



S E N A T E

S. No. 2898

PREPARED BY THE COMMITTEE ON JUSTICE AND HUMAN
RIGHTS WITH SENATORS ESCUDERO AND 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 House of Representatives of
the Philippines in Congress assembled:*

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

4 "SEC. 2. *Declaration of Policy.* – It is
5 hereby declared the policy of the State to
6 encourage foreign investments consistent with
7 the constitutional mandate to conserve and

1 develop our own patrimony. Towards this end,
2 the State hereby adopts a flexible and dynamic
3 policy on the granting of long-term lease on
4 private lands to foreign investors for the
5 establishment of industrial estates, factories,
6 assembly or processing plants, agro-industrial
7 enterprises, land development for industrial[5]
8 or commercial use, tourism, AGRICULTURE,
9 AGRO-FORESTRY, ECOLOGICAL CONSERVATION
10 and other similar priority productive
11 endeavors.

12 IT IS THE POLICY OF THE STATE TO
13 ENSURE THE RELIABILITY OF
14 INVESTORS’ LEASE CONTRACTS TO
15 PROVIDE A STABLE ENVIRONMENT FOR
16 FOREIGN INVESTMENTS.”

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

19 “SEC. 4. *Coverage.* – Any foreign investor
20 investing in the Philippines shall be allowed to

1 lease private lands in accordance with the laws
2 of the Republic of the Philippines subject to the
3 following conditions:

4 (1) ~~Ne~~ THE AGGREGATE PERIOD OF
5 THE lease contract shall ~~[be for a period]~~ NOT
6 exceed~~[ing fifty (50) years, renewable once for a~~
7 ~~period of not more than twenty five (25) years]~~
8 NINETY-NINE (99) YEARS;

9 (2) The leased area shall be used solely for
10 the purpose of the APPROVED AND
11 REGISTERED investment upon the mutual
12 agreement of the parties;

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

19 (4) THE FOREIGN INVESTOR MUST
20 HAVE AN APPROVED AND REGISTERED

1 INVESTMENT UNDER REPUBLIC ACT NO.
2 7042, OTHERWISE KNOWN AS THE
3 'FOREIGN INVESTMENTS ACT OF 1991', AS
4 AMENDED, REPUBLIC ACT NO. 11534,
5 OTHERWISE KNOWN AS THE 'CORPORATE
6 RECOVERY AND TAX INCENTIVES FOR
7 ENTERPRISES ACT' (CREATE), AS
8 AMENDED BY REPUBLIC ACT NO. 12066,
9 OTHERWISE KNOWN AS THE 'CREATE
10 MORE' ACT, OR OTHER APPLICABLE
11 LAWS, OR HAS COMPLIED WITH THE
12 INVESTMENT REQUIREMENTS
13 PRESCRIBED BY THE APPROPRIATE
14 INVESTMENT PROMOTION AGENCY (IPA)
15 PURSUANT TO EXISTING LAWS;

16 (5) THE LEASE CONTRACT SHALL BE
17 REGISTERED WITH THE REGISTRY OF
18 DEEDS OF THE PROVINCE OR CITY
19 WHERE THE LEASED AREA IS LOCATED
20 AND ANNOTATED ON THE CERTIFICATE

1 OF TITLE COVERING THE LEASED AREA;
2 AND

3 (6) THE REGISTER OF DEEDS SHALL
4 REGISTER THE LEASE CONTRACT IF ALL
5 THE FOLLOWING CONDITIONS EXIST:

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

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

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

17 (D) THERE IS A PROVISION IN
18 THE LEASE CONTRACT PROVIDING FOR
19 ITS TERMINATION IF THE INVESTMENT
20 PROJECT DOES NOT COMMENCE WITHIN

1 THREE (3) YEARS FROM THE SIGNING OF
2 THE LEASE CONTRACT.

3 The leasehold right acquired under
4 long-term lease contracts entered into
5 pursuant to this Act may be sold, transferred,
6 ~~[or]~~ assigned, OR MAY SERVE AS SECURITY
7 FOR A LOAN: *Provided*, That when the buyer,
8 transferee, ~~[or]~~ assignee, OR CREDITOR is a
9 foreigner or foreign-owned enterprise, the
10 conditions and limitations in respect to the use
11 of the leased property as provided ~~[for]~~ under
12 this Act shall continue to apply.”

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

15 “SEC. 4-A. *OPERATIVE ACT OF*
16 *REGISTRATION.* – THE REGISTRATION OF
17 THE LONG-TERM LEASE CONTRACT
18 SHALL BE THE OPERATIVE ACT THAT
19 RENDERS THE LEASE BINDING AGAINST
20 THIRD PERSONS. REGISTRATION SHALL

1 BE MADE IN ACCORDANCE WITH THE
2 PROVISIONS OF PRESIDENTIAL DECREE
3 NO. 1529, AS AMENDED.

4 THE REGISTERED LEASE
5 CONTRACT SHALL NOT BE SUBJECT TO
6 COLLATERAL ATTACK. IT CANNOT BE
7 ALTERED, MODIFIED, OR CANCELLED
8 EXCEPT IN A DIRECT PROCEEDING IN
9 ACCORDANCE WITH LAW. THIS SHALL BE
10 WITHOUT PREJUDICE TO A PERIODIC
11 REVIEW OF THE TERMS OF THE LEASE,
12 TO BE DONE BY THE BOARD OF
13 INVESTMENTS (BOD) OR THE
14 APPROPRIATE INVESTMENT PROMOTION
15 AGENCY (IPA). THE CONTINUATION OF
16 THE LEASE SHALL BE SUBJECT TO THE
17 CONDITION THAT IT REMAINS
18 EQUITABLE FOR ALL INTERESTED
19 PARTIES.”

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

3 “SEC. 5. *Limitations.* –

4 (1) Foreign individuals, corporations,
5 associations, or partnerships not otherwise
6 investing in the Philippines as defined herein
7 shall continue to be covered by Presidential
8 Decree No. 471 and other existing laws on lease
9 of lands to foreigners[-];

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

1 (3) Any lease [~~agreement~~] CONTRACT
2 under this Act which is renewable at the option
3 of the lessee subject to the same terms and
4 conditions of the original contract shall be
5 interpreted to mean as renewable upon the
6 mutual agreement of the parties[-];

7 (4) In addition to the conditions for the
8 renewal of a lease [~~agreement~~] CONTRACT
9 [~~after the period of fifty (50) years as provided~~
10 ~~herein~~], the foreign lessee shall show that it
11 has made social and economic contributions to
12 the country AND THE COMMUNITIES IN
13 THE LAND LEASED[-];

14 (5) In the case of tourism projects, lease of
15 private lands by QUALIFIED foreign investors
16 [~~qualified herein~~] shall be limited to projects
17 with an investment of not less than Five
18 Million [~~(\$5M)~~] US dollars (USD 5,000,000.00),
19 seventy percent (70%) of which shall be infused

1 in said project within three (3) years from the
2 signing of the lease contract[-]; AND

3 (6) IN THE CASE OF AGRICULTURAL
4 AND AGRO-FORESTRY LANDS, THE
5 TERMS OF THE LEASE SHALL BE
6 SUBJECT TO THE RULES ON
7 CONVERSION AND THE RULES OF THE
8 DEPARTMENT OF AGRARIAN REFORM
9 (DAR) GOVERNING JOINT VENTURE
10 AGREEMENTS IN AGRO-FORESTRY
11 LANDS.”

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

14 “SEC. 5-A. *SUBLEASE*. – UNLESS
15 THERE IS AN EXPRESS PROHIBITION IN
16 THE LEASE CONTRACT, THE LESSEE MAY
17 SUBLET THE PROPERTY WITH THE
18 CONSENT OF THE LESSOR. THE
19 CONDITIONS UNDER SECTIONS 4 AND 5

1 OF THIS ACT SHALL APPLY TO THE
2 SUBLEASE CONTRACT.”

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

6 “SEC. 5-B. *REGISTRATION OF*
7 *SUBLEASE CONTRACTS.* – SUBLEASE
8 CONTRACTS SHALL BE REGISTERED
9 WITH THE REGISTRY OF DEEDS AND
10 ANNOTATED ON THE CERTIFICATE OF
11 TITLE TO THE LAND.”

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

14 “SEC. 6. *Termination of Lease Contract.*
15 – [~~The Secretary of Trade and Industry shall~~
16 ~~terminate any lease contract entered into~~
17 ~~under the provisions of this Act, if the~~
18 ~~investment project is not initiated within three~~
19 ~~(3) years from the signing of the lease contract.]~~”

1 FAILURE TO INITIATE THE INVESTMENT
2 PROJECT WITHIN THREE (3) YEARS FROM
3 THE SIGNING OF THE LEASE CONTRACT
4 SHALL TERMINATE THE LEASE, REVOKE
5 ALL ENTITLEMENTS GRANTED UNDER
6 THIS ACT, AND SHALL ENTITLE THE
7 LESSOR TO THE POSSESSION OF THE
8 LEASED PROPERTY.”

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

11 “SEC. 7. *Penal Provision.* – Any contract
12 [~~or agreement~~] made or executed in violation of
13 any of the following prohibited acts shall be
14 null and void *ab initio* and both contracting
15 parties shall be punished by a fine of not less
16 than [~~One hundred thousand pesos~~
17 (~~P100,000.00~~)] ONE MILLION PESOS
18 (P1,000,000.00) [~~nor~~] BUT NOT more than
19 [~~One million pesos (P1,000,000.00)] TEN
20 MILLION PESOS (P10,000,000.00), or~~

1 imprisonment of six (6) months to six (6) years,
2 or both, at the discretion of the court:

3 (1) Any provision in the lease [~~agreement~~]
4 CONTRACT stipulating a lease period in
5 excess of that provided in paragraph (1) of
6 Section 4;

7 (2) Use of the leased premises for [~~the~~] A
8 purpose contrary to existing laws of the land,
9 public order, public policy, morals, or good
10 customs;

11 (3) Any agreement or agreements
12 resulting in the lease of land in excess of the
13 [~~area~~] approved [~~by the DTH~~] AREA: *Provided,*
14 That, where the excess of the totality of the
15 area leased is due to the acts of the lessee, the
16 lessee shall be held solely liable therefor
17 [~~:- Provided, further, That, in the case of~~
18 ~~corporations, associations, or partnerships, the~~
19 ~~president, manager, director, trustee, or~~

1 ~~officers responsible for the violation hereof~~
2 ~~shall bear the criminal liability.]~~

3 IN THE CASE OF CORPORATIONS,
4 ASSOCIATIONS, OR PARTNERSHIPS, THE
5 PRESIDENT, MANAGER, DIRECTOR,
6 TRUSTEE, OR RESPONSIBLE OFFICERS
7 SHALL BE HELD CRIMINALLY LIABLE.

8 THE PENALTIES PROVIDED UNDER
9 THIS SECTION SHALL LIKEWISE APPLY
10 TO ALL SUBLEASE CONTRACTS.”

11 SEC. 9. *Implementing Rules and Regulations.* –

12 Within ninety (90) days from the effectivity of this Act, the
13 Department of Trade and Industry (DTI) through the BOI,
14 in consultation with the Fiscal Incentives Review Board
15 (FIRB), the Land Registration Authority (LRA), and other
16 concerned government agencies and stakeholders, shall
17 promulgate the necessary implementing rules and
18 regulations for the effective implementation of this Act.

19 SEC. 10. *Separability Clause.* – If any part or

20 provision of this Act is declared invalid or unconstitutional,

1 the other parts or provisions hereof not otherwise affected
2 shall remain valid and effective.

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

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

Approved,