

[REPUBLIC ACT NO. 8179, March 28, 1996]

**AN ACT TO FURTHER LIBERALIZE FOREIGN INVESTMENTS,
AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7042, AND
FOR OTHER PURPOSES**

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

SECTION 1. Section 3, paragraph (a), of Republic Act No. 7042, otherwise known as the "Foreign Investments Act of 1991," is hereby amended to read as follows:

"SEC. 3. *Definitions.* – as used in this Act: the term Philippine national shall mean a citizen of the Philippines; or a domestic partnership or association wholly owned by citizens of the Philippines; or a corporation organized under the laws of the Philippines of which at least sixty percent (60%) of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; or a corporation organized abroad and registered as doing business in the Philippines under the Corporation Code of which one hundred percent (100%) of the capital stock outstanding and entitled to vote is wholly owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least sixty percent (60%) of the fund will accrue to the benefit of Philippine nationals: *Provided,* That where a corporation and its non-Filipino stockholders own stocks in a Securities and Exchange Commission (SEC) registered enterprise, at least sixty percent (60%) of the capital stock outstanding and entitled to vote of each of both corporations must be owned and held by citizens of the Philippines and at least sixty percent (60%) of the members of the Board of Directors of each of both corporations must be citizens of the Philippines, in order that the corporation shall be considered a Philippine national."

SEC. 2. Sec. 7 of Republic Act No. 7042 is hereby amended to read as follows:

"SEC. 7. *Foreign Investments in Domestic Market Enterprises.* – Non-Philippine nationals may own up to one hundred percent (100%) of domestic market enterprises unless foreign ownership therein is prohibited or limited by the Constitution and existing law or the Foreign Investment Negative List under Section 8 hereof."

SEC. 3. Section 8 of the Foreign Investments Act of 1991 is hereby amended to read as follows:

"SEC. 8. List of Investment Areas Reserved to Philippine Nationals (Foreign Investment Negative List). – The Foreign Investment Negative

List shall have two (2) component lists: A and B:

"a) List A shall enumerate the areas of activities reserved to Philippine nationals by mandate of the Constitution and specific laws.

"b) List B shall contain the areas of activities and enterprises regulated pursuant to law:

"1) which are defense-related activities, requiring prior clearance and authorization from Department of National Defense (DND) to engage in such activity, such as the manufacture, repair, storage and/or distribution of firearms, ammunition, lethal weapons, military ordnance, explosives, pyrotechnics and similar materials; unless such manufacturing or repair activity is specifically authorized, with a substantial export component, to a non-Philippine national by the Secretary of National Defense; or

"2) which have implications on public health and morals, such as the manufacture and distribution of dangerous drugs; all forms of gambling; nightclubs, bars, beer houses, dance halls, sauna and steam bathhouses and massage clinics.

"Small and medium-sized domestic market enterprises with paid-in equity capital less than the equivalent of Two hundred thousand US dollars (US\$200,000), are reserved to Philippine nationals: Provided, That if: (1) they involve advanced technology as determined by the Department of Science and Technology, or

(2) they employ at least fifty (50) direct employees, then a minimum paid-in capital of One hundred thousand US dollars (US\$100,000) shall be allowed to non-Philippine nationals.

"Amendments to List B may be made upon recommendation of the Secretary of National Defense, or the Secretary of Health, or the Secretary of Education, Culture and Sports, indorsed by the NEDA, or upon recommendation motu proprio, of NEDA, approved by the President, and promulgated by a Presidential Proclamation.

"The Transitory Foreign Investment Negative List established in Section 15 hereof shall be replaced at the end of the transitory period by the first Regular Negative List to be formulated and recommended by NEDA, following the process and criteria, provided in Sections 8 and 9 of this Act. The first Regular Negative Lists shall be published not later than sixty (60) days before the end of the transitory period provided in said section, and shall become immediately effective at the end of the transitory period. Subsequent Foreign Investment Negative Lists shall become effective fifteen (15) days after publication in a newspaper of general circulation in the Philippines: *Provided, however,* That each Foreign Investment Negative List shall be prospective in operation and shall in no way affect foreign investment existing on the date of its publication.