



HOUSE OF REPRESENTATIVES

H. No. 9090

BY REPRESENTATIVES ABUEG, AQUINO-MAGSAYSAY, UYBARRETA, GARCIA (G.), BIRON, ANDAYA, SUANSING (E.), MALAPITAN, SANDOVAL, NIETO, OLIVAREZ AND MARTINEZ, PER COMMITTEE REPORT NO. 1246

**AN ACT
ESTABLISHING THE SOUTHERN PALAWAN SPECIAL ECONOMIC ZONE IN THE PROVINCE OF PALAWAN, CREATING FOR THE PURPOSE THE SOUTHERN PALAWAN SPECIAL ECONOMIC ZONE AUTHORITY, AND APPROPRIATING FUNDS THEREFOR**

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

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**CHAPTER 1
GENERAL PROVISIONS**

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SECTION 1. *Short Title.* - This Act shall be known as the "Southern Palawan Special Economic Zone Act."

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

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**CHAPTER II
CREATION OF THE ECONOMIC ZONE**

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SEC. 3. *Creation of the Southern Palawan Special Economic Zone* - In accordance with the foregoing declared policy and subject to the concurrence of the concerned local government units (LGUs) of Palawan affected by the zone, there is

1 hereby established a Special Economic Zone, hereinafter referred to as the Southern
2 Palawan Ecozone. The Southern Palawan Ecozone shall cover a particular area located
3 in the Municipality of Balabac in the Province of Palawan. The specific metes and
4 bounds of the Southern Palawan Ecozone shall be more particularly defined in a
5 presidential proclamation that shall be issued for this purpose: *Provided*, That the lands
6 embraced therein shall be public lands and contiguous to one another.

7 **SEC. 4. Creation of the Southern Palawan Special Economic Zone**

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

15 **SEC. 5. Governing Principles.** - The Southern Palawan Special Economic

16 Zone shall be managed and operated by the Southern Palawan Special Economic Zone
17 Authority, hereinafter referred to as the SPEZA, created under Section 4 of this Act,
18 under the following principles:

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

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

32 **SEC. 6. Capitalization.** - The SPEZA shall have an authorized capital stock of
33 One billion (1,000,000,000) no par shares with a minimum issue of Ten pesos (P10.00)

1 each, the majority shares of which shall be subscribed and paid for by the National
2 Government and the Local Government Units (LGUs) embracing the Southern Palawan
3 Special Economic Zone. The Board of Directors of the SPEZA may, with the written
4 concurrence of the Secretary of Finance, sell shares, representing not more than forty
5 *per centum* (40%) of the capital stock of the SPEZA to the general public under such
6 policy as the Board and the Secretary of Finance may determine. The National
7 Government and the LGUs shall in no case own less than sixty *per centum* (60%) of the
8 total issued and outstanding capital of the SPEZA.

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

13 **SEC. 7. Principal Office of the SPEZA.** - The SPEZA shall maintain its principal
14 office in the Municipality of Balabac, Province of Palawan, but it may establish branches
15 within the Philippines as may be necessary for the proper conduct of its business.

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

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

- 1 concessions or infrastructure necessary or incidental to the accomplishment of the
2 objectives of this Act;
- 3 e) To construct, acquire, own, lease, operate and maintain on its own or through
4 contracts, franchise, licenses, bulk purchase from the private sector or permits
5 under any of the schemes allowed in Republic Act No. 6957, otherwise known as
6 the "Build-Operate-Transfer Law" as amended, or joint venture, adequate facilities
7 and infrastructure required or needed for the operation and development of the
8 Southern Palawan Ecozone, in coordination with appropriate national and local
9 government authorities and in conformity with applicable laws thereon;
- 10 f) To approve plans, programs and projects of the Southern Palawan Ecozone to be
11 submitted to the Regional Development Council for inclusion and inputs to the
12 overall regional development plan;
- 13 g) To operate on its own, either directly or through licenses to others, tourism-related
14 activities, including games, amusements, recreational and sports facilities, subject
15 to the approval and supervision of the Philippine Gaming Corporation (PAGCOR);
- 16 h) To raise or borrow, within the limitation provided by law, and subject to the
17 approval or opinion of the Monetary Board of the *Bangko Sentral Ng Pilipinas*
18 (BSP), as the case may be, adequate and necessary funds from local or foreign
19 sources, to finance its projects and programs under this Act and for this purpose,
20 to issue bonds, promissory notes and other forms of securities, and to secure the
21 same by a guarantee, pledge, mortgage, deed of trust or an assignment of all or
22 part of its property or assets;
- 23 i) To protect, preserve, maintain and develop the forests, beaches, coral and coral
24 reefs, and maintain ecological balance within the Southern Palawan Ecozone.
25 Notwithstanding the authority of the SPEZA to create rules for such purpose, the
26 rules and regulations of the Department of Environment and Natural Resources
27 (DENR) and other government agencies involved in the above functions shall be
28 implemented by the SPEZA;
- 29 j) To create, operate and/or contract to operate such functional units or offices of the
30 SPEZA as it may deem necessary;
- 31 k) To adopt, alter and use a corporate seal; contract, lease, buy, acquire, own or

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

26 **SEC. 9. Board of Directors of the SPEZA.** - The powers of the SPEZA shall
27 be vested in and exercised by a Board of Directors, hereinafter referred to as the Board,
28 which shall be composed of the following:

- 29 a) The Chairperson, who shall at the same time be the administrator of the SPEZA;
30 b) Governor of the Province of Palawan or a duly-authorized representative;
31 c) Mayor of the municipality covered by the ecozone;

- 1 d) One (1) representative from the investor's group; and
- 2 e) One (1) representative from among the workers in the Southern Palawan Ecozone.

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

4 The representative from the Provincial Government and the mayor of the
5 municipality covered by the ecozone shall serve as *ex-officio* members of the Board,
6 whose terms in the Board correspond to their terms as elected officials.

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

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

17 The members of the Board, except the *ex-officio* members, shall each receive
18 *per diem* at rates to be determined by the Department of Budget and Management
19 (DBM) in accordance with existing rules and regulations: *Provided, however,* That the
20 total *per diem* collected each month shall not exceed the equivalent *per diem* for four (4)
21 meetings. Unless and until the President of the Philippines has fixed a higher amount of
22 *per diem*, the members of the Board, shall receive *per diem* of not more than Ten
23 thousand pesos (P10,000.00) for every Board meeting.

24 **SEC. 10. Organization and Personnel.** – The Board of Directors of the
25 SPEZA shall provide for its organization and staff. The Board shall appoint and fix the
26 remuneration and other emoluments of its officers and employees in accordance with
27 existing laws on compensation and position classification. The Board shall have
28 exclusive and final authority to promote, transfer, assign, reassign or remove officers of
29 the SPEZA, any provision of existing law to the contrary notwithstanding. The
30 Chairperson-Administrator may carry out removal of such officers and employees.

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

4 No officer or employee of the SPEZA, subject to civil service laws and
5 regulations, shall be removed or suspended except for cause, as provided by law.
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7 **SEC. 11. Powers and Duties of the Chairperson-Administrator.** - The
8 Chairperson-Administrator shall have the following powers and duties:

9 a) To direct and manage the affairs of the SPEZA in accordance with the policies of
10 the Board;

11 b) To establish the internal organization of the SPEZA under such conditions that the
12 Board may prescribe;

13 c) To submit an annual budget and necessary supplemental budget to the Board for
14 its approval;

15 d) To submit within thirty (30) days after the close of each fiscal year an annual report
16 to the Board and such other reports as may be required;

17 e) To submit to the Board for its approval, policies, systems, procedures, rules and
18 regulations that are essential to the operation of the Southern Palawan Ecozone;

19 f) To recommend to the Board the remuneration and other emoluments of its officers
20 and employees in accordance with existing laws on compensation and position
21 classification;

22 g) To create a mechanism in coordination with relevant agencies for the promotion of
23 industrial peace, the protection of the environment, and the advancement of the
24 quality of life in the Southern Palawan Ecozone; and

25 h) To perform such other duties as may be assigned by the Board or which are
26 necessary or incidental to the office.

27 **SEC. 12. Legal Counsel.** - The SPEZA shall have its own internal legal counsel
28 under the supervision of the government corporate counsel. When the exigencies of its

1 businesses and operations demand it, the SPEZA may engage the services of an
2 outside counsel either on a case to case or on a fixed retainer basis.

3 **CHAPTER III**
4 **INCENTIVES TO ECOZONE ENTERPRISES/INVESTORS**

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

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

16 While the investment subsists, a foreign national may reside in the Philippines.
17 To prove this, the foreign national should submit an annual report, in the form duly
18 prescribed for the purpose. Should said investments be withdrawn from the Philippines,
19 the investor's visa issued to said foreign national shall automatically expire and /or be
20 withdrawn.

21 The authority to issue visas and work permits shall remain with the Bureau of
22 Immigration (BI) and the Department of Labor and Employment (DOLE), respectively:
23 *Provided*, That the BI and the DOLE shall implement measures to expedite the
24 processing of such visas and permits for workers in the Southern Palawan Ecozone and
25 coordinate with the SPEZA for the purpose of improving ease of doing business.

26 **SEC.14. *Fiscal Incentives.*** - Registered enterprises operating within the
27 Southern Palawan Ecozone may be entitled to the existing pertinent fiscal incentives as
28 provided for under Republic Act No. 7916, as amended by Republic Act No. 8748, also
29 known as the "Special Economic Zone Act of 1995", or those provided under Executive
30 Order No. 226, as amended, otherwise known as the "Omnibus Investment Code of
31 1987"; and/or those that may be further granted as the need and necessity arises by the
32 appropriate government department, agency or office: *Provided*, That in the
33 administration, implementation and monitoring of incentives, the SPEZA may impose its

1 own conditions not otherwise prohibited by this Act: *Provided, further*, That the SPEZA
2 shall not be limited to the conditions provided under Republic Act No. 7916, Republic Act
3 No. 8748 or any other related issuance, rule or regulation.

4 **SEC. 15. Imposition of a Tax Rate of Five Percent (5%) on Gross Income**
5 **Earned.** - No taxes, local and national, shall be imposed on business establishments
6 operating within the Southern Palawan Ecozone, including income tax, withholding tax,
7 donor's tax, percentage tax, and documentary stamp tax. In lieu thereof, and subject to
8 Section 18 of this Act, said business establishments shall pay a five percent (5%) final
9 tax on their gross income earned: *Provided*, That the proceeds from such final tax shall
10 be shared by instrumentalities of the government in accordance with the following
11 schedule:

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

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

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

25 The BOC shall set up and establish a customs controlled area outside the gate of
26 the Southern Palawan Ecozone to facilitate payment of taxes on goods entering the
27 Philippine customs territory: *Provided*, That notwithstanding the limitations in this Act, the
28 SPEZA and BOC may coordinate and jointly implement measures on border protection.

29 **SEC.17. Duration of Incentives.** - Fiscal incentives under this Act shall be
30 terminated after a cumulative period of twenty (20) years from date of registration or start
31 of commercial operation, whichever is applicable, except that it could be extended with
32 regard to industries deemed indispensable to national development and interest. The

1 industries exempted from this provision shall be determined by the SPEZA, in
2 consultation with other government agencies.

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

8 Registered enterprises, if eligible, may register with other investment promotion
9 agencies to avail of the incentives they offer: *Provided*, That registered enterprises
10 electing to avail of the incentives of other promotion agencies shall not be able to avail of
11 the incentives of the Southern Palawan Ecozone until the expiration of the incentives
12 extended by other investment promotions agencies. the SPEZA may extend the period
13 of validity of the incentives extended to such registered enterprise.

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

18 **SEC. 20. Banking Rules and Regulations.** - Banks and financial institutions to
19 be established in the Southern Palawan Ecozone shall be under the supervision of the
20 BSP and subject to existing banking laws, rules and regulations.

21 **SEC. 21. Remittances.** - In the case of foreign investments, a duly registered
22 entity or enterprise within the Southern Palawan Ecozone shall have the right to remit
23 earnings from the investment in the currency in which the investment was originally
24 made and at the exchange rate prevailing at the time of remittance, subject to the
25 provisions of Republic Act No. 7653, otherwise known as the "New Central Bank Act".

26 **CHAPTER IV**
27 **NATIONAL GOVERNMENT AND OTHER ENTITIES**

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

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

5 **SEC. 29. *Separability Clause.*** - If any provision of this Act shall be held
6 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full
7 force and effect.

8 **SEC. 30. *Repealing Clause.*** - All laws, executive orders or issuances or any
9 part thereof, which are inconsistent herewith, are hereby repealed or amended
10 accordingly.

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

13 Approved,