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FOURTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Third Regular Session)

OFFICE OF THE CLERK

9 NOV 13 1976

SENATE
S.B. No. 3517

Introduced by Senator Miriam Defensor Santiago

EXPLANATORY NOTE

The proposed Cebu Economic Development Zone is envisioned to be a paradigm of an effective and functioning Public-Private Sector Partnership with the private sector taking the lead and government providing infrastructure and institutional support and contributing part of the needed resources. As a pilot for sub-national business environment reforms, CEDZ likewise aspires not only to benefit the Island of Cebu but the entire Visayas and Mindanao area.

This bill seeks to respond to the need to harness the resources of the entire Island of Cebu, which possesses all the economic ingredients and qualifications for a viable ecozone as a pilot area for sub-national business environment reforms. The concept and the objective is to develop the CEDZ into a self-sustaining industrial, commercial and investment center that will put in place a wide-reaching employment and investment generation mechanism and strengthen the trading and foreign exchange position of the country. On the whole, it is looking at effectively complementing the aggressive export oriented thrust of the country, thus enhancing the country's global competitiveness.


MIRIAM DEFENSOR SANTIAGO

SENATE
S.B. No. **3517**

Introduced by Senator Miriam Defensor Santiago

1 AN ACT
2 ESTABLISHING THE CEBU ECONOMIC DEVELOPMENT ZONE
3 COVERING ALL THE CITIES AND MUNICIPALITIES
4 IN THE ISLAND OF CEBU, CREATING FOR THE PURPOSE
5 THE CEBU ECONOMIC DEVELOPMENT ZONE AUTHORITY

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

6 SECTION 1. *Short Title.* – This Act shall be known as the “Cebu Economic
7 Development Zone Act of 2009”.

8 SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to
9 actively encourage, promote, induce and accelerate the sound and balanced industrial,
10 economic and social development of the country in order to provide jobs to the people
11 especially those in the rural areas, increase productivity and individual and family
12 income, and thereby improve the level and quality of living conditions through the
13 establishment, among others, of special economic zones and freeports in suitable and
14 strategic locations in the country and through measures that will attract legitimate and
15 productive foreign investments.

16 SEC. 3. *Creation of the Cebu Economic Development Zone.* – In pursuit of the
17 declared policy and subject to the concurrence of the concerned local government units
18 (LGUs) of Cebu affected by the zone, there is hereby established a Cebu Economic
19 Development Zone in the Province of Cebu, hereinafter referred to as the CEDZ. The
20 CEDZ shall cover the entire area embraced by all the cities and municipalities in the
21 Island of Cebu. The specific metes and bounds of the CEDZ shall be more particularly
22 defined in a presidential proclamation that shall be issued for this purpose.

1 SEC. 4. *Governing Principles.* – The CEDZ shall be managed and operated by the
2 Cebu Economic Development Zone Authority, hereinafter referred to as the CEDZA
3 created under Section 10 of this Act, under the following principles:

4 (a) Within the framework and limitations of the Constitution and the applicable
5 provisions of the Local Government Code, the CEDZ shall be developed into and
6 operated as a decentralized, self-reliant and self-sustaining industrial,
7 commercial/trading, agro-industrial, tourist, banking, financial and investment center
8 with suitable residential areas;

9 (b) The CEDZ shall be provided with transportation, telecommunications and
10 other facilities needed to attract legitimate and productive investments, generate linkage
11 industries and employment opportunities for the people of the Province of Cebu and its
12 neighboring towns and cities;

13 (c) The CEDZ may establish mutually beneficial economic relations with other
14 entities or enterprises within the country or, subject to the administrative guidance of the
15 Department of Foreign Affairs (DFA), the Philippine Economic Zone Authority (PEZA)
16 and/or the Department of Trade and Industry (DTI), with foreign entities or enterprises;

17 (d) Foreign citizens and companies owned by non-Filipinos in whatever
18 proportion may set up enterprises in the CEDZ, either by themselves or in joint venture
19 with Filipinos in any sector of industry, international trade and commerce within the
20 CEDZ;

21 (e) The CEDZ shall be managed and operated as a separate customs territory,
22 thereby ensuring the free flow or movement of goods and capital within, into and out of
23 the CEDZ and shall likewise provide incentives such as tax-and duty-free importations of
24 raw materials and capital equipment to registered enterprises located therein. However,
25 *exportation or removal* of goods from the territory of the CEDZ to the other parts of the
26 Philippine territory shall be subject to customs duties and taxes under the Tariff and
27 Customs Code of the Philippines, as amended, and the National Internal Revenue Code
28 (NIRC) of 1997, as amended;

1 (f) The areas comprising the CEDZ may be expanded or reduced when necessary.
2 For this purpose, the CEDZA, in consultation with the LGUs, shall have the power to
3 acquire, either by purchase, negotiation or condemnation proceedings, any private land
4 within or adjacent to the CEDZ for the following purposes: (1) consolidation of lands for
5 Cebu Ecozone development; (2) acquisition of right-of-way to the CEDZ; and (3) the
6 protection of watershed areas and natural assets valuable to the prosperity of the CEDZ;

7 (g) Goods manufactured by a CEDZA enterprise shall be made available for
8 immediate retail sale in the domestic market, subject to the payment of corresponding
9 taxes on raw materials and other regulations that may be formulated by the CEDZA,
10 together with the PEZA, the Bureau of Customs (BoC) and the DTI, in accordance with
11 the NIRC of 1997, as amended, and the Tariff and Customs Code of the Philippines, as
12 amended. However, in order to protect domestic industries, a Negative List of industries
13 shall be drawn up and regularly updated by the PEZA. Enterprises engaged in industries
14 included in such Negative List shall not be allowed to sell their products locally; and (h)
15 The defense of the CEDZ and the security of its perimeter fence shall be the
16 responsibility of the national government in coordination with the CEDZ and the LGUs.
17 For this purpose, a special defense team shall be organized to define its powers, duties
18 and responsibilities.

19 SEC. 5. *Incentives to Registered Enterprises.* – The CEDZA shall provide the
20 following incentives to the registered enterprises located therein to the extent of the
21 activity/project:

22 (a) *Income Tax Holiday (ITH)* – Registered enterprises shall be entitled to an ITH
23 from the start of their commercial operations to the extent of their activity under the
24 following categories:

25 (1) Category A – Registered domestic enterprises producing/rendering new
26 products/services or having strong backward or forward linkages shall be entitled
27 to a six (6)-year ITH; and

1 (2) Category B – Registered export enterprises shall be entitled to a six (6)-year
2 ITH: Provided, That the export enterprise complies with the following:

3 (i) Large capital investments or sizeable employment generation; or

4 (ii) Use high level of technology, it shall be entitled to an eight (8) year ITH.

5 Registered enterprises embarking on new investments that are listed in the current
6 Investment Priorities Plan (IPP) shall be entitled to incentives provided herein pertaining
7 to the new investments and subject to such terms and conditions as the Board of
8 Investments (BOI) may determine.

9 Additional investments in the project shall be entitled to the ITH corresponding to
10 such investments as may be determined by the BOI.

11 Additional ITH may be granted for as long as the investment is made on the same
12 project: Provided, That the project is listed in the IPP at the same time the additional
13 investment in the project is made: Provided, further, That the entitlement period for
14 additional investments shall not exceed three times the period provided under this
15 subsection: Provided, finally, That the total ITH period for an export enterprise availing
16 of an eight-year ITH shall not exceed 20 years. Any unused incentives shall therefore be
17 deemed forfeited if not used during the incentive period.

18 Enterprises registered with the CEDZA are required to share in the special
19 development fund of the BOI for investment promotion projects of the government
20 equivalent to one percent (1%) of the ITH granted for every application.

21 The Bureau of Internal Revenue (BIR) shall require a registered enterprise
22 availing of the ITH or the net operating loss carryover (NOLCO) to secure a certificate of
23 eligibility from the CEDZA before submitting its income tax return (ITR) with the
24 CEDZA for validation.

25 Failure to secure certification and/or to file the ITH or the NOLCO availment for
26 validation by the CEDZA within forty-five (45) days from the last day of statutory filing
27 date for the ITR shall cause the forfeiture of the availment for the taxable period;

28 (b) Net Operating Loss Carryover (NOLCO) – The net operating loss of the
29 business or enterprise during the first three years from the start of commercial operations

1 which have not been previously offset as a deduction from the gross income shall be
2 carried over as a deduction from the gross income for the next five consecutive years
3 immediately following the year of such loss: Provided, however, That the operating loss
4 resulting from the availment of incentives provided in this Code shall not be entitled to
5 the NOLCO.

6 Registered enterprises availing of the ITH as herein provided shall not be entitled
7 to avail of the NOLCO;

8 (c) Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned (GIE)
9 – Except for real property tax on land, no local and national taxes, as prescribed under
10 Republic Act No. 8424, also known as “the National Internal Revenue Code of 1997, As
11 Amended”, such as the income tax, the excise tax and the franchise tax, shall be imposed
12 on business establishments operating within the CEDZ. In lieu thereof, there shall be
13 imposed a tax rate of five percent (5%) on the gross income earned by all the business
14 enterprises with the CEDZA and remitted as follows:

15 (1) Three percent (3%) to the national government; and

16 (2) Two percent (2%) which shall be directly remitted by the business
17 establishments to the treasurer’s office of the municipality or city where the
18 enterprise is located.

19 All persons and service establishments in the CEDZ that are not covered by
20 Section 5 hereof shall be subject to national and local taxes under the NIRC of 1997, as
21 amended, and the Local Government Code;

22 (d) Accelerated Depreciation – Accelerated depreciation of plant, machinery and
23 equipment that are reasonably needed and actually used for the production and transport
24 of goods and services may be allowed using a rate not exceeding twice the rate which
25 would have been used had the annual allowance been computed in accordance with the
26 rules and regulations prescribed by the Secretary of Finance and the provisions of the
27 NIRC of 1997, as amended;

28 (e) Capital Equipment Incentives – Importations of capital equipment, spare parts,
29 tools and dye or those required for pollution abatement and control, cleaner production

1 and waste reduction including consignment thereof by registered enterprises upon the
2 effectivity of this Act shall be exempted to the extent of one hundred percent (100%) of
3 the taxes and customs duties:

4 Provided, That the importation thereof shall be used exclusively by the registered
5 enterprise in its registered activity within the CEDZ: Provided, further, That the
6 importation of machinery and equipment and accompanying parts shall comply with the
7 following conditions:

8 (1) These are not manufactured domestically in sufficient quantity, of comparable
9 quality and at reasonable prices;

10 (2) These are reasonably needed and will be used exclusively by the registered
11 enterprise in the manufacture of its products, unless prior approval of the CEDZA
12 is secured for the part-time utilization of said equipment in a non-registered
13 activity to maximize usage thereof or the proportionate taxes and duties are paid
14 on a specific equipment and machinery being permanently used for nonregistered
15 activities; and

16 (3) Approval of the CEDZA was obtained by the registered enterprise for the
17 importation of such machinery, equipment and spare parts. Approval of the
18 CEDZA must be secured before any sale, transfer or disposition of the imported
19 capital equipment, machinery or spare parts is made: Provided, That if such sale,
20 transfer or disposition is made within the first five (5) years from the date of
21 importation, any of the following conditions must be present:

22 (i) If made to another enterprise enjoying tax and duty exemption on
23 imported capital equipment;

24 (ii) If made to another enterprise not covered by part (i), upon payment of
25 the taxes and duties on the net book value of the capital equipment to be
26 sold;

27 (iii) Exportation of the capital equipment, machinery, spare parts or source
28 documents or those required for pollution abatement and control; and

29 (iv) For reasons of proven technical obsolescence.

1 When the aforementioned sale, transfer or disposition is made under any of the
2 conditions provided for in the foregoing paragraphs other than paragraph (ii), the
3 registered firm shall not pay the taxes and duties waived on such items: Provided, further,
4 That if the registered enterprise sells, transfers or disposes the aforementioned imported
5 items without prior approval within five (5) years from the date of importation, the
6 registered enterprise and the vendee, transferee or assignee shall be solidarily liable to
7 pay twice the amount of the tax and duty exemption given it: Provided, finally, That even
8 if the sale, transfer or disposition of the capital equipment, machinery or spare parts is
9 approved after five (5) years from the date of importation, the registered enterprise is still
10 liable to pay the taxes and duties based on the net book value of the capital equipment,
11 machinery or spare parts if it has violated any of its registration terms and conditions.
12 *Otherwise, it shall no longer be subject to the payment of the taxes and duties waived*
13 *thereon.*

14 The purchase of machinery and capital equipment and raw materials, supplies,
15 parts and semi-finished products used in the fabrication of machinery and capital
16 equipment by a registered export-oriented enterprise from a domestic manufacturer shall
17 be subject to zero percent (0%) value-added tax.

18 The registered export-oriented enterprise shall be granted a tax credit equivalent
19 to the amount of duties that would have been waived on the machinery, capital equipment
20 and raw materials, supplies, parts and semi-finished products used in the fabrication of
21 machinery and capital equipment, had these items been imported, upon its submission to
22 the Department of Finance (DOF) of the bill of materials evidencing the transaction value
23 of such and other pertinent documents, for verification and proper endorsement.

24 The registered export-oriented enterprise availing of the incentives provided
25 under the immediately preceding two (2) paragraphs shall be subject to the following: (i)
26 that said capital equipment, machinery and spare parts will be used exclusively by the
27 registered enterprise in its registered activity; (ii) that the capital equipment or machinery
28 where the raw materials, supplies, parts and semi-finished products were used would
29 have qualified for tax-and duty-free importation; and (iii) that the approval of the

1 CEDZA is obtained by the registered enterprise. If the registered enterprise sells,
2 transfers or disposes of these machineries, capital equipment and spare parts, the
3 provision in the preceding paragraphs for such disposition shall apply. This incentive
4 shall be deemed waived if application for tax credit under this subsection was not filed
5 within one year from the date of delivery;

6 (f) The importation of source documents by information technology-registered
7 enterprises shall be eligible for tax- and duty- free importation; (g) Raw Materials
8 Incentives – Every registered export-oriented enterprise shall enjoy a tax credit
9 equivalent to the internal revenue taxes and customs duties paid on the supplies, raw
10 materials and semi-manufactured products: Provided, That the same are not sufficient in
11 quantity, quality or are not competitively priced which are used in the manufacture,
12 processing or production of its export products forming part thereof, exported directly
13 and indirectly by the registered export-oriented enterprise based on the actual taxes and
14 duties paid for such materials/supplies/semi-manufactured products by the registered
15 enterprise.

16 This incentive shall be deemed waived if application for tax credit under this
17 subsection was not filed within one (1) year from the date of exportation of the final
18 product;

19 (h) Incentives on Breeding Stocks and Genetic Materials – Importation of
20 breeding stocks and genetic materials within ten (10) years from the date of registration
21 of commercial operations of the enterprise shall be exempt from all taxes and duties:
22 Provided, That such breeding stocks and genetic materials are reasonably needed in the
23 registered activity and approved by the CEDZA.

24 The availment of the incentives by a registered enterprise shall be subject to the
25 following: (i) that said breeding stocks and genetic materials would have been qualified
26 for tax-and duty-free importation under the preceding paragraph; (ii) that the breeding
27 stocks and genetic materials are reasonably needed in the registered activity; (iii) that
28 approval of the CEDZA has been obtained by the registered enterprise; and (iv) that the

1 purchase is made within ten years from the date of registration of commercial operations
2 of the registered enterprise.

3 This incentive shall be deemed waived if the application for tax credit under this
4 subsection is not filed within one year from the date of delivery;

5 (i) Exemption from Wharfage Dues – The provisions of law to the contrary
6 notwithstanding, exports by a registered enterprise shall be exempted from wharfage
7 dues;

8 (j) Deferred Imposition of the Minimum Corporate Income Tax – The minimum
9 corporate income tax (MCIT) of two percent (2%) of the gross income as of the end of
10 the taxable year shall be imposed when the MCIT is greater than the income tax
11 computed under the NIRC of 1997, as amended, for the taxable year: Provided, however,
12 That said MCIT shall be imposed only after the enterprise's entitlement period to the
13 income tax-based incentives;

14 (k) (1) Tax Treatment of Merchandise in the CEDZ – The free trade/freeport zone
15 shall be operated and managed as a separate customs territory ensuring free flow or
16 movement of goods within, into and exported out of the free trade/freeport zone.
17 Importations of raw materials and capital equipment are tax-and duty-free. However,
18 exportations or removal of goods from the free trade/freeport zones to the other parts of
19 the Philippine territory shall be subject to customs and internal revenue regulations:

20 (i) Except as otherwise provided in this Act, foreign and domestic merchandise,
21 raw materials, supplies, articles, equipment, machineries, spare parts and wares of
22 every description, except those prohibited by law, brought into the zone to be
23 sold, stored, broken up, repacked, assembled, installed, sorted, cleaned, graded or
24 otherwise processed, manufactured, mixed with foreign or domestic merchandise,
25 whether directly or indirectly related in such activity, shall not be subject to
26 customs and internal revenue laws and regulations nor to local tax ordinances, any
27 provision of law to the contrary notwithstanding;

28 (ii) Merchandise purchased by a registered CEDZ enterprise, from the customs
29 territory and subsequently brought into the export processing zone, shall be

1 considered as export sales and exportation thereof shall be entitled to the benefits
2 allowed by law for such transaction;

3 (iii) Domestic merchandise sent from the CEDZ to the customs territory shall,
4 whether or not combined with or made part of other articles likewise of local
5 origin or manufactured in the Philippines while in the export processing zone, be
6 subject to internal revenue laws of the Philippines as domestic goods sold,
7 transferred or disposed of for local consumption;

8 (iv) Merchandise sent from the CEDZ to the customs territory shall, whether or
9 not combined with or made part of other articles while in the zone, be subject to
10 rules and regulations governing imported merchandise. The duties and taxes shall
11 be based on the value of said imported materials (except when the final product is
12 exempt);

13 (v) Domestic merchandise on which all internal revenue taxes have been paid, if
14 subject thereto, and foreign merchandise previously imported on which has been
15 paid, or which have been admitted free of duty and tax, may be taken into the
16 CEDZ from the customs territory of the Philippines and be brought back thereto
17 free of quotas, duty or tax;

18 (vi) Subject to such regulations respecting identity and safeguarding of revenue as
19 the CEDZA may deem necessary, when the identity of an article entered into the
20 export processing zone under the immediately preceding paragraph has been lost,
21 such article when removed from the zone and taken to the customs territory shall
22 be treated as foreign merchandise entering the country for the first time, under the
23 provisions of the Tariff and Customs Code of the Philippines, as amended;

24 (vii) Articles produced or manufactured in the CEDZ and exported therefrom
25 shall, on subsequent importation into the customs territory, be subject to the
26 import laws applicable to like articles manufactured in a foreign country; and

27 (viii) Unless the contrary is shown, merchandise taken out of the export
28 processing zone shall be considered for tax purposes to have been sent to customs
29 territory.

1 (2) Tax Treatment of Services in the CEDZ – (i) Sale of service by an entity from
2 the customs territory to a registered ecozone or free trade enterprise, or by a
3 registered ecozone or freeport enterprise to another ecozone or freeport enterprise,
4 shall be treated as indirect export and, hence, entitled to the benefits allowed by
5 law for such transaction; and (ii) Sale of service by a registered ecozone or
6 freeport enterprise to the customs territory shall be subject to applicable internal
7 revenue laws and regulations;

8 (l) Registered export-oriented enterprise shall have access to the utilization of the
9 bonded warehousing system in accordance with the rules and regulations of the BoC; and

10 (m) Employment of Foreign Nationals – Subject to the provisions of Section 29 of
11 Commonwealth Act No. 613, as amended, a registered enterprise may employ foreign
12 nationals in supervisory or technical positions for a period not exceeding ten (10) years
13 from its registration: Provided, That when the majority of the capital stock of a registered
14 enterprise is owned by foreign investors, the positions of the president, treasurer and
15 general manager or their equivalents may be retained by foreign nationals beyond the
16 period set forth herein and such officer is the owner or a stockholder owning at least ten
17 percent (10%) of the outstanding capital stock of the registered enterprise and he/she
18 remains the owner or maintains his/her stockholdings therein.

19 Foreign nationals under employment contract within the purview of this incentive,
20 their spouses and unmarried children under twenty-one (21) years of age who are not
21 excluded by Section 29 of Commonwealth Act No. 613, as amended, shall be permitted
22 to enter and reside in the Philippines during the period of employment of such foreign
23 nationals. They shall be issued multiple-entry visas, renewable every two (2) years and
24 shall be allowed to enter and leave the Philippines without further documentary
25 requirements other than valid passports or other travel documents in the nature of
26 passports.

27 The foreign nationals admitted herein, as well as their respective spouses and
28 dependents, shall be exempt from: (1) obtaining alien certificates of registration and
29 emigration clearance certificates; and (2) securing the alien employment permits (AEP)

1 and all types of clearances, permits, licenses or their equivalents required by any
2 government department or agency.

3 SEC. 6. *Incentive to Investors.* – Any foreign national covered under subsection
4 (m) of Section 5 of this Act, who invests an amount of One hundred fifty thousand US
5 Dollars (US\$150,000.00), either in cash and/or equipment, in a registered enterprise shall
6 be entitled to an investor’s visa: Provided, That,

7 (a) he is at least eighteen (18) years of age;

8 (b) he has not been convicted of a crime involving moral turpitude;

9 (c) he is not afflicted with any loathsome, dangerous or contagious disease; and

10 (d) he has not been institutionalized for any mental disorder or disability:

11 Provided, further, That in securing the investor’s visa, the alien-applicant shall be
12 entitled to the same privileges as provided for under Section 5(m) herein.

13 As a holder of an investor’s visa, an alien shall be entitled to reside in the
14 Philippines while his investment subsists. For this purpose, he should submit an annual
15 report in the form duly prescribed for the purpose to prove that he has maintained his
16 investment in the country. Should said alien withdraw his investments from the
17 Philippines, then the investor’s visa issued to him shall automatically expire.

18 SEC. 7. *Administration, Implementation and Monitoring of Incentives.* – The
19 CEDZA shall be responsible for the administration and implementation of the incentives
20 granted to its respective registered enterprises: Provided, That any incentive
21 administration policy adopted by the BOI for incentives common to all registered
22 enterprises shall be uniformly applied by the CEDZA.

23 The following are the duties and responsibilities of the CEDZA in the
24 administration of incentives:

25 (a) Adopt consistent procedures of administering incentives in accordance with
26 the guidelines established by the BOI and to amend the same when necessary;

1 (b) Adopt and implement systems and procedures affecting trade and customs
2 policies in accordance with the requirements established by the DOF and the BOI and to
3 amend the same when necessary;

4 (c) Submit data and information to the DOF and the BOI as required by any of
5 these agencies to ascertain consistency of investment policies and incentives, including
6 their implementation as provided in paragraph (a) and to ensure proper implementation of
7 systems and procedures affecting trade and customs policies as provided in paragraph (b);
8 and

9 (d) Perform all other duties and responsibilities as may be required by the
10 President of the Philippines.

11 For proper monitoring, the BOI shall create a single database of all incentives
12 provided by all incentives-granting agencies, including the CEDZA and all information
13 thereto. Double-entry accounting shall be done by the BOI in recording all incentives
14 granted by the government for transparency purposes.

15 SEC. 8. *Extension of Period of Availment.* – The availment period of the
16 incentives provided herein may be extended by the CEDZA in the event that the
17 registered enterprise suffers operational force majeure or any event equivalent thereto,
18 impairing its viability.

19 SEC. 9. *Duration of Incentives.* – Enterprises registered with the CEDZA may
20 enjoy the ITH or the NOLCO granted by the latter prior to the availment of the five
21 percent (5%) GIE.

22 Fiscal incentives under this Act shall be terminated after a cumulative period of
23 twenty (20) years from the date of registration or the start of commercial operation,
24 whichever is applicable, except that it could be extended with regard to industries deemed
25 indispensable to national development as determined by the CEDZA.

26 The industries exempted from this provision shall be recommended by the BOI,
27 with the concurrence of the secretaries of the DOF and the DTI.

1 SEC. 10. *Creation of the Cebu Economic Development Zone Authority (CEDZA).*

2 – There is hereby created a body corporate to be known as the Cebu Economic
3 Development Zone Authority, hereinafter referred to as the CEDZA, which shall manage
4 and operate the CEDZ in accordance with the provisions of this Act. This corporate
5 franchise shall expire in 50 years counted from the first year after the effectivity of this
6 Act, unless otherwise extended by Congress. It shall be organized within 180 days after
7 the effectivity of this Act.

8 SEC. 11. *Principal Office of the CEDZA.* – The CEDZA shall maintain its
9 principal office in the City of Cebu, but it may establish branches within the Philippines
10 as may be necessary for the proper conduct of its business.

11 SEC. 12. *Powers and Functions of the CEDZA.* – The CEDZA shall have the
12 following functions:

13 (a) Operate, administer, manage and develop the CEDZ according to the
14 principles and provisions set forth in this Act;

15 (b) Recommend to the President of the Philippines the issuance of a proclamation
16 to fix and delimit the site of the CEDZ;

17 (c) Register, regulate and supervise the enterprises in the CEDZ in an efficient
18 and decentralized manner, subject to existing laws;

19 (d) Coordinate with the LGUs and exercise general supervision over the
20 development plans, activities and operations of the CEDZ;

21 (e) Authorize or undertake, on its own or through others, and regulate the
22 establishment, operation and maintenance of public utilities, services and infrastructure in
23 the CEDZ such as shipping, barging, stevedoring, cargo handling, hauling, warehousing,
24 storage of cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals,
25 mooring areas, storage areas, roads, bridges, terminals, conveyors, water supply and
26 storage, sewerage, drainage, airport operations in coordination with the Civil Aeronautics
27 Board, and such other services or concessions or infrastructure necessary or incidental to
28 the accomplishment of the objectives of this Act: Provided, however, That the private

1 investors in the CEDZ shall be given priority in the awarding of contracts, franchises,
2 licenses or permits for the establishment, operation and maintenance of utilities, services
3 and infrastructure in the CEDZ;

4 (f) Regulate and undertake the establishment, operation and maintenance of
5 utilities, other services and infrastructure in the CEDZ such as, but not limited to, heat,
6 light and power, water supply, telecommunications, transport, toll roads and bridges, port
7 services, etc. and to fix just, reasonable and competitive rates, fares, charges and prices
8 thereof;

9 (g) Construct, acquire, own, lease, operate and maintain, on its own or through
10 contracts, franchises, licenses, bulk purchases from the private sector or permits under
11 any of the schemes allowed in Republic Act No. 6957 (the Build-Operate-Transfer Law,
12 as amended), or joint venture, adequate facilities and infrastructure required or needed for
13 the operation and development of the CEDZ, in coordination with appropriate national
14 and local government authorities and in conformity with applicable laws thereon;

15 (h) Operate on its own, either directly or through licenses to others, recreational
16 and sports facilities, other tourism-related activities and, subject to a grant of franchise by
17 Congress, gaming activities such as horse racing, dog racing, gambling casinos, internet
18 and inter-active gaming and other games of chance: Provided, That registered locator
19 enterprises shall not operate gaming activities unless granted a franchise by Congress;

20 (i) Subject to the approval of the President of the Philippines and the Monetary
21 Board of the Bangko Sentral ng Pilipinas (BSP) upon the recommendation of the DOF, to
22 raise or borrow adequate and necessary funds from local or foreign sources to finance its
23 projects and programs under this Act and, for that purpose, to issue bonds, promissory
24 notes and other forms of securities and to secure the same by a guarantee, pledge,
25 mortgage, deed of trust or an assignment of all or part of its property or assets;

26 (j) Provide security for the CEDZ in coordination with the national and local
27 governments. Military forces sent by the national government for the purpose of defense
28 shall not interfere in the internal affairs of the CEDZ and expenditures for these military
29 forces shall be borne by the national government. For this purpose, the CEDZA may

1 establish and maintain its security forces and firefighting capability or hire others to
2 provide the same;

3 (k) Protect, preserve, maintain and develop the virgin forests, beaches, coral and
4 coral reefs, and maintain ecological balance within the CEDZ;

5 (l) Create, operate and/or contract to operate such functional units or offices of the
6 CEDZA as it may deem necessary;

7 (m) Adopt, alter and use a corporate seal; contract, lease, buy, acquire, own or
8 otherwise dispose of personal and/or real property of whatever nature; sue and be sued;
9 and otherwise carry out its functions and duties as provided for in this Act;

10 (n) Issue certificates of origin for products manufactured or processed in the
11 CEDZ in accordance with the prevailing rules of origin and the pertinent regulations of
12 the PEZA, the DTI and/or the DOF;

13 (o) Issue working visas renewable every two (2) years to foreign executives and
14 foreign technicians with highly specialized skills which no Filipino possesses, as certified
15 by the Department of Labor and Employment;

16 (p) Report to the Bureau of Immigration the names of the foreigners who have
17 been granted permanent resident status and working visas within thirty (30) days after the
18 issuance of such grant;

19 (q) Exercise such powers as may be essential, necessary or incidental to the
20 powers granted to it hereunder, as well as those that shall enable it to carry out,
21 implement and accomplish the purposes, objectives and policies of this Act; and

22 (r) Issue rules and regulations consistent with the provisions of this Act as may be
23 necessary to accomplish and implement the purposes, objectives and policies.

24 SEC. 13. *Authority of the Bureau of Customs to Examine the Entry and Exit of*
25 *Imported Articles in the CEDZ.* – The BoC, in coordination with the appropriate
26 government agencies such as, but not limited to, the Departments of Trade and Industry,
27 Agriculture, Transportation and Communications and Health shall have the authority to
28 examine the entry and exit of imported articles in the CEDZ for the purpose of

1 determining: (a) the quantity and description of subject imported articles; and (b) the
2 compliance with the sanitary and agricultural requirements.

3 SEC. 14. *Tax Exemptions.* – The CEDZA is hereby declared exempt from the
4 payment of all taxes, duties, fees, imports, charges, costs and service fees in any court or
5 administrative proceedings in which it may be a party.”

6 The exemptions may, however, be entirely or partially lifted by the President of
7 the Philippines, upon the recommendation of the Secretary of Finance, not earlier than
8 five (5) years from the effectivity of this Act, if the President shall find the CEDZA to be
9 self-sustaining and financially capable by then to pay such taxes, customs duties, fees and
10 other charges after providing for debt service requirements of the CEDZA and of its
11 projected capital and operating expenditures.

12 Furthermore, all donations made by any person or entity in favor of the CEDZA
13 shall be exempt from the payment of the donor’s tax and the same shall be considered as
14 deductible from the gross income of the donor, pursuant to the NIRC of 1997, as
15 amended.

16 SEC. 15. *Banking Rules and Regulations.* – Existing banking laws and rules and
17 regulations of the BSP shall apply to banks and financial institutions to be established in
18 the CEDZ, such as those governing foreign exchange and other current account
19 transactions (trade and nontrade), local and foreign borrowings, foreign investments,
20 establishment and operation of local and foreign banks, foreign currency deposit units,
21 offshore banking units and other financial institutions under the supervision of the BSP.

22 SEC. 16. *Remittance of Earnings.* – In the case of foreign investments, a
23 registered enterprise in the CEDZA shall have the right to remit earnings from the
24 investment in the currency in which the investment was originally made and at the
25 exchange rate prevailing at the time of remittance, subject to the provisions of Section 74
26 of Republic Act No. 265, as amended.

1 SEC. 17. *Board of Directors of the CEDZA.* – The powers of the CEDZA shall be
2 vested in and exercised by an eleven (11)-man Board of Directors, hereinafter referred to
3 as the Board, which shall be composed of four (4) representatives from the LGUs as
4 follows:

5 (a) The Governor of the Province of Cebu;

6 (b) The Mayor of the City of Cebu;

7 (c) The president of the league of city mayors of the component cities of the
8 Province of Cebu;

9 (d) The president of the league of municipal mayors of the Province of Cebu; and

10 (e) Seven representatives from the private sector who shall elect from among
11 themselves a chairperson and a vice chairperson.

12 The governor and the mayors of the cities and municipalities of the Island of Cebu
13 shall serve as ex officio members of the Board, whose terms in the Board correspond to
14 their term as elected officials.

15 The chairperson and the members of the Board, except the ex officio members,
16 shall be appointed by the President of the Philippines to serve for a term of three (3) years
17 unless sooner removed for cause or dies or resigns voluntarily. In case of death,
18 resignation or removal for cause, the replacement shall serve only the unexpired portion
19 of the term.

20 The seven private sector representatives to be appointed by the President of the
21 Philippines shall be taken from a short list prepared and submitted by the Cebu Chamber
22 of Commerce and Industry.

23 No person shall be appointed by the President of the Philippines as a member of
24 the Board unless he is a Filipino citizen, of good moral character, of proven probity and
25 integrity, and a degree holder in any of the following fields: economics, business, public
26 administration, law, management or their equivalent, and with at least ten (10) years
27 relevant working experience preferably in the field of management or public
28 administration.

1 The members of the Board shall each receive per diem at rates to be determined
2 by the Department of Budget and Management (DBM) in accordance with existing rules
3 and regulations: Provided, however, That the total per diem collected each month shall
4 not exceed the equivalent per diem for four (4) meetings. Unless and until the President
5 of the Philippines has fixed a higher per diem for the members of the Board, such per
6 diem shall not be more than Ten thousand pesos (P10,000.00) for every Board meeting.

7 SEC. 18. *Powers and Duties of the Chairperson-Administrator.* – The
8 chairperson-administrator shall have the following powers and duties:

9 (a) Direct and manage the affairs of the CEDZA in accordance with the policies
10 of the Board;

11 (b) Establish the internal organization of the CEDZA under such conditions that
12 the Board may prescribe;

13 (c) Submit an annual budget and necessary supplemental budget to the Board for
14 its approval;

15 (d) Submit within thirty (30) days after the close of each fiscal year an annual
16 report to the Board and such other reports as may be required;

17 (e) Submit to the Board for its approval policies, systems, procedures, rules and
18 regulations that are essential to the operation of the CEDZ;

19 (f) Create a mechanism in coordination with relevant agencies for the promotion
20 of industrial peace, the protection of the environment and the advancement of the quality
21 of life; and

22 (g) Perform such other duties as may be assigned to him/her by the Board or
23 which are necessary or incidental to his/her office.

24 SEC. 19. *Organization and Personnel.* – The Board of the CEDZA shall provide
25 for an organization and staff of its officers and employees. Upon the recommendation of
26 the chairperson-administrator, the Board shall appoint and fix the remuneration and other
27 emoluments of its officers and employees in accordance with existing laws on
28 compensation and position classification:

1 Provided, That the Board shall have exclusive and final authority to promote,
2 transfer, assign or reassign officers of the CEDZA, any provision of existing law to the
3 contrary notwithstanding: Provided, further, That the chairperson-administrator may
4 carry out removal of such officers and employees.

5 The officers and employees of the CEDZA, including all members of the Board,
6 shall not engage directly or indirectly in partisan activities nor take part in any election,
7 except to vote.

8 No officer or employee of the CEDZA, subject to civil service laws and
9 regulations, shall be removed or suspended except for cause, as provided by law.

10 SEC. 20. *General Manager.* – The Board of the CEDZA shall appoint a full-time
11 professional and competent administrator and chief executive officer for the CEDZA
12 whose compensation shall be determined by its Board and shall be in accordance with the
13 revised compensation and position classification system. The administrator as chief
14 executive officer of the CEDZA shall be responsible to the Board and the President of the
15 Philippines for the efficient management and operation of the CEDZA.

16 SEC. 21. *Applicability Clause.* – The provisions of Sections 30 to 41 of Republic
17 Act No. 7916, as amended, on leases of lands and buildings, land conversion, shipping
18 and shipping register, protection of environment, termination of business, registration of
19 business enterprises, one-stop shop center and on industrial harmony in the ecozones
20 shall apply to the CEDZA.

21 SEC. 22. *Capitalization.* – The CEDZA shall have an authorized capital stock of
22 two billion (2,000,000,000) no-par shares with a minimum issue of Ten pesos (P10.00)
23 each, the majority shares of which shall be subscribed and paid for by the national
24 government and the LGUs embracing the CEDZ. The Board of the CEDZA may, with
25 the written concurrence of the Secretary of Finance, sell shares, representing not more
26 than forty per centum (40%) of the capital stock of the CEDZA to the general public
27 under such policy as the Board and the Secretary of Finance may determine. The national

1 government and the LGUs shall, in no case, own less than sixty per centum (60%) of the
2 total issued and outstanding capital of the CEDZA.

3 The amount necessary to subscribe and pay for the shares of the national
4 government to the capital stock of the CEDZA shall be included in the annual General
5 Appropriations Act. For LGUs, the funds shall be taken from their internal revenue
6 allotment and other local funds.

7 *SEC. 23. Supervision and Coordination of Development Plans.* – For purposes of
8 policy direction and coordination, the CEDZA shall be under the direct control and
9 supervision of the Office of the President of the Philippines.

10 *SEC. 24. Relationship with the Regional Development Council.* – The CEDZA
11 shall determine the development goals for the CEDZ within the framework of national
12 development plans, policies and goals. The administrator shall, upon approval by the
13 Board, submit the CEDZ plans, programs and projects to the Regional Development
14 Council for inclusion and inputs to the overall regional development plan.

15 *SEC. 25. Relationship with the LGUs.* – Except as herein provided, the LGUs
16 comprising the CEDZ shall retain their basic autonomy and identity. The cities and
17 municipalities of the Island of Cebu shall operate and function in accordance with the
18 Local Government Code of 1991. In case of any conflict among the CEDZA and the
19 cities and municipalities of the Island of Cebu on matters affecting the CEDZ other than
20 defense and security matters, the decision of the CEDZA shall prevail.

21 *SEC. 26. Legal Counsel.* – The CEDZA shall have its own internal legal counsel
22 under the supervision of the Office of the Government Corporate Counsel (OGCC).
23 When the exigencies of its businesses and operations demand it, the CEDZA may engage
24 the services of an outside counsel either on a case to case or on a fixed retainer basis.

25 *SEC. 27. Interpretation/Construction.* – The powers, authorities and functions
26 that are vested in the CEDZA are intended to decentralize governmental functions and

1 authority and promote an efficient and effective working relationship among the CEDZ,
2 the national government and the LGUs.

3 SEC. 28. *Auditing.* – The Commission on Audit shall appoint a representative
4 who shall be a full-time auditor of the CEDZA and assign such number of personnel as
5 may be necessary to assist said representative in the performance of his/her duties. The
6 salaries and emoluments of the assigned auditor and personnel shall be in accordance
7 with pertinent laws, rules and regulations.

8 SEC. 29. *Separability Clause.* – If any provision of this Act shall be held
9 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full
10 force and effect.

11 SEC. 30. *Repealing Clause.* – All laws, executive orders or issuances or any part
12 thereof which are inconsistent herewith are hereby repealed or amended accordingly.

13 SEC. 31. *Effectivity Clause.* – This Act shall take effect fifteen days after its
14 publication in at least two national newspapers of general circulation.

Approved,