

HOUSE OF REPRESENTATIVES

House Bill No. 9679



Introduced by REPRESENTATIVE CHRISTIAN TELL A. YAP

EXPLANATORY NOTE

In the Philippines, Special Economic Zones (SEZs) originated in 1969 from customs-free zones limited to foreign trade, to multi-activity or export processing zones hosting manufacturing in the 1970s, and then to specialized SEZs in the 1990s hosting both manufacturing and services activities, including information and communication technology (ICT) and business process outsourcing (BPOs). Today, all the zones in the country have an industry focus either on manufacturing, information technology (IT), agroindustry, tourism or health services.¹

Republic Act No. 7916 as amended by RA 8748, otherwise known as the “Special Economic Zone Act of 1995” established Philippine Special Economic Zones and created the Philippine Economic Zone Authority (PEZA). SEZs are designed to promote and cultivate major economic growth, attracting foreign investments and providing job opportunities to millions of Filipinos. Several incentives enjoyed by establishments operating within SEZs include income tax holidays, zero percent duty on importation of capital equipment, spare parts, and accessories, exemption from wharfage dues and export tax, impost or fees, simplification of customs procedures, and a tax of five (5) percent of gross income remitted to the national government.

As of January 2023, there are 421 PEZA accredited ecozones in the Philippines, housing 4,346 locator companies, providing approximately 1.8 million direct jobs and accounts for 82 percent of the country’s total annual commodity exports and 60 percent of services exports. Since its inception, PEZA has recorded a cumulated total of P4.1 trillion in investments and \$998 billion in exports. For 2022, PEZA generated a total of P140.7 billion worth of investments and remitted P1.5 billion of dividends to the national government.

Furthermore, PEZA is highly regarded with adopting best practices as compared to other investment promotion agencies (IPAs) with its efficient processes such as the one-stop shop which reduced the cost of business leading to an improvement in firm competitiveness and has successfully combined regulation and promotion for which the Philippines has shown dramatic improvements in investment climate.²

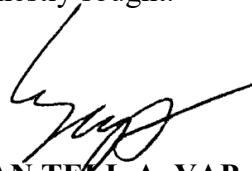
¹United Nations Conference on Trade and Development (UNCTAD), World Investment Report, Special Economic Zones 2019.
² Rafaelita M. Aldaba et al. ERIA Study to Further Improve the ASEAN Economic Community Scorecard: the Philippines. Philippine Institute of Development Studies (PIDS) Discussion Paper Series No. 2010-24.

Thus in 2023, the economic zone development program has been included in the Philippine Development Plan (PDP) 2023-2028, tasking PEZA to expedite the implementation of the ecozone transformation roadmap and expand the different types of special economic zone registrable under PEZA including the new frontiers for ecozone development as catalysts for growth and development. As a major contributor of overall GDP growth, the operation, development, and establishment of PEZA accredited economic zones must clearly be supported, especially with the help of national government agencies and local government units.

However, despite these positive feedbacks and the significant contribution of ecozones to our economy, much can be done for the Philippines to revitalize the national economy, outcompete our Asian neighbors in attracting foreign investments in strategic industries, and stimulate economic activity in rural and underdeveloped areas. We should therefore continue to create and support the growth of economic zones in the country.

This bill seeks the creation of economic zones all over the Philippines, per legislative district, as authorized with the local government unit and in coordination with the PEZA. This measure intends to initiate targeted small-scale economic activity on all legislative districts with the objective to regionalize economic growth and employment boom. The bill intends to establish ecozones as urban and rural hubs of development that people will gravitate towards, ultimately for the upliftment of the quality of lives of all Filipinos.

For the foregoing reasons, approval of this bill is earnestly sought.



CHRISTIAN TELL A. YAP
Representative, 2nd District of Tarlac

HOUSE OF REPRESENTATIVES

House Bill No. 9679

Introduced by REPRESENTATIVE CHRISTIAN TELL A. YAP

AN ACT CREATING AN ECONOMIC ZONE TO ESTABLISH AN ANCHOR
INDUSTRY IN EVERY LEGISLATIVE DISTRICT, APPROPRIATING FUNDS
THEREFOR AND FOR OTHER PURPOSE

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

1 **SECTION 1. *Title.*** - This Act shall be known as the “Anchor Industries Economic
2 Zone Act.”
3

4 **SEC 2. *Declaration of Policy.*** - It is hereby declared the policy of the State to
5 actively encourage, promote, induce, and accelerate a sound and balanced industrial,
6 economic and social development of the country in order to provide jobs to the people
7 especially those in the rural areas, increase productivity and individual and family income,
8 and thereby improve the level and quality of living condition through the establishment,
9 among others, of special economic zones in suitable and strategic locations in the country
10 and through measures that will attract legitimate and productive foreign investments.
11

12 **SEC 3. *Purposes, Intents, and Objectives.*** – It is the purpose, intent, and objective
13 of this Act:

- 14 (a) To establish the legal framework and mechanisms for the creation of
15 economic zones in all legislative districts in the Philippines;
16 (b) To set the criteria for the establishment of legislative economic zones and
17 streamlined process of application and registration of economic zone
18 enterprises;
19 (c) To establish an anchor industry in legislative districts by promoting the flow
20 of investors, both foreign and local, which would generate more

- 1 employment opportunities and establish backward and forward linkages
2 among industries;
- 3 (d) To initiate targeted small-scale economic activity on all legislative districts
4 to regionalize economic growth and employment boom;
- 5 (e) To facilitate an easier and hastier creation of economic zones; and
- 6 (f) To promote holistic economic development by implementing stricter
7 policies on environmental protection and sustainable development.
8

9 **SEC 4. *Creation of the Legislative District Economic Zone (LDEZ) in all***
10 ***legislative districts.*** – All legislative districts in the Philippines shall have at least one (1)
11 Legislative District Economic Zone (LDEZ) which shall be in an area covering twenty (20)
12 hectares to (50) hectares.
13

14 The location of the LDEZ shall be determined by the Representative of the
15 Legislative District as endorsed by the provincial government through a resolution, in
16 coordination with the Philippine Economic Zone Authority (PEZA), and appropriate
17 government agencies.
18

19 **SEC 5. *Governing Principles.*** – The LDEZ shall be managed and operated by its
20 corresponding Inter-Agency Council guided by the following principles:
21

- 22 (a) Within the framework and limitations of the Constitution and applicable
23 provisions of Republic Act No. 7160, otherwise known as the “Local
24 Government Code of 1991,” as amended, the LDEZ shall be developed into
25 and operated as a decentralized, self-reliant and self-sustaining industrial,
26 commercial-trading, agro-industrial, engineering, medical, education,
27 information and communications technology, tourist, banking, financial and
28 investment center with suitable residential areas;
- 29 (b) The LDEZ shall be equipped by the National Government and/or local
30 government with reliable transportation, telecommunications and other
31 facilities needed to attract legitimate and productive investments, generate
32 linkage industries and employment opportunities for the people of the
33 legislative district and those in neighboring towns and cities;
- 34 (c) The LDEZ may establish mutually beneficial economic relations with other
35 entities or enterprises within the country or with foreign entities or
36 enterprises;
- 37 (d) Foreign citizens and companies owned by non-Filipinos in whatever
38 proportion may set up enterprises in the LDEZ either by themselves or in

1 joint venture with Filipinos in any sector of industry, international trade and
2 commerce within the LDEZ;

3 (e) The LDEZ shall be managed and operated as a separate customs territory
4 ensuring free flow or movement of goods and capital within, into and out
5 of its territory;

6 (f) The LDEZ shall provide incentives such as tax and duty-free importations
7 of raw materials, capital and equipment to registered enterprises located
8 therein. However, exportation or removal of goods from the territory of the
9 LDEZ to the other parts of the Philippine territory' shall be subject to
10 customs duties and taxes under the Tariff and Customs Code of the
11 Philippines, as amended, and the National Internal Revenue Code (NIRC)
12 of 1997, as amended;

13 (g) The Inter-Agency Council shall have the right to conduct periodic
14 inspections to examine the development of the LDEZ. The Inter-Agency
15 Council shall formulate economic, social, and environmental indicators to
16 measure to the development of the LDEZ;

17 (h) The Inter-Agency Council shall provide for a mechanism to address
18 inappropriate exploitation of the natural environment and disruptive land
19 use within the jurisdiction of the LDEZ;

20 (i) Goods manufactured by the LDEZ enterprise shall be made available for
21 immediate retail sale in the domestic market, subject to the payment of
22 corresponding taxes on raw materials and other regulations that may be
23 formulated by the Inter-Agency Council, the Bangko Sentral ng Pilipinas
24 (BSP), the Department of Finance (DOF), and the Bureau of Customs
25 (BOC) in accordance with the NIRC of 1997, as amended, and the Tariff
26 and Customs Code of the Philippines, as amended. However, in order to
27 protect the domestic industries, enterprises engaged in industries included
28 in a negative list of industries released by the PEZA shall not be allowed to
29 sell their products locally; and

30 (j) The defense of the LDEZ and the security of its perimeter fence shall be the
31 responsibility of the National Government in coordination with the Inter-
32 Agency Council.

33
34 **SEC. 6. *Establishment of an Inter-Agency Council.*** There is hereby established
35 an Inter-Agency Council, hereinafter referred to as the Council which shall manage and
36 operate the LDEZ, in accordance with the provisions of this Act.

1 **SEC. 7. *Composition of the Inter-Agency Council.*** The following government
2 offices shall comprise the Council:

- 3 (a) Governor or any authorized representative;
- 4 (b) District Representative or any authorized representative;
- 5 (c) City/Municipal Mayor or any authorized representative;
- 6 (d) Regional Director of the Department of Trade and Industry; and
- 7 (e) A representative from the PEZA.

8
9 **SEC. 8. *Powers and Functions of the Council.*** The Council shall have the
10 following functions and powers:

- 11 (a) To set the general policies on the establishment and operations of the
12 LDEZ;
- 13 (b) To register, regulate, and supervise the enterprises in the LDEZ in an
14 efficient and decentralized manner, subject to existing laws;
- 15 (c) To regulate and undertake the establishment, operation, and
16 maintenance of utilities, other services, and infrastructure in the LDEZ,
17 such as heat, light and power, water supply, telecommunication,
18 transport, toll roads and bridges, port services, etc., and to fix just,
19 reasonable, and competitive rates, charges, and fees therefore;
- 20 (d) To construct, acquire, own, lease, operate and maintain on its own or
21 through contracts, franchises, licenses, bulk purchase from the private
22 sector and build- operate-transfer scheme, or under a Joint venture with
23 the private sectors, any or all of the public utilities and infrastructure
24 required or needed for the operation and development of the LDEZ, in
25 coordination with appropriate national and local government authorities
26 and in conformity with applicable laws thereon;
- 27 (e) To operate on its own, either directly or through a license to other
28 tourism - related activities, including games, amusements, recreational
29 and sports facilities, subject to the approval and supervision of the
30 Philippine Amusement and Gaming Corporation (PAGCOR);
- 31 (f) To raise or borrow, within the limitation provided by law, adequate and
32 necessary funds from local or foreign sources, to finance its projects and
33 programs under this Act, and for that purpose, to issue bonds,
34 promissory notes, and other forms of securities, and to secure the same
35 by a guarantee, pledge, mortgage, deed of trust, or an assignment of all
36 or part of its property or assets;
- 37 (g) To provide security for the LDEZ in coordination with the national and
38 local governments. For this purpose, the Council may establish and

1 maintain its security forces and firefighting capability or hire others to
2 provide the same. In the event that an assistance of the military force is
3 necessary, it shall not interfere in the internal affairs of the LDEZ except
4 to provide the necessary security and defense, and their expenses shall
5 be borne by the National Government;

6 (h) To protect, preserve, maintain, and develop the virgin forests, beaches,
7 coral and coral reefs, and maintain ecological balance within the LDEZ.
8 For this purpose, the rules and regulations of the Department of
9 Environment and Natural Resources (DENR) and other government
10 agencies involved in the above functions shall be implemented by the
11 Council;

12 (i) To issue certificates of origin for products manufactured or processed
13 in the LDEZ;

14 (j) To approve the annual budget of the Council and the LDEZ
15 development plans;

16 (k) To issue rules and regulations to implement the provisions of this Act
17 insofar as its powers and functions are concerned;

18 (l) To exercise its powers and functions as provided for in this Act; and

19 (m) To be vested with other powers enjoyed or exercised by other free port
20 zone authorities.

21
22 **SEC. 9. *Development Strategy of the LDEZ.*** – The strategy and priority of
23 development of each LDEZ established pursuant to this Act shall be formulated by the
24 Council, in coordination with the National Economic and Development Authority,
25 *provided*, that such a development strategy is consistent with the priorities of the national
26 government as outlined in the medium-term Philippine development plan.

27
28 **SEC 10. *Development Goals of the LDEZ.*** – The Council shall determine the
29 development goals of the LDEZ within the framework of national development plans,
30 policies, and goals. Upon approval, the Council shall submit LDEZ plans, programs, and
31 projects to the Regional Development Council for inclusion in the regional development
32 plan.

33
34 **SEC 11. *Fiscal Incentives.*** - All Legislative District Economic Zone (LDEZ) shall
35 be entitled to the existing pertinent fiscal incentives as provided for under Republic Act
36 No. 7916, as amended by Republic Act No. 8748, also known as the Special Economic
37 Zone Act of 1995, or those provided under Executive Order No. 226, as amended,
38 otherwise known as the Omnibus Investment Code of 1987.

1
2 **SEC 12. *Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned.***

3 – No taxes, local and national, shall be imposed on business establishments operating
4 within the LDEZ. In lieu thereof, said business establishments shall pay a five percent (5%)
5 final tax on their gross income earned in the following percentages:

- 6 (a) Three per centum (3%) to the National Government;
7 (b) One per centum (1%) to the host Province;
8 (c) One per centum (1%) to host city/municipality;
9

10 **SEC 13. *Incentive to Investors.*** – Any foreign national who invests an amount of
11 seventy-five thousand US dollars (US\$75,000.00), either in cash and/or equipment, in a
12 registered enterprise shall be entitled to an investor's visa: *Provided*, That he has the
13 following qualifications:

- 14 (a) He is at least eighteen (18) years of age;
15 (b) He has not been convicted of a crime involving moral turpitude;
16 (c) He is not afflicted with any loathsome, dangerous or contagious disease;
17 and
18 (d) He has not been institutionalized for any mental disorder or disability.
19

20 As a holder of investor's visa, an alien shall be entitled to reside in the Philippines while
21 his investment subsists. For this purpose, he should submit an annual report, the form duly
22 prescribed for the purpose, to prove that he has maintained his investment in the country,
23 should said alien withdraw his investments from the Philippines, then the investor's visa
24 issued to him shall automatically expire.
25

26 **SEC 14. *Administration, Implementation and Monitoring of Incentives.*** - For the
27 proper administration, implementation and monitoring of tax incentives provided under
28 this law, the following are herein mandated:

- 29 (a) The Council shall be responsible for the administration and
30 implementation of the incentives granted to its respective registered
31 enterprises. Among others, it shall adopt and implement systems and
32 procedures affecting trade and customs policies. The BOC shall set up and
33 establish a customs controlled area outside the gate of the Council to
34 facilitate payment of taxes on goods entering the Philippine customs
35 territory; and
36 (b) The Council shall likewise submit to DOF its annual tax expenditures
37 based on the tax incentives granted to its registered enterprises. The DOF,
38 for its part, shall create a single database of all incentives provided by the

governing authority. The DOF shall monitor the incentives granted and submit all annual reports to the President.

SEC. 15. *Extension of Period of Availment.* -The availment period of the incentives provided herein may be extended by the Council, in the event that the registered enterprise has suffered operational force majeure that has impaired its viability or any event equivalent thereto.

SEC. 16. *Duration of Incentives.* - Enterprises registered with LDEZ may enjoy the income tax holiday (ITH) or the net operating loss carryover (NOLCO) granted by the Council prior to the availment of the five percent (5%) gross income earned (GIE). 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. The industries exempted from this provision shall be determined by the Council.

SEC. 17. *Protection of Environment.* – The Council, in coordination with appropriate agencies, shall take concrete and appropriate steps and enact the proper measure for the protection of the local environment.

SEC. 18. *One-Stop-Shop Center.* – The Council shall establish a one-stop-shop center for the purpose of facilitating the registration of new enterprises in the LDEZ. Thus, all appropriate government agencies that are involved in registering, licensing, or issuing permits to investors shall assign their representatives to the LDEZ to attend to investors' requirements.

SEC. 19. *Exemption from DAR Land Use Conversion Clearance.* – All lands covered by the comprehensive agrarian reform program, duly designated for the establishment of economic zones under this act shall be exempted from the land use conversion clearance requirement of the Department of Agrarian Reform (DAR).

SEC. 20. *Banking Rules and Regulations.* - Existing banking laws and rules/regulations of the BSP shall apply to banks and financial institutions to be established in the LDEZ.

SEC. 21. *Remittances.* - In the case of foreign investments, a registered enterprise in the LDEZ shall have the right to remit earnings from the investment in the currency in

1 which the investment was originally made and at the exchange rate prevailing at the time
2 of remittance, subject to the provisions of Section 74 of Republic Act No. 265, as amended.

3
4 **SEC. 22. *Applicability Clause.*** - The provisions of Sections 30-41 of Republic Act
5 No. 7916, otherwise known as "The Special Economic Zone Act of 1995", as amended,
6 shall likewise apply to the LDEZ.

7 **SEC. 23. *Supervision and Control.*** – For the purposes of policy direction and
8 coordination, the Council shall be under the direct control and supervision of the Office of
9 the President of the Philippines.

10
11 **SEC. 24. *Relationship with the Local Government Units.*** – Except as herein
12 provided, the local government units comprising the LDEZ shall retain their basic
13 autonomy and identity. The cities shall be governed by their respective charters and the
14 municipalities shall operate and function in accordance with Republic Act No. 7160,
15 otherwise known as the Local Government Code of 1991.

16
17 **SEC. 25. *Relationship of the Council to Privately-Owned Industrial Estates.*** -
18 Privately-owned industrial estates shall retain their autonomy and independence and shall
19 be monitored by the Council for the implementation of incentives.

20
21 **SEC. 26. *Appropriation.*** – Upon the effectivity of this Act, any sum as may be
22 necessary to establish and operate the Council shall be included in the General
23 Appropriations Act to be treated as an equity of the national government.

24
25 Additional funding shall come from the following:

- 26 (a) The annual subsidies, appropriations and/or other assets of the
27 industrial estates and other economic areas that have been
28 absorbed/transferred to the Council as mandated in this Act;
29 (b) The proceeds from the rent of lands, buildings, and other properties
30 of the LDEZ concerned;
31 (c) The proceeds from fees, charges, and other revenue-generating
32 instruments which the Council is authorized to impose and collect
33 under this Act;
34 (d) The proceeds from bonds which the Council authorized to float both
35 domestic and abroad; and
36 (e) The advance rentals, license fees, and other charges which the
37 Council is authorized to impose under this Act and which an
38 investor is willing to advance payment for.

1
2 **SEC. 27. *Implementing Rules and Regulations.*** - The DTI, DILG, DOF, NEDA,
3 and PEZA shall formulate the implementing rules and regulations of this Act within ninety
4 (90) days after its approval. Such rules and regulations shall take effect fifteen (15) days
5 after their publication in a newspaper of general circulation in the Philippines.
6

7 **SEC. 28. *Separability Clause.*** - If any provision of this Act shall be held
8 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full
9 force and effect.
10

11 **SEC. 29. *Repealing Clause.*** - All laws, executive orders or issuances, or any part
12 thereof which are inconsistent herewith are hereby repealed or amended accordingly.
13

14 **SEC. 30. *Effectivity Clause.*** - This Act shall take effect upon its publication in at
15 least one (1) newspaper of general circulation.
16

17 *Approved,*