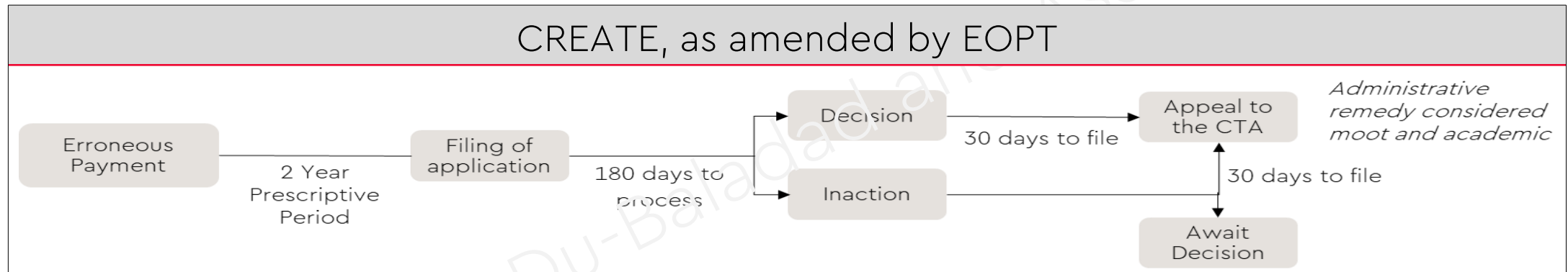
☑ VAT Refund

- What is required is submission of **certified true copies of invoices and other documents specifically limited to those prescribed in revenue issuances only**
- Processing and granting of cash refund shall be done **electronically**

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Refund Procedures

Excise Taxes on Petroleum Products



Locally rooted – Globally connected