

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Eighteenth Congress
First Regular Session



HOUSE BILL NO. 1222

Introduced by **Representative JOEY SARTE SALCEDA**

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

EXPLANATORY NOTE

The Retail Trade Liberalization Law or Republic Act No. 8762 was enacted with the avowed objective to “promote consumer welfare in attracting promoting and welcoming productive investment that will bring down price for the Filipino consumer, create more jobs, promote tourism, assist small manufacturers, stimulate economic growth and enable Philippine goods and services to become globally competitive through the liberalization of the retail trade sector.”

R.A. 8762, enacted in March 07, 2000, liberalized investment in retail trade through certain provisions that bring down restrictive and delimiting barriers such as allowing natural born citizen who lost his citizenship to engage in retail trade while enjoying rights granted to Filipino citizens. The law also allows a foreign investor, with a minimum equity participation equivalent in Philippine Pesos of two million five hundred thousand US dollar (US\$2,500,000.00), to fully own a retail establishment, thereby repealing Republic Act No. 1180, enacted in 1954, which prohibited a foreigner from engaging directly or indirectly in the retail business.

Sadly, despite the passage of R.A. 8762 almost two decades ago, the country’s retail trade investments and job creation capability in this sector remain in the doldrums. By comparison, the country lags behind its ASEAN neighbors in terms of investment growth in this sector. Needless to say, R.A. 8762 has failed to accomplish its objectives.

In order to boost the entry of foreign investments in the retail trade sector to make it a more robust contributor to the national economy, there is a need to revisit R.A. 8762. To achieve the original objective of RA 8762, the amendatory bill proposes to set the minimum paid up capital and locally produced stock inventory requirements for foreign retail- business enterprises. With this liberalizing measure, it is envisaged that foreign participation in retail trade business will increase considerably to create more jobs and better quality products at cheaper prices for Filipino consumers.

It is for these foregoing premises that the approval of this bill is earnestly sought.



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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 Philippines 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 **WITH A MINIMUM PAID-UP CAPITAL OF THE EQUIVALENT IN PHILIPPINE PESO OF TWO HUNDRED THOUSAND US DOLLARS (US\$ 200,000.00).** [, subject to the following categories:]

[*Category A* - Enterprises with paid-up capital of the equivalent in Philippine Pesos of less than Two million five hundred thousand US dollars (US\$2,500,000.00) 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 verify or confirm inward remittance of **ITS** [the minimum required] capital investment.

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

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

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

“Sec. 8. *Qualification of Foreign Retailers* [No foreign retailer shall be allowed to engage in retail trade in the Philippine unless all the following qualifications are met:

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

(b) (5) retailing branches or franchises in operation anywhere around the word 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 nationals 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 Philippine. [It shall ensure that 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 Authority under the 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.

SEC. 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) year after the effectivity of this Act, at] **AT** least [thirty] **TEN** percent **(10%)** [(30%)] 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.

SEC. 6. *Separability Clause.* – If any provision of this Act is held invalid or unconstitutional, the remaining parts or provisions not affected shall remain in full force and effect.

SEC. 7. *Repealing Clause.* – All laws, decrees, executive orders and proclamations, rules and regulations or parts thereof inconsistent with this Act, are hereby amended or modified accordingly.

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

Approved,