

Republic of the Philippines
House of Representatives
Quezon City

EIGHTEENTH CONGRESS
First Regular Session



HOUSE BILL NO. 5538

Introduced by Representative ERICO ARISTOTLE C. AUMENTADO

EXPLANATORY NOTE

This bill seeks to establish the Northern Bohol Special Economic Zone Authority in the Municipalities of Ubay, Talibon, Buenavista and Getafe, Bohol.

Section 20, Article II of the 1987 Constitution provides:

"The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments."

The towns of Ubay, Talibon, Buenavista and Getafe is located at the northern part of Bohol, bounded by Camotes Sea to the North, Bien Unido to East, Inabanga on the West and Talibon on the Northwest side of Bohol.

Ubay, Talibon, Buenavista and Getafe offers investors, local residents and foreigners a plethora of opportunities in tourism, business and other trade investments.

This proposed measure seeks to develop the municipalities of Ubay, Talibon, Buenavista and Getafe into a decentralized, self-reliant and self-sustaining agro-industrial, commercial, financial, investment and tourist center by attracting legitimate and productive local and foreign investments. Further, it seeks to generate multiplier industries to augment local government revenues. It will also afford employment opportunities for the local residents and its neighboring municipalities and city. With the establishment of the Northern Bohol Ecozone, the vision for Ubay, Talibon, Buenavista and Getafe to become a more progressive agro-industrial, tourist haven and globally competitive local government unit will soon be realized.

In view of the foregoing, immediate approval of this bill is earnestly sought.


ERICO ARISTOTLE C. AUMENTADO

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**AN ACT
ESTABLISHING A SPECIAL ECONOMIC ZONE IN THE PROVINCE OF
BOHOL, CREATING FOR THAT PURPOSE THE NORTHERN BOHOL
SPECIAL ECONOMIC ZONE AUTHORITY, APPROPRIATING FUNDS
THEREFOR AND FOR OTHER PURPOSES**

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

3 **CHAPTER I**
4 **GENERAL PROVISIONS**

5 **Section 1. Short Title.** – This Act shall be known as the “Northern Bohol Special
6 Economic Zone Act.”

7 **Section 2. Declaration of Policy.** – It is hereby declared the policy of the State to
8 actively encourage, promote, induce and accelerate the sound and balanced industrial,
9 economic and social development of the country in order to provide jobs to the people
10 especially those in the rural areas, increase productivity and individual and family income,
11 and thereby improve the level and quality of living conditions through the establishment,
12 among others, of special economic zones and freeport in suitable and strategic locations in
13 the country and through measures that will attract legitimate and productive foreign
14 investments.

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CHAPTER II
CREATION OF THE ECOZONE

Section 3. Creation of the Special Economic Zone. – In pursuit of the foregoing declared policy and subject to the concurrence of the concerned local government units (LGUs) of Bohol affected by the zone, there is hereby established a special economic zone in the Municipalities of Ubay, Buenavista, Talibon and Getafe to be known as the Northern Bohol Special Economic Zone, hereinafter referred to as the Northern Bohol Ecozone. The specific metes and bounds of the Northern Bohol Ecozone shall be more particularly defined in a presidential proclamation that shall be issued for this purpose.

Section 4. Governing Principles. – The Northern Bohol Ecozone shall be managed and operated by the Northern Bohol Special Economic Zone Authority, hereinafter referred to as the NBEZA created under Section 5 of this Act, under the following principles:

(a) Within the framework and limitations of the Constitution and the applicable provisions of the Local Government Code, the Northern Bohol Ecozone shall be developed into and operated as a decentralized, self-reliant and self-sustaining industrial, commercial/trading, agro-industrial, tourism, banking, financial and investment center with suitable residential areas;

(b) The Northern Bohol Ecozone shall be provided with transportation, telecommunications and other facilities needed to attract legitimate and productive investments, generate linkage industries and employment opportunities for the people of the Province of Bohol and its neighboring towns and city;

(c) The Northern Bohol Ecozone may establish mutually beneficial economic relations with other entities or enterprises within the country or, subject to the administrative guidance of the Department of Foreign Affairs (DFA), the Philippine Economic Zone Authority (PEZA) or the Department of Trade and Industry (DTI), with foreign entities or enterprises;

(d) Foreign citizens and companies owned by non-Filipinos in whatever proportion may set up enterprises in the Northern Bohol Ecozone, either by themselves or in joint venture with Filipinos in any sector of industry, international trade and commerce within the Northern Bohol Ecozone;

1 (e) Goods and capital equipment including spare parts are subject to the tax incentives
2 provided in this Act;

3 (f) The areas comprising the Northern Bohol Ecozone may be expanded or reduced
4 when necessary. For this purpose, the Northern Bohol Ecozone, in consultation with the
5 LGUs, shall have the power to acquire either by purchase, negotiation or condemnation
6 proceedings, any private land within or adjacent to the Northern Bohol Ecozone for the
7 following purposes: (1) consolidation of lands for the Northern Bohol Ecozone
8 development; (2) acquisition of right-of-way to the Northern Bohol Ecozone; and (3) the
9 protection of watershed areas and natural assets valuable to the prosperity of the Northern
10 Bohol Ecozone;

11 (g) Goods manufactured by a Northern Bohol Ecozone enterprise shall be made
12 available for immediate retail sale in the domestic market, subject to the payment of
13 corresponding taxes on raw materials and other regulations that may be formulated by the
14 NBEZA, together with the PEZA, the Bureau of Customs (BoC) and the DTI in accordance
15 with the NIRC of 1997, as amended, and the Tariff and Customs Code of the Philippines,
16 as amended. However, in order to protect domestic industries, a Negative List of industries
17 shall be drawn up and regularly updated by the PEZA. Enterprises engaged in industries
18 included in such Negative List shall not be allowed to sell their products locally; and

19 (h) The defense of the Northern Bohol Ecozone and the security of its perimeter fence
20 shall be the responsibility of the national government in coordination with the Northern
21 Bohol Ecozone and the LGUs. For this purpose, a special defense team shall be organized
22 to define its power, duties and responsibilities.

23 24 **CHAPTER III**

25 **GOVERNING STRUCTURES**

26 **Section 5. Creation of the Northern Bohol Special Economic Zone Authority.**

27 – There is hereby created a body corporate to be known as the Northern Bohol Special
28 Economic Zone Authority, hereinafter referred to as the NBEZA, which shall manage and
29 operate the Northern Bohol Ecozone in accordance with the provisions of this Act. This
30 corporate franchise shall expire in fifty (50) years counted from the first year after the

effectivity of this Act, unless otherwise extended by Congress. It shall be organized within one hundred eighty (180) days after the effectivity of this Act.

Section 6. Capitalization. The NBEZA shall have an authorized capital stock of two billion (2,000,000,000) no- par shares with a minimum issue of Ten Pesos (P10.00) each, the majority shares of which shall be subscribed and paid for by the national government and the LGUs embracing the Northern Bohol Ecozone. The Board of Directors of the NBEZA may, with the written concurrence of the Secretary of Finance, sell shares, representing not more than forty *per centum* (40%) of the capital stock of the NBEZA to the general public under such policy as the Board and the Secretary of Finance may determine. The national government and the LGUs shall, in no case, own less than sixty *per centum* (60%) of the total issued and outstanding capital of the NBEZA.

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

Section 7. Principal Office of the Northern Bohol Special Economic Zone Authority. – The NBEZA shall maintain its principal office in the Municipality of Ubay, Bohol, but it may establish branches within the Philippines as may be necessary for the proper conduct of its business.

Section 8. Powers and Functions of the Northern Bohol Special Economic Zone Authority. - The NBEZA shall have the following functions:

(a) Operate, administer, manage and develop the Northern Bohol Ecozone according to the principles and provisions set forth in this Act;

(b) Recommend to the President of the Philippines the issuance of a proclamation to fix and delimit the site of the Northern Bohol Ecozone;

(c) Register, regulate and supervise the enterprises in the Northern Bohol Ecozone in an efficient and decentralized manner, subject to existing laws;

(d) Coordinate with LGUs and exercise general supervision over the development plans, activities and operations of the Northern Bohol Ecozone;

(e) Authorize or undertake, on its own or through others, and regulate the establishment, operation and maintenance of public utilities, services, and infrastructure

1 in the Northern Bohol Special Economic Zone such as shipping, barging, stevedoring,
2 cargo handling, hauling, warehousing, storage of cargo, port services or concessions, piers,
3 wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, bridges, terminals,
4 conveyors, water supply and storage, sewerage, drainage, airport operations in
5 coordination with the Civil Aeronautics Board, and such other services or concessions or
6 infrastructure necessary or incidental to the accomplishment of the objectives of this Act:
7 *Provided, however,* That the private investors in the Northern Bohol Ecozone shall be given
8 priority in the awarding of contracts, franchises, licenses, or permits for the establishment,
9 operation and maintenance of utilities, services and infrastructure in the Northern Bohol
10 Ecozone;

11 (f) Regulate and undertake the establishment, operation and maintenance of
12 utilities, other services and infrastructure in the Northern Bohol Ecozone such as, but
13 not limited to, heat, light and power, water supply, telecommunications, transport, toll
14 roads and bridges, port services, etc. and to fix just, reasonable and competitive rates,
15 fares, charges and prices thereof;

16 (g) Construct, acquire, own, lease, operate and maintain on its own or through
17 contracts, franchise, licenses, bulk purchase from the private sector or permits under any
18 of the schemes allowed in Republic Act No. 6957 (the Build-Operate-Transfer Law, as
19 amended), or joint venture, adequate facilities and infrastructure required or needed for the
20 operation and development of the Northern Bohol Ecozone, in coordination with
21 appropriate national and local government authorities and in conformity with applicable
22 laws thereon;

23 (h) Operate on its own, either directly or through licenses to others, tourism-related
24 activities and sports facilities, such as golf courses and others, under priorities and
25 standards set by NBEZA;

26 (i) Subject to the approval of the President of the Philippines and the Monetary
27 Board of the Bangko Sentral ng Pilipinas (BSP), upon the recommendation of the
28 Department of Finance (DOF), to raise or borrow adequate and necessary funds from local
29 or foreign sources to finance its projects and programs under this Act and for that purpose,
30 to issue bonds, promissory notes and other forms of securities, and to secure the same by a

1 guarantee, pledge, mortgage, deed of trust or an assignment of all or part of its property or
2 assets;

3 (j) Provide security for the Northern Bohol Ecozone in coordination with the
4 national and local governments. Military forces sent by the national government for the
5 purpose of defense shall not interfere in the internal affairs of the Northern Bohol Ecozone
6 and expenditures for these military forces shall be borne by the national government. For
7 this purpose, the NBEZA may establish and maintain its security forces and firefighting
8 capability or hire others to provide the same;

9 (k) Protect, preserve, maintain and develop the forests, beaches, coral and coral
10 reefs, and maintain ecological balance within the Northern Bohol Ecozone;

11 (l) Create, operate and/or contract to operate such functional units or offices of the
12 NBEZA as it may deem necessary;

13 (m) Adopt, alter and use a corporate seal; contract, lease, buy, acquire, own or
14 otherwise dispose of personal and/or real property of whatever nature; sue and be sued;
15 and otherwise carry out its functions and duties as provided for in this Act;

16 (n) Issue certificates of origin for products manufactured or processed in the Northern
17 Bohol Ecozone in accordance with prevailing rules of origin and the pertinent regulations
18 of the PEZA, the DTI and/or the DOF;

19 (o) Issue working visas renewable every two (2) years to foreign executives and
20 foreign technicians with highly specialized skills which no Filipino possesses, as certified
21 by the Department of Labor and Employment (DOLE);

22 (p) Report to the Bureau of Immigration (BI) the names of the foreigners who have
23 been granted permanent resident status and working visas within thirty (30) days after
24 issuance of such grant;

25 (q) Exercise such powers as may be essential, necessary or incidental to the powers
26 granted to it hereunder, as well as those that shall enable it to carry out, implement and
27 accomplish the purposes, objectives and policies of this Act; and

28 (r) Issue rules and regulations consistent with the provisions of this Act as may be
29 necessary to accomplish and implement the purposes, objectives and policies provided
30 herein.

1 **Section 9. Applicability Clause.** – The provisions of Sections 30 to 41 of Republic
2 Act No. 7916 (The Special Economic Zone Act of 1995), as amended, on leases of lands
3 and buildings, land conversion, shipping and shipping register, protection of environment,
4 termination of business, registration of business enterprises, one-stop shop center and on
5 industrial harmony in the ecozones shall apply to the NBEZA.

6 **Section 10. Tax Exemptions.** – The NBEZA is hereby declared exempt from the
7 payment of all taxes, duties, fees, imports, charges, costs, and service fees in any court or
8 administrative proceedings in which it may be a party.

9 The foregoing exemptions may, however, be entirely or partially lifted by the
10 President of the Philippines upon the recommendation of the Secretary of Finance, not
11 earlier than five (5) years from the effectivity of this Act, if the President shall find the
12 NBEZA to be self-sustaining and financially capable by then to pay such taxes, customs
13 duties, fees and other charges after providing for debt service requirements of the NBEZA
14 and of its projected capital and operating expenditures.

15 Furthermore, all donations made by any person or entity in favor of the NBEZA
16 shall be exempt from the payment of the donor's tax and the same shall be considered as
17 deductible from the gross income of the donor, pursuant to the NIRC of 1997, as amended.

18 **Section 11. Administration, Implementation and Monitoring of Incentives.** - The
19 NBEZA shall be responsible for the administration and implementation of the incentives
20 granted to its respective registered enterprises: *Provided*, That any incentive policy
21 adopted by the BOI for incentives common to all registered enterprises shall be uniformly
22 applied by the NBEZA.

23 The following are the duties and responsibilities of the NBEZA in the administration
24 of incentives:

25 (a) Adopt consistent procedures of administering incentives in accordance with the
26 guidelines established by the BOI and to amend the same when necessary;

27 (b) Adopt and implement systems and procedures affecting trade and customs
28 policies in accordance with the requirements established by the DOF and the BOI and to
29 amend the same when necessary;

30 (c) Submit data and information to the DOF and the BOI as required by any of these
31 agencies to ascertain consistency of investment policies and incentives, including their

1 implementation as provided in (a) and to ensure proper implementation of systems and
2 procedures affecting trade and customs policies as provided in (b); and

3 (d) Perform all other duties and responsibilities as may be required by the President
4 of the Philippines.

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

9 **Section 12. Board of Directors.** – The powers of the NBEZA shall be vested in and
10 exercised by a board of directors, hereinafter referred to as the Board, which shall be
11 composed of the following:

12 (a) The chairperson who shall, at the same time, be the administrator of the NBEZA;

13 (b) A vice chairperson who shall come from among the members of the Board;

14 (c) The members who shall consist of:

15 1. The governor of the Province of Bohol;

16 2. The mayors of the municipalities of Ubay, Buenavista, Talibon and Getafe;

17 3. One (2) representative from the domestic investors;

18 4. One (1) representative from the foreign investors; and

19 5. One (1) labor representative from among the workers in the Northern Bohol
20 Ecozone.

21 The governor and the mayors of the municipalities of Ubay, Buenavista, Talibon
22 and Getafe shall serve as *ex officio* members of the Board, whose terms in the Board
23 correspond to their terms of office.

24 The chairperson and the members of the Board, except the *ex officio* members, shall
25 be appointed by the President of the Philippines to serve for a term of six (6) years unless
26 sooner removed for cause or dies or resigns voluntarily. In case of death, resignation or
27 removal for cause, the replacement shall serve only the unexpired portion of the term.

28 Except for the representatives of the business and labor sectors, no person shall be
29 appointed by the President of the Philippines as a member of the Board unless he is a
30 Filipino citizen, of good moral character, of proven probity and integrity, and a degree
31 holder in any of the following fields: economics, business, public administration, law,

1 management or their equivalent, and with at least ten (10) years relevant working
2 experience preferably in the field of management or public administration.

3 The members of the Board shall each receive *per diem* at rates to be determined by
4 the Department of Budget and Management (DBM) in accordance with existing rules and
5 regulations: *Provided, however,* That the total *per diem* collected each month shall not
6 exceed the equivalent *per diem* for four (4) meetings. Unless and until the President of the
7 Philippines has fixed a higher *per diem* for the members of the Board, such *per diem* shall
8 not be more than Ten Thousand Pesos (P10,000.00) for every Board meeting.

9 **Section 13. Powers and Duties of the Chairperson-Administrator.** The
10 chairperson-administrator shall have the following powers and duties:

11 (a) Direct and manage the affairs of the NBEZA in accordance with the policies of
12 the Board;

13 (b) Establish the internal organization of the NBEZA under such conditions that
14 the Board may prescribe;

15 (c) Submit an annual budget and necessary supplemental budget to the Board for
16 its approval;

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

19 (e) Submit to the Board for its approval policies, systems, procedures, rules and
20 regulations that are essential to the operation of the Northern Bohol Ecozone;

21 (f) Create a mechanism in coordination with relevant agencies for the promotion
22 of industrial peace, the protection of the environment and the advancement of the quality
23 of life; and

24 (g) Perform such other duties as may be assigned to him/her by the Board or which
25 are necessary or incidental to his/her office.

26 **Section 14. Organization and Personnel.** – The Board of Directors of the NBEZA
27 shall provide for its organization and staff. Upon the recommendation of the chairperson-
28 administrator, the Board shall appoint and fix the remuneration and other emoluments of
29 its officers and employees in accordance with existing laws on compensation and position
30 classification: *Provided,* That the Board shall have exclusive and final authority to
31 promote, transfer, assign or reassign officers of the NBEZA, any provision of existing law

1 to the contrary notwithstanding: *Provided, further*, That the chairperson-administrator may
2 carry out removal of such officers and employees.

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

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

8 **Section 15. General Manager.** – The Board of Directors of the NBEZA shall
9 appoint a full-time professional and competent chief executive officer for the NBEZA
10 whose compensation shall be determined by its Board of Directors and shall be in
11 accordance with the revised compensation and position classification system. The general
12 manager as chief executive officer of NBEZA shall be responsible to the Board and to the
13 President of the Philippines for the efficient management and operation of the NBEZA.

14 **Section 16. Legal Counsel.** – The NBEZA shall have its own internal legal counsel
15 under the supervision of the government corporate counsel. When the exigencies of its
16 businesses and operations demand it, the NBEZA may engage the services of an outside
17 counsel either on a case to case or on a fixed retainer basis.

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20 **CHAPTER IV**
21 **INCENTIVES TO ECOZONE ENTERPRISES/INVESTORS**

22 **Section 17. Incentives to Registered Enterprises.** The NBEZA shall provide the
23 following incentives to the registered enterprises located therein to the extent of the
24 activity/project:

25 (a) Income Tax Holiday (ITH) – Registered enterprises shall be entitled to a
26 maximum of six (6) years ITH depending on BOI classification of the firm.

27 Enterprises registered with the NBEZA are required to share in the special
28 development fund of the BOI for investment promotion projects of the government
29 equivalent to one percent (1%) of the ITH granted for every application.

30 The Bureau of Internal Revenue (BIR) shall require a registered enterprise availing
31 of the ITH or the net operating loss carryover (NOLCO) to secure a certificate of eligibility

1 from the NBEZA before submitting its income tax return (ITR) with the NBEZA for
2 validation.

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

6 (b) NOLCO– The net operating loss of the business or enterprise during the first three
7 (3) years from the start of commercial operations which have not been previously offset as
8 a deduction from the gross income shall be carried over as a deduction from the gross
9 income for the next five (5) consecutive years immediately following the year of such loss:
10 *Provided, however,* That operating loss resulting from the availment of incentives provided
11 in this Code shall not be entitled to NOLCO.

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

14 (c) Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned (GIE) –
15 Except for real property tax on land, no local and national taxes, as prescribed under
16 Republic Act No. 8424, also known as “the National Internal Revenue Code of 1997, as
17 Amended”, such as the income tax, the excise tax and the franchise taxes shall be imposed
18 on business establishments operating within the Northern Bohol Ecozone. In lieu thereof,
19 there shall be imposed a tax rate of five percent (5%) of the gross income earned by all the
20 business enterprises with the NBEZA and remitted as follows:

21 (1) Three per cent (3%) to the National Government; and

22 (2) Two per cent (2%) which shall be directly remitted by the business
23 establishments to the treasurer’s office of the municipality or city where the enterprise is
24 located. All persons and service establishments in the Northern Bohol Ecozone that are not
25 covered by Section 17 hereof shall be subject to national and local taxes under the NIRC
26 of 1997, as amended, and the Local Government Code.

27 (d) Accelerated Depreciation – Accelerated depreciation of plant, machinery and
28 equipment that are reasonably needed and actually used for the production and transport of
29 goods and services may be allowed using a rate not exceeding twice the rate which would
30 have been used had the annual allowance been computed in accordance with the rules and

1 regulations prescribed by the Secretary of Finance and the provisions of the NIRC of 1997,
2 as amended.

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

11 (1) These are not manufactured domestically in sufficient quantity, of
12 comparable quality and at reasonable prices;

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

19 (3) Approval of the NBEZA was obtained by the registered enterprise for the
20 importation of such machinery, equipment and spare parts.

21 Approval of the NBEZA must be secured before any sale, transfer or disposition of
22 the imported capital equipment, machinery or spare parts is made: *Provided*, That if such
23 sale, transfer or disposition is made within the first five (5) years from the date of
24 importation, any of the following conditions must be present:

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

27 (ii) If made to another enterprise not covered by part (i), upon payment of the
28 taxes and duties on the net book value of the capital equipment to be sold;

29 (iii) If exportation of the capital equipment, machinery, spare parts or source
30 documents are required for pollution abatement and control; and

31 (iv) For reasons of proven technical obsolescence.

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

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

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

23 The registered export-oriented enterprise availing of the incentives provided under
24 the immediately preceding two (2) paragraphs shall be subject to the following: (i) that
25 said capital equipment, machinery and spare parts will be used exclusively by the registered
26 enterprise in its registered activity; (ii) that the capital equipment or machinery where the
27 raw materials, supplies, parts and semi-finished products were used would have qualified
28 for tax-and duty-free importation; and (iii) that the approval of the NBEZA is obtained by
29 the registered enterprise. If the registered enterprise sells, transfers or disposes of these
30 machineries, capital equipment and spare parts, the provision in the preceding paragraphs
31 for such disposition shall apply.

1 This incentive shall be deemed waived if application for tax credit under this
2 subsection is not filed within one (1) year from the date of delivery.

3 (f) Tax-and Duty-Free Importation - The importation of source documents by
4 information technology-registered enterprises shall be eligible for tax-and duty-free
5 importation.

6 (g) Raw Material Incentives – Every registered export-oriented enterprise shall enjoy
7 a tax credit equivalent to the internal revenue taxes and customs duties paid on the supplies,
8 raw materials and semi-manufactured products: *Provided*, That the same are not sufficient
9 in quantity, quality or are not competitively priced which are used in the manufacture,
10 processing or production of its export products forming part thereof, exported directly and
11 indirectly by the registered export-oriented enterprise based on the actual taxes and duties
12 paid for such materials/supplies/semi-manufactured products by the registered enterprise.

13 This incentive shall be deemed waived if application for tax credit under this
14 subsection was not filed within one (1) year from the date of exportation of the final
15 product.

16 (h) Incentives on Breeding Stocks and Genetic Materials – Importation of breeding
17 stocks and genetic materials within ten (10) years from the date of registration of
18 commercial operation of the enterprise shall be exempt from all taxes and duties: *Provided*,
19 That such breeding stocks and genetic materials are reasonably needed in the registered
20 activity and approved by the NBEZA.

21 The availment of the incentives by a registered enterprise shall be subject to the
22 following: (i) that said breeding stocks and genetic materials would have been qualified
23 for tax- and duty-free importation under the preceding paragraph; (ii) that the breeding
24 stocks and genetic materials are reasonably needed in the registered activity; (iii) that
25 approval of the NBEZA has been obtained by the registered enterprise; and (iv) that the
26 purchase is made within ten (10) years from the date of registration of commercial
27 operation of the registered enterprise.

28 This incentive shall be deemed waived if application for tax credit under this
29 subsection is not filed within one (1) year from the date of delivery.

30 (i) Exemption From Wharfage Dues – The provisions of law to the contrary
31 notwithstanding, exports by a registered enterprise shall be exempted from wharfage dues.

1 (j) Deferred Imposition of the Minimum Corporate Income Tax – The minimum
2 corporate income tax (MCIT) of two percent (2%) of the gross income as of the end of the
3 taxable year shall be imposed when the MCIT is greater than the income tax computed
4 under the NIRC of 1997, as amended, for the taxable year: *Provided, however,* That said
5 MCIT shall be imposed only after the enterprise's entitlement period to the income tax-
6 based incentives.

7 (k) Tax Treatment of Goods and Services in the Northern Bohol Ecozone. – The
8 treatment of goods and services in the NBEZA shall be as follows:

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

16 (i) Except as otherwise provided in this Act, foreign and domestic merchandise,
17 raw materials, supplies, articles, equipment, machineries, spare parts and
18 wares of every description, except those prohibited by law, brought into the
19 zone to be sold, stored, broken up, repacked, assembled, installed, sorted,
20 cleaned, graded or otherwise processed, manufactured, mixed with foreign or
21 domestic merchandise, whether directly or indirectly related in such activity,
22 shall not be subject to customs and internal revenue laws and regulations nor
23 to local tax ordinances, any provision of law to the contrary notwithstanding;

24 (ii) Merchandise purchased by a registered Northern Bohol Ecozone enterprise,
25 from the customs territory and subsequently brought into the export
26 processing zone, shall be considered as export sales and exportation thereof
27 shall be entitled to the benefits allowed by law for such transaction;

28 (iii) Domestic merchandise sent from the Northern Bohol Ecozone to the
29 customs territory shall, whether or not combined with or made part of other
30 articles likewise of local origin or manufactured in the Philippines while in
31 the export processing zone, be subject to internal revenue laws of the

Philippines as domestic goods sold, transferred or disposed of for local consumption;

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

(v) Domestic merchandise on which all internal revenue taxes have been paid, if subject thereto, and foreign merchandise previously imported on which has been paid, or which have been admitted free of duty and tax, may be taken into the Northern Bohol Ecozone from the customs territory of the Philippines and be brought back thereto free of quotas, duty or tax;

(vi) Subject to such regulations respecting identity and safeguarding of revenue as the NBEZA may deem necessary, when the identity of an article entered into the export processing zone under the immediately preceding paragraph has been lost, such article when removed from the zone and taken to the customs territory shall be treated as foreign merchandise entering the country for the first time, under the provisions of the Tariff and Customs Code of the Philippines, as amended;

(vii) Articles produced or manufactured in the Northern Bohol Ecozone and exported therefrom shall, on subsequent importation into the customs territory, be subject to the import laws applicable to like articles manufactured in a foreign country; and

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

2) Tax Treatment of Services – (i) Sale of service by an entity from the customs territory to a registered ecozone or free trade enterprise, or by a registered ecozone or freeport enterprise to another ecozone or freeport enterprise shall be treated as indirect export and, hence, entitled to the benefits allowed by law for such transaction; and (ii) Sale or service by a registered ecozone or freeport enterprise

1 to the customs territory shall be subject to applicable internal revenue laws and
2 regulations.

3 (l) Bonded Warehousing System - Registered export-oriented enterprise shall have
4 access to the utilization of the bonded warehousing system in accordance with the rules
5 and regulations of the BoC.

6 (m) Employment of Foreign Nationals – Subject to the provisions of Section 29 of
7 Commonwealth Act No. 613 otherwise known as “The Philippine Immigration Act of
8 1940”, as amended, a registered enterprise may employ foreign nationals in supervisory or
9 technical positions for a period not exceeding ten (10) years from its registration: *Provided*,
10 That when the majority of the capital stock of a registered enterprise is owned by foreign
11 investors, the positions of the president, treasurer and general manager or their equivalents
12 may be retained by foreign nationals beyond the period set forth herein and such officer is
13 the owner or a stockholder owning at least ten percent (10%) of the outstanding capital
14 stock of the registered enterprise and he/she remains the owner or maintains his
15 stockholdings therein.

16 Foreign nationals under employment contract within the purview of this incentive,
17 their spouses and unmarried children under twenty-one (21) years of age, who are not
18 excluded by Section 29 of Commonwealth Act No. 613, as amended, shall be permitted to
19 enter and reside in the Philippines during the period of employment of such foreign
20 nationals. They shall be issued multiple-entry visas, renewable every two (2) years, and
21 shall be allowed to enter and leave the Philippines without further documentary
22 requirements other than valid passports or other travel documents in the nature of passports.

23 The foreign nationals admitted herein, as well as their respective spouses and
24 dependents, shall be exempt from: (i) obtaining alien certificates of registration and
25 emigration clearance certificates; and (ii) securing the alien employment permits (AEP)
26 and all types of clearances, permits, licenses or their equivalents required by any
27 government department or agency.

28 **Section 18. Extension of Period of Availment.** – The availment period of the
29 incentives provided herein may be extended by the NBEZA in the event that the registered
30 enterprise suffers operational *force majeure* or any event equivalent thereto, impairing its
31 viability.

1 **Section 19. Duration of Incentives.** – Enterprises registered with the NBEZA may
2 enjoy ITH, NOLCO and five percent (5%) Gross Income Earned (GIE) granted by the
3 BNEZA sequentially.

4 Fiscal incentives under this Act shall be terminated after a cumulative period of
5 twenty (20) years from the date of registration or the start of commercial operation,
6 whichever is applicable, except that it could be extended with regard to industries deemed
7 indispensable to national development as determined by NBEZA.

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

10 **Section 20. Incentive to Investors.** – Any foreign national covered under subsection
11 (m) of Section 17 of this Act, who invests an amount of One Hundred Fifty Thousand US
12 Dollars (US\$150,000.00), either in cash and/or equipment, in a registered enterprise shall
13 be entitled to an investor's visa: *Provided, That*, the investor

14 (a) is at least eighteen (18) years of age;

15 (b) has not been convicted of a crime involving moral turpitude;

16 (c) is not afflicted with any loathsome, dangerous or contagious disease; and

17 (d) has not been institutionalized for any mental disorder or disability: *Provided,*
18 *further, That* in securing the investor's visa, the alien-applicant shall be entitled to the same
19 privileges provided for under Section 17(m), last paragraph.

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

25 **Section 21. Banking Rules and Regulations.** – Banks and financial institutions to
26 be established in the Northern Bohol Ecozone shall be under the supervision of the BSP
27 and shall be subject to existing banking laws, rules and regulations.

28 **Section 22. Remittance of Earnings.** In the case of foreign investments, a registered
29 enterprise in the NBEZA shall have the right to remit earnings from the investment in the
30 currency in which the investment was originally made and at the exchange rate prevailing

1 at the time of remittance, subject to the provisions of Republic Act No. 7653, otherwise
2 known as the New Central Bank Act, as amended.

3 4 **CHAPTER V**

5 **NATIONAL GOVERNMENT AND OTHER ENTITIES**

6 **Section 23. Interpretation/Construction.** – The powers, authorities and functions
7 that are vested in the NBEZA are intended to decentralize governmental functions and
8 authority and promote an efficient and effective working relationship among the Northern
9 Bohol Ecozone, the national government and the LGUs.

10 **Section 24. Supervision and Coordination of Development Plans.** – For
11 purposes of policy direction and coordination, the Northern Bohol Ecozone shall be under
12 the direct control and supervision of the Office of the President of the Philippines.

13 **Section 25. Authority of the Bureau of Customs to Examine the Entry and**
14 **Exit of Imported Articles in the Northern Bohol Economic Zone.** - The BoC, in
15 coordination with the appropriate government agencies such as, but not limited to, the
16 Departments of Trade and Industry, Agriculture, Transportation and Communications, and
17 Health shall have the authority to examine the entry and exit of imported articles in the
18 Northern Bohol Special Economic Zone for the purpose of determining: (i) the quantity
19 and description of subject imported articles, and (ii) the compliance with the sanitary and
20 agricultural requirements.

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

27 **Section 27. Relationship with LGUs.** – Except as herein provided, the LGUs
28 comprising the Northern Bohol Ecozone shall retain their basic autonomy and identity.
29 The municipalities of Ubay, Talibon, Buenavista and Getafe shall operate and function in
30 accordance with the Local Government Code of 1991. In case of any conflict among the
31 NBEZA and the municipalities of Ubay, Buenavista, Talibon and Getafe on matters

affecting the Northern Bohol Ecozone other than defense and security matters, the decision of the NBEZA shall prevail.

Section 28. Auditing. – The Commission on Audit shall appoint a representative who shall be a full-time auditor of the NBEZA and assign such number of personnel as may be necessary to assist said representative in the performance of his/her duties. The salaries and emoluments of the assigned auditor and personnel shall be in accordance with pertinent laws, rules and regulations.

CHAPTER VI.

MISCELLANEOUS

Section 29. Separability Clause. – If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

Section 30. Repealing Clause. – All laws, executive orders or issuances, or any part thereof which are inconsistent herewith are hereby repealed or amended accordingly.

Section 31. Effectivity Clause. – This Act shall take effect fifteen (15) days after its publication in at least two (2) national newspapers of general circulation.

Approved,