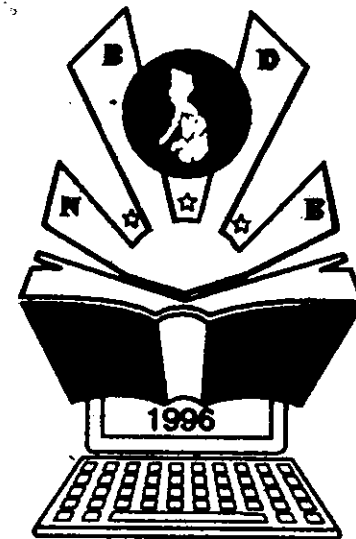


SENATE OF THE PHILIPPINES  
LEGISLATIVE LIBRARY SERVICE



Republic of the Philippines  
Office of the President

National Book Development Board



199 RA 8047

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SENATE OF THE PHILIPPINES  
LEGISLATIVE LIBRARY SERVICE

## Foreword

The enactment of Republic Act No. 8047, also known as the Book Publishing Industry Development Act, was a clear demonstration of the government's attention to the important role of books in nation building.

The law created the National Book Development Board (NBDB) which is tasked primarily to formulate and implement a National Book Policy with a corresponding National Book Development Plan geared towards the development of the book publishing industry.

The birth of NBDB was a product of a long struggle in the Houses of the Legislature by men who had the vision and the desire to promote the growth of the book publishing industry in the Philippines. The private sector book publishers then felt the lack of attention by government on the industry that had the lowest book production volume in Asia and around the world. They sought the privatization of the government textbooks program as an initial step to remove the monopoly of the textbook market for the public schools.

In 1988, the Philippine Educational Publishers Association (PEPA) presented to Congress a formal study of the book publishing industry and its pathway to growth. PEPA, through its then president, Mr. Jesus Ernesto Sibal, and its legal counsel, Atty. Rufus B. Rodriguez (now Commissioner of the Bureau of Immigration and Deportation) drafted the bill presented by Congressman Carlos Padilla in the House of Representatives; while, the Book Development Association of the Philippines (BDAP) and the Association of Philippine Booksellers (APB) drafted a separate version which was sponsored by then Senator Edgardo Angara.

It was in the 10th Congress that Congressmen Gregorio Andolana and Antonio Cerilles resurrected the House Bill. In the May 31, 1995 Bicameral Conference, the committee, under the chairmanship of Senator Leticia Ramos Shahani, approved the consolidated House and Senate versions to form the enrolled bill.

Finally, on June 7, 1995, former President Fidel V. Ramos signed into law Republic Act 8047. The National Book Development Board held its organizational meeting on March 16, 1996 and thereafter started its operations.

S. No. 252  
H.No. 12614



Republic of the Philippines  
Office of the President  
Metro Manila

Third Regular Session

Begun and held in Metro Manila, on Monday the twenty-fifth  
day of July, nineteen hundred and ninety four

—oOo—

### [REPUBLIC ACT NO. 8047]

AN ACT PROVIDING FOR THE DEVELOPMENT OF THE BOOK PUBLISHING  
INDUSTRY THROUGH THE FORMULATION AND IMPLEMENTATION OF A  
NATIONAL BOOK POLICY AND A NATIONAL BOOK DEVELOPMENT PLAN

Be it enacted by the Senate and House of Representatives of the  
Philippines in Congress assembled:

SECTION 1. **Title.** This Act shall be known as the "Book Publishing  
Industry Development Act."

SECTION 2. **Declaration of Policy.** It is recognized that the book  
publishing industry has a significant role in national development, considering  
that books which are its products are instrumental in the citizenry's  
intellectual, technical and cultural development - the basic social foundation  
for the economic and social growth of the country. Books are the most  
effective and economical tools for achieving educational growth, for imparting  
information and for recording, preserving, and disseminating the nation's  
cultural heritage.

Accordingly, it is hereby declared a policy of the State to promote the  
continuing development of the book publishing industry, with the active  
participation of the private sector, to ensure an adequate supply of affordable,  
quality-produced books not only for the domestic but also for the export  
market. For this purpose, the Government shall formulate, adopt, and  
implement a National Book Policy and a corresponding National Book

Development Plan that will serve as the enduring basis for fostering the progressive growth and viability of the book industry.

**SECTION 3. Definition of Terms.** For purpose of this Act, the terms below shall be construed to mean, except where explicitly indicated or where the context clearly indicates otherwise, as follows:

- a. *Book.* As defined by the United Nations Educational Scientific and Cultural Organization (UNESCO), a printed non-periodical publication of at least forty-eight (48) pages, exclusive of cover pages, published in the country and made available to the public.
- b. *Textbook.* A book which is an exposition of generally accepted principles in one (1) subject, intended primarily as a basis for instruction in a classroom or pupil-book-teacher situation.
- c. *Book Title.* Refers to a particular book of which a number of copies are printed.
- d. *National Book Policy.* A statement of the intention and philosophy of the State as a basis for the formulation and implementation of measures for the development, production, and distribution of books.
- e. *National Book Development Plan.* Refers to the integrated approach for fostering book development, consisting of the totality of the procedures and systems for attaining the balanced growth of the various components of book development and production, including preparation and distribution of books.
- f. *National Development.* Used in the most general sense to refer to the country's progress as well as to the processes or measures that contribute to such progress.
- g. *Book Publishing.* A process of choosing and making books dealing with everything known to the human spirit, philosophy, religious beliefs, intellectual ideas, the physical world, all the arts and the sciences.
- h. *Book Development.* A condition not only for having more output but also different kinds of outputs that were previously produced, as well as changes in the technical and institutional arrangements by which output is produced and distributed.
- i. *Related Activities.* The domestic manufacturing industries which have direct bearing on the long term viability of the book publishing industry.

**SECTION 4. National Book Policy.** The National Book Policy shall conform to the policy provided for in Section 2 hereof and shall have the following basic purposes and objectives.

- a. to create conditions conducive to development, production, and distribution of books, especially the acquisition, and adoption of state-of-the-art technology, equipment and machineries on book publishing.
- b. to obtain priority status for the book publishing industry;
- c. to ensure an adequate, affordable and accessible supply of books for all segments of the population;
- d. to promote book readership especially among the young and neo-literates, through programs promoting literary and good reading habits, book fairs and exhibits, and an efficient nationwide system of libraries and reading centers especially in the rural areas.
- e. to promote the development of indigenous authorship and of translations among various language groups in the country;
- f. to promote the translation and publication of scientific and technical books and classic works in literature and the arts;
- g. to promote the effective distribution of books in the domestic as well as in the international markets through an efficient and reliable postal and transport delivery system;
- h. to foster the development of the skills of personnel engaged in book publishing through in-service training programs and formal degree and non-degree book publishing courses in schools;
- i. to respect and inculcate the concept of intellectual property ownership and to protect the rights of authors and publishers by strictly enforcing copyright laws and providing legal assistance to authors and publishers in suits related thereto;
- j. to reaffirm and ensure the country's commitment to the UNESCO principle of free flow of information and other related provisions as embodied in the Florence Agreement and in other similar international agreements; and
- k. to promote whenever appropriate the use of recycled/waste paper and other inexpensive local materials in the manufacture of books to reduce the cost of such locally produced books.

**SECTION 5. National Book Development Plan.** The National Book Development Plan shall include the specific measures needed to realize the purposes and objectives of the National Book Policy. The formulation of the plan shall involve:

- a. the collection and tabulation of data on book production covering such areas as paper production; supply and consumption, publishing equipment and machinery and existing distribution networks;
- b. a survey on the availability of adequate and proper manpower and supporting skills needed by the publishing industry such as authors, editors, designers and illustrators, marketing personnel and printers;
- c. a survey of existing legislation affecting the book industry both at the national and international levels
- d. a survey of professional training capability as well as of reading habits and attitudes; and
- e. consultations with all segments of the book industry concerned in planning for and preparing the National Book Development Plan on the basis of the results of the aforementioned surveys.

The National Book Development Plan shall have the following components and/or requisites:

- i. a human resource development program for book personnel;
- ii. guidelines for ethical practices in the book trade;
- iii. measures for attaining balanced attention and bridging the communication gap among people living in different parts of the country;
- iv. provisions for a strong and effective mechanism for book development in the country;
- v. provisions for producing books or other periodicals such as appropriate or selected comics as instructional or teaching material for such various categories of readers in the country as pre-school children and schoolchildren, school drop-outs, neo-literates, the handicapped, professionals, general readers and ethnic groups; and
- vi. measures for addressing the needs and problems of the book development industry as indicated in the surveys conducted.

**SECTION 6. Registration of Entities.** Persons and enterprises engaged in book publishing and its related activities shall register with the National Book Development Board.

**SECTION 7. Governing Board, Composition; Terms, Powers, and Functions.** There is hereby created a National Book Development Board hereinafter referred to as the Board, which shall be under the administrative supervision of the Office of the President. The Governing

Board shall be composed of eleven (11) members who shall be appointed by the President of the Philippines.

The eleven (11) member shall be composed of:

- a. Five (5) representatives of the government to be chosen from the Department of Education, Culture and Sports (DECS), Department of Trade and Industry (DTI), Department of Science and Technology (DOST), National Commission for Culture and Arts (NCCA), and nominees by the Commission on Higher Education (CHED) and Technical Education Skills Development Authority (TESDA) from the academe and training institutions, respectively; and
- b. Six (6) representatives from the nominees of organizations of private book publishers, printers, writers, book industry related activities, students and the private education sector, preferably representatives of the three (3) main islands of the country, in view of the substantial progress made by other regions in the book publishing industry.

The appointees to the Board shall be one of the three (3) nominees of the concerned nationwide organizations duly incorporated with the Securities and Exchange Commission (SEC) and with membership, whenever feasible, in all the cities and provinces throughout the country.

The members of the Board shall elect a chairman from among themselves. The DECS representative in the Board shall be the *ex-officio* vice chairman of the Board.

The members of the Board shall serve for a term of three (3) years; *Provided*, That no member shall serve more than two (2) consecutive terms. *Provided, further*, that the terms of the first appointees from the private sector shall be staggered thus: the first two (2) representatives of the private sector shall serve for three (3) years; the second two (2) for two (2) years; and the third two (2) for one (1) year: *Provided, furthermore*, That the appointee from the academe shall serve for a period of three (3) years and the appointee from training institutions shall serve for a term of two (2) years.

The members of the Board shall serve and continue to hold office until their successors shall have been appointed and qualified. Should a member of the Board fail to complete his term, his successor shall be appointed by the President of the Philippines but only for the unexpired portion of the term.

No person shall be appointed to the Board unless he is a citizen of the Philippines, at least thirty (30) years of age, and of established competence and integrity.

For administrative purposes, the Board shall be under the Office of the President.

The member of the Governing Board shall receive per diem and such allowances as may be authorized for every meeting actually attended and subject to pertinent laws, rules and regulations.

**SECTION 8. Powers and Functions.** The Governing Board shall have the following powers and functions:

- a. assume responsibility for carrying out and implementing the policies, purposes and objectives provided for in this Act;
- b. formulate plans and programs as well as operational policies and guidelines for undertaking activities relative to promoting book development, production and distribution as well as an incentive scheme for individual authors and writers;
- c. formulate policies, guidelines and mechanisms to ensure that editors, compilers and especially authors are paid justly and promptly royalties due them for reproduction of their works in any form and number and for whatever purpose;
- d. conduct or contract research on the book publishing industry, including monitoring, compiling and providing data and information on book production;
- e. provide a forum for interaction among private publishers, and, for the purpose, establish and maintain liaison with all segments of the book publishing industry;
- f. ask the appropriate government authority to ensure effective implementation of the National Book Development Plan;
- g. promulgate rules and regulations for the implementation of this Act in consultation with other agencies concerned, except for Section 9 hereof on incentives for book development, which shall be the concern of appropriate agencies involved;
- h. approve with the concurrence of the Department of Budget and Management (DBM), the annual and supplemental budgets submitted to it by the Executive Director;
- i. own, lease, mortgage, encumber or otherwise real and personal property for the attainment of its purposes and objectives;
- j. enter into any obligation or contract essential to the proper administration of its affairs, the conduct of its operations or the accomplishment of its purposes and objectives;
- k. receive donations, grants, legacies, devices and similar acquisitions which shall form a trust fund of the Board to accomplish its development plans on book publishing;

- l. import books or raw materials used in book publishing which are exempt from all taxes, customs duties and other charges in behalf of persons and enterprises engaged in book publishing and its related activities duly registered with the Board;
- m. promulgate rules and regulation governing the manner in which the general affairs of the Board are to be exercised and amend, repeal, and modify such rules and regulations whenever necessary;
- n. recommend to the President of the Philippines nominees for the positions of the Executive Officer and Deputy Executive Officer of the Board;
- o. adopt rules and procedures and fix the time and place for holding meetings; *Provided*, That at least one (1) regular meeting shall be held monthly;
- p. conduct studies, seminars, workshops, lectures, conferences, exhibits and other related activities on book development such as indigenous authorship, intellectual property rights, use of alternative materials for printing, distribution and others; and
- q. exercise such other powers and perform such other duties as may be required by law.

**SECTION 9. The Secretariat.** The Board shall have a permanent Secretariat under an Executive Officer, who shall be appointed by the Board.

The authority and responsibility for the day-to-day management and direction of the operations of the affairs of the Board shall be vested in the Executive Officer. The Executive Officer and the Deputy Executive Officer shall be appointed by the President of the Philippines. They shall hold office unless sooner terminated in accordance with applicable laws.

No person shall be appointed Executive Officer and Deputy Executive Officer of the Board unless he is a citizen of the Philippines, at least thirty (30) years of age, and of established competence and integrity.

The Executive Officer shall have the following powers and functions:

- a. Execute, administer, and implement the policies and measures approved by the Board;
- b. Direct and manage the affairs and operations of the Board;
- c. Submit within thirty (30) days after the close of every calendar year an annual report to the Board and such other reports it may require;
- d. Submit an annual budget and such supplemental budgets as may be necessary to the Board for its consideration and approval;

- e. Represent the Board in all transactions with other offices, agencies, and instrumentalities of government and with all persons and other entities, public or private, domestic or foreign;
- f. Appoint, subject to the confirmation of the Board, and discipline for cause in accordance with Civil Service laws, rules and regulations, the Board's officers and personnel below the level of Deputy Executive Officer;
- g. Delegate in writing, authority, as may be necessary, to subordinate officers and personnel of the Board; and
- h. Perform such other duties as may be assigned to him by the Board, which, according to its sound discretion, are necessary for the efficient and effective implementation of this Act.

The Deputy Executive Officer shall have the following powers and functions: assist the Executive Officer in the discharge of his powers and functions; act as Executive Officer during the Executive Officer's absence, sickness or other temporary disability; and discharge such other powers and perform such other functions as may be required by the Executive Officer of the Board.

The structural and functional organization, compensation plan, and the staffing pattern of the Secretariat shall be approved by the Board upon the recommendation of the Executive Officer. The Board may create, abolish, merge, or otherwise reorganize positions therein as may be necessary for the economical, effective and efficient discharge of its functions and responsibilities subject to existing laws.

**SECTION 10. Public School and Textbook Publishing.** The DECS shall consult with the Board in prescribing the guidelines, rules, and regulations in preparing the minimum learning competencies, and/or prototypes and other specifications for books required by public elementary and secondary schools.

The DECS shall confine itself to:

- a. preparing the minimum learning competencies, and/or prototypes and other specifications for the books and/or manuscript called for;
- b. testing, evaluating, selecting, and approving the manuscripts or books to be submitted by publishers for multiple adoption;
- c. providing assistance in the distribution of textbooks to the public school systems; and
- d. promulgating with the participation and assistance of the Board rules and regulations for the private book publishers in the call,

testing evaluation, selection, approval, as well as production specification and acquisition of public school textbooks.

The printing of public elementary and secondary school textbooks shall be done on a regional or provincial level, whenever economically feasible.

The DECS shall within a period of not more than three (3) years from the effectivity of this Act phase out its elementary and secondary textbook publication and distribution functions and shall support the phasing in of private sector publishers to assume these functions here. For its part, the Board shall monitor and conduct an annual evaluation of the progress of the shift of functions from the DECS to the private sector.

**SECTION 11. Participation of Private Publishers in the Public School Textbook Program.** Guided by the minimum learning competencies for the elementary level, the desired learning competencies for the secondary level and other specifications prepared by the DECS, publishers shall develop and submit to the DECS those syllabi and/or prototypes and manuscripts or books intended for use in the public schools for testing, evaluation, selection, and approval.

Upon approval of the manuscripts or books, publishers shall produce and supply the textbooks as ordered by the DECS.

**SECTION 12. Incentives for Book Development.** Persons and enterprises engaged in book publishing and its related activities duly registered with the National Book Development Board shall be entitled to the applicable fiscal and non-fiscal incentives as provided for under Executive Order No. 226, otherwise known as the Omnibus Investment Code, as amended, subject to the qualifications and requirements set by the Board of Investments (BOI); *Provided*, That book development activities shall always be included in the Investment Priority Plan (IPP).

In the case of tax and duty-free importation of books or raw materials to be used in book publishing, the Board and its duly authorized representatives shall strictly monitor the quality and volume of imported books and materials as well as their distribution and the utilization of the said imported materials.

The Board shall also recommend to the proper prosecuting agencies any violations of the conditions of the duty-free importation.

Books, magazines, periodicals, newspapers, including book publishing and printing, as well as its distribution and circulation, shall be exempt from the coverage of the expanded value added tax law.

**SECTION 13. Implementing Rules and Regulations.** The Board, in consultation with the BOI, Bureau of Customs (BOC), and other appropriate agencies from the private and government sectors, shall issue guidelines and prescribe rules and regulations for Sections 6, 10, and 12 within one hundred twenty (120) days after the effectivity of this Act which shall be published in two (2) newspapers of general circulation. A copy of such guidelines, rules, and regulations shall be furnished the Congress of the Philippines.

**SECTION 14. Penalties.** Any person who violates any provision of this Act or the terms and conditions of the rules and regulations issued pursuant thereto, or aids or abets in any manner any violation shall be subject to a fine not exceeding One Hundred Thousand Pesos (P100,000.00) or imprisonment of not more than five (5) years or both, at the discretion of the court.

If the violation is committed by a juridical entity, it shall be subject to a fine not exceeding Five Hundred Thousand Pesos (P500,000.00). The president and/or officials responsible therefore shall also be subject to a fine not exceeding Seven Hundred Thousand Pesos (P700,000.00)

In addition to the foregoing, any person, firm, or juridical entity involved shall be subject to forfeiture of all benefits granted under this Act.

The SEC shall have the power to impose administrative sanctions as provided herein for any violation of this Act or its implementing rules and regulations.

**SECTION 15. Transfer of Assets, Properties, Funds, and Liabilities.** Assets, properties, funds, and liabilities of the Instructional Materials Corporation (IMC) and the Instructional Materials Development Center (IMDC) under the DECS shall be transferred to the National Book Development Board.

**SECTION 16. Appropriations.** For the initial operating expenses of the Board and the Secretariat, the amount of Five Million Pesos (P5,000,000.00) is hereby appropriated to be charged to the Office of the President. Thereafter, it shall submit to the Department of Budget and Management its proposed budget for inclusion in the General Appropriations Act.

**SECTION 17. Transitory Provisions.** Within a period of one hundred eighty (180) days after the approval of this Act, the Board shall be constituted to start its operation.

All other government offices having functions similar to those of the Board shall then cease to perform such functions. These functions shall henceforth be deemed transferred to the Board.

This notwithstanding, the DECS shall maintain an office and staff to perform functions specified herein relative to its participation in the government textbook program.

Employees of the IMDC and the IMC who are not hired by the Board and/or who do not opt to remain with DECS or are laid off as a result of the implementation of this Act, within the transition period provided herein, shall be entitled to gratuity at the rate of one and one-fourth (1 1/4) month's salary for every year of service in the government or a fraction thereof on the basis of the highest salary received, in addition to the retirement and/or gratuity, benefits or pensions under R.A. No. 6656 and other existing Retirement Laws. Unexpended funds of the IMDC and of the IMC shall revert to the Board, after reserving the amount necessary to pay the benefits of those separated or retired from the service.

**SECTION 18. Separability Clause.** If any part or section of this Act is declared unconstitutional for any reason whatsoever such declaration shall not in any way affect other parts or sections of this Act.

**SECTION 19. Repealing Clause.** Executive Order No. 492, series of 1991, as amended; except as herein indicated is hereby repealed. All other laws, decrees, rules, regulations, and other administrative issuances or provisions thereof which are contrary to or inconsistent herewith are hereby repealed or modified accordingly.

**SECTION 20. Effectivity.** This Act shall take effect after fifteen (15) days following its publication in the Official Gazette or in any newspaper of general circulation.

Approved.



**(SGD.) JOSE DE VENECIA JR.**  
Speaker of the House  
of Representatives

**(SGD.) EDGARDO J. ANGARA**  
President of the Senate

This Act, which is a consolidation of Senate Bill No. 252 and House Bill No. 12614, was finally passed by the Senate and the House of Representatives on June 2, 1995 and June 5, 1995, respectively.

**(SGD.) CAMILO L. SABIO**  
Secretary General  
House of Representatives.

**(SGD.) EDGARDO E. TUMANGAN**  
Secretary of the Senate

Approved: June 7, 1995

**(SGD.) FIDEL V. RAMOS**  
President of the Philippines



Republic of the Philippines  
Office of the President



## NATIONAL BOOK DEVELOPMENT BOARD (NBDB)

### Rules and Regulations Implementing R.A. No. 8047, Otherwise Known as The Book Publishing Industry Development Act

The following rules and regulations implementing R.A. 8047, otherwise known as the *Book Publishing Industry Development Act* are hereby promulgated as follows:

#### Rule 1 Statement of Policies

- Section 1. **Title.** These rules shall be known and cited as the Rules and Regulations Implementing R.A. 8047, otherwise known as the Book Publishing Industry Development Act, referred hereto as the Book Act.
- Section 2. **Declaration of Policy.** It is a declared policy of the state that the book publishing industry has a significant role in national development since books are instrumental in the citizenry's intellectual, technical and cultural development which constitutes the basic social foundation for the economic and social growth of the country. Books are the most effective and economical tools for achieving educational growth, for imparting information and for recording, preserving, and disseminating the nation's cultural heritage.
- a) *Private Sector Participation.* The State shall promote the continuing development of the book publishing industry, with the active participation of the private sector, to ensure an adequate supply of varied, high quality books that are affordable and suited for the domestic as well as the export market.

- b) *Policy and Development Plan Formulation.* The Government shall formulate, adopt, and implement a National Book Policy and a corresponding National Book Development Plan that will serve as the enduring basis for fostering the progressive growth and viability of the book industry.

## Rule II Definition of Terms

Section 1. **Definition of Terms.** As used in the Rules and Regulations, the terms below shall mean except when the context indicates otherwise, as follows:

- a) *Book.* As defined by the United Nations Educational Scientific and Cultural Organization (UNESCO), it is a printed non-periodical publication of at least forty-eight (48) pages, exclusive of cover pages, published in the country and made available to the public;

However, in order to satisfy the intent of the Book Act in the light of modern information technology and for purposes of enjoying the tax and duty-free status of imported books, this definition shall include: (1) children's books which may be less than forty eight (48) pages; (2) children's educational comics; (3) boomics, which is a combination of a book and a comics; (4) scientific, cultural, medical, architectural and professional magazines; and (5) book catalog.

- b) *Textbook.* A book which is an exposition of generally accepted principles in one (1) subject, intended primarily as a basis for instruction in a classroom or pupil-book-teacher situation.
- c) *Book Title.* Refers to a particular book of which a number of copies are printed.
- d) *National Book Policy.* A statement of the intention and philosophy of the State as a basis for the formulation and implementation of measures for the development, production and distribution of books.
- e) *National Book Development Plan.* Refers to the integrated approach for fostering book development, consisting of the totality of the procedures and systems for attaining the balanced growth of the various

components of the book development and production, including preparation and distribution of books.

- f) *National Development.* It is used in the most general sense to refer to the country's progress as well as to the processes or measures that contribute to such progress.
- g) *Book publishing.* A process of choosing, producing and making available books dealing with everything known to the human spirit, philosophy, religious beliefs, intellectual ideas, the physical world, all the arts and sciences and the like.
- h) *Book Development.* A condition not only of having more output but also different kinds of outputs than were previously produced, as well as changes in the technical and institutional arrangements by which such output is produced and distributed.
- i) *Related Activities.* The domestic industries which have direct bearing on the long term viability of the book publishing industry, such as but not limited to the following: printing, distribution, book trading, importation of paper, procurement, manufacture or production of raw materials for book publishing, and the development of new technologies.
- j) *Information.* Any material, medium, or process which has actual or potential knowledge value (KEV).
- k) *Board.* The National Book Development Board.

## Rule III National Book Policy and Development Plan

Section 1. **Formulation of the National Book Policy.** Pursuant to RA No. 8047, the Board shall formulate and adopt a National Book Policy to ensure the development and viability of the book publishing industry.

The purposes and objectives of the National Book Policy are as follows:

- 1) to create conditions conducive to development, production, and distribution of books, especially the acquisition and adoption of state-of-the-art technology, equipment and machinery for book publishing;

- 2) to obtain priority status for the book publishing industry;
- 3) to ensure an adequate, affordable, and accessible supply of books for all segments of the population;
- 4) to promote book readership especially among the young and neo-literates, through programs promoting literary and good reading habits, book fairs and exhibits, and an efficient nationwide system of libraries and reading centers especially in the rural areas;
- 5) to promote the development of indigenous authorship and of translations among various language groups in the country;
- 6) to promote the translation and publication of scientific and technical books and classic works in literature and the arts;
- 7) to promote the effective distribution of books in the domestic as well as in the international markets through an efficient and reliable postal and transport delivery system;
- 8) to foster the development of skills of the personnel engaged in book publishing through in-service training programs and formal degree and non-degree book publishing courses in the schools;
- 9) to respect and inculcate the concept of intellectual property ownership and to protect the rights of authors and publishers by strictly enforcing copyright laws and providing legal assistance to authors and publishers in suits related thereto;
- 10) to reaffirm and ensure the country's commitment to the UNESCO principle of free flow of information and other related provisions as embodied in the Florence Agreement and in other similar international agreements; and
- 11) to promote, whenever appropriate, the use of recycled/waste paper and other inexpensive local materials in the manufacture of books to reduce the cost of such locally produced books.

**Section 2. Formulation of a National Book Development Plan.** For the formulation and modification of the National Book Development Plan, the Board (NBDB) shall undertake a planning process and adopt strategic measures for the realization of the components of the plan.

a) *Planning Process.* The Board shall gather and/or generate

data through surveys/studies on the book industry covering but not limited to the following:

- 1) book production in specific fields of knowledge such as supply and demand of paper, publishing equipment and machinery, and existing distribution networks;
  - 2) availability of manpower and skills needed by the publishing industry such as authors, editors, designers and illustrators, marketing personnel, printers and professional training capability therefor;
  - 3) legislative measures affecting the book industry both at the national and international levels;
  - 4) kind and quantity of book importation; preferences, attitudes and reading habits of Filipinos; and
  - 5) consultation with all segments of the book industry.
- b) *Components of the Plan.* The National Book Development Plan shall have the following components and/or requisites:
- 1) provisions for strong and effective mechanisms for book development in the country;
  - 2) provisions for producing books or other periodicals, such as appropriate or selected comics as instructional or teaching materials for such various categories of readers in the country as pre-school children and school children, school drop-outs, neo-literates, the handicapped, professionals, general readers, and ethnic groups;
  - 3) measures for addressing the needs and problems of the book industry as indicated in the surveys conducted;
  - 4) measures designed to redress the imbalance between demand of good books and other reading materials and the supply thereof in different parts of the country;
  - 5) measures to secure to authors adequate compensation for copyrights and other intellectual property rights;
  - 6) guidelines for ethical practices in the book trade; and
  - 7) a human resource development program for book personnel.

#### **Rule IV Governing Board**

**Section 1. Creation of NBDB.** To implement the Book Act, a National Book Development Board (NBDB) is created, herein referred



to as the Board. It shall operate under the administrative supervision of the Office of the President. It may convert itself into a corporate entity when it meets the criteria for the creation of government corporations, subject to the approval of appropriate authorities.

The Board shall be composed of a Governing Board and a Secretariat.

**Section 2. Composition of the Governing Board.** The Governing Board shall be composed of eleven (11) members who shall be appointed by the President of the Philippines, as follows:

- a) Five (5) representatives of the government to be chosen from the Department of Education, Culture and Sports (DECS), Department of Trade and Industry (DTI), Department of Science and Technology (DOST), National Commission for Culture and Arts (NCCA), and nominees by the Commission on Higher Education (CHED) and Technical Education and Skills Development Authority (TESDA) from the academe and training institutions, respectively; and
- b) Six (6) nominees of organizations of private book publishers, printers, writers, book industry related activities, students and the private education sector, preferably representatives of the three (3) main islands of the country in view of the substantial progress made by other regions in the book publishing industry. Related activities shall include, but not be limited to booksellers, importers, paper/raw materials suppliers, and those involved in new technology.

The appointees to the Governing Board shall be one of three (3) nominees of the concerned nationwide organizations duly incorporated with the Securities and Exchange Commission (SEC) and with membership, whenever feasible, in all cities and provinces throughout the country.

The members of the Governing Board shall elect a chairman from among themselves. The DECS representative in the Governing Board shall be the ex-officio vice-chairman of the Governing Board.



**Section 3. Qualifications.** The members of the Governing Board must be citizens of the Philippines, at least thirty (30) years of age, and of established competence and integrity.

**Section 4. Terms of Office.** The members of the Governing Board shall serve for a term of three (3) years: provided, that no member shall serve for more than two (2) consecutive terms. Provided, further, that the terms of the first appointees from the private sector shall be staggered thus: the first two (2) representatives of the private sector shall serve for three (3) years; the second two (2) for two (2) years; and third two (2) for one (1) year. That the appointee from the academe shall serve for the period of three (3) years and the appointee from training institutions shall serve for a term of two (2) years.

The members of the Governing Board shall serve and continue to hold office until their successors shall have been appointed and qualified. Should a member of the Governing Board fail to complete his/her term, his or her successor shall be appointed by the President of the Philippines, but only for the unexpired portion of the term.

**Section 5. Meetings and Compensations.** The Governing Board shall meet at least once a month or as frequently as it may deem necessary. In the absence of the Chairman, the Vice-Chairman shall preside. The members of the Governing Board shall receive per diems and such allowances as may be authorized for every Board and/or committee meeting actually attended and subject to pertinent laws, rules, and regulations. Absences and records of said meetings shall be kept by the Board Secretary.

**Section 6. Powers and Functions.** The Governing Board shall have the following powers and functions:

- a) assume responsibility for carrying out and implementing the policies, purposes, and objectives provided for in the Book Act;
- b) formulate plans and programs as well as operational policies and guidelines for undertaking activities relative to promoting book development, production, and distribution, as well as incentive schemes for individual authors and writers;

- c) formulate policies, guidelines and mechanisms to ensure that editors, compilers, and especially authors are paid justly and promptly royalties due them for reproduction of their works in any form and number and for whatever purpose;
- d) conduct researches on the various components of the National Book Development Plan and contract out the same;
- e) provide a forum for interaction among private publishers, and for the purpose, establish and maintain liaison with the Philippine Book Publishing Development Federation, BDAP, APB, PEPA, and all the other duly established associations outside the aforesaid federation;
- f) enjoin the appropriate government authority to ensure effective implementation of the National Book Development Plan;
- g) promulgate rules and regulations for the implementation of the Book Act in consultation with other agencies concerned, except for Section 12 hereof on incentives for book development, which shall be the concern of appropriate agencies involved;
- h) approve, with the concurrence of the Department of Budget and Management (DBM), the annual and supplemental budgets submitted to it by the Executive Director;
- i) own, lease, mortgage, encumber or otherwise real and personal property for the attainment of its purposes and objectives;
- j) enter into any obligation or contract essential to the proper administration of its affairs, the conduct of its operations or the accomplishment of its purposes and objectives;
- k) receive donations, grants, legacies, devices, and similar acquisitions which shall form a trust fund of the Board to accomplish its development plans on book publishing. Any intended disbursement from the trust fund must be covered by a duly approved Board resolution;
- l) import books or raw materials used in book publishing which are exempt from all taxes, custom duties, and other charges whether for its own or for and in behalf of persons and enterprises engaged in book publishing and its related activities duly registered with the Board;
- m) promulgate rules and regulations governing the manner in which the general affairs of the Board are to be exercised

- and amend, repeal or modify such rules and regulations whenever necessary; such shall be considered integral to the IRR;
- n) recommend to the President of the Philippines nominees for the positions of the Executive Officer and Deputy Executive Officer of the Board;
- o) adopt rules and procedures and fix the time and place for holding meetings: provided, that at least one (1) regular meeting shall be held monthly;
- p) conduct studies, seminars, workshops, lectures, conferences, exhibits, and other related activities in support of book development on such matters such as: indigenous authorship, intellectual property rights, the use of alternative materials for printing, distribution, and others;
- q) undertake the establishment of a national center and/or local industrial complex for the book industry sector and other special projects such as but not limited to local and international book fairs, exhibits of publishing equipment and technology and book informational technology exchange networks;
- r) adopt rules and regulations to ensure that prices of books shall be affordable and within reasonable levels commensurate to the quality;
- s) represent and/or gain leverage for the book industry sector by being a member of the negotiating panel relating to negotiation between other government entities like DECS and the domestic or international financial entities on matters affecting books; and
- t) exercise such other powers and perform such other duties as may be required by law.

## **Rule V NBDB Secretariat**

**Section 1. NBDB Secretariat.** The Board Secretariat provided under Section 9 of the Book Act shall be composed of functional offices that the Board may create.

**Section 2. Functions and Responsibilities of the Secretariat.** The Secretariat shall have the following major functions and responsibilities:

- a) Prepare an annual report for submission through its Executive Director to the Governing Board at the close of every calendar year; and other reports the Governing Board may require within given periods;
- b) Prepare an annual budget and such supplemental budgets as may be necessary for submission through its Executive Director to the Board for its consideration and approval;
- c) Facilitate the formulation, adoption, and implementation of a National Book Policy and the corresponding National Book Development Plan;
- d) Coordinate with DECS, CHED, TESDA, and other concerned units regarding curricular concerns like the guidelines, rules and regulations in preparing learning competencies, prototypes, and other specifications for books and related instructional materials;
- e) Provide information, education-training, communication, and advocacy of the progressive growth of the book industry;
- f) Gather and organize data on book publishing, book people, and establishments; plan and conduct studies and researches designed to improve the book publishing industry;
- g) Register and classify persons and enterprises engaged in book publishing; and encourage their meeting the set publishing standards;
- h) Coordinate with registered establishments and publishing people, keeping track of and ensuring an adequate, affordable, and accessible supply of raw materials and books for all segments of the population;
- i) Implement and evaluate programs on incentives for book development and other aspects of the publishing industry; process and regulate applications for tax exemption in importation of raw materials;
- j) Provide vital support services to the organization on matters relating to financial, budgetary, administrative, personnel, and other general services; maintain an information system about policies, procedures, and processes for the guidance of Board personnel and the public;
- k) Assist the Governing Board in assessing as well as in addressing the needs and problems of the publishing industry; and

- l) Perform such other functions as may be authorized by the Board.

**Section 3. Executive Officers of the Secretariat.** The authority and responsibility for the day-to-day management and direction of the operations and affairs of the board shall be vested in the Executive Officer. The Executive Officer shall be assisted by a Deputy Executive Officer. Both the Executive Officer and Deputy Executive Officer shall be appointed by the President of the Philippines. They shall hold office unless sooner terminated in accordance with applicable laws.

- a) *Qualifications.* The Executive Officer and Deputy Executive Officer must be citizens of the Philippines, at least thirty (30) years of age, and of established competence and integrity.
- b) *Position Titles, Ranks, and Emoluments.* The Executive Officer and the Deputy Executive Officer shall have the title of Executive Director and Deputy Executive Director respectively. They shall enjoy the benefits, privileges, and emoluments equivalent to the rank of Executive Director and Deputy Executive Director, respectively.
- c) *Powers and Functions.* The Executive Officer shall have the following powers and functions:
  - 1) Execute, administer, and implement the policies and measures approved by the Governing Board;
  - 2) Direct and manage the affairs and operations of the Secretariat;
  - 3) Submit within thirty (30) days after the close of every calendar year an annual report to the Governing Board and such other reports as it may require;
  - 4) Submit an annual budget and such supplemental budgets as may be necessary to the Governing Board for its consideration and approval;
  - 5) Represent the Book Board in all transactions with other offices, agencies, and instrumentalities of government and with all persons and other entities, public or private, domestic or foreign;
  - 6) Appoint, subject to the confirmation of the Governing Board, and discipline for cause in accordance with Civil Service laws, rules and regulations, the Book Board's

- officers and personnel below the level of the Deputy Executive Officer;
- 7) Delegate authority, as may be necessary, to subordinate officers and personnel of the Book Board in writing; and
  - 8) Perform such other duties as may be assigned to him/her by the Governing Board, which, according to its sound discretion, are necessary for the efficient and effective implementation of this Book Act.

The Deputy Executive Officer shall have the following powers and functions: assist the Executive Officer in the discharge of his/her powers and functions, act as an Executive Officer during the Executive Officer's absence, sickness or other temporary disability, and discharge such other powers and perform such other functions as may be required by the Executive Officer or the Governing Board.

**Section 4. Organizational Structure and Functions.** The structural and functional organization, compensation plan, and staffing pattern of the Secretariat shall be approved by the Governing Board upon the recommendation of the Executive Officer. The Governing Board may create, abolish, merge, or otherwise reorganize offices and positions therein as may be necessary for the economical, effective and efficient discharge of its functions and responsibilities subject to existing laws.

**Rule VI  
Registration and Accreditation**

**Section 1. Coverage.** All persons and enterprises engaged in book publishing and its related activities shall register with and be accredited by the Board to avail of incentives, assistance, and support.

**Section 2. Participation in the DECS Textbooks and Other Instructional Materials Procurement Program.** Persons and enterprises engaged in book publishing and its related activities duly registered with the National Book Development Board shall qualify to participate in the DECS textbook and other instructional materials procurement

program, subject to the rules and guidelines the DECS may set for such a program.

**Section 3. Guidelines, Rules and Regulations.** The guidelines on Registration and Accreditation are found in Annex A hereof and shall form an integral part of the IRR of the Book Act.

**Rule VII  
Public Schools and Textbook Publishing**

**Section 1. Role and Responsibilities of the NBDB.** In textbook publishing for the public schools, the following are the responsibilities of the NBDB:

- a) The Board shall coordinate with DECS in the latter's formulation of the guidelines, rules and regulations in preparing the learning competencies, prototypes and other specifications of textbooks required by public elementary and secondary schools;
- b) It shall participate and assist DECS in promulgating rules and regulations for the private book publishers in the call, testing, evaluation, selection, approval, as well as production verification and acquisition of public school textbooks;
- c) The Board shall monitor and conduct an annual evaluation of the progress of the shift of functions related to the privatization of the DECS textbook provision program;
- d) The Board shall assist DECS in securing approval for a budget that adequately covers all instructional materials requirements in all public schools; and
- e) The Board shall monitor and ensure the equitable distribution and efficient delivery of books to the public schools by the private publishers/booksellers.

**Section 2. Role and Responsibilities of DECS.** The DECS shall ensure the quality of instructional materials to be adopted in the public schools. In consultation with the Board it shall prescribe the guidelines, rules, and regulations in preparing the minimum learning competencies, prototypes, and other specifications for books, including the materials to be used, required by public elementary and secondary schools.

The DECS shall confine itself to:

- a) preparing the learning competencies and/or prototypes, and



- other specifications for the books and/or manuscripts called for;
- b) testing, evaluating, selecting, and approving the manuscripts or books to be submitted by publishers for multiple adoption;
- c) providing assistance in the distribution of textbooks to the public school systems; and
- d) promulgating with the participation and assistance of the Board rules and regulations for the private book publishers in the call, testing, evaluation, selection, approval, as well as production specifications and acquisition of public schools textbooks.

**Section 3. Decentralization of Textbook Printing and Evaluation of Books.** The printing of public elementary and secondary textbooks shall be done on a regional or provincial level, whenever economically feasible.

Consistent with regional/provincial publishing and indigenous authorship, the DECS shall decentralize its textbook evaluation, selection and approval system to the public school level in a carefully planned and orderly manner. Acceptance of manuscripts from the private sector for evaluation shall be done on a regular and continuing basis even after a DECS call. Moreover, NBDB shall ensure that the policy of multiple adoption of textbooks and other instructional materials be implemented to encourage the free flow of information and the deregulation of book publishing.

**Section 4. Phasing Out of DECS Publication and Distribution Functions.** The DECS shall within a period of not more than three (3) years from the effectivity of the Book Act phase out its elementary and secondary textbook publication and distribution functions and shall support the phasing in of private sector publishers to assume these functions.

**Section 5. Participation of Private Publishers.** Subject to DECS guidelines as indicated in Section 2 of this Rule, publishers duly registered with and accredited by the Board shall develop and submit to the DECS syllabi and/or prototypes and manuscripts or books intended for use in the public schools for testing, evaluation, selection and approval.



Upon approval of the prototypes or books, publishers shall produce and supply the textbooks as ordered by DECS.

**Rule VIII  
Incentives for Book Development**

**Section 1. Entitlement to Fiscal and Non-Fiscal Incentives.** Persons and enterprises engaged in book publishing and its related activities duly registered with the National Book Development Board shall be entitled to the applicable fiscal and non-fiscal incentives as provided for under Executive Order No. 226, otherwise known as the Omnibus Investment Code, as amended, subject to the qualifications and requirements set by the Board of Investment (BOI): Provided, that the book development activities shall always be included in the Investment Priorities Plan (IPP).

**Section 2. Duty-Free Importation of Books and Raw Materials used in Book Publishing.** In the case of tax- and duty-free importation of books or raw materials to be used in book publishing, the Board and its duly authorized representatives shall strictly monitor the quality and volume of imported materials as well as the distribution and utilization of the said imported materials.

The Board shall also recommend to the proper prosecuting agencies any violations of the conditions of the duty-free importation.

The guidelines on the Importation of Books are found in Annex B hereof and shall form an integral part of the IRR of the Book Act.

**Section 3. VAT Exemption.** Books, magazines, periodicals, newspapers, including book publishing and printing, as well as their distribution and circulation, shall be exempt from the coverage of the expanded value added tax law.

**Section 4. Establishing Awards.** The Board shall encourage, support and cooperate in the giving of appropriate awards to book writers, designers, and publishers and shall further establish other awards considered necessary to or valuable for book development in the country.



Section 5. **Other Incentives.** The Governing Board may approve and promulgate other incentives whenever appropriate and such will be disseminated through circulars to all concerned entities in the book publishing industry.

### **Rule IX Sanctions**

Section 1. **Penalties.** Any person who violates any provision of the Book Act or the terms and conditions of the rules and regulations issued pursuant thereto, or aids or abets in any manner any violation shall be subject to a fine not exceeding **One Hundred Thousand Pesos (P100,000.00)** or imprisonment of not more than five (5) years or both, at the discretion of the court.

If the violation is committed by a juridical entity, it shall be subject to a fine not exceeding **Five Hundred Thousand Pesos (P500,000.00)**. The president and/or officials responsible therefore shall also be subject to a fine not exceeding **Seven Hundred Thousand Pesos (P700,000.00)**.

In addition to the foregoing, any person, firm or juridical entity involved shall be subject to forfeiture of all benefits granted in the Book Act.

Section 2. **Power to Verify Claims for Incentives.** The Board has the power to check on the validity of the applicant's claim for incentives.

Section 3. **Power to Investigate and Take Appropriate Action.** The Board has the authority to gather the facts and assess the claims of applicants for incentives; in addition, the Board can take appropriate action, i.e. bring the pertinent problems to the attention of the Securities and Exchange commission (SEC).

Section 4. **Power to Impose Administrative Sanction.** The SEC shall have the power to impose administrative sanctions as provided herein for any violation of the Book Act or its implementing rules and regulations.

### **Rule X Assets, Properties, Funds and Liabilities**

Section 1. **Transfer of IMC and IMDC Assets, Properties, Funds and Liabilities.** Assets, properties, funds, and liabilities of the Instructional Materials Corporation (IMC) and the Instructional Materials Development Center (IMDC) under the DECS shall be transferred to the National Book Development Board.

Section 2. **Book Industry Development Trust Fund.** The Board shall generate a Book Industry Development Trust Fund from donations, grants, legacies, devices and similar acquisitions to accomplish its development plans on book publishing. In addition, the Board may generate further income from other sources, such as the following:

- a) Registration and Classification/Accreditation Fees from book people and establishments;
- b) Special events like regional/provincial bookfairs and related exhibits, except those arranged by DECS consistent with the government's textbook program;
- c) Certification allowing importation of raw materials and machineries used for book production;
- d) Training fees for special publishing industry capacity-building courses/programs/workshops/seminars facilitated by the Board;
- e) Fines and penalties due to violations related to the Book Act;
- f) Sale of developed technologies and publications; and
- g) Special studies and other technical services.

Section 3. **Special Provision on Use of Income.** The Board has requested the approval of DBM for fifty percent (50%) of the income derived from the above-mentioned sources to be used to augment maintenance and other operating expenses, capital outlays and/or monitoring activities, and conduct of the affairs of the Secretariat and the standing committees.



**Rule XI**  
**Transitory and Final Provisions**

- Section 1. **Initial Funding and Continuing Appropriations.** For the initial operating expenses of the Board, the amount of Five Million Pesos (P5,000,000.00) has been appropriated and charged to the Office of the President. Thereafter, it shall submit to the Department of Budget and Management its proposed budget for inclusion in the General Appropriations Act.
- Section 2. **Transfer of Similar Functions and Programs of Other Government Offices.** Within a period of one hundred eighty (180) days after the approval of this Act, the Board shall be constituted to start its operation. All other government offices having functions similar to those of the Board shall then cease to perform such functions. These functions shall henceforth be deemed transferred to the Board.
- Section 3. **DECS Office.** The DECS shall maintain an office and staff to perform its roles and functions specified herein relative to its participation in the government textbook program.
- Section 4. **Phasing Out of IMDC.** Pursuant to Sections 15 and 17, the IMDC under DECS is deemed abolished and its assets, properties, funds and liabilities transferred to NBDB. The available and unexpended balance of funds appropriated and/or acquired through legal and proper means, for the current year are likewise reverted to and placed under the administrative control of the NBDB.
- Section 5. **Interim Secretariat.** Pending the approval of and implementation of the Organization structure and staffing pattern of the Board Secretariat, the Chairman, in consultation with the Governing Board members and in coordination with the appropriate DECS authority, shall identify and designate IMDC personnel to assist the Secretariat. Their designation shall not, in any way, prejudice provisions of Section 17 and /or other pertinent civil service rules and regulations on reorganization and retirement.



- Section 6. **Hiring of Board Personnel.** The Executive Director and Deputy Executive Director of the Board Secretariat shall be nominated by the Board and appointed by the President. The rest of the Secretariat staff shall be hired upon DBM approval of the organizational structure and staffing pattern. The hiring procedures shall conform with those prescribed by the Civil Service Commission.
- Section 7. **Separation and Retirement Benefits.** Employees of the IMDC and the IMC who are not hired by the Board and/or who do not opt to remain with DECS or are laid off as a result of the implementation of the Book Act, within the transition period provided herein, shall be entitled to gratuity at the rate of one and one-fourth (1 1/4) month's salary for every year of service in the government or a fraction thereof on the basis of the highest salary received, in addition to the retirement and/or gratuity, benefits or pensions under R.A. No. 6656 and other existing Retirement Laws. Funds needed to pay the benefits of those separated or retired from the service shall be charged against available funds of IMDC.
- Section 8. **Issuances of Additional Guidelines after the Effectivity of the IRR.** The Governing Board, after due consultations and studies, shall promulgate from time to time issuances on policies and guidelines for the effective implementation of the Book Act and its IRR. The specific guidelines pertinent to Sections 6, 10, and 12 of RA 8047 shall form an integral part of this IRR.



**Rule XII  
Effectivity**

Section 1. The Implementing Rules and Regulations shall take effect fifteen (15) days after publication in a newspaper of general circulation.

Approved by the Governing Board of the National Book Development Board on April 23, 1997 under Board Resolution No. \_\_, series of 1997.

**Atty. DOMINADOR D. BUHAIN**  
Chairman

**Mr. JUAN P. DAYANG**  
Member

**Dr. JOSE L. GUERRERO**  
Member

**Dean ROSA M. VALLEJO**  
Member

**Mr. JOSE D. ESCARTIN**  
Member

**Ms. CAROLINA R. JAVIER**  
Member



Republic of the Philippines  
Office of the President



**National Book Development Board**

**Rules and Regulations on the Registration with and Accreditation by the National Book Development Board (NBDB) of Persons and Enterprises Engaged in Book Publishing and Its Related Activities**

Pursuant to the provisions of Section 6 of **Republic Act No. 8047**, otherwise known as the *Book Publishing Industry Development Act*, the following rules and regulations are hereby promulgated to govern the registration and accreditation of persons and enterprises engaged in book publishing and its related activities.

**Rule I  
Definition of Terms**

**Section 1. Definitions**

As used in this rule, unless the context indicates otherwise the terms below shall mean as follows:

- a) **Registration.** The act of filing a application for inclusion in the register or list of persons and enterprises engaged in book publishing and its related activities.
- b) **Accreditation.** The means by which registration is made effective by conferring benefits to applicants who/which qualified based on the standards of classification, thereby culminating in the issuance of the Certificate of Registration.  
The standards of classification shall include the production, marketing, organizational and financial capabilities in relation to the nature of the business.
- c) **Fee.** The amount paid by the applicant to cover the cost of filing the application for registration and the attendant

cost of processing the application and of the issuance of the Certificate of Registration.

- d) **Related Activities.** The domestic industries which have direct bearing on the long term viability of the book publishing industry such as but not limited to the following: printing, distribution, book trading, importation of paper, and local raw materials manufacturing, and the development of new technologies.
- e) **Book Publisher.** A person/entity engaged in financing the manufacture of books.
- f) **Book Printer.** A person/entity engaged in any of the processes in the printing of books.
- g) **Author.** The natural person who has created the work.
- h) **Book Importer.** A person/entity engaged in the business of importing books.
- i) **Retail Book Seller.** A person/entity engaged in the business of selling books on a retail basis.
- j) **Wholesale Book Seller/Supplier.** A person/entity engaged in the business of selling in bulk to other wholesalers or retail outlets.
- k) **Importer of Raw Materials to be Used in Book Publishing.** A person/entity engaged in the importation and sale of paper and/or ink to be used in book publishing.
- l) **Local Manufacture of Raw Materials to be Used in Book Publishing.** A person/entity engaged in the domestic manufacture of paper and/or ink to be used in book publishing.
- m) **Non-Print Information Materials Importer.** A person/entity engaged in the business of importing non-print information materials.
- n) **Retail Non-Print Information Materials Seller/Supplier.** A person/entity engaged in the business of selling non-print information materials on retail.
- o) **Wholesale Non-Print Information Materials Seller/Supplier.** A person/entity engaged in the

business of selling non-print information materials in bulk to other wholesaler or retail outlets.

- p) **Non-Print Information Materials Publisher.** A person/entity engaged in the business of financing the manufacture and sale of non-print information materials.
- q) **Forwarder.** A person/entity engaged in the receiving, transshipping or delivery to assure and facilitate the passage of goods of his/its principal.
- r) **Association.** A grouping of persons/entities engaged in book publishing or in any of the related activities.

## Section 2. Coverage

All persons and enterprises engaged in book publishing in any of the following classifications shall register with the Book Board:

- a) Book Publisher
- b) Book Printer
- c) Book Importer
- d) Retail Bookseller/supplier
- e) Wholesale Bookseller/supplier
- f) Importer of Raw Materials to be used in book publishing
- g) Local Manufacturer of Raw Materials to be used in book publishing
- h) Non-Print Information Materials Seller/Supplier
- i) Retail Non-Print Information Materials Seller/Supplier
- j) Wholesale Non-Print Information Materials Seller/Supplier
- k) Non-Print Information Materials Publisher
- l) Forwarder
- m) Associations in book publishing and other related activities
- n) Author



**Rule II**  
**Statement of Policy**

**Section 1. Objective**

The NBDB shall be responsible for carrying out and implementing the policies, purposes and objectives of the Book Publishing Development Act. It is recognized that the private sector shall obtain benefits under the law if it participates actively in the continuing development of the book publishing industry.

In order therefore to establish and maintain liaison with all segments of the industry, every person or enterprise engaged in book publishing and the other related activities listed in Section 2, Rule 1 above cited shall register with this Board as mandated by Section 6 of this Act.

**Section 2. Effect of Non-Registration**

Persons and enterprises who/which do not register and are not accredited in accordance with this rule shall not be entitled to any protection, assistance, incentives and privileges.

**Section 3. Revocation/Cancellation of Registration**

The registration of any person or enterprise found violating any provision herein, the ethical standards adopted by the private sector; the guidelines, rules and regulations promulgated by the Book Board; and other directives that may hereinafter be issued shall, after due process, be suspended, revoked or cancelled as the circumstances may warrant. Said person or enterprise shall then forfeit any benefits available to him/her/it without prejudice to other penalties imposable under this Act.



**Rule III**  
**Procedures on Registration**

**Section 1. Filing of Application Form**

The Applicant shall file the duly accomplished and notarized application form in duplicate with the Accreditation and Publishing Incentives Division of this Board after paying the required fee. Provincial applicants may course their applications through the regional officers.

**Section 2. Payment of Fees**

- a) **Filing Fees.** Upon filing of an application, the applicant shall pay a uniform filing fee of Fifty Pesos (P50.00) to the authorized collection officer of the Board who shall then issue an official receipt. If the applicant has two or more classifications, he/she/it shall cumulatively pay filing fee for each classification.
- b) **Fee for Certificate of Registration.** Once the application has been processed and approved, which shall not exceed fifteen (15) days from date of filing, the applicant shall be so notified and be required to pay the registration fee.

If the applicant has two or more classifications, he/she/it shall cumulatively pay filing fee for each classification.

Upon the presentation of the official receipt, the Certificate of Registration shall be issued to applicant.

The above fees are non-refundable and may be adjusted after due notice of the cost index factor shall extraordinary change.

**Section 3. Documents to be Attached**

The following documents are to be attached to the Application Form, in order to facilitate the processing:



- A. In the case of corporation or a partnership:
  - a.1) Copy of applicant's Articles of Incorporation/ Partnership and By-Laws, SEC Certificate of Registration;
  - a.2) Copy of company's Board Resolution authorizing the officer to sign in behalf of applicant;
  - a.3) Business Permit;
  - a.4) Official Receipt pertaining to the filing fee;
  - a.5) Preferrably an endorsement of the Association where it is a member;
  - a.6) A list of skilled personnel currently employed with the corporation; and
  - a.7) For book publishers-a list of publications and their classifications.
- B. In the case of Single Proprietorship:
  - b.1) Copy of Applicant's Certificate of Registration of business name with the Bureau of Domestic Trade;
  - b.2) Business Permit;
  - b.3) Official Receipt pertaining to the filing fee;
  - b.4) Preferrably an endorsement of the Association where he/she is a member;
  - b.5) A list of skilled personnel currently connected or employed with the business; and
  - b.6) For book publishers-a list of publications and their classification.

**Section 4. Processing of Application**

The Board shall process the application for registration within fifteen (15) days from date of filing. Thereafter, the Board shall promptly issue the corresponding Certificate after the payment of the required fee for the Certificate of Registration (Annex B).

**Section 5. Change/Upgrading in Classification**

Any registered person or enterprise who/which seeks to change or upgrade his/its classification as a result of improved



business condition or operation may do so at any time. Said person or enterprise shall observe the procedures on registration stated herein.

**Section 6. Renewal of Registration Certificate**

The registration shall be effective for one year from the date appearing in the Certificate of Registration. All persons and enterprises shall renew their registration within thirty (30) days prior to expiry of registration.

The applicant shall file a duly accomplished and notarized renewal form and attach thereto a copy of the Official Receipt in payment of the fee for the renewal of registration.

The new Certificate of Registration shall be issued within ten (10) days from filing if everything is in order.

**Section 7. Finality of Order**

The Accreditation and Publishing Incentives Division shall decide whether an applicant may or may not qualify for registration. Anyone whose application is disapproved shall be informed in writing of the grounds for disapproval. A party may appeal his/her/its case to the Governing Board within 15 days from receipt of the disapproval notice. The appeal shall be resolved with finality within thirty (30) days from the date of appeal.

An application shall be disapproved on the following grounds:

- a. Refusal to submit the required forms;
- b. Refusal to pay the fees;
- c. Failure to comply with an order from the Book Board requiring the rectification of a violation falling under Section 3, Rule II hereof; and
- d. Where the entity has been found by other appropriate government agencies to have grossly violated existing laws like labor standards and copyrights and violations remain uncorrected.



**Rule IV**  
**Classification/Accreditation**

**Section 1. Basis**

The applicant shall be classified on the basis of the activities he/she/it is primarily involved in, and shall be accredited based on his/her/its declared financial, production and marketing capabilities.

The Board may exercise its visitorial power in the process of verifying and confirming the data submitted.

**Section 2. Classification**

The applicant shall be classified in accordance with the classifications appearing in Section 2 of Rule I of these Rules.

**Section 3. Effectivity of Accreditation**

The applicant is deemed accredited for the corresponding classification or category once he/she/it receives the Certificate of Registration from this Board.

**Rule V**  
**Repeal/Effectivity Clause**

**Section 1. Amendment, Modification and/or Repeal**

The Board has the exclusive power and authority to amend, modify and/or repeal any of the provisions of the Rules and Regulations on Registration and Accreditation including the pertinent Annexes and shall exercise such power and authority whenever the circumstances so warrant.

**Section 2. Effectivity**

The foregoing Rules and Regulations shall take effect fifteen (15) days from publication in a newspaper of general circulation.



**National Book Development Board**

**Guidelines on the Tax and Duty Free Importation  
and Monitoring of the Utilization of Raw Materials  
for Book Publishing**

Pursuant to Section 13, RA 8047, otherwise known as the Book Publishing Industry Development Act, the following guidelines are hereby promulgated to implement the intent and provisions of the said Act.

**General Principles**

The National Book Development Board (NBDB), pursuant to Section 13 of RA 8047, in consultation with the Department of Finance, the Bureau of Customs, and the appropriate agencies from the private and public sector, shall issue and prescribe guidelines on the tax and duty-free importation and monitoring of the utilization of raw materials used in book publishing.

The principle of transparency, equity and fidelity in the implementation of these guidelines shall be observed without sacrificing the objectives of promoting the economic efficiency and viability of the book publishing industry entailing the least government intervention.

**Rule 1**  
**Definition of Terms**

**Section 1.** As used in these guidelines, the following shall be construed to mean, unless the context clearly provides otherwise:

- a. **Raw Materials** refer to all types of paper, carton, book cloth, and ink which shall form part of the book.

The description and tariff headings of the different raw materials in book publication/printing are the following:

Description	Tariff Heading
Newsprint	4801.00
Bookpaper or Bond Paper	
* Not more than 150 GSM	4802.52
* Not more than 300 GSM	4802.60
* 150 GSM or more	4802.53
Solid Bleached Board (for Cover)	
240 GSM or less	4810.12
Printing Ink	3215.11
	3215.19
	3215.90

b. **Importer** refers to the following persons or entities or groups or association of bonafide book publishers duly registered and accredited by the NBDB to be habitually engaged in book publishing, who shall import raw materials to be used in book publishing;

b.1. **Book Publisher Importer** (hereinafter referred to as BPI) refers to persons or entities duly registered and accredited by the NBDB to be habitually engaged in book publishing, who shall import raw materials to be used for its own publications;

**Registration** is understood to mean the inclusion in the register or list of persons/enterprises engaged in book publishing.

**Accreditation**, on the other hand, implies qualifying to the standards set by the NBDB which shall include the production, marketing, organizational and functional capabilities in relation to the publishing or printing business which culminates in the issuance of a Certificate of Accreditation.

b.2. **Book Publisher Association Importer** (hereinafter referred to as BPAI) - refers to an association duly registered with the NBDB comprising of bonafide publishers habitually engaged in book publishing which shall import raw materials for and in behalf of its members;

c. **Bonafide publisher or book association habitually engaged in book publishing** refers to a persons or an entity who in good faith have been operating as a book publisher/been recognized as a book association for not less than two years from the time of applicant's importation;

d. **Date of Importation** shall mean the date of actual release of the raw materials to the importer.

## Rule II

### Persons and Entities Entitled and Security Bond Required

**Section 1.** The Governing Board of the NBDB shall have the power to import raw materials in behalf of persons or entities duly registered with and accredited by the NBDB, provided the appropriate bond shall be posted by the persons and entities concerned equivalent to the taxes, duties and charges waived. Provided, however, that the Governing Board of NBDB may delegate this function to the aforesaid persons or entities subject to the conditions provided herein and such other conditions as may be imposed by the Board.

**Section 2.** The bond to be posted by persons or entities duly registered and accredited by the NBDB shall secure the commitments and representations made in connection with the application for the tax and duty free importation of raw materials.

**Section 3.** Importers shall have the power to import raw materials to be used for its own publication or, in the case of BPAI, for and in behalf of its members.



**Rule III**  
**Criteria for the Evaluation of Application for Tax and  
Duty Free  
Importation of Raw Materials**

The Board will endorse the tax and duty-free importation of raw materials subject to the following conditions:

**Section 1.** That the raw materials to be imported are not domestically available in sufficient quantity, of comparable quality and at reasonable prices. Raw materials shall not be considered available in sufficient quantity if they cannot be made available to the registered and accredited persons and entities at the time of need or within a reasonable period of time. In determining whether quality is comparable, the test, among others, will be whether or not production process and efficiency will be adversely affected or will result in poor quality products or increased cost of production. In determining reasonableness of the prices quoted by domestic manufacturers, the Board may be guided by the acquisition cost of similar raw materials imported into the Philippines, if all applicable taxes and duties were paid, plus fifteen (15) percent mark-up.

**Section 2.** That the raw materials to be imported are reasonably needed and will be used exclusively by the registered and duly accredited persons/entities for book publishing.

**Section 3.** That the recommendation of the Board and the approval of the Department of Finance are obtained by the registered and duly accredited persons/entities before the importation is made or before the corresponding letters or credit are opened.

**Rule IV**  
**Procedure in the Importation of Raw Materials**

**Section 1.** Tax and duty-free importation of raw materials shall be governed by the following:

**A. Documentary Requirements**

Persons and entities duly registered with and accredited by the NBDB, shall file the following with the NBDB:

1. A duly accomplished and notarized NBDB application form;
2. A certificate of non-availability of the raw materials to be imported issued by the local domestic producer/supplier;
3. A Pro-Forma invoice/price quotation;
4. The quantity and sufficient description of raw materials to be used in book publication;
5. Corresponding production schedule per title;
6. End-use justification as to the reasonable necessity of the raw materials proposed to be imported;
7. Computation of taxes and duties to be waived with tariff heading and duty rate indicated;
8. Such other documents/information as may be required.

**B. Procedure**

1. The applicant fills-up two(2) complete sets of application form together with the documents required, and pay the corresponding processing fee of five hundred (P500.00) pesos.
2. Within three (3) working days, the staff of the NBDB checks and/or pre-evaluates the application as to the applicant's eligibility and completeness of documents. The staff shall also check whether the description and quantity of importation applied for tally with the pro-forma invoice price quotation.
3. The applicant submits the correct pro-forma invoice if the description and quantity of importation applied for shall not tally with the pro-forma invoice-price quotation.
4. The applicant submits a price quotation from local suppliers/manufacturer and justification as to quality of the importation, both from local and foreign supplier, if the said importation are found to be locally available.



5. Applicant files with the NBDB copies of the application form after paying the corresponding filing fee and after the same has been checked.
6. Within seven (7) working days from official filing of the application, the NBDB staff, shall evaluate and prepare the evaluation for endorsement by the Executive Director for Board consideration.
7. Upon approval of the application by the Board, an endorsement addressed to the Department of Finance (DOF), Mabuhay Lane to import tax and duty free raw materials shall be prepared to be signed by the Executive Director.
8. The Department of Finance shall process the application in accordance with the existing procedures of the Mabuhay Lane.
9. If the DOF is not satisfied with the documents submitted, it shall notify the applicant, through the NBDB, of the deficiencies and require the accomplishment within 10 days from the date of notice. Non-compliance would mean disapproval of application.
10. If the application meets the criteria set for the approval of tax exemption, the DOF shall issue an endorsement letter addressed to the Bureau of Customs.
11. The BOC shall require the importer to post the required bond equivalent to the cost of importation in order that the raw materials may be released to the importer.
12. The BOC shall furnish NBDB copy of documents regarding the release of the raw materials for monitoring purposes.

### C. Monitoring

The importer, after 6 months from date of importation, shall provide NBDB with a status report duly certified by an accountable officer on the usage of raw materials;

- a. In case another application for importation is filed within the six-month period from date of last importation, the applicant shall file with the NBDB a status report on the previous importation.



- b. The NBDB shall verify such status report before processing the new applications for importation.  
The status report, among others, shall serve as a basis to verify whether or not there is compliance with the sworn statement earlier filed.

### Rule V Duration of Benefits

**Section 1.** Subject to the provisions of applicable laws, rules and regulations, the benefits granted to individuals and enterprises herein shall continue as long as they remain registered and commit no violation of the Act, the Rules and Regulations to Implement the Act, these Guidelines, or the terms and conditions of their Registration and/or Accreditation.


### Rule VI Board Action

**Section 1.** The Board shall render its decision within ten (10) working days from official acceptance of the application by the NBDB Secretariat. The decision of the Board shall be communicated in writing to the applicant.

### Rule VII Penalties

**Section 1.** The NBDB shall after due notice conduct an administrative inquiry into any reported violation of these guidelines:

- a. The NBDB shall issue summons, subpoena and/or subpoena duces tecum, and shall initiate a fact finding inquiry to ascertain whether or not a violation exists;
- b. In the event a violation is found to exist, the respondent shall be informed and be given an opportunity to be heard. Any adverse decision may be appealed to the Board within 72 hours from receipt of the decision. The Board sitting en banc shall decide on the violation within five (5) days after the case is deemed submitted for decision.

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- c. Should the Board decide not to give consideration to the appeal, the Board shall order, after due notice, the cancellation of the Certificate of Registration/Accreditation of the respondent, without prejudice to the imposition of the penalties provided for in the Act.
- d. The NBDB shall also recommend the filing of appropriate action with the proper *prosecuting agencies*.

**Section 2.** In the event a publisher who was allowed to import tax and duty free raw materials had stopped operations or closed shop for whatever reasons, it should pay the corresponding duties and taxes on the unused quantity of raw materials.


**Section 3.** Failure to fully liquidate the previous tax and duty-free importation should be valid grounds for disapproval of subsequent application to import aside from penalties and sanctions to be imposed.

#### **Rule VIII Notices**

**Section 1.** Notices sent by the Board shall be addressed to the registered and/or duly accredited enterprises at its principal place of business. Such notices may, with like effect, be delivered to its authorized representative as appearing in the records of the Board.

#### **Rule IX Remedies**

**Section 1.** All decisions of the Board relative to the implementation of these guidelines may be appealed within fifteen (15) days from receipt of the decision by the aggrieved party to the Office of the President, otherwise, the same shall become final and executory, without prejudice thereafter into seeking redress to the proper courts.



Where an appeal has been filed, such decision shall become final and executory ninety (90) days after the perfection of taking appeal, unless reversed.

#### **Rule X Separability Clause**

**Section 1.** If any provision of this Guidelines is declared to be invalid, the part or parts thereof not affected thereby shall remain valid.

**Section 2.** These Guidelines shall take effect fifteen (15) days following the completion of its publication in at least two (2) newspapers of general circulation.

**APPROVED** by the **Governing Board** on January 8, 1998 per minutes of the meeting and concurred in by the Department of Finance.



Republic of the Philippines  
Office of the President



## National Book Development Board

### Rules and Regulations on the Importation of Tax and Duty-Free Books

Pursuant to the provisions of Republic Act No. 8047, otherwise known as the Book Publishing Industry Development Act or Book Act for short, the following Rules and Regulations are hereby promulgated to govern the tax and duty-free importation of books.

#### Rule I General Principles

**Section 1. Legal Bases.** Imported books shall be released duty-free pursuant to the provisions of Section 105 (S) of the Tariff and Customs Code, as amended, and under the provision of Section 12 of Republic Act No. 8047. The shipments shall be exempted from the coverage of the expanded value-added tax pursuant to the provision of Section 12 of RA No. 8047 and under Section 103 of RA No. 8241 or the new VAT Law.

**Section 2. Authorized Governing Agency.** The National Book Development Board (NBDB) pursuant to Section 13 of RA 8047 shall have the authority to issue guidelines and prescribe rules and regulations after consultation with the private sector and concerned government agencies on tax and duty-free importation of books under Section 12.

**Section 3. Operational Policy.** It shall monitor the quality and volume of imported books. The principles of transparency, equity and fidelity in the implementation of these rules and regulations shall be observed without sacrificing the objectives of promoting the



economic efficiency and viability of the book publishing industry and shall entail the least government intervention.

#### Rule II Definition of Terms

**Section 1. Definitions.** For purposes of Section 12 of RA No. 8047, the terms below shall be construed to mean, except when the context clearly indicates otherwise, as follows:

- a) **Book.** As defined by the United Nations Educational Scientific and Cultural Organization (UNESCO), it is a printed non-periodical publication of at least forty-eight (48) pages, exclusive of cover pages, published in the country and made available to the public.

However, in order to satisfy the intent of the Book Act, and for purposes of duty-free and tax free-importation of books in the light of modern technological developments, this definition shall include: (1) children's books which may be less than forty eight (48) pages; (2) children's educational comics; (3) boomics, which is a combination of a book and a comics; (4) scientific, cultural, medical, architectural and professional magazines or journals, and (5) Book Catalog or Index.

The following Tariff Heading shall be used to indicate the description of the imported article:

Heading	Harmonized Number	Description of System Code
49.01		Printed book, brochures, leaflets and similar printed matter whether or not in single sheets
	4901.10 00	In single sheets, whether or not folded Other
	4901.91 00	Dictionaries and encyclopedias and serial installment thereof

Heading	Harmonized Number	Description System Code
	4901.99 00	Other
49.02		Scientific, cultural medical or professional journals
49.03	4903.00 00	Children's picture, drawing, or coloring books
49.05	4905.91 00	Maps and hydrographic or similar charts of all kinds, including atlases, wall maps, topographical plans and globes, printed in book form
49.08	4908.00 00	Plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes, being originals drawn by hand; handwritten texts, photographic reproductions on serialized paper and carbon copies of the foregoing Other printed matters
49.11	4911.11 00	Commercial catalogues and the likes

- a. **Textbook.** A book which is an exposition of generally accepted principle on one (1) subject, intended primarily as a basis of instruction in a classroom or pupil-book-teacher situation.
- b. **Book Title.** Refers to a particular book of which a number of copies are printed.
- c. **Commercial Book importer.** Refers to a person or enterprise which is engaged in the importation and sale of books made available to the public for a profit.

### Rule III Tax Incentives

**Section 1. Goods Covered.** All imported books shall be duty free, as defined in Section 1 of Rule II except those specifically excluded by other existing laws like pornographic books, which have been processed for release from the Bureau of Customs (BOC) in accordance with the rules and regulations promulgated by the NBDB and the BOC shall be covered by the exemptions from taxes and duties as stated in Section 1, Rule I hereof; and

**Section 2. Importers.** All importers whether for commercial or non-commercial purposes, and including those who receive books through donation are entitled to the incentives herein provided. The commercial book importers shall however register with the NBDB.

### Rule IV Procedures on Importation

**Section 1.** The book importer shall not be required to secure any tax exemption certificate from the Department of Finance and shall deal instead with the NBDB and the Bureau of Customs.

**Section 2.** The following procedures shall cover the commercial importation of books at the Bureau of Customs:

- a. The importer files a letter of request together with the documents required to the NBDB for the tax and duty-free release of the imported books;
- b. Within one (1) working day, the NBDB processes the request and releases the exemption certificate;
- c. The importer proceeds to any BOC accredited banks and pays the import processing fee of two hundred and fifty pesos (Php250.)
- d. The importer files the Import Entry Declaration to the ASYCUDA Office of the BOC with the following attachments:
  - d.1 Original invoice
  - d.2 Original exemption issued by the NBDB

- d.3 Bill of lading
- d.4 Packing list
- e. The entry is then forwarded to the Entry Processing Unit and the Formal Entry Division, Section 14;
- f. The shipment is released from the Collection Division of the Bureau of Customs.

**Section 3. Generation and Utilization of Data.** The Bureau of customs shall allow the Department of Finance and the National Book Development Board to access or download data on importation from its computers or furnish NBDB computer reports while the latter is updating its computer capabilities.

The NBDB shall integrate the updated data on book importations in the data bank on the Book Publishing Industry and make them available for decision-making purpose to any registered entity.

#### **Rule V Sanctions**

**Section 1.** The National Book Development Board shall after due notice conduct an administrative inquiry into any reported violation of these rules whenever a prima facie case exists.

**Section 2.** The Board shall recommend, when the evidence of guilt is strong, to the proper prosecuting agencies any violation of the conditions of the duty-free importation.

#### **Rule VI Repeal/Effectivity Clause**

**Section 1. Amendment, Modification and/or Repeal.** The Board with the concurrence of the Department of Finance and the Bureau of Customs has the power and authority to amend, modify and/or repeal any of the provisions of the rules and Regulations on Tax and Duty-Free Importation.

**Section 2. Effectivity.** The foregoing Rules and Regulations shall take effect fifteen (15) days after publication in a newspaper of general circulation.

Approved by the Governing Board of the National Book Development Board through its Chairman and the Secretary of the Department of Finance.



## National Book Development Board

### Rules and Regulations In the Availment of Income Tax Holiday

Pursuant to Section 13 of Republic Act No 8047, otherwise known as the **Book Publishing Industry Development Act or Book Act**, the following Rules and Regulations are hereby promulgated to govern the availment of Income Tax Holiday (ITH) incentive.

#### Rule I General Principles

**Section 1. Legal Bases.** In accordance with Section 12 of RA 8047, enterprises engaged in book publishing and its related activities duly registered with both the National Book Development Board (NBDB) and the Board of Investments (BOI) shall be entitled to the applicable fiscal and non-fiscal incentives as provided for under Executive Order No. 226, otherwise known as the Omnibus Investments Code, as amended by RA 7918, subject to the qualifications and requirements set by the Board of Investments; provided that book development activities shall always be included in the Investments Priorities Plan (IPP).

Article 39 (a) of E.O. 226 as amended by RA 7918 provides that for six (6) years from commercial operation for pioneer firms and four (4) years for non-pioneer firms, new registered firms shall be fully exempt from income taxes levied by the National Government. It also provides that for a period of three(3) years from commercial operation, registered expanding and modernizing firms shall be entitled to an exemption from income taxes levied by the National Government proportionate to their expansion under such terms and conditions as the Board of Investments (BOI) may determine.



Provided, however, that during the period within which this incentive is availed of by the registered firm, it shall not be entitled to additional deduction for incremental labor expense.

**Section 2. Operational Policy.** Principles of transparency, equity and fidelity in the implementation of these rules and regulations shall be observed without sacrificing the objectives of promoting the economic efficiency and viability of the book publishing industry.

#### Rule II Definition of Terms

**Section 1. Definitions.** As used in these rules and regulations, the following shall be construed to mean, unless the context clearly provides otherwise:

- a. **Income** refers to income earned by enterprises engaged in book and textbook publication and printing activities and duly registered with both the NBDB and the BOI.
- b. **Taxable Income** refers to taxable income derived from the book and textbook publication and printing activities of firms duly registered with both the NBDB and the BOI.
- c. **Pioneer Enterprise** refers to registered enterprise which uses a process or system of book publishing or book printing which is new and untried in the country as certified by the National Book Development Board in coordination with the Printing Industry Association of the Philippines (PIAP) or with the existing Publishing Associations in the country.
- d. **Non-pioneer Enterprise** shall include all registered publishers and printers other than those classified as pioneer enterprises.
- e. **Expansion** shall include modernization and rehabilitation and shall mean increase of existing volume or value of production or upgrading the quality of the registered product or utilization of inefficient or idle equipment under such guidelines as the Board may adopt.

- f. **Modernization** refers to retrofitting or upgrading of existing printing and/or publishing facilities to attain optimum capacities, better product quality and improved operating efficiencies. It may cover any or a combination of the following:
- f.1. Acquisition of state-of-the-art equipment and/or replacement of primary printing equipment with brand new or used but modern equipment and accessories.
  - f.2. Conversion / modification and enhancement of existing equipment by adding accessories or putting ancillary replacement of major part improvement as well as systems improvements.
  - f.3. Introduction of additional process equipment /facilities (e.g. sheet-fed offset press, folding machine, etc.)
- g. **Date of Commercial Operation** shall mean the date of scheduled start of commercial publication/printing of books and textbooks which is indicated in the firm's specific registration terms and conditions.
- h. **Date of Official Filing** shall mean the date stamped on the application by the BOI's Record Section as recorded in its Record/ILog Book for applications for incentives.

**Rule III**  
**Rules in The Availment of Income Tax Holiday**

**Section 1. Period of Availment.** In accordance with Rule VI of the Rules and Regulations to Implement E.O. 226, new and expanding projects for book and textbook publication and new, expanding modernizing projects for book and textbook printing duly registered with both the NBDB and BOI may avail of the Income Tax Holiday (ITH) incentive. Period of availment shall be as follows:

- a. New registered pioneer firms - 6 years from commercial operations.
- b. Registered projects locating in Less Developed Areas (LDA) - 6 years from commercial operation regardless of status (pioneer

- c. or non-pioneer) or type of project (new or expansion).
- c. New registered non-pioneer firms - 4 years from commercial operations.
- d. Expanding firms - 3 years from commercial operations of the expansion.
- e. Modernizing firms - 3 years from commercial operations of the modernization.

**Section 2. Criteria for Additional Period for Availment.** For new registered firms, the Income Tax Holiday incentive may be extended for an extra year for each of the following cases, but in no case to exceed the total period of eight (8) years for registered pioneer enterprises.

- a. If the ratio of the total imported and domestic capital equipment to the number of workers for the project does not exceed US\$10,000 to one (1) worker.
- b. If the average cost of indigenous raw materials used in the manufacture of the registered product is at least fifty (50%) percent of the total cost of raw materials for the preceding years prior to the extension unless the Board (BOI) prescribes a higher percentage.
- c. If the net foreign exchange savings or earnings amount to at least US\$500,000.00 annually during the first three(3) years of operation to be determined by the Board (BOI) at the end of such three-year period; provided, that the foreign exchange savings criterion shall apply as a general rule, to registered firms whose products are totally imported into the country at the time of registration and duly indicated as imports substituting in the firm's certificate of registration.

For purpose of availment of this incentive, the registered firm shall file a letter-request to the Board of Investments (BOI) applying for the additional period and shall submit proofs of compliance of the criteria above-indicated.





**Section 3. Who are Required to File Application.** All new and expanding enterprises registered simultaneously under E.O. 226 as amended by RA 7918 and under RA 8047 that claimed income tax exemptions in their income tax returns are required to file their application's for Income Tax Holiday (ITH) incentive with the Board of Investments (BOI).

**Section 4. When Application Should Be Filed.** Applications for ITH shall be filed in the prescribed form within one (1) month from the filing of the annual Income Tax Return (ITR) with the BIR. For companies which filed tentative ITR's, the filing of the application shall be done within one (1) month from the filing of the final ITR or within one (1) month after the lapse of the two (2) year period within which to file the final ITR.

**Section 5. Conditions for Availment of Income Tax Holiday.**

- a. In general, all new and expanding enterprises engaged in book and textbook publication and all new, expanding and modernizing enterprises engaged in printing and/or publishing of books and textbooks registered under E.O. 226 as amended by RA 7918 are entitled to ITH incentives unless expressly withheld from the firm under the terms and conditions of its registration with the BOI.
- b. In accordance with the locational restriction policy of the Board of Investments (BOI), only firms located outside the National Capital Region (NCR) are entitled to ITH.

Exemption from the locational restriction, however, may be given to the following :

- b.1 Projects locating in the following government industrial estates declared as such by national law or by presidential proclamation prior to 1 January 1989.
  - b.1.1 Dagat-Dagatan (PD 569 dated 30 Oct. 1974)
  - b.1.2 Vitas Industrial Estate, Tondo (EO 1086 dated 31



January 1986, as amended/expanded through Presidential proclamation No. 39 date 9 September 1992 and Proclamation No 465 dated 1 August 1994) ( Vitas Industrial Estate/Smokey Mountain)

- b.1.3 Bagong Silang Industrial Estate, Caloocan City (Presidential Proc. No. 843 dated 26 July 1971)
- b.1.4 FTI, Taguig (LOI 900 dated 25 July 1979)
- b.1.5 Navotas Fishing Port complex (EO 772 dated 8 Feb. 1982)

- b.2 Service-type projects with no manufacturing facilities, such as, but not limited to book development, book encoding, and book designing.
- b.3 Expansion projects for export: Expansion projects for export-oriented enterprises within Metro Manila are eligible for registration and incentives provided that they filed applications for registration prior to January 1, 1989 and were consequently registered; provided, further that in addition to the usual guidelines for registration of expansion projects, all of the following conditions are met:
  - b.3.1 Expansion shall be effected within the firm's existing premises;
  - b.3.2 The enterprises has a good track record of exports and has no record of violation of the terms and conditions governing its existing registration(s);
  - b.3.3 One hundred percent (100%) of the production output from the expansion shall be committed to exports;
- b.4 Modernization projects.

**Section 6. Rate of Exemption.** New firms shall be entitled to 100% income tax exemption on their income derived from their registered operation.

Expanding firms shall be entitled to the income tax holiday incentive only to the extent of their actual increase in production.



The rate of exemption from income tax shall be computed as follows

The term "sales" as indicated in the above formula shall be expressed in volume in cases of homogeneous products and value in case of heterogeneous products.

Where the start of commercial operation does not coincide with the first month of the registered enterprise's taxable year, the rate of exemption from income tax shall be computed in the following manner:

- a. Get the total sales for the whole taxable year.
- b. Deduct the base figure from total sales (aa) to get the incremental sales.
- c. The rate of exemption is determined by dividing the incremental sales (b) by total sales (a).
- d. The rate of exemption shall apply only on the total income tax due arising from sales of the registered product.

The rate of exemption for the last taxable year of availment in the above-mentioned case shall be computed in the same manner as above except that the rate of tax exemption shall be applied on the income tax due on the sales during the months that the enterprise is still entitled to income tax holiday.

The rate of exemption for the income tax holiday including those for less than a year of availment and with multiple registrations for the same product/activity shall be based on consolidated financial statements, to wit:

a. Total Sales/AFS	P	xxx.xx
b. Eligible Sales		xxx.xx
c. Less: Base Figure		xxx.xx
d. Incremental Sales (B-C)	P	xxx.xx
e. Rate of Exemption (D/A x 100)		xx.xx%
f. Taxable Income from Registered Activity		xxx.xx
g. Tax Due (F x income tax rate)		xxx.xx
h. Estimated ITH (G x E)		xxx.xx



Where:

*Total Sales* represent the sales for the whole availment year (12 months)

*Eligible Sales* represent the sales during the period still entitled to ITH

*Base Figure* is the base figure pro-rated by the number of days during entitlement period over number of days in availment year

*Taxable Income* is the income from registered activity for the whole availment year

The manner of computation shown above shall also apply wherein one registration, in case of multiple registrations, expires within the availment year.

For modernizing firms, only the increment income that corresponds to the increase in capacity resulting from modernization shall be entitled to ITH. Modernization projects that do not result in an increase in capacity shall not qualify for ITH incentive.

**Section 7. Penalty Provision.** All applications for income tax exemption which are filed beyond the prescribed period provided in Section 4 hereof shall be imposed a penalty equivalent to a basic fine of P25.00 and daily fine of P5.00 pursuant to Rule XXVIII of E.O. 226 plus one percent (1%) of exempt income tax.

#### Rule IV

#### Procedural Steps in the Availment of ITH

**Section 1. Documentary Requirements.** Enterprises availing of the ITH incentive shall file the following with the Incentives Department of the Board of Investments:

- a. Two (2) sets of duly accomplished and notarized BOI application form.
- b. Supporting documents:
  - b.1. Secretary's Certificate re: authorized signatory
  - b.2. BOI and NBDB Registration Certificates showing entitlement per terms and conditions

- b.3. Income Tax Return with Schedule E - Reconciliation of Net Income and Analysis of Changes in Retained Earnings/Computation of Tax Due (part IV of Revised ITR Form)
- b.4. Sworn Statement issued by the firm's responsible official as to the start of commercial operation of the registered activity (for those whose reckoning date is not indicated or different from the registration terms and conditions)
- b.5. Audited Financial Statements supported by the following schedules certified correct by a responsible official
  - b.5.1 Schedule showing production inventory volume
  - b.5.2 Income Statement with supporting volume schedule segregating registered from non-registered activities
  - b.5.3 Breakdown of Miscellaneous/Other Income (if any)
- b.6. Clearance on compliance with report on all requirements from the Incentives Monitoring Division, Board of Investment
- b.7. Summary of sales in volume and value made during the taxable year, broken-down per invoice number

**Section 2. Procedural Steps.**

- a. The applicant files with the BIR its ITR wherein ITH exemption is indicated.
- b. Within one (1) month (30 days) from date of filing of the ITR with the BIR, applicant files with the BOI duly-accomplished application form complete with supporting documents.
- c. The staff of the Incentives Department of the Board of Investments checklists and/or pre-evaluates the application as to the applicant's eligibility and completeness of documents.
- d. Stamping shall be done by the Incentives Department of the Board of Investments with "OK FOR ACCEPTANCE" for applications with complete documents or with "OFFICIALLY ACCEPTED WITH PROVISIONAL STATUS" for applications with incomplete documents that have submitted at least a basic application with ITR and AFS and a notarized

- e. undertaking to submit deficiencies within fifteen (15) working days from date of provisional acceptance. To the complete application which has been stamped "OK FOR ACCEPTANCE" shall be attached a MONITORING SHEET. Then a CLAIM SLIP indicating the target date of release shall be issued to the applicant. For the provisionally accepted applications claim slip shall be issued only after all documents are completed. Target date of release shall be within fifteen (15) working days from official filing of a complete application or within fifteen (15) working days from date of completion of supporting documents.
- f. Official filing of the application shall be done at the Records Section of the Board of Investments after paying the corresponding filing fee. BOI's Record Section stamps the Date of Official Filing and the Application Number on the application and transmits it to the BOI's Incentives Department.
- g. The staff of the Incentives Department of the Board of Investments shall evaluate the application and shall prepare an evaluation report showing the firm's eligibility to avail of the ITH incentive, its rate of exemption and the actual amount of income tax exemption for approval and signature of the Incentives Department Director.
- h. The evaluation report shall be presented to the BOI Management Committee for its approval and then to the Board of Governors of the BOI for confirmation.
- i. The Incentives Department shall prepare an endorsement to the respective Regional Office of the BIR signed by the BOI Executive Director and a letter of advice to the registered enterprise signed by the BOI Incentives Department Director informing them of the BOI's action on the firm's ITH application.
- j. The letter of advice to the registered enterprises shall be released to the Records Section for mailing or for pick-up by the proponent while the endorsement to the BIR including a complete set of application and evaluation report shall only be



released to the Records Section of the BOI for delivery/ mailing to the appropriate BIR Regional Office after compliance with prior release requirements such as report submission and submission of proof of payment of issuance fee. The firm shall be furnished a copy of such endorsement.

- k. Post audit within a period of three years for the purpose of verifying the firm's entitlement to ITH shall be done by the BIR.

**Section 3. Generation of Data on ITH Availment.** The Board of Investments shall allow the National Book Development Board to access or download data on ITH incentives and other BOI incentives availed of by the Book Development Sector from its database or shall, on request, furnish on a periodic basis, NBDB computer-generated reports on BOI incentives availed of by its registered firms.

#### **Rule V Repeal/Effectivity Clause**

**Section 1. Amendment, Modification and/or Repeal.** The Board of Investments, with the concurrence of the National Book Development Board, has the power and authority to amend, modify and/or repeal any of the provisions of the Rules and Regulations on the Availment of Income Tax Holiday Incentive.

**Section 2. Effectivity.** The foregoing Rules and Regulations shall take effect immediately.



Republic of the Philippines  
Office of the President



## **National Book Development Board**

### **Rules and Regulations in the Availment of Incentive Under Art. 39 (H) of E.O. 226 On Employment of Foreign Nationals**

Pursuant to Section 13 of RA No. 8047, otherwise known as the Book Publishing Industry Development Act or Book Act, the following Rules and Regulations are hereby promulgated to govern the availment of incentive under article 39 (h) of E.O. 226 on (the) employment of Foreign Nationals.

#### **Rule I General Principles**

**Section 1. Legal Basis.** In accordance with Sec. 12 of RA No. 8047, enterprises engaged in book publishing and its related activities duly registered with the NBDB and the Board of Investments (BOI) shall be entitled to the applicable fiscal and non-fiscal incentives as provided for under E.O. 226, otherwise known as the Omnibus Investments Code, as amended by RA No. 7918 subject to the qualifications and requirements set by the Board of Investments.

Article 39 (h) of E.O. 226 on Employment of Foreign Nationals provides that, subject to the provisions of Section 29 of Commonwealth Act No. 613, as amended, a registered enterprise may employ foreign nationals in supervisory, technical or advisory positions for a period not exceeding five (5) years from its registration, extendible for limited periods at the discretion of the Board; provided, however, that when the majority of the capital stock of a registered enterprise is owned by foreign investors, the positions of president, treasurer, and general manager or their equivalents may be retained by foreign nationals beyond the period set forth herein.

Foreign nationals under employment contract within the purview of this incentive, their spouses and unmarried children under twenty one (21) years of age, who are not excluded by Section 29 of Commonwealth Act No. 613, as amended, shall be permitted to enter and reside in the Philippines during the period of employment of such foreign nationals.

A registered enterprise shall train Filipinos as under-studies of foreign nationals in administrative, supervisory and technical skills and shall submit annual reports on such training to the Board.

**Section 2. Operational Policy.** Principles of transparency, equity and fidelity in the implementation of these rules and regulations shall be observed without sacrificing the objectives of promoting the economic and viability of the book publishing industry.

## Rule II Definition of Terms

### Section 1. Definition of Terms:

- a. **Registered Enterprise** shall mean any individual, partnership, cooperative, corporation or other entity incorporated and/or organized and existing under Philippine laws, and registered with the National Book Development Board (NBDB) and the Board of Investments (BOI); provided, however, that the term "registered enterprises" shall not include commercial banks, savings and mortgage banks, rural banks, savings and loan associations, building and loan associations, development banks, trust companies, investment banks, finance companies, brokers and dealers in securities, consumers' cooperatives and credit unions, and other business organizations whose principal purpose or principal source of income is to receive deposits, lend or borrow money, buy and sell or otherwise deal, trade or invest in common or preferred stocks, debentures, bonds or other marketable instruments generally recognized as securities,

or discharge other similar intermediary, trust or fiduciary functions;

- b. **Supervisory Position** are those who, in the interest of the employer, effectively recommend such managerial actions if the exercise of such authority is not merely routinary or clerical in nature but requires the use of independent judgment. This refers to the line of work done by those who plan, control and coordinate the activities of a group of workers (e.g. managers, comptrollers, etc.);
- c. **Technical Position** refers to the line of work done by those who possess special skills in a particular occupation (e.g. platemaker, pressman, etc.);
- d. **Advisory Position** refers to the line of work done by those possessing high level of expertise in a particular occupation (e.g. consultant);
- e. **Understudy** refers to any qualified Filipino citizen designated by a local employer to be trained by a foreign national allowed to work in the country by virtue of an employment permit granted him by the Secretary of Labor and Employment, under an approved understudy training program;
- f. **Pioneer Enterprise** refers to registered enterprise which uses a process or system of book publishing or book printing which is new and untried in the country as certified by the National Book Development Board in coordination with the Printing Industry Association of the Philippines (PIAP) or with the existing Publishing Associations in the country.
- g. **Non-pioneer Enterprise** shall include all registered publishers and printers other than those classified as pioneer enterprises.

## Rule III Rules on Employment of Foreign Nationals

**Section 1.** Who are required to file Application - Registered enterprises whether pioneer or non-pioneer, may avail of the incentive

to employ foreign nationals under Art. 39 (h) of the Omnibus Investments Code by filing a sworn application thereof with the Board of Investments - One Stop Action Center (OSAC).

**Section 2. Period of Availment.** A registered enterprise may employ foreign nationals in supervisory, technical or advisory positions for a period not exceeding five (5) years from its registration, extendible for limited periods at the discretion of the Board.

The Board practiced this discretion when it issued the following guidelines:

- a. For 60% Filipino and 40% foreign-owned companies:  
The positions of President, Treasurer and General Manager may be held for a period of five (5) years.  
Other positions, which are supervisory, technical or advisory positions may only be held for the same period.
- b. For companies which are more than 40% foreign-owned:  
The positions of President, Treasurer and General Manager may be held for ten (10) years.  
Other positions, which are supervisory, technical or advisory positions may only be held for five (5) years.

**Section 3. When application should be filed.** Every foreign national employed under Art. 39 (h) of E.O. 226, shall file an application with the Board of Investments (BOI) - One Stop Action Center (OSAC), within sixty (60) days from his arrival in the country or within thirty (30) days from commencement of employment.

**Section 4. Conditions of Availment.**

- a. A registered enterprise employing foreign nationals with supervisory, technical or advisory functions shall provide a training program for Filipinos to be conducted by said foreign nationals each in his own specialized field.
- b. Every foreign national occupying a technical position shall have

at least two (2) understudies and such training shall be done regularly during office hours.

- c. The registered enterprise shall submit its training program within thirty (30) calendar days from arrival of the foreign national or from the day he/she reports for duty or from the date of registration in case the foreign national was employed before registration.
- d. The registered enterprise shall submit an annual progress report to the Board on such training program within the month of June of every year containing the following data:
  - d.1 Name of foreign national and his field of specialization as prescribed in the program;
  - d.2 Names and addresses of Filipino understudies under him;
  - d.3 Number of hours of actual training for each understudy and specific subject/s covered; and
  - d.4 Reasons why Filipino understudies cannot yet take over the work of the foreign national, if such be the case.


**Rule IV**

**Procedural Steps in the Employment of Foreign Nationals**

**Section 1. Documentary Requirements.** The application shall be accompanied by the following documents:

**Board of Investments (one set)**

- a. BOI application form duly signed and notarized
- b. Alien Employment Permit (AEP) for renewal/extension of visa
- c. Understudy Training Program (UTP)/Progress Report for understudy (UTP should be duly signed and notarized with photo of understudy)
- d. Affidavit of support if dependent/s is/are joining, duly signed and notarized
- e. Copy of Contract of Employment/Secretary's Certificate duly signed and notarized
- f. Organization Chart of the company


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- g. Bio-data of expatriate
  - h. Xerox copy of passports with valid visa of foreign national and dependents if joining (original passport must be presented for verification)

**Department of Justice (two Sets)**

- a. DOJ application duly signed and notarized
- b. BOI Certificate of Registration and Specific Terms and Conditions
- c. DOJ - 1st Endorsement (if application is for extension of visa)
- d. Affidavit of support if dependent/s is/are joining, duly signed and notarized
- e. Original Contract of Employment with specific duration of employment and position/Secretary's certificate duly signed and notarized
- g. Marriage Contract (if spouse is joining)
- h. Birth Certificate of children (joining)
- i. Xerox copy of passports with valid visa of foreign national and dependents if joining (original passport must be presented for verification)

**Section 2. Procedural Steps in filing an application for the issuance of Special non-Immigrant visa 47 (a) (2)**

- a. Applicant files with the Board of Investments (BOI) - One Stop Action Center (OSAC) a sworn application for the issuance of Special Non-Immigrant Visa attaching therein the necessary documents.
- b. The application and the accompanying documents shall be evaluated and checked if the same is in order.
- c. The BOI-OSAC then endorses the application and the documents to the Department of Justice (DOJ). The application is evaluated within three (3) working days, if application is for renewal, within seven (7) working days if application is new.

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- d. If the DOJ finds the application and the documents to be in order, it shall recommend to the Bureau of Immigration, the conversion into 47 (a) (2) visa. If the applicant wishes that the 47 (a) (2) visa be issued in his home country. The DOJ shall recommend the issuance to the Department of Foreign Affairs (DFA).

**Rule V  
Repeal/Effectivity Clause**

**Section 1. Amendment, Modification and/or Repeal.** The Board of Investment with concurrence of the National Book Development Board, has the power and the authority to amend, modify and/or repeal any of the provisions of these Rules and Regulations on the Availment of Incentive on Employment of Foreign Nationals.

**Section 2. Effectivity.** The foregoing Rules and Regulations shall take effect immediately.



## National Book Development Board

### Rules and Regulations in the Availment of Incentive On Unrestricted Use of Consigned Equipment Under Article 39(g) of Executive Order No. 226 Now Article 39(f) as Amended by RA 7918

Pursuant to Section 13 of Republic Act No. 8047, otherwise known as the **Book Publishing Industry Development Act**, the following Rules and Regulations are hereby promulgated to govern the availment of Incentive under Article 39(g) of E.O. 226 now Art. 39(f) as amended by RA 7918 on Unrestricted Use of Consigned Equipment.

#### Rule I General Principles

**Section 1. Legal Basis.** In accordance with Section 12 of RA 8047, enterprises engaged in book publishing and its related activities duly registered with both the National Book Development Board (NBDB) and the Board of Investments (BOI) shall be entitled to the applicable fiscal and non-fiscal incentives as provided for under Executive Order No. 226, otherwise known as the Omnibus Investments Code, as amended by R.A. 7918, subject to the qualifications and requirements set by the Board of Investments, provided that book development activities shall always be included in Investments Priorities Plan (IPP).

Article 39(g), now Art. 39(f) of E.O. 226 as amended by R.A. 7918 provides that machinery, equipment and spare parts consigned to any enterprise registered with the BOI shall not be subject to restrictions as to period of use of such machinery, equipment and



spare parts: Provided, that the appropriate re-export bond equivalent to 100% of the estimated taxes and duties is posted; Provided, further, that such consigned equipment are reasonably needed in the enterprise's registered operations and shall be for the exclusive use of the registered enterprise.

**Section 2. Operational Policy.** Principles of transparency, equity and fidelity in the implementation of these Rules and Regulations shall be observed without sacrificing the objectives of promoting the economic efficiency and viability of the book publishing industry.

#### Rule II Definition of Terms

**Section 1. Definitions of Terms.** For purposes of these rules and regulations, the terms used herein shall be construed to have the following meaning:

- a. **Machinery and Equipment** shall refer to capital equipment reasonably needed in a firm's registered book and textbook publication and printing activities, including major components accessories, attachments, accompaniments, non perishable tools etc. the life span of which by design is equal to the life of the capital equipment of which they are a part. That equipment that will be fixed or immovable or that which will form part of the structure or foundation of a building or plant and hence are non re-exportable cannot be allowed in this incentive.
- b. **Spare parts** shall mean the usual component of machinery and/or equipment that are subject to normal wear and tear arising from use, utilization and operation.
- c. **Consigned Equipment** shall refer to capital equipment loaned to a local book and textbook publication or printing company by its foreign parent/affiliate/subsidiary/buyer/marketing arm company which is reasonably needed and to be used exclusively by the former in its book and textbook publication and/or printing operation.



- d. **Consignor** shall refer to the sender/supplier of the capital equipment and parts that could be the registered enterprise's foreign principal, affiliate or buyer of its export products.
- e. **Consignee** shall refer to the applicant registered enterprise to whom the consigned capital equipment and parts are sent, shipped or delivered for its exclusive use.
- f. **Modernization** refers to retrofitting or upgrading of existing printing and/or publishing facilities to attain optimum capacities, better product quality and improved operating efficiencies. It may cover any or a combination of the following :
  - f.1. Acquisition of state-of-the-art equipment and /or replacement of primary printing equipment with brand new or used but modern equipment and accessories.
  - f.2. Conversion / modification and enhancement of existing equipment by adding accessories or putting ancilliary replacement of major part improvement as well as systems improvements.
  - f.3. Introduction of additional process equipment /facilities (e.g. sheet-fed offset press, folding machine, etc.)
- g. **Date of Official Filing** shall mean the date stamped on the application by the Record Section of the BOI as recorded in its Record/Log Book for applications for incentives.

**Rule III**

**Rules in the Availment of Unrestricted Use of Consigned Equipment**

**Section 1. Period of Availment.** The period of availment of this incentive shall in no case exceed ten (10) years from date of registration. During the ten (10) year period BOI registered firms shall be allowed to import their machinery and equipment on consignment basis which they can use for an unlimited period provided a re-export bond is posted and renewed every six (6) months in accordance with Customs rules and regulations.

**Section 2. Who may avail of the unrestricted use of consigned equipment.** All enterprises whether new, expanding, existing, or modernizing registered with both the BOI and NBDB that import equipment and accompanying spare parts on consignment basis regardless of location.

**Section 3. When request for endorsement should be filed.** Request for endorsement to the Department of Finance to release imports of consigned equipment under re-export bond shall be filed with the BOI either prior to loading on board a carrier or upon arrival of the shipment and upon completion of import documents.

**Section 4. Conditions for availment of Unrestricted Use of Consigned Equipment.**

- a. The release of capital equipment and spare parts from Customs Custody shall be subject to the posting of a re-export bond.
- b. Import documents should indicate that the importation is on consignment basis.
- c. Consigned equipment should be either directly needed or reasonably needed in applicant firm's registered activity.
- d. Consigned equipment should be for the exclusive use of the firm in its registered activity.
- e. Acquisition of the consigned equipment should not result in the firm's exceeding its registered capacity.
- f. Qualified spare parts shall not be confined to those going with the machinery/equipment authorized to be consigned but shall also include those imported separately provided they are ascertained to replace the spare parts which were subjected to normal wear and tear due to usage, utilization and operation of machinery/equipment consigned previously to the registered enterprise.
- g. Guarantee for spare parts for use on non-consigned equipment may be allowed for release under re-export bond. Renewal thereof shall be allowed during the guaranty period, upon

expiration of which the firm shall be required to re-export subject spare parts or pay the corresponding taxes and duties.

- h. The importation shall be covered by shipping documents in the name of the applicant firm as consignee to whom the shipment will be delivered directly by Customs authorities.
- i. The capital equipment shall be installed and/or used in the site indicated by the applicant firm and shall not be used or transferred elsewhere without prior approval of the BOI.
- j. Since title remains with the consignor, depreciation of consigned machinery and equipment will be reflected in the book of accounts of the consignor. The consigned imports shall be reflected in the consignee's book of accounts as consigned through a memorandum entry.
- k. The Bangko Sentral ng Pilipinas reserves the right to examine pertinent books of accounts for which purpose it shall be periodically provided with the audited financial statements of the consignee.
- l. The "ten percent (10%) of the equipment value rule" and the "importation within one year rule" for spare parts under Art. 39 (c) of E.O. 226 shall not apply to the importation of consigned spare parts.

**Section 5. Transfer, Sale or Disposition of Consigned Equipment.** The transfer of consigned machinery, equipment, accessories and spare parts thereof from the registered enterprise previously authorized to accept such machinery, equipment and spare parts thereof can only be allowed if transferee is also BOI-registered subject to the posting of the appropriate re-export bond by the transferee and shall not be made without prior Board approval.

Any sale or disposition of equipment acquired on consignment basis shall be subject to Customs rules and regulations.

Outward remittance of foreign exchange covering the proceeds of sale, transfer or disposition of consigned capital equipment and spare parts shall be allowed only upon prior approval of the Bangko Sentral ng Pilipinas.

The registered enterprise shall notify the Board in writing when any consigned machinery, equipment, accessories and spare parts thereof are re-exported.

**Rule IV**  
**Procedural Steps in the Issuance of Endorsement for the Release of Consigned Equipment under Re-export Bond**

**Section 1. Documentary Requirements.** Six (6) sets of documents are needed in each of the following:

- A. For requests for Endorsement for Release of Consigned Equipment under Re-export Bond.
  - A-1 For Shipments that have already arrived.
    - 1. Letter request;
    - 2. Shipping documents [e.g. bill(s) of lading, packing list(s)];
    - 3. Invoice(s); and
    - 4. Other documents as required by the BOI (e.g. brochure of equipment, etc.)
    - 5. Clearance on compliance with reporting requirements from Incentives Monitoring Division, BOI
    - 6. Clearance from Industry Planning Groups as to firms compliance with submission of reportorial requirements.
  - A-2. For Shipments that have not yet arrived or are still to be loaded on board of carrier.
    - 1. Letter request.
    - 2. Pro-forma invoice indicating that importation is on consignment basis.
    - 3. Other documents as required by BOI.
    - 4. Clearance from the industry group as to firm's compliance to its submission of reportorial requirements.



5. Clearance from the Incentives Monitoring Division as to firm's compliance with its submission of import entries and internal revenue declarations.

**B. For Requests for Endorsement for Renewal/Extension/Cancellation of Re-Export Bond and Request for Authority to Re-export Consigned Equipment.**

1. Letter request;
2. Latest BOI endorsement for release under re-export bond or extension/renewal of re-export bond issued to applicant firm;
3. Re-export bond;
4. Invoice(s);
5. Bill(s) of Lading or Airway Bill(s); and
6. Clearance on compliance with reporting requirements from Incentives Monitoring Division, BOI.
7. Clearance from Industry Planning Group as to firms compliance with submission of reportorial requirements.

**Section 2. Procedural Steps.** All requests shall be filed with the Incentives Department of the BOI.

- a. The applicant firm presents its letter-request and supporting documents to the Incentives Department of the BOI for checklisting.
- b. BOI's Incentives Department (ID) staff checklists request for completeness of documentary requirements.
- c. If letter-request and supporting documents are complete, ID staff stamps 'OK FOR ACCEPTANCE' on the letter-request. ID staff issues a 'CLAIM SLIP' indicating the target date of release which shall be five (5) working days from date of official acceptance.
- d. Applicant files the request together with the supporting documents with the BOI's Records Section, upon payment of filing fee with the BOI Cashier. BOI's Records Section stamps the Date of Official Filing and the Application Number on the application.



- e. BOI's Records Section transmits the letter-request complete with documents to the BOI's Incentives Department for evaluation and processing.
- f. After evaluation, the Incentives Department staff of the BOI prepares endorsement addressed to the Department of Finance (DOF). The same shall be initialed by the staff/analyst and Division Chief and then signed by the Director.
- g. The endorsement is forwarded to the Records Section for release. Distribution of said endorsement shall be as follows:

Original request and other documents	Department of Finance
1st copy	Applicant Firm
2nd copy	Bureau of Customs
3rd copy	NBDB
4th copy	Records Section (BOI)
5th copy	Other Incentives Division (BOI)

**Section 3. Monitoring of Availment of the Incentives.** The BOI shall regularly furnish the NBDB with a copy of the endorsement complete with request and import documents for monitoring purposes.

**Rule V  
Repeal/Effectivity Clause**

**Section 1. Amendment, Modification and/or Repeal.** The Board of Investments, with the concurrence of the National Book Development Board, has the power and authority to amend, modify and/or repeal any of the provisions of the Rules and Regulations on the availment of the incentive on unrestricted use of Consigned Equipment.

**Section 2. Effectivity.** The foregoing Rules and Regulations shall take effect immediately.



## National Book Development Board

### Rules and Regulations In the Availment of Additional Deduction For Labor Expenses

Pursuant to Section 13 of *Republic Act No. 8047*, otherwise known as the *Book Publishing Industry Development Act* or *Book Act*, the following Rules and Regulations are hereby promulgated to govern the availment of Additional Deduction for Labor Expense (ADLE) incentive.

#### Rule I General Principles

**Section 1. Legal Bases.** In accordance with Section 12 of RA 8047, enterprises engaged in book publishing and its related activities duly registered with both the National Book Development Board (NBDB) and the Board of Investments (BOI) shall be entitled to the applicable fiscal and non-fiscal incentives as provided for under Executive Order No. 226, otherwise known as the Omnibus Investments Code, as amended by RA 7918, subject to the qualifications and requirements set by the Board of Investments (BOI); provided that book development activities shall always be included in the Investment Priorities Plan (IPP).

Article 39(b) of E.O. 226 as amended by RA 7918 provides that for the first five (5) years from registration, a registered enterprise shall be allowed an additional deduction from the taxable income of fifty percent (50%) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers if the project meets the prescribed ratio of capital equipment to number of workers set by the BOI: Provided, that this additional deduction shall

be doubled if the activity is located in less developed areas, and provided further that this incentive shall not be availed of simultaneously with the Income Tax Holiday (ITH) incentive.

**Section 2. Operational Policy.** Principles of transparency, equity and fidelity in the implementation of these rules and regulations shall be observed without sacrificing the objectives of promoting the economic efficiency and viability of the book publishing industry.

#### Rule II Definitions of Terms

**Section 1. Definition of Terms.** For purposes of these rules and regulations, the terms used herein shall be construed to have the following meaning:

- a. **Date of Registration** shall mean the date when the certificate of registration is issued after completion of BOI's evaluation of the project, unless an earlier date is indicated as the effective registration date for purposes of incentive availment, in case of amendment or reclassification.
- b. **Wages** shall include salaries and wages as well as bonuses and allowances that form part of the employee's taxable income.
- c. **Direct Labor** shall mean those personnel actually engaged in the production of the registered product but not including line supervisors, warehousemen, quality control personnel outside the production line, utility and maintenance personnel and subcontracted labor. Payments paid to subcontractors which could very well include the direct labor cost of the subcontractors are not within the contemplation of Art. 39(b) of the Code. Subcontractors are entities which are different and distinct from the registered enterprise. Accordingly, the direct labor cost of the subcontractors cannot be construed as also the direct labor cost of the registered enterprise.
- d. **Capital Equipment to Labor Ratio** shall mean the value of imported, consigned and domestic capital equipment used in the registered activity divided by the number of direct skilled and unskilled workers employed for the year when the

Additional Deduction for Labor Expense (ADLE) incentive is availed.

- e. **Income** refers to income earned in relation to the book and textbook publication and printing activities registered both under E.O. 226 and under RA 8047.
- f. **Taxable Income** shall refer to taxable income derived from book and textbook publication and printing operation registered simultaneously under E.O. 226 and under RA 8047.
- g. **Increment In Direct Labor** shall refer to the increase in the number of workers. It does not refer to the increase in the amount of wages paid. Accordingly, if there is no increase in the number of workers, but only upgrading of wages paid to workers, the firm is not entitled to the 50% ADLE.

The increment shall be on a year-to-year basis. The initial year of operation shall not be used as a constant basis for computing the increment for all the succeeding years of availment. Thus, for the second year of availment, the increase over that of the first year shall be considered as the increment. For the third year of availment, the increase over that of the second year shall be considered as the increment and so forth.

In cases where the period of availment is less than one year, the increment should be based on a figure which corresponds to an exactly similar period immediately preceding the period of availment of the ADLE.

- h. **Expansion** shall include modernization and rehabilitation and shall mean increase of existing volume or value of production or upgrading the quality of the registered product or utilization of inefficient or idle equipment under such guidelines as the Board may adopt.
- i. **Less Developed Areas** refers to the following provinces as defined in the General Policies of the 1997 IPP.
- j. **Modernization** refers to retrofitting or upgrading of existing printing and/or publishing facilities to attain optimum capacities, better product quality and improved operating efficiencies. It may cover any or a combination of the following :

- j.1. Acquisition of state-of-the-art equipment and /or replacement of primary printing equipment with brand new or used but modern equipment and accessories.
- j.2. Conversion / modification and enhancement of existing equipment by adding accessories or putting ancillary replacement of major part improvement as well as systems improvements.
- j.3. Introduction of additional process equipment /facilities (e.g. sheet-fed offset press, folding machine, etc.)
- k. **Date of Official Filing** shall mean the date stamped on the application by the BOI's Record Section as recorded in its Record/Log Book for applications for incentives.

### Rule III

#### Rules in the Availment of Additional Deduction For Labor Expenses

**Section 1. Period of Availment.** For a period of five (5) years from registration, a registered enterprise shall be allowed to deduct from its taxable income an amount equivalent to fifty percent (for those located in less developed areas one hundred percent), of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers. This incentive shall not however, be availed of simultaneously with Income Tax Holiday (ITH) incentive.

**Section 2. Who are Required to File Application.** All enterprises registered simultaneously under E.O. 226 and under RA 8047 that claimed additional deduction for labor expense (ADLE) incentive from their taxable income in their income tax returns (ITR) are required to file their applications for Additional Deduction for Labor Expense incentive with the BOI.

**Section 3. When Applications Should Be Filed.** Applications should be filed in the prescribed form within six (6) months from the date of filing of the annual income tax returns with the BIR. For companies which filed tentative ITRs, the filing of the

application shall be done within six (6) months from the filing of the final ITR or six (6) months after the lapse of the two (2) year period within which to file the final ITR.

**Section 4. Conditions for Availment of ADLE.** In accordance with Art. 39(b) of E.O. 226, for the first five (5) years from registration, a registered enterprise whether new, expanding or existing, engaged in book and textbook publication and all new, expanding, existing and modernizing enterprises engaged in printing of books and textbooks, unless expressly disqualified under its registration terms and conditions, shall be allowed an additional deduction from the taxable income of fifty percent (50%) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers subject to the following conditions:

- a. That all applications for availment of incentives shall be filed with the BOI;
- b. That the ratio of imported and domestic capital equipment to the number of workers of the firm does not exceed US\$10,000.00 to one (1) worker;
- c. That the registered firm does not avail of this incentive simultaneously with the income tax holiday (ITH) incentive.
- d. That the allowable deduction shall be based on the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year;
- e. That in the event the registered firm should locate in a less developed area it shall be allowed to deduct one hundred percent (100%) of the wages above-mentioned.

**Section 5. Penalty Provision.** All applications for additional deduction for labor expense which are filed beyond the prescribed period of filing shall be imposed a penalty equivalent to a basic fine of P25.00 and a daily fine of P5.00 pursuant to Rule XXVIII of E.O. 226 plus 1/3 of one percent (1%) of the amount of recommended ADLE incentive approved (to be consistent with the penalty provision of the late filing of ITH application, which is equivalent to 1% of 35% of the taxable income eligible to ITH incentive).

#### Rule IV Procedural Steps in the Availment of ADLE

##### Section 1. Documentary Requirements.

- a. Two (2) sets of duly accomplished and notarized application forms
- b. The following documents and information are required to be submitted:
  - b.1. Duly accomplished and notarized Application form;
  - b.2. Secretary's Certificate re authorized signatory of application;
  - b.3. Registration certificate showing entitlement per terms and conditions;
  - b.4. Income Tax Return for the year of availment with Schedule F-Reconciliation of Net Income and Analysis of changes in Retained Earnings/Computation of Tax Due;
  - b.5. Audited Financial Statements for the year of availment supported by the following:
    - b.5.1 Segregated Income Statement per activity duly certified by external auditor, (if firm is engaged in activity other than the one entitled to this incentive).
    - b.5.2 Cost of Goods manufactured and Sold Statement duly certified by external auditor;
    - b.5.3 Breakdown of Miscellaneous/Other Income (if any);
    - b.5.4 Summary of sales in volume and value. Export sales should include values in US\$ and in Pesos and exchangerates used.
  - b.6. Audited Financial Statements for the immediately preceding year with Cost of Goods Manufactured and Sold Statement duly certified by external auditor;
  - b.7. List of machinery and equipment installed as of year of availment with acquisition cost (Dollar Value, Exchange Rate Used, Peso Value);
  - b.8. Comparative Schedule of Direct Labor (Monthly Wages of DL/Department) for the year of availment as against the immediately preceding year;

- b.9. Schedule of Newly Hired Individual Employees Per Department for the year of availment (hard copy plus database in 5.25" floppy disk using Lotus 123 or 3.5" disk using Excel);
- b.10. Xerox copy of monthly payroll for the year of availment;
- b.11. Xerox copy of monthly payroll for the immediately preceding year;
- b.12. Certification of Remittances to SSS or Remittances on Withholding Tax to BIR (Alphabetical Listing of Employees);
- b.13. Annual Report (S1).

**Section 2. Procedural Steps.** All applications shall be filed with the BOI. The steps in the availment of ADLE are as follows:

- a. Applicant firm shall first file with BIR its ITR wherein its claim for ADLE is indicated.
- b. Within six (6) months from date of filing of the ITR with the BIR, applicant firm files with the BOI duly accomplished and notarized application form complete with supporting documents.
- c. The staff of the Incentives Department of the Board of Investments checklists and/or pre-evaluates the application as to the applicant's eligibility and completeness of documents.
- d. Stamping shall be done by the Incentives Department of the Board of Investments with "OK FOR ACCEPTANCE" for applications with complete documents or with "OFFICIALLY ACCEPTED WITH PROVISIONAL STATUS" for applications with incomplete documents that have submitted a notarized undertaking to submit deficiencies within fifteen (15) working days from date of provisional acceptance.
- e. To the complete application which has been stamped "OK FOR ACCEPTANCE" shall be attached a MONITORING SHEET. Then a CLAIM SLIP indicating the target date of release shall be issued to the applicant. For the provisionally accepted applications, claim slip shall be issued only upon submission of all supporting documents. The target date of release shall be on

the fifteenth day from date of official filing of the application or on the fifteenth day from date of completion of the supporting documents.

- f. Official filing of the application shall be done at the Records Section of the Board of Investments after paying the corresponding filing fee. BOI's Record Section stamps the Date of Official Filing and the Application Number on the application and transmits it to the BOI's Incentives Department.
- g. The staff of the Incentives Department of the Board of Investments shall evaluate the application and shall prepare an evaluation report showing the firm's eligibility to avail of the ADLE incentive, its rate of deduction and the actual amount of additional deduction for labor expense for approval and signature of the Incentives Department Director.
- h. The evaluation report shall be presented to the BOI Management Committee for its approval and then to the Board of Governors of the BOI for confirmation.
- i. The Incentives Department shall prepare an endorsement to the respective Regional Office of the BIR signed by the BOI Executive Director and a letter of advice to the registered enterprise signed by the BOI Incentives Department Director informing them of the BOI's action on the firm's ADLE application.
- j. The letter of advice to the registered enterprises shall be released to the Records Section for mailing or for pick-up by the proponent while the endorsement to the BIR including a complete set of application and evaluation report shall only be released to the Records Section of the BOI for delivery/ mailing to the appropriate BIR Regional Office after compliance with prior release requirement such as submission of reports and submission of proof of payment of issuance fee. The firm shall be furnished a copy of such endorsement.
- k. Post audit within a period of three years for the purpose of verifying the firm's entitlement to ADLE shall be done by the BIR.



**Section 3. Generation of Data on ADLE Incentive Availment.** The BOI shall furnish on a quarterly basis, NBDB with computer-generated reports on BOI incentives availed of by the Book and Textbook Publication and Printing Firms during such time when these data on ADLE incentives and other BOI incentives cannot yet be accessed or downloaded from the BOI database.

**Rule V  
Repeal/Effectivity Clause**

**Section 1. Amendment, Modification and/or Repeal.** The Board of Investments, with the concurrence of the National Book Development Board, has the power and authority to amend, modify and/or repeal any of the provisions of the Rules and Regulations on the Availment of Additional Deduction for Labor Expense.

**Section 2. Effectivity.** The foregoing Rules and Regulations shall take effect immediately.



Republic of the Philippines  
Office of the President



**National Book Development Board**

**Rules and Regulations  
In the Availment of Tax and Duty-Exempt  
Importation of Spare Parts and Supplies**

Pursuant to Section 13 of Republic Act No. 8047, otherwise known as the **Book Publishing Industry Development Act or Book Act**, the following Rules and Regulations are hereby promulgated to govern the availment of Exemption from Taxes and Duties in the Importation of Spare Parts and Supplies Under Article 39(m) now Article 39(l) of E.O. 226 as amended by R.A. 7918.

**Rule I  
General Principles**

**Section 1. Legal Bases.** In accordance with Section 12 of RA 8047, enterprises engaged in book publishing and its related activities duly registered with both the National Book Development Board (NBDB) and the Board of Investments (BOI) shall be entitled to the applicable fiscal and non-fiscal incentives as provided for under Executive Order No. 226, otherwise known as the Omnibus Investments Code, as amended by RA 7918, subject to the qualifications and requirements set by the Board of Investments (BOI); provided that book development activities shall always be included in the Investment Priorities Plan (IPP).

Article 39(m) now Article 39(l) of E.O. 226 as amended by R.A. 7918 provides that importation of required supplies and spare parts for consigned equipment or those imported tax and duty-free by a registered enterprise with a bonded manufacturing warehouse (BMW) shall be exempt from customs duties and national internal revenue taxes payable thereon; *provided, however*, that at least seventy percent



(70%) of production is exported; *provided, further*, that such spare parts and supplies are not locally available at reasonable prices, sufficient quantity and comparable quality; *provided, finally*, that all such spare parts and supplies shall be used only in the bonded manufacturing warehouse of the registered enterprise under such requirements as the Bureau of Customs may impose.

**Section 2. Operational Policy.** Principles of transparency, equity and fidelity in the implementation of these Rules and regulations shall be observed without sacrificing the objectives of promoting the economic efficiency and viability of the book publishing industry.

## Rule II Definition of Terms

**Section 1. Definitions.** As used in these rules and regulations, the following shall be construed to mean, unless the context clearly provides otherwise :

- a. **Machinery and Equipment** shall refer to capital equipment reasonably needed in a firm's registered book and textbook publication and printing activities, including major components accessories, attachments, accompaniments, non-perishable tools etc., the life span of which by design is equal to the life of the capital equipment of which they are a part, whether fixed or movable, but shall not include civil works.
- b. **Consigned Equipment** shall refer to capital equipment loaned to a local book and textbook publication and printing company by its foreign principal/affiliate/buyer company, which is to be used in the production of the latter's books and textbooks.
- c. **Spare parts** shall mean the usual components of machinery and/or equipment which are subject to wear and tear or damage arising from the normal use, utilization and operation.
- d. **Supplies** shall refer to consumable and disposable indirect materials that are indispensably needed in the production of book and textbooks, such as but not limited to glue, printing ink, chemicals, bleaching agents, etc. that may or may not form part of the books and textbooks.

- e. **Net Foreign Exchange Earnings** shall mean the difference between the export sales of the registered products (FOB) and the sum of all the imported costs incurred in the production of the exported product. The imported cost shall include the cost of imported raw materials and supplies, depreciation of machinery and equipment and licensing/technical fees.
- f. **Date of Official Filing** shall mean the date stamped on an application by the BOI's Record Section as recorded in its Record/Log Book for applications for incentives.

## Rule III Rules in the Availment of Tax and Duty-Exempt Importation of Spare Parts and Supplies

**Section 1. Period of Availment.** The period of availment of this incentives shall in no case exceed ten (10) years from date of registration.

**Section 2. Who May Avail of The Incentive.** Any BOI-registered enterprise licensed to operate a bonded manufacturing warehouse exporting at least 70% of production and a holder of a Certificate of Qualification (CQ) may avail of exemption from taxes and duties in its importation of the required spare parts and supplies for its capital equipment.

**Section 3. When Application Should Be Filed.** Within 15 calendar days from date of transfer of the shipment of spare parts and supplies to the bonded manufacturing warehouse, the registered enterprise shall file an application with the BOI for tax and duty exemption certificates for such spare parts and supplies.

### Section 4. Conditions for Availment.

- a. The applicant firm should be a licensed operator of a Custom's Bonded Manufacturing Warehouse (CBMW) that exports at least 70% of its production and has a positive net foreign exchange



- earnings (NFEE) during the immediately preceding year prior to issuance of the Certificate of Qualification (CQ).
- b. The firm should be a holder of Certificate of Qualification (CQ);
  - c. The spare parts should be those that will be used for the machinery and equipment of the qualified enterprise, and the supplies should be those that are reasonably needed in the manufacture of the registered export product such as consumable or disposable materials which may or may not form part of the registered product as in the case of glue, printing ink, chemicals, bleaching agents and similar manufacturing supplies;
  - d. The supplies and/or spare parts should not be locally available at reasonable price, sufficient quantity and comparable quality.
  - e. The spare parts shall be used exclusively by the BOI-registered book and textbook publication and printing company in the repair and/or maintenance of its machinery and equipment, and the supplies shall likewise be used exclusively by the registered enterprise in the processing and production of its registered export products.
  - f. The importation shall be covered by shipping documents in the name of the registered enterprise as consignee to whom the shipment shall be delivered directly by Customs authorities.

**Section 5. Certificate of Qualification (CQ).** A Certificate of Qualification is a yearly certification being issued pursuant to Section 13, Rule VI of the Rules and Regulations to implement E.O. 226 which entitles a registered firm to the tax and duty-free importation of supplies and spare parts for machineries and equipment that are reasonably needed in its registered book and textbook publication and printing operation provided for under Art. 39(l) of E.O. 226 as amended by R.A. 7918.

Any BOI-registered enterprise operating a bonded manufacturing warehouse that export at least 70% of its production may import tax and duty-free supplies and spare parts for machineries and equipment reasonably needed in its registered operation.



The eligibility of the registered firm (export producer) to enjoy the tax and duty-free importation of spare parts and supplies shall be determined by the Board of Investments which shall issue a Certificate of Qualification to qualified enterprise.

A Certificate of Qualification is issued upon the request of the registered enterprise and its eligibility is determined based on its compliance with three conditions: that it is a licensed BMW operator, exports at least 70% of its products and has a positive Net Foreign Exchange Earnings (NFEE) during the past year.

When a registered activity is not import-dependent and there is no danger that foreign exchange disbursements will exceed foreign exchange earnings, a CQ may only be issued once which shall remain valid unless revoked by the BOI.

For import-dependent export producers that have yet to start commercial operations, a provisional CQ indicating therein that the firm is entitled to the incentives provided under Art. 39(l) of E.O. 226 as amended by R.A. 7918 may be issued at the start. The provisional CQ shall be valid for a period of six (6) months and shall be extendible once.

**Section 6. Tax and Duty Exemption Certificate.** Pursuant to Section 13, Rule VI of the Implementing Rules and Regulations for E.O. 226 as amended by R.A. 7918, the Board of Investments shall issue a Tax and Duty Exemption Certificate to the qualified enterprise. Such certificate shall cover spare parts and supplies that are found to be reasonably needed by the enterprise in its BOI-registered book and textbook publication and printing operation and shall specify the total authorized amount of foreign exchange cost of such spare parts and supplies. The authorized amount shall be based on the foreign exchange earnings and on the registered capacity of the firm still entitled to the incentive.

**Section 7. Penalty.** Firms who failed to file applications within fifteen (15) days from date of transfer of the shipment to the Bonded Manufacturing Warehouse (BMW) shall be liable to pay the basic fine P200.00 and daily fine of P10.00 but not to exceed P50,000.



#### Rule IV

### Procedural Steps in the Tax and Duty-Exempt Importation of Spare Parts and Supplies

#### Section 1. Documentary Requirements


- a. Application for Issuance of Certificate of Qualification
  - 1. Duly accomplished and notarized application form;
  - 2. Certificate of inward remittances;
  - 3. Annual Report of Operation (S-I). (If not submitted yet)
- b. Application for Certificate of Tax and Duty Exemption
  - 1. Duly accomplished and notarized application form in four (4) sets;
  - 2. Schedule of importations with entry column headings for import entry no, invoice no, B/L, AWB No, invoice value, estimated taxes and duties to be waived and end use;
  - 3. Shipping documents (e.g. AWB, B/L);
  - 4. Invoices;
  - 5. Import entry documents;
  - 6. Boat notes/ Transshipment permits/ Waybill Receipts/ Mission Order.

**Section 2. Procedural steps.** The following are the procedural steps in the tax and duty-exempt importation of spare parts and supplies under Art. 39 (m) now under Art. 39 (l) of E.O. 226, as amended by R.A. 7918:

- a. Applicant-firm secures a Certificate of Qualification (CQ) from the Industry Planning Group of the BOI. Prior to its issuance, the following procedures are being adhered to:
  - a.1 Firm files with the Record Section of the BOI a copy of duly accomplished and notarized application form for CQ with the required supporting documents and pays the filing fee.
  - a.2 Record Section transmits the application to the Industry Planning Group (IPG) concerned.



- a.3 The IPG concerned evaluates the application by computing the Net Foreign Exchange Earnings (NFEE). NFEE is computed by deducting the cost of imported raw materials, supplies and spare parts and the depreciation of imported capital equipment from export sales.
  - a.3.1 The cost of imported raw materials, spare parts and supplies and the depreciation of imported capital equipment shall be taken from the firm's Annual Report of Operations.
  - a.3.2 The export sales indicated in the Annual Report shall be checked against the certificate of inward remittances (Bank Credit Memo).
- a.4 The CQ is prepared if the applicant-firm which is a licensed operator of BMW, exporting at least 70% of production has a positive NFEE for the past year. A provisional CQ is prepared if applicant is yet to start commercial operation.
- a.5 After the CQ is signed by the IPG's Director, the same will be released to the firm and copy furnished the Bureau of Customs.
- b. The CQ shall entitle the registered enterprise to avail of the simplified procedures for tax and duty-free importation of supplies and spare parts outlined below:
  - b.1 All importations of supplies and spare parts shall immediately be authorized by the Bureau of Customs to be transferred to the firm's BMW.
  - b.2 Within 15 days from date of transfer of the shipment to the BMW, the registered enterprise shall file an application with the BOI for tax and duty exemption certificates for such spare parts and supplies. The applicant shall first present to the Incentives Department of the BOI, the duly accomplished application form for tax and duty-exempt importation of spare parts and/or supplies for checklisting as to completeness of documents and firm's eligibility to avail such incentive.
  - b.3 If complete, the Incentives Department (BOI) issues a CLAIM STUB that indicates therein the target date of



issuance of the Certificate of Tax and Duty Exemption which is ten (10) working days from the time the application is officially filed with the Board of Investments.

- b.4 The applicant officially files the application including the supporting documents indicated in Section 1 above with the Records Section and pays the filing fee. BOI's Record Section stamps the Date of the Official Filing and indicates the application number in the application.
- b.5 Records Section transmits the application to the Incentives Department of BOI for evaluation and processing of said application.
- b.6 Incentives Department (BOI) prepares action on the application (either approval or disapproval). If approval, a Certificate of Tax and Duty Exemption of eligible spare parts and supplies which indicates its corresponding import entry no., the invoice no, and the invoice value is prepared in 6 copies, initialed by the staff/analyst, the division chief, director, and finally signed by the executive director.
- b.7 Prior to the release of Certificate the applicant pays the penalty (if any) for late filing of the application and the issuance fee equivalent to ½ of 1% of estimated taxes and duties to be waived. If there are other prior release requirements like deficiencies in reporting requirements, these should likewise be complied with.
- b.8 The Records Section transmits the original and two (2) copies of the Certificate with three (3) sets of application form and supporting documents to the Department of Finance (DOF). Other copies of certificate are distributed as follows:
  - one (1) copy - Applicant-firm
  - one (1) copy - Record Section, BOI
  - one (1) copy - ID, BOI w/ documents
  - one (1) copy - NBDB

- b.9 The Customs duty and internal revenue tax shall be collected on all spare parts and supplies not covered by a tax and duty exemption benefits.

**Section 3. Monitoring of Availment of Incentive.** The BOI shall regularly furnish the NBDB with a copy of the Certificate of Tax and Duty-Exemption issued to Book and Textbook Publication and Printing companies for monitoring purposes.

**Rule V**  
**Repeal/Effectivity Clause**

**Section 1. Amendment, Modification and/or Repeal.** The Board of Investments with the concurrence of the National Book Development Board, has the power and the authority to amend, modify and/or repeal any of the provisions of these Rules and Regulations on the Availment of the Tax and Duty-Exempt Importation of Spare Parts and Supplies under Art. 39 (l) formerly Art. 39 (m) of E.O. 226 as amended by R.A. 7918

**Section 2. Effectivity.** The foregoing Rules and regulations shall take effect immediately.

**National Book Development Board**

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## NBDB Regional Presence

