

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

House Bill No. 2388

Introduced by **HON. GWENDOLYN F. GARCIA**

Explanatory Note

Republic Act No. (RA) 7916, which was enacted into law on 21 February 1995, created the Philippine Economic Zone Authority. It provided for the legal framework and mechanism for the creation, operation, administration and coordination of special economic zones (ECOZONES) in the Philippines. The intendment of this law was to transform selected areas of the country into highly developed agro-industrial, commercial, tourist, banking investment and financial centers with the end in view of allowing the flow of investors, both foreign and local, generate employment opportunities and establish backward and forward linkages among industries in and around the economic zones.

To encourage investors to operate business establishments within the ECOZONES, RA 7916 exempted them from the payment of local and national taxes. In lieu of these taxes, three percent (3%) of the gross income earned by these business establishments shall be paid and remitted to the National Government and two percent (2%) to the city or municipality where the business enterprise is located. It must be noted, however, that while the above-stated law allows the city or municipality to derive certain percentage from the income of the business establishments operating within the ECOZONES, the province to which the city or municipality belongs does not receive any share from the income of the business enterprises operating therein.

A city or municipality where the ECOZONE is located is part of the territorial boundaries of a province and whose needs including those of its barangays are being attended to by the province. Moreover, most of the employees who serve as the necessary workforce in an ECOZONE come from the municipalities and/or cities within a province. Justice and equity, therefore, dictate that the province should also be included among the recipients of the benefits extended to the local government units stated in Section 24 of RA 7916.

The granting to a province of certain percentages from the income of business establishments operating within the ECOZONE is in consonance with Sec. 18, Chap. 2, Title 1, Book 1 of the Local Government Code which provides that local government units shall have the power and authority to "...create their own sources of revenue and to levy taxes, fees, and charges which shall accrue exclusively for their use and disposition and which shall be retained by them ..." and "... to have an equitable share in the proceeds from the utilization and development of the national wealth and resources within their respective territorial jurisdictions including sharing the same with the inhabitants by way of direct benefits".

This bill, therefore, seeks to amend Sec. 24 of RA 7916 for the purpose of granting the province where the economic zone is situated a share of one and half percent (1.5%) of the gross income derived by the business enterprise of whatever nature operating within the economic zone.


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AN ACT
AMENDING SECTION 24 OF REPUBLIC ACT NO. 7916, OTHERWISE KNOWN AS
THE SPECIAL ECONOMIC ZONE ACT OF 1995

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

SECTION 1. Section 24 of Republic Act No. 7916, otherwise known as the Special Economic Zone Act of 1995, is hereby amended to read as follows:

“SEC. 24. ***Exemption from National and Local Taxes.***- Except for real property taxes on land owned by developers, no taxes, 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. ONE AND ONE HALF PERCENT (1.5%) [Three percent (3%)] to the National Government;

“b. x x x x x

“C. ONE AND ONE HALF PERCENT (1.5%) WHICH SHALL BE DIRECTLY REMITTED BY THE BUSINESS ESTABLISHMENTS TO THE TREASURER'S OFFICE OF THE PROVINCE WHERE THE LOCATION OF THE ECOZONE IS PART OF ITS TERRITORIAL BOUNDARIES.”

SEC. 2. Any law or parts thereof inconsistent with any of this provision of this Act shall be deemed repealed or modified as the case may be.

SEC. 3. This Act shall take effect fifteen days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,