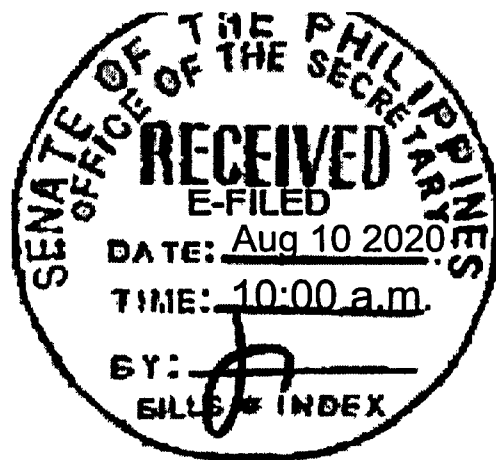


EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
Second Regular Session

SENATE

S. B. NO. 1763



Introduced by **SENATOR JOEL VILLANUEVA**

**AN ACT
PROVIDING FOR SIMPLIFIED REGISTRATION, FILING OF
RETURNS AND PAYMENT OF INCOME AND PERCENTAGE TAXES
AND PROVIDING TAX RELIEF FOR MICRO-ENTERPRISES,
AMENDING FOR THE PURPOSE SECTIONS 74, 128 AND 236 OF
THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED**

EXPLANATORY NOTE

Micro-enterprises play a huge role in developing the Philippine economy. According to the Philippine Statistics Authority List of Establishments, micro-enterprises totaled to 887,272 in 2018, constituting 88.5% of the over 1 million business enterprises in the country. They also generate a total of 2.6 million jobs.¹

Republic Act No. 9501 or the Magna Carta for Micro, Small and Medium Enterprises (MSMEs) passed in 2007, declared it the policy of the state to promote, support, strengthen, and encourage the growth and development of MSMEs in the country. Considered a landmark legislation, it recognizes this sector's role in economic growth and employment, and therefore seeks to shape a conducive business environment, by facilitating access to funds, offering entrepreneurship and skills training, and improving government efficiency and effectiveness in providing assistance, among others.

However, the country still has a long way to go. Based on the Doing Business 2020 Report by World Bank, the Philippines ranks 171st out of 190 countries in terms of starting a business. The said activity is said to involve 13 procedures and takes 33 days to complete. The country also ranks relatively low in terms of enforcing contracts (152nd), getting credit (132nd), registering property (120th), trading across borders

¹ Department of Trade and Industry. *MSME Statistics*. Retrieved from <https://www.dti.gov.ph/resources/msme-statistics/> (date last accessed: July 29, 2020).

(113rd), and paying taxes (95th). Payment of taxes is also bothering, with around 171 hours spent per year on tax-related transactions.²

Overall, World Bank ranks the Philippines as 7th out of the 10 ASEAN member states, in terms of ease of doing business—lagging behind Singapore, Malaysia, Thailand, Cambodia, Lao PDR, and Myanmar for both 2019 and 2020.³ The country ranks 95th out of 190 economies.

Unfortunately, the COVID-19 pandemic has been shown to be particularly difficult for micro-enterprises, which generally run their operations on very low level of liquidity. According to the Department of Trade and Industry (DTI), over half of MSMEs in the Philippines fully stopped or closed their operations due to the pandemic.⁴ This is consistent with the report of DOLE citing that bulk of the establishment reports they received came from micro and small enterprises.

Hence, consistent with the goal of the Magna Carta for MSMEs Law and the spirit of Bayanihan in such a difficult time in our history, this proposed bill provides for (i) annual payment and filing of income tax returns and percentage tax returns, (ii) income tax relief for three years for micro enterprises employing less than 10 individuals, and (iii) a simplified online registration process for taxpayers.

Taxation and business processes remain a critical factor affecting the competitiveness of enterprises. Reducing the cost of completing a business transaction is crucial to microenterprises, as they employ, on average only two to three workers.⁵ Providing for a tax relief in the first three years of the enterprise also allows for them to survive and establish momentum.

With all these, this bill will help provide small businesses with accessible, affordable and more efficient government processes to enable them to engage in entrepreneurship and other productive activities.

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


SENATOR JOEL VILLANUEVA

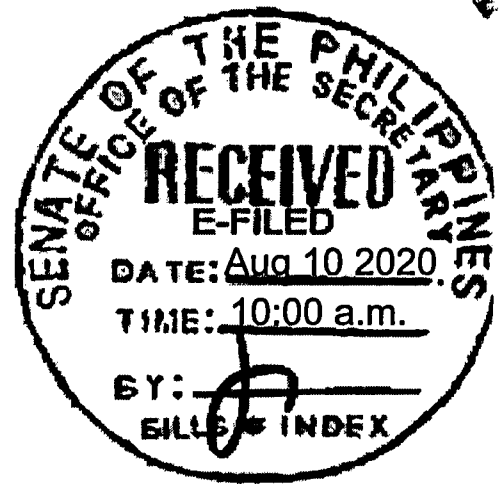
² World Bank. *Doing Business 2020*. Retrieved from <https://www.doingbusiness.org/content/dam/doingBusiness/country/p/philippines/PHL.pdf> (date last accessed: July 29, 2020).

³ Ibid.

⁴ Mercado, N. (2020, May). *DTI: Over half of MSMEs in PH fully stopped operations due to virus outbreak*. Business Inquirer. <https://business.inquirer.net/296227/dti-over-half-of-msmes-in-ph-fully-stopped-operations-due-to-virus-outbreak> (date last accessed: July 29, 2020).

⁵ Ibid.

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AND PROVIDING TAX RELIEF FOR MICRO-ENTERPRISES,
AMENDING FOR THE PURPOSE SECTIONS 74, 128 AND 236 OF
THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED

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

1 **SECTION 1. Declaration of Policy.** – It is hereby declared the policy of the State to
2 have a national economy that provides for a more equitable distribution of
3 opportunities, income and wealth; a sustained increase in the amount of goods and
4 services produced by the nation for the benefit of the people; and an expanding
5 productivity as the key to raising the quality of life for all, especially the underprivileged.
6 Towards these ends, the State shall provide an environment that will enable small
7 businesses to flourish by providing them with accessible, affordable and more efficient
8 government processes to enable them to engage in entrepreneurship and other
9 productive activities.

10
11 **SEC. 2. Simplified Filing of Returns and Payment of Income Tax.** – Section 74(B)
12 of the National Internal Revenue Code, as amended, is hereby amended to read as
13 follows:

14 **Section 74. Declaration of Income Tax for Individuals.** –

15
16
17 ...

18
19 (B) *Return and Payment of Estimated Income Tax by Individuals.* – The
20 amount of estimated income as defined in Subsection (C) with respect to
21 which a declaration is required under Subsection (A) shall be paid in four

1 (4) installments. The first installment shall be paid at the time of declaration
2 and the second and third shall be paid on August 15 and November 15 of
3 the current year, respectively. The fourth installment shall be paid on or
4 before May 15 of the following calendar year when the final adjusted
5 income tax return is due to be filed; PROVIDED, THAT SELF-EMPLOYED
6 INDIVIDUALS REGISTERED AS SOLE PROPRIETORS OF MICRO-
7 ENTERPRISES EMPLOYING LESS THAN TEN (10) EMPLOYEES
8 SHALL ONLY BE REQUIRED TO FILE A FINAL OR ANNUAL INCOME
9 TAX RETURN; PROVIDED FURTHER, THAT SELF-EMPLOYED
10 INDIVIDUALS REGISTERED AS SOLE PROPRIETORS OF MICRO-
11 ENTERPRISES EMPLOYING LESS THAN TEN (10) EMPLOYEES
12 SHALL BE EXEMPT FROM PAYMENT OF INCOME TAXES WITHIN THE
13 FIRST THREE YEARS OF THEIR REGISTRATION AS TAXPAYERS.
14

15 **SEC. 3. Simplified Filing of Returns and Payment of Percentage Taxes.** – Section
16 128(A)(1) of the National Internal Revenue Code, as amended, is hereby amended to
17 read as follows:
18

19 **SEC. 128. Returns and Payments of Percentage Taxes.** –

20
21 *(A) Returns of Gross Sales, Receipts or Earnings and Payment of Tax.* –
22

23 (1) **Persons Liable to Pay Percentage Taxes.** – Every person subject to
24 the percentage taxes imposed under this Title shall file a quarterly return
25 of the amount of his gross sales, receipts or earnings and pay the tax due
26 thereon within twenty-five (25) days after the end of each taxable quarter:
27 Provided, That in the case of a person whose VAT registration is cancelled
28 and who becomes liable to the tax imposed in Section 116 of this Code,
29 the tax shall accrue from the date of cancellation and shall be paid in
30 accordance with the provisions of this Section; PROVIDED, THAT SELF-
31 EMPLOYED INDIVIDUALS REGISTERED AS SOLE PROPRIETORS OF
32 MICRO-ENTERPRISES EMPLOYING LESS THAN TEN (10)
33 EMPLOYEES SHALL ONLY BE REQUIRED TO FILE A FINAL OR
34 ANNUAL PERCENTAGE TAX RETURN.
35

36 **SEC. 4. Simplified Registration Process.** – Section 236(A) of the National Internal
37 Revenue Code, as amended, is hereby further amended to read as follows:
38

39 **Section 236. Registration Requirements.** –

40
41 *(A) Requirements.* – Every person subject to any internal tax shall register
42 once with the appropriate Revenue District Officer:
43

- 44 (1) Within ten (10) days from date of employment, or
- 45 (2) On or before the commencement of business, or
- 46 (3) Before payment of any tax due, or
- 47 (4) Upon filing of a return, statement, or declaration as required in this
48 Code.
49

1 The registration shall contain the taxpayer's name, style, place of
2 residence, business and such other information as may be required by the
3 Commissioner in the form prescribed therefor: *Provided*, That the
4 Commissioner shall simplify the business registration, and
5 REGISTRATION AND tax compliance requirements of self-employed
6 individuals and/or professionals, INCLUDING THE ESTABLISHMENT OF
7 AN ONLINE REGISTRATION, FILING AND PAYMENT SYSTEM.
8

9 A person maintaining a head office, branch or facility shall register with the
10 Revenue District Officer having jurisdiction over the head office, branch or
11 facility. For purposes of this Section, the term 'facility' may include but not
12 be limited to sales outlets, places of production, warehouses and storage
13 places.
14

15 **SEC. 5. Implementing Rules and Regulations.** – Within sixty (60) days from the
16 implementation of this Act, the Bureau of Internal Revenue, upon consultation with
17 relevant stakeholders, shall issue the implementing rules and regulations to implement
18 the provisions of this Act.
19

20 **SEC. 6. Separability Clause.** – Any portion or provisions of this Act that may be
21 declared unconstitutional or invalid shall not have the effect of nullifying other portions
22 and provisions hereof as long as such remaining portions or provisions can still subsist
23 and be given effect in their entirety.
24

25 **SEC. 7. Repealing Clause.** – All laws, decrees, executive orders, rules and
26 regulations or part thereof deemed inconsistent with the provisions of this Act are
27 hereby repealed or modified accordingly.
28

29 **SEC. 8. Effectivity Clause.** – This Act shall take effect fifteen (15) days from the
30 publication in the Official Gazette or in at least two (2) national newspapers of general
31 circulation.
32

33 **Approved,**