

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

7 FEB -7 27:56

SENATE

RECEIVED BY:

COMMITTEE REPORT NO. 275

Submitted jointly by the Committees on Economic Affairs; Local Government;
Ways and Means and Finance on FEB 07 2007.

Re: Senate Bill No. 2603 prepared by the Committees

Recommending its approval in substitution of House Bill No. 5309

Sponsor: Senator MAR Roxas

MR. PRESIDENT:

The Committees on Economic Affairs; Local Government; Ways and Means and Finance, to which was referred House Bill No. 5309, introduced by Representative Angara, entitled:


**“AN ACT
ESTABLISHING THE AURORA SPECIAL ECONOMIC ZONE AND
FREEPORT IN THE PROVINCE OF AURORA, CREATING FOR
THE PURPOSE THE AURORA SPECIAL ECONOMIC ZONE AND
FREEPORT AUTHORITY, APPROPRIATING FUNDS THEREFOR
AND FOR OTHER PURPOSES”**


have considered the same and have the honor to report it back to the Senate with the recommendation that the attached bill, S.B. No. 2603, prepared by the Committees, entitled:

**“AN ACT
ESTABLISHING THE AURORA SPECIAL ECONOMIC ZONE IN
THE PROVINCE OF AURORA, CREATING FOR THE PURPOSE
THE AURORA SPECIAL ECONOMIC ZONE AUTHORITY,
APPROPRIATING FUNDS THEREFOR AND FOR OTHER
PURPOSES”**


be approved in substitution of House Bill No. 5309 with Senators Roxas, Lim, ^{Jordan,} Recto and Drilon as authors thereof.

Respectfully submitted:



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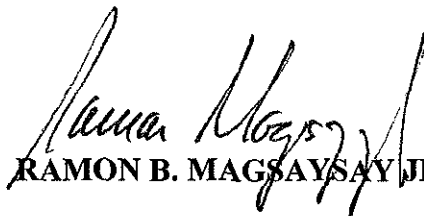
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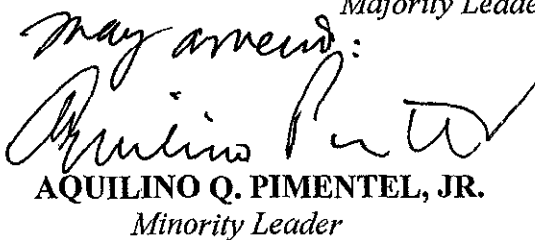
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SENATE

S. B. NO. **2603**
(In substitution of H. No. 5309)

Prepared by the Committees on Economic Affairs; Local Government; Ways and Means; and Finance with Senators MAR Roxas, Alfredo S. Lim, ~~Ralph G. Recto~~, and Franklin M. Drilon as authors thereof.

AN ACT
ESTABLISHING THE AURORA SPECIAL ECONOMIC ZONE IN THE PROVINCE OF AURORA, CREATING FOR THE PURPOSE THE AURORA SPECIAL ECONOMIC 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 “Aurora Special
2 Economic Zone Act of 2006.”

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

11 **Sec. 3. Creation of the Aurora Special Economic Zone.** – In pursuit of the
12 foregoing declared policy and subject to the concurrence of the concerned local
13 government units of Aurora affected by the zone, there is hereby established a Special
14 Economic Zone, hereinafter referred to as the Aurora Ecozone. The Aurora Ecozone shall
15 cover the entire area embraced by the barangays of Esteves, Dibet and Dibacong, all in
16 the municipality of Casiguran. The specific metes and bounds of the Aurora Ecozone
17 shall be based on the following technical description, provided that the lands embraced
18 therein shall be public lands:

**TECHNICAL DESCRIPTION OF THE PROPOSED
AURORA SPECIAL ECONOMIC ZONE AREA**

LOCATED AT: BRGYS: ESTEVES, DIBET & DIBACONG
MUNICIPALITY OF: CASIGURAN

PROVINCE OF: AURORA			
APPROX. AREA: 480 HAS.			
COR.	BEARING & DISTANCE		REMARKS
1-2	S 83 ⁰⁰ 'W	1,320 M	Cor. 1,2005 established GPS Survey Control Points
2-3	N 21 ⁰⁰ 'W	1,270 M	ON THE GROUND
3-4	N 55 ⁰⁰ 'E	3,000 M	ON THE GROUND
4-5	Following the Casiguran Bay in a gen. SE, NW, SW, SE Directions. 1,560 M S 41 ⁰⁰ 'W 1,500 M		Cor. 4, MOUTH OF DIBET RIVER Cor. 5, on the ground along the shoreline of CASIGURAN BAY

1 **Sec. 4. Governing Principles.** – The Aurora Special Economic Zone shall be
2 managed and operated by the Aurora Special Economic Zone Authority, herein referred
3 to as the ASEZA, created under Section 10 of this Act, under the following principles:

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

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

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

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

22 (e) The areas comprising the Aurora Ecozone may be expanded or reduced
23 when necessary. For this purpose, the ASEZA, in consultation with the local government

1 units, shall have the power to acquire either by purchase, negotiation or condemnation
2 proceedings, any private land within or adjacent to the Aurora Ecozone for the following
3 purposes: (a) consolidation of lands for Aurora Ecozone development; (2) acquisition of
4 right of way to the Aurora Ecozone; and (3) the protection of watershed areas and natural
5 assets valuable to the prosperity of the Aurora Ecozone.

6 (f) Goods manufactured by an Aurora Ecozone enterprise shall be made
7 available for immediate retail sale in the domestic market, subject to the payment of
8 corresponding taxes on raw materials and other regulations that may be formulated by the
9 ASEZA, together with the PEZA, the Bureau of Customs and the DTI. However, in
10 order to protect domestic industries, a Negative List of industries shall be drawn up and
11 regularly updated by PEZA. Enterprises engaged in industries included in such Negative
12 List shall not be allowed to sell their products locally.

13 (g) The national government shall maintain its ability to coordinate with the
14 Aurora Ecozone and the local government units.

15 **SEC. 5. *Incentives to Registered Enterprises*** – The Aurora Special Economic
16 Zone Authority (ASEZA) may administer the following incentives to the registered
17 enterprises located therein to the extent of the activity/project:

18 (A) **Income Tax Holiday (ITH).** – Registered enterprises shall be entitled to an
19 income tax holiday from the start of their commercial operations to the extent of their
20 activity under the following categories:

21 Category A – Registered domestic enterprise located in highly developed areas, as
22 determined by the Board of Investments (BOI), shall be entitled to a four-year
23 income tax holiday.

24 Category B – Registered domestic enterprise on the following shall be entitled to
25 a six-year income tax holiday:

26 (1) Located in less developed areas as defined by the BOI; or

27 (2) Producing/rendering new products/services or having strong backward
28 or forward linkages

29 Category C – Registered export enterprise shall be entitled to a six- year income
30 tax holiday: *Provided, however,* That if the export enterprise complies with the
31 following: (1) large capital investments or sizeable employment generation, or
32 (2) use high level of technology or (3) located outside Metro-Manila, it shall be
33 entitled to an eight-year income tax holiday.

34 Registered enterprises embarking on new investments that are listed in the current
35 Investment Priorities Plan (IPP) shall be entitled to incentives provided herein pertaining
36 to the new investments and subject to such terms and conditions as the BOI may
37 determine.

1 For this purpose, a registered enterprise shall be defined as any person, natural or
2 juridical, licensed to do business in the Philippines and registered with the Aurora Special
3 Economic Zone Authority (ASEZA) to transact business within the Aurora Special
4 Economic Zone. A registered export enterprise shall be defined as any registered
5 enterprise engaged directly or indirectly in the production, manufacture or trade of
6 products or services which earns at least seventy percent (70%) of its normal operating
7 revenues from the sale of its products or services abroad for foreign currency. A
8 registered domestic enterprise, meanwhile, shall be defined as any registered enterprise
9 not falling under the definition of a registered export enterprise.

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

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

22 The Bureau of Internal Revenue (BIR) shall require a registered enterprise
23 availing of ITH or Net Operating Loss Carryover (NOLCO) to secure a certificate of
24 eligibility from the ASEZA before submitting its income tax return (ITR) with ASEZA
25 for validation.

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

29 (B) Net Operating Loss Carryover (NOLCO). – Net operating loss of the
30 business or enterprise during the first three years from start of commercial operations
31 which have not been previously offset as deduction from gross income shall be carried
32 over as a deduction from gross income for the next five consecutive years immediately
33 following the year of such loss: *Provided however, That operating loss resulting from*
34 *availment of incentives provided in this Act shall not be entitled to NOLCO.*

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

37 (C) Imposition of a tax rate of five percent (5%) on Gross Income Earned (GIE). –
38 Except for real property tax on land, no local and national taxes as prescribed under

1 Republic Act No. 8424, also known as “The National Internal Revenue Code of 1997, as
2 Amended” such as income tax, excise tax, and franchise taxes, shall be imposed on
3 registered enterprises operating within the Aurora Ecozone. In lieu thereof, five percent
4 (5%) of the gross income earned shall be paid as follows:

5 (a) Three percent (3%) to the national government;

6 (b) Two percent (2%) shall be remitted by the business establishments to the
7 treasurer’s office of the municipality or city where the enterprise is located;

8 All persons and service establishments in the Aurora Ecozone shall be subject to
9 national and local taxes under the National Internal Revenue Code of 1997, as amended,
10 and the Local Government Code.

11 D. Accelerated Depreciation. – Accelerated depreciation of plant, machinery and
12 equipment that are reasonably needed and actually used for the production and transport
13 of goods and services may be allowed using a rate not exceeding twice the rate which
14 would have been used had the annual allowance been computed in accordance with the
15 rules and regulations prescribed by the Secretary of Finance and the provisions of the
16 National Internal Revenue Code (NIRC) of 1997, as amended.

17 E. Capital Equipment Incentives. – (1) Importations of capital equipment, spare
18 parts, tools and dye, or those required for pollution abatement and control, cleaner
19 production and waste reduction including consignment thereof by registered enterprises
20 upon the effectivity of this law, shall be exempted to the extent of one hundred percent
21 (100%) of the taxes and customs duties: *Provided*, That the imported items thereof shall
22 be used exclusively by the registered enterprise in its registered activity. *Provided*,
23 *further*, That the importation of machinery and equipment and accompanying parts shall
24 comply with the following conditions:

25 i. They are not manufactured domestically in sufficient quantity, of
26 comparable quality and at reasonable prices;

27 ii. They are reasonably needed and will be used exclusively by the registered
28 enterprise in the manufacture of its products, unless prior approval of the ASEZA
29 is secured for the part time utilization of said equipment in a non-registered
30 activity to maximize usage thereof or the proportionate taxes and duties are paid
31 on a specific equipment and machinery being permanently used for non-registered
32 activities; and

33 iii. Approval of the ASEZA was obtained by the registered enterprise for the
34 importation of such machinery, equipment and spare parts.

35 Approval of the ASEZA must be secured before any sale, transfer or disposition
36 of the imported capital equipment, machinery or spare parts is made: *Provided*, That if
37 such sale, transfer or disposition is made within the first five years from date of
38 importation, any of the following conditions must be present:

- 1 1) The same is made to another enterprise enjoying tax and duty
2 exemption on imported capital equipment;
- 3 2) The same is made to another enterprise, upon the payment of any taxes
4 and duties on the net book value of the capital equipment to be sold;
- 5 3) The exportation of the capital equipment, machinery, spare parts or
6 source documents or those required for pollution abatement and
7 control; or
- 8 4) Proven technical obsolescence of the said equipment, machinery or
9 spare parts.

10 When the aforementioned sale, transfer or disposition is made under any of the
11 conditions provided for in the foregoing paragraphs other than paragraph (2) herein, the
12 registered firm shall not pay the taxes and duties waived on such items: *Provided,*
13 *further,* That if the registered enterprises sell, transfer or dispose the aforementioned
14 imported items without prior approval within five years from the date of importation, the
15 registered enterprise and the vendee, transferee, or assignee shall be solidarily liable to
16 pay twice the amount of the tax and duty exemption given it: *Provided, finally,* That
17 even if the sale, transfer or disposition of the capital equipment, machinery or spare parts
18 is approved after five years from date of importation, the registered enterprises are still
19 liable to pay the taxes and duties based on the net book value of the capital equipment,
20 machinery or spare parts if any of the registration terms and conditions has been violated.
21 Otherwise, they shall no longer be subject to the payment of the taxes and duties waived
22 thereon.

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

27 The registered export-oriented enterprise shall be granted a tax credit equivalent
28 to the amount of duties that would have been waived on the machinery; capital
29 equipment; raw materials, supplies, parts and semi-finished products used in the
30 fabrication of machinery and capital equipment, had these items been imported, upon its
31 submission to the DOF of the bill of materials evidencing the transaction value of such
32 and other pertinent documents, for verification and proper endorsement.

33 The availment by a registered export enterprise of the incentive stated under the
34 immediately preceding two paragraphs shall be subject to the following conditions: (a)
35 That said capital equipment, machinery and spare parts will be used exclusively by the
36 registered enterprise in its registered activity; (b) That the capital equipment or
37 machinery where the raw materials, supplies, parts and semi-finished products were used
38 would have qualified for tax and duty-free importation; and (c) That the approval of the

1 ASEZA is obtained by the registered enterprise. If the registered enterprise sells, transfers
2 or disposes of these machineries, capital equipment and spare parts, the provision in the
3 preceding paragraphs for such disposition shall apply.

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

6 F. The importation of source documents by information technology-
7 registered enterprises shall be eligible for tax and duty free importation.

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

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

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

23 The availment of the incentives by the registered enterprise shall be subject to the
24 following: (a) that said breeding stocks and genetic materials would have been qualified
25 for tax and duty-free importation under the preceding paragraph; (b) that the breeding
26 stocks and genetic materials are reasonably needed in the registered activity; (c) that
27 approval of the ASEZA has been obtained by the registered enterprise; and (d) that the
28 purchase is made within ten (10) years from the date of registration of commercial
29 operation of the registered enterprise.

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

32 I. Exemption from Wharfage Dues. – The provisions of law to the contrary
33 notwithstanding, exports by a registered enterprise shall be exempted from wharfage
34 dues.

35 J. Deferred Imposition of the Minimum Corporate Income Tax. – The Minimum
36 Corporate Income Tax (MCIT) of two percent (2%) of the gross income as of the end of
37 the taxable year shall be imposed when the MCIT is greater than the income tax
38 computed under the NIRC of 1997, as amended, for the taxable year: *Provided, however*,

1 That said MCIT shall be imposed only after the enterprise's entitlement period to the
2 income tax-based incentives has expired

3 K. Tax Treatment of Merchandise in the Aurora Ecozone. --

- 4 a. Domestic merchandise sent from the Aurora Ecozone to areas outside the
5 said Ecozone shall, whether or not combined with or made part of other
6 articles likewise of local origin or manufactured in the Philippines while in
7 the export processing zone, be subject to internal revenue laws of the
8 Philippines as domestic goods sold, transferred or disposed of for local
9 consumption.
- 10 b. Merchandise sent from the Aurora Ecozone to areas outside the said
11 Ecozone shall, whether or not combined with or made part of other articles
12 while in the zone, be subject to rules and regulations governing imported
13 merchandise. The duties and taxes shall be based on the value of said
14 imported materials (except when the final product is exempt).
- 15 c. Articles produced or manufactured in the Aurora Ecozone and exported
16 therefrom shall, on subsequent importation into the customs territory, be
17 subject to the import laws applicable to like articles manufactured in a
18 foreign country.
- 19 d. Unless the contrary is shown, merchandise taken out of the Aurora
20 Ecozone shall be considered for tax purposes to have been sent to customs
21 territory.

22 L. Tax Treatment of Raw Materials and Capital Equipment in the Aurora
23 Ecozone. -- Importations of raw materials and capital equipment shall be treated as in the
24 Omnibus Investments Code

25 M. Importations of raw materials and capital equipment shall be treated as in the
26 Omnibus Investments Code. Registered export oriented enterprise shall have access to the
27 utilization of the bonded warehousing system in accordance with the rules and
28 regulations of the Bureau of Customs.

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

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

9 The said foreign nationals admitted under this provision, as well as their
10 respective spouses and dependents shall be exempt from: (a) obtaining alien certificate
11 of registration and immigration clearance certificates; and (b) securing the Alien
12 Employment Permit (AEP) and all types of clearances, permits, licenses or their
13 equivalents required by any government department or agency.

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

- 18 (1) He is at least eighteen (18) years of age;
- 19 (2) He has not been convicted of a crime involving moral turpitude;
- 20 (3) He is not afflicted with any loathsome, dangerous or contagious disease; and
- 21 (4) He has not been institutionalized for any mental disorder or disability.

22 *Provided, further,* That in securing the investor's visa, the alien-applicant shall be entitled
23 to the same privileges provided for under paragraph (M), Section 5 hereof.

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

29 **Sec. 7. Administration, Implementation and Monitoring of Incentives.** – The
30 ASEZA shall be responsible for the administration and implementation of the incentives
31 granted to its respective registered enterprises: *Provided, That* any incentive
32 administration policy adopted by the BOI for registered enterprises shall be uniformly
33 applied by ASEZA.

34 The following are the duties and responsibilities of the ASEZA in the
35 administration of incentives:

- 36 (A) To adopt consistent procedures of administering incentives in accordance
37 with the guidelines established by the BOI;

1 (B) To adopt and implement systems and procedures affecting trade and
2 customs policies in accordance with the requirements established by the
3 Department of Finance (DOF) and the BOI;

4 (C) To submit information on registered enterprises to the DOF and the BOI as
5 required by any of these agencies to ascertain consistency of investment
6 policies and incentives, including their implementation as provided in
7 paragraph (a) herein, and to ensure proper implementation of systems and
8 procedures affecting trade and customs policies as provided in paragraph (b)
9 herein; and

10 (D) To perform all other duties and responsibilities as may be required by the
11 President of the Philippines.

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

16 **Sec. 8. Extension of Period of Availment.** – The availment period of the
17 incentives provided herein may be extended by ASEZA, in the event that the registered
18 enterprise suffers operational *force majeure* or any event equivalent thereto, impairing its
19 viability, provided that the availment period shall not exceed the duration of the said
20 *force majeure* or equivalent event.

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

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

27 The industries exempted from this provision shall be recommended by BOI, with
28 the concurrence of the Secretaries of the Department of Finance and Trade and Industry.

29 **Sec. 10. Creation of the Aurora Special Economic Zone Authority.** – There is
30 hereby created a body corporate to be known as the Aurora Special Economic Zone
31 Authority, hereinafter referred to as the ASEZA, which shall manage and operate, in
32 accordance with the provisions of this Act, the Aurora Special Economic Zone. This
33 corporate franchise shall expire in fifty (50) years counted from the first day of the fifth
34 (5th) calendar year after the effectivity of this Act, unless otherwise extended by
35 Congress. It shall be organized within one hundred eighty (180) days after the effectivity
36 of this Act.

37 **Sec. 11. Principal Office of ASEZA.** – The Aurora Special Economic Zone
38 Authority shall maintain its principal office in the Municipality of Casiguran, but it may

1 establish branches within the Philippines as may be necessary for the proper conduct of
2 its business.

3 **SEC. 12. Powers and Functions of the Aurora Special Economic Zone**

4 **Authority.** – The Aurora Special Economic Zone Authority shall have the following
5 powers and functions:

- 6 (a) To operate, administer, manage and develop the Aurora Ecozone according to
7 the principles and provisions set forth in this Act;
- 8 (b) To register, regulate and supervise the enterprises in the Aurora Ecozone in
9 an efficient and decentralized manner, subject to existing laws;
- 10 (c) To coordinate with local government units and exercise general supervision
11 over the development plans, activities and operations of the Aurora Ecozone;
- 12 (d) To regulate and undertake the establishment, operation and maintenance of
13 utilities, other services and infrastructure in the Aurora Ecozone such as but
14 not limited to heat, light and power, water supply, telecommunications,
15 transport, toll roads and bridges, port services, etc. and to fix just, reasonable
16 and competitive rates, fares, charges and prices thereof;
- 17 (e) To construct, acquire, own, lease, operate and maintain on its own or through
18 contracts, franchise, licenses, bulk purchase from the private sector or permits
19 under any of the schemes allowed in Republic Act No. 6957 (the Build-
20 Operate-Transfer Law, as amended by RA 7718), or joint venture, adequate
21 facilities and infrastructure required or needed for the operation and
22 development of the Aurora Ecozone, in coordination with appropriate
23 national and local government authorities and in conformity with applicable
24 laws thereon;
- 25 (f) To operate on its own, either directly or through a license to other tourism-
26 related activities, including games, amusements, recreational and sports
27 facilities;
- 28 (g) Subject to the approval of the President and the Monetary Board of the
29 Bangko Sentral ng Pilipinas upon the recommendation of the Department of
30 Finance, to raise or borrow adequate and necessary funds from local or
31 foreign sources to finance its projects and programs under this Act, and for
32 that purpose to issue bonds, promissory notes, and other forms of securities,
33 and to secure the same by a guarantee, pledge, mortgage, deed of trust, or an
34 assignment of all or part of its property or assets;
- 35 (h) To protect, preserve, maintain and develop the virgin forests, beaches, coral
36 and coral reefs and maintain ecological balance within the Aurora Ecozone;
- 37 (i) To create, operate and/or contract to operate such functional units of offices
38 of the ASEZA as it may deem necessary;

- 1 (j) To adopt, alter and use a corporate seal; make contracts, leases, own, or
2 otherwise dispose of personal or real property; sue and be sued; and otherwise
3 carry out its functions and duties as provided for in this Act;
- 4 (k) To issue certificates of origin for products manufactured or processed in the
5 Aurora Ecozone in accordance with prevailing rules of origin, and the
6 pertinent regulations of the PEZA, DTI and/or the Department of Finance
7 (DOF);
- 8 (l) To issue working visas renewable every two (2) years to foreign executives
9 and foreign technicians with highly specialized skills which no Filipinos
10 possesses, as certified by the Department of Labor and Employment;
- 11 (m) To report to the Bureau of Immigration the names of the foreigners who have
12 been granted permanent resident status and working visas within thirty (30)
13 days after issuance of such grant;
- 14 (n) To exercise such powers as maybe essential, necessary or incidental to the
15 powers granted to it hereunder as well as those that shall enable it to carry
16 out, implement and accomplish the purposes, objectives and policies of this
17 Act; and
- 18 (o) To issue rules and regulations consistent with the provisions of this Act as
19 maybe necessary to accomplish and implement the purposes, objectives and
20 policies provided herein.

21 **Sec. 13. *Banking Rules and Regulations.*** – Existing laws and rules/regulations of
22 the *Bangko Sentral ng Pilipinas* (BSP) shall apply to banks and financial institutions to
23 be established in the Aurora Ecozone, such as those governing foreign exchange and
24 other concurrent account transactions (trade and non-trade), local and foreign borrowings,
25 foreign investments, establishment and operation of local and foreign banks, foreign
26 currency deposit units, offshore banking units and other financial institutions under the
27 supervision of the BSP.

28 **Sec. 14. *Remittance of Earnings.*** – In the case of foreign investments, a
29 registered enterprise in the ASEZA shall have the right to remit earnings from the
30 investment in the currency in which the investment was originally made and at the
31 exchange rate prevailing at the time of remittance, subject to the provisions of Section 74
32 of Republic Act No. 265, as amended.

33 **Sec. 15. *Board of Directors of the Aurora Special Economic Zone Authority.*** –
34 The powers of the Aurora Special Economic Zone Authority shall be vested in and
35 exercised by a Board of Directors, hereinafter referred to as the Board, which shall be
36 composed of the following:

- 37 a) The Chairman who shall, at the same time be the administrator of the ASEZA;
38 b) A Vice-Chairman who shall come from among the members of the Board;

1 c) Members consisting of:

2 (1) The Governor of the Province of Aurora;

3 (2) The Congressional Representative of the district covering the site of
4 the Aurora Ecozone;

5 (3) The mayor of the Municipality of Casiguran, Province of Aurora;

6 (4) One (1) representative from the domestic investors;

7 (5) One (1) representative from the foreign investors; and

8 (6) Two (2) representatives from the workers working in Aurora Ecozone.

9 The Governor, the Congressional representative and the mayor of the
10 Municipality of Casiguran, Province of Aurora shall serve as *ex-officio* members of the
11 Board, whose term in the Board corresponds to their term as elected officials.

12 The Chairman and the members of the Board, except the *ex-officio* members, shall
13 be appointed by the President of the Philippines to serve for a term of six (6) years, unless
14 sooner separated from service due to death, voluntary resignation, or removal for cause.
15 In case of death, resignation or removal for cause, the replacement shall serve only the
16 unexpired portion of the term.

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

23 The Members of the Board shall each receive *per diem* at rate to be determined by
24 the Department of Budget and Management in accordance with existing rules and
25 regulations: *Provided, however,* That the total *per diem* collected each month shall not
26 exceed the equivalent *per diem* for four (4) meetings. Unless and until the President of
27 the Philippines has fixed a higher *per diem* for the members of the board, such *per diem*
28 shall not be more than ten thousand pesos (P10,000.00) for every Board meeting.

29 **Sec. 16. Powers and Duties of the Chairman-Administrator.** – The Chairman-
30 Administrator shall have the following powers and duties:

31 a) To direct and manage the affairs of the ASEZA in accordance with the
32 policies of the Board;

33 b) To establish the internal organization of the ASEZA under such
34 conditions that the Board may prescribe;

35 c) To submit an annual budget and necessary supplemental budget to the
36 Board for its approval;

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

- 1 e) To submit to the Board for its approval policies, systems, procedures,
2 rules and regulations that are essential to the operation of the Aurora
3 Ecozone;
- 4 f) To create a mechanism in coordination with relevant agencies for the
5 promotion of industrial peace, the protection of the environment, and
6 the advancement of the quality of life in the Aurora Ecozone; and
- 7 g) To perform such other duties as may be assigned to him by the Board or
8 which are necessary or incidental to his office.

9 **Sec. 17. *Organization and Personnel.*** – The Board of Directors of the ASEZA
10 shall provide for an organization and staff of its officers and employees. Upon
11 recommendation of the Chairman-Administrator, the Board shall appoint and fix the
12 remuneration and other emoluments of its officers and employees in accordance with
13 existing laws on compensation and position classification: *Provided, That the Board*
14 *shall have exclusive and final authority to promote, transfer, assign or reassign officers of*
15 *the ASEZA, any provision of existing law to the contrary notwithstanding: Provided,*
16 *further, That the Chairman-Administrator may carry out removal of such officers and*
17 *employees.*

18 The officers and employees of the ASEZA, including all Members of the Board,
19 shall not engage directly or indirectly in partisan activities nor take part in any election,
20 except to vote.

21 No officer or employee of the ASEZA, subject to Civil Service laws and
22 regulations, shall be removed or suspended except for cause, as provided by law.

23 **Sec. 18. *Ipsa Facto Clause.*** – Sections 30-41 of Republic Act 7916, shall *ipso*
24 *facto* apply to the Aurora Special Economic Zone.

25 **Sec. 19. *Capitalization.*** – The Aurora Special Economic Zone Authority shall
26 have an authorized capital stock of One Billion (1,000,000,000) no par shares with a
27 minimum issue of Ten Pesos (P10.00) each, the majority shares of which shall be
28 subscribed and paid for by the National Government and the Local Government Units
29 (LGUs) embracing the Aurora Special Economic Zone. The Board of Directors of the
30 ASEZA may, with the written concurrence of the Secretary of Finance, sell shares,
31 representing not more than forty per centum (40%) of the capital stock of the ASEZA to
32 the general public under such policy as the Board and the Secretary of Finance may
33 determine. The National Government and the LGUs shall in no case own less than sixty
34 per centum (60%) of the total issued and outstanding capital of the Aurora Special
35 Economic Zone Authority.

36 The amount necessary to subscribe and pay for the shares of the National
37 Government to the capital stock of the ASEZA shall be included in the Annual General

1 Appropriations Act. For LGUs, the funds shall be taken from their internal revenue
2 allotment and other local funds

3 **Sec. 20. *Supervision.*** – The Aurora Special Economic Zone shall be under the
4 direct control and supervision of the Philippine Economic Zone Authority (PEZA) for
5 purposes of policy direction and coordination

6 **Sec. 21. *Relationship with the Regional Development Council.*** – The Aurora
7 Special Economic Zone Authority shall determine the development goals for the Aurora
8 Ecozone within the framework of national development plans, policies and goals. The
9 Administrator shall, upon approval by the Board, submit the Aurora Ecozone plans,
10 programs and projects to the Regional Development Council for inclusion and inputs to
11 the overall regional development plan.

12 **Sec. 22. *Relationship with Local Government Units.*** – Except as herein
13 provided, the local government units comprising the Aurora Special Economic Zone shall
14 retain their basic autonomy and identity. The barangays of Esteves, Dibet and Dibacong,
15 all in the municipality of Casiguran shall operate and function in accordance with the
16 Local Government Code of 1991. In case of any conflict between the ASEZA and the
17 Province of Aurora on matters affecting the Aurora Ecozone other than defense and
18 security matters, the decision of the ASEZA shall prevail.

19 **Sec. 23. *Interpretation/Construction.*** – The powers, authorities and functions
20 that are vested in the ASEZA are intended to decentralize governmental functions and
21 authority and promote an efficient and effective working relationship between the Aurora
22 Ecozone, the NG, and the local government units.

23 **Sec. 24. *Auditing.*** – The Commission on Audit shall appoint a representative
24 who shall be a full time auditor of the ASEZA and assign such number of personnel as
25 may be necessary to assist said representative in the performance of his/her duties. The
26 salaries and emoluments on the assigned auditor and personnel shall be in accordance
27 with pertinent laws, rules and regulations.

28 **Sec. 25. *Separability Clause.*** – If any provisions of this Act shall be held
29 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full
30 force and effect.

31 **Sec. 26. *Repealing Clause.*** – All laws, executive orders and issuances, or any
32 parts thereof, which are inconsistent herewith are hereby repealed or amended
33 accordingly.

34 **Sec. 27. *Effectivity Clause.*** – This Act shall take effect upon its publication in at
35 least one (1) newspaper of general circulation.

Approved,