

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

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3842



Introduced by **HON. RENE L. RELAMPAGOS**
First District, Bohol

EXPLANATORY NOTE

This bill seeks to create a special economic-development zone in the Municipalities of Loon, Calape and Tubigon (LCT), all situated in the northwestern part of the First District of the Province of Bohol. This bill is in line with the administration's program to generate employment opportunities and reduce, minimize, if not to totally eradicate, poverty especially those living in the rural areas or countryside.

This part of the first district of Bohol forms part of the larger area of Cebu-Bohol Economic Basin, the emerging center of industrial, commercial and tourism activities in Central Visayas. Further, the Catagbacan Port, located at the Municipality of Loon, has been identified by the Philippine Ports Authority for conversion as an International Cruise Port in view of the port's strategic location in relation to the ports in nearby island provinces and the Chocolate Hills of Bohol.

With the increase in the manufacturing industry and trade activities in Central Visayas in general and in the Cebu-Bohol Economic Basin in particular, the Loon, Calape and Tubigon areas which are in the northwestern part of Bohol facing Cebu, and the nearest to Cebu island via Argao have become potential areas for investments particularly in coast-oriented or port related industries.

Hence, under this bill, proposed in the Municipalities of Loon, Calape and Tubigon (LCT) is the development of LCT Special Economic Zone where its principal office covering 400 hectares will be located in Sandingan Island of the Municipality of Loon. Based on the strategic location and potential of these areas, the following activities are identified for possible development within the proposed LCT Special Economic Zone: refueling, restocking, and rewatering of vessels; transshipment port for bulk and containerized cargoes; ship repair and refurbishing station; power generation station and other industrial enterprises.

The creation of LCT ecozone will address the following economic purposes, among others:

1. The need for more space for the location of industrial activities to sustain the development of Central Visayas and in contribution to the national effort of achieving for the country the status of a newly industrialized country (NIC);

2. The need to disperse the development in Metro Cebu to other parts of Central Visayas in order to promote equity and balance in the development of the region;
3. The need to provide jobs, increase productivity and improve the level and quality of living conditions of the people in the said municipalities; and
4. The need to stimulate the repatriation of Filipino capital by providing attractive climate and incentives for business activity.

Further, near the LCT Special Economic Zone are found many potential areas for tourism development. The stretches of white sand beach and nearby deep sea areas which are reputed for their exotic marine life are just waiting development and can complement the activities which are proposed in the LCT Special Economic Zone.

In view of these accruing economic benefits of the establishment of an economic zone in the said municipalities of Bohol and the significant contribution it will give to the entire country's development and objective of inclusive growth, the urgent consideration and approval of this measure is highly recommended.


RENE LOPEZ RELAMPAGOS

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**“AN ACT
ESTABLISHING A SPECIAL ECONOMIC ZONE IN THE
MUNICIPALITIES OF LOON, CALAPE AND TUBIGON, PROVINCE OF
BOHOL, CREATING FOR THE PURPOSE THE LOON, CALAPE AND
TUBIGON 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:

SECTION 1. Title. – This Act shall be known as the “Loon, Calape and Tubigon (LCT) Special Economic Zone Act of 2011.”

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

SEC. 3. Creation of Special Economic Zone in the Municipalities of Loon, Calape and Tubigon, Province of Bohol. – In pursuit of the above declared state policy and subject to the concurrence of the concerned local government units (LGUs) of the said municipalities and the Province of Bohol affected by the zone, there is established a special economic zone, referred hereinafter as the Loon, Calape and Tubigon Ecozone or LCT Ecozone. The LCT Ecozone shall cover all the barangays in the municipalities of Loon, Calape and Tubigon in the Province of Bohol. The specific metes and bounds of the LCT Ecozone shall be more particularly defined in a presidential proclamation that shall be issued for this purpose.

SEC. 4. Governing Principles. - The LCT Special Economic Zone shall be managed and operated by the LCT Special Economic Zone Authority or LCTSEZA as created under Section 10 of this Act, under the following principles:

- A. Within the framework and limitations of the 1987 Philippine Constitution and applicable provisions of the Local Government Code, the LCT Ecozone

shall be developed into and operated as a decentralized, self-restraint and self-sustaining industrial, commercial and/or trading, agro-industrial, tourist, banking, financial and investment center with suitable residential areas.

- B. The LCT Ecozone 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 in the municipalities of Loon, Calape and Tubigon as well as the people of the Province of Bohol and its neighboring provinces, towns and cities.
- C. The LCT Ecozone may establish mutually beneficial economic relations with other entities or enterprises within the country or, 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 LCT Ecozone, either by themselves or in joint venture or partnership with Filipinos in any sector of industry, international trade and commerce within the LCT Ecozone.
- E. The areas comprising the LCT Ecozone may be expanded or reduced when necessary. For this purpose, the LTCSEZA, in consultation with the LGUs, shall have the power to acquire either by purchase, negotiation or condemnation proceedings, any private land within or adjacent to the LCT Ecozone for the following purposes: (1) consolidation of lands for LCT Ecozone development; (2) acquisition of right of way to the LCT Ecozone; and (3) the protection of watershed areas and natural assets valuable to the prosperity of the LCT Ecozone.
- F. Goods manufactured by an LCT Ecozone enterprise shall be made available for immediate retail sale in the domestic market, subject to the payment of corresponding taxes on materials and other regulations that may be formulated by the LTCSEZA, together with the PEZA, the Bureau of Customs and the DTI, in accordance with the National Internal Revenue Code (NIRC) 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 the PEZA. Enterprises engaged in industries included in such negative list shall not be allowed to sell their products locally.
- G. The national government shall maintain its ability to coordinate with the LCT Ecozone and the local government units concerned.

SEC. 5. Incentives to Registered Enterprises. – The LTCSEZA may administer the following incentives to the registered enterprises located within the LCT Ecozone to the extent of the activity and/or 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:

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 income tax holiday.

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

1. Located in less developed areas as defined by the BOI; or
2. Producing, rendering new products and/or services or having strong backward or forward linkages.

Category C – Registered export enterprise shall be entitled to a six-year income tax holiday: *Provided, however,* That if the export enterprise complies with the following: (1) large capital investments or sizeable employment generation; (2) use high level of technology; or (3) located outside Metro Manila, it shall be entitled to an eight-year income tax holiday.

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.

For this purpose, a registered enterprise shall be defined as any person, natural or juridical, licensed to do business in the Philippines and registered with the LCTSEZA to transact business within the LCT Special Economic Zone. A registered export enterprise shall be defined as any registered enterprise engaged directly or indirectly in the production, manufacture or trade of products or services which earns at least seventy percent (70%) of its normal operating revenues from the sale of its products or services abroad for foreign currency. A registered domestic enterprise, meanwhile, shall be defined as any registered enterprise not falling under the definition of a registered export enterprise.

Additional investments in the project shall be entitled to the income tax holidays corresponding to such investments as may be determined by the BOI. Additional income tax holiday may be granted for as long as the investment is made on the same project: *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 the LCTSEZA are required to share in the development fund of the BOI for investment promotion projects of the government equivalent to one percent (1%) of the ITH granted to every application.

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

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

- B. Net Operating Loss Carryover (NOLCO). – Net operating loss of the business or enterprise during the first three (3) years from the start of commercial operations which have not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next five (5) consecutive years immediately following the year of such loss: *Provided, however,* That operating loss resulting from availment of incentives provided in this Act shall not be entitled to NOLCO.

Registered enterprises availing of the ITH as provided here shall not be entitled to avail of the NOLCO.

- C. Imposition of a tax rate of five percent (5%) on Gross Income Earned (GIE). – Except for real property tax on land, no local and national taxes as prescribed under Republic Act No. 8424 or the NIRC of 1997, as amended such as income tax, excise tax and franchise taxes, shall be imposed on registered enterprises operating within the LCT Ecozone. In lieu thereof, five percent (5%) of the gross income earned shall be paid as follows:

1. Three percent (3%) to the national government; and
2. Two percent (2%) shall be remitted by the business establishments to the treasurer's office of the municipality or city where the enterprise is located.

All persons and service establishments in the LCT Ecozone shall be subject to national and local taxes under the NIRC of 1997, as amended and the Local Government Code.

- D. Accelerated Depreciation. – Accelerated depreciation of plant, machinery and equipment that are reasonably needed and actually used for the production and transport of goods and services may be allowed 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 of 1997, as amended.
- E. Capital Equipment Incentives. – (1) Importations of capital equipment, spare parts, tools and dye, or those required for pollution abatement and control, cleaner production and waste reduction including consignment thereof by registered enterprises upon the effectivity of this law, shall be exempted to the extent of one hundred percent (100%) of the taxes and customs duties: *Provided,* That imported items thereof shall be used exclusively by the registered enterprise in its registered activity: *Provided, further,* That the importation of machinery and equipment and accompanying parts shall comply with the following conditions:

1. They are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices;
2. They are reasonably needed and will be used exclusively by the registered enterprise in the manufacture of its products, unless prior approval of the LCTSEZA is secured for the part-time utilization of said equipment in a nonregistered activity to maximize usage thereof or the proportionate taxes and duties are paid on a specific equipment and machinery being permanently used for nonregistered activities; and
3. Approval of the LCTSEZA must be secured by any sale, transfer or disposition of the imported capital equipment, machinery or spare parts is made: *Provided*, That if such sale or transfer or disposition is made within the first five (5) years from date of importation, any of the following conditions must be present:
 - i. the same is made to another enterprise enjoying tax and duty exemption on imported capital equipment;
 - ii. the same is made to another enterprise, upon the payment of any taxes and duties on the net book value of the capital equipment to be sold;
 - iii. the exportation of the capital equipment, machinery, spare parts or source documents or those required for pollution abatement and control; or
 - iv. proven technical obsolescence of the said equipment, machinery or spare parts.

When this sale, transfer or disposition is made under any of the conditions provided for in the previous paragraphs other than in paragraph (2) herein, the registered firm shall not pay the taxes and duties waived on such items: *Provided, further*, That if the registered enterprises sell, transfer or dispose the said imported items without prior approval within five (5) years from the date of the 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 it: *Provided, finally*, That even if the sale, transfer or disposition of the capital equipment, machinery or spare parts is approved after five (5) years from the date of importation, the registered enterprises are still liable to pay the taxes and duties based on the net book value of the capital equipment, machinery or spare parts if any of the registration terms and conditions has been violated. 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, raw materials, supplies, parts and semi-finished products used in the fabrication of machinery and capital equipment, had these items 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 by a registered export-oriented enterprise of the incentive stated under the immediately preceding two (2) paragraphs shall be subject to the following conditions: (a) that 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 LCTSEZA 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 (1) year from the 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 in the Philippines and 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 and/or semi-manufactured products by the registered enterprise.
- H. Incentives on Breeding Stocks and Genetic Materials. – Importation of breeding stocks and genetic materials within 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 LCTSEZA.

The availment of the incentives by the 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 approval of the LCTSEZA 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 (1) year from the delivery date.

- I. Exemption from Wharfage and Port Dues. – The provisions of law to the contrary notwithstanding, exports by a registered enterprise shall be exempted from wharfage and port dues.
- J. Deferred Imposition of the 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's entitlement period to the income tax-based incentives has expired.
- K. Tax Treatment of Merchandise in LCT Ecozone. –
 - 1. Domestic merchandise sent from the LCT Ecozone to areas outside the said ecozone shall, whether or not combined with or made part of other articles also of local origin or manufactured in the Philippines while in the export processing zone, be subject to internal revenue laws of the Philippines as domestic goods sold, transferred or disposed of for local consumption.
 - 2. Merchandise sent from the LCT Ecozone to areas outside the said ecozone 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.
 - 3. Articles produced or manufactured in the LCT Ecozone 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.
 - 4. Unless the contrary is shown, merchandise taken out of the LCT Ecozone shall be considered for tax purposes to have been sent to customs territory.
- L. Tax Treatment of Raw Materials and Capital Equipment in the LCT Ecozone. – Importations of raw materials and capital equipment shall be treated as in the Omnibus Investments Code.
- M. Importations of raw materials and capital equipment shall be treated as in the Omnibus Investments Code. 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.
- N. 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 officer is the owner or a stockholder owning at least ten percent (10%) of the outstanding capital stock of the registered enterprise and he remains the owner or maintains his stockholdings therein.

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

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

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

- A. He/she is at least eighteen (18) years of age;
- B. He/she has not been convicted of a crime involving moral turpitude;
- C. He/she is not afflicted with any loathsome, dangerous or contagious disease; and
- D. He/she has not been institutionalized for any mental disorder or disability.

Provided, further, That in securing the investor's visa, the alien-applicant shall be entitled to the same privileges provided for under subsection (M), Section 5 hereof.

As a holder of investor's visa, an alien shall be entitled to reside in the Philippines while his or her investment subsists. For this purpose, he or she should submit an annual report, in the form duly prescribed for the purpose, to prove that he or she has maintained his or her investment in the country. Should said alien withdraw his or her investments from the Philippines, then the investor's visa issued to him or her shall automatically expire.

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

The following are the duties and responsibilities of the LCTSEZA in the administration of incentives:

- A. To adopt consistent procedures of administering incentives in accordance with the guidelines established by the BOI;
- B. To adopt and implement systems and procedures affecting trade and customs policies in accordance with the requirements established by the DOF and the BOI;
- C. To submit information on registered enterprises to the DOF and the BOI as required by any of these agencies to ascertain consistency of investment policies and incentives, including their implementation as provided for in paragraph (A), and to ensure proper implementation of systems and procedures affecting trade and customs policies as provided also in paragraph (B); and
- D. To perform all other duties and responsibilities as may be required by the President of the Philippines.

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

SEC. 8. Extension of Period of Availment. - The availment period of the incentives provided here may be extended by the LCTSEZA, in the event that the registered enterprise suffers operational *force majeure* or any event equivalent thereto, impairing its viability: *Provided*, That the availment period shall not exceed the duration of the said *force majeure* or equivalent event.

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

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

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

SEC. 10. Creation of the LCT Special Economic Zone Authority. - There is created a body corporate to be known as the LCT Special Economic Zone

Authority or LCTSEZA, which shall manage and operate, in accordance with the provisions of this Act, the LCT Special Economic Zone. This corporate franchise shall expire in fifty (50) years counted from the first day of the fifth (5th) calendar year after the effectivity of this Act, unless extended by Congress of the Philippines. It shall be organized within one hundred eighty (180) days after the effectivity of this Act.

SEC. 11. Principal Office of the LCTSEZA. – The LCT Special Economic Zone Authority shall maintain its principal office in the Municipality of Loon, Province of Bohol but it may establish branches within the Philippines as may be necessary for the proper conduct of its business.

SEC. 12. Powers and Functions of the LCTSEZA. – The LCT Special Economic Zone Authority shall have the following powers and functions:

- A. To operate, administer, manage and develop the LCT Ecozone according to the principles and provisions set forth in this Act;
- B. To register, regulate and supervise the enterprises in the LCT Ecozone in an efficient and decentralized manner, subject to existing laws;
- C. To coordinate with local government units and exercise general supervision over the development plans, activities and operations of the LCT Ecozone;
- D. To regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in the LCT Ecozone such as but not limited to heat, light and power, water supply, telecommunications, transport, toll roads and bridges, port services and the like, 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 or the Build-Operate-Transfer Law, as amended by R.A. No. 7718, or enter into joint venture on adequate facilities and infrastructures required or needed for the operation and development of the LCT Ecozone, in coordination with the 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 of the Philippines and the Monetary Board of the Bangko Sentral ng Pilipinas and 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 on all or part of its property or assets;

- H. To protect, preserve, maintain and develop the forests, beaches, coral and coral reefs and maintain ecological balance within the LCT Ecozone;
- I. To create, operate and/or contract to operate such functional units of offices of the LCTSEZA 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 LCT Ecozone in accordance with prevailing rules of origin, and the pertinent regulations of the PEZA, the DTI and/or the Department of Finance (DOF);
- L. To issue working visas renewable every two (2) years to foreign executives and foreign technicians with highly specialized skills which no Filipino possesses, as certified by the Department of Labor and Employment (DOLE);
- M. To report to the Bureau of Immigration (BI) the names of the foreigners who have been granted permanent resident status and working visas within thirty (30) days after issuance of such grant;
- N. To exercise such powers as may be essential, necessary or incidental to the powers granted to it hereunder as well as those that shall enable it to carry out, implement and accomplish the purposes, objectives and policies of this Act; and
- O. To issue or amend rules, regulations, procedures and practice as may be required and consistent with the provisions of this Act and as may be necessary to accomplish and implement the purposes, objectives and policies provided herein.

SEC. 13. Board of Directors of the LCT Special Economic Zone Authority. – The powers of the LCT Special Economic Zone Authority shall be vested in and exercised by a Board of Directors, referred to herein as the Board, which shall be composed of the following:

- A. The Chairman who shall, at the same time be the administrator of the LCTSEZA;
- B. A Vice Chairman who shall come from among the members of the Board;
- C. Nine (9) Members consisting of:
 - 1. The Governor of the Province of Bohol;
 - 2. The Congressional Representative of the district covering the site of the LCT Ecozone;
 - 3. One (1) representative from the domestic investors;

4. One (1) representative from the foreign investors;
5. Three (3) representatives or one (1) private resident and taxpayer from each of the municipalities of Loon, Calape and Tubigon; and
6. Two (2) representatives from the workers in the LCT Ecozone.

The Governor and the Congressional Representative shall serve as ex-officio members of the Board, whose term in the Board corresponds to their terms as elected officials.

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

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

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

SEC. 14. Appellate Powers of the Board. – The Board, on an appeal properly taken by an interested party from a decision, judgment or order of the Chairman-Administrator, shall have the power to:

- A. Review, confirm, modify, revise, amend or reverse, as the case may be, decisions, judgments and/or orders of the Chairman-Administrator;
- B. Confirm, remit, mitigate, increase or compromise, as the case may be, fines imposed by the Chairman-Administrator pursuant to the provisions of this Act; and
- C. Review, confirm, modify, revise, amend or reverse, as the case may be, impositions by the Chairman-Administrator of liens on personal and real property of entities or enterprises registered with the LCT Ecozone in default, or those who have failed to perform their obligations pursuant to the rules and regulations promulgated under this Act, or those who shall have failed to pay the fines or other pecuniary penalties for violation thereof.

In no case shall the Chairman-Administrator participate in the hearing and adjudication of an appealed case before the Board where the subject of appeal is a judgment or decision rendered by his office. In such case, it requires five (5) concurring votes of the members of the Board who actively participated in the deliberation of the appealed case before the judgment or decision of the Chairman-Administrator can be modified or reverse.

SEC. 15. Orders. –

- A. Effectiveness of Orders. – Except in emergency situations, all order, rules and regulations of the Chairman-Administrator and LCTSEZA shall take effect within such reasonable time as the LCTSEZA may prescribe, and shall continue in force and effect until a further order, rule or regulation, or for a specified period of time as shall be prescribed in the order, rule or regulation.
- B. Emergencies. – Whenever the Chairman-Administrator is of the opinion that an emergency requiring immediate action exists with respect to safety and security within the LCT Ecozone, the Chairman-Administrator shall have the power, either upon his initiative without complaint, at once, if the Chairman-Administrator so orders, without answer or other form of pleading by the interested person or persons, and with or without notice, hearing or the making or filing of a report, to make such just and reasonable orders, rules and regulations as may be essential in the interest of safety and security within the LCT Ecozone to meet such emergency: *Provided*, That the Chairman-Administrator immediately thereafter must initiate proceedings to the matter giving rise to any such order, rule or regulation.
- C. Suspension and Modification of Orders. – The Chairman-Administrator shall have the power to suspend or modify orders upon such notice and in such manner as the Chairman-Administrator shall find proper.

SEC. 16. Power to Administer Oaths. – The members of the Board, the Chairman-Administrator and such other duly designated officers of the LCTSEZA shall have the authority to administer oaths in the transaction and performance of their official duties.

SEC. 17. Quorum. – The presence of at least five (5) members of the Board shall constitute a quorum and the majority vote of three (3) members in a meeting where a quorum is present shall be necessary for the adoption of any rule, ruling, order, resolution, decision or other act of the Board in the exercise of its functions.

SEC. 18. Board Meetings. – The Board shall meet regularly once a month and may hold special meetings which shall not be more than once a month to consider urgent matters upon call of the Chairman or upon the initiative of at least five (5) members. Internal rules of procedure in the conduct of Board meetings shall be as prescribed by the Board.

SEC. 19. Organization and Personnel. – The Board of Directors of the LCTSEZA shall provide for an organization and staff of its officers and employees. Upon recommendation of the Chairman-Administrator, the Board shall appoint and fix the remuneration, allowances and other emoluments of its officers and employees

in accordance with existing laws on compensation and position classification: *Provided*, That the Board shall have exclusive and final authority to promote, transfer, assign or reassign officers of the LCTSEZA, any provision of existing law 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 LCTSEZA, including all members of the Board, shall not engage directly or indirectly in partisan activities nor take part in any election, except to vote.

No officer or employee of the LCTSEZA, subject to civil service and Ombudsman laws and regulations, shall be removed or suspended except for cause, as provided by law.

SEC. 20. Powers and Duties of the Chairman-Administrator. – The Chairman-Administrator shall have the following powers and duties:

- A. To direct and manage the affairs of the LCTSEZA in accordance with the policies of the Board;
- B. To establish the internal organization of the LCTSEZA under such conditions that the Board may prescribe;
- C. To submit an annual budget and necessary supplemental budget to the Board for its approval;
- D. To submit within thirty (30) days after the close of each calendar and/or fiscal year an annual report to the Board and such other reports as may be required;
- E. To submit to the Board for its approval policies, systems, procedures, rules and regulations that are essential to the operation of the LCT Ecozone;
- F. To create a mechanism in coordination with relevant agencies for the promotion of industrial peace, the protection of the environment and the advancement of the quality of life in the LCT Ecozone; and
- G. To perform such other duties as may be assigned to him by the Board or which are necessary or incidental to his office.

SEC. 21. The Office of Enforcement and Legal Service. - To effectively implement the provisions of this Act and the mandates of the Chairman-Administrator and LCTSEZA, a permanent office within the LCTSEZA which shall be composed of an in-house counsel of the latter and its necessary support staff, shall be established by the Board.

This office shall provide adequate legal assistance to the Chairman-Administrator and to the LCTSEZA as a whole in their exercise of their powers as provided for under this Act. This office shall be under the supervision of the Office of the Government Corporate Counsel.

The exercise of the function by the Chairman-Administrator to issue subpoena ad testificandum, subpoena duces tecum and the imposition of any administrative

sanction shall be within the exclusive determination and recommendation of the Office of Enforcement and Legal Service.

SEC. 22. Banking Rules or Regulations. – Existing laws, rules and regulations of the Bangko Sentral ng Pilipinas shall apply to banks and financial institutions to be established in the LCT Ecozone, such as those governing foreign exchange and other concurrent account transactions or trade and non-trade, local and foreign borrowings, foreign investments, establishment and operation of local and foreign banks, foreign currency deposit units, offshore banking units and other financial institutions under the supervision of the BSP.

SEC. 23. Remittance of Earnings. – In the case of foreign investments, a registered enterprise in the LCTSEZA shall have the right to remit earnings from the investment in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance, subject to the provisions of Section 74 of Republic Act No. 265, as amended.

SEC. 24. Prohibited Interests. – All members of the Board or any of their relatives within the fourth (4th) civil degree of consanguinity or affinity, legitimate or common law, shall be prohibited from holding any interest whatsoever, either as investor, stockholder, officer or director, in any company or entity engaged in the business, operations and transactions of the enterprise, company or entity registered in the LCT Ecozone and must therefore divest, through sale or legal disposition, of any and all interests in such undertakings upon the members' assumption of office. Any violation of this section shall subject the member concerned to removal from the LCTSEZA for cause as well as administrative, civil or criminal prosecution under applicable laws.

SEC. 25. Limitation of Subsequent Employment. – No member of the Board or any employee of the LCTSEZA shall accept employment or enter into a contract of service with an entity regulated by the LCTSEZA until the expiry of one (1) year from the termination of the appointment, whether by resignation or revocation or otherwise.

SEC. 26. Ipso Facto Clause. – Sections 30-41 of Republic Act No. 7916, shall *ipso facto* apply to the LCT Special Economic Zone.

SEC. 27. Capitalization. – The LCT Special Economic Zone Authority shall have an authorized capital stock of one (1) billion (1,000,000,000) no par shares with a minimum issue of Ten pesos (P10.00) each, the majority shares of which shall be subscribed and paid for by the national government and the local government units (LGUs) embracing the LCT Special Economic Zone. The Board of Directors of the LCTSEZA may, with the written concurrence of the Secretary of Finance, sell shares representing not more than forty percent (40%) of the capital stock of the LCTSEZA 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 less than sixty percent (60%) of the total issued and outstanding capital of the LCT Special Economic Zone Authority.

The amount necessary to subscribe and pay for the shares of the national government to the capital stock of the LCTSEZA 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. 28. Supervision. – The LCT Special Economic Zone shall be under the direct control and supervision of the Philippine Economic Zone Authority (PEZA) for purposes of policy direction and coordination.

SEC. 29. Relationship with the Regional Development Council. – The LCT Special Economic Zone Authority shall determine the development goals for the LCT Ecozone within the framework of national development plans, policies, and goals. The Administrator shall, upon approval by the Board, submit the LCT Ecozone plans, programs and projects to the Regional Development Council for inclusion and inputs to the overall regional development plan.

SEC. 30. Relationship with Local Government Units. – Except as provided herein, the local government units comprising the LCT Special Ecozone Zone shall retain their basic autonomy and identity. The barangays in all the Municipalities of Loon, Calape and Tubigon shall operate and function in accordance with the Local Government Code of 1991. In case of any conflict between the LCTSEZA and the Province of Bohol on matters affecting the LCT Ecozone other than defense and security matters, the decision of the LCTSEZA shall prevail.

SEC. 31. Interpretation and Construction. – The powers, authorities and functions that are vested in the LCTSEZA are intended to decentralize governmental functions and authority and to promote an efficient and effective working relationship between the LCT Ecozone, the national government and the local government units.

SEC. 32. Auditing. – The Commission on Audit shall appoint a representative who shall be a full time auditor of the LCTSEZA and assign such number of personnel as may be necessary to assist said representative in the performance of his and/or her duties. The salaries and emoluments of the assigned auditor and personnel shall be in accordance with pertinent laws, rules and regulations.

SEC. 33. Repealing Clause. – All laws, decrees, executive orders, presidential decrees, rules and regulations or any part thereof contrary to or inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 34. Separability Clause. – If for any reason, any part or provision of this Act is declared invalid or unconstitutional, the remaining parts or provisions not affected thereby shall remain in full force and effect.

SEC. 35. Effectivity Clause. – This Act shall take effect after fifteen (15) days from its publication in the Official Gazette or in a national newspaper of general circulation.

Approved,