

Republic of the Philippine
SENATE OF THE PHILIPPINES
Pasay City



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SIXTEENTH CONGRESS
First Regular Session

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S. B. No. 2160

INTRODUCED BY SENATOR SONNY ANGARA

EXPLANATORY NOTE

Film tourism is a growing phenomenon wherein a destination is visited by tourists because it was featured in a movie, television or video. To cite as an example, New Zealand's international visitor arrival increased by 50% since the first installment showing of the trilogy, "The Lord of the Rings" in 2001, according to its tourism office.

By boosting the country's film tourism, the Philippines stands to increase the number of tourist arrival and stimulate its economy. A dollar spent by a tourist for accommodations is multiplied 2.1 times for the economy as it creates jobs and opportunities and spreads its effect in other industries as well.

Our very own local film industry has been begging attention. According to the National Statistical Coordination Board, from 1960 to 1999, the Philippines produced an average of about 140 movies each year. However, from 2000 to 2009, local film output fell to an average of 73 annually with only 11 percent of the market. Last year, only 78 local films were made.

New Zealand, through its Large Budget Screen Production and Post Digital & Visual Effects Grants, offers a cash grant equivalent to 20% of the Qualifying New Zealand Production Expenditure (QNZPE). Association with films such as The Hobbit movies also offers New Zealand a wider opportunity to enhance its international profile as an innovative and creative nation, and as a great place to make films and do business. Other countries like Singapore, Malaysia, South Korea, and UK offer comparative and competitive incentive schemes to garner a market share in the lucrative international motion picture production industry.

Recognizing the potential of international and local motion picture production to create jobs, grow the economy, and raise the nation's international profile, offering production tax incentives and empowering the Film Development Council of the Philippines (FDCP) to provide additional benefits, are necessary steps our nation ought to take to sieze this new opportunity as levers for growth and development.

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


SENATOR SONNY ANGARA

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S. B. No. 2160

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**AN ACT
PROMOTING TOURISM AND FOSTERING INVESTMENT THROUGH LOCAL AND
INTERNATIONAL MOVIES BY PROVIDING INCENTIVES FOR MOTION PICTURE
PRODUCTION, OTHERWISE KNOWN AS THE "FILM ACT"**

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

1 **SECTION 1. *Short Title.*** This Act shall be known as the "Fostering Investment
2 through Local and International Movies (FILM) Act."

3
4 **SECTION 2. *Declaration of Policy.*** The State recognizes that labor is a primary social
5 economic force and endeavors to provide adequate employment opportunities.
6 Recognizing the potential of motion picture production to create jobs, grow the
7 economy, and raise the nation's international profile, it is the policy of the State to
8 encourage the local motion industry and promote international movie picture production
9 within the Philippines to showcase its beauty and culture as well as facilitate the
10 exchange of technical knowledge and expertise in the industry. In furtherance of this,
11 the State commits to implementing production tax incentives and empowering the Film
12 Development Council of the Philippines (FDCP) to provide additional benefits.

1 **SECTION 3. *Program Establishment and Administration.***

2

3 (a) The FDCP shall offer tax credits to productions deemed eligible under this Act,
4 which it shall issue no more than one month after the completion of principal
5 photography.

6

7 (b) The FDCP, under the auspices of its Philippine Film Export Service Office (PFESO),
8 shall promote the Philippines as a destination for filmmakers.

9

10 (c) The FDCP shall expand its One-Stop Shop System, including creating a website,
11 dedicated to promote its program and serve filmmakers who intend to avail of the
12 incentives stated in this Act. The FDCP, in its capacity, will specifically assist foreigners
13 who will set up film production in the country in securing visas, permits, certificates and
14 other requirements related to their film production, including but not limited to
15 coordination with local government units, scouting of locations and talents. The FDCP
16 shall endeavor to reduce bureaucratic red tape pursuant to R.A. No. 9485, otherwise
17 known as the Anti-Red Tape Act of 2007, and its implementing rules and regulations.

18

19 (d) The FDCP shall facilitate the usage and receipt of these incentives by production
20 companies.

21

22 (e) While the FDCP is in charge of promoting the country's film tourism, it is also
23 responsible in ensuring that environmental regulations are properly adhered to by all
24 production companies in the process of filming.

1 (e) The NCCA, as an advocate of the conservation of our cultural heritage, shall be a
2 resource for filmmakers looking to enrich the content of their materials by showcasing
3 Filipino culture, traditions and values.

4
5 (f) The Department of Tourism (DOT) shall provide the FDCP with a list of locations it is
6 promoting for purposes.

7
8 **SECTION 4. *Amount of Credit.***

9
10 (a) The minimum tax credit awarded to eligible productions shall be equal to 20 percent
11 of qualifying expenses.

12
13 (b) In addition to the minimum tax credit, qualifying films, television shows, movies of
14 the week, mini-series, and web-series may gain further credits under a point-based
15 incentive system, to be administered by the FDCP. Each point shall correspond with an
16 additional 1 percent rebate on all qualifying expenses. Any production shall only be able
17 to claim one rebate from the following subsections in their entirety:

18
19 (1) Eligible productions may receive 20 points if the final product is set completely or
20 largely within the Philippines, 15 points if the final product contains 10 or more
21 substantive scenes set within the Philippines, and 10 points if the final product
22 contains at least 3 substantive scenes set within the Philippines;

23
24 (2) Eligible productions may receive 20 points if at least one-half of filming within the
25 Philippines occurs within a community recovering from a significant natural
26 disaster that occurred within the preceding 3 years or 10 points if at least one-
27 fourth of filming within the Philippines occurs within such an area;

1 (3) Eligible productions may receive 2 points if they dedicate at least seven seconds
2 worth of screen time during the credit roll to a message acknowledging the film's
3 participation in the film tax credit program of the Philippines and providing the
4 URL to a website where viewers can learn about tourism opportunities in the
5 country.

6
7 (c) All qualifying international productions shall also receive the following tax credits.
8 However, in no situation may the total tax credit amount received for any particular
9 expense exceed 40 percent:

10
11 (1) 25 percent of the cost of construction of any permanent and useful
12 infrastructure built in the Philippines for the purposes of filming, including
13 likely tourist attractions, subject to approval of the DOT;

14
15 (2) 15 percent of all lodging within the Philippines booked for production team
16 members, for production-related purposes;

17
18 (3) 10 percent of the cost of all transportation to or from the Philippines for
19 production team members conducting either production-related travel or the
20 transportation of filming equipment into the Philippines;)

21
22 (4) 5 percent of the cost associated with the provision of utilities or technology
23 purchased within the Philippines.

1 **SECTION 5. *Qualified Expenses.***

2

3 (a) Qualified expenses for the purposes of determining the amount of a tax credit shall
4 include any expense incurred within the Philippines directly related to pre-
5 production, production, or post-production conducted within the Philippines, unless
6 otherwise exempted. However, expenses must be reasonable and prices may not
7 substantially exceed the market value of the procured product or service.

8

9 Qualified expenses include, but are not limited to, expenses such as or related to:

10

11 (1) Salary, wages, or other compensation such as per diem provided to members
12 of the production team or subcontractors for any services rendered within the
13 Philippines;

14 (2) Creation, decoration, or operation of sets or shooting locations and production
15 offices;

16 (3) Filming equipment or supplies;

17 (4) Locally-sourced photography equipment or services;

18 (5) Locally-sourced editing equipment or services;

19 (6) Locally-sourced music;

20 (7) Catering equipment or services;

21 (8) Costumes, make-up, and similar products and services;

22 (9) Lodging and domestic, or international travel; or,

23 (10) Insurance.

24

25 (b) The FDCP shall reserve the right to disqualify any expenses that clearly do not fall
26 within the spirit of the tax credit program, subject to administrative and judicial appeal.

27 As an assumption, the following shall not be recognized as qualified:

1 (1) Those related to distribution of the film, including but not limited to marketing
2 and promotion;

3 (2) Such as attorney or accounting fees, incurred in the process or as a result of
4 acquiring or challenging a government determination of eligibility for incentives
5 later reimbursed to the production;

6 (3) Items that are later resold by the production, minus any loss incurred;

7 (4) Any amounts paid to members of the production as a result of profit
8 participation, residual, or similar agreements; and

9 (5) Expenses associated with the financing of production.
10

11 **Section 6. Program Eligibility.**

12 The following requirements must be attained to be eligible for the incentives program:

13 (a) For foreign productions: Upon certification by FDCP that the production is a
14 professional endeavor and has met the FDCP's requirements in terms of the amount of
15 investment and the amount of jobs the production will generate;

16 (b) For local production: Upon certification of FDCP that the production is a professional
17 endeavor and has met the FDCP's requirements in terms of the amount of investment
18 and the amount of jobs the production will generate;

19 (c) Participating productions must agree to cooperate with any audits conducted to
20 ensure compliance with program eligibility requirements, both during and after
21 production;

22
23 (d) In addition to the abovementioned criteria, a local movie production may only avail of
24 should any of the following criteria are met:

25 (1) If the final product is set completely or largely in a historical or cultural site as
26 determined by the NCCA; and,

1 (2) If the final product showcases substantive scenes of traditional practice or
2 custom.

3
4 **SECTION 7. *Additional Incentives.***

5
6 (a) Unless otherwise requested by the production, all productions approved by the
7 FDCP for tax credits shall also be:

- 8
9 (1) exempt from all fees for or associated with filming permits;
10 (2) given free access to any public lands where filming is allowed;
11 (3) provided with free police protection at filming locations where safety is a
12 reasonable concern;
13 (4) provided free and expedited work visas for all members of the production
14 team that meet immigration requirements; and,
15 (5) assigned a liaison at the FDCP responsible for coordinating all permits,
16 facilitating receipt of tax credits, securing immigration visas, and assisting in
17 whatever other bureaucratic tasks are found necessary in order for filming to
18 occur, such that the production should not need to interact with any organ of the
19 Philippine government other than the FDC in making logistic and financial
20 arrangements.

21
22 **SECTION 8. *Transferability.***

23
24 (a) Motion picture tax credits assigned under this Act may be transferred, sold, or
25 otherwise exchanged.

1 (b) A taxpayer who purchases or otherwise acquires a motion picture tax credit may
2 apply the credit toward any tax levied by the Bureau of Internal Revenue, which shall
3 honor any such credits at full face value.

4
5 (c) Productions may sell their tax credits to any taxpayer without restriction, and no
6 element of the Philippine government, nor person meaningfully affiliated with the
7 government, may instruct, suggest, or advice in any manner as to where the credits
8 should be sold.

9
10 (d) Upon sale of a credit, a production may choose to either remit their profits abroad or
11 retain them in the Philippines, and in neither scenario shall any additional taxes or fees
12 be assessed.

13
14 **SECTION 9. Appropriations.** The amount of P20,000,000.00 is hereby appropriated to
15 the FDCP for facilitating compliance with this Act. Initially, the fund may be sourced from
16 travel taxes collected by Tourism Infrastructure and Economic Zone Authority (TIEZA).
17 Thereafter, the sum necessary for the continued implementation of this Act shall be
18 included in the Annual General Appropriations Act.

19
20 **SECTION 10. Separability Clause.** If, for any reason, any section or provision of this
21 Act is held unconstitutional or invalid, no other section or provision shall be affected.

22
23 **SECTION 11. Effectivity.** This Act shall take effect fifteen (15) days after its publication
24 in at least two (2) national newspapers of general circulation.

Approved,