

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Third Regular Session

HOUSE BILL NO. 9147



Introduced by **HON. GUS S. TAMBUNTING**

EXPLANATORY NOTE

The island of Mindanao holds great promise of progress and economic boost. It is for this reason that the government is making the island of Mindanao the front and center of the massive infrastructure program to boost its economy and make it the forefront for investments.

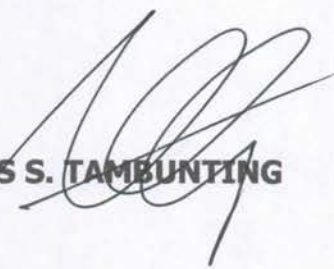
Situated in this island is the City of Zamboanga, which is one of the richest and thriving cities in Mindanao. It has been continuously serving its people in helping them improve their lives through economic activities such as but not limited to livelihood and employment.

The creation of Zamboanga City Special Economic Zone Authority and Freeport by then Congresswoman Maria Clara "Caling" Lobregat and then Senator Gloria Macapagal-Arroyo was one of the boosts that helped and brought about positive change for the city and the region through job generation and adequate investments. The prevailing challenges have hampered the region's potential for decades, hence a more aggressive incentive package and wider latitude of discretion in appreciating positive investments in the area is much needed.

Given the challenges that the City has faced and the distance it has from the Central Business Districts in Luzon, Zamboanga City Special Economic Zone Authority has widened its incentives to strengthen its mandate to develop ZCSEZA into a decentralized, self-reliant and self-sustaining agro-industrial, commercial, financial, investment and tourism center and Freeport.

The modernization of these incentives will not only help ZCSEZA to be an attractive investment destination, but it will also generate employment, boost local and national economy as well as improve the lives of the Filipino people in the region.

It is for these reasons that the Zamboanga City Special Economic Zone Authority seeks the approval of this draft.



GUS S. TAMBUNTING

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Third Regular Session

HOUSE BILL NO. 9147

Introduced by **HON. GUS S. TAMBUNTING**

AN ACT
ENHANCING ZAMBOANGA CITY SPECIAL ECONOMIC ZONE AUTHORITY AND
FREEPORT, AMENDING RA 7903

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

SECTION 1. Title. – This Act shall be known as “Enhancing Zamboanga City Special Economic Zone and Freeport Authority Act of 2018”

SECTION 2. Section 4 of the Zamboanga City Special Economic Zone Act of 1995, is hereby amended or enhanced to read as follows:

“(a) xxx

(b) xxx

(c) xxx

(d) xxx

(e) Business establishments within the ZAMBOECOZONE shall be entitled to **the following incentives and exemptions:**

(1) Tax exemption. ZAMBOECOZONE Enterprises shall be exempt from all national and local taxes, including but not limited to the following:

- i. **Customs and import duties and national internal revenue taxes, such as VAT, excise and ad valorem taxes on foreign articles;**
- ii. **Internal revenue taxes, such as VAT, ad valorem and excise taxes on their sales of goods and services for which they are directly**

- liable;
- iii. **Income tax on all incomes from sources within the ZAMBOECOZONE and foreign countries, Export Processing Zones, Bonded Warehouses and other Special Economic Zones within the Philippines, as well as all areas that may now or hereafter be considered to be outside the Customs Territory, whether or not payment of such income is actually received, made or collected within such areas; provided, that ZAMBOECOZONE enterprises shall, as withholding agents for the National Government, withhold tax on compensation and income payments to persons or individuals subject to expanded withholding tax;**
 - iv. **Franchise, common carrier or value added taxes and other percentage taxes on public and services utilities and enterprises within the ZAMBOECOZONE.**
 - v. **Documentary stamp tax for which they are liable; and all taxes, fees or imposts under RA 7160 (Local Government Code) and other local taxes or imposts of the City of Zamboanga.**

In lieu of paying taxes, all ZAMBOECOZONE enterprises shall pay a final tax of five percent (5%) of gross income earned as provided in Sec. 4(f) of the Act and in accordance with these Rules.

(2) Income Tax Holiday.

- i. **Subject to the exclusive reserved right of the Authority under this Act, the Authority may grant new registered firms to be fully exempt from income taxes levied by the National Government for a period of six (6) years from commercial operation for pioneer firms and four (4) years for non-pioneer firms. Provided further, no registered pioneer firm may avail of this incentive for a period exceeding eight (8) years.**

Any investments that would propose more than 8 years but not exceeding ten (10) years other than what is reserved for the Authority to grant, shall be subject to the further review and recommendation by the Fiscal Incentives Review Board (FIRB) and final approval by the Secretary of Finance. The income tax exemption may be extended for another one (1) to four (4) years based on the following:

- a. **The project meets the prescribed ratio of capital equipment to number of workers set by the Authority;**
- b. **Utilization of indigenous raw materials at rates set by the Authority;**
- c. **The annual investment amount to at least**

US\$500,000,000.00 during the first three (3) years of operation.

Any request for an Income Tax Holiday exceeding ten (10) years will be subject to the review of the FIRB and recommended by the Secretary of Finance to the President for approval. No registered firm may avail of the ITH incentive for a period exceeding thirty (30) years. Provided further, the ITH could only be availed once and shall apply to all associates and subsidiaries.

- ii. Subject to the exclusive reserved right of the Authority under this Act, for a period of three (3) years from commercial operation, registered expanding firms shall be entitled to an exemption from income taxes levied by the National Government proportionate to their expansion under such terms and conditions as the Authority may determine; Provided, however, That during the period within which this incentive is availed of by the expanding firm it shall not be entitled to additional deduction for incremental labor expense.**

(3) Additional Deduction for Labor Expense. For the first five (5) years from registration a registered enterprise shall be allowed an additional deduction from the taxable income of fifty percent (50%) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers if the project meets the prescribed ratio of capital equipment to number of workers set by the Authority: Provided, that this additional deduction shall be doubled if the activity is located in less developed areas.

(4) Percentage of Income Allowable from Sources Within the Customs Territory. ZAMBOECOZONE Enterprises may generate income from sources within the Customs Territory up to thirty percent (30%) of its total income from all sources, then it shall be subject to the income tax laws of the Customs Territory provided further, that in any case, customs duties and taxes must be paid with respect to income from sales of articles to the Customs Territory.

(5) Importation of Articles. In general, all articles may be imported by ZAMBOECOZONE Enterprises into the ZAMBOECOZONE free of customs and import duties and national internal revenue taxes, except those articles prohibited by the Authority and those absolutely prohibited by law.

(6) Importation by ZAMBOECOZONE Residents. Articles may be imported by ZAMBOECOZONE Residents free of customs and import duties and national internal revenue taxes, except those articles

prohibited by the Authority and those absolutely prohibited by law; provided, that such articles are limited only for personal or household use or consumption within the ZAMBOECOZONE.

(7) Tax and Duty Exemption on Imported Capital Equipment. Within five (5) years from the effectivity of this Act, importations of machinery and equipment and accompanying spare parts of new and expanding registered enterprise shall be exempt to the extent of one hundred percent (100%) of the customs duties and national internal revenue tax payable thereon: Provided, That the importation of machinery and equipment and accompanying spare parts shall comply with the following conditions:

- i. They are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices;
- ii. They are reasonably needed and will be used exclusively by the registered enterprise in the manufacture of its products, unless prior approval of the Authority is secured for the part-time utilization of said equipment in a non-registered activity to maximize usage thereof or the proportionate taxes and duties are paid on the specific equipment and machinery being permanently used for non-registered activities; and
- iii. The approval of the Authority was obtained by the registered enterprise for the importation of such machinery, equipment and spare parts.

In granting the approval of the importations under this paragraph, the Authority may require international canvassing but if the total cost of the capital equipment or industrial plant exceeds US\$5,000,000, the Authority shall apply or adopt the provisions of Presidential Decree Numbered 1764 on International Competitive Bidding.

If the registered enterprise sells, transfers or disposes of these machinery, equipment and spare parts without prior approval of the Authority within five (5) years from date of acquisition, the registered enterprise and the vendee, transferee, or assignee shall be solidarily liable to pay twice the amount of the tax exemption given it.

The Authority shall allow and approve the sale, transfer or disposition of the said items within the said period of five (5) years if made:

- (aa) to another registered enterprise or registered domestic producer enjoying similar incentives;
- (bb) for reasons of proven technical obsolescence; or

(cc) for purposes of replacement to improve and/or expand the operations of the registered enterprise.

(8) Tax Credit on Domestic Capital Equipment. A tax credit equivalent to one hundred percent (100%) of the value of the national internal revenue taxes and customs duties that would have been waived on the machinery, equipment and spare parts, had these items been imported shall be given to the new and expanding registered enterprise which purchases machinery, equipment and spare parts from a domestic manufacturer: Provided, That (1) That the said equipment, machinery and spare parts are reasonably needed and will be used exclusively by the registered enterprise in the manufacture of its products, unless prior approval of the Authority is secured for the part-time utilization of said equipment in a non-registered activity to maximize usage thereof; (2) that the equipment would have qualified for tax and duty-free importation under paragraph (c) hereof; (3) that the approval of the Authority was obtained by the registered enterprise; and (4) that the purchase is made within five (5) years from the date of effectivity of the Act. If the registered enterprise sells, transfers or disposes of these machinery, equipment and spare parts, the provisions in the preceding paragraph for such disposition shall apply.

(9) Exemption from Contractor's Tax. The registered enterprise shall be exempt from the payment of contractor's tax, whether national or local.

(10) Simplification of Customs Procedure. Customs procedures for the importation of equipment, spare parts, raw materials and supplies, and exports of processed products by registered enterprises shall be simplified by the Bureau of Customs.

(11) Unrestricted Use of Consigned Equipment. Provisions of existing laws notwithstanding, machinery, equipment and spare part consigned to any registered enterprises shall not be subject to restrictions as to period of use of such machinery, equipment and spare parts Provided, that the appropriate re-export bond is posted unless the importation is otherwise covered under subsections (c) and (m) of this Article. Provided, further, that such consigned equipment shall be for the exclusive use of the registered enterprise.

If such equipment is sold, transferred or otherwise disposed of by the registered enterprise the related provision of Section 4 (3) shall apply. Outward remittance of foreign exchange covering the proceeds of such sale, transfer or disposition shall be allowed only upon prior Central Bank approval.

(12) Exemption on Breeding Stocks and Genetic Materials. The importation of breeding stocks and genetic materials within ten (10) years from the date of registration or commercial operation of the enterprise shall be exempt from all taxes and duties: Provided, that such breeding stocks and genetic materials are (1) not locally available and/or obtainable locally in comparable quality and at reasonable prices; (2) reasonably needed in the registered activity; and (3) approved by the Authority.

(13) Tax Credit on Domestic Breeding Stocks and Genetic Materials. A tax credit equivalent to one hundred percent (100%) of the value of national internal revenue taxes and customs duties that would have been waived on the breeding stocks and genetic materials had these items been imported shall be given to the registered enterprise which purchases breeding stocks and generic materials from a domestic producer: Provided, 1) That said breeding stocks and generic materials would have qualified for tax and duty free importation under the preceding paragraph; 2) that the breeding stocks and genetic materials are reasonably needed in the registered activity; 3) that the approval of the Authority has been obtained by the registered enterprise; and 4) that the purchase is made within ten (10) years from date of registration or commercial operation of the registered enterprise.

(14) Tax Credit for Taxes and Duties on Raw Materials. Every registered enterprise shall enjoy a tax credit equivalent to the National Internal Revenue taxes and Customs duties paid on the supplies, raw materials and semi-manufactured products used in the manufacture, processing or production of its export products and forming part thereof, exported directly or indirectly by the registered enterprise: Provided, however, that the taxes on the supplies, raw materials and semi-manufactured products domestically purchased are indicated as a separate item in the sales invoice.

Nothing herein shall be construed as to preclude the Authority from setting a fixed percentage of export sales as the approximate tax credit for taxes and duties of raw materials based on an average or standard usage for such materials in the industry.

(15) Access to Bonded Manufacturing/Trading Warehouse System. Registered export oriented enterprises shall have access to the utilization of the bonded warehousing system in all areas required by the project subject to such guidelines as may be issued by the Authority.

(16) Exemption from Taxes and Duties on Imported Spare Parts. Importation of required supplies and spare parts for consigned

equipment or those imported tax and duty free by a registered enterprise with a bonded manufacturing warehouse shall be exempt from customs duties and national internal revenue taxes payable thereon, Provided, However, That at least eighty percent (80%) of production is exported; Provided, further, that such spare parts and supplies are not locally available at reasonable prices, sufficient quantity and comparable quality; Provided, finally, That all such spare parts and supplies shall be used only in the bonded manufacturing warehouse of the registered enterprise under such requirements as the Bureau of Customs may impose.

(17) Exemption from Wharfage Dues and any Export Tax, Duty, Impost and Fee. The provisions of law to the contrary notwithstanding, exports by a registered enterprise of its non- traditional export products shall be exempted of its non-traditional export products shall be exempted from any wharfage dues, and any export tax, duty, impost and fee.

(18) Employment of Foreign Nationals. The Authority may authorize an alien or an association, partnership, corporation or any other form of business organization formed, organized, chartered or existing under any law other than those of the Philippines, or which is not a Philippine national, or the working capital of which is fully owned or controlled by aliens to do business or engage in an industry inside the export processing zone.

Subject to the provisions of Section 29 of Commonwealth Act No. 613, as amended, an enterprise, a zone registered enterprise may employ foreign nationals in supervisory, technical or advisory positions for a period not exceeding five (5) years from its registration, extendible for limited periods at the discretion of the Authority: Provided, however, That when the majority of the capital stock of a zone registered enterprise is owned by foreign national, the positions of president, treasurer, and general manager or their equivalents may be retained by foreign nationals beyond the period set forth herein.

Foreign nationals employed within the purview of this Act, their spouses, and unmarried children under twenty-one years of age who are not excluded by Sec. 29 of C.A. 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 issued a multiple entry visa, valid for a period of three years, to enter and leave the Philippines without further documentary requirements other than valid passports or other travel documents in the nature of passports. The multiple entry visa will be issued by the Authority in coordination with the Bureau of Immigration and the Department of Foreign Affairs. The validity of the

multiple entry special visa shall be extendible yearly. Foreign Nationals who have been issued multiple entry special visas under this provision, as well as their respective spouses and dependents, shall be exempt from obtaining alien certificates and all types of clearances required by any government department or agency.

A registered enterprise shall train Filipinos as understudies of foreign nationals in administrative, supervisory and technical skills and shall submit annual reports of such training to the Authority.

(19) Tax Treatment of Merchandise in the Zone.

- i. Except as otherwise provided in this Act, foreign and domestic merchandise, raw materials, supplies, articles, equipment, machineries, spare parts and wares of every description, except those prohibited by law, brought into the zone to be sold, stored, broken up, repacked, assembled, installed, sorted, cleaned, graded, or otherwise processed, manipulated, manufactured, mixed with foreign or domestic merchandise whether directly or indirectly related in such activity, shall not be subject to customs and internal revenue laws and regulations nor to local tax ordinances, the provisions of law to the contrary notwithstanding.
- ii. Merchandise purchased by a registered zone enterprise from the customs territory and subsequently brought into the zone, shall be considered as export sales and the exported thereof shall be entitled to the benefits allowed by law for such transaction.
- iii. Domestic merchandise sent from the zone to the customs territory shall, whether or not combined with or made part of other articles likewise 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.
- iv. Merchandise sent from the export processing zone to the customs territory 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 assessed on the value of imported materials (except when the final product is exempt) and the internal revenue taxes on the values added.
- v. Domestic merchandise on which all internal revenue taxes have been paid, if subject thereto, and foreign merchandise previously imported on which duty or tax has been paid, or which have been admitted free of duty and tax, may be taken into the zone from the customs territory of the Philippines and be brought back thereto free of quotas, duty or tax.

- vi. **Subject to such regulations respecting identity and safeguarding of the revenue as the Authority may deem necessary when the identity of an article entered into the export processing zone under the immediately preceding paragraph has been lost, such article when removed from the zone and taken to the customs territory shall be treated as foreign merchandise entering the country for the first time, under the provisions of the Tariff and Customs Code.**
- vii. **Articles produced or manufactured in the zone 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;**
- viii. **Unless the contrary is shown, merchandise taken out of the zone shall be considered for tax purposes to have been sent to customs territory.**

(20) Additional Incentives. Zone registered enterprises shall also be entitled to the following:

- i. **Exemption from Local Taxes and Licenses. Notwithstanding the provisions of law to the contrary, zone registered enterprise shall, to the extent of their construction, operation or production inside the zone be exempt from the payment of any and all local government imposts, fees, licenses or taxes except real estate taxes which shall be collected by the Province/City/Municipality responsible for the collection thereof under the provisions of the Real Property Tax Code: Provided, That machineries owned by zone registered enterprises which are actually installed and operated in the Zone for manufacturing, processing or for industrial purposes shall not be subject to the payment of real estate taxes for the first three (3) years of operation of such machineries: Provided, further, That fifty percent (50%) of the proceeds of the real estate taxes collected from all real properties located in the Zone and such other areas owned or administered by the Authority shall be remitted to the Authority by the province/city/municipality responsible for the collection of such taxes under the provisions of the Real Property Tax Code. All real estate taxes accruing to the Authority as herein provided shall be expanded for such community facilities, utilities and/or services as the Authority may determine.**
- ii. **Production equipment or machineries, not attached to real estate, used directly or indirectly, in the production, assembly or manufacture of the registered product of the zone registered enterprise shall be exempt from real property taxes.**

(f) Any provisions of existing laws, rules or regulations to the contrary notwithstanding, no taxes, local and national, shall be imposed on business establishments operates, said business establishments shall pay and remit **to the national government one percent (1%) of their gross income. In addition, they shall remit to the City of Zamboanga three (3%) percent and to the Authority one (1%) percent of their gross income.**

(g) xxx

(h) xxx

(i) xxx

(j) xxx

SECTION 3. Section 7 of the Zamboanga City Special Economic Zone Act of 1995, is hereby amended to read as follows:

“(a) xxx

(b) xxx

(c) xxx

(d) xxx

(e) xxx

(f) **To identify additional lands and areas within Zamboanga Peninsula and other areas within the country deemed important for agro-fisheries development for possible expansion provided that the main office remains in Zamboanga City.** The additional secured area shall be deemed to be classified as available for utilization and development into an industrial, commercial, property development, recreational, tourism, gaming, utilities, investment or financial center or a mix of any of these developments.

(g) **To acquire real and personal properties within the zone held by them in their proprietary capacity and to apply their resources and assets for productive, developmental, or welfare purposes for the benefit of the ZAMBOECOZONE.**

(h) **To reclaim or undertake reclamation projects or grant reclamation permits as it may deem necessary in areas adjacent or contiguous to the Authority's lands.**

(i) **To secure the exclusive use and exercise exclusive territorial jurisdiction of the areas, waters, rivers, creeks, submerged lands and properties proclaimed, owned and/or transferred to the Zamboanga City Special Economic Zone and Freeport Authority, such as, but not limited**

to Presidential Proclamations 977, 1099, 111 and 113. By virtue of this act, Presidential Proclamations 977, 1099, 111 and 113 shall all be classified as Industrial Zone. The Land Registration Authority (LRA) shall register at no charge to the Authority and immediately within 30 days, issue Certificate of Land Titles for these land areas as stated in the Presidential Proclamations to Zamboanga City Special Economic Zone and Freeport Authority upon the approval of this Act. The above modifications are meant to address the issue of the conversion of the classification of the land once the same is declared by the ZCSEZA as an Additional Secured Area or Additional Area entitled to tax and duty-free incentives provided that such lands are Agricultural Disposable Lands.

(j) To have the exclusive jurisdiction to issue permits for the use and to enter into Foreshore Lease Agreements and Miscellaneous Lease Agreements for areas adjacent to the Authority land within the 15 nautical miles from the baseline of the land properties of the Zone.

(k) 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;

(l) 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;

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

(n) To protect, preserve, maintain and develop the virgin forests, beaches, coral and functional units or offices within the ZAMBOECOZONE;

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

(p) 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

(q) 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 4. Section 8 of the Zamboanga City Special Economic Zone Act of 1995, is hereby amended to read as follows:

"Section 8. Non-profit Character of the ZAMBOECOZONE Authority. — The ZAMBOECOZONE Authority 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 ZAMBOECOZONE Authority to pay its indebtedness and obligations and in furtherance and effective implementation of the policy provided in this Act. In consonance with this, the ZAMBOECOZONE Authority 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."

SECTION 5. Section 9 of the Zamboanga City Special Economic Zone Act of 1995, is hereby amended to read as follows:

"Section 9. Board of Directors of the ZAMBOECOZONE Authority. — The powers of the ZAMBOECOZONE Authority 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 **chairperson and administrator with the rank of undersecretary** who shall, at the same time, be the administrator of the ZAMBOECOZONE Authority;

b) **Two (2) vice chairpersons with the rank of secretary** who shall come from **(1) the Department of Finance (DOF) and (2) the Department of Trade and Industry (DTI); in the absence of the secretary, only the senior undersecretary shall serve as vice chairperson;**

Six (6) members consisting of:

(1) The city's congressional representative;

(2) The mayor of the City of Zamboanga;

(3) The vice mayor of the City of Zamboanga;

(4) One (1) representative from domestic investors in the ZAMBOECOZONE;

(5) One (1) representative from foreign investors in the ZAMBOECOZONE; and

(6) One (1) representative from the labor sector chosen from the workers in the ZAMBOECOZONE.

The **Secretaries of DOF and DTI or their representatives, the** city's congressional representative, the mayor of the City of Zamboanga and **the vice mayor of the City of Zamboanga** shall serve as ex officio voting members of the Board.

The Chairman and Administrator 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 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 President of the Philippines 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 **including ex officio members** shall receive a reasonable per diem which shall be fixed by the President of the Philippines 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 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."

SECTION 6. Section 12 of the Zamboanga City Special Economic Zone Act of 1995, is hereby amended to read as follows:

"Section 12. Capitalization. — The Zamboanga City Special Economic Zone Authority shall have an authorized capital stock of **five billion (5,000,000,000)** no par shares with a minimum issue value of Ten pesos (P10.00) each. The national government shall initially subscribe and fully pay six hundred million (600,000,000) 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 ZAMBOECOZONE Authority may, from time to time and with the written concurrence of the Secretary of Finance, increase the issue value of the shares representing the capital stock of the ZAMBOECOZONE Authority. The Board of Directors of the ZAMBOECOZONE Authority, with the written concurrence of the Secretary of Finance, may sell shares representing not more than forty per centum (40%) of the capital stock of the ZAMBOECOZONE Authority to the general public with such annual dividend policy as the Board and the Secretary of Finance 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 ZAMBOECOZONE Authority."

SECTION 7. Section 14 of the Zamboanga City Special Economic Zone Act of 1995, is hereby amended to read as follows:

"Section 14. Relationship with **Other Government Agencies.** — In case of any conflict between the ZAMBOECOZONE Authority and **other government entities or government instrumentalities** on matters affecting the ZAMBOECOZONE other than defense and security matters, the decision of the ZAMBOECOZONE Authority shall prevail. The ZAMBOECOZONE shall be under the supervision of the Office of the President."

SECTION 8. Section 16 of the Zamboanga City Special Economic Zone Act of 1995, is hereby amended to read as follows:

"SEC. 16. Criteria for the Expansion of the ZAMBOECOZONE. — In addition to the areas identified as part of the ZAMBOECOZONE, other areas may be established as property of the ZAMBOECOZONE in a proclamation to be issued by the President of the Philippines subject to the evaluation and recommendation of the Authority, based on a detailed feasibility and engineering study which must conform to the following criteria:

- (a) The proposed area must be identified as a regional growth center in the Medium-Term Philippine Development Plan or by the Regional Development Council;
- (b) The existence of required infrastructure in the proposed area, such as roads, railways, telephones, ports, airports, etc., and the suitability and capacity of the proposed site to absorb such improvements;
- (c) The availability of water source and electric power supply for use of the ZAMBOECOZONE;
- (d) The extent of vacant lands available for industrial and commercial development and future expansion of the area as well as of lands adjacent to the area available for development of residential areas for the ZAMBOECOZONE workers;
- (e) The availability of skilled, semi-skilled and non-skilled trainable labor force in and around the area;
- (f) The area must have a significant incremental advantage over the existing economic zones and its potential profitability can be established;
- (g) The area must be strategically located; and
- (h) The area must be situated where controls can easily be established to curtail smuggling activities.

Other areas which do not meet the foregoing criteria may be established as ZAMBOECOZONE property: Provided, That the said area shall be developed only through local government and/or private sector initiative under any of the schemes allowed in Republic Act No. 6957 (the build-operate-transfer law), and without any financial exposure on the part of the national government: Provided, further, That the area can

be easily secured to curtail smuggling activities: Provided, finally, That after five (5) years the area must have attained a substantial degree of development, the indicators of which shall be formulated by the Authority.

SECTION 9. Section 17 of the Zamboanga City Special Economic Zone Act of 1995, is hereby amended to read as follows:

"SEC. 17. *Determination of the De Minimis Value.*— No duties and taxes shall be collected on goods with a Free on Board or Free Carrier At value of fifty thousand pesos (P50,000.00) or below. The Secretary of Finance shall adjust the *de minimis* value as provided herein, every three (3) years after the effectivity of this Act. The value herein stated shall be adjusted to its present value using the Consumer Price Index, as published by the Philippine Statistics Authority."

SECTION 10. *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. All other provisions of RA 7903 which have not been enhanced or amended by this Act shall remain in full force and effect.

SECTION 11. *Repealing Clause.* — All other laws, decrees, orders, issuances, or any parts thereof which are inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SECTION 12. *Effectivity.* — This Act shall take effect upon its publication in the Official Gazette or in a newspaper of general circulation.

Approved,