

**NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)**

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SENATE

S. No. 2898

(In Substitution of Senate Bill No. 2717)

Prepared by the Committee on Justice and Human Rights with Senators Francis "Chiz" G. Escudero and Aquilino "Koko" Pimentel III as authors thereof

**AN ACT
LIBERALIZING THE LEASE OF PRIVATE LANDS BY FOREIGN INVESTORS,
ESTABLISHING THE STABILITY OF LONG-TERM LEASE CONTRACTS,
AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7652, OTHERWISE
KNOWN AS THE "INVESTORS' LEASE ACT"**

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

1 SECTION 1. Section 2 of Republic Act No. 7652, otherwise known as the
2 "Investors' Lease Act", is hereby amended to read as follows:

3 "SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of
4 the State to encourage foreign investments consistent with the
5 constitutional mandate to conserve and develop our own patrimony.
6 Towards this end, the State hereby adopts a flexible and dynamic policy on
7 the granting of long-term lease on private lands to foreign investors for the
8 establishment of industrial estates, factories, assembly or processing
9 plants, agro-industrial enterprises, land development for industrial[?] or
10 commercial use, tourism, **AGRICULTURE, AGRO-FORESTRY,**
11 **ECOLOGICAL CONSERVATION** and other similar priority productive
12 endeavors.

1 **"IT IS THE POLICY OF THE STATE TO ENSURE THE**
2 **RELIABILITY OF INVESTORS' LEASE CONTRACTS TO PROVIDE A**
3 **STABLE ENVIRONMENT FOR FOREIGN INVESTMENTS."**

4 SEC. 2. Section 4 of Republic Act No. 7652 is hereby amended to read as
5 follows:

6 "SEC. 4. *Coverage.* - Any foreign investor investing in the Philippines
7 shall be allowed to lease private lands in accordance with the laws of the
8 Republic of the Philippines subject to the following conditions:

9 "(1) [~~No~~] **THE AGGREGATE PERIOD OF THE** lease contract shall
10 [~~be for a period~~] **NOT** exceed[~~ing fifty (50) years, renewable once~~
11 [~~for a period of not more than twenty five (25) years~~] **NINETY-NINE**
12 **(99) YEARS;**

13 "(2) The leased area shall be used solely for the purpose of the
14 **APPROVED AND REGISTERED** investment upon the mutual
15 agreement of the parties;

16 "(3) The leased premises shall comprise such area as may
17 reasonably be required for the purpose of the **APPROVED AND**
18 **REGISTERED** investment subject however to the Comprehensive
19 Agrarian Reform Law and the Local Government Code [-]; **AND,**

20 "**(4) THE FOREIGN INVESTOR MUST HAVE AN APPROVED**
21 **AND REGISTERED INVESTMENT UNDER REPUBLIC ACT NO.**
22 **7042, OTHERWISE KNOWN AS THE "FOREIGN**
23 **INVESTMENTS ACT OF 1991", AS AMENDED, REPUBLIC ACT**
24 **NO. 11534, OTHERWISE KNOWN AS THE "CORPORATE**
25 **RECOVERY AND TAX INCENTIVES FOR ENTERPRISES ACT"**
26 **(CREATE), AS AMENDED BY REPUBLIC ACT NO. 12066,**
27 **OTHERWISE KNOWN AS THE "CREATE MORE" ACT, OR**
28 **OTHER APPLICABLE LAWS, OR HAS COMPLIED WITH THE**
29 **INVESTMENT REQUIREMENTS PRESCRIBED BY THE**
30 **APPROPRIATE INVESTMENT PROMOTION AGENCY (IPA)**
31 **PURSUANT TO EXISTING LAWS;**

1 (5) THE LEASE CONTRACT SHALL BE REGISTERED WITH THE
2 REGISTRY OF DEEDS OF THE PROVINCE OR CITY WHERE
3 THE LEASED AREA IS LOCATED AND ANNOTATED ON THE
4 CERTIFICATE OF TITLE COVERING THE LEASED AREA; AND,
5 (6) THE REGISTER OF DEEDS SHALL REGISTER THE LEASE
6 CONTRACT IF ALL THE FOLLOWING CONDITIONS EXIST:

7 (A) THE INVESTOR PRESENTS PROOF OF AN
8 APPROVED AND REGISTERED INVESTMENT UNDER
9 SUBPARAGRAPH 4 HEREOF;

10 (B) THE DATE OF COMMENCEMENT AND MAXIMUM
11 DURATION OF THE LEASE ARE CERTAIN;

12 (C) THE TECHNICAL DESCRIPTION OF THE
13 PROPERTY SUBJECT OF THE LEASE IS CLEARLY SPECIFIED;
14 AND

15 (D) THERE IS A PROVISION IN THE LEASE
16 CONTRACT PROVIDING FOR ITS TERMINATION IF THE
17 INVESTMENT PROJECT DOES NOT COMMENCE WITHIN
18 THREE (3) YEARS FROM THE SIGNING OF THE LEASE
19 CONTRACT."

20 "The leasehold right acquired under long-term lease contracts
21 entered into pursuant to this Act may be sold, transferred, [øf] assigned,
22 **OR MAY SERVE AS SECURITY FOR A LOAN:** *Provided,* That when the
23 buyer, transferee, [øf] assignee, **OR CREDITOR** is a foreigner or foreign-
24 owned enterprise, the conditions and limitations in respect to the use of
25 the leased property as provided for under this Act shall continue to apply."

26 SEC. 3. A new Section 4-A is hereby inserted after Section 4 of Republic Act
27 No. 7652, to read as follows:

28 "SEC. 4-A. OPERATIVE ACT OF REGISTRATION. - THE
29 REGISTRATION OF THE LONG-TERM LEASE CONTRACT SHALL
30 BE THE OPERATIVE ACT THAT RENDERS THE LEASE BINDING
31 AGAINST THIRD PERSONS. REGISTRATION SHALL BE MADE IN

1 **ACCORDANCE WITH THE PROVISIONS OF PRESIDENTIAL**
2 **DECREE NO. 1529, AS AMENDED.**

3 **THE REGISTERED LEASE CONTRACT SHALL NOT BE**
4 **SUBJECT TO COLLATERAL ATTACK. IT CANNOT BE ALTERED,**
5 **MODIFIED, OR CANCELLED EXCEPT IN A DIRECT PROCEEDING**
6 **IN ACCORDANCE WITH LAW."**

7 SEC. 4. Section 5 of Republic Act No. 7652 is hereby amended to read as
8 follows:

9 "SEC. 5. *Limitations.* –

10 "(1) Foreign individuals, corporations, associations, or partnerships not
11 otherwise investing in the Philippines as defined herein shall continue to be
12 covered by Presidential Decree No. 471 and other existing laws on lease of
13 lands to foreigners[-];

14 "(2) Withdrawal of the approved investment in the Philippines within the
15 period of the lease [agreement] **CONTRACT** entered into under this Act,
16 or use of the leased area for the purpose other than that authorized, shall
17 warrant the *ipso facto* termination of the lease [agreement] **CONTRACT**
18 without prejudice to the right of the lessor to be compensated for the
19 damages [he] **THE LESSOR** may have suffered thereby[-];

20 "(3) Any lease [agreement] **CONTRACT** under this Act which is renewable
21 at the option of the lessee subject to the same terms and conditions of the
22 original contract shall be interpreted to mean as renewable upon the
23 mutual agreement of the parties[-];

24 "(4) In addition to the conditions for the renewal of a lease [agreement]
25 **CONTRACT** [~~after the period of fifty (50) years as provided herein~~], the
26 foreign lessee shall show that it has made social and economic
27 contributions to the country[-]; **AND,**

28 "(5) In the case of tourism projects, lease of private lands by **QUALIFIED**
29 foreign investors [~~qualified herein~~] shall be limited to projects with an

1 investment of not less than Five Million (5M) US dollars (USD
2 **5,000,000.00**), seventy percent (70%) of which shall be infused in said
3 project within three (3) years from the signing of the lease contract."

4 SEC. 5. A new Section 5-A is hereby inserted after Section 5 of Republic Act
5 No. 7652, to read as follows:

6 **"SEC. 5-A. SUBLEASE. - UNLESS THERE IS AN EXPRESS**
7 **PROHIBITION IN THE LEASE CONTRACT, THE LESSEE MAY**
8 **SUBLET THE PROPERTY WITH THE CONSENT OF THE LESSOR.**
9 **THE CONDITIONS UNDER SECTIONS 4 AND 5 OF THIS ACT**
10 **SHALL APPLY TO THE SUBLEASE CONTRACT."**

11 SEC. 6. A new Section 5-B is hereby inserted after the new Section 5-A of
12 Republic Act No. 7652, to read as follows:

13 **"SEC. 5-B. REGISTRATION OF SUBLEASE CONTRACTS. -**
14 **SUBLEASE CONTRACTS SHALL BE REGISTERED WITH THE**
15 **REGISTRY OF DEEDS AND ANNOTATED ON THE CERTIFICATE**
16 **OF TITLE TO THE LAND."**

17 SEC. 7. Section 6 of Republic Act No. 7652 is hereby amended to read as
18 follows:

19 ~~"SEC. 6. Termination of Lease Contract. - [The Secretary of Trade~~
20 ~~and Industry shall terminate any lease contract entered into under the~~
21 ~~provisions of this Act, if the investment project is not initiated within~~
22 ~~three (3) years from the signing of the lease contract.]~~ **FAILURE TO**
23 **INITIATE THE INVESTMENT PROJECT WITHIN THREE (3)**
24 **YEARS FROM THE SIGNING OF THE LEASE CONTRACT SHALL**
25 **TERMINATE THE LEASE, REVOKE ALL ENTITLEMENTS GRANTED**
26 **UNDER THIS ACT, AND SHALL ENTITLE THE LESSOR TO THE**
27 **POSSESSION OF THE LEASED PROPERTY."**

28 SEC. 8. Section 7 of Republic Act No. 7652 is hereby amended to read as
29 follows:

1 "SEC. 7. *Penal Provision.* - Any contract [~~or agreement~~] made or
2 executed in violation of any of the following prohibited acts shall be null
3 and void *ab initio* and both contracting parties shall be punished by a fine
4 of not less than [~~One hundred thousand pesos (P 100,000.00)~~] **ONE**
5 **MILLION PESOS (PHP 1,000,000.00)** [~~per~~] **BUT NOT** more than [~~One~~
6 ~~million pesos (P 1,000,000.00)~~] **TEN MILLION PESOS (PHP**
7 **10,000,000.00)**, or imprisonment of six (6) months to six (6) years, or
8 both, at the discretion of the court:

9 “(1) Any provision in the lease [~~agreement~~] **CONTRACT** stipulating a lease
10 period in excess of that provided in paragraph (1) of Section 4;

11 (2) Use of the leased premises for the purpose contrary to existing laws of
12 the land, public order, public policy, morals, or good customs;

13 (3) Any agreement or agreements resulting in the lease of land in excess
14 of the [area] approved [~~by the DTI~~] **AREA: Provided,** That, where the
15 excess of the totality of the area leased is due to the acts of the lessee, the
16 lessee shall be held solely liable therefore[~~: Provided, further, That, in the~~
17 ~~case of corporations, associations, or partnerships, the president, manager,~~
18 ~~director, trustee, or officers responsible for the violation hereof shall bear~~
19 ~~the criminal liability].”~~

20 **“IN THE CASE OF CORPORATIONS, ASSOCIATIONS, OR**
21 **PARTNERSHIPS, THE PRESIDENT, MANAGER, DIRECTOR,**
22 **TRUSTEE, OR RESPONSIBLE OFFICERS SHALL BE HELD**
23 **CRIMINALLY LIABLE.**

24 **THE PENALTIES PROVIDED UNDER THIS SECTION SHALL**
25 **LIKEWISE APPLY TO ALL SUBLEASE CONTRACTS.”**

26 SEC. 9. *Implementing Rules and Regulations.* – Within ninety (90) days from
27 the effectivity of this Act, the Department of Trade and Industry (DTI) through the
28 Board of Investments (BOI), in consultation with the Fiscal Incentives Review Board
29 (FIRB), the Land Registration Authority (LRA), and other concerned government
30 agencies and stakeholders, shall promulgate the necessary implementing rules and
31 regulations for the effective implementation of this Act.

1 SEC. 10. *Separability Clause.* - If any part or provision of this Act is declared
2 invalid or unconstitutional, the other parts or provisions hereof not otherwise affected
3 shall remain valid and effective.

4 SEC. 11. *Repealing Clause.* – All laws, decrees, orders, issuances, rules, and
5 regulations or parts thereof, that are inconsistent with this Act are hereby repealed or
6 modified accordingly.

7 SEC. 12. *Effectivity.* - This Act shall take effect after fifteen (15) days following
8 its complete publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,