

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



SEVENTEENTH CONGRESS
Third Regular Session

HOUSE BILL NO. 7923

Introduced by Representative Michael L. Romero

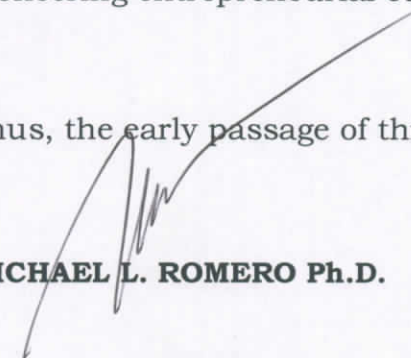
EXPLANATORY NOTE

In the Republic of the Philippines, a **Startup Ecosystem** is created by people. This startups in their various levels and types of organizations in a physical or virtual location, interacting as a system to establish and scale new startup companies.

These organizations can be further classified into categories such as universities, funding organizations, support organizations, research organizations, service provider organizations and other large corporations.

This House Bill seeks to provide benefits and therefore eliminate conflicts intended at encouraging the establishment and operation of an ecosystem of enterprise, government and nongovernment institutions that shall promote a pioneering entrepreneurial culture in the country.

Thus, the early passage of this bill is earnestly requested.


MICHAEL L. ROMERO Ph.D.

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2 **HOUSE OF REPRESENTATIVES**
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10 HOUSE BILL NO. **7923**

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AN ACT
PROVIDING INCENTIVES AND MECHANISMS TO CREATE NEW
JOBS AND OPPORTUNITIES, IMPROVE PRODUCTION, AND
ADVANCE INNOVATION AND TRADE IN THE COUNTRY, TO
FOSTER AND DEVELOP THE PHILIPPINE STARTUP
ECOSYSTEM

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

11 **ARTICLE I**
12 **GENERAL PROVISIONS**

13 **SECTION 1. Short Title** – This Act shall be known as the “Philippine
14 Startup Act of 2018.”

15 **SECTION 2. Declaration of Policy** – It is hereby declared a policy of the
16 State to promote a comprehensive growth development through a creative
17 economy by an efficient and effective government and non-government
18 initiatives, in both the local and international fields.

19 **SECTION 3. Definition of terms** – the following terms shall mean:

- 1 (a) **Innovation** – the creation of new ideas that results to the development of
2 new or improved products, processes, or services which are then spread
3 or transferred across the market;
- 4 (b) **Research and Development** – any activity which is a systematic,
5 intensive study directed toward greater knowledge or understanding of
6 the subject studied; a systematic study directed specifically toward
7 applying new knowledge to meet a recognized need; or a systematic
8 application of knowledge toward the production of useful materials,
9 devices, and systems or methods, including design, development, and
10 improvement of prototypes and new processes to meet specific
11 requirements;
- 12 (c) **Startup** – any person, or registered entity in the Philippines which aims
13 to develop an innovative product, process, or business model;
- 14 (d) **Startup Enabler** – any person, or registered entity in the Philippines
15 registered under the *Philippine Startup Development Program* that
16 provides goods, services, or capital identified to be crucial in supporting
17 the operation and growth of startups by the DTI in consultation with
18 DOST, DICT, and pertinent government and nongovernment
19 organizations;

20 **SECTION 4. Philippine Startup Development Program** – There is
21 hereby created a *Philippine Startup Development Program* herein after referred
22 to as the “*Program*.”

23 The *Program* shall be composed of programs, benefits, and incentives for
24 startups and startup enablers promulgated through the respective mandates of
25 national government agencies, and through additional mandates provided by
26 the provisions of this Act. The *Program* shall also include programs, benefits,
27 and incentives for startup and startup enablers extended by nongovernment
28 organizations in partnership with any national government agency.

1 DOST, DICT, and DTI shall be the lead agencies that shall assess,
2 monitor, develop and expand the *Program* consistent with the objectives of this
3 Act. To this end, DOST, DICT, and DTI, in consultation with government and
4 nongovernment organizations shall set key metrics to track the impact and
5 development of the *Program*.

6
7 DTI shall promulgate the rules for the efficient registration and
8 assessment of startup enablers to be registered under the *Philippine Startup*
9 *Development Program* for the effective implementation of benefits or programs
10 provided under this act.

11 **SECTION 5. Startup Objectives.** – The *Program* shall aim to achieve the
12 following:

- 13 (a) Sustain the Research and Development of startups and startup enablers
14 in the Philippines;
- 15 (b) Sustain and encourage the access to startup development programs
16 offered locally and internationally for startups, startup enablers, and the
17 implementers of the programs, benefits, and incentives of the *Program*
18 such as, but not limited to, capacity building, exchange programs, and
19 expert training courses;
- 20 (c) Sustain and uphold the involvement of startups in international
21 competitions and conferences integral to the promotion of the Philippine
22 startup ecosystem;
- 23
24 (d) Sustain the contribution of startups in local and international events
25 which aim to link them to potential investors, mentors, collaborators,
26 and customers;
- 27 (e) Sustain the cooperation and partnership of startups, startup enablers,
28 national government agencies, public and private academic institutions,
29 and industry partners to develop innovative products, process or

1 business model which may be utilized in the delivery of public services,
2 programs, or projects of host agencies;

3 (f) Sustain the improvement and expansion of businesses whose innovative
4 product and service, or business model is integral to the creating a
5 competitive startup community in the Philippines;

6 (g) Expand and revise policies and regulations to address or remove undue
7 restrictions in implementation of the *Program*, and in the development,
8 establishment, and growth of startups and startup enablers to promote
9 ease of doing business.

10 **SECTION 6. POWERS AND FUNCTIONS OF THE HOST AGENCIES. –**

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

13 (a) Disseminate the suitable policies and guidelines for the coordinated
14 implementation of *Program*;

15 (b) Evaluate impact and applicability of the benefits and incentives that
16 compose the *Program*;

17 (c) Foster the access to the benefits, incentives, and opportunities for
18 startups and startup enablers; and

19 (d) Guarantee the immediate and efficient provision of the benefits and
20 incentives provided under this Act.

21 **ARTICLE II**
22 **STARTUP BENEFITS AND INCENTIVES**

23 **SECTION 7. General registration and operational benefits and**
24 **incentives –** Host agencies shall be authorized to provide the following benefits

1 and incentives to startups and/or startup enablers who have passed their
2 selection and application process:

3 (a) Full or partial subsidy for the registration and cost in the application and
4 processing of permits and certificates required for the business
5 registration and operation of an enterprise with the appropriate local or
6 national government agencies;

7 (b) Endorsement of the host agency for the expedited or prioritized
8 processing of applications with other government agency;

9 (c) Full or partial subsidy for the use of facilities, office space, equipment,
10 and/or services provided by government or private enterprises or
11 institutions;

12 (d) Full or partial subsidy in the use of repurposed government spaces and
13 facilities of the host agency as the registered business address;

14 (e) Grants-in-aid (GIA) for research, development, training, and expansion
15 projects.

16 *Provided*, That the full or partial subsidies provided by the host agency
17 may be incorporated in the approved GIA of the startup or startup enabler, or
18 may be issued through vouchers issued by the host agency. *Provided, further*,
19 That government or public institutions shall honor the issued vouchers in
20 relation to the implementation of this provision and charge such fees or
21 charges to the issuing host agency.

22 DTI shall be the agency tasked to initiate and coordinate with national
23 and local government agencies involved with the registration, licensing,
24 certification, including those who levy fees and charges for services subsidized
25 by host agencies, and such other bureaucratic and regulatory process to be
26 undertaken by startups and startup enablers endorsed by host agencies, in
27 order to promulgate the necessary issuances to facilitate the effective
28 implementation of this act.

1 **SECTION 8. General benefits for participation in Local and**
2 **International startup events.** – Host agencies shall be authorized to provide
3 the following benefits and incentives in order to support members of startups
4 and/or startup enablers who have passed their respective selection and
5 application process for the purpose of participating in local or international
6 startup events or competitions:

7 (a) Endorsement of the host agency for the expedited or prioritized
8 processing of travel documents, such as but not limited to, passport
9 and/or visa application;

10 (b) Full or partial subsidy for fees and charges incurred in the application of
11 applicable travel documents;

12 (c) Full or partial subsidy for baggage allowance for materials, equipment,
13 and/or products pertinent to the participation in the local or
14 international startup event;

15 (d) Full or partial airfare subsidy for roundtrip airfare; and/or

16 (e) Per diem allowance.

17 The Tourism Infrastructure and Enterprise Zone Authority (TIEZA) shall
18 exempt members of startups or startup enablers endorsed by any host agency
19 from paying the Philippine Travel Tax for departures related to their
20 participation in international startup events or competitions. TIEZA shall issue
21 promulgate the necessary rules and regulations in consultation with DTI,
22 DOST, and DICT for the effective implementation of this provision.

23 **SECTION 9. Philippine Startup Ecozones** – The Philippine Economic
24 Zone Authority (PEZA) in consultation and coordination with DTI, DOST, and
25 DICT shall pursue and promote the creation of Philippine Startup Ecozones, or
26 Special Economic Zones to spur the growth and development of startups and
27 startup enablers through either private initiative, local government initiative

1 with the assistance of the national government, and/or national government
2 initiative consistent with the provisions of Republic Act No 7916, as amended
3 by Republic Act No. 8748, otherwise known as *The Special Economic Zones Act*
4 *of 1995*, and its implementing rules and regulations.

5 DICT, DOST, DTI and other host agencies, through their respective
6 regional and provincial offices, shall promote and facilitate the registration of
7 qualified startups and startup enablers in established Special Economic Zones
8 in the Philippines.

9 PEZA shall assist DICT, DOST and DTI in training their respective
10 personnel assigned to assist startups and startup enablers in meeting
11 standards and regulations for registration and compliance requirements in
12 Special Economic Zones.

13 **SECTION 10. Startup Investment Development Plan** – DICT, in
14 collaboration with DTI, DOST, and BOI shall spearhead initiatives to develop
15 the short, medium, and long-term strategies in order to spur investment in,
16 and promote the growth and development of startup and startup enablers in
17 the Philippines.

18 DTI in coordination with the Board of Investment shall promote and
19 facilitate the provision of applicable benefits to current and prospective
20 investors of startups and startup enablers.

21 The Board of Investments (BOI) shall assist DTI, DICT, DOST, and other
22 host agencies in training their personnel tasked with assisting in current and
23 prospective startups and startup enablers in order to access and maximize
24 benefits and incentives which may be extended consistent with the powers and
25 mandate of the BOI.

1 **SECTION 11. Startup Commercialization and Impact Fund** – There is
2 hereby created a Startup Commercialization and Impact Fund (SCIF) under the
3 DOST and DICT, in the amount of One Billion Five Hundred Million Pesos (PHP
4 1,500,000,000.00) for each aforementioned department, to be administered in
5 coordination with DTI.

6 *The SCIF shall be used for the following:*

7 (a) Phase I Grants of up to Seven Million Five Hundred Thousand Pesos
8 (PHP 7,500,000.00) shall be awarded to startups for research and
9 development that shall be undertaken for no more than six (6) months to
10 determine the scientific and technical merit and feasibility of ideas with
11 international or local commercial potential or those that may address
12 needs and challenges of programs of national or local significance;

13 (b) Phase II Grants of up to Fifty Million Pesos (PHP 50,000,000.00) shall be
14 awarded to startups for further research development of up to twelve (12)
15 months in order develop and test a prototype of the innovative product,
16 and/or to implement and test an innovative service or business model
17 following either:

18 1. The favorable results of a Phase I Grant or other similar or
19 comparable privately or publicly funded research and development
20 initiatives in support of the international or local commercial potential
21 of the innovative product, service, or business model of the startup, or
22 its potential to address needs and challenges of programs of national
23 or local significance;

24 2. The commitment of private sources of funding to co-fund the Phase II
25 Grant of the startup;

26 3. The commitment of a private source of capital to commercialize the
27 innovative product, process, or business model being developed by the
28 startup, or the commitment on an international or national
29 government agency, or a private source of capital to fund the
30 production or implementation of the innovative product, process, or
31 business model to address needs and challenges of programs of
32 national or local significance.

1 *Provided, That:*

- 2 (c) DOST and DICT, in consultation with pertinent pertinent representatives
3 from the academe and/or industry, shall be the lead agencies that shall
4 assess the scientific and technical merit of the research and development
5 of startups;
- 6 (d) DTI, in consultation with private sector investors, shall be the lead
7 agency that shall assess the commercial potential of startups;
- 8 (e) DTI and BOI shall promulgate the necessary rules to ascertain the
9 legitimacy of the intent, and the capacity of the private source of funding
10 to co-fund the Phase II Grant in Section 11(b.2) and the commitment of
11 the private source of capital to commercialize or to fund the production
12 or implementation of an innovative product, process, or business model
13 in Section 11(b.3);
- 14 (f) DOST, DICT, and DTI shall select and match the appropriate
15 representatives from either the academe, industry, or private sector
16 investors to assess proposal from startups depending on the field of
17 research or expertise tackled in the proposals.
- 18 (g) DOST, DICT, and DTI shall be authorized to use the SCIP in order to
19 secure or maintain the services of the representatives that must be
20 consulted in the assessment of proposals;
- 21 (h) Government agencies shall be authorized to directly procure innovative
22 products, services, or business models of startups that have yielded
23 favorable results based on research and development conducted through
24 a Phase II Grant. *Provided, That* the use of the innovative product,
25 service, or business model addresses needs and challenges of programs
26 of national or local of the procuring agency;
- 27 (i) Host agencies shall be authorized to co-fund or provide additional
28 funding to startups currently or prospectively undertaking research and
29 development under a Phase I or II Grant, *Provided, That* the application
30 or the results of the research and development co-funded or additionally
31 funded is consistent is consistent with its mandate, or supports its
32 implementation of a program of national or local significance;

- 1 (j) Phase I and II Grants shall be sourced from the SCIF of the agency who
2 approves the proposed research and the development of a startup after
3 due assessment of the local or international commercial potential,
4 and/or or its potential or demonstrated capacity to address needs and
5 challenges of programs of national or local significance.

6 **SECTION 12. Startup Investment Matching Fund** – There is hereby
7 created a Startup Investment Matching Fund (SIMF) under the DTI in the
8 amount of One Billion Five Hundred Million Pesos (PHP 1,500,000,000.00), to
9 be administered in coordination with DOST and DICT. DTI, in collaboration
10 with the Board of Investments (BOI) shall develop and implement the rules and
11 regulations for the implementation of this Section.

12 *DTI and BOI shall:*

- 13 (a) Establish the criteria and qualifications in the selection of accredited
14 investors, and categorize them based on type and investment capacity;
- 15 (b) Accredit investors and determine the allocation of available funds from
16 the SMF per investor for the fund matching based on the categorization
17 of investors;
- 18 (c) Set the minimum investment requirement per category of investor;
- 19 (d) Co-invest up to fifty (50) percent of the total required capitalization in a
20 startup based in the Philippines;
- 21 (e) Require the periodic update on the status of startups by the accredited
22 investor.

23 *Provided, That the DTI and BOI shall develop the appropriate rules and*
24 *rates that shall allow the investor to the buyout the shares of the DTI within*
25 *five (5) years from the infusion of capital into the startup by returning the*
26 *capital with a corresponding interest rate to be determined by DTI and BOI.*

1 *Provided, further,* That the DTI in consultation with the BOI shall manage
2 the SIMF, and allow for the re-application of previously accredited investors
3 and the application of new investors to utilize available funds from the SMF
4 every three (3) years.

5 **ARTICLE III** 6 **STARTUP VISAS**

7 **SECTION 13. Startup Visas** – There is hereby created a Startup Visa,
8 herein after referred to as the “*Visa*.” The Visa shall have an initial five (5) year
9 validity and may be renewed or extended with a three (3) year validity.

10 Multiple-entry interim Startup Visas valid for six (6) months to one (1)
11 year shall be issued to prospective startup owners, investors, or enablers upon
12 the endorsement of the appropriate host agency. The visa shall be issued
13 gratis.

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

18 The Department of Foreign Affairs (DFA) shall promulgate the rules and
19 regulations for the issuance of the Startup Visas by Philippine Consular
20 Officers consistent with the provisions of this act in order to enforce this
21 provision.

22 The Bureau of Immigration (BI) shall promulgate the immigration and
23 admission rules and regulations consistent with the provisions of this Act in
24 order to enforce this provision.

1 *The DFA and BI shall:*

- 2 (a) Consult DOLE and host agencies in the promulgation of the rules and
3 regulations for this provision;
- 4 (b) Immediately publish and disseminate requirements, rules, and
5 regulations on the application and the issuance of the Visa and the
6 admission and stay of visa holders;
- 7 (c) Coordinate the immediate and periodic training of its personnel, and
8 their counterparts in government agencies and public academic
9 institutions, tasked to process and oversee the application for and the
10 issuance of the Visa and the admission and stay of visa holders;
- 11 (d) Develop and maintain a database for all the bearers of the Visa and their
12 immigration records, and ensure public access to such information
13 subject to existing rules and regulations, including on Freedom of
14 Information and Data Privacy; and
- 15 (e) Reserve the right to deny and revoke applications subject to the
16 promulgated rules and regulations to implement this provision, and
17 applicable rules and regulations governing immigration.

18 **SECTION 14. Visa Eligibility** – The following shall be eligible to apply for
19 the Visa provided under this Act:

- 20 (a) Startup Owner Visa – Prospective or current foreign owner of startup or
21 startup enabler registered in the Philippines;
- 22 (b) Startup Employee Visa – Foreign employee of a startup and startup
23 enabler registered in the Philippines;
- 24 (c) Startup Investor Visa – Prospective or current foreign investors of a
25 startup and startup enabler registered in the Philippines; or

26 *Provided, That* DFA and BI, upon the endorsement of a host agency, may
27 extend the provision of the Visa to foreign nationals whose presence in the

country contributes to the implementation of the *Program*, and such other government or government-supported programs that aim to support the development of startups in the Philippines as justified in the endorsement.

SECTION 15. Visa Application – Foreign national may lodge their visa applications at relevant Philippine Embassies or Consulates. In addition to standard visa requirements, the following shall be required in the application of the Visa:

(a) Endorsement of a host agency;

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

(c) Proof of eligibility.

Provided, That in the case of prospective or current foreign investors of a startup or startup enabler registered in the Philippines, the following shall be required:

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

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

(f) Compliance agreement to invest at least Two Million Pesos (PHP 2,000,000.00) in startups or startup enablers registered in the Philippines.

Provided, further, That the Board of Investments (BOI), in coordination with DFA and BI, shall reserve the right to create rules and regulations on the

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

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

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

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

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

15 (j) Automatically waive visa and admission fees and charges for the first
16 cumulative five (5) years of entry and stay of Startup Visa holders; and

17 (k) 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
19 of payment from, or delayed remittance of payment by, any host agency.

20 **SECTION 16. APEC Business Travel Card (ABTC)** – Bona fide Filipino
21 executives of qualified startups shall be eligible to apply for an ABTC. They
22 shall lodge their applications with the DFA, which shall promulgate the rules
23 and regulations for the evaluation and approval of their ABTC applications.

24 **ARTICLE IV** 25 **FINAL PROVISIONS**

26 **SECTION 17. Startup PH Website** – The DICT, in collaboration with DTI
27 and DOST, shall develop and maintain a website that shall serve as the

1 primary source of information on statistics, events, programs, and benefits for
2 startups and startup enablers and related enterprises in the Philippines not
3 limited to those defined under this Act. This shall involve the integration of any
4 existing websites and content on programs for startups and startup enablers
5 implemented by the government.

6 *This website shall at least have the following features:*

7 (a) Online database of startups and startup enablers, indicating basic
8 information such as business address, founders, contact information,
9 and funding received;

10 (b) Online inquiry, registration, application, and release of results for
11 endorsements, and applications for programs, benefits, and incentives
12 provided under this Act;

13 (c) Statistical information, annual reports, and studies pertinent to the
14 implementation of this measure, and such other content in line with
15 the goals and objectives of this Act.

16
17
18 **SECTION 18. Creation of Positions** – The Department of Budget and
19 Management (DBM) shall undertake the assessment and creation of positions,
20 whether temporary or permanent, in coordination with host agencies in order
21 to provide the clerical and technical capacity required in each host agency to
22 undertake the implementation of the programs and benefits under this Act.

23 **SECTION 19. Implementing Rules and Regulations** – The departments
24 and agencies charged, to be led by the Department of Information and
25 Communications Technology (**DICT**), Department of Science and Technology
26 (**DOST**) and the Department of Trade and Industry (**DTI**) with carrying out the
27 provisions of this Act, shall within sixty (**60**) days after the effectivity of this
28 Act, formulate the necessary rules and regulations for its effective
29 implementation.

1 **SECTION 20. REPEALING CLAUSE** – All laws, decrees, executive orders,
2 rules and regulations, or parts thereof inconsistent with the provisions of this
3 Act are hereby repealed or modified accordingly.

4
5 **SECTION 21. SEPARABILITY CLAUSE** – If, for any reason, any section
6 or provision of this Act is held unconstitutional or invalid, the other sections or
7 provisions hereof shall not be affected thereby.

8
9 **SECTION 22. EFFECTIVITY CLAUSE** – This Act shall take effect after
10 fifteen (15) days from its publication in the Official Gazette or in at least two (2)
11 national newspapers of general circulation whichever comes earlier.

12
13 Approved,