

Tax Incentives for the Philippine Agricultural Industry^{*}

I. TERMS OF REFERENCE

Proposal urging the new administration to hasten the tax perks for agricultural industry subsectors under the Strategic Investment Promotion [*sic*] Plan (SIPP).¹ (See Annex A.)

II. BACKGROUND INFORMATION

The Philippine agricultural industry generally involves the exploitation of vegetable and animal natural resources, comprising the activities of growing crops, raising and breeding animals, and harvesting timber and other plants, animals, or animal products from a farm or their natural habitats.²

Based on the Philippine Statistics Authority (PSA) data, the income derived from the agricultural industry, or gross value added (GVA)³, averaged P1.61 trillion annually from 2010 to 2021, constituting only 10.94% of the Philippine gross domestic product.⁴

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¹ Aurelio, J. M. (2022, June 23). Salceda pushes tax perks for agricultural sector. *Philippine Daily Inquirer*. Retrieved July 17, 2022, from <https://newsinfo.inquirer.net/1615002/salceda-pushes-tax-perks-for-agriculture-sector>.

² PSA. (2019, December 17). 2019 Updates to the 2009 Philippine Standard Industrial Classification. Retrieved July 15, 2022, from <https://psa.gov.ph/content/philippine-standard-industrial-classification-psic>

³ The value of output less the value of intermediate consumption. GVA is composed of compensation, depreciation, indirect taxes paid net of subsidies received and the operating surplus, which is the payment to the producer as entrepreneur (Source: <https://psa.gov.ph/statistics/technical-notes/167198>).

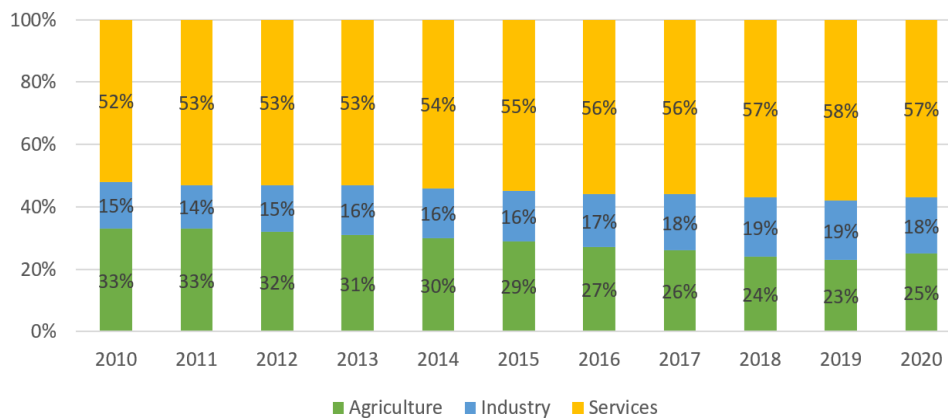
⁴ PSA. (2022). Annual Gross Domestic Product Series (1946 to 2021) (at Current and Constant 2018 Prices, as of April 7, 2022) [Data set]. Retrieved from https://psa.gov.ph/sites/default/files/Annual-1946-to-2021_0.xlsx.

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Nevertheless, the industry ranked second highest in terms of the number of workers, with an average share of 28.45% of total employment from 2010 to 2020. In 2010, 33% of employed Filipinos worked in the agricultural industry, but this declined to 23% in 2019. In 2020, there was a 3.40% increase in the number of Filipinos gainfully employed in the agricultural industry from 9.72 million in 2019 to 10.05 million in 2020. (See Figures 1 and 2.) This increase can be attributed to the effects of the Coronavirus Disease 2019 pandemic, as workers left the urban centers and shifted to agricultural activities in the provinces.⁵

Figure 1

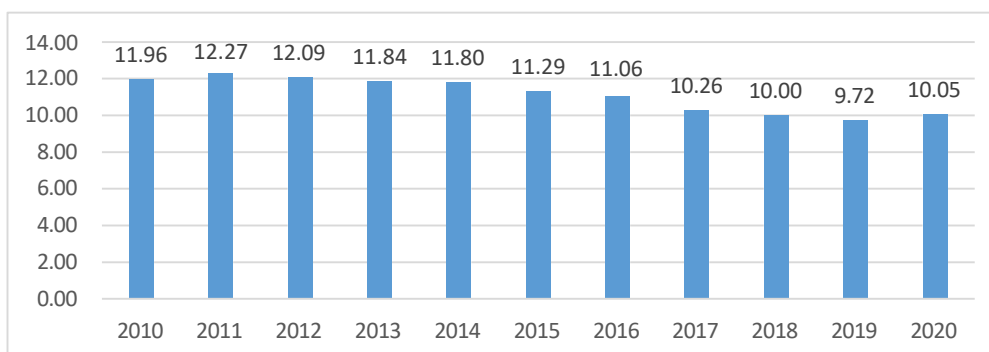
Share of Major Industry to Total Employment, Calendar Year (CY) 1995-2020



Note. Gathered from the Annual Labor Force Survey of the PSA.
No data available for 2021.

Figure 2

Number of Workers Gainfully Employed in the Agricultural Industry, CY 2016-2020 (in millions)



Note. Gathered from the PSA.
No data available for 2021.

⁵ Briones, R. (February 2022). Modernizing Agriculture and Fisheries: Overview of Issues, Trends and Policies. Retrieved from: <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidsdps2205.pdf>.

The agricultural industry of the country is divided into three major sectors: (a) crop and animal production, hunting, and related service activities; (b) forestry and logging; and (c) fishing and aquaculture. Among these sectors, crop and animal production is the biggest contributor to income generated, accounting for 76.57% of the total average income from the agricultural industry from 2010 to 2021.

In terms of production, the crop sector registered a total of 428.34 million metric tons (MT) from 2015 to 2019. Of the various crops produced by the said sector, sugarcane accounts for more than a quarter (28.02%), or 120 million MT, of the total crop production of the country for the said period. *Palay* or rice and coconut are also top crop products of the country, with 92.93 million MT and 72.10 million MT production, respectively. (See Table 1.)

Table 1

Crop Production, CY 2015-2019 (in thousand MT)

Crop	2015	2016	2017	2018	2019	Total
Palay	18,149.8	17,627.2	19,276.3	19,066.1	18,814.8	92,934.2
Corn	7,518.8	7,218.8	7,914.9	7,771.9	7,978.8	38,403.2
Banana	9,083.9	8,903.7	9,166.3	9,358.8	9,157.7	45,670.4
Coconut	14,735.2	13,825.2	14,049.1	14,726.2	14,765.1	72,100.8
Mango	902.7	814.1	737.0	711.7	737.9	3,903.4
Sugarcane	22,926.4	22,370.5	29,286.9	24,730.8	20,719.3	120,033.9
Pineapple	2,582.7	2,612.5	2,671.7	2,731.0	2,747.9	13,345.8
Cassava	2,714.3	2,755.1	2,806.7	2,723.0	2,630.8	13,629.9
Rubber	398.1	362.6	407.0	423.4	431.7	2,022.8
Sweet Potato	536.0	529.5	537.3	525.6	525.9	2,654.3
Onion	181.2	122.6	184.4	172.7	222.1	883.0
Eggplant	232.9	235.6	241.9	244.8	249.9	1,205.1
Coffee	72.3	68.8	62.1	60.3	60.0	323.5
Tobacco	56.2	56.5	51.0	50.4	51.1	265.2
Abaca	70.4	71.8	68.8	71.5	72.2	354.7
Tomato	214.8	210.7	218.8	220.8	223.3	1,088.4
Potato	118.5	116.8	117.6	117.4	116.1	586.4
Ampalaya	88.9	87.5	89.5	87.4	89.3	442.6
Cabbage	125.8	123.1	122.5	120.7	128.1	620.2
Calamansi	162.7	118.2	116.7	113.6	126.0	637.2
Mongo	33.6	34.0	35.3	36.7	36.2	175.8
Cacao	6.0	6.3	7.0	8.0	8.5	35.8
Other crops	3,413.3	3,360.8	3,383.5	3,426.5	3,434.6	17,018.7
Total	84,324.5	81,631.9	91,552.3	87,499.3	83,327.3	428,335.3

Note. Gathered from the PSA.
No data available for 2020 and 2021.

The top Philippine agricultural exports include bananas, pineapple, and rubber. From 2016 to 2020, the banana exports of the country reached 15.93 million MT. Meanwhile, pineapple and rubber exports recorded 2.08 million MT and 0.60 million MT, respectively. (See Table 2.)

Table 2

Volume of Agricultural Exports, CY 2016- 2020 (in MT)

Commodity	2016	2017	2018	2019	2020	Total
Rice	263.3	322.0	308.9	344.9	310.0	1,549.1
Corn	346.9	595.5	333.8	415.3	1,670.8	3,362.3
Banana	1,733,836.3	2,855,635.1	3,126,203.3	4,403,496.3	3,808,470.5	15,927,641.5
Coconut	5,091.8	1,229.7	1,309.3	1,380.9	225.3	9,237.0
Mango	14,343.0	16,116.1	13,562.2	14,211.8	10,658.1	68,891.2
Sugarcane	0.7	1.3	0.5	1.6	3.8	7.9
Pineapple	599,343.1	494,273.0	391,982.1	631,486.2	594,725.8	2,080,324.0
Cassava	641.0	680.9	905.9	808.6	1,321.8	4,358.2
Rubber	66,965.7	132,732.2	118,109.7	124,272.0	158,328.8	600,408
Sweet Potato	23.8	25.8	29.8	732.7	623.3	1,435.40
Onion	601.3	548.3	121.0	379.2	163.0	1,812.8
Garlic	78.8	106.7	101.6	104.1	6.0	397.2
Eggplant	-	-	-	0.3	0.01	0.31
Coffee	5.9	-	17.1	14.2	17.8	55.0
Tobacco	23,907.7	34,439.0	37,088.6	40,425.6	32,420.5	168,281.4
Abaca	85.4	151.1	153.7	94.4	110.3	594.9
Tomato	0.4	-	-	-	-	0.40
Potato	0.7	2.1	0.9	6.6	0.4	10.70
Ampalaya	-	-	-	-	-	-
Cabbage	-	0.2	0.4	-	-	0.60
Calamansi	53.6	69.4	59.5	99.7	56.3	338.5
Mongo	2.9	21.6	2.3	385.1	96.9	508.8
Cacao	2,232.8	3,094.4	2,732.6	3,048.8	5,152.9	16,261.5
Total	2,447,825.1	3,540,044.4	3,693,023.2	4,590,222.1	4,614,363.3	18,885,478.1

Note. Data gathered from PSA
No data available for 2021

In terms of imports, rice is the top agricultural product that the country imports, reaching a total of 8.85 million MT from 2016 to 2020. This is followed by corn and garlic at 3.52 million MT and 0.38 million MT, respectively. During the same period, agricultural product importation was highest in 2019 at 3.87 million MT, which is 115% higher than the 2016 level. Rice was the main contributor to the increased importation in 2019, due to the

enactment of Republic Act (RA) No. 11203,⁶ or the Rice Tariffication Law, which liberalized rice importations by replacing the previous quantitative restrictions with a 35% tariff rate on imported rice. (See Table 3.)

Table 3

Volume and Value of Agricultural Imports, CY 2016- 2020 (in MT)

Commodity	2016	2017	2018	2019	2020	Total
Rice	609,363.6	888,085.9	2,006,348.6	3,122,094.1	2,226,121.5	8,852,013.7
Corn	806,118.6	475,244.0	1,016,746.9	458,429.3	768,534.7	3,525,073.5
Banana	14.3	1.9	2.3	0.6	22.1	41.2
Coconut	-	10.5	9.0	-	0.01	19.5
Mango	-	-	-	-	-	-
Sugarcane	-	0.3	-	-	-	0.3
Pineapple	67.8	4.1	-	-	-	71.9
Cassava	8.6	-	-	-	-	8.6
Rubber	54,902.2	45,614.5	49,783.9	56,134.8	39,727.0	246,162.4
Sweet Potato	3.0	2.2	-	0.5	23.8	29.5
Onion	135,295.6	34,084.0	108,080.7	23,589.8	87,525.5	364,985.8
Garlic	60,308.1	68,802.1	79,406.7	85,115.7	88,509.8	382,142.4
Eggplant	-	-	-	-	-	-
Coffee	41,161.9	21,836.5	41,288.9	35,091.1	46,277.9	185,656.3
Tobacco	40,704.7	40,276.2	65,363.3	54,133.8	46,503.7	246,981.7
Abaca	18.4	42.2	24.3	44.5	713.3	842.7
Tomato	-	0.01	-	0.1	-	0.1
Potato	20,246.5	20,262.4	23,355.0	25,688.9	26,636.6	116,189.4
Ampalaya	-	-	-	-	-	-
Cabbage	0.6	-	-	-	-	0.6
Calamansi	-	-	-	-	-	-
Mongo	31,232.4	36,474.8	38,230.7	36,645.7	41,002.6	183,586.2
Cacao	1,940.9	3,107.4	2,236.4	1,122.8	2,016.5	10,424.0
Total	1,801,387.2	1,633,849.0	3,430,876.7	3,874,501.9	3,373,615.0	14,114,229.8

Note. Data gathered from PSA.

No data available for 2021.

On the other hand, the livestock and poultry sector recorded 25.52 million MT gross production from 2015 to 2019. Hogs and chicken were the main livestock and poultry products of the country during this period, with hog production totaling 11 million MT and chicken production reaching 8.8 million MT. (See Table 4.)

⁶ Entitled, “An Act Liberalizing the Importation, Exportation and Trading of Rice, Lifting for the Purpose the Quantitative Import Restriction on Rice, and for Other Purposes,” (February 14, 2019).

Table 4*Livestock and Poultry Production, CY 2015-2019 (in thousand MT)*

Particulars	2015	2016	2017	2018	2019	Total
Livestock	2,627.1	2,745.4	2,775.8	2,826.9	2,798.7	13,773.9
Carabao	142.0	144.7	144.4	143.1	140.7	714.9
Cattle	266.9	270.4	266.3	263.3	260.6	1,327.5
Hog	2,120.3	2,231.7	2,265.0	2,319.8	2,296.7	11,233.5
Goat	77.5	77.5	77.3	77.0	76.4	385.7
Dairy	20.4	21.1	22.8	23.7	24.3	112.3
Poultry	2,181.7	2,212.6	2,314.8	2,448.0	2,590.3	11,747.4
Chicken	1,660.8	1,674.5	1,745.9	1,836.7	1,927.4	8,845.3
Duck	33.9	32.2	31.1	30.8	30.1	158.1
Eggs	487.0	505.9	537.8	580.5	632.8	2,744.0
Total	4,196.7	4,228.6	4,331.8	4,466.0	4,609.3	25,521.3

Notes. Data gathered from the PSA.
No data available for 2020 and 2021.

III. TAX INCENTIVES AVAILABLE FOR THE AGRICULTURAL INDUSTRY

Over the years, the government has continuously addressed the challenges faced by the agricultural industry through various economic support and reforms. These challenges include, among others, access to land and water resources, vulnerability to climate and disaster risks, and limited infrastructure, which diminishes the contribution of the industry to the total economic output of the country.⁷

Nevertheless, the government recognizes the crucial role of the industry not only in economic transformation but also in food security and accessibility. Thus, the government supports the agricultural industry and agri-related projects by providing tax incentives and credit support, among other measures.

The grant of tax incentives to various preferred industries for investment, including the agricultural industry, is presently governed by RA 11534⁸, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act”. The said law aims to provide a more responsive and globally competitive tax incentive system that is performance-based, targeted, time-bound, and transparent.

⁷ National Economic and Development Authority. (n.d.). Updated Philippine Development Plan 2017-2022. Retrieved July 27, 2022, from <https://www.phcc.gov.ph/pdp-2017-2022-updated/>

⁸ Entitled, “An Act Reforming the Corporate Income Tax and Incentives System, Amending for the Purpose Sections 20, 22, 25, 27, 28, 29, 34, 40, 57, 109, 116, 204 and 290 of the National Internal Revenue Code of 1997, as Amended, and Creating Therein New Title XIII, and for Other Purposes”, (March 26, 2021).

Pursuant to the provisions of the Tax Code, as amended by RA 11534, the Fiscal Incentives Review Board (FIRB),⁹ or the Investment Promotion Agencies (IPAs),¹⁰ under a delegated authority, shall grant the appropriate fiscal incentives to qualified registered business enterprises (RBEs) only to the extent of their approved registered project or activity under the Strategic Investment Priority Plan (SIPP)¹¹. The 2022 SIPP, approved by the President through Memorandum Order No. 61, s. 2022,¹² aims to attract high-value and labor-intensive investments that will create more jobs and further sharpen the competitiveness of the country in the global market. Accordingly, it contains the preferred areas of investments or priority activities eligible for the grant of tax incentives.

Under the 2022 SIPP, all activities listed in the 2020 Investment Priority Plan (IPP)¹³ are included in the list of priority activities for investments and fall under Industry Tier I¹⁴. Under the 2020 IPP, the Agriculture, Fishery, and Forestry Industry, among others, is one of the preferred areas of investment. Thus, it is eligible for the grant of tax incentives under the Tax Code.

⁹ The FIRB, an inter-agency body created under Presidential Decree No. 776, s. 1975, as amended, with powers and functions expanded by RA 11534, is tasked to exercise policy making and oversight functions on the administration and grant of tax incentives by IPAs and other government agencies administering tax incentives; approve or disapprove the grant of tax incentives to the extent of the registered project or activity upon the recommendation of the IPAs, among others.

¹⁰ Refer to government entities created by law, executive order, decree or other issuance, in charge of promoting investments, granting and administering tax and non-tax incentives, and overseeing the operations of the different economic zones and freeports in accordance with their respective special laws. These include the BOI, Regional Board of Investments-Autonomous Region in Muslim Mindanao, Philippine Economic Zone Authority, Bases Conversion and Development Corporation, Subic Bay Metropolitan Authority, Clark Development Corporation, John Hay Management Corporation, Poro Point Management Corporation, Cagayan Economic Zone Authority, Zamboanga City Special Economic Zone Authority, PHIVIDEC Industrial Authority, Aurora Pacific Economic Zone and Freeport Authority, Authority of the Freeport Area of Bataan, Tourism Infrastructure and Enterprise Zone Authority, and all other similar existing authorities or that may be created by law unless otherwise specifically exempted from the coverage of the Code [Title XIII, Chapter I, Section 293(H), CREATE Act].

¹¹ The SIPP contains the priority projects or activities, scope and coverage of location and industry tiers, recommendations for non-fiscal support and corresponding specific activities wherein investments are to be encouraged, and other information, analyses, data, guidelines, or criteria as the BOI may deem appropriate [Part I, Rule 1, Section 4(DD), CREATE Act Implementing Rules and Regulations].

¹² Entitled, “Approving the 2022 Strategic Investment Priority Plan”, (May 24, 2022).

¹³ A list of investment priority sectors or preferred investment areas that may be given investment incentives. The 2020 IPP was approved through Memorandum Order No. 50 entitled, “Approving the 2020 Investment Priorities Plan”, (November 18, 2020).

¹⁴ Tier I includes activities that (i) have high potential for job creation; (ii) take place in sectors with market failures resulting in under provision of basic goods and services; (iii) generate value creation through innovation, upgrading or moving up the value chain; (iv) provide essential support for sectors that are critical to industrial development; or (v) are emerging owing to potential comparative advantage.

Based on the Board of Investment (BOI) Memorandum Circular No. 2021-001¹⁵, the preferred activities for investment in the Agriculture, Fishery, and Forestry industry include the following:

- a. Commercial production of the agricultural, fishery, and forestry products; and
- b. Nurseries, hatcheries, postharvest facilities, and other support services and infrastructures.

For Metro Manila, only agricultural infrastructure and support services and urban agriculture may qualify for registration as new, expansion, or modernization. All applications for agricultural and fishery production registration must be accompanied by an endorsement from the Department of Agriculture (DA).

Further, the production and manufacturing of export agri-products, and the extensive plantation of timber, non-timber, and fruit trees for commercial and industrial purposes, pursuant to Presidential Decree No. 705¹⁶, are likewise included among the preferred areas of investments under the 2020 IPP.

Meanwhile, food security-related activities fall under Industry Tier II¹⁷ of the 2022 SIPP. These activities cover products and services critical to competitively ensuring food security or in support of green/organic agriculture, as endorsed by the DA or the Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development, such as but not limited to integrated food production and processing activities (e.g., dairy); production and/or adoption of hybrid seeds contained in the National Seed Industry Council Crop Variety Registration; manufacture of animal vaccine, pesticides, and fertilizers; and agricultural and fisheries machinery and equipment, and parts and components therefor.

Consequently, RBEs engaged in the said activities are eligible for the income tax-based incentives, and the period of availment is determined based on location and industry tiers¹⁸ under the CREATE Act, as follows:

¹⁵ Entitled, “General Policies and Specific Guidelines to Implement the 2020 Investment Priorities Plan”, (February 9, 2021).

¹⁶ Entitled, “Revising PD No. 389, Otherwise Known as the Forestry Reform Code of the Philippines”, (May 19, 1975).

¹⁷ Tier II includes activities that produce supplies, parts and components, and intermediate services that are not locally produced but are critical to industrial development and import-substituting activities, including crude oil refining.

¹⁸ The industry tier of an activity is prioritized according to the national industrial strategy specified in the SIPP which will define the coverage of the tiers and provide the conditions for qualifying the activities.

Table 5*Duration of Income Tax-Based Incentives Under the CREATE Act¹⁹*

Location tier	Tax Incentives and period of availment (in years)			
	Domestic market enterprise		Export-oriented enterprise	
	Tier I	Tier II	Tier I	Tier II
National Capital Region (NCR)	4 ITH + 5 ED	5 ITH + 5 ED	4 ITH + 10 ED/SCIT	5 ITH + 10 ED/SCIT
Metropolitan areas or areas contiguous and adjacent to the NCR	5 ITH + 5 ED	6 ITH + 5 ED	5 ITH + 10 ED/SCIT	6 ITH + 10 ED/SCIT
All other areas	6 ITH + 5 ED	7 ITH + 5 ED	6 ITH + 10 ED/SCIT	7 ITH + 10 ED/SCIT

Note. ITH – Income Tax Holiday; ED – Enhanced Deductions; SCIT – Special Corporate Income Tax.

Further, pursuant to the amended implementing rules and regulations of the CREATE Act, it is explicitly provided that registered domestic market and export enterprises shall enjoy exemption from customs duties on their importation of capital equipment, raw materials, spare parts, and accessories for their registered project or activity for a maximum period of 12 years and 17 years from the date of registration, respectively, unless otherwise extended under the SIPP. In the case of registered export enterprises, they are also eligible for value-added tax (VAT) exemption on their importation and VAT-zero rating on local purchases of goods and services directly and exclusively used in their registered project or activity, for a maximum period of 17 years from the date of registration, unless otherwise extended under the SIPP.

As of July 2022, 14 RBEs engaged in agricultural activity are availing of tax incentives under the CREATE Act, including ITH, SCIT, ED, customs duty, VAT exemption on importations, and VAT zero-rating on local purchases. These RBEs are either registered with the BOI or the Regional Board of Investments (RBOI). (See Annex B.)

In addition to the CREATE Act, other special laws provide tax and non-tax incentives to specific sectors of the agricultural industry. These sectors include those engaged in producing seeds, dairy products, sugarcane, high-value crops, and organic food. The types of tax and non-tax incentives accorded under these special laws include ITH, tax exemption on sales proceeds, duty-free importations, VAT zero-rating, and technical assistance from the government, among others. (See Table 6.)

¹⁹ Rule 3, Section 6, IRR of Title XIII of the CREATE Act.

Table 6*List of Other Special Laws with Incentives Provisions to the Agricultural Industry Sectors*

Law	Sector eligible for the grant of incentives	Tax and non-tax incentives available
RA 7308 ²⁰	Local seed industry	Technical assistance from the government; and Exemption from duties and taxes, except VAT, for the technical equipment used in seed processing, sowing, meristem culture, storage, and quality testing by individuals, farmers' organizations, cooperatives, and corporations wholly owned by Filipinos during their first 5 years of operations
RA 7884 ²¹	Small farmers and small farmers' dairy cooperatives Milk Processors	Exemption from all taxes, except VAT, on proceeds from the sale of raw milk and milk products; and Enjoyment of a presumptive input tax credit of 4% of the value of their gross purchases from small farmers and small farmers' dairy cooperatives.
RA 7900 ²²	High-value crops ²³ producer	Exemption from taxes and duties for project proponents of high-value crops, subject to the provisions of RA 6938, otherwise known as the Cooperative Code of the Philippines.
RA 10068 ²⁴	Organic food and organic input producers	1. ITH and exemption for seven (7) years, starting from the date of registration of organic food and organic input producers;

²⁰ Entitled, "An Act to Promote and Develop the Seed Industry in the Philippines and Create a National Seed Industry Council and for Other Purposes", (March 27, 1992).

²¹ Entitled, "An Act Creating the National Dairy Authority to Accelerate the Development of the Dairy Industry in the Philippines, Providing for a Dairy Development Fund, and for Other Purposes", (February 20, 1995).

²² Entitled, "An Act to Promote the Production, Processing, Marketing and Distribution of High-Value Crops, Providing Funds Therefor, and for Other Purposes", (February 23, 1995).

²³ These are crops other than traditional crops which include, but are not limited to: coffee and cacao, fruit crops (citrus, cashew, guyabano, papaya, mango, pineapple, strawberry, jackfruit, rambutan, durian, mangosteen, guava, lanzones, and watermelon), root crops (potato and ubi), vegetable crops (asparagus, broccoli, cabbage, celery, carrots, cauliflower, radish, tomato, bell pepper, and patola), legumes, pole sitao (snap beans and garden pea), spices and condiments (black pepper, garlic, ginger, and onion), and cutflower and ornamental foliage plants (chrysanthemum, gladiolus, anthuriums, orchids, and statice).

²⁴ Entitled, "An Act Providing for the Development and Promotion of Organic Agriculture in the Philippines and for Other Purposes", (April 6, 2010).

Law	Sector eligible for the grant of incentives	Tax and non-tax incentives available
		<ol style="list-style-type: none"> 2. Exemption from the payment of duties on the importation of agricultural equipment, machinery, and implements; 3. Identification by LGUs of local taxes that may be offered as incentives to organic input production and utilization; and 4. Provision of preferential rates and special window to organic input producers and users by the Land Bank of the Philippines.
RA 10659 ²⁵	Refined sugar producer	VAT zero-rating on refined sugar withdrawn from warehouses for actual physical export to the world market.
RA 11321 ²⁶	Agriculture and fisheries	Farmer and fisherfolk enterprises may avail of the following incentives: <ol style="list-style-type: none"> 1. Exemption from donor's tax on gifts and donations of real and personal properties; 2. Real property tax exemption on structures, buildings, and warehouses utilized for the storage of farm inputs and outputs; 3. Provision of preferential loan rates and special windows to accredited farms and fisherfolk enterprises; and 4. Income tax exemption for income arising from the operations of the enterprise provided that the enterprise is registered as barangay micro business enterprise under RA 9178.
RA 11901 ²⁷	Agriculture and fisheries	Accessible loans and investments. Under RA 11901, all banking institutions are required to set aside a credit quota or a minimum mandatory agricultural and fisheries financing requirement of at least 25% of their total loanable funds.

²⁵ Entitled, "An Act Promoting and Supporting the Competitiveness of the Sugarcane Industry and for Other Purposes", (March 27, 2015).

²⁶ Entitled, "An Act Instituting the Farmers and Fisherfolk Enterprise Development Program of the Department of Agriculture", (April 17, 2019).

²⁷ Entitled, "An Act Strengthening the Financing System Including Capacity-Building and Organization for Agriculture, Fisheries, and Rural Development in the Philippines, Repealing for the Purpose Republic Act No. 10000 or the "The Agri-Agra Reform Credit Act of 2009", (July 28, 2022).

Overall, the proposal to include agricultural subsectors in the SIPP is consistent with the present thrust of the administration. President Ferdinand R. Marcos, Jr. has emphasized the need to modernize the country's agricultural industry in view of the looming global food crisis due to the ongoing war between Russia and Ukraine, which constricted the global supply chain. As discussed, the agricultural industry and food security-related activities are already listed as preferred areas of investment under Tiers I and II, respectively, of the current SIPP. Hence, there is already an existing legal framework to register and grant incentives to potential investments in the agricultural sector.

ANNEX A.

Philippine Daily Inquirer article entitled “Salceda pushes tax perks for the agricultural sector”

Salceda pushes tax perks for agriculture sector

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MANILA, Philippines — Albay Rep. Joey Salceda is urging the incoming Marcos administration to hasten tax perks for agricultural subsectors under the Strategic Investment Promotion Plan (SIPP) which will be the “country’s top instrument of industrial planning.”

According to Salceda, agriculture is a leading sector needed for the country’s economic recovery and is covered by Republic Act No. 11534, or the Corporate Recovery and Tax Incentives for Enterprises (Create) Act.

The Albay lawmaker and House ways and means committee chair, who authored and sponsored the Create Act, pointed out that he has been working closely with the [Department of Trade and Industry](#) (DTI) and the [Department of Agriculture](#) to include several agricultural subsectors in the SIPP.

The SIPP is the list of industries eligible for tax perks under the Create Act, which President Rodrigo Duterte signed into law in March last year. It’s considered the largest fiscal stimulus for businesses in the country.

However, the DTI only completed the transitional version of the SIPP in May and the comprehensive version of the plan has not been completed.

Salceda urged incoming Trade Secretary Alfredo Pascual to finish crafting the comprehensive version of the SIPP to help revive the agriculture sector, boost production and help reduce consumer prices.

Salceda explained, “By giving key agriculture sectors tax incentives, we can lower production costs and encourage farm modernization. That will lower consumer prices and boost domestic food supply.”

Focus on inflation

At the same time, Salceda lauded incoming central bank chief Felipe Medalla for focusing on inflation, which hastened to 5.4 percent in May, instead of being distracted by the depreciation of the Philippine peso.

“I agree with incoming Governor Medalla that the focus should be fighting inflation, not supporting the peso. I’ve seen how futile that can be when the problem is external,” he said, after the peso slid to P54.265 against the US dollar, its weakest since 2018, on Tuesday.

Salceda recalled that the central bank “tried to support” the Philippine peso during the 1997 Asian financial crisis and ended up spending so much on a pointless exercise.

“That didn’t work then, and it wouldn’t work now,” Salceda said, adding that Medalla’s announcement of at least two more interest rate increases this year was more significant.

Salceda said he was “not alarmed” with the depreciation of the Philippine peso, adding that “it’s even debatable whether that’s a problem.”

Annex B*List of RBEs Classified under the Agricultural Sector under the CREATE Act as of July 2022*

Company name	Activity/Project description	Type of enterprise	Tax incentives granted
RBE 1	Agricultural crop	Domestic	ITH, duty-free importation
RBE 2	Agricultural crop	Domestic	ITH, duty-free importation
RBE 3	Agricultural crop	Domestic	ITH, duty-free importation
RBE 4	Poultry breeder	Domestic	ITH, enhanced deductions, duty-free importation
RBE 5	New producer of female GP (Grand Parent) breeder	Domestic	ITH, enhanced deductions, duty-free importation
RBE 6	New export producer of organic/non-organic plant-based Infused coconut drinks and juices	Export	ITH, enhanced deductions, VAT, and duty-free importation
RBE 7	New export producer of pasteurized chilled crabmeat	Export	ITH, SCIT, VAT and duty-free importation, VAT zero-rating on local goods and services
RBE 8	New producer of broiler chicken	Domestic	ITH, enhanced deductions, duty-free importation
RBE 9	New export producer of banana chops	Export	ITH, SCIT, VAT and duty-free importation, VAT zero-rating on local goods and services
RBE 10	New producer of hogs under contract breeding scheme (Piglets)	Domestic	ITH, enhanced deductions, duty-free importation
RBE 11	New producer of animal feeds	Domestic	ITH, enhanced deductions, duty-free importation
RBE 12	New producer of animal feeds	Domestic	ITH, enhanced deductions, duty-free importation
RBE 13	New export producer of banana chips	Export	ITH, SCIT, VAT and duty-free importation, VAT zero-rating on local goods and services

Company name	Activity/Project description	Type of enterprise	Tax incentives granted
RBE 14	New export producer of banana chips	Export	ITH, SCIT, VAT and duty-free importation, VAT zero-rating on local goods and services

Note. Data gathered from the FIRB Secretariat.

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