



Republic of the Philippines
House of Representatives
Quezon City



EIGHTEENTH CONGRESS

First Regular Session

House Bill No. **200**

Introduced by Representative Jose Enrique S. Garcia III

EXPLANATORY NOTE

The Special Defense Economic Zone (SpeDEZ) is a necessary and timely undertaking that synergizes the private sector's and government's efforts to have a globally competitive arms industry. With rapidly changing economic and security conditions in the region, the need to find ways to strengthen the country's domestic defense industry is imperative. The SpeDEZ aims to help realize this goal.

A first in the country and in South East Asia, the SpeDEZ will serve as an independent authority geared towards the research, development, production, and distribution of products for military and defense.

It will not only bolster our country's innate capability in the field of arms research, development, and manufacturing, but also significantly contribute to the country's economic productivity.

The passage of this bill is earnestly sought.

REP. JOSE ENRIQUE S. GARCIA III
2nd District, Bataan



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AN ACT
ESTABLISHING A SPECIAL DEFENSE ECONOMIC ZONE (SpeDEZ) INSIDE THE
GOVERNMENT ARSENAL DEFENSE INDUSTRIAL ESTATE LOCATED IN CAMP GEN.
ANTONIO LUNA, LAMAO, MUNICIPALITY OF LIMAY, PROVINCE OF BATAAN,
CREATING FOR THIS PURPOSE THE SPECIAL DEFENSE ECONOMIC ZONE AUTHORITY
(SpeDEZA) AND APPROPRIATING FUNDS THEREFOR.

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

3 **SECTION 1. Short Title.** - This Act shall be known as the "SPECIAL DEFENSE
4 ECONOMIC ZONE (SpeDEZ) ACT OF 2019".

5 **SEC. 2. Declaration of Policy.** – It is hereby declared the policy of the State to develop
6 a self-reliant and independent national economy effectively controlled by Filipinos. The State
7 recognizes the indispensable role of the private sector, encourages the participation of private
8 enterprise, and provides incentives to needed investments. To this end, the State shall promote
9 the preferential use of Filipino labor, domestic materials and locally produced goods and adopt
10 measures to help make them more competitive. Further, the State actively encourages,
11 promotes and accelerates the sound and balanced industrial, economic and social development
12 of the country through the establishment, among others, of special economic zones in suitable
13 and strategic locations in the country. In so doing, the State is able to attract legitimate and
14 productive foreign investments with the objectives of providing jobs especially to those in the
15 rural areas, increasing productivity and individual family income, and thereby improving the
16 level and quality of living conditions of the people.

SEC. 3. Creation of the Special Defense Economic Zone – There is hereby created a special economic zone in Camp General Antonio Luna, Lamao, Municipality of Limay in the Province of Bataan, hereinafter referred to as the Special Defense Economic Zone (SpeDEZ), for investments in defense, military, law enforcement, and defense-related advanced technologies, information and communications technology, research and development and their support industries. The SpeDEZ shall cover the Government Arsenal Industrial Estate inside Camp General Antonio Luna located in the Municipality of Limay, Province of Bataan measuring approximately three hundred seventy (370) hectares, including the seventy (70) hectares of land within which the Government Arsenal (GA), as created by Republic Act 1884, otherwise known as “An Act to Establish A Government Arsenal, Provide for its operations and for other purposes” operates, the portions allocated for the expansion of the GA, and all other areas which may be declared as part of the SpeDEZ in compliance with Section 5(h) of this act; *Provided*, That the GA shall remain a line bureau of the Department of National Defense (DND) in accordance with Republic Act 1884, Executive Order No. 292, Series of 1987, otherwise known as the “Administrative Code of the Philippines”, Republic Act No. 7898, as amended by Republic Act No. 10349, otherwise known as the “AFP Modernization Act”, Executive Order No. 303 series of 2004, and other prevailing laws and executive issuances. Except for necessary coordination on matters of mutual and higher security concerns emanating from the very nature of their respective mandates, the operations of the GA shall remain independent of the management of the SpeDEZ, and the Special Defense Economic Zone Authority (SpeDEZ), as created by this Act, shall not interfere with the activities conducted in the seventy (70) hectare area on which the GA maintains and operates its buildings and structures (the “GA area”); *Provided, further*, That the SpeDEZ shall not be expanded nor operated to the prejudice of the GA and the GA shall not be expanded nor operated to the prejudice of the SpeDEZ. The GA and the SpeDEZA shall continuously coordinate to ensure smooth and seamless operations involving the SpeDEZ and the GA; *Provided finally*, That investors who intend to do business in the GA area may do so only upon written consent of the GA prior to registration with the SpeDEZA.

SEC. 4. Creation of the Special Defense Economic Zone Authority. - There is hereby created a specialized and independent body corporate to be known as the Special Defense Economic Zone Authority (SpeDEZA) which shall manage and operate the SpeDEZ in accordance with the provisions of this Act. The SpeDEZA shall be considered a government instrumentality vested with corporate powers.

Notwithstanding Section 3 of Republic Act No. 7656, otherwise known as “An Act Requiring Government-Owned or Controlled Corporations to Declare Dividends under Certain Conditions to the National Government, and for other Purposes”, all dividends remitted by the

1 SpeDEZA shall exclusively be for the Armed Forces of the Philippines Modernization Program
2 and in no case, shall dividends remitted by the SpeDEZA be used otherwise.

3 **SEC. 5. Governing Principles.** - The SpeDEZ shall be managed and operated under
4 the following principles:

5 a) Within the framework and limitations of the Constitution, Republic Act No. 1884,
6 Republic Act No. 7898, as amended by Republic Act No. 10349, Republic Act No.
7 10697, otherwise known as the "Strategic Trade Management Act", Executive Order
8 No. 303, Series of 2004, and applicable provisions of the Local Government Code,
9 the SpeDEZ shall be developed into and operated as a decentralized, self-reliant
10 and self-sustaining industrial, commercial, trading, research, development,
11 engineering, information and communications technology and financial investment
12 center exclusive for defense, military and law enforcement commercial activities and
13 investments, with provision for suitable residential, educational, recreational, and
14 commercial areas;

15 b) Notwithstanding the autonomy provided in Section 5(a) of this Act, the SpeDEZ may
16 continue to be provided by the national government and local governments with
17 transportation, telecommunications and other facilities needed to attract legitimate
18 and productive investments, generate linkage with industries and employment
19 opportunities for the people of the Province of Bataan and its neighboring towns and
20 cities; *Provided*, That the autonomy and self-reliance of the SpeDEZ shall not be a
21 hindrance to assistance nor partnerships with other units and instrumentalities of
22 the government; *Provided further*, That no assistance or partnership be construed
23 as a waiver of the autonomy of the SpeDEZA;

24 c) The SpeDEZA may establish mutually beneficial economic defense relations with
25 other investment promotion agencies, entities or enterprises within the country or
26 with foreign entities or enterprises; *Provided*, That the SpeDEZA shall seek
27 clearance from the DND and administrative guidance from the Department of
28 Foreign Affairs (DFA) as to relations with foreign entities or enterprises;

29 d) Foreign citizens and companies owned by non-Filipinos may set up enterprises in
30 the SpeDEZ with foreign ownership of up to the percentage allowed by law, subject
31 to the approval of SpeDEZA, either by themselves or in joint venture with Filipinos
32 or the GA in the defense and security industry within the territorial jurisdiction of the
33 SpeDEZ; *Provided*, That the SpeDEZA may require individual locators to be subject
34 to the provisions and limitations provided for by the Strategic Trade Management

1 Act, Foreign Investment Act and the Regular Foreign Investment Negative List
2 issued by the President; *Provided further*, That the SpeDEZA may require a
3 minimum investment in freely convertible currencies from any enterprise seeking
4 registration as a locator of the SpeDEZ. All investments in the SpeDEZA shall fall
5 under the priorities, thrusts and limits provided for in this Act; *Provided finally*, That
6 all investments that do not directly or indirectly further defense, military and law
7 enforcement investments shall be prohibited from doing business within the SpeDEZ
8 except for businesses that cater to or support the locators, their employees, and the
9 residents of the SpeDEZ.

10 e) Subject to the limitations in this Act and its implementing rules and regulations, the
11 SpeDEZ shall be managed and operated as a separate customs territory ensuring
12 free flow or movement of necessary goods and products; and capital within, into and
13 out of its territory; *Provided*, That subject to Section 14 of this Act, the SpeDEZ and
14 all activities conducted therein shall be exempt from payment of all national and local
15 taxes; *Provided further*, That in accordance with Sections 301 and 817 of Republic
16 Act No. 10863, otherwise known as the "Customs Modernization and Tariff Act", the
17 Bureau of Customs (BOC) shall continue to exercise border protection and customs
18 control authority over the customs territory adjacent to the SpeDEZ and to this end
19 shall consult, coordinate, cooperate with the SpeDEZA to enhance its protection and
20 control capacity and ensure compliance with customs laws and regulations;

21 f) The SpeDEZA shall provide incentives, such as tax and duty-free admissions of raw
22 materials, capital and equipment to registered enterprises of the SpeDEZ; *Provided*,
23 That exportation or removal of goods from the territory of the SpeDEZ to the other
24 parts of the Philippine territory shall be subject, as applicable, to customs duties and
25 taxes under the Customs Modernization and Tariff Act (CMTA), as amended, and
26 the National Internal Revenue Code (NIRC) of 1997, as amended; *Provided further*,
27 that sales of good froms the SpeDEZ to the Armed Forces of the Philippines (AFP),
28 Philippine National Police (PNP) and local government units (LGUs) for defense and
29 security purposes shall be exempt from all customs duties, national and local taxes;
30 provided, finally, that subject to coordination with the BOC, customs transit to and
31 from the SpeDEZ, thru the Port of Lamac or other ports, shall also be considered
32 tax and duty-free;

33 g) As far as practicable, enterprises located within the SpeDEZ shall acquire a certain
34 percentage of their raw material requirements locally produced within the Philippines
35 as determined by the SpeDEZA;

- 1 h) The areas comprising the SpeDEZ may be expanded or reduced when necessary
2 to improve its investment promotion capacity, ensure public order and safety,
3 consolidate lands for SpeDEZ development, acquire right of way or access
4 necessary and appropriate to the SpeDEZ, protect and safeguard watershed areas
5 or maintain and improve water yield for the benefit of the SpeDEZ and LGUs,
6 manage solid and water waste in compliance with existing national laws and local
7 ordinances, and promote the public good. For this purpose, the SpeDEZA, with the
8 concurrence of the appropriate and affected LGUs in the Province of Bataan, in
9 accordance and in compliance with existing national laws and local ordinances, shall
10 have the power to acquire, procure, increase, or otherwise expand, either by
11 purchase, negotiation or condemnation proceedings, any private or public lands and
12 their respective water territories within the Province of Bataan; *Provided*, That when
13 applicable, the municipal waters of up to fifteen (15) kilometers from the low water
14 mark area of the edge of the SpeDEZ shall be deemed included in the territorial
15 jurisdiction of the SpeDEZ; *Provided further*, That the SpeDEZA and the relevant
16 LGUs shall provide for immediate and responsive mechanisms, best management
17 practices and suitable environmental protection programs for land and coastal zone
18 management to address any abuse and/or exploitation of the natural environment
19 within the territorial jurisdiction of the SpeDEZ;
- 20 i) Products and goods researched and developed, engineered or manufactured by
21 registered enterprises may be made available in the domestic market, subject to the
22 limitations in this Act and its implementing rules and regulations, payment of
23 corresponding duties, customs and taxes on raw materials as provided by the NIRC
24 of 1997, as amended, and the CMTA, as amended, approval by the DND or the PNP
25 in accordance with Republic Act No. 10697 and the Regular Foreign Investment
26 Negative List issued by the President, other regulations that may be formulated by
27 the SpeDEZA, and other applicable regulations and limitations imposed in
28 accordance with law by the DND, AFP, PNP, Bangko Sentral ng Pilipinas (BSP),
29 Department of Finance (DOF), BOC and Department of Trade and Industry (DTI);
30 *Provided*, That in cooperation with the SpeDEZA, the DND and PNP shall provide
31 and implement measures to improve ease and cost of doing business within the
32 SpeDEZ and enhance the investment promotion capacity of the SpeDEZA; *Provided*
33 *further*, That in order to protect domestic industries, a negative list of industries shall
34 be drawn up and regularly updated by the SpeDEZA; *Provided finally*, That
35 enterprises engaged in industries included in such negative list shall not be allowed
36 to sell their products locally, notwithstanding the registration of such enterprises in
37 the SpeDEZ; and

- 1 j) Subject to Section 6(n) of this Act, the defense of the SpeDEZ and the security of its
2 perimeter fence shall be the responsibility of the National Government, thru the AFP
3 and the GA, in coordination with the SpeDEZA.

4 **SEC. 6. Powers and Functions of the SpeDEZA.** - The SpeDEZA shall have the
5 following functions:

- 6 a) To adopt, alter, and use a corporate seal;
- 7 b) To contract, lease, buy, sell, acquire, own and dispose properties of whatever
8 nature; *Provided*, That real properties that form part of the original Camp General
9 Antonio Luna shall not be disposed of or encumbered; *Provided further*, That
10 expansion areas may be disposed of or encumbered by the SpeDEZA;
- 11 c) To sue and be sued in order to carry out its duties, responsibilities, privileges, powers
12 and functions as granted and provided for in this Act;
- 13 d) To exercise the power of eminent domain for public use and public purpose;
- 14 e) To operate, administer, manage, develop, in accordance with Executive Order No.
15 525, as amended, the SpeDEZ according to the principles and provisions set forth
16 in this Act;
- 17 f) To recommend to the President the issuance of a proclamation or any executive
18 issuance to fix or delimit the metes and bounds of the SpeDEZ; *Provided*, that for
19 the avoidance of doubt, such proclamation shall not be required to expand the
20 SpeDEZ pursuant to Section 5(h) of this Act;
- 21 g) To register, regulate and supervise the entities and enterprises in the SpeDEZ in a
22 competent and efficient manner that, as far as practicable, balances ease of doing
23 business and sound restriction or regulation of activities; the SpeDEZA may also
24 register, regulate, and supervise defense related enterprises outside of the SpeDEZ
25 territory as defined in Section 3 and Section 5(h) of this Act. *Provided*, That the
26 SpeDEZA shall submit to the DND a quarterly report on locators and other registered
27 enterprises of the SpeDEZ.
- 28 h) To formulate and exercise general and sole supervision over the implementation of
29 the development plans, activities and operations of the SpeDEZ; *Provided* That, the
30 SpeDEZA may coordinate with LGUs when necessary to promote development in
31 the SpeDEZ;
- 32 i) To authorize or undertake, on its own or through others, and regulate the
33 establishment, construction, operation and maintenance of public utilities, services,

1 and infrastructure in the SpeDEZ such as shipping, barging, stevedoring, cargo,
2 handling, hauling, warehousing, storage of cargo, port services or concessions,
3 piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads,
4 bridges, reclamation projects, terminals, conveyors, water supply and storage,
5 sewerage, drainage, airport operations in coordination with the Philippine Ports
6 Authority (PPA), the Civil Aviation Authority of the Philippines (CAAP), and the AFP,
7 and such other services or concessions or infrastructure necessary or incidental to
8 the accomplishment of the objectives of this Act; *Provided, That* the registered
9 enterprises of the SpeDEZ shall be given priority in the awarding of contracts,
10 franchises, licenses, or permits for the establishment, operation and maintenance of
11 utilities, services and infrastructure in the SpeDEZ;

12 j) To issue license, set fees, regulate the establishment, operation, and maintenance
13 of utilities, educational and medical institutions, infrastructure related to military,
14 defense and law enforcement investments and other services in the SpeDEZ such
15 as, heat, light and power, water supply, telecommunications, mobile, internet and
16 other data facilities, transport, toll roads and bridges and port services, and to fix
17 just, reasonable and competitive rates, fares, charges and prices thereof;

18 k) To construct, acquire, own, lease, operate and maintain on its own or through
19 contracts, franchises, licenses, bulk purchase from the private sector and build-
20 operate-transfer scheme or joint venture with the private sector, any or all of the
21 public utilities and infrastructure required or needed for the operation and
22 development of the SpeDEZ, including transportation, access and connection to,
23 and out of the SpeDEZA, in coordination with appropriate national and local
24 government authorities and in conformity with applicable laws;

25 l) To raise or borrow, within the limitation provided by law, and subject to the approval
26 or opinion of the Monetary Board of the BSP, as the case may be, adequate and
27 necessary funds from local or foreign sources, to finance its projects and programs
28 under this Act, and for this purpose, to issue bonds, promissory notes, and other
29 forms of securities, and to secure the same by a guarantee, pledge, mortgage, deed
30 of trust, or an assignment of all or part of its property or assets subject to Section
31 6(b) of this Act;

32 m) To enter into Public-Private Partnership, build-operate-transfer schemes or any of
33 its variants, management contract, joint venture, co-production, or similar
34 agreements with local or foreign entities for the management and operation of the
35 SpeDEZ, a portion thereof, or any enterprise registered therein to ensure the viability
36 of the SpeDEZ;

- 1 n) To provide internal security to the SpeDEZ, in coordination with the National
2 Government and affected LGUs; *Provided*, That for this purpose, the SpeDEZA shall
3 provide and establish its own internal security and firefighting forces and identify and
4 reserve facilities and areas within the SpeDEZ for the AFP, which shall be
5 responsible for the perimeter security of the SpeDEZ, through the GA; *Provided*
6 *further*, That in the event that the assistance of the AFP or PNP is necessary, the
7 AFP or PNP shall not interfere in the internal affairs of the SpeDEZA, except to
8 provide the necessary security and defense, or law enforcement assistance, as the
9 case may be; *Provided finally*, That expenses of the AFP or PNP in the SpeDEZ
10 shall be borne by the national government;
- 11 o) To protect, preserve, maintain and develop the forests, beaches, coral and coral
12 reefs, and maintain ecological balance within the SpeDEZ; *Provided*, That
13 notwithstanding the authority of the SpeDEZA to create rules for such purpose, the
14 rules and regulations of the Department of Environment and Natural Resources
15 (DENR) and other government agencies involved in the above functions shall be
16 implemented by the SpeDEZA; *Provided further*, That the SpeDEZA shall create an
17 Ecology Center for such purpose;
- 18 p) To create, operate or contract to operate such functional units or offices of the
19 SpeDEZA as it may deem necessary;
- 20 q) To issue certificates of origin for products manufactured or processed in the
21 SpeDEZ;
- 22 r) To issue rules and regulations necessary to implement and accomplish the
23 purposes, objectives and policies provided herein, in consultation with DND, DTI,
24 DOF and other relevant government agencies;
- 25 s) To appropriately zone the SpeDEZ and provide for buffer zones when necessary
26 and reserve areas for housing;
- 27 t) To establish one-stop shops for the issuance of all necessary permits, clearances,
28 licenses, and other similar certifications to conduct such activities intended to
29 improve the ease of doing business within the SpeDEZ, in coordination with
30 government agencies having jurisdiction over activities in the SpeDEZ not otherwise
31 solely reserved to the SpeDEZA; *Provided*, That all government agencies are
32 directed to provide and extend utmost and full cooperation to the SpeDEZA in the
33 establishment of such one-stop shops; and,
- 34 u) To perform such other functions as may be provided by law.

SEC. 7. Board of Directors of the SpeDEZA. - The powers of the SpeDEZA shall be vested in and exercised by a Board of Directors, hereinafter referred to as the Board, which shall be composed of the following:

- a) The Secretary of the DND who shall be the ex officio Chairman;
- b) The Administrator of the SpeDEZA as Vice-Chairman; *Provided*, That in the absence of the Chairman, the Vice-Chairman shall preside over the meetings of the Board;
- c) Members who shall consist of:
 1. The Assistant Secretary for Plans and Programs (ASPP) of the DND;
 3. The Assistant Secretary for Acquisition, Installations and Logistics (ASAIL) of the DND;
 4. The Director of the GA;
 5. One (1) representative from the investors within the SpeDEZ;
 6. One (1) representative from the workers working in the SpeDEZ;
 7. One (1) representative from the province of Bataan;
 8. One (1) representative from the municipality of Limay, Bataan;
 - and,
 9. One (1) representative from the legislative district covering the site of the SpeDEZ.
 10. Two (2) independent directors with proven expertise in defense and security strategies to be recommended by the SpeDEZA Board.

In the event of vacancy in the Office of ASPP, ASAIL or Director of GA, the designated Acting ASPP, ASAIL or Director of GA shall serve as member of the Board.

In the event the Chairman and Vice-Chairman are unable to attend the board meeting, the members present constituting a quorum shall elect amongst themselves the Presiding Officer for that particular meeting. The Presiding Officer shall not have voting rights except to break a tie. For the purpose of determining quorum, vacant seats shall not be considered.

Except those coming from the DND and GA, the members of the Board shall be appointed by the President of the Philippines to serve for a term of six (6) years, unless sooner separated from service due to death, voluntary resignation or removal for cause.

1 In case of death, resignation or removal for cause, the replacement shall serve only the
2 unused portion of the term.

3 All members of the Board shall be Filipino citizens and no person shall be appointed by
4 the President of the Philippines as a member of the Board unless he is of good moral
5 character and proven probity and integrity. Except for the representatives of the DND,
6 GA and workers, members of the Board are required to be degree holders in any of the
7 following fields: economics, business, public administration, law, management, military
8 science, or their 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 determined by the
11 Department of Budget and Management (DBM) in accordance with existing rules and
12 regulations; *Provided*, That the total *per diem* collected each month shall not exceed the
13 equivalent *per diem* for four (4) meetings.

14 **SEC. 8. Administrator of the SpeDEZA** – The SpeDEZA shall have an Administrator
15 with a rank of Department Undersecretary who shall be appointed by the President of the
16 Philippines. The Administrator shall be at least Forty (40) years of Age, of proven probity and
17 integrity, and a degree holder in any of the following fields: economics, business, public
18 administration, law, management or their equivalent, with at least ten (10) years relevant
19 working experience preferably in the field of business, management, or public administration.

20 **SEC. 9. Powers and Duties of the Administrator.** - The Administrator shall have the
21 following powers and duties:

- 22 a) To direct and manage the affairs of the SpeDEZA in accordance with the policies
23 of the Board;
- 24 b) To establish the internal organization of the SpeDEZA under such conditions that
25 the Board may prescribe;
- 26 c) To submit an annual budget and necessary supplemental budget to the Board for
27 its approval;
- 28 d) To submit within thirty (30) days after the close of each fiscal year an annual report
29 to the Board and such other reports as may be required;
- 30 e) To submit to the Board for its approval policies, systems, procedures, rules and
31 regulations that are essential to the operation of the SpeDEZA;

- 1 f) To create a mechanism for coordination with relevant agencies for the promotion
2 of industrial peace, the protection of the environment, and the advancement of the
3 quality of life in the SpeDEZ;
- 4 g) To preside at the meetings of the Board of the SpeDEZA in the absence of the
5 Chairman;
- 6 h) To directly administer and supervise the operations and day-to-day business
7 activities of the SpeDEZA;
- 8 i) To execute, on behalf of the SpeDEZA, all contracts, agreements and other
9 instruments affecting its interests and duly approved by the Board; and
- 10 j) To perform such other duties as may be assigned to him by the Board or which are
11 necessary or incidental to his office.

12 **SEC. 10. *Principal Office of the SpeDEZA.*** - The SpeDEZA shall maintain its principal
13 office in Camp Gen. Antonio Luna, Municipality of Limay, Province of Bataan, but it may
14 establish liaison offices within the Philippines as may be necessary for the proper conduct of its
15 business.

16 **SEC. 11. *Organization and Personnel.*** – The Board of the SpeDEZA shall provide for
17 an organizational structure and appoint employees, subject to the civil service law. Upon the
18 recommendation of the Chairman and Administrator and with the approval of the Secretary of
19 the DBM, the Board shall appoint and fix the remuneration and other emoluments of its officers
20 and employees in accordance with existing laws on compensation and position
21 classification; *Provided*, That the Chairman and Administrator shall exercise administrative
22 supervision on its employees.

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

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

27 **SEC. 12. *Special Labor Center.*** - A Special Labor Center shall be established within
28 the SpeDEZ. This Center shall endeavor and be responsible to pro-actively play a vital role in
29 studying and amicably settling professional, labor relations issues and disputes, interpretation
30 of employment service contracts, and monitoring work, work place, hygiene and safety
31 standards within the SpeDEZ, particularly of the duly registered entities and enterprises. The

1 Special Labor Center shall comprise of a labor office, an industrial health and safety office, an
2 inspection/investigative and disputes office, and an enforcement office.

3 In order to support the economic and employment generation thrusts of the LGUs, the
4 SpeDEZA shall implement policies and programs that will serve to prioritize for employment in
5 the SpeDEZ, workers who are residents of stakeholder LGUs. Registered enterprises shall, as
6 far as practicable, source all its labor needs from the stakeholder LGUs of the SpeDEZ, subject
7 to existing laws and regulations; *Provided*, That "stakeholder LGUs" for the purpose of this Act
8 shall refer to all local governments which (1) derive a share in the five percent (5%) final tax
9 imposition within the SpeDEZ, (2) host expansion areas of the SpeDEZ in accordance with
10 Section 5(g) or Section 6(f) of this Act, and/or (3) host registered enterprises of the SpeDEZ
11 pursuant to section 6(g) of this act;

12 The SpeDEZA and, as far as practicable, the locators and registered enterprises of the
13 SpeDEZ, shall prioritize for employment qualified former personnel of the GA who have been
14 terminated or removed from the service due to modernization of the GA.

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

- 19 a) Must be at least eighteen (18) years of age;
- 20 b) Must not have been convicted by final judgment of a crime involving moral turpitude;
- 21 c) Must not be afflicted with any loathsome, dangerous or contagious disease;
- 22 d) Must not have been institutionalized for any mental disorder or disability; and
- 23 e) Must establish by verifiable and credible evidence his financial capability and
24 capacity.

25 As a holder of investor's visa, an alien shall be entitled to reside in the Philippines while
26 his investment subsists. For this purpose, the alien should submit an annual report, in the form
27 duly prescribed for the purpose, to prove that he has maintained his investment in the country.
28 Should said alien withdraw his investments from the Philippines, then the investor's visa issued
29 to said alien shall automatically expire and /or be withdrawn.

30 The authority to issue visas and work permits shall remain with the Bureau of
31 Immigration (BI) and the Department of Labor and Employment (DOLE), respectively; *Provided*,
32 That the BI and the DOLE shall implement measures to expedite the processing of such visas

1 and permits for workers in the SpeDEZ and coordinate with the SpeDEZA for the purpose of
2 improving ease of doing business.

3 **SEC.14. *Fiscal Incentives.*** - Registered enterprises of the SpeDEZ may be entitled to
4 the existing pertinent fiscal incentives as provided for under Republic Act No. 7916, as amended
5 by Republic Act No. 8748, also known as the Special Economic Zone Act of 1995, or those
6 provided under Executive Order No. 226, as amended, otherwise known as the Omnibus
7 Investment Code of 1987; and/or those that may be further granted as the need and necessity
8 arises by the appropriate government department, agency or office; *Provided*, That in the
9 administration, implementation and monitoring of incentives, the SpeDEZA may impose its own
10 conditions not otherwise prohibited by this Act; *Provided further*, That the SpeDEZA shall not
11 be limited to the conditions provided under Republic Act No. 7916, Republic Act No. 8748 or
12 any other related issuance, rule or regulation.

13 **SEC. 15. *Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned.*** –
14 The provision of existing laws, rules and regulations to the contrary notwithstanding, no taxes,
15 local and national, shall be imposed on business establishments operating within the SpeDEZ
16 including but not limited to all taxes covered in Titles II, III, IV, V, VI, and VII of Republic Act No.
17 8424 otherwise known as the National Internal Revenue Code (NIRC) and all amendments and
18 successors thereto, and all taxes covered under titles I and II of Book II of Republic Act No.
19 7160 otherwise known as the Local Government Code and all amendments and successors
20 thereto. In lieu thereof, and subject to Section 16 of this Act, said business establishments shall
21 pay a five percent (5%) final tax on their gross income earned; *Provided*, That the proceeds
22 from such final tax shall be shared by instrumentalities of the government in accordance with
23 the following percentages:

- 24 a) Two *per centum* (2%) to the National Government, particularly to the Armed Forces
25 of the Philippines Modernization Program;
- 26 b) One *per centum* (1%) to the Province of Bataan;
- 27 c) One *per centum* (1%) to the host city/municipality; and
- 28 d) One *per centum* (1%) to the SpeDEZA: *Provided*, That any surplus in the operating,
29 administrative and development expenses shall be remitted to the Armed Forces
30 of the Philippines Modernization Program if such surplus is left unutilized for a
31 period exceeding five (5) years.

32 For enterprises registered with the SpeDEZA but located in the territory of another
33 investment promotion agency pursuant to a mutually beneficial economic defense relation

1 established with such promotion agency in accordance with Section 5(c) of this act, the one per
2 centum (1%) share from the five per centum (5%) final tax on gross income earned shall be
3 equally divided between the SpeDEZA and the investment promotion agency concerned.

4 The SpeDEZA shall have the authority to grant income tax holiday and net operating
5 loss carry over subject to Section 16 of this Act and conditions as it may have imposed pursuant
6 to Section 13 of this Act.

7 SpeDEZ enterprises deemed as priority investments, as may be determined by the
8 SpeDEZA, with the exception of those included in the negative list drawn up as provided for in
9 Section 5(i) of this Act, may generate up to one hundred percent (100%) of their income from
10 sources within the customs territory but without loss of eligibility to avail of the incentives in this
11 act, subject to Section 5(f) of this act.

12 **SEC. 16. Administration, Implementation and Monitoring of Incentives.** - For the
13 proper administration, implementation and monitoring of tax incentives provided under this law,
14 the following are herein mandated:

15 (a) The SpeDEZA shall be responsible for the administration, management,
16 enforcement and implementation of the incentives granted to registered enterprises;
17 *Provided*, That the SpeDEZA shall, among others, adopt and implement systems and
18 procedures affecting defense/military trade and the appropriate customs policies;
19 *Provided further*, That the BOC shall set up and establish a customs controlled area
20 outside the gate of the SpeDEZ or other registered enterprises of the SpeDEZ operating
21 outside its territory to facilitate payment of taxes on goods entering the Philippine
22 customs territory; *Provided finally*, That notwithstanding the limitations in this Act, the
23 SpeDEZA and BOC may coordinate and jointly implement measures on border
24 protection; and

25 (b) In the interest of enhancing transparency in the management and accounting of tax
26 incentives in the SpeDEZ, the SpeDEZA shall comply with the provisions of Republic
27 Act No. 10708, otherwise known as "The Tax Incentives Management and
28 Transparency Act (TIMTA)" and its implementing rules and regulations.

29 **SEC.17. Duration of Incentives.** - Fiscal incentives under this Act shall be terminated
30 after a cumulative period of twenty (20) years from date of registration or start of commercial
31 operation, whichever is applicable, *Provided*, That such 20-year period may be extended with
32 regard to industries deemed indispensable to national development and interest. The industries
33 exempted from this provision shall be determined by the SpeDEZA, in consultation with other

government agencies. There shall be no limit to the enjoyment of the ITH and NOLCO except for the sequential availment under Section 17 of this Act and the 20-year period as provided in this section.

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

Registered enterprises, if eligible, may register for incentives with other investment promotion agencies; *Provided*, That registered enterprises electing to avail of the incentives of other promotion agencies shall not be able to avail of the incentives of the SpeDEZ until the expiration of the incentives with such other investment promotion agencies.

SEC. 19. Extension of Period of Availment. - In the event that a registered enterprise has suffered cessation or suspension of operations due to force majeure, which has impaired its viability or profitability, the SpeDEZA may extend the period of validity of the incentives extended to such registered enterprise.

The SpeDEZA may also extend the period of validity of incentives to a registered enterprise which enter into and fund research and development undertaking, technology sharing, or other similar arrangements with investment promotion agencies, government agencies and instrumentalities, local government units, and educational institutions under such terms and conditions as the SpeDEZA may prescribe.

SEC. 20. Banking Rules and Regulations. – Banks and financial institutions to be established in the SpeDEZ shall be under the supervision of the BSP and shall be subject to existing banking laws, rules and regulations.

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

SEC. 22. Multi-Year Contracts and Other Contractual Arrangements – To spur the development of SpeDEZ as a self-reliant and self-sustaining defense investment hub where duly qualified and selected locators are provided with guaranteed market access, the DND, the

1 Armed Forces of the Philippines (AFP), the Philippine Coast Guard (PCG), and the Philippine
2 National Police (PNP) are hereby directed to procure their defense equipment and materiel,
3 whenever available and practicable, from defense industries registered with the SpeDEZA. For
4 this purpose, the DND, AFP, PCG, and PNP are authorized to enter into multi-year contracts
5 and other multi-year contractual arrangements with manufacturers/suppliers registered with the
6 SpeDEZA under such terms and conditions to be provided in the rules and regulations
7 implementing this act.

8 In implementing this section, the SpeDEZA, the DND, AFP, PCG, and PNP shall jointly
9 formulate the mechanics for the selection of manufacturers/suppliers to be awarded with multi-
10 year contracts. *Provided*, that registration with the SpeDEZA and location of operation and
11 manufacture of the defense equipment and materiel to be procured in the SpeDEZ shall be a
12 condition precedent for the award of the multi-year contracts.

13 The selection of manufacturers/suppliers eligible for multi-year contracts with the
14 government shall be exempt from the provisions of Republic Act No. 9184 otherwise known as
15 the "Government Procurement Reform Act" and its implementing rules and regulations. The
16 length of the multi-year contracts shall be agreed upon by the contracting parties taking into
17 consideration the period within which the manufacturer/supplier may recoup its investment
18 together with a reasonable rate of return. *Provided*, that the execution of the multi-year contract
19 shall not preclude the manufacturer/supplier concerned from accepting and filling in orders from
20 other clients as long as the fulfillment of its obligations under the multi-year contract are not
21 adversely affected.

22 **SEC. 23. Countertrade** – Whenever applicable and practicable, any of the countertrade
23 arrangements defined in Executive Order No. 120 should be explored in pursuing defense
24 related acquisitions. The SpeDEZA in consultation with the DND, Department of Trade and
25 Industry (DTI), and other concerned offices, shall identify or develop a list of goods/services or
26 industries which may be subject to a countertrade.

27 **SEC. 24. Capitalization.** - The SpeDEZA shall have an authorized capital stock of three
28 billion pesos (P3,000,000,000.00) to be subscribed wholly by the national government.

29 In addition, all lands embraced and covered by the SpeDEZ, including permanent
30 improvements and fixtures, upon proper inventory by the GA or AFP, as the case may be, not
31 otherwise alienated, conveyed or transferred to another government agency and all other
32 assets which the President may transfer to the SpeDEZA as part of the equity contribution of
33 the government.

1 The annual subscription of the national government to the capital stock of the SpeDEZA
2 shall be included in the annual General Appropriations Act.

3 **SEC. 25. Supervision and Control.** - For purposes of policy direction and coordination,
4 the A-BASE shall be under the direct control and supervision of the Office of the President of
5 the Philippines.

6 **SEC. 26. Regional Development Council.** - The SpeDEZA shall determine the
7 development goals for the SpeDEZ within the framework of national development plans,
8 policies and goals. The Chairman and Administrator shall, upon approval by the Board, submit
9 the SpeDEZA plans, programs and projects to the Regional Development Council for inclusion
10 and inputs to the overall regional development plan.

11 **SEC. 27. Relationship with Local Government Units.** - Except as herein provided,
12 the Municipality of Limay in the Province of Bataan and such other local government units where
13 registered enterprises of the SpeDEZ conduct business shall operate and function in
14 accordance with the framework of the 1987 Constitution, Local Government Code of 1991, and
15 Republic Act No. 7898, as amended by Republic Act No. 10349, applicable provisions of the
16 Local Government Code, and this Act.

17 In case of any conflict between the SpeDEZA, the LGUs and the national government
18 on matters affecting the SpeDEZA, other than national defense and security matters, the
19 decision of the SpeDEZA shall prevail.

20 **SEC. 28. Legal Office.** - The SpeDEZA shall have and maintain its own internal legal
21 office, appropriate in number under the supervision of the Government Corporate Counsel.
22 When the exigencies of its businesses and operations demand, the SpeDEZA may engage the
23 services of an outside counsel either on a case to case or a fixed retainer basis. Such
24 engagement shall not require further approval and concurrence of the Office of the Government
25 Corporate Counsel or the Office of the Solicitor General and the Commission on Audit.

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

1 **SEC. 30. *Audit.*** - The Commission on Audit shall appoint a full - time auditor in the
2 SpeDEZA or may assign such number of personnel as may be necessary in the performance
3 of its functions.

4 **SEC. 31. *Transitory Provisions.*** The SpeDEZA shall be responsible for the operation,
5 administration, management and development of the SpeDEZ. The SpeDEZA shall effect the
6 transfer herein provided in a manner that will ensure the least disruption of ongoing programs
7 of the GA.

8 **SEC. 32. *Implementing Rules and Regulations.*** – The SpeDEZA, DTI, DOF, DND,
9 and the LGU shall formulate the implementing rules and regulations of this Act within ninety
10 (90) days after its approval. Such rules and regulations shall take effect fifteen (15) days after
11 its publication in a newspaper of general circulation in the Philippines.

12 **SEC. 33. *Applicability Clause.*** – Insofar as these are consistent with the provisions of
13 this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916, otherwise known as "The
14 Special Economic Zone Act of 1995", as amended, shall likewise apply to the SpeDEZ.

15 **SEC. 34. *Separability Clause.*** - If any provision of this Act shall be held unconstitutional
16 or invalid, the other provisions not otherwise affected shall remain in full force and effect.

17 **SEC. 35. *Repealing Clause.*** - All laws, executive orders or issuances or any part
18 thereof, which are inconsistent herewith, are hereby repealed or amended accordingly.

19 **SEC. 36. *Effectivity Clause.*** - This Act shall take effect after fifteen (15) days following
20 its complete publication in the Official Gazette or in two (2) newspapers of general circulation
21 whichever is earlier.

22 **Approved,**

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