

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3200

Introduced by Hon. SIGFRIDO R. TINGA

EXPLANATORY NOTE

The bill seeks to make the Philippine arts and entertainment industry more competitive with the provision of the necessary tax breaks to the industry. The bill seeks to give corporate tax breaks and certain importation privileges to the local film and entertainment industry, and to exempt venue operators showing local films, as well as art and music events featuring local artists, from the payment of amusement tax.

The Philippine arts and entertainment industry finds itself hard pressed to compete in a world of endless entertainment choices. Foreign films and entertainment products continue to improve as evidenced by the growth of their market share here in the Philippines, as well as the abundance of international movies and entertainment options from all over the world.

Home entertainment, from video games to home movies to the internet, are also cornering time that we used to spend on watching movies, local cultural events and the like.

The ease of digital piracy and lack of copyright protection have also taken their toll on both the local film and music industry. Musicians who have lost opportunities to earn on royalties from album sales are now dependent on making a living from live performances. Filmmakers are also wary of making big budget movies only to see them hawked on the sidewalks, a day after their theatrical release. The dramatic decrease from over 200 movies produced locally per year to less than 30 is quite a telling sign of the health of the industry.

Last and not the least is the uncompetitive local environment brought about by the heavy taxation on the industry. There is the amusement tax, the value added tax, as well as the corporate income tax. The over taxation on their gross income makes it difficult for the industry to compete against better-funded and institutionally supported foreign products. In addition, supporting the local film industry by exempting them from the amusement tax, would have very little effect on the government's financial state, since there currently is hardly any industry to tax anyway.

The arts and entertainment industry, particularly film and music, is a hit or miss business. There is currently no room for experimentation and risk taking. The result of this is that most people feel they will lose their shirts if they invest in the entertainment industry. The industry is in dire straits, leading both artists and producers to look elsewhere to exercise their craft or find alternate forms of livelihood.

The Philippines is a country of creative people, whose potential is being stifled by the lack of institutional support in what has become a highly competitive environment. It is high time for the state to be proactive and provide all the necessary legislative and financial support to ensure that Filipino culture survives and flourishes.

In view of the foregoing consideration, approval of this measure is urgently recommended.



SIGFRIDO R. TINGA
Representative
2nd District, Taguig City

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**AN ACT PROMOTING THE LOCAL ARTS AND ENTERTAINMENT
INDUSTRY BY PROVIDING THE LOCAL MOVIE AND FILM
INDUSTRY CORPORATE TAX BREAKS AND EXEMPTING VENUE
OPERATORS FROM THE PAYMENT OF AMUSEMENT TAX WHEN
SHOWING LOCALLY PRODUCED FILMS AND MUSIC EVENTS
FEATURING FILIPINO ARTISTS**

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

SECTION 1. *Short Title.* – This Act shall be known as the “*Local
Arts And Entertainment Industry Promotions Act.*”

SECTION 2. – Declaration of Policy. – It is hereby declared policy of the
State to protect the local arts and entertainment industry and raise its
competitiveness in the international marketplace, as well as keep the industry
afloat despite the threat of digital piracy, by providing them the necessary income
tax breaks, and exempting exhibitors from the payment of amusement tax thus
assisting producers, film companies, and local artists in reducing their costs,
improving the quality of their craft, and making their product more competitive in
the global marketplace.

SECTION 2. – Tax Exemption. – Any local producer of a film or movie
utilizing all local staff may claim the total expenses incurred in the execution and
showing of the film: *Provided*, that the claim for exemption shall be allowed as

deductions from the company's gross income for the same taxable year: Provided further, that the total amount of the claimed tax exemption shall be included in their gross income or revenues and shall be subject to proper documentations and to the provisions on allowable deductions covered by Chapter IX of the National Internal Revenue Code (NIRC) as amended.

SECTION 3. Section 140 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991 is hereby amended to read as follows:

“SECTION 140. Amusement Tax – (a) The province may levy an amusement tax, to be collected from the proprietors, lessees, or operators of theaters, cinemas, concert halls, circuses, boxing stadia and other places of amusement at a rate of not more than thirty percent (30%) of the gross receipts from admission fees, PROVIDED, THAT THIS IMPOSITION SHALL NOT APPLY TO LOCALLY PRODUCED FILMS THAT FEATURE A PREDOMINANTLY FILIPINO CAST, THAT HAVE BEEN CLASSIFIED BY THE MOVIE AND TELEVISION REVIEW AND CLASSIFICATION BOARD (MTRCB) AS FIT FOR COMMERCIAL VIEWING.

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(c) The holding of LOCALLY PRODUCED operas, concerts, dramas, recitals, painting and art exhibitions, flower shows, musical programs, literacy and oratorical presentations [(except) INCLUDING pop, rock or similar concerts]] FEATURING FILIPINO ARTISTS shall be exempt from the tax herein imposed.

SECTION 4. Section 109 of Republic Act No. 8424, otherwise known as the National Internal Revenue Code, as amended by Republic Act No. 8424, otherwise know as the National Internal Revenue Code, as amended by Republic Act No. 9337, is hereby amended to read as follows:

“SECTION 109. Exempt Transactions – (1) Subject to the provisions of subsection (2) hereof the following transactions shall be exempt

from the value added tax:

IMPORTATION OF RAW MATERIALS AND EQUIPMENT BY PERSONS ENGAGED IN THE BUSINESS OF MAKING FILMS AND OTHER CINEMATOGRAPHIC WORK, FOR USE IN PRODUCING SUCH FILMS, INCLUDING BUT NOT LIMITED TO DIGITAL MEDIA, PROVIDED THAT THE BUREAU OF INTERNAL REVENUE SHALL HAVE THE EXCLUSIVE RIGHT TO DETERMINE, AFTER PRIOR CONSULTATION WITH MEMBERS OF THE FILM INDUSTRY, THE RAW MATERIALS AND EQUIPMENT THAT SHALL BE EXEMPT FROM VALUE ADDED TAX

SECTION 5. - *Implementing Rules and Regulations.* – The Chairman of the MTRCB shall, in consultation with the film producers in the Philippines and the Bureau of Internal Revenue (BIR), within sixty (60) days from the effectivity of this Act, issue the necessary rules and regulations for the effective implementation of this Act.

SECTION 6. *Repealing Clause.* – All laws, decrees, executive orders, proclamations, rules and regulations, and other issuances, or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 7. *Effectivity.* – This Act shall take effect fifteen (15) days after publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved.