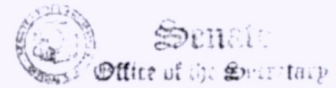


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



'19 JUL 23 P5 :10

SENATE
S. B. No. 701

RECEIVED BY _____

Introduced by Senator SONNY ANGARA

AN ACT
ESTABLISHING A FRAMEWORK FOR FILM AND TELEVISION TOURISM IN
THE PHILIPPINES, MARKETING THE INDUSTRY GLOBALLY AND
PROVIDING EMPLOYMENT FOR THE SECTOR AND FOR OTHER PURPOSES

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 Philippine Statistics Authority, 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 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 seize this new opportunity as levers for growth and development.

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



SONNY ANGARA

'19 JUL 23 P5:10

SENATE
S. B. No. 701

RECEIVED 3. _____

Introduced by Senator SONNY ANGARA

AN ACT
ESTABLISHING A FRAMEWORK FOR FILM AND TELEVISION TOURISM IN
THE PHILIPPINES, MARKETING THE INDUSTRY GLOBALLY AND
PROVIDING EMPLOYMENT FOR THE SECTOR AND FOR OTHER PURPOSES

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

1 Section 1. *Title.* – This Act shall be known as the “*Fostering Investment through*
2 *Local and International Movies (FILM) Act.*”

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

13 Sec. 3. *Program Establishment and Administration.* –

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

- 1 b) The FDCP, under the auspices of its Philippine Film Export Service Office
2 (PFESO), shall promote the Philippines as a destination for filmmakers.
- 3 c) The FDCP shall expand its One-Stop Shop System, including creating a website,
4 dedicated to promote its program and serve filmmakers who intend to avail of
5 the incentives stated in this Act. The FDCP, in its capacity, will specifically assist
6 foreigners who will set up film production in the country in securing visas,
7 permits, certificates and other requirements related to their film production,
8 including but not limited to coordination with local government units, scouting
9 of locations and talents. The FDCP shall endeavor to reduce bureaucratic red
10 tape pursuant to Republic Act No. 9485, or the Anti-Red Tape Act of 2007, and
11 its implementing rules and regulations.
- 12 d) The FDCP shall facilitate the usage and receipt of these incentives by production
13 companies.
- 14 e) While the FDCP is in charge of promoting the country's film tourism, it is also
15 responsible in ensuring that environmental regulations are properly adhered to
16 by all production companies in the process of filming.
- 17 f) The NCCA, as an advocate of the conservation of our cultural heritage, shall be
18 a resource for filmmakers looking to enrich the content of their materials by
19 showcasing Filipino culture, traditions, and values.
- 20 g) The Department of Tourism shall provide the FDCP with a list of locations it is
21 promoting for purposes of this Act.

22 *Sec. 4. Amount of Credit. –*

- 23 a) The minimum tax credit awarded to eligible productions shall be equal to 20
24 percent of qualifying expenses.
- 25 b) In addition to the minimum tax credit, qualifying films, television shows, movies
26 of the week, mini-series, and web-series may gain further credits under a point-
27 based incentive system, to be administered by the FDCP. Each point shall
28 correspond with an additional 1 percent rebate on all qualifying expenses. Any
29 production shall only be able to claim one rebate from the following subsections
30 in their entirety:
- 31 1. Eligible productions may receive 20 points if the final product is set
32 completely or largely within the Philippines, 15 points if the final product

1 contains 10 or more substantive scenes set within the Philippines, and
2 10 points if the final product contains at least 3 substantive scenes set
3 within the Philippines;

4 2. Eligible productions may receive 20 points if at least one-half of filming
5 within the Philippines occurs within a community recovering from a
6 significant natural disaster that occurred within the preceding 3 years or
7 10 points if at least one-fourth of filming within the Philippines occurs
8 within such an area;

9 3. Eligible productions may receive 2 points if they dedicate at least seven
10 seconds worth of screen time during the credit roll to a message
11 acknowledging the film's participation in the film tax credit program of
12 the Philippines and providing the internet address to a website or social
13 media page where viewers can learn about tourism opportunities in the
14 country.

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

18 1. 25 percent of the cost of construction of any permanent and useful
19 infrastructure built in the Philippines for the purposes of filming,
20 including likely tourist attractions, subject to approval of the DOT;

21 2. 15 percent of all lodging within the Philippines booked for production
22 team members, for production-related purposes;

23 3. 10 percent of the cost all transportation to or from the Philippines for
24 production team members conducting either production-related travel or
25 the transportation of filming equipment into the Philippines;

26 4. 5 percent of the cost associated with the provision of utilities or
27 technology purchased within the Philippines.

28 *Sec. 5. Qualified Expenses. –*

29 a) Qualified expenses for the purposes of determining the amount of a tax credit
30 shall include any expense incurred within the Philippines directly related to
31 pre-production, production, or post-production conducted within the
32 Philippines, unless otherwise exempted. However, expenses must be

1 reasonable and prices may not substantially exceed the market value of the
2 procured product or service.

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

- 5 1. Salary, wages, or other compensation such as per diem provided to
6 members of the production team or subcontractors for any services
7 rendered within the Philippines;
- 8 2. Creation, decoration, or operation of sets or shooting locations and
9 production offices;
- 10 3. Filming equipment or supplies;
- 11 4. Locally-sourced photography equipment or services;
- 12 5. Locally-sourced editing equipment or services;
- 13 6. Locally-sourced music;
- 14 7. Catering equipment or services;
- 15 8. Costumes, make-up, and similar products and services;
- 16 9. Lodging and domestic, or international travel; or,
- 17 10. Insurance.

18 b) The FDCP shall reserve the right to disqualify any expenses that clearly do not
19 fall within the spirit of the tax credit program, subject to administrative and
20 judicial appeal. As an assumption, the following shall not be recognized as
21 qualified:

- 22 1. Those related to distribution of the film, including but not limited to
23 marketing and promotion;
- 24 2. Such as attorney or accounting fees, incurred in the process or as a
25 result of acquiring or challenging a government determination of
26 eligibility for incentives later reimbursed to the production;
- 27 3. Items that are later resold by the production, minus any loss incurred;
- 28 4. Any amounts paid to members of the production as a result of profit
29 participation, residual, or similar agreements; and
- 30 5. Expenses associated with the financing of production.

1 Sec. 6. *Program Eligibility.* – The following requirements must be attained to
2 be eligible for the incentives program:

- 3 a) For foreign productions: Upon certification by FDCP that the production is a
4 professional endeavor and has met the FDCP’s requirements in terms of the
5 amount of investment and the amount of jobs the production will generate;
- 6 b) For local production: Upon certification by FDCP that the production is a
7 professional endeavor and has met the FDCP’s requirements in terms of the
8 amount of investment and the amount of jobs the production will generate;
- 9 c) Participating productions must agree to cooperate with any audits conducted
10 to ensure compliance with program eligibility requirements, both during and
11 after production;
- 12 d) In addition to the abovementioned criteria, a local movie production may only
13 avail of should any of the following criteria are met:
 - 14 1. If the final production is set completely or largely in a historical or
15 cultural site as determined by the NCCA; and,
 - 16 2. If the final product showcases substantive scenes of traditional practice
17 or custom.

18 Sec. 7. *Additional Incentives.* –

- 19 a) Unless otherwise requested by the production, all productions approved by the
20 FDCP for tax credits shall also be:
 - 21 1. exempt from all fees for or associated with filming permits;
 - 22 2. given free access to any public lands where filming is allowed;
 - 23 3. provided with free police protection at filming locations where safety is
24 a reasonable concern;
 - 25 4. provided free and expedited work visas for all members of the
26 production team that meet immigration requirements; and,
 - 27 5. assigned a liaison at the FDCP responsible for coordinating all permits,
28 facilitating receipt of tax credits, securing immigration visas, and
29 assisting in whatever other bureaucratic tasks are found necessary in
30 order for filming to occur, such that the production should not need to
31 interact with any organ of the Philippine government other than the
32 FDCP in making logistical and financial arrangements.

1 Sec. 8. *Transferability.* –

- 2 a) Motion picture tax credits assigned under this Act may be transferred, sold, or
3 otherwise exchanged.
- 4 b) A taxpayer who purchases or otherwise acquires a motion picture tax credit
5 may apply the credit toward any tax levied by the Bureau of Internal Revenue,
6 which shall honor any such credits at full face value.
- 7 c) Productions may sell their tax credits to any taxpayer without restriction, and
8 no element of the Philippine government, nor person meaningfully affiliated
9 with the government, may instruct, suggest, or advice in any manner as to
10 where the credits should be sold.
- 11 d) Upon sale of a credit, a production may choose to either remit their profits
12 abroad or retain them in the Philippines, and in neither scenario shall any
13 additional taxes or fees be assessed.

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

19 Sec. 10. *Separability Clause.* – If any portion or provision of this Act is
20 subsequently declared invalid or unconstitutional, other provisions hereof which are
21 not affected thereby shall remain in full force and effect.

22 Sec. 11. *Repealing Clause.* – All other laws, acts, presidential decrees, executive
23 orders, presidential proclamations, issuances, rules and regulations, or parts thereof
24 which are contrary to or inconsistent with any of the provisions of this Act are hereby
25 repealed, amended, or modified accordingly.

26 Sec. 12. *Effectivity.* – This Act shall take effect fifteen (15) days after its
27 publication in the *Official Gazette* or in a newspaper of general circulation.

 Approved,