

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 11332



Introduced by: Hon. Keith Micah "Atty. Mike" D.L. Tan

AN ACT

AMENDING REPUBLIC ACT NO. 11337, OTHERWISE KNOWN AS THE "INNOVATIVE STARTUP ACT" BY EXPANDING THE DEFINITION OF STARTUPS, STRENGTHENING INTER-AGENCY COORDINATION, ESTABLISHING A CENTRALIZED SECRETARIAT, AND PROVIDING ADDITIONAL MEASURES TO PROMOTE INNOVATION-DRIVEN ENTERPRISES

EXPLANATORY NOTE

In 2019, Congress enacted Republic Act No. 11337, otherwise known as the *Innovative Startup Act*, establishing the country's legal framework to support startups and foster innovation. While the law marked a significant milestone in developing the Philippine startup ecosystem, several years of implementation have revealed structural and operational gaps that warrant timely legislative intervention.

Across the world, governments have placed startups at the forefront of their national development strategies, recognizing their ability to drive innovation, generate employment, improve competitiveness, and develop solutions to complex economic and social challenges. In the Philippines, however, startups continue to encounter persistent barriers that limit their growth and potential.

First, the current definition of a "startup" under Republic Act No. 11337 is overly broad and insufficiently distinguishes innovative, high-growth ventures from traditional micro, small, and medium enterprises (MSMEs). As a result, government programs and resources intended for high-risk, innovation-driven enterprises are dispersed across a wider pool of businesses, reducing the effectiveness of policy interventions.

Second, the law's multi-agency implementation framework has resulted in fragmented governance, overlapping mandates, inconsistent program implementation, duplicative requirements, and uncertainty among both implementing agencies and startup founders.

Third, the absence of a standardized and streamlined application process across government agencies has created unnecessary administrative burdens, discouraging many entrepreneurs from accessing the support mechanisms established under the law.

Finally, the private sector remains an underleveraged partner in the innovation ecosystem. Without clear and meaningful fiscal incentives, private corporations and

investors have limited motivation to provide capital, mentorship, incubation, acceleration services, or support for research commercialization.

This bill seeks to address these structural shortcomings through targeted amendments to the *Innovative Startup Act*. Specifically, it proposes to:

- Refine the definition of a "startup" to focus on enterprises that develop innovative, scalable, and disruptive solutions addressing complex societal or market challenges;
- Establish a centralized Secretariat to strengthen inter-agency coordination and serve as a single point of contact for startup-related programs and concerns;
- Standardize and simplify application procedures across implementing agencies to improve accessibility, efficiency, and transparency; and
- Provide tax incentives and fiscal benefits to private investors, corporations, and ecosystem partners that contribute capital, mentorship, technical expertise, incubation, acceleration, or research commercialization support.

Through these reforms, the *Innovative Startup Act* can evolve into a more focused, responsive, and implementation-ready legal framework that empowers entrepreneurs, mobilizes private sector investment, strengthens institutional support, and enhances the Philippines' competitiveness in the global innovation economy.

In view thereof, approval of this bill is earnestly sought.



Keith Micah "Atty. Mike" D.L. Tan
4th District, Quezon

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

Section 1. Section 3(g) of Republic Act No. 11337, otherwise known as the "Innovative Startup Act," is hereby amended to read as follows:

Sec. 3. Definition of Terms. - As used in this Act, the following terms shall mean:

xxx

(g) Startup - any person, **GROUP OF PERSONS**, or registered entity in the Philippines which aims to develop an innovative product, process, or business model **THAT ADDRESSES SYSTEMIC, DISRUPTIVE, OR COMPLEX SOCIETAL, TECHNOLOGICAL, OR MARKET PROBLEMS AND DEMONSTRATES HIGH SCALABILITY POTENTIAL;**

xxx

Sec. 2. Section 7 of the same Act is hereby amended to read as follows:

Sec. 7. *General Registration and Operational Benefits and Incentives.* - Host agencies shall be authorized to provide the following benefits and incentives to startups and/or startup enablers who have passed their selection and application process:

xxx

Provided, That the full or partial subsidies provided by the host agency may be incorporated in the approved GIA of the startup or startup enabler, or may be issued through vouchers issued by the host agency.

[The DTI shall be the agency tasked to initiate and coordinate with national and local government agencies involved with the registration, licensing, certification, including those who levy fees and charges for services subsidized by host agencies, and such other regulatory process to be undertaken by startups and startup enablers endorsed by host agencies.]

Sec. 3. A new section, to be designated as Section 7-A, is hereby inserted after Section 7 of the same Act to read as follows:

"SEC. 7-A. LGU REGISTRATION AND OPERATIONAL BENEFITS AND INCENTIVES. - THE DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT (DILG) SHALL SUPPORT THE DTI IN ENSURING THAT LGUs ARE STREAMLINING ALL PERMITTING PROCESSES AND CORPORATE RESTRUCTURING PROCEDURES FOR STARTUPS, WITH A FOCUS ON EFFICIENCY AND ACCESSIBILITY THROUGH ONLINE PLATFORMS. THE DILG SHALL ALSO MONITOR AND REPORT THE NUMBER OF STARTUPS PER LGU, AND THE PROCESSING TIME OF THEIR LGU PERMITS AND OTHER REQUIREMENTS, IN PARTNERSHIP WITH LGU OFFICIALS."

Sec. 4. Section 11 of the same Act is hereby amended to read as follows:

"Sec. 11. Startup Grant Fund.- There is hereby created a Startup Grant Fund (SGF) under each of the following agencies:

xxx

Each agency shall use its respective SGF to provide initial and supplemental GIA for startups and startup enablers to have passed its selection and application process. **THE SECRETARIAT SHALL ENSURE A SIMPLIFIED SET OF DOCUMENTARY REQUIREMENTS AND STREAMLINED PROCEDURE IN QUALIFYING STARTUPS, COMPLIANT WITH THE PROVISIONS OF REPUBLIC ACT NO. 11032 OTHERWISE KNOWN AS THE EASE OF DOING BUSINESS AND EFFICIENT GOVERNMENT SERVICE DELIVERY ACT OF 2018."**

Sec. 5. A new section, to be designated as Section 12-A, is hereby inserted after Section 12 of the same Act to read as follows:

"SEC. 12-A. TAX INCENTIVES.- ANY PERSON OR REGISTERED ENTITY PROVIDING FINANCIAL, TECHNICAL, OR OPERATIONAL SUPPORT, INCLUDING EQUITY INVESTMENTS, TO STARTUPS AND STARTUP ENABLERS, AS WELL AS ACTIVITIES THAT DIRECTLY SUPPORT THE PROGRAMS UNDER THE PHILIPPINE STARTUP DEVELOPMENT PLAN SUCH AS CORPORATE INNOVATION PROGRAMS AND STARTUP EVENTS, SHALL BE ALLOWED AS ONE HUNDRED PERCENT (100%) ADDITIONAL DEDUCTION ON RESEARCH AND DEVELOPMENT EXPENSES INCURRED IN THE TAXABLE YEAR BASED ON THE ACTUAL CASH GIVEN OR THE NET COST OF THE GOODS GIVEN OR SERVICES RENDERED TO ENCOURAGE GREATER PRIVATE SECTOR PARTICIPATION IN THE STARTUP ECOSYSTEM.

GRANTS, PRIZES, AWARDS, AND OTHER FORMS OF MONETARY SUPPORT FROM EVENTS GIVEN BY PRIVATE AND PUBLICLY SECTOR PLAYERS TO STARTUPS SHALL BE EXEMPT FROM ALL TAXES, DIRECT OR INDIRECT.

THE BUREAU OF INTERNAL REVENUE, IN CONSULTATION WITH THE CONCERNED GOVERNMENT AGENCIES, ORGANIZATIONS, AND ESTABLISHMENTS, SHALL FORMULATE IMPLEMENTING RULES AND REGULATIONS PERTINENT TO THE PROVISION OF THIS ACT WITHIN SIX MONTHS AFTER THE EFFECTIVITY OF THIS ACT."

Sec. 6. A new section, to be designated as Section 13-A, is hereby inserted after Section 13 of the same Act to read as follows:

"SEC. 13-A. STARTUP TALENT VISA STREAMLINING.- THE DFA SHALL STREAMLINE AND FURTHER EXPEDITE THE PROCESSING OF STARTUP OWNER, EMPLOYEE, AND INVESTOR VISAS, AND ENSURE THAT THE

EXEMPTIONS FROM ALIEN EMPLOYMENT PERMITS (AEP) BY THE DEPARTMENT OF LABOR AND EMPLOYMENT (DOLE) ARE CONSISTENTLY APPLIED. REGULAR REVIEWS OF VISA CATEGORIES AND REQUIREMENTS SHALL BE CONDUCTED TO ENSURE COMPETITIVENESS WITH OTHER ASEAN NATIONS."

Sec. 7. A new section, to be designated as Section 17-A, is hereby inserted after Section 17 of the same Act to read as follows:

"SEC. 17-A. ESTABLISHMENT OF A CENTRALIZED SECRETARIAT.- A SECRETARIAT COMPOSED OF REPRESENTATIVES FROM THE HOST AGENCIES SHALL BE ESTABLISHED. THE SECRETARIAT SHALL BE HEADED BY AN EXECUTIVE DIRECTOR III (SALARY GRADE 28) WHO SHALL BE APPOINTED BY THE PRESIDENT OF THE PHILIPPINES. THE SECRETARIAT SHALL BE UNDER THE CONTROL AND SUPERVISION OF THE DTI. THE EXECUTIVE DIRECTOR III SHALL BE AT LEAST THIRTY (30) YEARS OF AGE AT THE TIME OF APPOINTMENT; MUST POSSESS GOOD MORAL CHARACTER; BE A PERSON OF PROVEN INTEGRITY; IS A HOLDER OF A COLLEGE DEGREE IN A RELATED FIELD OF DISCIPLINE; A PERSON OF PROVEN ADMINISTRATIVE PROFICIENCY, INDEPENDENCE, EXPERIENCE, KNOWLEDGE, AND COMMITMENT TO THE PROMOTION AND DEVELOPMENT OF THE PHILIPPINE STARTUP ECOSYSTEM; AND WHO HAS SERVED IN A POSITION OF LEADERSHIP FOR AT LEAST FIVE (5) YEARS IN AT LEAST ONE (1) STARTUP OR INNOVATION-RELATED DOMAIN PRIOR TO THE DATE OF APPOINTMENT.

THE INITIAL STAFFING STRUCTURE AND COMPLEMENT OF THE SECRETARIAT SHALL BE SUBMITTED BY THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA) TO THE DBM FOR FUNDING. PENDING THE CREATION OF THE APPROPRIATE PLANTILLA POSITIONS, THE NEDA SHALL CONSTITUTE AN INTERIM SECRETARIAT WITHIN ONE (1) MONTH FROM THE EFFECTIVITY OF THIS ACT, THROUGH THE TEMPORARY DETAIL OF PERSONNEL FROM ITS MEMBER AGENCIES.

THE SECRETARIAT SHALL HAVE THE FOLLOWING FUNCTIONS:

(A) PROVIDE SECRETARIAT SUPPORT TO THE HOST AGENCIES. INCLUDING THE PREPARATION OF DRAFT STRATEGIES, PRIORITIES, AND OTHER OUTPUTS TO BE ADOPTED BY THE HOST AGENCIES IN THE IMPLEMENTATION OF THE PROGRAMS AND BENEFITS UNDER THIS ACT;

(B) CONSULT WITH EXPERTS WHO CAN OFFER INSIGHTS ON STARTUP DEVELOPMENT, POLICYMAKING, AND PRIORITY SETTING;

(C) COORDINATE WITH VARIOUS AGENCIES OF THE GOVERNMENT, THE PRIVATE SECTOR, ACADEME, SCIENTIFIC COMMUNITY, AND OTHER SECTOR STAKEHOLDERS TOWARDS ACHIEVING POLICY AND PROGRAM COHERENCE, AS WELL AS HUMAN CAPITAL DEVELOPMENT;

(D) SERVE AS THE CENTRAL OFFICE TO ESTABLISH STANDARDIZED, SIMPLIFIED, AND UNIFIED PROCEDURE FOR ALL STARTUP-RELATED APPLICATIONS FOR GRANTS, FUNDING, OR INCENTIVES UNDER THIS ACT AND SHALL BE THE CENTRAL RECEIVING AUTHORITY FOR APPLICATIONS FOR GRANTS-IN-AID, REQUESTS FOR SUBSIDIES, THE STARTUP GRANT FUNDS, THE STARTUP VENTURE FUND, AND FOR OTHER INCENTIVES UNDER THIS ACT;

(E) INITIATE AND COORDINATE WITH NATIONAL AND LOCAL GOVERNMENT AGENCIES INVOLVED WITH THE REGISTRATION, LICENSING, CERTIFICATION, INCLUDING THOSE WHO LEVY FEES AND CHARGES FOR SERVICES SUBSIDIZED BY HOST AGENCIES, AND SUCH OTHER REGULATORY PROCESS TO BE UNDERTAKEN BY STARTUPS AND STARTUP ENABLERS ENDORSED BY HOST AGENCIES;

(F) CONSTANTLY REVIEW AND IMPLEMENT THE PHILIPPINE STARTUP DEVELOPMENT PLAN;

(G) GATHER STRATEGIC INTELLIGENCE AND INFORMATION TO SUPPORT THE HOST AGENCIES IN THEIR POLICYMAKING, AS WELL AS IN GOAL AND STRATEGY SETTING;

(H) ASSESS THE EFFECTIVENESS OF EXISTING STARTUP GRANT PROGRAMS AND SCHOLARSHIPS, AND SUBMIT RECOMMENDATIONS TO THE HOST AGENCIES ON THESE PROGRAMS, ACCORDING TO THE PHILIPPINE STARTUP DEVELOPMENT PLAN;

(I) DEVELOP AND ADMINISTER METRICS FOR MONITORING AND EVALUATION OF THE COUNTRY'S STARTUP DEVELOPMENT PROGRAMS;

(J) DEVELOP RECOMMENDATIONS FOR CONSIDERATION BY THE HOST AGENCIES; AND

(K) PERFORM OTHER FUNCTIONS AS MAY BE DIRECTED BY THE HOST AGENCIES."

Sec. 8. *Implementing Rules and Regulations.* - Within ninety (90) days from the effectivity of this Act, the DTI and other pertinent government agencies shall promulgate the necessary rules and regulations for the effective implementation of this Act.

Sec. 9. *Appropriations.* -The amount necessary for the initial implementation of this Act, including the operational expenses, personnel services, and program support of the Secretariat, shall be charged against the current appropriations of the DTI, NEDA and other Host Agencies. Thereafter, such sums as may be necessary for the continued implementation of this Act shall be included in the succeeding General Appropriations Act.

Sec. 10. *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. 11. *Repealing Clause.* - All laws, decrees, executive orders, rules and regulations, and other issuances inconsistent with this Act are hereby repealed, amended or modified accordingly.

Sec. 12. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,