

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

9 NOV 25 P1:33

SENATE  
S.B. No. 3542

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Introduced by **SENATOR PIA S. CAYETANO**

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### EXPLANATORY NOTE


Article XII, Section 1 of the 1987 Philippine Constitution provides that all sectors of the economy and all regions of the country shall be given optimum opportunity to develop.

It is the duty of the State to promote, induce, and accelerate the sound and balanced industrial, economic and social development of the country to provide jobs to the people especially those in the rural areas and improve the level of condition of the populace. One way of accomplishing this objective is through the establishment of special economic zones in suitable and strategic locations with an authority that will be responsible for its management and administration.

This bill seeks to establish the Cebu Economic Development Zone (CEDZ) covering all the nine (9) cities and forty-eight (48) municipalities of the province of Cebu and incorporating the eight (8) special economic zones into a single ECOZONE to ensure the free and easy flow or movement of goods, capital and investments within the area. This bill also creates the Cebu Economic Development Zone Authority which shall be responsible for the operation, administration and development of the CEDZ. To attract investors and private enterprises, the proposed measure further provides incentives and benefits like fiscal and tax incentives.

Declaring the entire Island of Cebu as an ECOZONE is a way forward to speed-up its growth. It is a means to capacitate local leadership to proactively orchestrate development policies, direct infrastructure support and effectively utilize and appropriate its share of national funds in making Cebu at par with, if not ahead of, other first-class investment destinations abroad.

With the ultimate goal of ensuring the growth of the province of Cebu through government support and provisions for incentives to attract more investors, the early passage of this bill is earnestly requested.

  
**PIA S. CAYETANO**  
Senator

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SENATE

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Introduced by **SENATOR PIA S. CAYETANO**

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**AN ACT**  
**ESTABLISHING THE CEBU ECONOMIC DEVELOPMENT ZONE COVERING ALL**  
**THE CITIES AND MUNICIPALITIES IN THE ISLAND OF CEBU, CREATING FOR**  
**THE PURPOSE THE CEBU ECONOMIC DEVELOPMENT ZONE AUTHORITY,**  
**APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES**

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

1       **SECTION 1. Short Title.** – This Act shall be known as the “Cebu Economic  
2 Development Zone Act of 2009”.  
3

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

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

22       **SECTION 4. Governing Principles.** – The CEDZ shall be managed and operated  
23 by the Cebu Economic Development Zone Authority, hereinafter referred to as the  
24 CEDZA created under Section 10 of this Act, under the following principles:  
25

26       (a) Within the framework and limitations of the Constitution and the applicable  
27 provisions of the Local Government Code, the CEDZ shall be developed into and  
28 operated as a decentralized, self-reliant and self-sustaining industrial,  
29 commercial/trading, agro-industrial, tourist, banking, financial and investment  
30 center with suitable residential areas;  
31

32       (b) The CEDZ shall be provided with transportation, telecommunications and  
33 other facilities needed to attract legitimate and productive investments, generate

1 linkage industries and employment opportunities for the people of the Province of  
2 Cebu and its neighboring towns and cities;

3  
4 (c) The CEDZ may establish mutually beneficial economic relations with other  
5 entities or enterprises within the country or, subject to the administrative  
6 guidance of the Department of Foreign Affairs (DFA), the Philippine Economic  
7 Zone Authority (PEZA) and/or the Department of Trade and Industry (DTI), with  
8 foreign entities or enterprises;

9  
10 (d) Foreign citizens and companies owned by non-Filipinos in whatever  
11 proportion may set up enterprises in the CEDZ, either by themselves or in joint  
12 venture with Filipinos in any sector of industry, international trade and commerce  
13 within the CEDZ;

14  
15 (e) The CEDZ shall be managed and operated as a separate customs territory,  
16 thereby ensuring the free flow or movement of goods and capital within, into and  
17 out of the CEDZ and shall likewise provide incentives such as tax-and duty-free  
18 importations of raw materials and capital equipment to registered enterprises  
19 located therein. However, exportation or removal of goods from the territory of  
20 the CEDZ to the other parts of the Philippine territory shall be subject to customs  
21 duties and taxes under the Tariff and Customs Code of the Philippines, as  
22 amended, and the National Internal Revenue Code (NIRC) of 1997, as amended;

23  
24 (f) The areas comprising the CEDZ may be expanded or reduced when  
25 necessary. For this purpose, the CEDZA, in consultation with the LGUs, shall  
26 have the power to acquire, either by purchase, negotiation or condemnation  
27 proceedings, any private land within or adjacent to the CEDZ for the following  
28 purposes: (1) consolidation of lands for Cebu Ecozone development; (2)  
29 acquisition of right-of-way to the CEDZ; and (3) the protection of watershed areas  
30 and natural assets valuable to the prosperity of the CEDZ;

31  
32 (g) Goods manufactured by a CEDZA enterprise shall be made available for  
33 immediate retail sale in the domestic market, subject to the payment of  
34 corresponding taxes on raw materials and other regulations that may be  
35 formulated by the CEDZA, together with the PEZA, the Bureau of Customs (BoC)  
36 and the DTI, in accordance with the NIRC of 1997, as amended, and the Tariff  
37 and Customs Code of the Philippines, as amended. However, in order to protect  
38 domestic industries, a Negative List of industries shall be drawn up and regularly  
39 updated by the PEZA. Enterprises engaged in industries included in such  
40 Negative List shall not be allowed to sell their products locally; and

41  
42 (h) The defense of the CEDZ and the security of its perimeter fence shall be the  
43 responsibility of the national government in coordination with the CEDZ and the  
44 LGUs. For this purpose, a special defense team shall be organized to define its  
45 powers, duties and responsibilities.

46  
47 **SECTION 5. *Incentives to Registered Enterprises.*** – The CEDZA shall provide  
48 the following incentives to the registered enterprises located therein to the extent of the  
49 activity/project:

50  
51 (a) Income Tax Holiday (ITH) – Registered enterprises shall be entitled to an ITH  
52 from the start of their commercial operations to the extent of their activity under  
53 the following categories:

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

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

- 4 (i) Large capital investments or sizeable employment generation; or
- 5 (ii) Use high level of technology; it shall be entitled to an eight (8)  
6 year ITH.

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

12 Additional investments in the project shall be entitled to the ITH  
13 corresponding to such investments as may be determined by the BOI. Additional  
14 ITH may be granted for as long as the investment is made on the same project:  
15 *Provided, That* the project is listed in the IPP at the same time the additional  
16 investment in the project is made: *Provided, further, That* the entitlement period  
17 for additional investments shall not exceed three (3) times the period provided  
18 under this subsection: *Provided, finally, That* the total ITH period for an export  
19 enterprise availing of an eight (8)-year ITH shall not exceed twenty (20) years.  
20 Any unused incentives shall therefore be deemed forfeited if not used during the  
21 incentive period.

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

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

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

34  
35 (b) Net Operating Loss Carryover (NOLCO) – The net operating loss of the  
36 business or enterprise during the first three (3) years from the start of commercial  
37 operations which have not been previously offset as a deduction from the gross  
38 income shall be carried over as a deduction from the gross income for the next  
39 five (5) consecutive years immediately following the year of such loss: *Provided,*  
40 *however,* *That* the operating loss resulting from the availment of incentives  
41 provided in this Code shall not be entitled to the NOLCO.

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

44  
45 (c) Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned (GIE)  
46 – Except for real property tax on land, no local and national taxes, as prescribed  
47 under Republic Act No. 8424, also known as “the National Internal Revenue  
48 Code of 1997, As Amended”, such as the income tax, the excise tax and the  
49 franchise tax, shall be imposed on business establishments operating within the  
50 CEDZ. In lieu thereof, there shall be imposed a tax rate of five percent (5%) on  
51 the gross income earned by all the business enterprises with the CEDZA and  
52 remitted as follows:

- 53 (1) Three percent (3%) to the national government; and
- 54 (2) Two percent (2%) which shall be directly remitted by the business  
55 establishments to the treasurer's office of the municipality or city where  
56 the enterprise is located.

1 All persons and service establishments in the CEDZ that are not covered  
2 by Section 5 hereof shall be subject to national and local taxes under the NIRC of  
3 1997, as amended, and the Local Government Code;

4  
5 (d) Accelerated Depreciation – Accelerated depreciation of plant, machinery and  
6 equipment that are reasonably needed and actually used for the production and  
7 transport of goods and services may be allowed using a rate not exceeding twice  
8 the rate which would have been used had the annual allowance been computed  
9 in accordance with the rules and regulations prescribed by the Secretary of  
10 Finance and the provisions of the NIRC of 1997, as amended;

11  
12 (e) Capital Equipment Incentives – Importations of capital equipment, spare  
13 parts, tools and dye or those required for pollution abatement and control,  
14 cleaner production and waste reduction including consignment thereof by  
15 registered enterprises upon the effectivity of this Act shall be exempted to the  
16 extent of one hundred percent (100%) of the taxes and customs duties: *Provided*,  
17 That the importation thereof shall be used exclusively by the registered  
18 enterprise in its registered activity within the CEDZ: *Provided, further*, That the  
19 importation of machinery and equipment and accompanying parts shall comply  
20 with the following conditions:

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

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

29 (3) Approval of the CEDZA was obtained by the registered enterprise for  
30 the importation of such machinery, equipment and spare parts. Approval  
31 of the CEDZA must be secured before any sale, transfer or disposition of  
32 the imported capital equipment, machinery or spare parts is made:  
33 *Provided*, That if such sale, transfer or disposition is made within the first  
34 five (5) years from the date of importation, any of the following conditions  
35 must be present:

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

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

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

44 (iv) For reasons of proven technical obsolescence.

45  
46 When the aforementioned sale, transfer or disposition is made under any  
47 of the conditions provided for in the foregoing paragraphs other than paragraph  
48 (ii), the registered firm shall not pay the taxes and duties waived on such items:  
49 *Provided, further*, That if the registered enterprise sells, transfers or disposes the  
50 aforementioned imported items without prior approval within five (5) years from  
51 the date of importation, the registered enterprise and the vendee, transferee or  
52 assignee shall be solidarily liable to pay twice the amount of the tax and duty  
53 exemption given it: *Provided, finally*, That even if the sale, transfer or disposition  
54 of the capital equipment, machinery or spare parts is approved after five (5)  
55 years from the date of importation, the registered enterprise is still liable to pay  
56 the taxes and duties based on the net book value of the capital equipment,  
57 machinery or spare parts if it has violated any of its registration terms and

1 conditions. Otherwise, it shall no longer be subject to the payment of the taxes  
2 and duties waived thereon.

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

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

14 The registered export-oriented enterprise availing of the incentives  
15 provided under the immediately preceding two (2) paragraphs shall be subject to  
16 the following: (i) that said capital equipment, machinery and spare parts will be  
17 used exclusively by the registered enterprise in its registered activity; (ii) that the  
18 capital equipment or machinery where the raw materials, supplies, parts and  
19 semi-finished products were used would have qualified for tax-and duty-free  
20 importation; and (iii) that the approval of the CEDZA is obtained by the registered  
21 enterprise. If the registered enterprise sells, transfers or disposes of these  
22 machineries, capital equipment and spare parts, the provision in the preceding  
23 paragraphs for such disposition shall apply.

24 This incentive shall be deemed waived if application for tax credit under  
25 this subsection was not filed within one (1) year from the date of delivery;

26  
27 (f) The importation of source documents by information technology-registered  
28 enterprises shall be eligible for tax- and duty- free importation;

29  
30 (g) Raw Materials Incentives – Every registered export-oriented enterprise shall  
31 enjoy a tax credit equivalent to the internal revenue taxes and customs duties  
32 paid on the supplies, raw materials and semi-manufactured products: Provided,  
33 That the same are not sufficient in quantity, quality or are not competitively priced  
34 which are used in the manufacture, processing or production of its export  
35 products forming part thereof, exported directly and indirectly by the registered  
36 export-oriented enterprise based on the actual taxes and duties paid for such  
37 materials/supplies/semi-manufactured products by the registered enterprise.

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

41  
42 (h) Incentives on Breeding Stocks and Genetic Materials – Importation of  
43 breeding stocks and genetic materials within ten (10) years from the date of  
44 registration of commercial operations of the enterprise shall be exempt from all  
45 taxes and duties: *Provided*, That such breeding stocks and genetic materials are  
46 reasonably needed in the registered activity and approved by the CEDZA.

47 The availment of the incentives by a registered enterprise shall be subject  
48 to the following: (i) that said breeding stocks and genetic materials would have  
49 been qualified for tax-and duty-free importation under the preceding paragraph;  
50 (ii) that the breeding stocks and genetic materials are reasonably needed in the  
51 registered activity; (iii) that approval of the CEDZA has been obtained by the  
52 registered enterprise; and (iv) that the purchase is made within ten (10) years  
53 from the date of registration of commercial operations of the registered  
54 enterprise.

55 This incentive shall be deemed waived if the application for tax credit  
56 under this subsection is not filed within one (1) year from the date of delivery;

57

1 (i) Exemption from Wharfage Dues – The provisions of law to the contrary  
2 notwithstanding, exports by a registered enterprise shall be exempted from  
3 wharfage dues;  
4

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

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

19 (i) Except as otherwise provided in this Act, foreign and domestic  
20 merchandise, raw materials, supplies, articles, equipment, machineries,  
21 spare parts and wares of every description, except those prohibited by  
22 law, brought into the zone to be sold, stored, broken up, repacked,  
23 assembled, installed, sorted, cleaned, graded or otherwise processed,  
24 manufactured, mixed with foreign or domestic merchandise, whether  
25 directly or indirectly related in such activity, shall not be subject to customs  
26 and internal revenue laws and regulations nor to local tax ordinances, any  
27 provision of law to the contrary notwithstanding;  
28

29 (ii) Merchandise purchased by a registered CEDZ enterprise, from the  
30 customs territory and subsequently brought into the export processing  
31 zone, shall be considered as export sales and exportation thereof shall be  
32 entitled to the benefits allowed by law for such transaction;  
33

34 (iii) Domestic merchandise sent from the CEDZ to the customs territory  
35 shall, whether or not combined with or made part of other articles likewise  
36 of local origin or manufactured in the Philippines while in the export  
37 processing zone, be subject to internal revenue laws of the Philippines as  
38 domestic goods sold, transferred or disposed of for local consumption;  
39

40 (iv) Merchandise sent from the CEDZ to the customs territory shall,  
41 whether or not combined with or made part of other articles while in the  
42 zone, be subject to rules and regulations governing imported  
43 merchandise. The duties and taxes shall be based on the value of said  
44 imported materials (except when the final product is exempt);  
45

46 (v) Domestic merchandise on which all internal revenue taxes have been  
47 paid, if subject thereto, and foreign merchandise previously imported on  
48 which has been paid, or which have been admitted free of duty and tax,  
49 may be taken into the CEDZ from the customs territory of the Philippines  
50 and be brought back thereto free of quotas, duty or tax;  
51

52 (vi) Subject to such regulations respecting identity and safeguarding of  
53 revenue as the CEDZA may deem necessary, when the identity of an  
54 article entered into the export processing zone under the immediately  
55 preceding paragraph has been lost, such article when removed from the  
56 zone and taken to the customs territory shall be treated as foreign

1 merchandise entering the country for the first time, under the provisions of  
2 the Tariff and Customs Code of the Philippines, as amended;

3  
4 (vii) Articles produced or manufactured in the CEDZ and exported  
5 therefrom shall, on subsequent importation into the customs territory, be  
6 subject to the import laws applicable to like articles manufactured in a  
7 foreign country; and

8  
9 (viii) Unless the contrary is shown, merchandise taken out of the export  
10 processing zone shall be considered for tax purposes to have been sent to  
11 customs territory.

12  
13 (2) Tax Treatment of Services in the CEDZ – (i) Sale of service by an  
14 entity from the customs territory to a registered ecozone or free trade enterprise,  
15 or by a registered ecozone or freeport enterprise to another ecozone or freeport  
16 enterprise, shall be treated as indirect export and, hence, entitled to the benefits  
17 allowed by law for such transaction; and (ii) Sale of service by a registered  
18 ecozone or freeport enterprise to the customs territory shall be subject to  
19 applicable internal revenue laws and regulations;

20  
21 (l) Registered export-oriented enterprise shall have access to the utilization of the  
22 bonded warehousing system in accordance with the rules and regulations of the  
23 BoC; and

24  
25 (m) Employment of Foreign Nationals – Subject to the provisions of Section 29 of  
26 Commonwealth Act No. 613, as amended, a registered enterprise may employ  
27 foreign nationals in supervisory or technical positions for a period not exceeding  
28 ten (10) years from its registration: *Provided*, That when the majority of the  
29 capital stock of a registered enterprise is owned by foreign investors, the  
30 positions of the president, treasurer and general manager or their equivalents  
31 may be retained by foreign nationals beyond the period set forth herein and such  
32 officer is the owner or a stockholder owning at least ten percent (10%) of the  
33 outstanding capital stock of the registered enterprise and he/she remains the  
34 owner or maintains his/her stockholdings therein.

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

43 The foreign nationals admitted herein, as well as their respective spouses  
44 and dependents, shall be exempt from: (1) obtaining alien certificates of  
45 registration and emigration clearance certificates; and (2) securing the alien  
46 employment permits (AEP) and all types of clearances, permits, licenses or their  
47 equivalents required by any government department or agency.

48  
49 **SECTION 6. *Incentive to Investors.*** – Any foreign national covered under  
50 subsection (m) of Section 5 of this Act, who invests an amount of One hundred fifty  
51 thousand US Dollars (US\$150,000.00), either in cash and/or equipment, in a registered  
52 enterprise shall be entitled to an investor's visa: *Provided*, That,

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

54  
55 (b) he has not been convicted of a crime involving moral turpitude;

56  
57 (c) he is not afflicted with any loathsome, dangerous or contagious disease; and



1  
2 (d) he has not been institutionalized for any mental disorder or disability:  
3 *Provided, further,* That in securing the investor's visa, the alien-applicant shall be  
4 entitled to the same privileges as provided for under Section 5(m) herein.  
5

6 As a holder of an investor's visa, an alien shall be entitled to reside in the  
7 Philippines while his investment subsists. For this purpose, he should submit an annual  
8 report in the form duly prescribed for the purpose to prove that he has maintained his  
9 investment in the country. Should said alien withdraw his investments from the  
10 Philippines, then the investor's visa issued to him shall automatically expire.  
11

12 **SECTION 7. Administration, Implementation and Monitoring of Incentives.** The  
13 CEDZA shall be responsible for the administration and implementation of the incentives  
14 granted to its respective registered enterprises: *Provided,* That any incentive  
15 administration policy adopted by the BOI for incentives common to all registered  
16 enterprises shall be uniformly applied by the CEDZA.  
17

18 The following are the duties and responsibilities of the CEDZA in the  
19 administration of incentives:

20 (a) Adopt consistent procedures of administering incentives in accordance with  
21 the guidelines established by the BOI and to amend the same when necessary;  
22

23 (b) Adopt and implement systems and procedures affecting trade and customs  
24 policies in accordance with the requirements established by the DOF and the  
25 BOI and to amend the same when necessary;  
26

27 (c) Submit data and information to the DOF and the BOI as required by any of  
28 these agencies to ascertain consistency of investment policies and incentives,  
29 including their implementation as provided in paragraph (a) and to ensure proper  
30 implementation of systems and procedures affecting trade and customs policies  
31 as provided in paragraph (b); and  
32

33 (d) Perform all other duties and responsibilities as may be required by the  
34 President of the Philippines.  
35

36 For proper monitoring, the BOI shall create a single database of all incentives  
37 provided by all incentives-granting agencies, including the CEDZA and all information  
38 thereto. Double-entry accounting shall be done by the BOI in recording all incentives  
39 granted by the government for transparency purposes.  
40

41 **SECTION 8. Extension of Period of Availment.** – The availment period of the  
42 incentives provided herein may be extended by the CEDZA in the event that the  
43 registered enterprise suffers operational force majeure or any event equivalent thereto,  
44 impairing its viability.  
45

46 **SECTION 9. Duration of Incentives.** – Enterprises registered with the CEDZA  
47 may enjoy the ITH or the NOLCO granted by the latter prior to the availment of the five  
48 percent (5%) GIE.  
49

50 Fiscal incentives under this Act shall be terminated after a cumulative period of  
51 twenty (20) years from the date of registration or the start of commercial operation,  
52 whichever is applicable, except that it could be extended with regard to industries  
53 deemed indispensable to national development as determined by the CEDZA.  
54

55 The industries exempted from this provision shall be recommended by the BOI,  
56 with the concurrence of the secretaries of the DOF and the DTI.  
57

1           **SECTION 10.** *Creation of the Cebu Economic Development Zone Authority*  
2 *(CEDZA).* – There is hereby created a body corporate to be known as the Cebu  
3 Economic Development Zone Authority, hereinafter referred to as the CEDZA, which  
4 shall manage and operate the CEDZ in accordance with the provisions of this Act. This  
5 corporate franchise shall expire in fifty (50) years counted from the first year after the  
6 effectivity of this Act, unless otherwise extended by Congress. It shall be organized  
7 within one hundred eighty (180) days after the effectivity of this Act.

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

12  
13           **SECTION 12.** *Powers and Functions of the CEDZA.* – The CEDZA shall have the  
14 following functions:

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

17  
18           (b) Recommend to the President of the Philippines the issuance of a  
19 proclamation to fix and delimit the site of the CEDZ;

20  
21           (c) Register, regulate and supervise the enterprises in the CEDZ in an efficient  
22 and decentralized manner, subject to existing laws;

23  
24           (d) Coordinate with the LGUs and exercise general supervision over the  
25 development plans, activities and operations of the CEDZ;

26  
27           (e) Authorize or undertake, on its own or through others, and regulate the  
28 establishment, operation and maintenance of public utilities, services and  
29 infrastructure in the CEDZ such as shipping, barging, stevedoring, cargo  
30 handling, hauling, warehousing, storage of cargo, port services or concessions,  
31 piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads,  
32 bridges, terminals, conveyors, water supply and storage, sewerage, drainage,  
33 airport operations in coordination with the Civil Aeronautics Board, and such  
34 other services or concessions or infrastructure necessary or incidental to the  
35 accomplishment of the objectives of this Act: *Provided, however,* That the private  
36 investors in the CEDZ shall be given priority in the awarding of contracts,  
37 franchises, licenses or permits for the establishment, operation and maintenance  
38 of utilities, services and infrastructure in the CEDZ;

39  
40           (f) Regulate and undertake the establishment, operation and maintenance of  
41 utilities, other services and infrastructure in the CEDZ such as, but not limited to,  
42 heat, light and power, water supply, telecommunications, transport, toll roads and  
43 bridges, port services, etc. and to fix just, reasonable and competitive rates,  
44 fares, charges and prices thereof;

45  
46           (g) Construct, acquire, own, lease, operate and maintain, on its own or through  
47 contracts, franchises, licenses, bulk purchases from the private sector or permits  
48 under any of the schemes allowed in Republic Act No. 6957 (the Build-Operate-  
49 Transfer Law, as amended), or joint venture, adequate facilities and  
50 infrastructure required or needed for the operation and development of the  
51 CEDZ, in coordination with appropriate national and local government authorities  
52 and in conformity with applicable laws thereon;

53  
54           (h) Operate on its own, either directly or through licenses to others, recreational  
55 and sports facilities, other tourism-related activities and, subject to a grant of  
56 franchise by Congress, gaming activities such as horse racing, dog racing,  
57 gambling casinos, internet and inter-active gaming and other games of chance:

1 Provided, That registered locator enterprises shall not operate gaming activities  
2 unless granted a franchise by Congress;

3  
4 (i) Subject to the approval of the President of the Philippines and the Monetary  
5 Board of the Bangko Sentral ng Pilipinas (BSP) upon the recommendation of the  
6 DOF, to raise or borrow adequate and necessary funds from local or foreign  
7 sources to finance its projects and programs under this Act and, for that purpose,  
8 to issue bonds, promissory notes and other forms of securities and to secure the  
9 same by a guarantee, pledge, mortgage, deed of trust or an assignment of all or  
10 part of its property or assets;

11  
12 (j) Provide security for the CEDZ in coordination with the national and local  
13 governments. Military forces sent by the national government for the purpose of  
14 defense shall not interfere in the internal affairs of the CEDZ and expenditures for  
15 these military forces shall be borne by the national government. For this purpose,  
16 the CEDZA may establish and maintain its security forces and firefighting  
17 capability or hire others to provide the same;

18  
19 (k) Protect, preserve, maintain and develop the virgin forests, beaches, coral and  
20 coral reefs, and maintain ecological balance within the CEDZ;

21  
22 (l) Create, operate and/or contract to operate such functional units or offices of  
23 the CEDZA as it may deem necessary;

24  
25 (m) Adopt, alter and use a corporate seal; contract, lease, buy, acquire, own or  
26 otherwise dispose of personal and/or real property of whatever nature; sue and  
27 be sued; and otherwise carry out its functions and duties as provided for in this  
28 Act;

29  
30 (n) Issue certificates of origin for products manufactured or processed in the  
31 CEDZ in accordance with the prevailing rules of origin and the pertinent  
32 regulations of the PEZA, the DTI and/or the DOF;

33  
34 (o) Issue working visas renewable every two (2) years to foreign executives and  
35 foreign technicians with highly specialized skills which no Filipino possesses, as  
36 certified by the Department of Labor and Employment;

37  
38 (p) Report to the Bureau of Immigration the names of the foreigners who have  
39 been granted permanent resident status and working visas within thirty (30) days  
40 after the issuance of such grant;

41  
42 (q) Exercise such powers as may be essential, necessary or incidental to the  
43 powers granted to it hereunder, as well as those that shall enable it to carry out,  
44 implement and accomplish the purposes, objectives and policies of this Act; and

45  
46 (r) Issue rules and regulations consistent with the provisions of this Act as may  
47 be necessary to accomplish and implement the purposes, objectives and policies  
48 provided herein.

49  
50 **SECTION 13.** *Authority of the Bureau of Customs to Examine the Entry and Exit*  
51 *of Imported Articles in the CEDZ.* – The BoC, in coordination with the appropriate  
52 government agencies such as, but not limited to, the Departments of Trade and  
53 Industry, Agriculture, Transportation and Communications and Health shall have the  
54 authority to examine the entry and exit of imported articles in the CEDZ for the purpose  
55 of determining: (a) the quantity and description of subject imported articles; and (b) the  
56 compliance with the sanitary and agricultural requirements.

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

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

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  
14 as deductible from the gross income of the donor, pursuant to the NIRC of 1997, as  
15 amended.  
16

17           **SECTION 15. *Banking Rules and Regulations.*** – Existing banking laws and rules  
18 and regulations of the BSP shall apply to banks and financial institutions to be  
19 established in the CEDZ, such as those governing foreign exchange and other current  
20 account transactions (trade and nontrade), local and foreign borrowings, foreign  
21 investments, establishment and operation of local and foreign banks, foreign currency  
22 deposit units, offshore banking units and other financial institutions under the  
23 supervision of the BSP.  
24

25           **SECTION 16. *Remittance of Earnings.*** – In the case of foreign investments, a  
26 registered enterprise in the CEDZA shall have the right to remit earnings from the  
27 investment in the currency in which the investment was originally made and at the  
28 exchange rate prevailing at the time of remittance, subject to the provisions of Section  
29 74 of Republic Act No. 265, as amended.  
30

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

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

36  
37           (b) The Mayor of the City of Cebu;

38  
39           (c) The president of the league of city mayors of the component cities of the  
40 Province of Cebu;

41  
42           (d) The president of the league of municipal mayors of the Province of Cebu; and

43  
44           (e) Seven (7) representatives from the private sector who shall elect from among  
45 themselves a chairperson and a vice chairperson.  
46

47           The governor and the mayors of the cities and municipalities of the Island of  
48 Cebu shall serve as ex officio members of the Board, whose terms in the Board  
49 correspond to their term as elected officials.  
50

51           The chairperson and the members of the Board, except the ex officio members,  
52 shall be appointed by the President of the Philippines to serve for a term of three (3)  
53 years unless sooner removed for cause or dies or resigns voluntarily. In case of death,  
54 resignation or removal for cause, the replacement shall serve only the unexpired portion  
55 of the term.  
56

1 The seven (7) private sector representatives to be appointed by the President of  
2 the Philippines shall be taken from a short list prepared and submitted by the Cebu  
3 Chamber of Commerce and Industry.

4  
5 No person shall be appointed by the President of the Philippines as a member of  
6 the Board unless he is a Filipino citizen, of good moral character, of proven probity and  
7 integrity, and a degree holder in any of the following fields: economics, business, public  
8 administration, law, management or their equivalent, and with at least ten (10) years  
9 relevant working experience preferably in the field of management or public  
10 administration.

11  
12 The members of the Board shall each receive per diem at rates to be determined  
13 by the Department of Budget and Management (DBM) in accordance with existing rules  
14 and regulations: Provided, however, That the total per diem collected each month shall  
15 not exceed the equivalent per diem for four (4) meetings. Unless and until the President  
16 of the Philippines has fixed a higher per diem for the members of the Board, such per  
17 diem shall not be more than Ten thousand pesos (P10,000.00) for every Board meeting.

18  
19 **SECTION 18. Powers and Duties of the Chairperson-Administrator.** – The  
20 chairperson-administrator shall have the following powers and duties:

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

23  
24 (b) Establish the internal organization of the CEDZA under such conditions that  
25 the Board may prescribe;

26  
27 (c) Submit an annual budget and necessary supplemental budget to the Board  
28 for its approval;

29  
30 (d) Submit within thirty (30) days after the close of each fiscal year an annual  
31 report to the Board and such other reports as may be required;

32  
33 (e) Submit to the Board for its approval policies, systems, procedures, rules and  
34 regulations that are essential to the operation of the CEDZ;

35  
36 (f) Create a mechanism in coordination with relevant agencies for the promotion  
37 of industrial peace, the protection of the environment and the advancement of the  
38 quality of life; and

39  
40 (g) Perform such other duties as may be assigned to him/her by the Board or  
41 which are necessary or incidental to his/her office.

42  
43 **SECTION 19. Organization and Personnel.** – The Board of the CEDZA shall  
44 provide for an organization and staff of its officers and employees. Upon the  
45 recommendation of the chairperson-administrator, the Board shall appoint and fix the  
46 remuneration and other emoluments of its officers and employees in accordance with  
47 existing laws on compensation and position classification: *Provided*, That the Board  
48 shall have exclusive and final authority to promote, transfer, assign or reassign officers  
49 of the CEDZA, any provision of existing law to the contrary notwithstanding: *Provided*,  
50 further, That the chairperson-administrator may carry out removal of such officers and  
51 employees.

52  
53 The officers and employees of the CEDZA, including all members of the Board,  
54 shall not engage directly or indirectly in partisan activities nor take part in any election,  
55 except to vote.

56

1 No officer or employee of the CEDZA, subject to civil service laws and  
2 regulations, shall be removed or suspended except for cause, as provided by law.  
3

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

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

18 **SECTION 22. *Capitalization.*** – The CEDZA shall have an authorized capital  
19 stock of two billion (2,000,000,000) no-par shares with a minimum issue of Ten pesos  
20 (P10.00) each, the majority shares of which shall be subscribed and paid for by the  
21 national government and the LGUs embracing the CEDZ. The Board of the CEDZA  
22 may, with the written concurrence of the Secretary of Finance, sell shares, representing  
23 not more than forty per centum (40%) of the capital stock of the CEDZA to the general  
24 public under such policy as the Board and the Secretary of Finance may determine. The  
25 national government and the LGUs shall, in no case, own less than sixty per centum  
26 (60%) of the total issued and outstanding capital of the CEDZA.  
27

28 The amount necessary to subscribe and pay for the shares of the national  
29 government to the capital stock of the CEDZA shall be included in the annual General  
30 Appropriations Act. For LGUs, the funds shall be taken from their internal revenue  
31 allotment and other local funds.  
32

33 **SECTION 23. *Supervision and Coordination of Development Plans.*** – For  
34 purposes of policy direction and coordination, the CEDZA shall be under the direct  
35 control and supervision of the Office of the President of the Philippines.  
36

37 **SECTION 24. *Relationship with the Regional Development Council.*** – The  
38 CEDZA shall determine the development goals for the CEDZ within the framework of  
39 national development plans, policies and goals. The administrator shall, upon approval  
40 by the Board, submit the CEDZ plans, programs and projects to the Regional  
41 Development Council for inclusion and inputs to the overall regional development plan.  
42

43 **SECTION 25. *Relationship with the LGUs.*** – Except as herein provided, the  
44 LGUs comprising the CEDZ shall retain their basic autonomy and identity. The cities  
45 and municipalities of the Island of Cebu shall operate and function in accordance with  
46 the Local Government Code of 1991. In case of any conflict among the CEDZA and the  
47 cities and municipalities of the Island of Cebu on matters affecting the CEDZ other than  
48 defense and security matters, the decision of the CEDZA shall prevail.  
49

50 **SECTION 26. *Legal Counsel.*** – The CEDZA shall have its own internal legal  
51 counsel under the supervision of the Office of the Government Corporate Counsel  
52 (OGCC). When the exigencies of its businesses and operations demand it, the CEDZA  
53 may engage the services of an outside counsel either on a case to case or on a fixed  
54 retainer basis.  
55

56 **SECTION 27. *Interpretation/Construction.*** – The powers, authorities and  
57 functions that are vested in the CEDZA are intended to decentralize governmental

1 functions and authority and promote an efficient and effective working relationship  
2 among the CEDZ, the national government and the LGUs.  
3

4 **SECTION 28. *Auditing.*** – The Commission on Audit shall appoint a  
5 representative who shall be a full-time auditor of the CEDZA and assign such number of  
6 personnel as may be necessary to assist said representative in the performance of  
7 his/her duties. The salaries and emoluments of the assigned auditor and personnel shall  
8 be in accordance with pertinent laws, rules and regulations.  
9

10 **SECTION 29. *Separability Clause.*** – If any provision of this Act shall be held  
11 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full  
12 force and effect.  
13

14 **SECTION 30. *Repealing Clause.*** – All laws, executive orders or issuances or any  
15 part thereof which are inconsistent herewith are hereby repealed or amended  
16 accordingly.  
17

18 **SECTION 31. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days  
19 after its publication in at least two (2) national newspapers of general circulation.  
20

21  
22 Approved,