



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

SIXTEENTH (16th) CONGRESS
Second Regular Session

HOUSE BILL NO. 4881

Introduced by REP. JOSE CHRISTOPHER Y. BELMONTE

EXPLANATORY NOTE

Republic Act No. 7227, or the Bases Conversion and Development Act 1992, was enacted to accelerate the sound and balanced conversion into alternative productive uses of the Clark and Subic military reservations and their extensions, to raise funds by the sale of portions of Metro Manila military camps, and to apply said funds for the development and conversion to productive civilian use of the lands covered under the 1947 Military Bases Agreement between the Philippines and the United States of America.

In 1994, then President Fidel V. Ramos issued four proclamations creating Economic and Freeport Zones, namely:

- (1) Clark Freeport Zone (CFZ) under Proclamation No. 1035 - creating and designating certain parcels of land of the public domain situated at Angeles City, Municipalities of Mabalacat and Porac, Pampanga and Municipalities of Capas and Bamban, Tarlac as Special Economic Zone;
- (2) Poro Point Special Economic Zone (PPSEZ) and Poro Point Freeport Zone (PPFZ) under Proclamation No. 216 - creating and designating the area covered by the former Wallas Air Station and contiguous areas in Poro Point as Poro Point Special Economic and Freeport Zone and transferring lands to BCDA;
- (3) Bataan Technology Park Inc. (BTPI) under Proclamation No. 984 - creating and designating the municipality of Morong, Province of Bataan,

including the area of the Philippine Refugee Processing Center Complex as the Morong Special Economic Zone; and,

- (4) John Hay Special Economic Zone (JHSEZ) under Proclamation No. 420 - creating and designating a portion of the area covered by former Camp John Hay as the John Hay Special Economic Zone.

In 2007, Republic Act 9400 was enacted, amending RA 7227 Section 15 particularly on the incentive provisions, to cure the defect of the Presidential Proclamations creating different Economic and Freeport Zones, and granting of tax incentives. Unfortunately, under RA 9400, JHMC being the regulatory body inside the JHSEZ relinquished its authority and function to manage tax incentives to Philippine Economic Zone Authority (PEZA) for future locators that will operate within the JHSEZ. This has created confusion among investors intending to locate and operate inside the JHSEZ to be regulated by two investment promotion agencies (JHMC and PEZA) in one Economic Zone.

Since grant of tax incentives is under the powers of the legislative branch and not of the executive branch, this legislation aims to provide a uniform rate method of incentives among all subsidiaries of BCDA.

In view of the foregoing, the passage of this Bill is earnestly sought.





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AN ACT PROVIDING FOR A UNIFORM RATE AND METHOD OF INCENTIVES AMONG SUBSIDIARIES OF BASES CONVERSION AND DEVELOPMENT AUTHORITY, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7227, AS AMENDED, OTHERWISE KNOWN AS THE "BASES CONVERSION AND DEVELOPMENT ACT OF 1992," AND FOR OTHER PURPOSES

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

SECTION 1. Section 15-C of Republic Act No. 7227, as amended, otherwise known as the "Bases Conversion and Development Act of 1992," is hereby amended to read as follows:

"Sec. 15-C. John Hay Special Economic Zone (JHSEZ). - Registered business enterprises which will operate after the effectivity of this Act, within the JHSEZ created under Proclamation No. 420, series of 1994, shall be entitled to the same tax and duty incentives as provided for under Republic Act No. 7227, as amended. [Provided, That for the purpose of administering these incentives, the PEZA shall register, regulate, and supervise all registered enterprises within the JHSEZ: Provided, further, That the Conversion Authority and the John Hay Management Corporation (JHMC) shall only engage in acquiring, owning, holding, administering or leasing real properties, and in other activities incidental thereto.]" **"THE JHSEZ SHALL BE OPERATED**

AND MANAGED AS A SEPARATE CUSTOMS TERRITORY ENSURING FREE FLOW OR MOVEMENT OF GOODS AND CAPITAL EQUIPMENT WITHIN, INTO AND EXPORTED OUT OF THE JHSEZ, AS WELL AS PROVIDE INCENTIVES SUCH AS TAX AND DUTY-FREE IMPORTATION OF RAW MATERIALS AND CAPITAL EQUIPMENT. HOWEVER, EXPORTATION OR REMOVAL OF GOODS FROM THE TERRITORY OF THE JHSEZ TO THE OTHER PARTS OF THE PHILIPPINE TERRITORY SHALL BE SUBJECT TO CUSTOMS DUTIES AND TAXES UNDER THE TARIFF AND CUSTOMS CODE OF THE PHILIPPINES, AS AMENDED, THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND OTHER RELEVANT TAX LAWS OF THE PHILIPPINES.

"THE PROVISIONS OF EXISTING LAWS, RULES AND REGULATIONS TO THE CONTRARY NOTWITHSTANDING, NO NATIONAL AND LOCAL TAXES SHALL BE IMPOSED ON REGISTERED BUSINESS ENTERPRISES WITHIN THE JHSEZ. IN LIEU OF SAID TAXES, A FIVE PERCENT (5%) TAX ON GROSS INCOME EARNED SHALL BE PAID BY ALL REGISTERED BUSINESS ENTERPRISES WITHIN THE JHSEZ AND SHALL BE DIRECTLY REMITTED AS FOLLOWS: THREE PERCENT (3%) TO THE NATIONAL GOVERNMENT, AND TWO PERCENT (2%) TO THE TREASURER'S OFFICE OF THE MUNICIPALITY OR CITY WHERE THEY ARE LOCATED."

SEC. 2. Section 6 of Republic Act No. 7227, as amended, otherwise known as the "Bases Conversion and Development Act of 1992," is hereby amended to read as follows:

"SEC. 6. In case of conflict between national and local laws with respect to the tax exemption privileges AND REGULATORY FUNCTIONS in the CFZ, PPFZ, JHSEZ and MSEZ, the same shall be resolved in favor of the aforementioned zones: Provided, That the JHSEZ, CFZ and PPFZ shall be subject to the provisions of paragraphs (d), (e), (f), (g), (h), and (i) of Section 12 of Republic Act No. 7227, as amended."

SEC. 3. *Implementing Rules and Regulations.* - The Department of Finance, in coordination with the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC), and in consultation with the BCDA, the JHMC, shall promulgate and publish the necessary rules and regulations for the effective implementation of this Act within two months from the date of effectivity of this Act.

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

Approved,