

C R E A T E

Republic Act No. 11534

Corporate Recovery And Tax Incentives for Enterprises Act

BACKGROUND

CREATE LAW

**COMPREHENSIVE TAX
REFORM PROGRAM of the
Duterte Administration :
(1) TRAIN LAW
(2) CREATE LAW**

**Formerly known as
the Corporate
Income Tax and
Incentives
Rationalization Act
(CITIRA)**

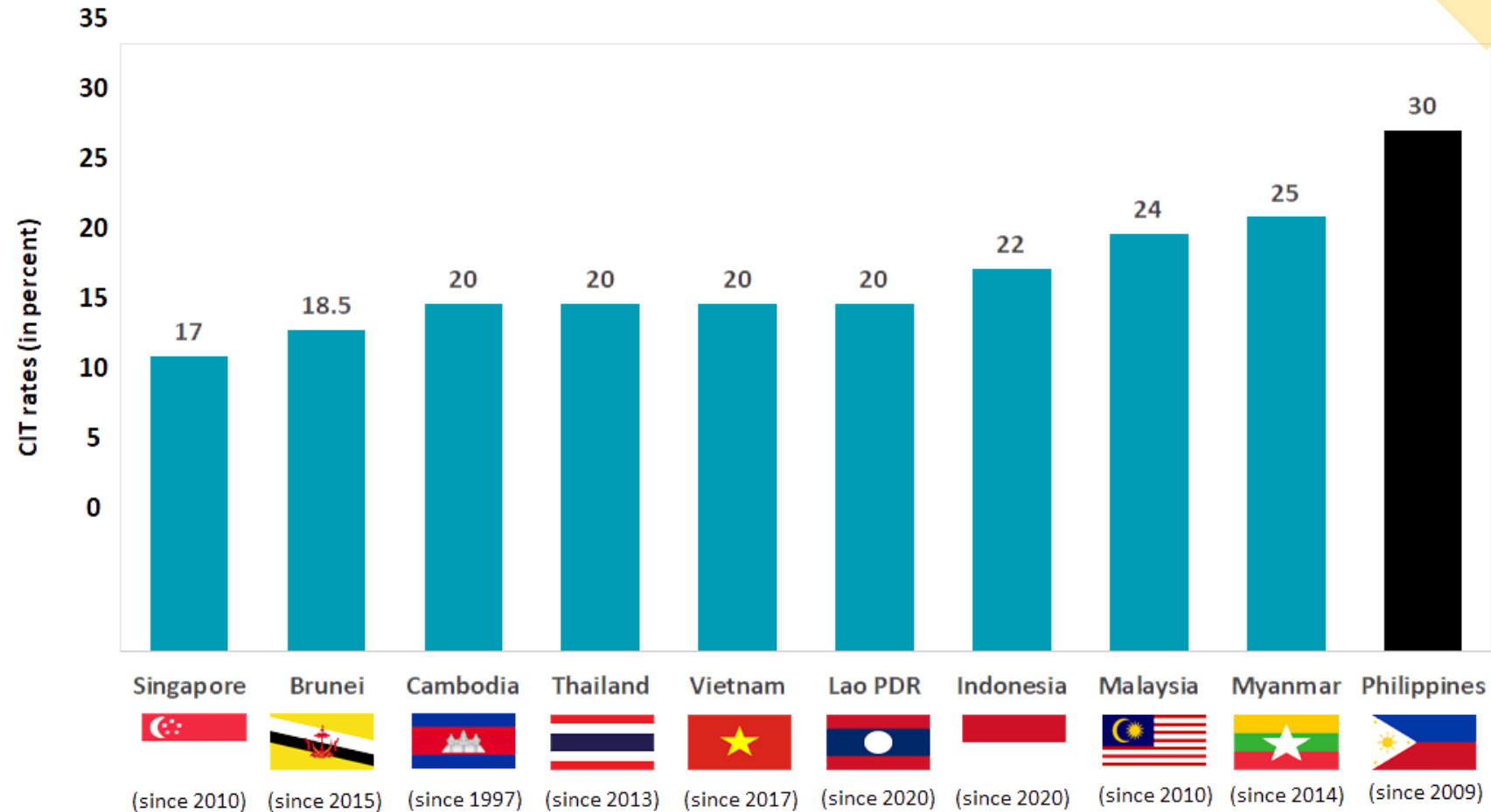
**Intended to mitigate
and address the
economic effects of
the COVID-19
Pandemic**



**Provides much-
needed relief for
Micro, Small and
Medium
Enterprises
(MSMEs)**



Comparative CIT rates in ASEAN (2020)




Source: OECD tax database, PWC Corporate tax summaries, Trading Economics



NOTABLE AMENDMENTS

CREATE LAW



NOTABLE AMENDMENTS

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	PRE-CREATE	CREATE
Corporate Income Tax	30%	25% *20% Tax Rate for Domestic Corporations whose Net Taxable Income does not exceed 5M and Total Assets do not exceed 100M
Minimum Corporate Income Tax	2%	1% *Applicable from 1 July 2020 until 30 June 2023
Improperly Accumulated Earnings Tax	10%	Repealed

NOTABLE AMENDMENTS

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	PRE-CREATE	CREATE
Percentage Tax for VAT Exempt Persons	3%	1% <small>*Applicable from 1 July 2020 until 30 June 2023</small>
Tax on Non-profit and proprietary educational institutions and hospitals	10%	1% <small>*Applicable from 1 July 2020 until 30 June 2023</small>
Foreign-sourced dividends received by domestic corporations	15%	Exempt <small>*Subject to reinvestment of earnings in the Philippines</small>

NOTABLE AMENDMENTS

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PRE-CREATE

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VAT on E-Books

12%

Exempt

*Starting 1 January 2021

VAT on the sale and importation of prescription drugs for cancer, mental illness, tuberculosis and kidney-related diseases

12%


Exempt

*Starting 1 January 2021



COVID-19 RELIEF

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COVID-19 RELIEF

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PRE-CREATE

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VAT on sale or importation of capital equipment and raw materials for PPE production

12%

Exempt

*Starting 1 January 2021 until 31 December 2023

VAT on sale or importation of all prescription drugs, medical supplies, devices and equipment for COVID-19

12%

Exempt

*Starting 1 January 2021 until 31 December 2023

VAT on the sale or importation of vaccines for COVID-19

12%


Exempt

*Starting 1 January 2021 until 31 December 2023



FISCAL INCENTIVES

CREATE LAW



FISCAL INCENTIVES

CREATE LAW

	PRE-CREATE	CREATE
Income Tax Holiday (“ITH”) Duration	4 – 6 years	4 – 7 years
Extension of ITH	2 or 3 years more	No Extension
Incentive for relocation outside NCR or into disaster / conflict areas	None	3 years for relocation outside NCR 2 years for relocation to conflict / disaster areas

FISCAL INCENTIVES

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PRE-CREATE

CREATE

	PRE-CREATE	CREATE
Power Expense	100%	150%
Labor Expense	150%	150%
Training Expense	100%	200%
Research & Development	100%	200%
Domestic Input Expense	100%	150%
Reinvestment Allowance to the manufacturing industry	None	Up to 50% of reinvested profit
Depreciation Allowance	None	10% for buildings, 20% for machinery



Thank
you