

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

FIFTEENTH CONGRESS
First Regular Session

House Bill No. 4053

Introduced by HON. SIGFRIDO R. TINGA

EXPLANATORY NOTE

This bill seeks to require enterprises and business establishments enjoying the Income Tax Holiday ("ITH") incentive under Rep. Act No. 7916, or the Special Economic Zone Act of 1995 ("PEZA Law"), to pay Service Fees to their host cities or municipalities during the ITH period.

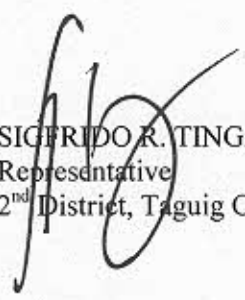
In the case of *Commissioner of Internal Revenue vs. Sekisui Jushi*, 496 SCRA 206 (2006), the Supreme Court clarified that if an entity registered with the Philippine Economic Zone Authority ("PEZA") avails itself of ITH as a fiscal incentive, it is exempt from income taxes only but not from other national internal revenue taxes. The ruling in that case arguably recognizes that PEZA-registered enterprises and business establishments have to pay their local taxes even during the ITH period. It has been observed, however, that some sectors interpret Section 24 of the PEZA Law to mean that, during the ITH period, no local taxes may be collected from PEZA-registered enterprises and business establishments other than real property tax on land.

Both sides to this ongoing debate raise valid and convincing arguments. However, the debate cannot be allowed to go on *ad infinitum* since it fosters uncertainty in our business policies that discourages direct investments that the country sorely needs. The vacuum has to be addressed if only to provide consistency in local tax enforcement and implementation.

It is respectfully submitted that the compromise lies in requiring PEZA-registered enterprises and business establishments to pay Service Fees to their host cities or municipalities during the ITH period. After all, these enterprises and business establishments benefit from the basic services provided by the

LGUs even during the ITH period. Equity dictates that these PEZA-registered enterprises and business establishments share in the burden of providing these services.

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



SICFRIDO R. TINGA
Representative
2nd District, Taguig City

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HOUSE OF REPRESENTATIVES
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HOUSE BILL NO. 4053

Introduced by HON. SIGFRIDO R. TINGA

AN ACT

REQUIRING BUSINESSES/ENTERPRISES WITHIN ECOZONES TO PAY SERVICE FEES TO THEIR HOST CITIES OR MUNICIPALITIES, AND FOR THIS PURPOSE, AMENDING REPUBLIC ACT NUMBERED SEVENTY-NINE HUNDRED SIXTEEN, OTHERWISE KNOWN AS "THE SPECIAL ECONOMIC ZONE ACT OF 1995".

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

SECTION 1. Section 24 of Republic Act No. 7916, as amended, is hereby further amended to read as follows:

"Section 24. *Exemption from National and Local Taxes.* – Except for real property taxes on land owned by developers, no taxes, fees, assessments, or collections whatsoever, local and national, shall be imposed on business establishments operating within the ECOZONE. In lieu thereof, five percent (5%) of the gross income earned by all business enterprises within the ECOZONE shall be paid and remitted as follows:

- (a) Three percent (3%) to the National Government;

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

If qualified to avail of the income tax holiday incentive under Executive Order No. 226 or the Omnibus Investments Code of 1987, as amended, business establishments operating within the ECOZONE shall, during such availment, remit no later than the 15th of April of every year to the treasurer's office of the city or municipality an annual service fee to be computed based on the aggregate floor area of the business establishment located within the city or municipality as follows:

<u>Aggregate Floor Area of the Business Establishment</u>	<u>Service Fee Per Annum (per square meter)</u>
<u>1,500 sq. m. and above</u>	<u>Php 25.00/sq.m.</u>
<u>1,000 sq. m. or more but less than 1,500 sq. m.</u>	<u>PhP 50.00/sq.m.</u>
<u>500 sq. m. or more but less than 1,000 sq. m.</u>	<u>PhP 100.00/sq.m.</u>
<u>200 sq. m. or more but less than 500 sq. m.</u>	<u>PhP 150.00/sq.m.</u>
<u>100 sq. m. or more but less than 200 sq. m.</u>	<u>PhP 200.00/sq.m.</u>

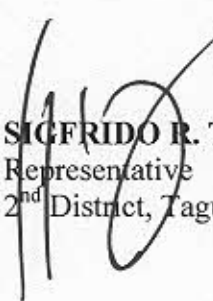
Other than the annual service fee provided herein, no local taxes, fees, imposts, collections or assessments may be imposed on business establishments operating within the ECOZONE during the income tax holiday period."

SECTION 2. *Repealing Clause.* – All laws, executive orders, rules and regulations or parts thereof which may be inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SECTION 3. *Transitory Provisions.* - Enterprises or business establishments with pending applications for registration with the Philippine Economic Zone Authority shall be given thirty (30) days from the effectivity of this Act to notify the Philippine Economic Zone Authority whether they intend to pursue their application for registration as an ECOZONE enterprise, in the absence of which, their application shall be deemed automatically withdrawn.

SECTION 4. *Effectivity.* - This Act shall take effect within fifteen (15) days after its publication in the *Official Gazette* or in two (2) newspapers of general circulation.

Approved.



SIGFRIDO R. TINGA
Representative
2nd District, Taguig City