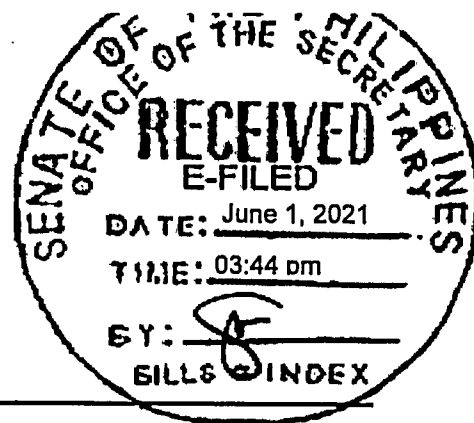


EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*Second Regular Session* )

SENATE  
S. B. No. 2260



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Introduced by **SENATOR IMEE R. MARCOS**

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**AN ACT ESTABLISHING THE ECONOMIC ZONE AND FREEPORT IN THE PROVINCE OF SOUTHERN LEYTE CREATING FOR THIS PURPOSE THE SOUTHERN LEYTE ECONOMIC ZONE AND FREEPORT AUTHORITY APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES**

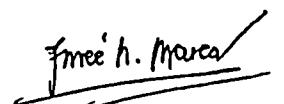
EXPLANATORY NOTE

Article II, Section 20 of the 1987 Philippine Constitution provides that, "*The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.*" Also, the United Nations Conference on Trade and Development (UNCTAD) defines Special Economic Zones (SEZs) in its World Investment Report 2019 as geographically delimited areas within which governments facilitate industrial activity through fiscal and regulatory incentives and infrastructure support. Currently, there are over 5,300 SEZs in over 140 economies.

In consonance with the aforementioned constitutional provision and in keeping with our goal of reducing poverty in the Province of Southern Leyte, it is high time to launch initiatives that will create jobs in the province. Since special economic zones have been proven by time to generate sizable employment in other areas of the country, it is in our best interest to replicate the success of ecozones in other places for the province's economic benefits.

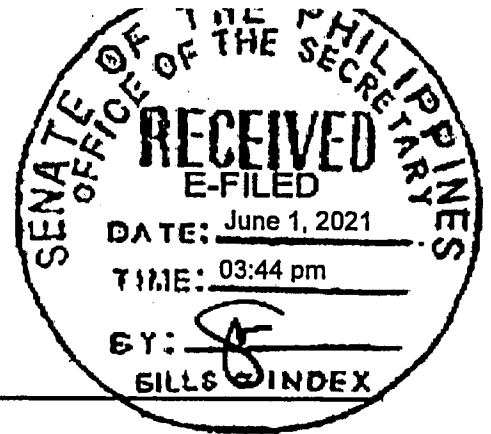
This bills therefore seeks to establish the economic zone and freeport in the Province of Southern Leyte, creating for this purpose the Southern Leyte Economic Zone and Freeport Authority. This proposed ecozone will not only benefit Southern Leyte but the entire country in terms of added revenue and national economic output.

In view of the foregoing, the immediate passage of this measure earnestly sought.

  
**IMEE R. MARCOS**

EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*Second Regular Session* )

SENATE  
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Introduced by **SENATOR IMEE R. MARCOS**

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

**CHAPTER I  
GENERAL PROVISIONS**

**SECTION 1.** *Short Title.* – This Act shall be known as the "*Southern Leyte Economic Zone and Freeport Act of 2021*".

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

**CHAPTER II  
CREATION OF THE ECOZONE**

**SEC. 3.** *Creation of the Southern Leyte Economic Zone and Freeport.* – In pursuit of the foregoing declared policy and subject to the concurrence of the concerned local government units (LGUs) of Southern Leyte by the zone, there is hereby established a special economic zone and free port in the Province of Southern Leyte to be known as the Southern Leyte Economic Zone and Freeport hereinafter referred to as the Southern Leyte Ecozone. The Southern Leyte Ecozone shall cover

1 an area as much as necessary in the City of Maasin at Barangay Guadalupe or any  
2 barangay in Maasin City, Municipality of Bontoc, San Francisco, Hinundayan and other  
3 municipalities that may be declared by an ordinance of the local government of the  
4 Province of Southern Leyte.

5  
6 **SEC. 4. Governing Principles.** – The Southern Leyte Ecozone shall be managed  
7 and operated by the Southern Leyte Economic Zone and Freeport Authority,  
8 hereinafter referred to as the SLEZFA created under Section 5 of this Act. under the  
9 following principles:

10 (a) Within the framework and limitations of the Constitution and  
11 applicable provisions of the Local Government Code, the Southern Leyte Ecozone shall  
12 be developed into and operated as a decentralized, self-reliant and self-sustaining  
13 industrial, commercial/trading, agro-industrial, tourist, banking, financial and  
14 investment center with suitable residential areas;

15 (b) The Southern Leyte Ecozone shall be provided with transportation,  
16 telecommunications and other facilities needed to attract legitimate and productive  
17 investments, generate linkage industries and employment opportunities for the people  
18 of the Province of Southern Leyte and its neighboring towns and cities;

19 (c) The Southern Leyte Ecozone may establish mutually beneficial economic  
20 relations with other entities or enterprises within the country or subject to the  
21 administrative guidance or the Department or Foreign Affairs (DEA), the Philippine  
22 Economic Zone Authority (PEZA) and/or the Department of Trade and Industry  
23 (DTI) with foreign entities or enterprises;

24 (d) Foreign citizens and companies owned by non-Filipinos in whatever  
25 proportion may set up enterprises in the Southern Leyte Ecozone, either by themselves  
26 or in Joint venture with Filipinos in any sector of industry, international trade and  
27 commerce within the Southern Leyte Ecozone;

28 (e) The Southern Leyte Ecozone shall be managed and operated as a separate  
29 customs territory, thereby ensuring the free flow or movement of goods and capital  
30 within, into and out of the Southern Leyte Ecozone, and shall likewise provide  
31 incentives such as tax- and duty-free importations of raw materials and capital  
32 equipment to registered enterprises located therein. However, exportation or removal  
33 of goods from the territory of the Southern Leyte Ecozone to the other parts of the  
34 Philippine territory shall be subject to customs duties and taxes under the Tariff and  
35 Customs Code or the Philippines, as amended, and the National Internal Revenue  
36 Code (NIRC) of 1997, as amended.

37 (f) The areas comprising the Southern Leyte Ecozone may be expanded or  
38 reduced when necessary. For this purpose, the SLEZFA, in consultation with the LGUs,  
39 shall have the power to acquire either by purchase, negotiation condemnation  
40 proceedings, any private land within or adjacent to the Southern Leyte Ecozone for  
41 the following purposes: (1) consolidation of lands for Southern Leyte Ecozone  
42 development; (2) acquisition of right-of-way to the Southern Leyte Ecozone; and (3)

1 the protection of watershed areas and natural assets valuable to the prosperity of the  
2 Southern Leyte Ecozone;

3 (g) Goods manufactured by a Southern Leyte Ecozone enterprise shall be made  
4 available for retail sale in the domestic market, subject to the payment of  
5 corresponding taxes on raw materials and other regulations that may be formulated  
6 by the SLEZFA, together with the PEZA, the Bureau of Customs (BOC) and the DTI in  
7 accordance with the NIRC of 1997, as amended, and the Tariff and Customs Code of  
8 the Philippines, as amended. However, in order to protect domestic industries, a  
9 Negative List of industries shall be drawn up and regularly updated by the PEZA.  
10 Enterprises engaged in industries included in such Negative List shall not be allowed  
11 to sell their products locally; and

12 (h) The defense of the Southern Leyte Ecozone and the security of its perimeter  
13 fence shall be the responsibility of the national government in coordination with the  
14 Southern Leyte Ecozone and the LGUs. For this purpose, a special defense team shall  
15 be organized to define its power, duties and responsibilities.

### 16 17 **CHAPTER III** 18 **GOVERNING STRUCTURES** 19

#### 20 **SEC. 5. *Creation of the Southern Leyte Economic Zone and Freeport Authority.***

21 — There is hereby created a body corporate to be known as the Southern Leyte  
22 Economic Zone and Freeport Authority hereinafter referred to as the SLEZFA, which  
23 shall manage and operate the Southern Leyte Ecozone in accordance with the  
24 provisions of this Act. This corporate franchise shall expire in fifty (50) years counted  
25 from the first year after the effectivity of this Act, unless otherwise extended by  
26 Congress. It shall be organized within one hundred eighty (180) days after the  
27 effectivity of this Act.

28  
29 **SEC. 6. *Capitalization.*** — The SLEZFA shall have an authorized capital stock of  
30 two billion (2,000,000,000) no-par shares with a minimum issue of Ten pesos (P10.00)  
31 each. The majority shares of which shall be subscribed and paid for by the national  
32 government and the LGUs embracing the Southern Leyte Ecozone. The Board of  
33 Directors or the SLEZFA may with the written concurrence of the Secretary of Finance,  
34 sell shares, representing not more than forty per centum (40%) of the capital stock  
35 of the SLEZFA to the general public under such policy as the Board and the Secretary  
36 or Finance may determine. The national government and the LGUs shall in no case,  
37 own less than sixty per centum (60%) of the total issued and outstanding capital of  
38 the SLEZFA.

39 The amount necessary to subscribe and pay for the shares of the national  
40 government to the capital stock of the SLEZFA shall be included in the annual General  
41 Appropriations Act. For LGUs, the funds shall be taken from their internal revenue  
42 allotment and other local funds.

1           **SEC. 7. Principal Office of the SLEZFA.** – The SLEZFA shall maintain its principal  
2 office in the City of Maasin, Province of Southern Leyte but it may establish branches  
3 within the Philippines as may be necessary for the proper conduct of its business.  
4

5           **SEC. 8. Powers and Functions of the SLEZFA.** – The SLEZFA shall have the  
6 following functions:

7 (a) Operate, administer, manage and develop the Southern Leyte Ecozone according  
8 to the principles and provisions set forth in this Act;

9 (b) Recommend to the President of the Philippines or the Governor of the Province of  
10 Southern Leyte the issuance of a proclamation to fix and delimit the site of the  
11 Southern Leyte Ecozone;

12 (c) Register, regulate and supervise the enterprises in the Southern Leyte Ecozone in  
13 an efficient and decentralized manner, subject to existing laws;

14 (d) Coordinate with LGUs and exercise general supervision over the development  
15 plans, activities and operations of the Southern Leyte Ecozone;

16 (e) Authorize or undertake, on its own or through others, and regulate the  
17 establishment, operation and maintenance of public utilities, services and  
18 infrastructure in the Southern Leyte Ecozone such as shipping, barging,  
19 stevedoring, cargo handling, hauling, warehousing, storage or cargo, port services  
20 or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas, storage  
21 areas, roads, bridges, terminals, conveyors, water supply and storage, sewerage,  
22 drainage, airport operations in coordination with the Civil Aeronautics Board, and  
23 such other services or concessions or infrastructure necessary or incidental to the  
24 accomplishment of the objectives of this Act: *Provided, however,* That the private  
25 investors in the Southern Leyte Ecozone shall be given priority in the awarding of  
26 contracts, franchises, licenses, permits for the establishment, operation and  
27 maintenance of utilities, services and infrastructure in the Southern Leyte Ecozone;

28 (f) Regulate and undertake the establishment, operation and maintenance of utilities,  
29 other services and infrastructure in the Southern Leyte Ecozone such as but not  
30 limited to, heat, light and power, water supply, telecommunications, transport, toll  
31 roads and bridges, port services, etc. and to fix just, reasonable and competitive  
32 rates, charges and prices thereof;

33 (g) Construct, acquire, own, lease, operate and maintain, on its own or through  
34 contracts, franchises, licenses, bulk purchases from the private sector or permits  
35 under any of the schemes allowed in Republic Act No. 6957 known as the Build-  
36 Operate-Transfer Law as amended, or joint ventures, adequate facilities and  
37 infrastructure required or needed for the operation and development of the  
38 Southern Leyte Ecozone in coordination with the appropriate national and local  
39 government authorities and in conformity with applicable laws thereon;

40 (h) Operate on its own, either directly or accredited license other entities, recreational  
41 and sports facilities, other tourism-related activities and subject to a grant of  
42 franchise by Congress, gaming activities such as horse racing, dog racing, gambling

- 1 casinos, internet and inter-active gaming and other games of chance: *Provided,*  
2 *That* registered locator enterprises shall not operate gaming activities unless  
3 granted a franchise by Congress;
- 4 (i) Subject to the approval of the President of the Philippines or the Governor of the  
5 Province of Southern Leyte and the Monetary Board of the Bangko Sentral ng  
6 Pilipinas (BSP), upon the recommendation of the DOF to raise or borrow adequate  
7 and necessary funds from local or foreign sources to finance its projects and  
8 programs under this Act and for that purpose- to issue bonds, promissory notes  
9 and other forms of securities, and to secure the same by a guarantee, pledge,  
10 mortgage, deed of trust or an assignment of all or part of its property or assets;
- 11 (j) Provide security for the Southern Leyte Ecozone in coordination with the national  
12 and local governments. Military forces sent by the national government for the  
13 purpose or defense shall not interfere in the internal affairs or the Southern Leyte  
14 Ecozone and expenditures for these military forces shall be borne by the national  
15 government. For this purpose, the SLEZFA may establish and maintain its security  
16 forces and firefighting capability or hire others to provide the same:
- 17 (k) Protect, preserve, maintain and develop the virgin forests, beaches, coral and coral  
18 reefs, and maintain ecological balance within the Southern Leyte Ecozone;
- 19 (l) Create, operate and/or contract operate such functional units or offices of the  
20 SLEZFA as it may deem necessary;
- 21 (m) Adopt, alter and use a corporate seal; contract, lease, buy, acquire, own or  
22 otherwise dispose personal and/or real property of whatever nature; sue and be  
23 sued; and otherwise carry out its functions and duties as provided for in this Act;
- 24 (n) Issue certificates of origin for products manufactured or processed in the Southern  
25 Leyte Ecozone in accordance with prevailing rules of origin and the pertinent  
26 regulations of the PEZA, the DTI and/or the DOE;
- 27 (o) Issue working visas renewable every three (3) years to foreign executives and  
28 foreign technicians with highly specialized skills which no Filipino possesses as  
29 certified by the Department of Labor and Employment (DOLE);
- 30 (p) Report to the Bureau of Immigration (BI) the names of the foreigners who have  
31 been granted permanent status and working visas within thirty (30) days after the  
32 issuance such grant;
- 33 (q) Exercise such powers as may be essential, necessary or incidental to the powers  
34 granted to it hereunder, as well as those that shall enable it to carry out, implement  
35 and accomplish the purposes, objectives and policies of this Act; and
- 36 (r) Issue rules and regulations consistent with the provision or this Act as may be  
37 necessary to accomplish and implement the purposes, objectives and policies  
38 provided herein.
- 39

40 **SEC. 9. *Applicability Clause.*** — The provisions of Sections 30 to 41 of Republic  
41 Act No. 7916 or the Special Economic Zone Act of 1995, as amended, on leases of  
42 lands and buildings, land conversion, shipping and shipping register, protection of

1 environment, termination of business, registration of business enterprises, one-stop  
2 shop center and on industrial harmony in the ecozones shall apply to the SLEZFA.

3  
4 **SEC. 10. *Tax Exemptions.*** — The SLEZFA is hereby declared exempt from the  
5 payment of all taxes, duties, fees, imports, charges, costs and service fees in any court  
6 or administrative proceedings entirely or partially lifted by the President of the  
7 Philippines upon the recommendation of the Secretary of Finance, not earlier than five  
8 (5) years from the effectivity of this Act, if the President shall find the SLEZFA be self-  
9 sustaining and financially capable by then to pay such taxes, customs duties, fees and  
10 other charges after providing for debt service requirements of SLEZFA and of its  
11 projected capital and operating expenditures.

12 Furthermore, all donations made by any person or entity in favor of the  
13 SLEZFA shall be exempt from the payment of the donor's tax and the same shall be  
14 considered as deductible from the gross income of the donor, pursuant to the NIRC  
15 of 1997, as amended.

16  
17 **SEC. 11. *Administration, Implementation and Monitoring of Incentives.*** —  
18 The SLEZFA shall be responsible for the administration and implementation of the  
19 incentives granted to its respective registered enterprises, *Provided, That* any  
20 incentive administration policy adopted by the BOI for incentives common to all  
21 registered enterprises shall be uniformly applied by the SLEZFA.

22 The following are the duties and responsibilities of the SLEZFA in the  
23 administration of incentives:

- 24 (a) Adopt consistent procedures of administering incentives in accordance with the  
25 guidelines established by the BOI and to amend the same when necessary;  
26 (b) Adopt and implement systems and procedures affecting trade and customs  
27 policies in accordance with the requirements established by the DOF and the  
28 BOI and to amend the same when necessary;  
29 (c) Submit data and information to the DOF and the BOI as required by any of  
30 these agencies to ascertain consistency or investment policies and incentives,  
31 including their implementation as provided in (a) and to ensure proper  
32 implementation of systems and procedures affecting trade and customs policies  
33 as provided in (b); and  
34 (d) Perform all other duties and responsibilities as may be required by the President  
35 or the Philippines.

36 For proper monitoring, the BOI shall create a single database of all incentives  
37 provided by all incentives-granting agencies, including the SLEZFA and all  
38 information thereto. Double-entry accounting shall be done by the BOI in recording  
39 all incentives granted by the government for transparency purposes.

40  
41 **SEC. 12. *Board of Directors of the SLEZFA.*** — The powers of the SLEZFA  
42 shall be vested in and exercised by a board of directors, hereinafter referred to as the

1 Board, which shall be composed of the following:

2 (a) The chairperson who shall, at the same time be the administrator of the SLEZFA;

3 (b) A vice chairperson who shall come from among the members of the Board:

4 (c) The Members consisting of:

5 (1) The governor or the Province of Southern Leyte:

6 (2) The congressional representative of the district covering the site of the  
7 Southern Leyte Ecozone;

8 (3) The mayor of any of the city or municipality covered by the Ecozone;

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

10 (5) One (1) representative front the foreign investors; and

11 (6) Two (2) representatives from labor from among the workers in the  
12 Southern Leyte Ecozone;

13  
14 The governor, the congressional representative and the mayor of the City of  
15 Maasin shall serve as ex officio members of the Board, whose terms in the Board  
16 correspond their term as elected officials. The chairperson and the members of the  
17 Board, except the ex- officio members, shall be appointed by the President of the  
18 Philippines or the Governor of Southern Leyte to serve for a term of six (6) years  
19 unless sooner removed for cause or dies or resigns voluntarily. In case of death,  
20 resignation or removal for cause, the replacement shall serve only the unexpired  
21 portion of the term.

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

29 The members of the Board shall each receive per diem at rates to be  
30 determined by the Department of Budget and Management (DBM) in accordance with  
31 existing rules and regulations: *Provided, however,* that the total per diem collected  
32 each month shall not exceed the equivalent per diem for four (4) meetings. Unless  
33 and until the President of the Philippines or the Governor of Southern Leyte has fixed  
34 a higher per diem for the members of the Board, such per diem shall not be more  
35 than Ten thousand pesos (P10,000.00) for every Board meeting.

36  
37 **SEC. 13. Powers and Duties of the Chairperson-Administrator.** – The  
38 chairperson-administrator shall have the following powers and duties:

39 (a) Direct and manage the affairs of the SLEZFA in accordance with the policies of  
40 the Board;

41 (b) Establish the internal organization of the SLEZFA under such conditions that  
42 the Board may prescribe;



- 1 (c) Submit an annual budget and necessary supplemental budget to the Board for  
2 its approval:
- 3 (d) Submit within thirty (30) days after the close of each fiscal year an annual  
4 report to the Board and such other reports as may be required;
- 5 (e) Submit to the Board for its approval policies, systems, procedures, rules and  
6 regulations that are essential to the operation of the Southern Leyte Ecozone:
- 7 (f) Create a mechanism in coordination with relevant agencies for the promotion  
8 of industrial peace, the protection of the environment and the advancement of  
9 the quality of life; and
- 10 (g) Perform such other duties as may be assigned to him/her by the Board or  
11 which are necessary or incidental to his/her office.
- 12

13 **SEC. 14. *Organization and Personnel.*** – The Board of Directors of the SLEZFA  
14 shall provide for an organization and staff of its officers and employees. Upon  
15 recommendation of the chairperson administrator, the Board shall appoint and fix  
16 the remuneration and other emoluments of its officers and employees in accordance  
17 with existing laws on compensation and position classification: *Provided, That* the  
18 Board shall have exclusive and final authority to promote, transfer, assign or reassign  
19 officers of the SLEZFA, any provision of existing law to the contrary notwithstanding:  
20 *Provided, Further,* that the chairperson-administrator may carry out removal of such  
21 officers and employees.

22

23 The officers and employees of the SLEZFA, including all members of the  
24 Board, shall not engage, directly or indirectly in partisan activities nor take part in  
25 any selection, except to vote.

26

27 No officer or employee of the SLEZFA, subject to civil service laws and  
28 regulations, shall be removed or suspended except for cause, as provided by law.

29

30 **SEC. 15. *General Manager.*** – The Board of Directors of the SLEZFA shall  
31 appoint a full-time professional and competent administrator and chief executive  
32 officer for the SLEZFA whose compensation shall be determined by its Board of  
33 Directors and shall be in accordance with the revised compensation and position  
34 classification system. The administrator as chief executive officer of the SLEZFA shall  
35 be responsible to the Board and to the President of the Philippines and/or the  
36 Governor for the efficient management and operation of the SLEZFA.

37

38 **SEC. 16. *Legal Counsel.*** – The SLEZFA shall have its own internal legal  
39 counsel under the supervision of the Office or the Government Corporate Counsel  
40 (OGCC). When the exigencies of its businesses and operations demand it, the SLEZFA  
41 may engage the services of an outside counsel either on a case to case or on a fixed  
42 retainer basis.

1  
2 **CHAPTER IV**  
3 **INCENTIVES TO ECOZONE ENTERPRISES/INVESTORS**  
4

5 **SEC. 17. Incentives to Registered Enterprises.** – The SLEZFA shall provide  
6 the following incentives to the registered enterprises located therein to the extent of  
7 the activity/project:  
8

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

13 (1) Category A – Registered domestic enterprises producing/rendering  
14 new products/services or having strong backward or forward linkages  
15 shall be entitled to a six (6)-year ITH.  
16

17 (2) Category B – Registered export enterprises shall be entitled to a six  
18 (6)-year ITH: *Provided*, the export enterprise shall be entitled to all  
19 eight (8)-year ITH if it complies with the following:  
20

- 21 (i) Large capital investments or sizeable employment generation;  
22 or  
23 (ii) Use of high level of technology.  
24

25 Registered enterprises embarking on new investments that are listed in the  
26 current Investment Priorities Plan (IPP) shall be entitled to incentives provided herein  
27 pertaining the new investments and subject to such terms and conditions as the Board  
28 of Investments (BOI) may determine.  
29

30 Additional investments in the project shall be entitled the ITH corresponding to  
31 such investments as may be determined by the BOI.  
32

33 Additional ITH may be granted for as long as the investment is made on the  
34 same project: *Provided, That* the project is listed in the IPP at the same time the  
35 additional investment in the project is made: *Provided further* that the entitlement  
36 period additional investments shall not exceed three (3) times the period provided  
37 under this subsection; *Provided, however*, that the total ITH period an export  
38 enterprise availing of an eight (8)-year ITH shall not exceed twenty (20) years. Any  
39 unused incentives shall therefore be deemed forfeited if not used during the incentive  
40 period.  
41

42 Enterprises registered with the SLEZFA are required to share in the special

1 development fund of the BOI for investment promotion projects of the government  
2 equivalent to one percent of the ITH granted for every application.

3  
4 The Bureau of Internal Revenue (BIR) shall require a registered enterprise  
5 availing of the ITH or the net operating loss carryover (NOLCO) to secure a certificate  
6 of eligibility from the SLEZFA before submitting its income tax return (ITR) with the  
7 SLEZFA for validation.

8  
9 Failure to Secure certification and/or to file the ITH or the NOLCO availment  
10 for validation by the SLEZFA within forty-five (45) days from the last day of statutory  
11 filing date for ITR shall cause the forfeiture of the availment for the taxable period.

12  
13 (b) Net Operating Loss Carry over (NOLCO) – net operating loss of the  
14 business or enterprise during the first three (3) years from the start of commercial  
15 operations which have not been previously offset as a deduction from the gross  
16 income shall be carried over as a deduction from the gross income for the next five  
17 (5) consecutive years immediately following the year of such loss: *Provided, however,*  
18 That operating loss resulting from availment of incentives provided in this Code shall  
19 be entitled to the NOLCO.

20  
21 Registered enterprises availing of the ITH as herein provided shall not be  
22 entitled to avail of the NOLCO.

23  
24 (c) Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned (GIE)  
25 — Except for real property tax on land, no local and national taxes as prescribed under  
26 Republic Act No. 8424, also known as "the National Internal Revenue Code of 1997,  
27 As Amended", such as the income tax, the excise tax and the franchise taxes shall be  
28 imposed on business establishments operating within the Southern Leyte Ecozone. In  
29 lieu thereof, there shall be imposed a tax of five percent (5%) of the gross income  
30 earned by all the business enterprises within the SLEZFA and remitted as follows:

- 31 (1) Two per centum (2%) to the national government;  
32 (2) Two per centum (2%) to the Province of Southern Leyte;  
33 (3) One-half per centum (1/2%) to be shared by the municipalities  
34 affected by the declaration of the SLEZFA in proportion to their  
35 income from business activities of the zone; and  
36 (4) One-half per centum (1/2 %) to the SLEZFA

37  
38 All persons and service establishments in the Southern Leyte Ecozone that  
39 are not covered by Section 17 hereof shall be subject to national and local taxes under  
40 the NIRC of 1997, as amended, and the Local Government Code.

41  
42 (d) *Accelerated Depreciation* – Accelerated depreciation of plant, machinery

1 and equipment that are reasonably needed and actually used for the production and  
2 transport of goods and services may be allowed using a rate not exceeding twice the  
3 rate which would have been used had the annual allowance been computed in  
4 accordance with the rules and regulations prescribed by the Secretary of Finance and  
5 the provisions or the NIRC of 1997, as amended.

6  
7 (e) *Capital Equipment Incentives* – Importations of capital equipment, spare  
8 parts, tools and dye, or those required for pollution abatement and control, cleaner  
9 production and waste reduction including consignment thereof by registered  
10 enterprises upon the effectivity of this Act shall be exempted to the extent of one  
11 hundred percent (100%) or the taxes and customs duties: Provided, That the  
12 importation thereof shall be used exclusively by the registered enterprise in its  
13 registered activity within the Southern Leyte Ecozone: Provided further. That the  
14 importation of machinery and equipment and accompanying parts shall comply with  
15 the following conditions:

16 (1) These are not manufactured domestically in sufficient quantity, of  
17 comparable quality and at reasonable prices:

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

23 (3) Approval or the SLEZFA was obtained by the registered enterprise for the  
24 importation of such machinery, equipment and spare parts.

25 Approval of the SLEZFA must be secured before any sale, transfer or  
26 disposition of the imported capital equipment, machinery or spare parts is made:  
27 Provided That if such sale, transfer or disposition is made within the first five (5) years  
28 from, the date of importation, any of the following conditions must be present:

29  
30 (i) If made to another enterprise enjoying tax and duty exemption on  
31 imported capital equipment;

32 (ii) If made to another enterprise not covered by part (i) hereof. Upon  
33 payment of the taxes and duties on the net book value of the capital equipment  
34 to be sold;

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

37 (iv) For reasons of proven technical obsolescence.

38  
39 When the aforementioned sale, transfer or disposition is made under any of the  
40 conditions provided for in the foregoing paragraphs other than paragraph (ii), the  
41 registered firm shall not pay the taxes and duties waived on such items: *Provided,*  
42 *further,* That if the registered enterprise sells, transfers or disposes the

1   aforementioned imported items without prior approval within five (5) years from the  
2   date of importation, the registered enterprise and the vendee, transferee or assignee  
3   shall be solidarily liable to pay twice the amount of the tax and duty exemption given  
4   it: *Provided, finally,* That even if the sale, transfer or disposition of the capital  
5   equipment, machinery or spare parts is approved after five (5) years from the date of  
6   importation, the registered enterprise is still liable to pay the taxes and duties based  
7   on the net book value of the capital equipment, machinery or spare parts if it has  
8   violated any of its registration terms and conditions. Otherwise, it shall no longer be  
9   subject to the payment of the taxes and duties waived thereon.

10  
11         The purchase of machinery, capital equipment, raw materials, supplies, parts  
12   and semi-finished products used in the fabrication of machinery and capital equipment  
13   by a registered export-oriented enterprise from a domestic manufacturer shall be  
14   subject to zero percent (0%) value-added tax.

15  
16         The registered export-oriented enterprise shall be granted a tax credit equivalent  
17   to the amount of duties that would have been waived on the machinery, capital  
18   equipment, raw materials, supplies, parts and semi-finished products used in the  
19   fabrication of machinery and capital equipment had these items been imported, upon  
20   its submission to the Department of Finance (DOF) of the bill of materials evidencing  
21   the transaction value or such and other pertinent documents, for verification and  
22   proper endorsement.

23  
24         The registered export enterprise availing of the incentive provided under the  
25   immediately preceding two (2) paragraphs shall be subject to the following: (i) that  
26   said capital equipment, machinery and spare parts will be used exclusively by the  
27   registered enterprise in its registered activity; (ii) that the capital equipment or  
28   machinery where the raw materials, supplies, parts and semi-finished products were  
29   used would have qualified for tax- and duty-free importation; and (iii) that the  
30   approval or the SLEZFA is obtained by the registered enterprise. If the registered  
31   enterprise sells, transfers or disposes of these machineries, capital equipment and  
32   spare parts, the provision in the preceding paragraphs for such disposition shall apply.

33  
34         This incentive shall be deemed waived if application for tax credit under this  
35   subsection was not filed within one (1) year from the date of delivery.

36  
37         (f) *Tax-and-Duty Free Importation* – The importation of source documents by  
38   information technology registered enterprises shall be eligible for tax- and duty-free  
39   importation.

40  
41         (g) *Raw Materials Incentives* – Every registered export-oriented enterprise shall  
42   enjoy a tax credit equivalent to the internal revenue taxes and customs duties paid on

1 the supplies, raw materials and semi-manufactured products: Provided, That the same  
2 are not sufficient in quantity, quality or are not competitively priced which are used in  
3 the manufacture, processing or production of its export products forming part thereof,  
4 exported directly and indirectly by the registered export-oriented enterprise based on  
5 the actual taxes and duties paid for such materials/supplies/semi-manufactured  
6 products by the registered enterprise.

7  
8 This incentive shall be deemed waived if application for tax credit under this  
9 subsection was not filed within one (1) year from the date of exportation of the final  
10 product.

11  
12 (h) *Incentives on Breeding Stocks and Genetic Materials* – Importation of  
13 breeding stocks and genetic materials within ten (10) years from the date or  
14 registration of commercial operations of the enterprise shall be exempt from all taxes  
15 and duties: *Provided*, That such breeding stocks and genetic materials are reasonably  
16 needed in the registered activity and approved by the SLEZFA.

17  
18 The availment or the incentives by a registered enterprise shall be subject to  
19 the following: (1) that said breeding stocks and genetic materials would have been  
20 qualified for tax- and duty-free importation under the preceding paragraph; (2) that  
21 the breeding stocks and genetic materials are reasonably needed in the registered  
22 activity; (3) that approval of the SLEZFA has been obtained by the registered  
23 enterprise; and (4) that the purchase is made within ten ( 10) years from the date or  
24 registration of commercial operations of the registered enterprise.

25 This incentive shall be deemed waived if application for tax credit under this  
26 subsection is not filed within one (I) year from the date of delivery.

27 (i) Exemption from Wharfage Dues- the provision of law to the contrary  
28 notwithstanding, exports by a registered enterprise shall be exempted from wharfage  
29 dues.

30 (j) *Deferred Imposition of the Minimum Corporate Income Tax* – The  
31 minimum corporate income tax (MCIT) of two percent (2%) of the gross income as of  
32 the end of the taxable year shall be imposed when the MCIT is greater than the income  
33 tax computed under the NIRC of 1997, as amended, for the taxable year: *Provided*,  
34 *however*, *That* said MCIT shall be imposed only after the enterprise's entitlement  
35 period to the income tax-based incentives.

36 (k) *Tax Treatment of Goods and Services in the Southern Leyte Ecozone.*

37 (a) *Tax Treatment of Merchandise in the Southern Leyte Ecozone* —  
38 The free trade/free port zone shall be operated and managed as a  
39 separate customs territory ensuring free flow or movement of goods

1 within, into and exported out of the free trade/free port zone.  
2 Importations of raw materials and capital equipment are tax- and duty  
3 free. However, exportations or removal of goods the free trade/free port  
4 zones the other parts of the Philippine territory shall be subject to  
5 customs and internal revenue regulations.

6 (i) Except as otherwise provided in this Act, foreign and domestic  
7 merchandise description, except those prohibited by law, brought into  
8 the zone to be sold, stored, broken up, repacked, assembled, installed,  
9 sorted, cleaned, graded or otherwise processed, manufactured, mixed  
10 with foreign or domestic merchandise, whether directly or indirectly  
11 related in such activity, shall not be subject to customs and internal  
12 revenue laws and regulations nor to local tax ordinances, any provision  
13 of law to the contrary notwithstanding.

14 (ii) Merchandise purchased by a registered Southern Leyte Ecozone  
15 enterprise from the Customs territory and subsequently brought into the  
16 export processing zone, shall be considered as export sales and  
17 exportation thereof shall be entitled to the benefits allowed by law for  
18 such transaction.

19 (iii) Domestic merchandise sent from the Southern Leyte Ecozone to  
20 the customs territory shall whether or not combined with or made part  
21 of other articles likewise of local origin or manufactured in the Philippines  
22 while in the export processing zone be subject to internal revenue laws  
23 or the Philippines as domestic goods sold transferred or disposed of for  
24 local consumption.

25 (iv) Merchandise sent from the Southern Leyte Ecozone to the customs  
26 territory shall, whether or not combined with or made part of other  
27 articles while in the zone, be subject to rules and regulations governing  
28 imported merchandise. The duties and taxes shall be based on the value  
29 of said imported materials (except when the final product is exempt).

30 (v) Domestic merchandise on which all internal revenue taxes have  
31 been paid, if subject thereto, and foreign merchandise previously  
32 imposed on which taxes have been paid, or which have been admitted  
33 free of duty and tax, may be taken into the Southern Leyte Ecozone from  
34 the customs territory of the Philippines and be brought back thereto free  
35 of quotas, duty or tax.

36  
37 (vi) Subject to such regulations respecting identity and safeguarding  
38 of revenue as the SLEZFA may deem necessary, when the identity of an  
39 article entered into the export processing zone under the immediately

1 preceding paragraph has been lost, such article when removed from the  
2 zone and taken to the customs territory shall be treated as foreign  
3 merchandise entering the country for the first time under the provisions  
4 of the Tariff and Customs Code of the Philippines, as amended.

5 (vii) therefrom shall on subsequent importation into the customs  
6 territory, be subject to the import laws applicable to like articles  
7 manufactured in a foreign country.

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

11  
12 (b) Tax Treatment of Services - (i) Sale of service by an entity from  
13 the customs territory to a registered ecozone or free trade enterprise, or  
14 by a registered ecozone or freeport enterprise to another ecozone or  
15 freeport enterprise shall be treated as indirect export and hence, entitled  
16 to the benefits allowed by law for such transaction; and (ii) Sale or  
17 service by a registered ecozone or Freeport enterprise to the customs  
18 territory shall be subject to applicable internal revenue laws, and  
19 regulations.

20 (l) Bonded Warehousing System- Registered export-oriented enterprise  
21 shall have access to the utilization of the bonded warehousing system in accordance  
22 with the rules and regulations of the BOC.

23 (m) Employment of Foreign Nationals — Subject to the provisions of Section  
24 29 of Commonwealth Act No. 613, otherwise known as "The Philippine Immigration  
25 Act of 1940", as amended, a registered enterprise may employ foreign nationals in  
26 supervisory or technical positions for a period not exceeding ten (10) years from its  
27 registration: Provided, That when the majority of the capital stock or a registered  
28 enterprise is owned by foreign investors, the positions of the president, treasurer  
29 and general manager or their equivalents may be retained by foreign nationals  
30 beyond the period set forth herein and such officer is the owner or a stockholder  
31 owning at least ten percent (10%) of the outstanding capital stock of the registered  
32 enterprise and he/she remains the owner or maintains his/her stockholdings therein.

33 Foreign nationals under employment contract within the purview of this  
34 incentive, their spouses and unmarried children under twenty-one (21) years or age,  
35 who are not excluded by Section 29 or Commonwealth Act No, 613, as amended,  
36 shall be permitted to enter and reside in the Philippines during the period of  
37 employment of such foreign nationals. They shall be issued multiple-entry visas,  
38 renewable every two (2) years, and shall be allowed to enter and leave the  
39 Philippines without further documentary requirements other than valid passports or



1 other travel documents in the nature of passports.

2  
3 The foreign nationals admitted herein as well as their respective spouses and  
4 dependents shall be exempt from (1) obtaining alien certificates of registration and  
5 emigration clearance certificates; and (2) securing alien employment permits (AEP)  
6 and all types of clearances, permits, licenses or their equivalents required by any  
7 government department or agency.

8  
9 **SEC. 18. *Extension of Period Availment.*** – The availment period of the  
10 incentives provided herein may be extended by the SLEZFA in the event that the  
11 registered enterprise suffers operational *force majeure* or any event equivalent  
12 thereto, impairing its viability.

13  
14 **SEC. 19. *Duration of Incentives.*** – Enterprises registered with the SLEZFA may  
15 enjoy ITH or NOLCO granted by the latter prior to the availment of the five percent  
16 (5%) Gross Income Earned (GIE).

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

22  
23 The industries exempted from this provision shall be recommended by the BOI  
24 or the Governor of the Province of Southern Leyte with the concurrence of the  
25 secretary of the DOF.

26  
27 **SEC. 20. *Incentive to Investors.*** – Any foreign national covered under  
28 subsection (m) or Section 17 of this Act, who invests an amount of One hundred fifty  
29 thousand US Dollars (USD 150,000.00) either in cash and/or equipment in a  
30 registered enterprise shall be entitled to an investor's visa; *Provided, that:*

- 31  
32 (a) He is at least eighteen (18) years of age;  
33 (b) He has not been convicted of a crime involving moral turpitude;  
34 (c) He is not afflicted with any loathsome, dangerous or contagious disease;  
35 and  
36 (d) He has not been institutionalized for any mental disorder or disability;

37  
38 *Provided, further,* that in securing the investor's visa, the alien applicant shall be  
39 entitled to the same privileges provided for under Section 17, last paragraph.

40 As a holder of an investor's visa, an alien shall be entitled to reside in the  
41 Philippines while his investment subsists. For this purpose, he shall submit an annual

1 report, in the form duly prescribed for the purpose to prove that he has maintained  
2 his investment in the country. Should said alien withdraw his investments from the  
3 Philippines, then the investor's visa issued to him shall automatically expire.

4 **SEC. 21. *Banking Rules and Regulations.*** – Existing banking laws and  
5 rules/regulations of the Bangko Sentral ng Pilipinas (BSP) shall apply to banks and  
6 financial institutions to be established in the Southern Leyte Ecozone, such as those  
7 governing foreign exchange and other current account transactions (trade and  
8 nontrade), local and foreign borrowings, foreign investments, establishment and  
9 operation of local and foreign banks, foreign currency deposit units, offshore banking  
10 units and other financial institutions under the supervision of the BSP.

11 **SEC. 22. *Remittance of Earnings.*** – In the case of foreign investments, a  
12 registered enterprise in the SLEZFA shall have the right to remit earnings from the  
13 investment in the currency in which the investment was originally made and at the  
14 exchange rate prevailing at the time of remittance, subject to the provisions of  
15 Section 74 of Republic Act No. 265, (The New Central Bank Act), as amended.

16 **CHAPTER V**  
17 **NATIONAL GOVERNMENT AND OTHER ENTITIES**

18  
19 **SEC. 23. *Interpretation/Construction.*** – The powers, authorities *and* functions  
20 that are vested in the SLEZFA are intended to decentralize governmental functions  
21 and authority and promote an efficient and effective working relationship among the  
22 Southern Leyte Ecozone, the national government and the LGUs.

23 **SEC. 24. *Supervision and Coordination of Development Plans.*** – For purposes of  
24 policy direction and coordination, the Southern Leyte Ecozone shall be under the direct  
25 control and supervision of the Office of the President through the Governor of the  
26 Province of Southern Leyte.

27  
28 **SEC. 25. *Authority of the Bureau Customs (BOC) Examine the Entry and Exit of***  
29 ***Imported Articles in the SLEZFA.*** – The BOC, in coordination with the appropriate  
30 government agencies such as, but not limited to, the Departments of Trade and  
31 Industry, Agriculture, Transportation and Communications, and Health shall have the  
32 authority to examine the entry and exit of imported articles in the SLEZFA for the  
33 purpose of determining: (a) the quantity and description of imported articles; and (b)  
34 compliance with the sanitary and agricultural requirements.

35  
36 **SEC. 26. *Relationship with the Regional Development Council.*** – The SLEZFA shall  
37 determine the development goals for the Southern Leyte Ecozone within the

1 framework of national development plans, policies and goals. The administrator shall,  
2 upon approval by the Board, submit the Southern Leyte Ecozone plans, programs and  
3 projects to the Regional Development Council inclusion and inputs to the overall  
4 regional development plan.

5 **SEC. 27. *Relationship with LGUs.*** – Except as herein provided, the LGUs comprising  
6 the Southern Leyte Ecozone shall retain their basic autonomy and identity. The City  
7 of Maasin, Municipality of Bontoc, San Francisco, Hinundayan, Southern Leyte shall  
8 operate and function in accordance with the Local Government Code of 1991. In case  
9 of any conflict among the SLEZFA and City of Maasin, Municipality of Bontoc, San  
10 Francisco, Hinundayan, Province of Southern Leyte on matters affecting the Southern  
11 Leyte Ecozone other than defense and security matters, the decision of the SLEZFA  
12 shall prevail.

13

14 **SEC. 28. *Auditing.*** – The Commission on Audit shall appoint a representative  
15 who shall be a full-time auditor of the SLEZFA and assign such number of personnel  
16 as may be necessary to assist said representative in the performance of his/her  
17 duties. The salaries and emoluments of the assigned auditor and personnel shall be  
18 in accordance with pertinent laws, rules and regulations.

19

20

## CHAPTER VI MISCELLANEOUS

21

22

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

26

27 **SEC. 30. *Repealing Clause.*** — All laws, executive orders or issuances or any  
28 part thereof which are inconsistent herewith are hereby repealed or amended  
29 accordingly.

30

31 **SEC. 31. *Effectivity Clause.*** — This Act shall take effect fifteen (15) days after  
32 its publication in at least two (2) national newspapers of general circulation.

*Approved,*