



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

**NINETEENTH CONGRESS**  
First Regular Session

**HOUSE BILL NO. 7176**



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Introduced by Representative **Geraldine B. Roman**

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### **EXPLANATORY NOTE**

The tourism industry is one of the main economic drivers of the Philippines. It is a diverse industry that includes hotels and accommodations, food and beverages, transportation, etc. This industry is linked to movement to various locations, based not only on leisure, but also on business and other travel motivators.

According to Bangko Sentral ng Pilipinas (BSP), tourism, along with overseas Filipino (OF) remittances and business process outsourcing, is a key contributor to the Philippines' external payments position and overall economic development. As one of the country's largest employers, it offers numerous opportunities to businesses and individuals from all walks of life, and it facilitates long-term structural foreign exchange (FX) inflows. However, due to the contact-intensive nature of the tourism industry, the COVID-19 pandemic has had a significant adverse impact on it.<sup>1</sup> Countries, particularly the Philippines, had imposed travel restrictions and community lockdowns to prevent the spread of the COVID-19.

In addition to that, travel services totaled USD 9.8 billion in 2019, representing an 18.7 percent increase year on year. However, travel services fell 81.7 percent to US\$1.8 billion in 2020, and another 66.5 percent to US\$600 million in 2021.<sup>2</sup>

Per ILO report, employment losses and decreases in average working hours were among the highest in 2020. The sector's employment fell by 28% (compared to an 8% drop in non-tourism related sectors), and average hours worked fell by 38%. Workers in the tourism industry who work zero hours per week have increased two thousandfold (affecting 775,000 workers).<sup>3</sup>

Micro, Small, and Medium Enterprises (MSMEs) are the main engine of economic growth, particularly in the tourism industry, by encouraging job creation, output production, and commerce, lifting more Filipinos out of poverty and ensuring equal access to necessities for daily living. Without a doubt, the government must provide economic assistance and relief to those affected by the pandemic in order to assist them in rebuilding their lives and to increase the country's ability to produce more goods and services, create jobs, and engage in economic activity.

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<sup>1</sup> Caynila, K. A., et. al. (May 2022). *The Philippine Tourism Sector Amid the Pandemic: Developments and Prospects*. Retrieved from [https://www.bsp.gov.ph/Media\\_And\\_Research/Publications/EN22-02.pdf](https://www.bsp.gov.ph/Media_And_Research/Publications/EN22-02.pdf).

<sup>2</sup> *I.d.*

<sup>3</sup> International Labor Organization (November 2021). *ILO research highlights massive COVID-19 impact on tourism employment in Asia and the Pacific*. Retrieved from [https://www.ilo.org/asia/media-centre/news/WCMS\\_827494/lang--en/index.htm](https://www.ilo.org/asia/media-centre/news/WCMS_827494/lang--en/index.htm).

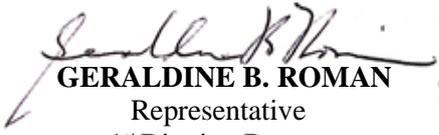
As measured by the share of Tourism Direct Gross Value Added (TDGVA) to the Gross Domestic Product (GDP), the contribution of tourism industries to the Philippine economy was estimated at 12.7 percent in 2018. TDGVA serves as the indicator to measure the value added of different industries in relation to tourism activities of both inbound and domestic visitors in the country. The TDGVA amounted to PhP 2.2 trillion in 2018, higher by 14.3 percent compared to previous year's record of PhP 1.9 trillion. In 2021, the TDGVA to the Philippine economy, as measured by the Gross Domestic Product (GDP), was at 5.2% or PhP 1,001.30 billion in 2021, higher by 9.2 percent compared with the PhP 917.20 billion in 2020

According to the Philippine Statistics Authority (PSA), the relaxation of travel restrictions has resulted in a further reopening of the economy, particularly the tourism industry. PSA recorded PhP 1.039 billion in Total Gross Value Added to Tourism Industries (TGVATI) in 2021, creating more than 43 million jobs in various tourism industries and 4.8 million tourism enterprises, and tourism investments totaled PhP 338.4 billion in 2021.<sup>4</sup>

To date, the tourism sector has not recovered. Before COVID-19 pandemic (2019), the country's tourism sector recorded PhP 3,272 Billion with 41.9 million jobs and 5.7 million businesses generated, as well as PhP 596.2 billion worth of tourism investments.<sup>5</sup> Clearly, Micro, Small, and Medium Tourism Enterprises (MSMTEs) require assistance in order to recover their businesses and employ more people to create opportunities and continue to attract more local and foreign tourists to visit and enjoy our country's finest tourist destinations.

This bill seeks to exempt MSMTEs from paying local and income taxes, as well as business permits and licenses, for three (3) fiscal years to give them breathing spell to recover from the pandemic.

Approval of this measure is earnestly sought.



**GERALDINE B. ROMAN**  
Representative  
1<sup>st</sup> District, Bataan

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<sup>4</sup>Philippine Statistics Authority (June 2022). *2021 Philippine Tourism Satellite Accounts (PTSA) Report*. Tables 5.1, 7.1, and 8.1. Retrieved from <https://psa.gov.ph/tourism/satellite-accounts/id/167572>.

<sup>5</sup> I.d.



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**AN ACT**  
**GRANTING TAX EXEMPTIONS TO MICRO, SMALL, AND MEDIUM TOURISM**  
**ENTERPRISES (MSMTEs) TO ENSURE THEIR BUSINESS RECOVERY IN A POST-**  
**COVID-19 ECONOMY**

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

**SECTION 1. Short Title.** This Act shall be known and cited as the “*Bangon Turismo Act of 2023*”.

**SEC 2. Declaration of Policy.** It is hereby declared the policy of the State to boost the business competitiveness of tourism related Micro, Small, and Medium Tourism Enterprises (MSMTEs) that were affected by the COVID-19 pandemic, through tax exemptions in order to help them rebuild their businesses, prevent their closures, and continually contribute to the Philippine economy.

The State further recognizes the tourism industry’s multiplier effect to the country's economic development by acting as a driver of socioeconomic and cultural growth through generating investments, employment opportunities and foreign exchange, as well as fostering a greater sense of national pride amongst Filipinos.

**SEC 3. Micro, Small, and Medium Tourism Enterprises Defined.** For purposes of this Act, “Micro, Small, and Medium Tourism Enterprises” shall be defined in accordance with Section 4 (p) of Republic Act No. 9593, otherwise known as the “Tourism Act of 2009”, in relation to Section 3 of Republic Act No. 9501, otherwise known as the “Magna Carta for Micro, Small, and Medium Enterprises (MSMEs).“

**SEC 4. Eligibility for Economic Relief.** This Act shall apply to all Micro, Small, and Medium Tourism Enterprises (MSMTEs) as defined hereof: *Provided, That* any MSMTEs that are currently enrolled in other government fiscal incentives and/or benefits shall not be eligible for the tax exemptions provided in this Act.

**SEC 5. Grant of Relief from Payment of Local Taxes.** MSMTEs shall be exempt from payment of taxes assessed and collected by the Local Government Units (LGUs): *Provided, That* the exemption from payment of local taxes shall only be within the period of effectivity as provided under Section 11 of this Act.

**SEC 6. *Grant of Relief from Payment of Income Tax.*** Employees working in tourism enterprises shall be exempt from payment of income tax within the effectivity period of this Act: *Provided, That* employees classified as “Minimum Wage Earners” as defined in Section 22(HH) of the National Internal Revenue Code shall be exempt from the payment of income tax on their taxable income: *Provided, further, That* the holiday pay, overtime pay, night shift differential pay and hazard pay received by such minimum wage earners shall likewise be exempt from income tax within the prescribed period provided herein.

**SEC 7. *Grant of Relief from Payment of Business Permits and Licenses.*** Within the effectivity period as provided under Section 11 of this Act, MSMTEs are exempt from paying the business permits and licenses fees collected by LGUs. *Provided, That* the MSMTEs shall fully comply with all applicable laws, ordinances, rules, and regulations of all governing agencies and LGUs regarding occupational, environmental, safety, and health protocols.

**SEC 8. *Implementing Rules and Regulations.*** Within sixty (60) days after the effectivity of this Act, the Department of Finance (DOF), in consultation with Department of Tourism (DOT), Department of Interior and Local Government (DILG), and Department of Trade and Industry (DTI), shall issue the necessary implementing rules and regulation (IRR).

**SEC 9. *Separability Clause.*** If any provision of this Act or the application thereof is declared unconstitutional or invalid for any reason, the same shall not affect the validity of the other provisions.

**SEC 10. *Repealing Clause.*** All laws, parts of laws, decrees, orders, letters of instructions and ordinances, or regulations in conflict with the provisions hereof, are hereby repealed or modified accordingly.

**SEC 11. *Effectivity.*** This Act shall take effect on the fiscal year immediately following its publication in the Official Gazette or in at least two (2) newspapers of general circulation, and shall remain in full force and effect for three (3) fiscal years, unless otherwise extended through an act of Congress.

*Approved,*