

Republic of the Philippines  
**PHILIPPINE ECONOMIC ZONE AUTHORITY**  
Roxas Boulevard corner San Luis Street  
Pasay City

**CERTIFICATE OF BOARD RESOLUTION**

This is to certify that at the Board Meeting of the Philippine Economic Zone Authority (PEZA) held on **12 March 2002**, during which a quorum was present, the following resolution was approved:

**RESOLUTION NO. 02-057**

WHEREAS, the globalization of trade and investments and the rapid increase of economic zone locator enterprises, particularly in the semiconductor and electronics industry sector, has led to the great demand for specialized storage and warehousing, inventory and materials management and other on-time delivery and logistics services as export producers re-engineer their operations and phase out activities and functions outside of their core business competencies;

WHEREAS, since late 1998, with the registration of the first warehousing and logistics enterprise, PEZA has registered, thus far, a total of twenty-five economic zone facilities enterprises providing warehousing and logistics services to semiconductor and electronic export producers;

WHEREAS, the PEZA policy on the registration of these economic zone facilities enterprises are as follows: (1) enterprises shall have a [paid-up capital of at least two million U.S. dollars; (2) enterprises operating warehouse facilities for the storage of goods owned by PEZA-registered export-producer enterprises shall not be entitled to avail of any incentives; and (3) enterprises which procure goods (e.g., raw materials, parts and components, etc.) for subsequent sale to PEZA-registered semiconductor and electronic producer enterprises shall have the option to pay the special 5% tax on gross income, in lieu of all national and local taxes, except real estate taxes on land owned by developers;

WHEREAS, at the time of the approval of the first warehousing and logistics enterprise, the then PEZA Board, while noting the growing need by export producer enterprises for specialized materials management services, also took cognizance of the fact that trading, as an activity, does not create as much employment opportunities and other socio-economic benefits as manufacturing, while the risk of goods being diverted into the customs territory is greater;



WHEREAS, in view of these considerations of the PEZA Board, the latter set a minimum paid-up capital requirement of U.S. \$2.0 million in the belief that large enterprises are less likely to violate the conditions of its registration with PEZA;

WHEREAS, in the three years that followed, PEZA approved for registration a good number of warehousing/logistics facilities enterprises complying with the U.S. \$2.0 million paid-up capital requirement, while at the same time, it received a number of requests for the reduction of the minimum paid-up capital requirement;

WHEREAS, Republic Act No. 8756, dated 23 November 1999, an Act providing for the establishment and grant of incentives to Regional Operating Headquarters (ROHQ), provided for ROHQs to have a minimum remittance of capitalization of U.S. \$200,000.00 only, which is much lower than the PEZA Board minimum capitalization requirement for warehousing/logistics facilities enterprises;

WHEREAS, PEZA Management's observations in its monitoring of the performance of registered warehousing/logistics enterprises are as follows: (1) in view of the fact that the operations of warehousing/logistics facilities enterprises have been limited to goods required by semiconductor and electronics export producer enterprise, the risk of leakage of goods imported and traded by warehousing/logistics facilities enterprises is very negligible; (2) the capital required to establish a warehousing/logistics facilities enterprise depends largely on the size of the business of its clientele; (3) there are warehousing/logistics facilities enterprises located outside of economic zones and operating bonded warehouses to enable them to import goods they sell to export producer enterprises tax and duty free to avoid having to bear the burden of carrying the cost of capital tied-up in the payment of taxes and import duties; and (4) a couple of these enterprises have expressed their desire to relocate their operations and/or establish their expansions inside economic zones primarily to avoid having to operate bonded warehouses;

WHEREAS, while these companies obviously want to avail of any incentives that PEZA may grant, their main consideration for choosing an economic zone as location are: (1) proximity to the significant number of semiconductor and electronics export producer enterprise that are their existing and/or potential clients; and (2) enjoyment of the tax and duty free importation privilege due the economic zones being considered as areas separate from the customs territory;



RESOLVED, THEREFORE, that the PEZA Board APPROVES the recommendation of the PEZA Management and hereby provides for the following:

1. The minimum paid-up capital requirement for warehousing/logistics facilities enterprises shall be reduced to Two Hundred Thousand U.S. Dollars (U.S. \$200,000.00) to align it with the minimum capital remittance of ROHQs;
2. Warehousing/Logistics Facilities Enterprises are hereby allowed PEZA Registration to enable said enterprises to locate and operate inside economic zones;
3. The grant of incentives to warehousing/logistics facilities enterprises shall be limited to the enjoyment of the tax and duty free importation privilege on goods they procure and supply to economic zone export producer enterprises and to export enterprises engaged in the semiconductor and electronics industry which are registered with the BOI or operating at the Clark, Subic Economic Zone and other special economic zone outside the administration of PEZA, for direct export, or for consignment to PEZA-registered export enterprises; and
4. Warehousing/Logistics Facilities Enterprises shall now be classified and/or referred to as "Logistics Service Enterprises".

  
**ATTY. LUISITO A. TRINIDAD**  
Corporate Secretary

