



MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 85

**REDUCING THE RATES OF DUTY ON CAPITAL EQUIPMENT,
SPARE PARTS AND ACCESSORIES IMPORTED BY BOARD OF
INVESTMENTS - REGISTERED NEW AND EXPANDING
ENTERPRISES**

WHEREAS, Executive Order (EO) No. 57 (s. 2018) provided for zero percent duty on certain articles imported by Board of Investments (BOI)-registered new and expanding enterprises for a period of one (1) year from the date of its effectivity or until the enactment of a law amending EO No. 226 (s. 1987), otherwise known as "The Omnibus Investments Code of 1987," as amended, whichever comes earlier;

WHEREAS, EO No. 57 is effective only until 06 July 2019 and a law amending E.O. No. 226 remains to be enacted;

WHEREAS, considering that importation of capital equipment remains as one of the major cost burdens of business enterprises in their start-up and expansion, there is a need to again extend the grant of zero percent duty on capital equipment, spare parts and accessories, currently being enjoyed by BOI-registered enterprises;

WHEREAS, the extension of the zero percent duty importation will enhance the attractiveness of the country as an investment destination and improve industry competitiveness, in line with the Philippine Development Plan 2017-2022;

WHEREAS, the grant of duty-free importation of capital equipment remains to be an important fiscal incentive in promoting investments into the Philippines considering the global competition for foreign direct investments;

WHEREAS, Section 1608 of Republic Act No. 10863, otherwise known as the "Customs Modernization and Tariff Act" (CMTA), empowers the President of the Philippines, upon the recommendation of the National Economic and Development Authority (NEDA), to increase, reduce or remove existing rates of import duty; and

WHEREAS, the NEDA Board on 10 June 2019, endorsed the extension of the zero percent duty on capital equipment, spare parts and accessories imported by BOI-registered new and expanding enterprises;

NOW, THEREFORE, I, RODRIGO ROA DUTERTE, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order:

SECTION 1. Zero Percent Duty. Any importation of capital equipment, spare parts and accessories by BOI-registered enterprises shall be subjected to zero percent duty, as indicated in Section 2 hereof.

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SECTION 2. Coverage. The zero percent duty shall be applied to importations by BOI-registered new and expanding enterprises of capital equipment, spare parts and accessories classified under Chapters 40, 59, 68, 69, 70, 73, 76, 82, 83, 84, 85, 86, 87, 89, 90 and 96 of the CMTA, upon issuance by the BOI of a Certificate of Authority, provided that such imported capital equipment, spare parts and accessories comply with the following conditions:

- a. They are not manufactured domestically in sufficient quantity, of comparable quality, and at reasonable prices; and
- b. They are reasonably needed and will be used exclusively by the enterprise in its registered activity.

SECTION 3. Prohibition to Sell, Transfer or Dispose. The BOI-registered enterprise cannot sell, transfer or dispose of the aforementioned capital equipment, machinery, spare parts and accessories, without prior BOI approval, within five (5) years from the date of importation; otherwise, the BOI-registered enterprise will be solidarily liable to pay twice the amount of the duty foregone or Five Hundred Thousand Pesos (P500,000.00), whichever is higher, without prejudice to other applicable penalties under E.O. No. 226.

SECTION 4. Implementing Rules and Regulations (IRR). The BOI, in coordination with the Tariff Commission, shall promulgate the IRR governing the implementation of this Order.

SECTION 5. Repealing Clause. All issuances, orders, rules and regulations, or parts thereof, which are inconsistent with this Order are hereby repealed, amended or modified accordingly.

SECTION 6. Separability Clause. If any provision of this Order is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

SECTION 7. Effectivity Clause. This Order shall take effect immediately after its complete publication in a newspaper of general circulation in the Philippines, and shall be valid for a period of three (3) years or until a law amending E.O. No. 226 is enacted, whichever comes earlier.

DONE, in the City of Manila, this 19th of July, in the year of our Lord, Two Thousand and Nineteen.

By the President:




SALVADOR C. MEDIALDEA
Executive Secretary

