Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 344

INTRODUCED BY REPRESENTATIVE XAVIER JESUS D. ROMUALDO

EXPLANATORY NOTE

This bill seeks to remove barriers to foreign investments in the local retail sector and open up the retail industry in the country to provide consumers more options in their selection of goods and services. This will also result to higher revenues for the government and provide employment opportunities to our workers.

This will encourage foreign-owned entities formed and organized in the Philippines and with SEC or DTI registrations. For foreign owned single proprietorships with DTI registrations, the minimum capital requirement is at least US$200,000.00 or its peso equivalent.

In addition, this bill removes the requirement for foreign investors to acquire shares of stock of local retailers and on offering of shares of stock by foreign owned retail enterprises under Republic Act No. 8762 otherwise known as the “Retail Trade Liberalization Act of 2000”. It also removes the required net worth, number of retailing branches, and retailing track record conditions for foreign retailers to engage in retail trade in the Philippines.

It respects the rule of reciprocity and permits only nationals from, or judicial entities formed or incorporated in countries which allow the entry of Filipino retailers to engage in retail trade in the Philippines.

This bill also reduces the required locally manufactured products carried by foreign retailers from thirty (30%) percent to ten (10) percent of the aggregate cost of their inventory.

The support of the Members of Congress for the early passage of this bill is earnestly sought.

XAVIER JESUS D. ROMUALDO
INTRODUCED BY REPRESENTATIVE XAVIER JESUS D. ROMUALDO

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"

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

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

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

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

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

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

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

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

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

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

SEC. 2. Section 6 of Republic Act No. 8762 is hereby deleted.

SEC. 3. Section 7 of Republic Act No. 8762 is hereby deleted.

SEC. 4. Section 8 of Republic Act No. 8762 is hereby amended to read as
"SEC. 8. [Qualifications of Foreign Retailers] USE OF FOREIGN RETAILERS 
OF HIGH-END GOODS. - [No foreign retailer shall be allowed to engage in retail trade in 
the Philippines unless all the following qualifications are met:]

[(a) A minimum of Two hundred million US dollars (US$200,000,000.00) net 
worth in its parent corporation for Categories B and C, and Fifty million US dollars 
(US$50,000,000.00) net worth in its parent corporation for Category D.]

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

[(c) Five (5)-year track record in retailing; and]

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

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

"The DTI shall keep a record of qualified foreign retailers who may, upon 
compliance with law, establish retail stores in the Philippines. [It shall ensure that the 
parent retail trading company of the foreign investor complies with the qualifications on 
capitalization and track record prescribed in this section.]

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

"SEC. 5. Section 9 of Republic Act No. 8762 is hereby amended to read as 
follows:
SEC. 9. Promotion of Locally Manufactured Products. - [For ten (10) years after the effectiveness of this Act, at] AT least [thirty] TEN percent [(30%)] (10%) of the aggregate cost of the stock inventory of foreign retailers [falling under Categories B and C and ten percent (10%) for Category D] shall be made in the Philippines.

SEC. 6. Separability Clause. - If any portion or provision of this Act is declared unconstitutional, the remainder of this Act or any provision not affected thereby shall remain in force and effect.

SEC. 7. Repealing Clause. - Republic Act No. 8762, and all laws, decrees, orders, rules and regulations or other issuance or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 8. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,