

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

Seventeenth Congress
First Regular Session

HOUSE BILL NO. 203

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

EXPLANATORY NOTE

This bill was filed in the Sixteenth Congress as House Bill No. 2688. It has been referred to the Committee on Economic Affairs and Committee on Appropriations. Moreover, it met approval on the committee level on February 4, 2015. Due to the economic sustainability that this legislative measure would bring as well as reduction of unemployment rate in Palawan and nearby provinces, the refiling of this bill in the Seventeenth Congress and its enactment into law should no longer be delayed.

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. Felicitio 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.

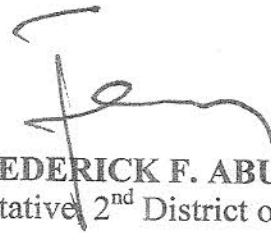
Further, Palawan is in a strategic position in the Southeast Asian region, being a choke point that sits astride a major sea trade route serving the region and linking it to major global economies. The Balabac Strait is 47 kilometers offshore where international ships pass, bringing oil and other important 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.

A handwritten signature in black ink, appearing to read 'F. Abueg', is written over the printed name.

FREDERICK F. ABUEG
Representative 2nd District of Palawan

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

Seventeenth Congress
First Regular Session

HOUSE BILL NO. 203

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

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
2 Special Economic Zone Act of 2016.”

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

11 **SEC. 3. *Creation of the Southern Palawan Special Economic Zone.*** - In
12 pursuit of the foregoing declared policy and subject to the concurrence of the
13 concerned local government units of Southern Palawan affected by the zone, there is
14 hereby established a Special Economic Zone, hereinafter referred to as the Southern
15 Palawan Ecozone. The Southern Palawan Ecozone shall cover the entire area

embraced by the Municipalities of Balabac, Brooke's Point and Bataraza in the Province of Palawan. The specific metes and bounds of the Southern Palawan Ecozone shall be more particularly defined in a proclamation to be issued by the President of the Philippines, upon the recommendation of the Philippine Economic Zone Authority (PEZA), provided that the lands embraced therein shall be public lands.

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

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

(b) The Southern Palawan 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 of the Province of Southern Palawan and its neighboring towns and cities.

(c) The Southern Palawan 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 Southern Palawan Ecozone, either by themselves or in joint venture with Filipinos in any sector of industry, international trade and commerce within the Southern Palawan Ecozone.

(e) The areas comprising the Southern Palawan Ecozone may be expanded or reduced when necessary. For this purpose, the SPEZA, in consultation with the local government units, shall have the power to acquire either by purchase, negotiation or

1 condemnation proceedings, any private land within or adjacent to the Southern
2 Palawan Ecozone for the following purposes: (1) consolidation of lands for Southern
3 Palawan Ecozone development; (2) acquisition of right of way to the Southern
4 Palawan Ecozone; and (3) the protection of watershed areas and natural assets
5 valuable to the prosperity of the Southern Palawan Ecozone.

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

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

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

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

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

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

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

27 (2) Producing/rendering new products/services or having strong backward
28 or forward linkages

29 Category C - Registered export enterprise shall be entitled to a six- year income
30 tax holiday: *Provided, however,* That if the export enterprise complies with the
31 following: (1) large capital investments or sizeable employment generation, or

1 (2) use high level of technology or (3) located outside Metro Manila, it shall be
2 entitled to an eight-year income tax holiday.

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

7 For this purpose, a registered enterprise shall be defined as any person, natural
8 or juridical, licensed to do business in the Philippines and registered with the Southern
9 Palawan Special Economic Zone Authority (SPEZA) to transact business within the
10 Southern Palawan Special Economic Zone. A registered export enterprise shall be
11 defined as any registered enterprise engaged directly or indirectly in the production,
12 manufacture or trade of products or services which earns at least seventy percent
13 (70%) of its normal operating revenues from the sale of its products or services abroad
14 for foreign currency. A registered domestic enterprise, meanwhile, shall be defined as
15 any registered enterprise not falling under the definition of a registered export
16 enterprise.

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

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

30 The Bureau of Internal Revenue (BIR) shall require a registered enterprise
31 availing of ITH or Net Operating Loss Carryover (NOLCO) to secure a certificate of

1 eligibility from the SPEZA before submitting its income tax return (ITR) with SPEZA
2 for validation.

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

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

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

16 (C) Imposition of a tax rate of five percent (5%) on Gross Income Earned (GIE)
17 - Except for real property tax on land, no local and national taxes as prescribed under
18 Republic Act No. 8424, also known as "rile National Internal Revenue Code of 1997,
19 as Amended" such as income tax, excise tax, and franchise taxes, shall be imposed on
20 registered enterprises operating within the Southern Palawan Ecozone. In lieu thereof,
21 five percent (5%) of the gross income earned shall be paid as follows:

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

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

25 All persons and service establishments in the Southern Palawan Ecozone shall
26 be subject to national and local taxes under the National Internal Revenue Code of
27 1997, as amended, and the Local Government Code.

28 (D) Accelerated Depreciation - Accelerated depreciation of plant, machinery
29 and equipment that are reasonably needed and actually used for the production and
30 transport of goods and services may be allowed using a rate not exceeding twice the
31 rate which would have been used had the annual allowance been computed in

1 accordance with the rules and regulations prescribed by the Secretary of Finance and
2 the provisions of the National Internal Revenue Code (NIRC) of 1997, as amended.

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

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

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

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

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

25 1) The same is made to another enterprise enjoying tax and duty exemption
26 on imported capital equipment;

27 2) The same is made to another enterprise, upon the payment of any taxes
28 and duties on the net book value of the capital equipment to be sold;

29 3) The exportation of the capital equipment, machinery, spare parts or
30 source documents or those required for pollution abatement and control;

31 or

1 4) Proven technical obsolescence of the said equipment, machinery or
2 spare parts.

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

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

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

26 The availment by a registered export enterprise of the incentive stated under the
27 immediately preceding two paragraphs shall be subject to the following conditions: (a)
28 That said capital equipment, machinery and spare parts will be used exclusively by the
29 registered enterprise in its registered activity; (b) That the capital equipment or
30 machinery where the raw materials, supplies, parts and semi-finished products were
31 used would have qualified for lax and duty-free importation; and (c) That the approval

1 of the SPEZA is obtained by the registered enterprise. If the registered enterprise sells,
2 transfers or disposes of these machineries, capital equipment and spare parts, the
3 provision in the preceding paragraphs for such disposition shall apply.

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

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

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

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

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

23 The availment of the incentives by the registered enterprise shall be subject to
24 the following: (a) that said breeding stocks and genetic materials would have been
25 qualified for tax and duty-free importation under the preceding paragraph; (b) that the
26 breeding stocks and genetic materials are reasonably needed in the registered activity;
27 (c) that approval of the SPEZA has been obtained by the registered enterprise; and (d)
28 that the purchase is made within ten (10) years from the date of registration of
29 commercial operation of the registered enterprise.

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

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

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

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

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

1 (L) Tax Treatment of Raw Materials and Capital Equipment in the Southern
2 Palawan Ecozone. - Importations of raw materials and capital equipment shall be
3 treated as in the Omnibus Investments Code. Registered export oriented enterprise
4 shall have access to the utilization of the bonded warehousing system in accordance
5 with the rules and regulations of the Bureau of Customs.

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

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

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

29 **SEC. 6. Incentive to Investors.** - Any foreign national covered under
30 Subsection (M) of Section 5 of this Act, who invests an amount of US \$ 150,000.00,

1 either in cash and/or equipment, in a registered enterprise shall be entitled to an
2 investor's visa: *Provided, That,*

3 (1) He is at least eighteen (18) years of age;

4 (2) He has not been convicted of a crime involving moral turpitude;

5 (3) He is not afflicted with any loathsome, dangerous or contagious disease;
6 and

7 (4) He has not been institutionalized for any mental disorder or disability.

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

15 **SEC. 7. Administration, Implementation and Monitoring of Incentives.**

16 - The SPEZA shall be responsible for the administration and implementation of the
17 incentives granted to its respective registered enterprises: *Provided, That* any
18 incentive administration policy adopted by the BOI for registered enterprises shall be
19 uniformly applied by SPEZA.

20 The following are the duties and responsibilities of the SPEZA in the
21 administration of incentives:

22 (A) To adopt consistent procedures of administering incentives in
23 accordance with the guidelines established by the BOI;

24 (B) To adopt and implement systems and procedures affecting trade and
25 customs policies in accordance with the requirements established by the
26 Department of Finance (DOF) and the BOI;

27 (C) To submit information on registered enterprises to the DOF and the BOI
28 as required by any of these agencies to ascertain consistency of
29 investment policies and incentives, including their implementation as
30 provided in paragraph (a) herein, and to ensure proper implementation

1 of systems and procedures affecting trade and customs policies as
2 provided in paragraph (b) herein; and

3 (D) To perform all other duties and responsibilities as may be required by
4 the President of the Philippines.

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

9 **SEC. 8. *Extension of Period of Availment.*** - The availment period of the
10 incentives provided herein may be extended by SPEZA, in the event that the
11 registered enterprise suffers operational force *majeure* or any event equivalent thereto,
12 impairing its viability, provided that the availment period shall not exceed the duration
13 of the said force *majeure* or equivalent event.

14 **SEC. 9. *Duration of Incentives.*** - Enterprises registered with SPEZA may
15 enjoy ITH or NOLCO granted by the latter prior to the availment of the five percent
16 (5%) GIE.

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

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

24 **SEC. 10. *Creation of the Southern Palawan Special Economic Zone***
25 ***Authority*** - There is hereby created a body corporate to be known as the Southern
26 Palawan Special Economic Zone Authority, hereinafter referred to as the SPEZA,
27 which shall manage and operate, in accordance with the provisions of this Act, the
28 Southern Palawan Special Economic Zone. This corporate franchise shall expire in
29 fifty (50) years counted from the first day of the fifth (5th) calendar year after the
30 effectivity of this Act, unless otherwise extended by Congress. It shall be organized
31 within one hundred eighty (180) days after the effectivity of this Act.

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

5 **SEC. 12. *Powers and Functions of the Southern Palawan Special Economic***
6 ***Zone Authority.*** - The Southern Palawan Special Economic Zone Authority shall have
7 the following powers and functions:

- 8 (a) To operate, administer, manage and develop the Southern Palawan
9 Ecozone according to the principles and provisions set forth in this Act;
- 10 (b) To register, regulate and supervise the enterprises in the Southern
11 Palawan Ecozone in an efficient and decentralized manner, subject to
12 existing laws;
- 13 (c) To coordinate with local government units and exercise general
14 supervision over the development plans, activities and operations of the
15 Southern Palawan Ecozone;
- 16 (d) To regulate and undertake the establishment, operation and maintenance
17 of utilities, other services and infrastructure in the Southern Palawan
18 Ecozone such as but not limited to heat, light and power, water supply,
19 telecommunications transport, toll roads and bridges, port services, etc.
20 and to fix just, reasonable and competitive rates, fares, charges and
21 prices thereof;
- 22 (e) To construct, acquire, own, lease, operate and maintain on its own or
23 through contracts, franchise, licenses, bulk purchase from the private
24 sector or permits under any of the schemes allowed in Republic Act No.
25 6957 (the Build-Operate-Transfer Law, as amended by RA 7718), or
26 joint venture, adequate facilities and infrastructure required or needed
27 for the operation and development of the Southern Palawan Ecozone, in
28 coordination with appropriate national and local government authorities
29 and in conformity with applicable laws thereon;

- 1 (f) To operate on its own, either directly or through a license to other
2 tourism-related activities, including games, amusements, recreational
3 and sports facilities;
- 4 (g) Subject to the approval of the President and the Monetary Board of the
5 Bangko Sentral ng Pilipinas upon the recommendation of the
6 Department of Finance, to raise or borrow adequate and necessary funds
7 from local or foreign sources to finance its projects and programs under
8 this Act, and for that purpose to issue bonds, promissory notes, and
9 other forms of securities, and to secure the same by a guarantee, pledge,
10 mortgage, deed of trust, or an assignment of all or part of its property or
11 assets;
- 12 (h) To protect, preserve, maintain and develop the virgin forests, beaches,
13 coral and coral reefs and maintain ecological balance within the
14 Southern Palawan Ecozone;
- 15 (i) To create, operate and or contract to operate such functional units of
16 offices of the SPEZA as it may deem necessary;
- 17 (j) To adopt, alter and use a corporate seal; make contracts, leases, own, or
18 otherwise dispose of personal or real property; sue and be sued; and
19 otherwise carry out its functions and duties as provided for in this Act;
- 20 (k) To issue certificates of origin for products manufactured or processed in
21 the Southern Palawan Ecozone in accordance with prevailing rules of
22 origin, and the pertinent regulations of the PEZA, DTI and/or the
23 Department of Finance (DOF);
- 24 (l) To issue working visas renewable every two (2) years to foreign
25 executives and foreign technicians with highly specialized skills which
26 no Filipinos possesses, as certified by the Department of Labor and
27 Employment;
- 28 (m) To report to the Bureau of Immigration the names of the foreigners who
29 have been granted permanent resident status and working visas within
30 thirty (30) days after issuance of such grant;

- 1 (n) To exercise such powers as maybe essential, necessary or incidental to
2 the powers granted to it hereunder as well as those that shall enable it to
3 carry out, implement and accomplish the purposes, objectives and
4 policies of this Act; and
- 5 (o) To issue rules and regulations consistent with the provisions of this Act
6 as maybe necessary to accomplish and implement the purposes,
7 objectives and policies provided herein.

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

15 **SEC. 14. *Remittance of Earnings.***- In the case of foreign investments, a
16 registered enterprise in the SPEZA shall have the right to remit earnings from the
17 investment in the currency in which the investment was originally made and at the
18 exchange rate prevailing at the time of remittance, subject to the provisions of Section
19 74 of Republic Act No. 265, as amended.

20 **SEC. 15. *Board of Directors of the Southern Palawan Special Economic***
21 ***Zone Authority*** - The powers of the Southern Palawan Special Economic Zone
22 Authority shall be vested in and exercised by a Board of Directors, hereinafter referred
23 to as the Board, which shall be composed of the following:

- 24 a) The Chairman who shall, at the same time be the administrator of the
25 SPEZA;
- 26 b) A Vice-Chairman who shall come from among the members of the
27 Board;
- 28 c) Members consisting of:
- 29 (1) The Governor of the Province of Southern Palawan;
- 30 (2) The Congressional Representative of the district covering the site
31 of the Southern Palawan Ecozone;

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

The Governor, the Congressional representative and the mayors of the Province of Southern Palawan shall serve as *ex-officio* members of the Board, whose term in the Board corresponds to their term 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 Filipino citizen, of good moral character, of proven probity and integrity, and a degree-holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least ten (10) years relevant working experience preferably in the field of management or public administration.

The Members of the Board shall each receive per diem at rate to be determined by the Department of Budget and Management 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. 16. 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 SPEZA in accordance with the policies of the Board;

- b) To establish the internal organization of the SPEZA 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 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 Southern Palawan Ecozone;
- f) To create a mechanism in coordination with relevant agencies for the promotion or industrial peace, the protection of the environment, and the advancement of the quality of life in the Southern Palawan 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. 17. *Organization and Personnel.* - The Board of Directors of the SPEZA 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 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 SPEZA, 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 SPEZA, 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 SPEZA, subject to Civil Service laws and regulations, shall be removed or suspended except for cause, as provided by law.

1 **SEC. 18. *Ipsa Facto Clause.*** - Sections 30-41 of Republic Act No. 7916 also
2 known as "The Special Economic Zone Act of 1995" shall *ipso facto* apply to the
3 Southern Palawan Special Economic Zone.

4 **SEC. 19. *Capitalization.*** - The Southern Palawan Special Economic Zone
5 Authority shall have an authorized capital stock of One Billion (1,000,000,000) no par
6 shares with a minimum issue of Ten Pesos (P10.00) each, the majority shares of which
7 shall be subscribed and paid for by the National Government and the Local
8 Government Units (LGUs) embracing the Southern Palawan Special Economic Zone.
9 The Board of Directors of the SPEZA may, with the written concurrence of the
10 Secretary of Finance, sell shares, representing not more than forty per centum (40%)
11 of the capital stock of the SPEZA to the general public under such policy as the Board
12 and the Secretary of Finance may determine. The National Government and the LGUs
13 shall in no case own less than sixty per centum (60%) of the total issued and
14 outstanding capital of the Southern Palawan Special Economic Zone and Authority.

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

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

22 **SEC. 21. *Relationship with the Regional Development Council.*** - The
23 Southern Palawan Special Economic Zone Authority shall determine the development
24 goals for the Southern Palawan Ecozone within the framework of national
25 development plans, policies and goals. The Administrator shall, upon approval by the
26 Board, submit the Southern Palawan Ecozone plans, programs and projects to the
27 Regional Development Council for inclusion and inputs to the overall regional
28 development plan.

29 **SEC. 22. *Relationship with Local Government Units.*** - Except as herein
30 provided, the local government units comprising the Southern Palawan Special
31 Economic Zone shall retain their basic autonomy and identity. The Municipalities of

1 Balabac, Brooke's Point and Bataraza shall operate and function in accordance with
2 the Local Government Code of 1991. In case of any conflict between the SPEZA and
3 the Province of Southern Palawan on matters affecting the Southern Palawan Ecozone
4 other than defense and security matters, the decision of the SPEZA shall prevail.

5 **SEC. 23. *Interpretation/Construction.*** -The powers, authorities and functions
6 that are vested in the SPEZA are intended to decentralize governmental functions and
7 authority and promote an efficient and effective working relationship between the
8 Southern Palawan Ecozone, the national government, and the local government units.

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

14 **SEC. 25. *Separability Clause.*** - If any provisions of this Act shall be held
15 unconstitutional or invalid, the other provisions not otherwise affected shall remain in
16 full force and effect.

17 **SEC. 26. *Repealing Clause.*** - All laws, executive orders and issuances, or any
18 parts thereof, which are inconsistent herewith are hereby repealed or amended
19 accordingly.

20 **SEC. 27. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days after
21 publication in the Official Gazette or in two (2) national newspapers of general
22 circulation.

Approved,