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Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 4756



Introduced by REP. JESUS ANGEL MANUEL "BONG" C. SUNTAY

EXPLANATORY NOTE

The 1987 Constitution of the Republic of the Philippines declares that the State shall "promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all" (Article II, Section 9). Likewise, it mandates the State to "encourage private enterprises, including corporations, cooperatives, and similar collective organizations, to broaden the base of their ownership" (Article XII, Section 1).

Micro, Small, and Medium Enterprises (MSMEs) serve as the backbone of the Philippine economy, accounting for over 99% of total businesses, generating more than 60% of total employment, and contributing substantially to national income. Despite this vital role, MSMEs face persistent challenges such as high compliance costs, bureaucratic hurdles, limited access to financing, and disproportionate tax burdens. These barriers stifle entrepreneurial growth and prevent small businesses from scaling into more productive enterprises.

This bill seeks to address these challenges by introducing simplified registration, tax filing, and compliance mechanisms, while granting tax relief to micro-enterprises. By doing so, it aims to create a business environment where micro-entrepreneurs can thrive, expand, and continue to generate jobs and opportunities for millions of Filipinos.

The importance of MSMEs to national development cannot be overstated. Yet, many remain in the informal sector or fail to grow due to the heavy regulatory and tax compliance burden. This bill removes barriers by simplifying processes, reducing paperwork, and providing tax relief during the critical early years of a business.

By granting a three-year income tax exemption to newly registered micro-enterprises, the State offers a crucial safety net that allows entrepreneurs to stabilize operations, reinvest earnings, and scale up without the immediate weight of taxation. Meanwhile, streamlined reporting requirements significantly cut down administrative costs for both businesses and government.

1 The introduction of online registration and filing systems also modernizes the
2 country's tax administration, aligning it with the best global practices and the
3 government's digital transformation agenda.
4

5 Overall, this bill promotes a more inclusive, entrepreneurial, and resilient economy
6 by empowering MSMEs to grow, compete, and contribute to long-term national
7 prosperity.
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10 In view of the foregoing, the immediate passage of this bill is earnestly sought.
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REP. JESUS "BONG" C. SUNTAY

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2 **HOUSE OF REPRESENTATIVES**
3 Constitution Hills, Quezon City

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11 Introduced by REP. JESUS MANUEL BONG SUNTAY
12

13 **AN ACT PROVIDING FOR SIMPLIFIED REGISTRATION, FILING OF**
14 **RETURNS AND PAYMENT OF INCOME AND PERCENTAGE TAXES,**
15 **AND PROVIDING FOR TAX RELIEF FOR MICRO-ENTERPRISES,**
16 **AMENDING FOR THE PURPOSE SECTIONS 74, 128 AND 236 OF THE**
17 **NATIONAL INTERNAL REVENUE CODE, AS AMENDED**
18
19

20 Be it enacted by the Senate and House of Representatives of the Philippines in
21 Congress assembled:
22

23 **SECTION 1. *Declaration of Policy.*** – It is hereby declared the policy of the State
24 to have a national economy that provides for a more equitable distribution of
25 opportunities, income and wealth, a sustained increase in the amount of goods and
26 services produced by the nation for the benefit of the people; and an expanding
27 productivity as the key to raising the quality of life for all, especially the
28 underprivileged. Towards these ends, the State shall provide an environment that will
29 enable small businesses to flourish by providing them with accessible, affordable and
30 more efficient government processes to enable them to engage in entrepreneurship
31 and other productive activities.
32

33 **SECTION 2. *Simplified Filing of Returns and Payment of Income Tax.*** –
34 Section 74(B) of the National Internal Revenue Code, as amended, is hereby amended
35 to read as follows:
36

37 “Section 74. *Declaration of Income Tax for Individuals.* –
38

39 x x x

40 (B) *Return and Payment of Estimated Income Tax by Individuals.* –
41

42 The amount of estimated income as defined in Subsection (C) with respect to which
43 a declaration is required under Subsection (A) shall be paid in four (4) installments.
44 The first installment shall be paid at the time of declaration and the second and third
45 shall be paid on August 15 and November 15 of the current year, respectively. The
46 fourth Installment shall be paid on or before May 15 of the following calendar year
47 when the final adjusted income tax return is due to be filed; **PROVIDED, THAT**
48 **SELF-EMPLOYED INDIVIDUALS REGISTERED AS SOLE**
49 **PROPRIETORS OF MICRO ENTERPRISES EMPLOYING LESS THAN TEN**
50 **(10) EMPLOYEES SHALL ONLY BE REQUIRED TO FILE A FINAL OR**
ANNUAL INCOME TAX RETURN; PROVIDED FURTHER, THAT SELF-
EMPLOYED INDIVIDUALS REGISTERED AS SOLE PROPRIETORS OF
MICRO ENTERPRISES EMPLOYING LESS THAN TEN (10) EMPLOYEES

1 **SHALL BE EXEMPT FROM PAYMENT OF INCOME TAXES WITHIN THE**
2 **FIRST THREE YEARS OF THEIR REGISTRATION AS TAXPAYERS;**
3 **PROVIDED FINALLY, THAT THE EXEMPTION FROM PAYMENT OF**
4 **INCOME TAXES OF BARANGAY BASED MICRO ENTERPRISES**
5 **REGISTERED UNDER REPUBLIC ACT NO. 9178, OTHERWISE KNOWN**
6 **AS THE "BARANGAY MICRO BUSINESS ENTERPRISES (BMBE's) ACT**
7 **OF 2002", SHALL BE COVERED BY THE SAID LAW.**

8 X X X
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10 **SECTION 3. *Simplified Filing of Returns and Payment of Percentage***
11 ***Taxes.*** – Section 128(A)(1) of the National Internal Revenue Code, as amended, is
12 hereby amended to read as follows:

13 “Section 128. *Returns and Payments of Percentage Taxes.* –

14 (A) *Returns of Gross Sales, Receipts or Earnings and Payment of Tax.* –

15 (1) Persons Liable to Pay Percentage Taxes. - Every person subject 30 to the
16 percentage taxes imposed under this Title shall file a quarterly return of the amount
17 of his gross sales, receipts or earnings and pay the tax due thereon within twenty-five
18 (25) days after the end of each taxable quarter: Provided, That in the case of a person
19 whose VAT registration is cancelled and who becomes liable to the tax imposed in
20 Section 116 of this Code, the tax shall accrue from the date of cancellation and shall
21 be paid in accordance with the provisions of this Section; **PROVIDED FURTHER,**
22 **THAT SELF-EMPLOYED INDIVIDUALS REGISTERED AS SOLE**
23 **PROPRIETORS OF MICRO-ENTERPRISES EMPLOYING LESS THAN**
24 **TEN (10) EMPLOYEES SHALL ONLY BE REQUIRED TO FILE A FINAL**
25 **OR ANNUAL PERCENTAGE TAX RETURN.**

26 X X X
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28 **SECTION 4. *Simplified Registration Process.*** – Section 236(A) of the National
29 Internal Revenue Code, as amended, is hereby further amended to read as follows:

30 “Section 236. *Registration Requirements.* –

31 (A) *Requirements.* - Every person subject to any internal tax shall register
32 once with the appropriate Revenue District Officer:

33 (1) Within ten (10) days from date of employment, or

34 (2) On or before the commencement of business, or

35 (3) Before payment of any tax due, or

36 (4) Upon filing of a return, statement, or declaration as required in 22
37 of this Code.
38

39 The registration shall contain the taxpayer's name, style, place of residence, business
40 and such other information as may be required by the Commissioner in the form
41 prescribed therefore: Provided, That the Commissioner shall simplify the business
42 registration and tax compliance requirements of self-employed Individuals and/or
43 professionals, **INCLUDING THE ESTABLISHMENT OF AN ONLINE**
44 **REGISTRATION, FILING AND PAYMENT SYSTEM.**
45

46 A person maintaining a head office, branch or facility shall register with the Revenue
47 District Officer having jurisdiction over the head office. branch or facility. For
48 purposes of this Section, the term ‘facility’ includes but is not limited to sales outlets,
49 places of production, warehouses and storage places.
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1 **SECTION 5. *Implementing Rules and Regulations (IRR)*.** – Within sixty
2 (60) days from the implementation of this Act, the Bureau of Internal Revenue, upon
3 consultation with relevant stakeholders, shall issue the implementing rules and
4 regulations to implement the provisions of this Act.

5
6 **SECTION 25. *Separability Clause*.** – If any part, section or provision of this Act
7 is declared invalid or unconstitutional, the other provisions not affected by such
8 declaration shall remain in full force and effect.

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10 **SECTION 26. *Repealing Clause*.** – All laws, decrees, orders, rules, and
11 regulations, or other issuances or parts thereof inconsistent with the provisions of
12 this Act are hereby repealed, amended or modified accordingly.

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14 **SECTION 27. *Effectivity*.** – This Act shall take effect fifteen (15) days after its
15 publication in the *Official Gazette* or in a newspaper of general circulation.

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17 Approved,