

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City Metro Manila

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3239



Introduced by **JANICE Z. SALIMBANGON**

EXPLANATORY NOTE

This bill seeks for the creation of a special economic zone in the 4th District of Cebu Province. A special economic zone is a responsive tool in eradicating poverty. It is a venue where people can do business, constituents get employed, government income is generated and progress and development will be achieved. The existence of a special economic zone will undoubtedly redound to the benefit of the people in areas where they operate. Aside from giving the people the opportunity to earn a living, a special economic zone is a sound revenue generating measure for local government.

Of the entire province of Cebu, it is the 4th district that is best suited for the establishment of the said special economic zone. The district has all the economic factors and qualifications required of a viable economic zone. It has the widest stretch of flat land, a very rich land resource. It has a seaport in almost all of its component municipalities and city. It is likewise capable of producing literate, educated, and skilled workers.

The creation of a special economic development zone in the district is likewise a tool to decongest the growing population in the highly urbanized areas of Cebu. Highly urbanized areas in Cebu have already experienced severe and heavy traffic due to the migration of people in order to secure a better employment. With the creation of a special economic zone in the 4th District of Cebu, professionals and other qualified individuals living within the area and its neighboring municipalities would not anymore seek for employment elsewhere.

In view of the foregoing considerations, the immediate consideration and approval of this bill is highly recommended.


JANICE Z. SALIMBANGON

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HOUSE BILL NO. _____

Introduced by **JANICE Z. SALIMBANGON**

AN ACT
ESTABLISHING THE SPECIAL ECONOMIC ZONE IN THE
4TH DISTRICT OF CEBU PROVINCE, CREATING FOR THIS PURPOSE
THE 4TH DISTRICT SPECIAL ECONOMIC ZONE AUTHORITY,
APPROPRIATING FUNDS THEREFOR,
AND FOR OTHER PURPOSES

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

CHAPTER I
GENERAL PROVISIONS

SECTION 1. *Short Title.*- This act shall be known as the “Cebu 4th District Special Economic Zone Act.”

SEC. 2. *Declaration of Policy.*- It is declared the policy of the state to encourage, promote, and accelerate the sound and balanced industrial, economic and social development of the country. The establishment of special economic zones shall attract legitimate and productive foreign investments in strategic locations in the country. It shall generate employment and increase productivity and individual, as well as family incomes thereby enhancing the quality of life of the Filipino people.

CHAPTER II
GOVERNING STRUCTURES

SEC. 3. *Creation of the Cebu 4th District Special Economic Zone Authority.*-There is hereby created a body corporate to be known as the “Cebu 4th District Special Economic Zone Authority” hereinafter referred to as the CEZA, which shall manage and operate the Cebu 4th District Ecozone, in accordance with the provisions of this act. This 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.

SEC. 4. **Capitalization.**- The CEZA 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 Local Government Units (LGUs) embracing the Cebu 4th District Ecozone. The Board of Directions of the CEZA 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 CEZA 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 CEZA.

The amount necessary to subscribe and pay for the shares of the National Government to the capital stock of the CEZA 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.

SEC. 5. **Principal Office of the CEZA.**- the CEZA shall maintain its principal at Medellin, Cebu, but it may establish branches within the Philippines as may be necessary for the proper conduct of its business.

SEC. 6. **Powers and Functions of the CEZA.**- The CEZA shall have the following powers and Functions:

- a) To operate, administer, manage and develop the Cebu 4th District Ecozone according to the principles and provisions set forth in this Act.
- b) To register, regulate and supervise the enterprises in the Cebu 4th District Ecozone in an efficient and decentralized manner, subject to existing laws.
- c) To coordinate with LGUs and exercise general provision over the development plans, activities and operations of the Cebu 4th District Ecozone.
- d) To regulate and undertake the establishment, construction, operation and maintenance of public utilities, other services, and infrastructure in the Cebu 4th District Ecozone such as, but not limited to heat, light and power, shipping, barging. Stevedoring, cargo handling, hauling, warehousing, storage of cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, telecommunications transport, bridges, terminals, conveyors, water supply and storage, sewerage, drainage, airport operations in coordination with the Civil Aviation Authority of the Philippines (CAAP), and such other services or concessions or infrastructure necessary or incidental to the accomplishment of the objectives of this Act;
- e) To construct, acquire, own, lease, operate and maintain on its own or through contracts, franchise, license, bulk purchase from the private sector or permits under any of the schemes allowed in Republic Act No. 6957 (the Build-Operate-Transfer Law, as amended), or joint venture, adequate facilities and infrastructure required or needed for the operation and development of the Cebu 4th District Ecozone, in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;

- f) To approve plans, programs and projects of the Cebu 4th District Ecozone to be submitted to the Regional Development Council for inclusion and inputs to the overall regional development plan;
- g) To operate on its own, either directly or through license to others, tourism-related activities, including games, amusements, recreational and sports facilities;
- h) To raise or borrow, within the limitations provided by law, and subject to the approval or opinion of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP), as the case may be, adequate and necessary funds from local or foreign sources, to finance its projects and programs under this Act and for this purpose, to issue bonds, promissory notes and other forms of securities, and to secure the same by a guarantee, pledge, mortgage, deed of trust or an assignment of all or part of its property or asset;
- i) To protect, preserve, maintain and develop the forests, beaches, coral and coral reefs, and maintain ecological balance within the Cebu 4th District Ecozone. Notwithstanding the Authority of the CEZA to create rules for such purpose, the rules and regulations of the Department of Environment and Natural Resources (DENR) and other government agencies involved in the above functions shall be implemented by the CEZA;
- j) To create, operate and/or contract to operate such functional units or offices of the CEZA as it may deem necessary;
- k) To adopt, alter and use a corporate seal, contract, lease, buy, acquire, own or otherwise dispose of personal and/or real property of whatever nature; sue and be sued; and otherwise carry out its functions and duties as provided for in this Act;
- l) To issue certificate of origin for products manufactured or processed in the Cebu 4th District Ecozone in accordance with prevailing rules of origin and the pertinent regulations of the Philippine Economic Zone Authority (PEZA), the Department of Trade and Industry (DTI) and/or the Department of Finance (DOF);
- m) To establish one-stop shops for the issuance of all necessary permits, clearances, licenses, and other similar certifications to conduct such activities intended to improve the ease of doing business within the Cebu 4th District Ecozone, in coordination with government agencies having jurisdiction over activities therein. Provided, that all government agencies are directed to provide and extend utmost and full cooperation to the Cebu 4th District Ecozone in the establishment of such one-stop shops;
- n) To provide internal security to the Cebu 4th District Ecozone in coordination with the National government and affected LGU. For this purpose, the CEZA shall provide and establish its own internal security and firefighting forces or hire others to provide the same. Military forces sent by the national government for the purpose of defense shall not interfere in the internal affairs of the Cebu 4th District Ecozone and expenditures for these military forces shall be borne by the National Government;
- o) To exercise such powers as may be essential. Necessary or incidental to the powers granted to it hereunder, as well as those that shall enable it to carry out, implement and accomplish the purpose, objectives and policies of this Act; and

- p) To issue rules and regulations consistent with the provisions of this Act as may be necessary to accomplish and implement the purpose, objectives and policies provided herein.

SEC. 7. Board of Directors of the CEZA.- The powers of the CEZA 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 chairperson, who shall at the same time be the administrator of the CEZA
- b) A Vice-Chairperson, who shall come from among the members of the Board;
- c) Members consisting of:
 - 1) The Governor or his/her representative from the Provincial Government of Cebu;
 - 2) The Mayors of the Municipalities covered by the ecozone;
 - 3) One (1) representative from the domestic investors
 - 4) One (1) representative from the foreign investors; and
 - 5) One (1) representative from the workers working in the Cebu 4th District Ecozone.

The representative from the Provincial Government and the mayors of the municipalities covered by the ecozone shall serve as ex-officio members of the Board, whose term in the Board corresponds to their term as elected officials.

The chairperson and members of the Board, except the ex-officio members, 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. In case of death, resignation or removal for cause, the replacement shall serve only the unexpired portion of the term.

The chairperson of the Board must be a Filipino citizen, of good moral character, of proven probity and integrity, and a degree-holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least ten (10) years relevant working experience preferably in the field of management or public administration.

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

SEC. 8. Powers and Duties of the Chairperson-Administrator.- the Chairperson-Administration shall have the following powers and duties:

- a) To direct and manage the affairs of the CEZA in accordance with the policies of the Board;
- b) To establish the internal organization of the CEZA under such conditions that the Board may prescribe;

- c) To submit an annual budget and necessary supplemental budget to the Board for its approval;
- d) To submit within thirty (30) days after the close of each fiscal year an annual report to the Board and such other reports as may be required;
- e) To submit to the Board for its approval, policies, systems, procedures, rules and regulations that are essential to the operation of the Cebu 4th District Ecozone;
- f) To recommend to the Board the remuneration and other emoluments of its officers and employees in accordance with existing laws on compensation and position classification;
- g) To create a mechanism in coordination with relevant agencies for the promotion of industrial peace, the protection of the environment, and the advancement of the quality of life in the Cebu 4th District Ecozone; and
- h) To perform such other duties as may be assigned to him by the Board or which are necessary or incidental to his office.

SEC. 9. **Organization and Personnel.**- the Board of Directors of the CEZA shall provide for its organization and staff. The Board shall appoint and fix the remuneration and other emoluments of its offices and employees in accordance with existing laws on compensation and position classification. The Board shall have exclusive and final authority to promote, transfer, assign, reassign or remove officers of the CEZA, any provision of existing law to the contrary notwithstanding. The chairperson-administrator may carry out removal of such officers and employees.

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

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

SEC. 10. **Legal Counsel.**- The CEZA shall have its own internal legal counsel under the supervision of the government corporate counsel. When the exigencies of its businesses and operations demand it, the CEZA may engage the services of an outside counsel either on a case to case or on a fixed retainer basis.

SEC. 11. **Legal Office.**- The CEZA shall have and maintain its own internal legal office, appropriate in number under the supervision of the Government Corporate Counsel. When the exigencies of its businesses and operations demand, the CEZA may engage the services of an outside counsel either on a case to case or a fixed retainer basis.

CHAPTER III CREATION OF THE ECONOMIC ZONE

SEC. 12. **Creation of the Cebu 4th District Special Economic Zone.**- in accordance with the foregoing declared policy and subject to the concurrence of the concerned local government units of the 4th District of Cebu affected by the Zone, there is hereby established a

Special Economic Zone, hereinafter referred to as the Cebu 4th District Ecozone. The Cebu 4th District Ecozone shall cover the entire area of Curva and Tindog in the Municipality of Medellin Province of Cebu. The specific metes and bounds of the Cebu 4th District Ecozone shall be more particularly defined in a presidential proclamation that shall be issued for this purpose; Provided, that the lands embraced therein shall be public lands and contiguous to one another.

SEC. 14. **Governing Principles.**- The Cebu 4th District Special Economic Zone shall be managed and operated by the Cebu 4th District Special Economic Zone Authority hereinafter referred to as the CEZA, created under Section 3 of this Act, under the following principles:

- a) Within the framework and limitations of the Constitution and applicable provisions of the Local Government Code, the Cebu 4th District Ecozone shall be developed into and operated as a decentralized, self reliant and self-sustaining industrial, commercial/trading, agro-industrial, tourist, banking, financial and investment center with suitable residential areas.
- b) The Cebu 4th District 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 Cebu and its neighboring towns and cities;
- c) The Cebu 4th District Ecozone may establish a 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 PEZA, and/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 Cebu 4th District Ecozone, either by themselves or in a joint venture with Filipinos in any sector of industry, international trade and commerce within the Cebu 4th District Ecozone;
- e) The Cebu 4th District Ecozone shall be managed and operated as a separate customs territory thereby ensuring the free flow or movement of goods and capital within, into and out of its territory, and shall likewise provide incentives such as tax and duty-free importations of raw materials, capital and equipment to registered enterprises located therein. However, exportation or removal of goods from the territory of the Cebu 4th District Ecozone to the other parts of the Philippine territory shall be subject to customs duties and taxes under the Customs and Tariff Code and other relevant tax laws of the Philippines;
- f) The areas comprising the Cebu 4th District Ecozone may be expanded or reduced when necessary. For this purpose, the CEZA, in consultation with the LGUs, shall have the power to acquire either by purchase, negotiation or condemnation proceedings, any private land within or adjacent to the Cebu 4th District Ecozone for the following purpose: (1) consolidation of lands for zone development; (2) acquisition of right of way to the Cebu 4th District Ecozone; and (3) the protection of watershed areas and natural assets valuable to the prosperity of the Cebu 4th District Ecozone;

- g) Goods manufactured by a Cebu 4th District Ecozone enterprise shall be made available for immediate retail sale in the domestic market, subject to the payment of corresponding taxes on raw materials and other regulations that may be formulated by the CEZA together with the PEZA, the Bureau of Customs (BOC) and the DTI. However, in order to protect domestic industries, a negative list of industries shall be drawn up and regularly updated by PEZA enterprises engaged in industries included in such negative list shall not be liable to sell their products locally;
- h) The defense of the Cebu 4th District Ecozone and the security of its perimeter fence shall be the responsibility of the national government in coordination with the CEZA and the LGUs.

CHAPTER 1V INCENTIVES TO ECOZONE ENTERPRISES/INVESTORS

SEC. 14. **Investors Visa.** – Any foreign national who invests an amount of two hundred thousand US dollars (US\$200,000.00), either in cash and/or equipment, in a registered enterprise shall be entitled to an investor's visa: *Provided*, That the foreign national has the following qualifications:

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

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

The authority to issue visas and work permits shall remain with the Bureau of Immigration (BI) and the Department of Labor and Employment (DOLE), respectively: *Provided*, that the BI and the DOLE shall implement measures to expedite the processing of such visas and permits for workers in the Cebu 4th District Ecozone and coordinate with the CEZA for the purpose of improving ease of doing business.

Sec. 15. **Fiscal Incentives.** – Registered enterprises operating within the Cebu 4th District Ecozone may be entitled to the existing pertinent fiscal incentives as provided for under Republic Act No. 7916, as amended by Republic Act No. 8748, also known as the Special Economic Zone Act of 1995, or those provided under Executive Order No. 226, as amended, otherwise known as the Omnibus Investment Code of 1987; and/or those that may be further granted as the need and necessity arises by the appropriate government department, agency or office: *Provided*, That in the administration, implementation and monitoring of incentives, the CEZA may impose its own conditions not otherwise prohibited by this ACT: *Provided*, further, That the CEZA shall not be limited to the conditions provided under Republic Act No. 7916, Republic Act No. 8748 or any other related issuance, rule or regulation.

Sec. 16. ***Imposition of Tax Rate of Five Percent (5%) on Gross Income Earned*** – No taxes, local and national, shall be imposed on business establishments operating within the Cebu 4th District Ecozone, including income, withholding, donor's, percentage, and documentary stamp taxes. In lieu thereof, and subject to Section 18 of this Act, said business establishments shall pay five percent (5%) final tax on their gross income earned: *Provided*, That the proceeds from such final tax shall be shared by instrumentalities of the government in accordance with the following percentages:

- a) Three per centum (3%) to the National Government;
- b) Two per centum (2%) shall be directly remitted by the business establishments to the treasurer's office of the municipality or city where the enterprise is located.

The CEZA shall have the authority to grant income tax holiday and net operating loss carry over subject to Section 18 of this Act and conditions as it may have imposed pursuant to Section 15 of this act.

SEC. 17. ***Administration, Implementation and Monitoring of Incentives***. – For the proper administration, implementation, and monitoring of tax incentives provided under this law, the following are herein mandated:

- (a) The CEZA shall be responsible for the administration, management, enforcement and implementation of the incentives granted to registered enterprises: *Provided*, that the BOC shall set up and establish a customs controlled area outside the gate of the Cebu 4th District Ecozone to facilitate payment of taxes on goods entering the Philippine customs territory: *Provided* further, That notwithstanding the limitations of this Act, the CEZA and BOC may coordinate and jointly implement measures on border protection; and
- (b) In the interest of enhancing transparency in the management and accounting of tax incentives in the Cebu 4th District Ecozone, the CEZA shall comply with the provisions of Republic Act No. 10708, otherwise known as the "The Tax Incentives Management and Transparency Act (TIMTA)" and its implementing rules and regulations.

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

SEC. 19. ***Sequential Availment of Incentives***. – Registered enterprises may enjoy the income tax holiday (ITH) granted by the CEZA 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 Cebu 4th District Ecozone until the expiration of the incentives with such other investment promotion agencies.

SEC. 20. ***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 CEZA may extend the period of validity of the incentives extended to such registered enterprise.

SEC. 21. ***Banking Rules and Regulations.*** – Banks and financial institutions to be established in the Cebu 4th District Ecozone shall be under the supervision of the Bangko Sentral ng Pilipinas (BSP) and subject to existing banking laws, rules and regulations.

SEC. 22. ***Remittances.*** – In the case of foreign investments, a duly registered entity or enterprise within the Cebu 4th District Ecozone 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”.

CHAPTER V NATIONAL GOVERNMENT AND OTHER ENTITIES

SEC. 23. ***Supervision and Control.*** – For the purposes of policy direction and coordination, the CEZA shall be under the direct control and supervision of the Office of the President of the Philippines.

SEC. 24. ***Regional Development Council.*** – The CEZA shall determine the development goals for the Cebu 4th District Ecozone within the framework of national development plans, policies and goals. The Chairperson & administrative shall, upon approval by the Board, submit the Cebu 4th District Ecozone plans, programs and projects to the Regional Development Council for inclusion and inputs to the overall regional development plan.

SEC. 25. ***Relationship with Local Government Units.*** – Except as herein provided, the LGUs comprising the Cebu 4th District Ecozone shall retain their basic autonomy and identity. The Municipality of Medellin, Cebu shall operate and function in accordance with the framework of the 1987 Constitution, Local Government Code of 1991, and Republic Act No. 7898, as amended by Republic Act No. 10349, applicable provisions of the Local Government Code, and this Act.

In case of any conflict between the CEZA and the LGUs and the National Government on matters affecting the Cebu 4th District Ecozone, other than national defense and security matters, the decision of the CEZA shall prevail.

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

SEC. 27. **Audit.**- The Commission on Audit shall appoint a full – time auditor in the CEZA or may assign such number of personnel as may be necessary in the performance of their functions.

CHAPTER VI MISCELLANEOUS

SEC. 28. **Implementing Rules and Regulations.** – The DTI, DOF and the National Economic Development Authority (NEDA) shall formulate the implementing rules and regulations of the Act within ninety (90) days after its approval. Such rules and regulations shall take effect fifteen (15) days after its publication in a newspaper of general circulation in the Philippines.

SEC. 29. **Applicability Clause.** – Insofar as these are consistent with the provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916, otherwise known as “The Special Economic Zone Act of 1995”, as amended, shall likewise apply to the Cebu 4th District Ecozone.

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

SEC. 31. **Repealing Clause** – All laws, executive orders or issuances or any part hereof, which are inconsistent herewith, are hereby repealed or amended accordingly.

SEC. 32. **Effectivity Clause.** – This Act shall take effect after fifteen (15) days following its complete publication in the Official Gazette or in two (2) newspapers of general circulation whichever is earlier.

Approved,