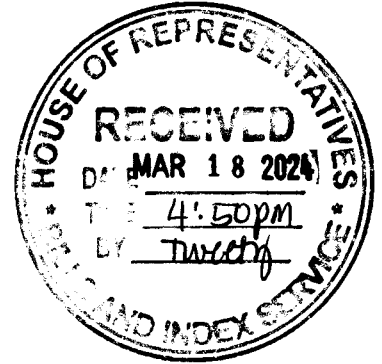




Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Nineteenth Congress

Second Regular Session
House Bill No. **10167**



Introduced by:

HON. MARISSA "DEL MAR" MAGSINO
OFW PARTY LIST

EXPLANATORY NOTE

The Philippine movie industry has been in the survival mode in the face of rising costs of production, heavy taxation burden, piracy, the proliferation of accessible digital platforms, and fierce global competition.

In 2002, Republic Act No. 9167 was passed creating the Film Development Council of the Philippines (FDCP) which is tasked to encourage and undertake activities that will promote the growth and development of the local film industry. It laid down a strategic planning framework with the objective of making the country a global movie production hub with the following elements: 1) film-related policies and enabling laws; 2) financial incentives; 3) infrastructure, including equipment, special facilities and production services; 4) investments and financing; and 5) skilled workers.

Producing a local film is a very risky investment with producers needing to invest huge capital with little chance of getting a fair return on their investment. The production cost can vary significantly based on factors such as the scale of production, the genre, and the specific requirements of the film. Based on statements of the movie industry stakeholders, the cost of doing a quality film now ranges from P10 Million to P50 Million.

On the other, a long-time movie producer stated that in 2023, other than the proceeds of the recent Metro Manila Film Festival (MMFF), most local movies shown in 2023 had ticket sales of only about P 12 million. From the earnings of the film, 10% goes to the local government unit (LGU) for the amusement tax, 45% goes to the cinema or venue owner, and the remaining 45% to the producer, who shoulders the 12% value-added tax (VAT) and the 5% distributor's fee. Given the situation, local film producers

are asking for more support from the government as they try to revive the Philippine movie industry.¹

This bill seeks to provide incentives to the Philippine movie industry to promote its financial viability by reducing the cost of film production through exemption from value-added tax (VAT) and custom duties for the importation of film materials and equipment by movie producers and persons engaged in the making of local films and other cinematographic works. Likewise, the proposed measure aims to exempt the exhibition of locally produced films by proprietors, lessees and operators of cinemas, theatres and other places of amusement from amusement tax.

With these tax incentives, local movie producers will be able to increase the movie's budget, improve the quality of film making in the Philippines, and boost the industry's competitiveness in the international arena. And with the exemption from amusement tax in exhibiting local films in their cinemas and theatres, venue proprietors and operators will be encouraged to exhibit more Filipino movies in proportion to foreign-produced films, which redounds to greater ticket sales for the local movie producers.

With a revitalized Philippine movie industry comes the benefits for the welfare and well-being of thousands of workers employed and would be employed in the industry, together with their families.

The challenge for filmmakers is to make films that are worth watching in cinemas in terms of values, information, and visual entertainment offered by their films. As a complement, cinema operators must strive to offer and maintain excellent facilities and technical standards in the exhibition of locally produced films for a wholesome cinematic experience.

For the foregoing reasons, the immediate passage of this bill is earnestly urged.


HON. MARISSA "DEL MAR" MAGSINO

¹ Sourced from: <https://www.rappler.com/business/analysis-new-golden-age-philippine-cinema/>



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AN ACT

**PROMOTING THE PHILIPPINE MOVIE INDUSTRY BY PROVIDING TAX INCENTIVES
TO LOCAL MOVIE PRODUCERS AND CINEMA PROPRIETORS, LESSEES AND SIMILAR
VENUE OPERATORS IN THE PRODUCTION AND EXHIBITION OF FILIPINO FILMS**

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

Section 1. *Short Title* – This Act shall be known as the ‘Philippine Movie Industry Promotions Act’.

Section 2. *Declaration of Policy* – It shall be the policy of the State to promote and support the development and growth of the Philippine movie industry as an indispensable economic partner in nation-building, and as a cultural medium for a better understanding of Filipino values and national identity by local and international audiences.

Towards this end, the State shall provide incentives to the Philippine movie industry to advance and stimulate its financial viability amidst the negative effects of digitalization and digital piracy, to reduce their cost of production, improve the quality of film making in the Philippines, and boost its competitiveness in the international arena. The incentives shall be in the form of exemption from value-added tax (VAT) and custom duties for the importation of film materials and equipment by persons engaged in the making of local films and other cinematographic works, and exemption of exhibition of locally produced films by proprietors, lessees and operators of cinemas, theatres and other places of amusement from amusement tax.

Section 3. *Exemption from Value-Added Tax* – Section 109 of Republic Act No. 8424, otherwise known as the National Internal Revenue Code, as amended, is hereby further 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:

- (A) xxxxx
 xxxxx
- (BB) xxxxx
- (CC) **IMPORTATION OF FILM MATERIALS AND EQUIPMENT BY PERSONS ENGAGED IN THE BUSINESS OF MAKING LOCAL FILMS AND OTHER CINEMATOGRAPHIC WORKS, FOR USE IN PRODUCING SUCH FILMS AND OTHER RELATED WORK; *PROVIDED*, THAT THE BUREAU OF INTERNAL REVENUE SHALL ISSUE THE NECESSARY GUIDELINES IDENTIFYING THE FILM MATERIALS AND EQUIPMENT THAT SHALL BE EXEMPT FROM VALUE-ADDED TAX AFTER PRIOR CONSULTATION WITH FILM PRODUCTION COMPANIES AND WITH THE FILM DEVELOPMENT COUNCIL OF THE PHILIPPINES.'**

Section 4. *Exemption from Custom Duties* – Section 800 of Republic Act No. 10863, otherwise known as Customs Modernization and Tariff Act, is hereby amended to read as follows:

'Section 800. Conditionally Tax and/or Duty-Exempt Importation. – The following goods shall be exempt from the payment of import duties upon compliance with the formalities prescribed in the regulations which shall be promulgated by the Commissioner with the approval of the Secretary of Finance: xxxx xxx xxx *Provided*, further, That the President may, upon the recommendation of the Secretary of Finance, suspend, disallow or completely withdraw, in whole or in part, any conditionally free importation under this section:

- (a) xxxx
 xxxx
- (aa) xxxx
- (BB) **IMPORTATION OF FILM MATERIALS AND EQUIPMENT, AS IDENTIFIED BY THE BUREAU OF INTERNAL REVENUE, BY PERSONS ENGAGED IN THE BUSINESS OF MAKING LOCAL FILMS AND OTHER CINEMATOGRAPHIC WORKS, FOR USE IN MAKING SUCH FILMS AND OTHER RELATED WORK.'**

Section 4. *Exemption from Amusement Tax* – 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 THE EXHIBITION, HOLDING OR SHOWING OF LOCALLY PRODUCED FILMS IN THESE PLACES OF AMUSEMENT;**
- (b) xxxx
- xxxx

Section 5. *Implementing Rules and Regulations* – Within ninety (90) days from the effectivity of this Act, the Bureau of Internal Revenue (BIR), the Bureau of Customs (BOC), the Department of the Interior and Local Government (DILG) and the Film Development Council of the Philippines (FDCP), in consultation with organizations of film producers, cinema and amusement venue operators in the Philippines, and other concerned government agencies and stakeholders, shall promulgate the rules and regulations necessary for the effective implementation of this Act.

Section 6. *Separability Clause* - If for any reason, any part or provision of this Act shall be declared or held to be unconstitutional or invalid, the other parts or provisions hereof which are not affected thereby shall continue to be in full force and effect.

Section 7. *Repealing Clause* - All republic acts, executive orders, rules and regulations, and other issuances, or parts thereof, that are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

Section 8. *Effectivity Clause* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) national newspapers of general circulation.

Approved.