

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 **21 November 2003**, during which a quorum was present, the following resolution was approved:

**RESOLUTION NO. 03-304**

**WHEREAS**, Economic Zone Facilities Enterprises (EZFEs) registered by PEZA and granted the option to pay the special 5% tax on gross income, in lieu of all national and local taxes, except real property tax on land owned by developers (5% GIT incentive), are entities which purchased economic zone lots and built factory buildings, warehouses, and similar facilities to be leased to PEZA-registered export-producer enterprises;

**WHEREAS**, PEZA has also registered, without the grant of the 5% GIT incentive, other enterprises that own and lease-out buildings, warehouses and similar facilities to export-producer enterprises, and which fall under any of the following categories: (1) former PEZA export-producer enterprises which have ceased operations and have registered as EZFEs in order to lease their factories to PEZA-registered export enterprises; (2) PEZA export-producer enterprises which have down-sized their operations and have secured PEZA clearance to sub-lease portions of their factory buildings and/or warehouses to PEZA-registered export-producer enterprises; and (3) enterprises which had purchased factory buildings, warehouses or similar facilities from former PEZA-registered export-producer enterprises or EZFEs and have registered with PEZA as EZFEs, in order to lease said buildings, warehouses and similar facilities to PEZA-registered export-producer enterprises;

**WHEREAS**, PEZA Management's recommendation to the Board not to grant the 5% GIT incentive to EZFEs and similar enterprises, which fall under the 3 categories mentioned in the preceding paragraph, was primarily based on the observation that former export-producer enterprises and export-producer enterprises which have down-sized their operations did not make any new investments, while investments of the new owners in the acquisition of existing buildings, warehouses and similar facilities did not create any incremental socio-economic benefits for the country;

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**WHEREAS**, many of the EZFEs and similar enterprises have been pointing out that PEZA should allow them to enjoy the 5% GIT incentive, considering that they provide the same service to export-producer enterprises as that provided by EZFEs granted the 5% GIT incentive (i.e. EZFEs that constructed their own buildings, warehouses and similar facilities);

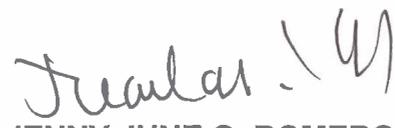
**WHEREAS**, PEZA recognizes the fact that because EZFEs are allowed to lease-out their buildings, warehouses and similar facilities only to PEZA-registered export-producer enterprises, these economic zone enterprises assume much greater investment risks, vis-à-vis their counterpart enterprises that own buildings, warehouses and similar facilities located outside economic zones, which can lease-out their facilities to all possible users;

**WHEREAS**, EZFE investments are critically required in economic zones, considering the Constitutional prohibition on ownership of land by foreigners and investors' need for ready-to-occupy buildings and warehouses, in order to reduce their up-front investment requirements and enable them to start commercial operations within very short periods of time;

**WHEREAS**, in view of the above considerations, PEZA believes that the grant of the 5% GIT incentive is essential in encouraging EZFE investments;

**NOW, THEREFORE**, be it resolved, as it is hereby resolved, that the grant of the 5% GIT incentive to all types of EZFEs is hereby **APPROVED**.

**RESOLVED, FURTHERMORE**, that the grant of the 5% GIT incentive to existing EZFEs and similar enterprises, which fall under the 3 categories previously described and which have been paying local taxes, shall be effected only with the concurrence of LGUs concerned.

  
**JENNY JUNE G. ROMERO**  
Acting Corporate Secretary

