



HOUSE OF REPRESENTATIVES

H. No. 6525

BY REPRESENTATIVES GARCIA (J.E.), ONG (E.), DE VENECIA, BELARO, BERTIZ, LAOGAN, TING, SALO, VELASCO, MARTINEZ, PIMENTEL, ALONTE, GONZALES (A.D.), PANCHO, ROA-PUNO, SALON, YAP (V.), SIAO, GONZALES (A.P.), SARMIENTO (C.), REVILLA, ALBANO, DEFENSOR, TY, HERRERA-DY, SAVELLANO, NOEL, KHONGHUN, SALCEDA, CALIXTO-RUBIANO, GULLAS, SAMBAR, HOFER, LOPEZ (C.), CERAIFICA, DUAVIT, PRIMICIAS-AGABAS, ALEJANO, HERNANDEZ, BATAOIL, SY-ALVARADO, UY (J.), CO, MERCADO, MARCOLETA, NOGRALES (K.A.), ROMUALDO, DE VERA, CAGAS, GO (M.), TUPAS, BELMONTE (J.C.), TAMBUNTING, LIMKAICHONG, GOMEZ, TRENAS, DIMAPORO (M.K.), RAMIREZ-SATO, NAVA, PLAZA, ABAYA, EWARDONE, YAP (A.), NIETO, ACOSTA-ALBA, EUSEBIO, MONTORO AND ALMARIO, PER COMMITTEE REPORT NO. 407

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

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

1 SECTION 1. *Short Title.* - This Act shall be known as the
2 "Special Defense Economic Zone (SpeDEZ) Act".

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

20 SEC. 3. *Creation of the Special Defense Economic Zone.* -
21 There is hereby created a special defense economic zone in Camp
22 General Antonio Luna, Lamao, Municipality of Limay in the
23 Province of Bataan, hereinafter referred to as the SpeDEZ, for
24 investments in defense, military, law enforcement and their support
25 industries. The SpeDEZ shall cover the Government Arsenal
26 Industrial Estate inside Camp General Antonio Luna located in the
27 Municipality of Limay, Province of Bataan measuring

1 approximately three hundred seventy (370) hectares, and all other
 2 areas which may be declared as part of the SpeDEZ in compliance
 3 with Section 5(h) of this Act, including the Government Arsenal
 4 (GA), as created by Republic Act No. 1884, otherwise known as
 5 "An Act to Establish a Government Arsenal, Provide for its
 6 Operation and for Other Purposes", and portions allocated for the
 7 expansion of the GA: *Provided*, That the GA shall remain a line
 8 bureau of the Department of National Defense (DND) in accordance
 9 with Republic Act No. 1884; Executive Order No. 292, series of
 10 1987, otherwise known as the "Administrative Code of 1987";
 11 Republic Act No. 7898, as amended by Republic Act No. 10349,
 12 otherwise known as the "AFP Modernization Act"; Executive Order
 13 No. 303, series of 2004; and other prevailing laws and executive
 14 issuances. The operations of the GA shall remain independent of
 15 the management of the SpeDEZ, and the Special Defense Economic
 16 Zone Authority (SpeDEZA), as created by this Act, shall not
 17 interfere with the activities conducted in the seventy (70)-hectare
 18 area on which the GA is situated (the "GA area"): *Provided, further*,
 19 That the SpeDEZ shall not be expanded nor operated to the
 20 prejudice of the GA and the GA shall not be expanded nor operated
 21 to the prejudice of the SpeDEZ. The GA and the SpeDEZA shall
 22 continuously coordinate to ensure smooth and seamless operations
 23 involving the SpeDEZ and the GA: *Provided, finally*, That investors
 24 who intend to do business in the GA area may do so only upon
 25 written consent of the GA prior to registration with the SpeDEZA.

26 *SEC. 4. Creation of the Special Defense Economic Zone*
 27 *Authority.* - There is hereby created a specialized and independent

1 body corporate to be known as the Special Defense Economic Zone
 2 Authority (SpeDEZA) which shall manage and operate the SpeDEZ
 3 in accordance with the provisions of this Act. The SpeDEZA shall be
 4 considered a government instrumentality vested with corporate
 5 powers.

6 Notwithstanding Section 3 of Republic Act No. 7656,
 7 otherwise known as "An Act Requiring Government-Owned or
 8 -Controlled Corporations to Declare Dividends under Certain
 9 Conditions to the National Government, and for Other Purposes",
 10 all dividends remitted by the SpeDEZA shall exclusively be for the
 11 Armed Forces of the Philippines Modernization Program and in no
 12 case shall dividends remitted by the SpeDEZA be used otherwise.

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

15 (a) Within the framework and limitations of the Constitution,
 16 Republic Act No. 1884; Republic Act No. 7898, as amended by
 17 Republic Act No. 10349; Republic Act No. 10697, otherwise known
 18 as the "Strategic Trade Management Act (STMA)"; Executive Order
 19 No. 303, series of 2004; and applicable provisions of the Local
 20 Government Code, the SpeDEZ shall be developed into and
 21 operated as a decentralized, self-reliant and self-sustaining
 22 industrial, commercial, trading, research, development, engineering
 23 and financial investment center exclusive for defense, military and
 24 law enforcement commercial activities and investments, with
 25 provision for suitable residential areas;

26 (b) Notwithstanding the autonomy provided in Section 5(a)
 27 of this Act, the SpeDEZ may continue to be provided by the

1 national government and local governments with transportation,
 2 telecommunications and other facilities needed to attract legitimate
 3 and productive investments, generate linkage with industries and
 4 employment opportunities for the people of the Province of Bataan
 5 and its neighboring towns and cities: *Provided*, That the autonomy
 6 and self-reliance of the SpeDEZ shall not be a hindrance to
 7 assistance nor partnerships with other units and instrumentalities
 8 of the government: *Provided, further*, That no assistance or
 9 partnership be construed as a waiver of the autonomy of the
 10 SpeDEZA;

11 (c) The SpeDEZ may establish mutually beneficial economic
 12 defense relations with other entities or enterprises within the
 13 country or with foreign entities or enterprises: *Provided*, That the
 14 SpeDEZA shall seek clearance from the DND and administrative
 15 guidance from the Department of Foreign Affairs (DFA) as to
 16 relations with foreign entities or enterprises;

17 (d) Foreign citizens and companies owned by non-Filipinos
 18 may set up enterprises in the SpeDEZ in whatever proportion,
 19 subject to the approval of the SpeDEZA, either by themselves or in
 20 joint venture with Filipinos or the GA in the defense and security
 21 industry within the territorial jurisdiction of the SpeDEZ:
 22 *Provided*, That the SpeDEZA may require individual locators to be
 23 subject to the provisions and limitations provided for by the
 24 Strategic Trade Management Act, Foreign Investment Act and the
 25 Regular Foreign Investment Negative List issued by the President
 26 of the Philippines: *Provided, further*, That the SpeDEZA may
 27 require a minimum investment in freely convertible currencies from

1 any enterprise seeking registration as a locator of the SpeDEZ. All
 2 investments in the SpeDEZA shall fall under the priorities, thrusts
 3 and limits provided for in this Act: *Provided, finally*, That all
 4 investments that do not directly or indirectly further defense,
 5 military and law enforcement investments shall be prohibited from
 6 doing business within the SpeDEZ;

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

22 (f) The SpeDEZA shall provide incentives, such as tax and
 23 duty-free admissions of raw materials, capital and equipment to
 24 registered enterprises of the SpeDEZ: *Provided*, That exportation or
 25 removal of goods from the territory of the SpeDEZ to the other parts
 26 of the Philippine territory shall be subject, as applicable, to customs
 27 duties and taxes under the Tariff and Customs Code of the

1 Philippines, as amended, and the National Internal Revenue Code
 2 (NIRC) of 1997, as amended: *Provided, further*, That, subject to
 3 coordination with the BOC, local transshipment to and exportations
 4 from the SpeDEZ, thru the Port of Lamao or other ports, shall also
 5 be considered tax and duty-free;

6 (g) As far as practicable, enterprises located within the
 7 SpeDEZ shall acquire a certain percentage of their raw material
 8 requirements locally produced within the Philippines as determined
 9 by the SpeDEZA;

10 (h) The areas comprising the SpeDEZ may be expanded or
 11 reduced when necessary to improve its investment promotion
 12 capacity, ensure public order and safety, consolidate lands for
 13 SpeDEZ development, acquire right of way or access necessary and
 14 appropriate to the SpeDEZ, protect and safeguard watershed areas
 15 or maintain and improve water yield for the benefit of the SpeDEZ
 16 and local government units (LGUs), manage solid and water waste
 17 in compliance with existing national laws and local ordinances, and
 18 promote the public good. For this purpose, the SpeDEZA, with the
 19 concurrence of the appropriate and affected LGUs in the Province of
 20 Bataan, in accordance and compliance with existing national laws
 21 and local ordinances, shall have the power to acquire, procure,
 22 increase, or otherwise expand, either by purchase, negotiation or
 23 condemnation proceedings, any private or public lands and their
 24 respective water territories within the Province of Bataan:
 25 *Provided*, That when applicable, the municipal waters of up to
 26 fifteen (15) kilometers from the low water mark area of the edge of
 27 the SpeDEZ shall be deemed included in the territorial jurisdiction

1 of the SpeDEZ: *Provided, further*, That the SpeDEZA and the
 2 relevant LGUs shall provide for immediate and responsive
 3 mechanisms, best management practices and suitable
 4 environmental protection programs for land and coastal zone
 5 management to address any abuse and/or exploitation of the natural
 6 environment within the territorial jurisdiction of the SpeDEZ;

7 (i) Products and goods researched and developed, engineered
 8 or manufactured by registered enterprises may be made available in
 9 the domestic market, subject to the limitations in this Act and its
 10 implementing rules and regulations, payment of corresponding
 11 duties, customs and taxes on raw materials as provided by the
 12 NIRC of 1997, as amended, and the Tariff and Customs Code of the
 13 Philippines, as amended, approval by the DND or the Philippine
 14 National Police (PNP) in accordance with Republic Act No. 10697
 15 and the Regular Foreign Investment Negative List issued by the
 16 President of the Philippines, other regulations that may be
 17 formulated by the SpeDEZA, and other applicable regulations and
 18 limitations imposed in accordance with law by the DND, Armed
 19 Forces of the Philippines (AFP), PNP, Bangko Sentral ng Pilipinas
 20 (BSP), Department of Finance (DOF), BOC and Department of
 21 Trade and Industry (DTI): *Provided*, That in cooperation with the
 22 SpeDEZA, the DND and PNP shall provide and implement
 23 measures to improve ease and cost of doing business within the
 24 SpeDEZ and enhance the investment promotion capacity of the
 25 SpeDEZA: *Provided, further*, That in order to protect domestic
 26 industries, a negative list of industries shall be drawn up and
 27 regularly updated by the SpeDEZA: *Provided, finally*, That

1 enterprises engaged in industries included in such negative list
2 shall not be allowed to sell their products locally, notwithstanding
3 the registration of such enterprises in the SpeDEZ; and

4 (j) Subject to Section 6(m) of this Act, the defense of the
5 SpeDEZA and the security of its perimeter fence shall be the
6 responsibility of the national government, thru the AFP and the
7 GA, in coordination with the SpeDEZA.

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

10 (a) To adopt, alter, and use a corporate seal;

11 (b) To contract, lease, buy, sell, acquire, own and dispose
12 properties of whatever nature: *Provided*, That real properties that
13 form part of the original Camp General Antonio Luna shall not be
14 disposed of or encumbered: *Provided, further*, That expansion areas
15 may be disposed of or encumbered by the SpeDEZA;

16 (c) To sue and be sued in order to carry out its duties,
17 responsibilities, privileges, powers and functions as granted and
18 provided for in this Act;

19 (d) To exercise the power of eminent domain for public use
20 and public purpose;

21 (e) To operate, administer, manage, and develop, in
22 accordance with Executive Order No. 525, as amended, the SpeDEZ
23 according to the principles and provisions set forth in this Act;

24 (f) To recommend to the President of the Philippines the
25 issuance of a proclamation or any executive issuance to fix or
26 delimit the metes and bounds of the SpeDEZ: *Provided*, That for

1 the avoidance of doubt, such proclamation shall not be required to
2 expand the SpeDEZ pursuant to Section 5(h) of this Act;

3 (g) To register, regulate and supervise the entities and
4 enterprises in the SpeDEZ in a competent and efficient manner
5 that, as far as practicable, balances ease of doing business and
6 sound restriction or regulation of activities: *Provided*, That the
7 SpeDEZA shall submit to the DND a quarterly report on entities,
8 and locators of the SpeDEZ;

9 (h) To formulate and exercise general and sole supervision
10 over the implementation of the development plans, activities and
11 operations of the SpeDEZ: *Provided*, That the SpeDEZA may
12 coordinate with LGUs when necessary to promote development in
13 the SpeDEZ;

14 (i) To authorize or undertake, on its own or through others,
15 and regulate the establishment, construction, operation and
16 maintenance of public utilities, services, and infrastructure in the
17 SpeDEZ such as shipping, barging, stevedoring, cargo, handling,
18 hauling, warehousing, storage of cargo, port services or concessions,
19 piers, wharves, bulkheads, bulk terminals, mooring areas, storage
20 areas, roads, bridges, reclamation projects, terminals, conveyors,
21 water supply and storage, sewerage, drainage, airport operations in
22 coordination with the Civil Aviation Authority of the Philippines
23 (CAAP) and the AFP, and such other services or concessions or
24 infrastructure necessary or incidental to the accomplishment of the
25 objectives of this Act: *Provided*, That the registered enterprises of
26 the SpeDEZ shall be given priority in the awarding of contracts,

1 franchises, licenses, or permits for the establishment, operation and
2 maintenance of utilities, services and infrastructure in the SpeDEZ;

3 (j) To issue license, set fees, regulate the establishment,
4 operation, and maintenance of utilities, educational and medical
5 institutions, infrastructure related to military, defense and law
6 enforcement investments and other services in the SpeDEZ such as
7 heat, light and power, water supply, telecommunications, mobile,
8 internet and other data facilities, transport, toll roads and bridges
9 and port services, and to fix just, reasonable and competitive rates,
10 fares, charges and prices thereof;

11 (k) To construct, acquire, own, lease, operate and maintain on
12 its own or through contracts, franchises, licenses, bulk purchase
13 from the private sector and build-operate-transfer scheme or joint
14 venture with the private sector, any or all of the public utilities and
15 infrastructure required or needed for the operation and
16 development of the SpeDEZ, in coordination with appropriate
17 national and local government authorities and in conformity with
18 applicable laws;

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

1 (m) To provide internal security to the SpeDEZ, in
2 coordination with the national government and affected LGUs:
3 *Provided*, That for this purpose, the SpeDEZA shall provide and
4 establish its own internal security and firefighting forces and
5 identify and reserve facilities and areas within the SpeDEZ for the
6 AFP, which shall be responsible for the perimeter security of the
7 SpeDEZ, through the GA: *Provided, further*, That in the event that
8 the assistance of the AFP or PNP is necessary, the AFP or the PNP
9 shall not interfere in the internal affairs of the SpeDEZA, except to
10 provide the necessary security and defense, or law enforcement
11 assistance, as the case may be: *Provided, finally*, That expenses of
12 the AFP or the PNP in the SpeDEZ shall be borne by the national
13 government;

14 (n) To protect, preserve, maintain and develop the forests,
15 beaches, coral and coral reefs, and maintain ecological balance
16 within the SpeDEZ: *Provided*, That notwithstanding the authority
17 of the SpeDEZA to create rules for such purpose, the rules and
18 regulations of the Department of Environment and Natural
19 Resources (DENR) and other government agencies involved in the
20 above functions shall be implemented by the SpeDEZA: *Provided*,
21 *further*, That the SpeDEZA shall create an Ecology Center for such
22 purpose;

23 (o) To create, operate or contract to operate such functional
24 units or offices of the SpeDEZA as it may deem necessary;

25 (p) To issue certificates of origin for products manufactured
26 or processed in the SpeDEZ;

1 (q) To issue rules and regulations necessary to implement
2 and accomplish the purposes, objectives and policies provided
3 herein, in consultation with the DND, DTI, DOF and other relevant
4 government agencies;

5 (r) To appropriately zone the SpeDEZ and provide for buffer
6 zones when necessary and reserve areas for housing;

7 (s) To establish one-stop shops for the issuance of all
8 necessary permits, clearances, licenses, and other similar
9 certifications to conduct such activities intended to improve the ease
10 of doing business within the SpeDEZ, in coordination with
11 government agencies having jurisdiction over activities in the
12 SpeDEZ not otherwise solely reserved to the SpeDEZA: *Provided*,
13 That all government agencies are directed to provide and extend
14 utmost and full cooperation to the SpeDEZA in the establishment of
15 such one-stop shops; and

16 (t) To perform such other functions as may be provided
17 by law.

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

22 (a) The Chairman who shall, at the same time, be the
23 administrator of the SpeDEZA;

24 (b) The Undersecretary for National Defense (USND) of the
25 DND as Vice-Chairman: *Provided*, That in the absence of the
26 Chairman, the Vice-Chairman shall preside over the meetings of the
27 Board of the SpeDEZA;

1 (c) Members who shall consist of:

2 (1) The Undersecretary for Finance and Materiel (USFM);

3 (2) The Assistant Secretary for Plans and Programs (ASPP) of
4 the DND;

5 (3) The Assistant Secretary for Acquisition, Installations and
6 Logistics (ASAIL) of the DND;

7 (4) The Director of the GA;

8 (5) One (1) representative from the investors within the
9 SpeDEZ;

10 (6) One (1) representative from the workers working in the
11 SpeDEZ;

12 (7) One (1) representative from the Province of Bataan;

13 (8) One (1) representative from the Municipality of Limay,
14 Province of Bataan; and

15 (9) One (1) representative from the legislative district
16 covering the site of the SpeDEZ.

17 In the event of vacancy in the Offices of the USND, USFM,
18 ASPP, ASAIL and Director of the GA, the designated Acting USND,
19 USFM, ASPP, ASAIL and Director of the GA shall serve as
20 members of the Board.

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

1 The Chairman and Administrator and the members of the
2 Board, except those coming from the DND and the GA, shall be
3 appointed by the President of the Philippines to serve for a term of
4 six (6) years, unless sooner separated from service due to death,
5 voluntary resignation or removal for cause. In case of death,
6 resignation or removal for cause, the replacement shall serve only
7 the unused portion of the term.

8 All members of the Board shall be Filipino citizens and no
9 person shall be appointed by the President of the Philippines as a
10 member of the Board unless he is of good moral character and
11 proven probity and integrity. Except for the representatives of the
12 DND, the GA and the workers sector, members of the Board are
13 required to be degree holders in any of the following fields:
14 economics, business, public administration, law, management,
15 military science, or their equivalent, and with at least ten (10) years
16 relevant working experience preferably in the field of management
17 or public administration.

18 The members of the Board shall each receive *per diem* at rates
19 to be determined by the Department of Budget and Management
20 (DBM) in accordance with existing rules and regulations: *Provided*,
21 That the total *per diem* collected each month shall not exceed the
22 equivalent *per diem* for four (4) meetings.

23 SEC. 8. *Powers and Duties of the Chairman and*
24 *Administrator.* - The Chairman and Administrator shall have the
25 following powers and duties:

26 (a) To direct and manage the affairs of the SpeDEZA in
27 accordance with the policies of the Board;

1 (b) To establish the internal organization of the SpeDEZA
2 under such conditions that the Board may prescribe;

3 (c) To submit an annual budget and necessary supplemental
4 budget to the Board for its approval;

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

8 (e) To submit to the Board, for its approval, policies, systems,
9 procedures, rules and regulations that are essential to the operation
10 of the SpeDEZA;

11 (f) To create a mechanism for coordination with relevant
12 agencies for the promotion of industrial peace, the protection of the
13 environment, and the advancement of the quality of life in the
14 SpeDEZ;

15 (g) To preside at all the meetings of the Board of the
16 SpeDEZA;

17 (h) To directly administer and supervise the operations and
18 day-to-day business activities of the SpeDEZ;

19 (i) To execute, on behalf of the SpeDEZA, all contracts,
20 agreements and other instruments affecting its interests, duly
21 approved by the Board;

22 (j) To direct and supervise the preparation of the agenda of
23 the meetings of the Board; and

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

26 SEC. 9. *Principal Office of the SpeDEZA.* - The SpeDEZA
27 shall maintain its principal office in Camp General Antonio Luna,

1 Municipality of Limay, Province of Bataan, but it may establish
2 liaison offices within the Philippines as may be necessary for the
3 proper conduct of its business.

4 SEC. 10. *Organization and Personnel.* – The Board of the
5 SpeDEZA shall provide for an organizational structure and appoint
6 employees, subject to the civil service law. Upon the
7 recommendation of the Chairman and Administrator and with the
8 approval of the Secretary of the DBM, the Board shall appoint and
9 fix the remuneration and other emoluments of its officers and
10 employees in accordance with existing laws on compensation
11 and position classification: *Provided*, That the Chairman and
12 Administrator shall exercise administrative supervision on its
13 employees.

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

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

20 SEC. 11. *Special Labor Center.* – A Special Labor Center
21 shall be established within the SpeDEZ. This Center shall endeavor
22 and be responsible to proactively play a vital role in studying and
23 amicably settling professional, labor relations issues and disputes,
24 interpretation of employment service contracts, and monitoring
25 work, work place, hygiene and safety standards within the SpeDEZ,
26 particularly of the duly registered entities and enterprises. The
27 Special Labor Center shall comprise of a labor office, an industrial

1 health and safety office, an inspection/investigative and disputes
2 office, and an enforcement office.

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

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

18 SEC. 12. *Investor’s Visa.* – Any foreign national who invests
19 an amount of two hundred thousand US dollars (US\$200,000.00),
20 either in cash and/or equipment, in a registered enterprise shall be
21 entitled to an investor’s visa: *Provided*, That the foreign national
22 has the following qualifications:

- 23 (a) Must be at least eighteen (18) years of age;
- 24 (b) Must not have been convicted by final judgment of a crime
25 involving moral turpitude;
- 26 (c) Must not be afflicted with any loathsome, dangerous or
27 contagious disease;

1 (d) Must not have been institutionalized for any mental
2 disorder or disability; and

3 (e) Must establish by verifiable and credible evidence one's
4 financial capability and capacity.

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

12 The authority to issue visas and work permits shall remain
13 with the Bureau of Immigration (BI) and the Department of Labor
14 and Employment (DOLE), respectively: *Provided*, That the BI and
15 the DOLE shall implement measures to expedite the processing of
16 such visas and permits for workers in the SpeDEZ and coordinate
17 with the SpeDEZ for the purpose of improving ease of doing
18 business.

19 SEC. 13. *Fiscal Incentives.* – Registered enterprises operating
20 within the SpeDEZ may be entitled to the existing pertinent fiscal
21 incentives as provided for under Republic Act No. 7916, as amended
22 by Republic Act No. 8748, also known as the "Special Economic Zone
23 Act of 1995", or those provided under Executive Order No. 226, as
24 amended, otherwise known as the "Omnibus Investments Code" of
25 1987; and/or those that may be further granted as the need and
26 necessity arises by the appropriate government department, agency
27 or office: *Provided*, That in the administration, implementation and

1 monitoring of incentives, the SpeDEZA may impose its own
2 conditions not otherwise prohibited by this Act: *Provided, further*,
3 That the SpeDEZA shall not be limited to the conditions provided
4 under Republic Act No. 7916, Republic Act No. 8748 or any other
5 related issuance, rule or regulation.

6 SEC. 14. *Imposition of a Tax Rate of Five Percent (5%) on*
7 *Gross Income Earned.* – No taxes, local and national, shall be
8 imposed on business establishments operating within the SpeDEZ,
9 including income, withholding, donor's, percentage, and
10 documentary stamp taxes. In lieu thereof, and subject to Section 16
11 of this Act, said business establishments shall pay a five
12 percent (5%) final tax on their gross income earned: *Provided*, That
13 the proceeds from such final tax shall be shared by
14 instrumentalities of the government in accordance with the
15 following percentages:

16 (a) Two *per centum* (2%) to the national government,
17 particularly to the AFP Modernization Program;

18 (b) One *per centum* (1%) to the Province of Bataan;

19 (c) One *per centum* (1%) to the Treasurer's Office of the
20 Municipality of Limay; and

21 (d) One *per centum* (1%) to the SpeDEZA: *Provided*, That any
22 surplus in the operating, administrative and development expenses
23 shall be remitted to the AFP Modernization Program if such surplus
24 is left unutilized for a period exceeding five (5) years.

25 The SpeDEZA shall have the authority to grant income tax
26 holiday and net operating loss carry over subject to Section 16 of

1 this Act and conditions as it may have imposed pursuant to Section
2 13 of this Act.

3 SEC. 15. *Administration, Implementation and Monitoring of*
4 *Incentives.* – For the proper administration, implementation and
5 monitoring of tax incentives provided under this Act, the following
6 are herein mandated:

7 (a) The SpeDEZA shall be responsible for the administration,
8 management, enforcement and implementation of the incentives
9 granted to registered enterprises: *Provided*, That the SpeDEZA
10 shall, among others, adopt and implement systems and procedures
11 affecting defense/military trade and the appropriate customs
12 policies: *Provided, further*, That the BOC shall set up and establish
13 a customs controlled area outside the gate of the SpeDEZ to
14 facilitate payment of taxes on goods entering the Philippine customs
15 territory: *Provided, finally*, That notwithstanding the limitations in
16 this Act, the SpeDEZA and the BOC may coordinate and jointly
17 implement measures on border protection; and

18 (b) In the interest of enhancing transparency in the
19 management and accounting of tax incentives in the SpeDEZ, the
20 SpeDEZA shall comply with the provisions of Republic Act No.
21 10708, otherwise known as "The Tax Incentives Management and
22 Transparency Act (TIMTA)" and its implementing rules and
23 regulations.

24 SEC. 16. *Duration of Incentives.* – Fiscal incentives under
25 this Act shall be terminated after a cumulative period of twenty (20)
26 years from the date of registration or start of commercial operation
27 of an enterprise, whichever is applicable, except that it could be

1 extended with regard to industries deemed indispensable to
2 national development and interest. The industries exempted from
3 this provision shall be determined by the SpeDEZA, in consultation
4 with other government agencies.

5 SEC. 17. *Sequential Availment of Incentives.* – Registered
6 enterprises may enjoy the income tax holiday (ITH) granted by the
7 SpeDEZA prior to the availment of the five percent (5%) final tax on
8 gross income earned incentive: *Provided*, That in the event a
9 registered enterprise elects to avail of the final tax incentive, such
10 registered enterprise shall be barred from availing the ITH
11 incentive.

12 Registered enterprises, if eligible, may register for incentives
13 with other investment promotion agencies: *Provided*, That
14 registered enterprises electing to avail of the incentives of other
15 promotion agencies shall not be able to avail of the incentives of the
16 SpeDEZ until the expiration of the incentives with such other
17 investment promotions agencies.

18 SEC. 18. *Extension of Period of Availment.* – In the event
19 that a registered enterprise has suffered cessation or suspension of
20 operations due to *force majeure*, which has impaired its viability or
21 profitability, the SpeDEZA may extend the period of validity of the
22 incentives extended to such registered enterprise.

23 SEC. 19. *Banking Rules and Regulations.* – Banks and
24 financial institutions to be established in the SpeDEZ shall be
25 under the supervision of the BSP and shall be subject to existing
26 banking laws, rules and regulations.

1 SEC. 20. *Remittances.* – In the case of foreign investments, a
 2 duly registered entity or enterprise within the SpeDEZ shall have
 3 the right to remit earnings from the investment in the currency in
 4 which the investment was originally made and at the exchange rate
 5 prevailing at the time of remittance, subject to the provisions of
 6 Republic Act No. 7653, otherwise known as "The New Central
 7 Bank Act".

8 SEC. 21. *Capitalization.* – The SpeDEZA shall have an
 9 authorized capital stock of three billion pesos (P3,000,000,000.00) to
 10 be subscribed wholly by the national government.

11 In addition, all lands embraced and covered by the SpeDEZ,
 12 including permanent improvements and fixtures, upon proper
 13 inventory by the GA or AFP, as the case may be, not otherwise
 14 alienated, conveyed or transferred to another government agency
 15 and all other assets which the President of the Philippines may
 16 transfer to the SpeDEZA as part of the equity contribution of the
 17 government.

18 The annual subscription of the national government to the
 19 capital stock of the SpeDEZA shall be included in the annual
 20 General Appropriations Act.

21 SEC. 22. *Supervision and Control.* – For purposes of policy
 22 direction and coordination, the SpeDEZA shall be under the direct
 23 control and supervision of the Office of the President of the
 24 Philippines.

25 SEC. 23. *Regional Development Council.* – The SpeDEZA
 26 shall determine the development goals for the SpeDEZ within the
 27 framework of national development plans, policies and goals. The

1 Chairman and Administrator shall, upon approval by the Board,
 2 submit the SpeDEZA plans, programs and projects to the Regional
 3 Development Council for inclusion and inputs to the overall regional
 4 development plan.

5 SEC. 24. *Relationship with Local Government Units.* –
 6 Except as herein provided, the Municipality of Limay in the
 7 Province of Bataan shall operate and function in accordance with
 8 the framework of the 1987 Constitution, Local Government Code of
 9 1991, and Republic Act No. 7898, as amended by Republic Act
 10 No. 10349, applicable provisions of the Local Government Code, and
 11 this Act.

12 In case of any conflict among the SpeDEZA, the LGUs and the
 13 national government on matters affecting the SpeDEZA, other than
 14 national defense and security matters, the decision of the SpeDEZA
 15 shall prevail.

16 SEC. 25. *Legal Office.* – The SpeDEZA shall have and
 17 maintain its own internal legal office, appropriate in number under
 18 the supervision of the Government Corporate Counsel. When the
 19 exigencies of its businesses and operations demand, the SpeDEZA
 20 may engage the services of an outside counsel either on a case to
 21 case or a fixed retainer basis.

22 SEC. 26. *Interpretation/Construction.* – The powers,
 23 authorities and functions that are vested in the SpeDEZA are
 24 intended to establish national self-sufficiency and self-reliance in
 25 the advancement of and protection of the national integrity,
 26 enhancement of national security, decentralization of governmental
 27 functions and authority, and promote an efficient and effective

1 working relationship among the SpeDEZA, the national government
2 and the LGUs. Any interpretation of this Act shall consider such
3 intentions. In the event of conflict of interpretation and provided
4 the intentions cannot be harmonized, the provisions of this Act shall
5 be construed in favor of an interpretation that would tend to protect
6 national security.

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

11 SEC. 28. *Transitory Provisions.* - The SpeDEZA shall be
12 responsible for the operation, administration, management and
13 development of the SpeDEZ. The SpeDEZA shall effect the transfer
14 herein provided in a manner that will ensure the least disruption of
15 ongoing programs of the GA.

16 SEC. 29. *Implementing Rules and Regulations.* - The
17 SpeDEZA, DTI, DOF, DND, and the LGU shall formulate the
18 implementing rules and regulations of this Act within ninety (90)
19 days after its approval. Such rules and regulations shall take effect
20 fifteen (15) days after its publication in a newspaper of general
21 circulation in the Philippines.

22 SEC. 30. *Applicability Clause.* - Insofar as these are
23 consistent with the provisions of this Act, the provisions of Sections
24 30 to 41 of Republic Act No. 7916, otherwise known as "The Special
25 Economic Zone Act of 1995", as amended, shall likewise apply to the
26 SpeDEZ.

1 SEC. 31. *Separability Clause.* - If any provision of this Act
2 shall be held unconstitutional or invalid, the other provisions not
3 otherwise affected shall remain in full force and effect.

4 SEC. 32. *Repealing Clause.* - All laws, executive orders or
5 issuances or parts thereof which are inconsistent herewith are
6 hereby repealed or amended accordingly.

7 SEC. 33. *Effectivity.* - This Act shall take effect after
8 fifteen (15) days following its complete publication in the *Official*
9 *Gazette* or in two (2) newspapers of general circulation whichever is
10 earlier.

Approved,

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