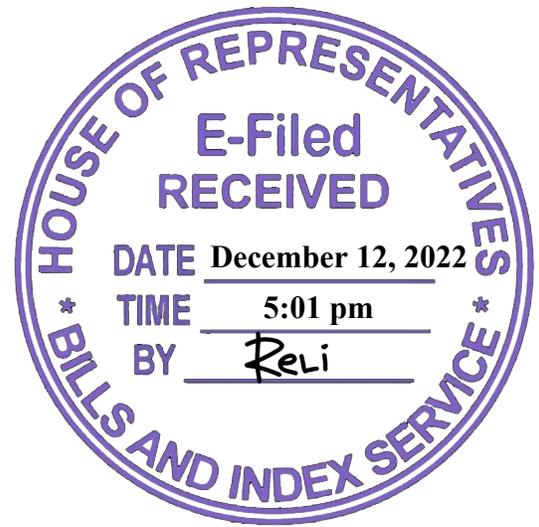


Republic of the Philippines

House of Representatives
Quezon City

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 6623



Introduced by Representative MERCEDES K. ALVAREZ, MNSA

EXPLANATORY NOTE

During the previous administration, the Philippine Economic Zone Authority (PEZA) aimed to have military reservation areas converted as defense industrial economic zones. Alongside, PEZA has also planned to transform military areas such as Fort Bonifacio, Camp Evangelista, and Maguindanao into defense industrial complexes to manufacture military weapons and equipment.

This bill seeks to establish a special defense economic zone (SpeDEZ) and mutually beneficial economic relations with other entities within the country inside the government arsenal defense industrial estate of Camp Gen. Antonio Luna to reduce import dependence and invite investors and defense industries to manufacture military aircraft, seacraft, weapons, equipment, software, hardware, uniforms, among others which the military and the police will be needing.

The establishment and operation of the SpeDEZ will help sustain the Armed Forces of the Philippines' (AFP) modernization program in line with the national policy of defense self-reliance.

Support of this is earnestly requested from my colleagues.


MERCEDES K. ALVAREZ, MNSA
Sixth District, Negros Occidental

Republic of the Philippines

House of Representatives
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NINETEENTH CONGRESS
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HOUSE BILL NO. 6623

Introduced by Representative MERCEDES K. ALVAREZ

AN ACT

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

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

SECTION 1. Short Title. - This Act shall be known as the "**SPECIAL DEFENSE ECONOMIC ZONE (SpeDEZ) ACT**".

SEC. 2. Declaration of Policy. — It is hereby declared the policy of the State to develop a self-reliant and independent national economy effectively controlled by Filipinos. The State recognizes the indispensable role of the private sector, encourages the participation of private enterprise, and provides incentives to needed investments. Further, the State actively encourages, promotes and accelerates the sound and balanced industrial, economic and social development of the country through the establishment, of special economic zones in suitable and strategic locations in the country. In so doing, the State is able to attract legitimate and productive foreign investments that provide jobs especially to those in the rural areas, improve productivity and family incomes, and thereby improving the level and quality of living conditions of the people.

SEC. 3. Creation of the Special Defense Economic Zone — There is hereby created a special economic zone in Camp General Antonio Luna, Lamao, Municipality of Limay in the Province of Bataan, hereinafter referred to as the Special Defense Economic Zone (SpeDEZ), for investments in defense, military, law enforcement, and defense-related advanced technologies, information and communications technology, research and development and their support industries. The SpeDEZ shall cover the Government Arsenal Industrial Estate inside Camp General Antonio Luna located in the Municipality of Limay, Province of Bataan measuring approximately three hundred seventy (370) hectares, including the seventy (70) hectares of land within which the Government Arsenal (GA), as created by Republic Act 1884, otherwise known as "An Act to Establish A Government Arsenal, Provide for its Operation and for Other Purposes" operates, the portions allocated for the expansion of the GA, areas where existing manufacturing facilities for defense material and equipment are located, subject to compliance with Section 5(k) of this Act, and all other areas which may be declared as part of the SpeDEZ in compliance with Section 5(h) of this Act: Provided, That the GA shall remain a line bureau of the Department of National Defense (DND) in accordance with Republic Act 1884, Executive Order No. 292, Series of 1987, otherwise known as the "Administrative Code of the Philippines", Republic Act No. 7898, as amended by Republic Act No. 10349, otherwise known as the "AFP Modernization Act", Executive Order No. 303 series of 2004, and other prevailing laws and executive issuances. Except for necessary coordination on matters of mutual and higher security concerns emanating from the very nature of their respective mandates, the operations of the GA shall remain independent of the management of the SpeDEZ, and the Special Defense Economic Zone Authority (SpeDEZA), as created by this Act, shall not interfere with the activities conducted in the seventy (70) hectare area on which the GA maintains and operates its buildings and structures: Provided, further, That the SpeDEZ shall not be expanded nor operated to the prejudice of the GA and the GA shall not be expanded nor operated to the prejudice of the SpeDEZ. The GA and the SpeDEZA shall continuously coordinate to ensure smooth and seamless operations involving the SpeDEZ and the GA; Provided finally, That investors who intend to do business in the GA area may do so only upon written consent of the GA prior to registration with the SpeDEZA.

SEC. 4. Creation of the Special Defense Economic Zone Authority. - There is hereby created a specialized and independent body corporate to be known as the Special Defense Economic Zone Authority (SpeDEZA) which shall manage and operate the SpeDEZ in accordance with the provisions of this Act. The SpeDEZA shall be considered a government instrumentality vested with corporate powers notwithstanding Section 3 of Republic Act No. 7656, otherwise known as "An Act Requiring Government-Owned or Controlled Corporations to Declare Dividends under Certain Conditions to the National Government, and for other Purposes", all dividends remitted by the SpeDEZA shall be exclusively utilized for the Armed Forces of the Philippines Modernization Program and the self-reliant defense posture.

programs of the national government. In no case shall dividends remitted by the SpeDEZA be used otherwise.

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

a) Within the framework and limitations of the Constitution, Republic Act No.1884, Republic Act No. 7898, as amended by Republic Act No. 10349, Republic Act No. 10697, otherwise known as the "Strategic Trade Management Act", Executive Order No. 303, Series of 2004, and applicable provisions of the Local Government Code, the SpeDEZ shall be developed into and operated as a hub for decentralized, self-reliant and self-sustaining industrial, commercial, trading, research, development, engineering, information and communications technology and financial investment exclusive for defense, military and law enforcement commercial activities and investments, with provision for suitable residential, educational, recreational, and commercial areas;

b) Notwithstanding the autonomy provided in Section 5(a) of this Act, the SpeDEZ may continue to be provided by the national government and local governments with transportation, telecommunications and other facilities needed to attract legitimate and productive investments, generate linkage with industries and employment opportunities for the people of the Province of Bataan and its neighboring towns and cities: Provided, That the autonomy and self-reliance of the SpeDEZ shall not be a hindrance to assistance nor partnerships with other units and instrumentalities of the government: Provided further, That no assistance or partnership be construed as a waiver of the autonomy of the SpeDEZA;

c) The SpeDEZA may establish mutually beneficial economic defense relations with other investment promotion agencies, entities or enterprises within the country or with foreign entities or enterprises: Provided, That the SpeDEZA shall seek clearance from the DND and administrative guidance from the Department of Foreign Affairs (DFA) as to relations with foreign entities or enterprises;

d) citizens and companies owned by non-Filipinos may set up enterprises in the SpeDEZ with foreign ownership of up to the percentage allowed by law, subject to the approval of SpeDEZA, either by themselves or in joint venture with Filipinos or the GA in the defense and security industry within the territorial jurisdiction of the SpeDEZ: Provided, That the SpeDEZA may require individual locators to be subject to the provisions and limitations provided for by the Strategic Trade Management Act, Foreign Investment Act and the Regular Foreign Investment Negative List issued by the President: Provided further, That the SpeDEZA may require a minimum investment in freely convertible currencies from any enterprise seeking registration as a locator of the SpeDEZ. All investments in the SpeDEZA shall fall under the priorities, thrusts and limits

provided for in this Act: Provided finally, That all investments that do not directly or indirectly further defense, military and law enforcement investments shall be prohibited from doing business within the SpeDEZ except for businesses that cater to or support the locators, their employees, and the residents of the SpeDEZ.

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

f) The SpeDEZA shall provide incentives, such as tax and duty-free admissions of raw materials, capital, and equipment to registered enterprises of the SpeDEZ: Provided, That exportation or removal of goods from the territory of the SpeDEZ to the other parts of the Philippine territory shall be subject, as applicable, to customs duties and taxes under the Customs Modernization and Tariff Act (CMTA), as amended, and the National Internal Revenue Code (NtRC) of 1997, as amended: Provided further, that sales of good from the SpeDEZ to the Armed Forces of the Philippines (AFP), Philippine National Police (PNP) and local government units (LGUs) for defense and security purposes shall be exempt from all customs duties, national and local taxes: Provided, finally, that subject to coordination with the BOC, customs transit to and from the SpeDEZ, through the Port of Lamao or other ports, shall also be considered tax and duty-free;

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

h) The areas comprising the SpeDEZ may be expanded or reduced when necessary to improve its investment promotion capacity, ensure public order

and safety, consolidate lands for SpeDEZ development, acquire right of way or access necessary and appropriate to the SpeDEZ, protect and safeguard watershed areas or maintain and improve water yield for the benefit of the SpeDEZ and LGUs, manage solid and water waste in compliance with existing national laws and local ordinances, and promote the public good. For this purpose, the SpeDEZA, with the concurrence of the appropriate and affected LGUs in the Province of Bataan, in accordance and in compliance with existing national laws and local ordinances, shall have the power to acquire, procure, increase, or otherwise expand, either by purchase, negotiation or condemnation proceedings, any private or public lands and their respective water territories within the Province of Bataan: Provided, That when applicable, the municipal waters of up to fifteen (15) kilometers from the low water mark area of the edge of the SpeDEZ shall be deemed included in the territorial jurisdiction of the SpeDEZ: Provided further, That the SpeDEZA and the relevant LGUs shall utilize immediate and responsive mechanisms, best management practices and suitable environmental protection programs for land and coastal zone management to address any abuse and/or exploitation of the natural environment within the territorial jurisdiction of the SpeDEZ;

i) Products and goods researched and developed, engineered or manufactured by registered enterprises may be made available in the domestic market, subject to the limitations in this Act and its implementing rules and regulations, payment of corresponding duties, customs and taxes on raw materials, approval by the DND or the PNP in accordance with Republic Act No. 10697 and the Regular Foreign Investment Negative List issued by the President, other regulations that may be formulated by the SpeDEZA, and other applicable regulations and limitations imposed in accordance with law by the DND, AFP, PNP, Bangko Sentral ng Pilipinas (BSP), Department of Finance (DOF), BOC and Department of Trade and Industry (DTI): Provided, That in cooperation with the SpeDEZA, the DND and PNP shall provide and implement measures to improve ease and cost of doing business within the SpeDEZ and enhance the investment promotion capacity of the SpeDEZA: Provided further, That in order to protect domestic industries, a negative list of industries shall be drawn up and regularly updated by the SpeDEZA: Provided finally, That enterprises engaged in industries included in such negative list shall not be allowed to sell their products locally, notwithstanding the registration of such enterprises in the SpeDEZ; and

j) Subject to Section 6(n) of this Act, the defense of the SpeDEZ and the security of its perimeter fence shall be the responsibility of the National Government, through the AFP and the GA, in coordination with the SpeDEZA.

SEC. 6. Powers and Functions of the SpeDEZA. - The SpeDEZA shall have the following functions

- a) To adopt, alter, and use a corporate seal;
- b) To contract, lease, buy, sell, acquire, own and dispose properties of whatever nature: Provided, That real properties that form part of the original Camp General Antonio Luna shall not be disposed of or encumbered: Provided further, That expansion areas may be disposed of or encumbered by the SpeDEZA;
- c) To sue and be sued in order to carry out its duties, responsibilities, privileges, powers and functions as granted and provided for in this Act;
- d) To exercise the power of eminent domain for public use and public purpose;
- e) To operate, administer, manage, AND develop, in accordance with Executive Order No. 525, as amended, the SpeDEZ according to the principles and provisions set forth in this Act;
- f) To recommend to the President the issuance of a proclamation or any executive issuance to fix or delimit the metes and bounds of the SpeDEZ; Provided, ha such proclamation shall not be required to expand the SpeDEZ pursuant to Section 5(h) of this Act;
- g) To register, regulate and supervise the entities and enterprises in the SpeDEZ in a competent and efficient manner that, as far as practicable, balances ease of doing business and sound restriction or regulation of activities; the SpeDEZA may also register, regulate, and supervise defense related enterprises outside of the SpeDEZ territory as defined in Section 3 and Section 5(h) of this Act: Provided, That the SpeDEZA shall submit to the DND a quarterly report on the profile of locators and other registered enterprises of the SpeDEZ.
- h) To formulate and exercise general and sole supervision over the implementation of the development plans, activities and operations of the SpeDEZ: Provided That, the SpeDEZA may coordinate with LGUs when necessary to promote development in the SpeDEZ;
- i) To authorize or undertake, on its own or through others, and regulate the establishment, construction, operation and maintenance of public utilities, services, and infrastructure in the SpeDEZ such as shipping, barging, stevedoring, cargo, handling, hauling, warehousing, storage of cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, bridges, reclamation projects, terminals, conveyors, water supply and storage, sewerage, drainage, airport operations in coordination

with the Philippine Ports Authority (PPA), the Civil Aviation Authority of the Philippines (CAAP), and the AFP, and such other services or concessions or infrastructure necessary or incidental to the accomplishment of the objectives of this Act: Provided, That the registered enterprises of the SpeDEZ shall be given priority in the awarding of contracts, franchises, licenses, or permits for the establishment, operation and maintenance of utilities, services and infrastructure in the SpeDEZ;

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

k) To construct, acquire, own, lease, operate and maintain on its own or through contracts, franchises, licenses, bulk purchase from the private sector and build-operate-transfer scheme or joint venture with the private sector, any or all of the public utilities and infrastructure required or needed for the operation and development of the SpeDEZ, including transportation, access and connection to, and out of the SpeDEZ, in coordination with appropriate national and local government authorities and in conformity with applicable laws

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

m) To enter into Public-Private Partnerships, build-operate-transfer schemes or any of its variants, management contract, joint venture, co-production, or similar agreements with local or foreign entities for the management and operation of the SpeDEZ, a portion thereof, or any enterprise registered therein to ensure the viability of the SpeDEZ;

n) To ensure that the area covered by the SpeDEZ is secure at all times: Provided, That in the event that the assistance of the AFP or PNP is necessary, the AFP or PNP shall not interfere in the internal affairs of the SpeDEZA, except to provide the necessary security and defense, or law enforcement assistance, as the case may be: Provided finally, That expenses of the AFP or PNP in the SpeDEZ shall be borne by the national government;

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

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

q) To issue certificates of origin for products manufactured or processed in the SpeDEZ;

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

s) To appropriately zone the SpeDEZ and provide for buffer zones, when necessary, and reserve areas for housing;

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

u) To perform such other functions as may be provided by law.

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

- a) The Secretary of the DND who shall be the ex officio Chairman;

- b) The Administrator of the SpeDEZA as Vice-Chairman: Provided, That in the absence of the Chairman, the Vice Chairman shall preside over the meetings of the Board;

- c) Members who shall consist of the following:
 - 1. Assistant Secretary for Plans and Programs (ASPP) of the DND;
 - 2. Assistant Secretary for Acquisition, Installations and Logistics (ASAIL) of the DND;
 - 3. Director of the GA;
 - 4. One (1) representative from the investors within the SpeDEZ;
 - 5. One (1) representative from the workers working in the SpeDEZ;
 - 6. One (1) representative from the province of Bataan;
 - 7. One (1) representative from the municipality of Limay, Bataan;
 - 8. One (1) representative from the legislative district covering the site of the SpeDEZ; and
 - 9. Two (2) independent directors with proven expertise in defense and security strategies to be recommended by the SpeDEZA Board.

In the event that the position of the ASPP, ASAIL of the DND, or Director of the GA becomes vacant, the designated Acting ASPP, ASAIL or Director of the GA shall serve as member of the Board.

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

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

All members of the Board shall be Filipino citizens and no person shall be appointed by the President of the Philippines as a member of the Board unless one is of good moral character and proven probity and integrity. Except for the representatives of the DND, GA and workers, members of the Board are required to be degree holders in any of the following fields: economics, business, public administration, law, management, military science, or their equivalent, and with 29 at least ten (10) years relevant working experience preferably in the field of management or public administration.

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

SEC. 8. Administrator of the SpeDEZA - The SpeDEZA shall have an Administrator with a rank of Department Undersecretary who shall be appointed by the President of the Philippines. The Administrator shall be at least forty (40) years of age, of proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management or their equivalent, with at least ten (10) years relevant working experience preferably in the field of business, management, or public administration.

SEC. 9. Powers and Duties of the Administrator. - The Administrator shall have the following powers and duties:

- a) To direct and manage the affairs of the SpeDEZA in accordance with the policies of the Board;
- b) To establish the internal organization of the SpeDEZA under such conditions that the Board may prescribe;
- c) To submit an annual budget and necessary supplemental budget to the Board for its approval;
- d) To submit within thirty (30) days after the close of each fiscal year an annual report to the Board and such other reports as may be required;
- e) To submit to the Board for its approval policies, systems, procedures, rules and regulations that are essential to the operation of the SpeDEZA;

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

g) To preside at the meetings of the Board of the SpeDEZA in the absence of the Chairman;

h) To directly administer and supervise the operations and day-to-day business activities of the SpeDEZA;

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

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

SEC. 10. Principal Office of the SpeDEZA. - The SpeDEZA shall maintain its principal office in Camp Gen. Antonio Luna, Municipality of Limay, Province of Bataan, but it may establish liaison offices within the Philippines as may be necessary for the proper conduct of its business.

SEC. 11. Organization and Personnel. — The Board of the SpeDEZA shall provide for an organizational structure and appoint employees, subject to the Revised Administrative Code of 1987 on the Civil Service Commission or the Civil Service Law. Upon the recommendation of the Chairman and Administrator of SpeDEZA and with the approval of the Secretary of the DBM, the Board shall appoint and fix the remuneration and other emoluments of its officers and employees in accordance with existing laws on compensation and position classification: Provided, That the Chairman and Administrator shall exercise administrative supervision over the employees of the SpeDEZA.

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

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

SEC. 12. Special Labor Center. - A Special Labor Center shall be established within the SpeDEZ. This Center shall endeavor and be responsible to proactively play a vital role in studying and amicably settling professional, labor

relations issues and disputes, interpretation of employment service contracts, and monitoring work, work place, hygiene and safety standards within the SpeDEZ, particularly of the duly registered entities and enterprises. The Special Labor Center shall comprise of a labor office, an industrial health and safety office, an inspection/investigative and disputes office, and an enforcement office.

In order to support the economic and employment generation thrusts of the LGUs, the SpeDEZA shall implement policies and programs that will serve to prioritize for employment in the SpeDEZ, workers who are residents of stakeholder LGUs. Registered enterprises shall, as far as practicable, source all its labor needs from the stakeholder LGUs of the SpeDEZ, subject to existing laws and regulations: Provided, That LGUs within whose territorial jurisdictions the SpeDEZA is located for the purpose of this Act shall refer to all local governments which (1) derive a share in the five percent (5%) final tax imposition within the SpeDEZ, (2) host expansion areas of the SpeDEZ in accordance with Section 5(g) or Section 6(f) of this Act, or (3) host registered enterprises of the SpeDEZ pursuant to Section 6(g) of this Act;

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

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

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

As a holder of investor's visa, an alien shall be entitled to reside in the Philippines while the investment subsists. For this purpose, the alien should submit an annual report, in the form duly prescribed for the purpose, to prove that the investor has maintained the investment in the country. Should said alien

withdraw the investments from the Philippines, then the investor's visa issued to said alien shall automatically expire and /or be withdrawn.

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

SEC.14. Fiscal Incentives. — Registered enterprises of the special defense economic zone may be entitled to existing pertinent fiscal incentives granted under Executive Order No. 226, as amended, otherwise known as the Omnibus Investments Code of 1987.

SEC.15. Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned.

The provision of existing laws, rules and regulations to the contrary notwithstanding, no taxes, local and national, shall be imposed on business establishments operating within the SpeDEZ including but not limited to all taxes covered in Titles II, III, IV, V, VI, and VII of Republic Act No. 8424 otherwise known as the "National Internal Revenue Code" and all amendments and successors thereto, and all taxes covered under titles I and II of Book II of Republic Act No. 7160 otherwise known as the "Local Government Code" and all amendments and successors thereto. In lieu thereof, and subject to Section 16 of this Act, said business establishments shall pay a five percent (5%) final tax on their gross income earned; Provided, That the proceeds from such final tax shall be shared by instrumentalities of the government in accordance with the following percentages:

- a) Three per centum (3%) to the National Government, particularly to the DNDAFP Modernization Program;
- b) One half per centum (.5%) to the Province of Bataan;
- c) One half per centum (.5%) to the Treasurer's Office of the Municipality of Limay; and
- d) Three fourth per centum (.75%) to the SpeDEZA: Provided, That any surplus in the operating, administrative and development expenses shall be remitted to the Armed Forces of the Philippines Modernization Program if such surplus is left unutilized for a period exceeding five (5) years.
- e) One fourth per centum (.25%) to the Defense Research Fund.

For enterprises registered with the SpeDEZA but located in the territory of another investment promotion agency pursuant to a mutually beneficial economic defense relation established with such promotion agency in accordance with Section 5(c) of this act, the one per centum (1%) share from the five per centum (5%) final tax on gross income earned shall be equally divided between the SpeDEZA and the investment promotion agency concerned.

The SpeDEZA shall have the authority to grant income tax holiday and net operating loss carry over subject to Section 16 of this Act and conditions as it may have Imposed pursuant to Section 13 of this Act.

SpeDEZ enterprises deemed as priority investments, as may be determined by the SpeDEZA, with the exception of those included in the negative list drawn up as provided for in Section 5(i) of this Act, may generate up to one hundred percent (100%) of their income from sources within the customs territory but without loss of eligibility to avail of the incentives in this act, subject to Section 5(f) of this act.

SEC.16. Administration, Implementation and Monitoring of Incentives. For the proper administration, implementation and monitoring of tax incentives provided under this Act, the following are herein mandated:

(a) The SpeDEZA shall be responsible for the administration, management, enforcement and implementation of the incentives granted to registered enterprises: Provided, That the SpeDEZA shall adopt and implement systems and procedures governing defense and military trade and shall comply with established customs policies: Provided further, That the BOC shall set up and establish a custom controlled area outside the gate of the SpeDEZ or other registered enterprises of the SpeDEZ operating outside its territory to facilitate payment of taxes on goods entering the Philippine customs territory: Provided finally, That notwithstanding the limitations in this Act, the SpeDEZA and the BOC may coordinate and jointly implement measures on border protection; and

(b) In the interest of enhancing transparency in the management and accounting of tax incentives in the SpeDEZ, the SpeDEZA shall comply with the provisions of Republic Act No. 10708, otherwise known as "The Tax Incentives Management and Transparency Act (TIMTA)" and the rules and regulations issued to implement it.

SEC. 17. Banking Rules and Regulations. — Banks and financial institutions to be established in the SpeDEZ shall be under the supervision of the BSP and shall be subject to existing banking laws, rules and regulations.

SEC. 18. Remittances. - In the case of foreign investments, a duly registered entity

or enterprise within the SpeDEZ shall have the right to remit earnings from the investment in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance, subject to the provisions of Republic Act No. 7653, otherwise known as "The New Central Bank Act", as amended.

SEC. 19. Multi-year Contracts and Other Contractual Arrangements — To spur the development of SpeDEZ as a self-reliant and self-sustaining defense investment hub where duly qualified and selected locators are provided with guaranteed market access, the DND, the Armed Forces of the Philippines (AFP), the Philippine Coast Guard (PCG), and the Philippine National Police (PNP) are hereby directed to procure their defense equipment and materiel, whenever available and practicable, from defense manufacturers and suppliers registered with the SpeDEZA. For this purpose, the DND, AFP, PCG, and PNP are authorized to enter into multi-year contracts and other multi-year contractual arrangements with manufacturers or suppliers registered with the SpeDEZA subject to existing laws, rules, regulations and guidelines. In implementing this Section, the SpeDEZA, the DND, AFP, PCG, and PNP shall jointly formulate the mechanics for the selection of manufacturers/suppliers to be awarded with multi-year contracts: Provided, That registration with the SpeDEZA and location in the SpeDEZ of the manufacturing or distribution operations of such manufacturer or supplier of the defense equipment and materiel to be procured in the SpeDEZ shall be a condition precedent for the award of the multi-year contracts.

SEC. 20. Countertrade — Whenever applicable and practicable, any of the countertrade arrangements defined in Executive Order No. 120 should be explored in pursuing defense-related acquisitions. The SpeDEZA in consultation with the DND, Department of Trade and Industry (DTI), and other concerned offices, shall identify or develop a list of goods and services or industries which may be subject to a countertrade.

SEC. 21. Capitalization. - The SpeDEZA shall have an authorized capital stock of three billion pesos (P3,000,000,000.00) to be subscribed wholly by the national government. In addition, all lands embraced and covered by the SpeDEZ, including permanent improvements and fixtures, upon proper inventory by the GA or AFP, as the case may be, not otherwise alienated, conveyed or transferred to another government agency and all other assets which the President may transfer to the SpeDEZA shall form part of the equity contribution of the government. The annual subscription of the national government to the capital stock of the SpeDEZA shall be included in the annual General Appropriations Act.

SEC. 22. Regional Development Council. - The SpeDEZA shall determine the development goals for the SpeDEZ within the framework of national development plans, policies and goals. The Chairman and Administrator of the SpeDEZA shall, upon approval by the Board, submit the SpeDEZA plans, programs and projects to the Regional Development Council for inclusion and inputs to the overall regional development plan.

SEC. 23. Relationship with Local Government Units. - Except as herein provided, the Municipality of Limay in the Province of Bataan and such other local government units where registered enterprises of the SpeDEZ conduct business, shall operate and function in accordance with the framework of the Constitution, Local Government Code of 1991, Republic Act No. 7898, as amended by Republic Act No. 10349, and applicable provisions of and this Act. In case of any conflict between the SpeDEZA, the LGUs and the national government on matters affecting the SpeDEZA, other than national defense and security matters, the decision of the SpeDEZA shall prevail.

SEC. 24. Legal Office. - The SpeDEZA shall have and maintain its own internal legal office, appropriate in number under the supervision of the Government Corporate Counsel. When the exigencies of its businesses and operations demand, the SpeDEZA may engage the services of an outside counsel either on a case to case or a fixed retainer basis. Such engagement shall require further approval and concurrence of the Office of the Government Corporate Counsel or the Office of the Solicitor General and the Commission on Audit.

SEC. 25. Interpretation/Construction. - The powers, authorities and functions that are vested in the SpeDEZA are intended to enhance national security and promote self-reliance in the advancement of and protection of the national territorial integrity, uphold the decentralization of governmental functions and authority, and promote an efficient and effective working relationship between the SpeDEZA, the national government and the LGUs. Any interpretation of this Act shall consider such intentions. In the event of conflict of interpretation and provided the intentions cannot be harmonized, the provisions of this Act shall be construed in favor of an interpretation that protects and promotes national security.

SEC. 26. Audit. - The Commission on Audit shall appoint a full-time auditor in the

SpeDEZA or may assign such number of personnel as may be necessary in the performance of its functions.

SEC. 27. Transitory Provisions. The SpeDEZA shall be responsible for the operation, administration, management and development of the SpeDEZ. The SpeDEZA shall effects the transfer herein provided in a manner that will ensure the least disruption of ongoing programs of the GA.

SEC. 28. Implementing Rules and Regulations. - The SpeDEZA, DTI, DOF, DND, PNP, PCG, and the LGU shall formulate the implementing rules and regulations to implement this Act within ninety (90) days after its approval. Such rules and regulations shall take effect fifteen (15) days after its publication in a newspaper of general circulation in the Philippines.

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

SEC. 30. Separability Clause. - If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

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

SEC. 32. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

SEC. 33. Supervision and Control. - For purposes of policy direction and coordination, the SpeDEZA shall be under the direct control and supervision of the Office of the President of the Philippines.

Approved,

