



HOUSE OF REPRESENTATIVES

H. No. 9097

BY REPRESENTATIVES SAVELLANO, AQUINO-MAGSAYSAY, UYBARRETA, GARCIA (G.), BIRON,
ANDAYA AND SUANSING (E.), PER COMMITTEE REPORT NO. 1253

AN ACT
ESTABLISHING THE SPECIAL ECONOMIC ZONE AND FREEPORT IN THE
PROVINCE OF ILOCOS SUR, CREATING FOR THIS PURPOSE THE ILOCOS SUR
SPECIAL ECONOMIC ZONE AND FREEPORT AUTHORITY, AND APPROPRIATING
FUNDS THEREFOR

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

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CHAPTER 1
GENERAL PROVISIONS

3 **SECTION 1. *Short Title.*** – This Act shall be known as the "Ilocos Sur Special
4 Economic Zone and Freeport Act."

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

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CHAPTER II
CREATION OF THE ECONOMIC ZONE

13 **SEC. 3. *Creation of the Ilocos Sur Special Economic Zone and Freeport.*** –
14 In accordance with the foregoing declared policy and subject to the concurrence of
15 the concerned local government units (LGUs) of Ilocos Sur affected by the zone, there is

1 hereby established a Special Economic Zone and Freeport, hereinafter referred to as the
2 Ilocos Sur Ecozone. The Ilocos Sur Ecozone shall cover a portion of the Solamague
3 Cove and particular areas in the barangays of Dardarat, Solotsolot, Surngit, and Refaro
4 in the Municipality of San Juan as well as Dardarat, Pila, Sagayaden, Sabang,
5 Namruangan, Salapasap, Daclapan, Pug-Os, Turod, and Baclig, all located in the
6 Municipality of Cabugao. Province of Ilocos Sur. The specific metes and bounds of the
7 Ilocos Sur Ecozone shall be more particularly defined in a presidential proclamation that
8 shall be issued for this purpose: *Provided*, That the lands embraced therein shall be
9 public lands and contiguous to one another.

10 **SEC. 4. Creation of the Ilocos Sur Special Economic Zone and Freeport**
11 **Authority.** - There is hereby created a body corporate to be known as the "Ilocos Sur
12 Special Economic Zone and Freeport Authority" hereinafter referred to as the ISSEZA,
13 which shall manage and operate the Ilocos Sur Ecozone, in accordance with the
14 provisions of this Act. This corporate franchise shall expire in fifty (50) years counted
15 from the first year after the effectivity of this Act, unless otherwise extended by
16 Congress. It shall be organized within one hundred eighty (180) days after the effectivity
17 of this Act.

18 **SEC. 5. Governing Principles.** - The Ilocos Sur Special Economic Zone and
19 Freeport shall be managed and operated by the Ilocos Sur Special Economic Zone and
20 Freeport Authority hereinafter referred to as the ISSEZA, created under Section 4 of this
21 Act, under the following principles:

- 22 a) Within the framework and limitations of the Constitution and applicable provisions of
23 the Local Government Code, the Ilocos Sur Ecozone shall be developed into and
24 operated as a decentralized, self-reliant and self-sustaining industrial,
25 commercial/trading, agro-industrial, tourist, banking, financial and investment center
26 with suitable residential areas;
- 27 b) The Ilocos Sur Ecozone shall be provided with transportation, telecommunications
28 and other facilities needed to attract legitimate and productive investments,
29 generate linkage industries and employment opportunities for the people of Ilocos
30 Sur and its neighboring towns and cities;
- 31 c) The Ilocos Sur Ecozone may establish mutually beneficial economic relations with
32 other entities or enterprises within the country or, subject to the administrative
33 guidance of the Department of Foreign Affairs (DFA), the Philippine Economic Zone

- 1 Authority (PEZA), and/or the Department of Trade and Industry (DTI), with foreign
2 entities or enterprises;
- 3 d) Foreign citizens and companies owned by non-Filipinos, in whatever proportion,
4 may set up enterprises in the Ilocos Sur Ecozone, either by themselves or in a joint
5 venture with Filipinos in any sector of industry, international trade and commerce,
6 within the Ilocos Sur Ecozone;
- 7 e) The Ilocos Sur Ecozone shall be managed and operated as a separate customs
8 territory thereby ensuring the free flow or movement of goods and capital within, into
9 and out of its territory, and shall likewise provide incentives such as tax and duty-
10 free importations of raw materials, capital and equipment to registered enterprises
11 located therein. However, exportation or removal of goods from the territory of the
12 Ilocos Sur Ecozone to the other parts of the Philippine territory shall be subject to
13 customs duties and taxes under Republic Act No. 10863, otherwise known as the
14 "Customs Modernization and Tariff Act", and other relevant tax laws of the
15 Philippines;
- 16 f) The areas comprising the Ilocos Sur Ecozone may be expanded or reduced when
17 necessary. For this purpose, the ISSEZA, in consultation with the LGUs, shall have
18 the power to acquire either by purchase, negotiation or condemnation proceedings,
19 any private land within or adjacent to the Ilocos Sur Ecozone for the following
20 purposes: (1) consolidation of lands for zone development; (2) acquisition of right of
21 way to the Ilocos Sur Ecozone; and (3) the protection of watershed areas and
22 natural assets valuable to the prosperity of the Ilocos Sur Ecozone;
- 23 g) Goods manufactured by an Ilocos Sur Ecozone enterprise shall be made available
24 for immediate retail sale in the domestic market, subject to the payment of
25 corresponding taxes on raw materials and other regulations that may be formulated
26 by the ISSEZA together with the PEZA, the Bureau of Customs (BOC) and the DTI.
27 However, in order to protect domestic industries, a Negative List of industries shall
28 be drawn up and regularly updated by PEZA. Enterprises engaged in industries
29 included in such Negative List shall not be allowed to sell their products locally;
- 30 h) The defense of the Ilocos Sur Ecozone and the security of its perimeter fence shall
31 be the responsibility of the National Government in coordination with the ISSEZA
32 and the LGUs.

1 **SEC. 6. Capitalization.** - The ISSEZA shall have an authorized capital stock of
2 Two billion (2,000,000,000) no par shares with a minimum issue of Ten pesos (₱10.00)
3 each, the majority shares of which shall be subscribed and paid for by the National
4 Government and the Local Government Units (LGUs) embracing the Ilocos Sur Special
5 Economic Zone and Freeport. The Board of Directors of the ISSEZA may, with the
6 written concurrence of the Secretary of Finance, sell shares, representing not more than
7 forty *per centum* (40%) of the capital stock of the ISSEZA to the general public under
8 such policy as the Board and the Secretary of Finance may determine. The National
9 Government and the LGUs shall in no case own less than sixty *per centum* (60%) of the
10 total issued and outstanding capital of the ISSEZA.

11 The amount necessary to subscribe and pay for the shares of the National
12 Government to the capital stock of the ISSEZA shall be included in the annual General
13 Appropriations Act. For LGUs, the funds shall be taken from their internal revenue
14 allotment and other local funds.

15 **SEC. 7. Principal Office of the ISSEZA.** - The ISSEZA shall maintain its principal
16 office at Cabugao, Ilocos Sur, but it may establish branches within the Philippines as
17 may be necessary for the proper conduct of its business.

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

- 20 a) To operate, administer, manage and develop the Ilocos Sur Ecozone according to
21 the principles and provisions set forth in this Act.
- 22 b) To register, regulate and supervise the enterprises in the Ilocos Sur Ecozone in an
23 efficient and decentralized manner, subject to existing laws;
- 24 c) To coordinate with LGUs and exercise general supervision over the development
25 plans, activities and operations of the Ilocos Sur Ecozone;
- 26 d) To regulate and undertake the establishment, construction, operation and
27 maintenance of public utilities, other services, and infrastructure in the Ilocos Sur
28 Ecozone such as light and power, shipping, barging, stevedoring, cargo handling,
29 hauling, warehousing, storage of cargo, port services or concessions, piers,
30 wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads,
31 telecommunications, transport, bridges, terminals, conveyors, water supply and

1 storage, sewerage, drainage, airport operations in coordination with the Civil
2 Aviation Authority of the Philippines (CAAP), and such other services or
3 concessions or infrastructure necessary or incidental to the accomplishment of the
4 objectives of this Act;

5 e) To construct, acquire, own, lease, operate and maintain on its own or through
6 contracts, franchise, licenses, bulk purchase from the private sector or permits
7 under any of the schemes allowed in Republic Act No. 6957, otherwise known as
8 the "Build-Operate-Transfer Law" as amended, or joint venture, adequate facilities
9 and infrastructure required or needed for the operation and development of the
10 Ilocos Sur Ecozone, in coordination with appropriate national and local government
11 authorities and in conformity with applicable laws thereon;

12 f) To approve plans, programs and projects of the Ilocos Sur Ecozone to be
13 submitted to the Regional Development Council for inclusion and inputs to the
14 overall regional development plan;

15 g) To operate on its own, either directly or through licenses to others, tourism-related
16 activities, including games, amusements, recreational and sports facilities, subject
17 to the approval and supervision of the Philippine Amusement and Gaming
18 Corporation (PAGCOR);

19 h) To raise or borrow, within the limitation provided by law, and subject to the
20 approval or opinion of the Monetary Board of the *Bangko Sentral Ng Pilipinas*
21 (BSP), as the case may be, adequate and necessary funds from local or foreign
22 sources, to finance its projects and programs under this Act and for this purpose,
23 to issue bonds, promissory notes and other forms of securities, and to secure the
24 same by a guarantee, pledge, mortgage, deed of trust or an assignment of all or
25 part of its property or assets;

26 i) To protect, preserve, maintain and develop the forests, beaches, coral and coral
27 reefs, and maintain ecological balance within the Ilocos Sur Ecozone.
28 Notwithstanding the authority of the ISSEZA to create rules for such purpose, the
29 rules and regulations of the Department of Environment and Natural Resources
30 (DENR) and other government agencies involved in the above functions shall be
31 implemented by the ISSEZA;

32 j) To create, operate and/or contract to operate such functional units or offices of the

- 1 ISSEZA as it may deem necessary;
- 2 k) To adopt, alter and use a corporate seal, contract, lease, buy, acquire, own or
3 otherwise dispose of personal and/or real property of whatever nature; sue and be
4 sued; and otherwise carry out its functions and duties as provided for in this Act;
- 5 l) To issue certificates of origin for products manufactured or processed in the Ilocos
6 Sur Ecozone in accordance with prevailing rules of origin and the pertinent
7 regulations of the PEZA, the DTI, and/or the Department of Finance (DOF);
- 8 m) To establish one-stop shops for the issuance of all necessary permits, clearances,
9 licenses, and other similar certifications to conduct such activities intended to
10 improve the ease of doing business within the Ilocos Sur Ecozone, in coordination
11 with government agencies having jurisdiction over activities therein: *Provided*, That
12 all government agencies are directed to provide and extend utmost and full
13 cooperation to the Ilocos Sur Ecozone in the establishment of such one-stop
14 shops;
- 15 n) To provide internal security to the Ilocos Sur Ecozone in coordination with the
16 National Government and affected LGU. For this purpose, the ISSEZA shall
17 provide and establish its own internal security and firefighting forces or hire others
18 to provide the same. Military forces sent by the National Government for the
19 purpose of defense shall not interfere in the internal affairs of the Ilocos Sur
20 Ecozone and expenditures for these military forces shall be borne by the National
21 Government;
- 22 o) To recommend to the President of the Philippines the issuance of a proclamation
23 to fix and delimit the site of Ilocos Sur Ecozone;
- 24 p) To exercise such powers as may be essential, necessary or incidental to the
25 powers granted to it hereunder, as well as those that shall enable it to carry out,
26 implement and accomplish the purposes, objectives and policies of this Act; and
- 27 q) To issue rules and regulations consistent with the provisions of this Act as may be
28 necessary to accomplish and implement the purposes, objectives and policies
29 provided herein.

30 **SEC. 9. Board of Directors of the ISSEZA.** - The powers of the ISSEZA shall
31 be vested in and exercised by a Board of Directors, hereinafter referred to as the Board,

1 which shall be composed of the following:

- 2 a) The Chairperson, who shall at the same time be the administrator of the ISSEZA;
- 3 b) Governor of the Province of Ilocos Sur or the duly-authorized representative;
- 4 c) One of the mayors of the municipalities covered by the ecozone;
- 5 d) One (1) representative from the investor's group, and
- 6 e) One (1) representative from among the workers in the ecozone.

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

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

11 The Chairperson and members of the Board, except *ex-officio* members, shall be
12 appointed by the President of the Philippines to serve for a term of six (6) years, unless
13 sooner separated from service due to death, voluntary resignation or removal for cause.
14 In case of death, resignation or removal for cause, their replacements shall serve only
15 the unexpired portion of the respective terms.

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

21 The members of the Board, except *ex-officio* members, shall each receive *per*
22 *diem* at rates to be determined by the Department of Budget and Management (DBM) in
23 accordance with existing rules and regulations. *Provided, however,* That the total *per*
24 *diem* collected each month shall not exceed the equivalent *per diem* for four (4)
25 meetings. Unless and until the President of the Philippines has fixed a higher amount of
26 *per diem*, the members of the Board, shall receive *per diem* of not more than Ten
27 thousand pesos (₱10,000.00) for every Board meeting.

28 **SEC. 10. Organization and Personnel.** - The Board of Directors of the ISSEZA
29 shall provide for its organization and staff. The Board shall appoint and fix the
30 remuneration and other emoluments of its officers and employees in accordance with

1 existing laws on compensation and position classification. The Board shall have
2 exclusive and final authority to promote, transfer, assign, reassign or remove officers of
3 the ISSEZA, any provision of existing law to the contrary notwithstanding. The
4 chairperson-administrator may carry out removal of such officers and employees.

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

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

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

- 12 a) To direct and manage the affairs of the ISSEZA in accordance with the policies of
13 the Board;
- 14 b) To establish the internal organization of the ISSEZA under such conditions that the
15 Board may prescribe;
- 16 c) To submit an annual budget and necessary supplemental budget to the Board for
17 its approval;
- 18 d) To submit within thirty (30) days after the close of each fiscal year an annual report
19 to the Board and such other reports as may be required;
- 20 e) To submit to the Board for its approval, policies, systems, procedures, rules and
21 regulations that are essential to the operation of the Ilocos Sur Ecozone;
- 22 f) To recommend to the Board the remuneration and other emoluments of its officers
23 and employees in accordance with existing laws on compensation and position
24 classification;
- 25 g) To create a mechanism in coordination with relevant agencies for the promotion of
26 industrial peace, the protection of the environment, and the advancement of the
27 quality of life in the Ilocos Sur Ecozone; and
- 28 h) To perform such other duties as may be assigned by the Board which are

1 necessary or incidental to the office.

2 **SEC. 12. Legal Counsel.** - The ISSEZA shall have its own internal legal counsel
3 under the supervision of the government corporate counsel. When the exigencies of its
4 businesses and operations demand it, the ISSEZA may engage the services of an
5 outside counsel either on a case to case or on a fixed retainer basis.

6 **CHAPTER III**
7 **INCENTIVES TO ECOZONE ENTERPRISES/INVESTORS**

8 **SEC. 13. Investors Visa.** - Any foreign national who invests an amount of Two
9 hundred thousand US dollars (US\$200,000.00), either in cash and/or equipment, in a
10 registered enterprise shall be entitled to an investor's visa: *Provided*, That the foreign
11 national has the following qualifications:

- 12 a) Must be at least eighteen (18) years of age;
13 b) Must not have been convicted by final judgment of a crime involving moral
14 turpitude;
15 c) Must not be afflicted with any loathsome, dangerous or contagious disease;
16 d) Must not have been institutionalized for any mental disorder or disability; and
17 e) Must establish financial capability and capacity through verifiable and credible
18 evidence.

19 A foreign national may reside in the Philippines while the investment herein
20 required subsists. To prove this, the foreign national should submit an annual report, in
21 the form duly prescribed for the purpose. Should said investments be withdrawn from the
22 Philippines, the investor's visa issued to said foreign national shall automatically expire
23 and /or be withdrawn.

24 The authority to issue visas and work permits shall remain with the Bureau of
25 Immigration (BI) and the Department of Labor and Employment (DOLE), respectively:
26 *Provided*, That the BI and the DOLE shall implement measures to expedite the
27 processing of such visas and permits for workers in the Ilocos Sur Ecozone and
28 coordinate with the ISSEZA for the purpose of improving ease of doing business.

29 **SEC.14. Fiscal Incentives.** - Registered enterprises operating within the Ilocos
30 Sur Ecozone may be entitled to the existing pertinent fiscal incentives as provided for
31 under Republic Act No. 7916, as amended by Republic Act No. 8748, also known as the
32 "Special Economic Zone Act of 1995", or those provided under Executive Order No. 226,

1 as amended, otherwise known as the "Omnibus Investment Code of 1987"; and/or those
2 that may be further granted as the need and necessity arises by the appropriate
3 government department, agency or office: *Provided*, That in the administration,
4 implementation and monitoring of incentives, the ISSEZA may impose its own conditions
5 not otherwise prohibited by this Act: *Provided, further*, That the ISSEZA shall not be
6 limited to the conditions provided under Republic Act No. 7916, Republic Act No. 8748 or
7 any other related issuance, rule or regulation.

8 **SEC. 15. Imposition of a Tax Rate of Five Percent (5%) on Gross Income**
9 **Earned.** - No taxes, local and national, shall be imposed on business establishments
10 operating within the Ilocos Sur Ecozone, including income tax, withholding tax, donor's
11 tax, percentage tax, and documentary stamp tax. In lieu thereof, and subject to Section
12 17 of this Act, said business establishments shall pay a five percent (5%) final tax on
13 their gross income earned: *Provided*, That the proceeds from such final tax shall be
14 shared by instrumentalities of the government in accordance with the following schedule:

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

18 The ISSEZA shall have the authority to grant income tax holiday and net
19 operating loss carry over subject to Section 17 of this Act and conditions as it may have
20 imposed pursuant to Section 14 of this Act.

21 **SEC. 16. Administration, Implementation and Monitoring of Incentives.** - In
22 the interest of enhancing transparency in the management and accounting of tax
23 incentives in the Ilocos Sur Ecozone, the ISSEZA shall comply with the provisions of
24 Republic Act No. 10708, otherwise known as "The Tax Incentives Management and
25 Transparency Act (TIMTA)" and its implementing rules and regulations for the proper
26 administration, management, enforcement, implementation and monitoring of tax
27 incentives under this law.

28 The BOC shall set up and establish a customs controlled area outside the gate of
29 the Ilocos Sur Ecozone to facilitate payment of taxes on goods entering the Philippine
30 customs territory: *Provided*, That notwithstanding the limitations in this Act, the ISSEZA
31 and BOC may coordinate and jointly implement measures on border protection.

1 of the President of the Philippines.

2 **SEC. 23. Development Goals of the Ilocos Sur Ecozone.** - The ISSEZA shall
3 determine the development goals for the Ilocos Sur Ecozone within the framework of
4 national development plans, policies and goals. The Chairperson and Administrator
5 shall, upon approval by the Board, submit the Ilocos Sur Ecozone plans, programs and
6 projects to the Regional Development Council for inclusion and inputs to the overall
7 regional development plan.

8 **SEC. 24. Relationship with Local Government Units.** - Except as herein
9 provided, the LGUs comprising the Ilocos Sur Ecozone shall retain their basic autonomy
10 and identity. The Municipalities of Cabugao and San Juan, Ilocos Sur shall operate and
11 function in accordance with the framework of the Constitution, Local Government Code
12 of 1991, and this Act.

13 In case of any conflict among the ISSEZA, the LGUs, and the National
14 Government on matters affecting the Ilocos Sur Ecozone, other than national defense
15 and security matters, the decision of the ISSEZA shall prevail.

16 **SEC. 25. Audit.** - The Commission on Audit shall appoint a full-time auditor in the
17 ISSEZA or may assign such number of personnel as may be necessary in the
18 performance of their functions.

19
20 **CHAPTER V**
MISCELLANEOUS

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

30 **SEC. 27. Applicability Clause.** - Insofar as they are consistent with the
31 provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916,

1 otherwise known as "The Special Economic Zone Act of 1995", as amended, shall
2 likewise apply to the Ilocos Sur Ecozone.

3 **SEC. 28. *Implementing Rules and Regulations.*** - The National Economic and
4 Development Authority (NEDA), in coordination with the DTI and DOF, shall formulate
5 the implementing rules and regulations of this Act within ninety (90) days after its
6 approval.

7 **SEC. 29. *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 **SEC. 30. *Repealing Clause.*** - All laws, executive orders or issuances or any
11 part thereof, which are inconsistent herewith, are hereby repealed or amended
12 accordingly.

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

15 Approved,