



HOUSE OF REPRESENTATIVES

H. No. 5264

BY REPRESENTATIVE ANTONINO-CUSTODIO, PER COMMITTEE REPORT
No. 1559

AN ACT ESTABLISHING THE GENERAL SANTOS CITY SPECIAL
ECONOMIC ZONE AND FREEPORT IN THE PROVINCE OF
SOUTH COTABATO, CREATING FOR THIS PURPOSE THE
GENERAL SANTOS CITY SPECIAL ECONOMIC ZONE AND
FREEPORT AUTHORITY, APPROPRIATING FUNDS THEREFOR
AND FOR OTHER PURPOSES

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

1 SECTION 1. *Short Title.* – This Act shall be known as the “General
2 Santos City Special Economic Zone Act of 2006”.

3 SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the
4 State to actively encourage, promote, induce and accelerate the sound and
5 balanced industrial, economic and social development of the country in order
6 to provide jobs to the people especially those in the rural areas, increase
7 productivity and individual and family income, and thereby improve the level
8 and quality of living conditions through the establishment, among others, of
9 special economic zones in suitable and strategic locations in the country

1 through measures that will attract legitimate and productive foreign
2 investments.

3 SEC. 3. *Creation of the General Santos City Special Economic Zone*
4 *and Freeport.* – In pursuit of the foregoing declared policy and subject to the
5 concurrence of the concerned local government unit of General Santos City
6 affected by the zone, there is hereby established a special economic zone and
7 freeport in General Santos City, Province of South Cotabato to be known as
8 the General Santos City Special Economic Zone and Freeport, hereinafter
9 referred to as the GenSan Ecozone. The GenSan Ecozone shall cover portions
10 of the following barangays: San Jose, Fatima, Tumbler, Bawing, Calumpang,
11 Sinawal and Apopong in the City of General Santos. The specific metes and
12 bounds of the GenSan Ecozone shall be more particularly defined in a
13 presidential proclamation that shall be issued for this purpose.

14 SEC. 4. *Governing Principles.* – The GenSan Ecozone shall be
15 managed and operated by the General Santos City Special Economic Zone
16 Authority, herein referred to as the GSEZA, created under Section 10 of this
17 Act, under the following principles:

18 (A) Within the framework and limitations of the Constitution and
19 applicable provisions of the Local Government Code, the GenSan Ecozone
20 shall be developed into and operated as a decentralized, self-reliant and self-
21 sustaining industrial, commercial/trading, agro-industrial, tourist, banking,
22 financial and investment center with suitable residential areas.

23 (B) The GenSan Ecozone shall be provided with transportation,
24 telecommunications and other facilities needed to attract legitimate and
25 productive investments, generate linkage industries and employment
26 opportunities for the people of the Province of South Cotabato and its
27 neighboring towns and cities.

1 (C) The GenSan Ecozone may establish mutually beneficial economic
2 relations with other entities or enterprises within the country or, subject to the
3 administrative guidance of the Department of Foreign Affairs (DFA), the
4 Philippine Economic Zone Authority (PEZA) and/or the Department of Trade
5 and Industry (DTI), with foreign entities or enterprises.

6 (D) Foreign citizens and companies owned by non-Filipinos in
7 whatever proportion may set up enterprises in the GenSan Ecozone, either by
8 themselves or in joint venture with Filipinos in any sector of industry,
9 international trade and commerce within the GenSan Ecozone.

10 (E) The GenSan Ecozone shall be managed and operated as a separate
11 customs territory, thereby ensuring the free flow or movement of goods and
12 capital within, into and out of its territory, and shall likewise provide incentives
13 such as tax and duty-free importations of raw materials, capital and equipment
14 to registered enterprises located therein. However, exportation or removal of
15 goods from the territory of the GenSan Ecozone to the other parts of the
16 Philippine territory shall be subject to customs duties and taxes under the
17 Tariff and Customs Code of the Philippines, as amended, and the National
18 Internal Revenue Code (NIRC) of 1997, as amended.

19 (F) The areas comprising the GenSan Ecozone may be expanded or
20 reduced when necessary. For this purpose, the GSEZA, in consultation with
21 the local government units (LGUs), shall have the power to acquire either by
22 purchase, negotiation or condemnation proceedings, any private land within or
23 adjacent to the GenSan Ecozone for the following purposes: (1) consolidation
24 of lands for the GenSan Ecozone development; (2) acquisition of right-of-way
25 to the GenSan Ecozone; and (3) the protection of watershed areas and natural
26 assets valuable to the prosperity of the GenSan Ecozone.

27 (G) Goods manufactured by a GenSan Ecozone enterprise shall be
28 made available for immediate retail sale in the domestic market, subject to the

1 payment of corresponding taxes on raw materials and other regulations that
2 may be formulated by the GSEZA, together with the PEZA, the Bureau of
3 Customs (BOC) and the DTI. However, in order to protect the domestic
4 industries, a negative list of industries shall be drawn up and regularly updated
5 by the PEZA. Enterprises engaged in industries included in such negative list
6 shall not be allowed to sell their products locally.

7 (H) The defense of the GenSan Ecozone and the security of its
8 perimeter fence shall be the responsibility of the national government in
9 coordination with the GenSan Ecozone and the LGUs.

10 SEC. 5. *Incentives to Registered Enterprises.* – The GSEZA shall
11 administer the following incentives to the registered enterprises located therein
12 to the extent of the activity/project:

13 (A) *Income Tax Holiday (ITH)* – Registered enterprises shall be
14 entitled to an ITH from the start of their commercial operations to the extent of
15 their activity under the following categories:

16 *Category A - Registered domestic enterprise located in highly*
17 *developed areas, as determined by the Board of Investments (BOI), shall be*
18 *entitled to a four-year ITH.*

19 *Category B - Registered domestic enterprises on the following shall be*
20 *entitled to a six-year ITH:*

21 (I) *Located in less developed areas as defined by the BOI, or*

22 (II) *Producing/rendering new products/services or having strong*
23 *backward or forward linkages*

24 *Category C - Registered export enterprises shall be entitled to a six-year*
25 *ITH: Provided, however, That if the export enterprise complies with the*
26 *following: (1) large capital investments or sizeable employment generation, or*
27 *(2) use high level of technology, or (3) located outside Metro Manila, it shall*
28 *be entitled to an eight-year ITH.*

1 Registered enterprises embarking on new investments that are listed in
2 the current Investment Priorities Plan (IPP) shall be entitled to incentives
3 provided herein pertaining to the new investments and subject to such terms
4 and conditions as the BOI may determine.

5 Additional investments in the project shall be entitled to the ITH
6 corresponding to such investments as may be determined by the BOI.
7 Additional ITH may be granted for as long as the investment is made on the
8 same project: *Provided*, That the project is listed in the IPP at the same time
9 the additional investment in the project is made: *Provided, further*, That the
10 entitlement period for additional investments shall not exceed three times the
11 period provided under this subsection: *Provided, however*, That the total ITH
12 period for an export enterprise availing of an eight-year ITH shall not exceed
13 twenty (20) years. Any unused incentives shall therefore be deemed forfeited if
14 not used during the incentive period.

15 Enterprises registered with the GSEZA are required to share in the
16 special development fund of the BOI for investment promotion projects of the
17 government equivalent to one percent (1%) of the ITH granted for every
18 application.

19 The Bureau of Internal Revenue (BIR) shall require a registered
20 enterprise availing of the ITH or the Net Operating Loss Carryover (NOLCO)
21 to secure a certificate of eligibility from the GSEZA before submitting its
22 income tax return (ITR) with the GSEZA for validation.

23 Failure to secure certification and/or to file the ITH or the NOLCO
24 availment for validation by the GSEZA within forty-five (45) days from the
25 last day of statutory filing date for ITR shall cause the forfeiture of the
26 availment for the taxable period.

27 (B) Net Operating Loss Carryover (NOLCO) -- Net operating loss of
28 the business or enterprise during the first three years from the start of

1 commercial operations which have not been previously offset as deduction
2 from gross income shall be carried over as a deduction from gross income for
3 the next five consecutive years immediately following the year of such loss:
4 *Provided, however,* That operating loss resulting from avilment of incentives
5 provided in this Code shall not be entitled to the NOLCO.

6 Registered enterprises availing of the ITH as herein provided shall not
7 be entitled to avail of the NOLCO.

8 (C) Imposition of a tax rate of five percent (5%) on Gross Income
9 Earned (GIE) – Except for real property tax on land, no local and national
10 taxes as prescribed under Republic Act No. 8424, also known as “The National
11 Internal Revenue Code of 1997”, as amended, such as income tax, excise tax
12 and franchise taxes shall be imposed on business establishments operating
13 within the GSEZA. In lieu thereof, five percent (5%) of the gross income
14 earned shall be paid as follows:

15 (a) Three percent (3%) to the national government; and

16 (b) Two percent (2%) shall be remitted by the business establishments
17 to the treasurer’s office of the municipality or city where the enterprise is
18 located.

19 All persons and service establishments in the GSEZA shall be subject to
20 national and local taxes under the NIRC of 1997, as amended, and the Local
21 Government Code.

22 (D) Accelerated Depreciation – Accelerated depreciation of plant,
23 machinery and equipment that are reasonably needed and actually used for the
24 production and transport of goods and services may be allowed using a rate not
25 exceeding twice the rate which would have been used had the annual allowance
26 been computed in accordance with the rules and regulations prescribed by the
27 Secretary of Finance and the provisions of the NIRC of 1997, as amended.

1 (E) Capital Equipment Incentives – (1) Importations of capital
2 equipment, spare parts, tools and dye, or those required for pollution
3 abatement and control, cleaner production and waste reduction including
4 consignment thereof by registered enterprises upon the effectivity of this law,
5 shall be exempted to the extent of one hundred percent (100%) of the taxes and
6 customs duties: *Provided*, That the importation thereof shall be used
7 exclusively by the registered enterprises in their registered activity: *Provided*,
8 *further*, That the importation of machinery and equipment and accompanying
9 parts shall comply with the following conditions:

10 (i) They are not manufactured domestically in sufficient quantity, of
11 comparable quality and at reasonable prices;

12 (ii) They are reasonably needed and will be used exclusively by the
13 registered enterprise in the manufacture of its products, unless prior approval
14 of the GSEZA is secured for the part-time utilization of said equipment in a
15 nonregistered activity to maximize usage thereof or the proportionate taxes and
16 duties are paid on a specific equipment and machinery being permanently used
17 for nonregistered activities; and

18 (iii) Approval of the GSEZA was obtained by the registered enterprise
19 for the importation of such machinery, equipment and spare parts.

20 Approval of the GSEZA must be secured before any sale, transfer or
21 disposition of the imported capital equipment, machinery or spare parts is
22 made: *Provided*, That if such sale, transfer or disposition is made within the
23 first five years from the date of importation, any of the following conditions
24 must be present:

25 (1) If made to another enterprise enjoying tax and duty exemption on
26 imported capital equipment;

27 (2) If made to another enterprise, upon payment of any taxes and duties
28 on the net book value of the capital equipment to be sold;

1 (3) Exportation of the capital equipment, machinery, spare parts or
2 source documents or those required for pollution abatement and control; and

3 (4) For reasons of proven technical obsolescence.

4 When the aforementioned sale, transfer or disposition is made under any
5 of the conditions provided for in the foregoing paragraphs other than paragraph
6 (2), the registered firm shall not pay the taxes and duties waived on such items:
7 *Provided, further,* That if the registered enterprise sells, transfers or disposes
8 the aforementioned imported items without prior approval within five years
9 from the date of importation, the registered enterprise and the vendee,
10 transferee or assignee shall be solidarily liable to pay twice the amount of the
11 tax and duty exemption given it: *Provided, finally,* That even if the sale,
12 transfer or disposition of the capital equipment, machinery or spare parts is
13 approved after five years from the date of importation, the registered enterprise
14 is still liable to pay the taxes and duties based on the net book value of the
15 capital equipment, machinery or spare parts if it has violated any of its
16 registration terms and conditions. Otherwise, it shall no longer be subject to
17 the payment of the taxes and duties waived thereon.

18 (2) The purchase of machinery and capital equipment and raw
19 materials, supplies, parts and semi-finished products, used in the fabrication of
20 machinery and capital equipment by a registered export-oriented enterprise,
21 from a domestic manufacturer shall be subject to zero percent (0%) value-
22 added tax.

23 The registered export-oriented enterprise shall be granted a tax credit
24 equivalent to the amount of duties that would have been waived on the
25 machinery; capital equipment; and raw materials, supplies, parts and semi-
26 finished products used in the fabrication of machinery and capital equipment,
27 had these items been imported, upon its submission to the DOF of the bill of

1 materials evidencing the transaction value of such and other pertinent
2 documents, for verification and proper endorsement.

3 The availment by a registered export enterprise availing of the incentive
4 provided under the immediately preceding two paragraphs shall be subject to
5 the following conditions: (a) that said capital equipment, machinery and spare
6 parts will be used exclusively by the registered enterprise in its registered
7 activity; (b) that the capital equipment or machinery where the raw materials,
8 supplies, parts and semi-finished products were used would have qualified for
9 tax and duty-free importation; and (c) that the approval of the GSEZA is
10 obtained by the registered enterprise. If the registered enterprise sells, transfers
11 or disposes of these machineries, capital equipment and spare parts, the
12 provision in the preceding paragraphs for such disposition shall apply.

13 This incentive shall be deemed waived if application for tax credit under
14 *this subsection was not filed within one year from the date of delivery.*

15 (F) The importation of source documents by information technology –
16 registered enterprises shall be eligible for tax- and duty-free importation.

17 (G) Raw Materials Incentives – Every registered export-oriented
18 enterprise shall enjoy a tax credit equivalent to the internal revenue taxes and
19 customs duties paid on the supplies, raw materials and semi-manufactured
20 products provided the same are not sufficient in quantity, quality or are not
21 competitively priced which are used in the manufacture, processing or
22 production of its export products forming part thereof, exported directly and
23 indirectly by the registered export-oriented enterprise, based on the actual
24 taxes and duties paid for such materials/supplies/semi-manufactured products
25 by the registered enterprise.

26 This incentive shall be deemed waived if application for tax credit under
27 *this subsection was not filed within one year from the date of exportation of the*
28 *final product.*

1 (H) Incentives on Breeding Stocks and Genetic Materials –
2 Importation of breeding stocks and genetic materials within ten (10) years from
3 the date of registration of commercial operation of the enterprise shall be
4 exempt from all taxes and duties: *Provided*, That such breeding stocks and
5 genetic materials are reasonably needed in the registered activity and approved
6 by the GSEZA.

7 The availment of the incentives by a registered enterprise shall be
8 subject to the following: (a) that said breeding stocks and genetic materials
9 would have been qualified for tax and duty-free importation under the
10 preceding paragraph; (b) that the breeding stocks and genetic materials are
11 reasonably needed in the registered activity; (c) that approval of the GSEZA
12 has been obtained by the registered enterprise; and (d) that the purchase is
13 made within ten (10) years from the date of registration of commercial
14 operation of the registered enterprise.

15 This incentive shall be deemed waived if application for tax credit under
16 this subsection is not filed within one year from the date of delivery.

17 (I) Exemption from Wharfage Dues – The provisions of law to the
18 contrary notwithstanding, exports by a registered enterprise shall be exempted
19 from wharfage dues.

20 (J) Deferred Imposition of the Minimum Corporate Income Tax – The
21 Minimum Corporate Income Tax (MCIT) of two percent (2%) of the gross
22 income as of the end of the taxable year shall be imposed when the MCIT is
23 greater than the income tax computed under the NIRC of 1997, as amended,
24 for the taxable year: *Provided, however*, That said MCIT shall be imposed
25 only after the enterprise' entitlement period to the income tax-based incentives.

26 (K) (1) Tax Treatment of Merchandise in the GenSan Ecozone –
27 (a) Except as otherwise provided in this Act, foreign and domestic
28 merchandise, raw materials, supplies, articles, equipment, machineries, spare

1 parts and wares of every description, except those prohibited by law, brought
2 into the zone to be sold, stored, broke up, repacked, assembled, installed,
3 sorted, cleaned, graded, or otherwise processed, manufactured, mixed with
4 foreign or domestic merchandise whether directly or indirectly related in such
5 activity, shall not be subject to customs and internal revenue laws and
6 regulations nor to local tax ordinances, any provision of law to the contrary
7 notwithstanding.

8 (b) Merchandise purchased by a registered GenSan Ecozone
9 enterprise, from the customs territory and subsequently brought into the export
10 processing zone, shall be considered as export sales and exportation thereof
11 shall be entitled to the benefits allowed by law for such transaction.

12 (c) Domestic merchandise sent from the export processing zone to the
13 customs territory shall, whether or not combined with or made part of other
14 articles likewise of local origin or manufactured in the Philippines while in the
15 export processing zone, be subject to internal revenue laws of the Philippines
16 as domestic goods sold, transferred or disposed of for local consumption.

17 (d) Merchandise sent from the GenSan Ecozone to the customs
18 territory shall, whether or not combined with or made part of other articles
19 while in the zone, be subject to rules and regulations governing imported
20 merchandise. The duties and taxes shall be based on the value of said
21 imported materials (except when the final product is exempt).

22 (e) Domestic merchandise on which all internal revenue taxes have
23 been paid, if subject thereto, and foreign merchandise previously imported on
24 which has been paid, or which have been admitted free of duty and tax, may be
25 taken into the export processing zone from the customs territory of the
26 Philippines and be brought back thereto free of quotas, duty or tax.

27 (f) Subject to such regulations respecting identity and safeguarding of
28 the revenue as the GSEZA may deem necessary when the identity of an article

1 entered into the export processing zone under the immediately preceding
2 paragraph has been lost, such article when removed from the zone and taken to
3 the customs territory shall be treated as foreign merchandise entering the
4 country for the first time, under the provisions of the Tariff and Customs Code
5 of the Philippines, as amended.

6 (g) Articles produced or manufactured in the GenSan Ecozone and
7 exported therefrom shall, on subsequent importation into the customs territory,
8 be subject to the import laws applicable to like articles manufactured in a
9 foreign country.

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

13 (2) Tax Treatment of Merchandise in the GenSan Ecozone – The
14 GenSan Ecozone shall be operated and managed as a separate customs
15 territory ensuring free flow or movement of goods within, into and exported
16 out of the free trade/freeport zone. Importations of raw materials and capital
17 equipment are tax- and duty-free. However, exportations or removal of goods
18 from the free trade/freeport zones to the other parts of the Philippines territory
19 shall be subject to customs and internal revenue regulations.

20 (3) Tax Treatment of Services in the GenSan Ecozone –

21 (A) Sale of service by an entity from the customs territory to a
22 registered ecozone or free trade enterprise, or by a registered ecozone or
23 freeport enterprise to another ecozone or freeport enterprise shall be treated as
24 indirect export and hence, entitled to the benefits allowed by law for such
25 transaction.

26 (B) Sale or service by a registered ecozone or freeport enterprise to the
27 customs territory shall be subject to applicable internal revenue laws and
28 regulations.

1 (L) Registered export oriented enterprise shall have access to the
2 utilization of the bonded warehousing system in accordance with the rules and
3 regulations of the BOC.

4 (M) Employment of Foreign Nationals – Subject to the provisions of
5 Section 29 of Commonwealth Act No. 613, as amended, a registered enterprise
6 may employ foreign nationals in supervisory or technical positions for a period
7 not exceeding ten (10) years from its registration: *Provided*, That when the
8 majority of the capital stock of a registered enterprise is owned by foreign
9 investors, the positions of the president, treasurer and general manager or their
10 equivalents may be retained by foreign nationals beyond the period set forth
11 herein: *Provided, further*, That such officers own at least ten percent (10%) of
12 the outstanding capital stock of the registered enterprise and remain the owners
13 or maintain their stockholdings.

14 Foreign nationals under employment contract within the purview of this
15 incentive, their spouses and unmarried children under twenty-one (21) years of
16 age, who are not excluded by Section 29 of Commonwealth Act No. 613, as
17 amended, shall be permitted to enter and reside in the Philippines during the
18 period of employment of such foreign nationals. They shall be issued a
19 multiple-entry visa, valid for a period of three years and shall be allowed to
20 enter and leave the Philippines without further documentary requirements other
21 than valid passports or other travel documents in the nature of passports. The
22 validity of the multiple entry visa shall be extendible yearly.

23 The foreign national admitted herein, as well as their respective spouses
24 and dependents shall be exempt from: (a) obtaining Alien Certificate of
25 Registration and Emigration Clearance Certificates; and (b) securing the Alien
26 Employment Permit (AEP) and all types of clearances, permits, licenses or
27 their equivalents required by any government department or agency.

1 SEC. 6. *Incentive to Investors.* – Any foreign national covered under
2 paragraph (M) of Section 5 of this Act, who invests an amount of One hundred
3 fifty thousand US dollars (US\$150,000.00), either in cash and/or equipment, in
4 a registered enterprise shall be entitled to an investor’s visa: *Provided, That,*

5 (1) He is at least eighteen (18) years of age;

6 (2) He has not been convicted of a crime involving moral turpitude;

7 (3) He is not afflicted with any loathsome, dangerous or contagious
8 disease; and

9 (4) He has not been institutionalized for any mental disorder or
10 disability: *Provided, further,* That in securing the investor’s visa, the alien-
11 applicant shall be entitled to the same privileges provided for under Section
12 5(M), last paragraph.

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

19 SEC. 7. *Administration, Implementation and Monitoring of Incentives.*

20 – The GSEZA shall be responsible for the administration and implementation
21 of the incentives granted to its respective registered enterprises: *Provided,*
22 That any incentive administration policy adopted by the BOI for incentives to
23 registered enterprises shall be uniformly applied by GSEZA.

24 The following are the duties and responsibilities of the GSEZA in the
25 administration of incentives:

26 (A) To adopt consistent procedures of administering incentives in
27 accordance with the guidelines established by the BOI;

1 (B) To adopt and implement systems and procedures affecting trade
2 and customs policies in accordance with the requirements established by the
3 DOF and the BOI;

4 (C) To submit data and information to the DOF and the BOI as
5 required by any of these agencies to ascertain consistency of investment
6 policies and incentives, including their implementation as provided in (a), and
7 to ensure proper implementation of systems and procedures affecting trade and
8 customs policies as provided in (b); and

9 (D) To perform all other duties and responsibilities as may be required
10 by the President.

11 For proper monitoring, the BOI shall create a single database of all
12 incentives provided by all incentives granting agencies, including the GenSan
13 Ecozone, and all information thereto. Double entry accounting shall be done by
14 the BOI in recording all incentives granted by the government for transparency
15 purposes.

16 SEC. 8. *Extension of Period of Availment.* – The availment period of
17 the incentives provided herein may be extended by the GSEZA in the event
18 that the registered enterprise suffers *force majeure* or any event equivalent
19 thereto, impairing its viability.

20 SEC. 9. *Duration of Incentives.* – Enterprises registered with the
21 GSEZA may enjoy the ITH or the NOLCO granted by the latter prior to the
22 availment of the five percent (5%) GIE.

23 Fiscal incentives under this Act shall be terminated after a cumulative
24 period of twenty (20) years from the date of registration or the start of
25 commercial operation, whichever is applicable, except that it could be
26 extended with regard to industries deemed indispensable to national
27 development.

1 The industries exempted from this provision shall be recommended by
2 the BOI, with the concurrence of the secretaries of the DOF and of the DTI.

3 SEC. 10. *Creation of the General Santos City Special Economic Zone*
4 *and Freeport Authority.* – There is hereby created a body corporate to be
5 known as the General Santos City Special Economic Zone and Freeport
6 Authority, herein referred to as the GSEZA, which shall manage and operate
7 the GenSan Ecozone, in accordance with the provisions of this Act. This
8 corporate franchise shall expire in fifty (50) years counted from the first year
9 after the effectivity of this Act, unless otherwise extended by Congress. It shall
10 be organized within one hundred eighty (180) days after the effectivity of this
11 Act.

12 SEC. 11. *Principal Office of the GSEZA.* – The GSEZA shall maintain
13 its principal office in General Santos City but it may establish branches within
14 the Philippines as may be necessary for the proper conduct of its business.

15 SEC. 12. *Powers and Functions of the GSEZA.* – The GSEZA shall
16 have the following functions:

17 (a) To operate, administer, manage and develop the GenSan Ecozone
18 and Freeport according to the principles and provisions set forth in this Act;

19 (b) To recommend to the President of the Philippines the issuance of a
20 proclamation to fix and delimit the site of the GenSan Ecozone and Freeport;

21 (c) To register, regulate and supervise the enterprises in the GenSan
22 Ecozone in an efficient and decentralized manner, subject to existing laws;

23 (d) To coordinate with the LGUs and exercise general supervision over
24 the development plans, activities and operations of the GenSan Ecozone;

25 (e) To regulate and undertake the establishment, operation and
26 maintenance of utilities, other services and infrastructure in the GenSan
27 Ecozone such as, but not limited to, heat, light and power, water supply,

1 telecommunications, transport, toll roads and bridges, port services and to fix
2 just, reasonable and competitive rates, fares, charges and prices thereof;

3 (f) To construct, acquire, own, lease, operate and maintain on its own
4 or through contracts, franchises, licenses, bulk purchase from the private sector
5 or permits under any of the schemes allowed in Republic Act No. 6957 (the
6 Build-Operate-Transfer Law, as amended by Republic Act No. 7718), or joint
7 venture, adequate facilities and infrastructure required or needed for the
8 operation and development of the GenSan Ecozone, in coordination with
9 appropriate national and local government authorities and in conformity with
10 applicable laws thereon;

11 (g) To operate on its own, either directly or through a license to other
12 tourism-related activities, including games, amusements, recreational and
13 sports facilities;

14 (h) Subject to the approval of the President of the Philippines and the
15 Monetary Board of the Bangko Sentral ng Pilipinas (BSP) upon the
16 recommendation of the DOF, to raise or borrow adequate and necessary funds
17 from local or foreign sources to finance its projects and programs under this
18 Act, and for that purpose, to issue bonds, promissory notes and other forms of
19 securities, and to secure the same by a guarantee, pledge, mortgage, deed of
20 trust or an assignment of all or part of its property or assets;

21 (i) To provide security for the GenSan Ecozone in coordination with
22 the national and local governments. Military forces sent by the national
23 government for the purpose of defense shall not interfere in the internal affairs
24 of the GenSan Ecozone and expenditures for these military forces shall be
25 borne by the national government. For this purpose, the GSEZA may establish
26 and maintain its security forces and firefighting capability or hire others to
27 provide the same;

1 (j) To protect, preserve, maintain and develop the virgin forests,
2 beaches, coral and coral reefs, and maintain ecological balance within the
3 GenSan Ecozone;

4 (k) To create, operate and/or contract to operate such functional units
5 or offices of the GSEZA as it may deem necessary;

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

9 (m) To issue certificates of origin for products manufactured or
10 processed in the GenSan Ecozone in accordance with prevailing rules of
11 origin, and the pertinent regulations of the PEZA, the DTI and/or the DOF;

12 (n) To issue working visas renewable every two years to foreign
13 executives and foreign technicians with highly specialized skills which no
14 Filipino possesses, as certified by the Department of Labor and Employment;

15 (o) To report to the Bureau of Immigration the names of the foreigners
16 who have been granted permanent resident status and working visas within
17 thirty (30) days after issuance of such grant;

18 (p) To exercise such powers as may be essential, necessary or
19 incidental to the powers granted to it hereunder as well as those that shall
20 enable it to carry out, implement and accomplish the purposes, objectives and
21 policies of this Act; and

22 (q) To issue rules and regulations consistent with the provisions of this
23 Act as may be necessary to accomplish and implement the purposes, objectives
24 and policies provided herein.

25 *SEC. 13. Exemptions from Taxes, Duties and Other Fees.* – The
26 GSEZA is hereby declared exempt from the payment of all taxes, duties, fees,
27 imposts, charges, costs and service fees in any court or administrative
28 proceedings in which it may be a party.

1 The foregoing exemptions may, however, be entirely or partially lifted
2 by the President of the Philippines upon the recommendation of the Secretary
3 of Finance, not earlier than five years from the effectivity of this Act, if the
4 President shall find the GSEZA to be self-sustaining and financially capable by
5 then to pay such taxes, customs duties, fees and other charges after providing
6 for debt service requirements of the GSEZA and of its projected capital and
7 operating expenditures.

8 SEC. 14. *Banking Rules and Regulations.* – Existing banking laws and
9 rules/regulations of the BSP shall apply to banks and financial institutions to
10 be established in the GenSan Ecozone, such as those governing foreign
11 exchange and other current account transactions (trade and nontrade), local and
12 foreign borrowings, foreign investments, establishments and operation of local
13 and foreign banks, foreign currency deposit units, offshore banking units and
14 other financial institutions under the supervision of the BSP.

15 SEC. 15. *Remittance of Earnings.* – In the case of foreign investments,
16 a registered enterprise in the GenSan Ecozone shall have the right to remit
17 earnings from the investment in the currency in which the investment was
18 originally made and at the exchange rate prevailing at the time of remittance,
19 subject to the provisions of Section 74 of Republic Act No. 265, as amended,
20 otherwise known as “The New Central Bank Act”.

21 SEC. 16. *Board of Directors of the GSEZA.* – The powers of the
22 GSEZA shall be vested in and exercised by a board of directors, hereinafter
23 referred to as the Board, which shall be composed of the following:

24 (a) The administrator of the GSEZA as chairperson;

25 (b) The vice chairman who shall come from among the members of the
26 Board;

27 (c) The congressional representative of the district of which the
28 territory of the GenSan Ecozone is part of, member;

- 1 (d) The mayor of the City of General Santos; member
2 (e) One representative from the domestic investors; member
3 (f) One representative from the foreign investors, member; and
4 (g) Two representatives from the workers working in the GenSan
5 Ecozone, members.

6 The congressional representative and the mayor of the City of General
7 Santos shall serve as *ex officio* members of the Board, whose terms in the
8 Board corresponds to their terms as elected officials.

9 The chairman and the members of the Board, except the *ex officio*
10 members, shall be appointed by the President of the Philippines to serve for a
11 term of six years, unless sooner separated from service due to death, voluntary
12 resignation or removal for cause. In case of death, resignation or removal for
13 cause, the replacement shall serve only the unexpired portion of the term.

14 Except for the representatives of the business and labor sectors, no
15 person shall be appointed by the President of the Philippines as a member of
16 the Board unless he is a Filipino citizen, of good moral character, of proven
17 probity and integrity, and a degree holder in any of the following fields:
18 economics, business, public administration, law, management or their
19 equivalent, and with at least ten (10) years relevant working experience
20 preferably in the field of management or public administration.

21 The members of the Board shall each receive *per diem* at a rate to be
22 determined by the Department of Budget and Management in accordance with
23 existing rules and regulations: *Provided, however,* That the total *per diem*
24 collected each month shall not exceed the equivalent *per diem* for four
25 meetings. Unless and until the President of the Philippines has fixed a higher
26 *per diem* for the members of the Board, such *per diem* shall not be more than
27 Ten thousand pesos (P10,000.00) for every board meeting.

1 SEC. 17. *Powers and Duties of the Chairman-Administrator.* – The
2 chairman-administrator shall have the following powers and duties:

3 (a) To direct and manage the affairs of the GSEZA in accordance with
4 the policies of the Board;

5 (b) To establish the internal organization of the GSEZA under such
6 conditions that the Board may prescribe;

7 (c) To submit an annual budget and necessary supplemental budget to
8 the Board for its approval;

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

11 (e) To submit to the Board for its approval policies, systems,
12 procedures, rules and regulations that are essential to the operation of the
13 GenSan Ecozone;

14 *(f) To create a mechanism in coordination with relevant agencies for
15 the promotion of industrial peace, the protection of the environment and the
16 advancement of the quality of life in the GenSan Ecozone; and

17 (g) To perform such other duties as may be assigned to him by the
18 Board or which are necessary or incidental to his office.

19 SEC. 18. *Organization and Personnel.* – The Board of Directors of the
20 GSEZA shall provide for an organization and staff of its officers and
21 employees. Upon the recommendation of the chairman-administrator and with
22 the approval of the Secretary of the DTI, the Board shall appoint and fix the
23 remuneration and other emoluments of its officers and employees in
24 accordance with existing laws on compensation and position classification:
25 *Provided*, That the Board shall have exclusive and final authority to promote,
26 transfer, assign or reassign officers of the GSEZA, any provision of existing
27 law to the contrary notwithstanding: *Provided, further*, That the chairman-
28 administrator may carry out removal of such officers and employees.

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

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

7 SEC. 19. *Applicability Clause.* – The provisions of Sections 30 to 41 of
8 Republic Act No. 7916, as amended, shall apply to the GenSan Ecozone.

9 SEC. 20. *Capitalization.* – The GSEZA shall have an authorized capital
10 stock of two billion (2,000,000,000) no-par shares with a minimum issue of
11 Ten pesos (P10.00) each, the majority shares of which shall be subscribed and
12 paid for by the national government and the LGUs embracing the GenSan
13 Ecozone. The Board of Directors of the GSEZA with the written concurrence
14 of the Secretary of Finance may sell shares, representing not more than forty
15 *per centum* (40%) of the capital stock of the GSEZA to the general public
16 under such policy as the Board and the Secretary of Finance may determine.
17 The national government and the LGUs shall in no case own less than sixty *per*
18 *centum* (60%) of the total issued and outstanding capital of the GSEZA.

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

23 SEC. 21. *Supervision and Coördination of Development Plans.* – For
24 purposes of policy direction and coordination, the GenSan Ecozone shall be
25 under the direct control and supervision of the Office of the President of the
26 Philippines.

27 SEC. 22. *Relationship with the Regional Development Council.* – The
28 GSEZA shall determine the development goals for the GenSan Ecozone within

1 the framework of national development plans, policies and goals. The
2 administrator shall, upon approval by the Board, submit the GenSan Ecozone
3 plans, programs and projects to the Regional Development Council for
4 inclusion and inputs to the overall regional development plan.

5 SEC. 23. *Relationship with the Local Government Units.* – Except as
6 herein provided, the LGUs comprising the GenSan Ecozone shall retain their
7 basic autonomy and identity. The City of General Santos shall operate and
8 function in accordance with the Local Government Code of 1991. In case of
9 any conflict between the GSEZA and the City of General Santos on matters
10 affecting the GenSan Ecozone other than defense and security matters, the
11 decision of the GSEZA shall prevail.

12 SEC. 24. *Interpretation/Construction.* – The powers, authorities and
13 functions that are vested in the GSEZA are intended to decentralize
14 governmental functions and authority, and promote an efficient and effective
15 working relationship between the GenSan Ecozone, the national government,
16 and the LGUs.

17 SEC. 25. *Auditing.* – The Commission on Audit shall appoint a
18 representative who shall be a full-time auditor of the GSEZA and assign such
19 number of personnel as may be necessary to assist said representative in the
20 performance of his/her duties.

21 The salaries and emoluments of the assigned auditor and personnel shall
22 be in accordance with pertinent laws, rules and regulations.

23 SEC. 26. *Separability Clause.* – If any provisions of this Act shall be
24 held unconstitutional or invalid, the other provisions not otherwise affected
25 shall remain in full force and effect.

26 SEC. 27. *Repealing Clause.* – All laws, executive orders or issuances,
27 or any parts thereof which are inconsistent herewith are hereby repealed or
28 amended accordingly.

1 SEC. 28. *Effectivity Clause.* -- This Act shall take effect upon its
2 publication in at least one newspaper of general circulation.

Approved,

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