

Republic of the Philippines
House of Representatives
Quezon City



TWENTIETH (20th) CONGRESS
First Regular Session

HOUSE BILL NO. 1911

Introduced by: **Rep. MARIA VANESSA C. AUMENTADO**

EXPLANATORY NOTE

The Constitution mandates under Article II, Section 20, that, "*The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.*"

It is in this light that this bill seeks to establish a special economic zone in the Province of Bohol, specifically, the Northern Bohol Special Economic Zone in the Municipalities of Ubay, Talibon, Buenavista and Getafe, Bohol.

The towns of Ubay, Talibon, Buenavista and Getafe are located at the northern part of Bohol, bounded by Camotes Sea to the North, Bien Unido to East, Inabanga on the West and Talibon on the Northwest side of Bohol. These towns offers investors, local residents and foreigners a plethora of opportunities in agriculture, tourism, business and other trade investments.

The proposed measure also seeks to develop the afore mentioned municipalities into a decentralized, self-reliant and self-sustaining agro-industrial, commercial, financial, investment and tourism centers by attracting legitimate and productive local and foreign investments. Further, this bill seeks to generate multiplier industries to augment local government revenues. It will also afford employment opportunities for the local residents and its neighboring municipalities and city.

With the establishment of the Northern Bohol Ecozone, the vision for Ubay, Talibon, Buenavista and Getafe to become a more progressive agro-

industrial, tourists' haven and globally competitive local government units will soon be realized.

Worth mentioning is that this bill has been approved on Third Reading by the House of Representatives during the 19th Congress.

In view of the foregoing, immediate approval of this bill is earnestly sought.



MARIA VANESSA C. AUMENTADO
Bohol – Second (2nd) District

Republic of the Philippines
House of Representatives
Quezon City

TWENTIETH (20th) CONGRESS
First Regular Session

HOUSE BILL NO. 1911

Introduced by: **Rep. MARIA VANESSA C. AUMENTADO**

AN ACT ESTABLISHING A SPECIAL ECONOMIC ZONE IN THE PROVINCE OF BOHOL, CREATING FOR THE PURPOSE THE NORTHERN BOHOL SPECIAL ECONOMIC ZONE AUTHORITY, AND APPROPRIATING FUNDS THEREFOR

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

CHAPTER I
GENERAL PROVISIONS

SECTION 1. Short Title. – This Act shall be known as the “Northern Bohol Special Economic Zone Act.”

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

CHAPTER II
CREATION OF THE ECONOMIC ZONE

SEC. 3. Creation of the Special Economic Zone. – In pursuit of the foregoing declared policy and subject to the concurrence of the concerned local government units (LGUs) of Bohol affected by the zone, there is hereby established a special economic zone in the Municipalities of Ubay, Buenavista, Talibon and Getafe to be known as the Northern Bohol Special Economic Zone, hereinafter referred to as the Northern Bohol Ecozone. The specific metes and bounds of the Northern Bohol Ecozone shall be more particularly defined in a presidential proclamation that shall be issued for this purpose.

SEC. 4. Governing Principles. – The Northern Bohol Ecozone shall be managed and operated by the Northern Bohol Special Economic Zone Authority, hereinafter referred to as the NBEZA created under Section 5 of this Act, under the following principles:

- (a) Within the framework and limitations of the Constitution and the applicable provisions of the Local Government Code, the Northern Bohol Ecozone shall be developed into and operated as a decentralized, self-reliant and self-sustaining industrial, commercial/trading, agro-industrial, tourism, banking, financial and investment center with suitable residential areas;
- (b) The Northern Bohol 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 the Province of Bohol;
- (c) The Northern Bohol Ecozone 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) 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 Northern Bohol Ecozone, either by themselves or in joint venture with Filipinos in any sector of industry, international trade and commerce within the Northern Bohol Ecozone;

- (e) Goods and capital equipment including spare parts are subject to the tax incentives provided under Title XIII of the National Internal Revenue Code (NIRC) of 1997, as amended;
- (f) The areas comprising the Northern Bohol Ecozone may be expanded or reduced when necessary. For this purpose, the Northern Bohol Ecozone, 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 Northern Bohol Ecozone for the following purposes: (1) consolidation of lands for the Northern Bohol Ecozone development; (2) acquisition of right-of-way to the Northern Bohol Ecozone; and (3) the protection of watershed areas and natural assets valuable to the prosperity of the Northern Bohol Ecozone;
- (g) Goods manufactured by a Northern Bohol Ecozone 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 NBEZA, together with the PEZA, the Bureau of Customs (BoC) and the DTI in accordance with the NIRC of 1997, as amended, and the Tariff and Customs Code of the Philippines, as amended. However, in order to protect domestic industries, a Negative List of industries shall be drawn up and regularly updated by the PEZA. Enterprises engaged in industries included in such Negative List shall not be allowed to sell their products locally; and
- (h) The defense of the Northern Bohol Ecozone and the security of its perimeter fence shall be the responsibility of the national government in coordination with the Northern Bohol Ecozone and the LGUs. For this purpose, a special defense team shall be organized to define its power, duties and responsibilities.

CHAPTER III

GOVERNING STRUCTURES

SEC. 5. *Creation of the Northern Bohol Special Economic Zone Authority.* – There is hereby created a body corporate to be known as the

Northern Bohol Special Economic Zone Authority, hereinafter referred to as the NBEZA, which shall manage and operate the Northern Bohol Ecozone 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. It shall be organized within one hundred eighty (180) days after the effectivity of this Act.

SEC. 6. Capitalization. The NBEZA shall have an authorized capital stock of two billion (2,000,000,000) no- par shares with a minimum issue of Ten Pesos (P10.00) each, the majority shares of which shall be subscribed and paid for by the national government and the LGUs embracing the Northern Bohol Ecozone. The Board of Directors of the NBEZA may, with the written concurrence of the Secretary of Finance, sell shares, representing not more than *forty per centum* (40%) of the capital stock of the NBEZA to the general public under such policy as the Board and the Secretary of Finance may determine. The national government and the LGUs shall, in no case, own less than *sixty per centum* (60%) of the total issued and outstanding capital of the NBEZA.

The amount necessary to subscribe and pay for the shares of the national government to the capital stock of the NBEZA shall be included in the annual General Appropriations Act. For LGUs, the funds shall be taken from their internal revenue allotment and other local funds.

SEC. 7. Principal Office of the NBEZA. – The NBEZA shall maintain its principal office in the Municipality of Ubay, Bohol, 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 NBEZA. -The NBEZA shall have the following functions:

- (a) Operate, administer, manage and develop the Northern Bohol Ecozone according to the principles and provisions set forth in this Act;
- (b) Recommend to the President of the Philippines the issuance of a proclamation to fix and delimit the site of the Northern Bohol Ecozone;

(c) Register, regulate and supervise the enterprises in the Northern Bohol Ecozone in an efficient and decentralized manner, subject to existing laws;

(d) Coordinate with LGUs and exercise general supervision over the development plans, activities and operations of the Northern Bohol Ecozone;

(e) Authorize or undertake, on its own or through others, and regulate the establishment, operation and maintenance of public utilities, services, and infrastructure in the Northern Bohol Special Economic Zone such as shipping, barging, stevedoring, cargo handling, hauling, warehousing, storage of cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, bridges, terminals, conveyors, water supply and storage, sewerage, drainage, airport operations in coordination with the Civil Aeronautics Board, and such other services or concessions or infrastructure necessary or incidental to the accomplishment of the objectives of this Act:

(f) Regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in the Northern Bohol Ecozone such as, but not limited to, heat, light and power, water supply, telecommunications, transport, toll roads and bridges, port services, etc. and to fix just, reasonable and competitive rates, fares, charges and prices thereof;

(g) 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, the Build-Operate-Transfer Law, as amended, or joint venture, adequate facilities and infrastructure required or needed for the operation and development of the Northern Bohol Ecozone, in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;

(h) Operate on its own, either directly or through licenses to others, tourism-related activities and sports facilities, such as golf courses and others, under priorities and standards set by NBEZA;

- (i)** Subject to the approval of the President of the Philippines and the Monetary Board of the Bangko Sentral ng Pilipinas (BSP), upon the recommendation of the Department of Finance (DOF), 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 or part of its property or assets;
- (j)** Provide security for the Northern Bohol Ecozone in coordination with the national and local governments. Military forces sent by the national government for the purpose of defense shall not interfere in the internal affairs of the Northern Bohol Ecozone and expenditures for these military forces shall be borne by the national government. For this purpose, the NBEZA may establish and maintain its security forces and firefighting capability or hire others to provide the same;
- (k)** Protect, preserve, maintain and develop the forests, beaches, coral and coral reefs, and maintain ecological balance within the Northern Bohol Ecozone;
- (l)** Create, operate and/or contract to operate such functional units or offices of the NBEZA as it may deem necessary;
- (m)** 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;
- (n)** Issue certificates of origin for products manufactured or processed in the Northern Bohol Ecozone in accordance with prevailing rules of origin and the pertinent regulations of the PEZA, the DTI and/or the DOF;
- (o)** Issue working visas renewable every two (2) years to foreign executives and foreign technicians with highly specialized skills which no Filipino possesses, as certified by the Department of Labor and Employment (DOLE);
- (p)** Report to the Bureau of Immigration (BI) the names of the foreigners who have been granted permanent resident status and working visas within thirty (30) days after issuance of such grant;

(q) Exercise such powers as may be essential, necessary or incidental to the powers granted to it as well as those that shall enable it to carry out, implement and accomplish the purposes, objectives and policies, of this Act; and

(r) Issue rules and regulations consistent with the provisions of this Act as may be necessary to accomplish and implement the policies, purposes, and objectives provided herein.

SEC. 9. Board of Directors. – The powers of the NBEZA 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) The Chairperson who shall, at the same time, be the administrator of the NBEZA;

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

(c) The members who shall consist of:

(1) The governor of the Province of Bohol;

(2) The mayors of the municipalities of Ubay, Buenavista, Talibon and Getafe;

(3) One (1) representative from the domestic investors;

(4) One (1) representative from the foreign investors;

(5) One (1) representative from among the workers in the Northern Bohol Ecozone.

The governor and the mayors of the municipalities of Ubay, Buenavista, Talibon and Getafe shall serve as *ex officio* members of the Board, whose terms in the Board correspond to their terms of office.

The Chairperson-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, 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 labor sectors, no person shall be appointed by the President of the Philippines as a member of

the Board unless one is 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, except the *ex officio* members, shall each receive *per diem* at rates to be determined by the Department of Budget and Management in accordance with existing rules and regulations: *Provided, however,* That the total *per diem* collected each month shall not exceed the equivalent *per diem* 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.

SEC. 10. Powers and Duties of the Chairperson –Administrator.-

The Chairperson-Administrator shall have the following powers and duties:

- (a) Direct and manage the affairs of the NBEZA in accordance with the policies of the Board;
- (b) Establish the internal organization of the NBEZA under such conditions that the Board may prescribe;
- (c) Submit an annual budget and necessary supplemental budget to the Board for approval;
- (d) 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;
- (e) Submit to the Board for its approval policies, systems, procedures, rules and regulations that are essential to the operation of the Northern Bohol Ecozone;
- (f) 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; and
- (g) Perform such other duties as may be assigned by the Board or which are necessary or incidental to the office.

SEC. 11. *Organization and Personnel.* - The Board of Directors of the NBEZA shall provide for its organization and staff. Upon the recommendation of the chairperson-administrator, the Board shall appoint and fix the remuneration and other emoluments of its officers and employees in accordance with existing laws on compensation and position classification: *Provided,* That the Board shall have exclusive and final authority to promote, transfer, assign or reassign officers of the NBEZA, any provision of existing law to the contrary notwithstanding: *Provided, further,* That the chairperson-administrator may carry out removal of such officers and employees.

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

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

SEC. 12. *Legal Counsel.* - The NBEZA shall have its own internal legal counsel who shall be under the supervision of the Government Corporate Counsel. When the exigencies of its businesses and operations demand it, the NBEZA may engage the services of an outside counsel either on a case to case or on a fixed retainer basis.

CHAPTER IV

INCENTIVES TO ECOZONE ENTERPRISES AND INVESTORS

Sec. 13. *Incentives to Registered Enterprises.* - Registered enterprises of the NBEZA may be entitled to pertinent fiscal incentives granted under Title XIII (Tax Incentives) of the National Internal Revenue Code of 1997, as amended.

The NBEZA shall likewise provide the following incentives to registered enterprises located therein to the extent of the activity/project:

(a) **Tax treatment of the Goods and Services.** - The treatment of goods and services in the Northern Bohol Ecozone shall be as follows:

- (1) **Tax Treatment of Merchandize.** – The free trade/Freeport zone shall be operated and managed as a separate customs territory ensuring free flow or movement of goods within, into and exported out of the free trade/freeport zone. Importation of raw materials and capital equipment are tax and duty free. However, exportations or removal of goods from the free trade/Freeport zone to the other parts of the Philippine territory shall be subject to customs and internal revenue regulations:
- (i) Merchandize purchased by a registered Northern Bohol Ecozone enterprise, from the customs territory and subsequently brought into the export processing zone, shall be considered as export sales and exportation thereof shall be entitled to the benefits allowed by law for such transaction;
 - (ii) Domestic merchandize sent from the Northern Bohol Ecozone 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 consumers;
 - (iii) Merchandize sent from the Northern Bohol Ecozone to the customary 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 based on the value of said imported materials, except when the final product is exempt;
 - (iv) Articles produced or manufactured in the Northern Bohol Ecozone 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; and

- (v) Unless the contrary is shown, merchandise taken out of the export processing zone shall be considered for tax purposes to have been sent to customs territory.

(2) Tax Treatment of Services –

- (i) Sale of services by an entity from the customs territory to a registered ecozone or free trade enterprise, or by another ecozone or freeport enterprise to another ecozone or freeport enterprise shall be treated as indirect export and, hence, entitled to the benefits allowed by law for such transaction; and
- (ii) Sale or service by a registered ecozone or Freeport enterprise to the customs territory shall be subject to applicable internal revenue laws and regulations.

(b) **Bonded Warehousing System.** – Registered export-oriented enterprise shall have access to the utilization of the bonded warehousing system in accordance with the rules and regulations of the BoC.

(c) **Employment of Foreign Nationals.** – Subject to the provisions of Section 29 of Commonwealth Act No. 613, otherwise known as "*The Philippine Immigration Act of 1940*", as amended, a registered enterprise may employ foreign nationals in supervisory or technical positions for a period not exceeding ten (10) years from its registration. *Provided*, That when the majority of the capital stock of a registered enterprise is owned by foreign investors, the positions of the president, treasurer, and general manager or their equivalents may be retained by foreign nationals beyond the period set forth herein and such officer is the owner or a stockholder owning at least ten percent (10%) of the outstanding capital stock of the registered enterprise and shall retain the owner or maintains the stockholdings therein.

Foreign nationals under employment contract within the purview of this incentive, their spouses and unmarried children under twenty one (21) years of age, who are not excluded by Section 29 of Commonwealth Act 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 multiple-entry visas, renewal every two (2) years, and shall be allowed to enter and leave the Philippines without further documentary requirements other than valid passports or other travel documents in the nature of passports.

The foreign nationals admitted herein, as well as their respective spouses and dependents, shall be exempt from: (i) obtaining alien certificates of registration and emigration clearance certificates; and (ii) securing the alien employment permits (AEP) and all types of clearances, permits, licenses or their equivalents required by any government department or agency.

SEC. 14. Incentive to Investors. – Any foreign national covered under subsection (c) of Section 14 of this Act, who invests an amount of One Hundred Fifty Thousand US Dollars (US\$150,000.00), either in cash and/or equipment, in a registered enterprise shall be entitled to an investor's visa: *Provided, That, the investor*

- (a) is at least eighteen (18) years of age;
 - (b) has not been convicted of a crime involving moral turpitude;
 - (c) is not afflicted with any loathsome, dangerous or contagious disease; and
 - (d) has not been institutionalized for any mental disorder or disability;
- Provided, further, That in securing the investor's visa, the alien-applicant shall be entitled to the same privileges provided for under Section 16(c), last paragraph.*

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

SEC. 15. Tax Exemptions. – All donations made by any person or entity in favor of the NBEZA shall be exempt from the payment of the donor's tax and

the same shall be considered as deductible from the gross income of the donor, pursuant to the NIRC of 1997, as amended.

SEC. 16. *Banking Rules and Regulations.* – Banks and financial institutions to be established in the Northern Bohol Ecozone shall be under the supervision of the BSP and shall be subject to existing banking laws, rules and regulations.

SEC. 17. *Remittance of Earnings.* - In the case of foreign investments, a registered enterprise in the NBEZA shall have the right to 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, as amended.

CHAPTER V

NATIONAL GOVERNMENT AND OTHER ENTITIES

SEC. 18. *Interpretation/Construction.* – The powers, authorities and functions that are vested in the NBEZA are intended to decentralize governmental functions and authority and promote an efficient and effective working relationship among the Northern Bohol Ecozone, the national government and the LGUs.

SEC. 19. *Supervision and Coordination of Development Plans.* – For purposes of policy direction and coordination, the Northern Bohol Ecozone shall be under the direct control and supervision of the Office of the President of the Philippines. *Provided,* That the grant of fiscal incentives shall be subject to the provisions of Title XIII of the National Internal Revenue Code of 1987, as amended.

SEC. 20. *Authority of the Bureau of Customs to Examine the Entry and Exit of Imported Articles in the Northern Bohol Economic Zone.* - The BoC, in coordination with the appropriate government agencies such as, but not limited to, the Departments of Trade and Industry, Agriculture, Transportation, Information and Communications Technology,

and Health shall have the authority to examine the entry and exit of imported articles in the Northern Bohol Special Economic Zone for the purpose of determining: (i) the quantity and description of subject imported articles, and (ii) the compliance with the sanitary and agricultural requirements.

SEC. 21. *Relationship with the Regional Development Council.* – The NBEZA shall determine the development goals for the Northern Bohol Ecozone within the framework of national development plans, policies and goals. The administrator shall, upon approval by the Board, submit the Northern Bohol Ecozone plans, programs and projects to the Regional Development Council for inclusion and inputs to the overall regional development plan.

SEC. 22. *Relationship with LGUs.* – Except as herein provided, the LGUs comprising the Northern Bohol Ecozone shall retain their basic autonomy and identity. The municipalities of Ubay, Talibon, Buenavista and Getafe shall operate and function in accordance with the Local Government Code of 1991. In case of any conflict among the NBEZA and the municipalities of Ubay, Buenavista, Talibon and Getafe on matters affecting the Northern Bohol Ecozone other than defense and security matters, the decision of the NBEZA shall prevail.

SEC. 23. *Auditing.* – The Commission on Audit shall appoint a representative who shall be a full-time auditor of the NBEZA and assign such number of personnel as may be necessary to assist said representative in the performance of his/her duties. The salaries and emoluments of the assigned auditor and personnel shall be in accordance with pertinent laws, rules and regulations.

CHAPTER VI. MISCELLANEOUS

SEC. 24. *Applicability Clause.* – The provisions of Sections 30 to 41 of Republic Act No. 7916, otherwise known as “The Special Economic Zone

Act of 1995", as amended, on leases of lands and buildings, land conversion, shipping and shipping register, protection of the environment, termination of business, registration of business enterprise, one-stop shop center, and on industrial harmony in the ecozones shall apply to the NBZE.

SEC. 25. *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.

SEC. 26. *Repealing Clause.* – All laws, executive orders or issuances, or any part thereof which are inconsistent herewith are hereby repealed or amended accordingly.

SEC. 27. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a national newspaper of general circulation.

Approved,