

**[ REPUBLIC ACT NO. 9490, June 29, 2007 ]**

**AN ACT ESTABLISHING THE AURORA SPECIAL ECONOMIC ZONE  
IN THE PROVINCE OF AURORA, CREATING FOR THE PURPOSE  
THE AURORA SPECIAL ECONOMIC ZONE AUTHORITY,  
APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

SECTION 1. *Short Title.* - This Act shall be known as the "Aurora Special Economic Zone Act of 2007".

SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to actively encourage, promote, induce and accelerate the sound and balanced industrial, economic and social development of the country in order to provide jobs to the people, especially those in rural areas, increase their productivity and their individual and family income, and thereby improve the level and quality of their living conditions through the establishment, among others, of special economic zones in suitable and strategic locations in the country and through measures that shall effectively attract legitimate and productive foreign investments.

SEC. 3. *Creation of the Aurora Special Economic Zone.* - In pursuit of the foregoing declared policy and subject to the concurrence of the concerned local government units (LGUs) of Aurora affected by the zone, there is hereby established a special economic zone, hereinafter referred to as the Aurora Ecozone. The Aurora Ecozone shall cover the entire area embraced by barangays Esteves, Dibet and Dibacong, all in the Municipality of Casiguran. The specific metes and bounds of the Aurora Ecozone shall be more particularly described and described as follows:

A portion of an agricultural land of the public domain, embraced by CAD-358-D of Casiguran cadastre and beginning at a point marked "I" on the map which is located at the center of the intersection of a road going to Barangay Bianoan, Casiguran, Aurora and to the barangay road going to Casiguran National High School (CNHS), Barangay Esteves, Casiguran, Aurora with geographic coordinates of 16-12-05 North, 122-02.34.7 East.

Thence N 05° 00' E 1,000.00 m. to corner 2, intersection of barangay road to Barangay Dibet and So. Bikal, Barangay Esteves, Casiguran, Aurora.

Thence N 70° 00' E 1,700.00 m. to Corner 3, stake on the ground

Thence S 08° 00' E 1,300.00 m. to corner 4, along the shoreline of Casiguran Bay

Thence S 85° 00' W 380.00 m. to corner 5, center of Barangay Road and Motiong Creek

Thence N 16° 00' E 700.00 m. to corner 6, intersection of barangay road to Barangay Esteves and Dibet, Casiguran, Aurora

Thence N 58° 00' E 1,500.00 m. to corner 7, center of 1'0 ad at Banawang Creek

Thence Due South 250.00 m. to corner 8, along the shoreline of Casiguran Bay

Thence S 35° 00' W 600.00 m. to corner 9, along the shoreline of Casiguran Bay

Thence N 73° 00' W 600.00 m. to corner 10, Gmelina tree 40 cm. diam. along barangay road

Thence Due North 830.00 m. to corner 11, following the road from CNHS

Thence N 40° 00' E 1,000.00 m. to corner 1, following the road from CNHS to point of begin rung containing an area Five hundred (500) hectares, more or less, subject to actual ground survey: *Provided*, That the lands embraced therein shall be public lands.

SEC. 4. *Governing Principles.* - The Aurora Special Economic Zone shall be managed and operated by the Aurora Special Economic Zone Authority, hereinafter referred to as the ASEZA, created under Section 10 of this Act, under the following principles:

- a. Within the framework and limitations of the Constitution and applicable provisions of the Local Government Code, the Aurora Ecozone shall be developed into and operated as a decentralized, self reliant and self-sustaining industrial, commercial trading, agro-industrial, tourist, banking, financial and investment center with suitable residential areas.
- b. The Aurora Ecozone shall be provided with transportation, telecommunications and other facilities needed to attract legitimate and productive investments, generate linkage industries and employment opportunities for the people of the Province of Aurora and its neighboring towns and cities.
- c. The Aurora Ecozone may establish mutually beneficial economic relations with other entities or enterprises within the country or, subject to the administrative guidance of the Department of Foreign Affairs (DFA), the Philippine Economic Zone Authority (PEZA) and/or the Department of Trade and Industry (DTI), with foreign entities or enterprises.
- d. Foreign citizens and companies owned by non Filipinos in whatever proportion may set up enterprises in the Aurora Ecozone, either by themselves or in joint venture with Filipinos in any sector of industry, international trade and commerce within the Aurora Ecozone.
- e. The areas comprising the Aurora Ecozone may be expanded or reduced when necessary. For this purpose, the ASEZA, in consultation with the LGUs, shall have the power to acquire either by purchase, negotiation or condemnation proceedings, any private land within or adjacent to the Aurora Ecozone for the following purposes: (1) consolidation of lands for Aurora Ecozone development; (2) acquisition of right of way to the Aurora Ecozone; and (3) the protection of watershed areas and natural assets valuable to the prosperity of the Aurora Ecozone.
- f. Goods manufactured by an Aurora Ecozone enterprise shall be made available for immediate retail sale in the domestic market, subject to the payment of

corresponding taxes on raw materials and other regulations that may be formulated by the ASEZA, together with the PEZA, the Bureau of Customs and the DTI. However, in order to protect domestic industries, a negative list of industries shall be drawn up and regularly updated by the PEZA Enterprises engaged in industries included in such negative list shall not be allowed to sell their products locally.

- g. The national government shall maintain its ability to coordinate with the Aurora Ecozone and the local government units.

SEC. 5. *Incentives to Registered Enterprises.* - The Aurora Special Economic Zone Authority (ASEZA) may administer the following incentives to the registered enterprises located therein to the extent of the activity/project:

- A. Income Tax Holiday (ITH). - Registered enterprises shall be entitled to an income tax holiday from the start of their commercial operations to the extent of their activity under the following categories:

Category A - Registered domestic enterprise located in highly developed areas, as determined by the Board of Investments (BOI), shall be entitled to a four-year income tax holiday.

Category B - Registered domestic enterprise on the following shall be entitled to a six-year income tax holiday:

1. Located in less developed areas as defined by the BOI; or
2. Producing/rendering new products/services or having strong backward or forward linkages.

Category C - Registered export enterprise shall be entitled to a six-year income tax holiday: *Provided, however,* That lithe export enterprise complies with the following: (1) large capital investments or sizeable employment generation; or (2) use high level of technology; or (3) located outside Metro Manila, it shall be entitled to an eight-year income tax holiday.

Registered enterprises embarking on new investments that are listed in the current Investment Priorities Plan (IPP) shall be entitled to incentives provided herein pertaining to the new investments and subject to such terms and conditions as the BOI may determine.

For this purpose, a registered enterprise shall be defined as any person, natural or juridical, licensed to do business in the Philippines and registered with the Aurora Special Economic Zone Authority (ASEZA) to transact business within the Aurora Special Economic Zone. A registered export enterprise shall be defined as any registered enterprise engaged directly or indirectly in the production, manufacture or trade of products or services which earns at least seventy percent (70%) of its normal operating revenues from the sale of its products or services abroad for foreign currency. A registered domestic enterprise, meanwhile, shall be defined as any registered enterprise not falling under the definition of a registered export enterprise.

Additional investments in the project shall be entitled to the income tax holidays corresponding to such investments as may be determined by the BOI.

Additional income tax holiday may be granted for as long as the investment is made on the same project: *Provided*, That the project is listed in the IPP at the same time the additional investment in the project is made: *Provided, further*, That the entitlement period for additional investments shall not exceed three times the period provided under this subsection: *Provided, however*, That the total ITH period for an export enterprise availing of an eight-year ITH shall not exceed twenty (20) years. Any unused incentives shall therefore be deemed forfeited if not used during the incentive period.

Enterprises registered with the ASEZA are required to share in the special development fund of the BOI for investment promotion projects of the government equivalent to one percent (1%) of the ITH granted for every application.

The Bureau of Internal Revenue (EIR) shall require a registered enterprise availing of ITH or Net Operating Loss Carryover (NOLCO) to secure a certificate of eligibility from the ASEZA before submitting its income tax return (ITR) with the ASEZA for validation.

Failure to secure certification and/or to file the ITH or NOLCO availment for validation by the ASEZA within forty-five (45) days from the last day of each statutory filing date for ITR shall cause the forfeiture of the availment for the taxable period.

- B. Net Operating Loss Carryover (NOLCO). - Net operating loss of the business or enterprise during the first three years from the start of commercial operations which have not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next five consecutive years immediately following the year of such loss: *Provided, however*, That operating loss resulting from availment of incentives provided in this Act shall not be entitled to NOLCO.

Registered enterprises availing of the ITH as herein provided shall not be entitled to avail of the NOLCO.

- C. Imposition of a tax rate of five percent (5%) on Gross Income Earned (GIE) - Except for real property tax on land, no local and national taxes as prescribed under Republic Act No. 8424, also known as "The National Internal Revenue Code of 1997, as Amended" such as income tax, excise tax and franchise taxes, shall be imposed on registered enterprises operating within the Aurora Ecozone. In lieu thereof, five percent (5%) of the gross income earned shall be paid as follows:
- a. Three percent (3%) to the national government; and
  - b. Two percent (2%) shall be remitted by the business establishments to the treasurer's office of the municipality or city where the enterprise is located.

All persons and service establishments in the Aurora Ecozone shall be subject to national and local taxes under the National Internal Revenue Code of 1997, as amended, and the Local Government Code.

D. Accelerated Depreciation. - Accelerated depreciation of plant, machinery and equipment that are reasonably needed and actually used for the production and transport of goods and services may be allowed using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Secretary of Finance and the provisions of the National Internal Revenue Code of 1997, as amended.

E. Capital Equipment Incentives. -

1. Importations of capital equipment, spare parts, tools and dye, or those required for pollution abatement and control, cleaner production and waste reduction including consignment thereof by registered enterprises upon the effectivity of this law, shall be exempted to the extent of one hundred percent (100%) of the taxes and customs duties: *Provided*, That the imported items thereof shall be used exclusively by the registered enterprise in its registered activity: *Provided, further*, That the importation of machinery and equipment and accompanying parts shall comply with the following conditions:

- i. They are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices;
- ii. They are reasonably needed and will be used exclusively by the registered enterprise in the manufacture of its products, unless prior approval of the ASEZA is secured for the part time utilization of said equipment in a non-registered activity to maximize usage thereof Or the proportionate taxes and duties are paid on a specific equipment and machinery being permanently used for non-registered activities; and
- iii. Approval of the ASEZA was obtained by the registered enterprise for the importation of such machinery, equipment and spare parts.

Approval of the ABEZA must be secured before any sale, transfer or disposition of the imported capital equipment, machinery or spare parts is made: *Provided*, That if such sale, transfer or disposition is made within the first five years from date of importation, any of the following conditions must be present:

1. the same is made to another enterprise enjoying tax and duty exemption on imported capital equipment;
2. the same is made to another enterprise, upon the payment of any taxes and duties on the net book value of the capital equipment to be sold;
3. the exportation of the capital equipment, machinery, spare parts or source documents or those required for pollution abatement and control; or
4. proven technical obsolescence of the said equipment, machinery or spare parts.

When the aforementioned sale, transfer or disposition is made under any of the conditions provided for in the foregoing paragraphs other than paragraph (2) herein, the registered firm