REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
BIR National Office Building
Diliman, Quezon City

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REVENUE MEMORANDUM CIRCULAR NO. 53 - 2023

SUBJECT: **Provides Clarifications on the Entitlement of Economic Zone Developers and Operators to the Value-Added Tax (VAT) Zero-Rating on Local Purchases of Goods and Services Directly and Exclusively Used in the Registered Project or Activity**

TO: **All Internal Revenue Officers and Others Concerned**

For the information and guidance of all concerned, attached herewith is the copy of the Board of Investments (BOI) Memorandum Circular (MC) No. 2022-003 dated 01 June 2022, which amended the Specific Guidelines of Activities in Support of Exporters under the 2020 Investment Priorities Plan (IPP), also known as the transitional Strategic Investment Priority Plan (SIPP).

The aforementioned BOI MC included the development and operation of economic zones; and industrial parks and buildings for exporters, as "Activities in Support of Exporters", to wit:

"II. EXPORT ACTIVITIES

XXX

3. Activities in Support of Exporters

XXX

f. Development and Operation of Economic Zones; and industrial parks and Buildings for Exporters

This covers the development and operation of economic zones, and industrial parks within export or Freeport zones with integrated facilities for export-oriented enterprises. Economic zones and industrial parks shall have infrastructure such as paved roads, power system, water supply, drainage system, sewerage treatment facilities, pollution control systems, communication facilities, and other infrastructure/facilities needed for the operation of exporters located therein.

This also covers the development and management of new buildings located outside NCR, declared as an economic zone or within export or Freeport zones, with a minimum contiguous land area of 10,000 square meters with the following features:

- High-speed fiber-optic telecommunication backbone and high-speed international gateway facility or wide-area network (WAN); or any high-speed data telecommunication system that may become available in the future;
- Clean[1], uninterruptible power supply;
- Computer security and building monitoring and maintenance systems (e.g., computer firewalls, encryption technology, fluctuation controls, etc.); and
- Any other requirements as may be determined by the Board of the concerned IPAs.

At least seventy percent (70%) of the leasable/saleable areas shall be dedicated to exporters[2].

Revenues arising from clients/tenants engaged in activities that are not allowed pursuant to the definition of a registered business enterprise under Section 293(M) of the CREATE Act will not be entitled to the ITH incentive.

Phased development of an economic zone or industrial park may be allowed, provided the whole project is completed within five (5) years unless otherwise approved by the Board of the concerned IPA.

These amendments shall apply to all projects qualified under CREATE Act.

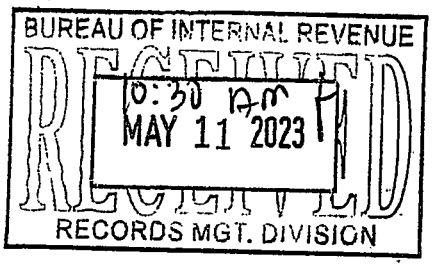
Footnotes:

[1] Clean power supply is electrical power that is free from voltage spikes and drops. It is electricity using alternating current (AC) that oscillates at a perfect 60 Hz with no noise or distortion in the line showing the current's frequency (a perfect sine wave). Voltage ripple or power supply noise that is outside of the ideal sinusoidal waveform, which are, in turn called, dirty power supply or polluted power.

[2] For IPA-registered business enterprises (RBEs) this means exporting at least 70% of its total production/service as defined under Sec. 293(E) of the CREATE Act. For non-IPA registered enterprises this means exporting at least 60% of its output as defined under Sec. 3(e) of the FIA (Foreign Investments Act), as amended."

Based on the foregoing, the ecozone developer and operator may be classified as export enterprise if it meets the qualifications stated above, in which case, it shall also be entitled to the VAT incentives under the CREATE Act.

On the other hand, in case an enterprise is not qualified based on the amended guidelines, the ecozone developer or operator will be classified as a domestic market enterprise under Item D(I)(8)(j) of the General Policies and Specific Guidelines to Implement the 2020 IPP which covers the development of domestic industrial zones, as circularized by the BOI thru Memorandum Circular No. 2021-001. Consequently, it shall not be entitled to the VAT incentives under the CREATE Act.



All revenue issuances and BIR Rulings inconsistent herewith are hereby considered amended, modified, or revoked accordingly.

All revenue officials concerned are enjoined to give this Circular as wide a publicity as possible.

This Circular takes effect immediately.

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue
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