Comparative Investment Incentives in ASEAN Member-Countries*

I. INTRODUCTION

Fiscal incentives are primarily intended to attract and encourage foreign and domestic investments that would greatly assist in spurring economic growth and development. It is argued that the grant of various types of fiscal incentives to investors leads to improved capital formation, business expansion and at the same time help achieve countryside development, create additional employment opportunities, develop skills of the local labor force, promote foreign technology transfer or spillovers and generate exports.

The Organization for Economic Cooperation and Development (OECD) defines foreign direct investment incentives as "measures designed to influence the size, location or industry of a foreign direct investment project by affecting its relative cost or by altering the risks attached to it through inducements that are not available to comparable domestic investors" [1]. To attract investments, ASEAN countries have been resorting to the grant of investment incentives.

Among the ASEAN countries, the Philippines is the forerunner, since as early as 1946, the Philippine Congress granted tax exemption to new and necessary industries through Republic Act (RA) 35[2]. Singapore, Malaysia and Thailand offered incentives only in the late 1960s and early 1970s. While Indonesia also introduced investment incentives in the late 1960s, tax incentives for foreign investors were abolished in 1984. However, some of these were reinstated after the 1997 Asian financial crisis. Cambodia, Lao PDR and Vietnam only started in the 1980s.[3]

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[1] Checklist for Foreign Direct Investment Incentive Policies. https://www.oecd.org. (8 June 2017)

[2] Entitled, "An Act Authorizing the Exemption of New and Necessary Industries from the Payment of National Internal Revenue Taxes." (September 30, 1946)

[3] http://www.ey.com/Publication/vwLUAssets/Incentives_in_the_ASEAN_region_2014/$FILE/EY-asean-incentives-publication-2014.pdf. (8 June 2017)

Some of the most extensively used fiscal incentives in the ASEAN region are directed towards the exemption from or reduction of corporate income tax (CIT) [income tax holiday (ITH), reduced CIT and net operating loss carry-over (NOLCO)] to improve profitability. It is to be noted that aside from generating investments to promote a particular country's growth and development, fiscal incentives also serve a number of other purposes. They promote employment or labor-intensive investments (additional deduction of labor expenses) and encourage new technology or capital-intensive investments (accelerated depreciation or tax- and duty-free importation of capital equipment). Incentives also foster countryside development (incentives to developers and locators in special economic zones)[4].

This paper compares the salient investment incentives being offered by ASEAN member-countries with the end view of aiding in the formulation of sound tax reform. Due to divergent economic phasing, cultural and political perspectives among the subject countries, however there would be a limitation in doing a one-on-one comparison on the aforesaid matter.

II. INVESTMENT INCENTIVES ADMINISTRATION AND PRACTICES IN ASEAN MEMBER-COUNTRIES

A. Administration and Availment of Investment Incentives

Before an enterprise can avail of investment incentives, prior registration with appropriate regulatory agencies must be secured. Moreover, the investors are subject to regulatory, control and oversight powers of relevant authorities.

In the Philippine setting, there are so-called Investment Promotion Agencies (IPAs) which refer to government entities created by law, executive order, decree or other issuance, in charge of promoting investments, administering tax and non-tax incentives and/or overseeing the operations of the different economic zones and freeports in accordance with their respective charters.[5] The Philippines has 13 IPAs[6]. These include the Board of Investments (BOI), Philippine Economic Zone Authority (PEZA), Bases Conversion and Development Authority (BCDA), Subic Bay Metropolitan Authority (SBMA), Clark Development Corporation (CDC), John Hay Management Corporation (JHMC), Poro Point Management Corporation (PPMC), Cagayan Economic Zone Authority (CEZA), Zamboanga City Special Economic Zone Authority (ZCSEZA), Phividec Industrial Authority (PIA), Aurora Pacific Economic Zone and Freeport Authority (APECO), Authority of the Freeport Area of Bataan (AFAB), and Tourism

[4] Debbie Asistio Sy, *Rationalization of Fiscal Incentives in Investment Promotion in the Philippines: A Policy Reform Challenge*. International Institute of Social Studies. Netherlands, 2014.

[5] Section 3 (a) of the Tax Incentives Management and Transparency Act (TIMTA) (Republic Act 10708, December 9, 2015)

[6] There used to be 14 IPAs, however, the Bataan Technology Park, Inc. (BTPI) was abolished per recommendation by the Governance Commission for GOCCS (GCG), informed through a Memorandum from the Executive Secretary on May 17, 2013. The GCG implemented the abolition of the BTPI, in coordination with the Parent GOCC, the BCDA via GCG Memorandum Order 2013-27 (May 23, 2013). The BCDA acts as the successor of BTPI and assumes the functions necessary to continue the operations of the Bataan Technology Park.

Infrastructure and Enterprise Zone Authority (TIEZA). Being the pioneer, the BOI and PEZA[7] are the most prominent among these IPAs.

The same practice is true with ASEAN member-countries where the IPAs refer to government agencies whose mission is to attract investments to the country, state, region or city.

The following are the IPAs of ASEAN member-countries:

Table 1. IPAs IN ASEAN MEMBER-COUNTRIES

Country	Investment Promotion Agencies
Philippines	1. BOI 2. PEZA 3. BCDA 4. SBMA 5. CDC 6. JHMC 7. PPMC 8. CEZA 9. ZCSEZA 10. PIA 11. APECO 12. AFAB 13. TIEZA
Brunei Darussalam	The Brunei Economic Development Board
Cambodia	1. The Council for the Development of Cambodia 2. Cambodian Investment Board 3. Cambodian Special Economic Zone Board
Indonesia	Indonesia Investment Coordinating Board
Lao PDR	Investment Promotion Department (Ministry of Planning and Investment)
Malaysia	1. Malaysia Investment Development Authority (MIDA) 2. Selangor State Investment Centre Berhad (SSIC) 3. Johor State Investment Centre (JSIC) 4. Pahang State Development Corporation (PKNP) 5. Invest Perak 6. Invest Penang 7. Invest Kedah 8. Invest Melaka 9. Negeri Sembilan Investment Centre (NSIC) 10. Kelantan State Economic Planning Unit 11. Perlis State Economic Development Corporation (PKENP) 12. Terengganu State Economic Planning Unit 13. Ministry of Industrial Development Sabah 14. Ministry of Industrial Development Sarawak
Myanmar	Directorate for Investment and Company Administration (Ministry of National Planning and Economic Development)
Singapore	The Singapore Economic Development Board
Thailand	Thailand Board of Investment
Vietnam	Foreign Investment Agency Vietnam (Ministry of Planning and Investment)

[7] Its precursor, the Export Processing Zones Authority (EPZA), started the promotion of fenced industrial enclaves in the country.

B. Membership in the IPAs in ASEAN Member-Countries[8]

As may be observed, the Philippines, Malaysia and Cambodia make use of a number of IPAs to administer their various investment incentives. Malaysia has 14 IPAs with one (1) IPA for every state plus the Malaysian Investment Development Authority (MIDA) which administers and governs the IPAs. This is followed by the Philippines with 13 IPAs and Cambodia with three (3). Other ASEAN countries have only one (1) IPA to administer and grant fiscal incentives to investments in their respective countries.

The membership in the IPAs is varied. In the Philippines, majority of the IPAs like the BCDA, SBMA, CDC, JHMC, PPMC, APECO, AFAB and CEZA[9] are represented by members who are nominated by the President of the Philippines. The BOI, PEZA, ZCSEZA, PIA and TIEZA are represented by some officers who are appointed on ex officio basis, In particular the Chairman, occupies such position because of the job or the Department position (e.g. Secretary or Undersecretary) he/she already holds. The Department of Finance (DOF) is a member of the Board of PIA and PEZA while the National Economic Development Authority (NEDA) is also a board member of PEZA.

Other ASEAN countries also appoint IPA members on ex-officio basis like Brunei Darussalam, Lao PDR, Thailand, Vietnam and Myanmar. The Ministry of Finance[10] representative is a member of the IPA Board in Malaysia, Thailand and Brunei Darussalam while the Minister of Planning and Investment[11] is a member of the IPA Board in Lao PDR and Vietnam. The same goes for Myanmar as the Chief Minister for National Planning and Economic Development[9] is a member of its IPA Board.

Under the tax incentive administration portion of Package 2 of the Comprehensive Tax Reform Program (CTRP) that is currently being considered by Congress, it is proposed that the Secretary of Finance shall automatically be the Co-Chair of all existing and future IPAs. This would resolve the problem on the limited role of the DOF in policy formulation in the grant of incentives. Likewise, the NEDA and Department of Trade and Industry (DTI) shall serve as members of all existing and future IPAs. The inclusion of the DOF, NEDA and DTI in all IPA boards is supported to ensure that the administration of investment incentives will: (a) be in accordance with the country's economic development plans; (b) contribute to the growth and competitiveness of industries; and (c) be fiscally sustainable.

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[8] See Annex A for the Membership of IPAs in ASEAN-Member Countries.

[9] Except for the ex-officio members (i.e., DTI Secretary, Mayors of Aparri and Sta. Ana, Cagayan), other members are appointed by the President.

[10] DOF counterpart.

[11] NEDA counterpart.

C. Types of Investment Incentives in the ASEAN (Annex B)

1. Income Tax Holiday (ITH)

The CIT rates in ASEAN member-countries range from the lowest 17% in Singapore to the highest 30% in the Philippines or an average of 22.35%. Qualified enterprises may be exempt from the payment of the CIT for a specified time period. Such exemption from the payment of CIT allows the investors to recoup the expenses of establishing their enterprises and gives ample time for the return of investment to flow into their firms. Incidentally, all ASEAN countries grant ITH. Some countries allow ITH extension once the registered enterprise meets certain criteria. Worthy of note is that the computation of the ITH period of a registered enterprise' is reckoned from the start of its commercial operations.

With the exception of Indonesia, Brunei Darussalam, Lao PDR and Philippines, the duration of the ITH in other countries ranges from two to ten years. Indonesia has once withdrawn the grant of ITH, together with a host of other incentives in 1984. Said withdrawal supports the broad conclusion that ITH does not determine the location decisions of many foreign investors. Indonesia reinstated the ITH only after the 1997 ASEAN crisis[12]. In 2015, Indonesia has introduced its new investment stimulus package, i.e., the expanded list of pioneer industries eligible for ITH and its extendibility up to 20 years.

It may be noted that the ITH per se was only introduced in the Philippines in 1987 via EO 226 or the Omnibus Investments Code (OIC) of 1987[13], primarily to make the Philippines competitive with other Asian countries. It was also in response to the private sector sentiment that an ITH would be an effective investment-generating incentive. The ITH is also offered to attract investments into various economic zones or ecozones across the country (e.g., PEZA-administered ecozones, Zamboanga City Special Economic Zone, Cagayan Special Economic Zone and Freeport, and Aurora Pacific Economic and Freeport Zone[14]).

In granting the ITH, most ASEAN countries classify the areas according to vital factors of economic development. For example, Thailand, Lao PDR and Vietnam consider socio-economic factors and locations in classifying the zones where ITH is available. The classification based on the presence of economic infrastructure has also been the main consideration of Lao PDR. In other countries like the Philippines, Brunei Darussalam, Indonesia, Singapore and Malaysia, the

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[12] Wells, Jr. and Allen, N. Tax Holidays to Attract Foreign Direct Investment – Lessons from Two Experiments: Using Tax Incentives to Compete for Foreign Investment: Are They Worth the Cost. Washington, D.C., 2001.

[13] The ITH may be availed of for four (4) years if the registered enterprise (RE) is non-pioneer, six (6) years and extendible up to eight (8) years, if pioneer. For expanding RE, it is three (3) years.

[14] Additional ITH in the Aurora Pacific Economic and Freeport Zone may be granted, subject to certain conditions, for a maximum period of 20 years [Section 5 (A) of RA 9490].

classification of the investments serves as the determinant of the ITH period (i.e., pioneer[15] or non-pioneer[16]).

2. Preferential Tax Rate on Gross Income Earned (GIE)

In the Philippines, a PEZA-registered enterprise enjoys a maximum of 8-year ITH and a perpetual five percent (5%) tax on GIE, in lieu of all national and local taxes. This type of investment incentive is unique to the Philippines as no other ASEAN member-country offers a similar type of incentive. All Philippine IPAs except the BOI and the PIA grant 5% tax on GIE to their registered enterprises.

3. Preferential CIT Rates

Qualified and registered enterprises in ASEAN members-countries enjoy reduced CIT. Such CIT reduction can be characterized as liberal considering the rates and length of availment plus the corresponding provisions for further extensions. It may be observed that all ASEAN member-countries except Brunei Darussalam and Lao PDR offer preferential CIT rates after the grant of ITH for certain periods.

A 10% to 100% CIT reduction in Indonesia is granted for a period of 5 to 15 years. On the other hand, Malaysian pioneer firms are taxed only on 30% of their income at 24% rate (i.e., 70% of the income is exempt from tax). Other firms are subject to 0% to 20% CIT rate depending on the type of promoted products or activities. In Singapore, lower concessionary tax rates (0%, 5% or 10%) are given to International Headquarters and 15% to qualifying income of regional headquarters (RHQs) up to five years is available for enterprises located in investment promotion zones. In Thailand, upon the expiration of the ITH, a 50% reduction of the 20% CIT rate (effectively 10% rate) is available for enterprises located in investment promotion zones. In Vietnam, reduced income tax rates of 10% and 20% are granted to foreign investment companies (FICs) within 10-30 years, depending on the location and certain socio-economic considerations.

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[15] In the Philippine context, "Pioneer enterprise" refers to a registered enterprise: (a) engaged in the manufacture, processing or production, and not merely in the assembly or packaging of goods, products, commodities or raw materials that have not been or are not being produced in the Philippines on a commercial scale or (b) which uses a design, formula, scheme, method, process or system of production or transformation of any element, substance or raw materials into another raw material or finished goods which is new and untried in the Philippines or (c) engaged in the pursuit of agricultural, forestry and mining activities and/or services including the industrial aspects of food processing whenever appropriate, pre-determined by the Board, in consultation with the appropriate Department, to be feasible and highly essential to the attainment of the national goal, in relation to a declared specific national food and agricultural program for self-sufficiency and other social benefits of the project or (d) which produces non-conventional fuels or manufactures equipment which utilize non-conventional sources of energy or uses or converts to coal or other non-conventional fuels or sources of energy in its production, manufacturing or processing operations. Provided, That the final product in any of the foregoing instances, involves or will involve substantial use and processing of domestic raw materials, whenever available; taking into account the risks and magnitude of investment (Article 17, EO 226, as amended).

[16] "Non-pioneer enterprise" refers to all registered producer enterprises other than pioneer enterprises (Article 17, EO 226, as amended).

In the Philippines, nonprofit educational institutions and hospitals pay a ten percent (10%) tax on their taxable income. However, if the gross income from unrelated trade, business or other activity exceeds fifty percent (50%) of the total gross income derived by such educational institutions or hospitals from all sources, the tax rate shall be at 35%. An international carrier doing business in the Philippines pays a tax of two and one-half percent (2 ½%) on its Gross Philippine Billings. Regional or area headquarters are exempt from income tax. While Regional Operating headquarters pay a tax of ten percent (10%) of their taxable income.

4. Tax- and Duty-Free Importation of Capital Equipment

Given the tight competition in the business world today, purchasing the right capital equipment and investing in new technology could mean the difference between success and failure. Business enterprises are now willing to finance technological ventures in order to stay ahead of the competition, secure a significant share in the market and address operational inefficiencies.

All ASEAN countries grant exemption from the taxes and duties on imported capital equipment. This incentive promotes new technology or capital intensive investments. This is valuable to the investors because it provides relief from cash flow difficulties common in the initial years of operation.

It may be observed that most ASEAN countries set the qualifications to avail of capital equipment incentives. Some of them grant the exemption for firms located in specific zones. In the case of Malaysia, manufacturers in the Principal Customs Area and aerospace may avail of the incentives. In the same vein, the Philippines offers tax- and duty-free importation of capital equipment to BOI-registered firms may enjoy duty-free importation of capital equipment up to April 28, 2018[17]. Likewise, imported capital equipment and machinery primarily used for manufacturing and production enjoy exemption from taxes and duties in Indonesia, Vietnam, and Lao PDR.

5. Additional Deduction for Research and Development

Given the contribution of R&D to productivity growth, economic performance and the achievement of social objectives, it is a general practice in some ASEAN countries to grant incentives to this sector. The objective is to encourage pervasive R&D activities and to build innovative capabilities of the people and businesses.

Tax deduction for R&D expenses is granted in Malaysia, Myanmar and Singapore. Eligible R&D expenses in Malaysia and Singapore include wages, salaries, materials, and utilities incurred directly for R&D activities. However, capital expenditure on plant, machinery, lands, or buildings, or on alterations, additions, or extensions to buildings, or in the acquisition of rights arising out of R&D are

[17] Per EO 70 (2012-2017). This incentive may again be extended upon expiry.

specifically excluded. R&D expenditures need not be related to the entity's existing trade or business as long as the R&D is performed in the country[18].

6. Additional Deduction on Labor and Training Expense

Another type of incentive to promote employment is the grant of additional deduction from the gross income equivalent to 50% of the value of training expenses incurred in honing skilled or unskilled labor or managerial or other management programs by registered enterprises. It may be said that among ASEAN countries, this incentive is distinct in the Philippines, which is a labor-intensive country. In Malaysia, for "halal" products, a double deduction is allowed on expenses incurred in obtaining international quality standards, sanitation operating procedure and regulations for compliance for exports market.

7. Accelerated Depreciation

Another investment incentive being offered in the ASEAN region that promotes capital and technology is accelerated depreciation. It allows depreciation of assets at a faster rate in their earlier years which defer income tax payments by reducing taxable income in current years. In other words, the cost of acquiring the asset may be written off more quickly than would be allowed under normal depreciation schedule. This incentive encourages firms to purchase new assets.

It may be observed that accelerated depreciation is a regular feature in ASEAN countries except for Indonesia, Brunei Darussalam, and Lao PDR. Most ASEAN countries grant accelerated depreciation only to certain firms/sectors and assets. In the case of Malaysia, only companies that reinvest in promoted agricultural activities and food products are eligible to apply for accelerated depreciation whereas in Vietnam, technological renovation of machinery and equipment enjoys the same incentive. Myanmar and Singapore grant accelerated depreciation for certain machinery and equipment. In the same vein, Cambodia grants 40% special depreciation on the value of new or used assets utilized in production and processing.

8. Raw Materials, Spare Parts and Supplies Incentives

Additional incentives offered are importation incentives for qualifying investments or industries which involve the importation of raw materials, spare parts and supplies. ASEAN countries may be regarded as generous with regard to importation incentives. Indonesia, Brunei Darussalam, Cambodia, Lao PDR and Vietnam provide for import duty exemption. The Philippines and Myanmar likewise offer exemption from custom duties as well as internal revenue taxes of eligible enterprises or promoted industries or sectors. On the other hand, Thailand only provides for the reduction of import duties on raw or essential materials for selected

[18] Deloitte 2015 Global Survey of R&D Incentives (8 June 2017).

industries (e.g., exports, automobiles, electronics, among others). Malaysia promotes the development and production of "halal"[19] products and related activities through the entitlement to import duty and sales tax exemption on raw materials.

9. NOLCO

The main goal of enterprises is to earn profits. In the course of business operations, it is inevitable that companies may face losses. It is not unusual for a firm to suffer losses during its first few years of operation.

The loss carry forward incentive allows the net operating loss of an enterprise during a specified period to be applied to future years to reduce tax liability. All ASEAN countries have included loss carry forward as a regular feature of their general tax structures. Indonesia has the most generous loss carry forward incentive where losses may be carried forward for a maximum of five (5) years with possible extension of five (5) years, followed by Brunei Darussalam with six (6) years. Thailand, Vietnam and Cambodia offer a maximum of five (5) years. Lao PDR and Myanmar provide for a shorter period of three (3) years.

In the Philippines, the net operating loss of a business for any taxable year immediately preceding the current taxable year, which had not been previously offset as deduction from gross income may be carried over as a deduction for the next three (3) consecutive taxable years immediately following the years of such loss. This is available to all firms as provided under Section 34 (D) (3) of the National Internal Revenue Code (NIRC). However, losses incurred by BOI-registered enterprises during the ITH period shall not qualify for purposes of loss carry forward. Similarly, losses incurred by PEZA-registered enterprises during its PEZA registration shall not qualify for the same.

10. Incentives that promote reinvestment/expansion activities

For reinvestment or expansion activities of qualified investments/industries, it may be noted that Malaysia, Singapore, Thailand, Brunei Darussalam, Lao PDR and Vietnam grant Investment Tax Allowance (ITA). Pioneer Status (PS) firms in Malaysia are granted an ITA of 60% to 100% on their qualified capital expenditure incurred within 5 years, and can be carried forward to subsequent years until fully utilized. For its agricultural sector, Malaysia provides for a full or 100% tax exemption on its statutory income for 10 years of assessment for new projects or 5 years of assessment for expansion project for subsidiary company undertaking food production activities. In the case of companies engaged for at least 36 months in the production of essential food, and any other activities as may be approved by the Ministry of Finance, they are eligible for a Reinvestment Allowance (RA) which is equivalent to 60% to 100% of the qualifying capital expenditure incurred within a

[19] Halal is any object or action which is permissible to use or engage in, according to Islamic law. The term covers and designates food and drink as well as matters of daily life (Quran 7:157).

period of 15 years, and such allowance can be offset against 70% of the statutory income of such company/activity. Singapore provides for the exemption of taxable income equal to a specified proportion of new fixed investments for a period not exceeding 10 years. Similarly, Brunei Darussalam grants ITA to eligible enterprises for certain projects such as the provision of specialized engineering/technical services, R&D, construction operation, recycling of domestic industrial waste, among others. In the case of Lao PDR, if the net profits of companies/activities under the promoted sectors are used for reinvestment/business expansion, the next accounting year will be exempt from the profit tax. On the other hand, Thailand provides for an ITA of 25% deduction of the cost of installation or construction of facilities.

11. Exemption from Export Tax/Duty

Among the ASEAN member-countries, the Philippines[20], Singapore and Brunei Darussalam do not impose export taxes and duties in their respective countries.

Among the seven (7) countries that levy export taxes/duties in their territory, only Lao PDR and Myanmar provide for incentives on exports for promoted sectors or economic activities and Investment Promotion Zones and SEZs. In Lao PDR, the exportation of general goods and products is exempt from export duties. In Myanmar, any economic activity with goods for export is exempt from paying the commercial tax while investors in SEZs may be given exemption from the commercial tax or VAT for manufactured goods which will be exported and goods imported from the local or Promotion Zone to the Free Zone.

III. RATIONALIZATION OF FISCAL INCENTIVES

For over two decades, attempts at the rationalization of fiscal incentives have not been successful. It commenced with the issuance of Administrative Order 112-94 (February 10, 1994) which created the Presidential Task Force on Tax Reforms. The rationalization of fiscal incentives was part of the policy recommendation of the said task force but was not included in the CTRP enacted in 1997.[21]

From the 10th to 16th Congress, several bills on fiscal incentives have been filed but failed to be enacted due to lack of consensus among the stakeholders (e.g. DOF, DTI, policy agencies). The furthest that a fiscal incentives rationalization bill has gone through was during the 13th Congress when Committee Report 81 was filed for plenary discussion in the Senate. Despite being sponsored on the floor, it was not successful in going through the period of interpellation[22].

[20] EO 26 (July 1, 1986) already abolished export duties on all export products except logs.

[21] Benjamin E. Diokno, *Reforming the Philippine Tax System: Lessons from Two Tax Reform Programs*. University of the Philippines School of Economics, 2005.

[22] Sy, op. cit., p. 25-26.

Even under the current or 17th Congress, there are several fiscal incentives rationalization proposals filed for consideration of the lawmakers. Worth mentioning are the ongoing efforts to modernize the Philippine fiscal incentives system, particularly the income tax perks. HBs 231 and 3359 filed during the current Congress propose different tax incentives packages to registered enterprises depending on whether they are located inside an ecozone/freeport or not; and whether they are PEZA-registered or not. Such incentives include: (a) ITH; (b) 5% tax on GIE [in lieu of all national and local taxes, except VAT and real property tax (RPT)]; or 15% reduced CIT[23]; and (c) exemption or refund of VAT and customs duties on importation of capital equipment and raw materials, supplies, and semi-finished products, among others.

Numerous studies and reports posit that the country's existing tax incentive regime is very generous, redundant, unnecessarily complex and ineffective[24]. Hence, the rationalization of fiscal incentives in the country is a positive measure that would not only lessen the country's undue revenue losses but also address the perception of inefficiency and disorganization in the government. This measure would also help reduce the government's fiscal deficit while sustaining the economic growth of the country. Also, the proposed measures will promote fiscal prudence and transparency in the system of tax incentives. This initiative is in harmony with the objectives and ideals of the present administration for transparency, accountability and good governance. Aside from rationalizing fiscal incentives, due consideration should also be given on the recording, monitoring and accounting of tax incentives to enable the government to analyze the benefit incidence, the economic impact as well as the fiscal cost of these incentives.

It is stressed that the rationalization of fiscal incentives is part of Package 2 of the CTRP. Such rationalization effort is guided by the following principles of incentive reforms: (a) performance-based; (b) targeted; (c) time-bound; and (d) transparent. Under this Package, the Fiscal Incentives Review Board's (FIRB) function will be expanded. The FIRB will serve as the overall administrator of all IPAs and fiscal incentives. It will have the power to approve the grant of investment tax incentives of IPAs including the power to review all IPA's policy decision. The reform will repeal 123 laws on investment incentives. Investment incentives will be integrated into one single menu applicable to all IPAs. Registrable activities will be based on a 3-year Strategic Investment Priority Plan (SIPP). In addition, the DOF will be the co-chair of all IPAs. Likewise, the NEDA and DTI will be included as members of the board of all IPAs. Proposed reforms also include reporting/monitoring to improve transparency in terms of costs and benefits of incentives.

The rationalization of the fiscal incentives system is a measure earnestly sought to address the problems that are observed under the current investments and incentives laws

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23 The reduced tax rate on corporate income may be granted after availment of the ITH, as may be determined by the IPAs; Provided, that the total period of income tax-based incentives shall not exceed 15 years. Provided, further that ITH may be granted for a non-renewal, non-extendible period of four (4) years.

24 See Felipe Medalla, *On the Rationalization of Fiscal Incentives*, submitted to the Ateneo de Manila University-Economic Policy Reforms and Advocacy (EPRA) and the Department of Finance, Philippines, July 4, 2006; Renato E. Reside, Jr., *Towards Rational Fiscal Incentives (Good investments or wasted gifts?)*, EPRA Sector: Fiscal Report No. 1, June 7, 2006; and Kiyoshi Nakayama, Selcuk Caner, and Peter Mullins, *"Philippines: Technical Assistance Report on Road Map for a Pro-Growth and Equitable Tax System"*, IMF Country Report No. 12/60, March 2012.

such as the presence of several IPAs administering their own incentives, the varying incentives offered with the IPAs consequently competing with each other in attracting investments and the complex web of processes involved. Thus, there is a need for a simplified incentive scheme that will ensure efficient provision and management of investment incentives without reducing the country's attractiveness to investors.

IV. FOREIGN DIRECT INVESTMENT (FDI) FLOWS

Table 2. ASEAN FDI Inflows: 2005 – 2016
(In Billion US $)

Economy	2005	2006	2007	2008	2009	2010	2011
South-East Asia	***43.11***	***63.88***	***86.6***	***50.3***	***46.7***	***99.1***	***99.57***
Brunei Darussalam	0.29	0.43	0.26	0.33	0.37	0.63	1.21
Cambodia	0.38	0.48	0.87	0.82	0.54	0.78	0.81
Indonesia	8.34	4.91	6.93	9.32	4.88	13.77	19.24
Lao PDR	0.03	0.19	0.32	0.23	0.19	0.28	0.30
Malaysia	4.07	6.06	8.59	7.17	1.45	9.06	12.20
Myanmar	0.23	0.28	0.71	0.86	0.97	1.28	2.20
Philippines	**1.66**	**2.71**	**2.92**	**1.34**	**2.06**	**1.07**	**2.01**
Singapore	18.09	36.92	47.73	12.20	23.82	55.08	50.37
Thailand	8.07	9.50	11.36	8.45	4.85	9.15	3.71
Vietnam	1.95	2.40	6.98	9.58	7.60	8.00	7.52

Economy	2012	2013	2014	2015	2016	Total	% Share to Total
South-East Asia	***117.5***	***125.4***	***129.9***	***120.8***	***101.4***	***1,090.7***	***100.00***
Brunei Darussalam	0.86	0.90	0.56	0.17	0.15	6.16	0.57
Cambodia	1.45	1.40	1.72	1.70	1.92	12.87	1.18
Indonesia	19.14	18.44	21.81	16.92	2.66	146.36	13.42
Lao PDR	0.29	0.30	0.91	1.08	0.89	5.01	0.46
Malaysia	10.07	12.31	10.87	11.29	9.93	103.07	9.45
Myanmar	2.24	2.62	0.95	2.82	2.19	17.35	1.59
Philippines	**3.22**	**3.86**	**5.81**	**4.94**	**7.91**	**39.51**	**3.62**
Singapore	61.16	63.77	74.42	70.58	61.60	575.74	52.79
Thailand	10.71	12.95	3.72	5.70	1.55	89.72	8.23
Vietnam	8.37	8.90	9.20	11.80	12.60	94.9	8.70

* FDI inflows to Timor-Leste were not included as its membership to the ASEAN is still under process.
Source of data: United Nations Conference on Trade and Development (UNCTAD), FDI/TNC database. www.unctad .org/fdistatistic

FDI is one of the major contributors to economic growth and development. Due to the ever-increasing competition in the global economy, creating an attractive and competitive economic environment for FDI has become a necessity. For years, ASEAN countries have crafted their national economic policies to lure FDI by granting fiscal incentives to investors.

On the other hand, the World Bank has identified factors, other than fiscal incentives, which are significantly associated with FDI inflows. There is no question that market size matters in attracting FDI. Countries with large economies usually get a bigger share in FDI inflows. In the same vein, investment climate factors such as business regulation, quality of infrastructures and good governance are equally important[25].

From 2005 to 2016, the ASEAN region has received a total FDI of US$ 1,090.7 billion. It can be noted that the aggregate FDI inflows in the ASEAN region show erratic trends from 2005 to 2016.

Singapore got the biggest share of the FDI inflows in the region amounting to US$ 575.74 billion or 52.79% of the total ASEAN FDI inflows, followed by Indonesia and Malaysia with US$146.36 billion and US$103.07 billion, respectively. On the other hand, the Philippines accounted for only US$39.51 billion or about 3.62% of the total FDI inflows from 2005 to 2016.

As earlier discussed, the Philippines arguably offers attractive fiscal incentives comparable with other ASEAN countries. In fact, the Philippines is the only ASEAN country which offers the GIE scheme which is given indefinitely in lieu of all national and local taxes. However, notwithstanding the robust performance of the Philippine economy for the last few years, the Philippines failed to secure a stronger position as one of the most preferred FDI destinations in the region.

A comparison of the Philippines and Vietnam's fiscal incentives and FDI inflows would reveal that notwithstanding a more attractive fiscal incentive package for the Philippines, Vietnam outperformed it. In 2005, Vietnam and Philippines have almost identical amount of FDI with US$1.95 billion and US$1.66 billion, respectively. In 2016, however, Vietnam registered almost twice as much as that of the Philippines with US$12.60 billion of FDI while the Philippines only garnered US$7.91 billion.

Singapore managed to secure the biggest share of the FDI inflows in the region during the 12-year period despite the absence of other attractive fiscal incentives such as the GIE incentive scheme and incentives on raw materials, spare parts and supplies. The success of Singapore is the result of a stable and attractive macroeconomic environment. For more than a decade, Singapore ranked among the top three countries in the ease of doing business indexes. According to the recent 2017 Doing Business Study by the World Bank, Singapore ranked the highest in four areas – starting a business, dealing with construction permits, registering property and paying taxes[26].

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[25] World Bank, Attracting FDI, 2011.

[26] http://www.aseanbriefing.com/news/2017/03/27/singapores-fdi-outlook-2017-recent-trends-key-industries.html. (7 June 2017)

On the other hand, the Philippines ranked 99th out of 190 economies. While the Philippines may be regarded as one of the most generous countries in terms of investment incentives, it only ranked 7th out of 10 ASEAN-member economies based on ease of doing business. As may be noted, a high ease of doing business ranking connotes that the regulatory environment is more conducive to the starting and operation of a local firm. Notwithstanding the attractive fiscal incentives package offered in the Philippines, it still positioned at the bottom half in terms of conduciveness of environment for starting enterprise. The country needs, therefore, to continually develop and improve its current position in terms of these factors affecting the investment climate in order to achieve its social and economic goals.

In sum, the data reveal that FDI inflows among ASEAN countries vary. Availability of fiscal incentives are important to entice FDI. However, it is not the sole determinant of the FDI inflows. Other factors affecting FDI such as adequate infrastructures, good governance, availability of skilled laborers and stable political environment are also equally important.

V. CONCLUSION

It may be gleaned from the foregoing discussions that the grant of fiscal incentives continues to be a regular feature of the investment promotion strategies of ASEAN member-countries. That this is so points to the so-called "race-to-bottom" phenomenon where the countries in the region compete against each other in offering the most generous incentives in exchange for investments. This incentive competition has led to the proliferation of incentives therein. This is particularly true in the case of the Philippines with the presence of the high number of IPAs at 13, next to Malaysia at 14. Needless to say, this has led to the grant of redundant incentives, proliferation of wasteful tax incentives and differing tax incentive regimes, among others.

While an attractive fiscal incentive package contributes to a strong investment climate in the Philippines, it should be pointed out that other factors such as infrastructure, transport, low tax rates, economic growth rate, political stability, wage rates, availability of labor skills, access to free trade areas, transparent government policies, and ease of doing business, among others, are crucial variables affecting the potential investors' decision when planning to locate their business in the country. This is evident in the fact that the Philippines continues to lag behind Singapore, Indonesia, Malaysia, Vietnam and Thailand in terms of FDI inflows.

It is worth mentioning that the government's efforts to attract foreign and domestic investments and to promote fiscal accountability and transparency in the grant and management of tax incentives through the proposals to rationalize the fiscal incentives and the passage into law of the Tax Incentives Management and Transparency Act (TIMTA) [December 9, 2015][27] are laudable. The same should be sustained by reforming the fiscal

[27] RA 10708, Otherwise Known as, "An Act Enhancing Transparency in the Management and Accounting of Tax Incentives Administered by Investment Promotion Agencies". Senate Bill (SB) 1701 (An Act Amending Republic Act (RA) No. 10708 (Tax Incentives Management and Transparency Act, to Expand

incentives at the soonest possible time, to confront and resolve the issues affecting the current fiscal incentive system.

The proposed reform of fiscal incentives under Package 2 of the CTRP is a welcome move to enhance the governance of fiscal incentives in the country. Such effort could be an opportunity for the country to strengthen its investment environment, enhance healthy competition among businesses, plug tax revenue leakage which will contribute to higher tax collection to finance infrastructure, health, education, and other services, among others.

its Coverage, in View of Further Enhancing State Fiscal Management and Accountability, and for Other Purposes) seeks to include other registered entity and other government agencies administering tax incentives within the coverage of TIMTA.

ANNEX A
MEMBERSHIP IN INVESTMENT PROMOTION AGENCIES (IPA) IN ASEAN-MEMBER COUNTRIES

Countries	IPA	Members
Philippines	Board of Investments (BOI)	7 Governors of the BOI 1. Chairman, Secretary of the Department of Trade and Industry (DTI) 2. Three (3) Undersecretaries of DTI 3. Three (3) representatives from other government agencies and the private sector.[1]
	Philippine Economic Zone Authority (PEZA)	13 Members 1. Chairman, Secretary of DTI 2. Vice-Chairman, PEZA Director General 3. Undersecretaries of the following: • ***Department of Finance (DOF)*** • Department of Labor and Employment (DOLE) • Department of Interior and Local Government (DILG) • Department of Environment and Natural Resources (DENR) • Department of Agriculture (DA) • Department of Public Works and Highways (DPWH) • Department of Science and Technology (DOST) • Department of Energy (DOE) 4. Deputy Director General of **National Economic and Development Authority (NEDA)** 5. One (1) representative from the investors[2]

[1] Article 4 of EO 226
[2] Section 11 of RA 7916

Countries	IPA	Members
	Bases Conversion and Development Authority (BCDA)	9 Members [3] 1. Chairman, BCDA 2. Eight (8) Members from the private sector with two (2) of whom coming from the labor sector.
	Subic Bay Metropolitan Authority (SBMA)	15 Members[4] 1. Three (3) Representatives from different sectors such as the local government units that concur to join the Subic Special Economic Zone 2. Two (2) representatives from the National Government (NG)[5]; 3. Five (5) representatives from the private sector coming from the present naval stations, public works center, ship repair facility, naval supply depot and naval air stations; and 4. The remaining balance to complete the Board shall be composed of representatives from the business and investment sectors.

[2] Section 11 of RA 7916.

[3] The Chairman and Members shall be appointed by the President with the consent of the Commission on Appointments (Section 9 of RA 7227).

[4] The Chairman and the Members of the Board shall be appointed by the President to serve for a term of six (6) years, unless sooner removed for cause except for the representatives of the local government units (LGU) who shall serve for a term of three (3) years. In case of removal for cause, the replacement shall serve only the unexpired portion of the term. (Section 13 of RA 7227)

[5] The appointment from the Government sector is not ex officio; it is a position someone automatically gains because of another job or position he/she already holds.

Countries	IPA	Members
	Clark Development Corporation (CDC)	11 Members[6] 1. Chairman, CDC 2. President, CDC 3. Seven (7) Directors 4. BCDA Chairman 5. BCDA President
	John Hay Management Corporation (JHMC)	11 Members[7] 1. Chairman, JHMC 2. Ten (10) Directors • JHMC President and CEO • BCDA Chairperson • BCDA President and CEO • Seven (7) JHMC Directors
	Poro Point Management Corporation (PPMC)	11 Members[8] 1. Chairman, PPMC 2. President and CEO

[6] The Members of the Board representing the equity or capital stock in CDC of BCDA and other national government agencies shall be nominated by the President (Section 3 of EO 80 s. 1993).

[7] The Members of the Board representing the equity or capital stock in JHDC of BCDA and other national government agencies shall be nominated by the President (Section 3 of EO 103) https://www.jhmc.com.ph/about-us/board-of-directors-and-top-management/ (23 January 2018)

[8] At least one (1) director shall be the BCDA Chairman and a second director shall be the BCDA President or his designated representative, in accordance with Section 16 of RA 7227 (Section 6 of EO 132 s. 2002) http://poropointfreeport.gov.ph/organization.html (23 January 2018)

Countries	IPA	Members
		3. Treasurer 4. Six (6) Directors 5. Corporate Secretary 6. Assistant Corporate Secretary
	Cagayan Economic Zone Authority (CEZA)	15 Members[9] 1. DTI Secretary as Chairman 2. Four (4) representatives of the NG [10] 3. Mayors of the Municipality of Aparri and Municipality of Santa Ana, Cagayan 4. Two (2) representatives of labor from among the workers in the CEZA 5. Four (4) representatives from the business and investment sectors, two of whom must come from the investors in the Municipality of Santa Ana and the other two must come the investors in the islands of Fuga, Barit and Mabbag in the Municipality of Aparri 6. Two (2) representatives from the private sectors coming from the residents of the municipalities of Santa Ana and Aparri

[9] The Chairman and the Members of the Board shall be appointed by the President to serve for a term of six (6) years, unless sooner removed for cause except for the representatives of the local government units who shall serve for a term of three (3) years. In case of removal for cause, the replacement shall serve only the unexpired portion of the term. (Section 7 of RA 7922)

[10] The appointment from the Government sector is not ex officio; it is a position someone automatically gains because of another job or position he/she already holds.

Countries	IPA	Members
	Zamboanga City Special Economic Zone Authority (ZamboEcozone)	8 Members[11] 1. Administrator of ZamboEcozone as Chairman 2. Vice-Chairman 3. Six (6) Members a) Zamboanga Congressional Representative b) Zamboanga City Mayor c) One (1) representative from the City Council d) One (1) representative from domestic investors in the ZamboEcozone e) One (1) representative from foreign investors in the ZamboEcozone f) One (1) representative from the labor sector chosen from the workers in the ZamboEcozone
	Phividec Industrial Authority (PIA)	9 Members[12] 1. ***DOF Secretary or his representative*** 2. DTI Secretary or his representative 3. Seven (7) members to be appointed by the President
	Aurora Pacific Economic Zone and Freeport Authority (APECO)	12 Members 1. Chairman[13] 2. Vice Chairman who shall come from among the members of the Board; 3. Ten (10) Members consisting of:

[11] Section 9 of RA 7903.

[12] Section 1 of EO 1031.

[13] The Chairman who shall be appointed by the President of the Republic of the Philippines (Section 8 of RA 10083).

Countries	IPA	Members
		a) Aurora Governor b) Congressional Representative of the district covering the site of the Aurora Ecozone; c) President and CEO of the APECO d) Casiguran Mayor e) One (1) representative from the domestic investors; f) One (1) representative from the foreign investors; and g) Two (1) representatives from the workers working in the Aurora Ecozone. h) Two (2) prominent citizens of the Philippines whom one shall be a resident of the Province of Aurora
	Authority of the Freeport Area of Bataan (AFAB)	10 Members[14] 1. Administrator of AFAB as the Chairman 2. Vice-Chairman who shall be appointed by the Board of Directors 3. Members Consisting of: a) Two (2) representatives from the National Government [15] b) One (1) representative from the Province of Bataan; c) One (1) representative from the district covering the site of the FAB; d) One (1) representative from the Municipality of Mariveles, Province of Bataan; e) One (1) representative from the domestic investors; f) One (1) representative from the foreign investors; and g) One representative from the workers working in the FAB.

[14] Section 14 of RA 9728.

[15] The appointment from the Government sector is not ex officio; it is a position someone automatically gains because of another job or position he/she already holds.

Countries	IPA	Members
	Tourism Infrastructure and Enterprise Zone Authority (TIEZA)	17 Members[16] 1. Department of Tourism (DOT) Secretary as the Chairperson 2. Tourism Promotions Board (TPB) Chief Operating Officer 3. TIEZA Chief Operating Officer 4. Department of Foreign Affairs (DFA) Secretary 5. DTI Secretary 6. Secretary of Department of Transportation and Communication (DOTC) 7. Five (5) representative directors, to be appointed by the President, upon the recommendation of the Tourism Congress from a list of at least three (3) nominees per group as enumerated in Section 49. They must be Filipinos with recognized competence in business management, marketing, finance, tourism and other related fields and shall serve a term of office of three (3) years, which term may be extended for a period not exceeding three (3) years.
Brunei	The Brunei Economic Development Board (BEDB)	10 Members[17] 1. Deputy Minister of the ***Ministry of Finance*** as the Chairman[18] 2. Deputy Minister, Ministry of Foreign Affairs and Trade as Deputy Chairman 3. Three (3) Ex-Officio members a) Permanent Secretary(Industry) - Prime Minister's Office b) Deputy Permanent Secretary (Performance and Compliance) -

16 Section 47 of RA 959.

17 http://www.bedb.com.bn/2-uncategorised/212-bod-bedb (23 January 2018).

18 Counterpart of DOF.

Countries	IPA	Members
		Ministry of Finance c) CEO of the BEDB 4. Five (5) members
Cambodia	Council for the Development of Cambodia	9 Members[19] 1. Minister attached to the Prime Minister as the Secretary General 2. Two (2) Deputy Secretaries a) Director of Department of Public Relations and Promotion of Private Investment b) Director of Department of Investment Project Evaluation and Incentives 3. Six (6) members a) Director Department of Administration b) Director of Department of Environmental Impact Assessment c) Director of Department of Inter-Ministerial Coordination d) Director of Department of Investment Projects Monitoring e) Director of Department of Legal Affairs and Investment Law f) Deputy Director of Department of Private Investments Strategies Analysis
	Cambodia Investment Board	2 Members[20] 1. Secretary General 2. Deputy Secretary

[19] http://www.cambodiainvestment.gov.kh/about-us/management.html (23 January 2018).

[20] http://www.cdc-crdb.gov.kh/cdc/policy_docu_guide/annex_01.htm (23 January 2018).

Countries	IPA	Members
	Cambodian Special Economic Zone Authority	2 Members[21] 1. Secretary General 2. Deputy Secretary
Indonesia	Indonesia Investment Coordinating Board	8 Members[22] 1. Chairman, Investment Coordinating Board 2. General Secretary 3. Six (6) members a) Deputy Chairman for Investment Planning b) Deputy Chairman for Investment Climate Development c) Deputy Chairman for Investment Promotion d) Deputy Chairman for Investment Service e) Deputy Chairman for Investment Supervision and Controlling f) Deputy Chairman for Investment Cooperation
Lao PDR	Investment Promotion Department	2 Members[23] 1. Chairman, ***Minister of Planning and Investment***[24]

21 http://www.cdc-crdb.gov.kh/cdc/policy_docu_guide/annex_01.htm (23 January 2018).

22 http://www.bkpm.go.id/en/about-bkpm/organizational-structure (23 January 2018).

23 http://www.investlaos.gov.la/ (23 January 2018).

24 Counterpart of NEDA.

Countries	IPA	Members
		2. Vice-Chairman, ***Deputy Minister of Planning and Investment***
Malaysia	Malaysian Investment Development Authority (MIDA)	12 Members [25] 1. Chairman, MIDA 2. Twelve (12) Members a) Chief Executive Officer of Malaysian Investment Development Authority (MIDA) *b)* Secretary of ***Ministry of Finance*** [26] c) Deputy State Secretary of Sarawak d) Permanent Secretary Minister of Industrial Development Sabah e) Seven (7) representatives from the investors
	Selangor State Investment Centre Berhad (SSICB)	7 Members [27] 1. Chairman, SSICB 2. Deputy Chairman 3. Five (5) members

[25] http://www.mida.gov.my/home/mida-board/posts/ (23 January 2018).

[26] Counterpart of DOF.

[27] http://investselangor.my/About-Us/ (23 January 2018).

Countries	IPA	Members
	Johor State Investment Centre (JSIC)	5 Members [28] 1. General Manager, JSIC 2. Four (4) members • Manager Post Investment • Manager Special Project • Manager Information and Administration • Manager Pre Investment
	Pahang State Development Corporation	9 Members [29] 1. Chairman, Minister of Pahang 2. Eight (8) Members • Pahang State Secretary • State Legal Advisor • State Financial Officer • Director of Land and Mines • Deputy Secretary General of the Treasury of the ***Ministry of Finance of Malaysia*** [30] • Deputy Secretary-General of International Trade and Industry Affairs • Chief Executive Officer

[28] http://jsic.com.my/about-us/ (23 January 2018).

[29] http://www.pknp.gov.my/index.php/en/korporat/ahli-perbadanan (23 January 2018).

[30] Counterpart of DOF.

Countries	IPA	Members
		• A member appointed by Section 4 of PKNP's enactment
	Invest Perak	15 Members [31] 1. Chairman, Chief Minister of Perak 2. Two (2) Deputy Chairman 3. Eight (8) members • Perak State Secretary • Perak State Finance Officer • Perak State Legal Officer • Secretary General, Ministry of International Trade and Industry • CEO, MIDA • Chairman, Malaysian Standard and Accreditation Council • Chairman, Bonanza Venture Holdings • Chief Executive, Invest Perak 4. Four (4) Directors • Director of Perak State Lands and Mines • Director, Town and Country Planning Department of Perak • Director, Perak State Economic Planning Unit • Director, Department of Environment of Perak
	Invest Penang	7 Members [32] 1. Chairman, Special Advisor to Chief Minister of Penang

[31] http://www.investperak.gov.my/board-of-executives/ (23 January 2018).

[32] http://www.investpenang.gov.my/about-penang.php (23 January 2018)

Countries	IPA	Members
		2. Chief Executive Officer 3. Chief Operation Officer 4. Three (3) Manager • CAT Center • Special Malaysia Disaster Assistance and Rescue Team (SMART) and Industry Sector • Service and Business Process Outsourcing 5. Assistant Manager
	Invest Kedah	6 Members [33] 1. Chairman 2. Vice Chairman 3. Three (3) Members
	Invest Melaka (Perbadanan Kemajuan Negeri Melaka (PKNM))	12 Members [34] 1. Chairman, Melaka State Development Corporation 2. Deputy Chairman, Melaka State Development Corporation 3. Ten (10) Members

[33] http://www.investkedah.co/copy-of-management-team (23 January 2018).

[34] http://www.pknm.gov.my/ms/maklumat-korporat/ahli-lembaga-pengarah-pknm/ (23 January 2018).

Countries	IPA	Members
	Negeri Sembilan Investment Centre	12 Members [35] 1. Chairman, Chief Minister of Negeri Sembilan 2. Eleven (11) Members • Chairman of the Finance and Land Action Committee • Chairman of Tan's Agriculture and Industry Action Committee • Chairman of Human Resource, Plantation and New Village Committee • Chairman of National Unity and Integration Action Committee • Chairman of the Welfare Action Committee, Women and Family Development • Chairman of the Education and Health Action Committee • Chairman of the Urban Wellbeing, Housing and Local Government Action Committee • Chairman of the Human, Youth, and Sports Capital Action Committee • Chairman of the Tourism Action Committee • Chairman of the Malay Culture and Customs Committee • Chairman of the Public Utilities, Environment, Cooperative and Consumerism Task Force
	Kelantan State Economic Planning Unit	3 Members [36] 1. Government Secretary 2. Deputy State Secretary of Development 3. Deputy Secretary of State Government Management

35 http://www.ns.gov.my/my/kerajaan/info-negeri/exco (23 January 2018).

36 http://www.kelantan.gov.my/index.php/ms/info-pejabat-suk/info-korporat/carta-organisasi (23 January 2018).

Countries	IPA	Members
	Perlis State Economic Development Corporation (PSEDC)	12 Members [37] 1. Chairman, President of PSEDC 2. State Secretary 3. Ten (10) Members • State Financial Officer • State Executive Councilor • Head of Management Services Section • Head of Team Secretary Division • Director of Development Section • Head of State Economic Planning Unit • Director of State Land and Mines • Director of State Rural Working Department • Two (2) Senators
	Terengganu State Economic Planning Unit	21 Members [38] 1. Deputy of The Government Secretary (Development) Development of the State Economic Plan 2. Two (2) Secretary Office 3. Deputy Director 4. Three (3) Assistant Director-General 5. Fourteen (14) Assistant Secretary (Respective Sectors and Developments)

[37] http://www.pkenps.gov.my/index.php/profil/ahli-lembaga-pengarah (23 January 2018).

[38] http://upen.terengganu.gov.my/files/carta%20Organisasi%20UPEN%20NOV.pdf (23 January 2018).

Countries	IPA	Members
	Ministry of Industrial Development Sabah	9 members [39] 1. Chairman, Deputy Chief Minister/Minister of Industrial Development of Sabah 2. Deputy Chairman 3. Five (5) Directors 4. Two (2) Alternate Directors – a) Deputy Secretary for State Economic Plan b) Director of Public Service Department of Sabah
	Ministry of Industrial Development of Sarawak	3 Members [40] 1. Chairman, Deputy Chief Minister 2. Two (2) Assistant Ministers a) Assistant Minister for Entrepreneur b) SME Development, Assistant Minister for Industrial Development Sarawak
Myanmar	Directorate for Investment and Company Administration (Ministry of National Planning and Economic	3 Members [41] 1. Chairman, ***Chief Minister for National Planning and Economic Development*** [42]

[39] http://www.kkip.com.my/boardmember.html (23 January 2018).

[40] http://www.mied.sarawak.gov.my/page-0-122-95-MIED-Sarawak-Minister-and-Assistant-Ministers.html (23 January 2018).

[41] https://en.wikipedia.org/wiki/Ministry_of_Finance_and_Planning_(Myanmar) (23 January 2018).

[42] Counterpart of NEDA.

Countries	IPA	Members
	Development)	2. Two (2) Deputy Ministers
Singapore	The Singapore Economic Development Board	15 Members [43] 1. Chairman, Singapore Economic Development Board 2. Fourteen (14) Members a) Managing Director, Singapore Economic Development Board b) President, K8 Global c) CEO, Lenzing AG d) Chairman, Hitachi Asia LTD e) Chief Executive Officer, Singapore Exchange LTD f) Chief Executive Officer, Keppel Corporation g) Chairman, Singapore Tourism Board h) Global Executive Advisor, Blackstone Singapore Pte Ltd i) Dean, INSEAD j) Independent Director, Infineon Technologies AG k) Deputy Secretary, Strategy Group (Prime Minister's Office) l) Assistant Secretary-General, National Trades Union Congress m) Chief Executive Officer, Kuehne+Nagel International AG n) Chairman and CEO, IBM ASIA PACIFIC
Thailand	Thailand Board of Investment	23 Members [44] 1. Chairman, Prime Minister

[43] https://www.channelnewsasia.com/news/singapore/5-new-edb-board-members-appointed-7583682 (23 January 2018).

[44] http://www.boi.go.th/index.php?page=our_board_members (23 January 2018).

Countries	IPA	Members
		2. Seventeen (17) Members a) Two (2) Deputy Prime Minister b) Minister of Agriculture and Cooperatives c) Minister attached to the Prime Minister's Office d) Minister of Industry e) *Permanent Secretary, **Ministry of Finance*** [45] f) Permanent Secretary, Ministry of Commerce g) Permanent Secretary, Ministry of Industry h) Secretary General of the National and Social Development Board i) Chairman of the Bank of Thailand j) Chairman of the Stock Exchange of Thailand k) Chairman of Thai Chamber of Commerce l) Chairman of the Federation of Thai Industries m) Minister of Labour n) Minister of Natural Resources and Environment o) Secretary General, Board of Investments 3. Five (5) Advisors
Vietnam	Foreign Investment Agency Vietnam (Ministry of Planning and Investment)	4 Members [46] 1. Chairman, ***Minister of Planning and Investment*** [47] 2. Three (3) Deputy Ministers

[45] Counterpart of DOF.

[46] http://www.mpi.gov.vn/en/Pages/ldbkhtd.aspx (23 January 2018).

[47] Counterpart of NEDA.

ANNEX B

COMPARATIVE INVESTMENT INCENTIVES REGIME IN THE ASEAN MEMBER-COUNTRIES

Incentives	Philippines (1)	Indonesia (2)	Malaysia (3)	Singapore (4)	Thailand (5)
Eligible Industries/ Sectors/Activities	Registered Enterprises (REs) under Board of Investments (BOI), Philippine Economic Zone Authority (PEZA) and other Ecozones under Special Laws	Pioneer industries such as upstream metal, oil refinery, base organic chemical sourced from oil and gas, machinery, sea transportation, processing industry on agriculture, forestry and fishery products and processing industry.	Enterprises/projects approved by the Malaysian Investment Development Authority (MIDA), i.e., manufacturing, high technology, strategic projects, automotive, and agricultural sectors, among others)	Pioneer industries (new manufacturing and service investments) registered with the Economic Development Board	BOI REs engaged in covered industries: automotive and electronics industries; export industries; activities located in remote areas, industrial zones; processing of local agricultural raw materials
	Brunei Darussalam (6)	**Cambodia (7)**	**Lao PDR (8)**	**Myanmar (9)**	**Vietnam (10)**
	Industries and enterprises registered as pioneer industries/enterprise, enterprise located at High-Tech Park, pioneer services companies, post pioneer companies, expanding established companies, expanding service companies, warehousing companies and international trading companies.	The Royal Government offers incentives to encourage investments in certain fields: a. High Technology industries; b. Job-creating investments; c. Export-oriented investments; d. Tourism Industry; e. Agri-industry and transformation industry; f. Physical Infrastructure; g. Provincial and Rural development; h. Environmental protection i. Enterprises in Special Promotion Zone	Promoted sectors (agriculture, industry, handicrafts and services) Investment Promotion Zones (Zones 1, 2 and 3) Zone 1: Mountainous, Plateau zones with no economic infrastructure to facilitate investments. Zone 2: Mountainous, Plateau zones with a moderate level of economic infrastructure to accommodate investments. Zone 3: Plateau zones with good economic infrastructure available for investments.	Any type of economic activities except otherwise restricted or prohibited businesses under the Myanmar Citizens Investment Law. Investments in the Special Economic Zones (SEZs).[28]	New investment projects based on regulated sectors, encouraged locations and the size of the project: Location 1: areas with extremely difficult socio-economic conditions Location 2: areas with difficult socio-economic conditions

[28] May be classified into Free Zone or Promotion Zone.

Incentives	Philippines (1)	Indonesia (2)	Malaysia (3)	Singapore (4)	Thailand (5)
A. Income Tax Holiday (ITH)	4 years if non pioneer 6 years if pioneer Extendible up to 8 years, if pioneer. [Art. 39 (a) of EO 226] Registered expanding firms – 3 years. REs under the PEZA are given the option to initially avail of the ITH regime under EO 226. Clark Special Economic and Freeport Zone, Freeport Area of Bataan, Cagayan Special Economic Zone, Zamboanga Ecozone, Aurora Pacific Economic Zone and Tourism Enterprises Zones may also avail of ITH, similar to the BOI's ITH In the case of Aurora Pacific Economic and Freeport Zone, an additional ITH may be granted for as long as the investment is made on the same project and for an activity listed in the Investment Priorities Plan but not to exceed three (3) times the regular period and a maximum period of 20 years. *(Section 5 (A) of RA 9490)*	5 to 15 years ITH. Extendible up to 20 years. *[Article 3 of Regulation No. 159/Peraturan Menteri Keuangan (PMK) .010/205 of the Minister of Finance of Indonesia]*	For qualified Pioneer Status (PS) firms ITH from 5 to 10 years. *[Chapter I, 14-14A (3) of the Promotion of Investments Act 1986]*	Qualified Pioneer companies are exempt from income tax from 5 to 15 years *[Part II, Singapore Economic Expansion Incentives Act, as amended]*	Maximum of 13 years for targeted core technologies and targeted enabling services. Up to 15 years for strategic investments that will be considered and announced by the Competitiveness Enhancement Committee (Amendment No. 4 of the Investment Promotions Act of 2017 and the Competitive Enhancement Act) Up to 8 years (depending on the zones which are based on economic factors - earnings and primary facilities as criteria) Zone 1: 3 years Zone 2: 3 years extendible to 7 years if located within promoted industrial zones Zone 3: 8 years (50% reduced rate for additional 5 years to companies located in certain provinces) *[Section 31 of Thailand Investment Promotions Act BE 2520, as amended and implemented by BOI Announcement 2/2553]*
	Brunei Darussalam **(6)**	**Cambodia** **(7)**	**Lao PDR** **(8)**	**Myanmar** **(9)**	**Vietnam** **(10)**
	Pioneer industries: 5-8 years, extension of 3 years but not exceeding 11 years in total Located at High-Tech Park – 11 years *[Article 6 (a), (b) & (c) of Brunei Investment Incentive Order of 2001]*	Up to 9 years. **Note:** Eligible enterprises may elect to avail the ITH or use the special depreciation incentives. *(Section 12, Chapter 5 of Cambodian Investments Law of 2003)*	Exemption from the Corporate Profit Tax of Agriculture, Industry, Handicraft and Service Sectors. Zone 1 Level 1: 10 years Level 2: 6 years Level 3: 4 years	***Under The Foreign Investments Law (FIL)*** ITH for a period of 5 years. *[Chapter XII (27) of FIL]* ***For Investments in SEZs***	Newly-established Foreign Investment Companies (FICs): ITH for the first four years: a. from investment projects in Location 1

Incentives	Brunei Darussalam (6)	Cambodia (7)	Lao PDR (8)	Myanmar (9)	Vietnam (10)
	Pioneer Services Companies – 8 years and an extension not exceeding 11 years in total. Post Pioneer Companies: 6 years and may be extended to not more than 11 years in total. *[Article 19 & 23, supra.]* Expansion of Established Companies: 3 years if the new capital expenditure does not exceed $1 million and 5 years if more than $1million. Allowable extension is 3 years at any one time but not exceeding 15 years in total. Expanding Service Companies: not exceeding 11 years, may be extended, but the extension at any one time should not exceed 5 years and the aggregate period shall be maximum of 20 years in total. *[Article 32 & 37, supra.]* Warehousing company or Servicing company: Maximum of 11 years with an extension not exceeding 3 years at any one time but not in aggregate exceeding 20 years. *[Article 37,supra.]* International Trading Company: 8 years *[Article 65, supra.]*		Zone 2 Level 1: 8 years Level 2: 4 years Level 3: 2 years Zone 3 Level 1: 4 years Level 2: 2 years Level 3: 1 year In the case of hospitals, kindergartens, academic/vocational schools, colleges, universities, research centers and public utilities, the period of ITH or PT exemption may be extended for an additional 5 years. In such case, ITH or PT exemption would cover a maximum period of 15 years. *[Article 50 and 51 of Law on Investment Promotion (LIP) 2009]*	ITH for 5 to 7 years; 50% relief on income tax for the second 5 years; and 50% relief on the next third 5 years on the profit which is obtained from the business if it is reinvested within one year in the business as a reserve fund. The developer shall be entitled to enjoy the following income tax exemptions and reliefs: a) income tax exemption for the first 8 years from the commencement of business operation; b) 50% relief of the income tax rate for the second 5 years; and c) 50% relief of the income tax rate for the third 5 years on the profit which is obtained from the business if it is reinvested within 1 year in the business as a reserve fund. *[Chapter VIII (32) and (40) of Myanmar Special Zone Law (MSEZL) 2014]*	b. in the sectors of education and training, occupational or vocational training, medical health care, culture, sport and the environment (socialization sectors) ITH for the first 2 years. c. from investment projects in Location 2 *[Chapter 4 Article 16 of Decree No. 124/2008/ND-CP (January 1, 2009)]*

Incentives	Philippines (1)	Indonesia (2)	Malaysia (3)	Singapore (4)	Thailand (5)
B. Preferential Tax Rate on Gross Income Earned (GIE)	PEZA REs are generally subject to a 5% tax on their GIE, in lieu of national and local taxes (except real property tax on land owned by developers). *[Section 24, RA 7916, as amended]* However, in practice they usually avail of the ITH first. After the ITH period, they then avail of the 5% tax on GIE (sequential basis) REs in Clark Freeport and Special Economic Zone, Poro Point Freeport Zone, Camp John Hay Special Economic Zone, Bataan Technology Park, Morong Special Economic Zone, Subic Bay Freeport Zone, Freeport Area of Bataan, Cagayan Special Economic Zone and Freeport, Aurora Pacific Economic Zone and Freeport, Tourism Infrastructure and Enterprise Zone, and Zamboanga City Special Economic Zone are likewise subject to 5% tax on their GIE *[RA 7227, as amended by RA 9400; RA 7916 as amended by RA 8748; RA 9728, RA 7922; RA 9490, as amended by RA 10083; RA 7903; and RA 9593]*	None	None	None	None
	Brunei Darussalam (6)	**Cambodia (7)**	**Lao PDR (8)**	**Myanmar (9)**	**Vietnam (10)**
	None	None	None	None	None

Incentives	Philippines (1)	Indonesia (2)	Malaysia (3)	Singapore (4)	Thailand (5)
C. Preferential/ Reduction of Corporate Income Tax (CIT) Rate	Proprietary educational institutions and hospitals which are nonprofit pay a tax of ten percent (10%) on their taxable income Provided, that if the gross income from unrelated trade, business or other activity exceeds fifty percent (50%) of the total gross income derived by such educational institutions or hospitals from all sources, the tax rate shall be at 35%. *[Section 27 (B) of the NIRC, as amended]* An international carrier doing business in the Philippines pays a tax of two and one-half percent (2 1/2%) on its Gross Philippine Billings[29]. *[Section 28 (A) (3) of the NIRC, as amended]* Regional or area headquarters are exempt from income tax. Regional operating headquarters pay a tax of ten percent (10%) of their taxable income. *[Section 28 (A) (6) of the NIRC, as amended]*	Reduction of 10% to 100% of the total amount of payable CIT. CIT reduction may be granted for a period not exceeding 15 tax years and not less than 5 tax years. *[Article 3(1) & (2) of Regulation No. 159/PMK.010/205 of the Minister of Finance of Indonesia]*	Qualified PS firms are taxed only on 30% of their income. *[Chaprter I, 21B (4) of the Promotion of Investments Act 1986]* Principal hubs enjoy a CIT of: Tier 1- 0% (5 years, extendible for another 5 years) Tier 2- 5% (5 years, extendible for another 5 years) Tier 3- 10% (5 years, extendible for another 5 years) 20% concessionary tax rate on statutory income of a BioNexus Status[30] company for 10 years upon the expiry of the ITH period and a tax exemption on dividends distributed. A registered agricultural company may deduct the amount of investment made in its subsidiary engaged in food productions activities, for purposes of income tax. Tax deduction of investments in a BioNexus Status company equivalent to the total investment made in financing the initial commercialization stage. (www.mida.gov.my)	Lower concessionary tax rate (0%, 5% or 10%) for International Headquarters). 15% (up to 5 years) on qualifying income of RHQ. *[Part IIIB, supra.]*	50% reduction for five years for enterprises in investments promotion zones from the end of the ITH. *[Section 35 (1), supra.]*
Note: Regular CIT	30%	25%	24%	17%	20%

[29] Gross Philippine Billings" refers to the amount of gross revenue derived from carriage of persons, excess baggage, cargo and mail originating from the Philippines in a continuous and uninterrupted flight, irrespective of the place of sale or issue and the place of payment of the ticket or passage document: Provided, That tickets revalidated, exchanged and/or indorsed to another international airline form part of the Gross Philippine Billings if the passenger boards a plane in a port or point in the Philippines: Provided, further, That for a flight which originates from the Philippines, but transshipment of passenger takes place at any port outside the Philippines on another airline, only the aliquot portion of the cost of the ticket corresponding to the leg flown from the Philippines to the point of transshipment shall form part of Gross Philippine Billings

[30] "BioNexus status company" refers to a company incorporated under the 1965 Companies Act which is engaged in the business of life sciences and has obtained approval of the status by Biotech Corp.

Incentives	Brunei Darussalam (6)	Cambodia (7)	Lao PDR (8)	Myanmar (9)	Vietnam (10)
		Corporate tax rate shall be 9% except on the exploration and exploitation of natural resources, timber, oil, mines, gold, and precious stones. *[Article 13 (1) of Cambodia Investment Law]*		***For Investments in SEZs*** Income tax exemption on dividends distributed to each shareholders based on the profits accrued locally. *[Chapter X (51) of MSEZL 2014]* Deductibility from taxable income of an SEZ of the actual expenses for local training of skilled/semi-skilled worker/staff and those providing R&D. *[Chapter X (52) of MSEZL 2014]*	10% for 15 years: FICs from investment projects in Location 1 10% for up to 30 years FICs from investment projects in the Sectors which are large scale, with high-tech or new tech and which have a special need to attract investment 10% for the whole operational period FICs operating in the "socialization sectors" 20% for 10 years FICs from investment projects in Location 2 *[Chapter 4 Article 15 of Decree No. 124/2008/ND-CP (January 1, 2009)]*
Note: Regular CIT	18.5%	20%	24%	25%	20%

Incentives	Philippines (1)	Indonesia (2)	Malaysia (3)	Singapore (4)	Thailand (5)
D. Additional Deduction for Research and Development (R&D)	None	None	***For Biotechnology Industry not classified as a Pioneer Status or an investment tax allowance (ITA):*** – Double deduction of expenditure incurred for R&D Eligible R&D expenses includes wages, salaries, materials, and utilities incurred directly for R&D activities. However, capital expenditure on plant, machinery, lands or buildings, or on alterations, additions, or extensions to buildings, or in the acquisition of rights arising out of R&D are excluded. – Double deduction of expenditure incurred for the promotion of export – Tax deduction for companies that invest to acquire technology platform in bio-based industry. *[Chapter IV, 34 (6) (ma) of the Income Tax Act 1967]*	Further deduction for expenditure on R&D Project Eligible R&D expenses includes wages, salaries, materials, and utilities incurred directly for R&D activities. However, capital expenditure on plant, machinery, lands or buildings, or on alterations, additions, or extensions to buildings, or in the acquisition of rights arising out of R&D are excluded. *[Singapore Income Tax Act, Revised on March 31, 2014]*	None
	Brunei Darussalam (6)	**Cambodia (7)**	**Lao PDR (8)**	**Myanmar (9)**	**Vietnam (10)**
	None	None	None	Exclusion from taxable income of R&D expenditure. *[Chapter XI 20 (e) of Myanmar Citizens Investment Law (MCIL) 2013]*	None

Incentives	Philippines (1)	Indonesia (2)	Malaysia (3)	Singapore (4)	Thailand (5)
E. Additional Deduction for Labor and Training Expenses	50% additional deduction of labor expense from the taxable income for the first 5 years from registration of an RE *[Article 39 (b) of EO 226 and Section 42 of RA 7916, as amended]* Additional deduction equivalent to ½ of the value of training expenses incurred in developing skilled or unskilled labor or for managerial or other management development programs incurred by PEZA REs can be deducted from the national government's share of 3% *[Section 42 of RA 7916, as amended]* BOI REs locating in less developed areas (LDAs) or in areas deficient in infrastructure, public utilities, and other facilities may deduct from their taxable income an amount equivalent to the expenses (100%) incurred in the development of necessary and major infrastructure works *[Art. 40 (b) of EO 226]*	None	***Halal Products*** – Double deduction on expenses incurred in obtaining international quality standards (food standard guidelines of FAO & WHO), Sanitation Standard Operating Procedure and regulations for compliance for export markets such as Food Traceability from farm pork.	None	None

Incentives	Brunei Darussalam (6)	Cambodia (7)	Lao PDR (8)	Myanmar (9)	Vietnam (10)
E. Additional Deduction for Labor and Training Expenses	None	None	None	None	None

Incentives	Philippines (1)	Indonesia (2)	Malaysia (3)	Singapore (4)	Thailand (5)
F. Accelerated Depreciation	Available on a universal basis, i.e., available to all firms, subject to the rules prescribed by the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue *[Section 34 (F)(2)(c), NIRC]*	None	Upon the expiry of the Reinvestment Allowance, companies that reinvest in promoted agricultural activities and food products are eligible to apply for the Accelerated Capital Allowance (ACA). It provides a special allowance to write off the capital expenditure within three years, i.e. an initial allowance of 20% in the first year and an annual allowance of 40%. *[Chapter I, 18 (1), (3), (5) and (6) of the Promotion of Investments Act 1986]*	Accelerated depreciation for certain plants, machinery and equipment *[Section 19, Singapore Income Tax Act, Revised on March 31, 2014]*	Accelerated rates of depreciation allowances, from 25% to 40% upfront and the remainder at 5% to 33.33% per year.
	Brunei Darussalam (6)	**Cambodia (7)**	**Lao PDR (8)**	**Myanmar (9)**	**Vietnam (10)**
	None	40% special depreciation on the value of new or used assets used in production or processing. *[Article 13 of Cambodia Law on Taxation]*	None	Right to deduct depreciation from profit, after computing as the rate of deducting depreciation stipulated by the union, in respect of machinery, equipment, building or other capital assets used in the business for the purpose of income tax assessment. *[Chapter XI 20 (h) MCIL 2013]*	Doubling of depreciation rates for accelerating technological renovation of machines and equipment

Incentives	**Philippines** **(1)**	**Indonesia** **(2)**	**Malaysia** **(3)**	**Singapore** **(4)**	**Thailand** **(5)**
G. Capital Equipment Incentives	Tax and duty-free importation of capital equipment of BOI firms from 2012 to 2017 (Per EO 70 series of 2012); Also available for Clark, John Hay, Poropoint, Morong SEZs, PEZA Ecozones, Tourism Enterprise Zone firms *[RA 7227, as amended by RA 9400 and RA 9593]*	Import duty exemption for companies at the stage of development, expansion. or renovation and industries engaged in manufacturing goods such as tourism and culture, public transportation, health services, mining, construction, telecommunication and ports for the import of capital goods including machineries for a period of 2 years and can be extended for 1 year. *[Badan Koordinasi Penanaman Modal (BKPM) No. 16/2015]*	***Manufacturers in the Principal Customs Area (PCA)*** Import duty exemption of machinery and equipment. ***Maintenance, Repair and Overhaul (MRO) Activities*** Aerospace companies undertaking maintenance, repair and overhaul activities, qualify for import duty and sales tax exemption on machinery and equipment. *[Customs Duties (Exemption) Order 2013 and Sales Tax (Exemption) Order 2013]*	Exemption from import duties on capital goods/ equipment	Import duty exemption or reduction of duty rate on machinery. *[Sections 28 and 29, supra.]*
	Brunei Darussalam **(6)**	**Cambodia** **(7)**	**Lao PDR** **(8)**	**Myanmar** **(9)**	**Vietnam** **(10)**
	The Minister may, subject to certain conditions, exempt from the payment of the whole or any part of any customs duty which may be payable on any machinery, equipment, component parts and accessories provided that similar machinery, equipment, component parts, of approximately equal price and equal quality are not being produced or available within Brunei Darussalam. *[Article 109, supra.]*	Import duty exemption of equipment used by: a) An export oriented project with a minimum of 80% of the production set apart for export b) Located in designated Special Promotion Zone c) Tourism Industry d) Labor intensive industry/ transformation industry, agro-industry e) Physical infrastructure and energy industry. *[Article 13(4) of Cambodia Investment Law]*	Exemption from import duties on the importation of equipment and vehicles directly used for production. *[Article 52 of LIP]*	Exemption from custom duties and other internal taxes on machinery and vehicle equipment used in the business. *[Chapter XI 20 (g) of MCIL 2013]* ***For Investments in SEZs*** Exemptions from customs duties and other relevant taxation on the importation machinery; and motor vehicles for work.[31] *[Chapter X 44 (a); (b); (c); and (d) of MSEZL 2014]*	Exemption from import duty of certain equipment used especially for export production and technology transfer.

[31] For investor on the Promotion Zone, the exemptions from customs duties and other relevant taxation is 5 years and 50% relief of the custom duties and other taxes for the next 5 consecutive years.

Incentives	Philippines (1)	Indonesia (2)	Malaysia (3)	Singapore (4)	Thailand (5)
H. Raw Materials Spare Parts and Supplies Incentives	Tax- and duty-free importation of raw materials, spare parts and supplies (Clark, John Hay, Poropoint, Morong SEZs, PEZA Ecozones, Tourism Enterprise Zone firms *[RA 7227, as amended by RA 9400]* A zero percent duty is granted to BOI-registered new and expanding enterprises on article or equipment, available from 2012 to 2017 *[EO 70 series of 2012].* Tax credit on taxes and duties paid on raw materials, spare parts and supplies (for BOI REs) *[Article 39 (k) of EO 226]*	Import duty exemption on raw materials or domestic purchases of goods for further processing of manufacturing industry. *[BKPM No. 16/2015]*	***Halal Products*** Exemption from import duty and sales tax on raw materials used for the development and production of halal promoted products. ***Principal Hub***[32] Full exemption from import duty can be considered for raw materials/ components. ***Maintenance, Repair and Overhaul (MRO) Activities*** Aerospace companies undertaking maintenance, repair and overhaul activities, qualify for import duty and sales tax exemption on components, spares and consumables. [www.mida.gov.my]	Tax credits on duties paid on imported raw materials, parts and inputs related to the production process	Reduction of import duties on raw or essential materials *[Section 30, supra.]*
	Brunei Darussalam (6)	**Cambodia (7)**	**Lao PDR (8)**	**Myanmar (9)**	**Vietnam (10)**
	Eligible enterprises and industries are exempt from the payment of import duties on raw materials to be used for production provided that such raw materials are not available or produced within Brunei Darussalam. *[Article 112 , supra.]*	Import duty exemption on construction materials, means of production, raw materials and intermediate goods used by the above-mentioned enterprises and industries. *[Article 13(4) of Cambodia Investment Law]*	Exemption from import duties for the importation of raw material and spare parts which are directly used for production. *[Article 52 of LIP]*	Exemption from custom duties or other internal taxes or both on raw materials imported for production for the first 3 years after the completion of construction of business. *[Chapter XI (20) (i) of MCIL 2013]* Exemption from custom duties and other internal tax on instruments, tools, machinery components, spare parts and materials used in the business.	Duty exemption on raw materials, spare parts, accessories, other supplies and samples. *[Import and Export Duties, Law No. 45/2005/QH11 (June 4, 2005), as amended by Decree No. 124/2008/ND-CP]*

[32] A locally incorporated company that uses Malaysia as a base for conducting its regional and global businesses and operations to manage, control, and support its key functions including management of risks, decision making, strategic business activities, trading, finance, management and human resource.

Incentives	Brunei Darussalam (6)	Cambodia (7)	Lao PDR (8)	Myanmar (9)	Vietnam (10)
				[Chapter XI (20) (i) of MCIL 2013] ***For Investments in SEZs*** Refund of the customs duties and other taxes paid on the importation of raw materials and other goods for production. Exemptions from customs duties and other relevant taxes on the importation of construction materials for infrastructures and offices; raw materials for production, trading and consignment goods, among others. *[Chapter X 44 (a); (b); (c); and (d) of MSEZL 2014]*	

Incentives	Philippines (1)	Indonesia (2)	Malaysia (3)	Singapore (4)	Thailand (5)
I. Carry Forward of Losses	The net operating loss of the business for any taxable year immediately preceding the current taxable year, which had not been previously offset as deduction from gross income shall be carried over as a deduction for the next 3 consecutive taxable years immediately following the years of such loss. Note: Available on a universal basis, i.e., available to all firms *[Section 34 (D)(3), NIRC]*	Losses may be carried forward for a maximum of 5 years with possible extension of 5 years. *[Article 6, Indonesia Law No. 36 of 2008]*	For PS firms, unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company. *[Chapter 1, 18 (3) (b) (i-ii) and 21A of the Promotion of Investments Act 1986]*	Any capital allowances in excess of the income from all sources for any year of assessment can be carried forward to offset against income of that person for subsequent years of assessment, subject to both the continuity of ownership and the same business tests *[Part II, Singapore Economic Expansion Incentives Act, as amended]*	Net losses carried forward from the last five accounting periods.
	Brunei Darussalam (6)	**Cambodia (7)**	**Lao PDR (8)**	**Myanmar (9)**	**Vietnam (10)**
	Any losses at a given tax year shall be carried forward for 6 years.	In case of a loss in any one tax year, this loss is considered as a charge to the following tax year and shall be deducted from the profit realized in that following year. If this profit is not sufficient to settle it , the remaining part of the loss is carried over successively to following tax years until the fifth year. *[Article 13(2) of Cambodia Investment Law]*	Business persons and freelancers subject to profit tax who suffer annual losses may carry such losses forward for deduction from the profit within the following 3 years. Upon the expiration of this period, any remaining loss may not be further deducted from the profit. *[Article 52 of LIP]*	Right to carry forward and set-off the loss up to 3 consecutive years from the year the loss was actually sustained within 2 consecutive years following the enjoyment of exemption from income tax for each business. *[Chapter XII 27 (g) of FIL]* ***For Investments in SEZs*** The developer and the investor of the SEZ shall be permitted to retrieve the losses for 5 years after the year the losses were incurred. *[Chapter X (48) of MSEZL 2014]*	an carry forward tax losses fully and consecutively for a maximum of 5 years. *[Chapter 2 Article 7 of Decree No. 124/2008/ND-CP (January 1, 2009)]*

Incentives	Philippines (1)	Indonesia (2)	Malaysia (3)	Singapore (4)	Thailand (5)
J. Reinvestment/ Expansion/ Allowance/ Investment Tax Allowance (ITA)	None	None	ITA of 60% to 100% on the qualified capital expenditure incurred within 5 years for PS firms. Can be carried forward to subsequent years until fully utilized. For Biotechnology Industry, buildings used solely for the purpose of biotechnology activities will be eligible for Industrial Building Allowance to be claimed over a period of 10 years. ***Agricultural Sector*** The subsidiary company undertaking food production activities can be considered for a full or 100% tax exemption on its statutory income for 10 years of assessment for new project or five years of assessment for expansion project. An existing company that reinvests in the production of the qualified food products are entitled to 100% tax exemption for 5 years. Companies engaged for at least 36 months in the production of essential food such as rice, maize, vegetables, tubers, livestock, aquatic products, and any other activities approved by the Minister of Finance are eligible for Reinvestment Allowance (RA)[33]. *[Chapter I, 29 (1) and (2) of the Promotion of Investments Act 1986]*	Exemption of taxable income equal to a specified proportion of new fixed investments for a period not exceeding 10 years *[Part IIIB, Singapore Economic Expansion Incentives Act, as amended]*	Allowance of 25% deduction of the cost of installation or construction of facilities *[Section 35 (3), supra.]*

[33] The RA is in the form of an allowance of 60% of the qualifying capital expenditure incurred within a period of 15 years beginning from the year the first reinvestment is made. The allowance can be offset against 70% of the statutory income in the year of assessment. Unutilized allowances can be carried forward to the following years until fully utilized.

Incentives	Brunei Darussalam (6)	Cambodia (7)	Lao PDR (8)	Myanmar (9)	Vietnam (10)
	Investment allowance corresponding to fixed capital expenditure may be availed of by eligible enterprise which proposes to carry out certain projects (e.g. provision of specialized engineering/technical services, research and development, construction operation, recycling of domestic industrial waste, among others). *[Article 80 of Brunei Investment Incentive Order of 2001]*	None	Exemption from profit tax in the next accounting year, if the net profit is used for reinvestment/ business expansion. *[Article 52 of LIP]*	None	If profits are reinvested for 3 consecutive years, a portion or all of corporate income tax may be refunded.

Incentives	Philippines (1)	Indonesia (2)	Malaysia (3)	Singapore (4)	Thailand (5)
K. Exemption from Export Tax/ Duty	None[34]	None	None	None	None
	Brunei Darussalam (6)	**Cambodia (7)**	**Lao PDR (8)**	**Myanmar (9)**	**Vietnam (10)**
	None	None	Exemption from export duties for exportation of general goods and products. *[Article 52 of LIP]*	Exemption from commercial tax[35] on goods for export. *[Chapter XI (20) (k) of MCIL 2013]* ***For Investments in SEZs*** Investors may be given exemption from commercial tax and value-added tax for manufactured goods which will be exported and goods imported from the local or Promotion Zone to the Free Zone. *[Chapter X 49 (c) of MSEZL 2014]*	None

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[34] EO 26 (July 1, 1986) abolished export duties on all export products except logs.

[35] There is no value-added tax (VAT) system in Myanmar. A commercial tax is imposed on a wide range of goods, imported into or produced in Myanmar, trading sales, and services. The rates of Commercial Tax are set out in various schedules to the Commercial Tax Law introduced on 31 March 1990