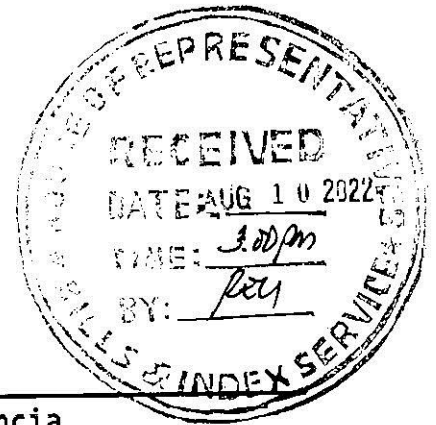


NINETEENTH CONGRESS
REPUBLIC OF THE PHILIPPINES
First Regular Session

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

HOUSE BILL NO. 3471



Introduced by Honorable Celso G. Regencia

EXPLANATORY NOTE

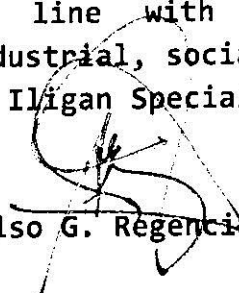
This bill seeks to establish a special economic zone in the area occupied and utilized by then National Steel Corporation located at Barangay Suarez, Iligan City, Lanao del Norte, pursuant to general policies and guidelines set forth under Republic Act 7916 otherwise known as Economic Zone Act of 1995.

Section 1, Article XII, 1987 Constitution provides that the goals of the national economy points to equitable distribution of opportunities, income as well as wealth, and in the pursuit of these goals, all sectors of the economy and all regions of the country shall be given optimum opportunity to develop, and pursuant to this declaration, RA 7916 otherwise known as Economic Zone Act of 1995 was enacted to encourage economic growth via special economic zones; development of investor-friendly atmosphere.

Located in the northern part of Mindanao with a suitable climate and available workforce, Iligan City is a strategic and ideal location for industrial and commercial centers. It can also serve as entry and exit points for the needs of the business sectors operating within the City and other neighboring areas.

The establishment of a special economic zone will enhance and improve the economic conditions of Iligan City and nearby provinces translating to sustainable development.

In line with policy of the government promoting equitable industrial, social and economic development, the establishment of Iligan Special Economic Zone is respectfully recommended.


Celso G. Regencia

NINETEENTH CONGRESS)
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HOUSE OF REPRESENTATIVES
Introduced by Representative CELSO G. REGENCIA

House Bill No. 3471

AN ACT ESTABLISHING ILIGAN SPECIAL ECONOMIC ZONE IN THE AREA OCCUPIED AND UTILIZED BY THEN NATIONAL STEEL CORPORATION LOCATED AT BARANGAY SUAREZ, ILIGAN CITY, LANA O DEL NORTE, CREATING FOR THIS PURPOSE THE ILIGAN SPECIAL ECONOMIC ZONE AUTHORITY (ISEZA), AND APPROPRIATING FUNDS THEREFOR,

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

SEC. 1. *Short Title.* - This Act shall be known as the "ILIGAN SPECIAL ECONOMIC ZONE ACT"

SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to actively encourage, promote, and accelerate the sound and balanced industrial, economic and social development in the country. The establishment of special economic zones will 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.

SEC. 3. *Creation of the ILIGAN SPECIAL ECONOMIC ZONE.* - In consonance with the foregoing declared policy, a Special Economic Zone is hereby created and hereinafter referred to Iligan Special Economic Zone that will cover the area then occupied by the defunct National Steel Corporation located at Barangay Suarez, Iligan City, Lanao del Norte. The specific metes and bounds of the Iligan Special Economic Zone shall be more particularly defined in the Act that will be created for this purpose.

Provided, That the lands embraced therein shall be public lands and contiguous to one another.

SEC. 4. Creation of the ILIGAN SPECIAL ECONOMIC ZONE AUTHORITY OR ISEZA. - There is hereby created a body corporate to be known as the "ILIGAN SPECIAL ECONOMIC ZONE AUTHORITY" herein after referred to as "the ISEZA" which shall manage and operate the ILIGAN SPECIAL ECONOMIC ZONE, in accordance with the provisions of this Act. This corporate franchise shall expire in fifty (50) years counted from the first year after the effectivity of this Act, unless otherwise extended by Congress. ISEZA shall be organized with one hundred eighty (180) days after the effectivity of this Act.

SEC. 5. Governing Principles. - The Iligan Special Economic Zone shall be managed and operated by the ISEZA under the following principles, as follows:

a. Within the framework and limitations of the Constitution and applicable provisions of the Local Government Code, the Iligan Special Economic Zone shall be developed into and operated as a decentralized self-sustaining industrial, commercial/trading, agro-industrial, tourist, banking, financial and investment center.

b. The Iligan Special Economic Zone 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 Iligan City and the neighboring places.

c. The Iligan Special Economic Zone may establish mutually beneficial economic relations with other entities or enterprises within the country or, subject to the administrative guidance of the Department of Foreign Affairs (DFA), the Philippine Economic Zone Authority (PEZA), and/or the Department of Trade and Industry (DTI), with foreign entities or enterprises.

d. Foreign citizens and/or companies owned by non-Filipinos, in whatever proportion, may set up enterprises in the Iligan Special Economic Zone, either by themselves or in a joint Venture with Filipinos in any sector of industry, international trade and commerce with in the defined area.

e. the Iligan Special Economic Zone 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.

f. The area composing the Iligan Special Economic Zone may be expanded or reduced when necessary. For this purpose, the ISEZA shall have the power to acquire either by purchase, negotiation or condemnation proceedings, any private land within or adjacent to the Iligan Special Economic Zone for the following purposes:

1. Consolidation of lands for zone development;
2. Acquisition of right of way to the Iligan Special Economic Zone; and,
3. The protection of watershed areas and natural assets valuable to the prosperity of the Iligan Special Economic Zone.

g. Goods manufactured by the Iligan Special Economic Zone enterprise shall be made available for immediate retail sale in the domestic market, subject to the payment of corresponding taxes on raw materials and other regulations that may be formulated by the ISEZA together with the PEZA, the Bureau of Customs (BOC), and the DTI. However, in order to protect domestic industries, a Negative List of industries shall be drawn up and regularly updated by PEZA. Enterprises engaged in industries included in such Negative List shall not be allowed to sell their products locally.

h. The security of the Iligan Special Economic Zone shall be the responsibility of the national government in coordination with the ISEZA.

SEC. 6. *Capitalization.* - The ISEZA shall have an authorized capital stock of FIVE BILLION (5,000,000,000) PESOS, with minimum issue of One Hundred (P100.00) each, the majority shares of which shall be subscribed and paid for by the National Government.

The Board of Directors of the ISEZA may, with the written

concurrence of the Secretary of Finance, sell shares, representing not more than 33% of the capital stock of the ISEZA to the general public under such policy as the Board and Secretary of Finance may determine, provided that, at no given time that National Government shall own less than 67% of the total issued and outstanding capital stock of ISEZA. The amount necessary to subscribe and pay for the shares of the National Government to the capital stock of the ISEZA shall be included in the annual General Appropriations Act.

SEC. 7. *Principal Office of the ISEZA.* - The ISEZA shall maintain its principal office in Iligan City but it may establish branches within the Philippines as may be necessary for the proper conduct of its business.

SEC. 8. *Powers and Functions of the ISEZA.* - The ISEZA shall have the following powers and functions:

- 1}. To operate, administer, manage and develop the Iligan Special Economic Zone in accordance with the principles, and provisions set forth in this Act;
- 2}. To register, regulate and supervise enterprises in the Iligan Special Economic Zone in an efficient and decentralized manner, subject to existing laws;
- 3}. To coordinate with government agencies and exercise general jurisdiction over the development plans, activities and operations of the Iligan Special Economic Zone;
- 4}. To regulate and undertake the establishment, construction, operation, and maintenance of public utilities, other services and infrastructure in the Iligan Special Economic Zone such as lights and power, shipping, barging, stevedoring, cargo handling, hauling, warehousing, storage of cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, telecommunications, transport, bridges, terminals, conveyors, water supply and storage, sewerage, drainage, airport operations in coordination with the Civil Aviation Authority of the Philippines (CAAP), and such other services or concessions or infrastructure necessary or incidental to the accomplishment of the objectives of this Act;
- 5}. To construct, acquire, own, lease, operate and maintain on

its own or through contracts, franchise, licenses, bulk purchase from the private sector or permits under any of the schemes allowed in Republic ACT NO. 6957, otherwise known as the "Build-Operate-Transfer Law as amended, or joint venture, adequate facilities and infrastructure required or needed for the operation and development of the Iligan Special Economic Zone, in coordination with appropriate national agencies/authorities and in conformity with applicable laws thereon;

6}. To approve plans, programs and projects of the Iligan Special Economic Zone to be submitted to the Regional Development Council for its consideration and inclusion to the over-all regional development plan;

7}. 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;

8}. To protect, preserve, maintain and develop the forests, beaches, coral and coral reefs, and maintain ecological balance within Iligan Special Economic Zone. Notwithstanding the authority of the ISEZA 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 ISEZA;

9}. To create, operate, and/or contract to operate such functional units or offices of the ISEZA, as it may be necessary;

10}. 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;

11}. To issue certificates of origin for products manufactures or processed in the Iligan Special Economic Zone in accordance with prevailing rules of origin and the applicable regulations of the

PEZA, DTI and/or DOF;

12}. To establish one-stop shops for the issuance of all necessary permits, clearances, licenses, and other similar certifications to conduct such activities intended to improve the ease of doing business within the Iligan Special Economic Zone in coordination with the government agencies having jurisdiction over activities therein. *Provided*, That all government agencies are required to provide and extend utmost and full cooperation to the Iligan Special Economic Zone in the establishment of such one-stop shops;

13}. To provide internal security to Iligan Special Economic Zone in coordination with the National Government/Agencies. For this purpose, the ISEZA shall provide and establish its own internal security and firefighting forces or engage external entity to provide the same;

14}. To exercise such powers as may be essential, necessary or incidental to the powers granted to it hereunder, as well as those that shall enable it to carry out, implement, and accomplish the purposes, objectives and policies of this Act; and,

15}. To issue rules and regulations consistent with the provisions of this Act as may be necessary to accomplish and implement the purposes, objectives, and policies provided herein.

SEC. 9. *Board of Directors.* - The powers of the ISEZA shall be vested with, and shall be exercised by, Board of Directors, hereinafter referred to as the Board, which shall be composed of the following:

- 1}. The Chairperson who shall, at the same time, be the Administrator of the ISEZA;
- 2}. The Representative of the Lone District of Iligan City;
- 3}. A designate-representative from Iligan LGU;
- 4}. One (1) representative from the investors group; and
- 5}. One (1) representative from the workers in the ecozone, to be chosen by the general membership in a meeting called for the

purpose.

A Vice-Chairperson shall be selected from among members of the Board.

The Representative of the Lone District of Iligan City, and the designate-representative of Iligan LGU shall serve as ex-officio members of the Board, the term corresponds to the term of the elected official and/or appointment period of the representative which shall not be more than the term of the appointing officer.

Except for ex-officio members, the Chairperson-Administrator and the members of the Board shall be appointed by the President of the Philippines to serve for a term of six (6) years, unless sooner separated from service due to death, voluntary resignation or removal for cause, their replacements shall serve only the unexpired portion of the respective terms.

The Chairperson-Administrator must be a Filipino citizen, of good moral character, of proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least ten (10) years relevant working experience preferably in the field of management or public administration.

The members of the Board shall each receive *per diem* to be determined by the DBM in accordance with existing rules and regulations: *Provided*, however, That the total per diem collected each month shall not exceed the equivalent of per diem for four (4) meetings. Unless and until the President of the Philippines has fixed a higher amount of per diem, the members of the Board shall receive per diem of not more than Ten Thousand Pesos (PHP 10,000) for every Board meeting.

SEC 10. Organization and Personnel. - The Board of Directors of the ISEZA shall provide for its organization and staff. The Board shall appoint and fix the remuneration and other emoluments of its officers and employees in accordance with the existing laws on compensation and position classification. The Board shall have exclusive and final authority to promote, transfer, assign, reassign, or remove officers of the ISEZA, any provision of

existing law to the contrary notwithstanding. The Chairperson-Administrator shall carry out the decisions of the Board.

The officers and employees of the ISEZA, including all members of the Board except the ex-officio members, shall not engage directly or indirectly in partisan activities nor take part in any election except to vote.

SEC 11. *Powers and Duties of the Chairperson-Administrator.* - The Chairperson Administrator shall exercise the following powers and duties:

- 1}. To direct and manage the affairs of the Iligan Special Economic Zone in accordance with the policies established by the Board;
- 2}. To establish the internal organization of the ISEZA under such conditions that the Board may prescribe;
- 3}. To submit an annual budget and necessary supplemental budget to the Board for its approval;
- 4}. 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;
- 5}. To submit to the Board for its approval policies, systems, procedures, rules and regulations that are essential to the operation of the Iligan Special Economic Zone;
- 6}. To recommend to the Board the remuneration and other emoluments of its officers and employees in accordance with existing laws on compensation and position classification;
- 7}. To create a mechanism in coordination with relevant agencies for the promotion of industrial peace, the protection of the environment and the advancement of the quality of life in the Iligan Special Economic Zone, and
- 8}. To perform such other duties as may be assigned by the Board or which are necessary or incidental to his office.

SEC. 12. *Legal Counsel.* - The ISEZA shall have its own internal

legal counsel under the supervision of the Office of the Government Corporate Counsel. When the exigencies of its businesses and operations demand it, it may engage the services of an outside counsel either on a case to case or on fixed retainer basis.

SEC. 13. *Investor's Visa.* - Any foreign national who invests an amount of Two Hundred Thousand US Dollars (US\$200,000) either in cash and/or equipment, in a registered enterprise shall be entitled to an investor's visa: *Provided*, That the foreign national has the following qualifications:

- 1}. Must be at least eighteen (18) years of age;
- 2}. Must not have been convicted by final judgment of a crime involving moral turpitude;
- 3}. Must not be disqualified by the applicable laws and rules & regulations;
- 4}. Must possess financial capability and capacity through verifiable and credible evidence.

A foreign national may reside in the Philippines while the investment herein required subsists.

Should said investments be withdrawn from the Philippines, the investor's visa issued to said foreign national shall be revoked automatically without the need of any pronouncements by any government agencies.

The authority to issue visas and work permits shall remain with the Bureau of Immigration (BI) and the Department of Labor and Employment (DOLE), respectively: *Provided*, That the BI and DOLE shall implement measures to expedite the processing of such visas and permits for workers of Iligan Special Economic Zone.

SEC. 14. *Fiscal Incentives.* - Registered enterprises operating within the Iligan Special Economic Zone may be entitled to the existing fiscal incentives as provided under existing laws and regulations and/or those that may be further granted as the need and necessity arises by the appropriate government department, agency, or office: *Provided*, That in the administration,

implementation, and monitoring of incentives, the ISEZA may impose its own conditions in accordance with existing and applicable laws and by this Act.

SEC. 15. *Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned.* - No taxes, local and national, shall be imposed on business establishments operating within the Iligan Special Economic Zone, including income tax, withholding tax, donor's tax, percentage tax, and documentary stamp tax. In lieu thereof, and subject to Section 17 of this Act, said business establishments shall pay a five percent (5%) final tax on gross income earned: *Provided*, That the proceeds from such final tax shall be shared by instrumentalities of the government in accordance with the following schedule.

- 1}. Three per centum (3%) to the National Government;
- 2}. 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.

Subject to the provisions of this Act, and of RA no. 10708, ISEZA shall have the authority to grant income tax holiday (ITH).

SEC. 16. *Administration, implementation and Monitoring of incentives.* - For transparency in the management and accounting of tax incentives in the Iligan Special Economic Zone, the ISEZA 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 for the proper administration, management, enforcement, implementation and monitoring of tax incentives provided under this law.

The BOC shall set up, and establish a customs-controlled area outside the gate of the Iligan Special Economic Zone to facilitate payment of taxes on goods entering the Philippines customs territory: *Provided*, That notwithstanding the limitations in this Act, the ISEZA and BOC may coordinate and jointly implement measures on border protection

SEC. 17. *Duration of incentives.* - Fiscal incentives under this Act shall be terminated after a cumulative period of twenty (20) years from date of registration or start of commercial operation, whichever is applicable, except that it could be extended with regard to industries deemed indispensable to national development and interest. The industries exempted from this provision shall be determined by ISEZA, in consultation with other government agencies.

SEC. 18. *Sequential Availment of Incentives.* - Registered enterprises may enjoy the ITH granted by ISEZA prior to the availment of the 5% final tax on gross income earned incentive: *Provided*, That in the event a registered enterprise elects to avail of the final tax incentive, such registered enterprise shall be barred from availing the ITH incentive.

SEC. 19. *Extension of Period of Availment.* - The ISEZA may extend the period of validity of the incentives extended to a registered enterprise in the event that it suffers, due to *force majeure*, a cessation or suspension of operations that impairs its viability or profitability.

SEC. 20. *Banking Rules and Regulations.* - Banks and Financial Institutions to be established in the Iligan Special Economic Zone shall be under the supervision of the BSP and subject to existing banking laws, rules and regulations.

SEC. 21. *Remittances.* - In the case of foreign investments, a duly registered entity or enterprise within the Iligan Special Economic Zone may remit earnings from the investment in the currency in which the investment was originally made, and at the exchange rate prevailing at the time of remittance, subject to the provisions of Republic Act No. 7653, otherwise known as the "New Central Bank Act".

SEC. 22. *Supervision and Control.* - For purposes of policy direction and coordination, the ISEZA shall be under the direct control and supervision of the Office of the President.

SEC. 23. *Development Goals of the Iligan Special Economic Zone.*

- The ISEZA shall determine the development goals for the Iligan Special Economic Zone within the framework of national development plans, policies, and goals. The Chairperson-Administrator shall, upon approval by the Board, submit the plans, programs, and projects of the Iligan Special Economic Zone to the Regional Development Council for inclusion and inputs to the overall Regional Development Plan.

Except for security matter/s affecting the state, in case of conflict between ISEZA, Iligan-LGUs and/or the National Government on matters affecting the Iligan Special Economic Zone, the decision of the ISEZA shall prevail.

SEC 24. *Audit.* - The Commission on Audit shall appoint a full-time auditor in the ISEZA or may assign such number of personnel as may be necessary in the performance of their functions.

SEC 25. *Applicability Clause.* - Insofar as they are consistent with the provisions of this Act, Sections 30 to 41 of Republic Act No. 7916, otherwise known as "The Special Economic Zone Act of 1995", as amended shall likewise apply to the Iligan Special Economic Zone.

SEC 26. *Implementing Rules and Regulations.* - The NEDA, in coordination with the DTI and DOF, shall formulate the implementing rules and regulations of this Act within ninety (90) days after its approval.

SEC. 27. *Separability Clause* -- If any provision of this act is declared invalid or unconstitutional, other provisions not affected thereby shall continue to be in full force and effect.

SEC. 30. *Repealing clause* -- All laws, rule, regulation, proclamations, executive orders, local ordinance/s contrary to or inconsistent with this Act are hereby modified, repealed or amended accordingly.

SEC. 31. *Effectivity Clause* -- This Act shall take effect fifteen (15) days after its publication in the Official Gazette or newspaper of general circulation.

Approved,