

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



SENATE

S. No. 14

Introduced by Senator FRANKLIN M. DRILON

AN ACT

SETTING THE MINIMUM PAID-UP CAPITAL AND LOCALLY PRODUCED STOCK INVENTORY REQUIREMENTS FOR FOREIGN RETAIL BUSINESS ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8762, OTHERWISE KNOWN AS THE "RETAIL TRADE LIBERALIZATION ACT OF 2000"

EXPLANATORY NOTE

Retail Trade is the act, occupation or calling of habitually selling direct to the general public merchandise, commodities or goods for consumption.

Republic Act No. 8762, or the Retail Trade Liberalization Act of 2000, provides for the liberalization of the retail trade industry to encourage competitive retail trade sectors in the interest of empowering Filipino consumers. Particularly, Section 2 thereof states that:

"It is the policy of the State to promote consumer welfare in attracting promoting and welcoming productive investment that will bring down price for the Filipino consumer, create more jobs, promote tourism, assist small manufacturers, stimulate economic growth and enable Philippine goods and services to become globally competitive through the liberalization of the retail trade sector."

However, over the years, the law's intention of inviting retail trade investors, creating jobs and making goods more competitive has not been realized. The Philippines is still lagging behind retail trade investments due to restrictive requirements which impede foreign investments in the country.

To truly liberalize the retail trade industry and push local players to be at par with our ASEAN neighbors, this measure seeks to further relax foreign restrictions by

removing investment categories and setting an across the board minimum paid up capital investment equivalent of US\$ 200,000 in Philippine peso. To promote locally manufactured products, at least ten percent (10%) of the aggregate cost of stock of inventory of foreign retailers shall be made in the Philippines. These proposed amendments will no doubt result in greater variety of products, more choices of goods for consumers, inflow of new technology and employment of more Filipinos.

In view of the foregoing, the passage of this bill is sought.



FRANKLIN M. DRILON
Senator

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

1 Section 1. Section 5 of Republic Act No. 8762 is hereby amended to read as
2 follows:

3 "Sec. 5. *Foreign Equity Participation.*
4 Foreign-owned partnerships, associations and corporations
5 formed and organized under the laws of the Philippines may,
6 upon registration with the Securities and Exchange Commission
7 (SEC) and the Department of Trade and Industry (DTI), or in case
8 of foreign-owned single proprietorships, with the DTI, engage or
9 invest in the retail trade business[~~subject to the following~~
10 ~~categories:~~] **WITH A MINIMUM PAID-UP CAPITAL OF THE**
11 **EQUIVALENT IN PHILIPPINE PESO OF TWO HUNDRED**
12 **THOUSAND US DOLLARS (US\$200,000.00).**

13 [~~Category A—Enterprises with paid-up capital of the equivalent~~
14 ~~in Philippine Pesos of less than Two million five hundred thousand~~
15 ~~US dollars (US\$2,500,000.00) shall be reserved exclusively for~~
16 ~~Filipino citizens and corporations wholly owned by Filipino~~
17 ~~citizens.~~]

1 ~~[Category B—Enterprises with a minimum paid-up capital of the~~
2 ~~equivalent in Philippine Pesos of Two million five hundred~~
3 ~~thousand US dollars (US\$2,500,000.00) but less than Seven~~
4 ~~million five hundred thousand US dollars (US\$7,500,000.00) may~~
5 ~~be wholly [owned by foreigners except for the first two (2) years~~
6 ~~after the effectivity of this Act wherein foreign participation shall~~
7 ~~be limited to not more than sixty percent (60%) of total equity.]~~

8 ~~[Category C—Enterprises with a paid-up capital of the equivalent~~
9 ~~in Philippine Pesos of Seven million five hundred thousand US~~
10 ~~dollars (US\$7,500,000.00) or more may be wholly owned by~~
11 ~~foreigners: *Provided, however,* That in no case shall the~~
12 ~~investments for establishing a store in Categories B and C be~~
13 ~~less than the equivalent in Philippine Pesos of Eight hundred~~
14 ~~thirty thousand US dollars (US\$830,000.00).]~~

15 ~~[Category D—Enterprises specializing in high end or luxury~~
16 ~~products with a paid-up capital of the equivalent in Philippine~~
17 ~~Pesos of Two hundred fifty thousand US dollars (US\$250,000.00)~~
18 ~~per store may be wholly owned by foreigners.]~~

19 "The foreign investor shall be required to maintain in the
20 Philippines the full amount of ~~[the prescribed minimum]~~ **ITS**
21 **PAID-UP** capital, unless the foreign investor has notified the SEC
22 and the DTI of its intention to repatriate its capital and cease
23 operations in the Philippines. The actual use in Philippine
24 operations of the inwardly remitted ~~[minimum]~~ capital
25 ~~[requirement]~~ shall be monitored by the SEC."

26 "Failure to maintain the ~~[full]~~ amount of ~~[the prescribed~~
27 ~~minimum]~~ **PAID-UP** capital **REQUIRED IN THE**
28 **IMMEDIATELY PRECEDING PARAGRAPH**, prior to
29 notification of the SEC and the DTI, shall subject the foreign
30 investor to penalties or restrictions on any future trading
31 activities/business in the Philippines."

1 "Foreign retail stores shall secure a certification from the Bangko
2 Sentral ng Pilipinas (BSP) and the DTI, ~~[which will]~~ **TO** verify or
3 confirm **THE** inward remittance of [the minimum required]
4 **THEIR** capital investment."

5 Sec. 2. Sections 6 and 7 of Republic Act No. 8762 are hereby deleted and the
6 succeeding sections renumbered accordingly.

7 Sec. 3. Section 8 of Republic Act No. 8762 is hereby amended to read as
8 follows:

9 "~~Sec. [8] 6. [*Qualifications of Foreign Retailers*] **USE OF**~~
10 ~~**FOREIGN RETAILERS OF HIGH-END GOODS.** - [No foreign~~

11 ~~retailer shall be allowed to engage in retail trade in the~~
12 ~~Philippines unless all the following qualifications are met:]~~

13 ~~"[(a) A minimum of Two hundred million US dollars~~
14 ~~(US\$200,000,000.00) net worth in its parent corporation for~~
15 ~~Categories B and C, and Fifty million US dollars~~
16 ~~(US\$60,000,000.00) net worth in its parent corporation for~~
17 ~~Category D;]~~

18 ~~"[(b) Five (5) retailing branches or franchises in operation~~
19 ~~anywhere around the world unless such retailer has at least one~~
20 ~~(1) store capitalized at a minimum of Twenty five million US~~
21 ~~dollars (US\$25,000,000.00);]~~

22 ~~"[(c) Five (5) year track record in retailing; and]~~

23 ~~"[(d)] Only nationals from [,] or juridical entities formed or~~
24 ~~incorporated in countries which allow the entry of Filipino retailers~~
25 ~~shall be allowed to engage in retail trade in the Philippines.~~

26 "The DTI is hereby authorized to pre-qualify all foreign retailers,
27 subject to the provisions of this Act, before they are allowed to
28 conduct business in the Philippines."

29 "The DTI shall keep a record of qualified foreign retailers who
30 may, upon compliance with law, establish retail stores in the
31 Philippines." ~~[It shall ensure that the parent retail trading~~

1 company of the foreign investor complies with the qualifications
2 on capitalization and track record prescribed in this section.]

3 "The Inter-Agency Committee on Tariff and Related Matters of
4 the National Economic AND Development Authority (NEDA) Board
5 shall formulate and regularly update a list of foreign retailers of
6 high-end or luxury goods and render an annual report on the
7 same to Congress."

8 Sec. 4. Section 9 of Republic Act No. 8762 is hereby amended to read as
9 follows:

10 "Sec. [9] **7. Promotion of Locally Manufactured Products.** - [For
11 ten (10) years after the effectivity of this Act, at] **AT** least [thirty]
12 **TEN percent [(30%)] (10%)** of the aggregate cost of the stock
13 inventory of foreign retailers [falling under Categories B and C
14 and ten percent (10%) for Category D] shall be made in the
15 Philippines."

16 Sec. 5. *Separability Clause.* - If any portion or provision of this Act is declared
17 unconstitutional, the remainder of this Act or any provision not affected thereby shall
18 remain in force and effect.

19 Sec. 6. *Repealing Clause.* - Republic Act No. 8762, and all laws, decrees,
20 orders, rules and regulations or other issuances or parts thereof inconsistent with the
21 provisions of this Act are hereby repealed or modified accordingly.

22 Sec. 7. *Effectivity.* - This Act shall take effect fifteen (15) days after its
23 publication in the Official Gazette or in a newspaper of general circulation.

Approved,