

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 7012



Introduced by: **REP. SALVADOR A. PLEYTO, SR.**

EXPLANATORY NOTE

The nature of work in the modern economy is rapidly evolving, with technological advancements and the rise of the digital economy giving birth to a growing class of Freelance Workers. In the Philippines, this sector is expanding exponentially, allowing millions of Filipinos to earn a livelihood on flexible terms, contributing significantly to the national economy, both domestically and internationally.

Despite this vital contribution, freelance workers operate outside the traditional employer-employee relationship, leaving them vulnerable to various forms of exploitation, including:

- Late or non-payment of professional fees;
- Lack of written contracts specifying the terms of engagement;
- Absence of social protection and grievance mechanisms; and
- Unfair labor practices, such as payment coercion and retaliation.

This bill aims to correct these systemic imbalances and fill the gap in our labor laws by establishing a comprehensive legal framework that promotes the rights and welfare of freelance workers. It seeks to ensure fair treatment, security of payment, and access to essential government support, consistent with the State's constitutional mandate to afford full protection to labor.

This proposed measure, to be known as the "Freelance Workers Protection and Incentives Act," institutionalizes the following:

- **Mandatory Written Contracts:** To formalize the engagement and clearly specify the scope of work, compensation, and payment terms, ensuring legal recourse for both parties.
- **Security of Compensation:** Requiring a mandatory initial payment or downpayment and penalizing delayed payment beyond a specified period.

- Applicable Benefits: Providing mandatory night shift differential and hazard pay for freelancers required to work in specific conditions (e.g., late hours or dangerous areas).
- Incentives and Assistance: Granting tax relief to make compliance easier and mandating the creation of special assistance desks in government agencies (like the Bureau of Internal Revenue and Department of Labor and Employment) to aid freelancers with registration and compliance.

In view of the foregoing, the immediate approval of this measure is earnestly sought.



SALVADOR A. PLEYTO, SR.

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Introduced by: **REP. SALVADOR A. PLEYTO, SR.**

AN ACT PROVIDING PROTECTION AND INCENTIVES TO FREELANCE WORKERS, PRESCRIBING PENALTIES FOR VIOLATIONS THEREOF, AND FOR OTHER PURPOSES

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

SECTION 1. *Short Title.* - This Act shall be known as the "Freelance Workers Protection and Incentives Act."

SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to protect the rights of workers, promote their welfare, and ensure their entitlement to humane conditions of work and appropriate share in the fruits of production. To this end, the State shall recognize and protect the right of freelance workers to fair compensation, timely payment, and protection from exploitative practices.

SEC. 3. *Definition of Terms.* - For purposes of this Act, the following terms shall refer to:

(a) Freelance Worker refers to any natural person or entity composed of no more than one (1) natural person, whether registered as a sole proprietor or self-employed with the Bureau of Internal Revenue (BIR), who is hired or retained to provide services, in exchange for compensation, as an independent contractor, without being subjected to the control of the hiring party, except only as to the results of the work.

(b) Hiring Party refers to any person or entity that obtains or retains the services of a freelance worker.

SEC 4. *Written Contract* - Any Hiring Party obtaining the services of a Freelance Worker shall execute a written contract with the Freelance Worker before the services are rendered. The contract shall be in plain language and shall include, at a minimum, the following:

- (a) Itemization of all services to be provided by the Freelance Worker;
- (b) Details of compensation, including rate, method, and schedule of payment;
- (c) Period of engagement;
- (d) Grounds for breach of contract; and
- (e) The Tax Identification Number (TIN) of the Freelance Worker.

SEC. 5. *Initial Payment* - A mandatory initial partial payment for the contracting of services of the Freelance Worker shall be made upon engagement, which shall not be less than thirty percent (30%) of the contract price, unless a different agreement is explicitly stipulated in the contract.

SEC. 6. *Night Shift Differential*- Freelance Workers who are required to be physically present in the workplace, or those on field assignments, shall be paid a night shift differential of not less than ten percent (10%) of their regular compensation for each hour of work performed between ten o'clock in the evening and six o'clock in the morning, unless there is a more favorable fee stipulated in the contract.

SEC. 7. *Hazard Pay* - Freelance Workers deployed in dangerous areas, such as strife-torn or embattled locations, distressed or isolated stations, or in areas declared under a state of calamity or emergency for the duration of deployment, shall be entitled to a hazard pay of at least twenty-five percent (25%) of the total payment for the period of deployment, or an amount more favorable as stipulated in the contract.

SEC. 8. *Unlawful Practices* - It shall be unlawful for any Hiring Party to:

- (a) Engage with a Freelance Worker without a written contract, as mandated by this Act;
- (b) Pay the compensation due to the Freelance Worker later than fifteen (15) days after the date of payment of compensation stated in the written contract, or after the rendition of services in cases where there is no written contract;
- (c) Require as a condition of payment of compensation that the Freelance Worker accept less than the specified contract price; or

- (d) Commit any act of retaliation against any Freelance Worker for asserting their rights under this Act.

SEC. 9. *Tax Incentives and Assistance* - Freelance Workers shall be granted a tax relief within the threshold specified under Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion (TRAIN) Act," and other relevant laws.

The Bureau of Internal Revenue (BIR) and the Department of Labor and Employment (DOLE) shall establish a Special Assistance Lane/Desk to aid Freelance Workers in registration, tax compliance, and to process complaints under this Act.

SEC. 10. *Penalties* - Any person who commits any of the unlawful practices enumerated in Section 8 of this Act shall be punished by a fine of not less than Fifty Thousand Pesos (P50,000.00) but not more than Five Hundred Thousand Pesos (P500,000.00).

SEC. 11. *Complaints* - Any Freelance Worker aggrieved by a violation of this Act may file a complaint with the DOLE, through the Undersecretary for Workers with Special Concerns, without prejudice to the filing of civil or criminal action in appropriate cases.

SEC. 12. *Implementing Rules and Regulations (IRR)*. - The DOLE, in coordination with the BIR, Department of Trade and Industry (DTI), and other relevant agencies, shall promulgate the necessary rules and regulations within ninety (90) days from the effectivity of this Act.

SEC. 13. *Separability Clause*. - If any provision of this Act is declared invalid or unconstitutional, the remaining provisions not affected thereby shall remain in full force and effect.

SEC. 14. *Repealing Clause*. - All laws, decrees, orders, rules, and regulations, or parts thereof, inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 15. *Effectivity*. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,