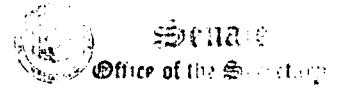


NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



23 SEP 27 A8:43

SENATE

S. No. 2454

RECEIVED BY: _____

Introduced by Senator Francis G. Escudero

**AN ACT
TO PROMOTE AND SUSTAIN THE INDUSTRIAL, ECONOMIC AND SOCIAL
DEVELOPMENT IN THE CAGAYAN VALLEY REGION, AMENDING FOR THE
PURPOSE REPUBLIC ACT NO. 7922, OTHERWISE KNOWN AS THE "CAGAYAN
SPECIAL ECONOMIC ZONE ACT OF 1995"**

EXPLANATORY NOTE

Special economic zones (SEZs) are critical in promoting and sustaining the industrial, economic, and social development in the countryside and instrumental providing decent jobs to the people residing therein, in increasing local productivity and incomes, and in improving the level and quality of life of common Filipinos. To realize these noble objectives, the charter of Cagayan Special Economic Zone Authority (CEZA) provides for the grant of tax exemptions and other forms of incentives that may be used to entice prospective investors and to ensure that existing enterprises remain within its territorial jurisdiction.

Over the recent years, the advent of new measures seeking to generate additional government revenues and to realize other socioeconomic objectives of government has slowly but gradually eroded the tax-exempt status enjoyed by CEZA investors and the operational flexibility of CEZA to grant tax and non-tax incentives. These, in turn, impair the ability of CEZA to increase the number of investors within its territorial jurisdiction and casts doubt on CEZA's ability to deliver on its promised incentives moving forward.

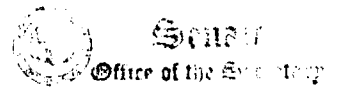
To allay these concerns, this bill seeks to exempt the CEZA from the coverage of Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act", and allow the same entities to be governed by the provisions of their respective original charters. Through this intervention, the provisions of the CREATE Act will be further aligned with its declared policy of creating a more equitable tax incentive system that allows for the inclusive growth and generation of jobs and opportunities and that ensures access and ease in the grant of tax incentives especially for applicants in least developed areas of the Philippines.

Additionally, this bill seeks to clarify, restore, and reinforce the longstanding tax-exempt status granted to business establishments operating within the Cagayan Special Economic Zone. As unambiguously provided under the Republic Act No. 7922, otherwise known as the *Cagayan Special Economic Zone Act of 1995*, this bill reverberates one of the CEZA's governing principles that no local or national tax shall be imposed on business establishments operating within the Cagayan Special Economic Zone, and that in lieu thereof, covered business establishments would pay and remit to the national government a portion of their gross income. It is the intent of this proposed measure to extend this incentive uniformly to all investors in the territorial jurisdiction of CEZA regardless of the nature of their business, so long as they are qualified to avail of the such incentive.

Given the above premises, among others, consideration and approval of this bill is respectfully requested.


FRANCIS G. ESCUDERO

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
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SPECIAL ECONOMIC ZONE ACT OF 1995"**

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

1 Section 1. A new Section 14 shall be inserted after Section 13 of Republic Act
2 No. 7922 to read as follows:

3 **"SEC. 14. EXEMPTIONS. – THE ZONE SHALL BE EXCLUDED FROM**
4 **THE COVERAGE AND APPLICATION OF REPUBLIC ACT NO. 11534,**
5 **OTHERWISE KNOWN AS THE "CORPORATE RECOVERY AND TAX**
6 **INCENTIVES FOR ENTERPRISES (CREATE) ACT" AND REPUBLIC ACT**
7 **NO. 11590, AND SHALL CONTINUE TO BE GOVERNED SOLELY AND**
8 **OPERATED PRIMARILY IN ACCORDANCE WITH THE PROVISIONS OF**
9 **THIS ACT: PROVIDED, HOWEVER, THAT THE TAX AND NON-TAX**
10 **INCENTIVES EXTENDED TO INVESTORS OF COVERED INVESTMENT**
11 **PROMOTION AGENCIES AS PROVIDED UNDER REPUBLIC ACT NO.**
12 **11534 SHALL LIKEWISE BE EXTENDED TO COMPLIANT AND DULY-**
13 **REGISTERED INVESTORS OF THE CEZA: PROVIDED, FURTHER, THAT**
14 **THE REGISTERED INVESTORS OPERATING WITHIN THE**
15 **TERRITORIAL JURISDICTION OF THE CEZA WHO ARE ENGAGED IN**
16 **THE BUSINESS OF GAMING OR GAMBLING IN ANY KIND OR FORM**
17 **SHALL BE TAXED BASED ON THEIR GROSS EARNINGS OR INCOME**

1 **REGARDLESS OF THE SOURCE OR ORIGIN OF THE BETS THEY**
2 **RECEIVE AND SOLELY IN ACCORDANCE WITH THE PROVISIONS OF**
3 **THIS ACT: *PROVIDED, FURTHERMORE,* THAT SUBJECT TO RELEVANT**
4 **HEALTH OR NATIONAL SECURITY LAWS, RULES OR REGULATIONS,**
5 **FOREIGN GOODS AND RAW MATERIALS DESTINED FOR THE**
6 **DOMESTIC MARKET BROUGHT WITHIN THE TERRITORIAL**
7 **JURISDICTION OF CEZA SHALL NOT BE SUBJECT TO CUSTOMS**
8 **DUTIES AND INTERNAL REVENUE TAXES SO LONG AS SUCH FOREIGN**
9 **GOODS OR RAW MATERIALS REMAIN WITHIN THE TERRITORIAL**
10 **JURISDICTION OF THE CEZA: *PROVIDED, FINALLY,* THAT RAW**
11 **MATERIALS DESTINED FOR THE MANUFACTURE OF PRODUCTS FOR**
12 **EXPORT ABROAD, INCLUDING MACHINERY, EQUIPMENT, SPARE**
13 **PARTS, TRANSPORTS SYSTEMS NEEDED TO PRODUCE SUCH**
14 **PRODUCTS FOR EXPORT ABROAD, AS WELL THOSE NEEDED OR**
15 **NECESSARY TO BUILD RETIREMENT HOMES, MASS HOUSING UNITS,**
16 **MEDICAL FACILITIES OR EDUCATION FACILITIES WITHIN THE**
17 **TERRITORIAL JURISDICTION OF THE CEZA SHALL NOT BE SUBJECT**
18 **TO CUSTOMS DUTIES AND INTERNAL REVENUE TAXES.”**

19 Sec. 2. The succeeding sections are hereby renumbered accordingly.

20 Sec. 3. *Implementing Rules and Regulations (IRR).* – Within thirty (30) days
21 from the effectivity of this Act, the Department of Finance shall, in coordination with
22 the Bureau of Internal Revenue and the CEZA, promulgate the rules and regulations
23 to effectively implement the provisions of this Act.

24 Sec. 4. *Repealing Clause.* – Republic Act Nos. 11534 and 11590 insofar as they
25 apply to CEZA pursuant to its mandate under this Act are hereby repealed or modified
26 accordingly.

27 All other laws, acts, decrees, executive orders, issuances, and rules and
28 regulations or parts thereof which are contrary to and inconsistent with this Act are
29 hereby repealed, amended or modified accordingly.

1 **Sec. 5. *Effectivity.*** – This Act shall take effect fifteen (15) days after its complete
2 publication in the *Official Gazette* or in at least two (2) newspapers of general
3 circulation.

Approved,