

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 6399



Introduced by Representative ANTOLIN “LENLEN” A. ORETA III

AN ACT
ESTABLISHING A PROGRAM TO FORMALIZE MICRO AND SMALL
ENTERPRISES THROUGH SIMPLIFIED REGISTRATION,
TRANSITIONAL SUPPORT, AND ACCESS TO GOVERNMENT
ASSISTANCE

EXPLANATORY NOTE

A significant portion of the Philippine economy continues to operate in the informal sector, where many enterprises remain unregistered, unregulated, and excluded from the full range of government support and protection. The size of Philippines' informal economy is estimated to be 34.2%. While these businesses are vibrant and entrepreneurial, their lack of legal recognition prevents them from accessing finance, limits their opportunities for growth, and leaves them highly vulnerable to economic shocks. The persistence of informality not only constrains enterprise development but also affects workers' welfare and the country's ability to expand its fiscal base.

This measure seeks to make formalization an attractive, accessible, and beneficial pathway for micro and small enterprises. It introduces a Simplified and Unified Registration System to reduce bureaucratic hurdles, lowers upfront compliance costs, and provides a package of transitional support to ease the burden of formalization. Businesses that register under the Micro and Small Enterprise Formalization Program will enjoy a one-time tax amnesty, a presumptive tax rate of one percent on gross sales for a period of five years, subsidized contributions to social protection programs such as the SSS, PhilHealth, and Pag-IBIG, and a limited exemption from the minimum wage law during their early years to encourage employment generation while sustaining business viability.

In exchange, access to government services and assistance will be conditioned on formalization, thereby ensuring that public resources are directed to enterprises that are committed to compliance, long-term growth, and the welfare of their workers. This approach balances inclusion with accountability, making sure that government incentives foster responsible enterprise behavior while creating an ecosystem where formal businesses can thrive.

The bill builds on the principle that inclusive economic development requires both ease of doing business and a supportive policy environment. By lowering barriers to entry into the formal economy and rewarding compliance with clear benefits, the measure strengthens enterprise resilience, expands the reach of social protection, and enhances the government's capacity to mobilize domestic revenues. Ultimately, it advances the goals of poverty reduction,

job creation, and sustainable growth. When informal businesses are given the means and incentives to formalize, the result is a win-win scenario for entrepreneurs, workers, and the nation as a whole.

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


ANTOLIN "LENLEN" A. ORETA III
Lone District of Malabon City

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

SECTION 1. *Short Title.* — This Act shall be known as the "Business Formalization, Integration and Transition Act of 2025."

SEC. 2. *Declaration of Policy.* — It is the declared policy of the State to foster a vibrant and inclusive economy by encouraging the integration of informal enterprises into the formal sector. The State shall simplify registration processes, reduce the costs of formalization, and provide a package of transitional support to make formalization an attractive and beneficial pathway for micro and small enterprises.

SEC. 2. *The Micro and Small Enterprise Formalization Program.* — There is hereby established a Micro and Small Enterprise Formalization Program, hereinafter referred to as the "Program," to be led by the Department of Trade and Industry 11 (DTI). The Program shall be open to all existing unregistered micro and small enterprises.

SEC. 4. *Simplified and Unified Registration.* — The DTI, in coordination with the 14 Anti-Red Tape Authority (ARTA), shall establish a Simplified and Unified Registration System for enterprises applying under the Program. This system shall:

- (a) Be accessible online through the Philippine Business Hub and physically through all Negosyo Centers nationwide.
- (b) Utilize a single, simplified application form that simultaneously registers the enterprise with the DTI or Securities and Exchange Commission (SEC), the Bureau of Internal Revenue (BIR), the concerned Local Government Unit (LGU) for the business permit, the Social Security System (SSS), the Philippine Health Insurance Corporation (PhilHealth), and the Home Development Mutual Fund (Pag-IBIG Fund).’
- (c) Impose a single, consolidated registration fee not to exceed One Thousand Pesos (PhP 1,000.00)

SEC. 5. *Transitional Support Regime.* — An enterprise that formalizes under this 11 Program shall be entitled to the following benefits for a period of five (5) years from its date of registration:

- (a) Tax Amnesty and Presumptive Taxation. - The enterprise shall be granted a one-time amnesty from all tax liabilities for prior periods of informal operation. For the three-year transitional period, it shall be subject to a simplified and presumptive tax rate of one percent (1%) of its gross annual sales in lieu of all other national and local taxes.
- (b) Subsidized Social Security Contributions. - The National Government shall subsidize fifty percent (50%) of the employer's share of the contributions to SSS, PhilHealth, and Pag-IBIG Fund for the owner and up to five (5) employees.
- (c) Exemption from Minimum Wage Law. - Enterprises registered under this Program shall be exempt from the coverage of the minimum wage law, provided that this exemption shall only apply to the first five (5) employees hired.

SEC. 6. *Linking Formality to Government Support.* - Upon the effectivity of this Act, formal registration shall be a mandatory requirement for any MSME to access any form of government assistance, including but not limited to:

- (a) Financing programs from the Small Business Corporation and other Government Financial Institutions.
- (b) Participation in government-sponsored trade fairs, marketing events, and training programs.
- (c) Eligibility to participate in government procurement under Republic Act No. 69184 and its amendments.

SEC. 7. *Appropriations.* — The amount necessary to implement the provisions of this Act shall be charged against the current year's appropriations of the Department of Trade and Industry (DTI). Thereafter, such amounts as may be necessary for the continued implementation of this Act shall be included in the annual General Appropriations Act (GAA).

SEC. 8. *Implementing Rules and Regulations.* — Within ninety (90) days from the effectivity of this Act, the Department of Trade and Industry (DTI), in coordination with the Anti-Red Tape Authority (ARTA), Bureau of Internal Revenue (BIR), Department of the Interior and Local Government (DILG), Securities and Exchange Commission (SEC), Social Security System (SSS), Philippine Health Insurance Corporation (PhilHealth), Home Development Mutual Fund (Pag-IBIG Fund), Department of Labor and Employment (DOLE), and other concerned agencies, shall promulgate the necessary rules and regulations for the effective implementation of this Act.

SEC. 9. *Separability Clause.* — If any provision of this Act is declared unconstitutional or invalid, the other provisions not affected thereby shall remain in full force and effect.

SEC. 10. *Repealing Clause.* — All laws, decrees, executive orders, rules and regulations, and other issuances inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 11. *Effectivity.* — This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,