

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session



COMMITTEE REPORT NO. 73

Submitted by the COMMITTEE ON TRADE AND INDUSTRY on

NOV 06 2019

Re : House Bill No. 59
Recommending its approval in consolidation with House Bills Numbered 192, 344, 402, 1222, 3502, 4484 and 4554.

Sponsor : Representative Wes T. Gatchalian

Mr. Speaker:

The Committee on Trade and Industry to which were referred:

House Bill No. 59 introduced by Rep. Victor A. Yap, entitled: 'AN ACT SETTING THE MINIMUM PAID UP CAPITAL AND LOCALLY PRODUCED STOCK INVENTORY REQUIREMENTS FOR FOREIGN RETAIL BUSINESS ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8762, OTHERWISE KNOWN AS THE "RETAIL TRADE LIBERALIZATION ACT OF 2000"';

House Bill No. 192 introduced by Reps. Estrellita B. Suansing and Horacio P. Suansing, entitled: 'AN ACT SETTING THE MINIMUM PAID UP CAPITAL AND LOCALLY PRODUCED STOCK INVENTORY REQUIREMENTS FOR FOREIGN RETAIL BUSINESS ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8762, OTHERWISE KNOWN AS THE "RETAIL TRADE LIBERALIZATION ACT OF 2000"';

House Bill No. 344 introduced by Rep. Xavier Jesus D. Romualdo entitled: 'AN ACT SETTING THE MINIMUM PAID UP CAPITAL AND LOCALLY PRODUCED STOCK INVENTORY REQUIREMENTS FOR FOREIGN RETAIL BUSINESS ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8762, OTHERWISE KNOWN AS THE "RETAIL TRADE LIBERALIZATION ACT 2000"';

House Bill No. 402 introduced by Rep. Luis Raymund "LRAY" F. Villafuerte, Jr. entitled: **'AN ACT SETTING THE MINIMUM PAID UP CAPITAL AND LOCALLY PRODUCED STOCK INVENTORY REQUIREMENTS FOR FOREIGN RETAIL BUSINESS ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8762, OTHERWISE KNOWN AS THE "RETAIL TRADE LIBERALIZATION ACT of 2000"'**;

House Bill No. 1222 introduced by Rep. Joey Sarte Salceda entitled: **'AN ACT SETTING THE MINIMUM PAID UP CAPITAL AND LOCALLY PRODUCED STOCK INVENTORY REQUIREMENTS FOR FOREIGN RETAIL BUSINESS ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8762, OTHERWISE KNOWN AS THE RETAIL TRADE LIBERALIZATION ACT OF 2000'**;

House Bill No. 3502 introduced by Rep. Lorna C. Silverio entitled: **'AN ACT AMENDING REPUBLIC ACT NO. 8762, OTHERWISE KNOWN AS THE RETAIL TRADE LIBERALIZATION ACT, AND FOR OTHER PURPOSES'**;

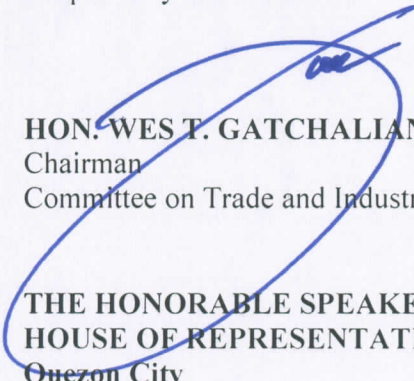
House Bill No. 4484 introduced by Rep. Michael Odylon Romero entitled: **'AN ACT AMENDING REPUBLIC ACT NO. 8762, "OTHERWISE KNOWN THE RETAIL TRADE LIBERALIZATION ACT OF 2000", PROVIDING STIFFER PENALTIES AND SANCTIONS, AND FOR OTHER PURPOSES'** and

House Bill No. 4554 introduced by Rep. Sharon. S. Garin entitled: **'AN ACT SETTING THE MINIMUM PAID UP CAPITAL AND LOCALLY PRODUCED STOCK INVENTORY REQUIREMENTS FOR FOREIGN RETAIL BUSINESS ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8762, OTHERWISE KNOWN AS "THE RETAIL TRADE LIBERALIZATION ACT"'**.

has considered the same and recommends the approval of House Bill No. 59, without amendment in consolidation with House Bills Numbered 192, 344, 402, 1222, 3502, 4484 and 4554 with Reps. Victor A. Yap, Estrellita B. Suansing, Xavier Jesus D. Romualdo, Luis Raymond "LRAY" F. Villafuerte, Jr., Joey Sarte Salceda, Lorna C. Silverio, Michael L. Romero, Sharon S. Garin, Horacio P. Suansing, Jr., Fernando T. Cabredo, Ronnie L. Ong, Antonio "Tonypet" T. Albano, Peter John D. Calderon, Jorge Antonio P. Bustos, John Marvin "Yul Servo" C. Nieto, Lianda B. Bollila, Ferdinand Martin G. Romualdez, Fredenil H. Castro, Alfred C. Delos Santos, Wes T. Gatchalian, Braeden John Q. Biron, Kristine Singson-Meehan, Leo Rafael M. Cueva, Gabriel H. Bordado, Jr., Allan Benedict S. Reyes, John Reynald M. Tiangco, Mark O. Go, Antonino G. Calixto, Strike B. Revilla, Camille A. Villar, Franz "Chicoy" Alvarez, Rosanna "Ria" Vergara, Emmarie "Lolypop" M. Ouano-Dizon, Jesus "Bong" C. Suntay, Ma. Theresa V. Collantes, Michael John R. Duavit, Eric Aristotle C. Aumentado, Luis N. Campos, Jr., Manuel T. Sagarbarria, Julianne "Jam" L. Baronda, Junie E. Cua, Elisa "Olga" T. Kho, Eric L. Olivarez, Eric M. Martinez, Jose Enrique "Joet" S. Garcia III, Francisco Jose "Bingo" F. Matugas, Rogelio D. Pacquiao, Marisol C. Panotes, Leonardo L. Babasa, Jr., Jumel Anthony I. Espino, Rodolfo B. Albano, Alfredo A. Garbin, Jr., Christian S. Unabia, Jake Vincent Villa, Elizalde S. Co, Stella Luz A. Quimbo, Florida

"Rida" P. Robes, Michael T. Defensor, Emmanuel "Tawi" Billones, Virgilio S. Lacson, Carl Nicolas C. Cari, Adriano A. Ebcas and Prospero A. Pichay, Jr.

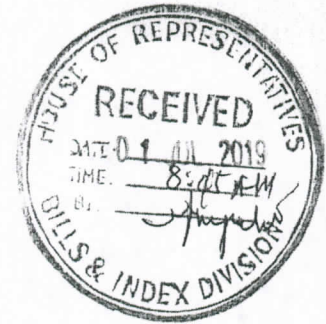
Respectfully Submitted:



HON. WES T. GATCHALIAN
Chairman
Committee on Trade and Industry

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES

House Bill No. 59

Introduced by Representative VICTOR A. YAP

EXPLANATORY NOTE

Republic Act No. 8762 or the Retail Trade Liberalization Act was passed in 2000 to promote productive investment that will bring down price for Filipino consumers, create more jobs, assist small manufacturers, and stimulate economic growth.

Under the current law, enterprises with paid-up capital of less than US\$2.5 million "shall be reserved exclusively for Filipino citizens and corporations wholly owned by Filipino citizens." As such, only enterprises with a minimum capitalization of \$2.5 million or more may be owned fully by foreigners. This requirement is among the highest in ASEAN, and has been deemed restrictive by foreign investors.

To relax barriers to entry of foreign investment in retail trade, this bill aims to lower the required minimum capital for foreign retail investors to US\$200,000. The measure likewise reduces the required locally manufactured products carried by foreign retailers from 30 percent to 10 percent of the aggregate cost of their stock inventory.

These amendments would open up the Philippine retail industry which would result in greater variety of products, more competitive local players, inflow of new technology, and more importantly, more jobs for Filipinos.

In view of the foregoing, the immediate passage of this bill is earnestly sought.



VICTOR A. YAP

Representative, 2nd District of Tarlac

HOUSE OF REPRESENTATIVES

59
House Bill No. _____

Introduced by Representative VICTOR A. YAP

AN ACT
SETTING THE MINIMUM PAID-UP CAPITAL AND LOCALLY PRODUCED STOCK
INVENTORY REQUIREMENTS FOR FOREIGN RETAIL BUSINESS ENTERPRISES,
AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8762, OTHERWISE KNOWN AS
THE "RETAIL TRADE LIBERALIZATION ACT OF 2000"

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

1 SECTION 1. Section 5 of Republic Act No. 8762 is hereby amended to read as follows:

2 "SEC. 5. *Foreign Equity Participation.* -- Foreign-owned partnerships, associations and
3 corporations formed and organized under the laws of the Philippines may, upon registration
4 with the Securities and Exchange Commission (SEC) and the Department of Trade and Industry
5 (DTI), or in case of foreign-owned single proprietorships, with the DTI, engage or invest in the
6 retail trade business [, subject to the following categories:] **WITH A MINIMUM PAID-UP**
7 **CAPITAL OF THE EQUIVALENT IN THE PHILIPPINE PESOS OF TWO HUNDRED**
8 **THOUSAND US DOLLARS (US\$200,000.00)**

9 "[Category A – Enterprises with paid-up capital of the equivalent in the Philippine Pesos
10 of less than Two million five hundred thousand US dollars (US\$2,500,000.00) shall be reserved
11 exclusively for Filipino citizens and corporations wholly owned by Filipino citizens.]

12 "[Category B – Enterprises with a minimum paid-up capital of the equivalent in the
13 Philippine Pesos of Two million five hundred thousand US dollars (US\$2,500,000.00) but less
14 than Seven million five hundred thousand US dollars (US\$7,500,000.00) may be wholly owned
15 by foreigners except for the first two (2) years after the effectivity of this Act wherein foreign
16 participation shall be limited to not more than sixty percent (60%) of total equity.]

17 "[Category C – Enterprises with a paid-up capital of the equivalent in the Philippine
18 Pesos of Seven million five hundred thousand US dollars (US\$7,500,000.00) or more may be
19 wholly owned by foreigners: *Provided, however,* That in no case shall the investments for
20 establishing a store in Categories B and C be less than the equivalent in Philippine Pesos of
21 Eight hundred thirty thousand US dollars (US\$830,000.00).]

22 "[Category D – Enterprises specializing in high-end or luxury products with a paid-up
23 capital of the equivalent in the Philippine Pesos of Two hundred fifty thousand US dollars
24 (US\$250,000 00) per store may be wholly owned by foreigners.]

25 "The foreign investors shall be required to maintain in the Philippines the full amount of
26 [the prescribed minimum] **ITS PAID-UP** capital, unless the foreign investor has notified the
27 SEC and the DTI of its intention to repatriate its capital and cease operations in the Philippines.
28 The actual use in Philippine operations of the inwardly remitted [minimum] capital
29 [requirement] shall be monitored by the SEC.

1 "Failure to maintain the [full] amount of [the prescribed minimum] **PAID-UP** capital
2 **REQUIRED IN THE IMMEDIATELY PRECEDING PARAGRAPH**, prior to notification
3 of the SEC and the DTI, shall subject the foreign investors to penalties or restrictions on any
4 future trading activities/business in the Philippines.

5 "Foreign retail stores shall secure a certification from the Bangko Sentral ng Pilipinas
6 (BSP) and the DTI, [which will] **TO** verify or confirm **THE** inward remittance of [the minimum
7 required] **THEIR** capital investment."

8 Sec. 2. Section 6 of Republic Act No. 8762 is hereby deleted.

9 Sec. 3. Section 7 of Republic Act No. 8762 is hereby deleted.

10 Sec. 4. Section 8 of Republic Act No. 8762 is hereby amended to read as follows:

11 "Sec. 8 [*Qualifications of Foreign Retailers*] **USE OF FOREIGN RETAILERS OF**
12 **HIGH-END GOODS.** – [No foreign retailer shall be allowed to engage in retail trade in the
13 Philippines unless all the following qualifications are met:]

14 "[a] A minimum of Two hundred million US dollars (US\$200,000.00) net worth in its
15 parent corporation for Categories B and C, and Fifty million US dollars (US\$50,000,000.00) net
16 worth in its parent corporation for Category D;]

17 "[b] Five (5) retailing branches or franchises in operation anywhere around the world
18 unless such retailer has at least one (1) store capitalized at a minimum of Twenty-five million
19 US dollars (US\$25,000,000.00);]

20 "[c] Five (5)-year track record in retailing; and]

21 "[d)] Only nationals from [,] or juridical entities formed or incorporated in countries
22 which allow the entry of Filipino retailers shall be allowed to engaged in retail trade in the
23 Philippines.

24 "The DTI is hereby authorized to pre-qualify all foreign retailers, subject to the
25 provisions of this Act, before they are allowed to conduct business in the Philippines.

26 "The DTI shall keep a record of qualified foreign retailers who may, upon compliance
27 with law, establish retail stores in the Philippines. [It shall ensure that the parent retail trading
28 company of the foreign investor complies with the qualifications on capitalization and track
29 record prescribed in this section.]

30 "The Inter-Agency Committee on Tariff and Related Matters of the National Economic
31 and Development Authority (NEDA) Board shall formulate and regularly update a list of
32 foreign retailers of high-end or luxury goods and render an annual report on the same to
33 Congress."

34 "Sec. 5. Section 9 of Republic Act No. 8762 is hereby amended to read as follows:

35 "SEC. 9. *Promotion of Locally Manufactured Products.* – [For ten (10) years after the
36 effectivity of this Act, at] **AT** least [thirty] **TEN** percent [(30%)] **(10%)** of the aggregate cost of
37 the stock inventory of foreign retailers [falling under Categories B and C and ten percent (10%)
38 for Category D] shall be made in the Philippines."

39 SEC. 6. *Separability Clause.* – If any portion or provision of this Act is declared
40 unconstitutional, the remainder of this Act or any provision not affected thereby shall remain in force
41 and effect.

1 SEC. 7. *Repealing Clause.* - Republic Act No. 8762, and all laws, decrees, orders, rules and
2 regulations or other issuances or parts thereof inconsistent with the provisions of this Act are hereby
3 repealed or modified accordingly.

4 SEC. 8. *Effectivity.* - This act shall take effect fifteen (15) days after its publication in the
5 *Official Gazette* or in a newspaper of general circulation.

6 Approved,

FACT SHEET

HOUSE BILL NO. 59

(In consolidation with House Bills Numbered 192, 344, 402, 1222, 3502, 4484 and 4554 as approved by the Committee on Trade and Industry on August 27, 2019)

AN ACT

SETTING THE MINIMUM PAID UP CAPITAL AND LOCALLY PRODUCED STOCK INVENTORY REQUIREMENTS FOR FOREIGN RETAIL BUSINESS ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8762, OTHERWISE KNOWN AS THE RETAIL TRADE LIBERALIZATION ACT

Introduced by: Representatives Yap (V.), Suansing (E.), Romualdo, Villafuerte, Jr., Salceda, Silverio, Romero, Garin (S.), Suansing Jr.(P.), Cabredo, Ong (R.), Albano(A.), Calderon, Bustos, Nieto, Bollila, Romualdez (F.M.), Castro(F. H.), Delos Santos, Gatchalian, Biron, Singson-Meehan, Cueva, Bordado, Reyes, Tiangco, Go, Calixto, Villar, Alvarez(F.), Vergara, Ouano-Dizon, Suntay, Collantes, Duavit, Aumentado, Campos, Sagarbarria, Baronda, Cua, Kho, Olivarez, Martinez, Garcia(J.E.), Matugas, Pacquiao (R.D.), Panotes, Babasa, Espino, Albano(R.B.), Garbin, Unabia, Villa, Co(E.), Quimbo, Robes, Defensor(M.), Billones, Lacson, Cari, Ebcas and Pichay.

*Committee Referral: **COMMITTEE ON COMMITTEE ON TRADE AND INDUSTRY**
Committee Chairperson: **REP. WES T. GATCHALIAN***

OBJECTIVE:

- To remove barriers to foreign investments in the local retail sector and open up the Philippine retail industry thus promoting greater variety of products, more choices of goods for consumers, the inflow of new technology, and employment of more Filipinos.

KEY PROVISIONS:

- Mandates foreign-owned partnerships, associations and corporations formed and organized under the laws of the Philippines, desiring to engage or invest in the local retail trade to, upon registration with the Securities & Exchange Commission (SEC) and the Department of Trade & Industry (DTI), or in the case of foreign owned single proprietorships, with the DTI, put up a minimum paid-up capital of the equivalent in Philippine Peso of Two Hundred Thousand US Dollars (US\$ 200,000.00)
- Removes the requirement under Republic Act No. 8762 for foreign investors acquiring shares of stock of local retailers;
- Removes the requirement under Republic Act No. 8762 for public offering of shares of stock by foreign owned retail enterprises;
- Eliminates the required net worth, number of retailing branches, and retailing track record conditions for foreign retailers to engage in retail trade in the Philippines;

- Permits only nationals from, or judicial entities formed or incorporated in countries which allow the entry of Filipino retailers to engage in retail trade in the Philippines;
- Reduces the required locally manufactured products carried by foreign retailers from thirty percent (30%) to ten percent (10%) of the aggregate cost of their stock inventory.

RELATED LAWS:

- Republic Act No. 8762 i.e. Retail Trade Liberalization Act of 2000