



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session



House Bill No. 5438

Introduced by CIBAC Party-List Representative
EDUARDO “BRO. EDDIE” C. VILLANUEVA

EXPLANATORY NOTE

Micro-enterprises are the backbone of the Philippine economy. Based on the Philippine Statistics Authority’s 2023 List of Establishments, they account for 99.63% of all businesses nationwide and provide more than 6.4 million jobs.¹ Despite this outsized role, micro-enterprises remain burdened by complex regulatory processes and high tax compliance requirements that limit their growth and sustainability.

Republic Act No. 9501, or the Magna Carta for Micro, Small and Medium Enterprises (MSMEs), recognizes their crucial contribution by mandating government support through financing, training, and more efficient services. Yet, gaps in implementation persist. The World Bank’s Doing Business 2020 Report ranks the Philippines 171st out of 190 economies in starting a business, where entrepreneurs face 13 separate procedures taking an average of 33 days, along with steep compliance costs—roughly 171 hours annually for tax-related obligations.²

The COVID-19 pandemic further underscored these vulnerabilities. Data from the Department of Trade and Industry (DTI) show that more than half of MSMEs temporarily or permanently closed during the crisis, while the Department of Labor and Employment (DOLE) reported that most closure notices came from micro and small enterprises.³ Operating on thin margins and limited liquidity, micro-enterprises continue to need targeted government support.

This bill seeks to amend Sections 74, 128, and 236 of the National Internal Revenue Code, as amended, through the following reforms:

¹ Department of Trade and Industry. MSME Statistics. Available at [https://www.dti.gov.ph/resources/msme- %20statistics/](https://www.dti.gov.ph/resources/msme-%20statistics/) (Accessed on July 10, 2025).

² World Bank. Doing Business 2020. Available at <https://www.doingbusiness.org/content/dam/doingBusiness/country/p/philippines/PHL.pdf> (Accessed on July 10, 2025).

³ Inquirer.net. DTI: Over half of MSMEs in PH fully stopped operations due to virus outbreak. Available at <https://business.inquirer.net/296227/dti-over-half-of-msmes-in-ph-fully-stopped-operations-due-to-virusoutbreak> (Accessed on July 10, 2025).

- a) *Simplified Tax Filing* – Sole proprietors classified as micro-enterprises (with fewer than 10 employees) will only be required to file an annual income tax return, replacing quarterly submissions. The same provision will apply to percentage tax returns, significantly reducing compliance burdens.
- b) *Three-Year Income Tax Exemption* – Newly registered micro-enterprises will be exempt from paying income tax for their first three years, providing a vital period for financial stability and reinvestment.
- c) *Simplified and Digitalized Registration* – The Bureau of Internal Revenue (BIR) will be mandated to implement a streamlined, online system for business registration, filing, and tax payment to minimize red tape and encourage formalization.

By reducing costs, simplifying compliance, and offering crucial relief during a business's formative years, this measure strengthens the capacity of micro-enterprises to survive and thrive. It aligns with the intent of the Magna Carta for MSMEs and contributes to building a more inclusive, competitive, and resilient economy.

In view of the foregoing, the immediate passage of this bill is earnestly sought.


EDUARDO "BRO. EDDIE" C. VILLANUEVA



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HOUSE BILL NO. 5438

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

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

1 **SECTION 1. Short Title.** - This Act shall be known as the *"Providing Tax Relief*
2 *for Micro-Enterprises Act."*

3
4 **SEC. 2. Declaration of Policy.** - It is hereby declared the policy of the State to
5 have a national economy that provides for a more equitable distribution of
6 opportunities, income and wealth; a sustained increase in the amount of goods and
7 services produced by the nation for the benefit of the people; and an expanding
8 productivity as the key to raising the quality of life for all, especially the underprivileged.
9 Towards these ends, the State shall provide an environment that will enable small
10 businesses to flourish by providing them with accessible, affordable, and more efficient
11 government processes to enable them to engage in entrepreneurship and other
12 productive activities.

13
14 **SEC. 3. Simplified Filing of Returns and Payment of Income Tax.** - Section
15 74(B) of the National Internal Revenue Code, as amended, is hereby amended to read
16 as follows:

17
18 "Section 74. Declaration of Income Tax for Individuals. - xxx

19 (B) Return and Payment of Estimated Income Tax by Individuals. - The amount
20 of estimated income as defined in Subsection (C) with respect to which a declaration
21 is required under Subsection (A) shall be paid in four (4) installments. The first
22 installment shall be paid at the time of declaration and the second and third shall be
23 paid on August 15 and November 15 of the current year, respectively. The fourth
24 installment shall be paid on or before May 15 of the following calendar year when the

1 final adjusted income tax return is due to be filed: **PROVIDED, THAT SELF-**
2 **EMPLOYED INDIVIDUALS REGISTERED AS SOLE PROPRIETORS OF MICRO-**
3 **ENTERPRISES EMPLOYING LESS THAN TEN (10) EMPLOYEES SHALL ONLY**
4 **BE REQUIRED TO FILE A FINAL OR ANNUAL INCOME TAX RETURN:**
5 **PROVIDED, FURTHER, THAT SELF-EMPLOYED INDIVIDUALS REGISTERED AS**
6 **SOLE PROPRIETORS OF MICRO-ENTERPRISES EMPLOYING LESS THAN TEN**
7 **(10) EMPLOYEES SHALL BE EXEMPT FROM PAYMENT OF INCOME TAXES**
8 **WITHIN THE FIRST THREE YEARS OF THEIR REGISTRATION AS TAXPAYERS."**
9

10 **SEC. 4. Simplified Filing of Returns and Payment of Percentage Taxes. -**
11 Section 128(A)(1) of the National Internal Revenue Code, as amended, is hereby
12 amended to read as follows:
13

14 "SEC. 128. Returns and Payments of Percentage Taxes. –

15 (A) Returns of Gross Sales or Earnings and Payment of Tax. –

16 (1) Persons Liable to Pay Percentage Taxes. - Every person subject to the
17 percentage taxes imposed under this Title shall file, either electronically or manually,
18 a quarterly return of the amount of his gross sales, receipts or earnings and pay the
19 tax due thereon within twenty-five (25) days after the end of each taxable quarter:
20 Provided, That in the case of a person whose VAT registration is cancelled and who
21 becomes liable to the tax imposed in Section 116 of this Code, the tax shall accrue
22 from the date of cancellation and shall be paid in accordance with the provisions of
23 this Section: **PROVIDED, FURTHER, THAT SELF- EMPLOYED INDIVIDUALS**
24 **REGISTERED AS SOLE PROPRIETORS OF MICRO-ENTERPRISES EMPLOYING**
25 **LESS THAN TEN (10) EMPLOYEES SHALL ONLY BE REQUIRED TO FILE A**
26 **FINAL OR ANNUAL PERCENTAGE TAX RETURN."**
27
28

29 **SEC. 5. Simplified Registration Process. -** Section 236(A) of the National
30 Internal Revenue Code, as amended, is hereby further amended to read as follows:
31

32 "Section 236. Registration Requirements. -

33 (A) Requirements. - Every person subject to any internal tax shall register
34 once, either electronically or manually, with the appropriate Revenue District
35 Office:

- 36 (1) Within ten (10) days from date of employment, or
37 (2) On or before the commencement of business, or
38 (3) Before payment of any tax due, or
39 (4) Upon filing of a return, statement, or declaration as required in
40 this Code.
41

42 The registration shall contain the taxpayer's name, style, place of residence,
43 business and such other information as may be required by the Commissioner in the
44 form prescribed therefor: Provided, That the Commissioner shall ensure the
45 availability of registration facilities to all taxpayers including those who are not residing
46 in the country: Provided, Further, That the Commissioner shall simplify the business
47 registration and tax compliance requirements of self-employed individuals and/or
48 professionals, **INCLUDING THE ESTABLISHMENT OF AN ONLINE**
49 **REGISTRATION, FILING, AND PAYMENT SYSTEM.**
50

1 A person maintaining a head office, branch or facility shall register with the
2 Revenue District Officer having jurisdiction over the head office, branch or facility. For
3 purposes of this Section, the term 'facility' may include but not be limited to sales
4 outlets, places of production, warehouses and storage places."

5
6 **SEC. 6. Implementing Rules and Regulations.** - Within sixty (60) days from
7 the implementation of this Act, the Bureau of Internal Revenue, upon consultation with
8 relevant stakeholders, shall issue the implementing rules and regulations to implement
9 the provisions of this Act.

10
11 **SEC. 7. Separability Clause.** - If any portion or provision of this Act is declared
12 unconstitutional, the remainder hereof or any provisions not affected thereby shall
13 remain in force and effect.

14
15 **SEC. 8. Repealing Clause.** - Any law, presidential decree or issuance, executive
16 order, letter of instruction, rule, or regulation inconsistent with the provisions of this Act
17 is hereby repealed or modified accordingly.

18
19 **SEC. 9. Effectivity.** - This Act shall take effect fifteen (15) days after its complete
20 publication in the Official Gazette or in a newspaper of general circulation.

21
22 *Approved,*