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Rationalizing the Fiscal Incentive System

Introduction

Investment incentives have long been used by countries to promote the development of specific industries and geographical regions. They are classified under two types of support to investors. Tax incentives (or fiscal incentives) provide indirect support to investors in the form of tax breaks, access to subsidized credit, and lower customs tariffs among others, which are aimed at directly improving investors' earnings. On the other hand, non-tax incentives generally provide direct support to investors in the form of construction and/or rehabilitation of infrastructure and facilities, and simplified business registration procedures to improve the physical and institutional environment necessary for investment. For a more focused discussion, this paper shall concentrate on fiscal incentives and their projected costs and benefits in light of the current fiscal situation.

Fiscal incentives are generally defined as tax provisions granted to qualified investment projects which represent a favorable deviation from the provisions applicable to other investment projects.[1] In principle, the primary objective of fiscal incentives is to influence investment decisions by either directly affecting the potential profit streams of projects or reducing the risks attached to it.[2]

The use of fiscal incentives by different governments is based on the premise that the provision of incentives is a major consideration of investors in deciding where to locate their investments. It has been estimated that the level of foreign direct investments (FDIs) rises by roughly 2 percent for every 1 percentage point reduction in the corporate income tax (CIT) rate.[3] Fiscal incentives are also given to provide and improve the delivery of basic services to certain sectors of the economy and encourage activity in strategic industries.

Fiscal incentives can be broadly categorized into the following: a) Reduced corporate income tax (CIT) rates, b) Tax holidays and Net Operating Loss Carry-Over (NOLCO), c) Investment Allowances and Tax Credits, d) Accelerated Depreciation, e) Exemptions from Indirect Taxes (Value Added Tax, Import Tariffs, etc.), and f) Export Processing Zones (EPZs). These incentives

[1] Fletcher, 2002

[2] Chalk, 2001

[3] Hines, 1999

have, however, their different strengths and weaknesses (See Table 1). The more basic features that are being evaluated when providing these incentives are whether or not these can be administered easily and how much leakages and distortions in the tax system they can cause.

The Philippine Case

The Philippines has long provided fiscal incentives as a way of making the Philippines' investment climate more favorable compared to its regional neighbors. The current set of fiscal incentives being offered by the country is similar to those being offered in Indonesia and Thailand where full income tax holidays are also the preferred mode of incentive (See Annex A).[4] As with other countries, the Philippines likewise establishes special economic zones where many of these incentives can be availed of.

Under the country's current fiscal incentives structure, domestic and foreign investors alike

Table 1. Advantages and Disadvantages of Different Types of Tax Incentives

ADVANTAGES	DISADVANTAGES
Lower Corporate Income Tax (CIT) Rates	
• Simple to administer • Revenue costs are more transparent	• Largest benefits go to high-return firms that are likely to have invested even without incentives. • Invites tax avoidance through high-tax enterprises shifting to low-tax ones via transfer pricing (intra-country and international). • Acts as a windfall to existing investments. • Unlike specific benefits, may not be tax-spared by home country tax authorities.
Tax Holidays/Net Operating Loss Carry-Over (NOLCO)	
• Simple to administer • Allows taxpayers to avoid contact with the tax administration (which is important when the existing administration is corrupt or complex).	• Largest benefits go to high-return firms that are likely to have invested even without incentives. • Invites tax avoidance through high-tax enterprises shifting to low-tax ones via transfer pricing (intra-country and international). • Acts as a windfall to existing investments. • Specific benefits may be tax-spared by home country tax authorities. • Attracts short-term projects. • Invites tax avoidance through the indefinite extension of holidays via creative redesignation of existing investments as new investments. • Creates competitive distortions between old and new firms. • Revenue costs are not transparent unless tax filing is required, in which case administrative benefits are foregone.
Investment Allowances and Tax Credits	
• Can be targeted to certain types of investments with high positive spillovers. • Revenue costs are more transparent.	• Distorts choice of capital assets in favor of short-lived ones since a further allowance is available each time an asset is replaced. • Qualified enterprises may attempt to abuse the system by selling and purchasing the same assets to claim multiple allowances. • Greater administrative burden. • Discriminates against investments with delayed returns if loss carry-over provisions are inadequate.
Accelerated Depreciation	
• Can be targeted to certain types of investments with high positive spillovers. • Revenue costs are more transparent. • Does not generally discriminate against long-lived assets. • Moves the CIT closer to a consumption-based tax, reducing the distortion against investment typically produced by the regular CIT.	• Some administrative burden. • Discriminates against investments with delayed returns if loss carry-over provisions are inadequate.
Exemptions from Indirect Taxes (Value Added Tax, Import Tariffs, etc.)	
• Allows taxpayers to avoid contact with the tax administration (which is important when the existing administration is corrupt or complex).	• VAT exemptions may be of little benefit – under regular VAT, tax on inputs is already creditable; outputs may still get taxed at a later stage. • Prone to abuse – easy to divert exempt purchases to unintended recipients.
Export Processing Zones(EPZs)	
• Allows taxpayers to avoid contact with the tax administration (which is important when the existing administration is corrupt or complex).	• Distorts locational decisions. • Typically results in substantial leakage of untaxed goods into domestic market, thus eroding the tax base.

Source: Fletcher, 2002

[4] Chalk, 2001

are encouraged to engage in specific industries by exempting them from various national, provincial, city, municipal, and ***barangay*** taxes, and customs duties. Currently, there are 124 laws granting various fiscal incentives for investors. Aside from the Philippine Constitution, the National Internal Revenue Code, the Tariffs and Customs Code, and the Local Government Code, the grant of fiscal incentives is rooted in major investment incentive laws such as the Omnibus Investments Code of 1986 and the Special Economic Zone Act of 1995. The Department of Trade and Industry (DTI), through the Board of Investments (BOI) and other Investment Promotions Agencies (IPAs), such as the Philippine Economic Zone Authority (PEZA) and Subic Bay Metropolitan Authority (SBMA) among others, are tasked to interpret, implement, and administer these incentives laws within their respective areas of jurisdiction.

A study prepared by the BOI in 2003 showed that the benefits of fiscal incentives in terms of increased investments and exports earnings far outweigh the fiscal costs of their provision. It estimated that for every P1 of fiscal incentives availed by investors, P10.1 worth of investments was generated from 1995 to 2001. The positive effect was especially apparent in industries engaged in agricultural production and allied services, wood-based products and services, and clothing and fashion accessories, where investors put in P113.4, P51.8, and P44 respectively for every P1 of fiscal incentives made available to these industries. The study also shows that the country earned P21.1 in exports for every P1 of fiscal incentives availed by exporters from 1995 to 2001. Industries which benefited from these incentives were engaged in the manufacture of clothing and fashion accessories, engineering products, and information technology services, which earned P485.3, P213.5, and P176.5 respectively for every P1 of fiscal incentive availed. (See Table 2).

Table 2. Benefits of Fiscal Incentives, 1995-2001 - BOI

Sector	Actual Peso Investment/ Peso of Incentive	Export Earnings/ Peso of Incentive
Agricultural products and allied services	113.4	84.6
Chemical-based consumer products	3.2	20.1
Chemicals, textiles, and leather	29.1	133.9
Clothing and fashion accessories	44.0	485.3
Construction materials	14.7	1.2
Electronics and telecommunications eqpt.	4.3	26.6
Engineering products	33.5	213.5
Information technology services	4.0	176.5
Infrastructure and utilities	6.9	0.0
Mining and mineral processing	17.4	27.1
Processed foods and beverages	13.5	32.4
Tourism and industrial estates	32.9	1.4
Toys, sporting goods, gifts, and housewares	6.5	71.2
Trading and other services	16.8	19.9
Transport equipment	16.7	125.1
Wood-based products and services	51.8	66.5
Average	10.1	21.1

Note: Actual investments are based on total locator assets as of 2001. Total incentives granted is the cumulative total of all incentives availed by firms from 1995-2001. Export earnings were computed using the average of annual dollar-peso exchange rates from 1995-2001.

Source: Board of Investments

However, it must be pointed out that the decision of investors to locate in the Philippines cannot be attributed solely on the amount of fiscal incentives provided by the government. The World Development Report 2005 showed that only 18 percent in manufacturing and 9 percent in services, of a total of 191 companies surveyed in 2002, considered grants and incentives to be influential in their choice of location. A similar survey by Wunder (2001) revealed that only 4 out of 75 Fortune 500 companies considered the provision of fiscal incentives as a critical factor in location setting.

In addition, the provision of fiscal incentives is generally seen to distort investments. As seen in Table 3, investors will be enticed to engage in special industries with lower CIT rates and larger after-tax returns on investments. This biased regime would unfortunately divert investments from other sectors which could have higher social returns and benefits, thereby reducing the overall efficiency of investments.[5] The selection of industries is therefore crucial, otherwise, there could be inefficient allocation of resources.

Table 3. Comparative Advantages of Fiscal Incentives

	Special Industries (Those receiving fiscal incentives)	Other Industries (Not receiving fiscal incentives)
CIT rate	10%	32%
Before-tax return on marginal investments	10%	12%
After-tax return on marginal investments	9%	8%

Source: Fletcher, 2002

Table 4. Revenues Foregone Under The Current Fiscal Incentives Structure, By Type of Exemption, 2003

Exemption by type of Tax:	Revenues Foregone (In billion pesos)
Income Tax	34.883
Excise Tax	0.037
Capital Gains Tax	0.003
Donor Tax	n.a.
Withholding Tax	0.009
Franchise Tax	0.016
Percentage Tax	1.990
Value Added Tax	195.520
Duties	56.051
Plus:	
Tax Subsidies to GOCCs	10.397
BOI-Tax Credit Certificates	1.02
Total	299.925

Source: Department of Finance

The vulnerability of the tax incentive system to graft and corruption also results in substantial revenue losses and distortions in resource allocation. Studies made in other countries show that very profitable projects, which would have been pursued even in the absence of fiscal incentives, are more likely to receive incentives rather than the truly tax-sensitive ones. This is largely due to the ability of influential lobby groups to apply pressure on government policymakers.[6]

A more basic argument against providing fiscal incentives is measured in terms of government's foregone revenues particularly if there is evidence that investors would invest even in the absence of such incentives. Studies conducted by the Department of Finance (DOF) show that revenues foregone from the provision of fiscal incentives guaranteed under various laws cost the government a total of P299.9 billion in 2003 (See Table 4). The largest losses come from value-added-tax (VAT) exemptions (P195.5 billion), exemptions from customs duties for the importation of equipment, materials, and other inputs (P56.1 billion) and exemptions from the payment of income tax (P34.9 billion).

Looking at it another way, the total losses represent 7 percent of GDP or 47.9 percent of total National Government (NG) revenues in 2003. Had the government collected on these incentives, it would have had more than enough to finance the 2003 budget deficit of P199.9 billion.

A similar study conducted by the National Tax Research Center (NTRC) estimated that the government lost an average of P55.6 billion annually from the provision of fiscal incentives or a total of P667.16 billion from 1998 to 2002. It must be pointed out that the NTRC itself believes that its' own estimate is conservative considering the gaps in documentation and reporting requirements (See Annex B).

The same problem was observed in other countries. Fletcher (2002) found that the provision of fiscal incentives had similar costs in terms of foregone revenues in Vietnam, Cambodia, and Lao PDR. In Vietnam, revenues lost to fiscal incentives in 2001 were estimated to be US$76 million, which could be an understatement considering that not all firms operating were included in the survey and the estimates are based only on the effects of a reduced CIT rate. The study also noted that FDI levels in the three countries have actually fallen since 1996 in spite of the fiscal incentives programs being implemented during the period.

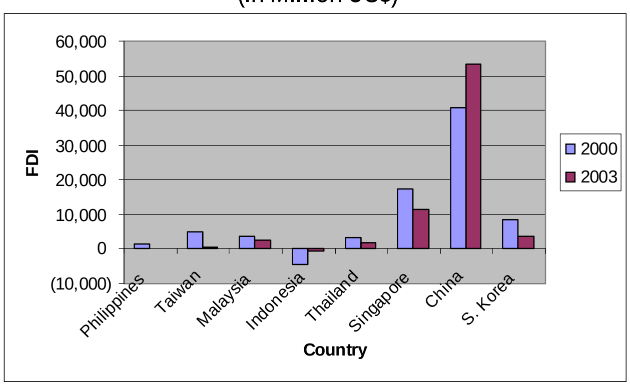
[5] Fletcher, 2002. Selective incentives regimes are generally seen as "picking winners", wherein influential lobby groups are able to exert pressure on policymakers in order to avail of special benefits which are not normally offered to other industries.

[6] Ibid.

While the decline in FDI levels could be attributed to the Asian financial crisis from 1997-1999, the results still do not support the theory that the provision of fiscal incentives substantially increases FDI levels.

Aside from being costly in terms of foregone revenues, researches suggest that the provision of fiscal incentives has in fact been ineffective in attracting FDIs in the country (See Figure 1). Studies conducted by the Philippine Institute of Development Studies (PIDS) concluded that the provision of fiscal incentives had an insignificant role in attracting FDIs. The studies suggest that while the provision of fiscal incentives can influence investors' decisions to locate in the country, it is rarely enough to offset other more significant factors such as political stability, adequate infrastructure, and a stable exchange rate.[7]

Figure 1. Foreign Direct Investments Flows, By Country (In Million US$)



Source: United Nations Conference on Trade and Development

This notion of ineffectiveness is further supported by recent data which shows that the Philippines has fared very poorly in attracting FDIs (See Table 5). In 2003, the country was able to generate only 0.85 percent of total FDIs going to Asian countries, a dismal performance compared to regional neighbors such as Malaysia, Singapore, and China, which garnered 4.36 percent, 10.89 percent, and 37.08 percent respectively.[8] These figures are especially alarming given the fact that governments in Southeast Asia, such as Indonesia and the Philippines, have resorted to offering very generous incentives packages in order to attract foreign investments in the absence of a strong macroeconomic and socio-political environment[9].

It is also worth mentioning that fiscal incentives are often given to locators from countries such as the United States and the United Kingdom, which provide their businesses with foreign tax credits for taxes paid overseas. Generally, these tax credits are provided up to the amount of taxes that would have been collected had the income been earned in the home country. As a result, fiscal incentives lose their come-on for foreign companies to increase investments since lower Philippine taxes may be offset one-for-one in U.S taxes.[10]

Table 5. Share of Foreign Direct Investments By Country (In Percent)

	Asia /a		Developing Economies		World	
	1995	2003	1995	2003	1995	2003
Philippines	1.05	0.85	0.66	0.50	0.20	0.14
Taiwan	2.71	2.51	1.72	1.49	0.53	0.41
Malaysia	4.94	4.36	3.13	2.59	0.96	0.72
Indonesia	8.71	4.23	5.52	2.51	1.69	0.69
Thailand	3.04	2.73	1.93	1.62	0.59	0.45
Singapore	11.30	10.89	7.16	6.46	2.19	1.79
China	23.21	37.08	14.71	21.99	4.51	6.08
S. Korea	1.63	3.51	1.03	2.08	0.32	0.58

Source: United Nations Conference on Trade and Development
a/ refers to countries in South, East, and South-East Asia

Rationalizing the fiscal Incentives system: Towards a conceptual framework

Economists, government agencies, and the legislature have called for the rationalization of the country's fiscal incentives. Aside from minimizing government losses, the proposed rationalization of fiscal incentives aims to establish an incentive system that is easy to administer and monitor, thereby reducing the revenue leakages arising from the proliferation of incentives laws.

[7] Refers to research papers written by Lamberte (1993), Aldaba (1994), Llanto (1998), and Medalla (2002) under the auspices of the PIDS.
[8] Refers to FDI stock.
[9] Chalk, 2001
[10] Fletcher, 2002

The DOF has already identified 40 laws which are considered sources of undue revenue losses (See Table 6). These laws provide fiscal incentives to varied sectors and industries from the dairy, book publishing, leather goods industries, culture and sports development, to shipping, telecommunications, and agriculture. Amending special laws to remove the incentives is expected to generate some P11.3 billion in additional revenues, of which P9.4 billion will be coming from internal revenue taxes to be imposed on cooperatives. This is a small figure compared to the total losses from fiscal incentives because a big part of these foregone revenues stem from incentives provided in special economic zones (P158 billion) and BOI incentives (P26.8 billion).

Table 6. Revenues Foregone under the Current Fiscal Incentives Structure,by Legal Basis, 2003

Exemption by Nature/Legal Basis	Revenue Foregone (in billion pesos)	
Investment Incentives		186.4
of which: BOI	26.8	
PEZA	158.3	
Tax and duty-free importation	*152.1*	
Exemption of Non-Profit, Non-Stock Educational Institutions under the Constitution		0.4
International Agreements		0.3
Incentives Restored thru FIRB		0.7
Incentives under Sec. 105-106 of TCCP		1.5
Tax Credit under Sec. 112 of NIRC		88.2
Other Special Laws		12.1
Tax Subsidy to GOCCs		10.4
TOTAL		**299.9**

Source: Department of Finance

There is now a glaring need for government to reassess the value of fiscal incentives given the dire fiscal conditions that our country is presently facing. The government can no longer afford to look at fiscal incentives as a "free lunch" to attract foreign investors. The provision of these incentives is in fact very costly in terms of foregone revenues which could be used to fund the construction of critical infrastructure and improved delivery of basic services.

The proposals to rationalize the country's fiscal incentive system must thus be able to facilitate the objectives of increasing government revenues and minimizing the economic distortions that arise from the provision of fiscal incentives. A fiscal incentive system must be clear and simple, performance-based, time-bound, at par with regional countries, and must not be susceptible to abuses. The following strategies can be undertaken to attain these objectives:

a) ***The fiscal incentive system must be clear and simple.*** All major incentives laws need to be consolidated and harmonized under one umbrella piece of legislation administered by a single government entity for administrative ease and harmony.[11] This will minimize the practice of "forum shopping" by investors in availing of different incentives.

b) ***The fiscal incentive system must be performance-based.*** Fiscal incentives should only be used as an industrial policy tool when there are market failures arising from different externalities and market distortions. The practice of "picking winners" through the provision of fiscal incentives should be limited as it is open to systematic abuse by opportunistic lobby groups. The fact that government simply cannot afford to support all industries that need financial support should be recognized. It is therefore suggested that as a matter of principle, the grant of fiscal incentives be limited only to industries or sectors identified in the Investment Priorities Plan (IPP). The criteria in the Omnibus Investments Code can also be considered. Under the code, incentives must attract investments that are labor intensive, have high spill over effects and make efficient use of the country's natural resources.

[11] The entity must of course be multi-sectoral in composition; possibly a spin-off from the existing Board of Investments.

c) ***The fiscal incentive system must be time-bound.*** It has been suggested that "sunset" provisions be included in laws providing fiscal incentives and that fiscal incentives be non-renewable. The amount of incentives granted each year should also be included in the annual budget reviewed by Congress to properly measure and limit the costs of fiscal incentives per year. Companies availing of fiscal incentives must also be effectively monitored in order to assess whether the provision of fiscal incentives provides benefits that extend beyond the duration of these incentives.[12]

d) ***The fiscal incentive system must be at par with regional countries.*** Government must consider coordinating with its regional neighbors (and competitors) in order to avoid the harmful effects of tax competition. It would be to the benefit of all countries in the region to agree on limits on the size and scope of investment incentives to prevent countries from undermining their budgetary position through regional competition for foreign investment dollars.[13]

e) ***The fiscal incentive system must not be susceptible to abuses.*** Government should also consider adopting the tax refund scheme instead of the current tax exemption programs in order to improve administration and lessen opportunities for abuse. However, this proposal should probably be considered in the medium-term as this would require a strong tax administration that is focused on providing taxpayer services and lowering taxpayer compliance costs.[14]

Conclusion

Fiscal incentives will never be able to succeed in its goal of attracting FDIs if the government is unable to increase investor confidence in the domestic economy. A tighter and more focused incentives package coupled with wide-sweeping improvements in infrastructure and macroeconomic environment would be effective in attracting foreign and domestic investors alike while at the same time ensuring that revenue losses are substantially decreased.[15] The first order of battle in attracting FDIs should therefore be to identify and strengthen the country's competitive advantages for investments such as its geographic location and highly-skilled labor force, and address the existing fundamental weaknesses in our business environment. A domestic economy characterized by socio-political stability, low and stable inflation rates, small deficits on the government and trade accounts, and a stable exchange rate will ultimately do more to attract and retain FDIs than the most attractive package of targeted incentives (Bahl, 1992). The government must therefore rethink its policy of using fiscal incentives as a band-aid type of solution to attracting FDIs and instead concentrate its efforts on finding ways of providing a business environment conducive to long-term growth and development in the country.

Firms and enterprises affected by the proposed rationalization of fiscal incentives will most certainly be resistant to the initial efforts of government to overhaul the existing incentive system. It is thus important for government to communicate the objectives of rationalizing the country's fiscal incentive system and how in the long-run, this can be more beneficial to investing firms and enterprises. The revenues generated by new taxes will pay for the construction of roads, bridges, and other vital infrastructure needed to encourage industrial activity. Taxes will also pay for the necessary improvements in the delivery of basic services such as health and education, which are critical for the progressive formation of the nation's youth. The road ahead will be difficult to say the least, but it must be said that these painful measures are very necessary and must be endured in order to effect sustained development in the country.

[12] Chalk, 2001.
[13] Ibid
[14] Ibid
[15] Ibid

Sources:

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Annex A. Summary of Fiscal Incentives in Selected Asian Countries

	Corporate Income Tax Rate	Tax Holidays and Rate Reductions	Tax Allowances and Credits	Import Duties and VAT Exemptions	Others
Philippines	32%	a. Income tax holidays of up to 8 yrs. for newly registered pioneer projects meeting certain conditions. b. Income tax holidays for 3-6 yrs. non-pioneer projects, expansion projects, and for locating in less developed regions.	Various tax credits on domestic breeding stocks and genetic materials, as well as for incremental export revenue.	Exemption from taxes and duties on imported supplies and spare parts for selected industries.	Additional 50% deduction for labor expenses for 5 yrs. for new projects above a certain ratio of capital equipment to workers.
Indonesia	30%	a. Income tax holidays for 3-8 yrs. for new pioneer enterprises in 22 specific sectors. b. Halving of withheld income tax on dividends to non-residents for companies in cozones or in priority sectors.	Doubling of depreciation rates for companies in ecozones or in priority sectors.	a. Capital goods are duty and tax exempt. b. Import duties on machinery, spare parts, and raw materials. c. Special duty drawback and VAT exemption for companies with an export ratio of over 65%.	Loss carry-forward extended to 10 yrs for companies in ecozones or in priority sectors.
Malaysia	28%	5 yr. tax holiday on 70-100% of statutory income (or 10 yr. income tax holiday for companies of national and strategic importance).	a. Investment allowances for 60-100% of qualifying capital expenditures. b. Accelerated depreciation of computer, technology, and environmental protection investments.	a. Duty-free importation of raw materials and spare parts for re-export. b. Exemption from import duties and sales taxes on machinery and equipment that cannot be produced locally. c. Sales tax and excise exemption on locally purchased machinery and equipment.	a. Double reduction of various expenses (such as R&D and training). b. Reduced tax rate of 3% for offshore companies in Labuan. c. Dividend distributions during holidays are exempted from income tax.
S. Korea	28%	a. Personal/Corporate income tax exemptions for 7 yrs. for high-technology FDIs. b. There are holidays on withholding tax (7 yrs.) and on a number of local taxes (5 yrs.) for foreigners. c. Reductions and exemptions on corporate income tax for SMEs are valid for 5 yrs.	a. Tax deferrals for investment reserve provisions. b. Various tax credits for investment in machinery and equipment, advanced technology, energy-saving measures, or pollution controls.	Concessions for customs duties, excise taxes, and VAT on imported capital goods for eligible companies.	Various import duty reductions for projects located in certain regions.
Thailand	30%	Corporate income tax holidays up to 8 yrs. followed by an additional 5 yr. holiday on 50% of the CIT (for priority activities and companies in certain geographical areas.).	Investment allowance of 25% for expenditures on Infrastructure.	Various import-duty reductions for projects located in certain regions.	a. Double deduction for utility and transportation costs in certain regions. b. Dividend distributions during holidays are tax-exempt.
Cambodia	20%	a. ITH for up to 8 yrs. for projects engaged in technology, export manufacturing, infrastructure, energy, rural development, and environmental protection. b. 9% CIT rate after the end of ITH for approved investments.		Import-duty exemptions For approved investments.	
Lao PDR	35%	a. ITH are negotiable but rarely approved. b. 20% CIT rate for foreign investors, 15% for companies in lowlands, and 10% for companies in remote areas.		Reduced import duties on inputs: 1% for foreign investors and 0% for exporters.	Investors can negotiate for special incentives on a case-to-case basis.
Vietnam	32%	a. ITH for up to 8 yrs. for priority activities and companies in certain geographical areas. b. 25% CIT rate for foreign investors, and 10, 15, and 20 percent for 10+ years when certain criteria are met.	A portion or all of the CIT may be refunded if profits are reinvested for 3 consecutive yrs.	Exemptions and reduced import duties and VAT rates on inputs in certain sectors (esp. exporters).	Dividend distributions during the tax holidays are tax-exempt.

Source: Chalk, 2001.

Annex B. Summary of Revenues Waived from Various Fiscal Incentives, 1990-2003

Statutory Basis	1994	1995	1996	1997	1998	1999	2000	2001	2002 /p	2003 /p
Tax- and Duty-exempt imports under various laws	4.72	4.08	3.84	19.22	37.72	28.65	9.61	108.78	86.65	87.10
BOI-approved incentives	21.98	13.34	9.44	11.32	11.58	8.04	3.83	6.98	3.97	13.76
Tax credit certificates issued by the OSS Inter-Agency Tax Credit and Duty Drawback Center	-	-	-	-	-	0.61	0.81	1.44	3.96	2.63
Subsidy availment through EO 93	0.78	1.18	0.88	0.76	-	3.36	2.65	2.61	1.00	0.67
Subsidy availment through the GAA	1.48	1.53	5.53	7.02	-	1.70	1.33	1.02	0.55	2.56
Tax exemption certificates approved by the DOE	2.72	3.35	0.55	1.51	0.46	1.99	10.88	9.06	0.82	0.39
Conditionally-free importation under Section 105 of the Tariffs and Customs Code	-	-	-	0.02	0.83	0.56	0.50	0.02	0.02	-
Estimated revenue loss from the 5% gross income tax or income tax holiday availment of 50 PEZA-registered export enterprises/economic zones incentives (2000)	-	-	-	-	-	0.67	3.67	-	-	-
Exemption from internal revenue taxes under various laws	-	-	-	-	-	-	4.61	40.86	1.58	2.08
TOTAL	31.68	23.48	20.24	39.85	50.59	45.58	37.89	170.77	98.55	109.19
TOTAL 1990-2003	689.03									
PERCENT OF GDP (%)	1.87	1.23	0.93	1.64	1.90	1.53	1.13	4.65	2.49	2.54

p/ - preliminary . Note: Exemptions from internal revenue taxes under various laws from 2002-2003 refers to tax credit certificates only, as issued by the BIR
Source: National Tax Research Center