



CERTIFICATE OF BOARD RESOLUTION

This is to certify that at the Board Meeting of the Philippine Economic Zone Authority (PEZA) held on **26 May 2023**, during which a quorum was present, the following resolution was approved:

RESOLUTION NO. 23 - 113

RESOLVED, That the Management recommended guidelines for the registration of Knowledge, Innovation, Science and Technology (KIST) Ecozone and Administration of Incentives to KIST Developers/Operators and Locators under Republic Act No. 7916, as amended, entitled: **“GUIDELINES FOR THE REGISTRATION OF KNOWLEDGE, INNOVATION, SCIENCE AND TECHNOLOGY (KIST) ECOZONE AND ADMINISTRATION OF INCENTIVES TO KIST DEVELOPERS/OPERATORS AND LOCATORS UNDER REPUBLIC ACT NO. 7916, AS AMENDED”**, a full copy of said guidelines being incorporated by attachment herein as Annex “A” and made integral part of this resolution, is **APPROVED**.

RESOLVED FURTHER, That the approved guidelines shall be published in a newspaper of general circulation and shall take effect immediately following such publication.

ATTY. MARK P. RUBIO
Board Secretary



GUIDELINES FOR THE REGISTRATION OF KNOWLEDGE, INNOVATION, SCIENCE AND TECHNOLOGY (KIST) ECOZONE AND ADMINISTRATION OF INCENTIVES TO KIST DEVELOPERS/OPERATORS AND LOCATORS UNDER REPUBLIC ACT NO. 7916, AS AMENDED

Section 1. Policy

It is the policy of the government to strengthen the collaboration with the academe and industries to accelerate Research and Development (R&D), facilitate the commercialization of outputs, and support/nurture innovative startups and spin-offs among other initiatives to maximize Science Technology and Innovation (STI) for economic development by establishing among others, KIST Ecozones within the identified areas/campus of accredited Higher Education Institutions (HEIs). Towards this end, the academe shall play a major role in the establishment of KIST Ecozones by providing and developing such areas to optimize growth conditions for business and innovations.

Section 2. Objectives

It shall be the objective of the KIST Ecozones to:

- A. Transform idle lands owned by HEIs into more productive uses catering to STI purposes;
- B. Serve as a center of excellence where optimal growth conditions for business and innovation and startups and spin-offs are created through the collaboration of the government, academe, business, and community;
- C. Promote and facilitate the commercialization of R&D outputs and innovative products of startups and spin-offs, among others;
- D. Open opportunities to business and startup and spin-off companies to operate in a special economic zone to enjoy fiscal and non-fiscal incentives, provided for under Republic Act No. 11534 (the CREATE Act) in relation to Tier II and III of the Strategic Investment Priorities Plan (SIPP) and Republic Act No. 11337 (the Innovative Startup Act); and
- E. Support strategies for skills development, the generation, acquisition, adoption, and assimilation of knowledge through sharing and/or transfer of the academe and industry, and the promotion of technopreneurship such as startups and spin-offs, among others.

In this connection, PEZA and DOST shall jointly implement the following guidelines to set the criteria and procedures in evaluating applications for registration of KIST Ecozone and administration of incentives to KIST Developers/Operators and Locators under Republic Act No. 7916, as amended (The Special Economic Zone Act of 1995).

Section 3. Definition of Terms

- A. **Advanced Technology** - refers to those technologies based on modern scientific knowledge of biological and physical sciences and require advanced knowledge of solid-state physics, chemistry, material science, engineering and information technology.
- B. **Evaluation** - refers to a systematic and objective assessment of an ongoing or completed project, program or policy, its design, implementation and results.
- C. **Government Funding Agency (GFA)** - refers to any government agency or instrumentality, or government - owned and/or - controlled corporation that provides research grants and other technical and material support, from government appropriations and resources and those sourced from government-managed Official Development Assistance (ODA) funds.



- D. **Incentive** - refers to fiscal and non-fiscal incentives provided to PEZA Registered Economic Zone Enterprises.
- E. **Innovation** - refers to the creation of new ideas that result in the development of new or improved products, processes, business models, or services, which are then spread, transferred or commercialized. Innovation can be a product, process, or service that is new, original, or improved, which creates social, economic, or environmental impact.
- F. **Innovative Business Model** - refers to a new organizational method in business practices, workplace organization or external relations.
- G. **Innovative Product** - refers to a good or service that is new or significantly improved, such as improvements in technical specifications, component materials, software in the product, user friendliness or other functional characteristics.
- H. **Innovative Process** - refers to a new or significantly improved production or delivery method through changes in techniques, equipment and/or software.
- I. **Innovative Startup Act (Republic Act No. 11337)** - refers to an Act providing benefits and programs to strengthen, promote and develop the Philippine Startup Ecosystem.
- J. **Knowledge, Innovation, Science and Technology (KIST) Ecozone** - refers to a tract of land located within the identified areas/campus of the accredited HEI that has been granted a special economic zone status, through PEZA registration and issuance of the required Presidential Proclamation, with its metes and bounds delineated by the Proclamation pursuant to Republic Act No. 7916, otherwise known as "The Special Economic Zone Act of 1995" as amended.

The area will be developed into a complex capable of providing infrastructures and other support facilities required by KIST locators, as well as amenities required by professionals and workers employed by KIST locators, or easy access to such amenities.

- K. **KIST Developer/Operator** - refers to an individual, association, partnership, corporation or other form of business organization which has been registered with the PEZA to develop, operate and maintain a KIST Ecozone, which includes provision of space for startups. The entity shall also provide the required infrastructure facilities and utilities such as light and power system, water supply and distribution system, sewerage and drainage system, pollution control devices, communication facilities, paved road network, administration building and other facilities as may be required by the PEZA.
- L. **KIST Locator** - refers to an individual, association, partnership, corporation or other forms of business organization which has been registered with the PEZA and engaged in activities involving R&D and innovation in areas of biotechnology, food and nutrition, agriculture, engineering, electronics, robotics, renewable energy, transport solutions, data analytics, artificial intelligence, or any priority areas as determined by the DOST.
- M. **KIST Facilities Enterprise** - refers to an individual, association, partnership, corporation or other form of business organization which has been registered with the PEZA. The term shall include operators of buildings, structures inside the KIST Ecozone which are leased to PEZA-registered KIST locators, including the provision of space for startups.
- N. **Research and Development (R&D)** - any activity which is a systematic intensive study directed towards greater knowledge or understanding of the subject studied; a systematic study directed specifically toward applying new knowledge to meet a recognized need; or a systematic application of knowledge toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements.

- O. **Research and Development Institution (RDI)** - refers to a public or private organization, association, partnership, joint venture, Higher Education Institution or corporation that performs R&D activities and is duly registered and/or licensed to do business in the Philippines, or otherwise with legal personality in the Philippines. In the case of private RDIs, they shall be owned solely by the citizens of the Philippines or corporations or associations at least 60% of the capital of which is owned by such citizens. This does not include RDIs covered by international bilateral or multilateral agreements.
- P. **Startup** - refers to any person or registered entity in the Philippines which aims to develop an innovative product, process, or business model.
- Q. **Spin-off firm or company** - refers to a juridical entity that is an independent business technology taker with a separate legal personality from the Government Funding Agency (GFA), Research and Development Institution (RDI) and researcher created through the initiative of the researcher-employee who generated the technology.
- R. **Startup Enabler** - refers to an individual, association, partnership, corporation or other form of business organization registered under the Philippine Startup Development Program that provides goods, services, or capital identified to be critical in supporting the operation and growth of startups by the DTI in consultation with DOST, DICT, and pertinent government and non-government organizations (NGOs). Startup enablers shall include startup accelerators, incubators, co-working spaces, investors, funders, event or meetup organizers catered to startups, and other support organizations.
- S. **Technopreneurship** - merging of knowledge in technology with entrepreneurship skills. It requires not only technical knowledge but also a thorough understanding of creativity, the innovation process, marketing, finance, and strategic thinking (Michigan Technological University).
- T. **The "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act" (Republic Act No. 11534)** - refers to an Act reforming the corporate income tax and incentives system, amending for the purpose sections 20, 22, 25, 27, 28, 29, 34, 40, 57, 109, 116, 204 and 290 of the National Internal Revenue Code of 1997, as amended, and creating therein new title XIII, and for other purposes.
- U. **The Special Economic Zone Act of 1995 (Republic Act No. 7916)** - refers to an Act providing for the legal framework and mechanisms for the creation, operation, administration, and coordination of Special Economic Zone in the Philippines as amended by Republic Act No. 8748.
- V. **Memorandum Circular No. 2023-033 dated 12 May 2023** - Recognition of Economic Zone Developers and Operators as Exporters Classified as "Activities in Support to Exporters" under the 2020 Strategic Investment Plan (SIPP).
- W. **Administrative Order No. 18 dated 17 June 2019** - an Order issued by the Office of the President entitled "Accelerating Rural Progress through Robust Development of Special Economic Zones in the Countryside".



- X. **Metropolitan areas or areas contiguous and adjacent to National Capital Region** - shall refer to the following cities and municipalities identified by the Board of Investments pursuant to Memorandum Circular (MC) No 2022-002, s. 2022:

Bulacan	Cavite	Laguna	Rizal
Meycauayan City San Jose Del Monte City	Bacoor Dasmariñas Imus	Biñan Cabuyao Calamba San Pedro Sta. Rosa	Antipolo Cainta Taytay

The specified areas may be changed/revised/amended at any time as required.

Section 4. Guidelines

A. Coverage

These guidelines shall cover the PEZA registration of and the administration of fiscal and non-fiscal incentives to KIST Ecozone Developers/Operators and Locators including startup and spin-off companies, as provided for under Republic Act No. 7916, as amended by Republic Act No. 8748.

B. Location

KIST Ecozones shall be located within the identified area of the accredited HEIs that have complied with the requirements under the KIST guidelines.

Section 5. Minimum Requirements of KIST Ecozone

- A. The minimum contiguous land area for KIST Ecozone shall be:

Location	Minimum Contiguous Land Area
National Capital Region and other metropolitan areas	5,000 square meters
Outside National Capital Region and other metropolitan areas	10,000 square meters

- B. The minimum gross floor area for KIST Facilities shall be:

Location	Minimum Gross Floor Area Requirement
National Capital Region and other metropolitan areas	10,000 square meters
Outside National Capital Region and other metropolitan areas	5,000 square meters

- C. Area Allocation for Startups - the KIST Developers/Operators shall allocate a minimum of 50-square meter floor space for Startups in accordance with Section 7, Chapter 2, of Republic Act No. 11337.

D. Landholding Rights

- HEIs planning to develop their property into a KIST Ecozone shall have undisturbed ownership of the property.

E. Utilities and Facilities Required Within the KIST Ecozone

1. High-speed fiber-optic telecommunication backbone and high-speed international gateway facility or wide area network (WAN); or any high-speed data telecommunication system that may become available in the future;
2. Clean, uninterruptible power supply with 100% backup power;
3. Computer security and building monitoring and maintenance systems;
4. Firefighting equipment and facilities; and
5. Reliable source/supply of water and established wastewater treatment facility.

F. Documentary Requirements for KIST Ecozone Developers

1. Documents Required for PEZA Board Pre-Qualification Clearance:

- a. Duly accomplished online application;
- b. Anti-Graft Certificate (Republic Act No. 3019) and applicant's undertakings;
- c. Board Resolution from applicant HEI approved by its Board of Regents/Board of Trustees in relation to the operation of the KIST Ecozone and designating representative/s authorized to transact registration with PEZA;
- d. SUC Charter or SEC Registration Certificate and Articles of Incorporation and By-Laws (including latest GIS);
- e. Endorsement of the Philippine Association of State Universities or Colleges (PASUC)/Philippine Association of Colleges and Universities (PACU), whichever is applicable;
- f. Endorsement of the Department of Science and Technology (DOST) that the proposed location of the KIST Ecozone is among the priority areas identified/determined by DOST;
- g. Project Description, which should provide, among others, information on the financial capability of the proponent, projected Financial Statement, present and proposed land uses, master development plan and schedule for the proposed KIST Ecozone;
- h. Site development plan, Architect's perspective, and vicinity map reflecting various land uses and important verifiable landmarks within one (1) kilometer radius of the project site; and
- i. Proof of payment to PEZA of application fee.

2. Documents Required for PEZA's Endorsement of the Proposed KIST Ecozone for Presidential Proclamation:

- a. Proof of land ownership or any perfected contract/document confirming the applicant's authority/clearance to use the land for KIST Ecozone development and related purposes;
- b. Endorsement of the Sangguniang Bayan/Panlungsod for the development of the proposed KIST Ecozone (i.e., confirming that the project is consistent with the local

and regional development plans and priorities; all government units of all municipalities and cities with areas included in the proposed KIST Ecozone);

- c. Verified Survey Returns and Separate Narrative Technical Description of the proposed KIST Ecozone; and
 - d. For applications with investment capital/cost exceeding One Billion Philippine Pesos and qualified to avail of incentive/s, a copy of the Fiscal Incentives Review Board (FIRB) resolution granting the appropriate incentive/s or approving the PEZA recommended incentive/s to be granted to the proposed project, as the case may be.
3. Documents to be Submitted to PEZA Prior to KIST Ecozone Developer/Operator's Signing of a Registration Agreement Covered by a Presidential Proclamation:
- a. Environmental Compliance Certificate or Certificate of Non-Coverage issued by the Department of Environmental and Natural Resources-Environmental Management Bureau (DENR-EMB), whichever is applicable; and
 - b. Proof of payment to PEZA of registration fee.
- G. Documentary Requirements for KIST Facilities Enterprise
1. Documents Required for PEZA Board Approval:
 - a. Duly accomplished online application;
 - b. Anti-Graft Certificate (Republic Act No. 3019) and applicant's undertakings;
 - c. SEC Registration Certificate and Articles of Incorporation and By-Laws (including latest GIS);
 - d. Board Resolution/Special Power of Attorney/Secretary's Certificate designating the company's authorized representative to PEZA;
 - e. Project Description, which should provide, among others, projected Financial Statement, development plan and schedule of the proposed KIST Facilities;
 - f. Site development plan, Architect's perspective, and vicinity map reflecting various land uses and important verifiable landmarks within one (1) kilometer radius of the project site;
 - g. Proof of land ownership or any document confirming the applicant's authority to use the land subject of the proposed KIST Facilities;
 - h. Favorable endorsement/No objection from the KIST Developer/Operator that the activity of the KIST Locator is in accordance with the allowable activities within the KIST Ecozone;
 - i. Proof of payment to PEZA of application fee.
 2. Documents to be Submitted to PEZA Prior to Signing of a Registration Agreement:
 - a. Environmental Compliance Certificate or Certificate of Non-coverage issued by the Department of Environment and Natural Resources-Environmental Management Bureau (DENR-EMB), if applicable;
 - b. For applications with investment capital/cost exceeding One Billion Philippine Pesos and qualified to avail of incentive/s, a copy of the Fiscal Incentives Review Board (FIRB)

resolution granting the appropriate incentive/s or approving the PEZA recommended incentive/s to be granted to the proposed project, as the case may be; and

- c. Proof of payment to PEZA of registration fee and franchise fee.

Section 6. Minimum Requirements of KIST Locators

- A. Preferred Investments/Activities Registrable with PEZA for Enjoyment of Incentives
 1. Preferred investment/activities involving R&D and innovation in areas of biotechnology, food and nutrition, agriculture, engineering, electronics, robotics, renewable energy, transport solutions, data analytics, artificial intelligence, or any priority areas as determined by the DOST.
 2. The applicant locator shall efficiently operate and contribute to the development of the preferred area in particular and of the national economy in general.
 3. Other activities identified in the SIPP aimed at strengthening the Science, Technology, and Innovation ecosystem.
- B. Documentary Requirements for KIST Locators
 1. Documents Required for PEZA Board Approval:
 - a. Duly accomplished online application;
 - b. Corporate profile (including that of the parent company, if applicable) which should include:
 - i. Brief company history;
 - ii. Existing or proposed business activities and projects;
 - iii. List of affiliated companies registered with PEZA;
 - iv. List of affiliated companies registered with the Board of Investments (BOI) and copies of the Certificates of Registration with terms and conditions and annual reports submitted, if applicable;
 - v. Principal officers and biodata; and
 - vi. Audited Financial Statements (for the last 3 years for existing companies and 1 year for startups);
 - c. Certificate of Registration with the SEC and updated Articles of Incorporation;
 - d. Board resolution authorizing the filing of application with PEZA and designating the representative/s authorized to transact registration with PEZA;
 - e. Project Brief (i.e., information on market, projected Financial Statement, technical, financial and management aspects of the project to be registered);
 - f. Favorable endorsement of the DOST (i.e., the identified activities of the KIST Locator are among the priorities determined by DOST, list of professional [STEM] and technical manpower needed, and others);

- g. Favorable endorsement/no objection from the KIST Developer/Operator that the activity of the KIST Locator is in accordance with the allowable activities within the KIST Ecozone;
 - h. Favorable endorsement/no objection from the lessor for the use of the space the applicant shall occupy; and
 - i. Proof of payment to PEZA of application fee.
2. Documents to be Submitted to PEZA Prior to Signing of a Registration Agreement:
- a. Lease Contract or any perfected document confirming the applicant's authority to use the space subject of the proposed activity;
 - b. Environmental Compliance Certificate or Certificate of Non-Coverage issued by the DENR-EMB, if applicable;
 - c. Proof of payment to PEZA of Registration Fee;
 - d. For applications with investment capital/cost exceeding One Billion Philippine Pesos and qualified to avail of incentive/s, a copy of the Fiscal Incentives Review Board (FIRB) resolution granting the appropriate incentive/s or approving the PEZA recommended incentive/s to be granted to the proposed project, as the case may be; and
 - e. Other documents as may be prescribed by the PEZA Board.

Section 7. Granted Incentives

A. Export Enterprise:

Fiscal Incentives for Qualified Expansion or Entirely New Projects are as follows:

1. Income Tax Holiday, Enhanced Deduction or Special Corporate Income Tax;

Location/Industry Tiers	Tier I (No. of Years)	Tier II (No. of Years)	Tier III (No. of Years)
National Capital Region	4 ITH + 10 ED/SCIT	5 ITH + 10 ED/SCIT	6 ITH + 10 ED/SCIT
Metropolitan areas or areas contiguous and adjacent to National Capital Region	5 ITH + 10 ED/SCIT	6 ITH + 10 ED/SCIT	7 ITH + 10 ED/SCIT
All other areas	6 ITH + 10 ED/SCIT	7 ITH + 10 ED/SCIT	7 ITH + 10 ED/SCIT

- Income Tax Holiday (ITH) - The ITH shall be limited to the income generated by an RBE from a registered project or activity.
 - Special Corporate Income Tax (SCIT) - The SCIT shall be equivalent to a tax rate of five percent (5%) based on the gross income earned (GIE), in lieu of all national and local taxes. For the purpose of the 5% tax on GIE, local taxes shall not include fees and charges as defined under Section 131 (I) and (g), respectively, of the Local Government Code of 1991.
 - Enhanced Deductions. - Registered business enterprises may be granted enhanced deductions in addition to the allowable ordinary and necessary deductions under Export Enterprises may, at their option, avail of the enhanced deductions or the SCIT rate. In no case, however, shall enhanced deductions be granted simultaneously with the special corporate income tax.
2. Customs Duty Exemption on Importation of Capital Equipment, Raw Materials, Spare Parts, or Accessories, subject to evaluation and approval of the concerned PEZA unit/s;

3. Value-added Tax (VAT) zero-rating on local purchases and exemption on importation, subject to compliance with Memorandum Circular No. 2023-033 dated 12 May 2023; and
4. Other applicable incentives provided for under Republic Act No. 11534 and its implementing Rules and Regulations.

B. Domestic Market Enterprise:

Fiscal Incentives for Qualified Expansion or Entirely New Projects:

1. Income Tax Holiday and Enhanced Deduction;

Location/Industry Tiers	Tier I (No. of Years)	Tier II (No. of Years)	Tier III (No. of Years)
National Capital Region	4 ITH + 5 ED	5 ITH + 5 ED	6 ITH + 5 ED
Metropolitan areas or areas contiguous and adjacent to National Capital Region	5 ITH + 5 ED	6 ITH + 5 ED	7 ITH + 5 ED
All other areas	6 ITH + 5 ED	7 ITH + 5 ED	7 ITH + 5 ED

2. Customs Duty Exemption on Importation of Capital Equipment, Raw Materials, Spare Parts, or Accessories, subject to evaluation and approval of the concerned PEZA unit/s; and
3. Other applicable incentives provided for under Republic Act No. 11534 and its implementing Rules and Regulations.

C. Non-Fiscal Incentives for KIST Developer/Operator, KIST Facilities and KIST Locators

1. Foreign Nationals may be employed by PEZA RBEs in executive, supervisory, technical or advisory positions pursuant to Republic Act No. 7916, the Memorandum of Agreement between PEZA and the Bureau of Immigration, and PEZA MC No. 2021-069;
2. PEZA Visa with Multiple Entry Privileges for non-resident Foreign Nationals in a PEZA RBE;
3. Streamlined processing of applications for Environmental Compliance Certificate (ECC) at the DENR-EMB for KIST Locator Enterprises; and
4. Simplification of Customs Procedures

D. Developer/Operator of partially developed or existing Ecozones, Facilities, including existing Locators shall NOT be entitled to PEZA incentives.

For this purpose, partially developed or existing Ecozones, Facilities, and/or Locators shall refer to the following:

1. Land identified by the HEIs is partially or fully developed, i.e., with existing infrastructure, facilities, utilities as well as building/s that business enterprises can readily lease to start their commercial operation;
2. The building/s for lease is/are on at least 20% above-ground construction stage or fully constructed; or
3. The RBE has already started commercial operation.

Section 8. Intellectual Property Rights

The ownership of Intellectual Property (IP) and Intellectual Property Rights (IPR) that may arise in the implementation and operation of the KIST Ecozone shall be governed by Republic Act No. 10055 or the Philippine Technology Transfer Act of 2009 and its Implementing Rules and Regulations and by the DOST guidelines affecting the same.

Section 9. Effectivity

These Guidelines shall take effect immediately after its complete publication in the Official Gazette or in a newspaper of general circulation.



