



Republic of the Philippines
Autonomous Region in Muslim Mindanao
REGIONAL ECONOMIC ZONE AUTHORITY
ARMM Compound, Cotabato City

Resolution No. 02
Series of 2015

APPROVING THE IMPLEMENTING RULES AND REGULATION OF THE REGIONAL ECONOMIC ZONE AUTHORITY

WHEREAS, Section 58 of the Muslim Mindanao Autonomy (MMA) Act No. 154, the ARMM Special Economic Zone Act of 2003, provides that the Department of Trade and Industry-ARMM, during the interim period while the REZA is being organized as an attached agency to it, shall promulgate the Implementing Rules and Regulations (IRR) of the Act;

WHEREAS, Section 58 provides further that upon the organization of the REZA, the Board of the REZA may adopt such Implementing Rules and Regulations or amend it with two-thirds or more of its members voting in favor;

WHEREAS, the Regional Economic Zone Authority (REZA) has organized and operationalized with the appointment of the Executive Director and the hiring of skeletal personnel;

WHEREAS, the REZA Board of Directors has convened for the first time on February 28, 2014;

WHEREAS, the REZA Board has the legal authority to adopt Rules and Regulations to Implement the MMA Act 154;

WHEREAS, the Implementing Rules and Regulations of MMA Act 154 has undergone proper review by a technical team;

NOW, BE IT RESOLVED, as it is hereby resolved by the Regional Economic Zone Authority Board of Directors, to adopt the Implementing Rules and Regulations of the Muslim Mindanao Autonomy Act No.154.

Implementing Rules and Regulations
ARMM Special Economic Zone Act of 2003
(MMA Act No. 154)

Pursuant to Section 58 of the Muslim Mindanao Autonomy Act No. 154, the following are hereby promulgated:

PART I - GENERAL PROVISIONS

Rule I. Definition and Basic Guidelines

SECTION 1. *Title.* - These rules shall be referred to as the "Rules and Regulations to Implement Muslim Mindanao Autonomy Act No. 154."

SECTION 2. *Definition of Terms* - For purposes of these Rules and Regulations, the following definitions shall apply:

- a. "**Act**" shall refer to Muslim Mindanao Autonomy Act No. 154, otherwise known as "The ARMM Special Economic Zone Act of 2003.
- b. "**ARMM**" shall refer to the Autonomous Region in Muslim Mindanao.
- c. "**Assembly**" shall mean the process by which semi-finished parts or materials are put together or combined to form a distinct product without substantially changing its physical or mechanical characteristics or electro-magnetic and/or chemical properties.
- d. "**Basic Skills Training**" shall refer to the first stage of the learning process of a vocation or occupation aimed at developing the aptitude, technical character for a given job, task, knowledge, skill and behavior pattern to specific standards.
- e. "**Board**" shall refer to the REZA Board of Directors.
- f. "**CEPT**" shall refer to the Common Effective Preferential Tariff under the ASEAN Free Trade Area or AFTA.
- g. "**Certificate of Registration**" shall mean the certificate issued by the REZA to an ECOZONE Enterprise upon its registration.
- h. "**Code**" shall refer to Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as amended.
- i. "**Construction Materials**" shall refer to articles or materials that shall form part of the factory buildings whether built by the ECOZONE enterprise or

- leased from the REZA, including fixtures thereof, enclosures, driveways and other auxiliary structures.
- j. **“Customs Territory”** shall mean the national territory of the Philippines and the area of autonomy of the ARMM outside of the proclaimed boundaries of the ECOZONES except those areas specifically declared by other laws, Presidential Proclamations, and/or ARMM Regional Governor Proclamations to have the status of special economic zones and/or free ports.
 - k. **“Date of Registration”** shall refer to the date appearing in the certificate of registration.
 - l. **“Decree”** shall refer to Presidential Decree No. 66 or the law creating the Export Processing Zone Authority, as amended.
 - m. **“Direct Labor Wage”** shall refer to compensation for labor directly used in the production or manufacturing process up to and including the services of the production foreman, but shall exclude labor for maintenance of production, machinery and equipment. Compensation shall cover salaries and wages, including other payments such as bonuses and cost of living allowances which form part of the laborer’s or employee’s taxable earnings.
 - n. **“Domestic Merchandise”** shall mean those articles which are of the growth, origin or manufacture of the Philippines.
 - o. **ECOZONES** or **“Special Economic Zones”** (SEZ) shall refer to selected areas with highly developed or which have the potential to be developed into agri-industrial, industrial, tourist, recreational, commercial, banking, investment and financial centers whose metes and bounds are fixed or delimited by ARMM Regional Governor Proclamations. An ECOZONE may contain any or all of the following: industrial estates (IEs), agri-industrial zones, export processing zones (EPZ), free trade zones and tourist/recreational centers.
 - 1. **“Agri-Industrial Zone”** refers to a specified area devoted for agricultural purposes and its allied or support industries to integrate the production and processing of agricultural products. The term shall likewise refer to aqua or marine areas devoted to production and processing of aqua and marine products. Further, the phrase agricultural products shall include livestock and poultry products.
 - 2. **“Export Processing Zone (EPZ)”** refers to a specialized industrial estate located physically and/or administratively outside the customs territory and predominantly oriented to export production. Enterprises located in export processing zones are allowed to import capital equipment and raw materials free from duties, taxes and other import restrictions.

3. **“Free Trade Zone”** refers to an isolated policed area adjacent to a port of entry (such as a seaport) and/or airport where imported goods may be unloaded for immediate transshipment or stored, repacked, sorted, mixed, or otherwise manipulated. However, movement of these imported goods from the free-trade area to a non-free trade area in the country shall be subject to customs and internal revenue rules and regulations.
 4. **“Industrial Estate (IE)”** refers to a tract of land subdivided and developed according to a comprehensive plan under a unified continuous management and with provisions for basic infrastructure and utilities, with or without pre-built standard factory buildings and community facilities for the use of a community of industries.
 5. **“Tourist/Recreational Center”** refers to an area within the ECOZONE where tourist accommodation facilities such as hotels, apartelles, tourist inns, pension houses, resorts, sports and/or recreational facilities are provided to render tourism services for both local and foreign tourists, travelers and investors in accordance with the guidelines issued by the REZA.
- p. **“ECOZONE Developer/Operator”** refers to a business entity or concern duly registered with and/or licensed by the REZA to develop, operate and maintain an ECOZONE or any or all of the component IE, EPZ, Free Trade Zone or Tourist/Recreational Center and the required infrastructure facilities and utilities such as light and power system, water supply and distribution system, sewerage and drainage system, pollution control devices, communication facilities, paved road network, administration building and other facilities as may be required by the REZA. The term shall include the REZA and/or the Local Government Unit when by the themselves or in joint venture with a qualified private entity, shall act as the Developer/Operator of the ECOZONES. As such, they shall be entitled to the same incentives under Rule XIV of these Rules in accordance with the pertinent provisions of the Act and the Code.
- q. **“ECOZONE Domestic Market Enterprise”** refers to an individual, association, partnership, corporation or other form of business organization which has been registered with the REZA to engage in manufacturing activity falling within the purview of the Act resulting in the sale of its finished products in the customs territory or in the non-restricted or authorized areas within the ECOZONE in its entirety or if exporting a portion of its production output, it continually fails to export at least fifty percent (50%) thereof for a period of three (3) years without any justifiable reason in case at least 60% of its working capital is owned by Philippine nationals or in case more than 40% of its working capital is owned by foreign nationals, it continually fails to export at least seventy percent (70%)

- of its production output for a period of three (3) years without any justifiable reason.
- r. **“ECOZONE Export Enterprise”** refers to an individual, association, partnership, corporation or other form of business organization which has been registered with the REZA to engage in production, growing, manufacturing, assembling or processing activity falling within the purview the Act and resulting in the exportation of 100% of its production, unless a lower percentage of its production for exportation is prescribed by the Board subject to such terms and conditions as the latter may determine.
 - s. **“ECOZONE Facilities Enterprise”** shall refers to a business entity or concern within the ECOZONE duly registered with and/or franchised/licensed by the REZA with or without incentives provided under Republic Act No. 6957, as amended, (the Build-Operate-Transfer Law) and/or with or without financial exposure on the part of the REZA such as contractors/operators of buildings, structures, warehouses, site development and road network, ports, sewerage and drainage system and other facilities for the development, operation and maintenance of the ECOZONE and other similar or ancillary activities as may be determined by Board.
 - t. **“ECOZONE Free Trade Enterprise”** refers to an individual, association, partnership, corporation or other form of business organization which has been registered with the REZA to engage in the importation of goods or merchandise within the restricted or free trade area in the ECOZONE tax and duty-free for immediate transshipment or for storage, repacking, sorting, mixing or manipulation and subsequent exportation unless the Board allows the sale thereof in the customs territory subject to the payment of customs duties and internal revenue taxes to such other terms and conditions as it may determine.
 - u. **“ECOZONE Service Enterprise”** shall refers to a business entity or concern within the ECOZONE such as but not limited to those engaged in customs brokerage, trucking/forwarding services, parcel services, janitorial services, security services, insurance, and/or banking services, consultancy services, restaurants or such other services within the ECOZONE as may be determined by the Board, duly registered and/or licensed by the REZA.
 - v. **“ECOZONE Tourism Enterprise”** shall refer to an individual, association, partnership, corporation or other business organization duly registered with the REZA proposing to engage in the establishment and operation of tourist-oriented accommodations, restaurants operated as an integral part of a tourism facility (e.g., hotels, resorts, recreational centers), sports and recreational facilities within the ECOZONE.
 - w. **“ECOZONE Utilities Enterprise”** shall refers to a business entity or concern within the ECOZONE duly registered with and/or

franchised/licensed by the REZA with or without the incentives provided under Republic Act No. 6957, as amended, (the Build-Operate-Transfer Law) and/or with or without financial exposure on the part of the REZA, such as contractors/operators of light and power systems, water supply and distribution systems, communications and transportation systems within the ECOZONE and other similar or ancillary activities as may be determined by the Board.

- x. **“Expansion”** shall mean installation of additional facilities and/or equipment that will result in the increase of production capacity. It may include modernization and rehabilitation.

Modernization or rehabilitation to be registrable may or may not result in increase in capacity but the phases/stages of production sought to be modernized/rehabilitated must be identified; and must result in any of the following:

1. substantial reduction of production cost; or
2. significant increase in productive efficiency including debottlenecking; or
3. meaningful upgrading of product quality; or
4. keeping abreast with the state of the art in the production of registered product.

- y. **“Export Product”** shall mean the manufacture processed and/or assembled products, whether physical or non-physical, belonging to the class of products approved by the Board to be undertaken by the enterprise, including such packaging materials and containers as may be necessary to put the product into exportable form.

- z. **“Export Sales”** shall mean the Philippine port F.O.B. value, determined from invoices, bills of lading, inward letters of credit, landing certificates and other commercial documents of export products exported directly by an ECOZONE Export or Free Trade Enterprise or the net selling price of the export products sold by an ECOZONE Export or Free Trade Enterprise to another export producer or to an export trader that subsequently exports the same; Provided, That sales of export products to another producer or to an export trader shall only be deemed export sales when actually exported by the latter, as evidenced by the landing certificate or similar commercial documents; Provided, further, That without actual exportation, the following shall be considered constructively exported:

1. sales to the bonded manufacturing warehouses of export-oriented manufacturers;

2. sales to registered ECOZONE Export or Free Trade Enterprises;
3. sales to registered export traders operating bonded trading warehouses supplying raw materials used in the manufacture of export products; and
4. sales to diplomatic missions and other agencies and/or instrumentalities granted tax immunities of locally manufactured, assembled or repacked products, whether paid for in foreign currency or not.

aa. "Fixed Assets" shall mean those assets subject to depreciation under the National Internal Revenue Code.

bb. "Foreign Merchandise" shall mean those articles imported into the Philippines, except those previously exported there from and returned having been advanced in value or improved in condition by any process of manufacture or other similarly artificial means or processes and upon which no drawback or bounty has been allowed.

cc. "Gross Income" for purposes of computing the special tax due under Section 24 of the Act refers to gross sales or gross revenues derived from business activity within the ECOZONE, net of sales discounts, sales return and allowances and minus costs of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period. The allowable deductions from "gross income" are specifically enumerated under Section 2, Rule XX of these Rules.

dd. "Machinery and Equipment" shall refer to capital equipment, major components thereof, non-perishable tools, machines and other mechanical, chemical and or electrical apparatus, whether fixed or movable, needed in the registered operations of the ECOZONE Enterprise.

ee. "Manufacturing/Processing/Manipulation" shall mean the process by which raw or semi-finished materials are converted into a new product through a change in their physical, mechanical or electro-magnetic characteristics and/or chemical properties.

ff. "Merchandise or Goods" shall collectively refer to raw materials, supplies, equipment, machineries, spare parts, packaging materials, or wares of every description to be used in connection with the registered activity of an ECOZONE enterprise.

gg. "Negative List" shall refer to the list of industries drawn up and regularly updated by the REZA under which ECOZONE Enterprises engaged in any industry listed therein shall not be allowed to sell their products or any portion thereof in the custom territory.

- hh. “Net Foreign Exchange Earnings”** shall mean the total foreign exchange proceeds from the export of the registered product minus the total foreign exchange expenses incurred in the production of the registered product and the depreciation of imported capital equipment..
- ii. “Net Foreign Exchange Savings”** shall mean the foreign exchange that would have been expended had the registered product been imported less the total foreign exchange expenses incurred in the production of the registered product and the depreciation of imported capital equipment.
- jj. “Packaging”** shall mean the process by which raw materials, semi-finished products or finished products whether locally produced or not are placed without substantial alteration in a container or receptacle or wrapped in preparation for the market. It may include weighing and/or reduction of products to standard measurements and specifications and other similar packaging processes.
- kk. “Packaging Materials”** shall refer to wrapping materials, receptacles and containers, tags, labels, and such other materials as are necessary to put the product in exportable form.
- ll. “Prohibited Merchandise”** shall refer to goods, wares, merchandise, equipment or machineries the importation of which are prohibited by law as enumerated in Section 102, Book 1 of the Republic Act No. 1937, otherwise known as the Tariff Customs Code of the Philippines, as amended by Presidential Decree No. 34, and such other goods or merchandise which may be prohibited by special laws or by the RREZA.
- mm. “Raw Materials”** refers to non-fabricated materials directly used in processing or manufacturing, during the course of which its nature or form is changed.
- nn. “Registration Agreement”** shall refer to the final agreement executed by the REZA and the ECOZONE Enterprise setting forth the terms and conditions for the latter’s operation of business or engaged of economic activity within the ECOZONE.
- oo. “Rejects/Seconds”** shall mean finished or semi-finished products or raw materials which are defective or inferior in quality, such that any further processing or manipulation thereof is not technically or economically feasible for the purpose for which they are originally intended.
- pp. “Restricted Area”** shall mean a specific area within the ECOZONE which has been classified and/or fenced-in as export processing zone, free trade zone or such other areas as may be declared by the Board.

- qq. “Retraining”** shall refer to the acquisition of skills and knowledge required in an occupation or other than the skills or knowledge for which the person was originally trained.
- rr. “REZA”** shall mean the Regional Economic Zone Authority created under Section 11 of the Act.
- ss. “Semi-Finished Product”** shall mean an article, which is unfinished or incomplete but possesses the essential character of a finished product in relation to another and intended to be used as a direct input to the latter.
- tt. “Skills Upgrading”** shall refer to training for supplementary skills and knowledge in order to increase the versatility and occupational mobility of a worker or to improve his standard of performance.
- uu. “Spare Parts”** shall mean usual components of machinery and/or equipment which are subject to wear and tear arising from normal use, utilization and operation.
- vv. “Start of Commercial Operations”** for purposes of the income tax holiday shall be the date specified in the Registration Agreement or the date when the particular ECOZONE export enterprise actually begins production of the registered product for commercial purposes, whichever comes first, irrespective of phases or modules or schedule of development.
- ww. “Training Expense”** refers to the direct, ordinary and necessary expenses incurred by an ECOZONE Enterprise in training program or activity designed to develop skilled or unskilled labor or for managerial or other management development program within the purview of Section 43 of the Act. These shall include, among others, the following expenses or any combination of them:
1. Training materials, books and supplies;
 2. Cost of raw materials and non-depreciable tools actually consumed and used during the training;
 3. Honoraria for resource speakers and training coordinators and other fees;
 4. Traveling expenses of resource speakers and training coordinators while away from home on account of the training program;
 5. Salaries of trainees and training staff for the duration of training;
 6. Traveling expenses of trainees and training staff while away from home on account of the training program;
 7. Tuition, registration or similar fees paid for sponsored trainees;

8. Cost of repairs of training equipment facilities and other fixed assets used in the training program, if breakdown occurs as a result of training;

9. Others (not to exceed 5% of the total training cost)

- a. foods
- b. rental of venue (if held outside of the ECOZONE enterprise's factory/ office building)
- c. rental of equipment
- d. work clothes for trainees and instructors
- e. certificates of training
- f. group insurance of trainees

xx. "Training Program" shall refer to an organized activity primarily designed for the systematic development of the attitude, knowledge, skill and behavior pattern of managerial or non-managerial employees required for the adequate performance of a given job or task conducted by a juridical or natural person or persons.

yy. "Unskilled Labor" shall refer to any person, employed or unemployed by the ECOZONE enterprise lacking the skill, training or experience required by or necessary for a particular production process in any industrial or manufacturing activity.

zz. "Value Added" is the difference between the selling price of merchandise and the value of the raw materials and manufacturing supplies used in the manufacture, processing or manipulation thereof, which were either imported directly by an ECOZONE Export or Free Trade Enterprise or imported through the customs territory.

Rule II - Basic Rights and Guarantees

SECTION 1. *Protection of Investment* - Consistent with Section 7 of the Act, all investors and registered enterprises are entitled to the basic rights and guarantees provided in the Constitution. Among other rights recognized by the Government of the Philippines are the following:

- a. *Repatriation of Investments* - In the case of foreign investments, the right to repatriate the entire proceeds of the liquidation of the investment in the currency in which the investment was originally made and at the exchange rate prevailing at the time of repatriation, subject to the applicable provisions of Republic Act No. 265 and Republic Act No. 7653, or any amendments thereto, and the pertinent regulations issued pursuant thereto.

- b. Remittance of Earnings* - In accordance with Section 28 of the Act and Rule XIX of these Rules, after-tax profits and other earnings of foreign investments in the ECOZONE may be remitted outward without need of prior Bangko Sentral ng Pilipinas approval. The remittance shall be in the equivalent foreign exchange through any of the banks licensed by the Bangko Sentral ng Pilipinas in the ECOZONE: Provided, That such foreign investments in the registered enterprise have been previously registered with the Bangko Sentral ng Pilipinas.
- c. Foreign Loans and Contracts* - The right to remit at the exchange rate prevailing at the time of remittance such sums as may be necessary to meet the payments of interest and principal on foreign loans and foreign obligations arising from technological assistance contracts, subject to the applicable provisions of Republic Act No. 265 and Republic Act No. 7653 and the pertinent regulations issued pursuant thereto.
- d. Freedom from Expropriation* - There shall be no expropriation by the government of the property represented by investments or of the property of the enterprise except for public use or in the interest of national welfare or defense and upon payment of just compensation. In such cases, foreign investors or enterprises shall have the right to remit sums received as compensation for the expropriated property in the currency in which the investment was originally made at the exchange rate at the time of remittance, subject to the applicable provisions of Republic Act No. 265 and Republic Act No. 7653 and the pertinent regulations issued pursuant thereto.
- e. Requisition of Investment* - There shall be no requisition of the property represented by the investment or of the property of the enterprise, except in the event of war or national emergency and only for the duration thereof. Just compensation shall be determined and paid either at the time of requisition or immediately after cessation of the state of war or national emergency. Payments received as compensation for the requisitioned property may be remitted in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance, subject to the applicable provisions of Republic Act No. 265 and Republic Act No. 7653 and the pertinent regulations issued pursuant thereto.

SECTION 2. *Protection of Labor* - Consistent with Section 2 of the Act, all workers within the ECOZONES shall be assured of their basic rights under the Constitution, including the right to security of tenure and humane conditions of work..

PART II - REGISTRATION OF ECOZONE ENTERPRISE

Rule III - Application and Registration

SECTION 1. *Qualification of Applicants* - any person, firm, association, partnership, corporation, or any other form of business organization, regardless of nationality, control and/or ownership of the working capital thereof may apply for registration as an Export or Free Trade Enterprise within the ECOZONE in any sector of industry, international trade and commerce. Furthermore, if the area of investments of the said enterprises falls within Lists A and B of the Foreign Investments Act of 1991, then the applicable nationality, ownership or control requirements of the said law shall be observed.

Applications for ECOZONE Developer/Operator, Domestic Market, Utilities, Facilities, Tourism or Service Enterprises shall comply with the applicable nationality, control and/or ownership requirements of the working capital thereof in accordance with the pertinent provisions of the Philippine Constitution, Foreign Investments Act of 1991 and other existing laws and regulations.

SECTION 2. *Forms* - All applications shall be made upon forms prescribed by the REZA duly accomplished in three (3) copies.

SECTION 3. *Supporting Documents* - The applicant for an ECOZONE Enterprise shall submit the following documents:

- a. Project feasibility study or business plan, unless dispensed with and in lieu thereof, the applicant shall submit basic data/information on its technical, financial, marketing and management capability/competence to undertake the proposed project or business within the ECOZONE;
- b. Copies of articles of incorporation and by-laws;
- c. Resolution of the applicant's board of directors authorizing the filing of the application; list of its directors, principal officers, and major stockholders, including their bio-data;
- d. List of machinery and equipment to be used by the applicant with a statement of their capacity, ownership and/or mode of procurement;
- e. Company brochures and/or photographs of product(s); and
- f. Other supporting documents/papers/clearances as may be required by the REZA depending upon the nature of the business and the type of business organization of the applicant.

SECTION 4. *Filing of Application* - The application shall be filed with the REZA upon payment of the corresponding filing fee.

SECTION 5. *Board Action* - Approval of the application shall be by resolution of the Board unless otherwise required by appropriate circulars and/or memoranda taking into consideration the decentralization policy in the management, operation

and maintenance of each ECOZONE. The action taken thereon shall be communicated in writing to the applicant.

SECTION 6. *Certificate of Registration* - The Certificate of Registration shall be issued only upon the execution of the Registration Agreement by the REZA and the applicant and whenever it can be shown that the applicant has:

- a. Complied with all the pre-registration requirements;
- b. Submitted within twenty (20) calendar days from receipt of the notice of approval of the application, a formal acceptance of the proposed terms and conditions of registration.
For good cause shown, said period may be extended if the request therefore is filed before the expiration of the period sought to be extended; and
- c. Paid the registration fee.

However, in appropriate cases as may be determined by the Board, the ECOZONE management or the duly authorized offices of the REZA shall be empowered to issue business permits and/or licenses to ECOZONE Enterprises in lieu of the Certificate of Registration after the proper evaluation of their application in accordance with the set of criteria duly approved by the Board and upon payment of the corresponding fees.

SECTION 7. *One Stop Shop Center* - There shall be established in the ECOZONE a one stop-shop center to facilitate the registration, licensing and issuance of permits to ECOZONE Enterprises. All government agencies involved shall assign their respective representatives in the ECOZONE for this purpose.

PART III - ESTABLISHMENT OF THE ECOZONES

Rule IV. Criteria For the Establishment of An Ecozone

SECTION 1. *General Criteria* - All areas initially identified under Section 5 of the Act as the sites of the ECOZONES and other areas where ECOZONES may be established may be made to conform to the following general criteria to ensure their viability and geographic dispersal.

- a. Identification of the proposed area as a regional growth center in the Medium-Term Philippine Development Plan or by the Regional Economic and Development Planning Board.
- b. The existence of required infrastructure in the proposed ECOZONE, such as roads, railways, telephones, ports, airports, etc., and the suitability and capacity of the proposed site to absorb such improvements;

- c. The availability of water source and electric power supply for use of the ECOZONE;
- d. The extent of vacant lands available for industrial and commercial development and future expansion of the ECOZONE as well as of lands adjacent to the ECOZONE available for development of residential areas for the ECOZONE workers;
- e. The availability of water source and electric power supply for use of the ECOZONE;
- f. The area must have a significant incremental advantage over the existing ECOZONES and its potential profitability can be established;
- g. The area must be strategically located; and
- h. The area must be situated where controls can easily be established to curtail smuggling activities.

SECTION 2. *Specific Criteria* - The Board shall formulate specific criteria, priorities and guidelines to implement the general criteria set forth in Section 1 hereof, including the application of the various schemes under Republic Act No. 6957 (the Build-Operate-Transfer Law), as amended or otherwise, for the guidance of the REZA or of the applicant for registration as an ECOZONE Developer/Operator in the establishment of the ECOZONES.

SECTION 3. *Development of the Areas/Documentary Requirements* - The areas initially identified in Section 5 of the Act and all other areas where the ECOZONES may be established shall be developed through any of the following schemes:

- a. Private initiative;
- b. Local government initiative with the assistance of the regional government thru the REZA; and,
- c. Regional government or REZA initiative.

The proposed ECOZONE shall not be considered for ARMM Regional Governor Proclamation unless the following sets of documents have been submitted directly to REZA:

1. Set A - Pertinent land use clearances/certificates to be secured from the concerned Regional Land Use Committee (RLUC) member-agencies including the REZA, as follows:
 - Land Use Conversion Clearance Certificate from the Department of Agrarian Reform (DAR) provided, however, that this requirement

shall no longer be required for agri-industrial zones as defined under these rules;

- Certification from the Department of Agriculture (DA) that the proposed area is not covered by Administrative Order No. 20 and that such land has ceased to be economically feasible for agricultural purposes provided, however, that this requirement shall no longer be required for agri-industrial zones as defined under these rules;
- Certification from the Housing Land Use and Regulatory Board (HLURB) specifying that the proposed land use is in accordance with the land use plan duly approved by the legislative council/ (Sanggunian) of the host municipality/city provided, however, that a certification to such effect issued directly by the Local Government Unit (LGU) may suffice;
- Environmental Clearance Certificate issued by the Department of Environment and Natural Resources/Environmental Management Bureau (DENR/EMB) or by the REZA thru duly recognized environmental consulting firms contracted for the purpose of evaluating the Environmental Impact Assessment study for the proposed ECOZONE; and
- Certification attesting that the identified source of water for the use of the ECOZONE shall not cause water supply problem for the adjacent communities to be issued by the Local Water Utility Board or the local Sanggunian or by the REZA itself upon evaluating the EIA study for the proposed ECOZONE.

If the affected area does not have the appropriate authority or agency or expertise to determine the foregoing requirements, the REZA itself may determine the area's feasibility as ECOZONE.

In cases of conflict in land use, or as may be deemed necessary, the REZA may request in writing the Chairman of the National Land Use Committee (NLUC) to call for the convening of the concerned RLUC to help facilitate the evaluation of the specific site which has been identified/proposed for development, after which the concerned RLUC shall submit to REZA the necessary documentation and resolution or decision, as the case may be.

2. Set B - Endorsement to be secured from the Regional Economic Development and Planning Board, Provincial and Municipal/City Development Councils.

Once all documents required in Item 1 and Item 2 above have been secured, these shall be submitted to REZA for review. The REZA shall notify the proponent within sixty (60) working days upon receipt of the documents to proceed with the preparation of Set C documents.

3. Set C - Upon receipt of the notification from REZA, the proponent may start to prepare/submit if available the following documents:
- Duly accomplished application form (except when the establishment of the ECOZONE is thru REZA initiative);
 - Detailed project feasibility and engineering study (Master Development/Overall Plan) or business plan;
 - Technical description of the area(s) sought to be proclaimed as an ECOZONE including survey returns duly approved by the Land Management Bureau or prepared by a duly licensed surveyor;
 - Registration Certificate issued by the Securities and Exchange Commission including Articles of Incorporation and By-Laws;
 - Proof of financial capability;
 - Proof of ownership of land or long term lease contract.

Pro-forma contract between the developer and locator which shall include provision for the continuous maintenance of the ECOZONE; and

Other applicable requirements as may be prescribed by the Board.

SECTION 4. *Evaluation and Recommendation to the President Regional Governor*
 - Upon submission of all the requirements stated in Section 3 hereof, the REZA shall evaluate the application for ECOZONE development and if found viable in its technical, financial, marketing and management aspects, the Board shall recommend to the Regional Governor of the Philippines the issuance of a proclamation delineating the metes and bounds of an ECOZONE.

SECTION 5. *Timetable of Development* - Unless a longer period is required by the Board, the development of the whole ECOZONE must be completed within a period of five (5) years. unless otherwise provided by the Board, the phasing of development shall be allowed in the following manner:

- | | | |
|--------------|---|-----------------|
| a. Phase I | - | 30% of the area |
| b. Phase II | - | 30% of the area |
| c. Phase III | - | 20% of the area |
| d. Phase IV | - | 10% of the area |
| e. Phase V | - | 10% of the area |

At the end of each phase, the area must be provided with the basic infrastructure facilities and utilities as required in the guidelines to be issued by the REZA ready for immediate use and occupancy. Areas that are not developed an completed

within the five-year period unless extended by the Board shall be reverted to agricultural or other uses in accordance with existing land use and zoning laws and regulations. If warranted, pertinent amendments to the covering proclamations shall be effected at the expense of the ECOZONE Developer/Operator or proponent.

SECTION 6. *Inspection and Changes* - To monitor and supervise the development of the ECOZONE in accordance with the approved overall development plan and timetable, the REZA shall have the right to conduct periodic inspections and if necessary, to examine the books of accounts of the ECOZONE Developer/Operator. Any material changes in the project, such as changes in timetable, management and ownership, shall require prior approval of the Board.

SECTION 7. *Other Areas* - Areas which do not meet the criteria, priorities and guidelines as provided in Sections 1 and 2 hereof may be established as ECOZONES: Provided, That the said areas shall be developed only through local government and/or private sector initiative under any of the schemes allowed in Republic Act No. 6957, as amended, (the Build-Operate-Transfer Law) or otherwise, and without any financial exposure on the part of the ARMM government/REZA: Provided, further, That the area can be easily secured to curtail smuggling activities; Provided, furthermore, That after five (5) years the area must have attained a substantial degree of development, the indicators of which shall be formulated by the REZA: Provided, finally, That the operation of ECOZONES which have failed to attain the degree of development as required herein may be assumed by the REZA or transferred to other interested ECOZONE Developers/Operators under such terms and conditions as the Board may prescribe.

Locators registered with REZA within such ECOZONES shall continue their operation in the same area and avail of all incentives originally granted.

SECTION 8. *Existing Privately-Owned Industrial Estates* - Any privately-owned and existing industrial estate may voluntarily apply for conversion into an ECOZONE subject to the applicable criteria and requirements as provided under Section 1,2,3,4,5,6 and 7 of this Rule, unless otherwise prescribed by the Board.

PART IV - INFRASTRUCTURE FACILITIES AND UTILITIES

Rule V. Lease of Lands and Buildings in the Ecozones

SECTION 1. *Qualifications* - Lands and buildings within an ECOZONE can be leased only to ECOZONE enterprises/entities authorized by or registered with the REZA and owned or controlled either by Philippine nationals or by aliens under such terms and conditions as the Board may formulate.

With respect, however, to lease of lands to ECOZONE enterprises wholly owned or controlled by aliens, the following limitations and conditions shall apply:

a. The lease period shall not exceed fifty (50) years extendible once for a period not more than twenty-five (25) years.

b. The area leased shall be used exclusively for the purpose of investments as approved by the REZA and other government agencies, if applicable. In case the leased premises or any part thereof is used for any other purpose different from that as approved or not related thereto or connected therewith, without the prior written approval by the REZA, the lease may be considered terminated and/or cancelled by the REZA without prejudice to the penalties provided for under Section 7 of R.A. No. 7652, otherwise known as the Investors Lease Act, and compensation for damages suffered by the lessor.

c. The lease premises shall comprise only such area as may reasonably be required for the project contemplated in the investment. Additional areas for future or intended expansion may also be leased upon satisfactory showing of the viability of the proposed expansion and payment of reservation fee for the land within a period as may be determined by the Board.

d. In case the ECOZONE enterprise desires to extend the lease after the initial period of fifty (50) years, it shall present proof that it has made social and economic contributions to the country, otherwise, the application for renewal/extension shall be disapproved.

SECTION 2. *Cancellation of Lease* - Any long term lease contract referred to in Section 1 hereof may be cancelled at the instance of the REZA, if the project is not initiated within the period as stated in the contract or three (3) years from the date of the lease contract whichever comes earlier, unless an extension is granted by the REZA upon valid meritorious grounds.

SECTION 3. *Transfer of Leasehold Rights* - All leasehold rights acquired under long term lease contracts in accordance with this Rule and the Act may be sold, transferred, assigned or conveyed: Provided, That if the transferee or assignee is a Filipino citizen or an enterprise wholly owned by Filipino citizens, the limitations contained in Section 1 hereof with respect to the maximum period of lease shall not apply: Provided, finally, That the transferee or assignee shall be a registered ECOZONE enterprise or possesses all the qualifications and none of the disqualifications to be eligible for registration as an ECOZONE enterprise to be determined by the REZA.

Rule VI. Sale of Land or Building/Structure Within an Ecozone

SECTION 1. *Land Acquisition* - An ECOZONE enterprise duly registered with the REZA may acquire lands within the ECOZONE subject to compliance with the nationality requirements under the Philippine Constitution and existing laws and to the terms and conditions as may be prescribed by the Board. If the ECOZONE

enterprise is a corporation desiring to acquire lands within the ECOZONE, it must be duly organized under the laws of the Philippines and at least sixty percent (60%) of its outstanding capital stock and entitled to vote is owned and held by citizens of the Philippines.

SECTION 2. *Building Acquisition* - An ECOZONE enterprise duly registered with the REZA may construct, buy or sell building(s)/structure(s) subject to the terms and conditions as may be prescribed by the Board.

Rule VII. Permits and Other Requirements

SECTION 1. *Permits* - No building, structure, facility, utility, and electro-mechanical equipment shall be constructed and installed and no improvement thereon within an ECOZONE or any other area owned, administered or operated by the REZA shall be made without the prior written approval or permit issued by the REZA. Likewise, upon completion of the building, structure, facility, utility and installation of electro-mechanical equipment permanently and/or temporarily attached to the building, the ECOZONE enterprise or the owner shall secure an occupancy permit for the building and/or a permit to operate such facility, utility and electro-mechanical equipment from the duly designated REZA Building Official. The ECOZONE enterprise shall pay to the REZA all the corresponding fees and dues related to the issuance of the permit as specified in the National Building Code and its implementing rules as well as those contained in such other rules as the REZA may adopt.

SECTION 2. *Submission of Requirements* - Any ECOZONE registered enterprise intending to construct its own building or other structures, facilities and utilities within an ECOZONE shall, before proceeding with the work, submit to the REZA all the documentary requirements as herein below enumerated within forty-five (45) days from the date of registration. Thereafter, it shall commence construction and/or installation of equipment within thirty (30) days from approval or issuance of the necessary permits unless a different period is granted by the REZA.

These documentary requirements are the following:

1. Duly accomplished application form to be submitted to the Office of the REZA/ECOZONE Building Official together with the following documents:
 - a. In case the applicant is a registered owner of the lot:
 1. Certified True Copy of Transfer Certificate of Title
 2. Tax Declaration
 3. Current Real Property Tax Receipt
 - b. In case the applicant is not a registered owner of the lot:
 1. Duly notarized copy of the contract of lease or other pertinent contracts

2. Certificate of registration with the REZA or business permit/license issued by the REZA
2. Three (3) sets of plans, specifications and bill of quantities prepared,
3. signed and sealed by duly licensed architects/engineers;
4. Logbook and standard drawing sheets; and
5. Environmental Compliance Certificate.

Provided, however, that in the case of micro and small enterprises that seek to register as ECOZONE enterprises and where the size and nature of their operations clearly will not pose any hazards to the environment and community, the Board may consider the relaxation of the above requirements with the end in view of maximizing and dispersing the benefits of this law to as many members of the business community as possible. For this purpose, a micro-enterprise shall refer to that which has a total asset value of P3, 000,000.00 or less and employs no more than 9 persons whereas a small enterprise is that which has a total asset value of more than P3, 000,000.00 but no more than P15, 000,000.00.

SECTION 3. *Collection of Fees/Charges* - The REZA shall collect fees and charges for services rendered in connection with the processing and issuance of all the permits required and performance of other regulatory functions, including the issuance of and annual renewal of certificates of registration, in accordance with the rates fixed under the National Building Code of the Philippines and/or the schedule of fees that may be adopted by the REZA. All fees and dues collected shall accrue to the REZA.

SECTION 4. *Use of Structures/Roads* - If the use of any structure or road inside the ECOZONE or the excavation of the same is required by an ECOZONE registered enterprise to meet its building construction requirements, an application for such purpose must first be submitted to REZA. The public grounds or structures or roads shall be restored to their original shape and condition immediately after completion of the construction work at the expense of the ECOZONE registered enterprise.

SECTION 5. *Plant Inspection* - A completed plant building/structure/facility/ utility and new installed electro-mechanical equipment and machinery shall be inspected by the REZA to determine whether it has complied with the approved building specifications and plant layout.

If the inspection indicates that the building was constructed in accordance with the approved building specifications and plant layout and satisfies safety and anti-pollution requirements then the REZA shall issue the occupancy permit and/or permit to operate the electro-mechanical equipment and machinery after payment of corresponding fees by the ECOZONE enterprise prior to the start of operation.

If the inspection shows that safety and anti-pollution requirements have not been met or that there have been deviations from the approved plans and plant layout, the REZA may withhold the grant of the occupancy permit or the permit to operate electro-mechanical equipment and machineries until the necessary adjustments shall have been made within a reasonable period of time as determined by the REZA.

SECTION 6. *Temporary Permit to Operate* - If the deficiencies noted during the inspection do not endanger life and property, a temporary permit to start operation may be granted: Provided, That the REZA shall furnish the ECOZONE enterprise with a detailed listing of the improvements required and shall set a deadline for the ECOZONE enterprise to carry-out such improvements: Provided further, That the ECOZONE enterprise shall report to the REZA within the prescribed deadline the results of adjustments made and shall request the REZA to re-inspect the plant for final approval.

SECTION 7. *Occupational Safety* - The REZA, in coordination with the Department of Labor and Employment-ARMM, shall conduct periodic inspection of plants within the ECOZONE to check on health, medical, occupational and safety standards of the buildings, structures and electro-mechanical equipment and machineries and the general conditions and maintenance of the plant. The ECOZONE enterprise shall correct any deficiency or violations of pertinent regulations noted in such inspection within a reasonable period of time to be determined by the REZA.

In the implementation of the periodic inspection of plants within the ECOZONES, the REZA shall impose inspection fees on installations of different machineries, equipment and devices and shall issue a permit to operate and a certificate of inspection. Fees to be collected shall be based on the current rate being imposed by the Department of Labor and Employment-ARMM unless a different rate is imposed by the Board.

PART V. TAX TREATMENT OF MERCHANDISE IN THE ECOZONES

Rule VIII. Tax Treatment of Merchandise in the Restricted Areas of the Ecozones

SECTION 1. *Exemptions* - Merchandise brought to the restricted areas in the ECOZONES by registered Export or Free Trade Enterprises, except prohibited merchandise, shall not be subject to all customs and internal revenue laws and regulations of the Philippines nor to local tax ordinances: Provided, That they are to be sold, stored, broken-up, replaced, assembled, manipulated, manufactured and/or mixed with foreign or domestic merchandise within the restricted areas in the ECOZONES.

SECTION 2. *Domestic Merchandise* - Domestic Merchandise sent from the restricted areas of the ECOZONES by registered Export or Free Trade Enterprises to the custom territory shall, whether or not combined with or made part of other articles grown, produced or manufactured in the Philippines while in the ECOZONE shall be subject to the internal revenue laws of the Philippines as domestic goods sold, transferred or disposed of for local consumption.

SECTION 3. *Foreign Merchandise* - Merchandise of foreign origin brought to the restricted areas in the ECOZONES by registered Export or Free Trade Enterprises which has not undergone any processing, manufacturing or manipulation while in the said areas of the ECOZONES, shall, when sent therefrom to the customs territory, be subject to the laws and regulations governing imported merchandise: Provided, That where said foreign merchandise is combined with or made part of any domestic article, the duties and taxes to be assessed on the final product shall be based on the value of such imported merchandise (except when the final product is exempt) and internal revenue taxes on the value added: Provided, further, That foreign merchandise included in the negative list shall not be sent from the restricted areas of the ECOZONE to the customs territory.

SECTION 4. *Transfer of Merchandise* - Domestic merchandise on which all internal revenue taxes have been paid if subject thereto, and foreign merchandise on which duty or tax has been paid, or which have been admitted free of duty and tax, may be taken into restricted areas of the ECOZONES from the customs territory of the Philippines and brought back thereto free of quota, duty or tax: Provided, however, That said merchandise shall have preserved its identity at the time of transfer from the ECOZONE to the customs territory. A merchandise shall be deemed to have lost its identity when, at the time of transfer, there has been a change in the physical or mechanical characteristics and/or electro-magnetic or chemical properties of such merchandise.

SECTION 5. *Domestic Sale* - Finished products of registered Export of Free Trade Enterprises not included in the negative list shall be made available for domestic sale in the customs territory or retail stores/shopping malls within the commercial/tourist or other authorized areas of the ECOZONES, subject to all applicable rules and regulations including the payment of customs duties and internal revenue taxes, to the applicable provisions of the Retail Trade Nationalization Law, as amended, and to such other regulations or limitations as may be adopted by the Board.

SECTION 6. *Identity* - When the identity of an article taken to the restricted areas of the ECOZONES defined in Section 4 above has been lost, such article shall, when taken from the ECOZONE to the customs territory or to the non-restricted areas of the ECOZONE, be treated as foreign merchandise entering the country for the first time.

SECTION 7. *Subsequent Importation* - Goods or merchandise produced or manufactured in the restricted areas of the ECOZONE and exported there from shall, on subsequent importation into the customs territory, be subject to the import

laws applicable to like articles manufactured in a foreign country subject, however, to the provisions of the Philippines' external economic agreements such as Most Favored Nation clauses and the Common Effective Preferential Tariff under the Asean Free Trade Area.

SECTION 8. *Rejects, Seconds and Recoverable Wastes* - Subject to the provisions of Section 3 of this Rule, rejects, seconds and recoverable wastes shall, when taken from the restricted areas of the ECOZONES to the customs territory, or to the non-restricted areas of the ECOZONE, be taxed in accordance with the applicable provisions of the customs and internal revenue laws and regulations of the Philippines.

SECTION 9. *Abandonment* - any article or merchandise found in the restricted areas of the ECOZONE, the ownership of which cannot be known despite diligent efforts, shall be declared as abandoned in favor of the REZA.

Rule IX. Treatment of Merchandise in Non-Restricted Areas of the Ecozone

SECTION 1. *Regulations* - Insofar as consistent with the Act, the REZA hereby adopts the pertinent regulations and procedures in the tax treatment of merchandise and/or services in the industrial estate and/or tourism and recreational and other areas within the ECOZONE but outside a restricted area, being implemented by appropriate agencies of the government without prejudice to subsequent changes/supplements to be issued in appropriate circulars/issuances by the Board with the end in view of simplifying the same.

PART VI. MOVEMENT OF GOODS, PERSONS AND VEHICLES

Rule X. Entry and Exit of Goods to and from the Restricted Areas of the Ecozones

SECTION 1. *Prior Approval* - Merchandise or articles of every description, except prohibited merchandise, may be brought to the restricted areas of ECOZONES upon prior approval of the REZA in a prescribed form, which shall be obtained before placing the order for the importation or before entry of said merchandise or articles into the territorial jurisdiction of the Philippines. However, the REZA shall adopt separate rules and guidelines with respect to the entry and exist of goods or merchandise to and from the non-restricted areas of the ECOZONES.

SECTION 2. *Importation of Samples* - The importation of samples for reference and/or research purposes, of such kind and in such quantity, dimensions or constructions as may be determined by the REZA shall also be allowed in the restricted areas of the ECOZONES and the same shall be considered as imports of raw materials.

SECTION 3. *Permits* - Merchandise or goods may be taken into or brought out of the restricted areas of the ECOZONES only upon prior approval or permit by the REZA in accordance with its documentation and security procedures. Permits to bring out of the ECOZONES said merchandise or goods must be secured by the Export or Free Trade Enterprise from the REZA prior to loading or before the release of said merchandise or goods from the factory premises or warehouse of the enterprise. Merchandise or goods brought out of the factory premises or warehouse of the Export or Free Trade Enterprise without the required prior permit from the REZA shall be considered as a violation of this Section although the said merchandise or goods are still within or inside the restricted areas or boundaries of the ECOZONE.

SECTION 4. *Prescribed Forms* - The application for the entry or exit permit of goods shall be filed by the ECOZONE Export or Free Trade Enterprise or entity concerned in the form prescribed by the REZA. The REZA shall require the submission of shipping, commercial and other pertinent documents relative to the importation, exportation, or entry into the customs territory of the said goods.

SECTION 5. *Certificate of Origin* - Upon due application, the REZA shall issue the corresponding Certificate of Origin to an ECOZONE enterprise intending to export its finished goods or merchandise to a foreign country.

The Certificate of Origin shall contain a declaration by the exporter and certification by the REZA that the goods or merchandise were manufactured, assembled, processed, stored, mixed, cleaned, graded, repacked, sorted, manipulated or transshipped wholly or partly within a particular ECOZONE located in the Philippines and accompanied by any of the following information:

- a. The goods or merchandise covered by the certificate were grown, produced or manufactured in the Philippines without any foreign material component; or
- b. There are foreign material components which are ascertainable and are indicated either in quantity, value or percentage in relation to the whole of a unit; or
- c. There are foreign material components which are not ascertainable but their estimated value in relation to the ex-factory price are indicated.

The REZA, likewise, upon due application may provide additional certification of facts to enable the ECOZONE enterprise to comply with the requirements of the importing country in the availment of preferential tariff rates.

SECTION 6. *Marking* - Imported goods destined for the ECOZONE shall be clearly marked in bold letters indicating its destination, thus:

“DESTINES FOR (NAME OF ECOZONE

ENTERPRISE /NAME OF ECOZONE”

SECTION 7. *All Outward* - Bound goods manufactured, assembled, processed packaged or manipulated within the ECOZONE shall likewise be marked in such manner as would clearly indicate that such goods originated from the ECOZONE,

THUS: “FROM THE PHILIPPINES” (NAME OF THE ECOZONE)

Further, goods or merchandise produced within the ECOZONE which have been certified as “Halal” pursuant to Sec. 37 of the Act and this rules shall be entitled to bear the following label:

**“MADE IN THE AUTONOMOUS REGION IN MUSLIM MINDANAO,
PHILIPPINES”**

SECTION 8. *Loading and Unloading* - An ECOZONE Export or Free Trade Enterprise shall, whenever practicable, unload and load its importations into and exportations from the ECOZONE at the port of entry nearest to such ECOZONE. In case the loading or unloading is done elsewhere, the dates of arrival or departure shall be conveyed to the REZA well in advanced so that arrangements can be made with the customs authorities for the expeditious handling of the cargo and escort service can be provided and scheduled by the REZA.

SECTION 9. *Written Permission* - Products made in the restricted areas of the ECOZONES, samples thereof and/or imported raw materials shall not be given nor sold by an Export or Free Trade Enterprise to its visitors, workers or employees without prior written permission from the REZA.

SECTION 10. *Quality Standards* - All exports from the ECOZONE shall satisfy duly established quality standards and regulations pertinent thereto.

Rule XI. Inventory of Finished Products, Raw Materials and Other Assets

SECTION 1. *Inventory* - The REZA may, at any time, conduct an inventory of all machineries, equipment, stocks of finished or semi-finished products, work-in-process, raw materials, supplies, goods or merchandise and other assets of an ECOZONE enterprise.

SECTION 2. *Shortage and Overage* - In case of failure to account for shortages on raw materials, machineries, equipment, supplies or goods for personal usage, imported tax and duty free pursuant to the Act, the same shall constitute prima facie proof that such goods or merchandise were illegally sent out of the restricted areas of the ECOZONE and/or to the customs territory. In such case, the enterprise concerned shall be imposed the corresponding fines, taxes and duties in accordance with the applicable provisions of these Rules, Customs and Internal Revenue Laws.

In case of overages, it shall be presumed that the excesses were introduced illegally into the restricted areas of the ECOZONES and shall be subject to the imposition of fines and/or to confiscation or forfeiture pursuant to the provisions of these Rules and of the Tariff and Customs Code of the Philippines.

In both cases, however, the REZA shall take into account the reasonable percentage of allowance based on established materials usage formula and other relevant factors applicable to specific industry groups.

SECTION 3. *Liquidation of Imported Articles* - Accountability for goods or merchandise imported tax and duty-free pursuant to the Act shall be discharged as follows:

1. Submission of proof of payment of the corresponding taxes and duties;
2. Submission of proof of re-exportation - this shall consist of the following documents:
 - a. Import Entry
 - b. Certificate of Identification
 - c. Export Declaration
 - d. Packing List
 - e. Certificate of Loading/Landing
3. By condemnation/loss/destruction (including wastage and rejects) - the following shall be submitted:
 - a. Covering Import Entry
 - b. Description
 - c. Quantity
 - d. Affidavit of Loss/Destruction
 - e. Permit to Bring Out of the ECOZONE
4. Exportation of finished products - the following documents shall be submitted:
 - a. Statement of liquidation (reconciliation of raw materials)
 - b. Outward Bill of Lading/Airway Bill
 - c. Certificate of Identification
 - d. Certificate of Inspection and Loading/Landing
 - e. Boatnote
5. Indirect Exportation - the following shall be submitted:
 - a. Receipt of payment covering the sale/contract of sale
 - b. Certificate of Identification
 - c. Boatnote Covering Transfer

d. Certificate of Liquidation of Raw Materials/Raw Materials Consumption

6. Constructive Exportation - the following should be submitted:

- a. Contract of Sale
- b. Boatnote/Delivery Receipt

In addition to the foregoing, any registered enterprise seeking to obtain an import permit or license from the REZA shall be required to submit an affidavit that the imported goods, merchandise, or commodities shall not be brought out of the restricted area and into other areas of autonomy or customs territory without complying with the applicable tariff and tax regulations.

The foregoing requirements for each mode of liquidation shall be without prejudice to other requirements as the REZA may determine.

Rule XII. Defense, Security and Firefighting Forces

SECTION 1. *Defense of ECOZONE Perimeters* - The defense of the perimeters of the ECOZONES shall be the responsibility of the national government and/or the regional government of the ARMM. Military forces assigned by the National Government and/or regional government of the ARMM for this purpose shall confine their presence along the periphery of the ECOZONES to prevent unauthorized intrusion of unwanted elements. They shall not interfere in the internal affairs of the ECOZONES nor in the entry and exits of goods or merchandise.

SECTION 2. *Internal Security* - The REZA shall maintain a security force to ensure the internal security of each ECOZONE and to enforce law and order within its boundaries.

However, the REZA shall allow an ECOZONE Enterprise to hire security guards provided by private security agencies duly accredited by the REZA to oversee the safety of its office and plant. The security guards shall be subject to the supervision and to the security regulations of the REZA inside the ECOZONE. Training on such regulations which the REZA may require shall be at the expense of the ECOZONE enterprise.

The members of the internal security force may also perform the functions of escorting and guarding shipments of goods and merchandise imported tax and duty free by ECOZONE enterprises to and from the ECOZONES.

SECTION 3. *Inspection/Registration of Entering/Existing Persons and Vehicles* - The ECOZONES and other areas owned, possessed or being administered by the REZA are classified as security areas. As such all persons and vehicles entering or exiting the ECOZONES shall be subject to search and inspection. They shall be required to register and/or secure appropriate passes/clearance/permits from the

REZA. Their movement inside the ECOZONES shall be governed by security regulations of the REZA.

SECTION 4. *Identification of Person* - All ECOZONES workers, employees shall be subject to the registration and clearance procedures of the REZA. They shall wear the prescribed ECOZONE identification cards/passes at all times while inside the ECOZONE except as may provided by the REZA. The REZA reserves the right to deny to any person access to an ECOZONE for reasons of security, violation of these Rules and/or when the person sought to be excluded will hinder or seriously affect the orderly, peaceful and lawful operations of the REZA or of the ECOZONE enterprise.

SECTION 5. *Fire Protection* - The REZA shall maintain a firefighting force to ensure the enforcement of existing laws and regulations governing fire prevention, protection and safety within the boundaries of each ECOZONE. For this purpose, the REZA adopts the Fire Code of the Philippines and its implementing rules and regulations and such other regulations or issuances it may promulgate for enforcement within the boundaries of each ECOZONE.

PART VII - INCENTIVES TO ECOZONE ENTERPRISES

Rule XIII - Application and Entitlement

SECTION 1. *Application for Availment of Incentives* - All applications for availment of incentives shall be filed with REZA.

SECTION 2. *Scope of Entitlement* - New or expanding ECOZONE Developers/Operators, Export, Free Trade, Domestic Market, Utilities, Facilities and Tourism Enterprises, registered on or after the effectivity of these Rules, shall be entitled to the fiscal incentives provided in Sections 24 and 43 of the Act.

Thus, business establishment operating within the ECOZONE shall be entitled to the fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority, or those provided under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, or fiscal incentives provided by the ARMM Regional Board of Investments and such other incentives as may be provided by the Regional Legislative Assembly in an ARMM Omnibus Investment Code, or otherwise.

Furthermore, tax credits for the exporters using local materials as inputs shall enjoy the same benefits provided for in the Export Development Act of 1994.

The fiscal Incentives of business enterprises operating within the ECOZONE shall be evaluated and approved by the REZA Board.

Aside from the incentives mentioned in the preceding paragraphs, the REZA may grant the following incentives to registered enterprises to the extent of the activity/project, or as may be applicable.

A. INCOME TAX HOLIDAY OR NET OPERATING LOSS CARRYOVER INCOME TAX HOLIDAY (ITH) – Registered enterprises shall be entitled to an income tax holiday from the start of their commercial operation to the extent of their activity under the following categories:

Category A – All activities listed in the ARMM Investment Priority Plan, which includes inter alia, domestic oriented activities located within the ARMM shall be entitled to four (4) years income tax holiday.

Category B – Export-oriented activities located within the ARMM or domestic oriented activities producing/rendering distinct or new product/services shall be entitled to six (6) years income tax holiday.

Category C - Export-oriented activities or domestic oriented activities within the ARMM with (a) backward and forward linkages or strong potential for export development; and (b) listed in the ARMM Investment Priority Plan shall be entitled to eight (8) years income tax holiday.

Enterprises with existing operations that qualify for registrations shall be limited to their incremental capacities and/or incremental sales value for ITH availment.

Category D – The foregoing categories notwithstanding, an additional four (4) years shall be granted for “strategic projects”. Strategic Projects refer to activities, which exhibit high social economic returns and comply with any of the following conditions:

- i. Project would create high value-added;
- ii. Project would generate sizable employment;
- iii. Project would require large investments; or
- iv. Project would use new and internationally accepted high of technology.

A project shall be determined and approved as “STRATEGIC” by a decision of the REZA Board.

NET OPERATING LOSS CARRYOVER – The net operating loss of the business or enterprise during the first five (5) years from the start of the commercial operation which had not been previously offset as deduction from gross income shall be carried over for the next five (5) consecutive taxable years from the gross income immediately following the year of such loss; Provided however, That operating loss resulting from the availment of incentives provided in this Code shall not be entitled to NOLCO.

Registered enterprises availing of the Income Tax Holiday (ITH) as herein provided shall not be entitled to avail of the Net Operating Loss Carry Over (NOLCO) and vice-versa. Registered enterprises shall have the option to avail of

the ITH or NOLCO at the time of registration, but once the option is made, no amendment shall be allowed.

- B. **CAPITAL EQUIPMENT INCENTIVES** – Importations of capital equipment, spare parts, product consumables, or those required for pollution abatement and control including consignment thereof, by registered ecozone enterprises upon the effectivity of this law shall be exempt to the extent of one hundred percent (100%) of the taxes and custom duties; Provided, That the importation thereof shall be used exclusively by the registered enterprise in its registered activity; Provided further, That importation of source documents by enterprises engaged in information technology shall likewise be fully exempt for the period herein.
- C. **INCENTIVES ON BREEDING STOCKS AND GENETIC MATERIALS** – Importation of breeding stocks and genetic materials within ten (10) years from the date of registration of commercial operation of the enterprise shall be exempt from all taxes and duties: Provided, that such breeding stocks and genetic materials are: (a) reasonably needed in the registered activity; and (b) approved by the Board.
- D. **EXEMPTION FROM REAL PROPERTY TAX ON MACHINERY AND EQUIPMENT** – ECOZONE registered enterprises shall be fully exempt from the payment of the real property tax on equipment and machineries imposed under the Local Government Code.

E. TAX TREATMENT OF MERCHANDISE IN THE ZONE –

- (1) Except as otherwise provided in the Act, foreign and domestic merchandise, raw materials, supplies, articles, equipment, machineries, spare parts and wares of every description, except those prohibited by law, brought into the zone to be sold, stored, broken up, repacked, assembled, installed, sorted, cleaned, graded, or otherwise processed, manipulated, manufactured, mixed with foreign or domestic merchandise whether directly or indirectly related in such activity, shall not be subject to customs and internal revenue laws and regulations nor to local ordinances, the provisions of law to the contrary notwithstanding.

The Board may allow government-regulated merchandise, commodities, or goods to be brought outside the restricted area and sold into the customs territory or other areas of autonomy subject to the payment of corresponding duties and taxes. This privilege shall initially be extended to micro and small enterprises as defined under these rules.

- (2) Merchandise purchased by a registered zone enterprise from the customs territory and subsequently brought into the zone, shall be considered as export sales and the exported thereof shall be entitled to the benefits allowed by law for such transaction.

(3) Domestic merchandise on which all internal revenue taxes have been paid, if subject thereto, and foreign merchandise previously imported on which duty of tax has been paid, or which have been admitted free of duty and tax, may be taken into the zone from the customs territory of the Philippines and be brought back thereto free of quotas, duty or tax.

F. EXEMPTION FROM LOCAL TAXES AND LICENSES –

(1) Notwithstanding the provisions of law to the contrary, zone registered enterprise shall, to the extent of their construction, operation or production inside the zone be exempt from the payment of any and local government imposts, fees, licenses or taxes.

(2) Production equipment or machineries, not attached to real estate, used directly or indirectly, in the production, assembly or manufacture of the registered product of the zone registered enterprise shall be exempt from real property taxes.

SECTION 3. *Exemption from National and Local Taxes.*- Except for real property taxes on land owned by developers, no taxes, local and national, shall be imposed on business establishments operating within the ECOZONE. In lieu thereof, charges and fees amounting to three percent (3%) of the gross revenue earned by all businesses and enterprises within the ECOZONE shall be paid and remitted to the Autonomous Regional Government; another one percent (1%) of such gross revenue shall be paid and remitted to the municipalities and cities affected by the declaration of the zone in proportion to their population, area and other factors as determined by the REZA. In addition, there is hereby established a development fund of one percent (1%) of the gross revenue earned by all businesses and enterprises within the ECOZONE to be utilized for the development of the host Province and municipalities outside the ECOZONE.

The two percent (2%) share of the LGUs affected by the declaration of the ECOZONE shall be directly remitted by the business establishments to the treasurer's office of the municipalities or cities where the enterprise is located in proportion to their population, area and other factors as determined by the REZA.

However, a portion of the revenues earned shall be retained by the REZA in trust as development funds. The percentage of which shall be determined annually under the Local Fund Appropriations Act by the RLA. For the first five (5) years of operation of the REZA wherein it has actual revenues to be remitted to the autonomous regional government, the amount shall be 20% of the 5% of the gross revenues earned by ECOZONE locators.

In case of conflict between national, regional and local laws with respect to tax exemption privileges in the ECOZONE, the same shall be resolved in favor of the latter;

SECTION 4. *Additional Incentives* - In addition to the incentives in the preceding Section, new or expanding ECOZONE Export and Free Trade Enterprises shall be entitled to the fiscal incentives under the Decree, or those provided under the Code, and those provided by the BOI – ARMM provided that those availing of the Income Tax Holiday (ITH) shall not be entitled to avail of the Net Operating Loss Carry-Over (NOLCO).

New or expanding ECOZONE Developers/Operators may be entitled to the incentives provided under Section 1 (D) and (E) Rule XIV of these Rules as may be determined by the Board in accordance with the pertinent provisions of the Code and the Investment Priorities Plan prepared annually by the BOI-ARMM Board in addition to the incentives provided in Section 2 of this Rule.

ECOZONE Domestic Market, Facilities, Utilities and Tourism Enterprises may be entitled to additional incentives as provided under Section 1(f) and Section 2 (e) and (f) of Rule XVI as may be determined by the Board in accordance with the pertinent provisions of the Code and the Investment Priorities Plan.

In the availment of the foregoing additional incentives, the Board may restrict the extent the period of availment of the said incentives under the Code to ECOZONE Developers/Operators, Domestic Market, Facilities, Utilities and Tourism Enterprises. Any such restriction shall apply prospectively.

SECTION 5. *Existing PEZA-Registered Enterprises* - Enterprises registered with the Philippine Economic Zone Authority (PEZA) and the BOI-ARMM under the Decree, R.A. 7916, or the Code shall, upon approval of their application for registration with the REZA shall also be entitled to the benefits and incentives under the Act provided, however, that no double-availment of incentives shall be allowed. The total Income Tax Holiday period shall in no case exceed the maximum number of years allowed under the Act.

SECTION 6. *Limitation of Entitlement to Incentives* - Incentives granted by the REZA shall apply only to registered operations of the ECOZONE Enterprise and only during the period its registration with REZA.

Rule XIV - Incentives to Ecozone Developers/Operators

SECTION 1. *ECOZONE Developers/Operators* - ECOZONE Developers/Operators shall be entitled to the following incentives:

A. Exemption from National and Local Taxes and Licenses - An ECOZONE Developer/Operator shall, to the extent of its construction and operation, be exempt from payment of all national internal revenue taxes and all local government impost, fees, licenses or taxes, including but not limited to the following:

1. Internal revenue taxes such as gross receipts tax, Value Added Tax, ad valorem and excise taxes; and

2. Franchise, common carrier or value added taxes and other percentage taxes on public and service utilities and enterprises.

In lieu thereof, the ECOZONE Developer/Operator Enterprise shall pay the preferential final tax rate on gross income in accordance with the provisions of Rule XX of these Rules.

B. Additional Deduction for Development Expenses – One-half (1/2) of the value of the expenses incurred in the development of facilities, utilities and infrastructures of the ECOZONE as provided in Section 12(c) and Section 13(d) of the Act may be deducted from the autonomous regional government's share in the preferential tax due from the ECOZONE Developer/Operator.

C. Additional Deduction for Training Expenses - One-half (1/2) of the value of training expenses incurred in developing skilled or unskilled labor or for managerial or other management development programs incurred by an ECOZONE Developer/Operator may be deducted from the regional government's share of three percent (3%) in the preferential tax due from the ECOZONE Developer/Operator as provided in Section 24 of the Act, under such guidelines as may be prescribed by REZA in coordination with the Department of Labor and Employment.

D. Incentives under the BOT Law - Incentives provided under R.A. 6957 as amended by R.A. 7718, otherwise known as the Build-Operate-and Transfer Law, subject to such conditions as may be prescribed by the Board.

E. Other Incentives Under the Code - Other incentives available under the Code and under Section 2 of Rule XIII,, as may be determined by the Board, subject to the conditions provided under Sections 4 and 6 of Rule XIII of these Rules.

Rule XV - Incentives to Ecozone Export and Free Trade Enterprises

SECTION 1. *Exemption from Duties and Taxes on Merchandise* - Merchandise, raw materials, supplies, articles, equipment, machineries, spare parts and wares of every description brought into the ECOZONE Restricted Area by an ECOZONE Export or Free Trade Enterprise to be sold, stored, broken up, repacked, assembled, installed, sorted, cleaned, grade or otherwise processed, manipulated, manufacture, mixed with foreign or domestic merchandise whether directly or indirectly related in such activity, shall not be subject to customs and internal revenue laws and regulations of the Philippines nor to local tax ordinances. Importations of certain goods or merchandise under this paragraph shall be subject to the following conditions:

A. Importations of Capital Equipment

1. **Conditions for Duty and Tax Free Importation** - an ECOZONE Export or Free Trade Export or Free Trade Enterprise may import machineries, equipment and spare parts exempt from the payment of any and all tariff duties and internal revenue taxes due thereon subject to the following conditions:
 - a. The machinery and equipment are directly and actually needed and will be used exclusively by the ECOZONE Export or Free Trade Enterprise in its registered activity;
 - b. The importation of spare parts shall be restricted only to component spare parts for the specific machinery and/or equipment authorized to be imported; and
 - c. Subject to reasonable allowances, the rated capacity of the capital equipment to be imported must be within the registered capacity of the ECOZONE Export or Free Trade Enterprise.

2. **Sale or Disposition of Capital Equipment** - Any sale, transfer, assignment, donation or other form of disposition of originally imported capital equipment/machinery including spare parts, brought into the ECOZONE duty and tax-free, within five (5) years from date of acquisition shall require prior approval of the Board. Such approval shall be granted only if the sale or other form of disposition is made:
 - a. To an ECOZONE Enterprise entitled to duty and tax free importation of machinery, to a BOI-registered enterprise enjoying similar incentives under this Rule, to operators of BMW's/BMCTW's and/or to an export enterprise with a certificate of export-orientedness from the Bangko Sentral ng Pilipinas;
 - b. For reasons of technical obsolescence as determined by the Board;
 - c. For purposes of replacement to improve and/or expand the operations of the ECOZONE Export or Free Trade Enterprise intending to sell, transfer, assign, donate or otherwise dispose of such machinery or spare parts;
 - d. In cases of withdrawal or cessation from operations of the ECOZONE Export or Free Trade Enterprise, subject to payment of applicable duties and taxes and such other conditions as may be prescribed by the Board.

If the ECOZONE Export or Free Trade Enterprise sells, transfers or disposes of these machinery, equipment and spare parts without prior approval of the Board within five (5) years from date of acquisition,

the ECOZONE Export or Free Trade Enterprise and the vendee, transferee, or assignee shall be solidarily liable to pay twice the amount of the tax exemptions granted.

Any sale, transfer, assignment, donation or other form of disposition of capital equipment, brought into the ECOZONE duty and tax-free, after five (5) years from date of acquisition shall require prior approval of the REZA-Executive Director.

B. Importation of Construction Materials - ECOZONE Export or Free Trade Enterprises entitled to tax and duty free importation of goods or merchandise under these Rules may import construction materials and other articles that shall form part of its factory, warehouse or office building, including fixtures thereof, enclosures, driveways and auxiliary structures, subject to the following conditions:

1. The factory, warehouse or office building shall be constructed at the expense of the ECOZONE Export or Free Trade Enterprise;
2. The construction materials to be imported are not manufactured domestically in sufficient quantity, not of comparable quality and not sold locally at reasonable prices. Construction materials shall not be considered available in sufficient quantity if they cannot be made available to the ECOZONE Export or Free Trade Enterprise at the time of need or within a reasonable period. In determining whether the quality is comparable, the test, among others, will be whether or not it will conform to the plans and specifications of the ECOZONE Export or Free Trade Enterprise as approved by REZA. In determining reasonableness of the prices quoted by the domestic manufacturers or suppliers, REZA may be guided by the acquisition cost of similar construction materials imported into the Philippines, after all applicable duties and taxes were paid thereon, plus fifteen percent (15%) mark-up;
3. The construction materials to be imported are reasonably needed and will be used exclusively in the construction of the factory, warehouse or office building to be used by the ECOZONE Export or Free Trade Enterprise solely for its registered operations;
4. The approval of REZA is obtained by the ECOZONE Export or Free Trade Enterprise before the purchase order is made or before the corresponding letters of credit are opened; and
5. The construction materials shall be brought directly and physically inside the ECOZONE restricted area or such area as may be designated by REZA for this purpose and in no instance shall these be sold, transferred, assigned, donated or be disposed of in any manner in the customs territory.

- C. Importation of Specialized Office Equipment and Furniture** - Specialized office equipment and furniture such as computers, antistatic chairs, tables and others of similar nature may be imported by ECOZONE Export or Free Trade Enterprise exempt from customs duties and taxes payable thereon, if the said equipment is not manufactured domestically in sufficient quantity, not of comparable quality and not sold at reasonable price. Otherwise, ordinary office equipment and furniture, whenever applicable shall be procured locally.
- D. Importation of Specialized Vehicles and Other Transportation Equipment** - Specialized vehicles and other specialized transportation equipment, including necessary spare parts, directly related to the registered activity of the ECOZONE Export or Free Trade Enterprise, may be imported exempt from customs duties and taxes only upon prior approval of the Board. Otherwise, ordinary vehicles and other transportation equipment, including necessary spare parts, whenever applicable shall be procured locally.
- E. Importation of Professional Instruments and Household Effects** - The professional instruments and implements, tools of trade, occupation or employment, wearing apparel and personal household effects of foreign nationals who shall settle in the Philippines in connection with their registered activity, may be imported exempt from the payment of import duties and taxes: Provided, (a) That the foreign national is an executive or is employed in an ECOZONE Export or Free Trade Enterprise; and (b) That the above-mentioned articles shall not be in commercial quantities nor for hire (Section 105 (h) of the Tariff and Customs Code); and (c) That the approval of REZA is obtained by the ECOZONE Export or Free Trade Enterprise before the purchase order is made or before the corresponding letters of credit are opened.

SECTION 2. Exemption from National and Local Taxes and Licenses - The same incentives as provided for under Section 1(A) of the Rule XIV and Rule XX of these Rules shall likewise apply to ECOZONE Export and Free Trade Enterprises.

SECTION 3. Tax Credit for Import Substitution

- A. Entitlement** - ECOZONE Export or Free Trade Enterprises exporting non-traditional products which use or substitute locally produced raw materials, capital equipment and/or spare parts may be granted a tax credit equivalent to twenty-five percent (25%) of the duties that would have been paid had these inputs been imported.

To be eligible for tax credit, the ECOZONE Export or Free Trade Enterprise exporting a non-traditional product must have used locally produced raw materials, capital equipment and/or spare parts or has substituted locally produced raw materials, capital equipment and/or spare parts for similar articles previously imported.

- B. Determination of Whether Product is Traditional or Non-Traditional -**
The determination of whether an export product is traditional or non-traditional shall be governed by the criteria as provided in Republic Act No. 7844, otherwise known as the Export Development Act of 1994. Thereafter, on the basis of said criteria, products identified as traditional export products shall not be qualified for the tax credit under this Rule

SECTION 4. *Exemption from Wharfage Dues, Export Tax, Impost or Fee* - An ECOZONE Export or Free Trade Enterprise shall be exempt from payment of wharfage dues and any export tax, impost or fee on the exportation of its registered export products or, in the case of an ECOZONE Free Trade Enterprise, on foreign merchandise transshipped through its ECOZONE facilities.

SECTION 5. *Additional Deduction for Training Expenses* - The same incentives as provided for under Section 1(C) of Rule XIV of these Rules shall likewise apply to ECOZONE Export or Free Trade Enterprises.

SECTION 6. *Other Incentives*

A. Income Tax Holiday

1. *Period of Availment* - New ECOZONE Export or Free Trade Enterprises shall be fully exempt from income taxes levied by the National Government for the period as follows:
 - a. Category – All the activities listed in the ARMM Investment Plan, which includes inter alia, domestic-oriented activities located within the ARMM shall be entitled to Four (4) years from the commercial operation.
 - b. Category – B Export-oriented activities producing/rendering distinct or new products/services shall be entitled to Six (6) years from commercial operations.
 - c. Category C - Export-oriented activities or domestic oriented activities within the ARMM with (i) backward and forward linkages or strong potential for export development, and; (ii) listed in the ARMM Investments Priority Plan shall be entitled to Eight (8) years from commercial operation.
 - d. Category D – The foregoing categories notwithstanding, an additional Four (4) years shall be granted for “strategic projects”. Strategic Projects refer to activities which exhibit high socio-economic returns and comply with any of the following conditions: (i) project would create high value-added; (ii) project would generate sizable employment; (iii) project would require large

investments; (iv) project would use new and internationally accepted level of technology.

2. *Entitlement for New Expansion Projects*

- a. New Projects - In exceptional cases, ECOZONE Export or Free Trade Enterprises undertaking new activities distinct from their registered operations may qualify as new projects subject to the setting up of separate books of accounts. In such cases, the income tax holiday shall apply only to sales of the new products.
- b. Expansion Projects - The income tax holiday for expansion projects, as defined in Section 2(w), Rule I of these Rules shall apply only to the extent of the actual increase in production.

3. *Expansion* - Expansion may include modernization or rehabilitation which, to be registrable, may or may not result in increase capacity but in any case, subject to the following conditions:

- a. Phases/stages of production sought to modernized/rehabilitated must be identified; and
- b. It must result in any of the following:
 - i) substantial reduction of production cost; and
 - ii) significant increase in production efficiency including debottlenecking;
 - iii) meaningful upgrading of product quality;
 - iv) keeping abreast with the state of the art in the production of the registered product.

The rate of exemption from income tax of expansion projects shall be computed as follows:

$$\text{Rate of Exemption} = \frac{\text{Incremental Sales of the Registered Product}}{\text{Total Sales of the Registered Product}}$$

The term "Sales" as indicated in the above formula shall be expressed in volume in case of homogenous products and value in case of heterogeneous products.

4. In general, modernization and rehabilitation shall not be entitled to income tax holiday.

5. Where the start of commercial operations does not coincide with the first month of the taxable year of the ECOZONE Enterprise, the rate of exemption from income tax shall be computed in the following manner:
 - c. Get the total sales for the whole taxable year.
 - d. Deduct the base figure from the total sales (a) to get the incremental sale.
 - e. The rate of exemption is determined by dividing the incremental sales (b) by the total sales (a.).
 - d. The rate of exemption shall apply only to the total income tax due arising from sales of the registered product.
 - e. For this purpose, the base figure shall mean the highest attained sales in volume in case of homogenous products or value in case of heterogeneous products of the ECOZONE Export or Free Trade Enterprise for any one (1) year within the last three (3) years prior to the year of expansion.
 - f. The rate of exemption shall be further computed in proportion to the number of months of the expanding firms commercial operations during a given year.
 - g. The rate of exemption for the last taxable year of avilment shall be computed in the same manner as above-mentioned: Provided, However, that the rate of exemption shall be applied on the income tax due on sales during the months that the ECOZONE Export or Free Trade Enterprise is entitled to income tax holiday.
6. *Additional Period of Availment* - For ECOZONE Export or Free Trade enterprises, the income tax holiday incentive may be extended for an extra year in each of the following cases but in no case to exceed a total period of eight (8) years for pioneer registered enterprises:
 - a. If the ratio of the total imported and domestic capital equipment to the number of workers for the project does not exceed US\$10,000.00 to one worker, or as prescribed by the Board;
 - b. If the average cost of indigenous raw materials used in the manufacture of the registered product is at least fifty percent (50%) of the total cost of raw materials for the preceding years prior to the extension unless the Board prescribes a higher percentage;
 - c. If the net foreign exchange savings or earnings amount to at least US\$500,000.00 average annually during the first three (3) years of operations to be determined by the Board at the end of such three-

year period: Provided, That the foregoing foreign exchange savings criterion shall apply, as a general rule, to ECOZONE Export or Free Trade Enterprises whose products are totally imported into the country at the time of registration and duly indicated as imports substation in firm's approved project proposal.

For the purpose of availment of this incentive, the ECOZONE Export or Free Trade Enterprise shall apply in writing to REZA for the additional period and shall submit proof of compliance with the criteria above-mentioned.

7. Determination of Pioneer/Non-Pioneer Status

- a. Investment Priorities Plan** - As a general policy, the basis for determining whether an area of economic activity may be considered pioneer or non-pioneer shall be the Investment Priorities Plan prepared yearly by the Board of Investments. In the absence thereof, the applicable criteria shall be formulated by REZA.
- b. Non-Pioneer Status** - An area of activity shall be accorded non-pioneer status if it may be determined categorically as falling in such classification using the Investment Priorities Plan (IPP). Accordingly, the approval of the application for registration as an ECOZONE Export or Free Trade Enterprise shall indicate such status and the corresponding incentives the ECOZONE Export or Free Trade Enterprise may avail of under the Act.
- c. Pioneer Status** - Pioneer status may be extended to an ECOZONE Export or Free Trade Enterprise only after the evaluation of their application for such status.

B. Tax Credit on Domestic Capital Equipment

A tax credit equivalent to one hundred percent (100%) of the value of national internal revenue taxes and customs duties that would have been waived on the machinery, equipment and spare parts, had these items been imported shall be given to the new or expanding ECOZONE Export or Free Trade Enterprise which purchases machinery, equipment and spare parts from a domestic manufacturer: Provided, (1) That the said equipment, machinery and spare parts are reasonably needed and will be used exclusively by the registered enterprise in its registered activity; (2) That the equipment would have qualified for tax and duty exemption under Section 1 of this Rule; and (3) That the approval of the Board was obtained by the registered enterprise. In case the registered ECOZONE Export or Free Trade Enterprise sells, transfers, or disposes of these machinery, equipment and spare parts, the provisions of Section 1(A)(2) of this Rule shall apply.

The period of availment of this incentive shall be determined in accordance with Section 3 and 5 Rule XIII of these Rules. Further, in consonance with Sec. 1(A) of Rule XV, other ECOZONE enterprises may also avail of this incentive.

C. Importation of Breeding Stocks and Genetic Materials

1. *Extent of Availment* - The importation of breeding stocks and genetic materials by an ECOZONE Export Enterprise shall be exempt from taxes and duties. Such importation shall cover breeding stocks and genetic materials necessary for expansion or improvement or for replacement of proven unproductive breeding stock and genetic materials. The period of availment of this incentive shall be determined in accordance with Sections 3 and 5, Rule XIII of these Rules.
2. *Conditions for Availment* - Tax and duty free importation of breeding stocks and genetic materials shall be authorized under the following conditions:
 - a. That the strains/breeding stocks to be imported are not domestically available at reasonable prices;
 - b. That they shall be used exclusively by the registered producer for the improvement of the strains/breeding stocks of its livestock's, poultry, fish and/or plants; and
 - c. That prior approval of the Board must have been obtained by the registered enterprise before the purchase order was made or before the opening of the corresponding letters of credit.
3. *Prior Approval of Sale or Disposition of Breeding Stocks and Genetic Materials* - Any sale, transfer or disposition of the breeding stocks and genetic materials purchased under Article 39(l) of the Code shall require prior Board approval if such sale, transfer or disposition is made within:
 - (a) four (4) years from date of acquisition in cases of large cattle as the term is understood in agriculture; or
 - (b) two (2) years from date of acquisition in cases of poultry as the term is understood in agriculture.

D. Tax Credit on Domestic Breeding Stock and Genetic Materials

1. *Extent of Entitlement* - An ECOZONE Export Enterprise which purchases breeding stocks and genetic materials from a domestic producer shall be entitled to a tax credit equivalent to one hundred percent (100%) of the value of national internal revenue taxes and customs duties that would have been waived on the breeding stocks and genetic materials had these items been imported.
2. *Prior Approval of Sale, Transfer or Disposition* - Any sale, transfer or disposition of breeding stocks and genetic materials purchased from

domestic producers shall be subject to the same conditions provided for the sale, transfer or disposition of imported breeding stocks and genetic materials under Section 6(C)(3) of this Rule.

E. Additional Deduction for Labor Expense

For the first five (5) years from registration, a qualified ECOZONE Export or Free Trade Enterprise shall be allowed to deduct from its taxable income an amount equivalent to fifty percent (50%) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers subject to the following conditions:

1. That the ratio of imported and domestic capital equipment to the number of workers of the firm does not exceed US\$10,000.00 to one worker;
2. The ECOZONE Export or Free Trade Enterprise does not avail of this incentive simultaneously with the income tax holiday incentive; and
3. That in the event the ECOZONE Export or Free Trade Enterprise, except those engaged in mining or forestry-based activities, should be located in a less-developed area as defined in Title IV of the Code, it shall be allowed to deduct one hundred percent (100%) of the wages above-mentioned.

F. Unrestricted Use of Consigned Equipment

The use of consigned machinery, equipment and spare parts which are reasonably needed in the registered operations and for the exclusive use the ECOZONE Export or Free Trade Enterprise beyond the period permitted under other laws, rules and regulations may be permitted by REZA.

SECTION 7. *Other Incentives* - An ECOZONE Export or Free Trade Enterprise not availing of the incentives under Section 6 herein may avail of the incentives under the Decree subject to the regulations that shall be prescribed by the Board. Further, other incentives available under the Code and under Section 2 of Rule XIII shall also apply to Ecozone Export of Free Trade Enterprises, as may be determined by the Board, subject to the conditions provided under Sections 4 and 6 Rule XIII.

Rule XVI - Incentives to Ecozone Domestic Market, Facilities, Utilities and Tourism Enterprises

SECTION 1. *Domestic Market Enterprise* - ECOZONE Domestic Market Enterprise shall be entitled to the following incentives:

- a. Exemption from national and local taxes in lieu thereof, payment of the a preferential tax rate on gross income under Section 1(A) of Rule XIV and Rule XX of these Rules;
- b. **Capital Equipment Incentive** – The same incentive as provided for under Section 2(B) of Rule XIII hereof shall also apply to Ecozone Domestic Market Enterprises subject to the same conditions under Section 1(A) of Rule XV;
- c. **Importation of Breeding and Genetic Materials** – The same incentive as provided for under Section 2(C) of Rule XII hereof shall also apply to Ecozone Domestic Market Enterprises subject to the same conditions under Section 6(C) of Rule XV;
- d. **Importation of construction materials by Ecozone Utilities Enterprises** - The same incentive as provided for under Section 1(B) of Rule XIV hereof shall also apply to Ecozone Utilities Enterprises;
- e. **Additional Deduction for Training Expenses** - The same incentive as provided for under Section 1(C) of Rule XIV hereof shall also apply to ECOZONE Domestic Market Enterprises; and,
- f. Other incentives available under the Code and under Section 2 of Rule XIII, as may be determined by the Board, subject to the conditions provided under Sections 4 and 6 of Rule XIII.

SECTION 2. *ECOZONE Facilities, Utilities and Tourism Enterprises* - ECOZONE Facilities, Utilities and Tourism Enterprises shall be entitled to the following incentives:

- a. Exemption from national and local taxes and lieu thereof, payment of the preferential tax rate on gross income under Section 1(A) of Rule XIV and Rule XX;
- b. **Capital Equipment Incentive** – The same incentive as provided for under Section 2(B) of Rule XIII hereof shall also apply to Ecozone Domestic Market Enterprises subject to the same conditions under Section 1(A) of Rule XV;
- c. **Importation of Breeding and Genetics Materials** – The same incentive as provided for under Section 2(C) of Rule XIV hereof shall also apply to Ecozone Domestic Market Enterprises subject to the same conditions under Section 6© of Rule XV;
- d. **Importation of construction materials by Ecozone Utilities Enterprises** - The same incentive as provided for under Section 1(B) of Rule XIV hereof shall also apply to Ecozone Utilities Enterprises;

- e. **Additional Deduction for Training Expenses** - The same incentives as provided for under Section 1(C) of Rule XIV hereof shall also apply to ECOZONE Domestic Market Enterprises; and,
- f. Other incentives available under the Code and under Section 2 of Rule XIII, as may be determined by the Board, subject to the conditions provided under Sections 4 and 6 of Rule XIII.

Rule XVII - Permanent Resident Status for Foreign Investors

SECTION 1. *Permanent Resident Status* - Subject to the conditions under Rule XII of these Rules and such guidelines as may be formulated by the REZA Board, any investor within the ECOZONE whose initial personal investments shall not be less than Seventy Five thousand dollars (US\$75,000.00), his/her spouse and dependent children under twenty-one (21) years of age shall be granted permanent resident status within the ECOZONE. They shall have freedom of ingress and egress to and from the ECOZONE without need of special authorization from the Bureau of Immigration.

Rule XVIII - Employment of Foreign Nationals

SECTION 1. *Entitlement* - Pursuant to Section 10 of the Act, ECOZONE Enterprises may employ foreign nationals in executive, supervisory, technical and advisory positions: Provided, That executive positions shall pertain only to the president, vice-president, treasurer and general manager, or their equivalents: Provided, further, That the total number of foreign nationals employed by an ECOZONE Enterprise in supervisory, technical or advisory positions shall not at any time exceed ten percent (10%) of its workforce unless expressly authorized by the Secretary of Labor and Employment - ARMM: Provided, That foreign nationals may be employed in supervisory, technical or advisory positions only if it is certified by the Department of Labor and Employment – ARMM that no Filipino within the ECOZONE possesses the technical skills required therefore.

SECTION 2. *Length of Employment* - An ECOZONE Enterprise may employ foreign nationals for a period not exceeding five (5) years from its registration, extending within limited periods depending upon the need of the ECOZONE Enterprise as determined by REZA: Provided, That the ECOZONE Enterprise seeking such extension must have satisfactorily complied with the training program required under this section: Provided, however, That when the majority of the capital stock of an ECOZONE Enterprise is owned by foreign nationals, the positions of president, treasurer and general manager or their equivalents may be retained by foreign nationals.

SECTION 3. *Training Program and Annual Reports* - An ECOZONE Enterprise employing foreign national exercising supervisory, technical or advisory functions shall provide a training program for Filipinos to be conducted by said foreign nationals each in his own specialized line: Provided, That every foreign nationals shall have at least two (2) Filipino understudies and such training shall be done

regularly during regular office hours: Provided, further, That the ECOZONE Enterprise shall submit its program for training Filipinos in the functions of the foreign national within thirty (30) calendar days from arrival of said foreign national or from the day he reports for duty, or from the date of registration in case the foreign national was employed before registration: Provided, finally, That the ECOZONE Enterprise shall submit an annual progress report to REZA on such training program within the month of June each year containing the following data:

- a. Name of the foreign national and his field of specialization as prescribed in the program;
- b. Names and address of Filipinos understudies under him;
- c. Number of hours of actual training for each understudy and specific subject(s) covered; and
- d. Reasons why Filipino understudies cannot yet take over the work of the foreign national, if such be the case.

SECTION 4. *Spouse and Unmarried Minor Children* - The spouse and unmarried children under twenty one (21) years of age of the foreign nationals employed under the provisions of the Act shall be permitted to enter and reside in the Philippines during the period of employment of such foreign national in the ECOZONE Enterprise.

Rule XIX - Remittance of Earnings from Investments

SECTION 1. *After Tax Profits* - In accordance with Section 28 of the Act, after tax profits and other earnings of foreign investments in ECOZONE Enterprises may be remitted outward without the need of prior approval by the Bangko Sentral ng Pilipinas on the equivalent foreign exchange through any of the banks licensed by the Bangko Sentral ng Pilipinas in the ECOZONE: Provided, however, That such foreign investments in said ECOZONE Enterprise have been previously registered with the Bangko Sentral ng Pilipinas.

Rule XX - Gross Income Taxation

SECTION 1. *Special Tax Rate* - Pursuant to Section 24 of the Act, ECOZONE Enterprises shall, in lieu of payment of national and local taxes, be liable to the payment of a preferential final tax rate on gross income earned to be paid and remitted as follows:

- a. 3% to the Regional Government;
- b. 1% to the Cities and Municipalities affected by the declaration of the ECOZONE to be distributed in proportion to their population, land area, and equal sharing factors; and

- c. 1% for the establishment of a development fund to be utilized for the development of the host province and the municipalities outside and contiguous to each ECOZONE: Provided, That the respective share of the affected local government unit shall be determined on the basis of the following formula:

Population	-	50%
Land Area	-	25%
Equal Sharing	-	25%

SECTION 2. *Gross Income Earned, Allowable Deductions* - For purposes of these Rules, Gross Income earned shall be as defined in Section 2(bb), Rule I of these Rules subject to the following allowable deductions for specific types of enterprises:

A. Ecozone Export Enterprises, Free Trade Enterprises and Domestic Market Enterprises

- Direct salaries, wages or labor expenses
- Production supervision salaries
- Raw materials used in the manufacture of products
- Goods in process (intermediate goods)
- Finished goods
- Supplies and fuels used in production
- Depreciation of machinery and equipment used in production and buildings owned or constructed by an ECOZONE Enterprise
- Rent and utility charges associated with building, equipment and warehouses, or handling goods
- Financing charges associated with fixed assets

B. ECOZONE Developer/Operator, Facilities, Utilities and Tourism Enterprises

- Direct salaries, wages or labor expenses
- Service supervision salaries
- Direct materials, supplies used or resold to another ECOZONE Enterprise
- Depreciation of machinery, equipment and buildings owned and/or constructed
- Financing charges associated with fixed assets
- Rent and utility charges for buildings and capital equipment

SECTION 3. *Returns and Payment of Tax* - The total amount representing 5% of the gross income earned by the ECOZONE Enterprise from the operation of its business activity in the ECOZONE shall be paid and remitted to the Commissioner of Internal Revenue or his duly authorized agent on or before the 15th day of the fourth month following the close of the taxable year.

- A. Requirements** - Every ECOZONE Enterprise subject to the preferential final tax rate on gross income earned as prescribed in Section 24 of the Act, shall render in duplicate a true and accurate quarterly return and final or adjustment return in accordance with provision of Sections 68 and 69, Chapter IX, Title II of the National Internal Revenue Code, as amended. The return shall be filed by the President, Vice-President or other responsible officer of the Enterprise and shall be sworn to by such officer and by the treasurer or assistant treasurer. For small and micro enterprises, however, the return accompanied by a statement of income and expenses duly attested by the proprietor or responsible officer may be filed and the corresponding 5% tax on gross income paid on an annual basis.
- B. Place of Filing** - The quarterly return and the final or adjustment return required in the preceding paragraph shall be filed with the Bureau of Internal Revenue (BIR) Revenue District Officer or the collection agent/accredited bank located within the Ecozone or, in the absence thereof, in the immediate vicinity of the Ecozone.
- C. Time for Filing the Return/Payment of Tax** - The provisions of Section 68 and 69 of the National Internal Revenue Code, as amended, and existing regulations regarding the time for filing of quarterly and final or adjustment returns and payment of the tax imposed herein, as well as the requirements of withholding and remittance of the tax under Sections 50(a) and (b) and 51, Chapter VI of Title II of the National Internal Revenue Code and the implementing regulations shall apply to ECOZONE Enterprises.

SECTION 4. *Remittance of Amounts Collected* - Amounts so collected representing the 5% final tax paid by ECOZONE enterprises, shall be remitted by the BIR collecting agency as follows:

1. 3% thereof, to the ARMM;
2. 1% thereof, to the treasurer/s of the Local Government Units concerned;
and
3. 1% Local Development Fund to the LGUs concerned.

However, for the first five (5) years of operation of the REZA wherein it has actual revenues to be remitted to the regional government and the LGUs, 20% of the 5% gross income tax shall be retained by the REZA as its development fund.

Rule XXI - Conditions for Availment of Incentives and Other Privileges

SECTION 1. *Compliance with Obligations* - The ECOZONE Enterprise shall observe and abide by the provisions of the Act, the applicable provisions of the

Decree and/or Code, and these Implementing Rules and Regulations, and take adequate measures to ensure its obligations there under as well as those of its officers, employees and stockholders are faithfully discharged.

SECTION 2. *Compliance with Directives* - The ECOZONE Enterprise shall comply with the directives and circulars which REZA may issue from time to time in pursuance of its powers under the Act.

SECTION 3. *Compliance with Pre-Registration/Registration Conditions* - The ECOZONE Enterprise shall comply with all the pre-registration and registration conditions as required by the Board/REZA and/or as stipulated in its registration agreement with or permits/franchise issued by REZA at specified periods therein defined.

SECTION 4. *Compliance with Reportorial Requirements* - An ECOZONE Enterprise shall maintain a distinct and separate book of accounts for its operations inside the ECOZONE and shall submit financial and other reports/documents to REZA on or before their respective due dates as follows:

REPORTS	DUE DATE
A. Copies of Audited Financial Statements <input type="checkbox"/>	Thirty (30) calendar days from the date of filing with the BIR Bureau of Internal Revenue
<input type="checkbox"/>	Balance Sheet
<input type="checkbox"/>	Income Statement
<input type="checkbox"/>	Statement of Cost of Sales
<input type="checkbox"/>	Statement of Operating & Administrative Expenses
B. Income Tax Returns <input type="checkbox"/>	Fifteen (15) calendar days from filing thereof
C. Amendment to the Articles of Incorporation or By-Laws amendments <input type="checkbox"/>	Thirty (30) calendar days from date of registration of said amendments with the Securities and Exchange Commission
D. Replacement of any director or other principal officer, replacement with an indication of the nationality of each officer and accompanied by a copy of his certificate of citizenship, if a naturalized Filipino <input type="checkbox"/>	Thirty (30) calendar days after said change
E. Any change in equity ownership <input type="checkbox"/>	Thirty (30) calendar days after said change

- F. Annual Reports
- March 31 of each year
 - Inventory Report of Finished Goods, Raw Materials and Work-in-Process
 - Value-Added
 - Net Dollar Earnings
 - Dollar Cash Flow Statement
 - Report on Long Term Loan
 - Report on Capital Account and Shares of Equity
 - List of Stockholders
 - List of Principal Officers
 - List of Foreign Nationals/Technicians
 - List of Training Program
 - List of Machinery and Equipment
- G. Notice of Start of Commercial Operations Seven (7) days from said date
- H. Other Reports which are submitted by the enterprise to other government agencies like Central Bank, GTEB, DOLE, BIR, SSS, etc. Fifteen (15) calendar days from filing thereof
- I. Such other reports as may be required by REZA through appropriate circulars/memoranda. As may be prescribed in REZA circulars/memoranda

SECTION 5. *Delinquent Enterprises* - Availment of incentives by an ECOZONE Enterprise under these Rules shall be allowed only if said enterprise is not delinquent in the payment of its accounts with REZA, if any, or in its compliance with any of the obligations, terms and conditions above-defined.

SECTION 6. *Duration* - All incentives in favor of ECOZONE Enterprise shall continue, as long as they remain in good standing and commit no violation of the Act, these Rules and Regulations, pertinent circulars and directives promulgated there under, or the terms and conditions of their registration agreement, permit or franchise unless otherwise provided for in the Act, these Rules and Regulations and registration agreement.

PART VIII - IMMIGRATION REGULATIONS

Rule XXII - Working and Residency Visas

SECTION 1. *General Provisions* - Except as provided in the Act, these Rules and other subsequent rules of the REZA, all laws of the Philippines concerning the entry and immigration of persons into the Philippines and their departure and emigration there from shall be applicable in the ECOZONES to persons arriving

directly in the ECOZONES from a foreign country or departing directly from the ECOZONE to a foreign country.

SECTION 2. *Responsibility and Authority* - All laws of the Philippines, including the Act, these Rules, and other subsequent rules of the REZA concerning the entry, immigration, departure, or emigration of persons, including their arrival directly in or departure directly from the ECOZONE shall be carried out within the ECOZONE by the personnel of the REZA in coordination with the Bureau of Immigration.

SECTION 3. *Work and Residency Visas* - The REZA shall issue temporary work and residency visas to foreign nationals under the conditions and provisions of these Rules. Upon application by an ECOZONE Enterprise, the REZA may issue work visas which are valid for and renewable every two (2) years to foreign nationals who possess executive or highly-technical skills not possessed by a Filipino citizen within an ECOZONE as certified by the Department of Labor and Employment - ARMM. The ECOZONE Enterprise shall apply to the REZA for renewal not less than thirty (30) days before the scheduled expiration date of the work visas, and shall inform the REZA whenever the employment of a foreign national is terminated by reason of contract expiration or termination, firing, redundancy, or other removal. The temporary work visas shall be automatically terminated upon:

- a. Non-renewal of the visa, whether by reason of failure of the ECOZONE Enterprise to apply for renewal or determination made by the REZA;
- b. Expiration of the contract under which the foreign national is working;
- c. Discharge or other termination of the foreign national by the ECOZONE Enterprise;
- d. Dissolution of the employing firm or revocation of its ECOZONE registration;
- e. Acceptance of work for compensation outside the ECOZONE without the approval of the REZA;
- f. Death of the foreign national;
- g. Conviction, by a competent court of any offense defined by the Revised Penal Code or special or other laws;
- h. Commission of acts inimical to national security, public interest, health, welfare and morals; and
- i. Determination by the REZA of any other reason or circumstance by which the work of the foreign national is no longer needed in the ECOZONE.

SECTION 4. *Revocation of Temporary Work Visa* - The REZA may, after appropriate hearing, revoke a temporary work visa for any violation by the foreign national or his or her dependent(s) of (i) any Philippine law or regulation, including the Act (ii) these Rules and other regulations of the REZA or (iii) the terms and conditions for the issuance of the visa.

SECTION 5. *Temporary Residency Visas* - Temporary residency visas may be issued by the REZA to any foreign national to whom a work visa has been issued and to her or her spouse and dependent children under 21 years of age. The temporary residency visas of the foreign national, spouse and children are valid for residence either inside the ECOZONE or the customs territory during the period of validity of the work visa. The temporary residency visas shall be deemed terminated upon the termination or revocation of the work visa of the foreign national in accordance with Section 3 of this Rule.

SECTION 6. *Reportorial Requirements* - The names of foreign nationals who are granted temporary work or residency visas, or whose work residency visas are terminated or revoked, shall be reported by the REZA to the Bureau of Immigration within thirty (30) days after issuance, termination or revocation.

SECTION 7. *Temporary Residency Visas* - The REZA shall issue permanent residency visas to foreign nationals under the conditions and provisions of these Rules.

SECTION 8. *Temporary Residency Visas for Investors* - The REZA may issue a temporary residency visa within an ECOZONE to any investor who has made and continues to maintain an investment of not less than SEVENTY FIVE THOUSAND DOLLARS (US\$75,000.00) within the ECOZONE. This privilege may extend to the investors spouse and dependent children under 21 years of age. The visa shall be provided upon application by the investor upon submission of evidence of investment, which may be in the form of:

- a. Establishment of an ECOZONE Enterprise or other direct investment within the ECOZONE;
- b. A cash grant or interest-free loan to the REZA or to an ECOZONE Enterprise for the purpose of making capital investments by the recipient in the ECOZONE;
- c. A purchase of an ECOZONE; and
- d. A donation in kind to the REZA or an ECOZONE Enterprise of equipment or materials for capital improvement purposes.

SECTION 9. *Revocation or Termination of Permanent Residency Visa of Investor* - The permanent residency visas of the investor, spouse and children automatically terminates when the investor, his spouse, children or any other individual or entity acting in his behalf, takes the investment or any substantial portion thereof out of

the ECOZONE through sale or receive payment, in cash or in kind, for grants, donations, or interest-free loans other than the return of principal. The REZA may also revoke summarily or after hearing the permanent residency visa of any investor, spouse or child on the same grounds enumerated in Section 3 and 4 of this Rule, as may be applicable.

SECTION 10. *Reportorial Requirements* - The names of foreign nationals who are granted temporary residency visas or whose residency visas are terminated or revoked by the REZA shall be reported by the REZA to the Bureau of Immigration within thirty (30) days after issuance, termination or revocation. The residency visa is valid only for the ECOZONE and not for the customs territory. However, persons with residency visas may enter and leave the ECOZONE without any special authorization from the Bureau of Immigration.

PART IX - INDUSTRIAL HARMONY IN THE ECOZONES

Rule XXIII - Labor and Management Relations

SECTION 1. *Objective and Policy* - The REZA adopts a policy of industrial peace and productivity within the ECOZONE thru cooperation between labor and management to eliminate unnecessary conflicts and providing for effective mechanisms in the early settlement of disputes.

SECTION 2. *Labor Code* - The Labor Code of the Philippines shall govern the relationship between labor and management of the ECOZONE registered enterprises. Salaries and benefits and working conditions for personnel employees shall not be diminished beyond those prescribed in the Labor Code and relevant laws, issuances and other pertinent rules and regulations of the government.

SECTION 3. *Labor Center* - Consistent with the one stop shop center, a Labor Center shall be established within the ECOZONE. Under the supervision of the ECOZONE Administrator, the Center shall be handled by the ECOZONE's Human Resources Unit in coordination with a Tripartite Oversight Committee composed of a representative from the Department of Labor and Employment - ARMM, a representative from the labor sector and one from the management sector. It shall serve as a window for all labor related activities and shall offer services for the following:

- a. **MANPOWER POOL** - The Labor Center shall maintain a bulletin for job opportunities and an index of job applicants. A manpower bank consisting of an index of available work force within the vicinity and neighboring areas of the ECOZONE shall be continually updated and maintained.
- b. **TRAINING** - In coordination with the Technical Education and Skills Development Authority (TESDA) created under R.A. 7796, the REZA shall provide facilities that will assist workers to learn skills, to retrain and enhance acquired skills as the case may be and to provide training

modules and materials and other technical assistance and facilitation services. REZA may likewise solicit coordination with other government agencies or non-government organization for training purposes.

SECTION 4. *Priority in Hiring* - On a best effort basis and in consultation with the local government units, ECOZONE enterprise shall give priority in hiring workers from the immediate community to prevent and to mitigate the migration of workers to other areas.

SECTION 5. *Migrant Workers* - The REZA, in coordination with the local government unit and other appropriate government and non-government organizations, shall implement an integrated program to address the housing, health and social needs of migrant workers.

SECTION 6. *Tripartite Body* - A tripartite body shall be created to formulate a mechanism under a social pact for the enhancement and preservation of industrial peace in the ECOZONE.

The body shall be composed of one (1) representative each from the Department of Labor and Employment - ARMM, labor and business sectors with the REZA acting as the Secretariat.

The policies and declarations to be formulated by the body shall be embodied in a formal document and disseminated to all parties concerned. It shall then act as a guide in all actions to be taken by the REZA as well as the ECOZONE Advisory Council in the maintenance and promotion of sound labor-management relations within the ECOZONE.

SECTION 7. *Master Employment Contract* - The REZA in coordination with DOLE - ARMM shall prescribe a master employment contract for every ECOZONE enterprise staff members and workers. The master contract shall indicate the terms and conditions of employment which shall include the following:

1. Salaries and wages according to trades or industry sectors, consistent within the ECOZONE and not less than the minimum wage prescribed in the region;
2. Summary of benefits given by the enterprise;
3. Terms and employment whether probationary learner or apprentice, permanent, contractual or any other special arrangements;
4. Working hours or periods; and
5. Highlights of pertinent working conditions under the Labor Code of the Philippines.

Labor and management are, however, not precluded from entering into a Collective Bargaining Agreement which best reflects their mutual covenants in accordance with the provisions of the Labor Code of the Philippines and other laws and issuances.

PART X - PROTECTION OF THE ENVIRONMENT

Rule XXIV - Guiding Environmental Policies and Regulations

SECTION 1. *Environmental Standards* - The REZA, in coordination with appropriate government agencies, shall implement, established policies and guidelines to ensure environmentally and socially acceptable development of industrial areas in the respective ECOZONES under its jurisdiction. Specific regulations to protect and conserve environmental quality in the ECOZONES as may be promulgated by the REZA shall be consistent with those of the national government and shall aim to maintain the water and air quality standards established by the Department of Environment and natural Resources (DENR) - ARMM for the respective areas.

SECTION 2. *Agreements* - The REZA may shall enter into a Memorandum of Agreement with the Department of Environment and Natural Resources - ARMM, National Water Resources Board and other concerned government agencies for an integrated and simplified implementation of environmental regulations, resource conservation, compliance monitoring and development controls.

REZA policies and guidelines for the establishment and implementation of development controls of ECOZONES, industrial estates and the like, may be based on the technical details of the eco-profile of the area as determined by the DENR.

SECTION 3. *Pre-Registration Requirement* - As a pre-registration requirement, an ECOZONE Developer/Operator shall be required to subject itself to the programmatic compliance procedures of the Environmental Impact Statement (EIS) system and to secure an Environmental Compliance Certificate (ECC).

Likewise, industries within the ECOZONE shall be required to submit or pre-or-post registration requirement on environmental Impact Statement (EIS) or a Project Description (PD), whichever is applicable, in order to be granted an ECC. The terms and conditions of an ECC. The terms and conditions of such ECC shall be based on the discharge allocation and other limits imposed on the respective ECOZONE where it is located. However, bearing in mind the goal of dispersing the benefits of the Act to as many participants in the business sector as possible, the Board may exempt from this requirement micro and small enterprises which clearly have no negative impact on the environment due to their size and nature of operations.

SECTION 4. *Regulatory Functions* - The REZA shall formulate and implement environmental policies and regulations, issue permits and/or clearances and grant

franchise to entities that will engage in environmental management within the ECOZONES.

An environmental units shall be established within each ECOZONE to monitor compliance in the area based on the limits set in the respective ECC's and conduct or cause to be conducted regular sampling and testing of regulated emissions, dusts, particulates, effluents, sludge, noise levels and other concerns.

SECTION 5. *Waste Management Program* - Each ECOZONE shall be required to establish and adopt a sound waste management program specifically but not limited to solid waste, sludge and effluents. Said program shall be monitored and validated by the proper authorities on a periodic basis.

If necessary, REZA shall require an industrial firm to subject itself to Pollution Management Appraisal (PMA).

SECTION 6. *Environmental Management Services* - The REZA shall have the option to develop, establish, manage and operate, or to privatize, through the grant of franchise, to, or under a build-operate-transfer scheme under Republic Act 6957, as amended, with private companies, developers or practitioners, services and physical infrastructure related to environmental management. This shall include among others, wastewater and sludge sampling and testing, wastewater treatment facilities, incinerators, sanitary landfills, environmental laboratories, and other waste treatment facilities (WTF).

In no case, however, shall any WTF operator be allowed to bring onto the ECOZONE for treatment, sorting, recycling or any other process industrial wastes from other industries operating outside the jurisdiction of the REZA.

The ECOZONE Enterprise participating in a waste exchange program may be allowed to transport or cause to be delivered to its plant such industrial wastes certified to be utilized as raw materials in its registered activity, subject to established guidelines on waste handling and transport.

SECTION 7. *Adoption of Environmental Laws and Regulations* - All Philippine environmental laws particularly Presidential Decrees 984, 1151, 1152, 1586, as well as Republic Acts Nos. 6969 and 7526 and 7526, including Memorandum Circulars and Administrative Order of the DENR an the corresponding implementing guidelines relevant to the operation of the REZA are hereby adopted without prejudice to other rules and regulations that may be prescribed by the REZA on environmental protection.

PART XI - OTHER PROVISIONS`

Rule XXV - Miscellaneous and Transitory Provisions

SECTION 1. *Applicability* - These Rules shall apply to all special economic zones and areas covered under the Act and the Decree, as amended, and to all

enterprises registered with the Philippine Economic Zone Authority and/or Export Processing Zone Authority prior to the effectivity of these Rules without the need of applying for registration with the REZA.

SECTION 2. *Appropriation.* – Upon the effectivity of this Act, such sum as may be necessary for its Capital Outlay, Maintenance, Operating and Other Expenses (MOOE) and Personnel Services (PS) shall be provided in the submission of the ARMM budget to the Department of Budget and Management for inclusion in the General Appropriations Act (GAA) of Congress, to be treated as an equity of the autonomous regional government.

Additional funding shall come from the following:

- a) The annual subsidies, appropriations from the local funds of the ARMM;
- b) The proceeds from the rent of lands, buildings, and other properties of the ECOZONE concerned;
- c) The proceeds from fees, charges and other revenue-generating instruments which the REZA is authorized to impose and collect under this Act;
- d) The proceeds from bonds which the REZA authorized to float both domestic and abroad; and
- e) The advance income, rentals, license fees, and other charges which the REZA is authorized to impose under this Act and which an investor is willing to advance payment for.

SECTION 3. *Authority of the Regional Governor to Advance Initial Funding.* – Subject to existing laws, the Regional Governor of the ARMM is hereby authorized to advance out of the savings of the Office of the Regional Governor or from the current local funds of the ARMM, such funds as may be necessary to effect the initial organization of the REZA and the establishment of the Polloc ECOZONE, such funds, as far as practicable, shall be administered by the Department of Trade and Industry-ARMM, which shall not be less than Three Million Pesos (P3,000,000.00), to be reimbursed by the REZA once it is organized at reasonable term and conditions.

Subject to existing laws, the Regional Governor through the Regional Secretary of the Department of Trade and Industry-ARMM, as Chairman of Task Force Polloc ECOZONE, may obtain funding assistance from aid agencies or donor institutions, foreign countries or entities, including business enterprises, for the purpose of this section.

SECTION 4. *Negative List* - Subject to the guidelines to be issued by the REZA in coordination with the Department of Trade and Industry – ARMM and the Bureau of

Customs pursuant to Section 26 of the Act, the Board shall, in the meantime, be guided by the current supply and demand gap on an industry basis in limiting the domestic sales of ECOZONE enterprises in the customs territory.

SECTION 5. *Shipping* - Private shipping and related business including private container terminals may operate freely in the ECOZONE, subject only to such minimum reasonable regulations of local application which the REZA may prescribe. The operation of shipping related business and container terminals within an ECOZONE shall be subject to such regulations as the REZA may prescribe. In the meantime, the regulations being implemented by the Department of Transportation and Communication –ARMM and other agencies of the regional government in relation therewith shall be adopted by the REZA.

The same rule applies in the maintenance of a shipping register for each ECOZONE as a business register of convenience and in the issuance of related certification.

SECTION 6. *Termination of Business* - Investors in the ECOZONE who desire to terminate business or operations shall comply with such requirements and procedures which the REZA shall set, particularly those relating to the clearing of debts. The assets of the closed enterprises can be transferred and the funds can be remitted out of the ECOZONE subject to rules, guidelines and procedures to be prescribed jointly by the Bangko Sentral ng Pilipinas, the Department of Finance and the PEZA.

SECTION 7. *Police Functions* - Pending the creation and establishment of the internal security force for each ECOZONE by the REZA, the Philippine National Police having jurisdiction over the area in which the ECOZONE is located Police Force of the Export Processing Zone Authority shall continue to exercise its police authority and functions under the Decree, as amended, including but not limited to conducting police investigations of violations of penal laws inside the ECOZONES or areas owned or administered by the REZA.

SECTION 8. *Investigations/Hearings* - The REZA shall promulgate rules and procedures governing the conduct of investigations and hearings involving violations of the Act, applicable provisions of the Decree, as amended, and the Code, these Rules and Regulations, the corresponding implementing memoranda or circulars and the terms and conditions of the Registration Agreement between the REZA and the registered ECOZONE enterprise or of the terms and conditions of the permit or franchise granted by REZA. Pending the promulgation of said rules or procedures, the REZA may conduct said investigations and hearings provided the requirements of due process are observed.

SECTION 9. *Examination of Records/Visitorial Powers* - An ECOZONE enterprise shall allow duly authorized representative/s of the REZA access to its premises and records during working hours for purposes of inspection, evaluation and/or examination or audit of books of accounts or financial records, operations, security and safety measures and production records.

SECTION 10. *Penalties*

A. Administrative Fines - The following schedule of fines and/or administrative sanctions shall apply to all ECOZONE Enterprises and/or to any person or group of persons who have committed violations of these Rules and pertinent circulars/memoranda issued there under:

1. For late filing of financial statements, income tax returns, performance reports, annual reports and all other reports/documents as specifically enumerated under Section 4 Rule XXI or required under existing circulars of the REZA:

	Basic Fine	Daily Fine
1 st Violation	P 500.00	P 50.00
2 nd Violation	1,000.00	150.00
3 rd Violation	2,000.00	200.00

2. Failure to wear or display openly the prescribed ECOZONE identification cards/passes

1 st Violation	-	Reprimand
2 nd Violation identification	-	Confiscation of ECOZONE cards/passes with denial of access to specific areas in the ECOZONE for ten (10) days
3 rd Violation	-	Permanent confiscation of identification cards/zone passes with perpetual denial of access to specific areas in the ECOZONE

3. For violation of Rules X and XI of these Rules:

1 st Violation	-	a fine ranging from 50% to 100% of the value of the goods or merchandise
2 nd Violation	-	a fine ranging from 101% to 150% of the value of goods or merchandise
3 rd Violation	-	a fine ranging from 151% to 200% of the value of the goods or merchandise

For purposes of this rule, the value of the goods shall mean the average valuation appearing in the invoices, commercial documents or records on file with the REZA for the same or similar goods or merchandise for the last three (3) years reckoned from the date of violation or in the absence thereof, the latest CIF valuation of the Bureau of Customs on the subject goods or merchandise.

- B. Suspension of Permits** - The REZA may suspend, withhold, disapprove or revoke import or export permits, authority to engage in local sale, authority to farm-out, to avail of any incentive or privilege being administered by the REZA for failure to comply with these Rules, any provision of the Registration Agreement between the REZA and the ECOZONE Enterprise, the terms and conditions of the permits/franchises issued by the REZA and/or for violation of the Act and the pertinent provisions of the Code and the Decree within a stipulated or reasonable period of time.
- C. Cancellation/Revocation** - Registration, permit and/or franchise of an ECOZONE enterprise may be cancelled for any of the following grounds:
- a. Failure to maintain the qualifications of registration/permit/franchise as required.
 - b. Violation of any pertinent provision of the Act/Code and/or Decree; and
 - c. Violation of any of these Rules and Regulations, the corresponding implementing memoranda or circulars or any of the general and specific terms and conditions of the Registration Agreement between the REZA and the ECOZONE enterprise or violation of the terms and conditions of the permit/franchise issued by REZA.

However, delay by the ECOZONE enterprise in the implementation of the timetable of its project as set by the REZA shall result in the automatic cancellation of the certificate of registration/permit/franchise unless extended or a different period is set by the REZA or these Rules.

The imposition of the above penalties shall be without prejudice to the assessment and collection of customs duties and taxes and/or forfeiture in accordance with the applicable provisions of the Tariff and Customs Code of the Philippines.

SECTION 11. Circulars - the REZA shall from time to time, issue memoranda and circulars to implement the provisions of these Rules and Regulations.

SECTION 12. Amendments - The REZA may amend, suspend or revoke these Rules as may be necessary: Provided, however, That any amendment or any decision taken by the REZA in connection therewith shall take effect fifteen (15)

days after the date of publication in a newspaper of general circulation in the Philippines.

SECTION 13. *Separability Clause* - If any clause, sentence, provision or section of these Rules shall be held invalid or unconstitutional, the remaining part thereof shall not be affected thereby.

SECTION 14. *Effectivity* - The Rules shall take effect fifteen (15) days after the date of publication in a newspaper of general circulation in the ARMM.

Approved by the Board of Directors of the Regional Economic Zone Authority in the City of Cotabato, Philippines, on the 6th day of March 2015.

Hon. MUSLIMIN A. JAKILAN
Regional Secretary, DOLE

Hon. ANWAR MALANG
Regional Secretary, DILG

Hon. KAHAL Q. KEDTAG
Regional Secretary, DENR

Hon. MAKMOD D. MENDING
Regional Secretary, DAF

Hon. PAMA P. DIMAPANAT
Director IV, DOTC

Hon. ISHAK V. MASTURA
Chairman, RBOI

Hon. BANTAN A. AMPATUAN
Executive Director, RPDO

Hon. KANGO M. UMAL, AI-Hajj
Regional Treasurer

Hon. EMIL K. SADAIN
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Hon. RONNIE M. SINSUAT
Speaker, RLA

Hon. MAJUL U. GANDAMRA
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Hon. LOREN HALLILAH I. LAO
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Vice-Chair

Hon. SAKIRAN A. HAJAN
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