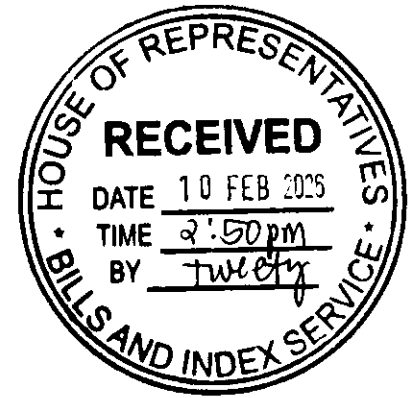




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH (20TH) CONGRESS
First Regular Session

HOUSE BILL NO. 7707



Introduced by KAMANGGAGAWA Partylist
Representative **ELIJAH R. SAN FERNANDO**

EXPLANATORY NOTE

The 1987 Constitution firmly establishes social justice as a guiding principle of national development. Article II, Section 9 directs the State to promote a just and dynamic social order that frees the people from poverty, while Article XII, Section 1 mandates the equitable distribution of opportunities, income, and wealth. In furtherance of these objectives, Article XIII obligates the State to reduce social, economic, and political inequalities and to afford full protection to labor, promote full employment, and ensure humane conditions of work. Taken together, these constitutional provisions call for economic policies that recognize structural inequality and consciously uplift those operating at the margins of the economy.

Micro enterprises constitute the backbone of Philippine enterprise and employment. They comprise 90.66% of all registered businesses, and provide employment to 3.22 million workers, accounting for more than a third of total private employment.¹ These enterprises are typically family-run, community-based, and labor-intensive, yet serve as critical sources of income for working-class households and as entry points to economic participation for those excluded from larger-scale markets. Despite their indispensable role, however, micro enterprises remain among the most financially vulnerable participants in the economy.

¹ According to the Department of Trade and Industry's 2024 Philippine MSME Statistics. Available at <https://www.dti.gov.ph/dti-knowledge-hub/dti-statistics/dti-msme-statistics>

Unlike larger firms, micro enterprises operate with minimal capital, narrow profit margins, and limited capacity to absorb fixed costs. The imposition of local business taxes, permit fees, and assorted regulatory charges, while lawful in form, often imposes a disproportionate burden on these smallest enterprises. In practice, such recurring obligations may erode already fragile earnings, discourage formal registration, or compel operators to remain in informality. This undermines both livelihood security for workers and the broader goal of inclusive economic growth.

This measure seeks to address this imbalance by exempting micro enterprises from the payment of local business taxes, business permit fees, and other local regulatory charges. The objective is not to dismantle regulatory oversight, but to remove financial barriers that hinder the establishment, formalization, and continued operation of micro enterprises. By easing these burdens, the State affirms that small-scale entrepreneurship and working-class livelihoods merit protection, not penalization. Moreover, by lowering the cost of formal participation in the economy, this bill supports employment stability, strengthens local production, and expands the tax base in the long term through increased business survival and growth.

This proposal affirms a clear policy choice. Economic growth that rests on the fragility of micro enterprises and the insecurity of their workers is neither just nor sustainable. It recognizes that social justice is not achieved solely through redistribution after the fact, but through preventive policy that shields the working class from structural disadvantages embedded in regulatory systems. In strengthening micro enterprises, the State strengthens local economies, preserves livelihoods, and gives concrete meaning to the constitutional promise that development must be inclusive, equitable, and people-centered.

In solidarity with the working class, the passage of this bill is earnestly sought.



ELIJAH R. SAN FERNANDO
Representative
KAMANGGAWA PARTYLIST



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HOUSE BILL NO. **7707**

Introduced by KAMANGGAGAWA Partylist
Representative **ELIJAH R. SAN FERNANDO**

AN ACT
EXEMPTING MICRO ENTERPRISES FROM THE PAYMENT OF LOCAL
BUSINESS TAXES, BUSINESS PERMIT FEES, AND OTHER LOCAL
REGULATORY FEES AND CHARGES

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 “Local Tax and Fee Exemption for Micro Enterprises Act.”

SECTION 2. *Declaration of Policy.* – It is hereby declared the policy of the State to recognize micro enterprises as essential contributors to employment generation, household income, local production, and community-level economic activity. The State further recognizes that microenterprises operate with limited capital, narrow margins, and limited capacity to absorb fixed costs arising from local taxation, permitting, and regulatory compliance.

In pursuit of inclusive and sustainable economic development, the State shall ensure that the framework of local taxation and regulation does not impose disproportionate financial and administrative burdens on micro enterprises that hinder their establishment, formalization, continued operation, or growth. The State affirms that exemptions from local business taxes, business permit fees, and other local regulatory fees and charges constitute a legitimate and necessary policy instrument to lower barriers to entry into the formal economy and to support the viability of microenterprises.

Consistent with the constitutional mandate to promote social justice in all phases of national development and to encourage the growth of micro, small, and medium enterprises, the State shall exercise its authority to define the limits of local taxing and regulatory powers in order to advance national economic objectives. In doing so, the State shall balance the fiscal autonomy of local government units with the broader public interest in expanding productive economic participation, strengthening local economies, and fostering broad-based livelihood creation through micro enterprise development.

SECTION 3. *Coverage.* – This Act shall apply to all micro enterprises that are duly registered with the appropriate government agencies and operating within the territorial jurisdiction of a local government unit. Coverage under this Act shall be determined solely on the basis of the enterprise’s classification as a micro enterprise pursuant to Section 4(d) hereof and shall not depend on the industry, sector, location, or form of ownership of the enterprise.

SECTION 4. *Definition of Terms.* – For purposes of this Act, the following terms shall be defined as follows:

- (a) *Business permits and licenses* refer to all permits, licenses, clearances, certificates, or authorizations required by LGUs as a condition for the establishment, operation, or continuation of a business, regardless of nomenclature.
- (b) *Local government units (LGUs)* refer to provinces, cities, municipalities, and barangays, as provided under Republic Act No. 7160, otherwise known as the “Local Government Code of 1991.”
- (c) *Local taxes* refer to all taxes imposed and collected by LGUs pursuant to the Local Government Code of 1991 and related laws, including but not limited to business taxes, franchise taxes, fixed annual taxes, and percentage taxes imposed at the local level.
- (d) *Micro enterprises* refer to enterprises as defined under Section 3 of Republic Act No. 9501, otherwise known as the “Magna Carta for Micro, Small, and Medium Enterprises (MSMEs),” including any amendments thereto, based on asset size and employment thresholds as may be prescribed by law or regulation.
- (e) *Regulatory fees and charges* refer to any fees, charges, or assessments imposed by LGUs purportedly for regulation, inspection, supervision, or monitoring of

business activities, whether denominated as regulatory, administrative, service, or processing fees.

SECTION 5. *Exemption from Local Business Taxes.* – Notwithstanding any law to the contrary, micro enterprises shall be exempt from the payment of all local business taxes imposed and collected by LGUs under the Local Government Code of 1991 or any ordinance enacted pursuant thereto.

SECTION 6. *Exemption from Business Permit and License Fees.* – Micro enterprises shall be exempt from the payment of all fees and charges for the issuance, renewal, amendment, or retention of business permits, licenses, and similar authorizations required by LGUs. LGUs are hereby prohibited from imposing substitute fees, increased charges, or equivalent assessments in lieu of the exemptions granted under this Section.

SECTION 7. *Exemption from Other Local Regulatory Fees and Charges.* – Micro enterprises shall be exempt from the payment of all other local regulatory fees and charges imposed by LGUs in connection with the conduct of business activities, including inspection fees, processing fees, signage fees, sanitary or health permit fees, and similar charges, regardless of designation. This exemption shall apply whether such fees are imposed periodically or on a per-transaction basis.

SECTION 8. *Non-Waiver of Regulatory Compliance.* – Exemptions granted under this Act shall not be construed as exempting micro enterprises from compliance with applicable national and local laws, rules, and regulations, including but not limited to those relating to public safety, labor standards, occupational health, environmental protection, zoning, land use, and building standards. LGUs shall continue to exercise regulatory authority over micro enterprises for these purposes: *Provided*, That no fees or charges shall be imposed in connection therewith, except where expressly authorized by an act of Congress.

SECTION 9. *Implementing Rules and Regulations.* – Within sixty (60) days from the effectivity of this Act, the Department of Finance (DOF), in consultation with the Department of the Interior and Local Government (DILG) and the Department of Trade and Industry (DTI), and all relevant stakeholders, shall issue the necessary rules and regulations for its effective implementation.

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

SECTION 11. *Separability Clause.* – If any provision of this Act is declared unconstitutional, the remaining parts or provisions hereof not affected thereby shall remain in full force and effect.

SECTION 12. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication, in English and Filipino, in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,