

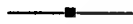
H. No. 14295

S. No. 1061

Republic of the Philippines
Congress of the Philippines
Metro Manila

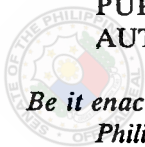
Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-fifth day of July, nineteen hundred and ninety-four.



[REPUBLIC ACT NO. 7916]

AN ACT PROVIDING FOR THE LEGAL FRAMEWORK AND MECHANISMS FOR THE CREATION, OPERATION, ADMINISTRATION, AND COORDINATION OF SPECIAL ECONOMIC ZONES IN THE PHILIPPINES, CREATING FOR THIS PURPOSE, THE PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA), AND FOR OTHER PURPOSES



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

CHAPTER I

PURPOSES AND OBJECTIVES; ESTABLISHMENT AND NATURE OF SPECIAL ECONOMIC ZONES; COORDINATION WITH OTHER SIMILAR SCHEMES

SECTION 1. *Title.* - This Act shall be known and cited as "The Special Economic Zone Act of 1995."

SEC. 2. Declaration of Policy. - It is the declared policy of the government to translate into practical realities the following State policies and mandates in the 1987 Constitution, namely:

(a) "The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments." (Sec. 20, Art. II)

(b) "The State shall promote the preferential use of Filipino labor, domestic materials and locally produced goods, and adopt measures that help make them competitive." (Sec. 12, Art. XII)

In pursuance of these policies, the government shall actively encourage, promote, induce and accelerate a 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 their productivity and their individual and family income, and thereby improve the level and quality of their living condition through the establishment, among others, of special economic zones in suitable and strategic locations in the country and through measures that shall effectively attract legitimate and productive foreign investments.

SEC. 3. Purposes, Intents and Objectives. - It is the purpose, intent and objective of this Act:

(a) To establish the legal framework and mechanisms for the integration, coordination, planning and monitoring of special economic zones, industrial estates/parks, export processing zones and other economic zones;

(b) To transform selected areas in the country into highly developed agro-industrial, industrial, commercial, tourist, banking, investment, and financial centers, where highly trained workers and efficient services will be available to commercial enterprises;

(c) To promote the flow of investors, both foreign and local, into special economic zones which would generate employment opportunities and establish backward and forward linkages among industries in and around the economic zones;

(d) To stimulate the repatriation of Filipino capital by providing attractive climate and incentives for business activity;

(e) To promote financial and industrial cooperation between the Philippines and industrialized countries through technology-intensive industries that will modernize the country's industrial sector and improve productivity levels by utilizing new technological and managerial know-how; and

(f) To vest the special economic zones on certain areas thereof with the status of a separate customs territory within the framework of the Constitution and the national sovereignty and territorial integrity of the Philippines.

SEC. 4. *Definition of Terms.* - For purposes of this Act, the following definitions shall apply to the following terms:

(a) "Special economic zones (SEZ)" - hereinafter referred to as the ECOZONES, are selected areas with highly developed or which have the potential to be developed into agro-industrial, industrial, tourist/recreational, commercial, banking, investment and financial centers. An ECOZONE may contain any or all of the following: industrial estates (IEs), export processing zones (EPZs), free trade zones, and tourist/recreational centers.

(b) "Industrial estate (IE)" - refers to a tract of land subdivided and developed according to a comprehensive plan under a unified continuous management and with provisions for basic infrastructure and utilities, with or without pre-built standard factory buildings and community facilities for the use of the community of industries.

(c) "Export processing zone (EPZ)" - a specialized industrial estate located physically and/or administratively outside customs territory, predominantly oriented to export production. Enterprises located in export processing zones are allowed to import capital equipment and raw materials free from duties, taxes and other import restrictions.

(d) "Free trade zone" - an isolated policed area adjacent to a port of entry (as a seaport) and/or airport where imported goods may be unloaded for immediate transshipment or stored, repacked, sorted, mixed, or otherwise manipulated without being subject to import duties. However, movement of these imported goods from the free-trade area to a non-free-trade area in the country shall be subject to import duties.

Enterprises within the zone are granted preferential tax treatment and immigration laws are more lenient.

SEC. 5. Establishment of ECOZONES. – To ensure the viability and geographic dispersal of ECOZONES through a system of prioritization, the following areas are initially identified as ECOZONES, subject to the criteria specified in Section 6:

(a) So much as may be necessary of that portion of Morong, Hermosa, Dinalupihan, Orani, Samal, and Abucay in the Province of Bataan;

(b) So much as may be necessary of that portion of the municipalities of Ibaan, Rosario, Taysan, San Jose, San Juan, and cities of Lipa and Batangas;

(c) So much as may be necessary of that portion of the City of Cagayan de Oro in the Province of Misamis Oriental;

(d) So much as may be necessary of that portion of the City of Iligan in the Province of Lanao del Norte;

(e) So much as may be necessary of that portion of the Province of Sarangani;

(f) So much as may be necessary of that portion of the City of Laoag in the Province of Ilocos Norte;

(g) So much as may be necessary of that portion of Davao City and Samal Island in the Province of Davao del Norte;

(h) So much as may be necessary of that portion of Oroquieta City in the Province of Misamis Occidental;

(i) So much as may be necessary of that portion of Tubalan Cove, Malita in the Province of Davao del Sur;

(j) So much as may be necessary of that portion of Baler, Dinalungan and Casiguran including its territorial waters and islets and its immediate environs in the Province of Aurora;

(k) So much as may be necessary of that portion of cities of Naga and Iriga in the Province of Camarines Sur, Legaspi and

Tabaco in the Province of Albay, and Sorsogon in the Province of Sorsogon;

(l) So much as may be necessary of that portion of Batan Island in the Province of Batanes;

(m) So much as may be necessary of that portion of Lapulapu in the Island of Mactan, and the municipalities of Balamban and Pinamungahan and the cities of Cebu and Toledo and the Province of Cebu, including its territorial waters and islets and its immediate environs;

(n) So much as may be necessary of that portion of Tacloban City;

(o) So much as may be necessary of that portion of the Municipality of Barugo in the Province of Leyte;

(p) So much as may be necessary of that portion of the Municipality of Buenavista in the Province of Guimaras;

(q) So much as may be necessary of that portion of the municipalities of San Jose de Buenavista, Hamtic, Sibalom, and Culasi in the Province of Antique;

(r) So much as may be necessary of that portion of the municipalities of Catarman, Bobon and San Jose in the Province of Northern Samar, the Island of Samar;

(s) So much as may be necessary of that portion of the Municipality of Ternate and its immediate environs in the Province of Cavite;

(t) So much as may be necessary of that portion of Polloc, Parang in the Province of Maguindanao;

(u) So much as may be necessary of that portion of the Municipality of Boac in the Province of Marinduque;

(v) So much as may be necessary of that portion of the Municipality of Pitogo in the Province of Zamboanga del Sur;

(w) So much as may be necessary of that portion of

Dipolog City-Manukan Corridor in the Province of Zamboanga del Norte;

(x) So much as may be necessary of that portion of Mambajao, Camiguin Province;

(y) So much as may be necessary of that portion of Infanta, Real, Polillo, Alabat, Atimonan, Mauban, Tiaong, Pagbilao, Mulanay, Tagkawayan, and Dingalan Bay in the Province of Quezon;

(z) So much as may be necessary of that portion of Butuan City and the Province of Agusan del Norte, including its territorial waters and islets and its immediate environs;

(aa) So much as maybe necessary of that portion of Roxas City including its territorial waters and islets and its immediate environs in the Province of Capiz;

(bb) So much as may be necessary of that portion of San Jacinto, San Fabian, Mangaldan, Lingayen, Sual, Dagupan, Alaminos, Manaoag, Binmaley in the Province of Pangasinan;

(cc) So much as may be necessary of that portion of the autonomous region;

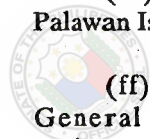
(dd) So much as may be necessary of that portion of Masinloc, Candelaria, and Sta. Cruz in the Province of Zambales;

(ee) So much as may be necessary of that portion of the Palawan Island;

(ff) So much as may be necessary of that portion of General Santos City in South Cotabato and its immediate environs;

(gg) So much as may be necessary of that portion of Dumaguete City and Negros Oriental, including its territorial waters and islets and its immediate environs;

(hh) So much as may be necessary of that portion of the Province of Ilocos Sur;



(ii) So much as may be necessary of that portion of the Province of La Union;

(jj) So much as may be necessary of that portion of the Province of Laguna, including its territorial waters and its immediate environs;

(kk) So much as may be necessary of that portion of the Province of Rizal;

(ll) All existing export processing zones and government-owned industrial estates; and

(mm) Any private industrial estate which shall voluntarily apply for conversion into an ECOZONE.

These areas shall be developed through any of the following schemes:

(i) Private initiative;

(ii) Local government initiative with the assistance of the national government; and

(iii) National government initiative.

The metes and bounds of each ECOZONE are to be delineated and more particularly described in a proclamation to be issued by the President of the Philippines, upon the recommendation of the Philippine Economic Zone Authority (PEZA), which shall be established under this Act, in coordination with the municipal and/or city council, National Land Use Coordinating Committee and/or the Regional Land Use Committee.

SEC. 6. Criteria for the Establishment of Other ECOZONES.

- In addition to the ECOZONES identified in Section 5 of this Act, other areas may be established as ECOZONES in a proclamation to be issued by the President of the Philippines subject to the evaluation and recommendation of the PEZA, based on a detailed feasibility and engineering study which must conform to the following criteria:

(a) The proposed area must be identified as a regional growth center in the Medium-Term Philippine Development Plan or by the Regional Development Council;

(b) The existence of required infrastructure in the proposed ECOZONE, such as roads, railways, telephones, ports, airports, etc., and the suitability and capacity of the proposed site to absorb such improvements;

(c) The availability of water source and electric power supply for use of the ECOZONE;

(d) The extent of vacant lands available for industrial and commercial development and future expansion of the ECOZONE as well as of lands adjacent to the ECOZONE available for development of residential areas for the ECOZONE workers;

(e) The availability of skilled, semi-skilled and non-skilled trainable labor force in and around the ECOZONE;

(f) The area must have a significant incremental advantage over the existing economic zones and its potential profitability can be established;

(g) The area must be strategically located; and

(h) The area must be situated where controls can easily be established to curtail smuggling activities.

Other areas which do not meet the foregoing criteria may be established as ECOZONES: *Provided*, That the said area shall be developed only through local government and/or private sector initiative under any of the schemes allowed in Republic Act No. 6957 (the build-operate-transfer law), and without any financial exposure on the part of the national government: *Provided, further*, That the area can be easily secured to curtail smuggling activities: *Provided, finally*, That after five (5) years the area must have attained a substantial degree of development, the indicators of which shall be formulated by the PEZA.

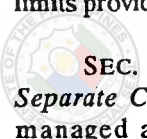
SEC. 7. ECOZONE to be a Decentralized Agro-Industrial, Industrial, Commercial/Trading, Tourist, Investment and Financial Community. - Within the framework of the Constitution, the

interest of national sovereignty and territorial integrity of the Republic, the ECOZONE shall be developed, as much as possible, into a decentralized, self-reliant and self-sustaining industrial, commercial/trading, agro-industrial, tourist, banking, financial and investment center with minimum government intervention. Each ECOZONE shall be provided with transportation, telecommunications, and other facilities needed to generate linkage with industries and employment opportunities for its own inhabitants and those of nearby towns and cities.

The ECOZONE shall administer itself on economic, financial, industrial, tourism development and such other matters within the exclusive competence of the national government.

The ECOZONE may establish mutually beneficial economic relations with other entities within the country, or, subject to the administrative guidance of the Department of Foreign Affairs and/or the Department of Trade and Industry, with foreign entities or enterprises.

Foreign citizens and companies owned by non-Filipinos in whatever proportion may set up enterprises in the ECOZONE, either by themselves or in joint venture with Filipinos in any sector of industry, international trade and commerce within the ECOZONE. Their assets, profits and other legitimate interests shall be protected: *Provided*, That the ECOZONE through the PEZA may require a minimum investment for any ECOZONE enterprise in freely convertible currencies: *Provided, further*, That the new investment shall fall under the priorities, thrusts and limits provided for in this Act.



SEC. 8. ECOZONE to be Operated and Managed as Separate Customs Territory. - The ECOZONES shall be managed and operated by the PEZA as separate customs territory.

The PEZA is hereby vested with the authority to issue certificates of origin for products manufactured or processed in each ECOZONE in accordance with the prevailing rules of origin, and the pertinent regulations of the Department of Trade and Industry and/or the Department of Finance.

SEC. 9. Defense and Security. - The defense of the ECOZONE and the security of its perimeter fence shall be the

responsibility of the national government in coordination with the PEZA. Military forces sent by the national government for the purpose of defense shall not interfere in the internal affairs of any of the ECOZONE and expenditure for these military forces shall be borne by the national government. The PEZA may provide and establish the ECOZONES' internal security and firefighting forces.

SEC. 10. *Immigration.* - Any investor within the ECOZONE whose initial investment shall not be less than One hundred fifty thousand dollars (\$150,000), his/her spouse and dependent children under twenty-one (21) years of age shall be granted permanent resident status within the ECOZONE. They shall have freedom of ingress and egress to and from the ECOZONE without any need of special authorization from the Bureau of Immigration.

The PEZA shall issue working visas renewable every two (2) years to foreign executives and other aliens, possessing highly-technical skills which no Filipino within the ECOZONE possesses, as certified by the Department of Labor and Employment. The names of aliens granted permanent resident status and working visas by the PEZA shall be reported to the Bureau of Immigration within thirty (30) days after issuance thereof.

CHAPTER II

GOVERNING STRUCTURES

SEC. 11. *The Philippine Economic Zone Authority (PEZA) Board.* - There is hereby created a body corporate to be known as the Philippine Economic Zone Authority (PEZA) attached to the Department of Trade and Industry. The Board shall have a director general with the rank of a department undersecretary who shall be appointed by the President. The director general shall be at least forty (40) years of age, of proven probity and integrity, and with a degree in economics, business, public administration, law, management or its equivalent.

The director general shall be assisted by three (3) deputy directors general each for policy and planning, administration and operations, who shall be appointed by the PEZA Board, upon the recommendation of the director general. The deputy directors

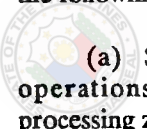
general shall be at least thirty-five (35) years old, with proven probity and integrity and with a degree in economics, business, public administration, law, management or its equivalent. They must have career executive service eligibility.

The Board shall be composed of the director general as *ex officio* chairman with eight (8) members as follows: the Secretaries or their representatives of the Department of Trade and Industry, the Department of Finance, the Department of Labor and Employment, the Department of the Interior and Local Government, the National Economic and Development Authority, and the *Bangko Sentral ng Pilipinas*, one (1) representative from the labor sector, and one (1) representative from the investors/business sector in the ECOZONE.

The existing Export Processing Zone Authority (EPZA) created under Presidential Decree No. 66 shall evolve into the PEZA in accordance with the guidelines and regulations set forth in an executive order issued for this purpose.

Members of the Board shall receive a *per diem* of not less than the amount equivalent to the representation and transportation allowances of the members of the Board and/or as may be determined by the Department of Budget and Management: *Provided, however*, That the *per diem* collected per month does not exceed the equivalent of four (4) meetings.

SEC. 12. *Functions and Powers of PEZA Board.* - The Philippine Economic Zone Authority (PEZA) Board shall have the following functions and powers:



(a) Set the general policies on the establishment and operations of the ECOZONES, industrial estates, export processing zones, free trade zones, and the like;

(b) Review proposals for the establishment of ECOZONES based on the set criteria under Section 6 and endorse to the President the establishment of the ECOZONES, industrial estates, export processing zones, free trade zones and the like. Thereafter, it shall facilitate and assist in the organization of said entities;

(c) Regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in

the ECOZONE, such as 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 fees therefor;

(d) Approve the annual budget of the PEZA and the ECOZONE development plans;

(e) Issue rules and regulations to implement the provisions of this Act insofar as its powers and functions are concerned;

(f) Exercise its powers and functions as provided for in this Act; and

(g) Render annual reports to the President and the Congress.

SEC. 13. *General Powers and Functions of the Authority.* – The PEZA shall have the following powers and functions:

(a) To operate, administer, manage and develop the ECOZONE according to the principles and provisions set forth in this Act;

(b) To register, regulate and supervise the enterprises in the ECOZONE in an efficient and decentralized manner;

(c) To coordinate with local government units and exercise general supervision over the development, plans, activities and operations of the ECOZONES, industrial estates, export processing zones, free trade zones, and the like;

(d) In coordination with local government units concerned and appropriate agencies, to construct, acquire, own, lease, operate and maintain on its own or through contract, franchise, license, bulk purchase from the private sector and build-operate-transfer scheme or joint venture, adequate facilities and infrastructure, such as light and power systems, water supply and distribution systems, telecommunications and transportation, buildings, structures, warehouses, roads, bridges, ports and other facilities for the operation and development of the ECOZONE;

(e) To create, operate and/or contract to operate such

agencies and functional units or offices of the authority as it may deem necessary;

(f) To adopt, alter and use a corporate seal; make contracts, lease, own or otherwise dispose of personal or real property; sue and be sued; and otherwise carry out its duties and functions as provided for in this Act;

(g) To coordinate the formulation and preparation of the development plans of the different entities mentioned above;

(h) To coordinate with the National Economic and Development Authority (NEDA), the Department of Trade and Industry (DTI), the Department of Science and Technology (DOST), and the local government units and appropriate government agencies for policy and program formulation and implementation; and

(i) To monitor and evaluate the development and requirements of entities in subsection (a) and recommend to the local government units or other appropriate authorities the location, incentives, basic services, utilities and infrastructure required or to be made available for said entities.

SEC. 14. Powers and Functions of the Director General. -

The director general shall be the overall coordinator of the policies, plans and programs of the ECOZONES. As such, he shall provide overall supervision over and general direction to the development and operations of these ECOZONES. He shall determine the structure and the staffing pattern and personnel complement of the PEZA and establish regional offices, when necessary, subject to the approval of the PEZA Board.

In addition, he shall have the following specific powers and responsibilities:

(a) To safeguard all the lands, buildings, records, monies, credits and other properties and rights of the ECOZONE;

(b) To ensure that all revenues of the ECOZONE are collected and applied in accordance with its budget;

(c) To ensure that the investors/firms and employees of the ECOZONES are properly discharging their respective duties;

(d) To give such information and recommend such measures to the Board, as he shall deem advantageous to the ECOZONE;

(e) To submit to the Board, the ongoing and proposed projects, work and financial program, annual budget of receipts, and expenditures of the ECOZONE;

(f) To represent the ECOZONE in all its business matters and sign on its behalf after approval of the Board, all its bonds, borrowings, contracts, agreements and obligations made in accordance with this Act;

(g) To acquire jurisdiction, as he may deem proper, over the protests, complaints, and claims of the residents and enterprises in the ECOZONE concerning administrative matters;

(h) To recommend to the Board the grant, approval, refusal, amendment or termination of the ECOZONE franchises, licenses, permits, contracts, and agreements in accordance with the policies set by the Board;

(i) To require owners of houses, buildings or other structures constructed without the necessary permit whether constructed on public or private lands, to remove or demolish such houses, buildings, structures within sixty (60) days after notice and upon failure of such owner to remove or demolish such house, building or structure within said period, the director general or his authorized representative may summarily cause its removal or demolition at the expense of the owner, any existing law, decree, executive order and other issuances or part thereof to the contrary notwithstanding;

(j) To take such emergency measures as may be necessary to avoid fires, floods and mitigate the effects of storms and other natural or public calamities;

(k) To prepare and make out plans for the physical and economic development of the ECOZONE, including zoning and land subdivision, and issue such rules and regulations which shall be submitted to the Board for its approval; and

(l) To perform such other duties and exercise such powers

as may be prescribed by the Board, and to implement the policies, rules and regulations set by the PEZA.

SEC. 15. Administration of Each ECOZONE. - Each ECOZONE shall be organized, administered, managed and operated by the ECOZONE executive committee composed of the following:

(a) The administrator who shall be appointed by the PEZA Board upon recommendation of the director general; and

(b) One (1) deputy administrator to be appointed by the Board upon recommendation of the director general.

An ECOZONE advisory body shall be created with the following members:

(1) The president of the association of investors in the ECOZONE;

(2) The governor of the province where the ECOZONE is located;

(3) The mayor/s of the municipality/ies or city/ies where the ECOZONE is located;

(4) The president of an accredited labor union in the ECOZONE;

(5) The representative of the business sector in the periphery of the ECOZONE; and

(6) The representative of the PEZA.

The ECOZONE advisory body shall have the following functions:

(i) Advise the ECOZONE management on matters pertaining to policy initiatives; and

(ii) Assist the ECOZONE management in settling problems arising between labor and any enterprise in the ECOZONE.

SEC. 16. *Salary and Other Emoluments.* – The salary of the director general shall be in accordance with the revised compensation and position classification system.

SEC. 17. *Investigation and Inquiries.* – Upon a written formal complaint made under oath, which on its face provides reasonable basis to believe that some anomaly or irregularity might have been committed, the PEZA or the administrator of the ECOZONE concerned, shall have the power to inquire into the conduct of firms or employees of the ECOZONE and to conduct investigations, and for that purpose may *subpoena* witnesses, administer oaths, and compel the production of books, papers, and other evidences: *Provided*, That to arrive at the truth, the investigator(s) may grant immunity from prosecution to any person whose testimony or whose possessions of documents or other evidence is necessary or convenient to determine the truth in any investigation conducted by him or under the authority of the PEZA or the administrator of the ECOZONE concerned.

SEC. 18. *Prohibition Against Holding Any Other Office.* – The director general, deputy directors general, administrators, officials and staff or assistants of the PEZA shall not hold any other office or employment within or outside the PEZA during their tenure. They shall not, during their tenure, directly or indirectly, practice any profession, participate in any business, or be financially interested in any contract with, or in any franchise, or special privilege granted by the PEZA or national government, or any subdivision, agency, or instrumentality thereof, including any government-owned or -controlled corporation, or its subsidiary.

SEC. 19. *Disbursement of Funds.* – No money shall be paid out of the funds of any ECOZONE except in pursuance of the budget as formulated and approved by the PEZA.

SEC. 20. *Full Disclosure of Financial and Business Interests.*
– Every member of the Board of the PEZA, the director general, the deputy directors general, and their staff shall, upon assumption of office, make full disclosure of their financial and business interests.

CHAPTER III

OPERATIONS WITHIN THE ECOZONE

SEC. 21. *Development Strategy of the ECOZONE.* - The strategy and priority of development of each ECOZONE established pursuant to this Act shall be formulated by the PEZA, in coordination with the Department of Trade and Industry and the National Economic and Development Authority: *Provided,* That such development strategy is consistent with the priorities of the national government as outlined in the medium-term Philippine development plan.

It shall be the policy of the government and the PEZA to encourage and provide incentives and facilitate private sector participation in the construction and operation of public utilities and infrastructure in the ECOZONE, using any of the schemes allowed in Republic Act No. 6957 (the build-operate-transfer law).

SEC. 22. *Survey of Resources.* - The PEZA shall, in coordination with appropriate authorities and neighboring cities and municipalities, immediately conduct a survey of the physical, natural assets and potentialities of the ECOZONE areas under its jurisdiction.

SEC. 23. *Fiscal Incentives.* - Business establishments operating within the ECOZONES shall be entitled to the fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority, or those provided under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987.

Furthermore, tax credits for exporters using local materials as inputs shall enjoy the same benefits provided for in the Export Development Act of 1994.

SEC. 24. *Exemption from Taxes Under the National Internal Revenue Code.* - Any provision of existing laws, rules and regulations to the contrary notwithstanding, no taxes, local and national, shall be imposed on business establishments operating within the ECOZONE. In lieu of paying taxes, five percent (5%) of the gross income earned by all businesses and enterprises within the ECOZONE shall be remitted to the national

government. This five percent (5%) shall be shared and distributed as follows:

- (a) Three percent (3%) to the national government;
- (b) One percent (1%) to the local government units affected by the declaration of the ECOZONE in proportion to their population, land area, and equal sharing factors; and
- (c) One percent (1%) for the establishment of a development fund to be utilized for the development of municipalities outside and contiguous to each ECOZONE: *Provided, however,* That the respective share of the affected local government units shall be determined on the basis of the following formula:

- (1) Population - fifty percent (50%);
- (2) Land area - twenty-five percent (25%); and
- (3) Equal sharing - twenty-five percent (25%).

SEC. 25. *Applicable National Taxes.* – All income derived by persons and all service establishments in the ECOZONE shall be subject to taxes under the National Internal Revenue Code.

SEC. 26. *Domestic Sales.* – Goods manufactured by an ECOZONE enterprise shall be made available for immediate retail sales in the domestic market, subject to payment of corresponding taxes on the raw materials and other regulations that may be adopted by the Board of the PEZA.

However, in order to protect the domestic industry, there shall be a negative list of industries that will be drawn up by the PEZA. Enterprises engaged in the industries included in the negative list shall not be allowed to sell their products locally. Said negative list shall be regularly updated by the PEZA.

The PEZA, in coordination with the Department of Trade and Industry and the Bureau of Customs, shall jointly issue the necessary implementing rules and guidelines for the effective implementation of this section.

SEC. 27. *Applicability of Banking Laws and Regulations.* – Existing banking laws and *Bangko Sentral ng Pilipinas* (BSP) rules

and regulations shall apply to banks and financial institutions to be established in the ECOZONE and to other ECOZONE-registered enterprises. Among other pertinent regulations, these include those governing foreign exchange and other current account transactions (trade and non-trade), local and foreign borrowings, foreign investments, establishment and operation of local and foreign banks, foreign currency deposit units, offshore banking units and other financial institutions under the supervision of the BSP.

SEC. 28. *After Tax Profits.* – Without prior *Bangko Sentral* approval, after tax profits and other earnings of foreign investments in enterprises in the ECOZONE may be remitted outward in the equivalent foreign exchange through any of the banks licensed by the *Bangko Sentral ng Pilipinas* in the ECOZONE: *Provided, however,* That such foreign investments in said enterprises have been previously registered with the *Bangko Sentral*.

SEC. 29. *Eminent Domain.* – The areas comprising an ECOZONE may be expanded or reduced when necessary. For this purpose, the government shall have the power to acquire, either by purchase, negotiation or condemnation proceedings, any private lands within or adjacent to the ECOZONE for:

- (a) Consolidation of lands for zone development purposes;
- (b) Acquisition of right of way to the ECOZONE; and
- (c) The protection of watershed areas and natural assets valuable to the prosperity of the ECOZONE.

SEC. 30. *Leases of Lands and Buildings.* – Lands and buildings in each ECOZONE may be leased to foreign investors for a period not exceeding fifty (50) years, renewable once for a period of not more than twenty-five (25) years, as provided for under Republic Act No. 7652, otherwise known as the Investors' Lease Act. The leasehold right acquired under long-term contracts may be sold, transferred or assigned, subject to the conditions set forth under Republic Act No. 7652.

SEC. 31. *Land Conversion.* – Agricultural lands may be converted for residential, commercial, industrial and other non-

agricultural purposes, subject to the conditions set forth under Republic Act No. 6657 and other existing laws.

SEC. 32. *Shipping and Shipping Register.* – Private shipping and related business including private container terminals may operate freely in the ECOZONE, subject only to such minimum reasonable regulations of local application which the PEZA may prescribe.

The PEZA shall, in coordination with the Department of Transportation and Communications, maintain a shipping register for each ECOZONE as a business register of convenience for ocean-going vessels and issue related certification.

Ships of all sizes, descriptions and nationalities shall enjoy access to the ports of the ECOZONE, subject only to such reasonable requirement as may be prescribed by the PEZA in coordination with the appropriate agencies of the national government.

SEC. 33. *Protection of Environment.* – The PEZA, in coordination with the appropriate agencies, shall take concrete and appropriate steps and enact the proper measures for the protection of the local environment.

SEC. 34. *Termination of Business.* – Investors in the ECOZONE who desire to terminate business or operations shall comply with such requirements and procedures which the PEZA shall set, particularly those relating to the clearing of debts. The assets of the closed enterprises can be transferred and the funds can be remitted out of the ECOZONE subject to the rules, guidelines and procedures prescribed jointly by the *Bangko Sentral ng Pilipinas*, the Department of Finance and the PEZA.

SEC. 35. *Registration of Business Enterprises.* – Business enterprises within a designated ECOZONE shall register with the PEZA to avail of all incentives and benefits provided for in this Act.

SEC. 36. *One Stop Shop Center.* – The PEZA shall establish a one stop shop center for the purpose of facilitating the registration of new enterprises in the ECOZONE. Thus, all appropriate government agencies that are involved in registering, licensing or issuing permits to investors shall assign their

representatives to the ECOZONE to attend to investors' requirements.

CHAPTER IV

INDUSTRIAL HARMONY IN THE ECOZONES

SEC. 37. *Labor and Management Relations.* - Except as otherwise provided in this Act, labor and management relations in the ECOZONE shall be governed by the existing Labor Code of the Philippines. Employees and personnel in the ECOZONE enterprises shall receive salaries and benefits and shall enjoy working conditions not less than those provided under the Philippine Labor Code and other relevant laws, issuances, rules and regulations of the Philippine government and the Department of Labor and Employment.

SEC. 38. *Promotion of Industrial Peace.* - In the pursuit of industrial harmony in the ECOZONE, a tripartite body composed of one (1) representative each from the Department of Labor and Employment, labor sector and business and industry sectors shall be created in order to formulate a mechanism under a social pact for the enhancement and preservation of industrial peace in the ECOZONE within thirty (30) days after the effectivity of this Act.

SEC. 39. *Master Employment Contracts.* - The PEZA, in coordination with the Department of Labor and Employment, shall prescribe a master employment contract for all ECOZONE enterprise staff members and workers, the terms of which provide salaries and benefits not less than those provided under this Act, the Philippine Labor Code, as amended, and other relevant issuances of the national government.

SEC. 40. *Percentage of Foreign Nationals.* - Employment of foreign nationals hired by ECOZONE enterprises in a supervisory, technical or advisory capacity shall not exceed five percent (5%) of its workforce without the express authorization of the Secretary of Labor and Employment.

SEC. 41. *Migrant Worker.* - The PEZA, in coordination with the Department of Labor and Employment, shall promulgate appropriate measures and programs leading to the expansion of the services of the ECOZONE to help the local governments of nearby areas meet the needs of the migrant workers.

SEC. 42. *Incentive Scheme.* - An additional deduction equivalent to one-half (1/2) of the value of training expenses incurred in developing skilled or unskilled labor or for managerial or other management development programs incurred by enterprises in the ECOZONE can be deducted from the national government's share of three percent (3%) as provided in Section 24.

The PEZA, the Department of Labor and Employment, and the Department of Finance shall jointly make a review of the incentive scheme provided in this section every two (2) years or when circumstances so warrant.

CHAPTER V

NATIONAL GOVERNMENT AND OTHER ENTITIES

SEC. 43. *Relationship with the Regional Development Council.* - The PEZA shall determine the development goals for the ECOZONE within the framework of national development plans, policies and goals, and the administrator shall, upon approval by the PEZA Board, submit the ECOZONE plans, programs and projects to the regional development council for inclusion in and as inputs to the overall regional development plan.

SEC. 44. *Relationship with the Local Government Units.* - Except as herein provided, the local government units comprising the ECOZONE shall retain their basic autonomy and identity. The cities shall be governed by their respective charters and the municipalities shall operate and function in accordance with Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

SEC. 45. *Relationship of PEZA to Privately-Owned Industrial Estates.* - Privately-owned industrial estates shall retain their autonomy and independence and shall be monitored by the PEZA for the implementation of incentives.

SEC. 46. *Transfer of Resources.* - The relevant functions of the Board of Investments over industrial estates and agri-export processing estates shall be transferred to the PEZA. The resources of government-owned industrial estates and similar

bodies, except the Bases Conversion Development Authority and those areas identified under Republic Act No. 7227, are hereby transferred to the PEZA as the holding agency. They are hereby detached from their mother agencies and attached to the PEZA for policy, program and operational supervision.

The Boards of the affected government-owned industrial estates shall be phased out and only the management level and an appropriate number of personnel shall be retained.

Government personnel whose services are not retained by the PEZA or any government office within the ECOZONE shall be entitled to separation pay and such retirement and other benefits they are entitled to under the laws then in force at the time of their separation: *Provided*, That in no case shall the separation pay be less than one and one-fourth (1 1/4) month of every year of service.

CHAPTER VI

MISCELLANEOUS PROVISIONS

SEC. 47. Appropriation. - Upon the effectivity of this Act, all funds of the former Export Processing Zone Authority (EPZA) shall be transferred to the newly-created Philippine Economic Zone Authority. Thereafter, any sum as may be necessary to augment its capital outlay shall be included in the General Appropriations Act to be treated as an equity of the national government.

Additional funding shall come from the following:

- (a) The annual subsidies, appropriations and/or other assets of the exports processing zone, and the industrial estates and other economic areas that have been absorbed/transferred to the PEZA as mandated in this Act;
- (b) The proceeds from the rent of lands, buildings, and other properties of the ECOZONES concerned;
- (c) The proceeds from fees, charges and other revenue-generating instruments which the PEZA is authorized to impose and collect under this Act;

(d) The proceeds from bonds which the PEZA is authorized to float both domestic and abroad; and

(e) The advance rentals, license fees, and other charges which the PEZA is authorized to impose under this Act and which an investor is willing to advance payment for.

SEC. 48. *Applicability of National Laws.* - National laws shall prevail vis-a-vis ECOZONE rules, regulations and standards, unless there is a clear intent in this Act or other Acts of Congress to vest the ECOZONE specific powers and privileges not otherwise allowed under existing laws.

SEC. 49. *Authority of the President to Advance Initial Funding.* - Subject to existing laws, the President of the Philippines is hereby authorized to advance out of the savings of the Office of the President such funds as may be necessary to effect the organization of an ECOZONE which shall be reimbursed by the PEZA at reasonable terms and conditions.

SEC. 50. *Non-applicability on Areas Covered by Republic Act No. 7227.* - This Act shall not be applicable to economic zones and areas already created or to be created under Republic Act No. 7227 or other special laws, and governed by authorities constituted pursuant thereto.

Any provision of this Act which provides benefits or privileges less than those granted or imposes obligations or burdens more onerous to special economic zones created or to be created under special laws shall not apply to them.

SEC. 51. *Ipsa-Facto Clause.* - All privileges, benefits, advantages or exemptions granted to special economic zones under Republic Act No. 7227, shall *ipso-facto* be accorded to special economic zones already created or to be created under this Act. The free port status shall not be vested upon the new special economic zones.

SEC. 52. *Separability Clause.* - The provisions of this Act are hereby declared separable, and in the event one or more of such provisions or part thereof are declared unconstitutional, such declaration of unconstitutionality shall not affect the validity of the other provisions thereof.

SEC. 53. *Interpretation/Construction.* - The powers, authorities and functions that are vested in the Philippine Economic Zone Authority (PEZA) and the ECOZONES concerned are intended to establish decentralization of governmental functions and authority as well as an efficient and effective working relationship between the ECOZONE, the central government and the local government units.

SEC. 54. *Repealing Clause.* - All laws, acts, presidential decrees, executive orders, proclamations and/or administrative regulations which are inconsistent with the provisions of this Act, are hereby amended, modified, superseded or repealed accordingly.

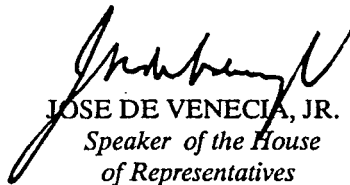
SEC. 55. *Implementing Rules and Regulations.* - The Department of Trade and Industry, the National Economic and Development Authority, the Department of Finance, the Bureau of Customs, the Department of Agrarian Reform, the Department of the Interior and Local Government, the Philippine Economic Zone Authority, and the representatives from the technical staff of the Committee on Economic Affairs of both Houses of Congress shall formulate the implementing rules and regulations of this Act within ninety (90) days after its approval. Such rules and regulations shall take effect fifteen (15) days after their publication in a newspaper of general circulation in the Philippines.

SEC. 56. *Transitory Provision.* - Prior to the effectivity of the implementing rules and regulations of this Act, the provisions of Presidential Decree No. 66, as amended, and its implementing rules and regulations shall remain in force.

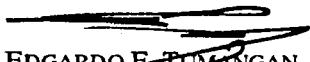
SEC. 57. *Effectivity.* - This Act shall take effect upon its approval.

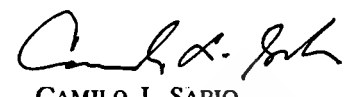
Approved,


EDGARDO J. ANGARA
President of the Senate

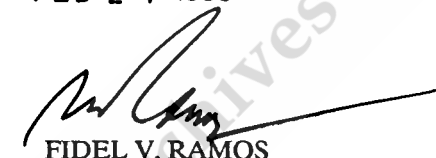

JOSE DE VENEZIA, JR.
*Speaker of the House
of Representatives*

This Act which is a consolidation of House Bill No. 14295 and Senate Bill No. 1061 was finally passed by the House of Representatives and the Senate on February 21, 1995.


EDGARDO E. TUMANGAN
Secretary of the Senate


CAMILO L. SABIO
*Secretary General
House of Representatives*

Approved: FEB 24 1995


FIDEL V. RAMOS
President of the Philippines



Senate Archives (LRAS)