



HOUSE OF REPRESENTATIVES

H. No. 5828

BY REPRESENTATIVES DEL MAR, GULLAS, CUENCO, SOON-RUIZ, DURANO,
GARCIA (P.), GARCIA (P.J.), SALIMBANGON, ESTRELLA (R.),
DE GUZMAN, JOSON, LJMKAICHONG, ONG, ROMULO, SALVACION AND
SILVERIO, PER COMMITTEE REPORT NO. 1691

AN ACT ESTABLISHING THE CEBU ECONOMIC DEVELOPMENT
ZONE COVERING ALL THE CITIES AND MUNICIPALITIES IN
THE ISLAND OF CEBU, CREATING FOR THE PURPOSE THE
CEBU ECONOMIC DEVELOPMENT ZONE AUTHORITY,
APPROPRIATING FUNDS THEREFOR AND FOR OTHER
PURPOSES

*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 “Cebu
2 Economic Development Zone Act of 2009”.

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

1 SEC. 3. *Creation of the Cebu Economic Development Zone.* – In
2 pursuit of the foregoing declared policy and subject to the concurrence of the
3 concerned local government units (LGUs) of Cebu affected by the zone, there
4 is hereby established a Cebu Economic Development Zone in the Province of
5 Cebu, hereinafter referred to as the CEDZ. The CEDZ shall cover the entire
6 area embraced by all the cities and municipalities in the Island of Cebu. The
7 specific metes and bounds of the CEDZ shall be more particularly defined in a
8 presidential proclamation that shall be issued for this purpose.

9 SEC. 4. *Governing Principles.* – The CEDZ shall be managed and
10 operated by the Cebu Economic Development Zone Authority, hereinafter
11 referred to as the CEDZA created under Section 10 of this Act, under the
12 following principles:

13 (a) Within the framework and limitations of the Constitution and the
14 applicable provisions of the Local Government Code, the CEDZ shall be
15 developed into and operated as a decentralized, self-reliant and self-sustaining
16 industrial, commercial/trading, agro-industrial, tourist, banking, financial and
17 investment center with suitable residential areas;

18 (b) The CEDZ shall be provided with transportation,
19 telecommunications and other facilities needed to attract legitimate and
20 productive investments, generate linkage industries and employment
21 opportunities for the people of the Province of Cebu and its neighboring towns
22 and cities;

23 (c) The CEDZ may establish mutually beneficial economic relations
24 with other entities or enterprises within the country or, subject to the
25 administrative guidance of the Department of Foreign Affairs (DFA), the
26 Philippine Economic Zone Authority (PEZA) and/or the Department of Trade
27 and Industry (DTI), with foreign entities or enterprises;

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

5 (e) The CEDZ shall be managed and operated as a separate customs
6 territory, thereby ensuring the free flow or movement of goods and capital
7 within, into and out of the CEDZ and shall likewise provide incentives such as
8 tax- and duty-free importations of raw materials and capital equipment to
9 registered enterprises located therein. However, exportation or removal of
10 goods from the territory of the CEDZ to the other parts of the Philippine
11 territory shall be subject to customs duties and taxes under the Tariff and
12 Customs Code of the Philippines, as amended, and the National Internal
13 Revenue Code (NIRC) of 1997, as amended;

14 (f) The areas comprising the CEDZ may be expanded or reduced when
15 necessary. For this purpose, the CEDZA, in consultation with the LGUs, shall
16 have the power to acquire, either by purchase, negotiation or condemnation
17 proceedings, any private land within or adjacent to the CEDZ for the following
18 purposes: (1) consolidation of lands for Cebu Ecozone development; (2)
19 acquisition of right-of-way to the CEDZ; and (3) the protection of watershed
20 areas and natural assets valuable to the prosperity of the CEDZ;

21 (g) Goods manufactured by a CEDZA enterprise shall be made
22 available for immediate retail sale in the domestic market, subject to the
23 payment of corresponding taxes on raw materials and other regulations that
24 may be formulated by the CEDZA, together with the PEZA, the Bureau of
25 Customs (BoC) and the DTI, in accordance with the NIRC of 1997, as
26 amended, and the Tariff and Customs Code of the Philippines, as amended.
27 However, in order to protect domestic industries, a Negative List of industries
28 shall be drawn up and regularly updated by the PEZA. Enterprises engaged in

1 industries included in such Negative List shall not be allowed to sell their
2 products locally; and

3 (h) *The defense of the CEDZ and the security of its perimeter fence*
4 *shall be the responsibility of the national government in coordination with the*
5 *CEDZ and the LGUs. For this purpose, a special defense team shall be*
6 *organized to define its powers, duties and responsibilities.*

7 SEC. 5. *Incentives to Registered Enterprises.* – The CEDZA shall
8 provide the following incentives to the registered enterprises located therein to
9 the extent of the activity/project:

10 (a) *Income Tax Holiday (ITH)* – Registered enterprises shall be
11 entitled to an ITH from the start of their commercial operations to the extent of
12 their activity under the following categories:

13 (1) *Category A* – Registered domestic enterprises producing/rendering
14 new products/services or having strong backward or forward linkages shall be
15 entitled to a six (6)-year ITH; and

16 (2) *Category B* – Registered export enterprises shall be entitled to a six
17 (6)-year ITH: *Provided,* That the export enterprise complies with the
18 following:

19 (i) *Large capital investments or sizeable employment generation; or*

20 (ii) *Use high level of technology, it shall be entitled to an eight (8)-year*
21 *ITH.*

22 Registered enterprises embarking on new investments that are listed in
23 the current Investment Priorities Plan (IPP) shall be entitled to incentives
24 provided herein pertaining to the new investments and subject to such terms
25 and conditions as the Board of Investments (BOI) may determine.

26 *Additional investments in the project shall be entitled to the ITH*
27 *corresponding to such investments as may be determined by the BOI.*
28 *Additional ITH may be granted for as long as the investment is made on the*

1 same project: *Provided*, That the project is listed in the IPP at the same time
2 the additional investment in the project is made: *Provided, further*, That the
3 entitlement period for additional investments shall not exceed three (3) times
4 the period provided under this subsection: *Provided, finally*, That the total ITH
5 period for an export enterprise availing of an eight (8)-year ITH shall not
6 exceed twenty (20) years. Any unused incentives shall therefore be deemed
7 forfeited if not used during the incentive period.

8 Enterprises registered with the CEDZA are required to share in the
9 special development fund of the BOI for investment promotion projects of the
10 government equivalent to one percent (1%) of the ITH granted for every
11 application.

12 The Bureau of Internal Revenue (BIR) shall require a registered
13 enterprise availing of the ITH or the net operating loss carryover (NOLCO) to
14 secure a certificate of eligibility from the CEDZA before submitting its income
15 tax return (ITR) with the CEDZA for validation.

16 Failure to secure certification and/or to file the ITH or the NOLCO
17 availment for validation by the CEDZA within forty-five (45) days from the
18 last day of statutory filing date for the ITR shall cause the forfeiture of the
19 availment for the taxable period;

20 (b) Net Operating Loss Carryover (NOLCO) – The net operating loss
21 of the business or enterprise during the first three (3) years from the start of
22 commercial operations which have not been previously offset as a deduction
23 from the gross income shall be carried over as a deduction from the gross
24 income for the next five (5) consecutive years immediately following the year
25 of such loss: *Provided, however*, That the operating loss resulting from the
26 availment of incentives provided in this Code shall not be entitled to the
27 NOLCO.

1 Registered enterprises availing of the ITH as herein provided shall not
2 be entitled to avail of the NOLCO;

3 (c) Imposition of a Tax Rate of Five Percent (5%) on Gross Income
4 Earned (GIE) -- Except for real property tax on land, no local and national
5 taxes, as prescribed under Republic Act No. 8424, also known as "the National
6 Internal Revenue Code of 1997, As Amended", such as the income tax, the
7 excise tax and the franchise tax, shall be imposed on business establishments
8 operating within the CEDZ. In lieu thereof, there shall be imposed a tax rate of
9 five percent (5%) on the gross income earned by all the business enterprises
10 with the CEDZA and remitted as follows:

11 (1) Three percent (3%) to the national government; and

12 (2) Two percent (2%) which shall be directly remitted by the business
13 establishments to the treasurer's office of the municipality or city where the
14 enterprise is located.

15 All persons and service establishments in the CEDZ that are not covered
16 by Section 5 hereof shall be subject to national and local taxes under the NIRC
17 of 1997, as amended, and the Local Government Code;

18 (d) Accelerated Depreciation -- Accelerated depreciation of plant,
19 machinery and equipment that are reasonably needed and actually used for the
20 production and transport of goods and services may be allowed using a rate not
21 exceeding twice the rate which would have been used had the annual allowance
22 been computed in accordance with the rules and regulations prescribed by the
23 Secretary of Finance and the provisions of the NIRC of 1997, as amended;

24 (e) Capital Equipment Incentives -- Importations of capital equipment,
25 spare parts, tools and dye or those required for pollution abatement and
26 control, cleaner production and waste reduction including consignment thereof
27 by registered enterprises upon the effectivity of this Act shall be exempted to
28 the extent of one hundred percent (100%) of the taxes and customs duties:

1 *Provided*, That the importation thereof shall be used exclusively by the
2 registered enterprise in its registered activity within the CEDZ: *Provided*,
3 *further*, That the importation of machinery and equipment and accompanying
4 parts shall comply with the following conditions:

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

7 (2) These are reasonably needed and will be used exclusively by the
8 registered enterprise in the manufacture of its products, unless prior approval
9 of the CEDZA is secured for the part-time utilization of said equipment in a
10 non-registered activity to maximize usage thereof or the proportionate taxes
11 and duties are paid on a specific equipment and machinery being permanently
12 used for non-registered activities; and

13 (3) Approval of the CEDZA was obtained by the registered enterprise
14 for the importation of such machinery, equipment and spare parts.

15 Approval of the CEDZA must be secured before any sale, transfer or
16 disposition of the imported capital equipment, machinery or spare parts is
17 made: *Provided*, That if such sale, transfer or disposition is made within the
18 first five (5) years from the date of importation, any of the following conditions
19 must be present:

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

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

25 (iii) Exportation of the capital equipment, machinery, spare parts or
26 source documents or those required for pollution abatement and control; and

27 (iv) For reasons of proven technical obsolescence.

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

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

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

27 The registered export-oriented enterprise availing of the incentives
28 provided under the immediately preceding two (2) paragraphs shall be subject

1 to the following: (i) that said capital equipment, machinery and spare parts
2 will be used exclusively by the registered enterprise in its registered activity;
3 (ii) that the capital equipment or machinery where the raw materials, supplies,
4 parts and semi-finished products were used would have qualified for tax- and
5 duty-free importation; and (iii) that the approval of the CEDZA is obtained by
6 the registered enterprise. If the registered enterprise sells, transfers or disposes
7 of these machineries, capital equipment and spare parts, the provision in the
8 preceding paragraphs for such disposition shall apply.

9 This incentive shall be deemed waived if application for tax credit under
10 this subsection was not filed within one (1) year from the date of delivery;

11 (f) The importation of source documents by information technology-
12 registered enterprises shall be eligible for tax- and duty- free importation;

13 (g) Raw Materials Incentives -- Every registered export-oriented
14 enterprise shall enjoy a tax credit equivalent to the internal revenue taxes and
15 customs duties paid on the supplies, raw materials and semi-manufactured
16 products: *Provided*, That the same are not sufficient in quantity, quality or are
17 not competitively priced which are used in the manufacture, processing or
18 production of its export products forming part thereof, exported directly and
19 indirectly by the registered export-oriented enterprise based on the actual taxes
20 and duties paid for such materials/supplies/semi-manufactured products by the
21 registered enterprise.

22 This incentive shall be deemed waived if application for tax credit under
23 this subsection was not filed within one (1) year from the date of exportation of
24 the final product,

25 (h) Incentives on Breeding Stocks and Genetic Materials -- Importation
26 of breeding stocks and genetic materials within ten (10) years from the date of
27 registration of commercial operations of the enterprise shall be exempt from all

1 taxes and duties: *Provided*, That such breeding stocks and genetic materials are
2 reasonably needed in the registered activity and approved by the CEDZA.

3 The availment of the incentives by a registered enterprise shall be
4 subject to the following: (i) that said breeding stocks and genetic materials
5 would have been qualified for tax- and duty-free importation under the
6 preceding paragraph; (ii) that the breeding stocks and genetic materials are
7 reasonably needed in the registered activity; (iii) that approval of the CEDZA
8 has been obtained by the registered enterprise; and (iv) that the purchase is
9 made within ten (10) years from the date of registration of commercial
10 operations of the registered enterprise.

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

13 (i) *Exemption from Wharfage Dues* – The provisions of law to the
14 contrary notwithstanding, exports by a registered enterprise shall be exempted
15 from wharfage dues;

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

23 (k) (1) *Tax Treatment of Merchandise in the CEDZ* – The free
24 trade/freeport zone shall be operated and managed as a separate customs
25 territory ensuring free flow or movement of goods within, into and exported
26 out of the free trade/freeport zone. Importations of raw materials and capital
27 equipment are tax- and duty-free. However, exportations or removal of goods

1 from the free trade/freeport zones to the other parts of the Philippine territory
2 shall be subject to customs and internal revenue regulations:

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

12 (ii) Merchandise purchased by a registered CEDZ enterprise, from the
13 customs territory and subsequently brought into the export processing zone,
14 shall be considered as export sales and exportation thereof shall be entitled to
15 the benefits allowed by law for such transaction;

16 (iii) Domestic merchandise sent from the CEDZ to the customs
17 territory shall, whether or not combined with or made part of other articles
18 likewise of local origin or manufactured in the Philippines while in the export
19 processing zone, be subject to internal revenue laws of the Philippines as
20 domestic goods sold, transferred or disposed of for local consumption;

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

26 (v) Domestic merchandise on which all internal revenue taxes have
27 been paid, if subject thereto, and foreign merchandise previously imported on
28 which has been paid, or which have been admitted free of duty and tax, may be

1 taken into the CEDZ from the customs territory of the Philippines and be
2 brought back thereto free of quotas, duty or tax;

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

10 (vii) Articles produced or manufactured in the CEDZ and exported
11 therefrom shall, on subsequent importation into the customs territory, be
12 *subject to the import laws applicable to like articles manufactured in a foreign*
13 *country; and*

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

17 (2) Tax Treatment of Services in the CEDZ – (i) Sale of service by an
18 entity from the customs territory to a registered ecozone or free trade
19 enterprise, or by a registered ecozone or freeport enterprise to another ecozone
20 or freeport enterprise, shall be treated as indirect export and, hence, entitled to
21 the benefits allowed by law for such transaction; and (ii) Sale of service by a
22 registered ecozone or freeport enterprise to the customs territory shall be
23 subject to applicable internal revenue laws and regulations;

24 (l) *Registered export-oriented enterprise shall have access to the*
25 *utilization of the bonded warehousing system in accordance with the rules and*
26 *regulations of the BoC; and*

27 (m) Employment of Foreign Nationals – Subject to the provisions of
28 Section 29 of Commonwealth Act No. 613, as amended, a registered enterprise

1 may employ foreign nationals in supervisory or technical positions for a period
2 not exceeding ten (10) years from its registration: *Provided*, That when the
3 majority of the capital stock of a registered enterprise is owned by foreign
4 investors, the positions of the president, treasurer and general manager or their
5 equivalents may be retained by foreign nationals beyond the period set forth
6 herein and such officer is the owner or a stockholder owning at least ten
7 percent (10%) of the outstanding capital stock of the registered enterprise and
8 he/she remains the owner or maintains his/her stockholdings therein.

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

17 The foreign nationals admitted herein, as well as their respective
18 spouses and dependents, shall be exempt from: (1) obtaining alien certificates
19 of registration and emigration clearance certificates; and (2) securing the alien
20 employment permits (AEP) and all types of clearances, permits, licenses or
21 their equivalents required by any government department or agency.

22 SEC. 6. *Incentive to Investors.* – Any foreign national covered under
23 subsection (m) of Section 5 of this Act, who invests an amount of One hundred
24 fifty thousand US Dollars (US\$150,000.00), either in cash and/or equipment,
25 in a registered enterprise shall be entitled to an investor's visa: *Provided*, That,

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

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

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

3 (d) he has not been institutionalized for any mental disorder or
4 disability: *Provided, further,* That in securing the investor's visa, the alien-
5 applicant shall be entitled to the same privileges as provided for under Section
6 5(m) herein.

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

13 *SEC. 7. Administration, Implementation and Monitoring of Incentives.*

14 – The CEDZA shall be responsible for the administration and implementation
15 of the incentives granted to its respective registered enterprises: *Provided,*
16 That any incentive administration policy adopted by the BOI for incentives
17 common to all registered enterprises shall be uniformly applied by the
18 CEDZA.

19 The following are the duties and responsibilities of the CEDZA in the
20 administration of incentives:

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

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

27 (c) Submit data and information to the DOF and the BOI as required by
28 any of these agencies to ascertain consistency of investment policies and

1 incentives, including their implementation as provided in paragraph (a) and to
2 ensure proper implementation of systems and procedures affecting trade and
3 customs policies as provided in paragraph (b); and

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

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

11 SEC. 8. *Extension of Period of Availment.* – The availment period of
12 the incentives provided herein may be extended by the CEDZA in the event
13 that the registered enterprise suffers operational *force majeure* or any event
14 equivalent thereto, impairing its viability.

15 SEC. 9. *Duration of Incentives.* – Enterprises registered with the
16 CEDZA may enjoy the ITH or the NOLCO granted by the latter prior to the
17 availment of the five percent (5%) GIE.

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

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

25 SEC. 10. *Creation of the Cebu Economic Development Zone Authority*
26 *(CEDZA).* – There is hereby created a body corporate to be known as the Cebu
27 Economic Development Zone Authority, hereinafter referred to as the CEDZA,
28 which shall manage and operate the CEDZ in accordance with the provisions

1 of this Act. This corporate franchise shall expire in fifty (50) years counted
2 from the first year after the effectivity of this Act, unless otherwise extended by
3 Congress. It shall be organized within one hundred eighty (180) days after the
4 effectivity of this Act.

5 SEC. 11. *Principal Office of the CEDZA.* – The CEDZA shall maintain
6 its principal office in the City of Cebu, but it may establish branches within the
7 Philippines as may be necessary for the proper conduct of its business.

8 SEC. 12. *Powers and Functions of the CEDZA.* – The CEDZA shall
9 have the following functions:

10 (a) Operate, administer, manage and develop the CEDZ according to
11 the principles and provisions set forth in this Act;

12 (b) Recommend to the President of the Philippines the issuance of a
13 proclamation to fix and delimit the site of the CEDZ;

14 (c) Register, regulate and supervise the enterprises in the CEDZ in an
15 efficient and decentralized manner, subject to existing laws;

16 (d) Coordinate with the LGUs and exercise general supervision over
17 the development plans, activities and operations of the CEDZ;

18 (e) Authorize or undertake, on its own or through others, and regulate
19 the establishment, operation and maintenance of public utilities, services and
20 infrastructure in the CEDZ such as shipping, barging, stevedoring, cargo
21 handling, hauling, warehousing, storage of cargo, port services or concessions,
22 piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads,
23 bridges, terminals, conveyors, water supply and storage, sewerage, drainage,
24 airport operations in coordination with the Civil Aeronautics Board, and such
25 other services or concessions or infrastructure necessary or incidental to the
26 accomplishment of the objectives of this Act: *Provided, however,* That the
27 private investors in the CEDZ shall be given priority in the awarding of

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

3 (f) *Regulate and undertake the establishment, operation and*
4 *maintenance of utilities, other services and infrastructure in the CEDZ such*
5 *as, but not limited to, heat, light and power, water supply,*
6 *telecommunications, transport, toll roads and bridges, port services, etc. and*
7 *to fix just, reasonable and competitive rates, fares, charges and prices thereof;*

8 (g) Construct, acquire, own, lease, operate and maintain, on its own or
9 through contracts, franchises, licenses, bulk purchases from the private sector
10 or permits under any of the schemes allowed in Republic Act No. 6957 (the
11 Build-Operate-Transfer Law, as amended), or joint venture, adequate facilities
12 and infrastructure required or needed for the operation and development of the
13 CEDZ, in coordination with appropriate national and local government
14 authorities and in conformity with applicable laws thereon;

15 (h) Operate on its own, either directly or through licenses to others,
16 recreational and sports facilities, other tourism-related activities and, subject to
17 a grant of franchise by Congress, gaming activities such as horse racing, dog
18 racing, gambling casinos, internet and inter-active gaming and other games of
19 chance: *Provided, That registered locator enterprises shall not operate gaming*
20 *activities unless granted a franchise by Congress;*

21 (i) Subject to the approval of the President of the Philippines and the
22 Monetary Board of the Bangko Sentral ng Pilipinas (BSP) upon the
23 recommendation of the DOF, to raise or borrow adequate and necessary funds
24 from local or foreign sources to finance its projects and programs under this
25 Act and, for that purpose, to issue bonds, promissory notes and other forms of
26 securities and to secure the same by a guarantee, pledge, mortgage, deed of
27 trust or an assignment of all or part of its property or assets;

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

7 (k) Protect, preserve, maintain and develop the virgin forests, beaches,
8 coral and coral reefs, and maintain ecological balance within the CEDZ;

9 (l) Create, operate and/or contract to operate such functional units or
10 offices of the CEDZA as it may deem necessary;

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

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

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

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

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

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

4 SEC. 13. *Authority of the Bureau of Customs to Examine the Entry and*
5 *Exit of Imported Articles in the CEDZ.* – The BoC, in coordination with the
6 appropriate government agencies such as, but not limited to, the Departments
7 of Trade and Industry, Agriculture, Transportation and Communications and
8 Health shall have the authority to examine the entry and exit of imported
9 articles in the CEDZ for the purpose of determining: (a) the quantity and
10 description of subject imported articles; and (b) the compliance with the
11 sanitary and agricultural requirements.

12 SEC. 14. *Tax Exemptions.* – The CEDZA is hereby declared exempt
13 from the payment of all taxes, duties, fees, imports, charges, costs and service
14 fees in any court or administrative proceedings in which it may be a party.

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

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

26 SEC. 15. *Banking Rules and Regulations.* – Existing banking laws and
27 rules and regulations of the BSP shall apply to banks and financial institutions
28 to be established in the CEDZ, such as those governing foreign exchange and

1 other current account transactions (trade and nontrade), local and foreign
2 borrowings, foreign investments, establishment and operation of local and
3 foreign banks, foreign currency deposit units, offshore banking units and other
4 financial institutions under the supervision of the BSP.

5 SEC. 16. *Remittance of Earnings.* – In the case of foreign investments,
6 a registered enterprise in the CEDZA shall have the right to remit earnings
7 from the investment in the currency in which the investment was originally
8 made and at the exchange rate prevailing at the time of remittance, subject to
9 the provisions of Section 74 of Republic Act No. 265, as amended.

10 SEC. 17. *Board of Directors of the CEDZA.* – The powers of the
11 CEDZA shall be vested in and exercised by an eleven (11)-man Board of
12 Directors, hereinafter referred to as the Board, which shall be composed of
13 four (4) representatives from the LGUs as follows:

14 (a) The Governor of the Province of Cebu;

15 (b) The Mayor of the City of Cebu;

16 (c) The president of the league of city mayors of the component cities
17 of the Province of Cebu;

18 (d) The president of the league of municipal mayors of the Province of
19 Cebu; and

20 (e) Seven (7) representatives from the private sector who shall elect
21 from among themselves a chairperson and a vice chairperson.

22 The governor and the mayors of the cities and municipalities of the
23 Island of Cebu shall serve as *ex officio* members of the Board, whose terms in
24 the Board correspond to their term as elected officials.

25 The chairperson and the members of the Board, except the *ex officio*
26 members, shall be appointed by the President of the Philippines to serve for a
27 term of three (3) years unless sooner removed for cause or dies or resigns

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

3 The seven (7) private sector representatives to be appointed by the
4 President of the Philippines shall be taken from a short list prepared and
5 submitted by the Cebu Chamber of Commerce and Industry.

6 No person shall be appointed by the President of the Philippines as a
7 member of the Board unless he is a Filipino citizen, of good moral character,
8 of proven probity and integrity, and a degree holder in any of the following
9 fields: economics, business, public administration, law, management or their
10 equivalent, and with at least ten (10) years relevant working experience
11 preferably in the field of management or public administration.

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

19 SEC. 18. *Powers and Duties of the Chairperson-Administrator.* – The
20 chairperson-administrator shall have the following powers and duties:

21 (a) Direct and manage the affairs of the CEDZA in accordance with the
22 policies of the Board;

23 (b) Establish the internal organization of the CEDZA under such
24 conditions that the Board may prescribe;

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

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

1 (e) Submit to the Board for its approval policies, systems, procedures,
2 rules and regulations that are essential to the operation of the CEDZ;

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

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

8 SEC. 19. *Organization and Personnel.* – The Board of the CEDZA
9 shall provide for an organization and staff of its officers and employees. Upon
10 the recommendation of the chairperson-administrator, the Board shall appoint
11 and fix the remuneration and other emoluments of its officers and employees in
12 accordance with existing laws on compensation and position classification:
13 *Provided, That the Board shall have exclusive and final authority to promote,*
14 *transfer, assign or reassign officers of the CEDZA, any provision of existing*
15 *law to the contrary notwithstanding: Provided, further, That the chairperson-*
16 *administrator may carry out removal of such officers and employees.*

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

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

23 SEC. 20. *General Manager.* – The Board of the CEDZA shall appoint a
24 full-time professional and competent administrator and chief executive officer
25 for the CEDZA whose compensation shall be determined by its Board and
26 shall be in accordance with the revised compensation and position
27 classification system. The administrator as chief executive officer of the

1 CEDZA shall be responsible to the Board and the President of the Philippines
2 for the efficient management and operation of the CEDZA.

3 SEC. 21. *Applicability Clause.* – The provisions of Sections 30 to 41 of
4 Republic Act No. 7916, as amended, on leases of lands and buildings, land
5 conversion, shipping and shipping register, protection of environment,
6 termination of business, registration of business enterprises, one-stop shop
7 center and on industrial harmony in the ecozones shall apply to the CEDZA.

8 SEC. 22. *Capitalization.* – The CEDZA shall have an authorized capital
9 stock of two billion (2,000,000,000) no-par shares with a minimum issue of
10 Ten pesos (P10.00) each, the majority shares of which shall be subscribed and
11 paid for by the national government and the LGUs embracing the CEDZ. The
12 Board of the CEDZA may, with the written concurrence of the Secretary of
13 Finance, sell shares, representing not more than forty per centum (40%) of the
14 capital stock of the CEDZA to the general public under such policy as the
15 Board and the Secretary of Finance may determine. The national government
16 and the LGUs shall, in no case, own less than sixty per centum (60%) of the
17 total issued and outstanding capital of the CEDZA.

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

22 SEC. 23. *Supervision and Coordination of Development Plans* – For
23 purposes of policy direction and coordination, the CEDZA shall be under the
24 direct control and supervision of the Office of the President of the Philippines.

25 SEC. 24. *Relationship with the Regional Development Council.* – The
26 CEDZA shall determine the development goals for the CEDZ within the
27 framework of national development plans, policies and goals. The
28 administrator shall, upon approval by the Board, submit the CEDZ plans,

1 programs and projects to the Regional Development Council for inclusion and
2 inputs to the overall regional development plan.

3 SEC. 25. *Relationship with the LGUs.* – Except as herein provided, the
4 LGUs comprising the CEDZ shall retain their basic autonomy and identity
5 The cities and municipalities of the Island of Cebu shall operate and function
6 in accordance with the Local Government Code of 1991. In case of any
7 conflict among the CEDZA and the cities and municipalities of the Island of
8 Cebu on matters affecting the CEDZ other than defense and security matters,
9 the decision of the CEDZA shall prevail.

10 SEC. 26. *Legal Counsel.* – The CEDZA shall have its own internal
11 legal counsel under the supervision of the Office of the Government Corporate
12 Counsel (OGCC). When the exigencies of its businesses and operations
13 demand it, the CEDZA may engage the services of an outside counsel either on
14 a case to case or on a fixed retainer basis.

15 SEC. 27. *Interpretation/Construction.* – The powers, authorities and
16 functions that are vested in the CEDZA are intended to decentralize
17 governmental functions and authority and promote an efficient and effective
18 working relationship among the CEDZ, the national government and the
19 LGUs.

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

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

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

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

Approved,

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