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RULES AND REGULATIONS IMPLEMENTING REPUBLIC ACT NO. 7903 CREATING THE ZAMBOANGA CITY SPECIAL ECONOMIC ZONE AND FREEPORT

ZCSEZA, June 28, 1997

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CHAPTER I

Preliminary Provisions

SECTION 1. Title. — These Rules and Regulations shall be referred to as the "Rules and Regulations Implementing Republic Act No. 7903."

SECTION 2. Scope. — These Rules and Regulations are hereby promulgated to implement the provisions governing the Zamboanga City Special Economic Zone and Freeport, hereinafter referred to as ZAMBOECOZONE, and the Zamboanga City Special Economic Zone Authority, hereinafter referred to as the AUTHORITY, under Republic Act No. 7903, otherwise known as the "Zamboanga City Special Economic Zone Act of 1995."

SECTION 3. Declaration of Policy. — Within the framework and subject to the mandate of the Constitution and applicable provisions of the Local Government Code, it is hereby declared the policy of the AUTHORITY to develop the ZAMBOECOZONE into a decentralized, self-reliant and self-sustaining agro-industrial, commercial, financial, investment and tourist center and freeport with suitable retirement and residential areas, to generate employment opportunities in and around the ZAMBOECOZONE, to attract and promote productive foreign investments, and to enhance the benefits to be derived from the ZAMBOECOZONE in order to promote the economic and social development of the City of Zamboanga and its surrounding areas.

It is also declared the policy of the AUTHORITY to operate and manage the ZAMBOECOZONE as a separate customs territory ensuring free flow or movement of goods and capital within, into and exported out of the ZAMBOECOZONE, as well as provide incentives, such as tax and duty free importations of raw materials; capital and equipment.

SECTION 4. Definitions. — For purposes of these Rules, these terms shall be understood to have the following meanings:

a. Act — refers to Republic Act No. 7903, otherwise known as the Zamboanga City Special Economic Zone Act of 1995.

b. Rules — refers to these Implementing Rules and Regulations.

c. ZAMBOECOZONE — is the Zamboanga City Special Economic Zone and Freeport created in Sec. 3 of the Act.

d. AUTHORITY — refers to the Zamboanga City Special Economic Zone Authority created under Sec. 5 of the Act.

e. Point of Entry — refers to any place designated, or any part therein, by the AUTHORITY where articles may be

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lawfully introduced into or removed from the ZAMBOECOZONE.

f. ZAMBOECOZONE Enterprise — refers to any business entity or concern within the ZAMBOECOZONE, duly registered with and/or licensed by the AUTHORITY to operate any lawful economic activity within the ZAMBOECOZONE.

g. Certificate of Registration — refers to the certificate issued by the AUTHORITY representing the registration of the business entity as a ZAMBOECOZONE Enterprise.

h. Certificate of Residency — refers to the certificate issued by the AUTHORITY representing the registration of an individual as a ZAMBOECOZONE Resident.

i. ZAMBOECOZONE Facilities Operator — refers to as ZAMBOECOZONE Enterprise which operates facilities or services within the ZAMBOECOZONE, including the subleasing of land or other property to other ZAMBOECOZONE Enterprises.

j. Board — refers to the Board of Directors of the AUTHORITY.

k. Domestic Articles — refers to articles which are the growth, product or manufacture of the Philippines and upon which all national internal revenue taxes have been paid, if subject thereto, and upon which no drawback or bounty has been allowed; and articles of foreign origin on which all duties and taxes have been paid and upon which no drawback or bounty has been allowed, or which have previously been entered into customs territory free of duties or taxes.

l. Foreign Articles — refers to articles of foreign origin on which duties and taxes have not been paid, or upon which drawback or bounty has been allowed, or which have not been previously entered into customs territory; or articles which are the growth, product or manufacture of the Philippines on which not all national internal revenue taxes have been paid, if subject thereto, or upon which drawback or bounty has been allowed.

m. Customs Territory — refers to the portion of the Philippines outside the ZAMBOECOZONE where the Tariff and Customs Code of the Philippines and other national tariff and customs laws are in force and effect.

n. Articles — for purposes of these Rules, and when used with reference to importations or exportations, the term includes raw materials, supplies, equipment, machinery, packaging materials, goods, wares, merchandise and in general, anything that may under the Rules of the AUTHORITY, be made the subject of importation into or exportation from the ZAMBOECOZONE.

o. Transshipment — refers to transshipment of articles discharged at ports or airports of entry located in Customs Territory destined for delivery to the ZAMBOECOZONE, and articles coming from the ZAMBOECOZONE intended for export through a Philippine Customs port/airport of entry which may be transported under bond, upon examination, and consigned to the Collector at the port of destination/export who will allow the consignor or consignee, as the case may be, to make entry for exportation.

p. Foreign Exchange — refers to any currency other than the Philippine Peso acceptable for payment by the Bangko Sentral ng Pilipinas (BSP).

q. National Government — refers to the Government of the Philippines.

r. Foreign National — refers to a natural person who is not a citizen of the Philippines.

s. Offshore Banking Unit (OBU) — refers to an offshore bank licensed and registered under the laws of the Philippines.

SECTION 5. Rules of Interpretation. — Pursuant to the declared policies of the State on the ZAMBOECOZONE,

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the following rules of interpretation shall be observed in the implementation of the Act and these Rules:

a. All trade and business, immigration, corporation, banking and quarantine laws shall be subordinated to and/or liberally construed in favor of the ZAMBOECOZONE to enhance and promote the policies of the special economic and freeport system within the boundaries established by law and these Rules.

b. In case of conflict between national and local laws and tax exemption privileges in the ZAMBOECOZONE, the same shall be resolved in favor of the latter.

c. In case of conflict between the AUTHORITY and the local government unit (Zamboanga City) on matters affecting the ZAMBOECOZONE, other than the defense and security of the said local government unit, the decision of the AUTHORITY shall prevail.

d. The provisions of existing laws, rules and regulations to the contrary notwithstanding, the AUTHORITY shall exercise administrative powers, rule-making and disbursements of funds over the ZAMBOECOZONE.

SECTION 6. Boundaries of the ZAMBOECOZONE. — The ZAMBOECOZONE established in Zamboanga City under Sec. 3 of the Act shall comprise of such sites or areas within the said city, the specific metes and bounds of which shall be more particularly defined in Presidential Proclamations issued for the purpose.

CHAPTER II

The Zamboanga City Special Economic Zone Authority

A. The AUTHORITY and its Board of Directors

SECTION 7. Creation of the AUTHORITY . — The Zamboanga City Special Economic Zone Authority (ZAMBOECOZONE AUTHORITY), created under Sec. 5 of the Act, is a body corporate, with principal office in the City of Zamboanga, Philippines, which is duly authorized and empowered to manage and operate the ZAMBOECOZONE.

SECTION 8. Board of Directors. — The powers of the AUTHORITY shall be vested in and exercised by the Board of Directors constituted in accordance with Sec. 9 of the Act.

SECTION 9. Composition. — The Board shall be composed of eight (8) members appointed by the President of the Philippines, except those who are ex officio members, as provided under Sec. 9 of the Act, as follows:

a. A Chairman who shall, at the same time, be the Administrator of the AUTHORITY;

b. A Vice Chairman, who shall come from the national agency tasked to coordinate and monitor special economic zones and the like in the country;

c. Six members consisting of:

1. The city's congressional representative;
2. The mayor of the City of Zamboanga;
3. One (1) representative of the city council;
4. One (1) representative from the domestic investors in the ZAMBOECOZONE;
5. One (1) representative from the foreign investors in the ZAMBOECOZONE; and
6. One (1) representative from the labor sector chosen from the workers in the ZAMBOECOZONE.

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SECTION 10. Ex-Officio Members. — The city's congressional representative, the mayor of the City of Zamboanga, and the representative of the city council shall serve as ex-officio voting members of the Board.

SECTION 11. Appointive Members. — The Chairman and members of the Board, except the ex-officio members, shall be appointed by the President of the Philippines to serve for a term of six (6) years, unless sooner removed for cause or dies or resigns voluntarily. In case of death, resignation or removal for cause, the replacement shall serve only the unexpired portion of the term.

SECTION 12. Qualifications. — Except for the representatives of the business and investment sectors, no person shall be appointed by the President of the Philippines as member of the Board unless he is a Filipino citizen, of good moral character and of recognized competence in some relevant fields of business, banking, shipping, business or labor management, port operations, engineering or law.

SECTION 13. Per Diems. — Members of the Board shall receive a reasonable per diem which shall be fixed by the President of the Philippines once every six (6) years for every Board meeting: provided, however, that the total per diem collected each month shall not exceed the equivalent per diems for four (4) meetings. Unless and until the President of the Philippines has fixed a higher per diem for the members of the Board, such per diem shall not be more than Ten Thousand Pesos (P10, 000) for every Board meeting.

SECTION 14. By-Laws. — The Board of Directors shall adopt a set of By-Laws to govern the internal business and operations of the AUTHORITY.

SECTION 15. Chairman & Administrator. — The President of the Philippines shall appoint a full-time and competent administrator and chief executive officer of the AUTHORITY, whose compensation shall be determined by the Board subject to existing rules and regulations on position classification and compensation. The administrator shall be concurrently Chairman of the Board.

B. Powers and Functions of the AUTHORITY

SECTION 16. Powers and Functions. — The AUTHORITY shall have the following powers and functions:

a. To operate, administer, and manage the ZAMBOECOZONE according to the principles and provisions set forth in the Act;

b. To recommend to the President of the Philippines the issuance of Proclamations defining, fixing and delimiting the sites of the ZAMBOECOZONE;

c. To register, regulate and supervise the enterprises in the ZAMBOECOZONE in an efficient and decentralized manner;

d. To regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in the ZAMBOECOZONE such as heat, light and power, water supply, telecommunications, transport, toll roads and bridges, port services, etc. and to fix just, reasonable and competitive rates, fares, charges and prices therefor;

e. To construct, acquire, own, lease, operate and maintain on its own or through others by virtue of contracts, franchises, licenses, or permits under any of the schemes allowed in Republic Act No. 6957 (the Build-Operate-Transfer Law), or in joint venture with the private sector, any or all of the public utilities and infrastructure required or needed by the ZAMBOECOZONE in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;

f. To operate on its own, either directly or through a subsidiary entity, or license to others, tourism related

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activities, including games, amusements and recreational and sports facilitates;

g. Within the limitation provided by law, to raise or borrow adequate and necessary funds from local or foreign sources to finance its projects and programs under the Act, and for that purpose to issue bonds, promissory notes, and other forms of securities, and to secure the same by a guarantee, pledge, mortgage, deed of trust, or an assignment of all or part of its property or assets;

h. To provide security for the ZAMBOECOZONE in coordination with the national and local governments; for the purpose, the AUTHORITY may establish and maintain its own security force and firefighting capability or hire others to provide the same;

i. To protect, preserve, maintain and develop the virgin forests, beaches, coral and coral reefs within the ZAMBOECOZONE;

j. To create, operate and/or contract to operate such agencies and functional units or offices of the AUTHORITY as it may deem necessary;

k. To adopt, alter and use a corporate seal; make contracts, leases, own or otherwise dispose of personal or real property; sue and be sued; and otherwise carry out its functions and duties as provided for in the Act;

l. To issue rules and regulations consistent with the provisions of the Act as may be necessary to implement and accomplish the purposes, objectives and policies provided therein; and

m. To exercise such powers and authorities as may be necessary, proper, or incidental to the powers granted to it herein as well as those which shall enable it to carry out and implement the policies and objectives of the Act.

SECTION 17. Responsibilities of the AUTHORITY. — The AUTHORITY shall, among other things, have the following responsibilities:

a. The AUTHORITY shall exercise exclusive authority and jurisdiction over all matters and activities within the ZAMBOECOZONE;

b. The AUTHORITY shall provide and establish its own internal security and firefighting forces. However, the defense of the ZAMBOECOZONE perimeters shall be the responsibility of the National Government in coordination with the AUTHORITY;

c. The AUTHORITY will coordinate the provisions of security of the overall area of the ZAMBOECOZONE with the local government;

d. The AUTHORITY shall have the authority to exclude from the ZAMBOECOZONE any article, substance, merchandise, operation, activity or process it considers to be inconsistent with the policies of these Rules or inimical to the public interest, and to establish procedures for such exclusion;

e. The AUTHORITY may require ZAMBOECOZONE Enterprises or Residents to secure the necessary permits for any article, substance, merchandise, transaction, activity, or operation in the ZAMBOECOZONE; specify conditions under which such permits will be issued and establish procedures for issuing and revoking the same; and

f. Consistent with the Constitution, the AUTHORITY shall have the following powers to enforce the law and these Rules in the ZAMBOECOZONE:

1. To audit and inspect the records of any ZAMBOECOZONE Enterprise;

2. To inspect and search the premises of any ZAMBOECOZONE Enterprise or Resident, or any vehicle,

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aircraft, vessel, or person in the ZAMBOECOZONE to detect any violation of the law or these Rules;

3. To conduct investigations of any suspected violation of the law or these Rules, provided that the investigation of any violation of the criminal laws of the Philippines occurring in the ZAMBOECOZONE shall not be conducted by the AUTHORITY, but by the Philippine National Police or National Government Agency having jurisdiction;

4. To seize articles, substances, merchandise and records considered to be in violation of the law and these Rules, or considered to be necessary to conduct an investigation of any violation of the law and these Rules, and to provide for their return to the enterprise or person from whom they were seized, or their forfeiture to the AUTHORITY;

5. To issue subpoena duces tecum and ad testificandum in the course of investigations;

6. To arrest persons in the ZAMBOECOZONE for any violation of the laws of the Philippines;

7. To assess and collect administrative fees or impose administrative fines or other monetary penalties for violation of these Rules;

8. To issue, alter, modify, suspend or revoke for cause, any permit, certificate, license, visa or privilege allowed under the Act or these Rules;

9. To regulate ingress and egress from the ZAMBOECOZONE;

10. To regulate traffic within the ZAMBOECOZONE and to impose administrative fines and penalties for traffic violations, including charges for towing and impounding; and

11. To promulgate such other rules, regulations and circulars as may be necessary, proper or incidental to carry out the policies and objectives of the Act, these Rules, as well as the powers and duties of the AUTHORITY.

SECTION 18. Best Use of AUTHORITY Properties. — The AUTHORITY shall take all measures necessary to secure the best use of its properties within the ZAMBOECOZONE. The AUTHORITY may lease the aforesaid properties to private facilities or operators who may thereafter, under conditions approved by the AUTHORITY, sub-lease the facilities or otherwise provide services based thereon to other ZAMBOECOZONE Enterprises.

SECTION 19. Establishment of Secure Perimeters, Points of Entry and Duty and Tax Free Areas of the ZAMBOECOZONE. — Pending the establishment of secure perimeters around the ZAMBOECOZONE, the AUTHORITY shall have the authority to establish and demarcate areas of the ZAMBOECOZONE with secure perimeters within which articles and merchandise free of duties and internal revenue taxes may be limited. The AUTHORITY shall furthermore have the authority to establish, regulate, and maintain points of entry to the ZAMBOECOZONE or to any limited duty and tax-free areas of the ZAMBOECOZONE.

SECTION 20. General Land Use Plan. — The AUTHORITY shall draw up and publish a general land use plan specifying the general uses and economic activities to be promoted for different areas of the ZAMBOECOZONE and shall enforce said plan subject to such revisions as the AUTHORITY may deem necessary or appropriate to accomplish the policies and objectives of the Act.

SECTION 21. Annual Reports. — The AUTHORITY shall render and publish annual reports on the economic activities undertaken in the ZAMBOECOZONE.

CHAPTER III

Procedures for Registration of ZAMBOECOZONE Enterprises and Residents

A. General Provisions

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SECTION 22. Registration Office. — The AUTHORITY shall establish an office to register all business enterprises or concerns applying to be ZAMBOECOZONE Enterprises as well as natural persons applying to be ZAMBOECOZONE Residents.

The said office shall issue standard application forms and require submission of pertinent documents in the most expeditious manner possible. After evaluation and if warranted, it shall approve the application and register qualified enterprises and residents, after which the same office shall issue certificates attesting to their registration and residency. After issuance of the certificates, the appropriate department shall periodically monitor the status of all ZAMBOECOZONE enterprises and Residents.

SECTION 23. Who are Eligible. — Application for ZAMBOECOZONE registration shall be open to nationals and business enterprises of any country in any area of economic activity, except only as is specifically limited by the Constitution of the Philippines.

SECTION 24. Conditions for Registration. — A ZAMBOECOZONE Enterprise shall be a constituted business enterprise organized or domiciled in the Philippines or any foreign country. The enterprise must name a representative or agent who is a legal resident of the City of Zamboanga. If affiliated with an existing enterprise in the Philippines outside of the ZAMBOECOZONE. The ZAMBOECOZONE Enterprise must establish a separate business organization to conduct business exclusively within the ZAMBOECOZONE which shall be a separate taxable entity, provided, that, if warranted, the AUTHORITY may exempt an enterprise from or modify, this requirement, subject to conditions as may be imposed by the Board.

SECTION 25. Criteria for Issuance of Certificates. — The AUTHORITY shall issue the Certificates of Registration or Residency to a ZAMBOECOZONE Enterprise or Resident, respectively, if qualified, and if in the AUTHORITY's discretion such issuance will promote the policies set forth in the Act and these Rules.

SECTION 26. Period for Issuance of Certificates. — Should the application(s) merit approval, the AUTHORITY shall issue the certificates applied for no later than thirty (30) calendar days following receipt of the completed application and all required supporting documents. In case of denial, the applicant shall be notified within the same 30-day period.

SECTION 27. Effect of Issuance of Certificates. — Issuance of the Certificate of Registration or Residency to a ZAMBOECOZONE Enterprise or Resident, respectively, shall entitle and subject the business enterprise or resident to all the benefits and obligations under the Act and these Rules, and other regulations that may be promulgated by the AUTHORITY.

SECTION 28. Simultaneous Issuance of Certificates of Registration and Residency. — Issuance of the Certificate of Registration shall be accompanied by issue of a Certificate(s) of Residency to qualified enterprises and residents, respectively, when all required supporting documents are included in the application.

SECTION 29. Validity. — All certificates issued by the AUTHORITY shall be valid for a period of one (1) year from issuance and shall be deemed automatically renewed every year (i) upon payment of the prescribed fees at least ten (10) days prior to the expiration of the said one (1) year period for the particular year involved, and (ii) for as long as the ZAMBOECOZONE Enterprise or Resident remains qualified to continue its business operations or reside within the ZAMBOECOZONE under similar terms and conditions for which the original certificate(s) was/were issued.

SECTION 30. Identification Card System. — All ZAMBOECOZONE Residents must secure ZAMBOECOZONE Identification Cards from the AUTHORITY, under an identification card system that the AUTHORITY will enforce and implement, which will contain such information as the AUTHORITY may deem necessary, including, but not limited to, the name, age, address, blood type and skills of the ZAMBOECOZONE Resident.

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Identification cards may also be required of domestic tourists and visitors' to the ZAMBOECOZONE. These cards will constitute, among others, the domestic tourists' or visitors' permit to enter the ZAMBOECOZONE and/or to purchase duty-free items therefrom.

SECTION 31. Fees. — The AUTHORITY may charge reasonable fees for the acceptance, processing, issuance and renewal of all applications, certificates and other similar documents that may be required under these Rules.

SECTION 32. Withdrawal, Suspension or Cessation of Operations. — Whenever a ZAMBOECOZONE Enterprise decides to withdraw, suspend, or cease its registered activity or operations, written notice thereof shall be sent to the AUTHORITY one (1) month prior to the implementation of the action. Subject to provisions of pertinent laws and the rights of mortgage creditors, the withdrawal or cessation from business operations for a continuous period of two (2) months, unless extended upon written request of the enterprise and approval of the AUTHORITY, shall have the effect of automatically cancelling the Certificate of Registration without the need of Board action. Upon such withdrawal or cessation from operations, the ZAMBOECOZONE Enterprise shall cease to be entitled to the incentives provided for in the Act and these regulations.

SECTION 33. Revocation, Suspension or Cancellation of Certificates of Registration or Residency. — Without prejudice to the imposition of penalties prescribed under the pertinent provisions of the Tariff and Customs Code of the Philippines and the National Internal Revenue Code of the Philippines, the Certificates of Registration issued by the AUTHORITY to any ZAMBOECOZONE Enterprise or Resident may be revoked, suspended or cancelled for any of the following grounds:

a. Failure to maintain the qualifications for registration or license as required by the Act;

b. Violation of any provision of Philippine law, the Act and/or these Rules;

c. Violation of the corresponding implementing memoranda or circulars or any of the general and specific terms of the registration or license agreement between the AUTHORITY and the ZAMBOECOZONE Enterprise: provided that, the AUTHORITY may prescribe and impose administrative penalties, fines and sanctions in lieu of the revocation, cancellation or suspension of the Certificates of Registration or Residency for minor violations. The AUTHORITY may also graduate the penalties, fines or sanctions to be imposed based on the gravity and frequency of the violation concerned.

B. Registration of Industrial, Commercial and Service Enterprises

SECTION 34. Filing of Application. — Industrial, commercial and service enterprises applying to be a ZAMBOECOZONE Enterprise shall file an application in the form prescribed by the AUTHORITY to be supported by the following:

a. Copies of relevant documentation of the legal status of the business enterprise (Articles of Incorporation, partnership agreement, SEC Registration, and similar documents) showing, among others, beneficial ownership;

b. If there is foreign ownership, proof of inward foreign remittance and investment;

c. Evidence of the intended physical location of the enterprise within the ZAMBOECOZONE (such as certificate of title, deed of sale, lease agreement, commitment letter, and other similar documents) and the manner by which such location was secured (i.e., whether it was secured directly from the AUTHORITY or from licensed facilities operator or other property owner); ISDCHA

d. Subject to Sec. 24, and if part of a larger business enterprise doing business elsewhere in the Philippines, evidence of corporate restructuring which excludes from the ZAMBOECOZONE Enterprise all business operations taking place outside the boundaries of the ZAMBOECOZONE;

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e. List of assets comprising the investment to be made; and

f. Such other documents that the AUTHORITY may require.

C. Registration of Banks and Affiliates

SECTION 35. Filing of Application. — Application for licensing of commercial and Offshore banks or their branches or affiliates to be located within the ZAMBOECOZONE shall be filed with the AUTHORITY. The AUTHORITY shall forward the applications to the Bangko Sentral ng Pilipinas (BSP), which, if warranted, shall directly issue a license and other required documentation, in accordance with the provisions of Chapter VIII of these Rules.

In the event the applicant's license is not issued by the BSP within thirty (30) days from the submission of all requirements, the AUTHORITY shall forthwith inform the bank concerned and extend the period for the issuance of the bank's Certificate of Registration.

SECTION 36. Issuance of Certificate. — Upon approval of the application and its proper endorsement by the BSP to the AUTHORITY, the latter shall issue the necessary Certificate of Registration to the bank under this Chapter III and Chapter VIII of these Rules.

D. Registration of ZAMBOECOZONE Residents

SECTION 37. Certificates of Residency for ZAMBOECOZONE Residents. — A Certificate of Residency duly issued by the AUTHORITY shall be required for all Filipino residents of the ZAMBOECOZONE. Subject to the conditions of these Rules, such certificate shall be available to any Filipino citizen actually residing within the ZAMBOECOZONE who is an employee or owner of a ZAMBOECOZONE Enterprise, and the immediate members of the family of such employee or owner, or who has leased or otherwise secured living quarters in the ZAMBOECOZONE.

SECTION 38. Foreign Nationals Residing Outside the ZAMBOECOZONE. — Foreign nationals accorded permanent residency status in the Philippines may apply for a Certificate of Residency in the ZAMBOECOZONE upon presentation of sufficient proof of such permanent residency status and employment or investment in the ZAMBOECOZONE. Foreign nationals without prior permanent residency status in the Philippines shall be subject to Immigration laws, rules and regulations and the pertinent provisions of these Rules.

CHAPTER IV

Rights and Obligations of ZAMBOECOZONE Enterprises and Residents

A. ZAMBOECOZONE Enterprises

SECTION 39. Rights and Obligations. — ZAMBOECOZONE Enterprises shall have the following rights and obligations:

a. To freely engage in any business, trade, manufacturing, financial or service activity, and to import and export freely all types of goods into and out of the ZAMBOECOZONE, subject to the provisions of the Act, these Rules and other regulations that may be promulgated by the AUTHORITY;

b. To employ foreign nationals subject to evidence of the unavailability of comparably-skilled Filipinos within the Philippines;

c. To faithfully comply with the Act, these Rules and other regulations that may be promulgated by the AUTHORITY;

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d. To report periodically to the AUTHORITY any information on business activity which the latter may reasonably require; and

e. To file periodically any information normally required by the Bureau of Internal Revenue.

SECTION 40. Rights and Obligations of ZAMBOECOZONE Facilities Operators. — ZAMBOECOZONE facilities operators shall have the rights and responsibilities of other ZAMBOECOZONE Enterprises, plus the following:

a. To manage facilities on real property it owns, has acquired or has leased within the ZAMBOECOZONE;

b. To lease out real property it owns or has leased within the ZAMBOECOZONE, and to acquire and lease land and sell or lease facilities to ZAMBOECOZONE Enterprises, subject to overall property management guidelines approved by the AUTHORITY and Sec. 18 hereof;

c. To make improvements on, construct and maintain buildings, warehouses, factory shells, office and commercial buildings and other facilities, and develop all other infrastructure necessary or desirable to enhance the ZAMBOECOZONE's efficient operation, or grant contracts or concessions to other private or public parties for the construction or provision of any of the said facilities, subject to the approval of the AUTHORITY and other concerned agencies of the latter;

d. To provide public or other services such as water, light and power, telecommunications, sewerage and any other public utilities or to contract or grant concessions to other individuals for the provision of such services to ZAMBOECOZONE Enterprises, subject to the approval of the AUTHORITY;

e. To install adequate environmental protection facilities and pollution control systems as the AUTHORITY may deem necessary to protect the environment or otherwise conform to or observe all environmental and pollution control standards of the AUTHORITY;

f. To maintain adequate security measures including adequate fencing, enclosure, lighting, alarm systems, fire fighting equipment and other similar devices to secure the facility, subject to the approval of the AUTHORITY and in cooperation with the AUTHORITY's Security Force;

g. To charge and modify fees for any services or facilities it provides within the ZAMBOECOZONE, directly to those who use such services or facilities; and

h. To adopt internal rules and regulations to promote the safe, efficient, and successful operation of the facility consistent with the provisions of these Rules and subject to the approval of the AUTHORITY.

B. ZAMBOECOZONE Residents

SECTION 41. Rights of ZAMBOECOZONE Residents. — ZAMBOECOZONE Residents shall have the following rights within the ZAMBOECOZONE:

a. To import directly, free of Customs duties and control, foreign articles in non-commercial quantities subject to these Rules and other regulations that may be promulgated by the AUTHORITY; and

b. To purchase, lease, or otherwise acquire articles from other ZAMBOECOZONE Residents or Enterprises, and maintain, utilize or otherwise consume such goods within the ZAMBOECOZONE free of national internal revenue taxes and customs duties.

SECTION 42. Obligations of ZAMBOECOZONE Residents. — Except as expressly provided for by exemptions in these Rules and other regulations of the AUTHORITY, ZAMBOECOZONE Residents shall have the following obligations:

a. To obey and observe all laws of the Philippines; and

b. To pay income and other taxes levied on individuals in the Philippines.

CHAPTER V

Taxation and Trade Regime

A. Incentives and Exemptions

SECTION 43. Tax Exemption. — ZAMBOECOZONE Enterprises shall be exempt from all national and local taxes, including but not limited to the following:

a. Customs and import duties and national internal revenue taxes, such as VAT excise and ad valorem taxes on foreign articles;

b. Internal revenue taxes, such as VAT, ad valorem and excise taxes on their sales of goods and services for which they are directly liable;

c. Income tax on all incomes from sources within the ZAMBOECOZONE and foreign countries, Export Processing Zones, Bonded Warehouses and other Special Economic Zones within the Philippines, as well as all areas that may now or hereafter be considered to be outside the Customs Territory, whether or not payment of such income is actually received, made or collected within such areas; provided, that ZAMBOECOZONE enterprises shall, as withholding agents for the National Government, withhold tax on compensation and income payments to persons or individuals subject to expanded withholding tax;

d. Franchise, common carrier or value added taxes and other percentage taxes on public and services utilities and enterprises within the ZAMBOECOZONE;

e. Documentary stamp tax for which they are liable; and all taxes, fees, or imposts under RA 7160 (Local Government Code) and other local taxes or imposts of the City of Zamboanga.

In lieu of paying taxes, all ZAMBOECOZONE Enterprises shall pay a final tax of five (5%) percent of gross income earned as provided in Sec. 4(f) of the Act and in accordance with these Rules.

SECTION 44. Percentage of Income Allowable from Sources Within the Customs Territory. — ZAMBOECOZONE Enterprises may generate income from sources within the Customs Territory up to Thirty (30%) Percent of its total income from all sources; provided, that should a ZAMBOECOZONE Enterprise's income from sources within the customs Territory exceed Thirty (30%) Percent of its total income from all sources, then it shall be subject to the income tax laws of the Customs Territory; provided further, that in any case, customs duties and taxes must be paid with respect to income from sales of articles to the Customs Territory.

SECTION 45. Importation of Articles. — In general, all articles may be imported by ZAMBOECOZONE Enterprises into the ZAMBOECOZONE free of customs and import duties and national internal revenue taxes, except those articles prohibited by the AUTHORITY and those absolutely prohibited by law.

SECTION 46. Importation by ZAMBOECOZONE Residents. — Articles may be imported by ZAMBOECOZONE Residents free of customs and import duties and national interest revenue taxes, except those articles prohibited by the AUTHORITY and those absolutely prohibited by law; provided, that such articles are limited only for personal or household use or consumption within the ZAMBOECOZONE.

B. Transactions with the Customs Territory

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SECTION 47. Articles Removed or Withdrawn from ZAMBOECOZONE. — Notwithstanding the above mentioned tax and duty exemptions, foreign articles removed, withdrawn or otherwise disposed of from the ZAMBOECOZONE into the Customs Territory, shall be subject to the payment of customs duties and internal revenue taxes as ordinary importations in accordance with the provisions of the Tariff and Customs Code of the Philippines, as amended, and the National Internal Revenue Code and other applicable laws.

Articles entered into or introduced from the ZAMBOECOZONE into Customs Territory will be presumed to be foreign unless there is sufficient evidence presented to satisfy customs officials that they are domestic articles as defined in these Rules.

SECTION 48. Articles Admitted into the ZAMBOECOZONE from Customs Territory. — Articles which are admitted to the ZAMBOECOZONE from the Customs Territory under proper permit shall be considered exported for purposes of the laws and regulations of the Philippines, and shall be considered to be zero-rated and thereby become eligible for drawback, relief from duties and taxes, and any other tax or duty benefit conferred by reason of exportation; provided, that articles which are returned to the Customs Territory from the ZAMBOECOZONE shall be considered imported for the purposes of the laws and regulations of the Philippines.

SECTION 49. Foreign Articles Used as Raw Materials. — Foreign articles to be used in the production, manufacture, or processing of finished products may be brought from the ZAMBOECOZONE to designated Special Economic Zones, Bonded Warehouses, Export Processing Zones, or under other duty or tax-exempt treatment in the Customs Territory by accredited sub-contractors, under bond acceptable to the AUTHORITY and the Bureau of Customs to guarantee the return of the finished goods to the ZAMBOECOZONE, for export or for sale within the ZAMBOECOZONE.

SECTION 50. Foreign Articles Sold to ZAMBOECOZONE Residents. — Foreign articles sold by ZAMBOECOZONE Enterprises to ZAMBOECOZONE Residents, or to travelers, tourists, and/or investors under Sec. 4 (h) of the Act shall be exempt from duties and taxes; provided, that such articles are actually exported to a foreign country upon their departure, or are actually consumed within the ZAMBOECOZONE.

SECTION 51. Limit of Purchase of Foreign Articles. — Subject to the higher limits allowed for balikbayans and returning residents, foreign articles purchased within the ZAMBOECOZONE and brought out of the ZAMBOECOZONE and entered into the Customs Territory for personal use or consumption shall not be subject to customs duties and taxes as ordinary importations; provided, that the value of such articles purchased shall not exceed the limits prescribed by the President of the Philippines.

SECTION 52. Seizure of Foreign Articles. — Foreign articles withdrawn, transported or taken in commercial quantities from the ZAMBOECOZONE to the Customs Territory without payment of duties and taxes, shall be subject to seizure and forfeiture proceedings pursuant to the pertinent provisions of the Tariff and Customs Code and the National Internal Revenue Code of the Philippines, without prejudice to any criminal and/or administrative actions that may be instituted against the person/persons liable/responsible therefor.

SECTION 53. Transshipment of Articles by Carriers. — Carriers who undertake to transship articles from the ZAMBOECOZONE to a bonded warehouse within the Customs Territory shall be bonded in an amount to be determined by the AUTHORITY which in no case shall be less than FIFTY THOUSAND (P50,000) PESOS, Philippine Currency, conditioned that the carrier shall transport and deliver the articles, without delay, and in accordance with applicable rules and regulations, to the Collector of Customs at the port of destination or export. The provisions of the Tariff and Customs Code, as amended, and its implementing regulations, in respect of transshipment of articles from the ports in the Customs Territory to the ZAMBOECOZONE shall govern cases of transshipment.

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SECTION 54. Articles Exported to Foreign Countries and Re-Exported into Customs Territory. — Articles which are manufactured in the ZAMBOECOZONE and exported therefrom to a foreign country shall, upon subsequent importation into the Customs Territory, be subject to the import taxes applicable to like articles manufactured in a foreign country.

SECTION 55. Responsibility for Foreign Articles; Presumption on Missing Articles. —
a. ZAMBOECOZONE Enterprises shall be responsible for the safekeeping and accounting of all articles received by them in the ZAMBOECOZONE, and shall be relieved from responsibility for the articles upon removal under proper permit from the ZAMBOECOZONE, transfer to another ZAMBOECOZONE Enterprise or Resident, destruction in the ZAMBOECOZONE, or abandonment to the AUTHORITY in the ZAMBOECOZONE.

b. Articles which are missing or cannot be accounted for in the ZAMBOECOZONE shall be presumed to have been transferred to the Customs Territory without permit. Articles which are found in the ZAMBOECOZONE but cannot be accounted for in the records of a ZAMBOECOZONE Enterprise shall be treated as having been received in the ZAMBOECOZONE without permit.

SECTION 56. Customs Manual of Operations. — The AUTHORITY may issue or promulgate Customs or any other operations manual(s), compliance of the provisions of which shall be the responsibility of ZAMBOECOZONE Enterprises and Residents.

C . Taxes and Fiscal Obligations

SECTION 57. Obligations and Liabilities. —

a. Pursuant to Sec. 4 (f) of the Act, ZAMBOECOZONE Enterprises within the ZAMBOECOZONE shall, in lieu of paying local and national taxes, pay a five (5%) percent final tax on their gross income earned in the following percentages:

1. To the National Government 2%
2. To the Local Government (City of Zamboanga) 2%
3. To the Barangay Special Development Fund, for the development and improvement of the barangays within the City of Zamboanga 1%

b. "Gross Income Earned" for purposes of these Rules refers to gross sales or gross revenues derived from any business activity, net of returns, discounts and allowances, less costs of sales, cost of production or direct costs of services (depending on the nature of business) but before any deduction for administrative expenses and incidental losses during a given taxable period.

In arriving at the base for which the five (5%) percent final tax above shall be applied, the following deductions shall be allowable/unallowable:

1. For Manufacturing, Trading and Infrastructures Development Enterprises

Allowable Deductions
- Direct salaries, wages or labor expenses
- Production supervision salaries
- Raw materials
- Intermediate goods
- Finished goods
- Supplies and fuels used in production
- Depreciation, lease payments or other expenditures on buildings and equipment
- Rent and utility charges associated with buildings and equipment, warehousing or handling of goods

- Financing charges associated with fixed assets

Unallowable Deductions
- Administrative salaries
- Corporate management salaries
- Marketing and sales salaries
- Interest and financial charges on working capital
- Loss on foreign exchange transaction
- Loss on disposal of assets
- Advertising
- Insurance
- Miscellaneous supplies and expenses
- Entertainment expenses

2. For Services Enterprises

Allowable Deductions
- Direct salaries, wages or labor expense
- Services supervision salaries
- Raw materials, goods in process or finished goods used or re-sold
- Supplies and fuels used in rendering services
- Depreciation, lease payments or other expenditures on buildings and equipment
- Financing charges associated with fixed assets
- Rent and utility charges associated with buildings and equipment

Unallowable Deductions
- Administrative salaries
- Corporate management salaries
- Marketing and sales salaries
- Interest and financial charges on working capital
- Loss on foreign exchange transaction
- Loss on disposal of assets
- Advertising
- Insurance
- Miscellaneous supplies and expenses
- Entertainment expenses

3. For Financial Enterprises

Allowable
- None

Unallowable Deductions
- Direct Salaries
- Materials and supplies used
- Depreciation
- Equipment lease payment
- Rent & utilities
- Advertising
- Interest paid
- Cost of securities
- Loan losses
- Marketing and sales salaries

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- Equipment lease payments
- Interest and financial charges
- Loss/gain on foreign exchange transaction
- Corporate management salaries
- Loss/gain on disposal of assets
- Insurance
- Miscellaneous supplies and expenses
- Entertainment expense

provided, that, the AUTHORITY may further review, revise, amend, supplement, or otherwise alter the foregoing schedule of allowable and unallowable deductions after consultation with the ZAMBOECOZONE Enterprises that may be affected thereby.

SECTION 58. Returns and Payment of Tax. —
a. Requirements. — All ZAMBOECOZONE Enterprises subject to the 5% tax on gross income earned prescribed in Sec. 4 (f) of the Act shall render in duplicate a true and accurate quarterly return and final or adjustment return in accordance with the provisions of Secs. 68 and 69, Chapter IX of the National Internal Revenue Code, as amended. The return shall be sworn to by the Treasurer or Assistant Treasurer.

b. Place of Filing. — The quarterly return and the final or adjustment return required in the preceding paragraph shall be filed with the Revenue District Officer or the collection agent/accredited bank in the City of Zamboanga, with a copy thereof to be furnished to the AUTHORITY.

c. Payment of the Tax.

1. The amount representing the five percent (5%) final tax of the gross income earned by the ZAMBOECOZONE Enterprise directly from the operation of its registered activity shall be paid at the same time the return is filed with the Revenue District Officer or the collecting agent/accredited bank in the City of Zamboanga; provided, that 2% thereof shall be allocated to the National Government, 2% to the City Government of Zamboanga, and 1%, to the Barangay Special Development Fund c/o ZAMBOECOZONE AUTHORITY, in accordance with Secs. 57, 144 and 146 of these Rules.

2. The provisions of Secs. 68 and 69 of the National Internal Revenue Code, as amended, and existing regulations regarding the time for filing quarterly and final or adjustment returns and payments of the tax imposed herein, as well as the requirement of withholding and remittances of the tax under these rules, shall apply to all ZAMBOECOZONE Enterprises.

SECTION 59. Bookkeeping and Reportorial Requirements. — All ZAMBOECOZONE Enterprises shall keep regular and accurate records of their transactions, and maintain books of accounts and allied documents in accordance with the bookkeeping rules and regulations prescribed by the Bureau of Internal Revenue (BIR) and/or the AUTHORITY, which shall be open to inspection and verification by authorized officers of the AUTHORITY, the Bureau of Internal Revenue and the Bureau of Customs (BOC) upon prior notice and coordination with the AUTHORITY. For this purpose, the AUTHORITY, at its instance, or jointly with the BIR and/or the BOC, is authorized to conduct at any time during office hours any audit, check or inventory count for the verification and reconciliation of the records with the inventory of articles in the ZAMBOECOZONE.

For the effective implementation of the Act, the provisions of Title IX on the Requirements of Keeping Books of Accounts and Records. Title X on Statutory Penalties and Offenses, both of the National Internal Revenue Code, as amended, as well as their implementing rules and regulations, shall apply to all ZAMBOECOZONE Enterprises.

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SECTION 60. Search, Arrest, and Seizure by Customs Officials. —

a. Persons, baggage, vehicles, and cargo entering or leaving the ZAMBOECOZONE are subject to search by Customs officials as a condition to enter or leave the ZAMBOECOZONE. Customs officials are authorized to examine any merchandise held by any ZAMBOECOZONE Enterprise during regular business hours.

b. Customs officers may seize any article found during a Customs search upon entering or leaving the ZAMBOECOZONE to be in violation of any provision of the customs laws for which a seizure is authorized, and such seizure shall be disposed of according to the customs laws. Articles which are prohibited or excluded from the ZAMBOECOZONE under the rules and regulations of the AUTHORITY which are found by Customs officials during an audit, examination or check within the ZAMBOECOZONE may be seized by them and turned over to the AUTHORITY for disposition.

c. The authority may secure the assistance of and/or coordinate with Customs officers to arrest persons in the ZAMBOECOZONE for violations of the customs laws for which arrest is authorized concerning articles in the Customs Territory destined to the ZAMBOECOZONE or articles which have been removed from the ZAMBOECOZONE to the Customs Territory.

SECTION 61. Tax Credit for Foreign Corporations. — The taxes paid herein by foreign corporations that are registered as ZAMBOECOZONE Enterprises shall be considered as income taxes for purposes of application for tax credits by said foreign corporation in their respective countries.

SECTION 62. Other Incentives. — As provided for under Sec. 4(e) of the Act, ZAMBOECOZONE Enterprise shall also be entitled to existing fiscal incentives under Presidential Decree No. 66, the law creating the Export Processing Zone Authority (EPZA), those under Book VI of Executive Order No. 226, or the Omnibus Investment Code of 1987, and including all the incentives, benefits, or privileges presently enjoyed by enterprises operating within the Subic Bay Freeport pursuant to Republic Act No. 7227.

CHAPTER VI

Immigration Regulations

SECTION 63. General Provisions. — Except as provided in the Act, these Rules and other rules of the AUTHORITY, all laws of the Philippines concerning the entry and immigration of persons into the Philippines and their departure and emigration therefrom shall be applicable in the ZAMBOECOZONE to persons arriving directly in the ZAMBOECOZONE from a foreign country or departing directly from the ZAMBOECOZONE to a foreign country.

SECTION 64. Responsibility and Authority. — All laws of the Philippines, including the Act, these rules, and other rules of the AUTHORITY concerning the entry, immigration, departure or emigration of persons, including their arrival directly in or departure directly from the ZAMBOECOZONE shall be carried out within the ZAMBOECOZONE by personnel of the Bureau of Immigration in coordination with the AUTHORITY.

SECTION 65. Right to Allow No-Visa Entry to Certain Foreign Nationals. — Notwithstanding the immediately preceding provision, the AUTHORITY may allow the entry of foreign nationals, particularly Hong Kong Chinese with British Passports or Certificates of Identity and Taiwanese nationals with Republic of China Passports, with the exception of foreign national barred from entering the Philippines, into the ZAMBOECOZONE without visas for a maximum period of fourteen (14) days, unless extended by the National Government; provided, that such entry will be limited to tourism and business purposes only; provided further, that should the foreign national desire to extend his/her visit or to enter the Customs Territory, he/she must secure the necessary authorization or visa from the Bureau of Immigration or the Department of Foreign Affairs, as the case may be.

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SECTION 66. Application Outside ZAMBOECOZONE. — The Issuance of visas to, and control of the arrival or departure of, persons who seek to work and reside in the ZAMBOECOZONE under the Act and these Rules shall be applied outside the ZAMBOECOZONE by the Bureau of Immigration or the Department of Foreign Affairs, to:

a. Persons arriving in the Philippines from a foreign country destined for the ZAMBOECOZONE;

b. Persons arriving in the Customs Territory from the ZAMBOECOZONE destined to foreign countries;

c. Persons in the Customs Territory and whose work or residency visas were conferred by the AUTHORITY under the authority of the Act, these Rules and other rules of the AUTHORITY.

d. Persons outside the Philippines who are seeking work or residency visas in the ZAMBOECOZONE; and

e. Spouses and minor children of the foregoing.

SECTION 67. Temporary Work and Residency Visa. — The AUTHORITY is authorized to issue temporary work and residency visas to foreign nationals under the conditions and provisions of these Rules. Upon application by a ZAMBOECOZONE Enterprises, the AUTHORITY may issue work visas which are valid for and renewable every two (2) years to foreign nationals who possess executive or highly-technical skills which no Filipino citizen within the ZAMBOECOZONE possesses, as certified by the Department of Labor and Employment. The ZAMBOECOZONE Enterprises shall apply to the AUTHORITY for renewal for less than thirty (30) days before the scheduled expiration date of the work visas, and shall inform the AUTHORITY whenever any foreign national's employment is terminated by reason of contract expiration or termination, firing, redundancy or other removal. The temporary work visas will be automatically terminated upon:

a. Non-renewal of the visa, whether by reason of failure of the ZAMBOECOZONE Enterprises to apply for renewal or determination made by the AUTHORITY;

b. Expiration of the contract under which the foreign national is working;

c. Discharge or other termination of the foreign national by the ZAMBOECOZONE Enterprise;

d. Dissolution of the employing firm or revocation of its ZAMBOECOZONE Registration;

e. Acceptance of work for compensation outside the ZAMBOECOZONE without the approval of the AUTHORITY;

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; or

i. Determination by the AUTHORITY of any other reason or circumstance by which the work of the foreign national is no longer needed in the ZAMBOECOZONE.

SECTION 68. Revocation of Temporary Work Visa. — The AUTHORITY 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, these Rules and other regulations of the AUTHORITY; or (ii) the terms and conditions for the issuance of the visa.

SECTION 69. Temporary Residence Visa. — Temporary residence visas may be issued by the AUTHORITY to any foreign nationals to whom a work visa has been issued and to his 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

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residence either inside the ZAMBOECOZONE or the Customs Territory during the period of validity of the work visa. The temporary residency visa shall be deemed terminated upon the termination or revocation of the work visa of the foreign national in accordance with Secs. 67 and 68 of these Rules.
SECTION 70. Reportorial Requirements. — The names of foreign nationals, who are granted temporary work or residency visas, or whose work or residency visas are terminated or revoked, shall be reported by the AUTHORITY to the Bureau of Immigration within thirty (30) days after issuance, termination or revocation.
SECTION 71. Permanent Residency Visas. — The AUTHORITY is authorized to issue permanent residency visas to foreign nationals under the conditions and provisions of these Rules.

SECTION 72. Permanent Residency Visas for Investors. — Pursuant to Sec. 4(h) of the Act, the AUTHORITY may issue a permanent residency visa within the ZAMBOECOZONE to any foreign investor who has made and continues to maintain an investment of not less than ONE HUNDRED AND FIFTY THOUSAND DOLLARS (US$150,000.00) within the ZAMBOECOZONE. This privilege shall extend to the investor's spouse, dependents, and unmarried children below twenty-one (21) years of age. The visa will be provided upon application by the investor with evidence of the investment, made in conformance with the ZAMBOECOZONE's land-use plan, which may be in the form of:

a. Establishment of a ZAMBOECOZONE Enterprise or other direct investment within the ZAMBOECOZONE;

b. A cash grant or interest-free loan to the AUTHORITY or to a ZAMBOECOZONE Enterprise for the purpose of making capital improvements by the recipient in the ZAMBOECOZONE; DCASIT

c. A purchase of a real estate in the ZAMBOECOZONE or of a ZAMBOECOZONE Enterprise for the purpose of renovation, construction, or expansion of buildings, equipment, structures, or appurtenances for capital improvement purposes; or

d. A donation in kind to the AUTHORITY or a ZAMBOECOZONE Enterprise for capital improvement purposes.

SECTION 73. 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 on his behalf, takes the investment out of the ZAMBOECOZONE through sale or receiving payment, in cash or in kind, for grants, donations or interest-free loans other than the return of principal. The AUTHORITY may also revoke summarily or after hearing the permanent residency visa of any investor, spouse, or child for the same grounds enumerated in Secs. 67 and 68 of these Rules, as may be applicable.

SECTION 74. Permanent Residency Visa for Retirees. — The AUTHORITY may issue permanent residency visas to any foreign national who is a retired person and his or her spouse and unmarried children under 21 years of age for residence in the ZAMBOECOZONE. A "retired person" is a person (i) over 60 years of age who can demonstrate to the satisfaction of the AUTHORITY that he or she is of good moral character; (ii) has not been convicted of any crime involving moral turpitude; (iii) no longer employed or self employed; and (iv) who receives a pension or passive income that is payable in the ZAMBOECOZONE and exceeds FIFTY THOUSAND DOLLARS (US$50,000.00) per annum. "No longer employed or self employed" means that the applicant for the visa has worked for compensation fewer than seven hundred and fifty (750) hours during the year preceding the application for the visa.

SECTION 75. Revocation or Termination of Permanent Residency Visa of Retiree. — The permanent residency visa of the retiree automatically terminates upon the taking of residence by the retired person outside the ZAMBOECOZONE or the acceptance by the retired person or his or her spouse of work for compensation within the ZAMBOECOZONE or the Customs Territory without the approval of the AUTHORITY.

The residency visa of the spouse of the retiree automatically terminates upon the death of the person to whom the residency visa was granted, or upon their divorce, unless he or she makes application for and receives a residency from the AUTHORITY. The AUTHORITY may summarily or after hearing revoke the residency visa of any retiree, his/her spouse or child for the same grounds enumerated in Secs. 67 and 68 of these Rules, as may be applicable.

SECTION 76. Reportorial Requirement. — The names of foreign nationals who are granted permanent residency visas, or whose permanent residency visas are terminated or revoked by the AUTHORITY shall be reported by the AUTHORITY to the Bureau of Immigration within thirty (30) days after the issuance, termination or revocation. The residency visa is valid only for the ZAMBOECOZONE and not for the Customs Territory. However, persons with residency visas may enter and leave the ZAMBOECOZONE without any special authorization of the Bureau of Immigration.

CHAPTER VII

Quarantine Regulations

SECTION 77. Applicability of Philippine Laws Regarding Animal and Plant Health. — The laws of the Philippines concerning animal and plant health and quarantine and the protection of animals and plants from disease and pestilence, shall be applied in the ZAMBOECOZONE, as well as to persons, baggage, carriers, and merchandise containing possible animal or plant disease-carrying vectors arriving in the ZAMBOECOZONE directly from foreign countries.

SECTION 78. Applicability of Philippine Laws Regarding Protection from Disease and Pestilence. — The laws of the Philippines concerning the public health and the protection of humans from diseases subject to International Health Regulations promulgated by the World Health Organization and dangerous communicable disease and pestilence shall be applied in the ZAMBOECOZONE. Quarantine inspection of persons, baggage, carriers, and merchandise containing possible human disease-carrying vectors arriving in the ZAMBOECOZONE directly from foreign countries will be conducted in accordance with the International Health Regulations promulgated by the World Health Organization. If the inspection of such vessels and aircraft is undertaken, it will be done before immigration and customs clearance except for those vessels and aircraft issued with radio pratique or controlled free pratique by the Director of Quarantine.

SECTION 79. Persons Responsible for Implementation. — The laws of the Philippines concerning humans, animals and plant health and quarantine shall be carried out in the ZAMBOECOZONE be personnel of the Philippine Government agencies responsible for administering those laws and regulations working under the supervision of the AUTHORITY. The AUTHORITY shall establish the rules and procedures necessary to carry our human, animal, plant health and quarantine laws within the ZAMBOECOZONE.

CHAPTER VIII

Foreign Exchange and Banking Regime

A. Rules on Foreign Exchange

SECTION 80. Foreign Exchange Accounts. — All ZAMBOECOZONE Enterprises and Residents shall be free to maintain foreign exchange accounts with any bank or financial institution licensed to hold deposits in foreign exchange.

SECTION 81. Philippine Currency Accounts. — All ZAMBOECOZONE Enterprises and Residents shall be free to maintain accounts in the currency of the Philippines with any bank or financial institution licensed to hold deposits in the currency of the Philippines.

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SECTION 82. Purchase of Foreign Exchange. — All ZAMBOECOZONE Enterprises and Residents shall be free to buy and sell foreign exchange outside the banking system.

SECTION 83. Foreign Exchange in Business Transaction. — All ZAMBOECOZONE Enterprises and residents shall be free to engage in business transactions the valuation and/or payments for which may be affected in foreign exchange. Foreign exchange receipts, acquisitions or earnings may be deposited in foreign accounts in the Philippines or abroad or brought out of the Philippines. Such receipts shall include, but not be limited to:

a. Sales of goods;

b. Receipts for service rendered;

c. Contracting of loans;

d. Income or proceeds from investment;

e. Transfer of capital to the ZAMBOECOZONE Enterprise; and

f. Any other transactions representing income or an increase in capital or assets to the ZAMBOECOZONE Enterprise.

SECTION 84. Use of Foreign Exchange. — Foreign Exchange may be freely used for any purpose not expressly forbidden by law, including but not limited to the following:

a. Purchase of goods;

b. Payment for services rendered;

c. Repayment of loans;

d. Transfer of profits earned by the ZAMBOECOZONE Enterprise;

e. Repatriation of capital resulting from liquidation or sale of assets;

f. Any other transaction representing expenses or a decrease in capital or assets to the enterprise.

SECTION 85. Registration of Foreign Exchange. — The foreign investments registration process provided for under Bangko Sentral ng Pilipinas (BSP) Circular No. 1389 and other pertinent BSP circulars shall be incorporated into the AUTHORITY's regular registration procedures. Transfer to affiliates or shareholders of registered capital, and of profits up to the amount of cumulative profits declared net of remittances in prior years shall be affected fully.

SECTION 86. Philippine Currency Transaction. — All ZAMBOECOZONE Enterprises and Residents shall be free to engage in business transactions the valuation and/or payments for which may be effected in the currency of the Philippines subject to the regulations of the Bangko Sentral ng Pilipinas or other authorities of the National Government.

SECTION 87. Applicability of BSP Circular No. 1389. — Unless specifically provided for in subsequent laws, these Rules and other AUTHORITY regulations, the provisions of Bangko Sentral ng Pilipinas Circular No. 1389 shall apply to ZAMBOECOZONE Enterprises and Resident. Foreign exchange proceeds of foreign loans, including loans contracted in the Philippines in foreign exchange, shall not be required to be converted into Philippine Currency, provided, that the foreign exchange required to service such loans shall not be procured from the Philippine Banking system. The proceeds of foreign investments shall likewise not be required to be converted into Philippine Currency, provided, that the foreign exchange required for capital repatriation and remittance of dividends shall not be sourced from the Philippine banking system.

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B. Rules on Banking and Other Financial Institutions

SECTION 88. In General. — Any bank or financial institution intending to operate within the ZAMBOECOZONE must first be licensed by the Bangko Sentral ng Pilipinas (BSP).

SECTION 89. Offshore Banking Units. — Any foreign bank registered as an Offshore Banking Unit may accept deposits make loans, and otherwise provide financial services in foreign exchange to ZAMBOECOZONE Enterprises and Residents, in accordance with BSP regulations governing OBU's.

SECTION 90. Foreign Currency Depository Units. — Any bank registered as a Foreign Currency Depository Unit (FCDU) may accept deposits, make loans, and otherwise provided financial services in foreign exchange to ZAMBOECOZONE Enterprises and Residents, in accordance with BSP regulations governing FCDU's.

SECTION 91. Bank Licensed in the Philippines. — Banks licensed in the Philippines may freely open branches within the ZAMBOECOZONE Minimum bids shall not be required and the number of banks opening branches within the ZAMBOECOZONE shall not be restricted. Banks applying to open branches shall registered with the BSP; provided, that the bank has not violated BSP conditions governing safe and sound banking practices.

Such branches may elect to be registered as ZAMBOECOZONE Enterprises with the AUTHORITY, and shall be restricted to providing services to or effecting transactions with ZAMBOECOZONE Enterprises and Residents. If such branches do not elect to be registered as ZAMBOECOZONE Enterprises, they shall not enjoy the rights and privileges under these Rules and shall not be restricted to transactions with ZAMBOECOZONE Enterprises or Residents.

SECTION 92. OBU Affiliates. — Any foreign bank may apply with the BSP to establish (a) an extension office/branch of its existing OBU, if it has an existing OBU licensed to do business in the Philippines, or (b) and OBU within the ZAMBOECOZONE, if it has no existing OBU license, which shall exclusively engage in services to ZAMBOECOZONE Enterprises and residents of the Philippines.

The BSP shall register such branch or ZAMBOECOZONE OBU's as licensed to operate exclusively in the ZAMBOECOZONE. Such branch or OBU's shall also be registered as a ZAMBOECOZONE Enterprise. If the foreign bank applies to operate within ZAMBOECOZONE through a local affiliate bank, then such application shall be subject to prevailing laws on nationality of ownership of banking institutions.

SECTION 93. Tax Exemption Privileges of ZAMBOECOZONE Registered Banks and Affiliates. — ZAMBOECOZONE OBU's, bank branches and affiliates which are registered as ZAMBOECOZONE Enterprises shall be exempt from any and all taxes otherwise levied on OBU's or banks and banking transactions under existing laws and regulations, including but not limited to:

a. withholding or other final taxes;
b. remittance taxes;
c. capital taxes;
d. profit taxes;
e. gross receipt taxes;
f. documentary stamp and science taxes.

SECTION 94. Tax Liability of ZAMBOECOZONE Registered Banks and Affiliates. — In lieu of all local and national taxes, ZAMBOECOZONE OBU's and ZAMBOECOZONE bank affiliates and branches shall pay five (5%) percent final tax of gross income earned annually to the Bureau of Internal Revenue, as provided for under Sec. 4(f) of the Act and the provisions of these Rules.

SECTION 95. Effect of Existing Central Bank Regulations on ZAMBOECOZONE Registered OBU's. — Existing regulations governing OBU's shall apply to ZAMBOECOZONE OBU's, except as specifically provided in these

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Rules and other regulations of the AUTHORITY. ZAMBOECOZONE OBU's shall pay annual registration or license fees normally required directly to the BSP.

CHAPTER IX

Environmental Regulations

SECTION 96. Principles. — The AUTHORITY recognizes the importance of maintaining a high degree of environmental quality as a precursor to the sustainable economic development of the areas both under and adjacent to its jurisdiction. Specific regulations to protect and conserve environmental quality as may be promulgated by the AUTHORITY shall conform to the policies and regulations established by the National Government.

Recognizing that the Department of Environment and Natural Resources and its predecessor agencies have established environmental quality and emission and effluent standards for air and water quality, the AUTHORITY adopts those standards and incorporates them into the environmental quality standards and regulations to be adopted by the AUTHORITY.

SECTION 97. Ecology Center. — There is hereby created an Ecology Center that shall have responsibility for the protection of the environment and natural resources within the ZAMBOECOZONE and/or jurisdiction of the AUTHORITY. The Ecology Center shall have responsibility for the implementation of all environmental and natural resources conservation and protection programs adopted or assumed by the AUTHORITY as a natural corporation and as a government entity.

The Ecology Center shall undertake the normal functions associated with environmental management, including, but not limited to, enforcement, monitoring, permitting, training and education and contingency and emergency planning.

The Ecology Center shall seek to privatize services and infrastructures related to environmental management to the extent that it shall deem appropriate. This shall include such environmental services as water supply, waste management facilities, waste transportation services, and environmental monitoring services as can be contracted to the private sector.

SECTION 98. Application of Philippine Environmental Laws. — All Philippine environmental laws, particularly Presidential Decrees Nos. 984, 1151, 1152 and 1586, as well as Republic Acts Nos. 6969 and 7586, including the rules and regulations of the Department of Environment and Natural Resources and other government agencies concerning environment pollution and pollution control insofar as these rules and regulations are not inconsistent with these Rules, are hereby adopted.

SECTION 99. Coverage. — The regulations for environmental and natural resources conservation and protection shall be applicable to all areas within the ZAMBOECOZONE and/or under the jurisdiction of the AUTHORITY. All facilities existing outside the boundaries of the ZAMBOECOZONE and/or the jurisdiction of the AUTHORITY shall be considered for the purposes of these Rules to be existing facilities. All facilities to be introduced within the confines of the ZAMBOECOZONE or the jurisdiction of the AUTHORITY shall be considered new facilities for the purpose of this Rule.

The ZAMBOECOZONE shall introduce a system of regulations that shall be applicable to all existing and new facilities within its jurisdiction and/or the ZAMBOECOZONE. This system of regulations shall incorporate existing DENR policies and regulations and shall provide for the permitting of all such facilities by the AUTHORITY.

All facilities within the ZAMBOECOZONE and/or the jurisdiction of the AUTHORITY shall possess a Permit to

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Operate issued by the AUTHORITY. Any facility deemed to be covered under these Rules found to be without an appropriate permit shall be subject to immediate closure.
SECTION 100. Permit and Clearances. — The AUTHORITY shall be the entity responsible for the issuance of all permits and clearances related to environmental protection and conservation within the ZAMBOECOZONE, such permits and conservation clearances to include, but not limited to Environmental Compliance Certificates, Authorities to Construct, Permit to Operate, and Water Use Permits. The AUTHORITY may, at its discretion, amend the requirements associated with such permits at any time and may introduce such other permits or clearances that it deems necessary to protect and conserve the environment.

a. Environmental Compliance Certificate. — Unless otherwise exempted from doing so by the AUTHORITY, no business enterprise shall be registered as a ZAMBOECOZONE Enterprise and allowed to do business or undertake any activity within the ZAMBOECOZONE unless it secures an Environmental Compliance Certificate from the AUTHORITY. No ZAMBOECOZONE Enterprise shall be allowed to engaged in any building and/or construction activity unless it similarly secures as Environmental Compliance Certificate. All business enterprises seeking registration as a ZAMBOECOZONE Enterprise under this Rule shall submit an Environmental Report to the AUTHORITY. Such Environmental Reports shall detail and described the proposed undertaking, the short and long term environmental consequences of their business, establishment, construction project, or other activity; measures proposed to mitigate adverse environmental impact; and, unavoidable adverse impact. Decisions by the AUTHORITY on the issuance of the Environmental Compliance Certificate for the proposed undertaking shall be based on the Environmental Report submitted for its consideration.

All public agencies or corporations seeking to build or construct any structure or infrastructure for business or public purposes shall secure an Environmental Compliance Certificate prior to undertaking such activity.
b. Authority to Construct. — Following the issuance of the Environmental Compliance Certificate, any proponent intending to engage in the construction of any structure or infrastructure shall secure an Authority to Construct. Such Authority shall be based on the building and/or construction plans mentioned elsewhere in these Rules.
c. Permit to Operate. — ZAMBOECOZONE Enterprises shall obtain Permits to Operate prior to the initiation of any activity subject to the requirement to obtain an Environmental Compliance Certificate and the determination that such activity may result in discharges to the environmental. The Permit to Operate shall establish the monitoring and reporting requirements applicable to the ZAMBOECOZONE Enterprise and shall be renewed on an annual basis. Such ZAMBOECOZONE Enterprise shall designate a Pollution Control Officer who shall serve as the person responsible for ensuring compliance with monitoring and reporting requirements and for the environmental integrity of the enterprise and compliance with these Rules and such other regulations promulgated or to be promulgated by the AUTHORITY, including but not limited to effluent discharge and emission standards, waste management, and emergency and contingency plans.
SECTION 101. Natural Resource Protection Areas. — The AUTHORITY shall, in cooperation with the DENR, cause to be protected the forested area defined by DENR and shall manage that area in accordance with practices acceptable to DENR. This shall include the provision of forest guards, as defined by DENR, to ensure that the natural resources of the area are provided sufficient protection to insure their longevity.

The Natural Resources Protection Area agreed upon between the AUTHORITY and DENR shall include such area as necessary to provide for the protection of the watershed upon which AUTHORITY is dependent for its water supply. This area shall include both virgin and residual forests as agreed upon with DENR.
SECTION 102. Air Quality. — The AUTHORITY shall not permit air quality to deteriorate within its jurisdiction and/or the ZAMBOECOZONE as a result of industrial development. To determine the existing air quality of the region, the AUTHORITY shall implement a regional air quality monitoring program within its jurisdiction. All stationary sources of air pollution within the ZAMBOECOZONE and/or jurisdiction of the AUTHORITY shall be

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subject to regulation and shall be required to obtain a Permit to Operate as a condition of their occupancy in the ZAMBOECOZONE and/or the regulatory area of the AUTHORITY. All sources of pollution must comply with the relevant regulations and standards applicable to air emission sources. As a condition of the Permit to Operate, owners/operators of stationary air pollution sources shall be required to conduct monitoring of the emissions from those sources and report the results of that monitoring to the AUTHORITY. The frequency of monitoring and reporting shall be establish by the AUTHORITY in the permit to Operate but shall be not less than annually.

Air quality in the ZAMBOECOZONE or the jurisdiction of the AUTHORITY shall be maintained so as to achieve the national ambient air quality standards. These standards are those deemed necessary to protect public health and welfare and to reduce potential damage to property. To achieve these standards, the AUTHORITY shall formulate an air quality management strategy for limiting emissions from both mobile and stationary sources. The following standards may not be exceeded more than once per year.

SECTION 103. Water Quality. — The AUTHORITY shall not permit water quality to deteriorate within its jurisdiction and/or the ZAMBOECOZONE as a result of industrial development. To determine the existing water quality of the region, the AUTHORITY shall implement a regional water quality monitoring program within its jurisdiction. All sources of water pollution within the ZAMBOECOZONE and/or jurisdiction of the AUTHORITY shall be subject to regulation and shall be required to obtain a Permit to Operate as a condition of their occupancy in the regulatory area of the AUTHORITY. All sources of water pollution must comply with the relevant regulations and standards applicable to water effluent sources.

Water quality in the ZAMBOECOZONE and/or the jurisdiction of the AUTHORITY shall be maintained so as to meet national standards applicable for the highest and best use of the waterbody as established and determined by the AUTHORITY in coordination with the DENR. In general, this is intended to promote and maintain water quality that is suitable for contact water recreation. All surface waterbodies, including marine and fresh waters, shall be included in this provision.

To protect the waters within the ZAMBOECOZONE and/or the jurisdiction of the AUTHORITY, the AUTHORITY shall not allow the direct discharge of any wastewater, either industrial or domestic, that does not meet the effluent discharge standards as established by the DENR and adopted by the AUTHORITY. In the case of discharges to wastewater treatment facilities by either industrial or domestic dischargers, the acceptable standard for acceptance of those wastewaters shall be determined by the owner/operator of those facilities. Discharges of effluent from wastewater treatment facilities shall meet the applicable discharge standards; compliance with such standards shall be the responsibility of the owner/operator of the facility.

All discharges of wastewater shall, as a condition of the Permit to Operate, conduct monitoring of the effluent subject to discharge and of the water quality of the receiving water and shall report the results of that monitoring to the AUTHORITY. The frequency of the monitoring and reporting shall be established by the AUTHORITY in the Permit to Operate but shall in no case be less than annually.

SECTION 104. Waste Management. — All solid and toxic and hazardous wastes shall be managed in the manner deemed appropriate by the AUTHORITY. The AUTHORITY shall define solid and hazardous and toxic wastes in a manner consistent with the definitions developed by the DENR under Republic Act 6969 and shall define the requirements for waste generators, transporters, and owners/operators of waste management facilities.

a. Solid Waste. — All ZAMBOECOZONE Enterprises shall dispose solid wastes in a manner approved by the AUTHORITY. Such approval shall include the use of approved waste transporters and approved disposal facilities.

b. Waste Generators. — Any ZAMBOECOZONE Enterprises deemed by the AUTHORITY to be a waste generator shall be required to report the type, quantity and disposition of such wastes every quarter. Every firm

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deemed to be a generator of hazardous and toxic wastes shall develop a plan for the proper management of those wastes and also develop an emergency and contingency plan for accidental releases of those wastes to the environment. Waste generators shall maintain a manifest inventory of the wastes generated and the disposition of such wastes.

c. Waste Management. — Any firms(s) intending to engage in waste transport within the ZAMBOECOZONE shall obtain approval by the AUTHORITY to engage in such activity. Such approval shall be predicated upon the demonstration of the firms capability and competence to engage in such activity in a safe manner. Waste transporters shall maintain a manifest of the waste materials handled and/or transported by them and present such manifest upon the demand of the AUTHORITY. No waste transporter shall dispose of, or deliver, wastes in any manner not approved or authorized by the AUTHORITY to accept such materials.

d. Waste Management Facilities. — All waste management facilities shall be subject to the approval and authorization of the AUTHORITY prior to commencing operations. Such facilities shall be open to inspection by the AUTHORITY at any time and shall maintain sufficient records as to allow the AUTHORITY to determine the competence of their operation. No waste management facility may accept any waste delivered to them by a transporter not approved or authorized by the AUTHORITY to engage in such activity. Waste management facilities shall include, but not limited to, landfills, incinerators, physico-chemical treatment facilities, and other facilities processing, recovering, or disposing of wastes. Enterprises engaged in the operation of waste management facilities on their premises shall be included in these Rules and other regulations promulgated and adopted, or to be promulgated or adopted, by the AUTHORITY to regulate such facilities.

e. Toxic and Hazardous Waste Management. — All toxic and hazardous wastes used by any and all persons, businesses or other entities within the ZAMBOECOZONE and/or the jurisdiction of the AUTHORITY shall comply with the provisions of Republic Act 6969 and these Rules, as well as other regulations promulgated, or to be promulgated, by the AUTHORITY with respect to the management of those materials. This shall include the registration of chemicals employed, imported or otherwise utilized at any time in any manner.

SECTION 105. Water Resources Planning. — The AUTHORITY shall issue policies and objectives relative to water resources that will seek to ensure that sources of water supply within ZAMBOECOZONE and/or jurisdiction of the AUTHORITY shall be protected and conserved, including marine waters, surface waters, and ground water. While such policies and objectives shall be consistent with those established by the National Government, the policies and objectives shall recognize the developmental goals and objectives established for the ZAMBOECOZONE and/or jurisdiction of the AUTHORITY, and be consonant with the availability of water resources. As such, the AUTHORITY shall formulate a groundwater protection program to ensure the continued viability of groundwater resources. The AUTHORITY shall also require new water resource developments to obtain a Water Use Permit prior to the development of any groundwater well or surface water abstraction. Such permit shall be reviewed and approved by the AUTHORITY. Applicants for Water Use Permit shall provide such information as the AUTHORITY deems necessary to evaluate the development proposal. Water Use Permits issued by the AUTHORITY shall specify the allowable rate and quantity of water withdrawal. Permitees shall report to the AUTHORITY the water consumption and quality on a quarterly basis.

SECTION 106. Conservation Areas. — Recognizing that a healthy environment is essential to the attainment of the development goals of the AUTHORITY and that there are competing uses of the environment, the AUTHORITY shall designate such areas that it deems appropriate as Conservation Areas. These areas may include those areas necessary for the protection of water supplies (such as groundwater aquifer recharge zones), or areas important to the protection and preservation of bio-diversity (such as marine conservation and sanctuary areas and natural forest areas), or development that will be allowed in those areas, including the designation of areas as excluded from development. Those areas designated as Conservation Areas shall be included in any land use plan or zoning

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ordinance adopted by the AUTHORITY.
SECTION 107. Emergency and Contingency Planning. — All entities operating within the ZAMBOECOZONE and/or the jurisdiction of the AUTHORITY having potential to discharge oil, petroleum products, or other deleterious substances (including chemicals or their by-products) shall prepare a plan for preventing such discharge to the environment, and detailing the measures to be employed in the event that such discharges occur. The plan shall be submitted to the AUTHORITY and shall include the procedures to be followed during the handling of such materials and those to be followed in the event of their discharge. Such plans are to be prepared in accordance with the standards of practice for the industry and the requirement of the Philippine Coast Guard and other government agencies.

CHAPTER X

Other Provisions

A. Security

SECTION 108. Function of Security Force. — The AUTHORITY's Security Force shall police and maintain law and order within the boundaries of the ZAMBOECOZONE. Access into and departure from the ZAMBOECOZONE shall be fully controlled by the AUTHORITY's Security Force/Agents.
SECTION 109. Responsibility for Security of ZAMBOECOZONE. — The security of ZAMBOECOZONE and the maintenance of peace and order therein shall be the responsibility of the AUTHORITY.

ZAMBOECOZONE Facilities Operators and/or Enterprises shall provide and be responsible for the security of their respective facilities and extend support and cooperation to the AUTHORITY's Security Force/Agents in the performance of the latter's duties. These security forces may be licensed to carry firearms within the premises of the particular enterprise, subject to approval from the AUTHORITY and compliance with these Rules.
SECTION 110. Request for Assistance. — The ZAMBOECOZONE Facilities Operator or Enterprise may, as necessary, request the assistance from AUTHORITY Security Forces/Agents to enforce security for their facilities. Such security agents shall act in cooperation with the AUTHORITY security forces and shall adhere to such rules and regulations as the AUTHORITY may promulgate.
SECTION 111. Search and Inspection of Persons and Vehicles. — All persons and vehicles entering into and exiting from the ZAMBOECOZONE shall be subject to search and inspection. They shall be required to register and/or secure appropriate ZAMBOECOZONE passes/clearances or permits from the AUTHORITY. Their movements inside the ZAMBOECOZONE shall be governed by the security rules of the AUTHORITY. No inspection or control initiated by other governmental agencies shall take place within a ZAMBOECOZONE Enterprise without prior coordination with the AUTHORITY. Lawful warrants should first be presented to the AUTHORITY prior to entering the ZAMBOECOZONE, and the actual service of the warrant will be effected only in the presence of a designated official of the AUTHORITY.

B. Traffic Rules and Motor Vehicles

SECTION 112. Authority and Responsibility of the AUTHORITY. — The AUTHORITY shall have full authority and responsibility to establish and enforce traffic rules and regulations within the ZAMBOECOZONE. It shall adopt a Traffic Code providing for the rules and regulations within the ZAMBOECOZONE.

The enforcement and maintenance of traffic rules and regulations shall be the responsibility of the AUTHORITY's Security Force.
SECTION 113. Land Transportation Office Within the ZAMBOECOZONE. — An extension office of the Land Transportation Office (ZAMBOECOZONE-LTO) shall be established inside the ZAMBOECOZONE. The

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ZAMBOECOZONE-LTO shall be responsible for the registration of all motor vehicles imported and operated within the ZAMBOECOZONE, and the issuance and renewal of valid driver's license, conversion of foreign licenses to local non-professional conductor driver's licenses and issuance of student driver's permit to ZAMBOECOZONE residents and employees.

Enforcement of ZAMBOECOZONE traffic rules and LTO laws, rules and regulations shall be effected jointly by the AUTHORITY and the ZAMBOECOZONE-LTO.

SECTION 114. Recording and Registration of Motor Vehicles. — The following types of motor vehicles must be registered with the ZAMBOECOZONE-LTO:

a. Tax and Duty Free Motor Vehicles. — All motor vehicles which have been imported tax and duty free into the ZAMBOECOZONE must be registered with the ZAMBOECOZONE-LTO. The following documents, among others, must be submitted:

1. Certificate of Tax and Duty Free Exemption issued by the AUTHORITY;
2. Certificate from the Bureau of Customs that the vehicle is tax exempt and cleared for released;
3. Bill of Lading or other proof of ownership of the vehicle; and
4. Other LTO requirements.

b. Tax and Duty Paid Motor Vehicles. — Motor vehicles owned by the AUTHORITY, ZAMBOECOZONE Enterprises, employees and residents for which customs duties and taxes have been paid, shall be registered with the ZAMBOECOZONE-LTO;

c. Locally Purchased Motor Vehicles. — Motor vehicles locally purchased and owned by the AUTHORITY, ZAMBOECOZONE Enterprises, employees and residents on which taxes have been paid shall also be registered with the ZAMBOECOZONE-LTO;

d. The AUTHORITY shall have its own Motor Vehicle Registration with the ZAMBOECOZONE-LTO in all registration of motor vehicles, and other transactions involving the ZAMBOECOZONE-LTO registration.

SECTION 115. Use of ZAMBOECOZONE-LTO Registered Motor Vehicles. — All motor vehicles registered with the ZAMBOECOZONE-LTO may be used inside and outside the ZAMBOECOZONE. The AUTHORITY shall issue a valid gate pass to registered motor vehicles if they are used outside the ZAMBOECOZONE.

SECTION 116. Sale of ZAMBOECOZONE-LTO Registered Motor Vehicles. — Any sale of ZAMBOECOZONE-LTO registered vehicle shall have a clearance from the Motor Vehicle Registration Office of the AUTHORITY.

ZAMBOECOZONE-LTO registered motor vehicles may be sold to any ZAMBOECOZONE Enterprise or resident within the ZAMBOECOZONE without payment of customs duties and taxes; provided, that the proper transfer of motor vehicle registration is effected with the ZAMBOECOZONE-LTO. Sale of ZAMBOECOZONE-LTO registered motor vehicles to persons or entities other than ZAMBOECOZONE Enterprises or residents shall be subject to the regular customs duties and taxes.

C . Labor Relations

SECTION 117. Objectives and Policy. — One of the principal objectives of the AUTHORITY is to create new jobs and employment opportunities through a highly progressive and industrial ZAMBOECOZONE. The AUTHORITY adopts a policy of industrial peace, harmony and productivity within the ZAMBOECOZONE in order to attract and sustain investments therein, but, at the same time, safeguarding the basic rights and welfare of

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all those working in the ZAMBOECOZONE. ACTEHI

SECTION 118. Applicability of Labor Laws. — Unless otherwise provided by law, all Philippine labor and social security laws shall apply within the ZAMBOECOZONE, and all enterprises or entities operating therein shall strictly comply therewith.

SECTION 119. Labor Center. — The AUTHORITY shall establish a Labor Center within the ZAMBOECOZONE. The Center shall be responsible for the enforcement of all Philippine labor laws and social welfare legislation in the ZAMBOECOZONE. It shall attend to the setting of professional and labor relations disputes, interpretation of employment contracts, and monitoring work, hygiene and safety standards within the ZAMBOECOZONE. The Labor Center shall comprise of a Placement and Training Office; an Industrial Health and Safety Office; and an Inspection and Disputes Office, and other offices necessary to achieve the labor policies and objectives of the AUTHORITY.

SECTION 120. Requirements for All Persons Seeking Employment Within the ZAMBOECOZONE. — All persons seeking employment within the ZAMBOECOZONE must first register and secure clearance from the AUTHORITY, through the Placement and Training Office of the Labor Center. For this purpose, the applicant must provide the AUTHORITY information on his/her educational/vocational background and/or work experience and skills, as well as other information as may be required by the AUTHORITY. The applicant must likewise be generally aware of the policy objectives of the ZAMBOECOZONE as provided under the Act and these Rules, and proclamations of the National Government and the AUTHORITY.

SECTION 121. Labor Disputes. — Subject to existing labor laws or as may be specified in employment contracts or collective bargaining agreements, all labor disputes must be brought before the Inspection and Disputes Office of the Labor Center which will attempt to amicably settle the case. In case the AUTHORITY cannot settle the dispute amicably, it will certify the dispute for mediation or arbitration to the proper office of the Department of Labor and Employment or the Secretary of Labor and Employment for compulsory arbitration or assumption of jurisdiction.

SECTION 122. Labor Skills Inventory; Identification Cards. — The Placement and Training Office shall maintain a Labor Skills Inventory for the ZAMBOECOZONE. All employees working in the ZAMBOECOZONE must secure identification cards from the AUTHORITY which shall contain, among other, the specific skills, trade, or occupation of the cardholder.

SECTION 123. Employment of Foreign Nationals. — ZAMBOECOZONE Enterprises desiring to employ foreign nationals must secure the prior approval of the AUTHORITY who shall see to the enforcement of relevant Philippine laws and regulations.

SECTION 124. Training Program for Understudies. — A ZAMBOECOZONE Enterprise employing foreign supervisory, technical and/or advisory personnel shall provide a training program for Filipinos to be conducted by said foreign nationals each in his own specialized field; provided, that every foreign national shall have at least one (1) Filipino understudy, and such training shall be done regularly during office hours; provided further, that the ZAMBOECOZONE Enterprise shall submit its training program within thirty (30) calendar days from arrival of the 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; and provided finally, that it shall submit an annual progress report to the AUTHORITY on such training program within the month of June of every year containing the following data:

a. Name of the foreign national and his field of specialization as prescribed in the program;

b. Names and addresses of the Filipino understudies under him/her;

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c. Number of hours of actual training for each understudy and specific subject(s) covered; and

d. Reasons why the Filipino understudies can not yet take over the work of the foreign national, if such be the case.

SECTION 125. Duration of Period of Employment. — Every foreign national employed with the approval of the AUTHORITY shall be granted a period of not exceeding five (5) years and extendible from year to year depending upon the needs of the ZAMBOECOZONE Enterprise; provided that no extension of stay herein shall be recommended by the AUTHORITY to the Bureau of Immigration and Deportation unless the training program required has been complied with satisfactorily; provided further, that the request for extension shall be filed with the AUTHORITY at least thirty (30) days before the expiry date of the authorized stay.
SECTION 126. Spouses and Dependents of Foreign Nationals. — The spouses and unmarried children under twenty-one (21) years of age of the foreign national employed under the preceding section shall be permitted to enter as dependents of the foreign national employee and reside in the ZAMBOECOZONE during the period of employment of such foreign national in the ZAMBOECOZONE Enterprise.

SECTION 127. Registration with the Authority. — Every foreign national employed under the preceding sections shall register with the AUTHORITY which shall issue to them Certificates of Residency in accordance with the pertinent provisions of these Rules.

SECTION 128. Apprenticeship Program. — The AUTHORITY shall establish an apprenticeship program.
SECTION 129. Quarterly Reports. — The Labor Center of the AUTHORITY shall publish quarterly reports on the labor situation in the ZAMBOECOZONE.

D. Sanitation, Garbage and Sewage

SECTION 130. In General. — The AUTHORITY shall, in coordination with the local government, provide for a system of sanitation, garbage collection and disposal and sewage.

SECTION 131. Fees. — The AUTHORITY may impose and collect reasonable fees from ZAMBOECOZONE Enterprises and Residents for the Implementation of a sanitation system, the collection and disposal of garbage or sewage and/or the installation and maintenance of a sewage system.

SECTION 132. Fines and Penalties. — The AUTHORITY may impose administrative fines and penalties against any ZAMBOECOZONE Enterprise or Resident for any violation of sanitation, garbage or sewage rules and regulations that the AUTHORITY may enact of promulgate.

E. Educational and Medical Institution

SECTION 133. Establishment of Private Institutions. — The AUTHORITY may authorize the establishment of private educational and medical institutions within the ZAMBOECOZONE. These institutions may apply and be registered as ZAMBOECOZONE Enterprises, in which case, the pertinent provisions of these Rules shall apply.

SECTION 134. Applicability of National Laws. — The AUTHORITY shall adopt and implement rules and regulations to govern educational and medical institutions established in the ZAMBOECOZONE. Pending the issuance of such rules and regulations, all laws on educational and medical institutions, including all rules and regulations of the Department of Education, Culture and Sports, the Department of Health and other government agencies concerning educational and medical institutions, are hereby adopted.

F . Building and Construction

SECTION 135. Building and Construction Plans. — All private and public business enterprises or agencies

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desiring to build and/or construct any building, house, warehouse, silo, private road or bridge and other similar structures and infrastructures must submit their building and/or construction plans for approval of the AUTHORITY.

SECTION 136. Need to Secure Environmental Compliance Certificate. — No building and/or construction project can be commenced unless the ZAMBOECOZONE Enterprise concerned secures an Environmental Compliance Certificate from the AUTHORITY as provided for in these Rules.

SECTION 137. Applicability of National Laws. — The AUTHORITY shall adopt and implement rules and regulations to govern building and/or construction of all structures and infrastructures. Pending the issuance of such rules and regulations, all laws on building and construction, as well as the rules and regulations of the Department of Public Works and Highways and other government agencies concerning building and construction, are hereby adopted.

G. Headquarters Companies

SECTION 138. Registration of Regional or Area Headquarters. — Foreign companies qualified to established a regional or area headquarters under E.O. 226 may be domiciled in the ZAMBOECOZONE and registered with the AUTHORITY, to act as a supervisory, communications, or coordinating center for its affiliates, branches or subsidiaries in the Asia Pacific Region. Such companies shall be required to comply with, and shall enjoy the tax exemption and other benefits provided for under E.O. 226.

SECTION 139. Obligation of Non-Resident Headquarters. — Non-resident headquarters companies domiciled within the ZAMBOECOZONE must meet all the requirements and obligations for such companies as established in law, decrees, and other applicable rules and regulations.

H. Financial and Commodities Markets

SECTION 140. Who are Eligible to Organize. — Organized markets, exchanges clearing houses and other arrangements for effecting transactions in standardized financial instruments, may be organized by ZAMBOECOZONE Enterprises, ZAMBOECOZONE OBU's, bank branches or their affiliates. Such markets may include transactions in securities, bonds, debt instruments, foreign currencies, commodities, precious metals, futures contracts, or any other financial instruments as may be freely traded among parties.

SECTION 141. Mode of Organization. — Such financial markets shall be organized according to the principles and procedures established and agreed by the member firms of each market or exchange, and registered with and subject to the rules and regulations imposed thereon by the AUTHORITY.

I . Disputes and Litigation

SECTION 142. Amicable Settlement. — In case of disputes between or among ZAMBOECOZONE Enterprises, the parties concerned shall be first required to promptly meet and exert best efforts towards an amicable settlement of the dispute in good faith. The AUTHORITY may conciliate or mediate the dispute upon request of the parties.

SECTION 143. Arbitration or Litigation. — Any dispute which is not amicably settled may be resolved by arbitration or judicial action before the competent courts in the Philippines having jurisdiction over such dispute.

J . Barangay Special Development Fund

SECTION 144. Establishment. — There is hereby established a Barangay Special Development Fund pursuant to Sec. 4 (f) (2) of the Act, to be administered and managed by the AUTHORITY, which shall consist of one (1%) percent of five (5%) percent final tax on gross income earned by a Registered Enterprise, to be utilized for the

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development and improvement of the barangays within the City of Zamboanga.

SECTION 145. Operating Procedures. — The AUTHORITY shall publish the policies and operating procedures in the administration and management of the Barangay Special Development Fund which will specify, but not limited to, the following:

a. The appropriate uses and application of the fund;

b. The procedures for allocating the fund resources;

c. The criteria in fund availments;

d. Reporting requirements for fund activities.

SECTION 146. Transfer of Funds. — The Revenue District Officer or the accredited agent/collecting bank in the City of Zamboanga, shall remit or transfer the funds representing one (1%) percent of the five (5%) percent final tax on gross income earned, as herein defined, by all ZAMBOECOZONE Enterprises to the Barangay Special Development Fund, c/o the ZAMBOECOZONE AUTHORITY. Such transfers shall be made in accordance with standard procedures for internal revenue allotments to local government units.

K . Miscellaneous and Transitory Provisions

SECTION 147. Bankruptcy or Liquidation. — The bankruptcy or liquidation of ZAMBOECOZONE Enterprises shall be carried out in accordance with the laws and regulations relating to liquidation in force in the Philippines.
SECTION 148. Lien on Property of ZAMBOECOZONE Enterprises. — Any unpaid sums of money owed by a ZAMBOECOZONE Enterprise to the AUTHORITY, or any unpaid duties, taxes, penalties or charges owed to the Bureau of Internal Revenue, or the Bureau of Customs shall constitute a lien against the property of the ZAMBOECOZONE Enterprise concerned.

SECTION 149. Liability for Damages. — ZAMBOECOZONE Enterprises or Residents shall be liable for damages arising from violations of the Act, these Rules and other regulations of the AUTHORITY.
SECTION 150. General Authority to Dispose of Abandoned, Foreclosed, Forfeited or Unclaimed Articles. — The AUTHORITY has the authority, consistent with the Constitution and existing laws, to sell, destroy, or convert to its own use articles and merchandise that have been abandoned, left unclaimed, foreclosed, or forfeited to the AUTHORITY in the ZAMBOECOZONE, and to establish procedures for their sale, destruction, or conversion.

SECTION 151. Issuance of Memoranda and Circulars. — The AUTHORITY shall, from time to time, issue memoranda and circulars to amend, alter, modify, supplement, amplify or implement the provisions of these Rules, including but not limited to the imposition of administrative penalties or fines or both.

SECTION 152. Rules of Procedures for Investigation. — The AUTHORITY shall promulgate rules and procedure governing the conduct of investigations and hearing involving violations of the provisions of the Act and these Rules, the corresponding implementing memoranda or circulars and the terms and conditions of the registration agreement between the AUTHORITY and the ZAMBOECOZONE Enterprise. Pending the promulgation of said rules of procedures, the AUTHORITY may conduct investigation and hearings provided that the basic requirements of due process of law are met.

L. Amendments, Separability and Effectivity

SECTION 153. Power to Amend Rules. — The AUTHORITY, thru its Board of Directors, may amend, alter, supplement, suspend, modify, repeal, or revoke these Rules or any portion hereof as may be necessary; provided, however, no amendment, alteration, modification, suspension, repeal or revocation of any and all provisions of

these Rules shall be made unless such is first proposed in writing by a Board member with copies thereof furnished all Board members at least seven (7) working days prior to the Board meeting wherein such proposal is taken up and acted upon.

SECTION 154. Separability Clause. — If any clause, sentence, provision or section of these Rules, including any appendices hereto, shall be held invalid or unconstitutional, the other provisions not otherwise affected shall remain in full force and effect.

SECTION 155. Effectivity Clause. — These Rules shall take effect immediately upon its publication in the Official Gazette or in a newspaper of general circulation.

Adopted: 28 June 1997

(SGD.) MANUEL A. DALIPE
Chairman and Administrator

(SGD.) MARIA CLARA L. LOBREGAT
Director
(SGD.) VITALIANO D. AGAN
Director

(SGD.) CESAR CUETO
Director
(SGD.) SUSAN N. DELOS REYES
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