

THIRTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

5 MAY 18 AM '59

SENATE

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S. No. **2010**

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Introduced by **Senator Richard J. Gordon**

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### EXPLANATORY NOTE

Republic Act No. 7227 or the Bases Conversion and Development Act of 1992 created the Subic Bay Freeport. To attract investors, it granted businesses and enterprises in the Subic Bay Freeport exemption from payment of all local and national taxes. In lieu thereof, a final tax of five percent (5%) on gross income earned was imposed. Of this, three percent (3%) goes to the national government, one percent (1%) goes to the local government units affected by the declaration of the Subic Bay Freeport, and one percent (1%) goes to a development fund to be utilized for the development of municipalities outside Olongapo and Subic contiguous to the Subic Bay Freeport.

The development fund, in which Olongapo and Subic were excluded, was established under the premise that "Olongapo and Subic will really get the giant share of the economic activities going on in the Special Economic Zone and the Freeport." This is because Olongapo and Subic were intended to become part of the Freeport. The situation of Olongapo and Subic, however, is the same as the other local government units affected by the declaration of and contiguous to the Subic Bay Freeport.

Olongapo and Subic suffers much disparity in the sharing of the five percent (5%) final tax on gross income of businesses and enterprises in the Subic Bay Freeport, especially with respect to the one percent (1%) development fund, which was never defined and actualized in law and in practice. Rather, it is merely being distributed as a share in the revenue to the local government units contiguous to the Subic Bay Freeport, except Olongapo and Subic, without any concrete development plan or project. Thus, Morong and Hermosa in Bataan and San Antonio in Zambales currently enjoy a total share of two percent (2%) of the five percent (5%) final tax.

Moreover, the identification of which areas are affected by the declaration of the Subic Bay Freeport and which areas are contiguous to it is a subject of debate in interpretation. This bill, therefore, aims to clarify the identification of the local government units that are to benefit from the five percent (5%) final tax on gross income of businesses and enterprises in the Subic Bay Freeport – Olongapo, Subic, San Antonio, San Marcelino and Castillejos in Zambales, and Morong, Hermosa and Dinalupihan in Bataan – and promote and facilitate its equal distribution among them.

  
**RICHARD J. GORDON**

Senator

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**AN ACT AMENDING SECTION 12 (C) OF REPUBLIC ACT NO. 7227, AS AMENDED,  
OTHERWISE KNOWN AS THE BASES CONVERSION AND DEVELOPMENT ACT OF 1992**

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

1           SECTION 1. Section 12 (c) of Republic Act No. 7227, as amended, otherwise known  
2 as the Bases Conversion and Development Act of 1992, is hereby amended to read as  
3 follows:

4           "Sec. 12. *Subic Special Economic Zone.* – x x x

5           x x x

6           (c) The provision of existing laws, rules and regulations to the contrary  
7 notwithstanding, no taxes, local and national, shall be imposed within the Subic Special  
8 Economic Zone. In lieu of paying taxes, three percent (3%) of the gross income earned by  
9 all businesses and enterprises within the Subic Special Economic Zone shall be remitted to  
10 the National Government, [one percent (1%) each] AND TWO PERCENT (2%) to the local  
11 government units affected by the declaration of AND CONTIGUOUS TO the zone, NAMELY  
12 OLONGAPO, SUBIC, SAN ANTONIO, SAN MARCELINO AND CASTILLEJOS IN  
13 ZAMBALES, AND MORONG, HERMOSA AND DINALUPIHAN IN BATAAN, in proportion to  
14 their population area, and other factors. [In addition, there is hereby established a  
15 development fund of one percent (1%) of the gross income earned by all businesses and  
16 enterprises within the Subic Special Economic Zone to be utilized for the development of  
17 municipalities outside the City of Olongapo and the Municipality of Subic, and other  
18 municipalities contiguous to the base areas.]”

19           Sec. 2. *Repealing Clause.* – All laws, decrees, orders, rules and regulations or other  
20 issuances or parts thereof inconsistent with Section 1 of this Act are hereby repealed or  
21 modified accordingly.

1           Sec. 3. *Effectivity.* – This Act shall take effect after fifteen (15) days following the  
2 completion of its publication either in the Official Gazette or in a newspaper of general  
3 circulation in the Philippines.

4           Approved,