



HOUSE OF REPRESENTATIVES

H. No. 8757

BY REPRESENTATIVES CUA, GARCIA (G.), BIRON, ZAMORA (M.C.), AND SUANSING (E.), PER
COMMITTEE REPORT NO. 1018

AN ACT

ESTABLISHING A SPECIAL ECONOMIC ZONE AND FREEPORT IN THE AREA ENCOMPASSING THE BARANGAYS OF DUMABEL, SAN LEONARDO, PINARIPAD NORTE, PALACIAN, LIGAYA, VILLA VENTURA, DIODOL AND PINARIPAD SUR, ALL LOCATED IN THE MUNICIPALITY OF AGLIPAY, PROVINCE OF QUIRINO, CREATING FOR THIS PURPOSE THE AUTHORITY OF THE FREEPORT AREA OF QUIRINO (AFAQ), AND APPROPRIATING FUNDS THEREFOR

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

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**CHAPTER 1
GENERAL PROVISIONS**

3 **SECTION 1. *Short Title.*** - This Act shall be known as the "Freeport Area of
4 Quirino (FAQ) Act."

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

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**CHAPTER II
CREATION OF THE ECONOMIC ZONE AND FREEPORT**

13 **SEC. 3. *Creation of the Freeport Area of Quirino.*** - In accordance with the
14 foregoing declared policy and subject to the concurrence of the concerned local

1 government units of Quirino affected by the zone, there is hereby established a special
2 economic zone and freeport, hereinafter referred to as the Freeport Area of Quirino
3 (FAQ). The FAQ shall cover, so much as necessary, areas in the Barangays of
4 Dumabel, San Leonardo, Pinaripad Norte, Palacian, Ligaya, Villa Ventura, Diodol, and
5 Pinaripad Sur, all located in the Municipality of Aglipay, Province of Quirino. The specific
6 metes and bounds of the FAQ shall be more particularly defined in a presidential
7 proclamation that shall be issued for this purpose: *Provided*, That the lands embraced
8 therein shall be public lands and contiguous to one another.

9 **SEC. 4. Creation of the Authority of the Freeport Area of Quirino (AFAQ).** -

10 There is hereby created a body corporate to be known as the "Authority of the Freeport
11 Area of Quirino", hereinafter referred to as the AFAQ, which shall manage and operate
12 the FAQ, in accordance with the provisions of this Act. This corporate franchise shall
13 expire in fifty (50) years counted from the first year after the effectivity of this Act, unless
14 otherwise extended by Congress. It shall be organized within one hundred eighty (180)
15 days after the effectivity of this Act.

16 **SEC. 5. Governing Principles.** - The FAQ shall be managed and operated by
17 the AFAQ, created under Section 4 of this Act, under the following principles:

- 18 a) Within the framework and limitations of the Constitution and applicable provisions of
19 the Local Government Code, the FAQ shall be developed into and operated as a
20 decentralized, self-reliant and self-sustaining industrial, commercial/trading, agro-
21 industrial, tourist, banking, financial and investment center with suitable residential
22 areas;
- 23 b) The FAQ shall be equipped with transportation, telecommunications, and other
24 facilities needed to attract legitimate and productive investments, generate linkage
25 industries and employment opportunities for the people of Quirino and its
26 neighboring towns and cities;
- 27 c) The FAQ may establish mutually beneficial economic relations with other entities or
28 enterprises within the country or, subject to the administrative guidance of the
29 Department of Foreign Affairs (DFA), the Philippine Economic Zone Authority
30 (PEZA), and/or the Department of Trade and Industry (DTI), with foreign entities or
31 enterprises;
- 32 d) Foreign citizens and companies owned by non-Filipinos in whatever proportion may

1 set up enterprises in the FAQ, either by themselves or in a joint venture with
2 Filipinos in any sector of industry, international trade and commerce within the FAQ;

3 e) The FAQ shall be managed and operated as a separate customs territory thereby
4 ensuring the free flow or movement of goods and capital within, into and out of its
5 territory, and shall likewise provide incentives such as tax and duty-free
6 importations of raw materials, capital and equipment to registered enterprises
7 located therein. However, exportation or removal of goods from the territory of the
8 FAQ to the other parts of the Philippine territory shall be subject to customs duties
9 and taxes under the Customs and Tariff Code and other relevant tax laws of the
10 Philippines;

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

18 g) Goods manufactured by a FAQ enterprise shall be made available for immediate
19 retail sale in the domestic market, subject to the payment of corresponding taxes on
20 raw materials and other regulations that may be formulated by the AFAQ together
21 with the PEZA, the Bureau of Customs (BOC) and the DTI. However, in order to
22 protect domestic industries, a Negative List of industries shall be drawn up and
23 regularly updated by PEZA. Enterprises engaged in industries included in such
24 Negative List shall not be allowed to sell their products locally;

25 h) The defense of the FAQ and the security of its perimeter fence shall be the
26 responsibility of the national government in coordination with the AFAQ and the
27 LGUs.

28 **SEC. 6. Capitalization.** - The AFAQ shall have an authorized capital stock of
29 Two billion (2,000,000,000) no par shares with a minimum issue of Ten pesos (P10.00)
30 each, the majority shares of which shall be subscribed and paid for by the National
31 Government and the local government units (LGUs) embracing the FAQ. The Board of
32 Directors of the AFAQ may, with the written concurrence of the Secretary of Finance, sell
33 shares, representing not more than forty *per centum* (40%) of the capital stock of the

1 AFAQ to the general public under such policy as the Board and the Secretary of Finance
2 may determine. The National Government and the LGUs shall in no case own less than
3 sixty *per centum* (60%) of the total issued and outstanding capital of the AFAQ.

4 The amount necessary to subscribe and pay for the shares of the National
5 Government to the capital stock of the AFAQ shall be included in the annual General
6 Appropriations Act. For LGUs, the funds shall be taken from their internal revenue
7 allotment and other local funds.

8 **SEC. 7. *Principal Office of the AFAQ.*** - The AFAQ shall maintain its principal
9 office in the Municipality of Aglipay, Province of Quirino, but it may establish branches
10 within the Philippines as may be necessary for the proper conduct of its business.

11 **SEC. 6. *Powers and Functions of the AFAQ.*** - The AFAQ shall have the
12 following powers and functions:

- 13 a) To operate, administer, manage and develop the FAQ according to the principles
14 and provisions set forth in this Act,
- 15 b) To register, regulate and supervise the enterprises in the FAQ in an efficient and
16 decentralized manner, subject to existing laws;
- 17 c) To coordinate with LGUs and exercise general supervision over the development
18 plans, activities and operations of the FAQ;
- 19 d) To regulate and undertake the establishment, construction, operation and
20 maintenance of public utilities, other services, and infrastructure in the FAQ such
21 as light and power, shipping, barging, stevedoring, cargo handling, hauling,
22 warehousing, storage of cargo, port services or concessions, piers, wharves,
23 bulkheads, bulk terminals, mooring areas, storage areas, roads,
24 telecommunications, transport, bridges, terminals, conveyors, water supply and
25 storage, sewerage, drainage, airport operations in coordination with the Civil
26 Aviation Authority of the Philippines (CAAP), and such other services or
27 concessions or infrastructure necessary or incidental to the accomplishment of the
28 objectives of this Act;
- 29 e) To construct, acquire, own, lease, operate and maintain on its own or through
30 contracts, franchise, licenses, joint venture, bulk purchase from the private sector
31 or permits under any of the schemes allowed in Republic Act No. 6957 (the Build-

- 1 Operate-Transfer Law, as amended), adequate facilities and infrastructure required
2 or needed for the operation and development of the FAQ, in coordination with
3 appropriate national and local government authorities and in conformity with
4 applicable laws thereon;
- 5 f) To approve plans, programs and projects of the FAQ to be submitted to the
6 Regional Development Council for inclusion and inputs to the overall regional
7 development plan;
- 8 g) To operate on its own, either directly or through licenses to others, tourism-related
9 activities, including games, amusements, recreational and sports facilities, subject
10 to the approval and supervision of the Philippine Amusement and Gaming
11 Corporation (PAGCOR);
- 12 h) To issue a license for, set fees, regulate and undertake the establishment,
13 operation and maintenance of foreign and virtual currency exchanges, subject to
14 the approval and supervision of the *Bangko Sentral ng Pilipinas* (BSP): *Provided,*
15 That a "Letter of No Objection" shall be required on similar or related activities that
16 are not within the jurisdiction of the BSP or the Department of Finance (DOF);
- 17 i) To issue a license for, set fees, and regulate fund-raising activities through the
18 issuance of initial coin offerings or similar activities, subject to the direction and
19 supervision of the Securities and Exchange Commission (SEC): *Provided,* That a
20 "Letter of No Objection" shall be required on similar or related activities that are not
21 within the jurisdiction of the BSP or the DOF;
- 22 j) To raise or borrow, within the limitation provided by law, and subject to the
23 approval or opinion of the Monetary Board of the BSP, as the case may be,
24 adequate and necessary funds from local or foreign sources, to finance its projects
25 and programs under this Act and for this purpose, to issue bonds, promissory
26 notes and other forms of securities, and to secure the same by a guarantee,
27 pledge, mortgage, deed of trust or an assignment of all or part of its property or
28 assets;
- 29 k) To protect, preserve, maintain and develop the forests, beaches, coral and coral
30 reefs, and maintain ecological balance within the FAQ. Notwithstanding the power
31 of the AFAQ to create rules for such purpose, the rules and regulations of the
32 Department of Environment and Natural Resources (DENR) and other government

1 agencies involved in the above functions shall be implemented by the AFAQ;

2 l) To create, operate and/or contract to operate such functional units or offices of the
3 AFAQ as it may deem necessary;

4 m) To adopt, alter and use a corporate seal; contract, lease, buy, acquire, own or
5 otherwise dispose of personal and/or real property of whatever nature; sue and be
6 sued; and otherwise carry out its functions and duties as provided for in this Act;

7 n) To issue certificates of origin for products manufactured or processed in the FAQ in
8 accordance with prevailing rules of origin and the pertinent regulations of the
9 PEZA, the DTI and/or the DOF;

10 o) To establish one-stop shops for the issuance of all necessary permits, clearances,
11 licenses, and other similar certifications to conduct such activities intended to
12 improve the ease of doing business within the FAQ, in coordination with
13 government agencies having jurisdiction over activities therein: *Provided*, That all
14 government agencies are directed to provide and extend utmost and full
15 cooperation to the AFAQ in the establishment of such one-stop shops;

16 p) To provide internal security to the FAQ in coordination with the National
17 Government and affected LGU. For this purpose, the AFAQ shall provide and
18 establish its own internal security and firefighting forces or hire others to provide
19 the same. Military forces to be assigned by the National Government for national
20 defense purposes shall not interfere in the internal affairs of the FAQ and
21 expenditures for these military forces shall be borne by the National Government;

22 q) To exercise such powers as may be essential, necessary or incidental to the
23 powers granted to it hereunder, as well as those that shall enable it to carry out,
24 implement and accomplish the purposes, objectives and policies of this Act; and

25 r) To issue rules and regulations consistent with the provisions of this Act as may be
26 necessary to accomplish and implement the purposes, objectives and policies
27 provided herein.

28 **SEC. 8. Board of Directors of the AFAQ.** - The powers of the AFAQ shall be
29 vested in and exercised by a Board of Directors, hereinafter referred to as the Board,
30 which shall be composed of the following:

- 1 a) The Chairperson, who shall at the same time be the administrator of the AFAQ;
2 b) Four (4) members consisting of:
- 3 1) The Governor or a representative from the Provincial Government of Quirino;
 - 4 2) One of the mayors of the municipalities covered by the freeport area;
 - 5 3) One (1) representative from the investor's group; and
 - 6 4) One (1) representative from among the workers in the FAQ.

7 The Vice-Chairperson shall be selected from among the members of the Board.

8 The Governor or the representative from the Provincial Government of Quirino
9 and the mayor of the municipality covered by the freeport area shall serve as *ex-officio*
10 members of the Board, whose terms in the Board correspond to their terms as elected
11 officials.

12 The Chairperson-Administrator and the members of the Board, except the ex-
13 officio members, shall be appointed by the President of the Philippines to serve for a
14 term of six (6) years, unless sooner separated from service due to death, voluntary
15 resignation or removal for cause. In case of death, resignation or removal for cause, their
16 replacements shall serve only the unexpired portion of the respective terms.

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

22 The members of the Board, except the ex-officio members, shall each receive
23 per diem at rates to be determined by the Department of Budget and Management
24 (DBM) in accordance with existing rules and regulations: *Provided, however,* That the
25 total per diem collected each month shall not exceed the equivalent per diem for four (4)
26 meetings. Unless and until the President of the Philippines has fixed a higher per diem
27 for the members of the Board, such per diem shall not be more than Ten thousand pesos
28 (₱10,000.00) for every Board meeting.

29 **SEC. 10. Organization and Personnel.** – The Board of Directors of the AFAQ
30 shall provide for its organization and staff. The Board shall appoint and fix the

1 remuneration and other emoluments of its officers and employees in accordance with
2 existing laws on compensation and position classification. It shall have exclusive and
3 final authority to promote, transfer, assign, reassign, or remove officers of the AFAQ, any
4 provision of existing law to the contrary notwithstanding. The Chairperson-Administrator
5 shall carry out the decisions of the Board.

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

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

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12 **SEC. 11. Powers and Duties of the Chairperson-Administrator.** – The
13 Chairperson-Administrator shall have the following powers and duties:

- 14 a) To submit to the Board for its approval, policies, systems, procedures, rules and
15 regulations that are essential to the operation of the FAQ;
- 16 b) To direct and manage the affairs of the AFAQ in accordance with the policies of the
17 Board;
- 18 c) To establish the internal organization of the AFAQ under such conditions that the
19 Board may prescribe;
- 20 d) To submit an annual budget and necessary supplemental budget to the Board for
21 its approval;
- 22 e) To submit within thirty (30) days after the close of each fiscal year an annual report
23 to the Board and such other reports as may be required;
- 24 f) To recommend to the Board the remuneration and other emoluments of its officers
25 and employees in accordance with existing laws on compensation and position
26 classification;
- 27 g) To create a mechanism in coordination with relevant agencies for the promotion of
28 industrial peace, the protection of the environment, and the advancement of the
29 quality of life in the FAQ; and

1 h) To perform such other duties as may be assigned to him by the Board or which are
2 necessary or incidental to his office.

3 **SEC. 12. Legal Counsel.** - The AFAQ shall have its own internal legal counsel
4 under the supervision of the Government Corporate Counsel. When the exigencies of
5 businesses and operations demand it, the AFAQ may engage the services of an outside
6 counsel either on a case to case or on a fixed retainer basis.

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8 **CHAPTER III**
9 **INCENTIVES TO ECOZONE ENTERPRISES/INVESTORS**

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

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

21 As a holder of an investor's visa, a foreign national may reside in the Philippines
22 while the investment subsists. For this purpose, the foreign national should submit an
23 annual report, in the form duly prescribed for the purpose, to prove the maintenance of
24 the investment in the country. Should the investment be withdrawn from the Philippines,
25 then the investor's visa issued to the foreign national shall automatically expire and /or
26 be withdrawn.

27 The authority to issue visas and work permits shall remain with the Bureau of
28 Immigration (BI) and the Department of Labor and Employment (DOLE), respectively:
29 *Provided*, That the BI and the DOLE shall implement measures to expedite the
30 processing of such visas and permits for workers in the FAQ and coordinate with the
31 AFAQ for the purpose of improving ease of doing business.

32 **SEC.14. Fiscal Incentives.** - Registered enterprises operating within the FAQ
33 may be entitled to the existing pertinent fiscal incentives as provided for under Republic

1 Act No. 7916, as amended by Republic Act No. 8748, also known as the Special
2 Economic Zone Act of 1995, or those provided under Executive Order No. 226, as
3 amended, otherwise known as the Omnibus Investment Code of 1987; and/or those that
4 may be further granted as the need and necessity arises by the appropriate government
5 department, agency or office: *Provided*, That in the administration, implementation and
6 monitoring of incentives, the AFAQ may impose its own conditions not otherwise
7 prohibited by this Act: *Provided, further*, That the AFAQ shall not be limited to the
8 conditions provided under Republic Act No. 7916, Republic Act No. 8748 or any other
9 related issuance, rule or regulation.

10 **SEC. 15. Imposition of a Tax Rate of Five Percent (5%) on Gross Income**
11 **Earned.** - No taxes, local and national, shall be imposed on business establishments
12 operating within the FAQ, including income taxes, withholding taxes, donor's taxes,
13 percentage taxes, and documentary stamp taxes. In lieu thereof, and subject to Section
14 17 of this Act, the business establishments shall pay a five percent (5%) final tax on their
15 gross income earned: *Provided*, That the proceeds from such final tax shall be shared by
16 instrumentalities of the government in accordance with the following percentages:

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

20 The AFAQ shall have the authority to grant an income tax holiday and net
21 operating loss carry over in accordance with Section 17 of this Act and conditions as it
22 may have imposed pursuant to Section 14 of this Act.

23 **SEC. 16. Administration, Implementation and Monitoring of Incentives.** - In
24 the interest of enhancing transparency in the management and accounting of tax
25 incentives in the FAQ, the AFAQ shall comply with the provisions of Republic Act No.
26 10708, otherwise known as "The Tax Incentives Management and Transparency Act
27 (TIMTA)" and its implementing rules and regulations for the proper administration,
28 management, enforcement, implementation and monitoring of tax incentives provided
29 under this law.

30 The BOC shall set up and establish a customs controlled area outside the gate of
31 the FAQ to facilitate payment of taxes on goods entering the Philippine customs territory:
32 *Provided*, That notwithstanding the limitations in this Act, the AFAQ and BOC may
33 coordinate and jointly implement measures on border protection.

1 **SEC.17. Duration of Incentives.** - Fiscal incentives under this Act shall be
2 terminated after a cumulative period of twenty (20) years from date of registration or start
3 of commercial operation, whichever is applicable, except that it could be extended with
4 regard to industries deemed indispensable to national development and interest. The
5 industries exempted from this provision shall be determined by the AFAQ, in consultation
6 with other government agencies.

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

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

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

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

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

29 **CHAPTER IV**
30 **NATIONAL GOVERNMENT AND OTHER ENTITIES**

31 **SEC. 22. Supervision and Control.** - For purposes of policy direction and
32 coordination, the AFAQ shall be under the direct supervision and control of the Office of

1 the President of the Philippines.

2 **SEC. 23. *Development Goals for the FAQ.*** - The AFAQ shall determine the
3 development goals of the FAQ within the framework of national development plans,
4 policies and goals. The Chairperson-Administrator shall, upon approval by the Board,
5 submit the FAQ plans, programs and projects to the Regional Development Council for
6 inclusion and inputs to the overall regional development plan.

7 **SEC. 24. *Relationship with Local Government Units.*** - Except as herein
8 provided, the LGUs comprising the FAQ shall retain their basic autonomy and identity.
9 The Municipality of Aglipay, Province of Quirino, shall operate and function in
10 accordance with the framework of the Constitution, Local Government Code of 1991,
11 and this Act.

12 In case of any conflict between the AFAQ and the LGUs and the National
13 Government on matters affecting the FAQ, other than national defense and security
14 matters, the decision of the AFAQ shall prevail.

15 **SEC. 25. *Interpretation/Construction.*** - The powers, authorities and functions
16 that are vested in the AFAQ are intended to establish national self-sufficiency and self-
17 reliance in the advancement of and protection of the national integrity, enhancement of
18 national security, decentralization of governmental functions and authority, and
19 promotion of an efficient and effective working relationship among the AFAQ, the
20 National Government and the LGUs. Any interpretation of this Act shall consider such
21 intentions. In the event of conflict of interpretation and provided the intentions cannot be
22 harmonized, the provisions of this Act shall be construed in favor of an interpretation that
23 would tend to protect national security.

24 **SEC. 26. *Audit.*** - The Commission on Audit shall appoint a full-time auditor in the
25 AFAQ or may assign such number of personnel as may be necessary in the
26 performance of their functions.

27 **CHAPTER V**
28 **MISCELLANEOUS**

29 **SEC. 27. *Applicability Clause.*** - Insofar as these are consistent with the
30 provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916,
31 otherwise known as "The Special Economic Zone Act of 1995", as amended, shall

1 likewise apply to the FAQ.

2 **SEC. 28. *Implementing Rules and Regulations.*** – The DTI, DOF and the
3 National Economic Development Authority (NEDA) shall formulate the implementing
4 rules and regulations of this Act within ninety (90) days after its approval.

5 **SEC. 29. *Separability Clause.*** - If any provision of this Act shall be held
6 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full
7 force and effect.

8 **SEC. 30. *Repealing Clause.*** - All laws, executive orders or issuances or any
9 part thereof, which are inconsistent herewith, are hereby repealed or amended
10 accordingly.

11 **SEC. 31. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days after its
12 publication in the Official Gazette or in a newspaper of general circulation.

13 Approved,