


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

7 SEP -3 2015

SENATE
S. No. 1522

RECEIVED BY: 

Introduced by Senator Miriam Defensor Santiago

EXPLANATORY NOTE

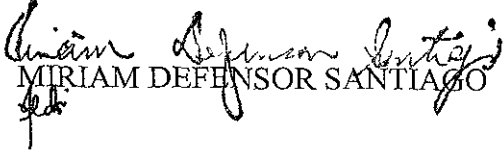
The Constitution, in its Declaration of Principles and State Policies, provides:

Section 20. The State recognizes the indispensable role of the private sector, encourages private enterprises, and provides incentives to needed investments.

In pursuance of this policy, Republic Act No. 7916 or the "Special Economic Zone Act of 1995," was enacted. This law became the legal framework for the creation of special economic zones, industrial estates, export processing zones, and free trade zones in many parts of the country, and has succeeded in achieving its objectives of promoting the flow of investments and generating employment opportunities in areas where such a zone is present. The country needs to draw on the enormous contribution of this legal conception to the progress of the national economy. Because the creation of an economic zone in a particular area depends on the fulfillment of certain requirements set by law and approval by the authorities, so far the full potential of their economic contribution have not been maximized.

Economic zones, as enumerated above, differ in their legal conceptions, and the creation of a certain zone depends on its geographic location. For instance, a free trade zone is created near a port of entry or airport while an export processing zone is located outside customs authority, predominantly oriented to export production. An industrial estate need not be so located in those areas, and may be created according to a comprehensive plan under a unified continuous management.


This bill aims to take full advantage of the creation of that class of economic zone, called industrial estates, by mandating their establishment in all cities and municipalities of the country.


MIRIAM DEFENSOR SANTIAGO

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1 AN ACT
2 CREATING INDUSTRIAL ESTATES IN EVERY CITY AND MUNICIPALITY,
3 PROVIDING FUNDS THEREFOR

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

6 SECTION 1. *Short Title.* – This Act shall be known as the “Industrial Estates Act
7 of 2007.”

8 SECTION 2. *Declaration of Policy.* – It is hereby declared the policy of State to
9 attain full economic prosperity by promoting foreign and local investment in all cities and
10 municipalities of the country and to help local governments to enable them to attain their
11 fullest development as self-reliant communities, as well as to generate employment
12 opportunities to the people in all areas of the country.

13 SECTION 3. *Definition of Terms.* For the purposes of this Act, the term
14 “industrial estate” refers to a tract of land, with an area of at least one (1) hectare,
15 subdivided and developed according to a comprehensive plan, under a unified continuous
16 management and with provisions for basic infrastructure and utilities, with or without
17 pre-built standard factory buildings and community facilities for the use of the
18 community of industries.

19 SECTION 4. *Delineation of Industrial Estates.* - The metes and bounds of each
20 industrial estate are to be delineated and more particularly described in a proclamation to
21 be issued by the President of the Philippines, upon the recommendation of Philippine

1 Economic Zone Authority (PEZA), in coordination with the municipal or city council,
2 National Land Use Coordinating Committee and the Regional Land Use Committee.

3 SECTION 5. *Industrial Estates to be Decentralized Industrial Community.* -
4 Industrial estate shall be developed, as much as possible, into a decentralized, self-reliant,
5 and self-sustaining industrial center with minimum government intervention. Each
6 industrial estate shall be provided with transportation, telecommunications, and other
7 facilities needed to generate linkage with industries and employment opportunities for its
8 own inhabitants and those of nearby towns and cities.

9 The industrial estate shall administer itself on economic, financial, industrial
10 development and such other matters within the exclusive competence of the national
11 government. The industrial estate may establish mutually beneficial economic relations
12 with other entities within the country, or, subject to the administrative guidance of the
13 *Department of Trade and Industry, with foreign entities or enterprises.*

14 SECTION 6. *Participation of Foreign Enterprises in Industrial Estates.* -
15 Foreign citizens and companies owned by non-Filipinos in whatever proportion, may set
16 up enterprises in the industrial estate, either by themselves or in joint venture with
17 Filipinos in any sector or industry, international trade and commerce within the industrial
18 estate. Their assets, profits, and other legitimate interests shall be protected: Provided,
19 that the industrial estate through PEZA, may require a minimum investments for any
20 industrial estate enterprise in freely convertible currencies: Provided, further, that the
21 new investments shall fall under the priorities, thrusts and limits provided for in this Act.

22 SECTION 7. *Industrial Estate as Separate Customs Territory.* – The industrial
23 estates shall be managed and operated by the PEZA as separate customs territory. The
24 PEZA is hereby vested with the authority to issue certificates of origin of products
25 manufactured or processed in each industrial estate in accordance with the prevailing
26 rules of origin, and the pertinent regulations of the Department of Trade and Industry and
27 *the Department of Finance.*

1 SECTION 8. *Defense and Security.* – The defense of the industrial estate and
2 the security of its parameter fence shall be the responsibility of the national government
3 in coordination with the PEZA. Military forces sent by the national government for the
4 purpose of defense shall not interfere in the internal affairs of any of the industrial estate
5 and expenditure for these military forces shall be borne by the national government. The
6 PEZA may provide and establish the industrial estate’s internal security and firefighting
7 forces.

8 SECTION 9. *Immigration.* – Any investor within the industrial estate whose
9 initial investment shall not be less than \$150,000.00, his or her spouse, and dependent
10 children under 21 years of age shall be granted permanent resident status within the city
11 or municipality where the industrial estate in which he invested is located.

12 The PEZA shall issue working visas renewable every two (2) years to foreign
13 executives and other aliens, possessing highly technical skills which no Filipino within
14 the city or municipality where the industrial estate is located, possesses, as certified by
15 the Department of Labor and Employment. The names of aliens granted permanent
16 resident status and working visas by the PEZA shall be reported to the Bureau of
17 Immigration within thirty (30) days after issuance thereof.

18 SECTION 10. *Administration of each industrial estate.* – Each industrial estate
19 shall be organized, administered, managed, and operated by the industrial estate
20 executive committee composed of the following:

- 21 (A) The administrator who shall be appointed by the PEZA Board upon
22 recommendation of the director general; and
23 (B) One (1) deputy administrator to be appointed by the Board upon
24 recommendation of the director general.

25 SECTION 11. *Composition of industrial estate advisory body.* - An industrial
26 estate advisory body shall be created with the following members:

- 27 (A) The president of the association of investors in the industrial estate;

- 1 (B) The governor of the province where the industrial estate is located;
2 (C) The mayor of the city or municipality where the industrial estate is located;
3 (D) The president of an accredited labor union in the industrial estate ;
4 (E) The representative of the business sector in the periphery of the industrial
5 estate; and
6 (F) The representative of the PEZA.

7 SECTION 12. *Functions of industrial estate advisory body.* The industrial
8 estate advisory body shall have the following functions:

- 9 (A) Advise the industrial estate management on matters pertaining to policy
10 initiatives ; and
11 (B) Assist the industrial estate management in settling problems arising
12 between labor and any enterprise in the industrial estate.

13 SECTION 13. *Investigation and Inquiries.* - Upon a written formal complaint
14 made under oath, which on its face provides reasonable basis to believe that some
15 anomaly or irregularity might have been committed, the PEZA or the administrator of the
16 industrial estate concerned, shall have the power to inquire into the conduct of firms or
17 employees of the industrial estate and to conduct investigations, and for that purpose may
18 subpoena witnesses, administer oaths, and compel the production of books, papers, and
19 other evidences: Provided, that the investigator may grant immunity from prosecution to
20 any person whose testimony or whose possessions of documents or other evidence is
21 necessary or convenient to determine the truth in any investigation conducted by him or
22 under the authority of the PEZA or the administrator of the industrial estate concerned.

23 SECTION 14. *Disbursement of Funds.* - No money shall be paid out of the funds
24 of any industrial estate, except in pursuance of the budget as formulated and approved by
25 the PEZA.

26 SECTION 15. *Development Strategy of the industrial estate.* - The strategy of
27 each industrial estate shall be formulated by the PEZA, in coordination with the

1 Department of Trade and Industry and the National Economic and Development
2 Authority: Provided, that such development strategy is consistent with the priorities of
3 the national government.

4 It shall be the policy of the government and the PEZA to encourage and provide
5 incentives and facilitate private sector participation in the construction and operation of
6 public utilities and infrastructure in the industrial estate, using any of the schemes
7 allowed in Republic Act. No. 6957.

8 SECTION 16. *Fiscal Incentives.* - Business establishments operating within the
9 industrial estate shall be entitled to the fiscal incentives as provided for under Presidential
10 Decree No. 66, the law creating the Export Processing Zone Authority, or those provided
11 under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investment
12 Code of 1987. Furthermore, tax credits for exporters using local materials as inputs shall
13 enjoy the same benefits provided for in the Export Development Act of 1994.

14 SECTION 17. *Exemption from Taxes Under the National Internal Revenue*
15 *Code.* - Any provision of existing laws, rules and regulations to the contrary
16 notwithstanding, no taxes, local and national, shall be imposed on business
17 establishments operating within the industrial estate. In lieu of paying taxes, five percent
18 (5%) of the gross income earned by all businesses and enterprises within the industrial
19 estate shall be remitted to the national government. This five percent (5%) shall be shared
20 and distributed as follows:

- 21 (A) Three percent (3%) to the national government;
- 22 (B) One percent (1%) to the city or municipality affected by the declaration of the
23 industrial estate; and
- 24 (C) One percent (1%) for the establishment of a development fund to be utilized
25 for the development of municipalities outside and contiguous to each industrial
26 estate.

1 SECTION 18. *Applicable National Taxes.* - All income derived by persons and
2 all service establishments in the industrial estate shall be subject to taxes under the
3 National Internal Revenue Code.

4 SECTION 19. *Domestic Sales.* - Goods manufactured by an industrial estate
5 enterprise shall be made available for immediate retail sales in the domestic market,
6 subject to payment of corresponding taxes on the raw materials and other regulations that
7 may be adopted by the Board of the PEZA. However, in order to protect the domestic
8 industry, there shall be a negative list of industries that will be drawn up by the PEZA.
9 Enterprises engaged in the industries included in the negative list shall not be allowed to
10 sell their products locally. Said negative list shall be regularly updated by the PEZA. The
11 PEZA, in coordination with the Department of Trade and Industry and the Bureau of
12 Customs, shall jointly issue the necessary implementing rules and guidelines for the
13 effective implementation of this section.

14 SECTION 20. *Applicability of Banking Laws and Regulations.* - Existing banking
15 laws and Bangko Sentral ng Pilipinas (BSP) rules and regulations shall apply to banks
16 and financial institutions to be established in the industrial estate and to other industrial
17 estate-registered enterprises. Among other pertinent regulations, these include those
18 governing foreign exchange and other current account, transactions (trade and non-trade)
19 local and foreign borrowings, foreign investments, establishment and operation of local
20 and foreign banks, foreign currency deposit units, offshore banking units and other
21 financial institutions under the supervision of the BSP.

22 SECTION 21. *After Tax Profits.* - Without prior Bangko Sentral approval, after
23 tax profits and other earnings of foreign investments in enterprises in the industrial estate
24 may be remitted outward in the equivalent foreign exchange through any of the banks
25 licensed by the Bangko Sentral ng Pilipinas in the industrial estate: Provided, however,
26 That such foreign investments in said enterprises have been previously registered with the
27 Bangko Sentral.

1 SECTION 22. *Eminent Domain.* - The areas comprising an industrial estate may
2 be expanded or reduced when necessary. For this purpose, the government shall have the
3 power to acquire, either by purchase, negotiation or condemnation proceedings, any
4 private lands within or adjacent to industrial estate for:

5 (A) Consolidation of lands for zero development purposes;

6 (B) Acquisition of right way to the ECOZONE; and

7 (C) The protection of watershed areas and natural assets valuable to the
8 prosperity of the industrial estate.

9 SECTION 23. *Leases of Lands and Buildings.* - Lands and buildings in each
10 industrial estate may be leased to foreign investors for a period not exceeding fifty (50)
11 years renewable once for a period of not more than twenty-five (25) years, as provided
12 for under Republic Act No. 7652, otherwise known as the Investors' Lease Act. The
13 leasehold right acquired under long-term contracts may be sold, transferred or assigned,
14 subject to the conditions set forth under Republic Act No. 7652.

15 SECTION 24. *Land Conversion.* - Agricultural lands may be converted for
16 commercial, industrial, residential and other non-agricultural purposes, subject to the
17 conditions set forth under Republic Act. No. 6657 and other existing laws.

18 SECTION 25. *Protection of Environment.* - The PEZA, in coordination with the
19 appropriate agencies, shall take concrete and appropriate steps and enact the proper
20 measures for the protection of the local environment.

21 SECTION 26. *Termination of Business.* - Investors in the industrial estate who
22 desire to terminate business or operations shall comply with such requirements and
23 procedures which the PEZA shall set, particularly those relating to the clearing of debts.
24 The assets of the closed enterprises can be transferred and the funds can be remitted out
25 of the industrial estate subject to the rules, guidelines and procedures prescribed jointly
26 by the Bangko Sentral ng Pilipinas, the Department of Finance and the PEZA.

1 SECTION 27. *Registration of Business Enterprises.* - Business enterprises within
2 a designated industrial estate shall register with the PEZA to avail of all incentives and
3 benefits provided for in this Act.

4 SECTION 28. *One Stop Shop Center.* - The PEZA shall establish a one stop shop
5 center for the purpose of facilitating the registration of new enterprises in the industrial
6 estate. Thus, all appropriate government agencies that are involved in registering,
7 licensing or issuing permits to investors shall assign their representatives to the industrial
8 estate to attend to investor's requirements.

9 SECTION 29. *Promotion of Industrial Peace.* - In the pursuit of industrial
10 harmony in the industrial estate, a tripartite body composed of one (1) representative each
11 from the Department of Labor and Employment, labor sector and business and industry
12 sectors shall be created in order to formulate a mechanism under a social pact for the
13 enhancement and preservation of industrial peace in the industrial estate within thirty (30)
14 days after the effectivity of this Act.

15 SECTION 30. *Master Employment Contracts.* - The PEZA, in coordination with
16 the Department of Labor and Employment, shall prescribe a master employment contract
17 for all industrial estate enterprise staff members and workers, the terms of which provide
18 salaries and benefits not less than those provided under this Act, the Philippine Labor
19 Code, as amended, and other relevant issuances of the national government.

20 SECTION 31. *Percentage of Foreign Nationals.* - Employment of foreign
21 nationals hired by industrial estate enterprises in a supervisory, technical or advisory
22 capacity shall not exceed five percent (5%) of its workforce without the express
23 authorization of the Secretary of Labor and Employment.

24 SECTION 32. *Migrant Worker.* - The PEZA, in coordination with the Department
25 of Labor and Employment, shall promulgate appropriate measures and programs leading

1 to the expansion of the services of the industrial estate to help the local governments of
2 nearby areas meet the needs of the migrant workers.

3 SECTION 33. *Incentive Scheme.* - An additional deduction equivalent to one-half
4 (1/2) of the value of training expenses incurred in developing skilled or unskilled labor or
5 for managerial or other management development programs incurred by enterprises in the
6 industrial estate can be deducted from the national government's share of three percent
7 (3%) as provided in Section 17.

8 The PEZA, the Department of Labor and Employment, and the Department of
9 Finance shall jointly make a review of the incentive scheme provided in this section
10 every two (2) years or when circumstances so warrant.

11 SECTION 34. *Relationship with the Regional Development Council.* - The PEZA
12 shall determine the development goals for the industrial estate within the framework of
13 national development plans, policies and goals, and the administrator shall, upon
14 approval by the PEZA Board, submit the industrial estate plans, programs and projects to
15 the regional development council for inclusion in and as inputs to the overall regional
16 development plan.

17 SECTION 35. *Relationship with Local Government Units.* - Except as herein
18 provided, the city or municipality where the industrial estate is located shall retain their
19 basic autonomy and identity.

20 SECTION 36. *Relationship of PEZA to Privately -Owned Industrial Estates.* -
21 Privately-owned industrial estates shall retain their autonomy and independence and shall
22 be monitored by the PEZA for implementation of incentives.

23 SECTION 37. *Authority of the President to Advance Initial Funding.* - Subject to
24 existing laws, the President of the Philippines is hereby authorized to advance out of the
25 savings of the Office of the President such funds as may be necessary to effect the

1 organization of an industrial estate which shall be reimbursed by the PEZA at reasonable
2 term and condition.

3 SECTION 38. *Nondiminution Clause.* – Nothing in this Act shall be construed to
4 reduce any existing benefits of any form granted under existing laws, decrees, executive
5 orders, or any contract, agreement or policy between employer and employee.

6 SECTION 39. *Appropriations.* – The amount necessary to carry out the
7 provisions of this Act shall be included in the budget of concerned government agencies
8 in the General Appropriations Act of the year following its enactment into law and
9 thereafter.

10 SECTION 40. *Separability Clause.* - The provisions of this Act are hereby
11 declared separable, and in the event one or more of such provisions or part thereof are
12 declared unconstitutional, such declaration of unconstitutionality shall not affect the
13 validity of the other provisions thereof.

14 SECTION 41. *Interpretation/Construction.* - The powers, authorities and
15 functions that are vested in the Philippine Economic Zone Authority (PEZA) and the
16 industrial estate concerned are intended to establish decentralization of governmental
17 functions and authority as well as an efficient and effective working relationship between
18 the industrial estate, the central government and the local government units.

19 SECTION 42. *Repealing Clause.* - All laws, acts, presidential decrees, executive
20 orders, proclamations and/or administrative regulations which are inconsistent with the
21 provisions of this Act, are hereby amended, modified, superseded or repealed
22 accordingly.

23 SECTION 43. *Implementing Rules and Regulations.* - The Department of Trade
24 and Industry, the National Economic and Development Authority, the Department of
25 Finance, the Bureau of Customs, the Department of Agrarian Reform, the Department of
26 the Interior and Local Government, and the Philippine Economic Zone Authority, shall

1 formulate the implementing rules and regulations of this Act within ninety (90) days after
2 its approval. Such rules and regulations shall take effect fifteen (15) days after their
3 publication in a newspaper of general circulation in the Philippines.

4 SECTION 44. *Transitory Provisions.* - Prior to the effectivity of the
5 implementing rules and regulations of this Act, the provisions of Presidential Decree No.
6 66, as amended, and its implementing rules and regulations shall remain in force.

7 SECTION 45. *Effectivity.* - This Act shall take effect fifteen (15) days following
8 its complete publication in the Official Gazette or in at least two (2) newspapers of
9 general circulation.

Approved,