

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila



NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 6951

Introduced by CIBAC Party-List Representative
HON. EDUARDO “BRO. EDDIE” C. VILLANUEVA

AN ACT
PROVIDING FOR SIMPLIFIED REGISTRATION, FILING OF
RETURNS AND PAYMENT OF INCOME AND PERCENTAGE TAXES
AND PROVIDING TAX RELIEF FOR MICRO-ENTERPRISES,
AMENDING FOR THE PURPOSE SECTIONS 74, 128 AND 236 OF
THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED

EXPLANATORY NOTE

Micro-enterprises play a huge role in developing the Philippine economy. According to the Philippine Statistics Authority List of Establishments, there are 977,670 micro- enterprises in the country in 2021, constituting 90.5% of all business enterprises in the country.¹ They also generate a total of over 2.5 million jobs.²

Republic Act No. 9501 or the Magna Carta for Micro, Small and Medium Enterprises (MSMEs) passed in 2007, declared it the policy of the state to promote, support, strengthen, and encourage the growth and development of MSMEs in the country. Considered a landmark legislation, it recognizes this sector's role in economic growth and employment, and therefore seeks to shape a conducive business environment, by

¹"More than 1.08 million Establishments Operated in 2021 which Generated Total Employment of 8.57 million (2021 Updating of the List of Establishments Preliminary Results)." Retrieved from <https://psa.gov.ph/content/more-108-million-establishments-operated-2021-which-generated-total-employment-857-million> (date last accessed: July 29, 2022).

²"2020 MSME Statistics" Retrieved from <https://www.dti.gov.ph/resources/msme-statistics/> (date last accessed: July 29, 2022)

facilitating access to funds, offering entrepreneurship and skills training, and improving government efficiency and effectiveness in providing assistance, among others.

However, the country still has a long way to go. Based on the Doing Business 2020 Report by World Bank, the Philippines ranks 171st out of 190 countries in terms of starting a business. The country also ranks relatively low in terms of enforcing contracts (152nd), getting credit (132nd), registering property (120th), trading across borders (113th), and paying taxes (95th). Payment of taxes is also cumbersome, with around 171 hours spent per year on tax-related transactions.³

Overall, the World Bank ranks the Philippines 7th out of the 10 ASEAN member states, in terms of ease of doing business—lagging behind Singapore, Malaysia, Thailand, Cambodia, Lao PDR, and Myanmar for both 2019 and 2020.⁴

Further, the COVID-19 pandemic has been particularly difficult for micro-enterprises, which generally run their operations on very low level of liquidity. According to the Department of Trade and Industry (DTI), over half of MSMEs in the Philippines fully stopped or closed their operations due to the pandemic.⁵ In a study conducted by the Asian Development Bank Institute in February 2021, it was found that 61.7% of micro-sized businesses had little to zero revenue and were forced to temporarily close at the advent of the pandemic.⁶ In addition, 68% of micro-sized businesses were constrained to retrench their employees.⁷ To make matters worse, MSMEs have recently had to endure further business losses as a result of natural calamities such as typhoons and global economic events such as the Russia-Ukraine conflict, unprecedented inflation and rising fuel prices.

Hence, in order to spur recovery for the sector consistent with the goal of the Magna Carta for MSMEs Law and the spirit of *bayanihan* in such a difficult time in our history, this bill provides for (i) a more convenient procedure for annual payment and filing of income tax returns and percentage tax returns, (ii) income tax relief for three years for micro

3 "World Bank Doing Business 2020" Retrieved from <https://www.doingbusiness.org/content/dam/doingBusiness/country/p/philippines/PHL.pdf> (date last accessed: July 29, 2022).^{SEP}
4 *Id.*

5 "DTI: Over half of MSMEs in PH fully stopped operations due to virus outbreak." Retrieved from <https://business.inquirer.net/296227/dti-over-half-of-msmes-in-ph-fully-stopped-operations-due-to-virus-outbreak> (date last accessed: July 29, 2022).^{SEP}

6 "COVID-19 Impact on Micro, Small, And Medium-Sized Enterprises Under The Lockdown: Evidence From A Rapid Survey In The Philippines." Retrieved from <https://www.adb.org/sites/default/files/publication/677321/adbi-wp1216.pdf> (date last accessed: July 29, 2022).^{SEP}

7 *Id.*

enterprises employing less than 10 individuals, and (iii) a simplified online registration process for taxpayers.

Taxation and business processes remain a critical factor affecting the competitiveness of enterprises. Reducing the cost of completing a business transaction is crucial to microenterprises, as they employ, on average only two to three workers.⁸ Providing tax relief in the first three years of the enterprise also allows them to survive and establish momentum.

This bill hopes to provide small businesses with accessible, affordable and more efficient ways to do business through government support, ensuring their longevity and development during these difficult times.

In view of the foregoing, the immediate passage of this bill is earnestly sought.



EDUARDO "BRO. EDDIE" C. VILLANUEVA

⁸ *Supra* note 5.

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 6951

Introduced by CIBAC Party-List Representative
HON. EDUARDO “BRO. EDDIE” C. VILLANUEVA

AN ACT
PROVIDING FOR SIMPLIFIED REGISTRATION, FILING OF
RETURNS AND PAYMENT OF INCOME AND PERCENTAGE TAXES
AND PROVIDING TAX RELIEF FOR MICRO-ENTERPRISES,
AMENDING FOR THE PURPOSE SECTIONS 74, 128 AND 236 OF
THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED

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

3
4 **SECTION 1. Declaration of Policy.** – It is hereby declared the
5 policy of the State to have a national economy that provides for a more
6 equitable distribution of opportunities, income and wealth; a sustained
7 increase in the amount of goods and services produced by the nation for
8 the benefit of the people; and an expanding productivity as the key to
9 raising the quality of life for all, especially the underprivileged. Towards
10 these ends, the State shall provide an environment that will enable small
11 businesses to flourish by providing them with accessible, affordable and
12 more efficient government processes to enable them to engage in
13 entrepreneurship and other productive activities.

14
15 **SEC. 2. Simplified Filing of Returns and Payment of Income**
16 **Tax.** — Section 74(B) of the National Internal Revenue Code, as
17 amended, is hereby amended to read as follows:
18

1 **Section 74. Declaration of Income Tax for Individuals. —**
2

3 x x x
4

5 (B) *Return and Payment of Estimated Income Tax by*
6 *Individuals.* — The amount of estimated income as defined in
7 Subsection (C) with respect to which a declaration is required
8 under Subsection (A) shall be paid in four installments. The first
9 installment shall be paid at the time of declaration and the
10 second and third shall be paid on August 15 and November 15
11 of the current year, respectively. The fourth installment shall be
12 paid on or before May 15 of the following calendar year when
13 the final adjusted income tax return is due to be filed;
14 **PROVIDED, THAT SELF-EMPLOYED INDIVIDUALS**
15 **REGISTERED AS SOLE PROPRIETORS OF MICRO-**
16 **ENTERPRISES EMPLOYING LESS THAN TEN (10)**
17 **EMPLOYEES SHALL ONLY BE REQUIRED TO FILE A FINAL**
18 **OR ANNUAL INCOME TAX RETURN ON MAY 15 OF THE**
19 **FOLLOWING CALENDAR YEAR; PROVIDED FURTHER,**
20 **THAT SELF-EMPLOYED INDIVIDUALS REGISTERED AS**
21 **SOLE PROPRIETORS OF MICRO- ENTERPRISES**
22 **EMPLOYING LESS THAN TEN (10) EMPLOYEES SHALL BE**
23 **EXEMPT FROM PAYMENT OF INCOME TAXES WITHIN THE**
24 **FIRST THREE YEARS OF THEIR REGISTRATION AS**
25 **TAXPAYERS.**
26

27 **SEC. 3. Simplified Filing of Returns and Payment of Percentage**
28 **Taxes.** — Section 128(A)(1) of the National Internal Revenue Code, as
29 amended, is hereby amended to read as follows:
30

31 **SEC. 128. Returns and Payments of Percentage Taxes. —**
32

33 (A) *Returns of Gross Sales, Receipts or Earnings and Payment*
34 *of Tax.* —
35

36 (1) **Persons Liable to Pay Percentage Taxes.** — Every person
37 subject to the percentage taxes imposed under this Title shall
38 file a quarterly return of the amount of his gross sales, receipts
39 or earnings and pay the tax due thereon within twenty-five (25)
40 days after the end of each taxable quarter: Provided, That in the
41 case of a person whose VAT registration is cancelled and who
42 becomes liable to the tax imposed in Section 116 of this Code,
43 the tax shall accrue from the date of cancellation and shall be

1 paid in accordance with the provisions of this Section;
2 *PROVIDED*, THAT SELF-EMPLOYED INDIVIDUALS
3 REGISTERED AS SOLE PROPRIETORS OF MICRO-
4 ENTERPRISES EMPLOYING LESS THAN TEN (10)
5 EMPLOYEES SHALL ONLY BE REQUIRED TO FILE A FINAL
6 OR ANNUAL TAX RETURN.

7
8 **SEC. 4. Simplified Registration Process.** — Section 236(A) of the
9 National Internal Revenue Code, as amended, is hereby further amended
10 to read as follows:

11
12 **Section 236. Registration Requirements. —**

13
14 (A) *Requirements.* — Every person subject to any internal tax
15 shall register once with the appropriate Revenue District Officer:

- 16
17 (1) Within ten (10) days from date of employment, or
18 (2) On or before the commencement of business, or
19 (3) Before payment of any tax due, or
20 (4) Upon filing of a return, statement, or declaration as
21 required in this Code.
22

23
24 The registration shall contain the taxpayer's name, style, place
25 of residence, business and such other information as may be
26 required by the Commissioner in the form prescribed therefor:
27 Provided, That the Commissioner shall simplify the business
28 registration, and REGISTRATION AND tax compliance
29 requirements of self-employed individuals and/or professionals,
30 INCLUDING THE ESTABLISHMENT OF AN ONLINE
31 REGISTRATION, FILING AND PAYMENT SYSTEM.
32

33 A person maintaining a head office, branch or facility shall
34 register with the Revenue District Officer having jurisdiction over
35 the head office, branch or facility. For purposes of this Section,
36 the term 'facility' may include but not be limited to sales outlets,
37 places of production, warehouses and storage places.
38

39 **SEC. 5. Implementing Rules and Regulations.** — Within sixty (60)
40 days from the effectivity of this Act, the Bureau of Internal Revenue, upon
41 consultation with relevant stakeholders, shall issue the rules and
42 regulations for the effective implementation of this Act.
43

1 **SEC. 6. Separability Clause.** — Any portion or provisions of this
2 Act that may be declared unconstitutional or invalid shall not have the
3 effect of nullifying other portions and provisions hereof as long as such
4 remaining portions or provisions can still subsist and be given effect in
5 their entirety.

6
7 **SEC. 7. Repealing Clause.** — All laws, decrees, executive orders,
8 rules and regulations or part thereof deemed inconsistent with the
9 provisions of this Act are hereby repealed or modified accordingly.

10
11 **SEC. 8. Effectivity Clause.** — This Act shall take effect fifteen (15)
12 days after its publication in the Official Gazette or in at least two (2)
13 newspapers of general circulation.

14 ***Approved.***
15