



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session



House Bill No. 610

Introduced by Representative **ANTONINO B. ROMAN III**

EXPLANATORY NOTE

The Philippine startup ecosystem has grown steadily over the past decade. However, its full potential remains significantly untapped due to legal, structural, and implementation bottlenecks that prevent many promising ventures from evolving into globally competitive enterprises. In 2019, Congress enacted Republic Act No. 11337, or the "Innovative Startup Act" (ISA), which marked a major milestone in establishing a legal framework to promote startups and innovation. Yet, after several years of implementation, critical gaps have emerged that require strategic and immediate legislative attention.

Globally, many countries have positioned startups at the center of their national development agenda, recognizing their capacity to drive innovation, generate employment, enhance competitiveness, and address systemic societal challenges. Nations such as Israel, Singapore, and South Korea have demonstrated that with the right mix of clear policy definitions, strategic public investments, regulatory flexibility, and strong private sector engagement, high-growth startups can become global leaders.

By contrast, Philippine startups continue to face multiple, well-documented challenges:

- **Ambiguity in Legal Definitions:** The current definition of "startup" under RA 11337 is overly broad and fails to adequately distinguish truly innovative, high-growth enterprises from traditional micro, small, and medium enterprises (MSMEs). This dilutes both the policy's focus and the government resources intended for high-risk, high-reward ventures that typically face capital market failures.
- **Exclusion of Early-Stage Innovators:** The law currently recognizes only registered legal entities or individuals, unintentionally excluding pre-registration teams, ideation-stage groups, and informal innovation clusters, which represent a significant portion of real-world startup formation.

- **Fragmented Implementation:** The multi-agency implementation framework has resulted in overlapping mandates, inconsistent program designs, duplicative requirements, and administrative confusion among both agency personnel and startup applicants.
- **Bureaucratic Application Processes:** The absence of a standardized, simplified application process across agencies has discouraged many founders from accessing the very support programs the law was designed to provide. Traditional government grant mechanisms often impose documentary requirements that are ill-suited to the fast-paced nature of startups.
- **Regulatory Paralysis Due to COA Concerns:** Agencies remain risk-averse in providing flexible, startup-oriented support due to fears of Commission on Audit (COA) disallowances. This has resulted in excessive conservatism in fund disbursement and delays in providing critical startup support.
- **Weak Private Sector Incentives:** The private sector remains an underutilized partner in the ecosystem. In the absence of clear, legally mandated fiscal incentives, private corporations have little motivation to invest capital or support incubators, accelerators, or university-based research commercialization.
- **Lagging Global Competitiveness:** As of 2024, the Philippines continues to trail its ASEAN peers in venture capital inflows, startup exits, and global innovation rankings. According to StartupBlink's Global Startup Ecosystem Index 2025, Manila has dropped out of Southeast Asia's top five startup cities. Most cities outside the capital receive minimal investment attention, underscoring geographic concentration and a lack of inclusive innovation. Venture capital funding also remains dominated by foreign investors, with limited participation from domestic institutions, worsening the funding gap -- especially at the pre-seed and seed stages.

This bill proposes key amendments to the Innovative Startup Act to directly address these structural shortcomings. Specifically, it seeks to:

- Redefine “startup” to focus on enterprises that develop systemic, disruptive, scalable solutions addressing complex societal or market problems;
- Recognize informal and unregistered early-stage innovation groups and enable their participation in government capacity-building and support programs;
- Establish a centralized, shared Secretariat to streamline inter-agency coordination and serve as a single point of contact for startup-related concerns;
- Standardize and simplify application processes across agencies to reduce administrative burdens and improve access;
- Introduce tax incentives and fiscal credits for private investors and corporate partners who provide capital, mentorship, or technical support; and
- Lay the foundation for sustainable public-private partnerships to support innovation hubs, university incubators, and venture ecosystems.

Through these reforms, the Innovative Startup Act can evolve into a focused, efficient, and implementation-ready legal architecture -- empowering founders, unlocking private sector capital, strengthening support mechanisms, and positioning the Philippines to thrive in the global innovation economy.

The immediate passage of this measure is earnestly sought.



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AN ACT
AMENDING REPUBLIC ACT NO. 11337, OTHERWISE KNOWN AS THE
“INNOVATIVE STARTUP ACT”

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

SECTION 1. Section 3 of the Innovative Startup Act is hereby amended to read as follows:

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

X X X

(g) Startup – any person, **group of persons**, or registered entity in the Philippines which aims to develop an innovative product, process, or business model **that addresses systemic, disruptive, or complex societal, technological, or market problems and demonstrates high scalability potential**;

X X X

SECTION 2. Section 7 of the Innovative Startup Act is hereby amended to read as follows:

Section 7. General Registration and Operational Benefits and Incentives. Host agencies shall be authorized to provide the following benefits and incentives to startups and/or startup enablers who have passed their selection and application process:

X X X

Provided, That the full or partial subsidies provided by the host agency may be incorporated in the approved GIA of the startup or startup enabler, or may be issued through vouchers issued by the host agency.

[The DTI shall be the agency tasked to initiate and coordinate with national and local government agencies involved with the registration, licensing, certification, including those who levy fees and charges for services subsidized by host agencies, and such other regulatory process to be undertaken by startups and startup enablers endorsed by host agencies.]

SECTION 3. A new section designated as Section 7-A of the Innovative Startup Act is hereby inserted to read as follows:

Section 7-A. *Establishment of a Centralized Secretariat.* – A Secretariat composed of representatives from the host agencies shall be established. The Secretariat shall be headed by an Executive Director III (Salary Grade 28) who shall be appointed by the President of the Philippines. The Secretariat shall be under the control and supervision of the DTI. The Executive Director III shall have at least five (5) years of experience and practice in the fields of science and technology, research and development, startups, innovation, or business management to qualify for appointment. The Executive Director III shall be nominated by the host agencies.

The initial staffing structure and complement of the Secretariat shall be submitted by the NEDA to the Department of Budget and Management (DBM) for funding. Pending the creation of the appropriate plantilla positions, the NEDA shall constitute an interim Secretariat within one (1) month from the effectivity of this Act, through the temporary detail of personnel from its member agencies.

The Secretariat shall have the following functions:

- (a) Provide Secretariat support to the host agencies, including the preparation of draft strategies, priorities, and other outputs to be adopted by the Host Agencies in the implementation of the programs and benefits under this Act;
- (b) Consult with experts who can offer insights on startup development, policymaking, and priority setting;
- (c) Coordinate with various agencies of the government, the private sector, academe, scientific community, and other sector stakeholders towards achieving policy and program coherence, as well as human capital development;
- (d) Serve as the central office to establish standardized, simplified, and unified procedure for all startup-related applications for grants, funding, or incentives under this Act and shall be the central receiving authority for applications for grants-in-aid, requests for subsidies, the Startup Grant Funds, the Startup Venture Fund, and for other incentives under this Act;

(e) Initiate and coordinate with national and local government agencies involved with the registration, licensing, certification, including those who levy fees and charges for services subsidized by host agencies, and such other regulatory process to be undertaken by startups and startup enablers endorsed by host agencies;

(f) Constantly review and implement the Philippine Startup Development Plan;

(g) Gather strategic intelligence and information to support the host agencies in their policymaking, as well as in goal and strategy setting;

(h) Assess the effectiveness of existing startup grant programs and scholarships, and submit recommendations to the host agencies on these programs, according to the Philippine Startup Development Plan;

(i) Develop and administer metrics for monitoring and evaluation of the country's startup development programs;

(j) Develop recommendations for consideration by the host agencies; and

(k) Perform other functions as may be directed by the host agencies.

SECTION 4. Section 11 of the Innovative Startup Act is hereby amended to read as follows:

Section 11. Startup Grant Fund. - There is hereby created a Startup Grant Fund (SGF) under each of the following-agencies:

X X X

Each agency shall use its respective SGF to provide initial and supplemental GIA for startups and startup enablers that have passed its selection and application process. **The Secretariat shall ensure a simplified set of documentary requirements and streamlined procedure in qualifying startups, compliant with the provisions of the Ease of Doing Business and Efficient Government Service Delivery Act of 2018.**

SECTION 5. A new section designated as Section 12-A of the Innovative Startup Act is hereby inserted to read as follows:

Section 12-A. Tax Incentives. – Any person or registered entity providing financial, technical, or operational support, including equity investments, to startups and startup enablers, as well as activities that directly support the programs under the Philippine Startup Development Plan such as corporate innovation programs and startup events, shall be allowed as one hundred percent (100%) additional deduction on research and development expenses incurred in the taxable year based on the actual cash given or the net cost of the goods given or services rendered to encourage greater private sector participation in the startup ecosystem.

Grants, prizes, awards, and other forms of monetary support from events given by private and publicly sector players to startups shall be exempt from all taxes, direct or indirect.

The Bureau of Internal Revenue, in consultation with the concerned Senate and House committees and other agencies, organizations, and establishments, shall formulate implementing rules and regulations pertinent to the provision of this Act within six months after the effectivity of this Act.

X X X

SECTION 6. Section 16 of the Innovative Startup Act is hereby amended to read as follows:

Section 16. *Education Programs.*— The Department of Education, the Commission on Higher Education, and the Technical Education and Skills Development Authority are hereby directed to develop and integrate in their respective curricula entrepreneurial programs that shall foster an environment conducive to innovation, and extend incentives to academic institutions **and startup enablers** that provide funds and/or grants for the research of their students and faculty, **as well as running programs in support of human capital development.**

SECTION 7. Separability Clause. – Should any provision or part hereof be subsequently declared invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

SECTION 8. Repealing Clause. – All laws, presidential decrees, executive orders, rules and regulations inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 9. Effectivity. – This Act shall take effect fifteen (15) days following its publication in the Official Gazette or a newspaper of general circulation.

Approved,