

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH (17th) CONGRESS
First Regular Session

House Bill No. 2624

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Introduced by: Representative Jose L. Atienza, Jr.

EXPLANATORY NOTE

Our film industry used to be one of the fastest growing industries in the Philippines and in the world as well. We used to be recognized in the world in terms of creativity, originality, and talent in our movies. From an average of 300 films a year, we have dropped to making less than 50 films a year. Our film industry is moribund. At present, only a few films make a profit in the Philippine movie industry. Many Filipinos are more aware of foreign films than the local ones especially now in the internet age where people can just download the newest foreign films in their computers and let the local movies run dry in the local movie houses.

These realities plus the rising cost of movie production have made it harder for start-up film companies to enter the industry, and thereby has watered down competition and improvement in the whole film industry. The industry needs subsidies and a tax break to be able to bounce back and be competitive once more.

Our writers, directors, and producers are still as topnotch as before, and can still compete with their counterparts in international markets. And because of the good reviews and many standing ovations received now by Philippine Films in international film festivals, such as the Cannes Film Festival, we can easily compete with hollywood-produced films. We just need to help the Philippine film industry right now in retracing its path to profitability and to greatness.

This Act seeks to provide a five (5) year tax holiday for the film industry – including the purchase of equipment, production of films, and exhibition of said films starting on the year of its approval, in order for the whole movie industry of the Philippines to recover and improve, especially with the entry of new players.



JOSE L. ATIENZA, JR.
BUHAY PARTY-LIST
Representative

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**AN ACT
PROVIDING A FIVE (5) YEAR TAX HOLIDAY FOR THE FILM
INDUSTRY BY AMENDING REPUBLIC ACT NO. 9167,
OTHERWISE KNOWN AS “AN ACT CREATING THE FILM
DEVELOPMENT COUNCIL OF THE PHILIPPINES, DEFINING
ITS POWERS AND FUNCTIONS, APPROPRIATING FUNDS
THEREFOR, AND FOR OTHER PURPOSES”**

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

SECTION 1. *Short Title.* - This Act shall be known as the “Philippine Film Industry Tax Holiday Act of 2016.”

SEC. 2. Section 12 of Republic Act 9167 is hereby amended to read as follows:

“Section 12. Grading of Films. – The grading of films by the Cinema Evaluation Board shall be subject to the following provisions:

- (a) Pre-qualification procedures and requirements. - The Council shall prescribe pre-qualification procedures and

requirements for application for grading: *Provided*, That ~~only~~ **ALL** films whose premiere screening shall be held in the Philippines, and those which have not had any previous theatrical release, free television broadcast, cable broadcast or video release in any commercial medium anywhere in the world shall be qualified for grading by the Board: *Provided, further*, That the Board shall evaluate and grade ~~only~~ **ALL** feature film that are intended for theatrical and other forms or exhibition that will charge admission fees and which are at least eighty (80) minutes in length and that the producer shall submit his/her film for grading at least seven (7) calendar days before its scheduled playdate.”

SEC. 3. Section 13 of Republic Act 9167 is hereby amended to read as follows:

“Section 13. *Privileges of Graded Films.* - Films which have obtained an "A" or "B" grading from the Council pursuant to Sections 11 and 12 of this Act shall be entitled to the following privileges:

a. Amusement tax reward. - A grade "A" or "B" film shall entitle its producer to an incentive equivalent to the amusement tax imposed and collected on the graded films by cities and municipalities in Metro Manila and other highly urbanized and independent component cities in the Philippines pursuant to Sections 140 and 151 of Republic Act No. 7160 at the following rates:

1. For grade "A" films - 100% of the amusement tax collected on such films; and

2. For grade "B" films. - 65% of the amusement tax collected on such films. The remaining thirty-five (35%) shall accrue to the funds of the Council.

B. TAX HOLIDAY. – The Council may call for a tax holiday during a downturn in the local industry. The tax holiday will follow these guidelines:

(a) Tax and Duty Exemption on Capital

Equipment. — Importation of machinery and equipment and accompanying spare parts directly related to the making of films shall be exempt to the extent of one hundred percent (100%) of the customs duties and national internal revenue tax payable thereon.

(b) A domestic manufacturer of any of the articles enumerated therein shall be entitled to a tax credit equivalent to one hundred percent (100%) of the national internal revenue taxes, customs duties and levies actually paid on the raw materials used in the manufacture of the article. The purchaser of such article shall likewise be entitled to a tax credit of one hundred percent (100%) of the value of the National Internal Revenue taxes, customs duties imposed thereon under Section 104 of the Tariff and Customs Code of 1978, as amended, and levies provided by law or presidential decree had such article been imported.

c. Tax Exemption on rental of equipment and on post-production expenses such as editing and marketing of films. There shall be a one hundred percent (100%) tax exemption on the rental of equipment, editing fees, and marketing fees in relation to the production and needed post-production events for the promotion of the films.

SEC. 4. As used in this Act, the term domestic manufacturer shall mean a citizen of the Philippines, a partnership or any other association organized under Philippine laws, with at least sixty percent (60%) of its capital owned and controlled by citizens of the Philippines; a corporation or cooperative organized under Philippine laws with at least sixty percent (60%) of its capital stock outstanding and entitled to vote owned and held by citizens of the Philippines, and with at least sixty percent (60%) of the members of its Board of Directors being citizens of the Philippines.

SEC. 5. The Film Development Council of the Philippines (FDCP) and the Department of Finance shall formulate and publish guidelines for the implementation of this Act in the Official Gazette and in any newspaper of general circulation within ninety (90) days after its approval.

SEC. 6. *Repealing Clause.* – All laws, rules, regulations, orders, circulars and memoranda inconsistent with this Act are hereby repealed or modified accordingly.

SEC 7. *Effectivity.* – This Act shall take effect immediately upon approval.

Approved.