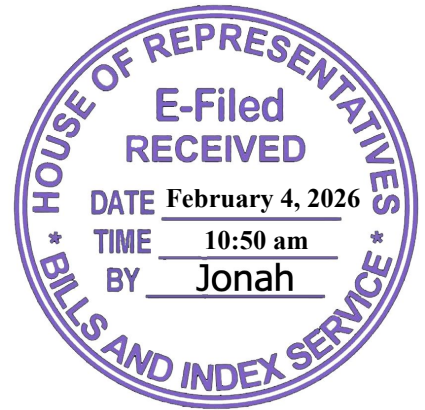


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
TWENTIETH CONGRESS
First Regular Session



HOUSE BILL NO. 7605

Introduced by **REP. BERNADETTE "DETTE" G. ESCUDERO**

AN ACT
PROMOTING BUSINESS COMPETITIVENESS BY PROVIDING TEMPORARY
TAX RELIEF TO SINGLE PROPRIETORSHIPS, COOPERATIVES,
PARTNERSHIPS OR CORPORATIONS CLASSIFIED AS MICRO, SMALL AND
MEDIUM ENTERPRISES (MSMEs)

EXPLANATORY NOTE

Despite comprising the vast majority of the country's business ecosystem, Philippine Micro, Small, and Medium Enterprises (MSMEs) remain acutely vulnerable to external disruptions due to limited capital reserves and restricted access to credit. This fragility was starkly illustrated during the COVID-19 pandemic.

In the current post-pandemic landscape, this vulnerability persists as MSMEs navigate a "new normal" defined by aggressive inflation, high energy costs, and the urgent pressure to digitalize. While the economy has reopened, the recurring threat of climate-induced disasters and global supply chain volatility continues to threaten the thin margins of micro-retailers and local producers. Strengthening the MSME sector is therefore no longer just an economic goal but a critical strategy for national resilience, requiring targeted interventions in digital literacy and disaster-contingent financing to ensure that another "shock" does not result in the same level of permanent displacement seen in 2020.

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


HON. BERNADETTE "DETTE" G. ESCUDERO

Representative
1st District, Sorsogon

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

1 **Section 1. Declaration of Policies.** – Grant of Relief from Payment of
2 Income Tax. – Single proprietorships, cooperatives, partnerships, or corporations
3 classified as Micro Enterprises under Republic Act No. 6977, otherwise known as the
4 "Magna Carta for Small Enterprises," as amended, shall be exempt from income tax:
5 *Provided,* That the exemption from income tax shall be extended to qualified
6 enterprises within the effectivity period as provided under Section 6 of this Act for
7 infrastructure projects.

8
9 **Sec. 2. Statement of Objectives.** – The Grant of Authorization to Deduct
10 Labor Expense from Taxable Income.

11 - In computing taxable income subject to income tax under Sections 24(A); 25(A); 26;
12 27(A), (B), and (C); and 28(A)(1) of the National Internal Revenue Code of 1997, as
13 amended, there shall be allowed a twenty-five percent (25%) additional deduction on
14 the labor expense incurred for each employee hired by single proprietorships,
15 cooperatives, partnerships or corporations classified as Small and Medium Enterprises
16 under Republic Act No. 6977, otherwise known as the "Magna Carta for Small
17 Enterprises", as amended: *Provided,* That no deduction in the computation of taxable
18 income shall be extended to taxpayers earning compensation income arising from
19 personal services rendered under an employer-employee relationship: *Provided,*
20 further, That the additional deduction on the labor expense incurred for each
21 employee shall be extended to qualified enterprises within the effectivity period as
22 provided under Section 6 of this Act.
23

1 **Sec. 3 Repealing Clause.** – All laws, executive orders, rules and regulations,
2 and other issuances or parts thereof, which are contrary or inconsistent with this Act
3 are hereby repealed or modified accordingly.
4

5 **Sec. 4. Effectivity.** – This Act shall take effect fifteen (15) days after its
6 publication in the Official Gazette or in at least two (2) newspapers of general
7 circulation.

Approved,