

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

House Bill No. **4595**



Introduced by **REPRESENTATIVE ARTHUR C. YAP**

EXPLANATORY NOTE

In March 2000, the Philippines passed the Retail Trade Liberalization law to allow the entry of foreign investment in the retail sector with a view toward stimulating economic growth, creating more jobs and providing the Filipino consumer with better choices and higher quality goods at lower prices.

Sadly, in the ten-year period since the passage of the law, the goals of liberalization have yet to be achieved. Our unemployment rate is at 5.4% as of July 2016, and while a robust retail trade industry could have been a vehicle for job creation, without such investments, the opportunity for employment is lessened.

These issues need to be addressed by revisiting the Retail Trade Liberalization Law in order to make the Philippines truly competitive in the world stage. Currently, the law has a US\$2,500,000 capital requirement before a foreign entity may 100% own a retail establishment. On the other hand, countries like Indonesia and Singapore allow FDI in the retail trade sector without setting minimum capital requirements and without limits on foreign equity participation.

These requirements, together with other barriers, have resulted in the Philippines ranking dead last in terms of having a regulatory regime favorable to foreign investment, behind Singapore, Vietnam, Malaysia, Thailand, and Indonesia.

Considering that the entry of more market players will mean more job opportunities for the Filipino, and market competition will lead to higher quality goods and services being delivered to the Filipino public at lower costs, this bill therefore proposes to do away with these barriers to foreign investment by removing the equity and capitalization requirements in the Retail Trade Liberalization law to create a more favorable investment climate in the country.


ARTHUR C. YAP
Representative



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Introduced by REPRESENTATIVE ARTHUR C. YAP

**AN ACT AMENDING REPUBLIC ACT NO. 8762, OTHERWISE KNOWN AS
THE RETAIL TRADE LIBERALIZATION ACT, AND FOR OTHER
PURPOSES**

*Be it enacted by the Senate and the 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
4 partnerships, associations and corporations formed and organized under
5 the laws of the Philippines may, upon registration with the Securities
6 and Exchange Commission (SEC) and the Department of Trade and
7 Industry (DTI), or in case of foreign owned single proprietorships, with
8 the DTI, engage or invest in the retail trade business. [, subject to the
9 following categories:]

10 [*Category A* - Enterprises with paid-up capital of the equivalent
11 in Philippine Pesos of less than Two million five hundred thousand US
12 dollars (US\$2,500,000.00) shall be reserved exclusively for Filipino
13 citizens and corporations wholly owned by Filipino citizens.]

14 [*Category B* - Enterprises with a minimum paid-up capital of the
15 equivalent in Philippine Pesos of Two million five hundred thousand

1 US dollars (US\$2,500,000.00) but less than Seven million five hundred
2 thousand US dollars (US\$7,500,000.00) may be wholly owned by
3 foreigners [except for the first two (2) years after the effectivity of this
4 Act wherein foreign participation shall be limited to not more than sixty
5 percent (60%) of total equity.]

6 *[Category C - Enterprises with a paid-up capital of the equivalent*
7 *in Philippine Pesos of Seven million five hundred thousand US dollars*
8 *(US\$ 7,500,000.00) or more may be wholly owned by foreigners*
9 *Provided, however, That in no case shall the investments for*
10 *establishing a store in Categories B and C be less than the equivalent in*
11 *Philippine Pesos of Eight hundred thirty thousand US dollars*
12 *(US\$830,000.00).]*

13 *[Category D - Enterprises specializing in high-end or luxury*
14 *products with a paid -up capital of the equivalent in Philippine Pesos of*
15 *Two hundred fifty thousand US dollars (US\$250,000.00) per store may*
16 *be wholly owned by foreigners.]*

17 The foreign investor shall be required to maintain in the
18 Philippines the full amount of ITS [the prescribed minimum] capital,
19 **OR, IN CASE ANY PART OF THE CAPITAL IS SOLD TO A**
20 **CITIZEN OF THE PHILIPPINES, OR TO A PARTNERSHIP,**
21 **ASSOCIATION OR CORPORATION OWNED AND**
22 **CONTROLLED BY CITIZENS OF THE PHILIPPINES, THE**
23 **UNSOLD AMOUNT OF ITS CAPITAL,** unless the foreign investor
24 has notified the SEC and the DTI of its intention to repatriate its capital
25 and cease operations in the Philippines. The actual use in Philippine
26 operations of the inwardly remitted [minimum] capital [requirement]
27 shall be monitored by the SEC.

28 Failure to maintain the [full] amount of [the prescribed
29 minimum] capital **REQUIRED IN THE IMMEDIATELY**
30 **PRECEDING PARAGRAPH,** prior to notification of the SEC and the
31 DTI, shall subject the foreign investor to penalties or restrictions on any
32 future trading activities/business in the Philippines.

1 Foreign retail stores shall secure a certification from the Bangko
2 Sentral ng Pilipinas (BSP) and the DTI, which will verify or confirm
3 inward remittance of ITS [the minimum required] capital investment.

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

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

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

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

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

15 (b) (5) retailing branches or franchises in operation anywhere
16 around the word unless such retailer has at least one (1) store capitalized
17 at a minimum of Twenty-five million US dollars (US\$25,000,000.00);

18 (c) Five (5)-year track record in retailing; and

19 (d)] Only nationals from, or juridical entities formed or
20 incorporated in countries which allow the entry of Filipino retailers shall
21 be allowed to engage in retail trade in the Philippines.

22 The DTI is hereby authorized to pre-qualify all foreign retailers,
23 subject to the provisions of this Act, before they are allowed to conduct
24 business in the Philippines.

25 The DTI shall keep a record of qualified foreign retailers who
26 may, upon compliance with law, establish retail stores in the Philippine.
27 [It shall ensure that parent retail trading company of the foreign investor
28 complies with the qualifications on capitalization and track record
29 prescribed in this section.]

30 The Inter- Agency Committee on Tariff and Related Matters
31 Authority (NEDA) Board shall formulate and regularly update a list of

1 foreign retailers of high-end or luxury goods and render an annual report
2 on the same to Congress.

3 Sec. 5. *Repealing Clause.* – Republic Act No. 8762, and all laws, decrees,
4 orders, rules and regulations or other issuances or parts thereof inconsistent with the
5 provisions of this Act are hereby repealed or modified accordingly.

6 Sec. 6. *Separability Clause.* – If any portion or provision of this Act is declared
7 unconstitutional, the remainder of this Act or any provisions not affected thereby shall
8 remain in force and effect.

9 Sec. 7. *Effectivity.* – This Act shall take effect fifteen (15) days after
10 publication in two (2) newspapers of general circulation in the Philippines.

11 Approved,