



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Eighteenth Congress
First Regular Session

House Bill No. 4554



Introduced by Representative Sharon S. Garin

EXPLANATORY NOTE

Republic Act 8762, otherwise known as Retail Trade Liberalization Act of 2000, was designed to create a market where Filipino consumers can enjoy better services and higher quality of goods for cheaper prices. It opened the retail industry to new players and leveled the playing field among Filipino business owners and foreign investors.

This measure, however, was created 20 years ago and can barely meet the demands posed by rapid globalization. In terms of retail trade, the Philippines is struggling to keep up with its ASEAN neighbors due to the country's restrictive policies. To usher a more productive retail industry, this bill aims to lower the minimum paid-up capital for foreign retail business enterprises and require them create a locally-produced stock inventory. Further, to ensure bilateral cooperation, only nationals from or juridical entities formed or incorporated in countries where Filipinos retailers are allowed entry shall be allowed to engage in retail trade in the Philippines.

This representation maintains that the global paradigm shift toward economic liberalism calls for a policy change. The expected influx of foreign investments upon the enactment of this bill will increase economic activity and employment for the benefit of the Filipino consumer.

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


SHARON S. GARIN
AAMBIS OWA Party-list



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House Bill No. **4554**

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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

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,