



Republic of the Philippines
House of Representatives
Quezon City

SEVENTEENTH CONGRESS

Second Regular Session

House Bill No. **7803**



Introduced by Representative JOSE ENRIQUE S. GARCIA III

EXPLANATORY NOTE

In our constant quest to find a solution to poverty and elevate the lives of our countrymen, it is important to support innovative businesses and small to medium enterprises that create new jobs and promote trade in the country.

This bill seeks to encourage the creation of small businesses and start-up ventures by providing incentives that are crucial to the institution, expansion and strengthening of such. It likewise seeks to eliminate the unnecessary constraints trade players need to hurdle to establish new companies.

The previous Congresses passed bills in support of small businesses like the "Go Negosyo Law" and the "Microfinance NGO Act". Unlike these laws which targeted to spur the growth of small to medium enterprises, this bill shifts the focus on innovative start-up companies struggling to enter the Philippine market. By providing incentives such as exemption and waiver of registration and other fees, tax breaks, visa privileges and a support service program under multiple coordinating agencies, it is envisioned that this bill will pave the way for a strong entrepreneurial environment and strong business growth and development.

A similar bill entitled the "Innovative Startup Act" has been filed and approved by the Senate this 17th Congress. This representation's version of the bill follows the Senate version with additional changes. Through the passage of this bill, it is hoped that the business climate in the Philippines- particularly that of start-up micro, small and medium enterprises - will vastly improve, with the end goal of a flourishing economy for all Filipinos.

Support for this bill is therefore earnestly sought.


JOSE ENRIQUE S. GARCIA III
2nd District, Province of Bataan



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**AN ACT PROVIDING BENEFITS AND PROGRAMS TO STRENGTHEN,
PROMOTE, AND DEVELOP THE PHILIPPINE START-UP ECOSYSTEM AND
APPROPRIATING FUNDS THEREFOR**

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

ARTICLE I. GENERAL PROVISIONS

SECTION 1. Short Title. - This Act shall be known as the "Innovative
Start-up Business Act."

SECTION 2. Declaration of Policy. - It is hereby declared the policy of the
State to foster national development and promote inclusive growth through an
innovative economy by streamlining government and non-government
initiatives, in both local and international spheres, to create new jobs and
opportunities, improve production, and advance innovation and trade in the
country.

To this end, the State shall provide incentives and remove constraints
aimed at encouraging the establishment and operation of innovative new
businesses, and businesses crucial to their growth and expansion, and to
strengthen, promote, and develop an ecosystem of businesses and government
and non-government institutions that foster an innovative entrepreneurial
culture in the Philippines.

SECTION 3. Definition of Terms. - As used in this Act, the following
terms shall mean:

(a) *Business Operation* - period that shall commence from the date the
Authority to Print Invoices/Receipts from BIR has been claimed by the owners of

1 the enterprise or their representative, and shall terminate upon the closure of
2 the enterprise;

3 (b) *Core Business Function* - the primary undertaking of the enterprise as
4 its main source of revenue, in the case of the corporations it shall be that
5 indicated in its articles of incorporation;

6 (c) *End User* - the consumer of the product or service offered by the
7 enterprise whether for free or for a fee;

8 (d) *Host Agency* - the Department of Science and Technology (DOST),
9 Department of Trade and Industry (DTI), Department of Information and
10 Communications Technology (DICT) or other national government agency or
11 public academic institution that provide benefits and incentives to innovative
12 start-ups as defined in this Act subject to an application or selection process;

13 (e) *Innovative Start-up* - a registered business entity in the Philippines
14 operating for no longer than sixty (60) months from the commencement of their
15 business operation whose core business function involves product, process,
16 service, or business model innovation driven by, but not limited to technology or
17 intellectual property; *Provided, That:*

18 i. the innovative product, process, or business model is the primary
19 source of revenue of the business entity;

20 ii. the business entity is not a mere end user of the innovative product,
21 process, or business model;

22 iii. the cost of the business entity for research and development is at least
23 fifteen percent (15%) of its total operational cost, or is a licensee or owner of a
24 patent or registered software;

25 iv. the gross annual revenue of the business entity has not exceeded fifty
26 million pesos (PHP 50,000,000.)

27 v. it is not an affiliate, subsidiary, or franchisee of an enterprise with gross
28 annual revenue of more than fifty million pesos (PHP 50,000,000.00); and

29 vi. it is a duly-registered business in the Philippines whether the nature is
30 that of a sole proprietorship, cooperative, partnership, or corporation.

31 *Provided, That* the applicable benefits to business entities provided in this
32 Act shall only apply after their successful registration as a business entity and the
33 actual commencement of their business operations.

34 (f) *Innovative Product* - a good or service that is new or significantly
35 improved, such as improvements in technical specifications, component

1 materials, software in the product, user friendliness or other functional
2 characteristics;

3 (g) *Innovative Process* - a new or significantly improved production or
4 delivery method through changes in techniques, equipment and/or software;

5 (h) *Innovative Business Model* - a new organizational method in business
6 practices, workplace organization or external relations;

7 (i) *Research and Development Cost* - the expenditure of the enterprise as a
8 fraction of its total operational cost that shall include the salary of the employees
9 engaged in research and development, purchase or lease of equipment, software,
10 substances or materials, and such other items and goods and services that may
11 be justified for the purposes of the development of the innovative good, service,
12 process, or business model of the enterprise;

13 (j) *Support Service Provider* - Any business entity that provides goods or
14 services that are identified to be crucial in supporting the operation and growth
15 of innovative start-ups, or enterprises whose core business function, which in
16 the case of corporations, are indicated in their articles of incorporation, involves
17 the targeted or exclusive provision of goods and services to innovative start-ups.

18 **SECTION 4. Innovative Start-up Development Program.** - There is
19 hereby created an Innovative Start-up Development Program hereinafter
20 referred to as the "Program". Under the Program, an Innovative Start-up or
21 Support Service Provider as defined under Section 3 of this Act shall be provided
22 with benefits and incentives from the Department of Science and Technology
23 (DOST), Department of Information and Communications Technology (DICT),
24 and/or the Department of Trade and Industry (DTI) through their respective
25 programs.

26 **SECTION 5. Program Objectives.** - The Program shall aim to achieve the
27 following:

28 (a) Support the research and development of Innovative Start-ups and
29 Support Services in the Philippines;

30 (b) Support and promote the access of an Innovative Start-up to locally
31 and internationally offered programs for Innovative Start-ups;

32 (c) Support and promote the participation of Innovative Start-ups in
33 international competitions;

34 (d) Support the participation of Innovative Start-ups in events that aim to
35 link them to potential investors, mentors, and collaborators;

1 (e) Support the collaboration of an Innovative Start-up with a national
2 government agency, public or private academic institution, or industry partner
3 to develop innovative products, processes, or business model that may be
4 integrated in programs, projects, or delivery of public services by the host
5 national agency;

6 (f) Support the development and growth of enterprises whose products
7 and services are integral to building a competitive innovative start-up ecosystem
8 in the Philippines;

9 (g) Develop and amend policy and regulations to remove undue
10 restrictions in the development, establishment, and growth of Innovative Start-
11 ups by facilitating consultation with pertinent national government agencies.

12 13 **ARTICLE II. PROGRAM BENEFITS AND INCENTIVES** 14

15 **SECTION 6. General Benefits and Incentives.** - Innovative Start-ups and
16 Support Service Providers selected by DOST, DTI, and DICT under their own
17 respective application or selection processes shall be entitled to the following
18 benefits:

19 (a) Registration benefits which may be provided through either:

20 i. Waived fees in the application and processing of permits and
21 certificates required for the business registration and operation of the enterprise
22 with the appropriate registering agency;

23 ii. Refund from the national government agency equivalent to the
24 sum of fees and taxes levied by local government units and national government
25 agencies for the permits and certificates, and their corresponding prerequisite or
26 supporting documents for its registration and operation. *Provided, That*
27 Innovative Start-ups and Support Service Providers shall only be entitled to this
28 benefit once from any national government agency unless fees and taxes levied
29 applied for refunding has not been refunded by any government agency; and

30 iii. Expedited processing of permits and certificates, and their
31 corresponding requisite documents required for the registration and operation
32 of the Innovative Start-up or Support Service Provider;

33 (b) Grants-in-Aid for research, development, and expansion projects to be
34 provided and approved by the Secretary of the granting agency. *Provided, That*
35 the host agency may facilitate the application of the Innovative Start-up or
36 Support Service Provider to provide initial or supplemental grants-in-aid from
37 another government agency subject to its established guidelines;

(c) Exemption from fees and charges levied by the national government agencies for the use of equipment, facilities, or services availed by the innovative startup such as, but not limited to, the use of testing and fabrication facilities;

(d) Access to applicable benefits and incentives provided by Intellectual Property of the Philippines; and

(e) Subsidy for Visa application, renewal, or extension of foreign owners, employees, and/or investors of an innovative startup and support service provider, and exemption from the alien employment permit.

SECTION 7. Benefits for Participation in Local and International Start-up Events. - Innovative Start-ups and Support Service Providers selected by the host agency for reasons that include participation in local and international start-up events shall be entitled to the following benefits chargeable to the available funds of the host agency:

(a) Agency endorsement and facilitation support in the application of passport and/or visa;

(b) Subsidy or reimbursement of fees and charges incurred in the application of the passport or visa;

(c) Subsidy or reimbursement of excess baggage allowance when the need is justified and subject to the approval of the host government agency;

(d) Fully subsidized round trip airfare/s for the representatives of an Innovative Start-up or Support Service Provider participating in local or international program or event; *Provided*, That the host agency may set limitations on the number of representatives that it will subsidize; and

(e) Tax exempt daily allowance for representatives of an Innovative Start-up or Support Service Provider participating in a local or international event. *Provided*, That the host agency may set limitations on the number of representatives provided the allowance.

SECTION 8. Tax Exemptions. - Innovative Start-ups or Support Service Providers shall be entitled to the following tax benefits in the commercialization of the innovative product, process, or business model:

(a) exemption from income tax arising from the operation of the enterprise;

(b) exemption from Value Added Tax (VAT) for the sale and lease of goods, properties or services arising in the course of trade or business of the enterprise or percentage tax;

1 (c) exemption from creditable withholding tax on income;

2 (d) exemption from withholding tax on its income payment;

3 (e) exemption from income tax on that portion of the gains realized from
4 the sale, disposition, or transfer of capital assets that corresponds to the portion
5 of the proceeds of the sale that is invested in new issuances of capital stock
6 within six (6) months from the date the gains were realized, *Provided*, (1) That
7 the said disposition or transfer and the investment of the proceeds thereof have
8 been registered with the proper government agency; and (2) That the shares of
9 stock representing the investment are not disposed of, transferred, assigned, or
10 conveyed for a period of five (5) years from the date the investment was made.

11 (f) tax exemption on stocks given to employees; and

12 (g) tax exemption on capital equipment including all machinery,
13 equipment and spare parts imported within seven (7) years of business
14 registration; *Provided*, That (1) said machinery, equipment, and spare parts are
15 not manufactured domestically nor readily available locally at a reasonable cost
16 and quantity, (2) are directly and actually needed and will be used exclusively by
17 the registered enterprise, and (3) are covered by mandatory shipping documents
18 in the name of the registered enterprise to whom the shipment will be delivered.
19 The machinery, equipment, and spare parts described herein may not be
20 transferred, disposed of or sold within five (5) years from the date of acquisition
21 unless said transfer or disposal shall be (a) to another Innovative Start-up or
22 Support Service Provider; (2) due to proven technical obsolescence; or (3) for
23 purposes of replacement to improve and/or expand the business.

24 **SECTION 9. Innovative Start-up Venture Fund.** - There is hereby
25 created an Innovative Start-up Venture Fund, henceforth referred to as the
26 "Fund," to cover for initial or supplemental grants-in-aid for Innovative Start-ups
27 and Support Service Providers selected by a host agency. The Fund shall be
28 administered by DOST.

29 In the administration of this Fund, the DOST shall:

30 (a) Determine the technical and prioritization standards, and the
31 procedure for applications to access grants-in-aid from this Fund;

32 (b) Ensure that mechanisms for the application for grants-in-aid under
33 this Fund allow for the maximum utility of the Fund, such as but not limited to,
34 reopening succeeding rounds of application;

35 (c) Relax prioritization standards when the Fund is undersubscribed,
36 reconsider approval applications denied solely on the basis of such prioritization

1 standards, and reopen applications with public notice of such changes in
2 standards in the application;

3 (d) Guide applicant Innovative Start-ups, Support Service Providers,
4 and/or host agencies in developing and improving prospective or denied
5 applications; and

6 (e) Promote the availability of the Fund, and the capacity of host agencies
7 to endorse, and apply for grants-in-aid provided under this provision to support
8 Innovative Start-ups and Support Service Providers.

9 10 **ARTICLE III. START-UP VISAS**

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12 **SECTION 10. Innovative Start-up Visas.** - There is hereby created an
13 Innovative Start-up Visa, henceforth referred to as the "Visa." The Visa shall have
14 an initial five (5) year validity and may be renewed or extended with a three (3)
15 year validity.

16 Bearers of the Visa shall be exempt from securing an Alien Employment
17 Permit (AEP) issued by the Department of Labor and Employment (DOLE). The
18 suspension or revocation of the Visa shall, however, terminate the benefit of the
19 exemption from securing the AEP.

20 The Bureau of Immigration (BI) shall promulgate the rules and
21 regulations consistent with the provisions of this Act in order to enforce this
22 provision, and shall:

23 (a) Consult the DOLE and other host agencies in the promulgation of the
24 rules and regulations for this provision;

25 (b) Immediately publish and disseminate the requirements, rules, and
26 regulations on the application for the Visa;

27 (c) Coordinate the immediate and periodic training of its personnel, and
28 their counterparts in government agencies and public academic institutions
29 tasked to process the application for the Visa;

30 (d) Develop and maintain a database for all the bearers of the Visa, and
31 ensure public access to such information subject to existing rules and regulations
32 on Freedom of Information and Data Privacy; and

33 (e) Reserve the right to deny and revoke applications subject to the
34 promulgated rules and regulations to implement this provision, and applicable
35 rules and regulations governing immigration.

1 **SECTION 11. Visa Eligibility.** - The following shall be eligible to apply for
2 the Visa provided under this Act:

3 (a) Prospective or current foreign owner of an Innovative Start-up or
4 Support Service Provider registered in the Philippines;

5 (b) Prospective or current foreign employee of an Innovative Start-up or
6 Support Service Provider registered in the Philippines; or

7 (c) Prospective or current foreign investors of an Innovative Start-up or
8 Support Service Provider registered in the Philippines.

9 *Provided,* That the BI, upon the endorsement of a host agency, may extend
10 the provision of the Visa to foreign nationals whose presence in the country
11 contributes in the implementation of the Program, and such other government or
12 government-supported programs that aim to support the development of
13 Innovative Start-ups in the Philippines as justified in the endorsement.

14 **SECTION 12. Visa Application.** - In addition to standard visa
15 requirements, the following shall be required in the application of the Visa:

16 (a) Endorsement of a host agency;

17 (b) Copy of the terms and conditions on the endorsement for the Visa
18 application as may be required or agreed with the endorsing host agency; and

19 (c) Proof of eligibility.

20 *Provided,* That in the case of prospective or current foreign investors of an
21 Innovative Start-up or Support Service Provider registered in the Philippines, the
22 following shall be required:

23 (a) Certification under oath of duly authorized officers of any accredited
24 depository bank in the Philippines as to the amount of foreign exchange inwardly
25 remitted by the alien applicant, and its conversion to pesos through the said
26 bank. *Provided,* That for inward remittances sent through non-accredited
27 correspondent banks, the total amount of remitted money be immediately
28 transferred to an accredited bank;

29 (b) Certified true copy of peso time deposit with a maturity period of at
30 least thirty (30) days, amounting to at least Two Million Pesos (PHP
31 2,000,000.00); and

32 (c) Compliance agreement to invest at least Two Million Pesos (PHP
33 2,000,000.00) in Innovative Start-ups or Support Service Providers registered in
34 the Philippines. *Provided,* further. That the Board of Investments (BOI), in
35 coordination with the BI, shall reserve the right to promulgate rules and

1 regulations on the investment requirement for the maintenance of the Visa. The
2 BOI shall also require the periodic reporting of the investments in a manner to be
3 determined in the implementing rules and regulations of this Act.

4 *Provided, finally, That the BI shall:*

5 (a) In case spouse and dependent children are included in the
6 application, require a marriage contract duly authenticated by the Philippine
7 Consulate or Embassy in the applicant's country, or the embassy of the country
8 of the applicant in the Philippines;

9 (b) Levy reasonable fees and charges for the processing of the Visa
10 application to implement this provision;

11 (c) When warranted, provide access to existing visas or approve a Visa
12 with limited validity of less than five (5) years, upon the request and justification
13 of the endorsing host agency for applicants engaged in short-term programs for
14 the development of Innovative Start-ups in the Philippines;

15 (d) Automatically waive fees and charges for the first cumulative five (5)
16 years of endorsed Visa application/s of an applicant; and

17 (e) In no case disapprove, suspend, revoke, or delay the release and
18 approval of any Visa application or renewal on the basis of delayed claim of
19 payment from, or delayed remittance of payment by, any host agency.

20 **SECTION 13. Roles and Responsibilities of Endorsing Host Agencies. -**

21 An endorsing host agency shall have the following roles and responsibilities:

22 (a) Facilitate the Visa application in close coordination with the BI, and
23 the endorsed applicant;

24 (b) Disseminate its standards, qualifications, terms, and conditions for its
25 endorsement of Visa applications;

26 (c) Ensure that such standards, qualifications, requirements, and
27 procedures employed to implement this provision are efficient, up to date, and
28 subjected to periodic consultation with its prospective, current, and former
29 recipients;

30 (d) Justify in its endorsement the nature of the participation and
31 contribution of the applicant in the Program, or in other government or
32 government-supported programs for the development of Innovative Start-ups in
33 the Philippines;

34 (e) Maintain an internal mechanism that shall allow applicants to appeal
35 or contest the disapproval of requests for endorsement, the revocation of the

endorsements, based on the standards and requirements that it may impose on applicants;

(f) In no case deprive endorsement to an applicant on the basis of unavailability of funds to partially or fully subsidize the application or renewal of a Visa, and allow the applicant to receive endorsement and shoulder Visa fees and charges;

(g) When warranted, facilitate the appeal of Visa applications denied, or Visas revoked, by the BI, or facilitate the reapplication reflecting necessary corrections or improvements in endorsed applications and Visa bearers;

(h) Ensure the availability of funds, and its immediate remittance to the BI, to cover the fees and charges that may be required to process the Visa application or renewal;

(i) Track and update the eligibility and status of endorsed bearers of the Visa, and immediately report to the BI, such grounds for the denial of Visa application or Visa revocation of applicants it has endorsed; and

(j) Update the database of endorsed bearers of the Visa along with other endorsing government agency and public academic institutions.

ARTICLE IV. PROGRAM ADMINISTRATION

SECTION 14. General Roles and Responsibilities of the Host Agencies.

- DOST, DTI, DICT and other host agencies shall have the following roles and responsibilities in the implementation of this Act:

(a) Develop the necessary department policies and guidelines for the implementation of the Program, and coordinate with the relevant government agencies for the provision of benefits and incentives for Innovative Start-ups and Support Service Providers under this Act;

(b) Reassess and adjust their respective current programs based on its applicability to the needs of prospective Innovative Start-ups and Support Service Providers that may apply for the benefits and incentives under this Act;

(c) Coordinate their respective programs with other host agencies to avoid unnecessary overlaps in coverage, and to promote seamless implementation of complimentary initiatives;

(d) Promote itself as a prospective host agency to interested enterprises who may qualify as an Innovative Start-up or Support Service Provider;

1 (e) Develop and promulgate the efficient rules for its selection and
2 application process for Innovative Start-ups and Support Service Providers it
3 wishes to host;

4 (f) Ensure the immediate and efficient provision of the benefits provided
5 under this Act, and such additional benefits and incentives that may be provided
6 as a host agency; and

7 (g) Actively participate in startup events and programs by government or
8 private institutions.

9 Host agencies shall be prohibited from disqualifying Innovative Start-ups
10 or Support Service Providers access to general and additional benefits and
11 incentives under this Act on the basis of nationality.

12 **SECTION 15. Role and Responsibilities of Innovative Start-ups and**
13 **Support Service Providers.** - Innovative startups and Support Service Providers
14 shall have the following roles and responsibilities upon its application for the
15 benefits and incentives provided in this Act, and for additional benefits and
16 incentives that may be provided by the host agency:

17 (a) Truthfully disclose information requested by the host agency and/or
18 other national government agencies starting from the application for
19 collaboration or the provision of benefits and incentives under this Act;

20 (b) Ensure compliance with the agreed terms for the provision of the
21 benefits provided under this Act, and such other additional benefits that may be
22 provided by the host agency and/or other national government agencies; and

23 (c) Prepare and update the necessary documentary requirements to
24 ascertain the eligibility of the enterprise as an Innovative Startup or Support
25 Service Provider.

26 **SECTION 16. Startup PH Website.** - The DICT, in consultation with DTI
27 and DOST, shall develop and maintain a website that shall serve as the primary
28 source of information on statistics, events, programs, and benefits for startups
29 and related enterprises in the Philippines, not limited to those defined under this
30 Act.

31 This website shall at least have the following features:

32 (a) Online database of Innovative Startups and Support Service Providers,
33 indicating basic information such as business address, founders, contact
34 information, and funding received; *Provided, That* this database may also be
35 expanded to include businesses and project groups assessed by either DICT, DTI,
36 or DOST to be a startup;

1 (b) Online inquiry, registration, application, and release of results for
2 endorsements, and applications for benefits and incentives provided under this
3 Act; *Provided*, That this feature may also be extended to facilitate application for
4 funding, or participation in programs or events for startups, whether organized
5 or supported by the government or the private sector;

6 (c) Statistical information and annual reports pertinent to the
7 implementation of this measure, and such other information content beneficial
8 to, and in line with, the goals and objectives of this Act; *Provided*, That
9 information featured here shall also include studies and reports pertinent to the
10 startups in the Philippines.

11 **SECTION 17. Implementing Rules and Regulations.** - DOST, DICT, and
12 DTI in coordination with the pertinent government agencies shall promulgate
13 the necessary rules and regulations within sixty (60) days from the effectivity of
14 this Act.

15 **SECTION 18. Separability Clause.** - If any section or part of this Act is
16 held unconstitutional, no other section or provision shall be affected.

17 **SECTION 19. Repealing Clause.** - All provisions of existing laws,
18 presidential decrees or issuances, executive orders, letters of instruction,
19 administrative orders, rules and regulations contrary to or inconsistent with the
20 provisions of this Act are hereby repealed, amended, or modified accordingly.

21 **SECTION 20. Effectivity.** - This Act shall take effect fifteen (60) days after
22 its complete publication in the Official Gazette and in at least two (2) newspapers
23 of general circulation.

24 *Approved.*