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CHAPTER I PRELIMINARY PROVISIONS

SECTION 1. Scope. - These Rules and Regulations are hereby promulgated to implement the provisions governing the Poro Point Freeport Zone (PPFZ), and the Poro Point Management Corporation (PPMC), under Republic Act (R.A.) No. 7227, as amended by R.A. No. 9400, otherwise known as the Bases Conversion and Development Act of 1992, and pursuant to Section 3 of Presidential Proclamation (Pres. Proc.) Nos. 216 and 270, series of 1993 as amended by Pres. Proc. No. 179 series of 1999, and E.O. No. 132, series of 2002.


SECTION 2. Declaration of Policy. - Within the framework and subject to the mandate of the Constitution, R.A. No. 7227, as amended by R.A. No. 9400, and other pertinent laws, Pres. Proc. Nos. 216 and 270, Pres. Proc. No. 179 s. 1999, E.O. No. 132 and other related Administrative Orders and Regulations, it is hereby declared the policy of the Bases Conversion and Development Authority (BCDA) through PPMC as its operating and implementing arm to develop the PPFZ into a self-sustaining and environmentally sound industrial, commercial, financial, tourism, transshipment and investment center with the end in view of generating employment opportunities in and around the PPFZ, attracting and promoting productive foreign investments, accelerating the sound and balanced conversion into alternative productive uses of the former Wallace Air Station, Voice of America (VOA) Complex and the City of San Fernando Seaport and Airport, consistent with the socio-economic development of Northwestern Luzon in particular and of the country in general.

It is also the declared policy of the BCDA and the PPMC to operate and manage the PPFZ as a freeport and as a separate Customs Territory ensuring free flow, movement and exchange of capital equipment and articles not otherwise prohibited by law, within, into and exported out of the PPFZ and the undertaking of legal commercial activities by all duly registered business enterprises.

SECTION. 3. Definitions of Terms. - For purposes of these Rules, these terms shall be understood to have the following meanings:


- a. **Act**- refers to Republic Act. No. 7227 or the ‘Bases Conversion and Development Act of 1992’, as amended by R.A. No. 9400 (An Act Amending R.A. No. 7227, as Amended otherwise known as the ‘Bases Conversion and Development Act of 1992, and for Other Purposes’).
- b. **Articles** - refers to any goods, wares, merchandise and in general, anything that shall, under the Tariff and Customs Code of the Philippines (TCCP), as amended, be made the subject of importation and exportation.

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- c. **Assembly** - refers to the activity by which semi-finished or finished parts or materials, whether locally produced or not, are placed without substantially changing the physical, mechanical or electromagnetic characteristics and/or chemical properties of such parts and material.
- d. **BCDA** - refers to the Bases Conversion and Development Authority, which is a government instrumentality vested with corporate powers created under Sec. 3 of R.A. No. 7227 which is the governing body of the Poro Point Special Economic and Freeport Zone created under R.A. No. 7227, as amended, by virtue of Proc. No. 216, series of 1993; E.O. No. 132, series of 2002.
- e. **Board** - refers to the Board of Directors of the PPMC.
- f. **BSP** - refers to the Bangko Sentral Ng Pilipinas.
- g. **Capital Equipment**- refers to the equipment (including spare parts) used to manufacture a product, provide a service or used to sell, store and deliver merchandise.
- h. **Certificate of Registration (CR)** - refers to the certificate issued to a business entity in the PPFZ evidencing the registration with incentives.
- i. **Certificate of Residency** - refers to the certificate issued by the PPMC representing the registration of an individual as PPFZ Registered Resident.
- j. **Container** - refers to the outer container in which merchandise is held for storage or transportation, and not an intermodal container covered by the Customs Convention on Container done at Geneva on December 2, 1972, unless otherwise indicated.
- k. **Customs** - refers to the Philippine Bureau of Customs (BOC).
- l. **Customs Clearance Area (CCA)** - refers to an area provided for under Administrative Order (A.O.) No. 296, series of 1996, provided and delineated by the BOC in agreement with the PPMC and to be guarded and managed by BOC, which shall be the clearing and processing center for articles entering and exiting the Secured Area of the Zone.
- m. **Customs Territory** - refers to the national territory of the Philippines outside the PPFZ, duly defined or proclaimed in accordance with R.A. No. 7227, where the customs and tax laws of the Philippines are in full force or effect, and outside of those areas specifically declared by other laws and/ or presidential proclamations to have the status of special economic zones and/or freeports.

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- n. **Development Fund** - refers to the fund established under Section 15-A of the Act which shall be equivalent to five percent (5%) of the gross income paid by PPFZ Registered Enterprises within the PPFZ and shall be directly remitted as follows: three percent (3%) to the National Government, and two percent (2%) to the treasurer's office of the city where they are located.
- o. **Domestic Articles** - refers to articles which are the growth, product or manufacture of the Philippines and upon which all national internal revenue taxes have been paid, if subject thereto, and upon which no drawback or bounty has been allowed; and articles of foreign origin on which all duties and taxes have been paid and upon which no drawback or bounty has been allowed, or which have previously been entered into the Customs Territory free of duties or taxes.
- p. **Environmental Compliance Certificate (ECC)** - refers to the document issued certifying that based on the representations of the proponent and the preparers, as reviewed and by the Environmental Impact Assessment Review Committee (EIARC), the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the Environmental Impact Statement (EIS) System, and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or mitigation measures in the initial Environmental Examination.
- q. **Export Product** - refers to the manufactured, processed and/or assembled products, whether physical or non-physical, belonging to the class of products approved by the Board to be undertaken by the enterprise, including such packaging materials and containers as shall be necessary to put the product into exportable form.
- r. **Export Services**- refers to a business activity belonging to the class of services approved by the Board to be undertaken within the PPFZ are: IT-enabled services such as business process outsourcing, call centers, data encoding, transcribing and processing, etc.; software development and application, including programming and adaptation of system softwares and middlewares; for business, media, e-commerce, education, entertainment, etc.; content development for multi-media or internet purposes; and others.
- s. **Foreign Articles** - refers to articles of foreign origin on which duties and taxes have not been paid or upon drawback or bounty has been allowed, or which have not been previously entered into the Customs Territory or articles, which are the growth, product or manufacture of the Philippines on which not all national internal revenue taxes have been paid if subject thereto, or upon which drawback or bounty has been allowed.
- t. **Foreign Currency Deposit Unit (FCDU)** - refers to that Unit of a local bank or of a local branch of a foreign bank authorized by the BSP to engage in foreign currency denominated transactions.


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- u. **Foreign Exchange** - refers to any currency other than the Philippine Peso acceptable for payment by the BSP.
- v. **Foreign National** - refers to a natural person who is not a citizen of the Philippines.
- w. **Franchise** - refers to the license granted to or conferred by PPMC 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.
- x. **Freeport Zones** - refers to the presently fenced-in area within areas identified in R.A. No. 7227 as constituting the Poro Point Freeport Zone within which there shall be a free and unimpeded flow of goods and merchandise from one Freeport Enterprise to another or to other establishments and residents within the boundaries thereof in accordance with law.
- y. **Gross Income Earned**- for purposes of computing the special tax due under Section 15-A of the Act, refers to gross sales or gross revenues derived from the business activity within the PPFZ, net of sales discounts and sales returns and allowances, less limited allowable items for deduction as hereinafter specified under Section 75 of Chapter VII of these Rules.
- z. **Investment**- refers to capital cost brought in by a locator to be able to pursue its business activity in the zone including Land improvements (construction costs for building and land), Plant, Property & equipment (to include furniture & fixtures, office equipment, capital equipment, transportation, etc.) developments infused on the property (development cost) are considered investments in the PPFZ.

Capital costs are fixed, one-time expenses incurred on the development of land, buildings, construction, and equipment used in the production of goods or in the rendering of services. Capital costs include expenses for tangible goods such as the purchase of plants and machinery, as well as expenses for intangible assets such as intellectual property rights and goodwill (registered trademarks, geographical indications, trade secrets, industrial designs, copyrights, etc.).
- aa. **License** - refers to the privilege or permit to carry on any business activity other than that requiring a franchise or a Certificate of Registration.
- bb. **Local Taxes** - refer to business taxes, real property taxes, and other taxes, imposed by ordinances of Local Government Units (LGUs) pursuant to the Local Government Code (LGC) of 1991 and other laws.


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- cc. **National Government** - refers to the Government of the Philippines.
- dd. **National Taxes** - refers to all internal revenue taxes, including the regular income tax imposed under the NIRC, as amended, as well as customs duties and import charges under the TCCP, as amended.
- ee. **Offshore Banking Unit (OBU)** - refers to a branch, subsidiary or affiliate of a foreign banking corporation which is duly authorized by the BSP to transact offshore banking business in the Philippines.
- ff. **Packaging** - refers to the process by which semi-finished or finished products, whether locally produced or not are placed without substantial alteration in a weighing and/or reduction of products to standard measurements and specifications, and other similar packaging processes.
- gg. **Permit** - refers to a written warrant or license granted by one having authority.
- hh. **Permit to Operate (PTO)** - refers to the permit issued by the PPMC representing the registration of a villa/condotel unit owner who engage in a rental program.
- ii. **Point of Entry** - refers to any place designated by the PPMC and the BOC where articles shall be lawfully introduced into or removed from the PPFZ or any part therein designated by the PPMC.
- jj. **PPFZ** - refers to the two hundred thirty-six and a half-hectare (236.5 has.) secured area in the Poro Point Special Economic and Freeport Zone created under Proclamation No. 216, series of 1993, operated and managed as a Freeport and separate customs territory ensuring free flow or movement of goods and capital equipment within, into and exported out of the PPFZ.
- kk. **PPFZ Accredited Enterprise**- refers to any sole proprietorship, partnership, corporation, association or other form of business entity and a holder of Certificate of Accreditation who do business inside the PPFZ but holds office outside the PPFZ and recognized by PPMC as a business entity that complied with the minimum standards and basic legal requirements in the conduct of the establishment and operation.
- ll. **PPFZ Locator**- refers to a generic term, further classified as PPFZ Registered Enterprise and PPFZ Business Enterprise.

Any individual, 18 years of age and above, or a corporation registered under the Securities and Exchange Commission (SEC) and operating by virtue of the Laws of the Republic of the Philippines, who has made and continues to maintain an investment of not less than Two Hundred Fifty Thousand


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Dollars (US\$250,000.00), or its peso equivalent, within O the PPFZ. A locator is identified upon submission of evidence of investment, which shall be in the form of:

- a. Establishment of a PPFZ Registered Enterprise or other direct investment within the PPFZ that employs at least 50 employees;
 - b. A cash grant or interest-free loan to the PPFZ or to a PPFZ Registered Enterprise for the purpose of making capital investments by the recipient in the PPFZ; and,
 - c. A donation in kind to the PPFZ or a PPFZ Registered Enterprise of equipment or materials for capital improvement purposes.
- mm. **PPFZ Regional Enterprise** - refers to any multinational company, whose purpose, as expressed in its organizational documents or by resolution of its Board of Directors or its equivalent, is to engage in regional and/or international trade/services and in business activities such as, but not limited to, manufacturing, including entering into toll and contract manufacturing arrangements, employing commission agents and/or distributors; trading, marketing, financial services and treasury services, which has established its seat of management and situs of its income, from some or all countries in the Asia-Pacific region and or other parts of the world, including the Philippines.
- nn. **PPFZ Registered Enterprise** - refers to a business entity located within the PPFZ which is entitled to incentives, including tax and duty free importation, as shall be provided by law, and duly registered with the Incentives Administration Authority (IAA), *i.e.*, BCDA of the PPFZ where the business entity is located. This term can be used interchangeably with “PPFZ Freeport Enterprise” as discussed in DOF Department Order No. 03-08, Rules and Regulations to Implement R. A. No. 9400.
- oo. **PPFZ Registered Resident** - refers to those individuals, and members of their immediate family, who: (a) are actually residing on a permanent basis within the PPFZ by virtue of domicile or employment; and (b) have qualified investments of at least Two Hundred Fifty Thousand US Dollars (US\$250,000.00) or its Peso equivalent and has continuously stayed within the PPFZ for a period of at least one hundred eighty (180) days.
- pp. **PPMC** - refers to the Poro Point Management Corporation, pursuant to E.O. No. 132 and R.A. No. 9400.
- qq. **PPMC Monitoring Team** - refers to all offices of the PPMC, representing the different organizational units tasked to monitor the compliance of locators with the applicable laws and regulations inside the PPFZ, headed by the Office for Regulatory Services (ORS).


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- rr. **Proclamation** - refers to Pres. Proc. Nos. 216, 270 and 179 creating and designating the area covered by the PPFZ and transferring these lands to the BCDA pursuant to R.A. No. 7227.
- ss. **Prohibited Articles** - refers to goods, wares, merchandise, equipment or machineries the importation of which is prohibited by law as enumerated in Section 102 Book 1 of R.A. No. 1937, otherwise known as the TCCP, as amended by Pres. Decree No. 34, and such other goods or merchandise which shall be prohibited by special laws.
- tt. **Regular/ Traditional Port Users** - refers to port users such as the ship agents consignee/broker arrastre and stevedoring service and others (truckers/haulers, chandlers, ship repairs, lighterage/barges, maritime surveying, oil sludge collection, ship registration, tank cleaning, tug services, bunkering, harbor pilots; also aircraft pilots) using the ports of San Fernando, Seaport and/ or Airport, as the point of entry and exit for their cargoes intended for custom territory for more than once per year.
- uu. **Retail Sale** - refers to the sale of articles in the PPFZ, in small or non-commercial quantities to a person for his or her own personal use and account and not for resale.
- vv. **Rules** - refers to these Implementing Rules and Regulations.
- ww. **Special Poro Point Investors Visa (SPPIV)** - refers to visa granted by the Bureau of Immigration thru PPMC to any foreign investor who establishes a business establishment within the PPFZ and who maintains a capital investment of not less than Two Hundred Fifty Thousand US Dollars (US\$250,000.00) or his or her spouse, dependents, and unmarried children below eighteen (18) years of age.
- xx. **Transshipment** - refers to shipment of articles discharged at ports or airports of entry located in the Customs Territory destined for delivery to the PPFZ, and articles coming from the PPFZ intended for export through a Philippine Customs Port/Airport of entry which shall be transported pursuant to applicable customs laws, rules and regulations.
- yy. **Working Visa** - refers to that issued by PPMC to foreign nationals who possess highly technical skills which no Filipino citizen within the Zone possesses, as certified by the Department of Labor and Employment (DOLE). It also refers to visas issued to foreign nationals who occupy top management or executive positions.

SECTION 4. Rules of Interpretation. - Pursuant to the declared policies of the State on the PPFZ, the following rules of interpretation shall be observed in the implementation of the provisions of these Rules:

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- a. In case of conflict between national and local laws, and tax exemption privileges in the PPFZ, the same shall be resolved in favor of the latter.
- b. In case of conflict between PPMC and the LGUs concerned on matters affecting the PPFZ, other than the defense and security of the said LGUs, the decision of the PPMC shall prevail.
- c. The provisions of existing laws, rules and regulations to the contrary notwithstanding, the PPMC shall exercise administrative powers, rulemaking and disbursements of funds over the PPFZ.


SECTION 5. Boundaries of the PPFZ. - The two hundred thirty-six and a half-hectare (236.5 has.) secured area in the PPFZ created under Proc. No. 216, series of 1993, shall be operated and managed as a freeport and separate customs territory ensuring free flow or movement of goods and capital equipment within, into and exported out of the PPFZ. The PPFZ shall also provide incentives such as tax and duty-free importation of raw materials and capital equipment. However, exportation or removal of goods from the territory of the PPFZ to the other parts of the Philippine territory shall be subject to customs duties and taxes under the TCCP, as amended, the NIRC of 1997, as amended, and other relevant tax laws of the Philippines.

CHAPTER II THE PORO POINT MANAGEMENT CORPORATION (PPMC)

SECTION 6. Powers and Functions. - Pursuant to E.O. No. 132, the BCDA as the incorporator and holding company of PPMC, shall determine the powers and functions of the latter. The PPMC shall have the following powers and functions:


- a. To operate, administer, manage and develop the former Wallace Air Station, VOA Complex, the City of San Fernando Seaport and Airport and other areas within the PPFZ as a free market in accordance with the policies set forth in Section 15-A of the Act;
- b. To accept any local or foreign investment, business or enterprise, subject only to such rules and regulations to be promulgated by the PPMC in conformity with the policies of the BCDA, without prejudice to the nationalization requirements provided for in the Constitution;
- c. To undertake and regulate the establishment, operation and maintenance of infrastructure and other services in the PPFZ and the operation of the San Fernando Airport and Seaport in accordance with existing laws, rules and regulations and to fix just and reasonable rates, fees and other charges therefor except regulations on water and telecommunication utilities;

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- d. To lease out land, facilities and other properties in the PPFZ, by public bidding or otherwise, giving due consideration to the declared policies of the Act;
- e. To construct, acquire, own, lease, operate and maintain on its own or through contract, license, permit, franchise, bulk purchase from the private sector and build-operate-transfer scheme or other variation thereof, or joint venture, the required utilities and infrastructure facilities, factory buildings, warehouses, dams, reservoirs, water distribution, electric light and power systems, telecommunications and transportation, or such other facilities and services necessary or useful in the conduct of commerce or in the attainment of its purposes and objectives in coordination with local government units and in conformity with existing applicable laws thereon;
- f. To determine and regulate the enterprises to be established within the PPFZ in order not to adversely affect the operations of existing domestic industries outside the PPFZ;
- g. To grant the use of, the rent, lease or let, for a consideration and under such terms, arrangements and conditions it shall deem reasonable and proper, any and all airport facilities, including cargo handling and airport terminal services, or any concession properly incident thereto or in connection with the receipt, delivery, and transfer on transit, weighing, marking, tagging, fumigating, refrigerating, icing, storing, and handling goods, wares and merchandise: Provided, however, that where the airport terminal facilities are owned and operated by private persons, the fees and the charges to be levied shall not exceed those being collected by the Government for similar services;
- h. To fix, assess and collect storage charges and fees, including rentals for the lease, use or occupancy of lands, buildings, structures, warehouses, facilities and other properties owned and administered by the PPMC; and to fix and collect the fees and charges for the issuance of permits, licenses and the rendering of services not enumerated herein, the provisions of law to the contrary notwithstanding;
- i. For the due and effective exercise of the powers conferred by law and to the extent requisite thereof, to exercise exclusive jurisdiction and sole police authority over all areas owned or administered by the PPMC. For this purpose, the PPMC shall have supervision and control over the bringing in or taking out of the PPFZ, including the movement therein, of all cargoes, wares, articles, machineries, equipment, supplies or merchandise of every type and description;
- j. The PPMC, in the exercise of its sole police authority over PPFZ, shall have the power to receive and investigate complaints relative to violations of penal laws committed inside the PPFZ, and when the evidence warrants, to file the corresponding criminal cases before the appropriate court or body;
- k. Within the limitation provided by law, to raise and/or borrow the necessary funds from local and international financial institutions and to issue bonds, promissory notes and other securities for that


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purpose and to secure the same by guarantee, pledge, mortgage, deed of trust, or assignment of properties held by the PPMC for the purpose of financing its projects and programs within the framework and limitations of the Act;


- l. To operate, directly or indirectly, or license tourism-related activities subject to priorities and standards set by the PPMC including games, and amusements, except horse racing, dog racing and casino gambling which shall continue to be licensed by the Philippine Amusement and Gaming Corporation (PAGCOR) upon recommendation of the BCDA;
- m. To authorize the establishment of appropriate educational and medical institutions;
- n. To raise revenues from among, but not limited to the following:
 - (i) periodic license fees and/or application; filing and registration and administrative/regulatory fees from PPFZ Registered Enterprises;
 - (ii) lease of land, facilities or other properties in the PPFZ;
 - (iii) management and administrative service fees for processing, handling and escorting of importations, exportations and local sales or purchases;
 - (iv) capital or other contributions from the National Government;
 - (v) service and utility charges;
 - (vi) voluntary contributions;
 - (vii) resources from external, technical and financial assistance agencies;
 - (viii) grants from the National Government, local government units, local and foreign state-owned and privately owned entities and international organizations;
 - (ix) donations and contributions of all kinds;
 - (x) funds from loans and/or other securities obtained as authorized by the Board of Directors; and
 - (xi) proceeds from administrative fines, and penalties.

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- o. To create and operate and/or contract to operate such agencies, functional units, offices and departments of the PPMC as it shall deem necessary or useful for the furtherance of any of its purposes;
- p. To adopt, alter and use a corporate seal which shall be judicially noticed; make contracts, lease, own or otherwise dispose of personal and real property; sue and be sued; to exercise the power of eminent domains and otherwise do and perform any and all things that shall be necessary or proper to carry out its purposes;
- q. By itself or in cooperation with private persons or entities, to organize, finance, invest in or operate subsidiary corporations when such an arrangement is necessary to provide utilities and other amenities, which cannot be reasonably provided by existing entities;
- r. To adopt and implement measures and standards for environmental pollution control of all areas with its territory and to enforce the same. For this purpose, the PPMC shall create an Ecology Center;
- s. To exercise such powers as shall be essential, necessary or incidental to the powers granted to it hereunder as well as to carry out the policies and objectives of the Act; and
- t. Consistent with the Constitution, the PPMC shall have the following powers to enforce the law and these Rules in the PPFZ;
 - (i) To audit and inspect the records of any PPFZ Locators or Residents and PPFZ Accredited Enterprises;
 - (ii) To inspect and search the premises of any PPFZ Locators or Residents and PPFZ Accredited Enterprises, or any vehicle, aircraft, vessel, or person in the PPFZ to detect any violation of the law or these Rules;
 - (iii) To conduct investigations of any suspected violation of the law or these Rules: Provided, that the investigation of any violation of the criminal laws of the Philippines in the PPFZ shall be conducted by the PPMC in coordination with the police or National Government agency having jurisdiction in the area where the violation occurred;
 - (iv) To seize articles, substances, merchandise and records considered to be in violation of the law and these Rules, or considered to be necessary for conduct of an investigation of any violation of the law and these Rules, and to provide for their return to the Enterprise or person from whom they were seized, or their forfeiture to the PPMC;
 - (v) To issue subpoena ducestecum and ad testificandum in the course of its investigation;

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- (vi) To arrest persons in the PPFZ for any violation of the laws of the Philippines;
- (vii) To assess and collect administrative fees or impose administrative fines or other monetary penalties for violations of these Rules;
- (viii) To issue, alter, modify, suspend or revoke for cause, any permit, certificate, license, visa or privilege allowed under the Act or these Rules;
- (ix) To regulate ingress to and egress from the PPFZ;
- (x) To regulate traffic within the PPFZ and to impose administrative fines and penalties for traffic violations, including charges for towing and impounding; and,
- (xi) To promulgate such other rules, regulations and circulars as shall be necessary, proper or incidental to carry out the policies and objectives of the Act, these Rules, as well as the powers and duties of the PPMC thereunder.

SECTION 7. Responsibilities of the PPMC. - The PPMC shall have the following responsibilities:

- a. The PPMC shall exercise authority and jurisdiction over all economic activity within the PPFZ, including the City of San Fernando Seaport and Airport;
- b. The PPMC shall provide and establish its own internal security and firefighting forces. However, the defense of the PPFZ and the security of its perimeters shall be the responsibility of the National Government in coordination with the PPMC;
- c. The PPMC will coordinate the provisions of security, police, and city services within the overall area of the PPFZ with the existing local government units;
- d. The PPMC shall have the authority to exclude from the PPFZ any article, substance, merchandise, operation, activity or process it considers to be inconsistent with the policies and purposes of the Act and these Rules, or detrimental to the public interest, and to establish procedures for such exclusion; and
- e. The PPMC shall require PPFZ Locators or Residents and PPFZ Accredited Enterprises to secure the necessary permits for any article, substance, merchandise, transaction, activity, or operation in the PPFZ, specify conditions under which such permits will be issued, and establish procedures for issuing and revoking such permits.

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SECTION 8. Annual Reports. - The PPMC shall render and publish annual reports on the economic activities undertaken in the PPFZ.

CHAPTER III PROCEDURES FOR REGISTRATION OF PPFZ LOCATORS AND RESIDENTS

SECTION 9. One Stop Action Center (OSAC). - The PPMC shall establish within the PPFZ an internal OSAC which houses the regulatory functions to facilitate the registration of and issuance of permits to PPFZ Locators, the accreditation of business enterprises and the after-care services to all stakeholders. The PPMC shall hold a regular meeting with government line agencies related to operations within the PPFZ. All government agencies are advised to assign their respective Liaison Officers.


The Office for Business Development (OBD) shall issue standard application forms and prescribe the documents to support the application for registration. The OBD shall recommend approval of the application and registration of qualified enterprises and residents, and endorse to the Office for Regulatory Services (ORS) to issue certificates attesting to their registration and residency, respectively. After issuance of certificates, the PPMC Monitoring Team shall keep track of the status and compliance of all PPFZ Registered Enterprises and Residents with these rules and regulations. The Unified Monitoring System (UMS) schedule is given to all registered enterprises only.

SECTION 10. Criteria for Issuance of Certificates. - The PPMC shall issue the CR to a PPFZ Registered Enterprise, the Certificate of Accreditation to a PPFZ Accredited Enterprise, and the Certificate of Residency to a PPFZ Registered Resident, if qualified and if in PPMC's discretion such issuances will promote the policies set forth in the Act and these rules.

SECTION 11. Period for Issuance of Certificates. - Should the application for registration merit approval, the ORS shall issue the CR, Certificate of Accreditation or Certificate of Residency within thirty (30) calendar days following the submission of the completed application and all required supporting documents. PPMC shall have the right to require submission of additional documents to aid it in the evaluation of the application/s for the PPFZ registration.

SECTION 12. Effect of Issuance of Certificates. - Issuance of the CR to a PPFZ Registered Enterprise, the Certificate of Accreditation to a PPFZ Accredited Enterprise, and the Certificate of Residency to a PPFZ Registered Resident, respectively, shall entitle the business enterprise or resident to all the benefits and subject it to all obligations under the Act and these Rules, and other regulations that shall be promulgated by the PPMC.

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SECTION 13. Validity. - All certificates issued by the PPMC shall be valid for a period of one (1) year from date of issuance and shall be deemed renewed every year (i) upon payment of the prescribed fees at least ten (10) days prior to the expiration of the said one (1) year period, and (ii) for as long as the PPFZ Registered Enterprise or Registered Resident remains qualified to continue its business operations or reside within the PPFZ under the same terms and conditions for which the original certificate(s) was/were issued.

SECTION 14. Fees. - The PPMC shall charge reasonable fees for the acceptance, processing, issuance and renewal of all applications, certificates and other similar documents that shall be required under these Rules. The said fees are further discussed in the PPMC Citizen’s Charter.

SECTION 15. Withdrawal, Suspension, or Cessation of Operations. - When a PPFZ Registered Enterprise decides to withdraw, suspend, or cease its registered activity or operations, written notice thereof shall be sent to the PPMC one (1) month prior to the implementation of the action. The withdrawal or cessation of the business operations for a continuous period of two (2) months, unless extended upon written request of the enterprise and approval of the PPMC, shall have the effect of automatically canceling the CR subject to penalty/ies as provided for in the PPFZ Schedule of Fees and Charges as embodied in the PPMC Citizen’s Charter. Upon such withdrawal and cessation of operations, the PPFZ Registered Enterprise shall cease to be entitled to the incentives provided for in the Act and these Rules.


SECTION 16. Revocation, Suspension or Cancellation of CR, Certificate of Accreditation, or Certificate of Residency. - Without prejudice to the imposition of penalties prescribed under the pertinent provisions of the NIRC and TCCP, the CR, Certificate of Accreditation, or Certificate of Residency issued by the PPMC to any PPFZ Registered Enterprise or Registered Resident shall be revoked, suspended or cancelled for any of the following grounds:

- a. Failure to maintain the qualifications for registration or license as PPFZ Registered Enterprise, Accredited Enterprise, or Registered Resident 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 circulars or any of the general or specific terms of the registration or agreement between the PPMC and the PPFZ Registered Enterprise;

However, delay by the Registered Enterprise in the implementation of the timetable of its project as mutually agreed upon with the PPMC shall result in the automatic cancellation of the CR unless extended or a different period is set by the PPMC or these Rules.

The imposition of the penalties shall be without prejudice to the assessment and collection or customs duties and taxes and/ or forfeiture in accordance with the applicable provisions of the TCCP. Provided,

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that, for minor violations, the PPMC shall prescribe and impose administrative penalties, fines, or sanctions in lieu of the revocation, cancellation, or suspension of the CR, Certificate of Accreditation, or Certificate of Residency. The PPMC shall also graduate the penalties, fines or sanctions to be imposed based on the gravity and frequency of the violations concerned. Details of the said penalties and violations shall form part of the PPMC Citizen’s Charter.

SECTION 17. Effect of not Acquiring PPFZ Registration. - Any enterprise located within the PPFZ may elect not to register as a PPFZ Registered Enterprise. In doing so, the enterprise shall not benefit from tax and other advantages accorded to PPFZ Registered Enterprises.

SECTION 18. Certificate of Accreditation. - Any business enterprise desiring to operate at the PPFZ shall also apply for a Certificate of Accreditation with the PPMC. PPMC shall issue the pertinent guidelines and requirements for the issuance of the Certificate of Accreditation. The Certificate of Accreditation shall be valid for a period of one (1) year from the date of issuance. The application for renewal of the Certificate of Accreditation should be filed at least fifteen (15) working days prior to its expiration.


A. APPLICATION AND REGISTRATION OF NEW PPFZ ENTERPRISES

SECTION 19. 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, shall apply for registration as a PPFZ Registered Enterprise in any area of economic activity, except only as specifically limited by the Constitution.

As a general rule, any business or enterprise registered as a PPFZ Registered Enterprise shall not be allowed to enjoy the incentives provided for under other investment incentive laws. However, exceptions to the foregoing shall be separately made and issued by the PPMC in consultation with the BOI, the DOF and other concerned government agencies under circumstances to be determined by the PPMC. Nothing in this section shall prevent any registered enterprise from enjoying the incentives under the Act and the special laws mentioned herein above on a sequential basis.

SECTION 20. Conditions for Registration. - A PPFZ Registered 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 PPFZ, the PPFZ Registered Enterprise must establish a separate business organization to conduct business exclusively within the PPFZ, which shall be a separate taxable entity. In meritorious cases, the PPMC shall allow the non-establishment of a separate business entity subject to such terms and conditions as shall be prescribed by the PPMC.

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SECTION 21. Requirements for Registration

A. PPMC shall evaluate the application of enterprise and shall be granted a CR based on the merits of the following:

- a. Investment
- b. Employment Generation
- c. Economic Activity
- d. Revenue Generation
- e. Potential to attract related businesses
- f. Project Implementation Plan
- g. Other propriety benefits that could be derived from the business


B. For enterprise with foreign and local/domestic ownership, PPMC shall require a minimum investment of US\$250,000.00 to be granted a CR. As a rule, the investment amount of US\$250,000.00 will be infused or put in within the first three (3) years of the business and 50% of the required investment amount of US\$250,000.00 should be invested in the first year. A Development Plan is to be submitted and approved by PPMC, which will include, among others, the Project Implementation Plan and the Schedule of Capital Investments.

PPMC shall consider Intangible Assets as investment in the PPFZ, subject to the following condition: For the required minimum investment of US\$250,000.00 in the PPFZ, at least 90% of which should be Tangible Assets or developments infused on the property while Intangible Assets should not exceed 10% of the investment.

C. Villa/Residential/Condotel Unit Owners inside the PPFZ shall be granted a Certificate of Residency. Only one (1) resident and signatory shall be approved per villa/ residential/condotel unit. Hence, all villa/condotel unit owners who engage in a rental program shall be required to secure a PTO.

SECTION 22. Supporting Documents. - The applicant for a PPFZ Registered Enterprise shall submit, together with the prescribed application form, the following documents:

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- a. Certified true copy of Business Registration (Securities and Exchange Commission papers (including General Information Sheet (GIS) stamped received by the SEC), License to transact business in the Philippines, DTI Registration);
- b. Application for Registration, notarized;
- c. Business Plan;
- d. Company Profile/ Brochures;
- e. Board Resolution of Authorized Representatives;
 - (i) Proof of Financial Capability/ Assets
 - (ii) Bank Certificates of Credit Line or Deposit
- f. Audited Financial Statement for the last three (3) years of operation, if applicable;
- g. Proposed/ Existing Site Development Plan/ Location Map;
- h. Resume of Members of the Board of Directors and Key Officers;
- i. Such other documents that the PPMC shall require.


SECTION 23. Letter of Endorsement. - Prior to issuance of the CR, the applicant shall request the PPMC to issue a Letter of Endorsement addressed to the SEC stating that the applicant has filed an application with the PPMC with the intention of doing business exclusively within the PPFZ, in order to facilitate the application for SEC registration.

B. REGISTRATION OF NEW PPFZ RESIDENTS

SECTION 24. Certificates of Residency for New PPFZ Filipino Residents. - A Certificate of Residency duly issued by the PPMC shall be required for all new Filipino residents of the PPFZ. Subject to the provisions of these Rules, such certificate shall be available to any Filipino actually residing within the secured area of the PPFZ who is an employee or owner of a PPFZ Registered Enterprise, and the immediate members of the family of such employee or owner, or who has leased or otherwise secured living quarters within the PPFZ and otherwise covered by the definition of the term resident provided in Section 3, Chapter I hereof.

SECTION 25. Certificate of Residency. - The PPFZ shall issue a Certificate of Residency to all qualified residents of the PPFZ within thirty (30) calendar days from receipt of the required and complete

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application, information and documentation. This certificate shall attest to the residency of the person within the PPFZ, and shall entitle and subject the resident to the benefits and obligations as defined in the Act, these Rules and other regulations that shall be promulgated by the PPMC.

SECTION 26. Identification Card System. - All Residents must secure PPFZ Identification Cards from the PPMC, under an identification card system that the PPMC will enforce and implement, which will contain such information as the PPMC shall deem necessary, including, but not limited to, the name, age, address, blood type and skills of the Resident. Identification cards shall also be required of domestic tourists and visitors to the PPFZ.

SECTION 27. Foreign Nationals Residing Outside the PPFZ. - Foreign nationals accorded Permanent Residency Status in the Philippines shall apply for Certificate of Residency in the PPFZ upon presentation of proof of such Permanent Residency Status and employment or investment within the PPFZ. Foreign nationals without prior permanent status in the Philippines shall be subject to the Immigration and other pertinent provisions of these Rules.

C. RENEWAL OF REGISTRATION OF ENTERPRISES AND RESIDENTS


SECTION 28. Eligibility for Registration. - Any business enterprise currently operating shall apply for renewal with PPMC as a PPFZ Registered Enterprise. Such application shall be evaluated based on the criteria set forth under Section 21 hereof.

SECTION 29. Requirements for Renewal of Enterprises. - In order to qualify for renewal, the existing enterprise must submit an application in the form prescribed by the PPMC accompanied by the supporting documents enumerated in Section 22 above.

SECTION 30. Requirements for Renewal of Filipino Residents. - Filipino Residents currently residing in the PPFZ shall apply for a Certificate of Residency upon submission of an application in the form prescribed by the PPMC and presentation of the following supporting documents:

- a. Documentation of residence within the PPFZ, i.e. community tax certificate;
- b. Evidence of nationality;
- c. Evidence of employment or other business operations within the PPFZ;
- d. If a spouse, or child below 18 years of age of a PPFZ Registered Resident, evidence of such relationship, i.e. marriage license, birth certificate, etc., accompanied by an affidavit of support by the PPFZ Registered Resident; and

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e. Such other documents that the PPMC shall require.

For purposes of these Rules, current Filipino residents of the PPFZ shall refer to all persons who are Filipino citizens and who have been residing within the PPFZ continuously for a period of at least two years as of the date of promulgation of these Rules, provided, that the applicant is an owner of the PPFZ Registered Enterprise.

SECTION 31. Foreign Nationals. - Foreign Nationals who are currently residing in the secured area of the PPFZ and who have resided therein continuously for a period of two (2) years as of the date of promulgation of these Rules, and who have been accorded permanent residency status in the Philippines shall apply for Certificate of Residency in the PPFZ upon submission of the supporting documents as required to Filipino residents stated above. Foreign nationals currently residing in the PPFZ who have not yet been accorded residency status shall be eligible therefor subject to the immigration and other related provision of these Rules.

D. REGISTRATION OF BANKS AND AFFILIATES

SECTION 32. Filing of Application. - Application for doing business inside the zone of commercial banks, offshore banking units, and their branches or affiliates located within the PPFZ shall be filed with the PPMC. PPMC shall forward the applications to the BSP, which, if warranted, shall directly issue a license and other required documentation, in accordance with Chapter X of these Rules.


Should the applicant's license not be issued by the BSP within thirty (30) working days from complete submission of all documents, the PPMC shall forthwith extend the period for issuance of the bank's Certificate of Accreditation.

CHAPTER IV PRIVILEGES AND OBLIGATIONS OF PPFZ REGISTERED LOCATORS, REGISTERED RESIDENTS, AND ACCREDITED ENTERPRISES

SECTION 33. Privileges and Obligations of PPFZ Registered Enterprises. - PPFZ Registered Enterprises shall have the following rights and obligations:

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

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- b. To employ foreign nationals subject to the Certificate of Non-Availability of comparably skilled Filipinos within the Philippines issued by the DOLE and upon endorsement by the PPMC;
- c. To give priority in hiring qualified workers from the PPMC Labor Center whose list include qualified residents of the barangays abutting the PPFZ which include barangays Poro, San Agustin, San Francisco, Canaoay, and San Vicente and also, the residents of the other barangays of the City of San Fernando and Municipalities of Bauang, San Juan, and Bacnotan, La Union;
- d. To faithfully comply with the Act, these Rules and other regulations that shall be promulgated by the PPMC, including but not limited to the PPFZ Locators' Meeting scheduled quarterly, i.e. every first Wednesdays of March, June, September and December correspondingly;
- e. To report periodically to the PPMC any information on business activity which the latter shall reasonably require, as specifically provided at the PPMC UMS; and
- f. To file periodically any information normally required by the Bureau of Internal Revenue (BIR).


SECTION 34. Privileges and Obligations of PPFZ Residents. - PPFZ Registered Residents shall have the following rights and obligations within the PPFZ:

- a. To import directly, free of Customs duties and control, foreign articles such as household items in non-commercial quantities, and except motor vehicles, subject to these Rules and other regulations that shall be promulgated jointly by the PPMC and the BOC;
- b. To purchase, lease, or otherwise acquire articles from other PPFZ Registered Residents or Enterprises, and maintain, utilize or otherwise consume such goods within the PPFZ free of national internal revenue taxes and customs duties;
- c. To obey and observe all laws of the Philippines; and
- d. To pay income and other taxes levied on individuals in the Philippines.

SECTION 35. Privileges and Obligations of PPFZ Registered Enterprises without tax exemption and PPFZ Accredited Enterprises. - PPFZ Business and Accredited Enterprises shall have the following rights and obligations:

- a. To freely engage in any business, trade, manufacturing, financial or service activity, subject to the provisions of the Act, these Rules and other regulations that shall be promulgated by the PPMC;

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- b. To give priority in hiring qualified workers from the PPMC Labor Center whose list include qualified residents of the barangays abutting the PPFZ which includes barangays Poro, San Agustin, San Francisco, Canoaay, and San Vicente and also, the residents of the other barangays of the City of San Fernando and Municipalities of Bauang, San Juan, and Bacnotan, La Union;
- c. To faithfully comply with the Act, these Rules and other regulations that shall be promulgated by the PPMC, including but not limited to the PPFZ Meetings as shall be scheduled by the PPMC; and
- d. To report periodically to the PPMC any information on business activity which the latter shall reasonably require.

CHAPTER V PROCEDURE FOR ACCREDITATION OF ENTERPRISES

SECTION 36. Accreditation Office.- The ORS of PPMC shall also be responsible for accrediting all business enterprises or concerns applying to be PPFZ Accredited Enterprises, as explicitly cited in Section 9 hereof.

The ORS shall issue standard application forms and prescribe the documents to support the application for accreditation, i.e. Mayor’s Permit, License to Operate from Government-Licensing Agencies and BIR Registration. The Vice President for Regulatory Services (VPRS) shall approve the application and accredit qualified enterprises. PPMC shall then issue the Certificate of Accreditation.


SECTION 37. Procedure for Securing and Processing of Certificate of Accreditation. - PPMC shall issue the pertinent rules and regulations, memorandum circulars and other issuances governing accreditation of enterprises and the Certificate of Accreditation and the renewal thereof. Further, the ORS shall refer to Section 19 hereof for other requests/concerns.

SECTION 38. Validity. - All Certificates of Accreditation issued by the PPMC shall be valid for a period of one (1) year from date of issuance and shall be deemed renewed every year: Provided that, the enterprise files the application for renewal at least fifteen (15) days prior to the expiration of its Certificate.

SECTION 39. Fees. - PPMC shall charge reasonable fees for the acceptance, processing, issuance and renewal of all applications, certificates and other similar documents that shall be required under these Rules. The said fees are further discussed in the PPMC Citizen’s Charter.

SECTION 40. Revocation, Suspension or Cancellation of the Certificate/s of Accreditation. - Without prejudice to the imposition of penalties prescribed under the pertinent provisions of the NIRC and the

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TCCP, the Certificate/s of Accreditation issued by the PPMC to any PPFZ Accredited Enterprise shall be revoked, suspended or cancelled for any of the following grounds:

- a. Making any false declaration or statement in the application;
- b. Failure to comply with and maintain the standard requirements (i.e. employment report, importation report/ inventory, sales report);
- c. Violation of or non-compliance with any of the rules, promulgated orders, decisions and circulars issued by PPMC;
- d. Failure to immediately notify PPMC prior to any amendments in the Articles of Incorporation and By-laws which will affect its operations in the PPFZ;
- e. Any other act or omission that works against the interest of PPMC;
- f. Any violation of applicable laws or rules for PPFZ.

CHAPTER VI CUSTOMS REGULATIONS


A. TAX TREATMENT OF MERCHANDISE

SECTION 41. Importation of Articles, Raw Materials, Capital Goods, Equipment and Consumer Items into the PPFZ. - PPFZ Registered Enterprises and Registered Residents are allowed to import articles, raw materials, capital goods, equipment and consumer items tax and duty-free into the PPFZ, within which there shall be free and unimpeded flow of articles from one registered enterprise/resident to another registered enterprise/resident. Removal of articles, raw materials, capital goods, equipment and consumer items out of the PPFZ for sale shall be subject to the usual taxes and duties, except as shall be provided herein.

SECTION 42. Prohibited Articles. - Any kind or class of articles shall be admitted into the PPFZ 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 43. Tax and Duty Exemption. - Importation destined for the PPFZ, either for direct unloading in the PPFZ or through ports in the Customs Territory, Export Processing Zones or other Special Economic Zones, shall be exempt from payment of duties and taxes. Notwithstanding the above mentioned tax and

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duty exemptions, articles removed, withdrawn or otherwise disposed of from the PPFZ into the Customs Territory, shall be subject to the payment of customs duties and internal revenue taxes as ordinary importations in accordance with the provisions of the TCCP, as amended, and other applicable laws.

SECTION 44. Domestic Merchandise. - Domestic Merchandise sent from the PPFZ to the customs territory shall, whether or not combined while in the PPFZ with or made part of other articles likewise the growth, product or manufactured of the Philippines, be subject to the internal revenue laws of the Philippines as domestic goods sold, transferred or disposed of for local consumption.


SECTION 45. Foreign Merchandise. - Merchandise of foreign origin brought to the PPFZ by PPFZ Enterprises which has not undergone any processing, manufacturing or manipulation while in the said PPFZ, 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 46. Transfer of Merchandise. - Domestic merchandise on which all internal revenue taxes have been paid if subject thereto, and foreign merchandise on which duty or tax have been paid, or which have been admitted free of duty and tax, shall be taken into the PPFZ 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 PPFZ 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 electromagnetic or chemical properties of such merchandise.

Foreign articles to be used in the production, manufacture, processing of finished products shall be brought from the PPFZ to designated Special Economic Zones, Bonded Warehouses Export Processing Zones, or accredited subcontractors under bond acceptable to the PPMC and the Bureau of Customs which shall not be less than Fifty Thousand Pesos (PhP50,000.00) to guaranty the return of the finished goods to the PPFZ, for export or sale within the PPFZ to protect government revenues.

Foreign articles sold by enterprises established within the PPFZ to residents of the PPFZ 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 PPFZ. Foreign articles purchased within the PPFZ worth not exceeding US \$100.00 per month per person for Zone residents or the amounts to be later established by any amendment to E.O. No. 97-A, series of 1993 pursuant to E.O. No. 140, Series of 1993, brought out of the PPFZ and entered into the Customs Territory for personal use shall not be subject to customs duties and taxes as ordinary importation.

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SECTION 47. Articles Admitted into the PPFZ from the Customs Territory. - Articles which are admitted to the PPFZ from the Customs Territory under proper permit shall be considered exported for purposes of the laws and regulations of the Philippines, and shall be considered to be zero-rated and thereby become eligible for drawback, relief from duties and taxes, and any other tax or duty benefit conferred by reason of exportation: Provided, that articles which are returned to the Customs Territory from the PPFZ shall be considered imported for the purposes of the laws and regulations of the Philippines.

SECTION 48. Temporary Transfer of Foreign Articles. - Foreign articles used as raw materials in the production, manufacturing, processing of finished Products shall be brought from PPFZ to designated Special Economic Zones, Bonded Warehouses, Export Processing Zones; or under other duty tax-exempt treatment in the Customs Territory without Payment of duties and taxes subject to existing Customs Laws, Rules and Regulations.

SECTION 49. Foreign Articles Used as Raw Materials. - Foreign articles shall be removed temporarily from the PPFZ for manufacturing, processing of finished products, repair, restoration, testing, exhibits and other similar operations to the Customs Territory not otherwise covered by the preceding section, under bond equivalent to the amount of taxes and duties levied on the articles as ordinary importation to guarantee the return of the articles to the PPFZ.


SECTION 50. Foreign Articles Sold to PPFZ Registered Residents. - Foreign articles sold by PPFZ Registered Enterprises to PPFZ Registered Residents or to travelers, tourists, and/or investors shall be exempt from duties and taxes; Provided, that such articles are actually exported to a foreign country upon their departure, or are actually consumed within the PPFZ.

SECTION 51. Purchase of Foreign Articles. - Foreign articles purchased within the PPFZ and brought out of the PPFZ and entered into the Customs Territory shall be subject to customs duties and taxes as ordinary importation except those that are exempted by law.

SECTION 52. Articles Exported to Foreign Countries and Re-Exported into Customs Territory. - Articles which are manufactured in the PPFZ and exported therefrom to a foreign country shall, upon subsequent importation into the Customs Territory, be subject to the import laws applicable to like articles manufactured in a foreign country.

SECTION 53. Effective Zero-Rating. - Articles which are admitted to the PPFZ from the Customs Territory under proper permit and/or sold to PPFZ Registered Enterprises within the PPFZ 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 to PPFZ Registered Enterprises pursuant to Revenue Regulations No. 5-87, as amended.

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SECTION 54. Rejects, Seconds and Recoverable Wastes. - Subject to the provisions of Section 50 hereof, rejects, seconds and recoverable wastes shall, when taken from the PPFZ 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 55. Abandonment. - Any article or merchandise found in the PPFZ and restricted areas, the ownership of which cannot be known despite diligent efforts, shall be declared as abandoned in favor of the PPFZ.

SECTION 56. Consumer Items in the PPFZ. - Consumer items must be consumed within the PPFZ. The removal of raw materials, capital goods and equipment and consumer items from the PPFZ for sale to PPFZ Business Enterprises shall be subject to the usual taxes and duties as ordinary importation, except as provided herein:

- a. PPFZ Registered Residents of the PPFZ can consume any quantity of consumer items in hotels and restaurants within the PPFZ. However, these residents shall bring out of the PPFZ to other parts of the Philippine territory, tax and duty free, consumer items worth not exceeding US \$100.00 per month per person, or the amount to be later established by any amendment to E.O. No. 97-A s. 1993, pursuant to E.O. No. 140 s. 1993. Only persons aged 18 and over are entitled to this privilege.
- b. Persons who are non-PPFZ Registered Residents can consume any quantity of consumer items in hotels, restaurants and stores within the PPFZ. However, these residents cannot purchase and bring out of the PPFZ to other parts of the Philippine Territory consumer items.
- c. There shall be no pooling, tacking or advance use of entitlement of paragraphs (a) and (b) above.
- d. Tourists and Filipinos traveling to or returning from foreign destinations can purchase and bring out of the Secured Area to other parts of the Customs Territory consumer items worth not exceeding US\$1,000.00, but not exceeding US\$10,000.00 in any given year under E.O. No. 250, series of 1995.
- e. Overseas contract workers and “balikbayans” as defined under R.A. No. 6768, can purchase and bring out of the PPFZ to other parts of the Customs Territory consumer items not exceeding US\$2,000.00.
- f. Foreign tourists, "balikbayans" and returning residents from abroad passing through the PPFZ shall be entitled to the same prevailing tax and duty free privileges they presently enjoy.
- g. The sale of tax- and duty-free consumer items in the PPFZ shall only be allowed in duly authorized stores. Stores shall be subject to the joint regulation of the BOC and the PPMC to insure proper accounting of imports and sales.

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- h. Sale of consumer items to PPFZ Registered Residents as mentioned in paragraph (a) above shall be subject to a control system approved by the PPMC and authorities of the BOC. This applies to consumer items to be brought out of the PPFZ. Sales of consumer items for consumption within the PPFZ shall already be allowed even if a control system has not yet been put in place.
- i. The PPMC shall install a computerized identification system to insure compliance with the guidelines governing the PPFZ.

The provisions of E.O. No. 250, series of 1995 implementing the Rationalization of Duty-Free Stores, Outlets and their Operations in the Philippines, shall be adopted by these Rules.

B. CONTROLS AND PROCEDURES

SECTION 57. Authority and Responsibility of Customs in PPFZ. - There shall be an extension office of the BOC at the PPFZ which shall be responsible for the supervision and administration of Customs operations involving the admission of articles to the PPFZ, and other Customs operations as determined by the Commissioner of Customs in coordination with the President of the PPMC. It shall also be responsible for the establishment and maintenance of offices within the PPFZ wherever necessary to efficiently conduct customs operations, as determined by Customs in coordination with the President of PPMC.


To enable the Customs to perform the above functions, the bringing out of the articles from the PPFZ to the Customs Territory shall require approval from the PPMC and the Collector of Customs assigned to the PPFZ, which articles shall be monitored until the same is returned to the Secured Zone.

A Customs checkpoint at the boundary or boundaries of the PPFZ designated as points of entry or exit, shall be set up by Customs for the above purposes.

SECTION 58. Import Permit. - All importation bound for PPFZ Registered Enterprises and Residents shall be covered by an application for Import Permit and/or Admission duly approved by PPMC. Such importation shall be subject to the PPMC rules and regulations, except when they are transshipped through the Customs Territory, in which case, pertinent customs rules and regulations shall apply.

SECTION 59. Articles not in Accordance with Permit to Import. - Articles brought into the PPFZ which are not in accordance with the Permit to Import issued by the PPMC to the PPFZ Registered Enterprise or Resident shall be proceeded against by PPMC; Provided, that this is without prejudice to other remedies available to PPMC, including but not limited to the cancellation of an Enterprise's or

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Resident's CR or Certificate of 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, and others involved shall be proceeded against pursuant to the provisions of the Tariff and Customs Code and other pertinent laws of the Philippines.

SECTION 60. Importation of Articles Destined for Customs Territory. - Foreign articles destined for the Customs Territory which arrive in a carrier landing in the PPFZ shall be held there pending completion of requirements for entry and transshipment through the PPFZ to Customs Territory. Articles which have been released for transfer to Customs Territory shall be transshipped through the PPFZ under PPMC supervision and control.

Should the PPFZ airport be used as a port of entry, PPMC shall issue a release order only upon proof of Payment of appropriate duties and taxes.


SECTION 61. Container Marking Requirement. - Foreign articles destined for the PPFZ shall be imported directly into the PPFZ or through any port in Customs Territory through which importation shall be lawfully made. Except for foreign articles arriving by mail, the containers bearing the foreign articles shall be marked "Poro Point Freeport Zone, Republic of the Philippines" or with similar wordings to show the PPFZ destination of the articles.

SECTION 62. Exemption from Pre-Shipment Inspection. - All articles imported by PPFZ Registered Enterprises and Registered Residents for use or consumption within the PPFZ shall be exempted from Pre-shipment inspection unless otherwise provided by law.

SECTION 63. Customs Clearance Area. - All articles transshipped, removed, withdrawn or otherwise disposed of from the PPFZ into the Customs Territory as well as articles bound for the PPFZ transshipped through the Customs Territory shall be coursed through the CCA established pursuant to A.O. No. 296, series of 1996 for inspection or examination and assessment: provided, that regulations and procedures for the arrival formalities and clearance of vessels and aircrafts in the PPFZ shall be the same as those observed in the Customs Territory.

SECTION 64. Responsibility for Foreign Articles; Presumption on Missing Articles. - PPFZ Registered Enterprises shall be responsible for the safekeeping and accounting of all articles received by them in the PPFZ, and shall be relieved from responsibility for the articles upon removal under proper permit from the PPMC, transfer to another PPFZ Registered Enterprise or Registered Resident, destruction in the PPFZ, or abandonment to the PPMC in the PPFZ.

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Articles which are missing or cannot be accounted for in PPFZ shall be presumed to have been transferred to the Customs Territory without permit and shall be subject to the appropriate taxes and duties. Articles which are found in the PPFZ but cannot be accounted for in the records of a PPFZ Registered Enterprise shall be treated as having been received in the PPFZ without permit.

SECTION 65. Search, Seizure and Arrest. – In the presence of PPMC officials, persons, baggage, vehicles, aircraft, and cargo entering or leaving the PPFZ are subject to search by Customs. Customs officials shall, only upon specific authority of the Commissioner of Customs or the District Collector having jurisdiction over the PPFZ designated by the Commissioner of Customs, and with the assistance and in the presence of PPMC officials or representatives, examine any article held in the PPFZ by any PPFZ Registered Enterprise, or by any PPFZ resident when a member of a household is at home, for possible violation(s) of Section 101 of the TCCP and the pertinent provisions of the Customs Administrative Order providing for the rules and regulations for customs operations in the PPFZ; Provided, that the constitutional requirements for such search are met.


Any prohibited or excluded articles found by customs upon search, or through any examination, audit, or search of article in the PPFZ by Customs shall be seized by Customs for violations of the TCCP, as amended, and disposed of in accordance with law. The PPMC shall, upon request of the Commissioner of Customs or the District Collector having the jurisdiction over the PPFZ designated by the Commissioner of Customs, and in coordination with Customs officials, arrest persons in the Secured Area for violation of the Tariff and Customs Code for which arrest is authorized under law.

SECTION 66. Joint Examination. - Upon derogatory information and jointly with PPMC, customs officials authorized by the Commissioner or Collector of Customs shall examine any merchandise held by PPFZ Registered Enterprises.

The PPMC shall secure the assistance of and/or coordinate with customs officials to arrest persons in the PPFZ for violations of the customs laws for which arrest is authorized concerning articles in the Customs Territory destined to the PPFZ or articles which have been removed from the PPFZ to the Customs Territory.

SECTION 67. Transshipment of Articles by Carriers. - Carriers who undertake to transship articles from the PPFZ to a bonded warehouse within the Customs Territory shall be bonded in an amount to be determined by the PPFZ which in no case shall be less than Fifty Thousand Pesos (PhP50,000.00), Philippine currency, conditioned that the carrier shall transport and deliver the articles, without delay, and in accordance with applicable rules and regulations, to the Collector of Customs at the port of destination or export. The provisions of the TCCP, as amended and its implementing regulations, in respect of transshipment of articles from the ports in the Customs Territory to the PPFZ shall govern cases of transshipment.

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SECTION 68. Audit. - Officials of the PPMC and Customs are authorized to jointly conduct, at any time during office hours, any audit, check, or inventory count for the verification and reconciliation of the accounts or records of any PPFZ Registered Enterprise.

SECTION 69. Record Keeping. - PPFZ Registered Enterprises bringing articles into the PPFZ are responsible for retaining and maintaining records of permits, receipt, sales transfer, deliveries, and removals from the PPFZ of articles received by the PPFZ Registered Enterprise; and for maintaining accounts and inventory records of articles brought into the PPFZ 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 PPFZ Registered Enterprise to the time the PPFZ Registered 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 PPFZ. If the record keeping system of the PPFZ Registered Enterprise has become impaired to the point where no effective check, audit, or account of the inventory of the PPFZ Registered Enterprise can be made by the PPMC, Customs, BIR, Economic Intelligence and Investigation Bureau (EIIB), or other authorized office, the PPMC shall order a suspension of permit of the Enterprise. For its part, the PPFZ Registered Enterprise shall provide access to articles in its premises and possession in the PPFZ, and to records pertaining thereto, which is responsible for maintaining under these rules and by authorized officials of the PPMC, BIR, or any other government agency to which access is authorized by law and regulation.

SECTION 70. Aircraft and Vehicles in the PPFZ. - Regulations and procedures for the arrival formalities and clearance of aircraft and vehicles in the PPFZ shall be the same as those observed in the Customs Territory. Vehicles and aircraft shall be brought free of duties and taxes within the PPFZ by PPFZ Registered Enterprise for use with prior approval of the PPMC. However, upon transfer to the Customs Territory for consumption provided, that the PPMC and Customs, in coordination with the Land Transportation Office (LTO) of the Department of Transportation and Communication (DOTC) in the case of vehicles, and the CAAP in the case of aircraft, shall formulate separate rules and guidelines on the registration and use of imported vehicles and aircraft within and outside the PPFZ in accordance with NIRC.

SECTION 71. Importation of Vehicles.- Pursuant to Section 149 of R. A. No. 8424, otherwise known as the Tax Reform Act of 1997, and E. O. No. 156, series of 2002, Providing for a Comprehensive Industrial Policy and Directions for the Motor Vehicle Development Program and its Implementing Guidelines, the PPFZ Registered Enterprise shall import brand new vehicles and/or used motor vehicles to be utilized in the conduct of their business operations inside the Freeport Zone.

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The importation of brand new motor vehicles shall be allowed pursuant to E. O. No. 264, series of 1995, and BSP Circular No. 92-95. To be considered brand new, the motor vehicles shall be (a) of current or advance year model in the country of origin and/ or manufacture, or (b) of year model immediately preceding year in the country of origin and/ or manufacture provided that: (1) motor vehicle has a mileage of not more than 200 kilometers; and, (2) the motor vehicle has been acquired by the importer from the dealer as first owner.

The importation into the country of all types of used motor vehicles shall include: (a) vehicle imported under the no dollar import program, (b) truck, (c) bus, (d) special purpose vehicles, (e) fire truck, (f) crane lorry, (g) mobile drilling derrick, (h) ambulance, (i) hearse, (j) truck tractor/ tractor head, (k) concrete-mixer lorry, (l) mobile radiological unit, and (m) pickup truck as explicitly defined in the provisions of E. O. No. 156, series of 2002.


CHAPTER VII PORO POINT FREEPORT ZONE TAXATION AND TRADE REGIME

A. INCENTIVES AND EXEMPTIONS

SECTION 72. Tax Exemption. - PPFZ Registered Enterprises shall be exempt from all national and local taxes, including but not limited to the following:

- a. Customs duties and national internal revenue taxes, such as value added tax (VAT), and excise taxes on importation and/or purchases of articles as defined under Section 3(b) of these Rules;
- b. Internal revenue taxes, such as ad valorem and excise taxes on their sales of articles and services for which they are directly liable;
- c. Income tax on all income from sources within the PPFZ and foreign countries, Export Processing Zones, Bonded Warehouses and other Special Economic Zones within the Philippines, as well as all other areas that shall 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 PPFZ Registered Enterprises shall, as withholding agents for the National Government, withhold the tax on compensation and income Payments to persons or individuals subject to the expanded withholding tax;
- d. Income tax on any profit remitted by a branch of a foreign corporation registered with PPMC to its head office abroad;

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- e. Franchise, common carrier or value added taxes and other percentage taxes on public and service utilities and enterprises within the PPFZ; and,
- f. Real property and local business taxes.

In lieu of paying the national and local taxes, all PPFZ Registered Enterprises shall pay a final tax of five percent (5%) of gross income as defined under Section 75 herein, earned from sources within the PPFZ.

PPFZ Regional Enterprises shall pay a tax 5% on Gross Income Earned (GIE) from business transactions in some or all of the countries in the Asia-Pacific region and/or other parts of the world, including the Philippines.

Individuals whether residents or not shall not be entitled to the foregoing exemptions.


SECTION 73. Taxation of Income Derived from Sources Within the Customs Territory. - PPFZ Registered Enterprises shall generate income from sources within the Customs Territory of up to Thirty Percent (30%) of its total income from all sources; Provided, should enterprise's income from sources within the Customs Territory exceed 30% of its total income from all sources, then the income generated from sources within the Customs Territory and the PPFZ shall be subject to the income tax laws of the Customs Territory.

PPFZ Regional Enterprises shall be allowed to generate income from sources within the Customs territory of up to Fifty Percent (50%) of all its income from all sources: Provided, that if the revenues derived from the customs territory exceed 50% of its total revenues, the excess of the income generated by the Regional Enterprise will be subject to the regular income tax rates in the Customs Territory.

SECTION 74. Taxation of PPFZ Registered Enterprises. –

- A. *Tax on Income Derived from Sources within the PPFZ* - Pursuant to Section 15-A of the Act, all registered business enterprises within the PPFZ shall, in lieu of paying local and national taxes, pay Five Percent (5%) of their Gross Income Earnings. This 5% final tax shall be directly remitted as follows: Three Percent (3%) to the National Government, and Two Percent (2%) to the Treasurer's Office of the Municipality or City where they are located.
- B. *Tax on Other Income Derived from Sources Outside the PPFZ* -If the PPFZ Registered Enterprise wants to avail of the incentives under the 5% special regime, it may generate income from sources outside the PPFZ or within the customs territory of up to thirty percent (30%) of its total income from all sources. Provided, however, that if the income of a PPFZ Registered Enterprise exceeds said thirty percent (30%) threshold, then all of its income whether from the zone or the customs territory shall be

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subject to the relevant internal revenue taxes under the National Internal Revenue Code of 1997, as amended.

SECTION 75. General Principles for Determining Taxable Gross Income. –

A. *Definition of Gross Income Earned (GIE)* - for purposes of computing the special tax due under Section 15-A of the Act, refers to gross sales or gross revenues derived from the business activity within the PPFZ, net of sales discounts and sales returns and allowances minus cost of sales or direct costs but before any deduction for administrative, marketing, selling, and/or operating expenses or incidental losses during a given taxable year. Provided, that, in the case of financial enterprises within the PPFZ, gross income shall include interest income, gains from sales, and other income, net of costs of funds.

B. *Allowable Deductions* - Only the following cost of sales/direct cost shall be allowed as deductions for purposes of calculating the GIE for the following Freeport enterprises/ industries, to wit:

1. *For Trading Enterprises*


- Cost of Sales (beginning inventory plus purchases, minus ending inventory of goods)

2. *For Manufacturing Enterprises*

- Direct salaries, wages or labor expenses, inclusive of training directly related to the registered activity;
- Production supervision salaries;
- Raw materials used in the manufacture of products;
- Decrease in Goods in process account (Intermediate goods);
- Decrease in Finished goods account;
- Supplies and fuels used in production;
- Depreciation of machinery and equipment used in production, and of that portion of the building owned or constructed by the PPFZ Registered Enterprises that is used exclusively in the production of goods;
- Rent and utility charges associated with buildings, equipment, and warehouses used in production; and
- Financing charges associated with fixed assets used in production, the amount of which were not previously capitalized.

3. *For Services Enterprises*

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- Direct salaries, wage or labor expenses, inclusive of training directly related to the registered activity;
- Services supervision salaries;
- Direct materials, supplies used;
- Depreciation of machinery, equipment used in the rendition of registered services, and of that portion of the building owned or constructed by the registered enterprise that is used exclusively in the rendition of the registered service;
- Rent and utility charges for buildings and Capital Equipment used in the rendition of registered services;
- Financing charges associated with fixed assets used in the registered service business the amount of which were not previously capitalized.

4. *For Financial Institutions*


- (none)

Provided, that the PPMC, in coordination with the BIR and DOF, shall further review, revise, amend, supplement or otherwise alter the foregoing schedule of allowable deductions after consultation with the PPFZ Registered Enterprises that shall be affected thereby.

SECTION 76. Other Items of Gross Income from Sources within the PPFZ. - The following items of gross income of a PPFZ Registered Enterprise shall be considered as income from sources within the PPFZ:

- A. *Export Income* - Gross income derived by a PPFZ Registered Enterprise from exports of goods and/or services.
- B. *Interest* - Gross income consisting of interest earned by a PPFZ Registered Enterprise on a bond, note or other interest-bearing obligation. In the case of interest income on bank deposits held by banks located in the PPFZ, the same shall be treated as income from sources within the PPFZ, whether or not such banks are registered with the PPMC.
- C. *Income from Professional Services/Business or Trade* - Revenue derived by a PPFZ Registered Enterprise for services, such as but not limited to professional, management and consultancy services, performed for another PPFZ Registered Enterprise is derived from sources within the PPFZ, irrespective of the place in which the contract for service was made, or the place or time of Payment for the service. If the same services are performed for a non-PPFZ Registered Enterprise, the revenue is derived from outside the PPFZ and is subject to the taxes imposed under the NIRC.

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- D. Revenue from Domestic Transport Services* - Gross income from sources within the PPFZ includes revenue from transportation of passengers or goods originating from or destined for the PPFZ. All other revenues shall be treated as income from outside the PPFZ.
- E. Revenue from Telecommunication Services* - The revenue derived by a PPFZ Registered Enterprise in carrying on the business of transmission of messages between points in and outside the PPFZ shall be considered as derived from sources within the PPFZ if the messages originated from the PPFZ.
- F. Revenue from Facilities/Utilities Operator* - The revenue derived within the PPFZ by a PPFZ Registered Enterprise in operating the seaport, airport, tourism, residential and industrial areas.
- G. Rentals and Royalties* - Gross income from sources within the PPFZ includes rentals and royalties from Property located in the PPFZ or from any interest in such Property, including rentals or royalties for the use of, or for the privilege of using, in the PPFZ, patents, copyrights, secret processes, and formulas, goodwill, trademarks, trade brands, franchises, and other like Property. The income arising from the rental of property, whether tangible or intangible, located within the PPFZ, or from the use of property, whether tangible or intangible, within the PPFZ, is from sources within the PPFZ.
- H. Sale of Real Property* - Gross income from sources within the PPFZ includes gains derived from the sale or other disposition of real property located in the PPFZ.
- I. Sale of Articles and Other Personal Property* - Gains, profits, and income derived from the purchase or manufacture and sale of articles and other Property shall be treated as derived from the PPFZ if the said articles and other Property are sold to a PPFZ Registered Enterprise or Registered Residents, or actually or constructively exported abroad.

SECTION 77. Tax Credits for Foreign Corporations. - The taxes paid herein by foreign corporations that are registered as PPFZ Regional Enterprises shall be considered as income taxes for purposes of application for tax credits by said foreign corporations in their respective countries.

SECTION 78. Returns and Payment of Tax.-

Payment of the Tax. The amount representing the 5% final tax of the GIE by the PPFZ Registered Enterprise directly from the operation of its registered activity shall be paid, at the same time the return is filed with the Revenue District Office (RDO) or the collecting agent/ accredited bank in the City of San Fernando, La Union; Provided, that this 5% final tax shall be directly remitted following the provisions found at Section 74(A) of these Rules.

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Place of Filing. The quarterly return and the final or adjustment return required in the preceding paragraph shall be filed with the RDO or the collection agent/ bank in the City of San Fernando, La Union, with a copy thereof to be furnished to the PPMC.

Requirements. All PPFZ Enterprises subject to the 5% tax on GIE prescribed in Section 15-A 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 75 and 76, Chapter XII of the NIRC, as amended. The return shall be filed by the President, Vice President or other principal officers of the PPFZ Registered Enterprise and shall be sworn to by the Treasurer or Assistant Treasurer.

Time for Filing the Returns/ Payment of the Tax. The provisions of Section 77, Chapter XII of the NIRC, as amended, and existing regulations regarding the time for filing quarterly and final or adjustment returns and payments of the tax imposed herein, as well as the requirement of withholding and remittances of the tax shall apply to all PPFZ Registered Enterprises.


CHAPTER VIII PORO POINT FREEPORT ZONE IMMIGRATION REGULATIONS

SECTION 79. General Provisions. - Consistent with immigration rules, these Rules and other rules of the PPMC, all laws of the Philippines concerning the entry and immigration of persons into the Philippines and their departure and emigration therefrom shall be applicable in the PPFZ to persons arriving directly in the PPFZ from a foreign country or departing directly from the PPFZ to a foreign country.

SECTION 80. Responsibility and Authority. - All laws of the Philippines, including the Act, these Rules and other rules of the PPMC concerning the entry, immigration, departure, or emigration of persons, including their arrival directly in or departure directly from the PPFZ, shall be carried out within the PPFZ by personnel of the BI in coordination with the PPMC.

SECTION 81. Rights to Allow No - Visa Entry to Certain Foreign Nationals. - Notwithstanding the immediately preceding provision, the PPMC shall allow the entry of foreign nationals, particularly Hong Kong Chinese with British Passports or Certificates of Identity and Taiwanese nationals with Taiwanese Passports, with the exception of foreign nationals barred from entering the Philippines, into the PPFZ 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

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secure the necessary authorization or visa from the BI or the Department of Foreign Affairs (DFA), as the case shall be.


SECTION 82. Application Outside Poro Point Freeport Zone. - The issuance of visas to, and control of the arrival or departure of, persons who seek to work and reside in the PPFZ under the Act and these Rules shall be applied outside the PPFZ by the BI or the DFA to:

- a. Persons arriving in the Philippines from a foreign country destined for the PPFZ;
- b. Persons arriving in the Customs Territory to the PPFZ destined to foreign countries;
- c. Persons in the Customs Territory and whose work or residency visas were conferred by the PPMC under the authority of the Act, these Rules and other rules of the PPMC;
- d. Persons outside the Philippines who are seeking work or residency visas in the PPFZ; and
- e. Spouses and minor children of the foregoing.

SECTION 83. Temporary Work and Residency Visas. - Upon the recommendation of the PPMC, the Commissioner of the BI shall issue temporary working visa subject to the existing labor laws to foreign nationals under the conditions and provisions of these Rules. Upon application by a PPFZ Registered Enterprise, upon recommendation by the PPMC, the BI shall issue work visas which are valid for and renewable every two (2) years to foreign nationals who possess executive or highly technical skills which no Filipino citizen within the PPFZ and other adjoining areas possesses, as certified by the DOLE. The PPFZ Registered Enterprises shall apply to the PPMC for renewal not less than thirty (30) days before the scheduled expiration date of the work visas, and shall inform the PPMC whenever any foreign national's employment is terminated by reason of contract expiration or termination, firing, redundancy, or other removal. The temporary work visas will automatically be terminated upon:

- a. Non-renewal of the visa, whether by reason of failure of the PPFZ Registered Enterprise to apply for renewal or determination made by PPMC;
- b. Expiration of the contract under which the foreign national is working;
- c. Discharge or other termination of the foreign national for just or authorized causes by the PPFZ Registered Enterprise;
- d. Dissolution of the employing firm or revocation of its PPFZ registration;

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- e. Acceptance of work for compensation outside the PPFZ without the approval of the PPMC;
- 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; or
- i. Determination by the PPMC of any other reason or circumstance by which the work of the foreign national is no longer needed in the PPFZ.


SECTION 84. Revocation of Temporary Work Visa. - Upon the recommendation by the PPMC, the Commissioner of the BI shall, after appropriate hearing, revoke a temporary work visa for any violation by the foreign national or his or her dependent(s) of: (i) any Philippine law or regulation, including the Act, these Rules and other regulations of the PPMC, or (ii) the terms and conditions for the issuance of the visa.

SECTION 85. Temporary Residency Visas. - Temporary residency visas shall be issued by the BI upon the recommendation of the PPMC to any foreign national to whom a work visa has been issued and to his or her spouse and dependent children under eighteen (18) years of age. The temporary residency visas of the foreign national, spouse, and children are valid for residence either inside the PPFZ or the Customs Territory during the period of validity of the work visa. The temporary residency shall be deemed terminated when visas of the foreign national and his dependents shall expire upon the termination or revocation of the work visa of the foreign national in accordance hereof.

SECTION 86. Investor's Residency Visas. - The BI, upon the recommendation of the PPMC, shall issue an investors residency visa within the PPFZ to any investor who has made and continues to maintain an investment of not less than Two Hundred and Fifty Thousand US Dollars (US\$250,000.00) within the PPFZ; Provided that, they are not disqualified under existing immigration laws and regulations. This privilege shall extend to the investor's spouse and dependent children under 18 years of age. The visa will be provided upon application by the investor with evidence of the investment, made in conformance with the PPFZ's land use plan, which shall be in the form of:

- a. Establishment of PPFZ Registered Enterprise or other direct investment within the PPFZ;
- b. A cash grant or interest-free loan to the PPMC or to PPFZ Registered Enterprise for the purpose of making capital improvements by the recipient in the PPFZ;

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- c. A purchase of real estate in the PPFZ or of a PPFZ Registered Enterprise for the purpose of renovation, construction, or expansion of buildings, equipment, structures, or appurtenances for capital improvement purposes; or
- d. A donation in kind to the PPMC or PPFZ Registered Enterprise of equipment or materials for capital improvement purposes.

SECTION 87. Termination or Revocation of Investor’s Residency Visa. - The investor’s residency visas of the investor, spouse, and children automatically terminates when the investor, his spouse, children or any other individual or entity acting in his behalf, takes the investment out of the PPFZ through sale or receipt payment, in cash or in kind, for grants, donations, or interest-free loans other than the return of principal. The Commissioner of the BI upon the recommendation of the PPMC shall also revoke summarily or after hearing the investor’s residency visa of any investor, spouse, or child for the same grounds enumerated in the preceding sections of these Rules, as shall be applicable.


SECTION 88. Permanent Residency Visa for Retirees. - The BI, upon the recommendation of the PPMC, shall issue permanent residency visas to any foreign national who is a retired person and his or her spouse and dependent children under 18 years of age for residency in the PPFZ. A "retired person" is a person: (i) over 60 years of age who can demonstrate to the satisfaction of the PPMC that he or she is of good moral character; (ii) has not been convicted of any crime involving moral turpitude; (iii) no longer employed or self-employed; (iv) must submit a medical clearance that he is not afflicted with any loathsome or contagious disease; and (v) who receives a pension or passive income that is payable in the PPFZ and exceeds Fifty Thousand US Dollars (US\$50,000.00) per annum. "No longer employed or self-employed" means the applicant for the visa has worked for compensation fewer than seven hundred and fifty (750) hours during the year preceding the application for the visa.

SECTION 89. Revocation or Termination of Permanent Residency Visa of Retiree. - The permanent residency visa of the retiree automatically terminates upon the taking of residence by the retired person outside the PPFZ, or the acceptance by the retired person or his or her spouse of work for compensation within the PPFZ or the Customs Territory without the approval of the PPMC.

The residency visa of the spouse of the retiree automatically terminates upon the death of the person to whom the residency visa was granted, or upon their divorce, unless he or she makes application for and receives a residency visa from the PPMC. The PPMC shall summarily or after hearing revoke the residency visa of any retiree; his/her spouse or child for the same grounds enumerated in Sections 86 and 87 of these Rules, as shall be applicable.

SECTION 90. 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

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the PPMC to the BI within thirty (30) days after issuance, termination or revocation. The Temporary Work Visa and Residency Visa shall be valid only for employment within the PPFZ and not for the Customs Territory. However, persons with Temporary Visa shall enter the PPFZ without authorization from the BI.

CHAPTER IX PORO POINT FREEPORT ZONE QUARANTINE REGULATIONS

SECTION 91. Applicability of Philippine Laws Regarding Animal and Plant Health. - The laws of the Philippines concerning animal and plant health and quarantine and the protection of animals and plants from disease and pestilence, shall be applied in the PPFZ, as well as to persons, baggage, carriers, and merchandise containing possible animal or plant disease carrying vectors arriving in the PPFZ directly from foreign countries.


All Philippine Environmental Laws, particularly Pres. Decree Nos. 984, 1151, and 1586, as well as R.A. Nos. 6969 and 7586, including the rules and regulations of the DENR.

SECTION 92. Applicability of Philippine Laws Regarding Protection from Disease. - The laws of the Philippines concerning the public health and the protection of humans from diseases subject to International Health Regulations (IHR) promulgated by the World Health Organization (WHO) and dangerous communicable diseases including emerging and reemerging diseases that pose threats with global concern shall be applied in the PPFZ. Quarantine inspection of persons, baggage, carriers, and merchandise containing possible human disease-carrying vectors arriving in the PPFZ directly from foreign countries will be conducted by the Bureau of Quarantine in accordance with the IHR promulgated by the WHO. If the inspection of such vessels or aircraft is undertaken, it will be done before immigration and customs clearance except for those vessels and aircraft issued with radio *pratique* or controlled free *pratique* by the Director of Quarantine.

SECTION 93. Persons Responsible for Implementation. - The laws of the Philippines concerning public health, human, animal, and plant health and quarantine shall be carried out in the PPFZ by officials of the Philippine Government agencies responsible for implementing these laws and regulations in coordination with PPMC. The PPMC shall provide an effective system for the implementation of human, animal, plant health and quarantine laws and regulations within PPFZ.

CHAPTER X PORO POINT FREEPORT ZONE FOREIGN CURRENCY AND BANKING REGIME

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A. RULES ON FOREIGN CURRENCY

SECTION 94. Foreign Exchange Accounts. - All PPFZ Registered Enterprises and Registered Residents shall be free to maintain convertible foreign exchange deposit accounts with any bank licensed to hold deposits in foreign exchange except with an OBU which cannot accept deposits from non-bank residents.

SECTION 95. Philippine Currency Accounts. - All PPFZ Registered Enterprises and Registered Residents shall be free to maintain accounts in the currency of the Philippines with any bank or financial institution licensed to hold deposits in the currency of the Philippines.

SECTION 96. Purchase of Foreign Currency. - Subject to existing laws, all PPFZ Registered Enterprises and Registered Residents shall be free to buy and sell foreign currency outside the banking system.


SECTION 97. Foreign Currency in Business Transactions. - All PPFZ Registered Enterprises and Registered Residents shall be free to engage in business transactions the valuation and/or payments for which shall be effected in foreign currency. Foreign currency receipts, acquisitions or earnings shall be deposited in foreign exchange accounts in the Philippines or abroad, or brought out of the Philippines. Such receipts shall include, but shall not be 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 the PPFZ Registered Enterprises; and
- f. any other transaction representing income or an increase in capital or assets to the PPFZ Registered Enterprise.

SECTION 98. Use of Foreign Currency. - Foreign currency shall be freely used for any purpose not prohibited by law, including but not limited to the following:

- a. purchase of goods;

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- b. payments for services rendered;
- c. repayment of loans;
- d. transfer of profits earned by the PPFZ Registered Enterprise;
- e. repatriation of capital resulting from liquidation or sale of assets;
- f. any other transaction representing expenses or a decrease in capital or assets to the PPFZ Registered Enterprise.

SECTION 99. Registration of Foreign Investments. - The foreign investments registration process provided under Central Bank Circular No. 1389-93, as amended, shall be strictly complied with foreign investment so registered shall be entitled to full and immediate repatriation of capital and outward remittance of dividends, profits and earnings thereof. For this purpose, foreign exchange shall be purchased from any commercial bank in the Philippines without need of prior BSP approval.

SECTION 100. Philippine Currency. - All PPFZ Registered Enterprises and Registered Residents shall be free to engage in business transactions the valuation and/or payments for which shall be effected in the currency of the Philippines according to regulations in force issued by the BSP or other authorities of the National Government.


SECTION 101. Applicability of BSP Rules. - The provision of Central Bank Circular No. 1389-93 entitled "Consolidated Foreign Exchange Rules and Regulations", as amended, shall apply to PPFZ Registered Enterprises and Registered Residents, including those on foreign loans and foreign investments. All provisions herewith shall be subject to the Anti-Money Laundering Act (AMLA).

B. RULES GOVERNING BANKS AND OTHER FINANCIAL INSTITUTIONS IN THE PPFZ

SECTION 102. General Provisions. - Any bank or financial institution intending to operate within PPFZ must be first licensed by the BSP.

SECTION 103. Foreign Currency Deposit Units and Offshore Banking Units. - A BSP-licensed Foreign Currency Deposit Unit (FCDU) of a bank shall accept foreign currency deposits from, and provide loans and financial services in foreign exchange to, PPFZ Registered Enterprises and Registered Residents in accordance with BSP regulations governing FCDUs.

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A BSP-licensed OBU shall conduct banking transaction in foreign currencies involving the receipt of funds principally from external services and as allowed by BSP Circular No. 1389, from external sources and utilization of such funds, as provided under BSP Circular No. 1389.

SECTION 104. Banks Licensed in the Philippines. - Banks licensed by the BSP shall open branches within the PPFZ, subject to existing rules and regulations by the BSP.

CHAPTER XI
PORO POINT FREEPORT ZONE
ENVIRONMENTAL REGULATIONS

SECTION 105. Policies. - PPMC 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 shall be promulgated by PPMC shall conform to those environmental policies and regulations established by the National Government. However, PPMC shall promulgate more stringent emission or effluent standards to maintain a higher degree of environmental quality.


Recognizing that the DENR and its predecessor agencies have established policies to protect and preserve natural resources and safeguard environmental quality and effluent standards for air and water quality, the PPMC adopts those standards and implements them through a multi-partite Environmental Management Board (EMB).

SECTION 106. Application of Philippine Environmental Laws. - All Philippine environmental laws, particularly Presidential Decree Nos. 984, 1151, 1152, and 1586, as well as R.A. Nos. 6969, 7586, and 8749, including the rules and regulations of the DENR and other government agencies concerning environmental pollution and pollution control are hereby adopted.

SECTION 107. Environmental Management Board. - There is hereby created an EMB, chaired by the DENR and co-chaired by PPMC. The EMB shall be construed as a Multi-partite Monitoring Team responsible for formulating the general policy guidelines based on applicable Philippine environmental laws for implementation within the PPFZ.

SECTION 108. Ecology Center. - PPMC hereby creates an Ecology Center (EC) pursuant to Section 13 (10) of R.A. No. 7227. It shall implement the general policy guidelines formulated by the EMB and otherwise be responsible for the protection of the environment and natural resources within the PPFZ. The EC shall also be responsible for monitoring compliance with ECC conditionalities and other environmental laws, rules and regulations implemented by the DENR. It shall also ensure the implementation of

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environmental and natural resources conservation and protection programs adopted or assumed by the Developer/Operator within the PPFZ.

The EC 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 EC 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. Wastewater treatment facilities, waste management facilities, waste transportation services, and environmental monitoring services as can be contracted to the private sector.

SECTION 109. Coverage. - The regulations for environmental and natural resources conservation and protection shall be applicable to all areas within the PPFZ and/or the jurisdiction of the PPMC. The EC shall introduce a system of regulation that shall be applicable to all PPFZ Registered Enterprises within the jurisdiction of PPMC and/or the PPFZ. This system of regulation shall incorporate existing DENR policies and regulations.


SECTION 110. Permits and Clearances. - The EC shall be the entity responsible for the issuance of all permits and clearances related to environmental protection and conservation within the PPFZ, such permits and clearances to include, but not limited to Environmental Compliance Certificates, Air Pollution Installation Permit (APIP) (R.A. 8749 of the Philippine Clean Air Act) and Waste Water Discharge Permit (WWDP) (R.A. 9275 of the Philippine Clean Air Act)

The EC shall, at its discretion, amend the requirements associated with such permits at any time and shall introduce such other permits or clearances that they deem necessary to protect and conserve the environment.

Environmental Compliance Certificates. Unless otherwise exempted from doing so by the EC, no business enterprise shall be registered as a PPFZ Enterprise and allowed to do business or undertake any activity within the PPFZ unless it secures an ECC from the EC. PPFZ Locators shall, under these Rules, submit an Environmental Report to the EC. Such Environmental Reports 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 EC on the issuance of the ECC for the proposed undertaking shall be based on the Environmental Report submitted for its consideration.

All public agencies or corporations seeking to build or construct any structure or infrastructure for business or public purposes shall secure an ECC prior to undertaking such activity.

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Permit (APIP & WWDP). PPFZ Enterprises shall obtain APIP & WWDP from the EC prior to the initiation of any operation of any activity subject to the requirement. To obtain an ECC and the determination that such activity shall result in discharge to the environment. The Permit shall establish the monitoring and reporting requirements applicable to the PPFZ Locators and shall be renewed on an annual basis. Such PPFZ Locators shall designate a Pollution Control Officer who shall serve as the person responsible for ensuring compliance with the 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 PPMC, including but not limited to, effluent discharge and emission standards, waste management, and emergency and contingency plans.


SECTION 111. Air Quality. - Air quality in the PPFZ or the jurisdiction of the PPMC 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 DENR and PPMC shall formulate an air quality management strategy for limiting emissions from mobile and stationary sources. The following standards shall not be exceeded more than once per year.

The EC shall not permit air quality to deteriorate within its jurisdiction and/ or the PPFZ as a result of industrial development. To determine the existing air quality of the region, the EC shall implement a regional air quality monitoring program within its jurisdiction. All stationary sources of air pollution within the PPFZ and/ or the jurisdiction of PPMC shall be subject to regulation and shall be required for an Air Inspection as a condition of their occupancy in the PPFZ and/ or the regulatory area of the PPMC. All sources of air pollution must comply with the relevant regulations and standards applicable to air emission sources. 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 EC. The frequency of monitoring and reporting shall be established by the EC.

SECTION 112. Water Quality. - The EC shall not permit water quality to deteriorate within its jurisdiction and/ or the PPFZ as a result of development of industrial development. To determine the existing water quality of its jurisdiction and/ or PPFZ, the EC shall implement a water quality monitoring program. All sources of water pollution within the PPFZ and/or the jurisdiction of PPMC shall be subject to regulations. All sources of water pollution must comply with the relevant regulations and standards applicable to water effluent sources.

Water quality in the PPFZ and/or the jurisdiction of PPMC shall be maintained so as to meet national standards applicable for the highest and best use of the water body as established and determined by the EC in coordination with the DENR-EMB. 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.

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To protect the waters within PPFZ and/or jurisdiction of the PPMC, the EC shall not allow the direct discharge of any wastewater, either industrial or domestic, that does not meet the effluent discharge standards as established by the DENR-EMB and adopted by the PPMC. In the case of discharge wastewater treatment facilities by either industrial or domestic discharges, the acceptable standard for acceptance of those wastewater shall be determined by the owner/ operator of those facilities. Discharges of effluence from wastewater treatment facilities shall meet the applicable discharge standards. Compliance with such standards shall be the responsibility of the Owner/Operator of the facility. All discharges of wastewater shall be monitored 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 PPMC. The frequency of the monitoring and reporting shall be established by the PPMC.

SECTION 113. Waste Management. - All solid, toxic and hazardous wastes shall be managed in the manner deemed appropriate by the EC. The EC shall define solid, toxic and hazardous wastes in a manner consistent with the definitions by the DENR-EMB under R.A. No. 6969 and shall define the requirements for waste generators, transporters and owners/ operators of waste management facilities.


Solid Waste. All PPFZ Registered Enterprise shall dispose of solid waste in a manner approved by the EC. Such approval shall include the use of approved waste transporters and disposal facilities.

Waste Generators. Any PPFZ Registered Enterprise deemed by the EC to be a waste generator shall be required to report the type, quantity and disposition of such waste every quarter. Every firm deemed to be a generator of hazardous and toxic wastes shall develop a plan for the proper management of those wastes and 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 waste. Plans and inventories shall be regularly submitted to the EC.

Waste Management. Any firm/s intending to engage in waste transport within the PPFZ shall obtain approval by the EC 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 material handled and/or transported by them and present such manifest upon the demand of the EC. No waste transporter shall dispose of, or deliver, wastes in any manner not approved or authorized by the EC.

Waste Management Facilities. All waste management facilities shall be subject to the approval and authorization of the EC prior to commencing operations. Such facilities shall be open to inspection by the EC at any time and shall maintain sufficient record as to allow the EC to determine the competence of their operation. No waste management facility shall accept any waste delivered to them by a transporter not approved or authorized by the EC to engage in such activity.

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Waste management facilities shall include, but not limited to, sanitary landfills, physio-chemical treatment facilities, and other facilities processing, recovering, or disposing of wastes. Enterprises engaged in the operation of waste management facilities on their premises shall be included in these Rules and other regulations promulgated and adopted, or to be promulgated and adopted, by the PPMC to regulate such facilities.


Toxic and Hazardous Waste Management. All toxic and hazardous wastes used by any and all persons, businesses or other entities within the PPFZ and/or the jurisdiction of the PPMC shall comply with the provisions of R.A. No. 6969 and these Rules, as well as other regulations promulgated, or to be promulgated, by the PPMC with respect to the management of those materials. This shall include the registration of chemicals employed, imported or otherwise utilized at any time in any manner.

SECTION 114. Water Resources Planning. - The EC shall issue policies and objectives relative to water resources that will seek to ensure that sources of water supply within the PPFZ and/or the jurisdiction of the PPMC shall be protected and conserved, including marine waters, surface waters, and groundwater. While such policies and objectives shall be consistent with those established by the National Government, the policies and objectives shall recognize the developmental goals and objectives established for the PPFZ and/or the jurisdiction of the PPMC, and be consonant with the availability of water resources. As such, the EC shall formulate a groundwater protection program to ensure the continued viability of groundwater resources. The EC shall also require new water resource developments to obtain a Water Use Permit prior to development of any groundwater well or surface water abstraction. Such permit shall be reviewed by the EC. Applicants for a Water Use Permit shall provide such information as the EC deems necessary to evaluate the development proposal. Water Use Permits issued by the EC shall specify the allowable rate and quantity of water withdrawal. Permits shall report to the EC the water consumption and quality on a quarterly basis.

SECTION 115. Emergency and Contingency Planning. - All entities operating within the PPFZ and/or the jurisdiction of the PPMC having potential to discharge oil, petroleum products, or other deleterious substances (including chemicals or their by-products) in the environment shall prepare a plan for preventing such discharge to the environment (including the aquatic, marine, or land environments) and detailing the measures to be employed in the event that such discharges occur. This plan shall be submitted to the EC 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 conformance with the requirements of the DENR and with the standards of practice for the industry.

SECTION 116. Environmental Compliance Certificate. - No building and/or construction project can be commenced unless the Operator/Developer secures an ECC from the EC. New structures not covered by the initial ECC obtained by the Operator/Developer shall be subject to an ECC.

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SECTION 117. Fines and Penalties. - The PPMC shall impose administrative fines and penalties against any PPFZ Registered Enterprises and Registered Residents for any violation of sanitation, garbage or sewage rules and regulations that the EC shall enact or promulgate.

CHAPTER XII
RELATIONS WITH LOCAL GOVERNMENT UNITS (LGUs) AND ALLOCATION OF TWO PERCENT (2%) GROSS INCOME EARNED TO ALL LGUs CONCERNED

SECTION 118. Local Autonomy Maintained. - The LGUs comprising the PPFZ shall retain their basic autonomy and identity. The cities and municipalities shall operate and function in accordance with R.A. No. 7160, otherwise known as the LGC of 1991. As provided in Section 6 of R.A. No. 9400, in case of conflict between the PPMC and the LGUs concerned on matters affecting the PPFZ other than defense and security, the decision of the PPMC shall prevail.


SECTION 119. Sharing and Distribution of the Proceeds from the 5% Gross Income Earnings Paid by PPFZ Registered Enterprises. - Pursuant to Section 15-A of the Act, all registered business enterprises within the PPFZ shall, in lieu of paying local and national taxes, pay five percent (5%) of their gross income earnings, out of this 5% final tax three percent (3%) shall go to the national government; and two percent (2%) to the Treasurer’s Office of the City or Municipality where they are located.

For proper monitoring, the DOF shall review and create a single database of all incentives provided by the PPFZ. The DOF shall likewise submit an annual report to the President of the Philippines.

SECTION 120. Procedures, Reporting Requirements and Manner of Distribution of 5% Tax on GIE. –


- A. The PPFZ Registered Enterprise shall present and submit its aforementioned tax return to the Authorized Agent Bank (AAB) of the RDO having jurisdiction of the concerned Freeport;
- B. After payment of the 3% tax share of the National Government, all copies thereof shall be stamped received; and
- C. The remaining copies thereof shall be returned to the said PPFZ Registered Enterprise, one (1) copy thereof for its file, and the rest duly stamped received by the said AAB shall be submitted to the PPMC for the remittance of the 2% share of the LGU/s.

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- D. Within thirty (30) days from date of filing of the Income Tax Returns, one (1) copy for the file of the PPMC with which the PPFZ Enterprise is registered.
- E. All PPFZ Enterprises availing tax incentives provided for under R.A. No. 9400 shall secure from the PPMC on an annual basis a certification that the enterprise is a bona fide registered enterprise entitled to incentives provided under R.A. No. 9400, such as Income Tax Holiday and/ or 5% tax on GIE, and to attach the said certification to their annual Income Tax Return upon filing thereof.
- F. All PPFZ Enterprises shall keep regular and accurate records of their transactions, including importations, and maintain books of accounts and allied documents in accordance with the bookkeeping rules and regulations prescribed by the BIR which shall be made accessible and open to inspection and verification by authorized officers of the Bureau concerned in accordance with law and shall be done in coordination with the PPMC. For this purpose, the BIR is authorized to conduct, during office hours, an audit, check, or inventory count for verification and reconciliation of such records with the inventory of articles in the PPFZ.
- G. The PPFZ Enterprises shall submit their respective annual tax expenditures, in four (4) quarterly reports for any given year, to the DOF not later than the end of the month following the close of a particular quarter, in which the tax incentives were granted, which shall include the following information:
1. Name of the registered firm with and without tax exemption;
 2. Date of registration of the enterprise;
 3. Type of registered activity;
 4. Type/s of tax incentives granted, if any;
 5. Gross revenues/gross sales for the quarter;
 6. Gross income for the quarter;
 7. 5% tax paid and net income derived from the registered activity or amount of income tax holiday availed of for the quarter, Provided, that, if the 5% tax is paid, the respective amounts remitted to the National Government and LGUs must also be stated;
 8. Amount and description of importations, and estimated amount of duties and taxes waived (if necessary) on said importation;

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9. Amount of sales to domestic market and as a percentage of gross revenues;
10. Amount of taxes and duties paid on domestic sales; and
11. Amount of export sales, whether direct or constructive exports, and as a percentage of gross revenues.
12. Such other information/data as shall be required by the Secretary of Finance pursuant to rules and regulations as shall hereinafter be issued.

CHAPTER XIII OTHER PROVISIONS

A. ZONE SECURITY AND PUBLIC SAFETY


SECTION 121. Function of PPMC Security Force. - PPMC Security force agents shall police and maintain law and order within the boundaries of the PPFZ. Access into and departure from the PPFZ shall be fully controlled by PPMC security agents.

SECTION 122. Responsibility for Security of PPFZ. - The security of the PPFZ and the maintenance of peace and order therein shall be the responsibility of the PPMC. PPFZ Enterprise or Locator shall be responsible for the security of their respective facilities/establishment and engage the services of security agency for this purpose. These security forces engaged by them shall extend their support and cooperation to the PPMC in the performance of their duty.

SECTION 123. Request for Assistance. - The PPFZ Enterprises shall, as necessary, request assistance from PPMC security forces/agents to enforce security for their facilities. Such security agents shall act in cooperation with the PPMC security forces and shall adhere to such rules and regulations as PPMC shall promulgate.

SECTION 124. Search and Inspection of Persons and Vehicles. - Persons and vehicles entering in and exiting from the PPFZ shall be subject to search and inspection. They shall be required to register and/ or secure appropriate PPFZ passes/ clearances or permits from the PPMC. Their movements inside the PPFZ shall be governed by the security rules of the PPMC. No inspection or control initiated by other governmental agencies shall take place within a PPFZ Registered Enterprise without prior coordination with the PPMC. Lawful warrants should first be presented to the administrative office of the PPMC prior

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to entering the PPFZ and actual service of the warrant. LTO rules and regulations shall be implemented by the PPMC Security force agents.

B. LABOR AND EMPLOYMENT RELATIONS

SECTION 125. Objectives and Policy. - One of the principal objectives of BCDA thru PPMC is to create jobs through vibrant economic activity in order to address the needs of displaced but qualified Wallace base workers and the people of the City of San Fernando and the Province of La Union.

BCDA and PPMC adopt a policy of industrial peace, harmony and productivity within the PPFZ giving due consideration to the concept of the Freeport Zone in order to establish a business and commercial atmosphere which encourages investments and simultaneously promotes and enhances the lives and dignity of all workers. PPMC adheres to the policy of the state that assures the rights of workers to self-organization, collective bargaining, security of tenure and just and humane conditions of work and all other applicable provisions contained in the Philippine Labor Code.

SECTION 126. Labor Center. - A Labor Center has been established within PPMC. This Center shall provide labor assistance to the PPFZ Registered Enterprises subject to regular coordination with DOLE Regional Office which shall be the principal agency to implement the labor laws, rules and regulations and other related programs. The DOLE can visit the Labor Center during reasonable hours of the day.

SECTION 127. Requirements for Employment within the PPFZ. - All persons seeking employment with the PPFZ must seek clearance from the PPMC Labor Center by registering and providing pertinent information required by the Center as basis for assessing the applicant's qualifications for employment. The applicant must be aware of all policies and procedures provided by applicable local and national rules and laws.


SECTION 128. Labor Assistance. - PPMC shall provide assistance to the locators, their contractors and sub-contractors for their manpower needs. All locators, their contractors and sub-contractors shall notify PPMC through the Labor Center of all job vacancies in their respective companies. PPMC, in coordination with the DOLE and Philippine Employment Services Office (PESO), shall recommend qualified employees from its Skills Inventory Databank.

SECTION 129. Labor Skills Inventory.

PPMC Labor Center shall maintain:

- a. A Labor Skills Inventory for the PPFZ to facilitate matching skills with available jobs;

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- b. A listing of anticipated skills and jobs requirements collated from the monthly labor reports of all locators so that the appropriate and timely training interventions can be implemented; and
- c. A periodic list of all employees working inside PPFZ. All locators, their contractors and sub-contractors are required to submit the name/s of all employees upon hiring including their address/es, position/s and status of employment. For contractual, project-based, temporary employees, the contract duration must also be stated.
- d. Identification Card. All locators, their contractors and sub-contractors must secure IDs for their employees working inside the PPFZ. The IDs shall contain the employee’s full name, address, position and status of employment. For contractual, project-based, temporary employees, the ID shall also contain the contract duration.


SECTION 130. Employment of Foreign Nationals. - PPFZ Registered Enterprises desiring to employ foreign nationals must secure employment permits from DOLE and provide their records to PPMC for proper enforcement of applicable laws with regards to foreign employment.

SECTION 131. Training Program for Understudies. - All PPFZ Registered Enterprises with technically skilled employees of foreign nationals should share such skills with the Filipino employees in their enterprise to produce at least 2 Filipino understudies in their respective skills of expertise through a training program. This training program will form part of the requirements in the issuance of Alien Employment Permit for these foreign nationals. Periodic reports about the training program should be submitted to DOLE through PPMC and should contain the following:

- a. Name and field of specialization of the foreign national providing the training;
- b. Name and address of the respective Filipino trainee;
- c. Length of training period and specific subjects covered; and
- d. Reasons if the understudies are not ready to handle the job of the foreign national of whom they are on understudy.

SECTION 132. Duration of Period of Employment. - A foreign national shall be employed in the Philippines for a maximum of five (5) years, depending upon the needs of the PPFZ Registered Enterprises, subject to the conditions imposed in his Alien Employment Permit and to applicable labor and immigration laws and regulations; provided that no extension of the Alien Employment Permit shall be recommended by the PPMC to the DOLE unless the training program required has been complied with satisfactorily;

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provided further, that the request for extension shall be filed with the DOLE copy furnished PPMC at least forty-five (45) days before the expiry date of the Alien Employment Permit.

SECTION 133. Labor Disputes. - Subject to existing labor laws or as shall be specified in employment contracts or collective bargaining agreements, all labor disputes must be brought before the Labor Center which will attempt to amicably settle the case. In case the PPMC cannot settle the dispute amicably, it will endorse the case before the proper office of the DOLE or its attached agencies for appropriate action.

SECTION 134. Monthly Reports. - The locators, their contractors and sub-contractors shall submit to PPMC consolidated monthly reports on the labor situation in the PPFZ in a form required by PPMC on or before the 5th day of the succeeding month. PPMC shall provide a copy of the said report to DOLE.

The report shall include, among others, the following: information on hired employees, separated employees and reason/s for separation, disciplinary action cases, and labor cases filed by employees, if any.

C. SANITATION, GARBAGE AND SEWAGE

SECTION 135. In General. - The PPMC shall, in coordination with the LGUs impacted by the PPFZ, provide for a system of sanitation, garbage collection and disposal and sewage.

SECTION 136. Fees. - The PPMC shall impose and collect reasonable fees from PPFZ Registered Enterprises and Registered 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 137. Fines and Penalties. - The PPMC shall impose administrative fines and penalties against any PPFZ Locator or Registered Resident for any violation of sanitation, garbage or sewage rules and regulations that the PPMC shall enact or promulgate.

D. BUILDINGS AND CONSTRUCTION

SECTION 138. Compliance with Master Development Plan. - All construction activities of any type of structure should comply with the Master Development Plan for PPFZ and the necessary guidelines by PPMC including securing ECC prior to construction and as provided in Section 116 of these Rules. Furthermore, all other local and national building codes and regulations should be complied with.

E. DISPUTES AND LITIGATION

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SECTION 139. Amicable Settlement. - In case of disputes between or among PPFZ Locators, the parties shall promptly meet and exert best efforts towards amicable settlement of the dispute in good faith as initiated by the ORS.

SECTION 140. Arbitration or Litigation. - Any disputes which are not amicably settled shall be resolved by arbitration or judicial action before the competent courts in the Philippines having jurisdiction over such dispute.

F. MISCELLANEOUS AND TRANSITORY PROVISIONS

SECTION 141. Bankruptcy or Liquidation. - The bankruptcy or liquidation of the Operator/Developer and the PPFZ Registered Enterprises shall be carried out in accordance with the laws and regulations relating to liquidation in force in the Philippines.

SECTION 142. Lien on Property of PPFZ Registered Enterprise. - Any unpaid sums of money owned by the Operator/Developer and PPFZ Registered Enterprises and Registered Residents to PPMC, or any unpaid duties, taxes, penalties or charges owed to the BIR or the BOC shall constitute a lien against their property, subject to existing laws, rules and regulations.

SECTION 143. Sanctions for Violations. - Violations by the Operator/Developer, PPFZ Registered Enterprises and Registered Residents of any provisions of these Rules and other regulations of BCDA thru PPMC shall give rise to revocation of their certificates of registration or residency, cancellation of agreement and other related administrative penalties without prejudice to liability for damages.

SECTION 144. General Authority to Dispose of Abandoned Foreclosed, Forfeited or Unclaimed Articles, Building and Structures. - The PPMC has the authority, consistent with the Constitution and existing laws or contract, to sell, destroy, or convert to its own use, articles, merchandise and immovable properties that have been abandoned, left unclaimed, foreclosed, or forfeited to the PPMC in the PPFZ, and to establish procedures for sale, destruction, or conversion.


SECTION 145. Effect of Board Action on Vested Rights. - In no case shall any Board action impair the obligation of contract or vested rights that shall have arisen by virtue of the contractual obligations of the PPFZ Registered Enterprises.

SECTION 146. Amendments. - BCDA thru PPMC shall from time-to-time issue memoranda and circulars to amend, alter, modify, supplement, amplify or revoke these Rules or any portion thereof as shall be necessary; including but not limited to the imposition of administrative penalties or fines.

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SECTION 147. Rules of Procedure for Investigations. - PPMC, as implementing arm of the PPFZ, 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 the PPMC and the PPFZ Registered Enterprise. Pending the promulgation of said rules of procedures, the PPMC shall continue to conduct said investigations and hearings.

G. SEPARABILITY AND EFFECTIVITY

SECTION 148. 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 149. Effectivity Clause. - These Rules shall take effect fifteen (15) days from date of filing with the University of the Philippines Law Center pursuant to Sec. 4, Chapter 2, Book VII of E.O. No. 292, otherwise known as the Administrative Code of 1987. Without prejudice to the aforesaid requirement, the BCDA thru PPMC shall cause the publication of these Rules in a newspaper of general circulation or in Official Gazette.

APPROVED by the Board of Directors of the Poro Point Management Corporation at its 133rd Regular Board Meeting on March 8, 2014.


Hon. IVES Q. NISCE
Chairman, Board of Directors

Hon. FLORANTE S. GERDAN
President & CEO/ Director

Hon. JORGE L. BANAL, SR.
Director

Hon. ELMER NA. CADANO
Director

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Hon. LOUIS FUNA-AY CLAVER, JR.
Director

Hon. CELIA V. GUZMAN
Director

Hon. MANOLITO S. HIDALGO
Director

Hon. VLADIMIR S. RODRIGUEZ
Director

Hon. NICOLAS R. TABORA
Director

Hon. MITCHEL I. VERSOZA
Director

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