

FOURTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

7 JUN 30 P1:21

SENATE
S.B. No. 71

RECEIVED BY: 

Introduced by Senator Loren Legarda

EXPLANATORY NOTE

This bill seeks to revive the ailing Philippine film industry by exempting it from payment of certain taxes imposed by the government.

Pursuant to the constitutional guarantee on freedom of expression, Section 14, Article XIV of the Philippine Constitution states that the State shall foster the preservation, enrichment, and dynamic evolution of a Filipino national culture based on the principle of unity in diversity in a climate of free artistic and intellectual expression.

Republic Act No. 9167 otherwise known as the Film Development Council of the Philippines was enacted in 2002 to formulate and implement policies and programs to upgrade the art and craft of film making and encourage the production of films that seek to enhance the quality of life, examine the human and social conditions and contribute to the dignity and nobility of the human spirit. Clearly, the film and movie industry is no longer confined to an entertainment industry, but more importantly, it is the means by which we achieve national identity and showcase the same to the rest of the world.

Despite the enactment of the said law, the film industry is dying. Sales of local film dropped from P833.8 million in 1999 to P706.5 million in 2001 or 15.3% drop in 3 years. Jobs in the film business have dropped since 1997, from an estimated number of 258,310 workers in 1997 to 175,651 workers in 2000. If this trend continues, the Philippines will be producing less than 30 films yearly by 2004.

One major reason cited for the continuing weakening of the Philippine film industry is heavy taxation. Under our present laws, the local film industry is subject to the following taxes: 1.) 30% amusement tax on gross receipts from admission fees imposed by the province to be collected from the proprietors, lessees, or operators of theaters and cinemas; 2.) 5% withholding tax on producer's film share; 3.) 35% corporate income tax; and 4.) 12% value-added tax on producer's film share.

This proposed measure aims to exempt producers of films classified as general patronage and parental guidance-13 from the payment of amusement tax imposed by the local governments. Likewise, this bill exempts producers from payment of value-added tax on the importation of raw materials and equipment to be used in making films and other cinematographic work, to allow our local film makers to compete with international film makers.

It is high time that the State recognize the film industry as partners in promoting Filipino culture and fostering unity among Filipinos.

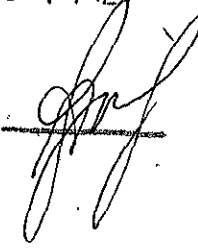
In view of the foregoing, immediate passage of this bill is earnestly requested.



LOREN LEGARDA
Senator

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AN ACT
EXEMPTING THE PHILIPPINE FILM AND MOVIE INDUSTRY FROM THE
PAYMENT OF CERTAIN TAXES, AMENDING FOR THE PURPOSE CERTAIN
PROVISIONS OF THE LOCAL GOVERNMENT CODE OF 1991, THE NATIONAL
INTERNAL REVENUE CODE OF THE PHILIPPINES, AND FOR OTHER
PURPOSES

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

SECTION 1. 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 LOCALLY-
PRODUCED FILMS THAT ARE CLASSIFIED BY THE MOVIE AND
TELEVISION REVIEW AND CLASSIFICATION BOARD (MTRCB) AS
GENERAL PATRONAGE ("GP") AND PARENTAL GUIDANCE - 13 ("PG-
13").**

(b) xxx "

SEC. 2. Section 109 of Republic Act No. 8424, otherwise known as the National
Internal Revenue Code, as amended by Republic Act No. 9337, is hereby amended to
read as follows:

"SEC. 109. Exempt Transactions. - (1) Subject to the provisions of subsection (2)
hereof, the following transactions shall be exempt from the value-added tax:

- (A) xxx
- (B) xxx
- (C) xxx
- (D) xxx
- (E) xxx
- (F) xxx
- (G) xxx
- (H) xxx

- (I) xxx
- (J) xxx
- (K) xxx
- (L) xxx
- (M) xxx
- (N) xxx
- (O) xxx
- (P) xxx
- (Q) xxx
- (R) xxx
- (S) xxx
- (T) xxx

(U) IMPORTATION OF RAW MATERIALS AND EQUIPMENT BY PERSONS ENGAGED IN THE BUSINESS OF MAKING FILMS AND OTHER CINEMATOGRAPHIC WORK, FOR USE IN PRODUCING SUCH FILMS AND OTHER RELATED WORK, PROVIDED, THAT THE BUREAU OF INTERNAL REVENUE, SHALL HAVE EXCLUSIVE RIGHT TO DETERMINE, AFTER PRIOR CONSULTATION WITH MEMBERS OF THE FILM INDUSTRY, THE RAW MATERIALS AND EQUIPMENT THAT SHALL BE EXEMPT FROM VALUE ADDED TAX.

SEC. 3. Repealing Clause.- All republic acts, executive orders, rules and regulations, and other issuances, or parts thereof, that are inconsistent with the provisions of this Republic Act are hereby repealed or modified accordingly.

SEC. 3. Separability Clause.- If for any reason or reasons, any part or provision of this Act shall be declared or held to be unconstitutional or invalid other parts or provisions hereof, which are not affected thereby shall continue to be in full force and effect.

SEC. 4. 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,