



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 11447



Introduced by REPRESENTATIVE CHEENO MIGUEL D. ALMARIO

EXPLANATORY NOTE

Local entrepreneurs, particularly micro and small enterprises, remain the backbone of the Philippine economy as they are estimated to form 99.5% of the businesses in the country. Considering the successive crises that the Philippine economy has suffered, it is undeniable that the livelihood of these micro and small enterprises was adversely affected. It is also undeniable that these businesses are responsible for employing millions of Filipino workers.

The Philippine Chamber of Commerce and Industry (PCCI) recently warned that escalating fuel prices place the heaviest burden on micro and small enterprises, as they operate on notoriously thin margins. Maintaining a punitive tax on gross revenue forces small businesses to pay taxes out of their capital rather than their profits.

Currently, the National Internal Revenue Code provides for the imposition of the 2% Minimum Corporate Income Tax (MCIT) on the gross income of Domestic Corporations. Without any distinction on the size of the corporation, this necessarily includes those corporations categorized as micro and/or small enterprises. Under current regulations, this means vulnerable enterprises are forced to pay income tax based on gross revenues, even when operating at a loss.

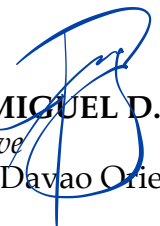
When the 1987 Constitution speaks of equitable taxation, it pertains to the fairness of a tax levy in consideration of the totality of the circumstances of the concerned taxpayers. Applying a blanket MCIT goes against this principle by ignoring a small business's actual ability to pay, most especially during times of high inflation and external shocks.

This bill seeks to provide relief to Micro and Small enterprises by exempting them from the imposition of the 2% Minimum Corporate Income Tax. By doing so, we are giving them a direct relief which also translates to indirect economic benefits.

Shielding these vulnerable businesses allows them to preserve local jobs, hire new workers, and confidently reinvest capital to stabilize their operations.

This proposed exemption creates a win-win scenario for both the public and private sectors. In this manner, businesses are given the breathing room they need to survive periods of loss or unprofitability, while the government builds and cultivates a stronger, more resilient tax base that promises to yield higher regular corporate income taxes once these enterprises grow and become profitable. We should stop taxing the mere survival of our smallest businesses and start investing in the prosperity of our entire nation.

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



CHEENO MIGUEL D. ALMARIO
Representative
2nd District, Davao Oriental



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Introduced by **REPRESENTATIVE CHEENO MIGUEL D. ALMARIO**

**AN ACT EXEMPTING MICRO AND SMALL ENTERPRISES FROM THE
IMPOSITION OF MINIMUM CORPORATE INCOME TAX, AMENDING FOR THE
PURPOSE SECTION 27 OF THE NATIONAL INTERNAL REVENUE CODE OF
1997, AS AMENDED**

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

Section 1. Section 27 of the National Internal Revenue Code, as amended, is hereby further amended as follows:

“SEC. 27. Rates of Income Tax on Domestic Corporations –

- (A) xxx
- (B) xxx
- (C) xxx
- (D) xxx

(E) *Minimum Corporate Income Tax on Domestic Corporations. -*

“(1) Imposition of Tax. - A minimum corporate income tax of two percent (2%) of the gross income as of the end of the taxable year, as defined herein, is hereby imposed on a corporation taxable under this Title, beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum income tax is greater than the tax computed under Subsection (A) of this Section for the taxable year: Provided, That effective July 1, 2020 until June 30, 2023, the rate shall be one percent (1%). PROVIDED FURTHER, THAT BEGINNING JANUARY 1,

2027, ALL MICRO AND SMALL ENTERPRISES, ORGANIZED AS CORPORATION AS DEFINED UNDER SECTION 22 (B) OF THE NIRC, AS AMENDED, BE EXEMPTED FROM THE MINIMUM CORPORATE INCOME TAX.”

“xxx”

Section 2. Implementing Rules and Regulations – Within ninety (90) days from the effectivity of this Act, the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue, shall promulgate the necessary rules and regulations for its effective implementation.

Section 3. Separability Clause. – If any section or provision of this Act is held unconstitutional or invalid, the other sections or provisions not affected thereby shall continue to be in full force and effect.

Section 4. Effectivity. – This Act shall take effect after fifteen (15) days following its publication in the Official Gazette or in a newspaper of general circulation.

Approved,