



HOUSE OF REPRESENTATIVES

H. No. 5262

BY REPRESENTATIVES MITRA, PER COMMITTEE REPORT NO. 1557

AN ACT ESTABLISHING THE SOUTHERN PALAWAN SPECIAL ECONOMIC ZONE AND FREEPORT, CREATING FOR THE PURPOSE THE SOUTHERN PALAWAN SPECIAL ECONOMIC ZONE AND FREEPORT AUTHORITY AND APPROPRIATING FUNDS THEREFOR

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 “Southern
2 Palawan Special Economic Zone and Freeport Act of 2006”.

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

1 SEC. 3. *Creation of the Southern Palawan Special Economic Zone and*
2 *Freeport.* – In pursuit of the foregoing declared policy and subject to the
3 concurrence of the municipalities of Southern Palawan affected by the zone,
4 there is hereby established a special economic zone and freeport in the
5 municipalities of Balabac, Brooke's Point and Bataraza in the Province of
6 Palawan to be known as the Southern Palawan Special Economic Zone and
7 Freeport, hereinafter referred to as the Southern Palawan Ecozone. The special
8 metes and bounds of the Southern Palawan Ecozone shall be more particularly
9 defined in a presidential proclamation to be issued for this purpose.

10 SEC. 4. *Governing Principles.* – The Southern Palawan Ecozone shall
11 be managed and operated by the Southern Palawan Special Economic Zone
12 and Freeport Authority, hereinafter referred to as the SPEZFPA, created under
13 Section 10 of this Act, under the following principles:

14 (A) Within the framework and limitations of the Constitution and
15 applicable provisions of the Local Government Code, the Southern Palawan
16 Ecozone shall be developed into and operated as the decentralized, self-reliant
17 and self-sustaining industrial, commercial/trading, agro-industrial, tourist,
18 banking, financial and investment center with suitable residential areas.

19 (B) The Southern Palawan Ecozone shall be provided with
20 transportation, telecommunications and other facilities needed to attract
21 legitimate and productive investments, generate linkage industries and
22 employment opportunities for the Province of Palawan and its neighboring
23 towns and cities.

24 (C) The Southern Palawan Ecozone may establish mutually beneficial
25 economic relations with other entities or enterprises within the country or,
26 subject to the administrative guidance of the Department of Foreign Affairs
27 (DFA), the Philippine Economic Zone Administration (PEZA) and/or the
28 Department of Trade and Industry (DTI), with foreign entities or enterprises.

1 (D) Foreign citizens and companies owned by non-Filipinos in
2 whatever proportion may set up enterprises in the Southern Palawan Ecozone,
3 either by themselves or in joint venture with Filipinos in any sector of industry,
4 international trade and commerce within the Southern Palawan Ecozone.

5 (E) The Southern Palawan Ecozone shall be operated and managed as a
6 separate customs territory, thereby ensuring the free flow or movement of
7 goods and capital within, into and out of its territory, and shall likewise
8 provide incentives such as tax and duty-free importations of raw materials and
9 capital equipment to registered enterprises located therein. However,
10 exportation or removal of goods from the territory of the Southern Palawan
11 Ecozone to the other parts of the Philippine territory shall be subject to
12 customs duties under the Tariff and Customs Code of the Philippines, as
13 amended, and the National Internal Revenue Code (NIRC) of 1997, as
14 amended.

15 (F) The areas comprising the Southern Palawan Ecozone may be
16 expanded or reduced when necessary. For this purpose, the SPEZFPFA, in
17 consultation with the local government units (LGUs), shall have the power to
18 acquire either by purchase, negotiation or condemnation proceedings, any
19 private land within or adjacent to the Southern Palawan Ecozone for the
20 following purposes: (1) consolidation of lands for zone development; (2)
21 acquisition of right-of-way to the Southern Palawan Ecozone; and (3) the
22 protection of watershed areas and natural assets valuable to the prosperity of
23 the Southern Palawan Ecozone.

24 (G) Goods manufactured by the Southern Palawan Ecozone enterprise
25 shall be made available for the immediate retail sale in the domestic market,
26 subject to the payment of corresponding taxes on raw materials and other
27 regulations that may be formulated by the SPEZFPFA, together with the PEZA,
28 the Bureau of Customs (BoC) and the DTI. However, in order to protect

1 domestic industries, a Negative List of industries shall be drawn up and
2 regularly updated by the PEZA. Enterprises engaged in industries included in
3 such Negative List shall not be allowed to sell their products locally.

4 (H) The defense of the Southern Palawan Ecozone and the security of
5 its perimeter fence shall be the responsibility of the national government in
6 coordination with the SPEZFPA and the LGUs concerned.

7 SEC. 5. *Incentives to Registered Enterprises.* – The SPEZFPA shall
8 administer the following incentives to the registered enterprises located therein
9 to the extent of the activity/project:

10 (A) Income Tax Holiday (ITH) – Registered enterprises shall be
11 entitled to an ITH from the start of their commercial operations to the extent of
12 their activity under the following categories:

13 (1) Category A – Registered domestic enterprises located in highly
14 developed areas, as determined by the Board of Investments (BOI), shall be
15 entitled to a four-year ITH.

16 (2) Category B – Registered domestic enterprises on the following
17 shall be entitled to a six-year ITH:

18 (a) Located in less developed areas as defined by the BOI, or

19 (b) Producing/rendering new products/services or having strong
20 backward or forward linkages.

21 (3) Category C – Registered export enterprises shall be entitled to a
22 six-year ITH: *Provided, however,* That if the export enterprise complies with
23 the following: (a) large capital investments or sizeable employment generation,
24 or (b) use high level of technology, or (c) located outside Metro Manila, it
25 shall be entitled to an eight-year ITH.

26 Registered enterprises embarking on new investments that are listed in
27 the current Investment Priorities Plan (IPP) shall be entitled to incentives

1 provided herein pertaining to the new investments and subject to such terms
2 and conditions as the BOI may determine.

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

13 Enterprises registered with the SPEZFPA are required to share in the
14 special development fund of the BOI for investment promotion projects of the
15 government equivalent to one percent (1%) of the ITH granted for every
16 application.

17 The Bureau of Internal Revenue (BIR) shall require a registered
18 enterprise availing of the ITH or the net operating loss carryover (NOLCO) to
19 secure a certificate of eligibility from the SPEZFPA before submitting its
20 income tax return (ITR) with the SPEZFPA for validation.

21 Failure to secure certification and/or to file the ITH or the NOLCO
22 availment for validation by the SPEZFPA within forty-five (45) days from the
23 last day of statutory filing date for ITR shall cause the forfeiture of the
24 availment for the taxable period.

25 (B) Net Operating Loss Carryover (NOLCO) – The net operating loss
26 of the business or enterprise during the first three years from the start of
27 commercial operations which have not been previously offset as deduction
28 from gross income shall be carried over as a deduction from gross income for

1 the next five consecutive years immediately following the year of such loss:
2 *Provided, however,* That operating loss resulting from availment of incentives
3 provided in this Code shall not be entitled to the NOLCO.

4 Registered enterprises availing of the ITH as herein provided shall not
5 be entitled to avail of the NOLCO.

6 (C) Imposition of a tax rate of five percent (5%) on Gross Income
7 Earned (GIE) – Except for real property tax on land, no local and national
8 taxes as prescribed under Republic Act No. 8424, also known as the “National
9 Internal Revenue Code of 1997, As Amended”, such as the income tax, the
10 excise tax and the franchise taxes shall be imposed on business establishments
11 operating within the Southern Palawan Ecozone. In lieu thereof, five percent
12 (5%) of the gross income earned shall be paid as follows:

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

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

17 All persons and service establishments in the Southern Palawan
18 Ecozone shall be subject to national and local taxes under the NIRC of 1997,
19 as amended, and the Local Government Code.

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

26 (E) Capital Equipment Incentives – (1) Importations of capital
27 equipment, spare parts, tools and dye, or those required for pollution
28 abatement and control, cleaner production and waste reduction including

1 consignment thereof by registered enterprises upon the effectivity of this law
2 shall be exempted to the extent of one hundred percent (100%) of the taxes and
3 customs duties: *Provided*, That the importation thereof shall be used
4 exclusively by the registered enterprises in their registered activity: *Provided*,
5 *further*, That the importation of machinery and equipment and accompanying
6 parts shall comply with the following conditions:

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

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

15 (c) Approval of the SPEZFPA was obtained by the registered
16 enterprise for the importation of such machinery, equipment and spare parts.

17 Approval of the SPEZFPA must be secured before any sale, transfer or
18 disposition of the imported capital equipment, machinery or spare parts is
19 made: *Provided*, That if such sale, transfer or disposition is made within the
20 first five years from the date of importation, any of the following conditions
21 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, upon payment of any taxes and duties
25 on the net book value of the capital equipment to be sold;

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

28 (iv) For reasons of proven technical obsolescence.

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

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

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

26 The availment by a registered export enterprise of the incentive
27 provided under the immediately preceding two paragraphs shall be subject to
28 the following conditions: (a) that said capital equipment, machinery and spare

1 parts will be used exclusively by the registered enterprise in its registered
2 activity; (b) that the capital equipment or machinery where the raw materials,
3 supplies, parts and semi-finished products were used would have qualified for
4 tax and duty-free importation; and (c) that the approval of the SPEZFPA is
5 obtained by the registered enterprise. If the registered enterprise sells, transfers
6 or disposes of these machineries, capital equipment and spare parts, the
7 provision in the preceding paragraphs for such disposition shall apply.

8 This incentive shall be deemed waived if application for tax credit under
9 this subsection was not filed within one year from the date of delivery.

10 (F) The importation of source documents by information technology-
11 registered enterprises shall be eligible for tax and duty-free importation.

12 (G) Raw Materials Incentives – Every registered export-oriented
13 enterprise shall enjoy a tax credit equivalent to the internal revenue taxes and
14 customs duties paid on the supplies, raw materials and semi-manufactured
15 products provided the same are not sufficient in quantity, quality or are not
16 competitively priced which are used in the manufacture, processing or
17 production of its export products forming part thereof, exported directly and
18 indirectly by the registered export-oriented enterprise, based on the actual
19 taxes and duties paid for such materials/supplies/semi-manufactured products
20 by the registered enterprise.

21 This incentive shall be deemed waived if application for tax credit under
22 this subsection was not filed within one year from the date of exportation of the
23 final product.

24 (H) Incentives on Breeding Stocks and Genetic Materials –
25 Importation of breeding stocks and genetic materials within ten (10) years from
26 the date of registration of commercial operation of the enterprise shall be
27 exempt from all taxes and duties: *Provided*, That such breeding stocks and

1 genetic materials are reasonably needed in the registered activity and approved
2 by the SPEZFPA.

3 Availment of the incentives by a registered enterprise shall be subject to
4 the following: (1) that said breeding stocks and genetic materials would have
5 been qualified for tax- and duty-free importation under the preceding
6 paragraph; (2) that the breeding stocks and genetic materials are reasonably
7 needed in the registered activity; (3) that approval of the SPEZFPA has been
8 obtained by the registered enterprise; and (4) that the purchase is made within
9 ten (10) years from the date of registration of commercial operation of the
10 registered enterprise.

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

13 (I) Exemption from Wharfage Dues – The provisions of law to the
14 contrary notwithstanding, exports by a registered enterprise shall be exempted
15 from wharfage dues.

16 (J) Deferred Imposition of the Minimum Corporate Income Tax –
17 The Minimum Corporate Income Tax (MCIT) of two percent (2%) of the gross
18 income as of the end of the taxable year shall be imposed when the MCIT is
19 greater than the income tax computed under the NIRC of 1997, as amended,
20 for the taxable year: *Provided, however,* That said MCIT shall be imposed
21 only after the enterprise's entitlement period to the income tax-based
22 incentives.

23 (K) (1) Tax Treatment of Merchandise in the Southern Palawan
24 Ecozone – (a) Except as otherwise provided in this Act, foreign and domestic
25 merchandise, raw materials, supplies, articles, equipment, machineries, spare
26 parts and wares of every description, except those prohibited by law, brought
27 into the zone to be sold, stored, broke up, repacked, assembled, installed,
28 sorted, cleaned, graded or otherwise processed, manufactured, mixed with

1 foreign or domestic merchandise whether directly or indirectly related in such
2 activity, shall not be subject to customs and internal revenue laws and
3 regulations nor to local tax ordinances, any provision of law to the contrary
4 notwithstanding.

5 (b) Merchandise purchased by a registered Southern Palawan Ecozone
6 enterprise, from the customs territory and subsequently brought into the export
7 processing zone, shall be considered as export sales and exportation thereof
8 shall be entitled to the benefits allowed by law for such transaction.

9 (c) Domestic merchandise sent from the Southern Palawan Ecozone to
10 the customs territory shall, whether or not combined with or made part of other
11 articles likewise of local origin or manufactured in the Philippines while in the
12 export processing zone, be subject to internal revenue laws of the Philippines
13 as domestic goods sold, transferred or disposed of for local consumption.

14 (d) Merchandise sent from the Southern Palawan Ecozone to the
15 customs territory shall, whether or not combined with or made part of other
16 articles while in the zone, be subject to rules and regulations governing
17 imported merchandise. The duties and taxes shall be based on the value of said
18 imported materials (except when the final product is exempt).

19 (e) Domestic merchandise on which all internal revenue taxes have
20 been paid, if subject thereto, and foreign merchandise previously imported on
21 which has been paid, or which have been admitted free of duty and tax, may be
22 taken into the Southern Palawan Ecozone from the customs territory of the
23 Philippines and be brought back thereto free of quotas, duty or tax.

24 (f) Subject to such regulations respecting identity and safeguarding of
25 revenue as the SPEZFPA may deem necessary, when the identity of an article
26 entered into the export processing zone under the immediately preceding
27 paragraph has been lost, such article when removed from the zone and taken to
28 the customs territory shall be treated as foreign merchandise entering the

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

3 (g) Articles produced or manufactured in the Southern Palawan
4 Ecozone and exported therefrom shall, on subsequent importation into the
5 customs territory, be subject to the import laws applicable to like articles
6 manufactured in a foreign country.

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

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

17 (3) Tax Treatment of Services in the Southern Palawan Ecozone – (a)
18 Sale of service by an entity from the customs territory to a registered ecozone
19 or free trade enterprise, or by a registered ecozone or freeport enterprise to
20 another ecozone or freeport enterprise shall be treated as indirect export and
21 hence, entitled to the benefits allowed by law for such transaction.

22 (b) Sale or service by a registered ecozone or freeport enterprise to the
23 customs territory shall be subject to applicable internal revenue laws and
24 regulations.

25 (L) Registered export-oriented enterprise shall have access to the
26 utilization of the bonded warehousing system in accordance with the rules and
27 regulations of the BoC.

1 (M) Employment of Foreign Nationals – Subject to the provisions of
2 Section 29 of Commonwealth Act No. 613, as amended, a registered enterprise
3 may employ foreign nationals in supervisory or technical positions for a period
4 not exceeding ten (10) years from its registration: *Provided*, That when the
5 majority of the capital stock of a registered enterprise is owned by foreign
6 investors, the positions of the president, treasurer and general manager or their
7 equivalents may be retained by foreign nationals beyond the period set forth
8 herein: *Provided, further*, That such officers own at least ten percent (10%) of
9 the outstanding capital stock of the registered enterprise and they remain the
10 owner or maintain their stockholdings.

11 Foreign nationals under employment contract within the purview of this
12 incentive, their spouses and unmarried children under twenty-one (21) years of
13 age, who are not excluded by Section 29 of Commonwealth Act No. 613, as
14 amended, shall be permitted to enter and reside in the Philippines during the
15 period of employment of such foreign nationals. They shall be issued a
16 multiple-entry visa, valid for a period of three years and shall be allowed to
17 enter and leave the Philippines without further documentary requirements other
18 than valid passports or other travel documents in the nature of passports. The
19 validity of the multiple-entry visa shall be extendible yearly.

20 The foreign nationals admitted herein, as well as their respective
21 spouses and dependents, shall be exempt from: (1) obtaining Alien Certificate
22 of Registration and Emigration Clearance Certificates; and (2) securing the
23 Alien Employment Permit (AEP) and all types of clearances, permits, licenses
24 or their equivalents required by any government department or agency.

25 SEC. 6. *Incentive to Investors.* – Any foreign national covered under
26 subsection (M) of Section 5 of this Act, who invests an amount of
27 US\$150,000.00, either in cash and/or equipment, in a registered enterprise
28 shall be entitled to an investor's visa: *Provided*, That,

1 (A) He is at least eighteen (18) years of age;

2 (B) He has not been convicted of a crime involving moral turpitude;

3 (C) He is not afflicted with any loathsome, dangerous or contagious
4 disease; and

5 (D) He has not been institutionalized for any mental disorder or
6 disability: *Provided, further,* That in securing the investor's visa, the alien-
7 applicant shall be entitled to the same privileges provided for under Section 5
8 (M), last paragraph.

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

15 SEC. 7. *Administration, Implementation and Monitoring of Incentives.*

16 – The SPEZFPA shall be responsible for the administration and
17 implementation of the incentives granted to its respective registered
18 enterprises: *Provided,* That any incentive administration policy adopted by the
19 BOI for registered enterprises shall be uniformly applied by the SPEZFPA.

20 The following are the duties and responsibilities of the SPEZFPA in the
21 administration of incentives:

22 (A) To adopt consistent procedures of administering incentives in
23 accordance with the guidelines established by the BOI;

24 (B) To adopt and implement systems and procedures affecting trade
25 and customs policies in accordance with the requirements established by the
26 DOF and the BOI;

27 (C) To submit data and information to the DOF and the BOI as
28 required by any of these agencies to ascertain consistency of investment

1 policies and incentives, including their implementation as provided in (A), and
2 to ensure proper implementation of systems and procedures affecting trade and
3 customs policies as provided in (B); and

4 (D) To perform all other duties and responsibilities as may be required
5 by the President.

6 For proper monitoring, the BOI shall create a single database of all
7 incentives provided by all incentives-granting agencies, including the
8 SPEZFPA and all information thereto. Double-entry accounting shall be done
9 by the BOI in recording all incentives granted by the government for
10 transparency purposes.

11 SEC. 8. *Extension of Period of Availment.* – The availment period of
12 the incentives provided herein may be extended by the SPEZFPA in the event
13 that the registered enterprise suffers *force majeure* or any event equivalent
14 thereto, impairing its viability.

15 SEC. 9. *Duration of Incentives.* – Enterprises registered with the
16 SPEZFPA may enjoy the ITH or the NOLCO granted by the latter prior to the
17 availment of the five percent (5%) GIE.

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

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

25 SEC. 10. *Creation of the Southern Palawan Special Economic Zone*
26 *and Freeport Authority.* – There is hereby created a body corporate to be
27 known as the Southern Palawan Special Economic Zone and Freeport
28 Authority, hereinafter referred to as the SPEZFPA, which shall manage and

1 operate the Southern Palawan Ecozone, in accordance with the provisions of
2 this Act. This corporate franchise shall expire in fifty (50) years counted from
3 the first year after the effectivity of this Act, unless otherwise extended by
4 Congress. It shall be organized within one hundred eighty (180) days after the
5 effectivity of this Act.

6 SEC. 11. *Principal Office of the SPEZFPA.* – The SPEZFPA shall
7 maintain its principal office in the Municipality of Balabac, but it may establish
8 branches within the Philippines as may be necessary for the proper conduct of
9 its business.

10 SEC. 12. *Powers and Functions of the SPEZFPA.* – The SPEZFPA
11 shall have the following functions;

12 (A) To operate, administer, manage and develop the Southern Palawan
13 Ecozone according to the principles and provisions set forth in this Act;

14 (B) To recommend to the President of the Philippines the issuance of a
15 proclamation to fix and delimit the site of the Southern Palawan Ecozone;

16 (C) To register, regulate and supervise the enterprises in the Southern
17 Palawan Ecozone in an efficient and decentralized manner, subject to existing
18 laws;

19 (D) To coordinate with the LGUs concerned and exercise general
20 supervision over the development plans, activities and operations of the
21 ecozones;

22 (E) To regulate and undertake the establishments' operation and
23 maintenance of utilities, other services and infrastructure in the Southern
24 Palawan Ecozone such as, but not limited to, heat, light and power, water
25 supply, telecommunications, transport, toll roads and bridges, port services and
26 to fix just, reasonable and competitive rates, fares, charges and prices thereof;

27 (F) To construct, acquire, own or lease, operate and maintain on its
28 own or through contracts, franchises, licenses, bulk purchases from the private

1 sector or permits under any of the schemes allowed in Republic Act No. 6957
2 (Build-Operate-Transfer Law, as amended by Republic Act No. 7718), or joint
3 venture, adequate facilities and infrastructure required or needed for the
4 operation and development of the Southern Palawan Ecozone, in coordination
5 with appropriate national and local government authorities and in conformity
6 with applicable laws thereon;

7 (G) To operate on its own, either directly or through a license, other
8 tourism-related activities, including games and amusements, recreational and
9 sports facilities;

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

17 (I) To provide security for the Southern Palawan Ecozone in
18 coordination with the national and local governments. Military forces sent by
19 the national government for the purpose of defense shall not interfere in the
20 internal affairs of the ecozone and expenditures for these military forces shall
21 be borne by the national government. For this purpose, the SPEZFPA may
22 establish and maintain security forces and firefighting capability or hire others
23 to provide the same;

24 (J) To protect, preserve, maintain and develop the virgin forests,
25 beaches, coral and coral reefs and maintain ecological balance within the
26 Southern Palawan Ecozone;

27 (K) To create, operate and/or contract to operate such functional units
28 or offices of the SPEZFPA as it may deem necessary;

1 (L) To adopt, alter and use a corporate seal; make contracts, leases,
2 own or otherwise dispose of personal or real property; sue and be sued; and
3 otherwise carry out its functions and duties as provided for in this Act;

4 (M) To issue certificates of origin for products manufactured or
5 processed in the Southern Palawan Ecozone in accordance with the prevailing
6 rules of origin and the pertinent regulations of the PEZA, the DTI and/or the
7 DOF;

8 (N) To issue working visas renewable every two years to foreign
9 executives and foreign technicians with highly specialized skills which no
10 Filipino possesses, as certified by the Department of Labor and Employment;

11 (O) To report to the Bureau of Immigration the names of the
12 foreigners who have been granted permanent, resident status and working visas
13 within thirty (30) days after issuance of such grant;

14 (P) To exercise such powers as may be essential, necessary or
15 incidental to the powers granted to it hereunder, as well as those that shall
16 enable it to carry out, implement and accomplish the purposes, objectives and
17 policies of this Act; and

18 (Q) To issue rules and regulations consistent with the provisions of
19 this Act as may be necessary to accomplish and implement the purposes,
20 objectives and policies provided herein.

21 SEC. 13. *Exemptions from Taxes, Duties and Other Fees.* – The
22 SPEZFPA is hereby declared exempt from the payment of all taxes, duties,
23 fees imposts, charges, costs and service fees in any court or administrative
24 proceedings in which it may be a party.

25 The foregoing exemptions may, however, be entirely or partially lifted
26 by the President of the Philippines, upon the recommendation of the Secretary
27 of Finance, not earlier than five years from the effectivity of this Act if the
28 President shall find the SPEZFPA to be self-sustaining and financially capable

1 by then to pay such taxes, customs, duties, fees and other charges after
2 providing for debt service requirements of the SPEZFPA and of its projected
3 capital and operating expenditures.

4 SEC. 14. *Banking Rules and Regulations.* – Existing banking laws and
5 rules and regulations of the BSP shall apply to all banks and financial
6 institutions established in the Southern Palawan Ecozone, such as those
7 governing foreign exchange and other current account transactions (trade and
8 nontrade), local and foreign borrowings, foreign investments, establishments
9 and operation of local and foreign banks, foreign currency deposit units,
10 offshore banking units and other financial institutions under the supervision of
11 the BSP.

12 SEC. 15. *Remittance of Earnings.* – In the case of foreign investments,
13 a registered enterprise in the SPEZFPA shall have the right to remit earnings
14 from the investment in the currency in which the investment was originally
15 made and at the exchange rate prevailing at the time of remittance, subject to
16 the provisions of Section 74 of Republic Act No. 265, as amended, otherwise
17 known as “the New Central Bank Act”.

18 SEC. 16. *Board of Directors of the SPEZFPA.* – The powers of the
19 SPEZFPA shall be vested in and exercised by a board of directors, hereinafter
20 referred to as the Board, which shall be composed of the following:

21 (A) The administrator of the SPEZFPA as chairperson;

22 (B) The vice chairman who shall come from among the members of the
23 Board;

24 (C) The congressional representative of the district of which the
25 territory of the Palawan Ecozone is part of, member;

26 (D) One representative of the Provincial Government of Palawan,
27 member;

28 (E) One representative from the domestic investors, member;

1 (F) One representative from the foreign investors, member; and

2 (G) Two representatives from workers working in the Southern Palawan
3 Ecozone, members.

4 The congressional representative and the representative of the provincial
5 government shall serve as *ex officio* members of the Board, whose terms shall
6 correspond to their terms as elected officials.

7 The chairman and the members of the Board, except the *ex officio*
8 members shall be appointed by the President of the Philippines to serve for six
9 years, unless sooner separated from the service due to death, voluntary
10 resignation or removal for cause. In case of death, resignation or removal for
11 cause, the replacement shall serve only the unexpired portion of the term.

12 Except for the representatives of the business and labor sectors, no
13 person shall be appointed by the President of the Philippines as a member of
14 the Board unless he is a Filipino citizen, of good moral character, of proven
15 probity and integrity, and a degree holder in any of the following fields:
16 economics, business, public administration, law, management or their
17 equivalent and with at least ten (10) years of relevant working experience
18 preferably in the field of management or public administration.

19 The members of the Board shall receive *per diem* at a rate to be
20 determined by the Department of Budget and Management in accordance with
21 existing rules and regulations: *Provided, however,* That the total *per diem*
22 collected each month shall not exceed the equivalent *per diem* for four
23 meetings. *Unless and until the President of the Philippines has a higher per*
24 *diem* for the members of the Board, such *per diem* shall not be more than Ten
25 thousand pesos (P10,000.00) for every Board meeting.

26 SEC. 17. *Powers and Duties of the Chairman-Administrator.* – The
27 chairman-administrator shall have the following powers and duties:

1 (A) To direct and manage the affairs of the SPEZFPA in accordance
2 with the policies of the Board;

3 (B) To establish the internal organization of the SPEZFPA under such
4 conditions that the Board may prescribe;

5 (C) To submit an annual budget and necessary supplemental budget to
6 the Board for its approval;

7 (D) To submit within thirty (30) days after the close of each fiscal year
8 an annual report to the Board and such other reports as may be required;

9 (E) To submit to the Board for its approval, policies, systems,
10 procedures, rules and regulations that are essential to the operation of the
11 Southern Palawan Ecozone;

12 (F) To create a mechanism in coordination with relevant agencies for
13 the promotion of industrial peace, the protection of the environment and the
14 advancement of the quality of life in the Southern Palawan Ecozone; and

15 (G) To perform such other duties as may be assigned to him by the
16 Board or which are necessary or incidental to his office.

17 SEC. 18. *Organization and Personnel.* – The Board of Directors of the
18 SPEZFPA shall provide for an organization and staff of its officers and
19 employees. Upon the recommendation of the chairman-administrator, with the
20 approval of the Secretary of the DTI, the Board shall appoint and fix the
21 remuneration and other emoluments of its officers and employees in
22 accordance with existing laws on compensation and position classification:
23 *Provided,* That the Board shall have exclusive and final authority to promote,
24 transfer, assign or reassign officers of the SPEZFPA, any provision of existing
25 law to the contrary notwithstanding: *Provided, further,* That the chairman-
26 administrator may carry out the removal of such officers and employees.

1 The officers and employees of the SPEZFPA, including all the members
2 of the Board, shall not engage, directly or indirectly, in partisan activities nor
3 take part in any election, except to vote.

4 No officer of the SPEZFPA, subject to civil service laws and
5 regulations, shall be removed or suspended except for cause, as provided by
6 law.

7 SEC. 19. *Applicability Clause.* – The provisions of Sections 30 to 41 of
8 Republic Act No. 7916, as amended, on leases of lands and buildings, land
9 conversion, shipping and shipping register, protection of environment
10 termination of business enterprises, one-stop shop center and on industrial
11 harmony in the ecozones shall apply to the Southern Palawan Ecozone.

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

23 The amount necessary to subscribe and pay for the shares of the national
24 government to the capital stock of the SPEZFPA shall be included in the
25 annual *General Appropriations Act*. For LGUs, the fund shall be taken from
26 their Internal Revenue Allotment and other local funds including the share of
27 Palawan from the Camago-Malampaya Operation Project.

1 SEC. 21. *Supervision and Coordination of Development Plans.* – For
2 purposes of policy direction and coordination, the Southern Palawan Ecozone
3 shall be under the direct control and supervision of the Office of the President
4 of the Philippines.

5 SEC. 22. *Relationship with the Regional Development Council.* – The
6 SPEZFPA shall determine the development goals for the Southern Palawan
7 Ecozone within the framework of national development plans, policies and
8 goals. The administrator shall, upon approval by the Board, submit the
9 Southern Palawan Ecozone plans, programs and projects to the Regional
10 Development Council for inclusion and inputs to the overall regional
11 development plan.

12 SEC. 23. *Relationship with Local Government Units.* – Except as
13 herein provided, the LGUs comprising the Southern Palawan Ecozone shall
14 retain their basic autonomy and identity. The municipalities of Balabac,
15 Bataraza and Brooke's Point shall operate and function in accordance with the
16 Local Government Code of 1991. In case of any conflict between the
17 SPEZFPA and the Province of Palawan on matters affecting the Southern
18 Palawan Ecozone other than defense and security matters, the decision of the
19 SPEZFPA shall prevail.

20 SEC. 24. *Interpretation/Construction.* – The powers, authorities and
21 functions that are vested in the SPEZFPA are intended to establish
22 decentralization of government functions and authority and promote an
23 efficient and effective working relationship among the Southern Palawan
24 Ecozone, the national government and the LGUs.

25 SEC. 25. *Auditing.* – The Commission on Audit shall appoint a
26 representative who shall be a full-time auditor of the SPEZFPA and assign
27 such number of personnel as may be necessary to assist said representative in
28 the performance of his/her duties.

1 The salaries and emoluments of the assigned auditor and personnel shall
2 be in accordance with pertinent laws, rules and regulations.

3 SEC. 26. *Separability Clause.* -- If any provision of this Act shall be
4 held unconstitutional or invalid, the other portions not otherwise affected shall
5 remain in full force and effect.

6 SEC. 27. *Repealing Clause.* -- All laws, executive orders or issuances,
7 or any part thereof which are inconsistent herewith are hereby repealed or
8 amended accordingly.

9 SEC. 28. *Effectivity Clause.* -- This Act shall take effect upon its
10 publication in at least one newspaper of general circulation.

Approved,