

**REPUBLIC ACT NO. 7459**

**AN ACT PROVIDING INCENTIVES TO FILIPINO INVESTORS AND EXPANDING THE FUNCTIONS OF THE TECHNOLOGY APPLICATION AND PROMOTION INSTITUTE, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES.**

**ARTICLE I  
TITLE, POLICY PROGRAM AND DEFINITION OF TERMS**

Section 1. Title. — This Act shall be known as the "*Investors and Invention Incentives Act of the Philippines.*"

Sec. 2. Declaration of National Policy and Program. — It is hereby declared to be the national policy to give priority to invention and its utilization on the country's productive systems and national life; and to this end provide incentives to investors and protect their exclusive right to their invention, particularly when the invention is beneficial to the people and contributes to national development and progress.

Pursuant to the national policy, the Government shall provide a program to set up a climate conducive to invention and innovation, give encouragement and support to inventors who are creative and resourceful, as well as the imbued with a deep sense of nationalism, and maximize the capability and productivity and inventors through incentives and other forms of assistance and support.

Sec. 3. Definition of Terms. —

(a) Inventor refers to, for purpose of this Act, any patented machine, product, process including implements or tools and other related gadgets of invention, utility model and industrial design patents.

(b) Investor refers to the patentee/s, heir/s, assignment/s, of an Invention letters patent, Utility Model letters or Industrial Design letters patent.

(c) Technology means the application of knowledge or science which shall include all others such an inventions, innovations and results of researches.

(d) Department refers to the Department of Science and Technology.

(e) Institute refers to the Technology Application and Promotion Institute.

(f) Patent Office refers to the Bureau of Patent, Trademark and Technology Transfer.

(g) RDI's refer to the Research and Development Institute of the Department of Science and Technology.

## **ARTICLE II CASH REWARDS**

Sec. 4. Presidential Awards for Inventions. — Presidential awards for inventions consisting of Cash Rewards shall be granted to patented inventions in the Philippines to be chosen by a screening committee with members consisting of technical representatives from the Department of Science and Technology, the Filipino Inventors Society, and the Department of Environment and Natural Resources.

Outstanding investors shall be divided into four (4) categories with the corresponding cash rewards as follows:

(1) Inventions. (i) First Prize, One hundred thousand pesos (P100,000.00); (ii) Second prize, Fifty thousand pesos (P50,000.00); and (iii) Third prize, Twenty thousand pesos (P20,000.00);

(2) Utility Models. (i) First Prize, Fifty thousand pesos (P50,000.00); (ii) Second prize, Twenty thousand pesos (P20,000.00); and (iii) Third prize, Ten thousand pesos (P10,000.00):

(3) Industrial Design. (i) First Prize, Fifty thousand pesos (P50,000.00); (ii) Second Prize, Twenty thousand pesos (P20,000.00); and (iii) Third prize, Ten thousand pesos (P10,000.00);

(4) Creative Research, (i) First prize, Twenty thousand pesos (P20,000.00); (ii) Second Prize, Ten thousand pesos (P10,000.00); and (iii) Third prize, Five thousand pesos (P5,000.00);

A round-trip ticket fare in addition to necessary and reasonable expenses but not more than Three Hundred Pesos (P300.00) a day shall be provided to all provincial awardees. Upon recommendation of the Screening Committee, all winners may be sent by the Philippine Government to other countries where their winning inventions or areas of interest are advanced.

The Screening Committee may adjust the cash awards and the additional expenses aforesaid subject to the approval of the Institute.

## **ARTICLE III TAX INCENTIVES AND TAX EXEMPTIONS**

Sec. 5. Tax Incentives. — Inventors, as certified by the Filipino Inventors Society and duly confirmed by the Screening Committee, shall be exempt from payment of license fees, permit fees and other business taxes in the development of their particular inventions. This is an exception to the taxing power of the local government units. The certification shall state that the manufacture of the invention is made on a commercial scale.

Inventors shall exempt from paying any fees involved in their application for registration of their inventions.

Sec. 6. Tax Exemption. — To promote, encourage, develop and accelerate commercialization of technologies developed by local researchers or adapted locally from foreign sources including inventions, any income derived from these technologies shall be exempted from all kinds of taxes

during the first ten (10) years from the date of the first sale, subject to the rules and regulations of the Department of Finance: Provided, that this tax exemption privilege pertaining to invention shall be extended to the legal heir or assignee upon the death of the inventor.

The technologies, their manufacture or sale, shall also be exempt from payment of license, permit fees, customs duties and charges on imports.

#### **ARTICLE IV INVENTION DEVELOPMENT ASSISTANCE FUND**

Sec. 7. Inventions Development Assistance Fund. — There is hereby established an Invention Development Assistance Fund from the operations of the Technology Application and Promotion Institute in the amount of at least twelve percent (12%) of the annual operations fund of the Institute and from donations, bequests, and other sources, public, private or domestic or foreign, for assisting potential or actual inventors in the initial experiments and prototype development and other inventor-development related activities of invention or innovation. The Fund shall be administered by the Institute and in the performance of the advisory board of inventors from the public and private sector. All donations to the Assistance Fund shall be tax exempt or tax deductible.

Sec. 8. Expanded Functions of the Institute. — In order to carry out the Incentives in this Act, the Institute shall have the following expanded functions;

(a) Assist technologies, inventors and researches, avail of the laboratories and other facilities of the RDI's including regional offices and other government agencies, offices and instrumentalities upon recommendation of the Director of the Institute: Provided, That the receipt of such assistance agree to give to the Institute at least one-tenth (1/10) of all royalties arising from the technology or invention depending upon the extent of facility or services utilized to help maintain the research laboratories; and

(b) Accredite and recognize inventor organization throughout their activities.

#### **ARTICLE V INVENTION GUARANTEE FUND**

Sec. 9. Invention Guarantee Fund. — For the effective implementation of this Act, the Invention Guarantee Fund (IGF) created by Republic Act No. 3850, as amended, deposited with the Development Bank of the Philippines, and the interest earnings thereof, shall be made available to finance and guarantee the loan assistance of any patented Filipino invention duly certified by the Filipino Investors Society and by the Screening Committee created under Section 4 of this Act. Appropriations under this Act and interest earnings of the Fund shall form part of the Fund to pay for the finance and guarantee of loan assistance, cash rewards and other incentives to investors provided under this Act.

A continuing annual appropriation in the amount of not less than Ten Million Pesos (P10,000,000.00) shall also be provided for this purpose in the annual budget of the Department

of Science and Technology. The Fund shall also be used for special financing programs for Filipino inventions pursuant under this Act.

Sec. 10. Financial and Loan Assistance from Government Banks. — Loan assistance for the commercial production of an invention, either locally or for export and duly certified by the Filipino Inventors Society and the Screening Committee created under Section 4, shall be extended by government banks: Provided, That said invention meets the criteria that would enhance the economy of the country such as profitability and viability, dollar-earning capacity, and generation of employment opportunities for Filipinos: Provided, further, That said loan shall be guaranteed by the IGF.

Loans under this Section of not more than Two Hundred Thousand Pesos (P200,000.00) shall be granted without a need of real estate collateral: Provided, however, That an assignment of rights to the invention shall be executed in favor of the bank or financing institution, subject to other lending terms, conditions and availability of loanable funds by the bank.

No limit to the amount of loan applied for shall be granted to the inventor who can provide fifteen per centum (15%) equity of the loan applied for: Provided, that acceptable collaterals can be presented to fully secure his loan.

However, when there is existing foreign irrevocable letter of credit issued in favor of the inventor or the duly registered company producing his invention for export, all government banks, after verification of the commercial production and availability of such products covered by the letter of credit, shall grant up to eighty per centum (80%) of the peso value of the foreign letter of credit: Provided, however, That the inventor of the manufacturing company assigns the letter of credit to the bank where the loan is arranged and whatever goods that the inventor or his company will produce, or warehouse receipts, if any, to show evidence that the goods have been partially produced.

Sec. 11. Government Agencies Assistance. — In order to facilitate the granting of loans or financial assistance by any government bank, all government agencies concerned are required to extend all possible assistance, such as the use of its facilities in the preparation of project feasibility studies and evaluations and products to be produced by the inventor.

## **ARTICLE VI**

### **RULES AND REGULATIONS, COMMON PROVISIONS**

Sec. 12. Rules and Regulations. — Subject to the approval of the Secretary of the Department, the Institute, in consultation with the Filipino Inventors Society, shall promulgate rules and regulations necessary to carry out the purposes of this Act.

All rules and regulations, orders and other issuance, awards to loan recipients, and other acts affecting third persons or requiring the award of funds under this Act, shall take effect after their publication in a national newspaper of general circulation.

Sec. 13. Separability Clause. — If any part or provisions of this Act be held unconstitutional or invalid, other parts or provisions hereof which are not affected thereby shall continue in full force and effect.

Sec. 14. Repealing Clause. — Any law, decree, rules, or regulations, executive orders or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

Sec. 15. Effectivity. — This Act shall take effect upon its publication in at least two (2) national newspapers of general circulation.