

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

Sixteenth Congress
First Regular Session

HOUSE BILL NO. 2688



Introduced by **Hon. Frederick F. Abueg**

EXPLANATORY NOTE

This bill seeks the realization of the province of Palawan's full economic, industrial and tourism potential by establishing a special economic zone in its southern portion and creating a body that will steer the same. This bill's objective holds such great importance that it has been brought to the House of Representatives and the Senate countless times over the past decade and a half.

Former Rep. Alfredo Amor E. Abueg, Jr. introduced House Bill (HB) No. 6414, "An Act Creating a Special Economic Zone and Free Port in Southern Palawan, Creating For This Purpose The Southern Palawan Special Economic Zone Authority, Appropriating Funds Therefor, And For Other Purposes," which was referred to the Committee on Economic Affairs chaired by Rep. Felicito Payumo. The House of Representatives approved the bill and transmitted to the Senate, which referred it to its Committee on Economic Affairs headed by Sen. Edgardo Angara.

The bill was again filed by Rep. Abueg as HB No. 9738, co-authored by four (4) other congressmen. After the Lower House's approval, HB 9738 was transmitted to the Senate where it was heard by the Committee on Economic Affairs headed by Sen. Loren Legarda. It is regrettable that Congress ended without the bill having been approved. Nevertheless, Sen. Legarda herself authored a Senate version of the bill having the same purpose, which unfortunately likewise did not reach final approval.

This bill is now a reiteration *in toto* of Senate Bill (SB) No. 2606, otherwise known as "An Act Establishing the Southern Palawan Special Economic Zone in the Province of Palawan, Creating for the Purpose the Southern Palawan Special Economic Zone Authority, Appropriating Funds Therefor and For Other Purposes." SB No. 2606 was prepared by the Committees on Economic Affairs, Local Government, Ways and Means, and Finance, with Senate Minority Floor Leader Juan Ponce Enrile, then Senators Manuel Roxas and Alfredo Lim, and Senate President Franklin Drilon as authors thereof, in 2007, during the Thirteenth (13th) Congress. SB No. 2606 was in substitution of Senate Bill No. 2217 authored by Senator Enrile, taking into consideration House Bill No. 5262 introduced by then Rep. Abraham Kahlil Mitra.

In its Explanatory Note, Senator Enrile stated:

“The province of Palawan occupies a strategic location in the Southern Tagalog Region. It has a total land area of 1.4 million hectares, a population of 755,412 (Census 2000), and boasts of bountiful forest, marine and mineral resources.

As such, the province presents vast potential for economic growth through infrastructure, industrial, agricultural and tourism development. However, while economic activities are concentrated in Puerto Princesa, its capital, and in other municipalities wherein tourism-related activities thrive such as the Calauit Island, El Nido, and Taytay, other towns abundant in natural resources and large labor force remain untapped.

Hence, the proposal to establish the Southern Palawan Economic Zone and Free Port covering the municipalities of Bataraza, Brooke’s Point and Balabac. In accordance with the mandate of Republic Act No. 7916, otherwise known as “The Special Economic Zone Act of 1995”, this measure encourages the development of the countryside into agro-industrial, commercial, tourist, banking, investment and financial center.

In order to administer the operations of the ecozone, the bill proposes to create the Southern Palawan Economic Zone and Free Port Authority. It likewise offers a package of fiscal and non-fiscal incentives to attract prospective foreign and local investors in order to fully maximize the development possibilities of the province and the region as well.

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Further, Palawan is in a strategic position in the Southeast Asian region, being a choke point that sits astride a major sea trade route serving the region and linking it to major global economies. The Balabac Strait is 47 kilometers offshore where international ships pass, bringing oil and other important cargo to Japan, China, the Philippines, and other countries. The municipality of Balabac, location of the proposed principal office the economic zone, has sufficient land area for the economic zone and free port, deep waters where international ships can navigate and dock, and is the location of the Melville international lighthouse.

Palawan is already producing natural gas, and there is vast potential for greater production of this energy resource with the identification of additional reserves off its waters. Keen investor interest in Palawan, both local and foreign, is already quite apparent. There are specific plans in tourism, agro-industry, real estate, fisheries, mining, communication, transportation, education and manufacturing. The government has also prioritized the infrastructure development of the province, in terms of roads and bridges, ports, and airports, to name a few. President Benigno Aquino III, in his State of the Nation Address during the opening of the Sixteenth (16th) Congress, even cited the establishment of a cold storage plant in the municipality of Bataraza, as well as the improvement of the international airport in the province.

Palawan’s emergence as a growth area has been strengthened by its inclusion as a key component of the Brunei Darassalam Indonesia Malaysia Philippines-East Asia Growth Area (BIMP-EAGA) regional growth concept. This inclusion recognizes the vast natural resources the province is endowed with and its strategic location in the sea trade route that links Southeast Asia to the rich economies to the north. In fact, R.A. No. 7916 identified Palawan as one of the possible areas for the establishment of an economic zone.

Clearly, the institution of the Southern Palawan Special Economic Zone comprising the municipalities of Balabac, Bataraza, and Brooke's Point, will advance the government's long-term plan of strengthening the socio-economic, institutional and environmental development of the country. The creation of this special economic zone, clothed with its own charter, should be supported by all sectors involved in hastening the leap of the Philippines to full membership in the league of developed nations in Asia.

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



FREDERICK F. ABUEG
Representative, 2nd District of Palawan

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

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HOUSE BILL NO. 2688

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AN ACT

**ESTABLISHING THE SOUTHERN PALAWAN SPECIAL ECONOMIC ZONE IN
THE PROVINCE OF PALAWAN, CREATING FOR THE PURPOSE THE
SOUTHERN PALAWAN SPECIAL ECONOMIC ZONE AUTHORITY,
APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES**

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

1 **Section 1. Short Title.** - This Act shall be known as the “Southern Palawan Special
2 Economic Zone Act of 2014.”

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

10 **Sec. 3. Creation of the Southern Palawan Special Economic Zone.** - In pursuit of the
11 foregoing declared policy and subject to the concurrence of the concerned local government
12 units of Southern Palawan affected by the zone, there is hereby established a Special
13 Economic Zone, hereinafter referred to as the Southern Palawan Ecozone. The Southern
14 Palawan Ecozone shall cover the entire area embraced by the Municipalities of Balabac,
15 Brooke’s Point and Bataraza in the Province of Palawan. The specific metes and bounds of
16 the Southern Palawan Ecozone shall be more particularly defined in a proclamation to be

1 issued by the President of the Philippines, upon the recommendation of the Philippine
2 Economic Zone Authority (PEZA), provided that the lands embraced therein shall be public
3 lands.

4 **Sec. 4. Governing Principles.** - The Southern Palawan Special Economic Zone shall
5 be managed and operated by the Southern Palawan Special Economic Zone Authority, herein
6 referred to as the SPEZA, created under Section 10 of this Act, under the following
7 principles:

8 (a) Within the framework and limitations of the Constitution and applicable
9 provisions of the Local Government Code, the Southern Palawan Ecozone shall be developed
10 into and operated as a decentralized, self-reliant and self-sustaining industrial,
11 commercial/trading, agro-industrial, tourist, banking, financial and investment center with
12 suitable residential areas.

13 (b) The Southern Palawan Ecozone shall be provided with transportation,
14 telecommunications and other facilities needed to attract legitimate and productive
15 investments, generate linkage industries and employment opportunities for the people of the
16 Province of Southern Palawan and its neighboring towns and cities.

17 (c) The Southern Palawan Ecozone may establish mutually beneficial economic
18 relations with other entities or enterprises within the country or, subject to the administrative
19 guidance of the Department of Foreign Affairs (DFA), the Philippine Economic Zone
20 Authority (PEZA) and/or the Department of Trade and Industry (DTI), with foreign entities
21 or enterprises.

22 (d) Foreign citizens and companies owned by non-Filipinos in whatever proportion
23 may set up enterprises in the Southern Palawan Ecozone, either by themselves or in joint
24 venture with Filipinos in any sector of industry, international trade and commerce within the
25 Southern Palawan Ecozone.

26 (e) The areas comprising the Southern Palawan Ecozone may be expanded or reduced
27 when necessary. For this purpose, the SPEZA, in consultation with the local government
28 units, shall have the power to acquire either by purchase, negotiation or condemnation
29 proceedings, any private land within or adjacent to the Southern Palawan Ecozone for the
30 following purposes: (a) consolidation of lands for Southern Palawan Ecozone development;
31 (2) acquisition of right of way to the Southern Palawan Ecozone; and (3) the protection of
32 watershed areas and natural assets valuable to the prosperity of the Southern Palawan
33 Ecozone.

1 (f) Goods manufactured by a Southern Palawan Ecozone enterprise shall be made
2 available for immediate retail sale in the domestic market, subject to the payment of
3 corresponding taxes on raw materials and other regulations that may be formulated by the
4 SPEZA, together with the PEZA, the Bureau of Customs and the DTI. However, in order to
5 protect domestic industries, a Negative List of industries shall be drawn up and regularly
6 updated by PEZA. Enterprises engaged in industries included in such Negative List shall not
7 be allowed to sell their products locally.

8 (g) The national government shall maintain its ability to coordinate with the Southern
9 Palawan Ecozone and the local government units.

10 **Sec. 5. Incentives To Registered Enterprises.** - The Southern Palawan Special
11 Economic Zone Authority (SPEZA) may administer the following incentives to the registered
12 enterprises located therein to the extent of the activity/project:

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

16 Category A - Registered domestic enterprise located in highly developed areas, as
17 determined by the Board of Investments (BOI), shall be entitled to a four-year income
18 tax holiday.

19 Category B - Registered domestic enterprise on the following shall be entitled to a
20 six-year income tax holiday:

21 (1) Located in less developed areas as defined by the BOI; or

22 (2) Producing/rendering new products/services or having strong backward or
23 forward linkages

24 Category C - Registered export enterprise shall be entitled to a six- year income tax
25 holiday: *Provided, however,* That if the export enterprise complies with the following:

26 (1) large capital investments or sizeable employment generation, or (2) use high level
27 of technology or (3) located outside Metro Manila, it shall be entitled to an eight-year
28 income tax holiday.

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

32 For this purpose, a registered enterprise shall be defined as any person, natural or
33 juridical, licensed to do business in the Philippines and registered with the Southern Palawan
34 Special Economic Zone Authority (SPEZA) to transact business within the Southern Palawan

1 Special Economic Zone. A registered export enterprise shall be defined as any registered
2 enterprise engaged directly or indirectly in the production, manufacture or trade of products
3 or services which earns at least seventy percent (70%) of its normal operating revenues from
4 the sale of its products or services abroad for foreign currency. A registered domestic
5 enterprise, meanwhile, shall be defined as any registered enterprise not falling under the
6 definition of a registered export enterprise.

7 Additional investments in the project shall be entitled to the income tax holidays
8 corresponding to such investments as may be determined by the BOI. Additional income tax
9 holiday may be granted for as long as the investment is made on the same project: *Provided,*
10 That the project is listed in the IPP at the same time the additional investment in the project is
11 made: *Provided, further,* That the entitlement period for additional investments shall not
12 exceed three times the period provided under this subsection: *Provided, however,* That the
13 total ITH period for an export enterprise availing of an eight year ITH shall not exceed
14 twenty (20) years. Any unused incentives shall therefore be deemed forfeited if not used
15 during the incentive period.

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

19 The Bureau of Internal Revenue (BIR) shall require a registered enterprise availing of
20 ITH or Net Operating Loss Carryover (NOLCO) to secure a certificate of eligibility from the
21 SPEZA before submitting its income tax return (ITR) with SPEZA for validation.

22 Failure to secure certification and/or to file the ITH or NOLCO availment for
23 validation by the SPEZA within forty-five (45) days from the last day of each statutory filing
24 date for ITR shall cause the forfeiture of the availment for the taxable period.

25 (B) Net Operating Loss Carryover (NOLCO) - Net operating loss of the business or
26 enterprise during the first three years from start of commercial operations which have not
27 been previously offset as deduction from gross income shall be carried over as a deduction
28 From gross income for the next five consecutive years immediately following the year of
29 such loss: *Provided, however,* That operating loss resulting from availment of incentives
30 provided in this Act shall not be entitled to NOLCO.

31 Registered enterprises availing of the ITH as herein provided shall not be entitled to
32 avail or the NOLCO.

33 (C) Imposition of a tax rate of five percent (5%) on Gross Income Earned (GIE) -
34 Except for real property tax on land, no local and national taxes as prescribed under Republic

1 Act No. 8424, also known as "rile National Internal Revenue Code of 1997, as Amended"
2 such as income tax, excise tax, and franchise taxes, shall be imposed on registered enterprises
3 operating within the Southern Palawan Ecozone. In lieu thereof, five percent (5%) of the
4 gross income earned shall be paid as follows:

5 (a) Three percent (3%) to the national government;

6 (b) Two percent (2%) shall be remitted by the business establishments to the
7 treasurer's office of the municipality or city where the enterprise is located;

8 All persons and service establishments in the Southern Palawan Ecozone shall be
9 subject to national and local taxes under the National Internal Revenue Code of 1997, as
10 amended, and the Local Government Code.

11 (D) Accelerated Depreciation - Accelerated depreciation of plant, machinery and
12 equipment that are reasonably needed and actually used for the production and transport of
13 goods and services may be allowed using a rate not exceeding twice the rate which would
14 have been used had the annual allowance been computed in accordance with the rules and
15 regulations prescribed by the Secretary of Finance and the provisions of the National Internal
16 Revenue Code (NIRC) of 1997, as amended.

17 (E) Capital Equipment Incentives - (1) Importations of capital equipment, spare parts,
18 tools and dye, or those required for pollution abatement and control, cleaner production and
19 waste reduction including consignment thereof by registered enterprises upon the effectivity
20 of this law, shall be exempted to the extent of one hundred percent (100%) of the taxes and
21 customs duties: *Provided*, That the imported items thereof shall be used exclusively by the
22 registered enterprise in its registered activity. *Provided, further*, That the importation of
23 machinery and equipment and accompanying parts shall comply with the following
24 conditions:

25 i They are not manufactured domestically in sufficient quantity, of comparable
26 quality and at reasonable prices;

27 ii. They are reasonably needed and will be used exclusively by the registered
28 enterprise in the manufacture of its products, unless prior approval of the SPEZA is
29 secured for the part time utilization of said equipment in a non-registered activity to
30 maximize usage thereof or the proportionate taxes and duties are paid on a specific
31 equipments and machinery being permanently used for non-registered activities; and

32 iii. Approval of the SPEZA was obtained by the registered enterprise for the
33 importation of such machinery, equipment and spare parts.

1 Approval of the SPEZA must be secured before any sale, transfer or disposition of the
2 imported capital equipment, machinery or spare parts is made: *Provided*, That if such sale,
3 transfer or disposition is made within the first five years from date of importation, any of the
4 following conditions must be present:

- 5 1) The same is made to another enterprise enjoying tax and duty exemption on
6 imported capital equipment;
- 7 2) The same is made to another enterprise, upon the payment of any taxes and
8 duties on the net book value of the capital equipment to be sold;
- 9 3) The exportation of the capital equipment, machinery, spare parts or source
10 documents or those required for pollution abatement and control; or
- 11 4) Proven technical obsolescence of the said equipment, machinery or spare
12 parts.

13 When the aforementioned sale, transfer or disposition is made under any of the
14 conditions provided for in the foregoing paragraphs other than paragraph (2) herein, the
15 registered firm shall not pay the taxes and duties waived on such items: *Provided, further*,
16 That if the registered enterprises sell, transfer or dispose the aforementioned imported items
17 without prior approval within five years from the date of importation, the registered
18 enterprise and the vendee, transferee, or assignee shall be solidarily liable to pay twice the
19 amount of the tax and duty exemption given it: *Provided, finally*, That even if the sale,
20 transfer or disposition of the capital equipment, machinery or spare parts is approved after
21 five years from date of importation, the registered enterprises are still liable to pay the taxes
22 and duties based on the net book value of the capital equipment, machinery or spare parts if
23 any of the registration terms and conditions has been violated. Otherwise, they shall no longer
24 be subject to the payment of the taxes and duties waived thereon.

25 (2) The purchase of machinery, capital equipment, raw materials, supplies, parts
26 and semi-finished products to be used in the fabrication of machinery and capital equipment
27 by a registered export-oriented enterprise from a domestic manufacturer shall be subject to
28 zero percent (0%) value-added tax.

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

1 The availment by a registered export enterprise of the incentive stated under the
2 immediately preceding two paragraphs shall be subject to the following conditions: (a) That
3 said capital equipment, machinery and spare parts will be used exclusively by the registered
4 enterprise in its registered activity; (b) That the capital equipment or machinery where the
5 raw materials, supplies, parts and semi-finished products were used would have qualified for
6 lax and duty-free importation; and (c) That the approval of the SPEZA is obtained by the
7 registered enterprise. If the registered enterprise sells, transfers or disposes of these
8 machineries, capital equipment and spare parts, the provision in the preceding paragraphs for
9 such disposition shall apply.

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

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

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

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

24 (H) Incentives on Breeding Stocks and Genetic Materials. - Importation of
25 breeding stocks and genetic materials within ten (10) years from the date of registration of
26 commercial operation of the enterprise shall be exempt from all taxes and duties: *Provided,*
27 That such breeding stocks and genetic materials are reasonably needed in the registered
28 activity; and approved by the SPEZA.

29 The availment of the incentives by the registered enterprise shall be subject to the
30 following: (a) that said breeding stocks and genetic materials would have been qualified for
31 tax and duty-free importation under the preceding paragraph; (b) that the breeding stocks and
32 genetic materials are reasonably needed in the registered activity; (c) that approval of the
33 SPEZA has been obtained by the registered enterprise; and (d) that the purchase is made

1 within ten (10) years from the date of registration of commercial operation of the registered
2 enterprise.

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

5 (I) Exemption from Wharfage Dues. - -The provisions of law to the contrary
6 notwithstanding, exports by a registered enterprise shall be exempted from wharfage dues.

7 (J) Deferred Imposition or the Minimum Corporate Income Tax. – The Minimum
8 Corporate Income Tax (MCIT) or two percent (2%) of the gross income as of the end of the
9 taxable year shall be imposed when the MCIT is greater than the income tax computed under
10 the NIRC OF 1997, as amended, for the taxable year: *Provided, however,* That said MCIT
11 shall be imposed only after the enterprise's entitlement period to the income tax-based
12 incentives has expired

13 (K) Tax Treatment of Merchandise in the Southern Palawan Ecozone.

- 14 a. Domestic merchandise sent from the Southern Palawan Ecozone to
15 areas outside the said Ecozone shall, whether or not combined with or
16 made part of other articles likewise of local origin or manufactured in
17 the Philippines while in the export processing zone, be subject to
18 internal revenue laws of the Philippines as domestic goods sold,
19 transferred or disposed of for local consumption.
- 20 b. Merchandise sent from the Southern Palawan Ecozone to areas outside
21 the said Ecozone shall, whether or not combined with or made part of
22 other articles while in the zone, be subject to rules and regulations
23 governing imported merchandise. The duties and taxes shall be based
24 on the value of said imported materials (except when the final product
25 is exempt).
- 26 c. Articles produced or manufactured in the Southern Palawan Ecozone
27 and exported therefrom shall, on subsequent importation into the
28 customs territory, be subject to the import laws applicable to like
29 articles manufactured in a foreign country.
- 30 d. Unless the contrary is shown, merchandise taken out of the Southern
31 Palawan Ecozone shall be considered for tax purposes to have been
32 sent to customs territory.

33 (L) Tax Treatment of Raw Materials and Capital Equipment in the Southern
34 Palawan Ecozone. - Importations of raw materials and capital equipment shall be treated as in

1 the Omnibus Investments Code. Registered export oriented enterprise shall have access to the
2 utilization of the bonded warehousing system in accordance with the rules and regulations of
3 the Bureau of Customs.

4 (M) Employment of Foreign Nationals. - Subject to the provisions of Section 29 of
5 Commonwealth Act No. 613, as amended, a registered enterprise may employ foreign
6 nationals in supervisory or technical positions for a period not exceeding ten (10) years from
7 its registration: *Provided*, That when the majority of the capital stock of a registered
8 enterprise is owned by foreign investors, the positions of the president, treasurer and general
9 manager or their equivalents may be retained by foreign nationals beyond the period set forth
10 herein and such officer is the owner or a stockholder owning at least ten percent (10%) of the
11 outstanding capital stock of the registered enterprise and he remains the owner or maintains
12 his stockholdings therein.

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

21 The said foreign nationals admitted under this provision, as well as their respective
22 spouses and dependents shall be exempt from: (a) obtaining alien certificate of registration
23 and immigration clearance certificates; and (b) securing the Alien Employment Permit (AEP)
24 and all types of clearances, permits, licenses or their equivalents required by any government
25 department or agency.

26 **Sec. 6. Incentive to Investors.** - Any foreign national covered under Subsection (M)
27 of Section 5 of this Act, who invests an amount of US \$ 150,000.00, either in cash and/or
28 equipment, in a registered enterprise shall be entitled to an investor's visa: *Provided*, That,

- 29 (1) He is at least eighteen (18) years of age;
30 (2) He has not been convicted of a crime involving moral turpitude;
31 (3) He is not afflicted with any loathsome, dangerous or contagious disease;
32 and
33 (4) He has not been institutionalized for any mental disorder or disability.

1 *Provided, further,* That in securing the investor's visa, the alien-applicant shall be entitled to
2 the same privileges provided for under paragraph (M), Section 5 hereof. As a holder of
3 investor's visa, an alien shall be entitled to reside in the Philippines while his investment
4 subsists. For this purpose, he should submit an annual report, in the form duly prescribed for
5 the purpose, to prove that he has maintained his investment in the country. Should said alien
6 withdraw his investments from the Philippines, then the investor's visa issued to him shall
7 automatically expire.

8 **Sec. 7. Administration, Implementation and Monitoring of Incentives.** - The SPEZA
9 shall be responsible for the administration and implementation of the incentives granted to its
10 respective registered enterprises: *Provided,* That any incentive administration policy adopted
11 by the BOI for registered enterprises shall be uniformly applied by SPEZA.

12 The following are the duties and responsibilities of the SPEZA in the administration
13 of incentives:

- 14 (A) To adopt consistent procedures of administering incentives in accordance with
15 the guidelines established by the BOI;
- 16 (B) To adopt and implement systems and procedures affecting trade and customs
17 policies in accordance with the requirements established by the Department of
18 Finance (DOF) and the BOI;
- 19 (C) To submit information on registered enterprises to the DOF and the BOI as
20 required by any of these agencies to ascertain consistency of investment
21 policies and incentives, including their implementation as provided in
22 paragraph (a) herein, and to ensure proper implementation of systems and
23 procedures affecting trade and customs policies as provided in paragraph (b)
24 herein; and
- 25 (D) To perform all other duties and responsibilities as may be required by the
26 President of the Philippines.

27 For proper monitoring, the BOI shall create a single database of all incentives
28 provided by all incentives granting agencies, including SPEZA, and all information thereto.
29 Double entry accounting shall be done by the BOI in recording all incentives granted by the
30 government for transparency purposes.

31 **Sec. 8. Extension of Period of Availment.** - The availment period of the incentives
32 provided herein may be extended by SPEZA, in the event that the registered enterprise
33 suffers operational force *majeure* or any event equivalent thereto, impairing its viability,

1 provided that the availment period shall not exceed the duration of the said force *majeure* or
2 equivalent event.

3 **Sec. 9. *Duration of Incentives.*** - Enterprises registered with SPEZA may enjoy ITH
4 or NOLCO granted by the latter prior to the availment of the five percent (5%) GIE.

5 Fiscal incentives under this Act shall be terminated after a cumulative period of
6 twenty (20) years from date of registration or start of commercial operation, whichever is
7 applicable, except that it could be extended with regard to industries deemed indispensable to
8 national development.

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

11 **Sec. 10. *Creation of the Southern Palawan Special Economic Zone Authority*** -
12 There is hereby created a body corporate to be known as the Southern Palawan Special
13 Economic Zone Authority, hereinafter referred to as the SPEZA, which shall manage and
14 operate, in accordance with the provisions of this Act, the Southern Palawan Special
15 Economic Zone. This corporate franchise shall expire in fifty (50) years counted from the
16 first day of the fifth (5th) calendar year after the effectivity of this Act, unless otherwise
17 extended by Congress. It shall be organized within one hundred eighty (180) days after the
18 effectivity of this Act.

19 **Sec. 11. *Principal Office of SPEZA.*** - The Southern Palawan Special Economic Zone
20 Authority shall maintain its principal office in the Municipality of Balabac, Province of
21 Palawan, but it may establish branches within the Philippines as may be necessary for the
22 proper conduct of its business.

23 **Sec. 12. *Powers and Functions of the Southern Palawan Special Economic Zone***
24 ***Authority.*** - The Southern Palawan Special Economic Zone Authority shall have the
25 following powers and functions:

- 26 (a) To operate, administer, manage and develop the Southern Palawan Ecozone
27 according to the principles and provisions set forth in this Act;
- 28 (b) To register, regulate and supervise the enterprises in the Southern Palawan
29 Ecozone in an efficient and decentralized manner, subject to existing laws;
- 30 (c) To coordinate with local government units and exercise general supervision
31 over the development plans, activities and operations of the Southern Palawan
32 Ecozone;
- 33 (d) To regulate and undertake the establishment, operation and maintenance of
34 utilities, other services and infrastructure in the Southern Palawan Ecozone

such as but not limited to heat, light and power, water supply, telecommunications transport, toll roads and bridges, port services, etc. and to fix just, reasonable and competitive rates, fares, charges and prices thereof;

(e) To construct, 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 (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 Southern Palawan Ecozone, in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;

(f) To operate on its own, either directly or through a license to other tourism-related activities, including games, amusements, recreational and sports facilities;

(g) 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, 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;

(h) To protect, preserve, maintain and develop the virgin forests, beaches, coral and coral reefs and maintain ecological balance within the Southern Palawan Ecozone;

(i) To create, operate and or contract to operate such functional units of offices of the SPEZA as it may deem necessary;

(j) To adopt, alter and use a corporate seal; make contracts, leases, own, or otherwise dispose of personal or real property; sue and be sued; and otherwise carry out its functions and duties as provided for in this Act;

(k) To issue certificates of origin for products manufactured or processed in the Southern Palawan Ecozone in accordance with prevailing rules of origin, and the pertinent regulations of the PEZA, DTI and/or the Department of Finance (DOF);

- 1 (l) To issue working visas renewable every two (2) years to foreign executives
2 and foreign technicians with highly specialized skills which no Filipinos
3 possesses, as certified by the Department of Labor and Employment;
- 4 (m) To report to the Bureau of Immigration the names of the foreigners who have
5 been granted permanent resident status and working visas within thirty (30)
6 days after issuance of such grant;
- 7 (n) To exercise such powers as maybe essential, necessary or incidental to the
8 powers granted to it hereunder as well as those that shall enable it to carry out,
9 implement and accomplish the purposes, objectives and policies of this Act;
10 and
- 11 (o) To issue rules and regulations consistent with the provisions of this Act as
12 maybe necessary to accomplish and implement the purposes, objectives and
13 policies provided herein.

14 **Sec. 13. *Banking Rules and Regulations.*** - Existing laws and rules/regulations of the
15 *Bangko Sentral ng Pilipinas* (BSP) shall apply to banks and financial institutions to be
16 established in the Southern Palawan Ecozone, such as those governing foreign exchange and
17 other concurrent account transactions (trade and non-trade), local and foreign borrowings,
18 foreign investments, establishment and operation of local and foreign banks, foreign currency
19 deposit units, offshore banking units and other financial institutions under the supervision of
20 the BSP.

21 **Sec. 14. *Remittance of Earnings.***- In the case of foreign investments, a registered
22 enterprise in the SPEZA shall have the right to remit earnings from the investment in the
23 currency in which the investment was originally made and at the exchange rate prevailing at
24 the time of remittance, subject to the provisions of Section 74 of Republic Act No. 265, as
25 amended.

26 **Sec. 15. *Board of Directors of the Southern Palawan Special Economic Zone***
27 ***Authority*** - The powers of the Southern Palawan Special Economic Zone Authority shall be
28 vested in and exercised by a Board of Directors, hereinafter referred to as the Board, which
29 shall be composed of the following:

- 30 a) The Chairman who shall, at the same time be the administrator of the SPEZA;
31 b) A Vice-Chairman who shall come from among the members of the Board;
32 c) Members consisting of:
33 (1) The Governor of the Province of Southern Palawan;

- 1 (2) The Congressional Representative of the district covering the site of
2 the Southern Palawan Ecozone;
3 (3) The mayors of the Municipalities of Balabac, Brooke's Point and
4 Bataraza, Province of Palawan;
5 (4) One (1) representative from the domestic investors;
6 (5) One (1) representative from the foreign investors; and
7 (6) Two (2) representatives from the workers working in Southern
8 Palawan Ecozone.

9 The Governor, the Congressional representative and the mayors of the Province of
10 Southern Palawan shall serve as *ex-officio* members of the Board, whose term in the Board
11 corresponds to their term as elected officials.

12 The Chairman and The members of the Board, except the *ex-officio* members, shall be
13 appointed by the President of the Philippines to serve for a term of six (6) years, unless
14 sooner separated from service due to death, voluntary resignation, or removal for cause. In
15 case of death, resignation or removal for cause, the replacement shall serve only the
16 unexpired portion of the term.

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

23 The Members of the Board shall each receive per diem at rate to be determined by the
24 Department of Budget and Management in accordance with existing rules and regulations:
25 *Provided however*, That the total per diem collected each month shall not exceed the
26 equivalent *per diem* for four (4) meetings. Unless and until the President of the Philippines
27 has fixed a higher per diem for the members of the board, such per diem shall not be more
28 than ten thousand pesos (P10,000.00) for every Board meeting.

29 **Sec. 16. Powers and Duties of the Chairman-Administrator.** – The Chairman
30 Administrator shall have the following powers and duties:

- 31 a) To direct and manage the affairs of the SPEZA in accordance with the policies
32 of the Board;
33 b) To establish the internal organization of the SPEZA under such conditions that
34 the Board may prescribe;

- 1 c) To submit an annual budget and necessary supplemental budget to the Board
2 for its approval;
- 3 d) To submit within thirty (30) days after the close of each fiscal year an annual
4 report to the Board and such other reports as may be required;
- 5 e) To submit to the Board for its approval policies, systems, procedures, rules
6 and regulations that are essential to the operation of the Southern Palawan
7 Ecozone;
- 8 f) To create a mechanism in coordination with relevant agencies for the
9 promotion or industrial peace, the protection of the environment, and the
10 advancement of the quality of life in the Southern Palawan Ecozone; and
- 11 g) To perform such other duties as may be assigned to him by the Board or which
12 are necessary or incidental to his office.

13 **Sec. 17. Organization and Personnel.** - The Board of Directors of the SPEZA shall
14 provide for an organization and staff of its officers and employees. Upon recommendation of
15 the Chairman-Administrator, the Board shall appoint and fix the remuneration and other
16 emoluments of its officers and employees in accordance with existing laws on compensation
17 and position classification: *Provided*, That the Board shall have exclusive and final authority
18 to promote, transfer, assign or reassign officers of the SPEZA, any provision of existing law
19 to the contrary notwithstanding: *Provided, further*, That the Chairman-Administrator may
20 carry out removal of such officers and employees.

21 The officers and employees of the SPEZA, including all Members of the Board, shall
22 not engage directly or indirectly in partisan activities nor take part in any election, except to
23 vote.

24 No officer or employee of the SPEZA, subject to Civil Service laws and regulations,
25 shall be removed or suspended except for cause, as provided by law.

26 **Sec. 18. Ipso Facto Clause.** - Sections 30-41 of Republic Act 7916, shall *ipso facto*
27 apply to the Southern Palawan Special Economic Zone.

28 **Sec. 19. Capitalization.** - The Southern Palawan Special Economic Zone Authority
29 shall have an authorized capital stock of One Billion (1,000,000,000) no par shares with a
30 minimum issue of Ten Pesos (P10.00) each, the majority shares of which shall be subscribed
31 and paid for by the National Government and the Local Government Units (LGUs)
32 embracing the Southern Palawan Special Economic Zone. The Board of Directors of the
33 SPEZA may, with the written concurrence of the Secretary of Finance, sell shares,
34 representing not more than forty per centum (40%) of the capital stock of the SPEZA to the

1 general public under such policy as the Board and the Secretary of Finance may determine.
2 The National Government and the LGUs shall in no case own less than sixty per centum
3 (60%) of the total issued and outstanding capital of the Southern Palawan Special Economic
4 Zone and Authority.

5 The amount necessary to subscribe and pay for the shares of the National Government
6 to the capital stock of the SPEZA shall be included in the Annual General Appropriations
7 Act. For LGUs, the funds shall be taken from their internal revenue allotment and other local
8 funds

9 **Sec. 20. *Supervision.*** - The Southern Palawan Special Economic Zone shall be under
10 the direct control and supervision of the Philippine Economic Zone Authority (PEZA) for
11 purposes of policy direction and coordination

12 **Sec. 21. *Relationship with the Regional Development Council.*** - The Southern
13 Palawan Special Economic Zone Authority shall determine the development goals for the
14 Southern Palawan Ecozone within the framework of national development plans, policies and
15 goals. The Administrator shall, upon approval by the Board, submit the Southern Palawan
16 Ecozone plans, programs and projects to the Regional Development Council for inclusion
17 and inputs to the overall regional development plan.

18 **Sec. 22. *Relationship with Local Government Units.*** - Except as herein provided, the
19 local government units comprising the Southern Palawan Special Economic Zone shall retain
20 their basic autonomy and identity. The Municipalities of Balabac, Brooke's Point and
21 Bataraza shall operate and function in accordance with the Local Government Code of 1991.
22 In case of any conflict between the SPEZA and the Province of Southern Palawan on matters
23 affecting the Southern Palawan Ecozone other than defense and security matters, the decision
24 of the SPEZA shall prevail.

25 **Sec. 23. *Interpretation/Construction.*** - The powers, authorities and functions that are
26 vested in the SPEZA are intended to decentralize governmental functions and authority and
27 promote an efficient and effective working relationship between the Southern Palawan
28 Ecozone, the NG, and the local government units.

29 **Sec. 24. *Auditing.*** - The Commission on Audit shall appoint a representative who
30 shall be a full time auditor of the SPEZA and assign such number of personnel as may be
31 necessary to assist said representative in the performance of his/her duties. The salaries and
32 emoluments on the assigned auditor and personnel shall be in accordance with pertinent laws,
33 rules and regulations.

1 **Sec. 25. *Separability Clause.*** - If any provisions of this Act shall be held
2 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full
3 force and effect.

4 **Sec. 26. *Repealing Clause.*** - All laws, executive orders and issuances, or any parts
5 thereof, which are inconsistent herewith are hereby repealed or amended accordingly.

6 **Sec. 27. *Effectivity Clause.*** - This Act shall take effect upon its publication in at least
7 one (1) newspaper of general circulation.

Approved,