

[PRESIDENTIAL DECREE NO. 1449, June 11, 1978]

AMENDING PRESIDENTIAL DECREE NO. 66 DATED NOVEMBER 20, 1972, ENTITLED "CREATING THE EXPORT PROCESSING ZONE AUTHORITY AND REVISING REPUBLIC ACT NO. 5490."

WHEREAS, there is imperative need to restructure the provisions of Presidential Decree No. 66 in order to make it more responsive to the requirements of investments in export processing zones, and to insure the effectiveness of the Export Processing Zone Authority in the performance of its duties and responsibilities and in the attainment of the national policy enunciated in the law;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby decree and promulgate the following amendments to Presidential Decree No. 66 dated November 20, 1972, which are hereby approved, adopted and made part of the law of the land:

SECTION 1. Section four of Presidential Decree No. 66 is hereby amended by adding two new paragraphs after paragraph (k) thereof to read as follows:

"SEC. 4. Purpose and Specific Powers.—The purposes and specific powers of the Authority are as follows:

1. To invest in, acquire or otherwise deal in real estate, or any interest therein, as well as in personal property of every kind and description; and in meritorious cases and upon prior approval of the National Economic and Development Authority, to grant loans and advances for the operation or expansion of zone registered enterprises upon such terms and conditions as the Board may prescribe;
- m. 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. All other investments in zone registered enterprises shall need prior approval of the NEDA."

SEC. 2. Section five of the same Decree is hereby amended to read as follows:

"SECTION 5. Capitalization.—The capital of the Authority shall consist of (1) its existing assets and such other properties as may be contributed to the Authority by the Government to form part of capital, (2) all capitalized surplus, and (3) cash contribution by the Government in the amount of one billion pesos, which is hereby appropriated out of any fund in the National Treasury not otherwise appropriated, be they collection from any or all taxes accruing to the general fund or proceeds from loans, the issue of bonds, treasury bills or notes, or derived from any other sources of income, by or of the National Government, which amount shall be programmed and released by the Budget Commission with approval of the President, in accordance with the schedule of

development and expenditure to be prepared and submitted by the Authority: *Provided, however,* That any budgetary outlay allocated and released in favor of the Export Processing Zone Authority and/or Foreign Trade Zone Authority shall be correspondingly credited to the authorized capitalization herein provided."

SEC. 3. Paragraph (d) of Section eleven of the same Decree is hereby amended to read as follows:

"SECTION 11. Powers and Duties of the Board.—The Board shall have the following powers and duties:

- d. Upon the recommendation of the Administrator, to determine the organizational structure, the number, salaries and other fringe benefits of the officers, employees and consultants of the Authority and its subsidiaries. As far as practicable, the remunerations and allowances shall be competitive with rates prevailing in the private sector as shall be determined by the Board."

SEC. 4. Section eighteen of the same Decree is hereby amended by adding three new paragraphs after paragraph (f) thereof and amending paragraph (f) to read as follows:

- f. *Exemption from Local Taxes and Licenses.*—Notwithstanding the provisions of law to the contrary, zone registered enterprises shall, to the extent of their construction, operation or production inside the zone be exempt from the payment of any and all local government imposts, fees, licenses or taxes except real estate taxes which shall be collected by the Municipality responsible for the collection thereof under the provisions of the Real Property Tax Code: *Provided,* That machineried owned by zone registered enterprises which are actually installed and operated in the Zone for manufacturing, processing or for industrial purposes shall not be subject to the payment of real estate taxes for the first three (3) years of operation of such machineries: *Provided, further,* That fifty percent of the proceeds of the real estate taxes collected from all real properties located in the Zone and such other areas owned or administered by the Authority shall be remitted to the Authority by the municipality responsible for the collection of such taxes under the provisions of the Real Property Tax Code. All real estate taxes accruing to the Authority as herein provided shall be expended for such community facilities, utilities and/or services as the Board may determine.
- g. *Deduction for Labor Training Expenses.*—A deduction from taxable income of one-half the value of labor training expenses incurred for upgrading the productivity and efficiency of unskilled labor shall be granted to a zone registered enterprise: *Provided,* That such training program is duly approved by the appropriate government agency or in the absence thereof by the Board: *Provided, further,* That such deduction shall not exceed ten (10%) percent of the direct labor wage.
- h. *Deduction for Organizational and Pre-Operating Expenses.*—All capitalized organizational and pre-operating expenses attributable to the establishment of a zone registered enterprise may be deducted from its taxable income over a period of not more than ten (10) years beginning with the month the enterprise indicated the desired amortization period at the time of the filing of income tax returns for the first taxable year. For the purpose of this provision,