

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

9 OCT 14 P4:09

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SENATE

COMMITTEE REPORT NO. 716

Submitted jointly by the Committees on Economic Affairs and Ways and Means on OCT 14 2009

Re : Senate Bill No. 3169.

Recommending its approval with amendments.

Sponsors: Senators Defensor Santiago and Roxas

MR. PRESIDENT :

The Committee on Economic Affairs, joint with the Committee on Ways and Means, to which was referred Senate Bill No. 3169, introduced by Senator Miriam Defensor Santiago, entitled:

**“AN ACT
ESTABLISHING A SPECIAL ECONOMIC ZONE AND FREE PORT IN THE
PROVINCE OF ILOILO”**

have considered the same and have the honor to report it back to the Senate and that it be approved with the following amendments:

1. On page 1, line 12, Section 2 entitled “Declaration of Policy”, remove the small letter “s” in the word “establishments,” before the phrase “among others”, to read **ESTABLISHMENT;**

On the same page, line 15, Section 3, delete the phrase “and Free Port” in the title. It shall now read: **THE ILOILO SPECIAL ECONOMIC ZONE;**

On the same page and section, line 16, delete the phrase “and free port”, before the phrase “a special economic zone”; on line 17, before the title “Iloilo Special Economic Zone”, delete the word “here”, and in lieu thereof, insert the word **HEREINAFTER;**

Still on the same page, after the word “cover”, delete the entire line 18 and change it to the following: **BARANGAY PEDADA AND BARANGAY BAY-ANG, BOTH IN THE MUNICIPALITY OF AJUY, PROVINCE OF ILOILO. THERE SHALL ALSO BE A FREE PORT TO BE ESTABLISHED AT THE 20.8 HECTARE ILOILO COMMERCIAL PORT COMPLEX.**

Still on the same page, line 22, capitalize the small letter “c” of the word “code”, so the whole phrase shall now read **LOCAL GOVERNMENT CODE.**

2. On page 2, line 18, sub-paragraph (E), delete the acronym SEZA, and in lieu thereof, insert **ILOILO SPECIAL ECONOMIC ZONE AUTHORITY (ISEZA)**; on lines 24 and 25, Section 5, insert "Iloilo" before "Special Economic Zone Authority and change the acronym "SEZA" enclosed in parentheses, to **ISEZA**. Thus, an omnibus amendment shall be made on all parts hereof, referring to the Iloilo Special Economic Zone (ISEZA).

3. On page 3, line 3, Category B, delete the word "on" after "enterprises" and insert the phrase **THAT FIT**; also add the "criteria", after the word "following". So now it reads: **CATEGORY B – REGISTERED DOMESTIC ENTERPRISES THAT FIT THE FOLLOWING CRITERIA SHALL BE ENTITLED TO A SIX-YEAR INCOME TAX HOLIDAY.**

Still on the same page, Category C, line 10, delete number "(3)" including the phrase "located outside Metro Manila", on line 11.

4. On page 8 of the same section, line 20, add capital letter **P** in the word resident to mean **PRESIDENT**.

5. On page 9, Section 6, on letter (D) of line 15, delete the word "institutionalized" and replace it with the word **DIAGNOSED**. It now reads: **(D) HE HAS NOT BEEN DIAGNOSED FOR ANY MENTAL DISORDER OR DISABILITY.**

6. On page 10, Section 8, line 1, interchange the words "body" and "corporate" to read **CORPORATE BODY**.

7. On page 12, Section 9, letter (K), line 2, after the word "provided", insert the following: **IN COORDINATION WITH THE PHILIPPINE EXPORT ZONE AUTHORITY (PEZA) AND THE BUREAU OF CUSTOMS (BOC).**

Letter (K) now reads: **TO ISSUE RULES AND REGULATIONS CONSISTENT WITH THE PROVISIONS OF THIS ACT AS MAY BE NECESSARY TO IMPLEMENT AND ACCOMPLISH THE PURPOSES, OBJECTIVES AND POLICIES HEREIN PROVIDED IN COORDINATION WITH THE PHILIPPINE EXPORT ZONE AUTHORITY (PEZA) AND THE BUREAU OF CUSTOMS (BOC);**

Still on the same page, Section 10, line 9, before the phrase "composed of", delete "eighteen (18) members to wit", in lieu of the phrase **THE FOLLOWING**.

The introductory statement of Section 10 now reads: **THE POWERS OF ISEZA SHALL BE VESTED IN AND EXERCISED BY A BOARD OF DIRECTORS, HEREINAFTER REFERRED TO AS THE BOARD, WHICH SHALL BE COMPOSED OF THE FOLLOWING:**

On line 18 of the same page, number (5), delete the word "Four" along with the figure after it, replacing it with **TWO (2)**; between lines 18 and 19, on the same page and section, add the following subsection, making it number (6): **ONE (1) REPRESENTATIVE FROM THE WORKERS WORKING IN THE ZONE.**

8. On page 13, line 3, before the word "Board," delete the word "whether" and replace it with **EXCEPT**; also delete the following on lines 3 and 4: "or chosen by the Board to represent the Industry sector in Iloilo Province".

The paragraph now reads: **ALL MEMBERS OF THE BOARD EXCEPT *EX OFFICIO* MEMBERS SHALL BE APPOINTED BY THE PRESIDENT OF THE PHILIPPINES. TO SERVE FOR A TERM OF SIX (6) YEARS. IN CASE OF DEATH, RESIGNATION OR REMOVAL FOR CAUSE, THE REPLACEMENT SHALL SERVE ONLY THE UNEXPIRED PORTION OF THE TERM.**

9. On the same page, delete lines 7 to 12. In lieu thereof, insert the following paragraph: **ALL MEMBERS OF THE BOARD, EXCEPT *EX OFFICIO* MEMBERS SHALL BE APPOINTED BY THE PRESIDENT OF THE PHILIPPINES TO SERVE FOR A TERM OF SIX (6) YEARS. IN CASE OF DEATH, RESIGNATION OR REMOVAL FOR CAUSE, THE REPLACEMENT SHALL SERVE ONLY THE UNEXPIRED PORTION OF THE TERM.**

On the same page, Section 11, after line 25, add the proviso: **PROVIDED, THAT NO PERSON SHALL BE APPOINTED AS ADMINISTRATIVE AND EXECUTIVE OFFICER UNLESS HE IS A FILIPINO CITIZEN, OF GOOD MORAL CHARACTER, OF PROVEN PROBITY AND INTEGRITY, AND A DEGREE HOLDER IN ANY OF THE FOLLOWING FIELDS: ECONOMICS, BUSINESS, PUBLIC ADMINISTRATION, LAW, MANAGEMENT OR THEIR EQUIVALENT, AND WITH AT LEAST (10) YEARS RELEVANT WORKING EXPERIENCE PREFERABLY IN THE FIELD OF MANAGEMENT OR PUBLIC ADMINISTRATION.**

On the same page, Section 12, line 27, change the figure 2,000,000,000 in parentheses to **(1,000,000,000)**.

10. On page 14, line 9, after the phrase "national government", insert the following: **AND THE LOCAL GOVERNMENT UNITS.**

On the same page, Section 13, line 13, before the article "the", delete "Office of the President" and replace it with **PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA)**; delete also the following on lines 14 and 15, before the word "coordination": **IN THE MEANTIME THAT THE AGENCY TASKED WITH THE COORDINATION OF SPECIAL ECONOMIC ZONES IS NOT YET IN PLACE.**

Still on the same page, line 26, replace the acronym "MITSEZA" with **ISEZA**.

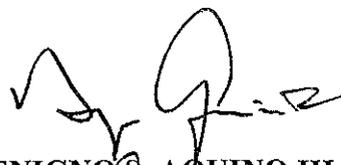
11. Finally, the title "AN ACT ESTABLISHING A SPECIAL ECONOMIC ZONE AND FREE PORT IN THE PROVINCE OF ILOILO", shall now be changed to: **"AN ACT ESTABLISHING A SPECIAL ECONOMIC ZONE AND FREE PORT IN THE PROVINCE OF ILOILO, AND FOR OTHER PURPOSES"**.

Respectfully submitted:


MIRIAM DEFENSOR SANTIAGO
Chair, Committee on Economic Affairs

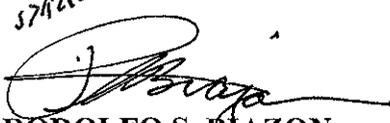
PANFILO M. LACSON
Chair, Committee on Ways and Means

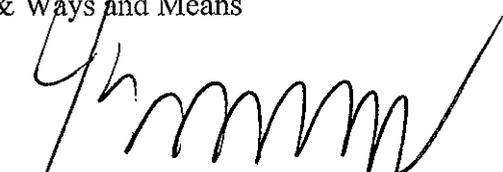

MAR ROXAS
Vice-Chair, Committee on Economic Affairs
Member, Committee on Ways & Means


BENIGNO S. AQUINO III
Member, Committees on Economic Affairs
& Ways and Means

Members:

*but RESOLUTION
ON THE PROPOSED
MAY INTERMEDIATE* 5/12/16


RODOLFO S. BIAZON
Member, Committees on Economic Affairs
& Ways and Means

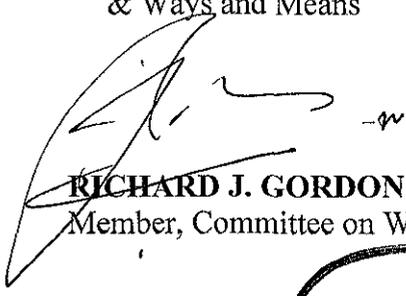

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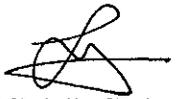
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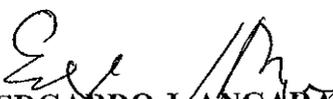

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Ex-Officio Members:

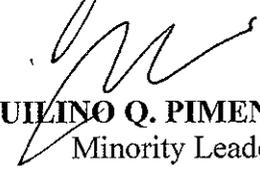


JINGGOY EJERCITO ESTRADA

President Pro-Tempore

JUAN MIGUEL F. ZUBIRI

Majority Leader

May amend:

AQUILINO Q. PIMENTEL JR.

Minority Leader

HON. JUAN PONCE ENRILE

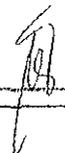
President

Senate of the Philippines

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

9 APR 20 P 2 :25

SENATE
S. B. No. 3169

RECEIVED BY: 

Introduced by Senator Miriam Defensor Santiago

1 AN ACT
2 ESTABLISHING A SPECIAL ECONOMIC ZONE
3 AND FREE PORT IN THE PROVINCE OF ILOILO

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

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

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

15 SECTION 3. *The Iloilo Special Economic Zone and Free Port.* – In accordance with the
16 foregoing declared policy, there is hereby established a special economic zone and free port, to
17 be known as the Iloilo Special Economic Zone, here referred to as the Zone, which shall cover
18 the entire area embraced by the Province of Iloilo.

19 SECTION 4. *Governing Principle.* – The Iloilo Special Economic Zone shall be managed
20 and operated under the following principles:

21 (A) Under the framework and limitations of the Constitution and the applicable
22 provisions of the Local Government code, the Zone shall be developed into and operated as a

1 self-sustaining industrial, commercial, financial, investment, and tourism/recreational center and
2 free port with suitable retirement/residential areas, in order to create employment opportunities
3 in and around the Zone, and to effectively encourage and attract legitimate and productive
4 foreign investments therein;

5 (B) The Iloilo Ecozone shall be provided with transportation, telecommunications and
6 other facilities needed to attract legitimate and productive investments, generate linkage
7 industries and employment opportunities for the people of Iloilo and its neighboring towns and
8 cities;

9 (C) The Iloilo Ecozone may establish mutually beneficial economic relations with other
10 entities or enterprises within the country or, subject to the administrative guidance of the
11 Department of Foreign Affairs (DFA), the Philippine Economic Zone Authority (PEZA) and/ or
12 the Department of Trade and Industry (DTI), with foreign entities or enterprises;

13 (D) Foreign citizens and companies owned by non-Filipinos in whatever proportions may
14 set up enterprises in the Iloilo Ecozone, either by themselves or in joint venture with Filipinos in
15 any sector of industry, international trade and commerce within the Iloilo Ecozone.

16 (E) Goods manufactured by an Iloilo Ecozone enterprise shall be made for immediate
17 retail sale in the domestic market, subject to the payment of corresponding taxes on raw
18 materials and other regulations that may be formulated by the SEZA, together with the PEZA,
19 the Bureau of Customs, and the DTI. However, in order to protect domestic industries, a negative
20 list of industries shall be drawn up and regularly updated by the PEZA. Enterprises engaged in
21 industries included in such negative list shall be allowed to sell their products locally;

22 (F) The national government shall maintain its ability to coordinate with the Iloilo
23 Ecozone and the local government units.

24 SECTION 5. *Incentives to Registered Enterprises.* – The Special Economic Zone
25 Authority (SEZA) may administer the following incentives to the registered enterprises located
26 therein to the extent of the activity/ project:

27 (A) Income Tax Holiday (ITH) – Registered domestic enterprises shall be entitled to an
28 income tax holiday from the start of their commercial operations to the extent of their activity
29 under the following categories:

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

3 Category B – *Registered domestic enterprises on the following shall be entitled to a six-*
4 *year income tax holiday;*

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

6 (2) Producing/ rendering new products/ services or having strong backward or
7 forward linkages.

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

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

15 For this purpose, a registered enterprise shall be defined as any person, natural or
16 juridical, licensed to do business in the Philippines and registered with the Special Economic
17 Zone Authority (SEZA) to transact business within the Iloilo Special Economic Zone. A
18 registered export enterprise shall be defined as any registered enterprise engaged directly or
19 indirectly in the production, manufacture or trade of products or services which earns at least
20 seventy percent (70%) of its normal operating revenues from the sale of its products or services
21 abroad for foreign currency. A registered domestic enterprise, meanwhile, shall be defined as any
22 registered enterprise not falling under the definition of a registered export enterprise.

23 Additional investments on the project shall be entitled to the income tax holidays
24 corresponding to such investments as may be determined by the BOI. Additional income tax
25 holiday may be granted for as long as the investment is made on the same project; *Provided,*
26 *That the project is listed in the IPP at the same time the additional investment in the project is*
27 *made; Provided, further, That the entitlement period for additional investment shall not exceed*
28 *three times the period provided under this subsection; Provided, however, that the total ITH*
29 *period for an export enterprise availing of an eight-year ITH shall not exceed twenty (20) years.*

1 Any unused incentives shall therefore be deemed forfeited if not used during the incentive
2 period.

3 Enterprises registered with the SEZA are required to share in the special development
4 fund of the BOI for investment promotion projects of the government equivalent to one (1%0 of
5 the ITH granted for every application.

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

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

12 (B) Net Operating Loss Carryover (NOLCO). -- Net operating loss of the business or
13 enterprise during the first three years from the start of commercial operations which have not
14 been previously offset as deduction from gross income shall be carried over as a deduction from
15 gross income for the next five consecutive years immediately following the year of such loss;
16 *Provide, however,* That operating loss resulting from availment of incentives provided in this Act
17 shall not be entitled to NOLCO.

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

20 (C) Imposition of a tax rate of five percent (5%) on Gross Income Earned (GIE) – Except
21 for real property tax on land, no local and national taxes as prescribed under Republic Act No.
22 8424, also known as “The National Internal Revenue Code of 1997, as Amended” such as
23 income tax, excise tax and franchise taxes, shall be imposed on registered enterprises operating
24 within the Iloilo Ecozone. In lieu thereof, five percent (5%) of the gross income earned shall be
25 paid as follows:

26 (1) Three percent (3%) to the National Government; and

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

1 All persons and service establishments in the Iloilo Ecozone shall be subject to national
2 and local taxes under the National Internal Revenue Code of 1997, as amended, and the Local
3 Government Code.

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

10 (E) Capital Equipment Incentives. – (1) Importation of capital equipment, spare parts,
11 tools and dye or those required for pollution abatement and control, cleaner production and waste
12 reduction including consignment thereof by registered enterprises upon effectivity of this law,
13 shall be exempted to the extent of one hundred percent (100%) of the taxes and customs duties;
14 *Provided, That the imported items thereof shall be used exclusively by the registered enterprise*
15 *in its registered activity; Provided, futher, That the importation of machinery and equipment and*
16 *accompanying parts shall comply with the following conditions:*

17 (1) They are not manufactured domestically in sufficient quantity, of comparable
18 quality and at reasonable prices;

19 (2) They are reasonably needed and will be used exclusively by the registered
20 enterprise in the manufacture of its products, unless prior approval of the SEZA is secured for
21 the part time utilization of said equipment in a non-registered activity to maximize usage thereof
22 or the proportionate taxes and duties are paid on a specific equipment and machinery being
23 permanently used for non-registered activities; and

24 (3) Approval of the SEZA was obtained by the registered enterprise for the
25 importation of such machinery, equipment and spare parts. Approval by the SEZA must be
26 secured before any sale, transfer or disposition of the imported capital equipment, machinery or
27 spare parts is made; *Provided, That if such sale, transfer or disposition is made within the first*
28 *five years from date of importation, any of the following conditions must be present:*

1 (a) The same is made to another enterprise enjoying tax and duty exemption on
2 capital equipment;

3 (b) The same is made to another enterprise, upon the payment of any taxes and duties
4 on the net book value of the capital equipment to be sold;

5 (c) The exportation of the capital equipment, machinery, spare parts or source
6 documents or those required for pollution abatement and control, or

7 (d) Proven technical obsolescence of the said equipment, machinery or spare parts.

8 When the aforementioned sale, transfer or disposition is made under any of the conditions
9 provided for in the foregoing paragraph other than paragraph (2) herein, the registered firm shall
10 not pay the taxes and duties waived on such items; *Provided, further*, that if the registered
11 enterprise shall sell, transfer or dispose the aforementioned imported items without prior
12 approval within five years from the date of importation, the registered enterprise and the vendee,
13 transferee or assignee shall be solidarily liable to pay twice the amount of taxes and duties based
14 on the net book value of the capital equipment, machinery or spare parts if any of the registration
15 terms and conditions has been violated. Otherwise, they shall no longer be subject to the
16 payment of the taxes and duties waived thereon.

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

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

27 The availment by a registered export enterprise of the incentive stated under the
28 immediately preceding two paragraphs shall be subject to the following conditions: (i) that said
29 capital equipment, machinery and spare parts will be used exclusively by the registered

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

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

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

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

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

20 (H) Exemption from Wharfage Dues. – The provisions of law to the contrary
21 notwithstanding, exports by a registered enterprise shall be exempted from wharfage dues.

22 (I) Deferred Imposition of the Minimum Corporate Income Tax. – The Minimum
23 Corporate Income Tax (MCIT) of two percent (2%) of the gross income as of the end of the
24 taxable year shall be imposed when the MCIT is greater than the income tax computed under the
25 NIRC of 1997, as amended, for the taxable year; *Provided, however,* That the MCIT shall be
26 imposed only after the enterprise's entitlement period to the income tax-based incentives has
27 expired.

28 (J) Tax Treatment of Merchandise in the Iloilo Ecozone. – (1) Domestic merchandise sent
29 from the Iloilo Ecozone to areas outside the said ecozone shall, whether or not combined with or

1 made part of other articles likewise of local origin or manufactured in the Philippines while in
2 the export processing zone, be subject to internal revenue laws of the Philippines as domestic
3 goods sold, transferred or disposed of for local consumption.

4 (2) Merchandise sent from the Iloilo Ecozone to areas outside the said ecozone shall,
5 whether or not combined with or made part of other articles while in the zone, be subject to rules
6 and regulations governing imported merchandise. The duties and taxes shall be based on the
7 value of said imported materials (except when the final product is exempt).

8 (3) Articles produced or manufactured in the Iloilo Ecozone and exported therefrom
9 shall, on subsequent importation into the customs territory, be subject to the import laws
10 applicable to like articles manufactured in a foreign country.

11 (4) Unless the contrary is shown, merchandise taken out of the Iloilo Ecozone shall be
12 considered for tax purposes to have been sent to customs territory.

13 (K) Tax Treatment of Raw Materials and Capital Equipment in the Iloilo Ecozone. –
14 Importation of raw materials and capital equipment shall be treated as in the *Omnibus Investment*
15 *Code*.

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

25 Foreign nationals under employment contract within the purview of this incentive, their
26 spouses and unmarried children under twenty one (21) years of age, who are not excluded by
27 Section 29 of Commonwealth Act No. 613, as amended, shall be permitted to enter and reside in
28 the Philippines during the period of employment of such foreign nationals. They shall be entitled
29 to a multiple entry visa, valid for a period of three (3) years, and shall be allowed to enter and

1 leave the Philippines without further documentary requirements other than valid passports or
2 other travel documents in the nature of passports. The validity of the multiple entry visa shall be
3 extendible yearly.

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

9 SECTION 6. *Incentives to Investors.* – Any foreign national covered under Subsection
10 (L) of Section 5 of this Act, who invests an amount of US \$ 150,000.00, either in cash and/or
11 equipment, in a registered enterprise shall be entitled to an investor's visa: *Provided, That,*

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

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

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

15 (D) He has not been institutionalized for any mental disorder or disability.

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

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

23 SECTION 7. *Duration of Incentives.* – Enterprises registered with the SEZA may enjoy
24 ITH or NOLCO granted by the latter prior to the availment of the five percent (5%) GIE.

25 Fiscal incentives under this Act shall be terminated after a cumulative period of twenty
26 (20) years from the date of registration or start of commercial operation, whichever is applicable,
27 except that it could be extended with regard to industries deemed indispensable to national
28 development. The industries exempted from this provision shall be recommended by the BOI,
29 with the concurrence of the Secretaries of the Departments of Finance and Trade and Industry.

1 SECTION 8. *Creation of the Special Economic Zone Authority.* – A body corporate to be
2 known as the Special Economic Zone Authority, hereinafter referred to as SEZA, is hereby
3 created to manage and operate, in accordance with the provisions of this Act, the Special
4 Economic Zone and Free Port. This corporate franchise shall expire fifty (50) years counted from
5 the first day of the fifth (5th) calendar year after the effectivity of this Act, unless otherwise
6 extended by Congress.

7 SECTION 9. *Powers and Functions of the Special Economic Zone Authority.* – The
8 Special Economic Zone Authority shall have the following powers and functions:

9 (A) To adopt, alter, use a corporate seal; to contract, lease, buy, sell, acquire, own and
10 dispose movable and immovable as well as personal and real property of whatever nature
11 (including but not limited to shares of stock or participation in private corporations or in limited
12 partnerships, or in joint ventures with limited liability), bonds, precious metals in bullions, ingots
13 and easily convertible foreign exchange; to sue and be sued in order to carry out its duties,
14 responsibilities, privileges, powers, and functions as granted and provided for in this Act; and to
15 exercise the power of eminent domain for public use and public purpose;

16 (B) Within the limitation provided by law, to raise or borrow adequate and necessary
17 funds from local or foreign sources to finance its projects and programs under this Act, and for
18 that purpose to issue bonds, promissory notes, and other form of securities, and to secure the
19 same by a guarantee, pledge, mortgage, deed of trust, or an assignment of all or part of its
20 property or assets;

21 (C) To approve, accept, accredit and allow any local or foreign business, enterprise or
22 investment in the Zone subject only to such rules and regulations as SEZA may promulgate from
23 time to time in conformity with the provisions of this Act and the limitations provided in the
24 Constitution;

25 (D) To authorize or undertake, on its own or through others, and regulate the
26 establishment, operation and maintenance of public utilities, services, and infrastructure in the
27 Zone such as shipping, barging, stevedoring, cargo handling, hauling, warehousing, storage of
28 cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas,

1 storage areas, roads, bridges, terminals, conveyors, water supply and storage sewerage, drainage,
2 airport operations in coordination with the Civil Aeronautics Board, and such other services or
3 concessions or infrastructure necessary or incidental to the accomplishment of the objectives of
4 this Act: *Provided, however,* That the private investors in the Zone shall be given priority in the
5 awarding of contracts, franchises, license, or permits for the establishment, operation and
6 maintenance of utilities, services and infrastructure in the Zone;

7 (E) To construct, acquire, own, lease, operate and maintain on its own or through others
8 by virtue of contracts, franchises, licenses, or permits under the build-operate-transfer scheme or
9 under a joint venture with the private sector any or all of the public utilities and infrastructure
10 required or needed in the Zone in coordination with appropriate national and local government
11 authorities and in conformity with applicable laws thereon;

12 (F) To operate on its own either directly or through a subsidiary entity, or license to
13 others, tourism-related activities, including games, amusement, recreational and sports facilities
14 such as horse racing, dog racing, gambling casinos, golf courses, and others, under priorities and
15 standards set by the SEZA;

16 (G) To protect, preserve, maintain and develop the virgin forests, beaches, coral and coral
17 reefs within the Zone. The virgin forest within the Zone will be proclaimed as a national park and
18 will be covered by a permanent total log ban For this purpose, the rules and regulations of the
19 Department of Environment and Natural Resources and other government agencies involved in
20 the above functions shall be implemented by the SEZA;

21 (H) To adopt, implement and enforce reasonable measures and standards to control
22 pollution within the Zone;

23 (I) To provide security for the Zone in coordination with the national and local
24 governments. For this purpose, SEZA may not establish and maintain its own security force and
25 firefighting capability to hire others to provide the same;

26 (J) To form, establish, organize and maintain subsidiary corporation, as its business and
27 operations may require, whether under the laws of the Philippines or not;

1 (K) To issue rules and regulations consistent with the provisions of this Act as may be
2 necessary to implement and accomplish the purposes, objectives and policies herein provided;
3 and

4 (L) To exercise such powers as may be essential, necessary or incidental to the powers
5 granted to it hereunder as well as those that shall enable it to carry out, implement and
6 accomplish the purposes, objectives and policies of this Act.

7 SECTION 10. *Board of Directors of SEZA.* – The powers of the SEZA shall be vested in
8 and exercised by a Board of Directors, hereinafter referred to as the Board, which shall be
9 composed of eighteen (18) members, to wit:

10 (A) The Chairperson who shall come from among the members of the Board of Directors;

11 (B) A Vice Chairperson who shall come from among the members of the Board of
12 Directors;

13 (C) Members consisting of:

14 (1) The Governor of the Province of Iloilo;

15 (2) The Congressional Representatives of the five districts of Iloilo Province;

16 (3) Five Mayors to be chosen by all the municipal mayors in the Province of Iloilo;

17 (4) The President of the Chamber of Commerce and Industry of Iloilo.

18 (5) Four (4) representatives from the business and investment sectors in the Zone.

19 The Governor, the Congressional Representatives and the Mayors and President of the
20 Chamber of Commerce and Industry shall serve as *ex-officio* members of the Board, whose term
21 in the Board corresponds to their terms as elected officials.

22 The Chairperson shall be appointed by the President of the Philippines upon the
23 nomination of the Board of Directors to serve for a term of six (6) years, unless separated from

1 service due to death, voluntary resignation or removal for cause. In case of death, resignation or
2 removal for cause, the replacement shall serve only the unexpired portion of the term.

3 All members of the Board, whether *ex officio* or chosen by the Board to represent the
4 Industry sector in Iloilo Province shall be appointed by the President of the Philippines to serve
5 for a term of six (6) years. In case of death, resignation or removal for cause, the replacement
6 shall serve only the unexpired portion of the term.

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

13 The members of the Board shall receive a reasonable *per diem* at a rate to be determined
14 by the Department of Budget and Management in accordance with existing rules and regulations:
15 *Provided, however,* That the total *per diem* collected each month shall not exceed the equivalent
16 *per diem* for four (4) meetings. Unless and until the President of the Philippines has fixed a
17 higher *per diem* for the members of the Board, such *per diem* shall not be more than Ten
18 thousand pesos (Php 10,000) for every Board Meeting.

19 SECTION 11. *Administrative and Chief Executive Officer.* – The President of the
20 Philippines shall appoint a full-time professional and competent administrator and chief
21 executive officer for the SEZA whose compensation shall be determined by its Board of
22 Directors and shall be in accordance with the revised compensation and position classification
23 system. The administrator as chief executive officer of SEZA shall be responsible to the Board
24 and the President of the Philippines for the efficient management and operation of the Special
25 Economic Zone.

26 SECTION 12. *Capitalization.* – The SEZA shall have an authorized capital stock of two
27 billion (2,000,000) no par shares with a minimum issue value of Ten (10) pesos each. The

1 national government shall initially subscribe and fully pay three hundred million (300,000,000)
2 shares of such capital stock. The initial amount necessary to subscribe and pay for the shares of
3 stock shall be included in the General Appropriations Act of the year following its enactment
4 into law and thereafter. The Board of Directors of SEZA may, from time to time and with the
5 written concurrence of the Secretary of Finance, increase the issue value of the shares
6 representing the capital stock of the SEZA. The Board of Directors of SEZA, with the written
7 concurrence of the Secretary of Finance, may sell shares representing not more than forty *per*
8 *centum* (40%) of the capital stock of the SEZA to the general public with such annual dividend
9 policy as the Board and the Secretary of Finance may determine. The national government shall
10 in no case own less than sixty *per centum* (60%) of the total issued and outstanding capital stock
11 of the SEZA.

12 SECTION 13. *Supervision.* – The Special Economic Zone shall be under the direct
13 control and supervision of the Office of the President of the Philippines for purposes of policy
14 direction and coordination, in the meantime that the agency tasked with the coordination of
15 special economic zones is not yet in place.

16 SECTION 14. *Relationship with the Regional Development Council.* – The Special
17 Economic Zone Authority shall determine the development goals for the Iloilo Ecozone within
18 the framework of national development plans, policies and goals. The Administrator shall, upon
19 approval by the Board, submit the Iloilo Ecozone plans, programs and projects to the Regional
20 Development Council for inclusion and inputs to the overall regional development plan.

21 SECTION 15. *Relationship with Local Government Units.* – Except as herein provided,
22 the local government units comprising the Iloilo Ecozone Zone shall retain their basic autonomy
23 and identity. The province, municipalities, and their component *barangays* shall continue to
24 operate and function in accordance with the Local Government Code of 1991. In case of any
25 conflict between the SEZA and the Province of Iloilo or any of the municipalities, on matters
26 affecting the Iloilo Ecozone other than defense and security matters, the decision of MITSEZA
27 shall prevail.

1 SECTION 16. *Interpretation/ Construction.* – The powers, authorities and functions that
2 are vested in the SEZA are intended to decentralize governmental functions and authority and
3 promote efficient and effective working relationships between the Iloilo Ecozone, the national
4 government, and the local government units.

5 SECTION 17. *Legal Counsel.* – The SEZA and the corporations in which SEZA owns a
6 majority of the issued capital stock shall have its own internal legal counsel under the
7 supervision of the government corporate counsel. When the exigencies of its businesses and
8 operations demand it, the SEZA may engage the services of an outside counsel either on a case
9 to case basis or on a fixed retainer.

10 SECTION 18. *Auditor.* – The Commission on Audit shall appoint a representative who
11 shall be a full-time auditor of the SEZA and its subsidiaries, and assign such number of
12 personnel as may be necessary to assist said representative in the performance of his or her
13 duties. The salaries and emoluments of the assigned auditor and personnel of the Commission on
14 Audit shall be in accordance with the revised compensation and position classification system.
15 The Commission on Audit shall render an annual report to the President of the Philippines and to
16 Congress on the business activities, transactions and operation of the SEZA.

17 SECTION 19 *Separability Clause.* – If any provision or part hereof, is held invalid or
18 unconstitutional, the remainder of the law or the provision not otherwise affected shall remain
19 valid and subsisting.

20 SECTION 20. *Repealing Clause.* – Any law, presidential decree or issuance, executive
21 order, letter of instruction, administrative order, rule or regulation contrary to or is inconsistent
22 with the provision of this Act is hereby repealed, modified, or amended accordingly.

23 SECTION 21. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its
24 publication in at least two (2) newspapers of general circulation.

25 Approved,