Bill requiring REITs to reinvest in PHL hurdles House panel

A BILL that requires real estate investment trusts (REITs) to reinvest proceeds from their fundraising activities in the Philippines has been approved at the committee level in the House of Representatives.

The House economic affairs committee approved on Tuesday House Bill No. 6500, which proposes to amend Republic Act No. 9856, or The Real Estate Investment Trust Act of 2009.

Cagayan de Oro Rep. Rufus B. Rodriguez, the author of the bill, said that there is "a need to ensure that the funds invested in these companies are reinvested in the Philippines to secure full domestic participation in the real estate industry."

The proposed amendment would require a sponsor or promoter to reinvest in the Philippines proceeds realized from the sale of REIT shares "within one year from the date of receipt of proceeds or money by the sponsor/promoter."

Proceeds subject to the reinvestment rule also include "other securities issued in exchange for income-generating real-estate transferred to the REIT, and any money raised by the sponsor or promoter from the sale of any of its income-generating real-estate to the REIT, in any real estate."

This includes any redevelopment project and infrastructure projects in the Philippines.

REITs are required to submit a reinvestment plan to the Philippine Stock Exchange and Securities and Exchange Commission upon registration, and must also secure a certification yearly to show that it is compliant with its reinvestment plan.

According to the bill, a reinvestment plan is "a sworn statement duly received by the exchange and the commission, signed by the sponsor/promoter and the principal shareholder of the REIT."

If signed into law, the proposed measure "would help increase and encourage more investments, employment/jobs, other business/economic activities in the country. Especially if the growth rate/potential in the country is more promising/attractive as a positive factor for investors," Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort, said via chat.

UnionBank of the Philippines Chief Economist Ruben Carlo O. Asuncion said the measure aims to safeguard the industry since it is still in its nascent stages.

"Future amendments may have to deal with the easing of such rules once the industry is deemed more stable or mature. It would be good to look into best practices from other REIT markets in the region that have reached a high level of success," he said in a Viber message.

Mr. Asuncion added though that the bill "can also be a deterrent since investors would be looking for more flexibility especially in this era of new and higher uncertainty."

REITs are stock corporations primarily owning income-generating real estate properties. The seven REITs in the Philippines are AREIT, Inc., Citicore Energy REIT Corp., DDMP REIT, Inc., Filinvest Reit Corp., MREIT, Inc., Premier Island Power REIT Corp., RL Commercial REIT, Inc., and VistaREIT, Inc. — **Beatriz Marie D. Cruz**

'Strategic' tag for ecozone logistics industry seen unlocking investments

THE classification of economic zone logistics services enterprises (ELSEs) as eligible for incentives under the Strategic Investment Priorities Plan (SIPP) is expected to raise investment in the industry, the Philippine Economic Zone Authority (PEZA) said.

In a statement on Tuesday, PEZA Officer-in-Charge Tereso O. Panga said ELSEs can now avail of incentives under Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

The industry was ruled eligible by the Board of Investments (BoI) in Memorandum Circular (MC) No. 2023-001 issued on Jan. 31, which clarified that ELSEs were covered under the 2022 SIPP.

PEZA also issued MC No. 2023-010 while the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular No. 15-2023, both dated Feb. 3, which also ruled ELSEs eligible.

"With the clarification issued by the BoI and BIR, the existing ELSEs can now enjoy their incentives (i.e., zero value-added tax rating on qualified local purchases) pursuant to the sunset provision. For new ELSEs, they may be entitled to the incentives under the CREATE Act," Mr. Panga said.

According to PEZA, ELSEs are traders supplying production-related raw materials and equipment that cater exclusively to the needs of ecozone locators.

It added that ELSEs provide critical services to export manufacturing companies, which require logistics support for their import and export shipments, raw materials sourcing, inventory management, just-in-time delivery, localization, and process customization.

Mr. Panga said companies providing support to export activities had been barred from availing of incentives prior to the clarification from the MCs.

The MCs affirmed the right to zero VAT rating incentives on local purchases by ELSEs. However, 70% of ELSE output or services should be provided to other registered export enterprises via direct or constructive exports in order to be considered exporters under the CREATE law.

PEZA said there are 340 registered ELSEs which have taken in P11.15 billion worth of investments to date. Japanese ELSEs have taken on P3.50 billion worth of investment.

Some of the registered Japanese ELSEs are Nagase Philippines International Services Corp.; Inabata Philippines, Inc.; Lima Logistics Corp.; Tokai Electronics Philippines, Inc.; and NX Logistics Philippines, Inc.

"Overall, the 884 Japanese locator companies continue to be the biggest investors in the PEZA ecozones accounting for P745.637 billion in investments, or 27.42% of the total investments in PEZA. These companies also generated $15.865 billion worth of exports and 315,619 direct jobs as of November 2022," PEZA said. — **Revin Mikhael D. Ochave**