



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

SIXTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 4902



Introduced by Honorable MARK A. VILLAR

**AN ACT EXEMPTING START-UP ENTERPRISES FROM TAXES ARISING
FROM THE FIRST TWO YEARS OF OPERATION**

EXPLANATORY NOTE

According to the World Bank in its recent report, Philippine economic growth accelerated to 7.2% in 2013 despite the impact of typhoon Haiyan (Yolanda) and other natural disasters during the year. The country's strong macroeconomic fundamentals supported domestic demand and shielded the economy from the lingering weakness of the global economy.¹

Further, robust performance of consumption fueled by strong remittances and services, supported by investment and manufacturing expansion, boosted growth.²

This economic growth and the hugely improved business climate in the Philippines encourages individuals or firms to start a business capitalizing on developing a product or service for which they believe there is a demand. Due to limited revenue or high costs, most of these small scale operations are not sustainable in the long term without government support or without additional funding from venture capitalists

This bill proposes a tax exemption for Start Ups for the first two years of operation provided that these enterprises are duly registered businesses that are not affiliates, subsidiaries or franchises of any existing company and do not have any previous or other existing registered businesses.

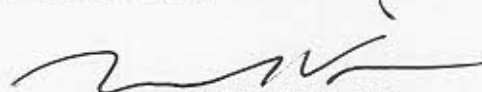
¹ <http://www.worldbank.org/en/country/philippines/publication/philippine-economic-update-2014-pursuing-economic-growth-through-sustainable-reconstruction-and-job-generation>

² Ibid.

This measure encourages Start-ups to get organized, and establish their business operations and market base. It will give these enterprises the proper time to stand on its own.

This bill is a counterpart measure authored by Senator Paolo Benigno "Bam" A. Aquino in the Philippine Senate.

In light of the foregoing, the passage of this bill is highly recommended.



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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 as the "Start-Up Business Bill".

SEC. 2. Declaration of Policy. - It is hereby declared the policy of the State to foster national development and promote inclusive growth by encouraging the creation of enterprises that facilitate job creation, production, innovation and trade in the country. To this end, the State shall provide incentives to encourage and remove constraints to the start up, incubation, and development of enterprises and the proliferation of a more entrepreneurial culture in Philippine society.

SEC. 3. Start-Up Enterprises. - "Start-Up Enterprises" shall refer to newly registered businesses engaged in industry, agribusiness and/or services, whether a single proprietorship, cooperative, partnership or corporation.

SEC. 4. Exemption from Taxes and Fees for Start-up Enterprises. - A start-up enterprise shall be exempt from all national and local taxes for the first two years of its operation, provided that:

- a. The start-up enterprise is not an affiliate, a subsidiary, or a franchise of any existing company;
- b. In the case of a sole proprietorship or partnership, the proprietor or the partners of the Start-up enterprise shall not have any previous or other existing registered companies, partnerships or businesses; and
- c. In the case of a corporation, each stockholder of the start-up enterprise shall have at least a five percent (5%) share in stocks and the corporation shall have no nominal stockholders or stockholders holding the shares in trust for others. Provided further that, all stockholders of the start-up enterprise shall not have held shares of any previous or existing corporation with at least a five percent (5%) share therein, nor registered any former or existing sole proprietorship or partnership.

SEC. 5. *Implementing Rules and Regulations.* - The Bureau of Internal Revenue (BIR) in coordination with the Department of Trade and Industry (DTI) and Securities and Exchange Commission (SEC) shall promulgate not later than thirty (30) days upon the effectivity of this Act the necessary rules and regulations for its effective implementation.

SEC. 6. *Separability Clause.* - If any provision of this Act is subsequently declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

SEC. 7. *Repealing Clause.* - All laws, acts, presidential decrees, executive orders, issuances, presidential proclamations, rules and regulations or parts thereof which are contrary to and inconsistent with any provision of this Act are hereby repealed, amended or modified accordingly.

SEC. 8. *Effectivity.* - This Act shall take effect fifteen (15) days after its complete publication either in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,