

## PRESIDENTIAL DECREE NO. 666

### PROVIDING FOR INCENTIVES FOR THE SHIPBUILDING AND SHIP REPAIR INDUSTRY

WHEREAS, shipping plays a vital role in the economic development and growth of the country;

WHEREAS, the promotion and maintenance of an adequate Philippine merchant fleet depend upon the adequacy or supporting shipbuilding and ship repair facilities;

WHEREAS, the absence of adequate investment incentives had deterred the expansion and modernization of existing shipyards and/or the development of new shipyard facilities;

WHEREAS, to accelerate the development of shipbuilding and ship repair industry such incentives are imperative and necessary;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers in me vested by the constitution, do hereby order and decree as follows:

Section 1. Shipbuilding and ship repair yards duly registered with the Maritime Industry Authority shall be entitled to the following incentive benefits:

- (a) Exemption from import duties and taxes. The importation of machineries, equipment and materials for shipbuilding, ship repair and/or alteration, including indirect imports, as well as replacement and spare parts for the repair and overhaul of vessels such as steel plates, electrical machinery and electronics parts, shall be exempt from the payment of customs duty and compensating tax; Provided, however, That the Maritime Industry Authority certifies that the item or item/s imported are not produced locally in sufficient quantity and acceptable quality at reasonable prices, and that the importation is directly and actually needed and will be used exclusively for the construction, repair, alteration, or overhaul of merchant vessels and other watercrafts; Provided, further, That if the above machinery, equipment, materials and spare parts are sold to non-tax exempt persons or entities, the corresponding duties and taxes shall be paid by the original importer; Provided, finally, That local dealers or agents who sell machinery, equipment, materials and accessories to shipyards for shipbuilding and ship-repair are entitled to tax credits, subject to approval by the Maritime Industry Authority, equivalent to the

total tariff duties and compensating taxes paid for said machinery, equipment, materials and accessories.

- (b) Accelerated depreciation. Industrial plant and equipment may, at the option of the shipbuilder and ship repairer, be depreciated for any number of years between five years and the expected economic life.
- (c) Exemption from contractor's percentage tax. The gross receipt derived by shipbuilders and ship repairers from shipbuilding and ship repairing activities shall be exempt from the Contractor's Tax provide in Section 91 of the National Internal Revenue Code during the first ten years from registration with the Maritime Industry Authority, provided that such registration is affected not later than the year 1990; Provided, That any and all amounts which would otherwise have been paid as contractor's tax shall be set aside as a separate fund, to be known as "Shipyard Development Fund", by the contractor for the purpose of expansion, modernization and/or improvement of the contractor's own shipbuilding or ship repairing facilities; Provided, That, for this purpose, the contractor shall submit an annual statement of its receipt to the Maritime Industry Authority; and Provided, further, That any disbursements from such fund for any of the purposes herein above stated shall be subject to approval by the Maritime industry authority.
- (d) Registration required out not as Public Utility. The business of constructing and repairing vessels or parts thereof shall not be considered a public utility and no Certificate of Public Convenience shall be required therefore. However, no shipyard, graving dock, marine railway or marine repair shop and no person or enterprise shall engage in the construction and/or repair of any vessel, or any phase or part thereof, without a valid Certificate of Registration and License for this purpose from the Maritime Industry Authority, except those owned or operated by the Armed Forces of the Philippines or by foreign governments pursuant to a treaty or agreement.

Section 2. The Maritime Industry Authority shall, in consultation with the Board of Investments and the Department of Finance, promulgate rules and regulations together with the procedure and guidelines for the proper and efficient implementation of the above provisions.

Section 3. Any violation of the tax exemption privileges or incentives provided for in this Decree, as well as the terms and conditions for the grant thereof, shall result in forfeiture of all the tax exemption and incentives granted herein and the shipbuilders, ship repairer, contractor or importer shall be subject by the particular violation.

Section 4. Any provision of law, decree, executive order, or rules and regulations inconsistent with this Decree is hereby repealed or modified accordingly.

Section 5. This Decree shall take effect immediately.

Done in the City of Manila this 5<sup>th</sup> day of March, in the year of Our Lord, nineteen hundred and sevety-five.