

AN ACT PROVIDING FOR SPECIAL REGIONAL INVESTMENT AND INCENTIVE CODE FOR HALAL-ORIENTED ENTERPRISES IN THE MUSLIM AUTONOMOUS REGION, INTEGRATING FOR THE PURPOSE, ALL EXISTING RELEVANT LAWS, POLICIES AND OBJECTIVES RELATIVE TO THE GRANTS AND IMPLEMENTATION OF THE SAME, AND FOR OTHER PURPOSES.

Explanatory Note

Section 13, R.A. 10817, otherwise known as **Halal Industry Development Program**, provides: "That the Board of Investments, the Philippine Economic Zone Authority, and other investment promotion agencies are hereby mandated to promote the growth of Halal industries in the different economic zones and strategic locations in the country. They shall, as their Charter allow, grant fiscal and non-fiscal incentives to attract investments in the pioneering and essential industries to increase exports..." This specific provision laid out the legal and policy precondition for take-off of BARMM Halal Development Program. In the post pandemic era, we see increased mobility of capital that allow companies to restructure their business operations across various jurisdictions and to select countries that offer lower capital cost, ability to benefit from free trade and agreements and favorable tax incentives.

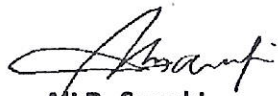
A Halal-friendly investment policy could boost BARMM's bid for a share of the world's halal market estimated to be worth more than \$4 trillion. Among seventeen (17) regions in the country, only BARMM, through the Bangsamoro Board of Investment (BBOI) can give incentives to interested firms wanting to invest in new projects related to halal industry and Islamic Banking and Finance.

Development in the Halal food industry mark the beginning of a potentially huge market, fueled by a large, fast-growing global halal marketplace. Big players in the food industry are beginning to take notice of the booming halal food sector. With the presence of 2.8 billion people or 28.7% of the world population, Muslim consumers are a fast-growing segment that demand for products with halal guarantees. For BARMM to be capable to seize modest share of that huge market, it must invest on flagship program strategy to secure growth of foreign-oriented investments to set off a precursor for the surge of Halal-based industry economic enterprises on industrial scale in the region. In the context of this proposed bill, it is seen that Halal Tax Incentive program is an enticing magnet for inflows of foreign investments into the halal industry and key to capturing consumers trust and interest toward BARMM halal products and service.

This measure is a vital enabling component link and complementary to other major strategies working together to achieve BARMM economic growth target in the short and long term, namely: bill proposing for the establishment of Cross Border Halal Trade Corridor, Economic Zone Initiative which will house production and supply value chain for halal products, among others, Cross Border Barter Trade, Opening of Maritime Transit Route in the south, establishment of Transshipment Port and Entrepot Trade Terminal, creation of the BARMM Halal Board on the regulatory and

policy side. All of these projects could contribute to the creation of market and production base which is competitive and economically integrated as driver in investment facilitation for trade, logistics and port facilities, foreign exchange earnings, free flow of goods and services, technology transfer and flow of capital.

In the end, BARMM has to face a challenge on how it can recreate itself as a regional economic player powered by its competitive advantage and position itself as attractive investment destination. Taking queue on lesson of many progressive ASEAN countries, tax incentive initiative is key element to launching a country's industrialization program which in turn helps propel in the attainment of its economic prosperity. As for the eleven million Filipino Muslims in the country, the surge in halal-producing industries in the region will provide steady source of supply of essential halal commodities, giving opportunities to Muslim to fulfill their religious obligation related to stringent requirement for food consumption.



Ali B. Sangki
Member of the Parliament

Enhanced

Republic of the Philippines
Bangsamoro Autonomous Region in Muslim Mindanao
BANGSAMORO TRANSITION AUTHORITY
Cotabato City

BTA PARLIAMENT
First Regular Session

Proposed Bill No. 138

Bangsamoro Autonomous Region in Muslim Mindanao

Parliament

BILLS AND INDEX DIVISION

RECEIVED

Name: SONAYA BALINDONG

Date: 01/09/22

Signature: 

Time: 2:04 PM

Author: **MP Ali B. Sangki**

Co-authored by MPs _____, _____, and _____

BILL

1
2
3 **AN ACT PROVIDING FOR SPECIAL REGIONAL INVESTMENT AND**
4 **INCENTIVES CODE FOR HALAL -ORIENTED ENTERPRISES IN THE**
5 **MUSLIM AUTONOMOUS REGION, INTEGRATING FOR THE PURPOSE,**
6 **ALL EXISTING LAWS, POLICIES AND OBJECTIVES RELATIVE TO THE**
7 **GRANTS AND IMPLEMENTATION OF THE SAME, AND FOR OTHER**
8 **PURPOSES.**

9
10 **Be it enacted by the Bangsamoro Transition Authority, in a session assembled:**

11
12 **Section 1. Background:**

13
14 The Creation of the Bangsamoro Autonomous Region in Muslim Mindanao was
15 anchored on the final peace agreement between the Philippine Government and the
16 Moro Islamic Liberation Front (MILF) in 2014 that ended the more than four decades
17 of armed conflict. It specifically provided for four major components. Among others,
18 are economic and political tract designed to establish mechanism for rehabilitation
19 and reconstruction of the Bangsamoro and their communities from the ravages of war.
20 Henceforth, this historical breakthrough, made the Bangsamoro region ripe for
21 development and up for showcasing as irresistible investment destination in the
22 BIMP-EAGA and in the global arena.

23
24 In the post pandemic era, we see increased mobility of capital that allow companies to
25 restructure their business operations across various jurisdictions and to select
26 countries that offer lower capital costs, ability to benefit from free trade and
27 agreements and favorable tax incentives (Easson 2001). A Halal-friendly investment
28 policy could boost BARMM's bid for a share of the world halal market which is
29 estimated to be worth more than \$ 4 Trillion. Among seventeen regions in the
30 Philippines, only BARMM through the BBOI can give incentives to interested firms
31 wanting to invest in new projects related to halal industry and Islamic Banking and
32 Finance.

34 **Section 2. Title.** This Act shall be known and cited as the “Bangsamoro Halal
35 **Investment and Incentive Code Act of 2022”.**

36
37 **Section 3. Declaration of Policy.** It is cited that the Bangsamoro Autonomous region
38 is the most preferred venue for halal development initiative in Mindanao given its
39 strategic location and economic and cultural ties with the BIMP-EAGA sub-region.
40 To enhance its Halal economic competitiveness require strategic enabling programs
41 and policies predicated on the extent of investments to support the region’s Halal
42 ecosystem’s infrastructures and services. As a concrete step, by virtue of **R.A. 11054**,
43 otherwise known as the **Bangsamoro Organic Law (BOL)**, the BTA Parliament,
44 through the Bangsamoro Board of Investment (BBOI) and the Bureau of Investments
45 and Tourism (BOI-MTIT) was granted the power to formulate its own non-fiscal and
46 fiscal incentives to attract investments into the region. **Section 8, Article XI of the**
47 **Bangsamoro Organic Law**, provides: That the Parliament may grant tax exemptions
48 and incentives upon a vote of majority of all its Members: Provided, That the tax
49 exemptions and incentives shall not diminish national revenues: Provided further:
50 That the grant of tax exemptions and incentives administered by the Regional Board
51 of Investment of the defunct Autonomous Region in Muslim Mindanao (ARMM) as
52 provided for in Executive Order No. 458, Series of 1991, in relation to Executive
53 Order No. 226, Series of 1987, otherwise known as the Omnibus Investment Code
54 shall continue to apply. Tax incentives are administered by the BBOI.

55
56 **Section 4. Purpose-** The primary purpose of this Act shall be:

57
58 a. To attract more investments into the Bangsamoro Autonomous Region by
59 providing Special Halal Tax regime to include incentives over capital gains or
60 personal income taxes; exemptions from corporate taxes, exemptions from port duties
61 and taxes, and adjustment of capital allowance and losses. It will also provide choices
62 between tax holidays and tax incentive programs on Halal-dedicated high-priority
63 sectors and all other investments on Halal Ecosystem infrastructures, import duty
64 exemptions on Halal pioneer industry status, and investment guarantees on all Halal-
65 oriented businesses.

66
67 b. To create favorable business climate to trigger multiplier effect on the growth of
68 economic enterprises in various areas in agriculture, banking and finance, logistics,
69 hospitality services, manufacturing, industrial hubs, other halal-driven socio-
70 economic, cultural and technological institutions to address issues on food security,
71 sustainable supply of halal commodities and services, employment and inflation.

72
73 **Section 5. Definition of Terms-** When use in this Act, the following definition shall
74 apply:

75
76 **Tax Incentives** - is an aspect of government’s taxation policy designed to incentivize
77 or encourage a particular economic activity by reducing tax payments.

78
79 **Investment Tax Allowance (ITA)** - is an incentive granted based on the capital
80 expenditure incurred on industrial buildings, plants and machinery used for the
81 purpose of the promoted activities or the production of promoted products given for a
82 period of 5-10 years.

83

84 **Pioneer Status (PS)**- is an incentive in the form of tax exemptions which is granted to
85 companies participating in or producing Halal-promoted activities for a period of 5 to
86 10 years.

87
88 **Halal**- means allowed or permitted under Islamic Law.

89
90 **Halal - Oriented Enterprises (HORE)** - are sectors of companies and economic
91 enterprises dedicated to the production of Halal products and services.

92
93 **BBOI** - refers to the Bangsamoro Board of Investment

94
95 **Bangsamoro Autonomous Government (BAG)** - refers to the Bangsamoro
96 Autonomous Region in Muslim Mindanao

97
98 **Section 6. The Bangsamoro Board Of Investment (BBOI)**

99
100 **BBOI** is an investment promotion agency of the Bangsamoro Autonomous
101 Government (**BAG**) that is empowered to grants tax incentive packages to local and
102 foreign businesses operating in the BARMM region. For purposes of this Act and
103 pursuant to its mandate, the **Special Halal Investment and Incentive Code** shall be
104 administered by the **BBOI**.

105
106 **Section 7. Technical Working Group (TWG).** The Bureau of Investment of the
107 Ministry of Trade, Investment and Tourism (MTIT) shall act as the Technical
108 Working Group to assist in the formulation of the Implementing Rules and
109 Regulations (IRR) of this Act.

110
111 **Section 8. The Secretariat-** The Bangsamoro Halal Board shall create a Secretariat to
112 assist the **Bangsamoro Regional Investment Board** in the formulation of general
113 policies and guidelines governing the implementation of this Act. It shall include two
114 (2) representatives from private sector halal and trade organizations as its members,
115 provided, that such private sector organizations are duly accredited through act of the
116 Parliament or an Executive Order. For this purpose, the representatives shall be
117 coming from 1. **Bangsamoro Chamber of Trade and Commerce** and 2. **Halal**
118 **Business Council**.

119
120 **Section 9. Halal Incentives Category-** Halal Investment and incentive Scheme is
121 hereby proposed subject to IRR that shall be enacted for the purpose, namely:

122
123 **1. General Classification:**

124
125 **Pioneer Status-** is a form of tax exemptions which is granted to companies
126 participating in or producing Halal-promoted activities or services for a period of five
127 (5) years to 10 years.

128
129 Companies in the manufacturing, hotel and tourism sectors, or any other commercial
130 or industrial sectors that participate in halal-promoted activity or produce promoted
131 halal products are eligible for PS or ITA.

132

133 **Investment Tax Allowance**-is an incentive granted based on the capital expenditure
134 incurred on industrial building, plants and machinery used for the purpose of Halal-
135 promoted activities or production of Halal-oriented commodities and services given
136 for a period of five (5) to ten (10) years.

137 **2. Specific Activities Eligible for incentives (Current and Proposed):**

- 138
139 A. High Technology activity in the Halal manufacturing and services sectors and
140 other activities that directly benefit the region's economy.
141 B. Halal Industrial Parks or Free Zones
142 C. Halal Economic Corridors (BHDC) and Value Chain Facilities
143 D. Halal Banking and Finance
144 E. Halal Educational and Technological Hub
145 F. Agriculture and Fishery Industry Sectors
146 G. Halal-accredited Hotels and Tourism Sectors
147 H. Educational and Technological Hubs
148 I. Advance Halal-Oriented Logistics Facilities
149 J. Hospitals and Halal Medical Manufacturing

150
151 **Section 10. Scope of Funding-** companies producing halal foods and services shall
152 be given investment Tax Allowance (ITA) of 100% of qualifying capital expenditure
153 incurred within period 5 years or as will be fixed by the Implementing Rules and
154 Regulations (IRR). The allowance can be set-off against 100% of statutory income in
155 each year of assessment.

156
157 **Section 11. Application Method-** Application shall be made using application forms
158 that will be provided under the corresponding Implementing Rules and Regulations
159 (IRR) that will be enacted for purposes of this Act.

160
161 **Section 12. Qualification Criteria-** Companies to be granted tax incentives under
162 this Act are the following:

- 163
164 1. New companies undertaking production of Halal Food.
165
166 2. Existing companies undertaking diversification project in the production of halal
167 foods.
168
169 3. Existing companies undertaking upgrading/ expansion of existing plant.
170
171 4. All other companies cited under Section 8, number 2 of this Act.

172
173 **Section 13. Enabling Act-** there shall be enacted an Implementing Rules and
174 Regulations (IRR) of this Act that will provide specific guidelines, scheme and
175 implementation mechanism of tax incentives for Halal-oriented business undertakings,
176 industries and all other halal economic enterprises as herein provided.

177 **Section 13. Amendments and Revision -** Any amendments to, revision, or repeal of
178 this Code shall be made by law enacted by the Bangsamoro Parliament

179 **Section 14. Effectivity-** This Code shall take effect fifteen (15) days after its
180 publication in a newspaper of general or regional circulation.

181
182

183 **Author:**

184

185

186

187

188

189

190

191 **Co-Authors:**

192

193

194

195

196



Ali B. Sangki

Member of Parliament

Member of Parliament