



HOUSE OF REPRESENTATIVES

H. No. 5266

BY REPRESENTATIVE FLOIRENDO, PER COMMITTEE REPORT NO. 1560

AN ACT ESTABLISHING A SPECIAL ECONOMIC ZONE AND FREEPORT IN THE ISLAND GARDEN CITY OF SAMAL, PROVINCE OF DAVAO DEL NORTE, CREATING FOR THIS PURPOSE THE SAMAL ISLAND 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 “Samal
2. Island Special Economic Zone and Freeport 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 family income, and thereby improve the level and
8. quality of living conditions through the establishment, among others, of special
9. economic zones in suitable and strategic locations in the country and through
10. measures that will attract legitimate and productive foreign investments.

1 SEC. 3. *Creation of the Samal Island Special Economic Zone and*
2 *Freeport.* – In accordance with the foregoing declared policy, there is hereby
3 established a special economic zone and freeport in the Island Garden City of
4 Samal in the Province of Davao del Norte to be known as the Samal Island
5 Special Economic Zone and Freeport, hereinafter referred to as the Samal
6 Island Ecozone. The specific metes and bounds of the Samal Island Special
7 Economic Zone and Freeport shall be more particularly defined in a
8 presidential proclamation that shall be issued for this purpose.

9 SEC. 4. *Governing Principles.* – The Samal Island Special Economic
10 *Zone and Freeport shall be managed and operated by the Samal Island Special*
11 *Economic Zone and Freeport Authority, hereinafter referred to as the*
12 *SISEZFA, to be created under Section 10 of this Act, under the following*
13 *principles:*

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

19 (B) The Samal Island Ecozone shall be provided with transportation,
20 telecommunications and other facilities needed to attract legitimate and
21 productive investments, generate linkage industries and employment
22 opportunities for the people of the Island Garden City of Samal and its
23 neighboring towns and cities.

24 (C) The Samal Island Ecozone may establish a mutually beneficial
25 economic relation with other entities or enterprises within the country or,
26 subject to the administrative guidance of the Department of Foreign Affairs
27 (DFA), the Philippine Economic Zone Authority (PEZA) and/or the
28 Department of Trade and Industry (DTI), with foreign entities or enterprises.

1 (D) Foreign citizens and companies owned by non-Filipinos in
2 whatever proportion may set up enterprises in the Samal Island Ecozone, either
3 by themselves or in a joint venture with Filipinos in any sector of industry,
4 international trade and commerce within the Samal Island Ecozone.

5 (E) The Samal Island Ecozone shall be managed and operated as a
6 separate customs territory, thereby ensuring the free flow or movement of
7 goods and capital within, into and out of its territory, and shall likewise
8 provide incentives such as tax- and duty-free importations of raw materials,
9 capital and equipment to registered enterprises located therein. However,
10 exportation or removal of goods from the territory of the Samal Island Ecozone
11 to the other parts of the Philippine territory shall be subject to customs duties
12 and taxes under the Customs and Tariff Code and other relevant tax laws of the
13 Philippines.

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

22 (G) Goods manufactured by a Samal Island Ecozone enterprise shall
23 be made available for immediate retail sale in the domestic market, subject to
24 the payment of corresponding taxes on raw materials and other regulations that
25 may be formulated by the SISEZFA, together with the PEZA, the Bureau of
26 Customs (BoC) and the DTI. However, in order to protect domestic industries,
27 a Negative List of industries shall be drawn up and regularly updated by the
28 PEZA. Enterprises engaged in industries included in such Negative List shall

1 not be allowed to sell their products locally.

2 (H) The defense of the Samal Island Ecozone and the security of its
3 perimeter fence shall be the responsibility of the national government in
4 coordination with the Samal Island Ecozone and the LGUs concerned.

5 SEC. 5. *Incentives to Registered Enterprises.* – The SISEZFA may
6 administer the following incentives to registered enterprises located therein to
7 the extent of the activity/project:

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

11 (1) Category A – Registered domestic enterprises located in highly
12 developed areas, as determined by the Board of Investments (BOI), shall be
13 entitled to a four-year ITH.

14 (2) Category B – Registered domestic enterprises on the following
15 shall be entitled to a six-year ITH:

16 (a) Located in less developed areas as defined by the BOI, or

17 (b) Producing/rendering new products/services or having strong
18 backward or forward linkages.

19 (3) Category C – Registered export enterprises shall be entitled to a
20 six-year ITH: *Provided, however,* That if the export enterprise complies with
21 the following: (a) large capital investments or sizeable employment generation,
22 or (b) use high level of technology, or (c) located outside Metro Manila, it
23 shall be entitled to an eight-year ITH.

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

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

11 Enterprises registered with the SISEZFA are required to share in the
12 special development fund of the BOI for investment promotion projects of the
13 government equivalent to one percent (1%) of the ITH granted for every
14 application.

15 The Bureau of Internal Revenue (BIR) shall require a registered
16 enterprise availing of the ITH or the net operating loss carryover (NOLCO) to
17 secure a certificate of eligibility from the SISEZFA before submitting its
18 income tax return (ITR) with the SISEZFA for validation.

19 Failure to secure certification and/or to file the ITH or the NOLCO
20 availment for validation by the SISEZFA within forty-five (45) days from the
21 last day of each statutory filing date for ITR shall cause the forfeiture of the
22 availment for the taxable period.

23 (B) Net Operating Loss Carryover (NOLCO) – The net operating loss
24 of the business or enterprise during the first three years from the start of
25 commercial operations which have not been previously offset as deduction
26 from gross income shall be carried over as a deduction from gross income for
27 the next five consecutive years immediately following the year of such loss:

1 *Provided, however,* That operating loss resulting from the availment of
2 incentives provided in this Code shall not be entitled to the NOLCO.

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

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

12 (1) Three percent (3%) to the national government; and

13 (2) Two percent (2%) shall be directly remitted by the business
14 establishments to the treasurer’s office of the municipality or city.

15 All persons and service establishments in the Samal Island Ecozone
16 shall be subject to national and local taxes under the National Internal Revenue
17 Code (NIRC) of 1997, as amended, and the Local Government Code.

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

24 (E) *Capital Equipment Incentives* – (1) Importations of capital
25 equipment, spare parts, tools and dye, or those required for pollution
26 abatement and control, cleaner production and waste reduction including
27 consignment thereof by registered enterprises upon the effectivity of this law.
28 shall be exempted to the extent of one hundred percent (100%) of the taxes and

1 customs duties: *Provided*, That the importation thereof shall be used
2 exclusively by the registered enterprise in its registered activity: *Provided*,
3 *further*, That the importation of machinery and equipment and accompanying
4 parts shall comply with the following conditions:

5 (a) These are not manufactured domestically in sufficient quantity, of
6 comparable quality and at reasonable prices;

7 (b) These are reasonably needed and will be used exclusively by the
8 registered enterprise in the manufacture of its products, unless prior approval
9 of the SISEZFA is secured for the part-time utilization of the said equipment in
10 a nonregistered activity to maximize usage thereof or the proportionate taxes
11 and duties are paid on a specific equipment and machinery being permanently
12 used for nonregistered activities; and

13 (c) Approval of the SISEZFA was obtained by the registered
14 enterprise for the importation of such machinery, equipment and spare parts.

15 Approval of the SISEZFA must be secured before any sale, transfer or
16 disposition of the imported capital equipment, machinery or spare parts is
17 made: *Provided*, That if such sale, transfer or disposition is made within the
18 first five years from the date of importation, any of the following conditions
19 must be present:

20 (i) The same is made to another enterprise enjoying tax and duty
21 exemption on imported capital equipment;

22 (ii) The same is made to another enterprise, upon the payment of any
23 taxes and duties on the net book value of the capital equipment to be sold;

24 (iii) The exportation of the capital equipment, machinery, spare parts
25 or source documents or those required for pollution abatement and control; and

26 (iv) Proven technical obsolescence of the said equipment, machinery
27 or spare parts.

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

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

20 The registered export-oriented enterprise shall be granted a tax credit
21 equivalent to the amount of duties that would have been waived on the
22 machinery, capital equipment; raw materials and supplies, parts and semi-
23 finished products used in the fabrication of machinery and capital equipment,
24 had these items been imported, upon its submission to the Department of
25 Finance (DOF) of the bill of materials evidencing the transaction value of such
26 and other pertinent documents, for verification and proper endorsement.

27 The availment of the incentives by a registered export enterprise
28 provided under the immediately preceding two paragraphs shall be subject to

1 the following conditions: (a) that said capital equipment, machinery and spare
2 parts will be used exclusively by the registered enterprise in its registered
3 activity; (b) that the capital equipment or machinery where the raw materials,
4 supplies, parts and semi-finished products were used would have qualified for
5 tax- and duty-free importation; and (c) that the approval of the SISEZFA is
6 obtained by the registered enterprise. If the registered enterprise sells, transfers
7 or disposes of these machineries, capital equipment and spare parts, the
8 provision in the preceding paragraphs for such disposition shall apply.

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

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

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

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

25 (H) Incentives on Breeding Stocks and Genetic Materials --
26 Importation of breeding stocks and genetic materials within ten (10) years from
27 the date of registration of commercial operation of the enterprise shall be
28 exempt from all taxes and duties: *Provided*, That such breeding stocks and

1 genetic materials are reasonably needed in the registered activity and approved
2 by the SISEZFA.

3 Availment of the incentives by a registered enterprise shall be subject to
4 the following: (1) that said breeding stocks and genetic materials would have
5 been qualified for tax- and duty-free importation under the preceding
6 paragraph; (2) that the breeding stocks and genetic materials are reasonably
7 needed in the registered activity; (3) that approval of the SISEZFA has been
8 obtained by the registered enterprise; and (4) that the purchase is made within
9 ten (10) years from the date of registration of commercial operation of the
10 registered enterprise.

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

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

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

23 (K) (1) *Tax Treatment of Merchandise in the Samar Island Ecozone* –
24 (a) Except as otherwise provided in this Act, foreign and domestic
25 merchandise, raw materials, supplies, articles, equipment, machineries, spare
26 parts and wares of every description, except those prohibited by law, brought
27 into the zone to be sold, stored, broken up, repacked, assembled, installed,
28 sorted, cleaned, graded or otherwise processed, manufactured, mixed with

1 foreign or domestic merchandise whether directly or indirectly related in such
2 activity, shall not be subject to customs and internal revenue laws and
3 regulations nor to local tax ordinances, any provision of law to the contrary
4 notwithstanding.

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

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

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

19 (e) Domestic merchandise on which all internal revenue taxes have
20 been paid, if subject thereto, and foreign merchandise previously imported on
21 which has been paid, or which have been admitted free of duty and tax, may be
22 taken into the Samal Island Ecozone from the customs territory of the
23 Philippines and be brought back thereto free of quotas, duty or tax.

24 (f) Subject to such regulations respecting identity and safeguarding of
25 revenue as the SISEZFA may deem necessary when the identity of an article
26 entered into the export processing zone under the immediately preceding
27 paragraph has been lost, such article when removed from the zone and taken to
28 the customs territory shall be treated as foreign merchandise entering the

1 country for the first time, under the provisions of the Tariff and Customs Code
2 of the Philippines, as amended.

3 (g) Articles produced or manufactured in the Samal Island Ecozone
4 and exported therefrom shall, on subsequent importation into the customs
5 territory, be subject to the import laws applicable to like articles manufactured
6 in a foreign country.

7 (h) Unless the contrary is shown, merchandise taken out of the Samal
8 Island Ecozone shall be considered for tax purposes to have been sent to
9 customs territory.

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

17 (3) Tax Treatment of Services in the Samal Island Ecozone – (a) Sale
18 of service by an entity from the customs territory to a registered ecozone or
19 free trade enterprise, or by a registered ecozone or freeport enterprise to
20 another ecozone or freeport enterprise shall be treated as indirect export and
21 hence, entitled to the benefits allowed by law for such transaction.

22 (b) Sale of service by a registered ecozone or freeport enterprise to the
23 customs territory shall be subject to applicable internal revenue laws and
24 regulations.

25 (L) Registered export-oriented enterprise shall have access to the
26 utilization of the bonded warehousing system in accordance with the rules and
27 regulations of the BoC.

1 (M) Employment of Foreign Nationals – Subject to the provisions of
2 Section 29 of Commonwealth Act No. 613, as amended, a registered enterprise
3 may employ foreign nationals in supervisory or technical positions for a period
4 not exceeding ten (10) years from its registration: *Provided*, That when the
5 majority of the capital stock of a registered enterprise is owned by foreign
6 investors, the positions of the president, treasurer and general manager or their
7 equivalents may be retained by foreign nationals beyond the period set forth
8 herein and such officer is the owner or a stockholder owning at least ten
9 percent (10%) of the outstanding capital stock of the registered enterprise and
10 he remains the owner or maintains his stockholdings therein.

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

20 The foreign nationals admitted herein, as well as their respective
21 spouses and dependents, shall be exempt from obtaining Alien Certificate of
22 Registration and Emigration Clearance Certificates, permits, licenses or their
23 equivalents required by any government department or agency.

24 SEC. 6. *Incentive to Investors.* – Any foreign national covered under
25 Section 5(M) of this Act, who invests an amount of US\$150,000.00, either in
26 cash and/or equipment, in a registered enterprise shall be entitled to an
27 investor's visa: *Provided*, That,

28 (A) He is at least eighteen (18) years of age;

1 (B) He has not been convicted of a crime involving moral turpitude;

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

4 (D) He has not been institutionalized for any mental disorder or
5 disability: *Provided, further,* That in securing the investor's visa, the alien-
6 applicant shall be entitled to the same privileges provided for under Section
7 5(M) hereof.

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

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

15 – The SISEZFA shall be responsible for the administration and implementation
16 of the incentives granted to its respective registered enterprises; *Provided,* That
17 any incentive administration policy adopted by the BOI for registered
18 enterprises shall be uniformly applied by the SISEZFA.

19 The following are the duties and responsibilities of the SISEZFA in the
20 administration of incentives:

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

23 (B) To adopt and implement systems and procedures affecting trade
24 and customs policies in accordance with the requirements established by the
25 DOF and the BOI;

26 (C) To submit data and information to the DOF and the BOI as
27 required by any of these agencies to ascertain consistency of investment
28 policies and incentives, including their implementation as provided in

1 paragraph (A) herein, and to ensure proper implementation of systems and
2 procedures affecting trade and customs policies as provided in paragraph (B)
3 herein; and

4 (D) To perform all other duties and responsibilities as may be required
5 by the President of the Philippines.

6 For proper monitoring, the BOI shall create a single database of all
7 incentives provided by all incentives-granting agencies, including the
8 SISEZFA and all information thereto. Double-entry accounting shall be done
9 by the BOI in recording all incentives granted by the government for
10 transparency purposes.

11 SEC. 8. *Extension of Period of Availment.* – The availment period of
12 the incentives provided herein may be extended by the SISEZFA in the event
13 that the registered enterprise suffers operational *force majeure* or any event
14 equivalent thereto, impairing its viability.

15 SEC. 9. *Duration of Incentives.* – Enterprises registered with the
16 SISEZFA may enjoy the ITH or the NOLCO granted by the latter prior to the
17 availment of the five percent (5%) GIE.

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

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

25 SEC. 10. *Creation of the Samal Island Special Economic Zone and*
26 *Freeport Authority.* – There is hereby created a body corporate to be known as
27 the Samal Island Special Economic Zone and Freeport Authority, hereinafter
28 referred to as the SISEZFA, which shall manage and operate the Samal Island

1 Ecozone, in accordance with the provisions of this Act. This corporate
2 franchise shall expire in fifty (50) years counted from the first year after the
3 effectivity of this Act, unless otherwise extended by Congress. It shall be
4 organized within one hundred eighty (180) days after the effectivity of this Act.

5 SEC. 11. *Principal Office of the SISEZFA.* – The SISEZFA shall
6 maintain its principal office in Samal District, but it may establish branches
7 within the Philippines as may be necessary for the proper conduct of its
8 business.

9 SEC. 12. *Powers and Functions of the SISEZFA.* – The SISEZFA shall
10 have the following functions:

11 (A) To operate, administer, manage and develop the Samal Island
12 Ecozone according to the principles and provisions set forth in this Act;

13 (B) To recommend to the President of the Philippines the issuance of a
14 proclamation to fix and delimit the site of the Samal Island Ecozone;

15 (C) To register, regulate and supervise the enterprises in the Samal
16 Island Ecozone in an efficient and decentralized manner, subject to existing
17 laws;

18 (D) To coordinate with the LGUs and exercise general supervision over
19 the development plans, activities and operation of the ecozones;

20 (E) To regulate and undertake the establishment, operation and
21 maintenance of utilities, other services and infrastructure in the Samal Island
22 Ecozone such as, but not limited to, heat, light and power, water supply,
23 telecommunications, transport, toll roads and bridges, port services, etc. and to
24 fix just, reasonable and competitive rates, fares, charges and prices thereof;

25 (F) To construct, acquire, own, lease, operate and maintain on its own
26 or through contracts, franchise, licenses, bulk purchases from the private sector
27 or permits under any of the schemes allowed in Republic Act No. 6957 (the
28 Build-Operate-Transfer Law, as amended by Republic Act No. 7718), or joint

1 venture, adequate facilities and infrastructure required or needed for the
2 operation and development of the Samal Island Ecozone, in coordination with
3 the appropriate national and local government authorities and in conformity
4 with applicable laws thereon;

5 (G) To operate on its own, either directly or indirectly, or through a
6 license to other tourism-related activities, including games, amusements,
7 recreational and sport facilities;

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

15 (I) To provide security for the Samal Island Ecozone in coordination
16 with the national and local governments. Military forces sent by the national
17 government for the purpose of defense shall not interfere in the internal affairs
18 of the ecozone, and expenditures for these military forces shall be borne by the
19 national government. For this purpose, the SISEZFPA may establish and
20 maintain its security forces and firefighting capability or hire others to provide
21 the same;

22 (J) To protect, preserve, maintain and develop the virgin forests,
23 beaches, coral and coral reefs and maintain ecological balance within the
24 Samal Island Ecozone;

25 (K) To create, operate and/or contract to operate such functional units
26 or offices of the SISEZFPA as it may deem necessary;

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

4 (M) To issue certificates of origin for products manufactured or
5 processed in the Samal Island Ecozone in accordance with the prevailing rules
6 of origin and the pertinent regulations of the PEZA, the DTI and/or the DOF.

7 (N) To issue working visas renewable every two years to foreign
8 executives and foreign technicians with highly specialized skills which no
9 Filipinos possesses, as certified by the Department of Labor and Employment
10 (DOLE);

11 (O) To report to the Bureau of Immigration the names of the foreigners
12 who have been granted permanent resident status and working visas within
13 thirty (30) days after issuance of such grant;

14 (P) To exercise such powers as may be essential, necessary or
15 incidental to the powers granted to it hereunder, as well as those that shall
16 enable it to carry out, implement and accomplish the purposes, objectives and
17 policies of this Act; and

18 (Q) To issue rules and regulations consistent with the provisions of this
19 Act as may be necessary to accomplish and implement the purposes, objectives
20 and policies provided herein.

21 SEC. 13. *Banking Rules and Regulations.* – Existing banking laws and
22 rules and regulations of the BSP shall apply to banks and financial institutions
23 to be established in the Samal Island Ecozone, such as those governing foreign
24 exchange and other current account transactions (trade and nontrade), local and
25 foreign borrowings, foreign investments, establishments and operation of local
26 and foreign banks, foreign currency deposit units, offshore banking units and
27 other financial institutions under the supervision of the BSP.

1 SEC. 14. *Remittance of Earnings.* – In the case of foreign investments,
2 a registered enterprise in the SISEZFA shall have the right to remit earnings
3 from the investment in the currency in which the investment was originally
4 made and at the exchange rate prevailing at the time of remittance, subject to
5 the provisions of Section 74 of Republic Act No. 265, as amended.

6 SEC. 15. *Board of Directors of the SISEZFA.* – The powers of the
7 SISEZFA shall be vested in and exercised by a board of directors, hereinafter
8 referred to as the Board, which shall be composed of the following:

9 (A) The chairman, who shall at the same time be the administrator of
10 the SISEZFA;

11 (B) The vice chairman, who shall come from among the members of the
12 Board;

13 (C) Members consisting of:

14 (1) The congressional representative of the district covering the site of
15 the Samal Island Ecozone;

16 (2) The mayor of the Island Garden City of Samal;

17 (3) One representative from the domestic investors;

18 (4) One representative from the foreign investors; and

19 (5) One representative from the workers working in the Samal Island
20 Ecozone.

21 The congressional representative and the city mayor shall serve as
22 *ex officio* members of the Board, whose term in the Board corresponds to their
23 term as elected officials.

24 The chairman and the members of the Board, except the *ex officio*
25 members, shall be appointed by the President of the Philippines to serve for a
26 term of six years, unless sooner separated from the service due to death,
27 voluntary resignation or removal for cause. In case of death, resignation or

1 removal for cause, the replacement shall serve only the unexpired portion of
2 the term.

3 Except for the representative of the business and labor sectors, no
4 person shall be appointed by the President of the Philippines as a member of
5 the Board unless he is a Filipino citizen, of good moral character, of proven
6 probity and integrity, and a degree holder in any of the following fields:
7 economics, business, public administration, law, management or their
8 equivalent, and with at least ten (10) years relevant working experience
9 preferably in the field of management or public administration.

10 The members of the Board shall each receive *per diem* at rates to be
11 determined by the Department of Budget and Management in accordance with
12 existing rules and regulations: *Provided, however,* That the total *per diem*
13 collected each month shall not exceed the equivalent *per diem* for four
14 meetings. Unless and until the President of the Philippines has fixed a higher
15 *per diem* for the members of the Board, such *per diem* shall not be more than
16 Ten thousand pesos (P10,000.00) for every Board meeting.

17 SEC. 16. *Powers and Duties of the Chairman-Administrator.* – The
18 chairman-administrator shall have the following powers and duties:

19 (A) To direct and manage the affairs of the SISEZFA in accordance
20 with the policies of the Board;

21 (B) To establish the internal organization of the SISEZFA under such
22 conditions that the Board may prescribe;

23 (C) To submit an annual budget and necessary supplemental budget to
24 the Board for its approval;

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

1 (E) To submit to the Board for its approval policies, systems,
2 procedures, rules and regulations that are essential to the operation of the
3 Samal Island Ecozone;

4 (F) To create a mechanism in coordination with relevant agencies for
5 the promotion of industrial peace, the protection of the environment and the
6 advancement of the quality of life in the Samal Island Ecozone; and

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

9 SEC. 17. *Organization and Personnel.* -- The Board of Directors of the
10 SISEZFA shall provide for an organization and staff of its officers and
11 employees. Upon the recommendation of the chairman-administrator, with the
12 approval of the Secretary of the DTI, the Board shall appoint and fix the
13 remuneration and other emoluments of its officers and employees in
14 accordance with existing laws on compensation and position classification:
15 *Provided,* That the Board shall have exclusive and final authority to promote,
16 transfer, assign or reassign officers of the SISEZFA, any provision of existing
17 laws to the contrary notwithstanding: *Provided, further,* That the chairman-
18 administrator may carry out removal of such officers and employees.

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

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

25 SEC. 18. *Applicability Clause.* -- The provisions of Sections 30 to 41 of
26 Republic Act No. 7916, as amended, on leases of lands and buildings, land
27 conversion, shipping and shipping register, protection of environment,
28 termination of business, registration of business enterprise, one-stop shop

1 center and on industrial harmony in the ecozones shall apply to the Samal
2 Island Ecozone.

3 SEC. 19. *Capitalization.* – The SISEZFA shall have an authorized
4 capital stock of two billion (2,000,000,000) no-par shares with a minimum
5 issue of Ten pesos (P10.00) each, the majority shares of which shall be
6 subscribed and paid for by the national government and the LGUs embracing
7 the Samal Island Ecozone. The Board of Directors of the SISEZFA may, with
8 the written concurrence of the Secretary of Finance, sell shares, representing
9 not more than forty *per centum* (40%) of the capital stock of the SISEZFA to
10 the general public under such policy as the Board and the Secretary of Finance
11 may determine. The national government and the LGUs shall in no case own
12 less than sixty *per centum* (60%) of the total issued and outstanding capital of
13 the SISEZFA.

14 The amount necessary to subscribe and pay for the shares of the national
15 government to the capital stock of the SISEZFA shall be included in the annual
16 General Appropriations Act. For LGUs, the funds shall be taken from their
17 Internal Revenue Allotment and other local funds.

18 SEC. 20. *Supervision and Coordination of Development Plans.* – For
19 purposes of policy direction and coordination, the Samal Island Ecozone shall
20 be under the direct control and supervision of the Office of the President of the
21 Philippines.

22 SEC. 21. *Relationship with the Regional Development Council.* – The
23 SISEZFA shall determine the development goals for the Samal Island Ecozone
24 within the framework of national development plans, policies and goals. The
25 administrator shall, upon approval by the Board, submit the Samal Island
26 Ecozone plans, programs and projects to the Regional Development Council
27 for inclusion and inputs to the overall regional development plan.

1 SEC. 22. *Relationship with the LGUs.* – Except as herein provided, the
2 LGUs comprising the Samal Island Ecozone shall retain their basic autonomy
3 and identity. The Island Garden City of Samal shall operate and function in
4 accordance with the Local Government Code of 1991. In case of any conflict
5 between the SISEZFA and the Province of Davao del Norte on matters
6 affecting the Samal Island Ecozone other than defense and security matters, the
7 decision of the SISEZFA shall prevail.

8 SEC. 23. *Interpretation/Construction.* – The powers, authorities and
9 functions that are vested in the SISEZFA are intended to decentralize
10 government functions and authority and promote an efficient and effective
11 working relationship between the Samal Island Ecozone, the national
12 government and the LGUs .

13 SEC. 24. *Auditing.* – The Commission on Audit shall appoint a
14 representative who shall be a full-time auditor of the SISEZFA and assign such
15 number of personnel as may be necessary to assist said representative in the
16 performance of his/her duties. The salaries and emoluments of the assigned
17 auditor and personnel shall be in accordance with pertinent laws, rules and
18 regulations.

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

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

25 SEC. 27. *Effectivity Clause.* – This Act shall take effect after its
26 publication in at least one newspaper of general circulation.

Approved,