

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

Thirteenth Congress
Third Regular Session

HOUSE BILL NO. 6030



Introduced by the Honorable Antonio H. Cerilles

EXPLANATORY NOTE

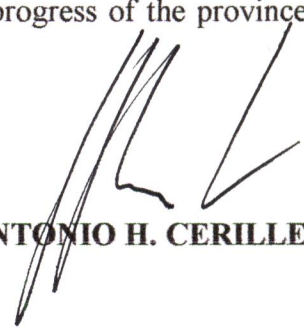
This proposed measure is aimed at strengthening and expanding the development opportunities within the province of Zamboanga Del Sur through the establishment of economic zones, which are hubs of industrial, agri-industrial, and commercial development.

The province of Zamboanga Del Sur is one of the more blessed provinces in the island of Mindanao for its inherent natural and human resources. However, relative to its neighboring cities and provinces like Davao and Zamboanga City, Zamboanga Del Sur has been lagging in development.

Experience of other provinces in Luzon that are abundant in *Economic Zones*, such as Zambales, Cavite, Bataan, Laguna, etc... show that these hubs of development have been contributing greatly to the progress of these provinces, in terms of income to the municipalities and jobs created for its constituents. Indirectly, also, these economic zones create jobs from the transportation and service sectors.

Hence, the creation of the economic zones within the province of Zamboanga Del Sur will surely be of great help in providing the province with adequate opportunities for development.

The passage of this bill is the roadmap towards the progress of the province of Zamboanga Del Sur.


ANTONIO H. CERILLES

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AN ACT EXPANDING THE ECOZONE OF THE MUNICIPALITY OF PITOGO, ZAMBOANGA DEL SUR TO INCLUDE THE MUNICIPALITIES OF DUMALINAO, LAKEWOOD, DIMATALING, KUMALARANG, JOSEFINA, TAMBULIG, DUMINGAG, MAHAYAG, MOLAVE, R. MAGSAYSAY, AURORA, TUKURAN, LABANGAN, GUIPOS, SAN MIGUEL, DINAS, TABINA, MARGOSATUBIG, LAPUYAN, TIGBAO, BAYOG, MIDSALIP, SOMINOT, V. SAGUN, AND SAN PABLO, ALL IN THE PROVINCE OF ZAMBOANGA DEL SUR, INTO THE ZAMBOANGA DEL SUR SPECIAL ECONOMIC ZONE AND FREEPORT AUTHORITY, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

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

1 **SEC. 1. Short Title** – This Act Shall be known as the “Zamboanga Del Sur Special
2 Economic Zone and Free Port Act of 2006.”
3

4 **SEC. 2. Declaration of Policy** – It is hereby declared the policy of the State to actively
5 encourage, promote, induce and accelerate the sound and balanced industrial economic
6 and social development of the country in order to provide jobs to the people, especially
7 those in the rural areas; increase productivity and individual family income; and thereby
8 improve the level and quality of living conditions through the establishment, among
9 others, of special economic zones and free ports in suitable and strategic locations in the
10 country and through measures that will attract legitimate and productive foreign
11 investments.
12

13 **SEC. 3. Creation of the Zamboanga Del Sur Special Economic Zone and Free Port**
14 **Act of 2006** – In accordance with the aforesaid policy, subject to the concurrence of the
15 concerned Local Government Units (LGUs) in the province of Zamboanga Del Sur
16 affected by the zone, it is hereby established that the Ecozone of the Municipality of
17 Pitogo in the Province of Zamboanga Del Sur, described in Section 5 of RA 7916; be
18 expanded to include the municipalities of Dumalinao, Lakewood, Dimataling,
19 Kumalarang, Josefina, Tambulig, Dumingag, Mahayag, Molave, R. Magsaysay, Aurora,
20 Tukuran, Labangan, Guipos, San Miguel, Dinas, Tabina, Margosatubig, Lapuyan,
21 Tigbao, Bayog, Midsalip, Sominot, V. Sagun, and San Pablo, all in the Province of
22 Zamboanga Del Sur, into the Zamboanga Del Sur Special Economic Zone and Freeport
23 Authority, herein referred to as *economic zones*; the specific metes and bounds of which
24 shall be more particularly defined in a presidential proclamation that shall be issued for
25 this purpose.
26

27 **SEC. 4. Governing Principles** – The economic zones shall be managed and operated by
28 the Zamboanga Del Sur Special Economic Zone and Free Port Authority, herein referred
29 to as the *ZamboSur Freeport*, created under Sec. 10 of this Act, under the Following
30 principles:

- (A) Within the framework and limitation of the constitutions of the Constitution and applicable provisions of the Local Government Code, the ZamboSur Freeport shall be developed into and operated as a decentralized, self reliant and self sustaining industrial, commercial/trading, agro-industrial, tourist, banking, financial and investment center with suitable residential areas.
- (B) The ZamboSur Freeport shall be provided with transportation, telecommunications and other facilities needed to attract legitimate and productive investments, generate linkage industries and employment opportunities for the people of Zamboanga Del Sur.
- (C) The ZamboSur Freeport may establish a mutual beneficial economic relation with the other entities or enterprises within the country, subject to the administrative guidance of the Department of Foreign Affairs (DFA), the Philippine Economic Zone Authority (PEZA) and/or the Department of Trade and Industry (DTI), with foreign entities or enterprises.
- (D) Foreign citizens and companies owned by non-Filipinos in whatever proportion may set up enterprises in the ZamboSur Freeport, either by themselves or in joint venture in any sector of industry, international trade and commerce within the economic zones.
- (E) The ZamboSur Freeport shall be managed and operated as a separated customs territory thereby ensuring the free flow or movement of goods and capital within, into, and out of its territory, and shall likewise provide incentives such as tax and duty-free imports of raw materials, and capital equipment to registered enterprises located therein. However, exportation or removal of goods from the territory of the economic zones to the other parts of the Philippine territory shall be subject to customs duties and taxes under the customs and Tariff Code of the Philippines as amended, and National Internal Revenue Code of 1997, as amended.
- (F) The areas comprising the economic zones may be expanded or reduced when necessary. For this purpose, the ZamboSur Freeport, in consultation with the LGUs, shall have the power acquired either by purchase, negotiation or condemnation proceedings, any private land within or adjacent to the economic zones for the following purposes: (1) consolidation of lands for economic zones' developments; (2) acquisition of right-of-way to the economic zones; and (3) protection of watershed areas and natural assets that are valuable to the prosperity of the economic zones.
- (G) Goods manufactured by the economic zones' enterprises shall be made available for the immediate retail sale in the domestic market, subject to the payment of correspondents taxes on raw materials and other regulations that may be formulated by the ZamboSur Freeport, together with the PEZA, the bureau of Customs and the DTI in accordance with the National Internal Revenue Code of 1997, as amended, and the Tariff and Customs Code of the Philippines as amended. However, in order to protect domestic industries, a Negative List of industries shall be drawn up and regularly updated by PEZA. Enterprises engaged in industries included in such Negative List shall not be allowed to sell there products locally.
- (H) The defense of the economic zones and the security of its perimeter fence should be the responsibility of the National Government (NG) in coordination with the ZamboSur Freeport and the LGUs.

- (I) The economic zones shall be of prime importance in the active participation of the province of Zamboanga Del Sur in the Brunei Indonesia Malaysia Philippines East ASEAN Growth Area (BIMP EAGA). The province will serve as a hub for agricultural, industrial, and tourism development for the BIMP EAGA Region.

SEC. 5. Incentives to Registered Enterprises – The ZamboSur Freeport may administer the following incentives to the registered enterprises located therein to the extent of the activity/project:

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

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

(2) Category B – Registered domestic enterprise on the following shall be entitled to a six-year ITH:

I. Located in less developed areas as defined by the BOI; or

II. Producing/rendering new products/services or having strong backward or forward linkages

(3) Category C – Registered export enterprise shall be entitled to a six-year ITH; Provided however, that the export enterprise complies with the following: (a) large capital investments or sizeable employment generation; (b) use of high level of technology; or (c) if located outside Metro Manila, it shall be entitled to an eight-year ITH.

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

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

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

1 The Bureau of internal Revenue (BIR) shall require a registered
2 enterprise availing of the ITH or the Net Operating Loss Carried
3 Over (NOLCO) to secure a certificate of eligibility from the
4 ZamboSur Freeport before submitting its Income Tax Return (ITR)
5 with ZamboSur Freeport for validation.
6

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

- 12 (B) Net Operating Loss Carry Over (NOLCO) – Net operating loss of the business
13 or enterprise during the first three years from start of commercial operations
14 which have not previously offset as deduction from gross income shall be
15 carried over as a deduction from gross income for the next five consecutive
16 years immediately following the year of such loss; provided however that
17 operating loss resulting from availment of incentives provided in this code
18 shall not be entitled to NOLCO.
19

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

- 23 (C) Imposition of a tax rate of five percent (5%) Gross Income Earned (GIE) –
24 except for real property tax on land, no local and national taxes as prescribed
25 under Republic Act No. 8424, also known as “The National Internal Revenue
26 Code of 1997, As Amended” such as the income tax, the excise tax, the
27 franchise taxes, shall be imposed on business establishments operating within
28 the economic zones. In lieu therefore, five percent (5%) of the gross income
29 earned shall be paid as follows:
30

31 (4) Three percent (3%) to the national government;
32

33 (5) Two percent (2%) shall be remitted by the business establishments to
34 the Treasurer’s Office of the Municipality or City where the
35 enterprise is located.
36

37 All persons and service establishments in the economic zones shall be subject
38 to national and local taxes under the NIRC of 1997, as amended, and the
39 Local Government Code.
40

- 41 (D) Accelerated Depreciation – Accelerated depreciation of plant, machinery, and
42 equipment that are reasonably needed and actually used for the production and
43 transportation of goods and services maybe allowed using a rate not exceeding
44 twice the rate which would have been used had the annual allowance been
45 completed in accordance with the rules and regulations prescribed by the
46 Secretary of Finance and the provisions of the NIRC of 1997 as amended.
47

- 48 (E) Capital Equipment Incentives –
49

50 (6) Importation of capital equipment, spare parts, tools and dye or those
51 required for pollution abatement and control cleaner production and
52 waste reduction including consignment thereof by registered enterprises
53 upon the effectivity of this law, shall be exempted to the extent of one
54 hundred percent (100%) of the taxes and custom duties; provided that
55 the importation thereof shall be used exclusively by the registered
56 enterprises and their registered activity; provided further that the

importation machinery and equipment and accompanying parts shall comply with the following conditions:

- I. They are not manufactured domestically in sufficient quantity, of comparable quality and reasonable prices;
- II. They are reasonably needed and will be used exclusively by the registered enterprise in the manufacture of its products, unless prior approval of the ZamboSur Freeport is secured for the part time utilization of said equipment in a non-registered activity to maximize usage thereof or the proportionate taxes and duties are paid on a specific equipment and machinery being permanently used for non-registered activities; and
- III. Approval of the ZamboSur Freeport was obtained by the registered enterprise for the importation of such machinery, equipment, and spare parts.
- IV. Approval of the ZamboSur Freeport must be secured before any sale, transfer, or disposition of the imported capital equipment, machinery or spare parts is made; provided that if such sale, transfer or disposition is made within the first five years from the date of importation, any of the following conditions must be present:
 - a) If made to another enterprise enjoying tax and duties exemption on imported capital equipment;
 - b) If made to another enterprise, upon the payment of any taxes and duties on the net book value of the capital equipment to be sold;
 - c) Exportation of the capital equipment, machinery, spare parts or source documents or those required for population abatement and control; and
 - d) For reason of proven technical obsolescence.

When the aforementioned sale, transfer, or disposition is made under any of the conditions provided for in the foregoing paragraphs other than paragraph (2), the registered firm shall not pay the taxes and duties waived on such items; provided further that the registered enterprise sells, transfer or disposes the aforementioned imported items without prior approval within five years from the date of importation, the registered enterprise and the vendee, transferee or assignee shall be solidarily liable to pay twice the amount of the tax and duty exemption given if; provided finally that even if the sale, transfer or disposition of the capital equipment, machinery or spare parts is approved after five years from the date of importation, the registered enterprise is still liable to pay the taxes and duties based on the net book value of the capital equipment, machinery or spare parts if it has violated any of its registration terms and conditions. Otherwise, they shall no longer be subject to the payment of the taxes and duties waived thereon.

- (2) The purchase of machinery, capital equipment, raw materials, supplies, parts and semi-finished products to be used in the fabrication of machinery and capital equipment by a registered

export-oriented enterprise from a domestic manufacturer shall be subject to zero percent (0%) value added tax.

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

The availment of the incentives by a registered export enterprise provided under the immediately preceding two paragraphs shall be subject to the following conditions: (a) that the said capital equipment, machinery and spare parts will be used exclusively by the registered enterprise in its registered activity; (b) that the capital equipment or machinery where the raw materials, supplies, parts and semi-finished products were used would have qualified for tax and duty free importation; and (c) That the approval of the ZamboSur Freeport is obtained by the registered enterprise. If the registered enterprise sells, transfers or disposes of these machineries, capital equipment and spare parts, the provision in the preceding paragraphs for such disposition shall apply.

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

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

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

This incentive shall be deemed waived if application for tax credit under this subsection is not filed within one year from the date of exportation of the final product.

(H) Incentives on Breeding Stocks and Genetic Materials – Importation of breeding stocks and genetic materials with ten (10) years from the date of registration of commercial operation of the enterprise shall be exempt from all taxes and duties; provided that such breeding stocks and genetic materials are reasonably needed in the registered activity; and approved by the ZamboSur Freeport.

Availment of the incentives by a registered enterprise shall be subject to the following: (a) That said breeding stocks and genetic materials would have been qualified for tax and duty-free importation under the preceding paragraph; (b) That the breeding stocks and genetic materials are reasonably

needed in the registered activity; (c) that the approval of the ZamboSur Freeport has been obtained by the registered enterprise; and (d) that the purchase is made within ten (10) years from the date of registration of commercial operation of the registered enterprise.

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

(I) Exemption from Wharfages Dues – The provision of law to the contrary notwithstanding exports by a registered enterprise shall be exempted from wharfages dues.

(J) Deferred Imposition of Minimum Corporate Income Tax – The minimum Corporate Income Tax (MCIT) of two percent (2%) of the gross income as of the end of the taxable year shall be imposed when the MCIT is greater than the income tax computed under the NIRC of 1997, as amended, for the taxable year; *Provided however*, that said MCIT shall be imposed only after the enterprise' entitlement period to the income tax-based incentives.

(K)

(1) Tax treatment of merchandise in the economic zones-

(a) Except at otherwise provided in this Act, foreign and domestic merchandise, raw materials, articles, equipment, machineries, spare parts and wares of every description, except those prohibited by law, brought into the zone to be sold, stored, broken up, repacked, assembled, installed, sorted, cleaned, graded or otherwise processed whether directly or indirectly related in such activity, shall not be subject to customs and internal revenue laws and regulations not to local tax ordinances, any provision at law to the contrary notwithstanding.

(b) Merchandise purchased to a registered economic zone enterprise, from the customs territory and subsequently brought into the export processing zone shall be considered as export sales and exportation thereof shall be entitled to the benefits allowed by law for such transaction.

(c) Domestic merchandise sent from the economic zones enterprise, from the customs territory, shall, whether or not combined with or made part of other articles likewise of local origin or manufactured in the Philippines while in the zone, be subject to internal revenue laws of the Philippines as domestic goods sold, transferred or disposed of for local consumption.

(d) Merchandise sent from the economic zones to the customs territory shall, whether or not combined with or made part of other articles while in the zone, be subject to rules and regulations governing imported merchandise. The duties and taxes shall be based on the value of said imported materials (except when the final product is exempt).

(e) Domestic merchandise on which all internal revenue taxes have been paid, if subject thereto, and foreign merchandise previously imported on which has been paid or which have been admitted free of duty and tax, may be taken into the economic zones from the customs territory

of the Philippines and be brought back thereto free of quotas, duty or tax.

(f) Subject to such regulations respecting identity and safeguarding of revenue as the ZamboSur Freeport may deem necessary, when the identity of an article entered into the export processing zone under the immediately preceding paragraph has been lost, such article when removed from the zone and taken to the customs territory shall be treated as foreign merchandise entering the country for the first time, under the provisions of the Tariff and Customs Code of the Philippines, as amended.

(g) Articles produced or manufactured in the economic zones and exported therefrom shall, on subsequent importation into the customs territory, be subject to the import laws applicable to like articles manufactured in a foreign country.

(h) Unless the contrary is shown, merchandise taken out of the economic zones shall be considered for tax purposes to have been sent to customs territory.

(2) Tax Treatment of Merchandise in the economic zones – The ZamboSur Freeport shall be operated and managed as a separate customs territory ensuring free flow or movement within, into and exported out of the free trade/freeport zone. Importations of raw materials and capital equipment are tax and duty free. However, exportations or removal of goods from the economic zones to the other parts of Philippine territory shall be subject to customs and internal revenue regulations.

(3) Tax Treatment of Services in the economic zones –

(a) Sale of service by an entity from the customs territory to a registered ecozone or free trade enterprise, or by a registered ecozone or freeport enterprise to another ecozone or freeport enterprise shall be treated as indirect export, and hence, entitled to the benefits allowed by law for such transaction.

(b) Sale or service by a registered ecozone or freeport enterprise to the customs territory shall be subject to applicable internal revenue laws and regulations.

(L) Registered export oriented enterprise shall have access to the utilization of the bonded warehousing system in accordance with the rules and regulations of the Bureau of Customs.

(M) Employment of Foreign Nationals – Subject to the provisions of Section 29 of Commonwealth Act No. 613, as amended, a registered enterprise may employ foreign nationals in supervisory or technical positions for a period not exceeding ten (10) years from its registration: *Provided*, That when the majority of the capital stock of a registered enterprise is owned by foreign investors, the positions of the president, treasurer and general manager or their equivalents may be retained by foreign nationals beyond the period set forth herein and such officers are the owners or stock holders owning at least ten percent (10%) of the outstanding capital stock of the registered enterprise and they remain the owner or maintain their stockholdings therein.

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

10
11 The foreign nationals admitted herein, as well as their respective spouses and
12 dependents shall be exempt from: (1) obtaining Alien Certificate of
13 Registration and Emigration Clearance Certificates; and (2) securing the Alien
14 Employment Permit (AFP) and all types of clearances, permits, licenses or
15 their equivalents required by any government department or agency.

16
17 **SEC 6. Incentive to investors** – Any foreign national covered under Subsection (M) of
18 section 5 of this Act, who invests an amount of US \$ 150,000.00, either in cash and/or
19 equipment in a registered enterprise shall be entitled to an investor's visa: *Provided*, that,

- 20
21 (A) He is at least eighteen (18) years of age;
22
23 (B) He has not been convicted of a crime involving moral turpitude;
24
25 (C) He is not afflicted with any loathsome, dangerous or contagious disease;
26
27 (D) He has not been institutionalized for any mental disorder or disability.
28 *Provided, further*, that in securing the investor's visa, the alien-applicant shall
29 be entitled to the same privileges provided for under Section 5 (M), last
30 paragraph.

31
32 As holder of investor's visa, an alien shall be entitled to reside in the
33 Philippine s while his investment subsists. For this purpose, he should submit
34 an annual report, in the form duly prescribed for the purpose, to prove that he
35 has maintained his investment in the country. Should alien withdraw his
36 investments from the Philippines, then the investor's visa issued to him shall
37 automatically expire.

38
39 **SEC 7. Administration, Implementation and Monitoring Incentives** – The ZamboSur
40 Freeport shall be responsible for the administration and implementation of the incentives
41 granted to its respective registered enterprises; *Provided*, that any incentive
42 administration policy adopted by the BOI for registered enterprises shall be uniformly
43 applied by ZamboSur Freeport.

44
45 The following are the duties and responsibilities of the ZamboSur Freeport in the
46 administration of incentives:

- 47
48 (A) To adopt consistent procedures of administering incentives in accordance with
49 the guidelines established by the BOI;
50
51 (B) To adopt and implement systems and procedures affecting trade and customs
52 policies in accordance with the requirements established by the Department of
53 Finance (DOF) and the BOI;
54
55 (C) To submit data and information to the DOF and the BOI as required by any of
56 this agencies to ascertain consistency of investment policies and incentives,
57 including their implementation as provided in paragraph (a) herein, and to

1 ensure proper implementation of system and procedures affecting trade and
2 customs policies as provided in paragraph (b) herein; and
3

4 (D) To perform all other duties and responsibilities as may be required by the
5 President of the Philippines.
6

7 For proper monitoring, the BOI shall create a single database of all incentives
8 provided buy all incentives grating agencies, including ZamboSur Freeport and all
9 information thereto. Double entry accounting shall be done by the BOI in
10 recording all incentives grated by the government for transparency purposes.
11

12 **Sec 8. Extension of Period of Availment** – The availment period of the incentives
13 provided herein may be extended by ZamboSur Freeport in the event that the registered
14 enterprise suffers operational *force majeure* or any event equivalent thereto, impairing its
15 viability.
16

17 **Sec 9. Duration of Incentives** – Enterprises registered with ZamboSur Freeport may
18 enjoy ITH or NOLCO granted by the latter prior to the availment of the five per cent
19 (5%) GIE.
20

21 Fiscal Incentives under the Act shall be terminated after a cumulative period of twenty
22 (20) years from date of registration or start of commercial operation, whichever is
23 applicable, except that it could be expended with regard to industries deemed
24 indispensable to national development.
25

26 The industries exempted from this provision shall be recommended by BOI, with the
27 concurrence of the Secretaries of the Department of Finance and Trade and Industry.
28

29 **Sec. 10. Creation of the Zamboanga Del Sur Special Economic Zone and Freeport**
30 **Authority** – There is hereby created a body corporate to be known as the “Zamboanga
31 Del Sur Special Economic Zone and Freeport Authority” hereafter referred to as the
32 ZamboSur Freeport, which shall manage and operate the Zamboanga del Sur Ecozone, in
33 accordance with the provisions of this Act. This corporate franchise shall expire in fifty
34 (50) years counted from the first year after the effectivity of this Act, unless otherwise
35 extended by Congress. It shall be organized within one hundred eighty (180) days after
36 the effectivity of this Act.
37

38 **Sec. 11. Principal Office of ZamboSur Freeport** – The ZamboSur Freeport shall
39 maintain its principal office in the Municipality of Pitogo but it may establish branches
40 within the Philippines as may be necessary for the proper conduct of its business.
41

42 **Sec. 12. Powers and functions of the ZamboSur Freeport** – The Zamboanga Del Sur
43 Special Economic Zone and Free Port Authority shall have the following powers and
44 functions:
45

46 (A) To operate, administer, manage and develop the economic zones located in
47 the municipalities of Dumalinao, Lakewood, Dimataling, Kumalarang,
48 Josefina, Tambulig, Dumingag. Mahayag. Molave. R. Magsaysay, Aurora,
49 Tukuran, Labangan, Guipos, San Miguel, Dinas, Tabina, Margosatubig,
50 Lapuyan, Tigbao, Bayog, Midsalip, Sominot, V. Sagun, and San Pablo, all in
51 the Province of Zamboanga Del Sur; according to the principles and
52 provisions set forth in this Act;
53

54 (B) To recommend to the President of the Philippines the issuance of a
55 proclamation to fix and delimit the site of the economic zones;
56

- (C) To register, regulate and supervise the enterprises in the economic zones in an efficient and decentralized manner, subject to existing laws;
- (D) To coordinate with the local government units and exercise general supervision over the development plans, activities and operation of ecozones;
- (E) To regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in the economic zones such as but not limited to heat, light and power using indigenous and/or renewable, and other energy sources, water supply, telecommunications, transport, toll roads and bridges, port services, etc... The ZamboSur Freeport shall have the power to fix just, reasonable and competitive rates, fares, charges and prices thereof, notwithstanding the provision of the Electric Power Industry Reform Act of 2001, and other pertinent laws.
- (F) To conduct acquire, own, lease, operate and maintain on its own or through contracts, franchise, licenses, bulk purchase from the private sector or permits under any of the schemes allowed in Republic Act No. 6957 (otherwise known as the Build-Operate-Transfer Law, as amended by RA 7718) or joint venture, adequate facilities and infrastructure required or needed for the operation and development of the economic zones, in coordination with the appropriate national local government authorities and in conformity with applicable laws thereon;
- (G) To operate on its own, either directly or indirectly or through a license to other tourism-related activities, including games, amusements, recreational and sport facilities;
- (H) Subject to the approval of the President and the Monetary Board of the Bangko Sentral ng Pilipinas, upon the recommendation of the Department of Finance (DOF), to raise or borrow adequate and necessary funds from local or foreign sources to finance its projects and programs, under this act and for that purpose, to issue bonds, promissory notes and other forms of securities, and to secure the same by a guarantee, pledge, mortgage, deed of trust or an assignment of all or part of its property or assets;
- (I) To provide security for the economic zones in coordination with the national and local governments. Military forces sent by the national government for the purpose of defense shall not interfere in the internal affairs of the ecozone and its expenditures for these military forces shall be borne by the national government. For this purpose the ZamboSur Freeport may establish and maintain its security forces and far fighting capability or hire others to provide the same;
- (J) To protect, preserve, maintain and develop, the virgin forest, beaches and coral reefs and maintain ecological balance within the economic zones;
- (K) To create, operate and/or contract to operate such functional units or offices of the ZamboSur Freeport as it may deem necessary;
- (L) To adopt, alter, and use a corporate seal; make contracts, leases, own, or other wise dispose of personal or real property; sue and be sued; and otherwise carry out its functions and duties as provided for in this Act;

- 1 (M) To issue certificates of origin for products manufactured or processed in the
2 economic zones in accordance with the prevailing rules of origin, and the
3 pertinent regulations of the PEZA, DTI and/or the DOF.
4
- 5 (N) To issue working visas renewable every two (2) years for foreign executives
6 and foreign technicians with highly specialized skills which no Filipinos
7 possesses, as certified by the Department of Labor and Employment
8 (DOLE);
9
- 10 (O) To report to the Bureau of Immigration the names of the foreigners who have
11 been granted permanent resident status and working visas within thirty (30)
12 days after issuance of such grants;
13
- 14 (P) To exercise such powers as may be essential, necessary or incidental to the
15 powers granted to it here under; as well as those that shall enable it to carry
16 out, implement and accomplish the purposes, objectives and policies of this
17 Act; and
18
- 19 (Q) To issue rules and regulations consistent with the provisions of this Act as
20 may be necessary to accomplish and implement the purpose, objectives and
21 policies herein.
22

23 **Sec 13. Banking Rules and Regulation** – Existing banking laws and rules/regulation of
24 the *Bangko Sentral ng Pilipinas* (BSP) shall apply to banks and financial institutions to
25 be established in the economic zones, such as (trade and non-trade), local and foreign
26 borrowings, foreign investments, establishment and operation of local and foreign banks,
27 foreign currency deposit units, offshore banking units and other financial institution
28 under the supervision of the BSP.
29

30 **Sec 14. Remittance of Earnings** – In the case of foreign investments, a registered
31 enterprise in the ZamboSur Freeport shall have the right to remit earning from the
32 investments in the currency in which the investment was originally made and at the
33 exchange rate prevailing at that time or remittance, subject to the provisions of Section 74
34 of Republic Act No. 265, as amended, otherwise known as “The New Central Bank Act”.
35

36 **Sec 15. Board of Directors of the ZamboSur Freeport** – The powers of the ZamboSur
37 Freeport shall be vested in and exercised by a Board of Directors, hereinafter referred to
38 as the Board, which shall be composed of the following:
39

- 40 (A) The Chairman, who shall at the same time be the administration of the
41 ZamboSur Freeport;
42
- 43 (B) A Vice-Chairman, who shall come from among the members of the Board;
44
- 45 (C) The Congressional Representative of the district covering the site of the
46 economic zones;
47
- 48 (D) One (1) Representatives of the Provincial Government of Zamboanga del Sur;
49
- 50 (E) One (1) Representative from the domestic investors;
51
- 52 (F) One (1) Representative from the foreign investors; and
53
- 54 (G) One (1) Representative from the workers working in the economic zones.
55

1 The Congressional Representative and the Representative of the Provincial Government
2 shall serve as ex-officio members of the Board, whose term in the Board corresponds to
3 their term as elected officials.

4
5 The chairman and members of the Board, except the ex-officio members, shall be
6 appointed by the President of the Philippines to serve for a term of six (6) years, unless
7 sooner separated from service due to death, voluntary resignation or removal for cause. In
8 case of death, resignation or removal for cause, the replacement shall serve only the
9 unexpected portion of the term.

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

17
18 The members of the Board shall each receive *per diem* rates to be determined by the
19 Department of Budget and Management (DBM) in accordance with existing rules and
20 regulations; *Provided* however that the total per diem collected each month shall not
21 exceed the equivalent per diem for four (4) meetings. Unless and until the President of
22 the Philippines has fixed a higher per diem for the Members of the Board, such per diem
23 shall not be more than Ten Thousand Pesos (₱ 10,000) for every Board Meeting.

24
25 **SEC. 16. Powers and Duties of the Administrator** – The Chairman – Administrator
26 shall have the following powers and duties:

- 27
28 (A) To direct and manage the affairs of the ZamboSur Freeport in accordance
29 with the policies of the Board;
30
31 (B) To establish the internal organization of the ZamboSur Freeport under such
32 conditions that the Board may prescribe;
33
34 (C) To submit an annual budget and necessary supplemental budget to the Board
35 for its approval;
36
37 (D) To submit within thirty (30) days after the close of each fiscal year an annual
38 report to the Board as such other report as may be required;
39
40 (E) To submit to the Board, for its approval, policies, systems, procedures, rules
41 and regulations that are essential to the operation of the economic zones;
42
43 (F) To create a mechanism in coordination with relevant agencies for the
44 promotion of industrial peace, the protection of the environment and the
45 advancement of the quality of life in the economic zones; and
46
47 (G) To perform such other duties as maybe assigned to him by the Board or which
48 are necessary or incidental to his office.
49

50 **SEC. 17. Organization and Personnel** – The Board of Directors of the ZamboSur
51 Freeport shall provide for an organization and staff of its officers and employees. Upon
52 the recommendation of the chairman-administrator, with the approval of the Secretary of
53 the DTI, the Board shall appoint and fix the remuneration and other emoluments of its
54 officers and employees in accordance with existing laws on compensation and position
55 classification; provided that the Board shall have exclusive and final authority to
56 promote, transfer, assign or reassign officers of the ZamboSur Freeport, any provision of

existing laws to the contrary notwithstanding; provided further that the chairman-administrator may carry out removal of such officers and employees.

The officers and employees of the ZamboSur Freeport, including all members of the Board, shall not engage directly or indirectly in partisan activities not take part in any election except to vote

No officer or employee of the ZamboSur Freeport, subject to Civil Service Laws and regulations, shall be removed except for cause, as provided by law.

SEC. 18. Resolution of Labor Disputes – The right of labor to form unions or associations shall be observed. However, strikes and lockouts shall be prohibited within the economic zones, notwithstanding the provisions of the Labor Code and other pertinent laws. Labor disputes shall be resolved through mediation, conciliation and such other modes of dispute resolution authorized by law.

SEC. 19. Applicability Clause – The provisions of Section 30 to 42 of Republic Act No. 7916, otherwise known as the Special Economic Zone Act of 1995, as amended, on leases of lands and buildings, land conversion, shipping and shipping register, protection of environment, termination of business, registration of business enterprise, one-stop shop center and on industrial harmony in Ecozones, shall apply to the economic zones.

SEC. 20. Capitalization – The ZamboSur Freeport shall have an authorized capital stock of Two Billion (2,000,000,000) no par shares with a minimum issue of Ten Pesos (₱ 10.00) each, the majority shares of which shall be subscribed and paid for by the National Government and the Local Government Units (LGUs) embracing the economic zones. The Board of Directors of the ZamboSur Freeport may, with the written concurrence of the Secretary of Finance, sell shares, representing not more than forty per centum (40%) of the capital stock of the ZamboSur Freeport to the general public under such policy as the Board and the Secretary of Finance may determine. The National Government and the LGUs shall, in no case, own no less than sixty per centum (60%) of the total issued and outstanding capital of the ZamboSur Freeport.

The amount necessary to subscribe and pay for the shares of the National Government to the capital stock of the ZamboSur Freeport shall be included in the Annual General Appropriations Act. For LGUs, the funds shall be taken from their Internal Revenue Allotment and other local funds.

SEC. 21. Supervision and Coordination of Development Plans – For purposes of policy direction and coordination, the economic zones shall be under the direct control and supervision of the Office of the President of the Philippines.

SEC. 22. Relationship with the Regional Development Council – The Zamboanga Del Sur Special Economic Zone and Freeport Authority shall determine the development goals for the economic zones within the framework of national development plans, policies and goals. The Administrator shall, upon approval by the Board, submit the economic zones' plans, programs and projects to the Regional Development Council for inclusion and inputs for the overall regional development plan.

SEC. 23. Relationship with Local Government Units – Except as herein provided, the local government units comprising the economic zones shall retain their basic autonomy and identity. The municipalities of Dumalinao, Lakewood, Dimataling, Kumalarang, Josefina, Tambulig, Dumingag, Mahayag, Molave, R. Magsaysay, Aurora, Tukuran, Labangan, Guipos, San Miguel, Dinas, Tabina, Margosatubig, Lapuyan, Tigbao, Bayog, Midsalip, Sominot, V. Sagun, and San Pablo, all in the Province of Zamboanga Del Sur; shall operate and function in accordance with the Local Government Code of 1991. In case of any conflict between the ZamboSur Freeport and the Province of Zamboanga Del

1 Sur on matters affecting the economic zones other than defense and security matters, the
2 decision of the ZamboSur Freeport shall prevail.

3
4 **SEC.24. Interpretation/Construction** – The powers, authorities and functions that are
5 vested in the ZamboSur Freeport are intended to decentralize government functions and
6 authority and promote an efficient and effective working relationship between the
7 economic zones, the National Government and the LGUs.

8
9 **SEC. 25. Auditing** – The Commission on Audit shall appoint a representative who shall
10 be a fulltime auditor of the ZamboSur Freeport and assign such number of personnel as
11 may be necessary to assist said representative in the performance of his/her duties. The
12 salaries and emoluments of the assigned auditor and personnel shall be in accordance
13 with pertinent laws, rules and regulations.

14
15 **SEC.26. Separability Clause** – If any provisions of this Act shall be held
16 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full
17 force and effect.

18
19 **SEC. 27. Repealing Clause** – All laws, executive orders or issuances, or any parts
20 thereof, which are inconsistent herewith are hereby repealed and amended accordingly.

21
22 **SEC. 28. Effectivity Clause** – This Act shall take effect upon its publication in at least
23 one (1) newspaper of general circulation.

24
25 Approved.