

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**EIGHTEENTH CONGRESS**  
First Regular Session

**HOUSE BILL NO. 402**



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Introduced by **HON. LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.**

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**EXPLANATORY NOTE**

The Philippine economy has seen a significant growth in the last several years and is seen to sustain a strong growth in the coming years<sup>1</sup>. According to a United Nations report<sup>2</sup>, the country enjoyed accelerated public investment growth in 2018. Yet on the same year, foreign investment inflows declined as more foreign businesses chose to withdraw their placements<sup>3</sup> and continued to slip until the first quarter of 2019<sup>4</sup>.

Despite this, the President has continually urged other countries to invest in the Philippines in his foreign visits. This was the highlight in his visits to Thailand<sup>5</sup> and Japan<sup>6</sup> as President Duterte presented the country as a "very good investment destination".

However, current policies in place may hinder this thrust in foreign investments. To resolve this, the government is pursuing the liberalization of foreign investment in terms of foreign equity restriction<sup>7</sup> through policy reforms specifically intended for this<sup>8</sup>. Foreign investments are important as these are additional resources that improve economic activities and further development.

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<sup>1</sup> <https://www.worldbank.org/en/news/press-release/2019/04/01/philippines-to-sustain-strong-growth-amidst-local-and-global-uncertainties>

<sup>2</sup> <https://business.inquirer.net/264005/un-sees-philippine-economy-to-grow-6-5-in-2019>

<sup>3</sup> <https://www.philstar.com/business/2019/03/12/1900600/foreign-investments-drop-2018>

<sup>4</sup> <https://business.inquirer.net/272384/foreign-investments-slip-15-in-1st-quarter>

<sup>5</sup> <https://businessmirror.com.ph/2019/06/22/duterte-thanks-thai-business-leaders-urges-more-investments-to-ride-momentum-of-phl-growth/>

<sup>6</sup> <https://news.abs-cbn.com/business/05/29/19/duterte-to-japanese-businessmen-we-will-kill-investment-problems>

<sup>7</sup> <https://news.mb.com.ph/2019/06/21/ph-remains-very-good-investment-destination-lopez/>

<sup>8</sup> <http://manilastandard.net/business/economy-trade/288825/retail-trade-being-amended-pernia.html>

In aid of this pursuit, this bill intends to amend the Retail Trade Liberalization Act of 2000, or Republic Act No. 8762, and lessen the minimum paid-capital of foreign-owned businesses. From needing \$830,000 to invest in the country, a foreign firm would only need \$200,000 to enter the local retail industry. In order to accommodate more foreign investors in the country, this bill also proposes to help ease in the entry of foreign retailers by minimizing the equity and capitalization requirements needed. This is in line with the administration's bid to make the Philippines host to more foreign investments and create a more favorable investment environment.

In view of the urgency of this policy reform, the approval of this bill is earnestly sought.



**LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.**

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**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:*

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

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

“[Category A – Enterprises with paid-up capital of the equivalent in Philippine Pesos of less than Two million five hundred thousand US dollars (US\$ 2,500,00.00) shall be reserved exclusively for Filipino citizens and corporations wholly owned by Filipino citizens.]

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

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

“[Category D – Enterprises specializing in high-end or luxury products with a paid-up capital of the equivalent in Philippine Pesos of Two hundred fifty thousand US dollars (US\$ 250,000.00) per store may be wholly owned by foreigners.]

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

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

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

**SECTION 2.** Section 6 of Republic Act No. 8762 is hereby deleted.

**SECTION 3.** Section 7 of Republic Act No. 8762 is hereby deleted.

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

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

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

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

“[(c) Five (5) year track record in retailing; and]

“(d)] Only national from [,] or juridical entities formed or incorporated in countries which allow the entry of Filipino retailers shall be allowed to engage in retail trade in the Philippines.

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

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

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

**SECTION 5.** Section 9 of Republic Act No. 8762 is hereby amended to read as follows:

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

**SECTION 6. *Separability Clause.*** – Should any provision herein be declared unconstitutional, the same shall not affect the validity of the other provisions of this Act.

**SECTION 7. *Repealing Clause.*** – All laws, decrees, orders, rules, and regulations or other issuances or parts inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

**SECTION 8. *Effectivity Clause.*** – This Act shall take effect in fifteen (15) days after publication in the Official Gazette or in one (1) newspaper of general circulation in the Philippines.

*Approved,*