

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

9 OCT 14 2:13

RECEIVED BY: 

SENATE

COMMITTEE REPORT NO. 718

Submitted jointly by the Committees on Economic Affairs, Local Government, Ways and Means and Finance on OCT 14 2009

Re : S.B. No. 3497

Recommending its approval in substitution of Senate Bill Nos. 2983, 3182 and 3395.

Sponsor: Senator M A R Roxas

**MR. PRESIDENT:**

The Committee on Economic Affairs, jointly with the Committees on Local Government, Ways and Means and Finance, to which was referred Senate Bill No. 2983 introduced by Senator Mar Roxas, entitled:

**“AN ACT  
ESTABLISHING THE MAASIM-KIAMBA-MAITUM INDUSTRIAL TRIANGLE  
SPECIAL ECONOMIC ZONE IN THE PROVINCE OF SARANGANI, CREATING FOR  
THE PURPOSE THE MAASIM-KIAMBA-MAITUM INDUSTRIAL TRIANGLE  
SPECIAL ECONOMIC ZONE AUTHORITY, APPROPRIATING FUNDS THEREFOR  
AND FOR OTHER PURPOSES”**

taking into consideration Senate Bill No. 3182, introduced by Senator Gordon, entitled:

**“AN ACT  
ESTABLISHING THE MAASIM-KIAMBA-MAITUM INDUSTRIAL TRIANGLE  
SPECIAL ECONOMIC ZONE IN THE PROVINCE OF SARANGANI, CREATING FOR  
THE PURPOSE THE MAASIM-KIAMBA-MAITUM INDUSTRIAL (MAKIMA-IT)  
SPECIAL ECONOMIC AUTHORITY, APPROPRIATING FUNDS THEREFOR AND  
FOR OTHER PURPOSES”**

and Senate Bill No. 3395, introduced by Senator Trillanes, entitled:

**“AN ACT  
ESTABLISHING THE MAASIM-KIAMBA-MAITUM INDUSTRIAL TRIANGLE  
SPECIAL ECONOMIC ZONE IN THE PROVINCE OF SARANGANI, CREATING FOR  
THE PURPOSE THE MAASIM-KIAMBA-MAITUM INDUSTRIAL TRIANGLE  
SPECIAL ECONOMIC ZONE AUTHORITY, APPROPRIATING FUNDS THEREFOR  
AND FOR OTHER PURPOSES”**

**SPECIAL ECONOMIC ZONE AUTHORITY, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES”**

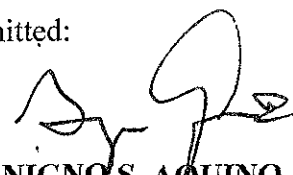
have considered the same and have the honor to report them back to the Senate with the recommendation that the attached Senate Bill No. 3497 prepared by the Committees, entitled:


**“AN ACT  
ESTABLISHING THE SARANGANI PROVINCE SPECIAL ECONOMIC ZONE IN THE MUNICIPALITIES OF MAASIM, KIAMBA AND MAITUM, CREATING FOR THAT PURPOSE THE MAASIM-KIAMBA-MAITUM INDUSTRIAL TRIANGLE SPECIAL ECONOMIC ZONE AUTHORITY (MITSEZA), APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES”**

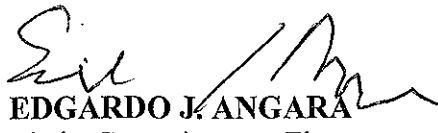
be approved in substitution of Senate Bill Nos. 2983, 3182 and 3395, with Senators Roxas, Gordon, Trillanes and Defensor Santiago as authors thereof.

Respectfully submitted:


  
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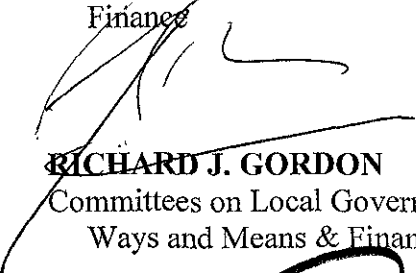
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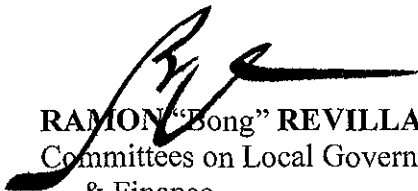
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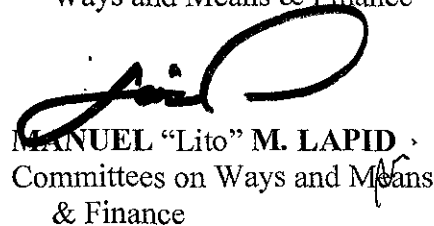
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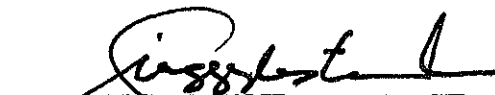


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Minority Floor Leader

**HON. JUAN PONCE ENRILE**  
Senate President  
Senate of the Philippines

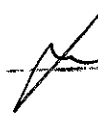
FOURTEENTH CONGRESS OF THE )  
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9 OCT 14 P4:13

SENATE

S. B. No. 3497

RECEIVED BY: 

(In substitution of Senate Bill No. 2983)

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Prepared by the Committees on Economic Affairs; Local Government; Ways and Means and Finance with Senators Roxas, Gordon, Trillanes and Defensor-Santiago as authors thereof.

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AN ACT

ESTABLISHING THE SARANGANI PROVINCE SPECIAL ECONOMIC ZONE IN THE MUNICIPALITIES OF MAASIM, KIAMBA AND MAITUM, CREATING FOR THAT PURPOSE THE MAASIM-KIAMBA-MAITUM INDUSTRIAL TRIANGLE SPECIAL ECONOMIC ZONE AUTHORITY (MITSEZA), APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES.

*Be 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 "*Sarangani Province Special*  
2 *Economic Zone Act.*"

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

11 SEC. 3. *Creation of the Sarangani Province Special Economic Zone.* - In pursuit of the  
12 foregoing declared policy and subject to the concurrence of the concerned local government

1 units (LGUs) of Sarangani Province affected by the zone, there is hereby established a special  
2 economic zone, hereinafter referred to as Sarangani Province Special Economic Zone or the  
3 Ecozone for brevity. The Ecozone shall cover the entire area embraced by: Sitio Seguil,  
4 Barangay Tinoto and Barangay Kamanga, Malbang and Colon in the Municipality of Maasim;  
5 Portions of Brgy. Kanantong, Portions of Barangay Nalus, and Tambilil, in the Municipality  
6 of Kiamba and Barangays Kalaong, Mabay and Old Poblacion in the Municipality of Maitum.  
7 The specific meters and bounds of the Sarangani Ecozone shall be more particularly  
8 described and defined as follows:

9

10 (A) IN THE MUNICIPALITY OF MAASIM:

11 Sitio Seguil, Barangay Tinoto with a land area of 573.9409 hectares – its perimeter at a  
12 point marked “1” on the mouth of Tapat Creek (125.15, 5.55) following its course upstream  
13 to point 2 with a distance of 1,398.1924 meters. Thence, 4,737.5478 meters due north to  
14 point 3. Thence, 2,598.9690 meters on a course downstream to point 4 at the mouth of  
15 Seguil River. Thence 4,558.4607 meters following the coastal line southward to the point of  
16 beginning.

17 Portions of Barangays Kamanga, Malbang and Colon with an aggregate land area of  
18 1,637.8349 hectares – its perimeter beginning at a point marked “1” (125.05,5.416666)  
19 336.1009 meters due north point 2. Thence N76-00W 3,409.0859 meters to point 3. Thence  
20 N65-00E meters to point 4. Thence 4,684.8956 meters to point 7. Thence 3,433.6432 meters  
21 following the coastal line westward to point 8. Thence 383.8778 meters due north to point 9.  
22 Thence 1,129.2888 meters due west to point 10. Thence 430.3896 meters following Kamanga  
23 River downstream to point 11. Thence 2,864.7673 meters following the coastal line westward  
24 to the point of beginning.

25

1 (B) IN THE MUNICIPALITY OF KIAMBA:

2 Portions of Brgy. Kanantong, Municipality of Kiamba with an aggregate area of 67.0493  
3 hectares more or less and specifically covered by the following metes and bounds:

4 (1) No. T 44960 containing a land area of Eighty Nine Thousand Four Hundred Thirty  
5 Three (89,433) square meters more or less- beginning at a point marked "1" on the  
6 plan being N.9 deg. 25'E, 683.62 m. from B.L.B. No.2, Be. of Kanantong, Mpl. Dist. Of  
7 Kling, before the Municipality of Kiamba, now, thence N. 72 deg, 52'W., 225.01 m. to  
8 point 2; then N. 16 deg. 0'E, 199.89m. to point 3; thence S. 75 deg. 07'E , 434.98 m. to  
9 4; thence S. 15 deg. 24'W., 203.14 m. to point 5, thence N. 76 deg. 38'W., 212.29 to  
10 point of beginning. All points referred to are indicated on the plan and are marked on  
11 the ground by B.L. cyl. Connec. mons. bearings true; declination 2 deg. 39'E, date of  
12 survey October 1, 1926 and that of the approval September 7, 1927;

13 (2) No T.44961 containing a land area of One Hundred Seventy Six Thousand One  
14 Hundred Sixty Three (176,163) square meters more or less beginning at a point  
15 marked "1" on plan being N. 22 deg. 28"E., 1297.30 m. from B.L.B. M. NO. 2, Bo. of  
16 Kanantong, Mpl. Dist. of Kling, before, Municipality of Kiamba now; thence S. 18  
17 deg. 05'W., 397.29 m. to point 2; thence, N. 75 deg. 97'W., 434.98 m. to point 3;  
18 thence N. 16 deg 00'E, 400.02 m. to point 4; thence S. 74 deg. 42'E ., 449.34 m. to the  
19 point of beginning. All points referred to are indicated in the plan and are marked on  
20 the ground by B.L. cyl. Connec. mons. bearings true; declination 2 deg. 39'E, date of  
21 survey October 1, 1926 and that of the approval September 7, 1927;

22 (3) No. T 44962 containing a land area of One Hundred eighty Thousand Ninety One  
23 (180,091) square meters more or less beginning at a point marked "1" on the plan,  
24 being N. 22 deg. 28'E., 1397.30 m. form B.L.L.M. No. 2 Bo. Of Kanantong Mpl. Dist of  
25 Kling, before; Municipality of Kiamba now; thence N. 74 deg. 42'W., 449.34 m. to

1 point E; thence N. 16 deg. 00'E, 400.07 m. to point 3; thence S. 75 deg, 22'E., 447.33  
2 m. to point 4; thence S. 16 deg. 21'W., 193.86 m. to point 5; thence S. 15 deg. 06'W.,  
3 211. 44 m. to the point of beginning. All points referred to are indicated in the plan  
4 and are marked on the ground by B.L. cyl. Conncc..mons. bearings true; declination 2  
5 deg. 39'E, date of survey October 1 1926 and that of the approval September 7. 1927;

6 (4) No. T 44963 containing a land area of Two Hundred Twenty Four Thousand Eight  
7 Hundred Six (224, 806) square meters, beginning at a point marked "1" in the plan  
8 being W. 22 deg. 28'E., 1297. 30 m. from B.L.B. M. No. 2, Bo. Of Kanantong, Mpl.  
9 Dist. Of Kling. Before, now Municipality of Kiamba; thence N. 15 deg. 06'E., 211.44  
10 m. to pint 2; thence S. 75 deg; 25'E. , 266.64 m. to point 3; thence S. 17 deg. 14'W.,  
11 884.12 m. to point 4; thence N. 74 deg. 08'W., 93.86 m. to point 5; thence N. 51 deg.  
12 55'W., 175.45 m. to point 6; thence N. 15 deg.,24'E., 203.14 m. to point 7; thence N.  
13 18 deg 05'E., 397.29 m. to the point of beginning. All points referred to are indicated  
14 in the plan and are marked on the ground by B.L. cyl. Conncc..mons. bearings true;  
15 declination 2 deg. 39'E, date of survey October 1 1926 and that of the approval  
16 September 7. 1927;

17 Portions of Barangay Nalus with an aggregate land area of 249.1030 hectares – its  
18 perimeter beginning at a point marked "1" thence N33-35W 361.33 meters to point 2.  
19 Thence S89-23E 3,453.03 meters to point 3. Thence S84-32E 806.26 meters to point 4.  
20 Thence S00-51E 2,478.97 meters to point 5. Thence S73-03W 379.35 meters to point 6.  
21 Thence N62-12W 1,317.44 meters to the point of beginning.

22 Portions of Barangay Tambilil with an aggregate land are of 503.7911 hectares- its  
23 perimeter beginning at a point marked "1" thence S76-36E 1,641.96 meters to point 2.  
24 Thence S33-23E 603.15 meters to point 3. Thence S00-42W 1,477.55 meters to point 4.  
25 Thence S60-35E 2,468.84 meters to point 5. Thence S05-44W 1,379.94 meters to point 6.

1 Thence N81-32W 2,332.38 meters to point 7. Thence N47-54W 517.59 meters to point 8.  
2 Thence N89-53W 1,425.27 meters to point 9. Thence N71-29W 550.76 meters to point 10.  
3 Thence N60-01W 1,709.29 meters to point 11. Thence N34-08E 3,900.98 meters to the  
4 point of beginning.

5  
6 (C) IN THE MUNICIPALITY OF MAITUM:

7 Portions of Kalaong with an aggregate land area of 151.5394 hectares – its perimeters  
8 beginning at a point marked “1” thence N11-19E 1,381.30 meters to point 2. Thence S80-16E  
9 564.58 meters to point 3. Thence N59-27E 839.24 meters to point 4. Thence N48-38E  
10 524.90 meters to point 5. Thence S34-38E 1,400.29 meters to point 6. Thence N78-16W  
11 494.26 meters to point 7. Thence S19-28E 700.50 meters to point 8. Thence S32-40W  
12 587.22 meters to point 9. Thence S83-32W 597.25 meters to point 10. Thence S05-03W  
13 666.02 meters to point 11. Thence S01-31E 801.96 meters to point 12. Thence N76-26W  
14 262.49 meters to point 13. Thence N46-30W 910.83 meters to point 14. Thence N11-31W  
15 783.73 meters to the point of beginning.

16 Portions of Barangay Mabay with an aggregate land area of 168.7388 hectares- its  
17 beginning at a point marked “1” thence S02-45E 507.39 meters to point 2. Thence N31-40E  
18 328.29 meters to point 3. Thence N86-15E 560.80 meters to point 4. Thence N70-58W  
19 744.74 meters to point 5. Thence N54-04E 1,940.88 meters to point 6. Thence N19-00E  
20 321.55 meters to point 7. Thence N88-54W 162.98 meters to point 8. Thence S72-49E  
21 395.78 meters to point 9. Thence S73-23E 1,150.48 meters to point 10. Thence S33-22W  
22 1,603.10 meters to point 11. Thence N86-37W 1,102.62 meters to point 12. Thence S18-  
23 57W 464.35 meters to point 13. Thence N26-01W 567.47 meters to point 14. Thence N35-  
24 09W 101.43 meters to point 15. Thence N83-37W 609.47 meters to the point of beginning.



1 Portions of Barangay Old Poblacion with an aggregate land area of 164.9358 hectares  
2 – its perimeter beginning at a point marked “1” thence S52-24E 1,296.72 meters to point 2.  
3 Thence S34-47W 792.71 meters to point 3. Thence S74-20W 386.33 meters to point 4.  
4 Thence N89-59W 212.16 meters to point 5. Thence S34-33W 2,050.56 meters to point 6.  
5 Thence N62-28E 784.01 meters to point 7. Thence N17-03W 282.76 meters to point 8.  
6 Thence N77-41W 2,394.85 meters to point 9. Thence N31-21E 981.65 meters to point 10.  
7 Thence S23-58E 121.02 meters to point 11. Thence N77-14E 416.209 meters to point 12.  
8 Thence N2-42E 1,218 meters to point 13. Thence N05-26E 1,366.79 meters to the point of  
9 beginning.

10 **SEC. 4. *Governing Principles.*** - The Sarangani Province Special Economic Zone  
11 shall be managed by the Maasim-Kiamba-Maitum Industrial Triangle (MAKIMA-IT) Special  
12 Economic Zone Authority, hereinafter referred to as the MITSEZA, created under Section 10  
13 of this Act under the following principles:

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

18 (b) The Sarangani Ecozone shall be provided with transportation, telecommunications  
19 and other facilities needed to attract legitimate and productive investments, generate  
20 linkage industries and employment opportunities for the people of Sarangani and its  
21 neighboring towns and cities.

22 (c) The Sarangani Ecozone may establish mutually beneficial economic relations with  
23 other entities or enterprises within the country or, subject to the administrative guidance of  
24 the Department of Foreign Affairs (DFA), the Philippine Economic Zone Authority (PEZA)  
25 and/or the Department of Trade and Industry (DTI), with foreign entities or enterprises.

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

5 (e) The areas comprising the Sarangani Ecozone' may be expanded or reduced when  
6 necessary. For this purpose, the MITSEZA, in consultation with the LGUs, shall have the  
7 power to acquire either by purchase, negotiation or condemnation proceedings, any private  
8 land within or adjacent to the Sarangani Ecozone for the following purpose: (1)  
9 consolidation of lands for Sarangani Ecozone development; (2) acquisition of right of way to  
10 the Sarangani Ecozone; and (3) the protection of watershed areas and natural assets valuable  
11 to the prosperity of the Sarangani Ecozone.

12 (f) Goods manufactured by a Sarangani Ecozone enterprise shall be made for immediate  
13 retail sale in the domestic market, subject to the payment of corresponding taxes on raw  
14 materials and other regulations that maybe formulated by the MITSEZA, together with the  
15 PEZA, the Bureau of Customs, and the DTI. However, in order to protect domestic  
16 industries, a negative list of industries shall be drawn up and regularly updated by the  
17 PEZA. Enterprises engaged in industries included in such negative list shall not be allowed  
18 to sell their products locally.

19 (g) The national government shall maintain its ability to coordinate with the Sarangani  
20 Ecozone and the local government units.

21 **SEC. 5. *Incentives to Registered Enterprises.*** - MAKIMA-IT Special Economic Zone  
22 Authority (MITSEZA) may administer the following incentives to the registered enterprises  
23 located therein to the extent of the activity/project:

1 (A) Income Tax Holiday (ITH) – Registered domestic enterprises shall be entitled to  
2 an income tax holiday from the start of their commercial operations to the extent of their  
3 activity under the following categories;

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

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

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

10 (2) Producing/Rendering new products/services or having strong backward or  
11 forward linkages.

12 Category C – Registered export enterprises shall be entitled to a six-year income tax  
13 holiday; *Provided, however,* That if the export enterprise complies with the following: (1)  
14 large capital investments or sizeable employment generation; or (2) use high level of  
15 technology, it shall be entitled to an eight-year income tax holiday.

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

19 For this purpose, a registered enterprise shall be defined as any person, natural or  
20 juridical, licensed to do business in the Philippines and registered with the MAKIMA-IT  
21 Special Economic Zone Authority (MITSEZA) to transact business within the Sarangani  
22 Ecozone. A registered export enterprise shall be defined as any registered enterprise engaged  
23 directly or indirectly in the production, manufacture or trade of products or services which  
24 earns at least seventy percent (70%) of its normal operating revenues from the sale of its  
25 products or service abroad for foreign currency. A registered domestic enterprise,

1 meanwhile, shall be defined as any registered enterprise not falling under the definitions of a  
2 registered export enterprise.

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

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

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

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

21 (B) Net Operating Loss Carryover (NOLCO). - Net operating loss of the business or  
22 enterprise during the first three years from the start of commercial operations which have  
23 not been previously offset as deduction from gross income shall be carried over as a  
24 deduction from gross income for the next five consecutive years immediately following the

1 year of such loss; *Provided, however,* That operating loss resulting from availment of  
2 incentives provided in this Act shall not be entitled to NOLCO.

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

5 (C) Imposition of a tax rate of the five percent (5%) on Gross Income Earned (GIE) --  
6 Except for real property tax on land, no local and national taxes a prescribed under Republic  
7 Act No. 8424, also known as "The National Revenue Code of 1997, as Amended" such as  
8 income tax, excise tax and franchise taxes, shall be imposed on registered enterprises  
9 operating within the Sarangani Ecozone. In lieu thereof, five percent (5%) of the gross  
10 income earned shall be paid as follows:

11 (a) Three percent (3%) to the National Government; and,

12 (b) Two percent (2%) shall be remitted by the business establishments to the  
13 treasurer's office of the municipality or city where the enterprise is located.

14 All persons and service establishments in the Sarangani Ecozone shall be subject to  
15 national and local taxes under the National Internal Revenue Code of 1997, as amended, and  
16 the Local Government Code.

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

23 (E) Capital Equipment Incentives. - (1) Importations of capital equipment, spare parts,  
24 tools and dye, or those required for pollution abatement and control, cleaner production and  
25 waste reduction including consignment thereof by registered enterprises upon effectivity of

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

6 (i) They are not manufactured domestically in sufficient quantity, of comparable  
7 quality and at reasonable prices;

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

13 (iii) Approval of the MITSEZA was obtained by the registered enterprise for the  
14 importation of such machinery, equipment and spare parts.

15 Approval of the MITSEZA must be secured before any sale, transfer or disposition of  
16 the imported capital equipment, machinery or spare parts is made; *Provided*, That if such  
17 sale, transfers or disposition is made within the first five years from date of importation, any  
18 of the following conditions must be present:

19 (1) the same is made to another enterprise enjoying tax and duty exemption on  
20 imported capital equipment;

21 (2) the same is made to another enterprise, upon the payment of any taxes and duties  
22 on the net book value of the capital equipment to be sold;

23 (3) the exportation of the capital equipment, machinery, spare parts or source  
24 documents or those required for pollution abatement and control; or

25 (4) proven technical obsolescence of the said equipment, machinery or spare parts.

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

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

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

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

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

7 This incentive shall be deemed waived if application for tax credit under this  
8 subsection 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 Materials Incentives. - Every registered export-oriented enterprise shall  
12 enjoy a tax credit equivalent to the internal revenue taxes and customs duties paid on the  
13 supplies, raw materials and semi-manufactured products provided the same are not sufficient  
14 in quantity or are not competitively priced in the Philippines and which are used in the  
15 manufacture, processing or production of its export products forming part thereof, exported  
16 directly and indirectly by the registered export-oriented enterprise, based on the actual taxes  
17 and duties paid for such materials/supplies semi-manufactured products by the registered  
18 enterprise.

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

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

23 (I) Deferred Imposition of the Minimum Corporate Income Tax. - The Minimum  
24 Corporate Income Tax (MCIT) of two percent (2%) of the gross income as of the end of the  
25 taxable year shall be imposed when the MCIT is greater than the income tax computed under



1 the NIRC of 1997, as amended, for the taxable year; *Provided, however,* That said MCIT shall  
2 be imposed only after the enterprise's entitlement period to the income tax-based incentives  
3 has expired.

4 (J) Tax Treatment of Merchandise in the Sarangani Ecozone. – (a) Domestic  
5 merchandise sent from the Sarangani Ecozone to areas outside the said ecozone shall,  
6 whether or not combined with or made part of other articles likewise of local origin or  
7 manufactured in the Philippines while in the export processing zone, be subject to internal  
8 revenue laws of the Philippines as domestic goods sold, transferred or disposed of for local  
9 consumption.

10 (b) Merchandise sent from the Sarangani Ecozone to areas outside the said  
11 ecozone shall, whether or not combined with or made part of other articles while in  
12 the zone, be subject to rules and regulations governing imported merchandise. The  
13 duties and taxes shall be based on the value of said imported materials (except when  
14 the final product is exempt).

15 (c) Articles produced or manufactured in the Sarangani Ecozone and exported  
16 therefrom shall, on subsequent importation into the customs territory, be subject to  
17 the import laws applicable to like articles manufactured in a foreign country.

18 (d) Unless the contrary is shown, merchandise taken out of the Sarangani  
19 Ecozone shall be considered for tax purposes to have been sent to customs territory.

20 (K) Tax Treatment of Raw Materials and Capital Equipment in the Sarangani  
21 Ecozone. – Importations of raw materials and capital equipment shall be treated as in the  
22 *Omnibus Investment Code*.

23 (L) Employment of Foreign Nationals. – Subject to the provisions of Section 29 of  
24 Commonwealth Act No. 613, as amended, a registered enterprise may employ foreign  
25 nationals in supervisory or technical positions for a period not exceeding ten (10) years from

1 its registration: *Provided*, That when the majority of the capital stock of a registered  
2 enterprise is owned by foreign investors, the positions of the president, treasurer and general  
3 manager or their equivalents may be retained by foreign nationals beyond the period set  
4 forth herein and such officer is the owner or a stockholder owning at least ten percent (10%)  
5 of the outstanding capital stock of the registered enterprise and he remains the owner or  
6 maintains his stockholdings therein.

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

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

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

- 23 (1) He is at least eighteen (18) years of age;
- 24 (2) He has not been convicted of a crime involving moral turpitude;
- 25 (3) He is not afflicted with any loathsome, dangerous or contagious disease; and

1 (4) He has not been institutionalized for any mental disorder or disability.

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

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

9 **SEC. 7. Administration, Implementation and Monitoring Incentives.** – The MITSEZA  
10 shall be responsible for the administration and implementation of the incentives granted to  
11 its respective registered enterprises shall be uniformly applied by MITSEZA, consistent with  
12 the national policy.

13 The following are the duties and responsibilities of the MITSEZA in the  
14 administration of incentives:

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

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

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

1 (D) To perform all other duties and responsibilities as may be required by the  
2 President of the Philippines, which are necessary to carry out, implement and  
3 accomplish the objectives and policies of this Act.

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

8 **SEC. 8. *Extension of Period of Availment.*** - The availment period of the incentives  
9 provided herein maybe extended by the MITSEZA, in the event that the registered  
10 enterprise suffers operational *force majeure* or any event equivalent thereto, impairing its  
11 viability; *Provided*, That the availment period shall not exceed the duration of said *force*  
12 *majeure* or equivalent event. .

13 **SEC. 9. *Duration of Incentives.*** - Enterprises registered with the MITSEZA may  
14 enjoy ITH or NOLCO granted by the latter prior to the availment of the five percent (5%)  
15 GIE.

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

20 The industries exempted from this provision shall be recommended by the BOI, with  
21 the concurrence of the Secretaries of the Departments of Finance and Trade and Industry.

22 **SEC. 10. *Creation of the MAKIMA-IT Special Economic Zone Authority.*** - There is  
23 hereby created a body corporate to be known as the MAKIMA-IT Special Economic Zone  
24 Authority, hereinafter referred to as the MITSEZA, which shall manage and operate the  
25 Sarangani Ecozone in accordance with the provisions of this Act. This corporate franchise

1 shall expire in fifty (50) years counted from the first day of the fifth (5<sup>th</sup>) calendar year after  
2 the effectivity of this Act, unless otherwise extended by Congress. It shall be organized  
3 within one hundred eighty (180) days of effectivity of this Act.

4       **SEC. 11. *Principal Office of the MITSEZA.*** The MAKIMA-IT Special Economic  
5 Zone Authority shall maintain its principal office in the Municipality of Kiamba, but it may  
6 establish branches within the Philippines as may be necessary for the proper conduct of its  
7 business.

8       **SEC. 12. *Powers and Functions of the MAKIMA-IT Special Economic Zone Authority***  
9 ***(MITSEZA)*** - The MAKIMA-IT Special Economic Zone Authority shall have the following  
10 powers and functions:

11       (a) To operate, administer, manage and develop the Sarangani Ecozone according to  
12 the principles and provisions set forth in this Act and consistent with the national policy;

13       (b) To register, regulate and supervise the enterprises in the Sarangani Ecozone in an  
14 efficient and decentralized manner, subject to existing laws;

15       (c) To coordinate with local government units and exercise general supervision over  
16 the development plans, activities and operations of the Sarangani Ecozone;

17       (d) To regulate and undertake the establishment, operation and maintenance of  
18 utilities, other services and infrastructure in the Sarangani Ecozone such as but not limited to  
19 heat, light and power, water supply, telecommunications, transport, toll roads and bridges,  
20 port services, etc. and to fix just, reasonable and competitive rates, fares, charges and prices  
21 thereof.

22       (e) To construct, acquire, own, lease, operate and maintain on its own or through  
23 contracts, franchise, licenses, bulk purchases from the private sector or permits under any of  
24 the schemes allowed in Republic Act No. 6957 (the Build-Operate-Transfer Law, as amended  
25 by R.A. No. 7718) or joint venture, adequate facilities and infrastructures required or needed

1 for the operation and development of the Sarangani Ecozone, in coordination with  
2 appropriation national and local government authorities and in conformity with applicable  
3 laws thereon;

4 (f) To operate on its own, either directly or through a license to other tourism-related  
5 activities, including games, amusements, recreational and sports facilities;

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

12 (h) To protect, preserve, maintain and develop the virgin forests, beaches, coral and  
13 coral reefs and maintain ecological balance within the Sarangani Ecozone.

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

17 (j) To issue certificates of origin for products manufactured or processes in the  
18 Sarangani Ecozone in accordance with prevailing rules of origin, and the pertinent  
19 regulations of the PEZA, the DTI and/ or the Department of Finance (DOF);

20 (k) To issue working visas renewable every two (2) years to foreign executives and  
21 foreign technicians with highly specialized skills which no Filipino possesses, as certified by  
22 the Department of Labor and Employment;

23 (l) To report to the Bureau of Immigration the names of the foreigners who have been  
24 granted permanent resident status and working visas within thirty (30) days after issuance of  
25 such grant;

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

4 (n) To issue rules and regulations consistent with the provisions of this Act as may be  
5 necessary to accomplish and implement the purpose, objectives and policies provided herein,  
6 in coordination with the Philippine Export Zone Authority (PEZA) and the Bureau of  
7 Customs (BOC).

8 **SEC. 13. *Banking Rules and Regulations.*** - Existing laws and regulations of the  
9 *Bangko Sentral ng Pilipinas* (BSP) shall apply to banks and financial institutions to be  
10 established in the Sarangani Ecozone, such as those governing foreign exchange and other  
11 concurrent account transactions (trade and non-trade), local and foreign borrowings, foreign  
12 investments, establishment and operation of local and foreign banks, foreign currency  
13 deposit units, offshore banking units and other financial institutions under the supervision of  
14 the BSP.

15 **SEC. 14. *Remittance of Earnings.*** - In the case of foreign investments, a registered  
16 enterprise in the MITSEZA shall have the right to remit earnings from the investment in the  
17 currency in which the investment was originally made and at the exchange rate prevailing at  
18 the time of remittance, subject to the provisions of Section 74 of Republic Act No. 265, as  
19 amended.

20 **SEC. 15. *Board of Directors of the MAKIMA-IT Special Economic Zone Authority.*** -  
21 The powers of the MAKIMA-IT Special Economic Zone Authority shall be vested in and  
22 exercised by a Board of Directors, hereinafter referred to as the Board, which shall be  
23 composed of the following:

24 (a) The Chairman who shall come from among the members of the Board of  
25 Directors;

1 (b) A Vice Chairman who shall come from among the members of the Board;

2 (c) Members consisting of:

3 (1) The Governor of the Province of Sarangani;

4 (2) The Congressional Representative of the lone district of Sarangani Province;

5 (3) The Mayors of the Municipalities of Maasim, Kiamba, and Maitum, all in the  
6 Province of Sarangani;

7 (4) The Presidents of the Chambers of Commerce and Industry in the  
8 Municipalities of Maasim, Kiamba, and Maitum, all in the Province of  
9 Sarangani;

10 (5) Two (2) representatives of Industry in Sarangani Province; and

11 (6) One (1) representative from the workers working in the MAKIMA-IT Special  
12 Economic Zone.

13 The Governor, the Congressional Representative and the Mayors and Presidents of  
14 Chambers and Commerce and Industry of the Municipalities of Maasim, Kiamba, and  
15 Maitum, Province of Sarangani, shall serve as *ex-officio* members of the Board, whose term  
16 in the Board corresponds to their terms as elected officials.

17 The Chairman shall be appointed by the President of the Philippines upon the  
18 nomination of the Board of Directors to serve for a term of six (6) years, unless separated  
19 from service due to death, voluntary resignation or removal for cause. In case of death,  
20 resignation or removal for cause, the replacement shall serve only the unexpired portion of  
21 the term.

22 All members of the Board, except *ex-officio* members, shall be appointed by the  
23 President of the Philippines to serve for a term of six (6) years. In case of death, resignation  
24 or removal for cause, the replacement shall serve only the unexpired portion of the term.



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

7           **SEC. 16.       *Qualifications, Powers and Duties of the Administrator.***    -    The  
8 Administrator shall be appointed by the President of the Philippines for a six (6) year term,  
9 upon the recommendation of the Board of Directors; *Provided,* That no person shall be  
10 appointed as Administrator unless he is a Filipino citizen, of good moral character, of proven  
11 probity and integrity, and a degree-holder in any of the following fields: economics, business,  
12 public administration, law, management or their equivalent, and with a least ten (10) years  
13 relevant working experience preferably in the field of management or public administration.

14           The Administrator shall have the following powers and duties:

15           (a)    To direct and manage the affairs of the MITSEZA in accordance with the  
16 policies set by the Board of Directors;

17           (b)    To establish the internal organization of MITSEZA under such conditions that  
18 Board of Directors may prescribe;

19           (c)    To submit an annual budget and necessary supplemental budget to the Board  
20 for its approval;

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

23           (e)    To submit to the Board for its approval policies, systems, procedures, rules and  
24 regulations that are essential to the operation of the Sarangani Ecozone;

1 (f) To create a mechanism in coordination with relevant agencies and  
2 stakeholders for the promotion of industrial peace, the protection of the environment, and  
3 the advancement of the quality of life in the Sarangani Ecozone; and

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

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

14 The officer or employee of the MITSEZA, including all members of the Board, shall  
15 not engage directly or indirectly in partisan activities nor take part in any election, except to  
16 vote.

17 No officer or employee of the MITSEZA, subject to civil service rules and regulations,  
18 shall be removed or suspended except for cause, as provided by law.

19 **SEC. 18. *Ipsa Facto Clause.*** Section 30-41 of Republic Act No. 7916 or the Special  
20 Economic Zone Act of 1995, shall *ipso facto* apply to the MAKIMA-IT Special Economic  
21 Zone.

22 **SEC. 19. *Capitalization.*** – The MAKIMA-IT Special Economic Zone Authority shall  
23 have an authorized capital stock of One Billion (1,000,000,000.00) no par shares with a  
24 minimum issue of Ten Pesos (P10.00) each, the majority shares of which shall be subscribed  
25 and paid for by the National Government and the Local Government Units (LGUs)

1 embracing the Sarangani Special Economic Zone. The Board of Directors of the MITSEZA  
2 may, with the written concurrent of the Secretary of Finance, sell shares, representing not  
3 more than forty per centum (40%) of the capital stock of the MITSEZA to the general public  
4 under such policy as the Board and the Secretary of Finance may determine. The National  
5 Government and the LGUs shall, in no case, own less than sixty per centum (60%) of the  
6 total issued and outstanding capital of the MAKIM-IT Special Economic Zone Authority.

7 The amount necessary to subscribe and pay for the shares of the national government  
8 to the capital stock of the MITSEZA shall be included in the annual General Appropriations  
9 Act. For LGUs, the funds shall be taken from their internal revenue allotment and other  
10 local funds.

11 **SEC. 20. *Supervision.*** – The Sarangani Special Economic Zone shall be under the  
12 direct control and supervision of the Philippine Economic Zone Authority (PEZA) for  
13 purposes of policy direction and coordination.

14 **SEC. 21. *Relationship with the Regional Development Council.*** – The MAKIMA-IT  
15 Special Economic Zone Authority shall determine the development goals for the MAKIMA-  
16 IT Ecozone within the framework of national development plans, policies and goals. The  
17 Administrator shall, upon approval by the Board, submit the Sarangani Ecozone plans,  
18 programs and projects to the Regional Development Council for inclusion and inputs to the  
19 overall regional development plan.

20 **SEC. 22. *Relationship with Local Government Units.*** – Except as herein provided,  
21 the local government units comprising the Sarangani Ecozone shall retain their basic  
22 autonomy and identity. The Municipalities of Maasim, Kiamba and Maitum, Sarangani  
23 Province, and their component barangays and/or *sitios* where the Sarangani Industrial Parks  
24 are located shall continue to operate and function in accordance with the Local Government  
25 Code of 1991. In case of any conflict between the MITSEZA and the Province of Sarangani

1 and the Municipalities of Maasim, Kiamba and Maitum, on matters affecting the Sarangani  
2 Ecozone other than defense and security matters, the decision of MITSEZA shall prevail.

3       **SEC. 23. *Interpretation/ Construction.*** - The powers, authorities and functions that  
4 are vested in the MITSEZA are intended to decentralize governmental functions and  
5 authority and promote an efficient and effective working relationship between the  
6 Sarangani Ecozone, the national government, and the local government units.

7       **SEC. 24. *Auditing.*** - The Commission on Audit shall appoint a representative who  
8 shall be full time auditor of the MITSEZA and assign such number of personnel as may be  
9 necessary to assist said representative in the performance of his/her duties. The salaries and  
10 emoluments of the assigned auditor and personnel shall be in accordance with pertinent  
11 laws, rules and regulations.

12       **SEC. 25. *Transitory Provision.*** - The existing Board of Convenors of the MAKIMA  
13 Industrial Triangle, created by virtue of an inter-local agreement/memorandum of  
14 cooperation among the municipalities of Maasim, Kiamba and Maitum in Sarangani  
15 Province, shall act and perform the functions of the MAKIMA-IT Special Economic Zone  
16 Authority Board pursuant to Section 15 of this Act until such time that the members of the  
17 Board of Directors of the MAKIMA Industrial Triangle Special Economic Zone Authority  
18 (MITSEZA) are appointed by the President of the Republic of the Philippines and have been  
19 duly sworn-in or have entered into office.

20       **SEC. 26. *Separability Clause.*** If, for any reason, any provision or part of this Act is  
21 declared unconstitutional or invalid, such other parts not affected thereby shall remain in  
22 full force and effect.

23       **SEC. 27. *Repealing Clause.*** - All laws, presidential decrees, administrative orders and  
24 executive issuances or parts thereof inconsistent with the provisions of this Act are hereby  
25 repealed or modified accordingly.

1           SEC. 28. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication  
2   in at least two (2) newspapers of general circulation.

Approved,