

SIXTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

14 MAY -7 P 1 30

SENATE
S.B. No. 2217

RECEIVED BY: ji

Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

**AN ACT EXEMPTING START-UP ENTERPRISES FROM TAXES ARISING
FROM THE FIRST TWO YEARS OF OPERATION**

EXPLANATORY NOTE

The positive economic forecast for the Philippines encourages firms to invest in innovation towards the development of new products that would be able to compete in both local and foreign markets.

Start-up enterprises ("Start-ups") have the potential to spur and spread such innovation. As these enterprises have likewise the appetite to take on more risks, they would fuel creativity and challenge existing ways of doing business. The establishment and growth of Start-ups would therefore be beneficial for more Filipinos who have the innate talent for shaping contemporary ideas while working with limited resources.


A measure to assist Start-ups would help to develop in the maturation of a community dedicated to fostering new solutions to ever changing complex problems.

The Start-Up Business Act proposes a tax exemption for Start Ups for the first two years of operation provided that these enterprises are duly registered businesses that are not affiliates, subsidiaries or franchises of any existing company and do not have any previous or other existing registered businesses.

This measure encourages Start-ups to get organized, and establish their business operations and market base. It will give these enterprises the proper time to stand on its own.

Moreover, this bill recognizes the role of Start-ups in the economy and demonstrates the State's commitment to innovation.

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


Senator Paolo Benigno "Bam" A. Aquino IV

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

- 1 **SECTION 1. *Short Title.*** – This Act shall be known as the "Start-Up Business Bill".
- 2 **SECTION 2. *Declaration of Policy.*** – It is hereby declared the policy of the State to foster
3 national development and promote inclusive growth by encouraging the creation of enterprises
4 that facilitate job creation, production, innovation and trade in the country. To this end, the
5 State shall provide incentives to encourage and remove constraints to the start up, incubation,
6 and development of enterprises and the proliferation of a more entrepreneurial culture in
7 Philippine society.
- 8 **SECTION 3. *Start-Up Enterprises.*** – "Start-Up Enterprises" shall refer to newly registered
9 businesses engaged in industry, agribusiness and/or services, whether a single proprietorship,
10 cooperative, partnership or corporation.
- 11 **SECTION 4. *Exemption from Taxes and Fees for Start-up Enterprises.*** – A start-up
12 enterprise shall be exempt from all national and local taxes for the first two years of its
13 operation, provided that:
- 14 a. The start-up enterprise is not an affiliate, a subsidiary, or a franchise of any existing
15 company;
- 16 b. In the case of a sole proprietorship or partnership, the proprietor or the partners of
17 the Start-up enterprise shall not have any previous or other existing registered
18 companies, partnerships or businesses; and
- 19 c. In the case of a corporation, each stockholder of the start-up enterprise shall have at
20 least a five percent (5%) share in stocks and the corporation shall have no nominal
21 stockholders or stockholders holding the shares in trust for others. Provided further
22 that, all stockholders of the start-up enterprise shall not have held shares of any
23 previous or existing corporation with at least a five percent (5%) share therein, nor
24 registered any former or existing sole proprietorship or partnership.
- 25 **SECTION 5. *Implementing Rules and Regulations.*** – The Bureau of Internal Revenue
26 (BIR) in coordination with DTI and SEC shall promulgate not later than thirty (30) days upon the
27 effectivity of this Act the necessary rules and regulations for its effective implementation.

28 **SECTION 6. *Separability Clause.*** — If any provision of this Act is subsequently declared
29 invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain
30 in full force and effect.

31 **SECTION 7. *Repealing Clause.*** — All laws, acts, presidential decrees, executive orders,
32 issuances, presidential proclamations, rules and regulations or parts thereof which are contrary
33 to and inconsistent with any provision of this Act are hereby repealed, amended or modified
34 accordingly.

35 **SECTION 8. *Effectivity.*** — This Act shall take effect fifteen (15) days after its complete
36 publication either in the *Official Gazette* or in at least two (2) newspapers of general circulation.

37 Approved,