

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Seventeenth Congress
Second Regular Session

HOUSE BILL NO. **6037**



Introduced by
REPRESENTATIVE ALFREDO B. BENITEZ

EXPLANATORY NOTE

Mindanao, despite its rich environment and culture, lags behind Luzon and Visayas in terms of economic development. Mindanao's potential is blurred by its reputation as host to lawless elements who seeks and promote violence by terrorizing its law-abiding citizens. Said reputation, continuously haunts and prevents Mindanao from achieving its full potential for development as investors and businessmen grew hesitant, if not totally opposed to making sound and lasting investments in the Island.

Lest we forget, that Section 20, Article II of the 1987 Constitution provides that "the State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments."

This Bill seeks to encourage investors to look past beyond Mindanao's reputation by giving incentives through lowering the corporate income tax for corporations located in Mindanao which are engaged in agro-industrial, industrial, commercial, tourist, banking, investment, and financial enterprises.

Accordingly, it is imperative that this Congress, in the exercise of its mandate and in the performance of its duty to affect inclusive and sustainable growth in the entire Philippine archipelago, to take all necessary actions to make sure that growth includes all, affects all, and reaches all. No one gets left behind.


ALFREDO B. BENITEZ
3rd District, Negros Occidental

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**AN ACT PROVIDING FOR FISCAL INCENTIVES FOR CORPORATIONS WITH
BUSINESS ENTERPRISES DULY ESTABLISHED AND LOCATED IN THE
ISLAND OF MINDANAO**

Section 1. *Title.* – This Act shall be known as the “Mindanao Economic Zone Act.”

Section 2. *Declaration of Policy.* – It is the declared policy of the government to translate into practical realities the following policies and mandates in the 1987 Constitution, namely:

- a. “The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.” (Section 20, Article II)
- b. “The State shall promote the preferential use of Filipino labor, domestic materials and locally produced goods and adopt measures that help make them competitive.” (Section 12 Article XII)

In pursuance of these policies, the government shall actively encourage, promote, induce and accelerate a sound and balanced industrial, economic and social development of the country in order to provide jobs to the people especially those in the rural areas, increase their productivity and their individual and family income, and thereby improve the level and quality of their living condition through the establishment of strategic measures that shall effectively attract legitimate and productive local and foreign investments.

Section 3. *Purposes, Intent and Objectives.* – It is the purpose, intent and objective of this Act:

- a. To transform the entire Island of Mindanao into highly developed agro-industrial, industrial, commercial, tourist, banking, investment, and financial centers;
- b. To promote the flow of investors, both foreign and local, into Mindanao which would generate employment opportunities; and
- c. To create a climate conducive to creating business in Mindanao by providing incentives for business activity in the said Island.

Section 4. *Fiscal Incentives.* Corporations located in Mindanao duly qualified under this Act as may be determined by the Mindanao Development Authority (MinDA) shall be entitled to the following fiscal incentives:

- a. The income tax rate of thirty percent (30%) imposed on Domestic Corporations under Section 27 (A), Chapter IV of the National Internal Revenue Code is reduced to ten percent (10%) upon the taxable income derived during each taxable year from all sources within and without the Philippines by every corporation, as defined in Section 22 (B) of the of the National Internal Revenue Code, organized in, or existing under the laws of the Philippines.

Said fiscal incentive shall apply for a period of five (5) years upon approval of the MinDA.

- b. Corporation and business establishments which met the qualifications shall be entitled to the fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority, or those provided under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987.

Section 5. *Exemption from National and Local Taxes.* – Except for real property taxes on land owned by developers, no taxes, local and national, shall be imposed on corporations and business establishments which qualified under this Act. In lieu thereof, five percent (5%) of the gross income earned by all business enterprises qualified under this Act shall be paid and remitted as follows:

- a. Three percent (3%) to the National Government; and
- b. Two percent (2%) which shall be directly remitted by the business establishment to the Treasurer's office of the municipality or city where the enterprise is located.

Section 6. Duties of the Mindanao Development Authority. The MinDA shall be responsible for the exercise of the following powers and duties:

- a. Prepare a list containing specific activities of industries that can qualify for the above-mentioned incentives duly supported by the studies and existing and prospective demands for such products and services.
- b. Promulgate rules and regulations as may be necessary to determine the qualified corporations and business establishments on the incentives provided under this Act.
- c. Process and approve applications for qualification under this Act, imposing such terms and conditions as it may deem necessary to promote the objectives of the same.

Section 7. Separability Clause. – If any provision of this act or the application of the same is declared invalid, the remainder of this Act or the application of any other provision shall not be affected by such declaration.

Section 8. Repealing Clause. – All laws, decrees, ordinances, rules and regulations, executive or administrative orders and other presidential issuances inconsistent with this Act, are hereby repealed, amended or modified accordingly.

Section 9. Effectivity. – This Act shall take effect after fifteen (15) days from publication in two (2) national papers of general circulation.