

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

Sixteenth Congress
First Regular Session

HOUSE BILL NO. **2921**



Introduced by Representative Arthur R. Defensor, Jr.

EXPLANATORY NOTE

This bill creates the Jalaur Economic Corridor (JEC) in the Province of Iloilo (the Province). The JEC shall be a customs territory in the nature of a Domestic Industrial Zone created under the Investment and Incentives Code. It is meant to realize to the fullest, the benefits of the Jalaur Multi-Purpose Project I (JMPP I) and Jalaur Multi-Purpose Project II (JMPP II). JMPP I is an existing National Irrigation System, created under Republic Act No. 2651, "An Act Providing for the Construction of the Jalaur Multi-Purpose Project in the Province of Iloilo and Governing its Operation after its Completion". On the other hand, the JMPP II is a new and landmark water control and utilization project, with irrigation, potable water supply and power generation components. It is composed of a system of dams, canals water supply connections, power generation facilities and power supply connections. JMPP II costs P11.213B. It will be constructed along the Jalaur River, and the other connected rivers, in the Province. The JMPP II shall fulfill the following objectives:

- a. To fully develop and harness the resources of the Jalaur River, and make it a foundation and focal point of development;
- b. Provide irrigation, and consequently, increased agricultural production to the beneficiary local government units;
- c. Generate substantial electric power to supplement the power supply in the Province and City of Iloilo;
- d. Augment supply of potable water for domestic and industrial consumption in the covered local government units and Iloilo City;
- e. Flood regulation and mitigation; and
- f. Develop and promote eco-tourism in the covered areas.

The JEC shall be a Domestic Industrial Zone that will include the following municipality beneficiaries of JMPP I and JMPP II: Cabatuan, Maasin, Pototan, Mina, Janiway, Badiangan, Lambunao, Calinog and Bingawan. Such are the covered municipalities because of contiguity, proximity to strategic transport facilities, like the Iloilo International Airport, and collaborative and convergent developmental planning currently being undertaken by them. The establishment of the JEC shall provide an investment incentives regime for the resource based and oriented development of the region, with water control and utilization, through the JMPP I and JMPP II, as the frontline strategy. The JEC is intended as a food security hub of the country, as well as, a primary eco-tourism destination. The relationship among the covered local government units shall be founded on convergence, based on the National Convergence Initiative of the government, and the common attribute of being beneficiaries of the JMPP I and JMPP II. The JEC, as a Domestic Industrial Zone, shall be a commercial, financial, and investment center, however, focus shall be on its being an agro-industrial and tourism/recreational zone. Development shall be pursued primarily by the attraction of legitimate and serious investors, through, *inter alia* (a) the strategic location of the JEC, being at the center of the country; (b) the existing and potential transportation facilities, such as, the Iloilo International Airport (c) skilled and experienced human resource in agriculture; (d) the JMPP II, as a stable source of power, water for irrigation and domestic and industrial consumption; and (e) the enjoyment of registered enterprises of the fiscal and non-fiscal incentives.

The JECA is created based on the principle that local government units may group themselves, consolidate, or coordinate their efforts, services and resources for purposes commonly beneficial to them, as declared in the Local Government Code of 1991. The Jalaur Economic Corridor Authority (JECA) is created as an institutional body for the formulation and implementation of the JEC Development Program. While it is mandated to register and regulate the enterprises in the JEC, formulate common investment promotion activities and harmonize investment programs and policies, it shall not interfere with the exercise of the covered local government units of their powers under the Local Government Code of 1991. It is meant to be a locally sensitive, hands-on and low finance investment promotion body that will harness the full potential of the region, and make it a globally competitive food security and eco-tourism hub.

The JEC is a resource based and oriented approach, with water control and utilization as the main strategy, that will provide a focused developmental thrust to the Province of Iloilo, as well as, the whole country.



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- (a) The State shall pursue a resource based and oriented approach to development;
- (b) Food security and tourism shall be prioritized to provide a focused and deliberate developmental thrust to the economy;
- (c) The role of the private sector, and its partnership with the government, is indispensable in the pursuit of food security and tourism;
- (d) Water is the primary resource of the country, and its control and utilization is crucial in ensuring the availability and accessibility of food, as well as, in the promotion of an ecologically sustainable tourism industry; and

- (e) Local government units may group themselves, consolidate, or coordinate their efforts, services and resources for purposes commonly beneficial to them.

CHAPTER III

JALAURO ECONOMIC CORRIDOR

Section 3. *Jalaur Domestic Industrial Zone.* - In accordance with the foregoing, declared policy, there is hereby established a Domestic Industrial Zone, as defined under the Investment and Incentives Code, to be known as the Jalaur Economic Corridor, hereinafter known as the JEC, which shall cover the entire area embraced by the Municipalities of Cabatuan, Maasin, Pototan, Mina, Janiway, Badiangan, Lambunao, Calinog and Bingawan in the Province of Iloilo.

Section 4. *Governing Principles.* - The JEC shall be established and operated under the following principles:

- (a) The establishment of the JEC shall provide an economic framework for the resource based and oriented development of the region, with water control and utilization, through the JMPP II, as the frontline strategy. The JEC shall be the food security hub of the country, as well as, primary eco-tourism destination;
- (b) The relationship among the covered local government units shall be founded on convergence, based on the National Convergence Initiative of the government, and the common attribute of being beneficiaries of the JMPP II;
- (c) The JEC, in the character of a Domestic Industrial Zone, shall be a commercial, financial, and investment center, but pursuant of the resource based and oriented approach, focus shall be on it being an agro-industrial and tourism/recreational center; and
- (d) Development shall be pursued primarily by the attraction of legitimate and serious investors, through, *inter alia*: (i) the strategic location of the JEC, being at the center of the country; (ii) the existing and potential transportation facilities, such as, the Iloilo International Airport, which is of international standards; (iii) skilled and experienced human resource in agriculture; (iv) the JMPP II, as a stable source of power, water for irrigation and domestic and industrial consumption; (v) and the enjoyment of registered enterprise of the fiscal incentives.

73 Section 5. *Creation of the Jalaur Corridor Authority.* - A body to be known as
74 the Jalaur Economic Corridor Authority (JECA) is hereby created to act as the policy
75 and program formulation body of the JEC, pursuant to the principles under Section 4
76 of this Act, and as an Investment Promotion Agency as defined by the Investment
77 and Incentives Code.

78
79 Section 6. *Powers and Functions of the Jalaur Economic Corridor Authority.* - The
80 JECA shall have the following functions:
81

- 82 (a) Act as the Institutional body mandated to formulate and
83 implement the JEC Development Program, which shall be
84 consistent with the Regional Development Plan, and the
85 corresponding Investment Priority Plan (IPP), which shall serve as
86 the list of industries, services and other economic activities that
87 shall be eligible for incentives under this Act;
88
- 89 (b) Register the enterprises in the JEC, and regulate them in so far as
90 consistent with Republic Act No. 7160;
91
- 92 (c) Develop the JEC as a globally competitive food security and eco-
93 tourism hub of the country;
94
- 95 (d) Review, identify and recommended priority infrastructure projects
96 for implementation;
97
- 98 (e) Formulate common investment promotion activities;
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- 100 (f) Harmonize in the covered local government units, such programs,
101 policies, rules and regulations affecting investment, incentives,
102 customs, immigration, leasing, privatization, and other matters
103 necessarily related thereto;
104
- 105 (g) Perform such other functions as may be authorized to achieve the
106 objectives of this Act.
107

108 Section 7. *Composition of the Jalaur Economic Corridor Authority.*- The members
109 of the JECA are as follows:
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- 111 (a) The Chairman of the National Economic Development Authority,
112 who shall serve as chairman, and presiding officer;
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- 114 (b) Secretary of the Department of Agriculture;
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- 116 (c) Secretary of the Department of Tourism;
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- 118 (d) Secretary of the Department Trade and Industry;
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120 (e) Governor of the Province of Iloilo;
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122 (f) The nine (9) Municipal Mayors of the covered municipalities; and
123
124 (g) A Representative from the private sector.
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126 The Representative from the private sector shall be appointed by unanimous
127 vote of the rest of the members of the JECA, to serve for a term of the three (3)
128 years, in case of vacancy, the appointed successor shall only serve the unexpired
129 portion of the term. Within fifteen days after this Act shall have taken effect, the
130 JECA shall convene to appoint the Representative from the private sector.
131

132 Section 8. *Manager, Secretariat and Staff.* The Representative from the private
133 sector shall serve as the Manager of the JECA, who shall ensure a policy and
134 program integration and coordination approach of the development of the JEC, and
135 who shall exercise the following functions:
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- 137 (a) Oversight in the implementation of the JEC Development Program;
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139 (b) Obtain the participation partners, domestic or foreign, from the
140 public or private sectors;
141
142 (c) Obtain the participation, support and assistance of relevant
143 government agencies and instrumentalities in the formulation and
144 implementation of the JEC Development Program;
145
146 (d) Represent the JECA in dealings with offices, agencies and
147 instrumentalities of the government, as well as, in dealings with
148 persons and entities from the private sector, whether foreign or
149 domestic; and,
150
151 (e) Such other functions, as may be necessary in the implementation of
152 the JEC Development Program, as may be assigned by the JECA.
153

154 The JECA shall have a Secretariat, with the Provincial Development and
155 Planning Coordinator, as the JECA Secretary, complemented by the Municipal
156 Development and Planning Coordinators of the covered municipalities. The JECA
157 staff shall include personnel assigned from the DTI, the Province and the covered
158 municipalities. Immediately after this Act shall have taken effect, the DTI, the
159 Province, and the covered municipalities, shall make such assignment of personnel
160 to the JECA. The DTI shall assign personnel to the JECA, sufficient for the
161 administration of registration, grant of incentives to investors/locators, and such
162 other related functions. The Province shall assign a Provincial Development and
163 Planning Coordinator to the JECA, and such other personnel, sufficient to provide

staff support. The member municipalities shall likewise assign a Municipal Development Planning Coordinator, and such other personnel to complement the staff.

The Province shall provide an office space for the JECA in the Iloilo Provincial Capitol.

The JECA shall formulate rules for the conduct of its business.

Section 8. *Investment Priorities Plan.* – The JECA, upon consultation with the DTI shall formulate a focused IPP, which shall be valid for a period of three (3) years.

In the listing of the activity in the IPP, the following shall be complied with:

(a) The activity shall be consistent with the JEC Development Plan;

(b) The activity shall satisfy the following:

(1) Substantial amount of Investments;

(2) Considerate generation of employment;

(3) Use of modern or new technology; or

(4) Installation of adequate environmental protection systems.

Provided, That items (b) (1) and (b) (4) above shall be present in all activities, and the threshold amount of investments and employment generation required for a specific activity shall be subject to a periodic review taking into consideration international standards and/or other indicators.

Section 9. *Qualifications of a Registered Enterprise.* – To qualify for registration and be entitled to avail of the incentives under this Act, an applicant must be engaged in an activity listed in the IPP and must satisfy the following:

- a. He is a citizen of the Philippines, in case the applicant is a natural person, or in case of a corporation or partnership or any other association, regardless of nationality, it must be organized and/or registered and existing under Philippine laws, and that it must comply with all the qualifications provided under the Act: Provided, however, that for the purposes of this Act, and any law to the contrary notwithstanding, a natural born ASEAN citizen or a corporation effectively controlled by ASEAN citizens, or a

corporation organized in any ASEAN country shall be considered as a Philippine investor: Provided, further, that the investment is made in an activity where the Constitution does not specifically require Filipino participation;

- b. The activity it will engage in is not within the activities reserved by the Constitution to Philippine citizens or corporations owned and controlled by Philippine citizens;
- c. It will infuse new investments. For this purpose "new investments" shall mean a new enterprise infusing new investments and undertaking new activity. However, an enterprise with an existing operation may be qualified for registration if it will undertake new activity. Further, an existing enterprise undertaking the same activity that shall infuse additional investments of at least fifty percent (50%) of its present actual investments, shall be deemed to be "new investments", but only to the extent of such additional investments; and
- d. If the applicant is engaged or proposes to engage in undertakings or activities aside from the listed in the IPP, it shall install an accounting system adequate to identify the investments, revenues, costs, and profits or losses of each registered activity undertaken by the enterprise separately from the aggregate investment, revenues, cost and profits or losses of the whole enterprise, or to establish a separate corporation for each registered activity if the JECA should require to facilitate proper implementation of this Act.

Section 10. *Fiscal incentives.* – Establishments and enterprises registered with, and Operating in, the JECA, may avail of the following incentives, whenever applicable, to the extent of their registered activity:

- (a) Income Tax Holiday (ITH) for a period of eight (8) years. Thereafter, fifty percent (50%) reduction from corporate income tax for a period of seventeen (17) years;
- (b) Value-Added Tax (VAT) and Customs Duty treatment on importation of capital equipment, as follows:
 - (1) Exemption from customs duty on importation of capital equipment, including consignment thereof, subject to the pertinent provision of the Investment and Incentives Code; and,
 - (2) Refund of VAT on importation of capital equipment.

Notwithstanding (a), ITH for a period of fifteen (15) years, and thereafter, five percent (5%) tax on Gross Income Tax Earned (GIE), in lieu of all national taxes, and such other incentives, may be granted by the President, upon the recommendation of the JECA.

Section 11. *Non-Fiscal incentives.* Registered enterprises shall be entitled to the following non-fiscal incentives:

- a. *Time-bond Processing of Requirements for Doing Business.* - All application for permits, licenses, authorization and other requirements necessary for doing business, including application for renewals thereof, shall be acted upon by the JECA, or any government agency concerned within ten (10) working days from official acceptance thereof, otherwise, the same be considered automatically approved. For this purpose, the JECA, or any government agency concerned, shall be mandated to post in their respective offices, the procedural process, documentation requirements and the imposable fees to be paid to facilitate the processing of the application;
- b. *Simplification of Customs and Internal Revenue Procedures.* - Importation of equipment, spare parts, raw materials and supplies, export of processed products by registered enterprises shall be undertaken under the simplified procedure of the Bureau of Customs pursuant to the investment and Incentives Code; and,
- c. *Reduction and harmonization of Documentary Requirements Submitted to Government Agencies.* - Reduction and harmonization of related documentary requirements submitted to the JECA shall be accordance with the guidelines formulated by the Board of Investments pursuant to the Investment and Incentives Code.

Section 12. *Income Tax-Based Incentives.* - On availing the income tax-related incentives, the Bureau of Internal Revenue (BIR) shall require a registered enterprise to secure a certificate of eligibility from JECA, and attach the same to its income Tax Return (ITR) or Annual information Return (AIR), whichever is applicable. Thereafter, the registered enterprise shall file its claim with the JECA for validation. The IPA shall endorse the result of its validation to the BIR after one year from the filing of a claim for ITH by the registered enterprise.

Failure to secure and attach the certification to the ITR or AIR, and/or file the ITH availment for validation by the JECA shall cause the forfeiture of the ITH availment for the taxable period.

Section 13. *Fifty Percent (50%) Reduction from Corporate Income Tax.* - In computing the net taxable income for this incentive, the enterprise may be entitled to

deduct the following expenses, in addition to ordinary and necessary business expenses allowed under the National Internal Revenue Code 1997, as amended (NIRC):

- a. *Enhanced Net Operating Loss Carry-Over (NOLCO)* - The net operating loss of the registered activity during the first five (5) years from the start of commercial operation, which had not been previously offset as deduction from gross income may be carried over as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss;
- b. *Accelerated Depreciation* - Plant, machinery, and equipment that are reasonably needed and actually used for the production and transport of goods and services, may be depreciated using a rate not exceeding twice the rate, which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Secretary of Finance and the provisions of the NIRC;
- c. *Double Deduction for Training Expenses* - Expenses incurred for local training given to employees for the development of skills, identified as necessary by the appropriate government agencies and approved by the JECA, may be claimed as deduction from gross income to the extent of two hundred (200%) percent of the actual amount of expenses incurred: Provided, that the training expense shall be deductible on the taxable year the said training expenses were incurred: Provided, further, that the JECA shall issue the corresponding certificate of entitlement for its incentive upon filing of an application, otherwise, the training incentive shall be deemed waived; and,
- d. *Double Deduction for Research and Development* - Expenses incurred for research and development conducted in the Philippines relating to the business shall entitle the registered enterprise to a special deduction from taxable income equivalent to two hundred (200%) percent of the total expenses, over and above the allowable ordinary and business deductions for said expenses under the NIRC, as amended, Provided, that the expenses for research and development shall be deductible from gross income on the taxable year the said research and development expenses were incurred, Provided, further, that the JECA shall issue the corresponding certificate of entitlement for this incentive upon filing of an application, otherwise, the research and development incentive shall be deemed waived.

Section 14. *Five Percent (5%) Tax on GIE.* - In computing the total five percent (5%) tax rate to be imposed, GIE shall refer to gross sales or gross revenues derived from the business activity, net of sales discounts, sales returns and allowances and minus cost of goods sold/cost of services or direct costs, but before any deduction is made for administrative, marketing, selling expenses or incidental losses during a given taxable period.

The 5% tax on GIE shall be paid and remitted by registered enterprises located inside the JEC in accordance with the following sharing allocation:

- 1% to the National Government
- 2% to the Province of Iloilo where the project is located
- 2% to the municipality where the project is located

Section 15. *VAT and Customs Duties Exemption on Capital Equipment.* - In the importation of capital equipment, including consignment thereof, the registered enterprises may be exempted to the extent of one hundred percent (100%) of the VAT and customs duties provided that the following conditions are complied with:

- a. The capital equipment is directly and/or reasonably needed, and will be used exclusively in the registered activity of the registered enterprise, unless prior approval of the JECA 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 they are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices; and,
- b. The approval of the JECA was obtained by the registered enterprise for the importation of such machinery, equipment and spare parts.

Approval of the JECA must be secured before any sale, transfer or disposition of the imported capital equipment is made: Provided, that, if such sale, transfer or disposition is made within the first five (5) years from date of importation, any of the following conditions must be present:

- i. If made to another enterprise enjoying tax and duty exemption on imported capital equipment;
- ii. If made to another enterprise, upon payment of any taxes and duties due on the net book value of the capital equipment to be sold;

- 393 iii. Exportation of capital equipment, machinery, spare parts or source
394 documents or those required for pollution abatement and control;
395 or
396
397 iv. For reasons of proven technical obsolescence.
398

399 When the aforementioned sale, transfer or disposition is made under any
400 of the conditions provided for in the foregoing paragraphs other than paragraph
401 (ii), the registered export enterprise shall not pay the taxes and duties waived on
402 such items: Provided, further, that if the registered enterprise sells, transfer or
403 disposes the aforementioned imported items without prior approval within five (5)
404 years from the date of importation, the registered enterprise and the vendee,
405 transferee, or assignee shall be solidarily liable to pay twice the amount of the tax
406 and duty exemption given it: Provided, finally, that even if the sale, transfer or
407 disposition of the capital equipment is approved after five (5) years from the date of
408 importation, the registered enterprise is still liable to pay the taxes and duties based
409 on the net book value of the capital equipment if it has violated any of its registration
410 terms and conditions. Otherwise, it shall no longer be subject to the payment of the
411 taxes and duties waived thereon.
412

413 Section 16. *VAT Refund Mechanism on Importation of Capital Equipment and/or*
414 *Raw Materials.* – The VAT paid on imported capital equipment and/or raw materials
415 may be refunded provided that the imported items are used exclusively by the
416 registered enterprise pursuant to its registered activity.
417

418 In order to facilitate the immediate processing, clearance and release of VAT
419 refund as provided in this Act, a Trust Liability Account (TLA) is hereby authorized
420 to be established in the Bureau of Treasury. All VAT payments pertaining to the
421 importation of registered enterprises of capital equipment or raw materials shall be
422 deposited in the TLA for the purpose of funding valid VAT refund claims. The
423 claims for VAT refund shall be made by the registered enterprise to the Department
424 of Finance – One Stop Shop Tax Credit and Duty Drawback Center which, in turn,
425 will process, approve and release the VAT refund.
426

427 A registered enterprise shall file a claim for VAT refund within one (1) year
428 from the date of actual exportation. All amounts paid but no longer allowed for
429 refund shall immediately accrue to the general fund of the National Government.
430

431 All applications for VAT refund shall be processed and acted upon within
432 thirty (30) days after submission of complete documents. The refund shall be in a
433 form of cash or managers/cashiers check payable to the registered export enterprise.
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435 In cases of dispute under the VAT refund mechanism provided in this section,
436 the pertinent provisions of the NIRC, and the Tariff and Customs Code of the
437 Philippines, as amended, shall apply.
438

Section 17. *JECA Fund.* - There is hereby created the JECA Fund, which shall be funded by Province of Iloilo and the covered municipalities. The Province of Iloilo and the covered municipalities shall allot a portion of revenue generated from registered enterprises; in the case of the municipalities, from revenue collected from registered enterprises in their jurisdiction, to contribute to the JECA Fund. The proportion of contribution, based on a percentage of revenue collected from registered enterprises by the respective local government units, shall be as determined by the JECA, and approved by the Sangguniang Panlalawigan of the Province.

The JECA Fund shall be for the operation of the JECA and the JECA Secretariat and for JEC investment promotion activities. The JECA shall formulate rules for the appropriation and disbursement of the JECA Fund.

Section 18. *Registration and Incentive Administration Procedure.* - The JECA, consistent with the Investment and Incentives Code, and other issuances of the Board of Investments, shall formulate rules to govern the registration of enterprises and the administration of incentives.

Section 19. *Initial Capitalization.* - At the initial stage of the JECA, and until such time that the JECA Fund is established, the National Government shall make an annual appropriation of three hundred thousand pesos, for the operating expenses of JECA.

Section 20. *Repealing Clause.* - All laws, executive orders or issuances, or any parts thereof which are inconsistent herewith are hereby repealed or amended accordingly.

Section 21. *Exclusivity Clause.* - The provisions of this Act only apply to the JEC and JECA, and are without prejudice to the Investment and Incentives Code, and other general investment laws.

Section 22. *Suppletory Clause.* - The provisions of the Investment and Incentives Code and other general investment laws apply to the JEC and JECA, in so far as they promote the objectives of this Act.

Section 23. *Separability Clause.* - The provisions of this Act are hereby declared separable, and in the event any provision is declared unconstitutional, the other provisions which are not affected, shall remain in force and effect.

Section 24. *Effectivity Clause.* - This Act shall take effect upon its publication in at least one (1) newspaper of general circulation.

Approved.