Republic of the Philippines

House of Representatives

Quezon City, Metro Manila

HOUSE OF REPRESENTATIVES
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Nineteenth Congress
Third Regular Session

HOUSE BILL NO. **10802**

Introduced by Representative LORDAN G. SUAN

AN ACT
LIBERALIZING THE LEASE OF LANDS BY FOREIGN INVESTORS, ESTABLISHING THE STABILITY OF LONG-TERM LEASE CONTRACTS, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7652, OTHERWISE KNOWN AS THE "INVESTORS' LEASE ACT"

EXPLANATORY NOTE

The government recognizes that foreign investments are critical in achieving vital development goals such as creating jobs, stimulating the economy, transferring technology, expanding market access, developing infrastructure, and generating tax revenue.

To attract foreign investors, the government has enacted several laws: (1) the Public Service Act (PSA) Amendatory Law (RA 11659); (2) the Foreign Investments Act (FIA) Amendatory Law (RA 11647); (3) the Retail Trade Liberalization Act (RTLA) Amendatory Law (RA 11595); and the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law (RA 11534).

To further encourage foreign investments in the Philippines, the Investors' Lease Act (RA 7652) was enacted. This law provides a legal framework for long-term leases of private lands for foreign investors, increasing the lease period to a total of 75 years from the original 50 years provided by Presidential Decree No. 471 (PD 471) which applied to all foreigners.However, over the years, the Act has faced criticisms for its relatively short lease periods and certain restrictions that have hindered foreign investors' confidence. To address these shortcomings and create a more conducive investment climate, this proposed amendment seeks

to liberalize the leasing of lands by foreign investors and establish the stability of long-term lease contracts.

One of the most significant changes proposed in the amendment is the extension of the maximum lease period from 75 years to 99 years. This substantial increase in the lease duration provides investors with greater certainty and security, allowing them to make long-term investments and plan for their operations with confidence. By offering such extended lease periods, the Philippines can compete more effectively with other countries that have similar investment incentives.

Furthermore, the amendment includes agriculture among the priority productive endeavors eligible for long-term leases. This recognition of the importance of agriculture in the Philippine economy is timely, as the country seeks to modernize its agricultural sector and attract foreign investment in this area. By allowing foreign investors to lease lands for agricultural purposes, the amendment can contribute to increased food production, rural development, and job creation.

Another key provision in the amendment is the allowance for subleasing with the lessor's consent. This flexibility can enhance the efficiency of land use and promote economic activity. The amendment can encourage entrepreneurship and create additional business opportunities by enabling lessees to sublease portions of their leased properties.

To ensure the security and enforceability of lease contracts, the amendment requires the registration of both lease and sublease contracts with the Registry of Deeds. This will provide public notice of the lease arrangements and protect the rights of both investors and landowners.

In light of the preceding, this bill’s approval is fervently sought.

LORDAN G. SUAN
Cagayan de Oro City – 1st District

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

SECTION 1. Section 2 of Republic Act No. 7652, otherwise known as the "Investors' Lease Act", is hereby amended to read as follows:

"SEC. 2. *Declaration of Policy*. - It is hereby declared the policy of the State to encourage foreign investments consistent with the constitutional mandate to conserve and develop our own patrimony. Towards this end, the State hereby adopts a flexible and dynamic policy on the granting of long-term lease on private lands to foreign investors for the establishment of industrial estates, factories, assembly or processing plants, agro-industrial enterprises, land development for industrial[,] or commercial use, tourism, **AGRICULTURE**, and other similar priority productive endeavors.

IT IS THE POLICY OF THE STATE TO ENSURE THE RELIABILITY OF INVESTORS' LEASE CONTRACTS TO GUARANTEE STABILITY AND RETURN OF INVESTMENT."

SECTION 2. Section 4 of Republic Act No. 7652 is hereby amended to read as follows:

"SEC. 4. *Coverage*. - Any foreign investor investing in the Philippines shall be allowed to lease private lands in accordance with the laws of the Republic of the Philippines subject to the following conditions:

(1) [~~No~~] **THE AGGREGATE PERIOD OF THE** lease contract shall [~~be for a period~~] NOT exceed[~~ing fifty (50) years, renewable once for a period of not more than twenty five (25) years~~] NINETY-NINE (99) YEARS;

(2) The leased area shall be used solely for the purpose of the investment upon the mutual agreement of the parties;

(3) The leased premises shall comprise such area as may reasonably be required for the purpose of the investment subject however to the Comprehensive Agrarian Reform Law and the Local Government Code;

(4) THE FOREIGN INVESTOR HAS AN APPROVED OR REGISTERED INVESTMENT UNDER REPUBLIC ACT NO. 11534, OTHERWISE KNOWN AS THE "CORPORATE RECOVERY AND TAX INCENTIVES FOR ENTERPRISES ACT", REPUBLIC ACT NO. 7042, OTHERWISE KNOWN AS THE "FOREIGN INVESTMENTS ACT OF 1991", AS AMENDED, AND UNDER OTHER RELEVANT LAWS, OR HAS COMPLIED WITH THE REQUIREMENTS PRESCRIBED BY THE APPROPRIATE INVESTMENT PROMOTION AGENCY (IPA) OR GOVERNMENT AGENCY WHICH REGISTERS SPECIFIC INVESTMENT ENTITIES AND/OR CLASSES OF PERSONS PURSUANT TO EXISTING LAWS;

(5) THE LEASE CONTRACTS SHALL BE REGISTERED WITH THE REGISTRY OF DEEDS OF THE PROVINCE OR CITY WHERE THE LEASED AREA IS LOCATED AND ANNOTATED ON THE TITLE TO THE LAND; AND

(6) THE REGISTER OF DEEDS SHALL REGISTER A LONG-TERM LEASE CONTRACT UPON COMPLIANCE WITH THE FOLLOWING CONDITIONS:

(A) THE INVESTOR PRESENTS PROOF OF AN APPROVED AND/OR REGISTERED INVESTMENT UNDER SUBPARAGRAPH 4 HEREOF;

(B) THE DATE OF COMMENCEMENT AND MAXIMUM DURATION OF THE LEASE ARE CERTAIN;

(C) THE EXACT LOCATION, METES, AND BOUNDS OF THE PROPERTY SUBJECT OF THE LEASE ARE IDENTIFIED; AND

(D) THERE IS A PROVISION IN THE LEASE CONTRACT PROVIDING FOR ITS TERMINATION FOR FAILURE TO COMMENCE THE INVESTMENT PROJECT WITHIN THREE (3) YEARS FROM SIGNING OF THE CONTRACT.

The leasehold right acquired under long-term lease contracts entered into pursuant to this Act may be sold, transferred, or assigned, **OR MAY SERVE AS SECURITY FOR A LOAN**: Provided, That when the buyer, transferee, or assignee is a foreigner or a foreign-owned enterprise, the conditions and limitations in respect to the use of the leased property as provided for under this Act shall continue to apply."

SECTION 3. A new Section 4-A is hereby inserted after Section 4 of Republic Act No. 7652, to read as follows:

"**SEC. 4-A.** ***OPERATIVE ACT OF REGISTRATION*****. - THE REGISTRATION OF THE LONG-TERM LEASE CONTRACT SHALL BE THE OPERATIVE ACT THAT RENDERS THE LEASE BINDING AGAINST THIRD PERSONS. REGISTRATION SHALL BE MADE IN ACCORDANCE WITH THE PROVISIONS OF PRESIDENTIAL DECREE NO. 1529, AS AMENDED.**

THE REGISTERED LEASE CONTRACT SHALL NOT BE SUBJECT TO COLLATERAL ATTACK. IT CANNOT BE ALTERED, MODIFIED, OR CANCELLED EXCEPT IN A DIRECT PROCEEDING IN ACCORDANCE WITH LAW."

SECTION 4. Section 5 of Republic Act No. 7652 is hereby amended to read as follows:

"SEC. 5. *Limitations*. - (1) Foreign individuals, corporations, associations, or partnerships not otherwise investing in the Philippines as defined herein shall continue to be covered by Presidential Decree No. 471 and other existing laws in lease of lands to foreigners[~~.~~]**;**

(2) Withdrawal of the approved investment in the Philippines within the period of the lease [~~agreement~~] **CONTRACT** entered into under this Act, or use of the leased area for the purpose other than

that authorized, shall warrant the *ipso facto* termination of the lease [~~agreement~~] **CONTRACT** without prejudice to the right of the lessor to be compensated for the damages [~~he~~] **THE LESSOR** may have suffered thereby[~~.~~]**;**

(3) Any lease agreement under this Act which is renewable at the option of the lessee subject to the same terms and conditions of the original contract shall be interpreted to mean as renewable upon the mutual agreement of the parties[~~.~~]**;**

(4) In addition to the conditions for the renewal of a lease agreement [~~after the period of fifty (50) years as provided herein~~], the foreign lease shall show that it has made social and economic contributions to the country[~~.~~]**; AND**

(5) In the case of tourism projects, lease of private lands by foreign investors qualified herein shall be limited to projects with an investment of not less than five million (5M) US dollars, seventy percent (70%) of which shall be infused in said project within three years from the signing of the lease contract."

SECTION 5. A new Section 5-A is hereby inserted after Section 5 of Republic Act No. 7652, to read as follows:

"**SEC. 5-A. *SUBLEASE*. - UNLESS THERE IS AN EXPRESS PROHIBITION IN THE CONTRACT, THE LESSEE MAY SUBLET THE PROPERTY WITH THE CONSENT OF THE LESSOR. THE CONDITIONS UNDER SECTION 4 OF THIS ACT SHALL APPLY TO THE SUBLEASE CONTRACT.**"

SECTION 6. A new Section 5-B is hereby inserted after the new Section 5-A of Republic Act No. 7652, to read as follows:

"**SEC. 5-B. *REGISTRATION OF SUBLEASE CONTRACTS*. - SUBLEASE CONTRACTS WITH A TERM OF TWENTY-FIVE (25) YEARS OR MORE SHALL BE REGISTERED WITH THE REGISTRY OF DEEDS AND ANNOTATED ON THE TITLE TO THE LAND. SUBLEASE CONTRACTS WITH A TERM OF LESS THAN TWENTY-FIVE (25) YEARS ARE EXEMPT FROM MANDATORY REGISTRATION BUT MAY BE REGISTERED VOLUNTARILY FOR LEGAL PROTECTION AND PUBLIC NOTICE.**"

SECTION 7. Section 6 of Republic Act No. 7652 is hereby amended to read as follows:

"SEC. 6. *Termination of Lease Contract*. – [~~The Secretary of Trade and Industry shall terminate any lease contract entered into under the provisions of this Act, if the investment project is not initiated within three (3) years from the signing of the lease contract.~~] **FAILURE TO INITIATE THE INVESTMENT PROJECT WITHIN THREE (3) YEARS FROM THE SIGNING OF THE LEASE CONTRACT SHALL TERMINATE THE LEASE, REVOKE ALL ENTITLEMENTS GRANTED UNDER THIS ACT, AND CAUSE THE AUTOMATIC REVERSION OF THE PROPERTY TO THE LESSOR OR LANDOWNER.**"

SECTION 8. Section 7 of Republic Act No. 7652 is hereby amended to read as follows:

"SEC. 7. *Penal Provision*. - Any contract [~~or agreement~~] made or executed in violation of any of the following prohibited acts shall be null and void *ab initio* and both contracting parties shall be punished by a fine of not less than [~~One hundred thousand pesos (P 100,000)~~] **ONE MILLION PESOS (PHP 1,000,000.00)** [~~nor~~] **BUT NOT** more than [~~One million pesos (P 1,000,000.00)~~] **TEN MILLION PESOS (PHP 10,000,000.00)**, or imprisonment of six (6) months to six (6) years, or both, at the discretion of the court:

(1) Any provision in the lease [~~agreement~~] CONTRACT stipulating a lease period in excess of that provided in paragraph (1) of Section 4;

(2) Use of the leased premises for the purpose contrary to existing laws of the land, public order, public policy, morals, or good customs;

(3) Any agreement [~~or agreements~~] resulting [~~is~~] **IN** the lease of land in excess of the [~~area~~] approved AREA [~~by the DTI~~]: *Provided*, That, where the excess of the totality of the area leased is due to the acts of the lessee, the lessee shall be held solely liable therefor [~~*Provided, further,* That, in the case of corporations, associations, or partnerships, the president, manager, director, trustee or officers responsible for the violation hereof shall bear the criminal liability~~].

IN THE CASE OF CORPORATIONS, ASSOCIATIONS, OR PARTNERSHIPS, THE PRESIDENT, MANAGER, DIRECTOR, TRUSTEE, OR RESPONSIBLE OFFICERS SHALL BE HELD CRIMINALLY LIABLE.

THE PENALTIES PROVIDED UNDER THIS SECTION SHALL BE APPLICABLE TO ALL SUBLEASE CONTRACTS."

SECTION 9. *Implementing Rules and Regulations.* — Upon the effectivity of this Act, the Board of Investments, the Fiscal Incentives Review Board, and the Land Registration Authority, in consultation with other concerned government agencies and stakeholders, shall promulgate the necessary implementing rules and regulations for the effective implementation of this Act.

SECTION 10. *Separability Clause.* — If any provision of this Act is declared unconstitutional, the remainder thereof not otherwise affected shall remain in full force and effect.

SECTION 11. *Repealing Clause.* — All other laws, presidential decrees, executive orders, letters of instruction, proclamations, or administrative regulations that are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 12. *Effectivity Clause.* — This Act shall take effect after fifteen (15) following its publication in the *Official Gazette*, or in a newspaper of general circulation.

Approved,