

Republic of the Philippines
CAGAYAN ECONOMIC ZONE AUTHORITY
7/F Westar Building, 611 Shaw Blvd., Pasig City



**RULES IMPLEMENTING
THE
CAGAYAN SPECIAL ECONOMIC
ZONE ACT OF 1995**

18 February 1997

CEZA CIRCULAR NO. 01-97

SUBJECT: RULES IMPLEMENTING THE CAGAYAN
SPECIAL ECONOMIC ZONE ACT OF 1995

Pursuant to the provisions of Section 6 of Republic Act No. 7922, otherwise known as the "Cagayan Special Economic Zone Act of 1995," approved and enacted on 24 February 1995, and in line with the guidelines prescribed under Section 50, Chapter II, Book IV, of Executive Order No. 292 (the Administrative Code of 1987, as amended), the following Rules are hereby adopted and issued for the guidance and compliance of all concerned, to wit:

ARTICLE I PRELIMINARY PROVISIONS

Section 1. Title. – These Implementing Rules and Regulations shall be known and cited as CEZA Circular No. 01-97.

Section 2. Declaration of Policy. – It is hereby declared the policy of the government to actively encourage, promote, induce and accelerate a sound and balanced industrial, economic and social development of the country. In order to provide jobs to the people especially those in the rural areas, increase their productivity and their individual and family income, and thereby improve the level and quality of their living condition, there shall be established special economic zones and free ports in suitable and strategic locations in the country and through measures that shall effectively attract legitimate and productive foreign investments.

Section 3. Scope. – These Rules are promulgated to implement the provisions governing the Cagayan Special Economic Zone and Free Port initially to specific areas for development demarcated by secure perimeters in the Municipality of Santa Ana and the islands of Fuga, Barit and Mabbag in the Municipality of Aparri, Province of Cagayan, pursuant to Republic Act No. 7922, otherwise known as the Cagayan Special Economic Zone Act of 1995.

A system of accretion shall then follow in the application of these Rules to areas of expansion or development subsequently determined by the CEZA Board until the entire Municipality of Santa Ana and the islands of Fuga, Barit and Mabbag in the Municipality of Aparri, Province of Cagayan, embraced under Republic Act No. 7922, are covered.

Section 4. Definition of Terms. – For purposes of these Regulations, the terms used herein shall, unless the context indicates otherwise, be construed to mean as follows:

- I. **Act** - Republic Act No. 7922, otherwise known as the “Cagayan Special Economic Zone Act of 1995.”
- II. **Articles** - refers to any goods, wares, merchandise, raw materials, supplies, equipment, machinery, packaging materials and generally, anything that may under the Tariff and Customs Code of the Philippines, as amended, in consonance with the Rules of the CEZA, be made the subject of importation into or exportation from the CEZA.
- III. **CEZA Board** – Cagayan Economic Zone Authority Board of Directors.
- IV. **Cagayan Economic Zone Authority (CEZA)** – A body corporate established pursuant to RA 7922, otherwise known as the “Cagayan Special Economic Zone Act of 1995.”
- V. **CSEZFP** – refers to Cagayan Special Economic Zone and Freeport, the separate customs territory defined in Section 3 of the Act as covering the entire area embraced by the Municipality of Sta. Ana and the islands of Fuga, Barit, and Mabbag in the Municipality of Aparri, all in the Province of Cagayan.
- VI. **Certificate of Registration** – refers to the certificate issued by the CEZA evidencing the registration of the business entity as a CEZA Enterprise.
- VII. **Certificate of Residency** – refers to the certificate issued by the CEZA evidencing the registration of a natural person as a CSEZFP Resident.
- VIII. **CEZA Non-Pioneer Enterprise** – shall mean a CEZA-registered producer enterprise other than a CEZA-pioneer enterprise.
- IX. **CEZA Pioneer Enterprise** – shall mean a CEZA registered enterprise (1) engaged in the manufacture, processing or other production, and not merely in the assembly or packaging of goods, products, commodities or raw materials that have not been or are not being produced in the Philippines on a commercial scale; (2) which uses a design, formula, scheme, method, process or system of production or transformation of any element, substance or raw material into another raw material or finished goods which is new and untried in the Philippines; (3) which produces non-conventional fuels or manufactures equipment which utilizes non-conventional sources of energy or uses or converts to coal or other non-

conventional fuels or sources of energy in its production, manufacturing or processing operations; (4) engaged in the pursuit of agri-export processing zone development; or (5) given such status under the Investment Priorities Plan; Provided, That the final product in any of the foregoing instances involves or will involve substantial use and processing of domestic raw materials, whenever available, taking into account the risk and magnitude of the investment.

- X. **CEZA Facilities Operator** – shall refer to a business entity or concern [inside] the CSEZFP duly registered with and/or franchised/licensed by the CEZA with or without the incentives provided under Republic Act No. 6957, as amended, (the Build-Operate-Transfer Law) and/or with or without financial exposure on the part of the CEZA such as contractors/operators of buildings, structures, warehouses, site development and road network, ports, sewerage and drainage system and other facilities for the development, operation and maintenance of the CSEZFP and other similar or ancillary activities as may be determined by the Board.
- XI. **CEZA Registered Enterprise** – refers to any sole proprietorship, partnership, corporation, association or other form of business entity, including the CEZA, locating in, and duly registered with and/or licensed by the CEZA to engage in any lawful economic activity inside the CSEZFP.
- XII. **Customs** – refers to the Philippine Bureau of Customs.
- XIII. **Customs Territory** – shall mean the national territory of the Philippines outside of the proclaimed boundaries of the CSEZFP except those areas specially declared by other laws and/or presidential proclamation to have the status of special economic zones and/or free ports.
- XIV. **Developer/Operator** – refers to a business entity or concern duly registered with and/or licensed by the CEZA to develop, operate and maintain an industrial zone *on* any or all of the components of the CSEZFP, as well as the required infrastructure facilities and utilities such as but not limited to light and power system, water supply and distribution system, sewerage and drainage system, pollution control devices, communication facilities, paved road network, administration building and other facilities as may be required by the CEZA. The term shall include the CEZA and/or the Local Government Unit when by themselves or in joint venture with a qualified private entity, shall act as the Developer/Operator of a part of the whole of the CSEZFP.
- XV. **Domestic Articles/Merchandise** – 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 in the Customs Territory free of duties or taxes.

- XVI. Export Product** – shall mean the manufactured, processed and/or assembled physical products belonging to the class of products approved by the CEZA Board to be undertaken by the enterprise, including such packaging materials and containers as may be necessary to put the product into exportable form.
- XVII. Foreign Articles/Merchandise** – refers to articles of foreign origin on which duties and taxes have not been paid, or upon which a drawback or bounty has been allowed, or which have not been previously entered into the Customs territory, and articles which are grown, produced or manufactured in the Philippines on which not all national internal revenue taxes have been paid, if subject thereto, or if paid, upon which a drawback or bounty have been allowed.
- XVIII. Foreign National** – refers to a natural person who is not a citizen of the Philippines or a juridical person organized, authorized, or registered under the laws of any foreign country.
- XIX. Franchise** – refers to the license granted to or conferred by CEZA upon any business establishment or person to operate or manage any public utility, gaming or any other business or income generating activity allowed by the Act or these Rules.
- XX. Freeport** – an enclosed port or section of a port, municipality, city or province where all types of goods, articles, raw materials, equipment and/or finished products are received, used for manufacturing, traded, retailed, consumed or re-exported and shipped and/or transshipped free of customs duties and taxes.
- XXI. Gross Income** – for purposes of computing the special tax due under Section 4 of the Act refers to the definition prescribed under the Rules or Regulations promulgated by the Department of Finance (DOF) and/or the Bureau of Internal Revenue (BIR).
- XXII. License** – refers to the privilege or permit to carry on any business activity other than that requiring a franchise or a Certificate of Registration.
- XXIII. Local Government** – refers to the political subdivisions established by or in accordance with the Constitution.

- XXIV. National Government** – refers to the entire machinery of the central government, as distinguished from the different forms of local governments.
- XXV. Offshore Banking Units (OBU)** – refers to a branch, subsidiary or affiliate of a foreign banking corporation which is duly authorized by Bangko Sentral ng Pilipinas to transact offshore banking business in the Philippines.
- XXVI. Permanent Resident Status** – that conferred upon any foreign investor who establishes a business establishment within the CSEZFP and who maintains a capital investment of not less than One Hundred Fifty Thousand US Dollars (US\$ 150,000.00) or his or her spouse, dependents, and unmarried children below twenty-one (21) years of age.
- XXVII. Permit** – a written warrant or license granted by one having authority.
- XXVIII. Point of Entry** – refers to any place designated by the CEZA where articles may be lawfully introduced into or removed from the CSEZFP or any part therein designated by the CEZA.
- XXIX. Prohibited Articles/Merchandise** – shall refer to goods, wares, merchandise, equipment or machinery the importation of which is prohibited by law as enumerated in Section 102 Book 1 of Republic Act No. 1937, otherwise known as the Tariff and Customs Code of the Philippines, as amended by Presidential Decree No. 34, and such other goods or merchandise which may be prohibited by special laws or by the CEZA.
- XXX. Rules** – refers to the Rules Implementing the Cagayan Special Economic Zone Act of 1995.
- XXXI. Transshipment** – refers to the transport or shipment of articles or goods from a foreign port or any port within the Philippine Custom Territory into the CSEZFP strictly for subsequent shipment to a foreign port or any port within the Custom Territory where the manifest pertaining thereto specifically states that the destination therefor is for a foreign port or a port within the Custom Territory without introducing the same into the CSEZFP.
- XXXII. Working Visas** – refers to that issued by CEZA to foreign nationals who possess highly technical skills which no Filipino citizen in Region 02 possesses, as certified by the Department of Labor and Employment. It also refers to that issued to foreign nationals who occupy top management or executive positions.

Section 5. Rules of Implementation – Pursuant to the declared State policies relative to CEZA, the following rules of interpretation shall be observed in the implementation of these Rules.

- a) All trade and business, immigration, corporation, foreign investment and quarantine laws shall be subordinated to and/or liberally construed in favor of the CEZA to enhance and promote the policies of the special economic zone system within the boundaries established by law and these Rules.
- b) In case of conflict between national and local tax laws on the one hand, and tax exemption privileges granted in the CSEZFP pursuant to the Act on the other, the same shall be resolved in favor of the latter.
- c) In case of conflict between the CEZA and the local government units concerned on matters affecting the CSEZFP other than the defense and security of the said local governments, the decision of the CEZA shall prevail.
- d) Within the limitations provided by law, the CEZA shall exercise administrative and rule-making powers in, and disbursements of funds over the CSEZFP.

Section 6. Boundaries. – The boundaries of the CEZA shall comprise the areas described in Section 3 of the Act.

ARTICLE II ORGANIZATION

Section 7. Board of Directors. – The powers and functions of the CEZA shall be vested in and exercised by a Board of Directors.

The Board shall be composed of fifteen (15) members, each of whom shall be appointed by the President of the Philippines to serve for a term of three (3) 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.

In case of vacancy caused by expiration of term of a member, the latter shall, in a hold-over capacity, continue to perform his/her duties and responsibilities and receive per diem for attendance in meetings of the Board until a replacement is appointed by the President.

Except for the representatives of the business and investment sectors, no person shall be appointed by the President of the Philippines as a member of the Board unless he is a Filipino citizen, of good moral character and of recognized

competence in some relevant fields in business, banking, shipping, business or labor management, port operations, engineering, or law.

The members of the Board shall be as follows:

- a) The Secretary of Trade and Industry who shall serve as an *ex-officio* chairman of the Board of Directors and four (4) other representatives of the national government;
- b) The mayors of the Municipality of Aparri and the Municipality of Santa Ana, Province of Cagayan, as *ex-officio* voting members;
- c) Two (2) representatives of labor from among the workers in the CSEZFP.
- d) Four (4) representatives from the business and investment sectors in the CSEZFP, two (2) of whom must come from the investors in the Municipality of Santa Ana and the other two (2) must come from the investors in the islands of Fuga, Barit and Mabbag in the Municipality of Aparri; and
- e) Two (2) representatives of the private sector coming from the residents of the municipalities of Santa Ana and Aparri;

Members of the Board shall receive a reasonable per diem which shall not be less than the amount equivalent to the representation and transportation allowances of the members of the Board and/or as may be determined by the Department of Budget and Management: Provided, however, That the total per diem collected each month shall not exceed the equivalent per diem 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 (₱ 10,000.00) for every Board meeting.

Section 8. By-laws. – The Board of Directors shall adopt a set of by-laws that shall govern CEZA’s internal business and operations.

Section 9. Administrator and Chief Executive Officer. – The Administrator and Chief Executive Officer of CEZA shall be responsible to the Board and the President of the Philippines for the efficient management and operation of the CSEZFP.

Section 10. Powers and Functions. – The CEZA shall have the following powers and functions:

- a) To adopt, alter, use a corporate seal; to contract, lease, buy, sell, acquire, own and dispose movable and immovable as well as personal and real property of whatever nature (including but not limited to shares of stock or participation in private corporations or in limited partnerships, or in joint ventures with limited liability), bonds, precious metals in bullion, ingots, and easily convertible foreign exchange; to sue and be sued in order to

carry out its duties, responsibilities, privileges, powers and functions as granted and provided for in this Act; and to exercise the power of eminent domain for public use and public purposes;

- b) Within the limitations provided by law, to raise or borrow adequate and necessary funds from local or foreign sources to finance its projects and programs under this 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;
- c) To approve, accept, accredit and allow any local or foreign business enterprise or investment in the CSEZFP subject only to such rules and regulations as CEZA may promulgate from time to time in conformity with the provisions of the Act and the limitations provided by the Constitution.
- d) To authorize or undertake, on its own or through others, and regulate the establishment, operation and maintenance of public utilities, services, and infrastructure in the CSEZFP such as shipping, barging, stevedoring, cargo handling, hauling, warehousing, storage of cargo, port services or concessions, piers, wharves, breakwaters, bulkheads, bulk terminals, mooring areas, storage areas, roads, bridges, terminals, conveyors, water supply and storage, sewerage, drainage, airport operations in coordination with the Civil Aeronautics Board, and such other services or concessions or infrastructure necessary or incidental to the accomplishment of the objectives of the Act: Provided, however, That the private investors in the CSEZFP shall be given priority in the awarding of contracts, franchises, licenses, or permits for the establishment, operation and maintenance of utilities, services and infrastructure in the CSEZFP;
- e) To construct, acquire, own, lease, operate and maintain on its own or through others by virtue of contracts, franchises, licenses, or permits under the build-operate-transfer scheme or under a joint venture with the private sector any or all of the public utilities and infrastructure required or needed in the CSEZFP, 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 activities, including games, amusements, recreational and sports facilities such as horse racing, dog racing, gambling casinos, golf courses, and others under priorities and standards set by CEZA;
- g) To protect, preserve, maintain and develop the virgin forests, beaches, coral and coral reefs within the CSEZFP. The virgin forest within the CSEZFP shall be proclaimed as a national park and shall be covered by a permanent total log ban. For this purpose, the rules and regulations of the Department of Environment and Natural Resources and other government

agencies involved in the above functions shall be implemented by the CEZA;

- h) To adopt, implement and enforce reasonable measures and standards to control pollution within the CSEZFP;
- i) To provide security for the CSEZFP in coordination with the national and local governments. For this purpose, CEZA may establish and maintain its own security force and fire-fighting capability or hire others to provide the same;
- j) To form, establish, organize and maintain subsidiary corporations, as its business and operations may require, whether under the laws of the Philippines or not;
- k) To issue rules and regulations consistent with the provisions of this Act as may be necessary to implement and accomplish the purposes, objectives and policies herein provided;
- l) To charge reasonable fees for the exercise of any privilege or the maintenance and use of its facilities, utilities and infrastructure, as well as to impose fines and penalties for violation of the laws CEZA is authorized to enforce, including these rules and regulations; and
- m) To exercise such powers as may be essential, necessary or incidental to the powers granted to it hereunder as well as those that shall enable it to carry out, implement, and accomplish the purposes, objectives and policies of this Act.

Section 11. Capitalization. – The Cagayan Economic Zone Authority shall have an authorized capital stock of Two Billion (₱ 2,000,000,000.00) no par shares with a minimum issue value of Ten Pesos (₱ 10.00) each. The National Government shall initially subscribe and fully pay Three Hundred Million (₱ 300,000,000.00) shares of such capital stock. The initial amount necessary to subscribe and pay for the shares of stock shall be included in the General Appropriations Act of the year following its enactment into law and thereafter. The Board of Directors of CEZA may, from time to time and with the written concurrence of the Secretary of Finance, increase the issue value of the shares representing the capital stock of the CEZA. The Board of Directors of CEZA, with the written concurrence of the Secretary of Finance, may sell shares representing not more than forty per centum (40%) of the capital stock of the CEZA to the general public with such annual dividend policy as the Board and the Secretary of Finance may determine. The national government shall in no case own less than sixty per centum (60%) of the total issued and outstanding capital stock of the CEZA.

ARTICLE III PROPERTIES

Section 12. Best Use of Properties. – The CEZA shall take all measures necessary to secure the best use of its properties within the CSEZFP. The CEZA may lease the aforesaid properties to private facilities operators who may thereafter, under conditions approved by the CEZA, sub-lease the facilities or otherwise provide services based thereon to other CEZA Enterprises.

Section 13. Establishment of Secure Perimeters, Points of Entry and Duty and Tax Free Areas. – Pending the establishment of secure perimeters around the entire CSEZFP, the CEZA shall have the authority to establish and demarcate areas of the CSEZFP with secure perimeters within which tax and duty free articles and merchandise may be imported, retailed, consumed or re-exported subject to limitations as may be determined by CEZA, the Government, and its pertinent agencies and instrumentalities. The CEZA shall furthermore have the authority to establish, regulate and maintain points of entry into the CSEZFP or to any duty and tax-free areas inside the CSEZFP.

ARTICLE IV LANDS, BUILDINGS AND INFRASTRUCTURE FACILITIES IN THE CSEZFP

Section 14. General Land Use and Master Plan. – The CEZA shall draw up and publish a general Land Use and Master Plan specifying the general uses and economic activities to be promoted for different areas of the CSEZFP and shall enforce said plan subject to such revisions as the CEZA may deem necessary or appropriate to accomplish the policies and objectives of the Act. All investors in the CSEZFP shall be bound by this plan as may be adopted and/or amended from time to time.

Section 15. Lease of Land and Buildings Owned by CEZA. – Lands and buildings of the CEZA can be leased only to CEZA Enterprises authorized by or registered with the CEZA and owned or controlled either by Philippine nationals or by aliens under such terms and conditions as the Board may formulate.

With respect, however, to lease of lands to CEZA Enterprises wholly owned or controlled by foreigners, the following limitations and conditions shall apply:

- a) The lease period shall not exceed fifty (50) years extendible once for a period of not more than twenty five (25) years.
- b) The area leased shall be used exclusively for the purpose of investment as approved by the CEZA and other government agencies, if applicable. In case the leased premises or any part thereof is used for any purpose different from that as approved or not related thereto or connected therewith, without the prior written approval by the CEZA, the lease shall be terminated and/or canceled by the CEZA without prejudice to the

penalties provided for under Section 7 of RA 7652, otherwise known as the Investor's Lease Act, and compensation for damages suffered by the lessor.

- c) The leased premises shall comprise only such area as may reasonably be required for the project contemplated in the investment. Additional areas for future or intended expansion may also be leased upon satisfactory showing of the viability of the proposed expansion and payment of reservation fee for the land within a period as may be determined by the Board.
- d) In case the CEZA Enterprise desires to extend the lease after the initial period of fifty (50) years, it shall present proof that it has made social and economic contributions to the region, otherwise, the application for renewal/extension shall be disapproved.

In case of tourism projects, lease of private lands by a registered CEZA Enterprise, wholly foreign-owned or more than forty percent (40%) of whose outstanding capital stock is owned by foreigners, shall be limited to projects the projected investment of which shall be determined by the CEZA Board on a per application basis and subject to conformance with the CEZA Master Plan or revisions thereof.

Section 16. Cancellation of Lease. – Any long term lease contract referred to in Section 15 hereof shall be canceled at the instance of the CEZA if the project is not initiated within the period as stated in the contract or one (1) year from compliance of the required supporting documents whichever comes earlier, unless an extension is granted by the CEZA Board upon valid and meritorious grounds.

Section 17. Transfer of Leasehold Rights. – All leasehold rights required under long term lease contracts in accordance with these Rules and the Act may be sold, transferred, assigned or conveyed; Provided, That any sale, transfer, assignment, conveyance, or encumbrance over the leasehold rights must be with CEZA's prior written approval; Provided, further, That if the transferee or assignee is a Filipino citizen or an enterprise wholly owned by Filipino citizens, the limitations contained in Section 15 thereof with respect to the maximum period of lease shall not apply.

Section 18. Land Acquisition. – A CEZA Enterprise duly registered with the CEZA may acquire lands within the CSEZFP subject to compliance with the nationality requirements under the Philippine Constitution and existing laws and to the terms and conditions as may be prescribed by the CEZA Board. If the CEZA Enterprise is a corporation desiring to acquire lands within the CSEZFP, it must be duly organized under the laws of the Philippines and at least sixty percent (60%) of its outstanding capital stock and entitled to vote is owned and held by citizens of the Philippines.

Section 19. Building Acquisition – A CEZA Enterprise duly registered with the CEZA may construct, buy or sell building(s)/structures subject to the standards, terms and conditions as may be prescribed by the CEZA Board.

ARTICLE V PERMITS AND OTHER REQUIREMENTS

Section 20. Permits. – No building, structure, facility, utility, and electro-mechanical equipment shall be constructed and installed and no improvement thereon within the CSEZFP or any other area owned, administered or operated by the CEZA, shall be made without the prior written approval or permit issued by the CEZA. Likewise, upon completion of the building, structure, facility, utility and installation of electro-mechanical equipment permanently and/or temporarily attached to the building, the CEZA Enterprise or the owner shall secure an occupancy permit for the building and/or permit to operate such facility, utility and electro-mechanical equipment from the duly designated CEZA Official. The CEZA Enterprise shall pay to the CEZA all the corresponding fees and dues related to the issuance of the permit as specified in the National Building Code and its implementing rules as well as those contained in such other rules as the CEZA Board may adopt.

Section 21. Submission of Requirements. – Any CEZA Enterprise intending to construct its own building or other structures, facilities and utilities within the CSEZFP shall, before proceeding with the work, submit to the CEZA all the documentary requirements as herein below enumerated within forty five (45) days from the date of registration. Thereafter, it shall commence construction and/or installation of equipment within thirty (30) days from approval or issuance of the necessary permits unless a different period is granted by the CEZA.

In case the applicant is a registered owner of the lot, the following documentary requirements are as follows:

- a) Certified true copy of Transfer Certificate of Title, tax declaration or other proof of ownership;
- b) Certificate of registration with the CEZA business permit/lease issued by the CEZA;
- c) Three (3) sets of plans, specifications and bill of quantities prepared, signed and sealed by duly licensed architects/engineers;
- d) Logbook and standard drawing sheets; and
- e) Environmental Compliance Certificate.

In case the applicant is not a registered owner of the lot, the requirements are as follows:

- a) Duly notarized copy of the contract of lease or other pertinent contracts;
- b) Certificate of registration with the CEZA business permit/lease issued by the CEZA;
- c) Three (3) sets of plans, specifications and bill of quantities prepared, signed and sealed by duly licensed architects/engineers;
- d) Logbook and standard drawing sheets; and
- e) Environmental Compliance Certificate.

Section 22. Collection of Fees/Charges. – The CEZA shall collect fees and charges for services rendered in connection with the processing and issuance of all the permits required and performance of other regulatory functions in accordance with the rates fixed under the National Building Code of the Philippines and/or the schedule of fees that may be adopted by the CEZA. All fees and dues collected shall accrue to the CEZA.

Section 23. Use of Structures/Roads. – If the use of any structure or road inside the CSEZFP or the excavation of the same is required by a CEZA Enterprise to meet its building construction requirements, an application for such purpose must first be submitted to the CEZA. The public grounds or structures or roads shall be restored to their original shape and condition immediately after completion of the construction work and shall be at the expense of the CEZA registered enterprise.

Section 24. Right of Inspection. – All completed plants, buildings, structures, facilities, utilities and newly installed electro-mechanical equipment and machineries shall be inspected by the CEZA to determine whether they have complied with the approved building specifications and plant layout.

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

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

Section 25. Temporary Permit to Operate. – If the deficiencies noted during the inspection do not endanger life and property, a temporary permit to start operation shall be granted; Provided, That the CEZA shall furnish the CEZA Enterprise with a detailed listing of the improvements required and shall set a

deadline for the CEZA Enterprise to carry such improvements; Provided, further, That the CEZA Enterprise shall report to the CEZA within the prescribed deadline the results of adjustments made and shall request the CEZA to re-inspect the plant for final approval.

Section 26. Occupational Safety. – The CEZA, in coordination with the Department of Labor and Employment, shall conduct periodic inspection of plants, buildings, structures, facilities and utilities within the CSEZFP to check on health, medical, occupational, fire and safety standards relative to the same, as well as the electro-mechanical equipment and machineries and the general condition and maintenance of the plant. The CEZA Enterprise shall correct any deficiency or violations of pertinent regulations noted in such inspection within a reasonable period of time to be determined by the CEZA.

In the implementation of the periodic inspection of plants within the CSEZFP, the CEZA shall impose inspection fees on installations of different machineries, equipment and devices and shall issue a Permit to Operate and a Certificate of Inspection. The fees to be collected shall be based on the current rate being imposed by the Department of Labor and Employment unless a different rate is imposed by the CEZA Board.

ARTICLE VI PROCEDURES FOR REGISTRATION OF CEZA ENTERPRISES AND CSEZFP RESIDENTS

Section 27. Registration Office. – The CEZA shall establish an office to register all business enterprises or concerns applying to be CEZA Enterprises, as well as natural persons applying to be CSEZFP Residents.

Said office shall issue standard application forms and prescribe the documents to support the application for registration.

The same office shall evaluate and recommend approval of the application by the Administrator. Thereafter, it shall register qualified enterprises and residents and shall issue certificates attesting to their registration and residency, respectively. After issuance of certificates, the pertinent departments of CEZA shall monitor the status and compliance of all CEZA Enterprises and CSEZFP Residents with these rules and regulations.

Section 28. One Stop Action Center. – The CEZA shall establish within the CSEZFP a One Stop Action Center (OSAC) to facilitate the registration, licensing and issuance of permits to CEZA Enterprises. Towards this end, CEZA shall endeavor to ensure that concerned government agencies shall assign duly authorized representatives to the OSAC in the CSEZFP.

Section 29. Who are Eligible. – Any person, firm, association, partnership, corporation or any form of business organization, regardless of nationality, control and/or ownership of the working capital thereof, may apply for registration as a CEZA Enterprise in any area of economic activity, except only as is specifically

limited by the Constitution. Other than the areas of investment where nationality requirements or foreign ownership or control are restricted by the Constitution, the nationally requirements imposed, or restriction on foreign ownership or control prescribed in the Foreign Investments Negative List (FINL) of RA 7042, otherwise known as “The Foreign Investments Act of 1991” and other laws which restrict foreign ownership or equity, shall not apply to CEZA Enterprises.

Section 30. Conditions for Registration. – A CEZA enterprise shall be a duly 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 Philippines. If affiliated with an existing enterprise in the Philippines outside the CSEZFP, the CEZA Enterprise must establish a separate business organization to conduct business exclusively within the CSEZFP which shall be a separate taxable entity. In meritorious case, the CEZA may allow non-establishment of a separate business entity subject to such terms and conditions as may be prescribed by CEZA.

Section 31. Supporting Documents. – The applicant for registration as a CEZA Enterprise shall submit, together with the prescribed application form, the following:

- a) Project Feasibility Study, indicating the basic data/information on its technical, financial, marketing and management capability and competence to undertake the proposed project within the CSEZFP;
- b) Copies of relevant documentation of legal status of the business enterprise (e.g. articles of incorporation and by-laws, partnership agreement, SEC license to do business, and other similar documents) if already available;
- c) If there is foreign ownership, proof of inward remittance and/or investment or other proof of financial capacity acceptable to the CEZA;
- d) Evidence of intended physical location of the enterprise within the CSEZFP (e.g. Certificate of Title, Deed of Sale, Lease Agreement, Commitment Letter, and other similar documents) and the manner which such physical location was secured (e.g. from the CEZA, from licensed facilities operators, or other property owner or lessee);
- e) If part of a larger business enterprise doing business outside the CSEZFP, evidence of restructuring which excludes from the operations of the CEZA Enterprise all business operations taking place outside the CSEZFP;
- f) List of assets comprising the investment to be made;
- g) Certificate under oath that the CEZA Enterprise will comply with the Master Plan as may be adopted and amended from time to time; and
- h) Such other documents that the CEZA may require.

Section 32. Requirements for Registration of Existing Enterprises. – In order to qualify for registration, the existing enterprise must submit an application in the form prescribed by the CEZA accompanied by the supporting documents enumerated in Section 31 above.

Section 33. Period of Action on Application. – Should the application for registration or residency merit approval, a Certificate of Registration shall be issued by the Office of the Administrator within thirty (30) calendar days following the submission of the completed application and all required supporting documents.

The issuance of a Certificate of Registration shall be accompanied by the issuance of Certificate of Residency to qualified enterprises and residents, respectively, when all required supporting documents for the latter are included in their applications.

In case of denial of the application, the applicant shall be notified within thirty (30) calendar days from the date of filing of application.

Section 34. Effect of Issuance of Certificate. – The issuance of a Certificate of Registration or Residency to a CEZA Enterprise or Resident, respectively, shall entitle and subject the business enterprise or resident to all benefits and obligations under the Act and these Rules, and other regulations that may be promulgated by CEZA.

Section 35. Validity. – All certificates issued by the CEZA shall be valid for a period of one (1) year from the date of issuance and shall be deemed renewed every one year (i) upon payment of the prescribed fees at least ten (10) days prior to the expiration of the said one (1) year period, and (ii) for as long as CEZA Enterprises or Resident remains qualified to continue its business operations or reside within the CSEZFP under the same terms and conditions for which the original certificate(s) was/were issued.

Section 36. Identification Card System. – All CSEZFP Residents and Employees must secure CEZA identification cards from CEZA, under an identification card system that the CEZA will adopt, implement and enforce, and which will contain such information as the CEZA may deem necessary, including but not limited to the name, age, address, blood type and skills of the CSEZFP Resident or Employee.

Section 37. Fees. – The CEZA may charge reasonable fees for the acceptance, processing, issuance and renewal of applications, certificates and other similar documents that may be required under these Rules.

Section 38. Eligibility. – Any business enterprise currently operating entirely within the CSEZFP shall be eligible to register as a CEZA Enterprise.

Section 39. Effect of Not Acquiring Registration. – Any enterprise located within the CSEZFP may elect not to register as a CEZA Enterprise. In doing so, the

enterprise shall not benefit from any tax and other advantages accorded to CEZA Enterprises.

Notwithstanding any such election, any enterprise located within the CSEZFP shall still be subject to the Customs and other regulations and procedures applicable to CEZA, as well as the other provisions of these rules and regulations, including but not limited to, building restrictions, environmental control, security, immigration and quarantine matters, and other matters directly or indirectly related to the conduct of business within the CSEZFP.

Section 40. Foreign Nationals. – Foreign nationals who are currently residing in CSEZFP and who have resided therein continuously for a period of at least two (2) years as of the date of promulgation of these Rules, and who have been accorded permanent residency status in the Philippines, may apply for Certificates of Residency in CSEZFP upon submission of the supporting documents enumerated as follows:

- a) Documentation of residence within the CSEZFP, i.e. community tax certificate;
- b) Evidence of nationality;
- c) Evidence of employment or other business operations within the CSEZFP;
- d) If the spouse or child below 21 years of age of a CSEZFP Resident, evidence of such relationship, i.e. marriage license, birth certificate, etc., accompanied by the affidavit of support by the CSEZFP Resident; and
- e) Such other documents that the CEZA may acquire.

Foreign nationals currently residing in the CSEZFP who have not yet been accorded residency shall be eligible therefor subject to the immigration and other related provisions of these Rules.

Section 41. Certificate of Residency. – The CEZA shall issue Certificate of Residency to all qualified residents of the CSEZFP within thirty (30) calendar days from receipt of the required and complete application, information and documentation. This certificate shall attest to the residency of the person within the CSEZFP, and shall entitle and subject the resident to the benefits and obligations as defined in the Act, these Rules and other regulations that may be promulgated by the CEZA.

Section 42. Certificate of Residency for CSEZFP Filipino Residents. – A Certificate of Residency duly issued by the CEZA shall be required for all Filipino residents of CSEZFP. Subject to provisions of these Rules, such a certificate shall be available to any Filipino actually residing within the CSEZFP who is an employee or owner of a CEZA Enterprise, and the immediate member of the family of such employee or owner, or who has leased or otherwise secured living quarters within the CSEZFP.

Section 43. Foreign Nationals Residing Outside the CSEZFP. – Foreign nationals accorded permanent residency status in the Philippines may apply for Certificate of Residency in the CSEZFP upon presentation of proof of such permanent residency status and employment or investment within the CSEZFP. Foreign nationals without prior permanent status in the Philippines shall be subject to the Immigration and other pertinent provisions.

Section 44. Withdrawal, Suspension, or Cessation of Operations. – When a CEZA Enterprise decides to withdraw, suspend, or cease its registered activity or operations, written notice thereof shall be sent to CEZA one (1) month prior to the implementation of the action. Subject to the provisions of pertinent laws and without prejudice to the rights of mortgage creditors, the withdrawal or cessation of the business operations for a continuous period of two (2) months, unless extended upon the written request of the enterprise and approval of the CEZA Board, respectively, shall have the effect of automatically canceling the Certificate of Registration without the need for Board action. Upon such withdrawal and cessation of operations, the CEZA Enterprise shall cease to be entitled to the incentives provided for in the Act and these regulations.

Section 45. Revocation, Suspension or Cancellation of Certificates of Registration or Residency. – Without prejudice to the imposition of penalties prescribed under the pertinent provisions of the National Internal Revenue Code and the Tariff and Customs Code of the Philippines, the Certificates of Registration issued by the CEZA to any CEZA Enterprise or CSEZFP Resident may be revoked, suspended, canceled for any of the following grounds:

- a) Failure to maintain the qualifications for registration or license as required by the Act and the Rules;
- b) Violation of any provision of Philippine law, the Act and/or these Rules;
- c) Violation of the corresponding memoranda or circular or any of the general or specific terms of the registration or license agreement between the CEZA and the CEZA Enterprise; and
- d) Expiration or violation of lease contract or the conditions set forth in the Certificate of Registration or Residency.

Provided, That for minor violations, the CEZA may prescribe and impose administrative penalties, fines, or sanctions in lieu of the revocation, cancellation, or suspension of the Certificates of Registration or Residency. The CEZA may also graduate the penalties, fines or sanctions to be imposed based on the gravity and frequency of the violations concerned.

ARTICLE VII
RIGHTS AND OBLIGATIONS OF CEZA ENTERPRISES AND CSEZFP
RESIDENTS

Section 46. Rights and Obligations of CEZA Enterprise. – CEZA Enterprises shall have the following rights and obligations:

- a) To freely engage in any lawful business, trade, manufacture, financial or services activity, and to import and export freely all types of lawful goods into and out of the CSEZFP, subject to the provisions of the Act, these Rules and other regulations that may be promulgated by the CEZA;
- b) To employ foreign nationals; Provided, That with respect to technical positions, evidence of the unavailability of comparably-skilled Filipinos within the CSEZFP must first be secured from the Department of Labor and Employment;
- c) To faithfully comply with the Act, these rules and other regulations that may be promulgated by the CEZA;
- d) To report periodically to the CEZA 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 47. Rights and Obligation of CEZA Facilities Operators. –CEZA Facilities Operators shall have the rights and responsibilities of CEZA Enterprises prescribed in the preceding Section. In addition, they shall have the following rights and obligations:

- a) To manage facilities on real property it owns, has acquired or has leased within the CSEZFP;
- b) To lease out real property it owns or has leased within the CSEZFP and to acquire and lease land and sell or lease out facilities to CEZA Enterprise, subject to overall property management guidelines approved by the CEZA Board and to the provisions of Sections 14, 15, 16, and 17 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 CSEZFP'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 CEZA Board;
- 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 CEZA Enterprises, subject to the approval of the CEZA Board;

- e) To install adequate environmental protection facilities and pollution control systems as the CEZA may deem necessary to protect the environment or otherwise conform to or observe all environmental and pollution control standards of the CEZA;
- f) To maintain adequate security measures including adequate fencing, enclosures, lightings, alarm systems, fire fighting equipment and other similar devices to secure the facility, subject to approval by the CEZA Administrator ;
- g) To charge and modify fees for any services or facilities it provides within the CSEZFP, 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 CEZA Board.

Section 48. Importation of Articles, Raw Materials, Capital Goods, Equipment and Consumer Items into the CSEZFP. – Save for articles and goods specifically provided by law or regulation to be subject to taxes, duties, charges, including excise taxes thereon, CEZA Enterprises including CEZA and CSEZFP Residents in the CSEZFP Area are allowed to import such other articles, raw materials, capital goods, equipment and consumer items tax and duty-free into the CSEZFP, within which there shall be free and unimpeded flow of articles from one registered enterprise/resident to another registered enterprise/resident. Removal of these articles, raw materials, capital goods, equipment and consumer items out of the CSEZFP for sale into the Customs Territory shall be subject to the usual taxes and duties, except as may be provided herein.

Section 49. Importation by Residents of the Zone. – With the exception of articles and goods which are specifically provided by law or regulation to be subject to taxes, duties and charges, and those which are likewise prohibited by law, articles may be imported by CSEZFP Residents free from the payment of customs and import duties and national internal revenue taxes; Provided, That such articles are limited only for personal or household use or consumption within the CSEZFP.

Section 50. Domestic Merchandise. – Domestic merchandise sent from the CSEZFP area to the Customs Territory shall, whether or not combined or made part of other articles, be subject to the internal revenue laws of Philippines.

Section 51. Foreign Merchandise. – Merchandise of foreign origin brought to the CSEZFP by CEZA Enterprises which have not undergone any processing, manufacturing or manipulation while in the said CSEZFP shall, when sent therefrom to the Customs Territory, be subject to the laws and regulations governing imported merchandise; Provided, That where said foreign merchandise is combined with or made part of any domestic article, the duties and taxes to be assessed on the final

product shall be based on the value of such imported merchandise (except when the final product is exempt) and internal revenue taxes on the value-added.

Section 52. Transfer of Merchandise. – Domestic merchandise on which all internal revenue taxes have been paid, if subject thereto, and foreign merchandise on which duties or taxes have been paid, or which have been admitted free of duties and taxes, may be taken into the CSEZFP from the Customs Territory of the Philippines and brought back thereto free of quota, duty or tax; Provided, however, That said merchandise shall have preserved its identity at the time of transfer from the CSEZFP to the Customs Territory. Merchandise shall be deemed to have lost its identity when, at the time of transfer, there has been a change in the physical or mechanical characteristics and/or electro-magnetic or chemical properties of such merchandise.

Foreign articles to be used in the production, manufacture, processing of finished products may be brought from the CSEZFP to designated Special Economic Zones, Bonded Warehouses, Export Processing Zones, or accredited subcontractors under bond acceptable to the CEZA and the Bureau of Customs which shall be contingent to the total landed cost of foreign articles to guaranty the return of the finished goods to the CSEZFP, for export or sale within the CSEZFP area to protect government revenues.

Foreign articles sold by CEZA Enterprises to CSEZFP Residents and to travelers, tourists, and investors shall be exempt from duties and taxes provided they are actually exported to a foreign country upon their departure or are actually consumed within the CSEZFP.

Foreign articles withdrawn, transported, or taken in commercial quantities from the CSEZFP to Customs Territory without payment of duties and taxes shall be subject to seizure and forfeiture pursuant to the pertinent provisions of the Tariff and Customs Code, without prejudice to the criminal/administrative actions that may be instituted against the person/person liable/responsible therefor.

Section 53. Subsequent Importation. – Goods or merchandise produced or manufactured in the CSEZFP and exported therefrom shall, on subsequent importation into the Customs Territory, be subject to the import laws applicable to similar articles manufactured in a foreign country.

Section 54. Prohibited Articles. – Any kind or class of articles may be admitted into the CSEZFP from a foreign country, the Customs Territory, a Customs Bonded Warehouse, Export Processing Zone or Special Economic Zone, except articles prohibited under the laws of the Republic of the Philippines.

Section 55. Reject, Seconds and Recoverable Wastes. – Subject to the provisions of Section 52 hereof, rejects, seconds and recoverable wastes shall, when taken from the CSEZFP to the Customs Territory, be taxed in accordance with the applicable provisions of the customs and internal revenue laws and regulations of the Philippines.

Section 56. Abandonment. – Any article or merchandise found in the CSEZFP area, the ownership of which cannot be ascertained despite diligent efforts, shall be declared as abandoned in favor of the CEZA.

Section 57. Consumer Goods and Items. – Consumer goods and items must be consumed within the CSEZFP. The removal of raw materials, capital goods and equipment, as well as consumer goods and items from the CSEZFP for sale to non-CEZA Enterprises or non-CSEZFP Residents shall be subject to the approval of CEZA Board and to the usual duties and taxes as ordinary importations.

ARTICLE VIII TAXATION AND TRADE REGIME

Section 58. Taxation on Operations. – Business establishments operating within the zone 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 like raw materials for the manufacture into finished goods, supplies, capital-goods, equipment and all other articles needed for their business operations within the CSEZFP.
- b) Save for articles and goods specifically provided by law or regulation to be subject to said taxes, internal revenue taxes, such as VAT, expanded VAT, ad valorem and excise taxes on their sales of goods and services for which they are directly liable.
- c) Documentary Stamp Tax for which they are directly liable.
- d) Income tax on all income from services within the CSEZFP and foreign countries, Export Processing Zone, Bonded Warehouses and other Special Economic Zones within the Philippines, as well as all other 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 business establishments within the CSEZFP shall act as withholding agents of the National Government with respect to compensation and income payments to persons or individuals subject to expanded withholding tax.
- e) Franchise, common carrier or value added taxes and other percentage taxes on public and service utilities and enterprises within the CSEZFP.
- f) All taxes, fees and imports and laws imposable under R.A. No. 7160, otherwise known as the Local Government Code and all other local taxes that may hereinafter be imposed.

In lieu of paying taxes, all CEZA Enterprises shall pay a final tax of five percent (5%) of gross income earned pursuant to Section 4 (c) of the Act under the following percentages:

- a) Two per centum (2%) shall accrue to the general fund of the national government.
- b) One per centum (1%) to the Province of Cagayan.
- c) One-half per centum ($\frac{1}{2}\%$) to be shared by the Municipalities of Santa Ana and Aparri in proportion to their income from business activities within the CSEZFP.
- d) One and one-half per centum ($1\frac{1}{2}\%$) to the CEZA.

Section 59. Deductions. – In arriving at the base [of] the five (5%) percent final tax stated in the preceding Section, the schedule of allowable/unallowable deductions prescribed under the Rules and Regulations promulgated by the Department of Finance and/or the Bureau of Internal Revenue shall be applied.

Section 60. Effective Zero-Rating. – Articles which are admitted to the CSEZFP from the Customs Territory under proper permit and/or sold to CEZA Enterprises or CSEZFP Residents, as well as services provided to the CEZA or CEZA Enterprises or CSEZFP Residents by entities operating from and within the Customs Territory, shall be considered effectively zero-rated for VAT purposes. However, the VAT registered enterprise within the Customs Territory shall apply for effective zero-rating of their sales and services to CEZA enterprises pursuant to Revenue Regulations No. 5-87, as amended.

Section 61. Tax and Duty Exemption. – Save for articles and goods specifically provided by law or regulation to be subject to said taxes, importations destined for the CSEZFP, either for direct unloading therein or through ports in the Customs Territory, Export Processing Zones or other Special Economic Zones, shall be exempt from payment of the duties and taxes, pursuant to such pertinent laws.

Section 62. Other Incentives. – In addition to the tax exemptions prescribed in the immediately preceding sections, CEZA Enterprises shall be entitled to the existing fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority (EPZA), now PEZA, or those provided under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987.

Section 63. Tax Credits for Foreign Corporation. – The taxes paid herein by foreign corporations that are registered as CEZA Enterprises shall be considered as income taxes for purposes of application for tax credits by said foreign corporations in their respective countries.

Section 64. Returns and Payment of Tax.

- a) Requirements – All business establishments subject to the five percent (5%) tax on gross income earned prescribed in Section 4 (c) of the Act shall render in duplicate a true and accurate quarterly return and final or adjustment return in accordance with the provisions of Sections 68 and 69, Chapter X of the National Internal Revenue Code, as amended. The return shall be filed by the President, Vice President or other principal officer of business establishment and 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 of Cagayan or the collection agent/accredited bank operating in the area with a copy thereof to be furnished to the CEZA.
- c) Payment of the Tax – The amount representing the five (5%) percent final tax in gross income earned by the business establishment directly from the operation of its business activity shall be paid at the same time the return is filed with the Revenue District Officer of Cagayan or the collecting agent/accredited bank in the place or near the area of operations; Provided, That two per centum (2%) of the aforementioned amount shall accrue to the general fund of the national government; Provided, further, That one per centum (1%) thereof shall accrue to the Province of Cagayan; Provided, furthermore, That one-half per centum ($\frac{1}{2}\%$) shall be shared by the Municipalities of Santa Ana and Aparri in proportion to their income from business activities within the CSEZFP; and, Provided, finally, That one and one-half per centum ($1\frac{1}{2}\%$) thereof shall accrue to CEZA.

Section 65. Bookkeeping and Reportorial Requirements. – All CEZA 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 and/or the CEZA which shall be opened for inspection and verification by authorized officers or of the CEZA and of the Bureau of Customs, upon prior notification and coordination with the CEZA. For this purpose, the CEZA at its instance, or jointly with the Bureau of Internal Revenue and/or Bureau of Customs, 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.

Section 66. Applicability of Existing Laws, Rules and Regulations. – For the effective implementation of the Act, all provisions of the National Internal Revenue Code, including Title IX of the Requirements of Keeping of 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 CEZA Enterprises.

ARTICLE IX
CAGAYAN SPECIAL ECONOMIC ZONE AND FREE PORT
IMMIGRATION REGULATIONS

Section 67. Scope. – Except as provided in the Act, these Rules and other rules of the CEZA, all laws of the Philippines concerning the entry and immigration persons into the Philippines and their departure and emigration therefrom shall be applicable in the CSEZFP to persons arriving directly in the CSEZFP from a foreign country or departing directly from CSEZFP to a foreign country.

Section 68. Responsibility and Authority. – All laws of the Philippines including the Act, these Rules, and other rules of the CEZA concerning the entry, immigration, departure, or emigration of persons, including their arrival directly into or departure directly from CSEZFP, shall be carried out within the CSEZFP by personnel of CEZA in coordination with the Bureau of Immigration and Deportation.

Section 69. Right to Allow No-Visa Entry of Certain Foreign Nationals. – Notwithstanding the immediately preceding provision, the CEZA may allow the entry of foreign nationals, except those barred from entering in the Philippines, into the CSEZFP without visas for a maximum period of thirty (30) 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 CEZA.

Section 70. Application Outside CSEZFP. – The issuance of visas to, and control of the arrival or departure of persons, who seek to work and reside in the CSEZFP under the Act and these Rules shall be applied outside the CSEZFP by the Bureau of Immigration and Deportation or the Department of Foreign Affairs to:

- a) Persons arriving in the Philippines from a foreign country destined for the CSEZFP;
- b) Persons arriving in the Customs Territory from the CSEZFP destined to foreign countries;
- c) Persons in the Customs Territory and whose work or residency visas were conferred by the CEZA under the authority of the Act, these Rules and other rules of the CEZA;
- d) Spouse and minor children of foregoing.

Section 71. Temporary Work and Residency Visas. – The CEZA is authorized to issue temporary work and residency visas to foreign nationals under the conditions and provisions of these Rules. Upon application by the CEZA Enterprise, the CEZA may issue work visas valid for and renewable every two (2) years to foreign nationals who possess highly technical skills which no Filipino citizen within the CSEZFP possesses, as certified by the Department of Labor and

Employment. Such visas may also be granted to foreign nationals occupying top management or executive positions in the CEZA Enterprise.

CEZA may grant working visas to the above-mentioned foreign nationals even prior to the issuance of the business establishment's Certificate of Registration should special circumstances to be determined by the CEZA permit.

The business establishment shall apply to the CEZA for renewal not less than thirty (30) days before the scheduled expiration date of the work visas, and shall inform the CEZA whenever any foreign national's employment is terminated by reason of contract expiration, 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 CEZA Enterprise to apply for renewal or termination made by the CEZA;
- b) Expiration of the contract by virtue of which the foreign national is working;
- c) Discharge or other termination of the foreign national by the CEZA Enterprise;
- d) Dissolution of the employing firm or revocation of the CEZA registration;
- e) Acceptance of work for compensation outside the CSEZFP without the approval of the CEZA Administrator;
- f) Death of the foreign national;
- g) Conviction, by a competent court, of an offense defined by the Revised Penal Code or special or other laws;
- h) Commission of acts inimical to national security, public interest, health, welfare and morals; and
- i) Determination by the CEZA of any other reason or circumstance by which the work of the foreign national is no longer needed in the CSEZFP.

Section 72. Revocation of Temporary Work Visas. – The CEZA may, after appropriate hearing, revoke a temporary work visa for any violation by a foreign national or his or her dependent(s) or (i) any Philippines law or regulation, including the Act, these Rules and regulations of the CEZA or (ii) the terms and conditions for the issuance of visa.

Section 73. Temporary Residency Visas. – Temporary residency visas may be issued by the CEZA to any foreign national 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 residence either inside the CSEZFP or the Customs Territory during the period of validity of the work visa. The temporary residency visas shall be deemed terminated upon the termination or revocation of the work visa of the foreign national in accordance with Sections 71 and 72 of these Rules.

Section 74. 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 CEZA to the Bureau of Immigration within thirty (30) days after issuance, termination or revocation.

Section 75. Permanent Residency Visas. – CEZA may grant a permanent residency status and visa to any foreign investor who establishes a business establishment within the CSEZFP and who maintains a capital investment of not less than One Hundred Fifty Thousand US Dollars (US\$ 150,000) along with his or her spouse, dependents, and unmarried children below twenty-one (21) years of age.

Such foreign investor and his or her spouse, dependents and unmarried children below the age of twenty-one (21) years shall have the freedom of ingress and egress to and from the CSEZFP without need of any special authorization from the Bureau of Immigration and Deportation. The visa will be provided upon application by the investor with evidence of the investment, made in conformance with the CEZA land use and master plan, which may be in the form of:

- a) Establishment of a business or other direct investment within the CSEZFP;
- b) A cash grant or interest-free loan to the CEZA or to a business establishment for the purpose of renovation, construction, or expansion of buildings, equipment structures, or appurtenances for capital improvement purposes; or
- c) A donation in kind to the CEZA or a donation in kind in favor of a business establishment of equipment or materials for capital improvement purposes.

Section 76. Revocation or Termination of Permanent Residency Visa of Investor. – The permanent residency visas of the investor, spouse, and children automatically terminates when the investors, his spouse, children or any other individual or entity acting in his behalf, takes the investment out of the CSEZFP through sale or receiving payment, in cash or in kind, for grants, donations, or interest-free loans other than the return of principal. The CEZA may also revoke summarily or after hearing the permanent residency visa of any investor, spouse, or child for the same grounds enumerated in Section 71 and 72 of these Rules, as may be applicable.

Section 77. Reportorial Requirements. – The names of foreign nationals who are granted permanent residency visas, or whose permanent residency visas are terminated or revoked by the CEZA shall be reported to the Bureau of Immigration and Deportation within (30) thirty days after issuance, termination or revocation. The permanent residency visa is valid only for the CSEZFP and not for the Customs Territory. However, persons with permanent residency visas may enter and leave the CSEZFP without any special authorization from the Bureau of Immigration and Deportation.

ARTICLE X CEZA CUSTOMS REGULATIONS

Section 78. Record Keeping. – CEZA Enterprises bringing articles into the CSEZFP are responsible for retaining and maintaining records of permits, receipts, sales transfer, deliveries, and removals from the CSEZFP records of articles brought into the CSEZFP on a current basis and according to the regulations and the generally-recognized accounting principles and standards of the Republic of the Philippines. The records shall provide an audit trail of the articles from the time of their receipt by the CEZA Enterprise to the time the CEZA Enterprise is relieved of responsibility for the articles according to these Rules. Such records shall be retained for five (5) years after the removal of the articles from the CSEZFP. If the record keeping system of the CEZA Enterprise has become impaired to the point where no effective check, audit, or account of the inventory of the CEZA Enterprises can be made by the CEZA, Bureau of Customs or Bureau of Internal Revenue, the CEZA may order a suspension of permit of the CEZA Enterprise. For its part, the CEZA Enterprise shall provide access to the articles in its premises and possession in the CSEZFP, and to records pertaining thereto, which it is responsible for maintaining under these rules and by authorized officials of the CEZA, Bureau of Internal Revenue, or any other government agency to which access is authorized by law and regulations.

Section 79. Vehicles, Aircrafts and Ships in the CSEZFP. – Regulations and procedures for arrival formalities and clearance of vehicles, aircrafts, and ships into the CSEZFP shall be the same as those observed in the Customs Territory.

Vehicles, aircrafts, and ships which are brought into the CSEZFP free of duties and taxes for use in the CSEZFP shall become subject to duties and taxes upon transfer to Customs territory for consumption; Provided, That the CEZA and Customs, in coordination with the Land Transportation Office of the Department of Transportation and Communication in the case of vehicles, the Civil Aeronautics Boards and/or the Air Transport Office in the case of aircrafts, and the Maritime Industry Authority (MARINA) and/or Philippine Coast Guard in the case of ships, shall formulate separate rules and guidelines on the registration and use of imported vehicles, aircrafts and ships within and outside the CSEZFP.

Section 80. Bonding of Carriers. – Carriers which undertake transshipment of foreign articles from the CSEZFP to a customs bonded warehouse within the Customs Territory shall be bonded in an amount to be determined by the CEZA which in no case shall be less than Fifty Thousand Pesos (₱ 50,000.00), conditioned that the carrier shall transport and deliver such foreign articles, without delay, and in accordance with the rules and regulations in effect in the Customs Territory, 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 shall govern the transshipment of foreign articles to and from the CSEZFP.

Section 81. Articles not in Accordance with Permit to Import. – Articles brought into the CSEZFP which are not in accordance with the permit to import

issued by the CEZA to the CEZA Enterprise or Resident may be proceeded against by CEZA; Provided, That this is without prejudice to other remedies available to CEZA, including but not limited to the cancellation of an Enterprise's or Resident's Certificate of Registration or Residency, franchise, license, permit, lease contract, joint venture agreement and the like; Provided, further, That if the articles brought in are absolutely prohibited importations, i.e. dangerous drugs, contraband, etc. or those that are strictly regulated and were brought in without the proper permits, i.e. firearms, they and others involved may be proceeded against pursuant to the provisions of the Tariff and Customs Code and other pertinent laws of the Philippines.

Section 82. Importation of Articles Destined for Customs Territory. – Foreign articles destined for the Customs Territory which arrive in a carrier landing in the CSEZFP Area shall be held there pending completion of requirements for entry and transshipment through the CSEZFP to Customs Territory. Costs, fees, and related expenses for keeping such foreign articles within the CSEZFP Area shall be for the account of the owner, consignee and/or shipper, as the case may be. Such foreign articles which have been released for transfer to Customs Territory, upon completion of requirements and payment of costs, fees and related expenses as herein provided, shall be transshipped through the CSEZFP Area under CEZA supervision and control.

Should CEZA's ports or airport be used as a port of entry, CEZA may issue a release order only upon proof of payment of appropriate duties and taxes.

Section 83. Container Marking Requirement. – Foreign articles destined for the CSEZFP may be imported directly into the CSEZFP or through any port in Customs Territory through which importation may be lawfully made. Except for foreign articles arriving by mail, the containers bearing the foreign articles shall be marked "Ship to Cagayan Special Economic Zone and Freeport, Aparri/Sta. Ana, Cagayan, Republic of the Philippines" or with similar wordings to show the CSEZFP destination of the articles.

Section 84. Transshipment Procedure. – If the foreign articles were unloaded at a port in the Customs Territory, Export Processing Zone or Special Economic Zone for final destination into the CSEZFP, the CEZA Enterprise or its duly authorized agent shall present the admission documentation to the Customs office at the port of importation.

a) PROCESSING OF DOCUMENTATION

When the CEZA Enterprise submits the admission documentation before arrival of the articles, the responsible Bureau of Customs official/s shall immediately accept, review and act on the documentation and ensure expeditious action on the submission/s made. Release of articles for transportation to the CSEZFP shall be documented by the authorized Customs official/s in writing.

b) EXAMINATION AT PORT OF IMPORTATION

Except in unusual circumstances, such as, but not limited to the presence of real threat of loss of revenue or when there is sufficient reason to believe that violations of law have been or are about to be committed, customs officials will not inspect the articles at the port of importation.

Towards this end, CEZA shall coordinate with the Bureau of Customs to execute the necessary agreement to implement the foregoing.

Section 85. Right to Apply for Admission. – The application for admission of articles to the CSEZFP shall be made by or on behalf of the owner or purchaser of the articles. The consignee shown on the bill of lading or airway bill, or the addressee shown on the mail packages, shall be considered to be the owner or purchaser, unless another person or firm presents evidence satisfactory to CEZA that it is the true owner or purchaser. The application may be prepared by a person who has the authority to sign the documents of the articles accompanying them upon arrival in the CSEZFP and shall be considered the owner or purchaser of the articles.

The admission application to be prepared by the CEZA Enterprise or Resident shall be accompanied by the permit to import, a commercial invoice, packing list, or other itemized statement which describes the articles precisely and in commercial terms and serves as an audit trail into the records and accounts of the applicant. If the applicant is not the person or enterprise shown as consignee in the permit to import or other shipping documents, the admission application shall also be accompanied by an evidence satisfactory to demonstrate that the applicant is taking the application on behalf of the eligible owner or purchaser.

Section 86. Admission Form. – The admission application of a CEZA Enterprise, CSEZFP Resident or other persons bringing articles into the CSEZFP shall be made on forms provided for and required by CEZA. The forms shall be prepared in the number of copies required by CEZA.

Section 87. Customs Review Procedure. – Customs officials shall review the admission documentation and may, if there is reasonable basis, examine the articles, to verify correctness of the information in the documentation.

1. Customs shall review the admission documentation for completeness and accuracy. A copy of the admission application shall be retained by Customs for compilation of statistics.
2. Customs shall examine the articles as a condition for the release of the same:
 - a) When the Commissioner or Collector of Customs has reason to believe that the information in the admission documentation is incorrect;

- b) When the Commissioner or Collector of Customs has reason to believe that there has been a violation of the law, regulation, or pertinent provisions of these Rules, or under a program of random checks to test the quality of admission documentation furnished to Customs.
3. If Customs decides to examine the articles, the examination shall be conducted together with CEZA in the applicant's premises unless:
- a) the examination cannot be readily performed there;
 - b) the articles consist of personal or household effects of other CSEZFP Residents or other persons which can readily be examined at the point of entry where these will be examined;
 - c) the applicant requests that the examination be conducted at the Customs point of entry into the CSEZFP;
 - d) the articles, vehicles or aircraft carrying them, cannot be sealed; or
 - e) the Commissioner or Collector of Customs has reason to believe that the carrier or the articles will be tampered with before the arrival at the applicant's premises.
4. Containers of the articles shall be opened and the articles presented to Customs by the applicant or an agent of the applicant. Customs officials shall not open containers for examination of articles.
5. If no examination is to be conducted, Customs will check the condition of the vehicle or aircraft or ship delivering the articles to the applicant's premises, and any seals affixed thereto, and note any irregularities on the admission documents.

Section 88. Customs Release. – If no irregularities are discovered upon review of the documentation and any examination conducted by the Customs that require detention of the articles, Customs shall release the articles for delivery to the applicant's premises in the CSEZFP. The articles may be delivered by:

- a) the vehicle which brought the articles to the CSEZFP Area;
- b) a vehicle owned or leased by the Applicant; or
- c) a vehicle of a firm licensed by the CEZA for the purpose of carriage of articles within the CSEZFP.

Section 89. Exemption from Admission Procedure. – Except upon special order of the CEZA but without any limitation on Customs' search authority of vehicles, aircrafts, ships, persons, baggage, or cargo arriving into the CSEZFP, a declaration of admission or permit by CEZA is not required for admission to the CSEZFP of:

- a) Any personal effect(s) of residents of the CSEZFP Area valued at less than One Hundred US Dollars (US\$100.00);
- b) Any article(s) of foreign origin in any shipment valued at less than Five US Dollars (US\$ 5.00);
- c) Article for delivery to an aircraft for loading and exportation to a foreign country from the CSEZFP; and
- d) Domestic articles not covered by the preceding exemptions when the person or enterprise presenting the articles for admission surrenders to Customs a commercial invoice or similar document describing the articles in commercial items, along with a declaration that the articles are domestic articles as provided in the regulation of Customs Territory.

Section 90. Personal Effects Arriving in the CSEZFP Area. – Personal effect(s) of CSEZFP residents valued at more than One Hundred US Dollars (US\$ 100.00), but in non-commercial quantities, arriving directly into the CSEZFP or through Customs Territory shall be subject to admission procedure.

Section 91. Admission Procedure of Arriving Personal Effects. – The application for admission of personal effects shall be made by or in behalf of the owner of the personal effects, to be made on forms provided for and required by CEZA. The forms shall be prepared in the number of copies required by CEZA, and shall be presented at the location designated by Customs, normally the Customs office nearest to the point of arrival of the carrier or person bringing the personal effects to the CSEZFP.

Customs shall review the admission documentation and, if necessary, examine the articles to verify the correctness of the information in the documentation. The same Customs procedure as that applied for regular articles destined for the CSEZFP Area, and discussed in Sections 88 and 89 shall be applied.

Section 92. Postal Inspection. – Articles arriving by mail or parcel post at a postal facility within the CSEZFP shall be released by Customs after completion of the required admission procedure, for delivery by postal officials to the addressee.

Section 93. Customs Bonded Warehouse, Export Processing Zone or Special Economic Zone. – Articles may be admitted into the CSEZFP from a Customs Bonded Warehouse, Export Processing Zone or Special Economic Zone. Containers of the said articles shall be clearly marked “Shipped from (Name of the CBW, EPZ, or SEZ Enterprise/Name of CBW, EPZ or SEZ),” destined to Cagayan Special Economic Zone and Freeport, Aparri/Sta. Ana, Cagayan”, or similar wordings to show both origin and destination of the shipment for safe delivery from the sending Customs Bonded Warehouse, Export Processing Zone or Special Economic Zone to the CSEZFP.

Section 94. Eligibility for Drawback, Bounty or Exemption. – The signed permit and release by Customs for the admission of foreign articles into the Customs Territory and conclusive proof of actual exportation therefrom as required under pertinent customs laws, rules and regulations shall be basis for consideration to prove exportation.

Section 95. Annual Inventory, Reconciliation and Report. – Each CEZA Enterprise shall conduct an annual physical inventory at the end of its business year of all articles in its premises and in its possession in the CSEZFP, and reconcile any discrepancies found with its inventory. Such reconciliation shall be given to the CEZA in a form to be required by the latter, copy furnished the Bureau of Customs within nine (90) days after the end of the business year, along with any payment of duties and taxes for shortages or admission documents for overages.

Section 96. Country of Origin of Articles Manufactured in the CSEZFP Area. – Without reference to the assessment of duties and taxes under these Rules, the country of origin of articles that are manufactured or produced in the CSEZFP in whole or in part from foreign articles and transferred to the Customs Territory for consumption, shall be determined according to the laws of the importing country. No false country of origin marking or designation shall be placed by any person or firm on any articles in the CSEZFP whether the articles are destined for consumption in the CSEZFP, the Customs Territory, or a foreign place or country.

Section 97. Articles Eligible for Transfer from CSEZFP. – Any article which has been admitted to or produced in the CSEZFP may be transferred therefrom for exportation, transshipment through Customs Territory, transportation to a Customs Bonded Warehouse, an Export Processing Zone, or transferred to the Customs Territory for consumption subject to existing rules and regulations.

Section 98. CEZA Permit to Transfer. – The following articles are exempted from the permit requirement and from Customs entry procedures after examination and verification conducted by Customs and if allowed under the pertinent provisions of the Tariff and Customs Code of the Philippines, except where such a permit is required under special orders of the CEZA:

- a) Domestic articles that have been manufactured, blended or otherwise combined inside the CSEZFP with foreign articles, when the person or enterprise presenting the articles for removal from the CSEZFP surrenders to Customs a commercial invoice or similar document describing the articles in commercial terms along with a declaration that the articles are domestic articles;
- b) Foreign articles or articles that contain foreign article components, which are exempted from entry requirements under the rules and regulations in effect in the Customs Territory; and
- c) Articles that are not subject to the Tariff and Customs Code of the Philippines.

Carriers containing such articles are nevertheless subject to search by Customs upon removal from the CSEZFP and CEZA Enterprises and shall maintain and produce records of the transfer and removal of exempted articles.

Section 99. Assessment of Duties and Taxes. – Customs and import duties and taxes shall be assessed where authorized and required by law, as provided in this sub-section:

- a) **Tariff Classification** – The classification under the Tariff and Customs Code of the Philippines of foreign articles, whether or not they have been manufactured, blended or otherwise combined with domestic articles, shall be determined according to the time of its transfer from the CSEZFP to the Customs Territory.
- b) **Valuation** – The duties and taxes shall be assessed on the value of imported materials, except when the final product is exempt as provided under Section 48 hereof.

Section 100. Temporary Transfer to Customs Territory. – Foreign articles that have been admitted to the CSEZFP may be removed temporarily for services which are not available in the CSEZFP such as repair, restoration, testing and other specialized work not normally undertaken by the CEZA Enterprise in the CSEZFP, including subcontracted work.

Section 101. Permit for Temporary Transfer. – A CEZA Enterprise or Resident shall obtain a permit for temporary transfer from the CEZA, and fill up an application form required by CEZA and Customs. The permit and application shall be presented to Customs, together with the articles for review and examination.

Section 102. Time and Geographic Limits. – Upon issuance of a Customs permit, the articles may be transferred from the CSEZFP for a period of not more than four (4) months, unless the period is extended by another four (4) months by the CEZA for a valid business reason. The articles may be transported to any place within the Customs Territory or exported while it is in temporary transfer status in the Customs Territory, unless duties and taxes are paid where applicable.

Section 103. Return to CSEZFP and Enforcement Measures. – Upon return to the CSEZFP, the original permit and articles shall be presented to Customs for examination and review. If the articles are not returned within the period granted by the CEZA, or not handled in accordance with the provisions of this Section, the articles will be considered to have been transferred to the Customs Territory without proper permit, and will be subject to duties and taxes and any enforcement action authorized under the pertinent provisions of these Rules.

Section 104. Exportation from Customs Territory. – Foreign or domestic articles may be brought into the CSEZFP from the Customs Territory for the purpose of loading onto aircraft arriving in the CSEZFP. If the articles are not exported or returned to the Customs Territory within three (3) months, the articles shall be considered abandoned and turned over to Customs for disposal in accordance with

the Tariff and Customs Code of the Philippines, as amended, and from the proceeds shall be deducted any and all expenses incurred by the CEZA in connection therewith as may be allowed by law. However, in all other respects the articles shall be governed by Customs laws and regulations as if it were being exported from the Customs Territory.

Section 105. Direct Exportation from CSEZFP. – Foreign or domestic articles in the CSEZFP may be delivered to an aircraft or ship arriving in the CSEZFP Area for exportation directly thereon under CEZA and Customs supervision.

Section 106. Transshipment Through Customs Territory for Exportation. – Foreign articles or articles containing foreign article components in the CSEZFP may be transshipped to other ports in the Customs Territory for delivery to transport vehicles, vessels/ships or aircrafts for exportation in the Customs Territory under the supervision of Customs using the forms and application procedures for exportation in the Customs Territory. Prior to the release of such articles from the CSEZFP to the Customs Territory, the same shall be inspected by Customs and the CEZA.

Upon arrival at the port of exportation and while awaiting, loading onto the exporting vessels/ships or aircrafts, the articles shall remain unopened in the original packing containers and under Customs or the original CSEZFP shipper's seal. Customs officials at the port of exportation shall not inspect or examine the CSEZFP articles destined for exportation because these articles were already inspected and the container sealed by Customs officials in the CSEZFP. Customs officials at the port of exportation may deviate from this policy only in the most unusual circumstances, which shall be clearly documented and justified to the CEZA Enterprise and the CEZA.

Section 107. Marking of Containers for Export. – Except in the case of exportations from the CSEZFP by mail or accompanying persons, containers of articles for exportation, whether directly from the CSEZFP or transshipment through the Customs Territory, shall be clearly marked, "Shipped from Cagayan Special Economic Zone and Freeport, Aparri/Sta. Ana, Cagayan, Philippines" or similar wordings to show the origin of the shipment.

Section 108. Re-importation of Exported Articles. – Articles which have been exported from the CSEZFP to a foreign country and which are subsequently re-imported may be admitted into the CSEZFP as foreign articles in the manner provided herein. Foreign articles, or articles containing foreign article components which are exported and subsequently re-imported directly into Customs Territory for consumption shall be treated in the same manner as like articles from the country of exportation.

Section 109. Articles for Use on Aircrafts or Ships. – Foreign articles or articles containing foreign article components, may be delivered free of duties and taxes to aircrafts or ships arriving in the CSEZFP for use or consumption on board by the crew or passengers on aircrafts or ships as fuel, equipment, or for repair of the aircrafts or ships, to the same extent as is authorized under the laws and regulations in effect in the Customs Territory.

The articles shall be considered transferred from the CSEZFP upon signature for receipt of the articles by an authorized official of the airline or shipping line, with the intent to use these articles on board the aircraft or ship. Such articles may also be transshipped to ports in the Customs Territory for delivery free of duties and taxes to aircraft and ship under the laws and regulations in effect in the Customs Territory. However, the containers of such articles shall be marked “Shipped from Cagayan Special Economic Zone and Freeport”, or with similar wordings to show that the origin of the shipment is the CSEZFP.

Section 110. Transfer to Customs Bonded Warehouse, Export Processing Zone or Special Economic Zone. – Foreign or domestic articles may be transferred from the CSEZFP for transshipment to a Customs Bonded Warehouse, Export Processing Zone or Special Economic Zone in the Customs Territory, and receipt therein, under the laws, regulations and procedures in effect in the Customs Territory. However, containers of such articles shall be clearly marked “Shipped from Cagayan Special Economic Zone and Freeport, Destined for (Name of CBW, EPZ or SEZ Enterprise; Name of CBE, EPZ or SEZ)” or with similar wordings to show both the origin and destination of the shipment.

Section 111. Delivery and Removal from the CSEZFP Area. – Articles shall be delivered to carriers and removed from the CSEZFP in accordance with the provisions of this Section:

- a) Customs shall require that vehicles, aircrafts or ships containing shipments of foreign articles or articles containing foreign article component, transshipped through Customs Territory be sealed with Customs seal, or with a shipper’s seal approved by Customs and transferred under guard so as to prevent or make evident the diversion of the articles into the commerce of the Republic of the Philippines, or any tampering with the articles;
- b) The articles may be transferred from the premises of the CSEZFP Enterprise by the carrier which is to transport the articles to the Customs Territory, a vehicle of the [CEZA] Enterprise, or a carrier accredited by the CEZA for carriages within the CSEZFP.
- c) Passenger vehicles, including buses, taxicabs or other vehicles carrying persons for hire shall be subject to Customs inspection and search at the point of exit to allow persons to properly declare purchases made in the CSEZFP for transfer to Customs Territory and to detect undeclared merchandise. Point of exit shall maintain adequate facilities to pull aside, assess and collect duties and taxes.
- d) When foreign articles, or articles containing foreign article components, are re-examined in the premises of the CEZA Enterprise and given a permit to transfer the articles from the CSEZFP, or in other situations where the permit is given at a location other than the point of exit, CEZA shall establish controls such as escorts, gate passes, sealing or other

devices, to assure that only those articles for which a permit to transfer has been duly issued are properly removed from the CSEZFP. These controls shall be coordinated with Customs.

- e) A person or enterprise that has received a Customs permit for transfer of articles from the CSEZFP shall see to it that the articles are physically removed from the CSEZFP within seven (7) days after the permit is issued, or request the withdrawal or cancellation of the application for transfer.

Except by special order of the CEZA, foreign articles or articles containing foreign components, shall not be entered for consumption in the Customs Territory but retained in the CSEZFP. If the request for transfer is withdrawn or canceled, the CEZA Enterprise shall re-assume responsibility for the articles and any duty or tax paid shall be refunded by Customs. If the request for transfer is not withdrawn or canceled and there has been no special permit by the CEZA for retention of the articles in the CSEZFP, any duty and tax paid shall be treated as unclaimed and turned over to the Bureau of Customs for disposal.

Section 112. Return to CSEZFP Without Entry Into Commerce. – If foreign articles or articles containing foreign article components are transferred to Customs Territory with the intent of returning them to the CSEZFP, and the articles are not returned, without having entered the commerce of the Republic of the Philippines, or circumventing the removal requirements provided in the provisions of these Rules, the original permit to transfer and entry shall be canceled. Any duties and taxes shall be refundable by the Customs, and the CEZA Enterprise which transferred the articles from the CSEZFP shall re-assume responsibility for the articles as foreign articles.

Section 113. Enforcement of Regulations. – Any person or enterprise found to have violated any provision of the Act or the pertinent provisions of these Rules shall be subject to the pertinent penal provisions of the Tariff and Customs Code of the Philippines.

ARTICLE XI CSEZFP QUARANTINE REGULATIONS

Section 114. 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 diseases and pestilence, shall be applied in the CSEZFP, and to persons, baggage, carriers, and merchandise containing possible animal or plant disease-carrying vectors arriving in the CSEZFP directly from the Customs Territory and foreign countries.

Section 115. Applicability of Philippines 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 diseases and pestilence shall be applied in the CSEZFP. Quarantine inspection of persons, baggage, carriers and merchandise containing possible human disease-carrying vectors arriving in the CSEZFP 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 vehicles, vessels or aircrafts is undertaken, it will be done before Bureau of Immigration and Deportation and Customs clearance except for those vessels and aircraft issued with radio pratique or controlled free pratique by the Director of Quarantine.

ARTICLE XII RULES ON BANKS AND FOREIGN EXCHANGE

Section 116. In General. – Existing banking laws and *Bangko Sentral ng Pilipinas* (BSP) rules and regulations shall apply to foreign exchange and other current account transactions (trade and non-trade), local and foreign borrowing, foreign investments, establishment and operation of local and foreign banks, foreign currency deposits units, offshore banking units and other financial institutions under the supervision of the BSP.

Section 117. Foreign Exchange in Business Transactions. – All CEZA Enterprises and residents shall be free to engage in business transactions, the valuation and/or payments for which may be effected in foreign exchange. Foreign receipts, acquisitions, or earnings may be deposited in foreign exchange accounts in the Philippines or abroad, or remitted out of the Philippines. Such receipts shall include, but not limited to:

- a) sales of goods;
- b) receipts for services rendered;
- c) contracting of loans;
- d) income or proceeds from investments;
- e) transfer of capital to CEZA Enterprise; and
- f) any other transaction representing income or an increase in capital or assets to the CEZA Enterprise.

Section 118. 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) contracts in general;
- b) purchase of goods;

- c) payment of services rendered;
- d) repayment of loans;
- e) transfer of profits earned by the CEZA Enterprises;
- f) transfer of capital to CEZA Enterprise; and
- g) any other transaction representing expenses or a decrease in capital or assets to the CEZA Enterprise.

Section 119. Applicability of *Bangko Sentral ng Pilipinas* Circular No. 1389, As Amended. – Unless specifically provided for in subsequent laws, these rules and other CEZA regulations, the provisions of *Bangko Sentral ng Pilipinas* Circular No. 1389, as amended, shall apply to CEZA Enterprises and CSEZFP Residents. Foreign exchange proceeds of foreign loans, including loans contracted in the Philippines in foreign exchange, shall not be required to be converted into the Philippine currency procured from the banking system. The proceeds of foreign investments shall likewise not be required to be converted into Philippine currency, provided the foreign exchange required for capital repatriation and remittance of dividends in the future shall not be procured from the Philippine banking system.

Section 120. Operations of Banks. – Any bank or financial institution intending to operate within the CSEZFP shall first secure a license from the *Bangko Sentral ng Pilipinas*.

Section 121. Banks Licensed In The Philippines. – Banks duly licensed by the *Bangko Sentral ng Pilipinas* shall be free to establish branch offices within the CSEZFP; Provided, That the bank has not violated any BSP rules and regulations governing safe and sound banking practices.

Minimum bids shall not be required. There shall be no restrictions as to the number of banks allowed to open branch offices within the CSEZFP and the number of branch offices opened therein.

Section 122. Offshore Banking Units. – Any foreign bank registered as an Offshore Banking Unit (OBU) may accept deposits, make loans, and otherwise provide financial services in foreign exchange to CEZA Enterprises and Residents, in accordance with regulations on OBU's provided in *Bangko Sentral ng Pilipinas* Circular No. 1389, as amended.

Section 123. OBU Affiliates. – Any foreign bank may file an application before the *Bangko Sentral ng Pilipinas* for a permit to establish:

- a) an extension office/branch of its existing OBU, duly licensed as such by the BSP, or

- b) an OBU within the CSEZFP, if it has no existing OBU license, which shall engage in business to exclusively service CEZA Enterprises and CSEZFP Residents.

The permit issued by the BSP to the OBU branch of an existing licensed OBU or to CSEZFP-OBU shall be exclusively for the operations within CSEZFP. Such branch or CSEZFP-OBU shall also be registered with CEZA as a CEZA Enterprise. If the foreign bank applies to operate within the CSEZFP through a local affiliate bank, then such application shall be subject to existing laws on nationality or ownership of banking institutions.

Section 124. Tax Incentives to CEZA-Registered Banks and Affiliates. – CSEZFP-OBU's, bank branches and affiliates registered as CEZA Enterprise shall be exempt from any and all taxes otherwise levied on OBUs or banks and banking institutions under the 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 receipts taxes; and
- f) documentary stamp taxes.

Section 125. Tax Liability of CEZA-Registered Banks and Affiliates. – In lieu of all local and national taxes, CEZA Registered-OBU's and bank branches and affiliates shall pay to the BIR five percent (5%) final tax on gross income earned, subject to the pertinent provisions of these Rules.

ARTICLE XIII ENVIRONMENTAL CSEZFP AND CEZA REGULATION

Section 126. Principles. – CEZA 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 CEZA shall conform to and not contradict those environmental 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 as well as emission and effluent standards for air and water quality, the CEZA adopts those standards

and incorporates them into the environmental quality standards and regulations to be adopted by CEZA.

Section 127. Ecology Center. – There is hereby created an Ecology Center that shall have responsibility for the protection of the environment and natural resources within the CSEZFP and/or jurisdiction of the CEZA. The Ecology Center shall have responsibility for the implementation of all environmental and natural resources conservation and protection programs adopted or assumed by the CEZA as a 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 infrastructure related to environmental management to the extent that it shall deem appropriate. This shall include such environmental services as water supply, waste water treatment facilities, waste management facilities, waste transportation services, and environmental monitoring services as may be contracted to the private sector.

Section 128. Application of Philippine Environmental Laws. – All Philippine environmental laws, particularly P.D. Nos. 984, 1151, 1152, and 1586, as well as R.A. Nos. 6969 and 7586, including the rules and regulations of the DENR and other government agencies concerning environmental pollution which are not inconsistent with these rules, are hereby adopted.

Section 129. Coverage. – The regulations for environmental and natural resources conservation and protection shall be applicable to all areas within the CSEZFP and/or under the jurisdiction of the CEZA.

The CEZA shall introduce a system of regulations that shall be applicable to all existing and new facilities within its jurisdiction and/or the CSEZFP. This system of regulations shall incorporate existing DENR policies and regulations and shall provide for the standards necessary for permitting such facilities to operate in the CSEZFP; Provided, That in all cases, i.e. water, air, marine, pollution, etc., CEZA may adopt higher and/or stricter standards and/or penalties and fines.

All facilities within the CSEZFP and/or the jurisdiction of the CEZA shall possess a Permit to Operate issued by the CEZA. Any facility deemed to be covered under these rules and found to be without an appropriate permit shall be subject to immediate closure.

Section 130. Permits and Clearances. – CEZA shall be the entity responsible for the issuance of all permits and clearances related to environmental protection and conservation within the CSEZFP, such permits and clearances to include, but not limited to Environmental Compliance Certificates, Authorities to Construct, Permit to Operate, and Water Use Permits. The CEZA 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/Clearance Certificates – Unless otherwise exempted from doing so by the CEZA, no business enterprise shall be registered as a CEZA Enterprise and allowed to do business or undertake any activity within the CSEZFP unless it secures a CEZA Environmental Compliance/Clearance Certificate.

No CEZA Enterprise shall be allowed to engage in any building and/or construction activity unless it similarly secures a CEZA Environmental Compliance/Clearance Certificate. All business enterprises seeking registration as CEZA Enterprise under these Rules shall submit an Environmental Report/Impact Assessment to the CEZA. Such Environmental Reports/Impact Assessments shall detail and describe 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 impacts; and unavoidable adverse impacts.

Decisions by the CEZA on the issuance of the Environmental Compliance/Clearance Certificate for the proposed undertaking shall be based on the Environmental Report/Impact Assessment 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 a CEZA Environmental Compliance/Clearance Certificate prior to undertaking such activity.

- b) Authority to Construct – Following the issuance of the CEZA Environmental Compliance/Clearance 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 – CEZA Enterprises shall obtain Permits to Operate prior to initiation of any operation of any activity subject to the requirement to obtain an Environmental Compliance/Clearance Certificate and the determination that such activity may not result in discharges to the environment.

The Permit to Operate shall establish the monitoring and reporting requirements applicable to the CEZA Enterprise and shall be renewed on an annual basis. Such CEZA Enterprises 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

CEZA, including but not limited to, effluent discharge and emission standards, waste management, and emergency and contingency plans.

Section 131. Air Quality. – The CEZA shall not permit air quality to deteriorate within its jurisdiction and/or the CSEZFP as a result of industrial development. To determine the existing air quality of the region, the CEZA shall implement a regional air quality monitoring program within its jurisdiction. All stationary sources of air pollution within the CSEZFP and/or the jurisdiction of CEZA shall be subject to regulation and shall be required to obtain a Permit to Operate as a condition of their occupancy in the CSEZFP and/or the regulatory area of CEZA. All sources of air 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 CEZA. The frequency of monitoring and reporting shall be established by the CEZA in the Permit to Operate but in no case shall be less than annually.

Air quality in the CSEZFP or the jurisdiction of the CEZA 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 CEZA shall formulate an air quality management strategy for limiting emissions from both mobile and stationary sources.

Section 132. Water Quality. – The CEZA shall not permit water quality to deteriorate within its jurisdiction and/or the CSEZFP as a result of industrial development. To determine the existing water quality of the region, the CEZA shall implement a regional water quality monitoring program within its jurisdiction. All sources of water within the CSEZFP and/or its jurisdiction shall be required to obtain a Permit to Operate as a condition of their occupancy in the regulatory area of the CEZA. All sources of water must comply with the relevant regulations and standards applicable to water effluent sources.

Water quality in the CSEZFP and/or the jurisdiction of the CEZA shall be maintained so as to meet national standards applicable or the highest and best use of the water body as established and determined by the CEZA 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 water bodies, including marine and fresh waters, shall be included in this provision.

To protect the waters within the CSEZFP and/or jurisdiction of the CEZA, the CEZA shall not allow the direct discharge of any waste water, either industrial or domestic, that does not meet the effluent discharge standards as established by the DENR and adopted by the CEZA. In the case of discharges from waste water treatment facilities by either industrial or domestic discharges, the acceptable standard for acceptance of those waste waters shall be determined by the owner/operator of those facilities subject to CEZA's review and approval. Discharges

of effluent from waste water treatment facilities shall meet the applicable discharge standards. Compliance with such standards shall be the responsibility of the owner/operator of the facility.

All dischargers of waste water 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 CEZA. The frequency of the monitoring and reporting shall be established by the CEZA in the Permit to Operate but shall in no case be less than annually.

Section 133. Waste Management. – All solid and toxic hazardous wastes shall be managed in the manner deemed appropriate by the CEZA. The CEZA shall define solid and hazardous and toxic wastes in a manner consistent with the definitions developed by the DENR under R.A. 6969 and shall define the requirements for waste generators, transporters and owners/operators of waste management facilities.

- a) Solid Waste – All CEZA Enterprises shall dispose of solid wastes in a manner approved by the CEZA. Such approval shall include the use of approved waste transporters and approved disposal facilities.
- b) Waste Generators – Any CEZA Enterprise deemed by the CEZA to be a waste generator shall be required to report the type, quantity, and disposition of such wastes every quarter. Every firm deemed to be a generator of hazardous and toxic wastes must 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 firm intending to engage in waste transport within the CSEZFP shall obtain approval by CEZA to engage in such activity. Such approval shall be predicated upon the demonstration of the firm(s) 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 CEZA. No waste transporters shall dispose of, or deliver waste in any manner not approved or authorized by the CEZA to accept such materials.
- d) Waste Management Facilities – All waste management facilities shall be subject to the approval and authorization of the CEZA prior to commencing operations. Such facilities shall be opened to inspection by the CEZA at any time and shall maintain sufficient records as to allow the CEZA to determine the competence of their operations. No waste management facility may accept any waste delivered to them by a transporter not approved or authorized by the CEZA to engage in such activity.

Waste management facilities shall include, but not limited to, landfills, incinerators, physico-chemical treatment 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, to be promulgated and adopted, by the CEZA to regulate such facilities.

- e) Toxic and Hazardous Waste Management – All toxic and hazardous waste used by any and all persons, businesses or other entities within the CSEZFP and/or jurisdiction of the CEZA shall comply with the provisions of R.A. No. 6969 and these Rules as well as others with respect to the management of those materials. This shall include the registration of chemical employed, imported or otherwise utilized at any time in any manner.

Section 134. Water Resources Planning. – The CEZA shall issue policies and objectives relative to water resources that will seek to ensure that sources of water supply within the CSEZFP and/or the jurisdiction of the CEZA shall be protected and conserved, and objectives shall be consistent with those established by the National Government. The policies and objectives shall recognize the development goals and objectives established for the CSEZFP and/or jurisdiction of the CEZA and be consonant with the availability of water resources. As such, the CEZA shall formulate a ground water protection program to ensure the continued viability of ground water resources.

The CEZA shall also require new water resource developments to obtain a Water Use Permit prior to the development of any ground water well or surface water abstraction. Such permit shall be reviewed and approved by the CEZA. Applicants for a Water Use Permit shall provide such information as the CEZA deems necessary to evaluate the development proposal. Water Use Permit issued by the CEZA shall specify the allowable rate and quantity of water withdrawal. Permittees shall report to the CEZA the water consumption and quality on a quarterly basis.

Section 135. Conservation Areas. – Recognizing that a healthy environment is essential to the attainment of the development goals of CEZA and that there are competing uses of the environment, the CEZA 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 and master plan or zoning ordinance adopted by CEZA.

Section 136. Emergency and Contingency Planning. – All entities operating within the CSEZFP and/or the jurisdiction of the CEZA having potential to discharge oil, petroleum products, or other deleterious substances (including chemicals or their by-products) into the environment shall prepare a plan for preventing such discharge to the environment (including the aquatic, marine or land environments) detailing therein the measures to be employed in the event that such

discharges occur. This plan shall be submitted to the CEZA 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 conformity with the requirements of the Philippine Coast Guard and with the standards of practice for the industry.

ARTICLE XIV OTHER PROVISIONS

A. SECURITY

Section 137. Function of Security Force. – CEZA security force agents or any security force or agency duly licensed or authorized by CEZA shall police and maintain peace and order within the boundaries of the CSEZFP and shall be fully controlled by CEZA.

Section 138. Responsibility of Security. – The security of the CSEZFP and the maintenance of peace and order including the enforcement of traffic rules within the CSEZFP shall be the responsibility of the CEZA. CEZA Facilities Operators and/or Enterprises shall provide and be responsible for the security of their respective facilities and extend support and cooperation to the CEZA security force in the performance of the latter's duties.

Section 139. License to Possess and Carry Firearms. – Agents of the CEZA security force or of any security force duly licensed or authorized by CEZA may be licensed to possess and carry firearms within the CSEZFP and the premises of a CEZA Enterprise in the performance of their duties subject to the approval by the CEZA Administrator, regulation by the Philippine National Police and the pertinent provisions of these Rules.

Section 140. Request for Assistance. – CEZA Facilities Operators of Enterprises may, as necessary, request for assistance from the CEZA security force to enforce security over their facilities. Such security agents shall, in cooperation with the CEZA security forces, adhere to such rules and regulations as CEZA may promulgate.

Section 141. Search, Inspection and Monitoring of Persons and Vehicles.
– All persons and vehicles entering into and exiting from the CSEZFP shall be subject to search and inspection by the CEZA security forces stationed at the entry and exit point of CSEZFP and other points deemed necessary by the CEZA.

All persons and vehicles entering into or departing from the CSEZFP shall be required to secure appropriate CEZA passes/clearances or permits from the CEZA. All persons and vehicles inside the CSEZFP shall be governed by the security rules of the CEZA.

Section 142. Searches and Warrants by Other Government Agencies. –

No inspection or control initiated by other government agencies shall be conducted within the CSEZFP or within the premises of CEZA Enterprises without prior notice to the CEZA. Notice to the CEZA shall also be given to CEZA before lawful warrants executed outside the CSEZFP for acts or omissions committed by CSEZFP Residents outside the CSEZFP are served. If the warrant will be served in the Municipality of Santa Ana or Aparri, Province of Cagayan, actual service of the warrant shall be made with a CEZA personnel. Towards this end, CEZA shall give its full support and assistance to other government agencies to ensure that the warrants are expeditiously served and enforced.

B. TRAFFIC RULES AND MOTOR VEHICLE REGISTRATION

Section 143. Authority and Responsibility of CEZA. – The CEZA shall have full authority and responsibility to establish and enforce traffic rules and regulations within the CSEZFP. It shall adopt a Traffic Code providing for the rules and regulations within the CSEZFP.

The enforcement and maintenance of traffic rules and regulations shall be conducted by the CEZA security forces.

Section 144. Land Transportation Office Within CSEZFP. – There shall be an extension of the Land Transportation Office inside the CSEZFP. The CSEZFP-LTO shall be responsible for the registration of motor vehicles, imported and operated within the CSEZFP, and the issuance and renewal of valid driver's licenses, conversion of foreign licenses to local non-professional conductor driver's licenses, and issuance of student driver's permit to CSEZFP residents and employees.

Enforcement of LTO laws, rules and regulations shall be enforced jointly by CSEZFP-LTO and the CEZA.

Section 145. Recording and Registration of Motor Vehicles. – The following types of motor vehicles must be registered with the CSEZFP-LTO:

- a) Tax and Duty Free Motor Vehicles – All motor vehicles which have been imported tax and duty free into the CSEZFP must be registered with the CSEZFP-LTO. The following documents must be submitted:
1. Certificate of Tax and Duty Free Exemption issued by the CEZA;
 2. Certification from the Bureau of Customs that the vehicle is tax exempt and cleared for release;
 3. Confirmation Certificate issued by the registration Section of the LTO Central Office; and
 4. Bill of Lading or other proof of ownership for the vehicle.

- b) Tax and Duty Paid Motor Vehicles – Motor vehicles owned by CEZA, CEZA Enterprises, employees and residents on which customs duties and taxes have been paid, including those purchased locally, shall be registered with the CSEZFP-LTO.

CEZA shall have its own Motor Vehicle Registration within the CSEZFP-LTO in the registration of all motor vehicles, as well as other transactions involving the CSEZFP-LTO registered motor vehicles.

Section 146. Special License Plates and Stickers for Tax and Duty Free Vehicles. – The CSEZFP-LTO shall issue special license plates and stickers to all registered tax and duty free motor vehicles. The plates and stickers should indicate clearly that such vehicle is a tax and duty free motor vehicle and is registered with the CSEZFP-LTO. Similarly, the stickers should be placed in a conspicuous area at the rear of the vehicle to be determined by the CSEZFP-LTO for proper identification.

Section 147. Use of CSEZFP-LTO Registered Motor Vehicles. – All motor vehicles registered with CSEZFP-LTO may be used inside and outside the CSEZFP. The CEZA shall issue a valid gate pass to registered motor vehicles if they are used outside CSEZFP. Such gate pass, however, shall be used for a limited period to be determined by the CEZA Administrator and strictly for official business. Any violation on the terms of the gate pass may subject the motor vehicle to fine or impoundment as the CEZA Administrator may determine from the gravity and frequency of violations concerned.

Section 148. Sale of CSEZFP-LTO Registered Motor Vehicles. – Any sale of a registered tax and duty free motor vehicle shall have prior clearance from the Motor Vehicle Registration Office of the CEZA.

CSEZFP-LTO registered tax and duty free motor vehicles may be sold to any CSEZFP Enterprise or Resident within the CSEZFP without payment of customs duties and taxes; Provided, That the proper transfer of motor vehicle registration is effected with the CSEZFP-LTO.

Sale of CSEZFP-LTO registered tax and duty free motor vehicles to persons or entities other than CSEZFP Enterprises or Residents shall be subject to the regular customs duties and taxes.

C. LABOR RELATIONS

Section 149. Objectives and Policy. – The CEZA aims to assuage the high unemployment rate in the Philippines, particularly within the immediate surroundings of CSEZFP, by providing a conducive business climate that shall effectively attract legitimate and productive foreign investments and thereby create jobs.

The CEZA shall adopt the policy of industrial peace, harmony and productivity within the CSEZFP taking into consideration the influx of foreign investments, vis-à-vis the basic rights and welfare of all workers within the CSEZFP.

Section 150. Applicability of Labor and Social Welfare Laws. – The Philippine Labor Code, as amended, Social Security Law, Home Development Management Fund Law, and all other pertinent laws beneficial to workers shall be applicable and strictly complied with within the CSEZFP.

Section 151. Labor Center. – There shall be created a Labor Center within CSEZFP which shall be responsible for the enforcement of all labor and social welfare laws in the Philippines. It shall monitor the compliance of labor standards and wages, working conditions, employment contracts, amicable settlement of labor disputes, and other labor-related problems.

The Labor Center shall be composed of a Placement and Training Office, an Industrial Health and Safety Office, and Inspection Office and Labor Dispute Office, and other offices deemed necessary in the fulfillment of the labor objectives of CEZA.

Section 152. Employment within the CEZA. – All persons seeking employment within the CSEZFP must first register and secure clearance from the CEZA, through the Placement and Training Office of the Labor Center. All employment of rank-and-file workers shall be centralized in the Placement and Training Office of the Labor Center.

Any CEZA Enterprise recruiting for rank-and-file workers shall inform the Placement and Training Office of its need for workers and qualifications required. No CEZA Enterprise shall employ directly a rank-and-file worker without processing the recruitment and employment through the Placement and Training Office.

Failure to comply with this condition shall be a ground for revocation of its CEZA Registration, without prejudice to other remedies available to CEZA.

Section 153. Labor Skills and Inventory/Identification Card. – The Labor Center shall maintain a Labor Skills Inventory List for the CSEZFP which shall contain a list of employees already working in the CSEZFP, a manpower pool of job applicants and those trained by the Technical and Skills Development Authority (TESDA), giving priority to those residing in the Municipality of Santa Ana and the Islands of Fuga, Barit and Mabbag in the Municipality of Aparri and from other municipalities in Cagayan Province and Region 2.

All employees working in the CSEZFP must secure identification cards from CEZA which shall contain, among others, the specific skill(s), trade or occupation, blood type, and other information relative to the employee concerned that CEZA may require.

Section 154. Compliance with Labor Standards and Wages. – All CEZA Enterprises shall strictly comply with the work environment and safety standards promulgated by the Department of Labor and Employment, as well as the minimum wage laws.

An inspection of the premises shall be conducted by the Health and Safety Office of the Labor Center at least once a month.

Failure to comply with labor standards and wages shall be a ground for revocation of its CEZA Registration, without prejudice to other remedies available to CEZA and/or the worker involved.

Section 155. Labor Disputes. – Subject to existing labor or employment contracts or collective bargaining agreements, all labor disputes must be brought before the Disputes Office of the Labor Center for amicable settlement. In the event that no amicable settlement is reached by the parties involved, the Dispute Office shall certify the dispute for mediation or arbitration before the proper office of the Department of Labor and Employment of the Secretary of Labor and Employment for compulsory arbitration or assumption of jurisdiction.

The laws on strikes and lock-outs shall be strictly enforced within the CSEZFP.

Section 156. Employment of Foreign Nationals. – CEZA Enterprises desiring to employ foreign nationals must secure prior approval of the CEZA of the Certificate of Non-Availability for highly technical skilled positions from the Placement and Training Office of the Labor Center, as the case may be.

Every foreign national employed by a CEZA Enterprise shall be granted a period of not exceeding five (5) years and extendible from year to year depending on the need of the CEZA Enterprise; Provided, That no extension of stay herein shall be granted by CEZA unless the training program required had been complied with satisfactorily; Provided, further, That the request for extension shall be filed with CEZA at least thirty (30) days before the expiry date of the authorized stay.

Section 157. Training Program for Understudies. – A CEZA 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 CEZA Enterprise shall submit its training program within thirty (30) days from arrival of the foreign national in CSEZFP or from the day he reports for duty or from the date of registration in case the foreign national was employed before registration; Provided, finally, That it shall submit an annual progress report to the CEZA on such training program within one (1) month after the close of the calendar year containing the following information:

- a) Name of the foreign national and his field of specialization as described in the training program;
- b) Names and addresses of the Filipino understudies under the foreign national;

- c) Number of hours of actual training for each understudy and specific subject(s) covered; and
- d) Reasons why the Filipino understudy cannot take over the work of the foreign national, if such be the case.

Section 158. Quarterly Reports. – The Labor Center shall publish quarterly reports on the labor situation in the CSEZFP.

D. SANITATION, GARBAGE AND SEWAGE

Section 159. In General. – The CEZA shall, in coordination with the local government units that are part of CSEZFP, provide for a system of sanitation, garbage collection and disposal and sewage.

Section 160. Fees. – The CEZA may impose and collect reasonable fees from CEZA Enterprises and CSEZFP Residents for the implementation of a sanitation system, the collection and disposal of garbage and/or the installation, and maintenance of a sewage system.

Section 161. Fines and Penalties. – The CEZA may impose administrative fines and penalties against any CEZA Enterprise or CSEZFP Resident for any violation of sanitation, garbage or sewage rules and regulations that the CEZA may enact or promulgate.

E. EDUCATION AND MEDICAL INSTITUTIONS

Section 162. Establishment of Private Institutions. – The CEZA may authorize the establishment of private educational and medical institutions. These private educational and medical institutions may, if they so desire, apply to be CEZA Enterprises in which case the pertinent provisions of these rules shall apply.

Section 163. Applicability of National Laws. – The CEZA shall adopt and implement rules and regulations to govern educational and medical institutions to be established within the CSEZFP. Pending the issuance of such rules and regulations for this purpose, the rules and regulations of the Department of Education and Commission on Higher Education, and the Department of Health and other government agencies concerning educational and medical institutions are hereby adopted.

F. BUILDING AND CONSTRUCTION

Section 164. Building and Construction Plans. – All private and public business enterprise or agencies 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 by the CEZA. These plans may be included and made part of the Environmental Report mentioned in this order.

Section 165. Need to Secure Environmental Compliance. – No building and/or construction project can be commenced unless the CEZA Enterprise concerned secures an Environmental Compliance Certificate from the CEZA as provided under these Rules.

Section 166. Construction of Fences. – The construction plan of the CEZA Enterprises must include the construction of the gate and fences surrounding its premises in accordance with the structural specifications promulgated by the CEZA.

Section 167. Applicability of National Laws. – The CEZA shall adopt and implement rules and regulations to govern building and/or construction of all structures and infrastructures including reclamation activities. Pending the issuance of such rules and regulations, all laws on building and construction including reclamation, as well as the rules and regulations of the Department of Public Works and Highways and other government agencies concerning building and construction and the rules of the Public Estates Authority, now Philippine Reclamation Authority, under Presidential Decree No. 1084, as amended by Executive Order No. 380 are hereby adopted.

G. REGIONAL OR AREA/NON-RESIDENT HEADQUARTERS

Section 168. Registration of Regional or Area Headquarters. – Foreign companies qualified to establish a regional or area/non-resident headquarters under E.O. 226 may be domiciled in the CSEZFP and registered with the CEZA, to act as a supervisory, communications and 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 in Book III of E.O. 226.

Section 169. Obligation of Area/Non-Resident Headquarters. – Area/Non-resident headquarters companies domiciled within the CSEZFP must meet all requirements and obligations for such companies as established in law, decrees, and other applicable rules and regulations.

H. FINANCIAL AND COMMODITIES MARKETS

Section 170. Who are Eligible to Organize. – Organized markets, exchanges, clearing houses and other arrangements for effecting transactions in standardized financial instruments may be organized by CEZA Enterprises, CEZA-Registered-OBUs, banks branches or their affiliates. Such markets may include transactions in securities, bonds, debt instruments, foreign currencies, commodities, precious metals, future contracts, or any other financial instruments as may be freely traded among parties.

Section 171. Mode of Organization. – Such financial markets shall be organized according to principles and procedures established and agreed to by the member firms of each market or exchange, and registered with the CEZA.

I. DISPUTES AND LITIGATION

Section 172. Amicable Settlement. – In case of disputes between or among CEZA Enterprises, the parties shall promptly meet and exert best efforts towards amicable settlement of the dispute in good faith. The CEZA may conciliate or mediate the disputes upon request of the parties.

Section 173. 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 disputes.

J. MISCELLANEOUS AND TRANSITORY PROVISIONS

Section 174. Bankruptcy and Liquidation. – The bankruptcy or liquidation of CEZA Enterprises shall be carried out in accordance with the laws and regulations relating to liquidation in force in the Philippines.

Section 175. Lien on Property of CEZA Enterprises. – Any unpaid sums of money owed by a CEZA Enterprise to the CEZA, or 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 CEZA Enterprises concerned.

Section 176. Liability for Damages. – CEZA Enterprises or CSEZFP Residents shall be liable for damages arising from violations of the Act, these Rules and other regulations of the CEZA.

Section 177. General Authority to Dispose of Abandoned, Foreclosed, Forfeited or Unclaimed Articles. – The CEZA 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 CEZA in the CSEZFP, and to establish procedures for sale, destruction, or conversion.

Section 178. Effect of Board Action on Vested Rights. – In no case shall any Board action impair the obligation of contracts or vested rights that may have arisen by virtue of the contractual obligations of CSEZFP, and to establish procedures for sale, destruction, or conversion.

Section 179. Subsidiaries. – The CEZA has the power to form, establish, organize and maintain subsidiary corporations, as its business and operations may require, whether under the laws of the Philippines or not.

Section 180. Eminent Domain. – The areas of development of CEZA in the CSEZFP may be expanded or reduced when necessary. For this purpose, CEZA shall have the power to acquire, either by purchase, negotiation or condemnation proceeding, any private lands within or adjacent the areas outlined in the CEZA Master Plan inside the CSEZFP for:

- a) Consolidation of lands for development purposes;

- b) Acquisition of right of way to, from and inside the CSEZFP;
- c) The protection of the watershed areas and natural assets valuable to the prosperity of the CSEZFP.

Section 181. Land Conversion. – To accomplish the policies and objectives of the Act, CEZA shall have the power to convert agricultural lands in the CSEZFP into residential, commercial, industrial or other non-agricultural purposes to comply with the general uses and economic activities to be promoted for the different land areas as specified in the CEZA Land Use and Master Plan for the CSEZFP or revisions thereof, subject to the conditions set forth under Republic Act 6657 and other existing laws.

Section 182. Injunction and Restraining Order. – The implementation of the projects identified in the CEZA Master Plan for the CSEZFP or revisions thereof to achieve the underlying principles and policies enunciated under the Act shall not be restrained or enjoined except by an order issued by the Supreme Court of the Philippines.

Section 183. Exemption from Garnishment.- The functions and operations of the Cagayan Economic Zone Authority cannot be allowed to be paralyzed or disrupted by the diversion of its funds from their legitimate and specific objects as appropriated by law. For this purpose, prosecution, enforcement or satisfaction of money claims against the Cagayan Economic Zone Authority must be pursued in accordance with the rules and procedures laid down in P.D. No. 1445, otherwise known as the Government Auditing Code of the Philippines.

Section 184. Non-profit Character of the Cagayan Economic Zone Authority. – The Cagayan Economic Zone Authority shall endeavor to accelerate the groundwork for investments and physical developments in the CSEZFP with its limited funds sourced mainly from the subsidy of the National Government, pursuant to Section 9 of the Act. Towards this end, all returns from capital investments, as well as the excess revenues from its operations, shall be devoted to bankroll the needed structural measures as well as the development, improvement and maintenance and other related expenditures of the Cagayan Economic Zone Authority in furtherance and effective implementation of the public policy and general welfare enunciated in Section 2 of the Act. In consonance therewith, the Cagayan Economic Zone Authority shall be non-profit and is hereby declared exempt:

- a) From the payment of all taxes, duties, imposts, charges, costs and service fees in any court or administrative proceedings in which it may be a party, to the Republic of the Philippines, its provinces, cities, municipalities and other government agencies and instrumentalities;
- b) From all income taxes, franchise taxes, realty taxes and all other kinds of taxes and licenses to be paid to the National Government,

its provinces, cities, municipalities and other government agencies and instrumentalities;

- c) From all tariff and customs duties, and advance sales tax, on import of capital goods required for its operations.

Consistent with the authority of the Office of the President over the Cagayan Special Economic Zone enunciated in Section 10 of the Act, the foregoing exemptions may be entirely or partially lifted by the President of the Philippines upon the recommendation of the Secretary of Finance and/or the Department of Budget and Management, not earlier than ten (10) years from the effectivity of this Rules, if the President shall find the Cagayan Economic Zone Authority to be self-sustaining and financially capable by then to pay taxes, customs duties, fees and other charges after providing for debt service requirements of the Cagayan Economic Zone Authority and of its projected capital and operating expenditures.

Section 185. Issuance of Memoranda and Circulars. – The CEZA shall, from time to time, issue memoranda, circulars, and administrative orders 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.

Section 186. Rules of Procedures for Investigation. – The CEZA shall promulgate rules of procedure governing the conduct of investigations and hearings 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 CEZA and the CEZA Enterprise or CSEZFP Resident. Pending the promulgation of said rules and procedure, the CEZA may continue to conduct said investigations and hearings provided that the basic requirements of due process of law are met.

Section 187. Power to Amend Rules. – The CEZA Board may amend, alter, supplement, suspend, modify or revoke these Rules or any portion thereof, as may be necessary; Provided, however, That in the case of increase of any fees or charges, CEZA Enterprises directly and/or adversely affected thereby shall have been properly notified and given the opportunity to be heard in a public hearing called for such purpose.

Section 188. Separability Clause. – If any clause, sentence, provision or section of these Rules, including any appendices thereto, shall be held invalid or unconstitutional, the remaining parts thereof shall not be affected thereby.

Section 189. Effectivity Clause. – This Order shall take effect immediately upon its publication in a newspaper of general circulation and submission to the U.P. Law Center.