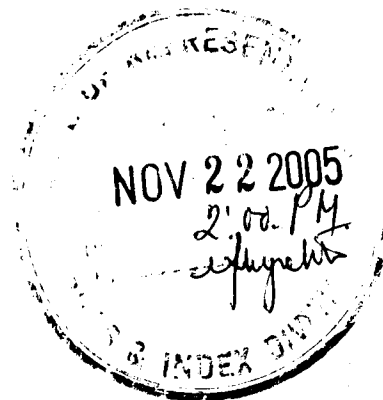




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila



Thirteenth Congress
Second Regular Session

HOUSE BILL NO. 4926

Introduced by Honorable Benjamin C. Agarao, Jr.

EXPLANATORY NOTE

This bill seeks to increase the share of local government units (LGUs) in the gross income earned by all businesses and enterprises within the special economic zone (ECOZONE), amending Republic Act (RA) No. 7916, as amended, otherwise known as "The Special Economic Zone Act of 1995."

ECOZONES are selected areas within the country with highly developed or which have the potential to be developed into, agro-industrial, industrial, commercial, tourist or recreational, banking, investment and financial centers. An ECOZONE may contain any or all of the following: industrial estates, export processing zones, free trade zones, and tourist or recreational centers.

The establishment of ECOZONES in various parts of the country has effectively attracted legitimate and productive foreign investments. These investments continue to pump-prime our capital-strapped economy. An ECOZONE generates employment for people from its adjacent areas, increases their productivity and improves individual and family income, thereby raising the level and quality of their living condition.

However, local government units hardly benefit financially because of the tax exemptions granted to businesses and enterprises operating within ECOZONES. Section 24 of RA No. 7916, provides:

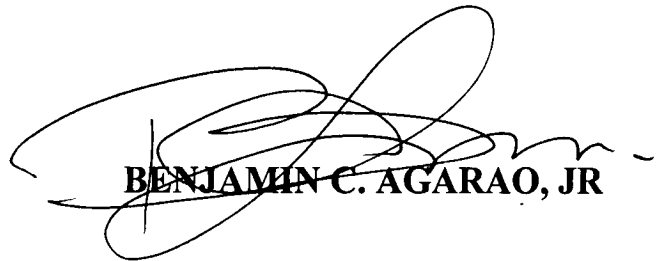
“ . . . no taxes, local or national, shall be imposed on business establishments operating within the ECOZONE. In lieu of paying taxes, five percent (5%) of the gross income earned by all businesses and enterprises operating within the ECOZONE shall be remitted to the national government. This five (5%) percent is shared and distributed as follows:

- a) Three percent (3%) to the national government;*
- b) One percent (1%) to the local government units affected by the declaration of ECOZONE in proportion to their population, land area, and equal sharing factors; and*
- c) One percent (1%) for the establishment of a development fund to be utilized for the development of municipalities outside and contiguous to each ECOZONE. x x x”*

Considering that taxes are the lifeblood of government, LGUs frequently suffer from “fiscal anemia”. Tax exemptions granted to businesses operating within ECOZONES deprive them of a significant source of income. Hence, LGUs often encounter difficulty in delivering basic services to their constituents.

The fiscal woes of these LGUs can be remedied by increasing the LGUs’ share in the remittances to the national government by businesses operating within ECOZONES from one percent (1%) to two percent (2%). The measure seeks to offset losses of LGUs as a result of tax exemptions and thereby provide them with adequate revenue essential for prompt implementation of its programs and projects.

In view of the foregoing, passage of this bill is earnestly sought.


BENJAMIN C. AGARAO, JR



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HOUSE BILL NO. 4926

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AN ACT
INCREASING THE SHARE OF LOCAL GOVERNMENT UNITS (LGUs) IN THE GROSS INCOME EARNED BY ALL BUSINESSES AND ENTERPRISES WITHIN THE SPECIAL ECONOMIC ZONE (ECOZONE) AMENDING FOR THE PURPOSE "THE SPECIAL ECONOMIC ZONE ACT OF 1995," AS AMENDED.

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

SECTION 1. Section 24 of Republic Act No. 7961, otherwise known as "The Special Economic Zone Act of 1995," as amended, is hereby amended to read as follows:

"Sec. 24. Exemption from Taxes Under the National Internal Revenue Code. - Any provision of existing laws, rules and regulations to the contrary notwithstanding, no taxes, local and national, shall be imposed on business establishments operating within the ECOZONE. In lieu of paying taxes, five

percent (5%) of the gross income earned by all businesses and enterprises within the ECOZONE shall be remitted to the national government. This five percent (5%) shall be shared and distributed as follows:

(a) [Three] TWO percent ([3] 2%) to the national government;

(b) [One] TWO percent ([1] 2%) to the local government units affected by the declaration of the ECOZONE in proportion to their population, land area, and equal sharing factors; and

(c) One percent (1%) for the establishment of a development fund to be utilized for the development of municipalities outside and contiguous to each ECOZONE: *Provided, however,* That the respective share of the affected local government units shall be determined on the basis of the following formula:

(1) Population – fifty percent (50%);

(2) Land Area – twenty-five percent (25%); and

(3) Equal sharing – twenty-five percent (25%).”

SEC. 2. All laws, decrees, executive orders, rules and regulations and other issuances inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 3. This Act shall take effect fifteen (15) days following its complete publication in at least two (2) national newspapers of general circulation.

Approved,