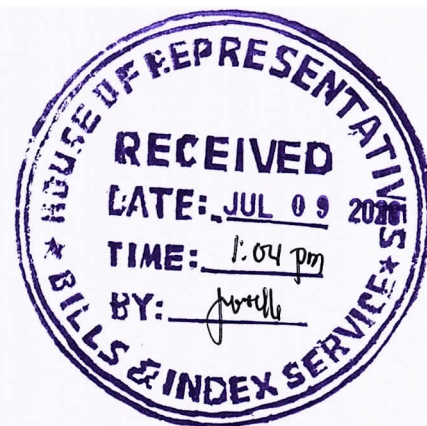




HOUSE OF REPRESENTATIVES

House Bill No. 7075

Introduced by Representative Victor A. Yap

EXPLANATORY NOTE

Overseas Filipino Workers (OFWs) are the modern-day heroes of our nation. The contribution of OFWs to the growth of the national economy is nothing less than substantial. The Department of Labor and Employment (DOLE) shows that personal remittances of OFWs amounted to \$32.213 billion in 2018, equating to 1.6 trillion pesos or approximately 25% of the national budget. For the year 2019, OFW remittances shot up to a record of \$33.5 billion.¹ Evidently, the contributions of OFWs are paramount to the prosperity of our national economy.

OFWs leave the country in search for better-paying jobs in foreign lands primarily to provide for their families they leave behind and to improve their quality of life. It is because of this duty that our fellow Filipinos risk their lives for the benefit of their families. However, in consideration of their sacrifice, little to no support has been given to them by the government upon their return to the country.

The COVID-19 pandemic greatly impacted the world economy resulting in the loss of thousands of jobs and livelihood for our OFWs abroad. An estimated three hundred thousand (300,000) OFWs are expected to come home amidst the massive economic toll of the pandemic to major employers abroad.² It is thus imperative on the government to provide the most needed support systems for all returning OFWs in recognition to their primary role as the major driver for national economic growth and development, both at the present and throughout the past several decades.

Under this bill, former OFWs are encouraged to engage in business and invest in the country through the provision of certain benefits and incentives in contribution to the development of the national and local economy. The measure endeavors to exempt OFW-owned enterprises from their initial income tax and to reduce real property and importation taxes for raw materials, capital equipment, machineries and spare parts exclusively used in the operation of the OFW-owned business enterprise.

Furthermore, this measure intends to effectively aid the OFWs' reintegration in the Philippine society through the productive use of their hard-earned income abroad which will inevitably contribute towards the development of our economy.

In view of the foregoing, immediate passage of this bill is earnestly requested.


VICTOR A. YAP

Representative, 2nd District of Tarlac

¹ Accessed in <https://www.rappler.com/business/252043-overseas-filipino-workers-remittances-2019> on June 24, 2020.

² Accessed in <https://gulfnnews.com/world/asia/philippines/quarantine-for-300000-returning-filipinos-all-you-need-to-know-1.1591772268446> on June 24, 2020.

HOUSE OF REPRESENTATIVES

House Bill No. **7075**

Introduced by Representative Victor A. Yap

AN ACT
PROVIDING BENEFITS AND INCENTIVES TO OVERSEAS FILIPINO WORKERS
INVESTING IN BUSINESS IN THE PHILIPPINES

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 "*Business Incentives for OFWs Act.*"

SEC. 2. Declaration of Policy. - It is the policy of the State to promote, at all times, the welfare of its citizens whether in country or overseas. 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 of our nation's progress. At the same time, the State recognizes the role of business enterprises for employment generation resulting in economic growth and a strong development foundation for the country.

Pursuant to these policies, it is likewise hereby declared to be the policy of the State to pioneer and develop innovative means to provide incentives and other benefits to returning migrants who shall engage in business and invest in the Philippines, in order to effectively aid their reintegration through the productive use of remittances and at the same time contribute towards the development of national and local economies and skills-transfer.

SEC. 3. Definition of Terms. - As used in this Act the following terms shall mean:

- a) "Overseas Filipino Worker (OFW)" is a person who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which the person is not a citizen or on board a vessel navigating the foreign seas other than a government ship used for military or non-commercial purposes or on an installation located offshore or on the high seas: *Provided*, That one whose employment overseas has ceased, by reason of expiration of such contract or otherwise, shall still be considered an OFW under this Act if the cessation took place not more than five (5) years before the filing of an application for registration provided for in Section 8 hereof;
- b) "Business Enterprise" is a duly registered business engaged in industry, agribusiness and/or services, whether a single proprietorship, cooperative, partnership or corporation. A business engaged in services shall exclude those rendered by (i) natural persons who are duly licensed by the government after having passed a government licensure examination, in connection with the exercise of their profession, and (ii) juridical persons such as partnerships or corporations engaged in consultancy, advisory and similar services where the performance of such services are essentially carried out through licensed professionals, likewise in the connection with the exercise of their profession.
- c) "OFW-owned Business Enterprise" is a business enterprise that falls under one of the following categories: (i) a Sole Proprietorship owned by an OFW; (ii)

Partnerships, more than fifty percent (50%) of the capital of which was contributed by one or more partners who are OFWs; or (iii) a Stock Corporation, more than fifty percent (50%) of the outstanding capital stock of which is held by one or more OFWs.

SEC. 4. Tax Exemption. - An OFW-owned business enterprise shall be exempt from the payment of income tax for a non-extendable period of five (5) years following registration. This exemption is without prejudice to any other benefit or tax exemption granted to the enterprise by any other laws.

All Local Government Units (LGUs) are encouraged either to reduce the amount of local taxes, fees and charges imposed or to exempt an OFW-owned business enterprise from local taxes, fees and charges.

SEC. 5. Other Benefits and Incentives. - An OFW-business enterprise may also avail of the following incentives:

- a) Fifty Percent (50%) reduction on real property taxes imposed on real property for the operation of the OFW-owned business enterprise;
- b) Tax and duty-free importation of raw materials, capital equipment, machineries and spare parts exclusively used in the operation of the OFW-owned business enterprise: Provided, that the OFW business shall not sell or re-sell the said equipment for a period of five (5) years from the time the exemption was granted; and/or
- c) Preferential access to financing from government financial institutions at rates below the market rates;

Provided, That an OFW-owned business enterprise may avail of these incentives for a period of five (5) years following registration.

SEC. 6. Access to Credit. - The Overseas Workers Welfare Administration (OWWA) shall set aside a portion of its fund for reintegration for the purpose of establishing a credit facility for the start-up or expansion of an OFW business enterprise. The credit facility shall be managed by the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP).

SEC. 7. Eligibility of OFW-owned business enterprises. - To qualify for the benefits and incentives provided to OFW-owned business enterprises under this Act, a business enterprise must fall under one of the following categories:

- i. A Sole Proprietorship owned by an OFW;
- ii. A Partnership, more than fifty percent (50%) of the capital of which was contributed by one or more partners who are OFWs; or
- iii. A Stock Corporation, more than fifty percent (50%) of the outstanding capital stock of which is held by one or more OFWs.

SEC. 8. Registration and Issuance of Certificate. - To qualify for the benefits and incentives under this Act, a business enterprise must apply for registration with the Bureau of Internal Revenue (BIR) as an OFW-owned business enterprise. Any such application shall be processed by the BIR free of charge within fifteen (15) working days upon submission of complete documents as provided in Section 9 of this Act. Otherwise, the OFW-owned business enterprise shall be deemed registered.

SEC. 9. Documentary Requirements. - The BIR shall require an OFW-owned business enterprise to submit the following requirements in its application for the Certificate of Registration:

- a) Certificate from the Philippine Overseas Employment Administration (POEA) or the OWWA that the person seeking registration hereunder of their business entity or enterprise are OFWs as defined in Section 3(a) of this Act or a copy of their overseas employment contract duly approved by the POEA;
- b) Taxpayer Identification Number (TIN);
- c) Documents of registration as a business entity or enterprise issued by the appropriate government agencies such as the Security and Exchange Commission

(SEC) for corporations and partnerships and the Department of Trade and Industry (DTI) for sole proprietorships; Provided, That in the case of micro enterprises as defined herein, registration with the office of the municipal or city treasurer shall be deemed sufficient compliance with this requirement;

- d) Articles of Incorporation in the case of new corporations;
- e) Partnership Agreement in the case of new partnerships;
- f) General Information Sheet (GIS) in the case of existing corporations and partnerships.

No other document shall be required for the processing of this application.

SEC. 10. Financial Literacy Program for OFWs; Information Dissemination. - To ensure that the incentives and benefits provided for under this Act shall be effectively harnessed and maximized, the Commission on Filipinos Overseas (CFO), the OWWA, and the National Reintegration Center of OFWs (NCRO) shall institutionalize the conduct of financial literacy programs and capacity building seminars on entrepreneurship and investment programs for Overseas Filipino Workers: 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 Department of Foreign Affairs (DFA), CFO, POEA, OWWA, and all other relevant government agencies with respect to overseas Filipinos, including all local government units, shall extensively carry out information dissemination on the benefits and program provided for in this Act.

SEC. 11. Fraud or Misrepresentation. - Any business entity found to have committed fraud or misrepresentation for the purpose of qualifying for the benefits hereunder shall be immediately disqualified as a beneficiary hereof and its Certificate of Registration cancelled, without prejudice to the assessment and collection of back taxes for the period corresponding to its exemption, as well as to any administrative, criminal or civil liability under existing laws.

Sec. 12. Non-Transferability. - The benefits and incentives provided in this Act cannot be transferred to any other person, association or business entity.

Sec. 13. Cessation of Operations or Retirement of Business. - Any enterprise registered hereunder that retires or otherwise ceases its business operations shall thereupon be excluded from the coverage of this Act. Within thirty (30) days therefrom the enterprise shall report the fact of such retirement or cessation to the BIR, which shall then cancel the enterprise's Certificate of Registration.

Sec. 14. Implementing Rules and Regulations. - The BIR in coordination with the POEA, DTI, and SEC shall promulgate, not later than sixty (60) days upon the effectivity of this Act, the necessary rules and regulations for its effective implementation.

Sec. 15. Separability Clause. - If any provision of this Act is subsequently declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

Sec. 16. Repealing Clause. - All laws, presidential decrees, executive order, issuances, presidential proclamations, rules and regulations or parts thereof which are contrary to and inconsistent with any provisions of this Act are hereby repealed, amended or modified accordingly.

Sec. 17. Effectivity Clause. - This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in two (2) newspapers of general circulation in the Philippines.

Approved,