



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

Twentieth Congress
First Regular Session



HOUSE BILL NO. 4253

Introduced by Representatives Yedda Marie K. Romualdez, Andrew Julian K. Romualdez and Jude A. Acidre

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 Philippines has long been recognized as a favorable destination for foreign investments due to its strategic location, skilled workforce, and growing market. However, the country's regulatory framework concerning the lease of lands by foreign investors has been perceived as restrictive, limiting the potential influx of foreign capital and the economic benefits it brings. The existing Republic Act No. 7652, also known as the "Investors' Lease Act," provides the legal foundation for foreign investors to lease lands for business purposes, but it requires modernization to meet current global investment trends and to enhance the country's competitiveness.

This bill aims to liberalize the lease of lands by foreign investors by amending Republic Act No. 7652. Some of the key objectives include facilitating of foreign investments by liberalizing the land lease policies, and attract more foreign investors

to the Philippines, thereby fostering economic growth, creating jobs, and improving the overall investment climate.

The bill intends to establish greater stability and predictability in long-term lease contracts for foreign investors. This will reduce uncertainties and risks associated with land leases, encouraging more substantial and long-term investments.

The bill proposes to extend the maximum allowable lease period for foreign investors to ninety-nine (99) years, subject to certain conditions and requirements. This will enable investors to plan and execute long-term projects with confidence. By streamlining the administrative processes involved in securing land leases, the bill also aims to reduce bureaucratic red tape and facilitate easier access for foreign investors.

In an increasingly competitive global market, it is imperative for the Philippines to adapt and modernize its investment policies. By liberalizing the lease of lands and ensuring the stability of long-term lease contracts, this bill seeks to position the Philippines as a more attractive and reliable destination for foreign investments. The proposed amendments to Republic Act No. 7652 are intended to bolster economic growth, enhance the country's global competitiveness, and ultimately improve the quality of life for all Filipinos.

This measure was also filed during the 19th Congress and was primarily referred to the Committee on Trade and Industry, where it was approved on third and final reading by the House of Representatives.

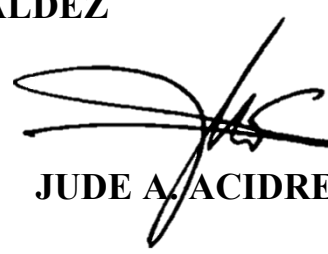
In view of the foregoing, the immediate approval of this bill is earnestly sought.



YEDDA MARIE K. ROMUALDEZ



ANDREW JULIAN K. ROMUALDEZ



JUDE A. ACIDRE



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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[5] or commercial use, tourism, **AGRICULTURE, AGROFORESTRY, ECOLOGICAL CONSERVATION** 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.”

SEC. 2. Section 3 of Republic Act No. 7652 is hereby amended to read as follows:

“SEC. 3. *Definitions.* – For purposes of this Act, unless the context indicates otherwise, the term:

“(1) x x x

“(2) “PRIVATE LANDS” SHALL MEAN THOSE LANDS WHICH HAVE BEEN SEGREGATED FROM THE GENERAL MASS OF THE PUBLIC DOMAIN AND DISTRIBUTED BY ANY FORM OF GRATUITOUS OR ONEROUS GRANT BY THE STATE, SUCH AS A DEED OF SALE, ADJUSTMENT TITLE, SPECIAL GRANT, OR POSSESSORY INFORMATION TITLE CONVERTED INTO A

RECORD OF OWNERSHIP. THE DEFINITION HEREIN SHALL INCLUDE PATRIMONIAL PROPERTIES OF THE STATE OWNED, HELD, CONTROLLED, SUPERVISED, MANAGED, OR ADMINISTERED BY INVESTMENT PROMOTION AGENCIES AS DEFINED UNDER REPUBLIC ACT NO. 11534, OTHERWISE KNOWN AS THE “CORPORATE RECOVERY AND TAX INCENTIVES FOR ENTERPRISES” OR “CREATE” ACT.

“[(2)](3) “Withdrawal of approved investment” shall mean either: (a) the failure to operate the investment project for any three (3) consecutive years; or (b) outright abandonment of the investment project at any time during the approved lease period: *Provided*, That failure to pay lease rental for three (3) consecutive months coupled with the failure to operate the investment project for the same period shall be deemed an outright abandonment of the project.”

SEC. 3. 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 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. 7042, OTHERWISE KNOWN AS THE “FOREIGN INVESTMENTS ACT OF 1991”, AS AMENDED;

“(5) LEASE AGREEMENTS UNDER THIS ACT SHALL BE SUBJECT TO THE APPROVAL OF THE DEPARTMENT OF TRADE AND INDUSTRY-BOARD OF INVESTMENTS (DTI-BOI), EXCEPT FOR LEASE OF LANDS WITH ECONOMIC ZONES OR FREEPORT AREAS, WHICH SHALL BE SUBJECT TO THE APPROVAL OF THE RELEVANT INVESTMENT PROMOTION AGENCY (IPA) CHARGED WITH THE MANAGEMENT AND ADMINISTRATION OF THE SAID ECONOMIC ZONES OR FREEPORT AREAS; AND

“(6) THE DTI-BOI OR THE IPA CONCERNED SHALL APPROVE A LONG-TERM LEASE CONTRACT UPON COMPLIANCE WITH THE FOLLOWING CONDITIONS:

“(A) THE INVESTOR PRESENTS PROOF OF AN APPROVED 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.”

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

“SEC. 4-A. *REGISTRATION.* – IN ORDER TO RENDER THE LEASE BINDING AGAINST THIRD PERSONS, REGISTRATION SHALL BE MADE AT THE OPTION OF EITHER OF THE PARTIES TO THE LEASE AGREEMENT 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.”

SEC. 5. 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.”

SEC. 6. 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.”

SEC. 7. 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 MAY BE REGISTERED WITH THE REGISTRY OF DEEDS AND ANNOTATED ON THE TITLE TO THE LAND FOR LEGAL PROTECTION AND PUBLIC NOTICE.”

SEC. 8. 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 **OR THE CONCERNED HEAD OF THE IPA ADMINISTERING ECONOMIC ZONES OR FREEPORT AREAS, AS THE CASE MAY BE,** 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.”

SEC. 9. 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 100,000.00)]~~ **ONE MILLION PESOS (PHP1,000,000.00)** ~~[or]~~ **BUT NOT** more than ~~[One million pesos (P 1,000,000.00)]~~ **TEN MILLION PESOS (PHP10,000,000.00)** ~~[or imprisonment of six (6) months to (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 in the lease of land in excess of the ~~[area]~~ approved **AREA** ~~[by the DTH]:~~ *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*~~].

SEC. 10. *Implementing Rules and Regulations.* – Upon the effectivity of this Act, the Board of Investments, in consultation with other concerned government agencies and stakeholders, shall promulgate the necessary implementing rules and regulations for the effective implementation of this Act.

SEC. 11. *Separability Clause.* – If any provision of this Act is declared unconstitutional, the remainder thereof not otherwise affected shall remain in full force and effect.

SEC. 12. *Repealing Clause.* – All 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.

SEC. 13. *Effectivity Clause.* – This Act shall take effect after fifteen (15) days following its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,