Republic of the Philippines HOUSE OF REPRESENTATIVES Quezon City, Metro Manila

EIGHTEENTH CONGRESS

First Regular Session

HOUSE BILL NO. 344



INTRODUCED BY REPRESENTATIVE XAVIER JESUS D. ROMUALDO

EXPLANATORY NOTE

This bill seeks to remove barriers to foreign investments in the local retail sector and open up the retail industry in the country to provide consumers more options in their selection of goods and services. This will also result to higher revenues for the government and provide employment opportunities to our workers.

This will encourage foreign-owned entities formed and organized in the Philippines and with SEC or DTI registrations. For foreign owned single proprietorships with DTI registrations, the minimum capital requirement is at least U\$ 200,000.00 or its peso equivalent.

In addition, this bill removes the requirement for foreign investors to acquire shares of stock of local retailers and on offering of shares of stock by foreign owned retail enterprises under Republic Act No. 8762 otherwise known as the "Retail Trade Liberalization Act of 2000". It also removes the required net worth, number of retailing branches, and retailing track record conditions for foreign retailers to engage in retail trade in the Philippines.

It respects the rule of reciprocity and 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.

This bill also reduces the required locally manufactured products carried by foreign retailers from thirty (30%) percent to ten (10) percent of the aggregate cost of their inventory.

The support of the Members of Congress for the early passage of this bill is earnestly sought.

XAVIER JESUS D. ROMUALDO

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HOUSE BILL NO.

INTRODUCED BY REPRESENTATIVE XAVIER JESUS D. ROMUALDO

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
2	follows:
3	"SEC. 5. Foreign Equity Participation Foreign-owned partnerships,
4	associations and corporations formed and organized under the laws of the Philippines
5	may, upon registration with the Securities and Exchange Commission (SEC) and the
6	Department of Trade and Industry (DTI), or in case of foreign-owned single
7	proprietorship, with the DTI, engage or invest in the retail trade business [, subject to the
8	following categories:] WITH A MINIMUM PAID-UP CAPITAL OF THE
9	EQUIVALENT IN PHILIPPINE PESO OF TWO HUNDRED THOUSAND US
10	DOLLARS (US\$200,000.00).
11	"[Category A - Enterprises with paid-up capital of the equivalent in
12	Philippine Pesos of less than Two million five hundred thousand US dollars
13	(US\$2,500,000.00) shall be reserved exclusively for Filipino citizens and corporations
14	wholly owned by Filipino citizens.]
15	"[Category B - Enterprises with a minimum paid-up capital of the
16	equivalent in Philippine Pesos of Two million five hundred thousand US dollars
17	(US\$2,500,000.00) but less than Seven million five hundred thousand US dollars
18	(US\$7,500,000.00) may be wholly owned by foreigners except for the first two (2) years
19	after the effectivity of this Act wherein foreign participation shall be limited to not more

20	than sixty percent (60%) of total equity.]
21	"[Category C - Enterprises with a paid-up capital of the equivalent in
22	Philippine Pesos of Seven million five hundred thousand US dollars (US\$7,500,000.00)
23	or more may be wholly owned by foreigners: Provided, however, That in no case shall
24	the investments for establishing a store in Categories B and C be less them the
25	equivalent in Philippine Pesos of Eight hundred thirty thousand US dollars
26	(US\$830,000.00).]
27	"[Category D - Enterprises specializing in high-end or luxury products
28	with a paid-up capital of the equivalent in Philippine Pesos of Two hundred fifty
29	thousand US dollars (US\$250,000.00) per store may be wholly owned by foreigners.]
30	"The foreign investor shall be required to maintain in the Philippines the
31	full amount of [the prescribed minimum] ITS PAID-UP capital, unless the foreign
32	investor has notified the SEC and the DTI of its intention to repatriate its capital and
33	cease operations in the Philippines. The actual use in Philippine operations of the
34	inwardly remitted [minimum] capital [requirement] shall be monitored by the SEC.
35	"Failure to maintain the [full] amount of [the prescribed minimum] PAID-
36	UP capital REQUIRED IN THE IMMEDIATELY PRECEDING PARAGRAPH,
37	prior to notification of the SEC and the DTI, shall subject the foreign investor to
38	penalties or restrictions on any future trading activities/business in the Philippines.
39	"Foreign retail stores shall secure a certification from the Bangko Sentral
40	ng Pilipinas (BSP) and the DTI, [which will] TO verify or confirm THE inward
41	remittance of [the minimum required] THEIR capital investment."
42	
43	SEC. 2. Section 6 of Republic Act No. 8762 is hereby deleted.
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45	SEC. 3. Section 7 of Republic Act No. 8762 is hereby deleted.
46	SLC. J.
47	SEC. 4. Section 8 of Republic Act No. 8762 is hereby amended to read as

48	follows:
49	"SEC. 8. [Qualifications of Foreign Retailers] USE OF FOREIGN RETAILERS
50	OF HIGH-END GOODS [No foreign retailer shall be allowed to engage in retail trade in
51	the Philippines unless all the following qualifications are met:]
52	"[(a) A minimum of Two hundred million US dollars (US\$200,000,000.00) net
53	worth in its parent corporation for Categories B and C, and Fifty million US dollars
54	(US\$50,000,000.00) net worth in its parent corporation for Category D;]
55 56	"[(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
57	million US dollars (US\$25,000,000.00);]
58	
59	"[(c) Five (5)-year track record in retailing; and]
60	"(d)] Only nationals from[,] or juridical entities formed or incorporated in
61	countries which allow the entry of Filipino retailers shall be allowed to engage in retail
62	trade in the Philippines.
63	"The DTI is hereby authorized to pre-quality all foreign retailers, subject
64	to the provisions of this Act, before they are allowed to conduct business in the
65	Philippines.
66	"The DTI shall keep a record of qualified foreign retailers who may, upon
67	compliance with law, establish retail stores in the Philippines. [It shall ensure that the
68	parent retail trading company of the foreign investor complies with the qualifications on
69	capitalization and track record prescribed in this section.]
70	"The Inter-Agency Committee on Tariff and Related Matters of the
71	National Economic AND Development Authority (NEDA) Board shall formulate and
72	regularly update a list of foreign retailers of high- end or luxury goods and render an
73	annual report on the same to Congress.
74	"SEC. 5. Section 9 of Republic Act No. 8762 is hereby amended to read as
75	follows:

76	"Sec. 9. Promotion of Locally Manufactured Products [For ten (10)
77	years after the effectivity of this Act, at] AT least [thirty] TEN percent [(30%)] (10%) of
78	the aggregate cost of the stock inventory of foreign retailers [falling under Categories B
79	and C and ten percent (10%) for Category D] shall be made in the Philippines."
80	SEC. 6. Separability Clause If any portion or provision of this Act is
81	declared unconstitutional, the remainder of this Act or any provision not affected thereby
82	shall remain in force and effect.
83	SEC. 7. Repealing Clause Republic Act No. 8762, and all laws, decrees,
84	orders, rules and regulations or other issuance or parts thereof inconsistent with the
85	provisions of this Act are hereby repealed or modified accordingly.
86	
87	SEC. 8. Effectivity This Act shall take effect fifteen (15) days after its
88	publication in the Official Gazette or in a newspaper of general circulation.
89	Approved,