

Republic of the Philippines
Congress of the Philippines
Metro Manila
Eleventh Congress
Second Regular Session
Begun and held in Metro Manila, on Monday, the twenty-sixth
Day of July, nineteen hundred and ninety-nine

Republic Act No. 8762

RETAIL TRADE LIBERALIZATION ACT

AN ACT LIBERALIZING THE RETAIL TRADE BUSINESS, REPEALING FOR THE PURPOSE REPUBLIC ACT NO.1180, AS AMENDED, AND FOR OTHER PURPOSES.

SEC. 1. **Title.** - This Act shall be known as the "Retail Trade Liberalization Act of 2000."

SEC. 2. **Declaration of Policy.** - It is the policy of the State to promote consumer welfare in attracting, promoting and welcoming productive investments that will bring down prices 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.

Pursuant to this policy, the Philippine retail industry is hereby liberalized to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, higher quality goods, better services and wider choices.

SEC. 3. **Definition.** - As used in this Act: "Retail Trade" shall mean any act, occupation or calling of habitually selling direct to the general public merchandise, commodities or goods for consumption, but the restrictions of this law shall not apply to the following:

- (a) Sales by a manufacturer, processor, laborer, or worker, to the general public the products manufactured, processed or produced by him if his capital does not exceed One hundred thousand pesos (P 100,000.00);
- (b) Sales by a farmer or agriculturist selling the products of his farm;
- (c) Sales in restaurant operations by a hotel owner or inn-keeper irrespective of the amount of capital: Provided, That the restaurant is incidental to the hotel business: and
- (d) Sales which are limited only to products manufactured, processed or assembled by a manufacturer through a single outlet, irrespective of capitalization.

(2) "High-end or luxury goods" shall refer to goods which are not necessary for life maintenance and whose demand is generated in large part by the higher income groups. Luxury goods shall include, but are not limited to, products such as: jewelry, branded or designer clothing and footwear, wearing apparel, leisure and sporting goods, electronics and other personal effects. [where is (1)?]

SEC. 4. **Treatment of Natural -Born Citizen Who Has Lost His Philippine Citizenship.** - A natural-born citizen of the Philippines who has lost his Philippine citizenship but who resides in the Philippines shall be granted the same rights as Filipino citizens for purposes of this Act.

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 proprietorships, with the DTI, engage or invest in the retail trade business, subject to the following categories:

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 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 capital 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 verify or confirm inward remittance of the minimum required capital investment.

SEC. 6. *Foreign Investors Acquiring Shares of Stock of Local Retailers.* - Foreign investors acquiring shares from existing retail stores whether or not publicly listed whose net worth is in excess of the peso equivalent of Two million five hundred thousand US dollars (US\$2,500,000.00) may purchase only up to a maximum of sixty percent (60%) of the equity thereof within the first two (2) years from the effectivity of this Act and thereafter, they may acquire the remaining percentage consistent with the allowable foreign participation as herein provided.

SEC. 7. *Public Offering of Shares of Stocks.* - All retail trade enterprises under Categories B and C in which foreign ownership exceeds eighty percent (80%) of equity shall offer a minimum of thirty percent (30%) of their equity to the public through any stock exchange in the Philippines within eight (8) years from their start of operations.

SEC. 8. *Qualifications of Foreign Retailers.* - 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-qualify 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 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. 9. *Promotion of Locally Manufactured Products.* - For ten (10) years after the effectivity of this Act, at least thirty percent (30%) 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. 10. *Prohibited Activities of Qualified Foreign Retailers.* - Qualified foreign retailers shall not be allowed to engage in certain retailing activities outside their accredited stores through the use of mobile or rolling stores or carts, the use of sales representatives, door-to-door selling, restaurants and sari-sari stores and such other similar retailing activities: Provided, That a detailed list of prohibited activities shall hereafter be formulated by the DTI.

SEC. 11. *Implementing Agency; Rules and Regulations.* - The monitoring and regulation of foreign sole proprietorships, partnerships, associations, or corporations allowed to engage in retail trade shall be the responsibility of the DTI. This shall include resolution of conflicts.

The DTI, in coordination with the SEC, the NEDA and the BSP shall formulate and issue the implementing rules and regulations necessary to implement this Act within ninety (90) days after its approval.

SEC. 12. *Penalty Clause.* - Any person who shall be found guilty of violation of any provision of this Act shall be punished by imprisonment of not less than six (6) years and one (1) day but not more than eight (8) years, and a fine of not less than One million pesos (P1,000,000.00) but not more than Twenty million pesos (P20,000,000.00). In the case of associations, partnerships or corporations, the penalty shall be imposed upon its partners, president, directors, manager and other officers responsible for the violation. If the offender is not a citizen of the Philippines, he shall be deported immediately after service of sentence. If the Filipino offender is a public officer or employee, he shall, in addition to the penalty prescribed herein, suffer dismissal and permanent disqualification from public office.

SEC. 13. *Repealing Clause.* - Republic Act No. 1180, as amended, is hereby repealed. Republic Act No. 3018, as amended, and all other laws, executive orders, rules and regulations or parts thereof inconsistent with this Act are repealed or modified accordingly.

SEC. 14. *Separability Clause.* - If any provision of this Act shall be held unconstitutional, the other provisions not otherwise affected thereby shall remain in force and effect.

SEC. 15. *Effectivity.* - This Act shall take effect fifteen (15) days after its approval and publication in at least two (2) newspapers of general circulation in the Philippines.

Approved,

(Sgd) MANUEL B. VILLAR, JR. (Sgd) BLAS F. OPLE

Speaker of the House of Representative President of the Senate

This Act, which is a consolidation of Senate Bill No. 153 and House Bill No. 7602, was finally passed by the Senate and House of Representatives on February 15, 2000.

ROBERTO P. NAZARENO HEZEL P. GACUTAN

Secretary General House of Representatives Secretary of the Senate

Approved:

(Sgd) JOSEPH E. ESTRADA

President of the Philippines