

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



16th CONGRESS
First Regular Session

HOUSE BILL NO. 4283

Introduced by Representative REGINA ONGSIAKO REYES
Lone District, Marinduque

EXPLANATORY NOTE

The Overseas Filipino Workers (OFWs) who according to the latest **2012 Survey on Overseas Filipinos (SOF)** conducted by the National Statistics Office estimated a total of 2.2 million Overseas Filipino Workers (OFWs) deployed all over the world during the period April to September 2012¹, continue to be the subject of several studies on migration—their contribution to the country's economic resilience, the effects (both positive and negative) of migration to society and the family, and the bleak prospects for employment here in the country.

The Philippine government has touted OFWs as modern heroes—and with good reason. With more than eight million Filipinos spread across 214 countries, OFW's have somehow become the international visage of the country and the backbone of its national economy.² Their annual remittances have helped keep the economy afloat, with a substantial portion of our country's Gross Domestic Product (GDP) coming from OFW remittances. In fact, in the last four decades, our country has

¹ www.census.gov.ph/content/total-number-ofws-estimated-22-million-results-2012-survey-overseas-filipinos

² "Analysis: The Perils of Our Labor Export Policy" by Richard Javad Heydarian, September 11, 2011.

become one of the world's most remittance-based economies.³ The *Bangko Sentral ng Pilipinas* (BSP) reports that in 2013, Overseas Filipinos remittances reached US\$ 21.3 Billion⁴. Next to India, China and Mexico, the Philippines is the country receiving the fourth largest amount of remittances.⁵ This growth in remittances is attributable to the following factors: diversity of the skills and expertise of the OFW's, new and expanded markets for labor migration, and expansion of bank and non-bank services tailored-fit for OFW's.⁶ These remittances boost domestic consumption and are also the biggest source of foreign exchange for the country. These hard-earned remittances have not only constituted a growing share of our total economic output, but they have also resuscitated our embattled economy in periods of acute economic crisis.⁷ OFW remittances also contribute so much to the economy's growth on a macroeconomic level since it promotes competitiveness in terms of the exchange rate.⁸ On a microeconomic level, however, the remittances affect a household's consumption patterns and it enhances the household's propensity to save.⁹

According also to the BSP, remittances from OFW's are beneficial, for aside from boosting our economic growth, it underpins private consumption, raises savings, increases investment in human capital, especially in relation to the education and health of the beneficiaries thereof, and it broadens the middle class sector of society.¹⁰ These remittances have also allowed us to amass record-high levels of foreign exchange reserves, thereby protecting us against sudden currency devaluation and allowing us to preserve a healthy balance of trade.¹¹ The remittances sent

³ *Ibid.*

⁴ <http://www.bsp.gov.ph/statistics/keystat/ofw.htm>

⁵ <http://siteresources.worldbank.org/INTLAC/Resources/Factbook2011-Ebook.pdf>

⁶ "Reducing the Cost of Remittances and Channeling Remittances Towards Development: The Philippine Experience" by Imelda M. Nicholas, Chairperson, Commission on Filipinos Overseas (CFO), January 2012.

⁷ "Analysis: The Perils of Our Labor Export Policy" by Richard Javad Heydarian, September 11, 2011.

⁸ "Remittances as Avenue for Encouraging Household Entrepreneurship Activities" by John Paolo Rivera and Paolo Reyes, *Journal of International Business Research*, December 1, 2011.

⁹ *Ibid.*

¹⁰ "Reducing the Cost of Remittances and Channeling Remittances Towards Development: The Philippine Experience" by Imelda M. Nicholas, Chairperson, Commission on Filipinos Overseas (CFO), January 2012.

¹¹ "Analysis: The Perils of Our Labor Export Policy" by Richard Javad Heydarian, September 11, 2011.

home by OFW's is a key driver of consumption, which fuels the engine of the economy more than government spending does. It also stabilizes the peso and keeps the balance of payments in surplus.¹² Indeed, our migrant workers are indispensable to our national economic survival.¹³ Recognizing the significant contributions of our overseas Filipinos, various laws are enacted in their favor.

Aside from sending remittances to their relatives in the Philippines, many Filipino associations overseas send donations to humanitarian projects, scholarships and microcredit schemes in their towns of origin.¹⁴ Other OFWs express their intent to help the country by investing.¹⁵

The State aggressively promotes investment in our country to prevent shifting business investments abroad since it will reduce economic growth and wage. Investments cause flow of money into the economy which stimulates economic activity. It will also result to increase in employment opportunities, give domestic producers an incentive to become more efficient and increase stakeholders in the government of the country. According to the BSP, investments increase the pool of resources available to both households and corporate borrowers for their credit needs, and this help sustain economic activity.¹⁶

The Philippines is one of the desirable countries to invest in due to its workforce, with higher education priority, the literacy rate in the country is 94.6% -- among the highest. Not to mention that the Philippines is located right in the heart of Asia – a strategic business location. As an archipelago, the Philippines offer diverse natural resources, from land to marine to mineral resources. Finally, the Philippines is sought after by foreign corporations because it has one of the lowest cost of doing business since wages are typically less than a fifth of that in the United States.¹⁷

¹² "OFW Pushing Pinoys Out of Poverty", www.catanduanesforum.com

¹³ "Analysis: The Perils of Our Labor Export Policy" by Richard Javad Heydarian, September 11, 2011.

¹⁴ *supra*

¹⁵ <http://overseaspinoyinvestor.com/category/inspirational/>

¹⁶ "Bangko Sentral Notes Growing Investments by OFWS", The Philippine Star, June 14, 2009.

¹⁷ Department of Trade and Industry website; <http://www.dti.gov.ph/dti/index.php?p=137>

The State has likewise sought investment by our Overseas Filipino Workers. In fact, the BSP has created an investment program for OFWs to channel remittances into developing the capital market. These include encouraging OFWs and their families to increase savings and investments through bank investment products and services, hedging program and Long-Term Negotiable Certificates of Deposit for OFWs, as well as microfinance. The BSP, in a report, also said that the number of Filipino households investing a portion of the money they receive from loved ones abroad is steadily increasing. A survey conducted by the BSP in January, 2012 showed that 8.5% of households that depend on remittances invested a portion of the money usually in small businesses. It also said that putting money in investments creates a higher multiplier effect for the economy, given that micro businesses generate employment and contribute to the increase in overall incomes.¹⁸

These investments, if entered into by our OFW's, would help generate more new jobs for those who are currently unemployed. This will only be a possibility, however, if the Philippines will accept that its comparative advantage is on the export of manpower, through the OFW's, and if it will harness the massive volume of remittances that flows to the economy.¹⁹ If the remittances of the OFW's are made productive through investments in entrepreneurial activities, then it can provide domestic employment which, obviously, addresses the unemployment rate in the domestic labor market and will thus reduce dependence on remittances.²⁰

Should the OFW invest by venturing into business enterprises through the use of remittances, it will potentially increase household income on the microeconomic level and address national issues specifically poverty through the provision of employment. According to some studies, the households who receive remittances earn more on their investments than their non-receiving counterparts. This can be a source of motivation for

¹⁸ "More PH Families Investing OFW Money, BSP Says", Philippine Daily Inquirer, April 1, 2012.

¹⁹ "Remittances as Avenue for Encouraging Household Entrepreneurship Activities" by John Paolo Rivera and Paolo Reyes, Journal of International Business Research, December 1, 2011.

²⁰ Ibid.

entrepreneurship, which promotes financial independence and decreases the dependency for further remittances in the future. One way for OFW's to invest is through the establishment of new businesses, specifically, small businesses, also known as micro small and medium enterprises or MSME's, whose objective is to maximize profits. Should the OFW decide to stay in the Philippines, this is now an alternative source of income since getting another contract abroad is not guaranteed. Meanwhile, MSME's will provide employment and contribute to national income growth. Investment in a business means placing remittances into productive use and a rational entrepreneur will always drive its business to its maximum potential.²¹

The State, therefore, should do its share in encouraging OFW's to make such investments possible and undertake positive action to uplift the quality of their lives, and it may do so through government intervention, with the help of LGU's and even NGO's. The government must also promote good governance and reduce political risks for economic stability to address the problem of risk aversion which is a concern in entrepreneurship. Furthermore, by successfully encouraging OFW's to engage in business, the State will promote household development, which can diffuse to other households through employment generation.²²

However, the State's present programs are clearly insufficient to encourage our OFWs to invest their hard-earned money in our country and assist them in attaining financial stability to facilitate their reintegration and improve the quality of their lives. While there are various laws enacted giving incentives for investments in the Philippines²³ in general, however none of which specifically caters for our OFWs and their immediate family members. Recognizing their contributions to our economy and the strong possibility of economic boosts due to their investments, this bill therefore, seeks to grant additional benefits to our overseas workers by allowing them to enjoy financial incentives and other related benefits.

²¹ Ibid.

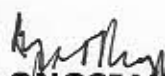
²² Ibid.

²³ <http://www.dti.gov.ph/uploads/DownloadableForms/Incentives.pdf>

This bill also aims to give reductions on the required business charges and fees should the OFW and his/her immediate family members decide to establish businesses or engage in entrepreneurial activities in our country, with such businesses creating more employment opportunities for many of our unemployed countrymen and thus, contributing too to our country's economic growth. Such incentives and reductions will not have any negative impact on the aim of the government to gain more avenues for it to function properly and deliver the basic services to the people. On the other hand, considering that the investments by the OFW's involve new businesses, the incentives and reductions proposed under this bill would redound to the benefit of the government in the long run. This is because the new businesses would create more jobs and sources of income, which will then be the source of more taxes to the government, and such businesses may even attract potential foreign investors, which will then trigger further economic growth for our country.

With the enactment of this bill, it is hoped that it will now be easier for the OFWs and their families to establish businesses or enter into investments with other businesses, as well as with the government, and serve as valuable partners for our nation's progress. More significantly, this bill is geared towards promoting the welfare of millions of our OFWs and their families by helping them attain financial stability and enabling them to have a more secured future in our own country, with highest aspirations that they may be encouraged to come back here in the Philippines to stay - not merely as an OFW spending a much-needed vacation - but as a Filipino returning to their true home for good.

In view of the foregoing, the enactment of this bill into law is earnestly sought.


REGINA ONGSIAKO REYES

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Introduced by Representative REGINA ONGSIAKO REYES
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AN ACT
PROMOTING THE WELFARE OF THE OVERSEAS FILIPINO
WORKERS AND THEIR FAMILIES BY GRANTING
FINANCIAL INCENTIVES AND OTHER RELATED BENEFITS
TOWARDS ATTAINING THEIR FINANCIAL STABILITY AND
UPLIFTMENT OF THE QUALITY OF THEIR LIVES,
AT THE SAME TIME CONTRIBUTING TO LOCAL
ECONOMIC GROWTH, AND FOR OTHER PURPOSES

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
"Overseas Filipino Workers Economic Upliftment Act of
2012."

SECTION 2. *Declaration of Policy.* - The State shall
afford full protection to labor, local and overseas, organized and
unorganized, and promote full employment and equality of
employment opportunities for all. Further, the State recognizes the
significant contribution of Overseas Filipino Workers (OFWs) to the
national economy through their foreign exchange remittances and
their valuable role as a partner for our nation's progress.

Pursuant to these policies, the State shall promote the welfare of the Overseas Filipino Workers as well as their families and assist them in attaining financial stability and upliftment in the quality of their lives by encouraging them to invest in our country. For this purpose, the State shall provide financial incentives, access to government financial institutions and other benefits to Overseas Filipino Workers and their immediate family members who shall engage in business and invest in the Philippines in order to effectively aid their reintegration through the productive use of their remittances and at the same time contribute towards the development of local economies.

SECTION 3. *Coverage.* - The financial incentives and other benefits provided for in this Act may be availed of by any Overseas Filipino Worker who is a registered and active member of the Overseas Workers Welfare Administration (OWWA); *Provided, however,* That an Overseas Filipino Worker who is no longer an active member of OWWA but has been a previous member thereof for at least three (3) years may also avail the financial incentives and other benefits provided for in this Act .

Provided, further, That the immediate family member/s of the Overseas Filipino Worker who are recipient/s of the remittances of the OFWs may also avail of the financial incentives and other benefits provided for in this Act. For purposes of this Act, immediate family members of the OFW shall include his/her spouse and children, or his/her parents, brother(s) and sister(s) if the OFW has no spouse and/or children.

SECTION 4. *Applicability.* The financial incentives and other benefits provided for under this Act shall only apply to new business entities which may be established after the effectivity thereof.

SECTION 5. *Investment Incentives for Overseas Filipino Workers and/or their Immediate Family Members.*
- The following investment incentives may be availed of by an

Overseas Filipino Worker and/or the immediate member of his/her family under this Act:

a) Overseas Filipino Workers and/or their immediate family members shall be accorded unlimited and preferential access to financing from government financial institutions at rates below the market rates;

b) Fifty percent (50%) reduction from payment of the required and necessary fees and fast facilitation of business documents if the investment by the OFW and/or a immediate family member is a business that is related to food or goods that are consumed by the general public (i.e. restaurants, fast-food chains, bakeshops, catering services, sari-sari stores, supermarkets, food manufacturing companies, etc.);

c) Forty percent (40%) reduction on the required business fees and charges if the investment by the OFW and/or a family member is a business that will help foster the education of the youth and help them achieve their goals in life (i.e. private schools and teaching centers, bookstores, publishing companies that publish school books, etc.); or investment that are intended for retirement (i.e. retirement homes and facilities, health clubs, etc.); or a business that is intended to boost Philippine tourism (i.e. leisure parks, resorts, cultural exhibition centers, zoos, etc.);

d) Thirty percent (30%) reduction on the required business fees and charges, and fast facilitation of the processing of the necessary documents, if the business invested in is put up in an underdeveloped area in the country, which business may pave the way for the said area to be promoted as a potential industrial area;

e) Twenty percent (20%) reduction on the required fees and charges, and fast facilitation of processing of the necessary documents, for all other types of business which are not stated above.

SECTION 6. *Tax and Tax-related Incentives for Overseas Filipino Workers and/or their Immediate Family Members.* - The following tax and tax-related incentives may be availed of by the Overseas Filipino Workers and/or their immediate family members:

a) Income Tax Holiday for a period of five (5) years from the date of the start of the operation of the business which the Overseas Filipino Worker or his/her immediate family member has established;

b) Fifty Percent (50%) reduction from income tax for a period of five (5) years commencing from the expiration of the period referred to in the immediately preceding paragraph;

c) Fifty percent (50%) reduction on real property taxes to be paid by the Overseas Filipino Worker and/or an immediate member of his/her family to the Local Government Unit where his/her real property used for business purposes is located, *Provided*, that the said land or building is used for the establishment of a business which is related to education; or foods and/or goods that are consumed by the general public; or is established with the intention of boosting the Philippine tourism industry; or will showcase Filipino heritage and culture; or used for establishment of facilities intended for retirement;

d) Twenty percent (20%) reduction on the required national, local or business taxes, as the case may be, if the house of the Overseas Filipino Worker or an immediate member of his/her family, which is currently used as a family home or for residential purposes, is converted into a business establishment; *Provided*, that the said rate shall be thirty percent (30%), if the business establishment to which the residence is converted to is one which caters to the general public.

SECTION 7. *Simplification of Tax and Investment Procedures.* - The Bureau of Customs shall simplify the customs procedures on the importation of goods and merchandise exclusively used for the business established by the Overseas

Filipino Workers and/or their immediate family members. The Bureau of Internal Revenue, and the Local Government Units with respect to local taxes, shall likewise simplify internal revenue procedures and local tax procedures for the availment by the Overseas Filipino Workers and/or the immediate member(s) of his/her family, of the tax incentives provided for under this Act. The Department of Trade and Industry shall also simplify the procedures before its agencies to ensure the prompt processing of the business documents and effectively assist the Overseas Filipino Workers and/or the immediate member(s) of his/her family to establish their intended investment.

SECTION 8. *Establishment of One-Stop-Shop Business Processing Centers.* The local government units, with participation of the various government agencies such as, but not limited to, the Department of Trade Industry, Bureau of Internal Revenue, Social Security System, Pag-IBIG fund, Philippine Health and Insurance Corp., and the Securities and Exchange Commission, shall establish a one-stop-shop business processing centers to facilitate an expedient means of registration and eliminate red tape.

Provided, That if the local government unit concerned has a one-stop shop business processing center as referred to hereof, and the application with its completed submitted requirements is not acted upon by the local government unit within thirty (30) days, the same is considered as approved. *Provided, however,* That if the local government unit concerned has no such one-stop shop, the application is deemed approved if it is not acted upon within sixty (60) days.

SECTION 9. *Financial Literacy Program for Overseas Filipino Workers and/or the Immediate Members of their Families; Information Dissemination.* To ensure that the benefits provided for under this Act shall be effectively harnessed and maximized, the Overseas Workers Welfare Administration (OWWA), the National Reintegration Center of OFWs (NRCO) and the Technical Education and Skills Development (TESDA) shall

institutionalize the conduct of financial literacy programs and capacity building seminars on entrepreneurship and investment programs for the Overseas Filipino Workers and/or the immediate members of their families.

Provided, That in the conduct of pre-employment/pre-departure orientation seminars, post-arrival/reintegration seminars, the financial literacy programs shall likewise be incorporated as an integral part thereof.

Provided, further, That the OWWA, NRCO, TESDA and all other relevant government agencies with respect to Overseas Filipino Workers, such as the Department of Labor and Employment (DOLE), Philippine Overseas and Employees Administration (POEA), Commission on Migrant Workers (CMW), Department of Foreign Affairs (DFA) and all local government units, shall extensively carry out information dissemination on the benefits and programs provided for in this Act.

SECTION 10. *Periodic Review and Monitoring of this Act.* The agencies involved in the implementation of this Act, to be convened by the OWWA, shall conduct a regular and periodic review and monitoring of the implementation of this Act and shall submit report thereon to the Joint Congressional Oversight Committee on the Overseas Filipino Workers Affairs and the Committee on Ways and Means of both Houses of Congress.

SECTION 11. *Implementing Rules and Regulations.*
- The implementing agencies mentioned in this Act, shall, within ninety (90) days from the effectivity of this Act, promulgate the necessary rules and regulations for the effective implementation of this Act.

SECTION 12. *Separability Clause.* - If any provision of this Act shall be declared as invalid or unconstitutional, the other provisions which are not affected thereby shall remain in full force and effect.

SECTION 13. *Repealing Clause.* - All laws, Republic Acts, Presidential Decrees, Executive Orders, Provincial, City and Municipal Ordinances, Rules and Regulations, and Circulars and Orders issued by Government agencies or quasi-judicial bodies, or parts thereof, which are deemed inconsistent or in conflict with any or all of the provisions of this Act, are hereby repealed or modified accordingly.

SECTION 14. *Effectivity Clause.* - This Act shall take effect fifteen (15) days from its publication in the Official Gazette or in at least two (2) national newspapers of general circulation.

APPROVED.