

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

Eighteenth Congress
First Regular Session

HOUSE BILL NO. 4138



Introduced by **Representative Cyrille "Beng" F. Abueg-Zaldivar**

EXPLANATORY NOTE

Section 20, Article II of the 1987 Philippine Constitution declares that, "the State recognizes the indispensable role of the private sector, encourages, private enterprise, and provides incentives for needed investments." Bringing this Constitutional policy to life, Republic Act (RA) No. 7916, otherwise known as the "The Special Economic Zone Act of 1995," provides for the establishment of special economic zones in the country, particularly in rural areas, in order to promote their development into agro-industrial, commercial, tourist, banking, investment and financial centers.

This bill seeks the realization of the province of Palawan's full economic, industrial, and tourism potential through the establishment of the Southern Palawan Special Economic Zone.

The province's vast potential as a growth center was recognized early on. In fact, R.A. No. 7916, Section 5 (ee) initially identifies the province as an ecozone. The bill's objectives are evidently recognized as being important that the measure has been brought both in the House of Representatives and the Senate several times over the past two (2) decades.

During the Tenth (10th) Congress, Congressman Alfredo Amor E. Abueg, Jr. already introduced House Bill (H.B.) 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." The Lower House approved the bill on 26 August 1997 and transmitted it to the Senate, which then referred it to its Committee on Economic Affairs headed by then Senator Edgardo Angara.

During the Eleventh (11th) Congress, Congressman Abueg, then already Deputy Speaker, re-filed the bill as HB No. 9738, co-authored by four (4) other congressmen. After the Lower House's approval, HB No. 9738 was transmitted to the Senate where it was heard by the Committee on Economic Affairs headed by Senator

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, Senate Bill (S.B.) No. 674, having the same purpose, which unfortunately likewise did not reach final approval.

During the Thirteenth (13th) Congress, Senator Juan Ponce Enrile authored S.B. No. 2217 similarly seeking to establish a special economic zone in the province of Palawan. The Senate's Committees on Economic Affairs, Local Government, Ways and Means, and Finance later prepared S.B. 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," in substitution of S.B. No. 2217. Senate Minority Floor Leader Juan Ponce Enrile, then Senators Manuel Roxas and Alfredo Lim, and Senate President Franklin Drilon, authored S.B. No. 2606, taking into consideration House Bill No. 5262 introduced by then Rep. Abraham Kahlil Mitra.

Deputy Speaker Frederick F. Abueg re-filed the measure during the Sixteenth (16th) Congress as H.B. No. 2688 and during the Seventeenth (17th) Congress as H.B. No. 203. The bill passed on Third Reading on 20 May 2019, and was transmitted to the Senate the following day. Unfortunately, the Senate could no longer deliberate on the measure.

The main features of the bill include (1) the creation of a government agency mandated to administer its operations and development, (2) a package of fiscal and non-fiscal incentives for investments, and (3) the establishment of its principal office in the Municipality of Balabac, where there is a sufficient availability of land areas for the ecozone and free port.

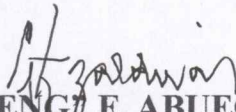
Palawan is located in the Southern Tagalog Region, with a total land area of 1.4 million hectares, a population of 849,469 as of the 2015 national census excluding the total population of Puerto Princesa City at 256,116, and the bounty of vast forest, marine, and mineral resources. Many of its municipalities have untapped natural and human resources valuable for further economic and tourism development. In addition, the province is strategically positioned over a major sea trade route serving the ASEAN region and 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 has vast economic advantages attractive to both local and foreign investors. It produces natural gas, and its further exploration and development are ongoing and a priority. The province is also known worldwide for its vast tourist attractions. In fact, the island of Palawan has been voted multiple times as the best

island tourist destination in the world. Further developments in tourism, agriculture, forestry, fisheries, real estate, mining, communications, transportation, education, and manufacturing are already in the implementing stage, aside from the construction of better roads, bridges, seaports, airports, and other infrastructure.

Palawan as a regional growth area has been recognized through its inclusion as a key component of the Brunei Darussalam, Indonesia, Malaysia, and Philippines-East ASEAN Growth Area (BIMP-EAGA). This is a sub-regional economic cooperation initiative to accelerate economic development efforts in this sub-region strategically proximate to each other that in the past have not fully benefited from the rapid economic growth because of their geographical distance from the centers of government. This links the province to significant economies in east Southeast Asia with which it has had significant economic ties for centuries.

Considering the import and arduous journey of this bill, its immediate passage is earnestly sought.


CYRILLE "BENG" F. ABUEG-ZALDIVAR
Representative, 2nd District of Palawan

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4138

Introduced by Representative Cyrille "Beng" F. Abueg-Zaldivar

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 the House of Representatives of the Philippines in the
Congress assembled:*

CHAPTER 1
GENERAL PROVISIONS

SECTION 1. *Short Title.* - This Act shall be known as the "Southern
Palawan Special Economic Zone Act."

SEC. 2. *Declaration of Policy.* - It is declared the policy of the State to
encourage, promote, and accelerate the sound and balanced industrial, economic
and social development of the country. The establishment of special economic
zones shall attract legitimate and productive foreign investments in strategic
locations in the country. It shall generate employment and increase productivity
and individual, as well as family incomes thereby enhancing the quality of life of
the Filipino people.

CHAPTER II
GOVERNING STRUCTURES

SEC. 3. *Creation of the Southern Palawan Special Economic Zone
Authority.* - There is hereby created a body corporate to be known as the
"Southern Palawan Special Economic Zone Authority" hereinafter referred to as

1 the SPEZA, which shall manage and operate the Southern Palawan Special
2 Economic Zone, in accordance with the provisions of this Act. This corporate
3 franchise shall expire in fifty (50) years counted from the first year after the
4 effectivity of this Act, unless otherwise extended by Congress. It shall be
5 organized within one hundred eighty (180) days after the effectivity of this Act.

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

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

21 **SEC. 5. Principal Office of the SPEZA.** - The SPEZA shall maintain its
22 principal office in the Municipality of Balabac, Province of Palawan, but it may
23 establish branches within the Philippines as may be necessary for the proper
24 conduct of its business.

25 **SEC. 6. Powers and Functions of the SPEZA.** - The SPEZA shall have the
26 following powers and functions:

- 27 a) To operate, administer, manage and develop the Southern Palawan Ecozone
28 according to the principles and provisions set forth in this Act,

- 1 b) To register, regulate and supervise the enterprises in the Southern Palawan
2 Ecozone in an efficient and decentralized manner, subject to existing laws;
- 3 c) To coordinate with LGUs and exercise general supervision over the
4 development plans, activities and operations of the Southern Palawan
5 Ecozone;
- 6 d) To regulate and undertake the establishment, construction, operation and
7 maintenance of public utilities, other services, and infrastructure in the
8 Southern Palawan Ecozone such as, but not limited to, heat, light and
9 power, shipping, barging, stevedoring, cargo handling, hauling,
10 warehousing, storage of cargo, port services or concessions, piers, wharves,
11 bulkheads, bulk terminals, mooring areas, storage areas, roads,
12 telecommunications transport, bridges, terminals, conveyors, water supply
13 and storage, sewerage, drainage, airport operations in coordination with the
14 Civil Aviation Authority of the Philippines (CAAP), and such other services
15 or concessions or infrastructure necessary or incidental to the
16 accomplishment of the objectives of this Act;
- 17 e) To construct, acquire, own, lease, operate and maintain on its own or
18 through contracts, franchise, licenses, bulk purchase from the private sector
19 or permits under any of the schemes allowed in Republic Act No. 6957 (the
20 Build-Operate-Transfer Law, as amended), or joint venture, adequate
21 facilities and infrastructure required or needed for the operation and
22 development of the Southern Palawan Ecozone, in coordination with
23 appropriate national and local government authorities and in conformity
24 with applicable laws thereon;
- 25 f) To approve plans, programs and projects of the Southern Palawan Ecozone
26 to be submitted to the Regional Development Council for inclusion and
27 inputs to the overall regional development plan;
- 28 g) To operate on its own, either directly or through licenses to others, tourism-

related activities, including games, amusements, recreational and sports facilities;

h) To raise or borrow, within the limitation provided by law, and subject to the approval or opinion of the Monetary Board of the Bangko Sentral Ng Pilipinas (BSP), as the case may be, adequate and necessary funds from local or foreign sources, to finance its projects and programs under this Act and for this 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 or part of its property or assets;

i) To protect, preserve, maintain and develop the forests, beaches, coral and coral reefs, and maintain ecological balance within the Southern Palawan Ecozone. Notwithstanding the authority of the SPEZA to create rules for such purpose, the rules and regulations of the Department of Environment and Natural Resources (DENR) and other government agencies involved in the above functions shall be implemented by the SPEZA;

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

k) To adopt, alter and use a corporate seal; contract, lease, buy, acquire, own or otherwise dispose of personal and/or real property of whatever nature; sue and be sued; and otherwise carry out its functions and duties as provided for in this Act;

l) To issue certificates of origin for products manufactured or processed in the Southern Palawan Ecozone in accordance with prevailing rules of origin and the pertinent regulations of the Philippine Economic Zone Authority (PEZA), the Department of Trade and Industry (DTI) and/or the Department of Finance (DOF);

m) To establish one-stop shops for the issuance of all necessary permits,

1 clearances, licenses, and other similar certifications to conduct such
2 activities intended to improve the ease of doing business within the
3 Southern Palawan Ecozone, in coordination with government agencies
4 having jurisdiction over activities therein: *Provided*, That all government
5 agencies are directed to provide and extend utmost and full cooperation to
6 the Southern Palawan Ecozone in the establishment of such one-stop shops;

7 n) To provide internal security to the Southern Palawan Ecozone in
8 coordination with the National government and affected LGU. For this
9 purpose, the SPEZA shall provide and establish its own internal security
10 and firefighting forces or hire others to provide the same. Military forces
11 sent by the national government for the purpose of defense shall not
12 interfere in the internal affairs of the Southern Palawan Ecozone and
13 expenditures for these military forces shall be borne by the National
14 Government;

15 o) To exercise such powers as may be essential, necessary or incidental to the
16 powers granted to it hereunder, as well as those that shall enable it to carry
17 out, implement and accomplish the purposes, objectives and policies of this
18 Act; and

19 p) To issue rules and regulations consistent with the provisions of this Act as
20 may be necessary to accomplish and implement the purposes, objectives
21 and policies provided herein.

22 **SEC. 7. *Board of Directors of the SPEZA.*** - The powers of the SPEZA
23 shall be vested in and exercised by a Board of Directors, hereinafter referred to as
24 the Board, which shall be composed of the following:

25 a) The Chairperson, who shall at the same time be the administrator of the
26 SPEZA;

27 b) A Vice-Chairperson, who shall come from among the members of the
28 Board;

c) Members consisting of:

- 1) The Governor or his/her representative from the Provincial Government of Southern Palawan;
- 2) The mayors of the municipalities covered by the ecozone;
- 3) One (1) representative from the domestic investors;
- 4) One (1) representative from the foreign investors;
- 5) One (1) representative from the workers working in the Southern Palawan Ecozone; and
- 6) Three (3) representatives of the private sector, coming from the residents of the municipalities of Balabac, Brooke's Point and Bataraza.

Except for the representatives of the foreign and domestic investors, 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, of proven probity and integrity, and of recognized competence in some relevant fields in business, banking, shipping, business or labor management, port operations, engineering, or law.

The representative from the Provincial Government and the mayors of the municipalities covered by the ecozone shall serve as *ex-officio* members of the Board, whose term in the Board corresponds to their term as elected officials.

The Chairperson and 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, incapacity, voluntary resignation or removal for cause. In case of death, incapacity, voluntary resignation or removal for cause, the replacement shall serve only the unexpired portion of the term.

The Chairperson of the Board must be a Filipino citizen, of good moral

1 character, of proven probity and integrity, and a degree- holder in any of the
2 following fields: economics, business, public administration, law, management or
3 their equivalent, and with at least ten (10) years relevant working experience
4 preferably in the field of management or public administration.

5 The members of the Board shall each receive per diem at rates to be
6 determined by the Department of Budget and Management (DBM) in accordance
7 with existing rules and regulations: *Provided, however,* That the total per diem
8 collected each month shall not exceed the equivalent per diem for four (4)
9 meetings. Unless and until the President of the Philippines has fixed a higher per
10 diem for the members of the Board, such per diem shall not be more than ten
11 thousand pesos (P10,000.00) for every Board meeting.

12 **SEC. 8. Powers and Duties of the Chairperson-Administrator.** - The
13 Chairperson-Administrator shall have the following powers and duties:

- 14 a) To direct and manage the affairs of the SPEZA in accordance with the
15 policies of the Board;
- 16 b) To establish the internal organization of the SPEZA under such conditions
17 that the Board may prescribe;
- 18 c) To submit an annual budget and necessary supplemental budget to the
19 Board for its approval;
- 20 d) To submit within thirty (30) days after the close of each fiscal year an annual
21 report to the Board and such other reports as may be required;
- 22 e) To submit to the Board for its approval, policies, systems, procedures, rules
23 and regulations that are essential to the operation of the Southern Palawan
24 Ecozone;
- 25 f) To recommend to the Board the remuneration and other emoluments of its
26 officers and employees in accordance with existing laws on compensation

1 and position classification;

- 2 g) To create a mechanism in coordination with relevant agencies for the
3 promotion of industrial peace, the protection of the environment, and the
4 advancement of the quality of life in the Southern Palawan Ecozone; and
- 5 h) To perform such other duties as may be assigned to him by the Board or
6 which are necessary or incidental to his office.

7 **SEC. 9. *Organization and Personnel.*** – The Board of Directors of the SPEZA
8 shall provide for its organization and staff. The Board shall appoint and fix the
9 remuneration and other emoluments of its officers and employees in accordance
10 with existing laws on compensation and position classification. The Board shall
11 have exclusive and final authority to promote, transfer, assign, reassign or
12 remove officers of the SPEZA, any provision of existing law to the contrary
13 notwithstanding. The chairperson-administrator may carry out removal of such
14 officers and employees.

15 The officers and employees of the SPEZA, including all members of the
16 Board, shall not engage directly or indirectly in partisan activities nor take part in
17 any election, except to vote.

18 No officer or employee of the SPEZA, subject to civil service laws and
19 regulations, shall be removed or suspended except for cause, as provided by law.

20 **SEC. 10. *Legal Counsel.*** – The SPEZA shall have its own internal legal
21 counsel under the supervision of the Government Corporate Counsel. When the
22 exigencies of its businesses and operations demand it, the SPEZA may engage
23 the services of an outside counsel either on a case to case or on a fixed retainer
24 basis.

25 **SEC. 11. *Legal Office.*** – The SPEZA shall have and maintain its own

1 internal legal office, appropriate in number under the supervision of the
2 Government Corporate Counsel. When the exigencies of its businesses and
3 operations demand, the SPEZA may engage the services of an outside counsel
4 either on a case to case or a fixed retainer basis.

5 CHAPTER III 6 CREATION OF THE ECONOMIC ZONE

7 SEC. 12. *Creation of the Southern Palawan Special Economic Zone* - In
8 accordance with the foregoing declared policy and subject to the concurrence of
9 the concerned local government units of Palawan affected by the zone, there is
10 hereby established a Special Economic Zone, hereinafter referred to as the
11 Southern Palawan Ecozone. The Southern Palawan Ecozone shall cover the entire
12 area embraced by the Municipalities of Balabac, Brooke's Point and Bataraza in
13 the Province of Palawan. The specific metes and bounds of the Southern
14 Palawan Ecozone shall be more particularly defined in a presidential
15 proclamation that shall be issued for this purpose: *Provided*, That the lands
16 embraced therein shall be public lands and contiguous to one another, except
17 those adjoining municipalities or lands which are separated only by water.

18 SEC. 13. *Governing Principles*. - The Southern Palawan Special Economic
19 Zone shall be managed and operated by the Southern Palawan Special Economic
20 Zone Authority, hereinafter referred to as the SPEZA, created under Section 3 of
21 this Act, under the following principles:

- 22 a) Within the framework and limitations of the Constitution and applicable
23 provisions of the Local Government Code, the Southern Palawan Ecozone
24 shall be developed into and operated as a decentralized, self-reliant and self-
25 sustaining industrial, commercial/trading, agro-industrial, tourist, banking,
26 financial and investment center with suitable residential areas;
- 27 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 Palawan and its neighboring towns and cities;

c) The Southern Palawan Ecozone may establish a 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 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 a joint venture with Filipinos in any sector of industry, international trade and commerce within the Southern Palawan Ecozone;

e) The Southern Palawan Ecozone shall be managed and operated as a separate customs territory thereby ensuring the free flow or movement of goods and capital within, into and out of its territory, and shall likewise provide incentives such as tax and duty-free importations of raw materials, capital and equipment to registered enterprises located therein. However, exportation or removal of goods from the territory of the Southern Palawan Ecozone to the other parts of the Philippine territory shall be subject to customs duties and taxes under the Customs and Tariff Code and other relevant tax laws of the Philippines;

f) The areas comprising the Southern Palawan Ecozone may be expanded or reduced when necessary. For this purpose, the SPEZA, in consultation with the LGUs, shall have the power to acquire either by purchase, negotiation or condemnation proceedings, any private land within or adjacent to the Southern Palawan Ecozone for the following purposes: (1) consolidation of lands for zone development; (2) acquisition of right of way to the Southern

1 Palawan Ecozone; and (3) the protection of watershed areas and natural
2 assets valuable to the prosperity of the Southern Palawan Ecozone;

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

11 h) The defense of the Southern Palawan Ecozone and the security of its
12 perimeter fence shall be the responsibility of the national government in
13 coordination with the SPEZA and the LGUs.

14 CHAPTER IV 15 INCENTIVES TO ECOZONE ENTERPRISES/INVESTORS

16 SEC. 14. *Investors Visa.* - Any foreign national who invests an amount of
17 two hundred thousand US dollars (US\$200,000.00), either in cash and/or
18 equipment, in a registered enterprise shall be entitled to an investor's
19 visa: *Provided*, That the foreign national has the following qualifications:

- 20 a) Must be at least eighteen (18) years of age;
- 21 b) Must not have been convicted by final judgment of a crime involving moral
22 turpitude;
- 23 c) Must not be afflicted with any loathsome, dangerous or contagious disease;
- 24 d) Must not have been institutionalized for any mental disorder or disability;
25 and
- 26 e) Must establish by verifiable and credible evidence his financial capability
27 and capacity.

28 As a holder of investor's visa, an alien shall be entitled to reside in the

1 Philippines while his investment subsists. For this purpose, the alien should
2 submit an annual report, in the form duly prescribed for the purpose, to prove
3 that he has maintained his investment in the country. Should said alien withdraw
4 his investments from the Philippines, then the investor's visa issued to said alien
5 shall automatically expire and /or be withdrawn.

6 The authority to issue visas and work permits shall remain with the
7 Bureau of Immigration (BI) and the Department of Labor and Employment
8 (DOLE), respectively: *Provided*, That the BI and the DOLE shall implement
9 measures to expedite the processing of such visas and permits for workers in the
10 Southern Palawan Ecozone and coordinate with the SPEZA for the purpose of
11 improving ease of doing business.

12 **SEC.15. *Fiscal Incentives.*** - Registered enterprises operating within the
13 Southern Palawan Ecozone may be entitled to the existing pertinent fiscal
14 incentives as provided for under Republic Act No. 7916, as amended by Republic
15 Act No. 8748, also known as the Special Economic Zone Act of 1995, or those
16 provided under Executive Order No. 226, as amended, otherwise known as the
17 Omnibus Investment Code of 1987; and/or those that may be further granted as
18 the need and necessity arises by the appropriate government department, agency
19 or office: *Provided*, That in the administration, implementation and monitoring of
20 incentives, the SPEZA may impose its own conditions not otherwise prohibited
21 by this Act: *Provided*, further, That the SPEZA shall not be limited to the
22 conditions provided under Republic Act No. 7916, Republic Act No. 8748 or any
23 other related issuance, rule or regulation.

24 **SEC. 16. *Imposition of a Tax Rate of Five Percent (5%) on Gross Income***
25 ***Earned.*** - No taxes, local and national, shall be imposed on business
26 establishments operating within the Southern Palawan Ecozone, including
27 income, withholding, donor's, percentage, and documentary stamp taxes. In lieu
28 thereof, and subject to Section 18 of this Act, said business establishments shall
29 pay a five percent (5%) final tax on their gross income earned: *Provided*, That the

proceeds from such final tax shall be shared by instrumentalities of the government in accordance with the following percentages:

- a) Three per centum (3%) to the National Government;
- b) Two per centum (2%) shall be directly remitted by the business establishments to the treasurer's office of the municipality or city where the enterprise is located.

The SPEZA shall have the authority to grant income tax holiday and net operating loss carry over subject to Section 18 of this Act and conditions as it may have imposed pursuant to Section 15 of this Act.

SEC. 17. Administration, Implementation and Monitoring of Incentives. - For the proper administration, implementation and monitoring of tax incentives provided under this law, the following are herein mandated:

- (a) The SPEZA shall be responsible for the administration, management, enforcement and implementation of the incentives granted to registered enterprises: *Provided, That* the BOC shall set up and establish a customs controlled area outside the gate of the Southern Palawan Ecozone to facilitate payment of taxes on goods entering the Philippine customs territory: *Provided further, That* notwithstanding the limitations in this Act, the SPEZA and BOC may coordinate and jointly implement measures on border protection; and
- (b) In the interest of enhancing transparency in the management and accounting of tax incentives in the Southern Palawan Ecozone, the SPEZA shall comply with the provisions of Republic Act No. 10708, otherwise known as "The Tax Incentives Management and Transparency Act (TIMTA)" and its implementing rules and regulations.

SEC.18. Duration of Incentives. - Fiscal incentives under this Act shall be terminated after a cumulative period of twenty (20) years from date of

1 registration or start of commercial operation, whichever is applicable, except that
2 it could be extended with regard to industries deemed indispensable to national
3 development and interest. The industries exempted from this provision shall be
4 determined by the SPEZA, in consultation with other government agencies.

5 **SEC. 19. *Sequential Availment of Incentives.*** - Registered enterprises may
6 enjoy the income tax holiday (ITH) granted by the SPEZA prior to the availment
7 of the five percent (5%) final tax on gross income earned incentive: *Provided, That*
8 in the event a registered enterprise elects to avail of the final tax incentive, such
9 registered enterprise shall be barred from availing the ITH incentive.

10 Registered enterprises, if eligible, may register for incentives with other
11 investment promotion agencies: *Provided, That* registered enterprises electing to
12 avail of the incentives of other promotion agencies shall not be able to avail of the
13 incentives of the Southern Palawan Ecozone until the expiration of the incentives
14 with such other investment promotions agencies.

15 **SEC. 20. *Extension of Period of Availment.*** - In the event that a registered
16 enterprise has suffered cessation or suspension of operations due to force
17 majeure, which has impaired its viability or profitability, the SPEZA may extend
18 the period of validity of the incentives extended to such registered enterprise.

19 **SEC. 21. *Banking Rules and Regulations.*** - Banks and financial
20 institutions to be established in the Southern Palawan Ecozone shall be under the
21 supervision of the Bangko Sentral ng Pilipinas (BSP) and subject to existing
22 banking laws, rules and regulations.

23 **SEC. 22. *Remittances.*** - In the case of foreign investments, a duly
24 registered entity or enterprise within the Southern Palawan Ecozone shall have
25 the right to remit earnings from the investment in the currency in which the
26 investment was originally made and at the exchange rate prevailing at the time
27 of remittance, subject to the provisions of Republic Act No. 7653, otherwise
28 known as "The New Central Bank Act".

CHAPTER V
NATIONAL GOVERNMENT AND OTHER ENTITIES

SEC. 23. *Supervision and Control.* - For purposes of policy direction and coordination, the SPEZA shall be under the direct control and supervision of the Office of the President of the Philippines.

SEC. 24. *Regional Development Council.* - The SPEZA shall determine the development goals for the Southern Palawan Ecozone within the framework of national development plans, policies and goals. The Chairperson & Administrator shall, upon approval by the Board, submit the Southern Palawan Ecozone plans, programs and projects to the Regional Development Council for inclusion and inputs to the overall regional development plan.

SEC. 25. *Relationship with Local Government Units.* - Except as herein provided, the LGUs comprising the Southern Palawan Ecozone shall retain their basic autonomy and identity. The Municipalities of Balabac, Bataraza and Brooke's Point, Province of Palawan, shall operate and function in accordance with the framework of the 1987 Constitution, Local Government Code of 1991, and Republic Act No. 7898, as amended by Republic Act No. 10349, applicable provisions of the Local Government Code, and this Act.

In case of any conflict between the SPEZA and the LGUs and the National Government on matters affecting the Southern Palawan Ecozone, other than national defense and security matters, the decision of the SPEZA shall prevail.

SEC. 26. *Interpretation/Construction.* - The powers, authorities and functions that are vested in the SPEZA are intended to establish national self-sufficiency and self-reliance in the advancement of and protection of the national integrity, enhancement of national security, decentralization of governmental functions and authority, and promote an efficient and effective working relationship among the SPEZA, the National Government and the LGUs. Any interpretation of this Act shall consider such intentions. In the event of conflict of interpretation and provided the intentions cannot be harmonized, the provisions

1 of this Act shall be construed in favor of an interpretation that would tend to
2 protect national security.

3 **SEC. 27. *Audit.*** - The Commission on Audit shall appoint a full - time
4 auditor in the SPEZA or may assign such number of personnel as may be
5 necessary in the performance of their functions.

6 **CHAPTER VI** 7 **MISCELLANEOUS**

8 **SEC. 28. *Implementing Rules and Regulations.*** - The DTI, DOF and the
9 National Economic Development Authority (NEDA) shall formulate the
10 implementing rules and regulations of this Act within ninety (90) days after its
11 approval. Such rules and regulations shall take effect fifteen (15) days after its
12 publication in a newspaper of general circulation in the Philippines.

13 **SEC. 29. *Applicability Clause.*** - Insofar as these are consistent with the
14 provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No.
15 7916, otherwise known as "The Special Economic Zone Act of 1995", as amended,
16 shall likewise apply to the Southern Palawan Ecozone.

17 **SEC. 30. *Separability Clause.*** - If any provision of this Act shall be held
18 unconstitutional or invalid, the other provisions not otherwise affected shall
19 remain in full force and effect.

20 **SEC. 31. *Repealing Clause.*** - All laws, executive orders or issuances or
21 any part thereof, which are inconsistent herewith, are hereby repealed or
22 amended accordingly.

23 **SEC. 32. *Effectivity Clause.*** - This Act shall take effect after fifteen (15)
24 days following its complete publication in the Official Gazette or in two (2)
25 newspapers of general circulation whichever is earlier.

26 Approved,