

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



SEVENTEENTH CONGRESS

Third Regular Session

House Bill No. **8669**

INTRODUCED BY REPRESENTATIVE BAI SANDRA SINSUAT A. SEMA

EXPLANATORY NOTE

In Arabic, *Halal* means lawful, legitimate, wholesome, approved or legal. It also means holy, sacred, pure. In Islamic terminology, those things are Halal in the *Shari'ah* which are distinctly proved by Al-Qur'an and Hadith as lawful. Allah, the Most High, is the creator of all things. It is He who knows the best, what is beneficial, and what is baneful. The Almighty says, "*O holy prophet! You eat from pure things and perform good deeds, I am well aware of what you do.*" (Sura Muminun: Ayat 51). Allah has employed all the things of the world for the welfare of human beings. "*He has created everything of this world for your service*" (Sura Baquara: Ayat: 29).

Muslim consumers of Halal products are spread worldwide in over 100 countries; the strongest overseas markets are in Southeast Asia and the Middle East including India and China. The markets available for Halal products are not only Muslim countries but also non-Muslim markets like European countries and the USA. Halal products can become universal products and cross-over market. Given this huge existing market, the potential of a global halal trade is growing.

This proposed measure aims to create a Halal Economic Zone and Free Port in Cotabato City creating for this purpose the Halal Economic Zone Authority. It also aims to promote and develop the Philippine halal industry in partnership or

cooperation with appropriate agencies, individuals and institutions here and abroad. It is also intended to promote domestic trade preference for halal goods produced and materials sourced from within the Bangsamoro Autonomous Region and adopt measures to increase their competitiveness. It will help ensure that Bangsamoro products and services gain considerable access to the markets of its trading partners, especially those which have historic and cultural ties to the Bangsamoro people. It will also assist manufacturers in the promotion and distribution of halal certified products and services more widely available especially in densely populated Muslim areas in the Philippines and in other countries.

Early approval of this Bill is earnestly sought.



HON. BAI SANDRA SINSUAT A. SEMA, MNSA
Representative

First District of Maguindanao and Cotabato City

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**AN ACT CREATING A HALAL ECONOMIC ZONE AND FREE PORT IN
COTABATO CITY CREATING FOR THIS PURPOSE THE HALAL
ECONOMIC ZONE AUTHORITY, APPROPRIATING FUNDS
THEREFOR, AND FOR OTHER PURPOSES**

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

Section 1. Short Title. — This Act shall be known as the "Halal
Economic Zone Act of 2018."

Section 2. Declaration of Policy. — It is hereby declared the policy
of the State to promote and develop the Philippine halal industry in
partnership or cooperation with appropriate agencies, individuals and
institutions here and abroad. The State shall also promote domestic trade
preference for halal goods produced and materials sourced from within the
Bangsamoro Autonomous Region and adopt measures to increase their

competitiveness. The State shall also ensure that Bangsamoro products and services gain considerable access to the markets of its trading partners, especially those which have historic and cultural ties to the Bangsamoro people. For this purpose the Halal Economic Zone and Freeport is hereby established and the Halal Economic Zone Authority is hereby created.

Section 3. Creation of the Halal Economic Zone. — In accordance with the foregoing policy, there is hereby established a halal economic zone in Barangay Kalanganan 2, Cotabato City to be known as the Halal Economic Zone, hereinafter referred to as the HEZONE. The specific metes and bounds of the HEZONE shall be more particularly defined in a presidential proclamation that shall be issued for this purpose.

Section 4. Governing Principles. — The Halal Economic Zone shall be managed and operated under the following principles:

(a) Within the framework and limitations of the Constitution and the applicable provisions of the Bangsamoro Organic Law, the HEZONE shall be developed into a decentralized, self-reliant and self-sustaining agro-industrial, commercial, financial, investment and tourist center and free port with suitable retirement and residential areas. The HEZONE shall be provided with transportation, telecommunications, and other facilities needed to attract legitimate and productive foreign investments, generate linkage

industries and employment opportunities for the people of the Bangsamoro Autonomous Region in Muslim Mindanao and other regions.

(b) The HEZONE may establish mutually beneficial economic relations with other entities within the country and with other countries within the framework of the national economic development program of the Philippines and/or the Bangsamoro Autonomous Region in Muslim Mindanao.

(c) Foreign citizens and companies owned by non-Filipinos in whatever proportion may set up enterprises in the HEZONE, either by themselves or in joint venture with Filipinos in any sector of industry, international trade and commerce within the HEZONE.

(d) The HEZONE shall be managed and operated as a separate customs territory to ensure and facilitate the free flow, entry and movement of machinery and other goods. It shall be vested with the authority to issue certificates of origin for products manufactured or processed in the HEZONE in accordance with prevailing rules of origin, and the pertinent regulations of the duly recognized national bodies tasked to oversee all other ecozones in the country.

(e) Business establishments within the HEZONE shall be entitled to the existing 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, known as the Omnibus Investment Code of 1987, and such incentives, benefits or privileges presently enjoyed by business establishments operating within the Subic Special Economic Zone pursuant to Republic Act No. 7227.

(f) Any provisions of existing laws, rules or regulations to the contrary notwithstanding, no taxes, local and national, shall be imposed on business establishments operating within the HEZONE. In lieu of paying taxes, said business establishments shall pay and remit to the national government two percent (2%) of their gross income. In addition, they shall remit to the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) three percent (3%) of their gross income, to be allocated as follows:

(1) Two percent (2%) to the BARMM;

(2) One-half of one percent (0.5%) to the Cotabato City special development fund, which is hereby created, for the development and improvement of Cotabato City;

(3) One-half of one percent (0.5%) to Barangay Kalanganan 2 special development fund, which is hereby created, for the development and improvement of Barangay Kalanganan 2, Cotabato City.

(g) Except as otherwise provided herein, the local government unit/s embraced within the HEZONE shall retain and maintain their basic autonomy and identity. Barangay Kalanganan 2 and Cotabato City shall operate and function in accordance with Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

(h) Any foreign investor who establishes a business enterprise within the HEZONE and who maintains capital investment of not less than One hundred fifty thousand United States dollars (US\$150,000) shall be granted, along with his or her spouse, dependents, and unmarried children below eighteen (18) years of age, a permanent resident status within the HEZONE.

Such foreign investor and his or her spouse, dependents and unmarried children below the age of eighteen (18) years, shall have freedom of ingress and egress to and from the HEZONE without any need of any special authorization from the Bureau of Immigration and Deportation.

Likewise, the Halal Economic Zone Authority shall 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.

The names of the foreigners granted permanent resident status and working visas by the Halal Economic Zone Authority shall be reported to the

Bureau of Immigration and Deportation within thirty (30) days from such grant.

The foregoing is without prejudice to a foreigner acquiring permanent resident status in the Philippines in accordance with applicable immigration, retirement, and other related laws.

(i) The provisions of any law to the contrary notwithstanding, any foreigner, partnership, corporation, or any other business association not created and existing under the laws of the Republic of the Philippines, engaged in the business of retailing goods and merchandise, shall be permitted to engage in the business in such retail trade within the HEZONE after securing license for that purpose from the Halal Economic Zone Authority: *Provided*, That only foreign nationals engaged in medium- and large-scale retail trade may be permitted to engage in such business within the HEZONE. The determination of the medium- and large-scale retail trade operation shall be the responsibility of the Halal Economic Zone Authority.

(j) Existing banking laws and Bangko Sentral ng Pilipinas (BSP) rules and regulations shall apply on foreign exchange and other current account transactions (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.

Section 5. Creation of the Halal Economic Zone Authority. —

There is hereby created a body corporate to be known as the Halal Economic Zone Authority, hereinafter referred to as the HEZA, which shall manage and operate the HEZONE, in accordance with this Act. It shall be organized within one hundred eighty (180) days after the effectivity of this Act.

Section 6. Principal Office. — The HEZA shall maintain its principal office in Cotabato City, but it may establish branches and agencies within the Philippines and abroad as may be necessary for the proper conduct of its business.

Section 7. Powers and Functions of the HEZA. — The HEZA shall have the following functions:

(a) To operate, administer, and manage the HEZONE according to the principles and provisions set forth in this Act;

(b) To recommend to the President the issuance of a proclamation to fix and delimit the site of the HEZONE;

(c) To register, regulate and supervise the enterprises in the HEZONE in an efficient and decentralized manner;

(d) To regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in the HEZONE such as heat, light and power, water supply, telecommunications, transport, toll roads and bridges, port services, etc., and to fix reasonable and competitive rates, fares, charges and prices therefor;

(e) To construct, acquire, own, lease, operate and maintain on its own or through others by virtue of contracts, franchises, licenses, or permits under any of the schemes allowed in Republic Act No. 6957 (the build-operate-transfer law), or in joint venture with the private sector, any or all of the public utilities and infrastructure required or needed in the HEZONE in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;

(f) To operate on its own, either directly or through a subsidy entity, or license to other tourism related activities, including games, amusements and recreational and sports facilities;

(g) Within the limitation provided by law, 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 of all part of its property or assets;

(h) To provide security for the HEZONE in coordination with national and local governments. For this purpose, the HEZA may establish and maintain its own security force and firefighting capability or hire others to provide the same;

(i) To protect, preserve, maintain and develop the virgin forests, beaches, coral and functional units or offices within the HEZONE.

(j) To create, operate and/or contract to operate such agencies and functional units or offices of the HEZA as it may deem necessary;

(k) 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; and

(l) To issue rules and regulations consistent with the provisions of this Act as may be necessary to implement and accomplish the purposes, objectives, and policies provided therein.

Section 8. Non-profit Character of the HEZA. — The HEZA shall be non-profit and shall devote the use of its returns from capital investments, as well as excess revenues from its operations, for the development, improvement, and maintenance and other related expenditures of the HEZA

to pay its indebtedness and obligations and in furtherance and effective implementation of the policy provided in this Act. In consonance with this, the HEZA is hereby declared exempt from the payment of all taxes, duties, fees, imposts, charges, costs and service fees in any court or administrative proceedings in which it may be a party.

The foregoing exemptions may however be entirely or partially lifted by the President of the Philippines upon the recommendation of the Secretary of Finance, not earlier than five (5) years from the effectivity of this Act, if the President shall find the Authority to be self-sustaining and financially capable by then to pay such taxes, customs duties, fees and other charges after providing for debt service requirements of the HEZA and of its projected capital and operating expenditures.

Section 9. Board of Directors of the HEZA. — The powers of the HEZA shall be vested in and exercised by a Board of Directors, hereinafter referred to as the Board, which shall be composed of the following:

(a) A chairman who shall, at the same time, be the administrator of the HEZA;

b) A vice-chairman who shall come from the national agency tasked to coordinate and monitor special economic zones and the like in the country;

Seven (7) members consisting of:

- (1) The city's congressional representative;
- (2) The Chief Minister of the BARMM;
- (3) The mayor of Cotabato City;
- (4) The Punong Barangay of Kalanganan 2, Cotabato City;
- (5) One (1) representative from domestic investors in the HEZONE;
- (7) One (1) representative from foreign investors in the HEZONE; and
- (7) One (1) representative from the labor sector chosen from the workers in the HEZONE.

The city's congressional representative, the Chief Minister of the BARMM, the mayor of Cotabato City, and the Punong Barangay of Kalanganan 2, Cotabto City shall serve as ex officio voting members of the Board.

The chairman and the members of the Board, except the ex officio members, shall be appointed by the Chief Minister of the BARMM to serve for a term of six (6) years, unless sooner removed for cause or dies or resigns voluntarily. 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 investment sectors no person shall be appointed by the Chief Minister of the BARMM as

member of the Board unless he is a Filipino citizen, of good moral character and of recognized competence in some relevant fields of business, banking, shipping, business or labor management, port operations, engineering or law.

Members of the Board shall receive a reasonable per diem which shall be fixed by the BARMM Parliament once every six (6) years for every Board meeting: Provided, however, That the total per diem collected each month shall not exceed the equivalent per diems for four (4) meetings. Unless and until the BARMM Parliament 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.

Section 10. 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 HEZA in accordance with the policies of the Board;
- (b) To establish the internal organization of the HEZA 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; and

(e) To perform such other duties as may be assigned to him by the Board.

Section 11. Promotion of Industrial Peace. — One representative each from the Department of Labor and Employment (DOLE), labor sector, cultural minorities, business and industry sectors shall formulate a mechanism under a social pact for the enhancement and preservation of industrial peace in Cotabato City within thirty (30) days after the effectivity of this Act.

Section 12. Capitalization. — The HEZA shall have an authorized capital stock of two billion (2,000,000,000) no par shares with a minimum issue value of Ten pesos (P10.00) each. The national government shall initially subscribe and fully pay three hundred million (300,000,000) shares of such capital stock. The initial amount necessary to subscribe and pay for the shares of stock shall be included in the General Appropriations Act of the year following its enactment into law and thereafter. The Board of Directors of the HEZA may, from time to time and with the written concurrence of the BARMM Parliament, increase the issue value of the shares representing the

capital stock of the HEZA. The Board of Directors of the HEZA, with the written concurrence of the BARMM Parliament, may sell shares representing not more than forty per centum (40%) of the capital stock of the HEZA to the general public with such annual dividend policy as the Board and the BARMM Parliament may determine. The national government shall in no case own less than sixty per centum (60%) of the total issued and outstanding capital stock of the HEZA.

Section 13. Supervision and Coordination of Development Plans. — For purposes of policy direction and coordination, the HEZA shall be under the direct control and supervision of the Chief Minister of the BARMM.

Section 14. Relationship with the Local Government Units. — In case of any conflict between the HEZA and Cotabato City on matters affecting the HEZONE other than defense and security matters, the decision of the HEZA shall prevail.

Section 15. Auditing. — The Commission on Audit shall appoint a representative who shall be a full-time auditor of the HEZA and assign such number of personnel as may be necessary to assist said representative in the performance of his/her duties. The salaries and emoluments of the

assigned auditor and personnel shall be in accordance with pertinent laws, rules and regulations.

Section 16. Separability Clause. — If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

Section 17. Repealing Clause. — All laws, executive orders or issuance, or any parts thereof which are inconsistent herewith, are hereby repealed or amended accordingly.

Section 18. Effectivity Clause. — This Act shall take effect upon its publication in at least one (1) newspaper of general circulation.

Approved,