



HOUSE OF REPRESENTATIVES

H. No. 8862

BY REPRESENTATIVES VILLAFUERTE, YAP (V.), NIETO, SY-ALVARADO, TAMBUNTING, GARCIA (J.E.), ZUBIRI, BIRON, ROMUALDO, SILVERIO, VERGARA, TAN (M.), GO (M.), GATCHALIAN, CUA, RODRIGUEZ (M.), TREÑAS, ALVAREZ (F.), RELAMPAGOS, DAZA, LIMKAICHONG, ACOSTA-ALBA, SAVELLANO, LOPEZ (C.), UY (J.), ABAYA, CANAMA, EVARDONE, JAVIER, CAGAS, JALOSJOS, MONTORO, ROMUALDEZ, RODRIGUEZ (I.), DURANO, ONG (H.), SAGARBARRIA, LAOGAN, DUAVIT, DIMAPORO (A.), MARCOLETA, TUPAS, MENDOZA, BELMONTE (R.), ARCILLAS, CHAVEZ, EUSEBIO, NOEL, HOFER AND BELARO, PER COMMITTEE REPORT NO. 1073

AN ACT PROVIDING BENEFITS AND PROGRAMS TO STRENGTHEN, PROMOTE, AND DEVELOP THE PHILIPPINE STARTUP ECOSYSTEM

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

CHAPTER I

GENERAL PROVISIONS

SECTION 1. *Short Title.* – This Act shall be known as the “Innovative Startup Act of the Philippines”.

SEC. 2. *Declaration of Policy.* – It is hereby the policy of the State to foster inclusive growth through an innovative economy by streamlining government and nongovernment initiatives, in both local and international spheres, to create new

1 jobs and opportunities, improve production, and advance innovation
2 and trade in the country.

3 To this end, the State shall provide incentives and remove
4 constraints aimed at encouraging the establishment and operation
5 of innovative new businesses, and businesses crucial to their growth
6 and expansion, and to strengthen, promote, and develop an
7 ecosystem of businesses, government and nongovernment
8 institutions that foster an innovative entrepreneurial culture in the
9 Philippines.

10 SEC. 3. *Definition of Terms.* – As used in this Act:

11 (a) *Business operation* refers to the period that shall
12 commence from the date the Authority to Print Invoices/Receipts
13 from the Bureau of Internal Revenue (BIR) has been claimed by the
14 owners of the enterprise or their representative, and shall terminate
15 upon the closure of the enterprise;

16 (b) *Core business function* refers to the primary undertaking
17 of the enterprise as its main source of revenue which in the
18 case of the corporation shall be indicated in its articles of
19 incorporation;

20 (c) *End user* refers to the consumer of the product or service
21 offered by the enterprise whether for free or for a fee;

22 (d) *Host agency* refers to the Department of Science and
23 Technology (DOST), Department of Trade and Industry (DTI),
24 Department of Information and Communications Technology
25 (DICT) or other national government agency or public academic
26 institution that provides benefits and incentives to innovative
27 startups as defined in this Act subject to an application or selection
28 process;

1 (e) *Innovative business model* refers to a new organizational
2 method in business practices, workplace organization or external
3 relations;

4 (f) *Innovative process* refers to a new or significantly
5 improved production or delivery method through changes in
6 techniques, equipment and/or software;

7 (g) *Innovative product* refers to a good or service that is
8 new or significantly improved, such as its technical specifications,
9 component materials, software, user friendliness or other functional
10 characteristics;

11 (h) *Innovative startup* refers to a registered business entity
12 in the Philippines within the sixty (60) months of its business
13 operation and whose core business function involves an innovative
14 product, process, or business model;

15 (i) *Research and development cost* refers to the expenditure
16 of the enterprise as a fraction of its total operational cost that
17 shall include the salary of the employees engaged in research and
18 development, purchase or lease of equipment, software, substances
19 or materials, and such other items and goods and services that may
20 be justified for the purposes of the development of the innovative
21 good, service, process, or business model of the enterprise; and

22 (j) *Support service provider* refers to any business entity
23 that provides goods or services that are identified to be crucial
24 in supporting the operation and growth of innovative startups, or
25 enterprises whose core business function, which in the case of
26 corporations, are indicated in their articles of incorporation,
27 involves the targeted or exclusive provision of goods and services
28 to innovative startups.

1 SEC. 4. *Innovative Startup Development Program.* – There is
2 hereby created an Innovative Startup Development Program,
3 hereinafter referred to as the “Program”. Under the Program,
4 an innovative startup or support service provider as defined
5 under Section 3 of this Act shall be provided with benefits and
6 incentives from the DOST, DTI, and/or the DICT through their
7 respective programs.

8 SEC. 5. *Program Objectives.* – The Program shall aim to
9 achieve the following:

10 (a) Support the research and development of innovative
11 startups and support services in the Philippines;

12 (b) Support and promote the access of an innovative startup
13 to locally and internationally offered programs for innovative
14 startups;

15 (c) Support and promote the participation of innovative
16 startups in international competitions;

17 (d) Support the participation of innovative startups in
18 events that aim to link them to potential investors, mentors, and
19 collaborators;

20 (e) Support the collaboration of an innovative startup with
21 a national government agency, public or private academic
22 institution, or industry partner to develop innovative products,
23 processes, or business model which may be integrated in programs,
24 projects, or delivery of public services by the host national agency;

25 (f) Support the development and growth of enterprises
26 whose products and services are integral to building a competitive
27 innovative startup ecosystem in the Philippines; and

1 (g) Develop and amend policy and regulations to remove
2 undue restrictions in the development, establishment, and growth
3 of innovative startups by facilitating consultation with pertinent
4 national government agencies.

5 CHAPTER II

6 PROGRAM BENEFITS AND INCENTIVES

7 SEC. 6. *General Benefits and Incentives.* – Innovative
8 startups and support service providers selected by the DOST, DTI,
9 and DICT under their own respective application or selection
10 processes shall be entitled to the following benefits:

11 (a) Registration benefits which may be provided through
12 either:

13 (1) Waived fees in the application and processing of
14 permits and certificates required for the business registration
15 and operation of the enterprise with the appropriate registering
16 agency; or

17 (2) Refund from the national government agency equivalent
18 to the sum of fees and taxes levied by local government units
19 and national government agencies for the permits and certificates,
20 and their corresponding prerequisite or supporting documents
21 for its registration and operation: *Provided*, That innovative
22 startups and support service providers shall only be entitled to
23 this benefit once from any national government agency unless
24 fees and taxes levied applied for refund has not been refunded
25 by any government agency; and

26 (3) Expedited processing of permits and certificates, and their
27 corresponding requisite documents, required for the registration
28 and operation of the innovative startup or support service provider;

1 (b) Grants-in-aid for research, development, and expansion
2 projects to be provided and approved by the Secretary of the
3 granting agency: *Provided*, That the host agency may facilitate
4 the application of the innovative startup or support service
5 provider to provide initial or supplemental grants-in-aid from
6 another government agency subject to its established guidelines;

7 (c) Exemption from fees and charges levied by the national
8 government agencies for the use of equipment, facilities, or services
9 availed by the innovative startup such as, but not limited to, the use
10 of testing and fabrication facilities;

11 (d) Protection of patents and other proprietary rights
12 of innovative startups and support service providers from
13 infringement;

14 (e) Access to applicable benefits and incentives provided
15 under Republic Act No. 8293, otherwise known as the "Intellectual
16 Property Code of the Philippines"; and

17 (f) Subsidy for visa application, renewal, or extension of
18 foreign owners, employees, and/or investors of an innovative
19 startup and support service provider, and exemption from the
20 alien employment permit.

21 *SEC. 7. Benefits for Participation in Local and International*
22 *Startup Events.* – Innovative startups and support service
23 providers selected by the host agency for reasons that include
24 participation in local and international startup events shall be
25 entitled to the following benefits chargeable to the available funds of
26 the host agency:

27 (a) Agency endorsement and facilitation support in the
28 application of passport and/or visa;

1 (a) Consult the DOLE and host agencies in the promulgation
2 of the rules and regulations for this provision;

3 (b) Immediately publish and disseminate requirements, rules,
4 and regulations on the application for the Visa;

5 (c) Coordinate the immediate and periodic training of its
6 personnel, and their counterparts in government agencies and
7 public academic institutions, tasked to process the application for
8 the Visa;

9 (d) Develop and maintain a database for all the bearers of
10 the Visa, and ensure public access to such information, subject
11 to existing rules and regulations on Freedom of Information and
12 Data Privacy; and

13 (e) Reserve the right to deny and revoke applications subject
14 to the promulgated rules and regulations to implement this
15 provision, and applicable rules and regulations governing
16 immigration.

17 SEC. 9. *Visa Eligibility.* – The following shall be eligible
18 to apply for the Visa provided under this Act:

19 (a) Prospective or current foreign owner of an innovative
20 startup or support service provider registered in the Philippines;

21 (b) Prospective or current foreign employee of an innovative
22 startup or support service provider registered in the Philippines; or

23 (c) Prospective or current foreign investors of an innovative
24 startup or support service provider registered in the Philippines:
25 *Provided, That* the BI, upon the endorsement of a host agency,
26 may extend the provision of the Visa to foreign nationals whose
27 presence in the country contributes in the implementation of the
28 Program, and such other government or government-supported

1 programs that aim to support the development of innovative
2 startups and support service providers in the Philippines as
3 justified in the endorsement.

4 SEC. 10. *Visa Application.* – In addition to standard visa
5 requirements, the following shall be required in the application
6 of the Visa:

7 (a) Endorsement of a host agency;

8 (b) Copy of the terms and conditions on the endorsement
9 for the Visa application as may be required or agreed to by the
10 endorsing host agency; and

11 (c) Proof of eligibility: *Provided*, That in the case of
12 prospective or current foreign investors of an innovative startup
13 or support service provider registered in the Philippines, the
14 following shall be required:

15 (1) Certification under oath of duly authorized officers of any
16 accredited depository bank in the Philippines as to the amount
17 of foreign exchange inwardly remitted by the alien applicant,
18 and its conversion to pesos through the said bank: *Provided*,
19 That for inward remittances sent through nonaccredited
20 correspondent banks, the total amount of remitted money be
21 immediately transferred to an accredited bank;

22 (2) Certified true copy of peso time deposit with a maturity
23 period of at least thirty (30) days, amounting to at least Two million
24 pesos (P2,000,000.00); and

25 (3) Compliance agreement to invest at least Two million
26 pesos (P2,000,000.00) in innovative startups or support service
27 providers registered in the Philippines: *Provided, further*, That
28 the Board of Investments (BOI), in coordination with the BI,

1 shall reserve the right to create rules and regulations on
2 the investment requirement for the maintenance of the Visa.
3 The BOI shall also require the periodic reporting of the
4 investments to be determined in the implementing rules and
5 regulations of this Act: *Provided, finally*, That the BI shall
6 (i) Require a marriage contract duly authenticated by the Philippine
7 Consulate or Embassy in the applicant's country, or the embassy of
8 the country of the applicant in the Philippines in case a spouse and
9 dependent children are included in the application; (ii) Levy
10 reasonable fees and charges for the processing of the Visa
11 application to implement this provision; (iii) When warranted,
12 provide access to existing visas or approve a Visa with limited
13 validity of less than five (5) years, upon the request and justification
14 of the endorsing host agency for applicants engaged in short-term
15 programs for the development of innovative startups and support
16 service providers in the Philippines; (iv) Automatically waive fees
17 and charges for the first cumulative five (5) years of endorsed Visa
18 application/s of an applicant.

19 In no case shall the release and approval of a Visa
20 application or renewal be disapproved, suspended, revoked, or
21 delayed on the basis of delayed claim of payment from, or delayed
22 remittance of payment by, any host agency.

23 *SEC. 11. Roles and Responsibilities of Endorsing Host*
24 *Agencies.* – An endorsing host agency shall have the following roles
25 and responsibilities:

26 (a) Facilitate the Visa application in close coordination with
27 the BI, and the endorsed applicant;

1 (b) Disseminate its standards, qualifications, terms, and
2 conditions for its endorsement of Visa applications;

3 (c) Ensure that such standards, qualifications, requirements,
4 and procedures employed to implement this provision are
5 efficient, up to date, and subjected to periodic consultation with
6 its prospective, current, and former recipients;

7 (d) Justify in its endorsement the nature of the
8 participation and contribution of the applicant in the Program,
9 or in other government or government-supported programs
10 for the development of innovative startups and support service
11 providers in the Philippines;

12 (e) Maintain an internal mechanism that shall allow
13 applicants to appeal or contest the disapproval of requests for
14 endorsement, the revocation of the endorsements, based on the
15 standards and requirements that it may impose on applicants;

16 (f) In no case deprive endorsement of an applicant on the
17 basis of unavailability of funds to partially or fully subsidize
18 the original application for or renewal of a Visa, and allow the
19 applicant to receive endorsement and pay the Visa fees and charges;

20 (g) When warranted, facilitate the appeal of denied Visa
21 applicants or grantees whose Visas were revoked, by the BI, or
22 facilitate a Visa reapplication reflecting necessary corrections or
23 improvements thereon;

24 (h) Ensure the availability of funds and immediate
25 remittance of the same to the BI to cover the fees and charges that
26 may be required to process Visa application, whether initial or
27 renewal;

1 (i) Track and update the eligibility and status of endorsed
2 bearers of the Visa, and immediately report to the BI, such grounds
3 for the denial of Visa application or Visa revocation of applicants it
4 has endorsed; and

5 (j) Update the database of endorsed bearers of the Visa along
6 with other endorsing government agency and public academic
7 institutions.

8 CHAPTER IV

9 PROGRAM ADMINISTRATION

10 SEC. 12. *General Roles and Responsibilities of the Host*
11 *Agencies.* – The DOST, DTI, DICT and other host agencies shall
12 have the following roles and responsibilities in the implementation
13 of this Act:

14 (a) Develop the necessary department policies and guidelines
15 for the implementation of the Program, and coordinate with the
16 relevant government agencies for the provision of benefits and
17 incentives for innovative startups and support service providers
18 under this Act;

19 (b) Reassess and adjust their respective current programs
20 based on its applicability to the needs of prospective innovative
21 startups and support service providers that may apply for the
22 benefits and incentives under this Act;

23 (c) Coordinate their respective programs with other host
24 agencies, other national government agencies and private sector
25 stakeholders to avoid unnecessary overlaps in coverage, and to
26 promote seamless implementation of complementary initiatives;

1 (d) Promote themselves as prospective host agencies to
2 interested enterprises who may qualify as innovative startups or
3 support service providers;

4 (e) Develop and promulgate the efficient rules for the
5 selection and application process for innovative startups and
6 support service providers it wishes to host;

7 (f) Ensure the immediate and efficient provision of the
8 benefits provided under this Act, and such additional benefits and
9 incentives that may be provided as a host agency;

10 (g) Assist in the efforts towards the creation of an Innovative
11 Startup Venture Fund to be raised from the private sector that
12 provide seed capital and equity finance to innovative startups and
13 support service providers; and

14 (h) Actively participate in startup events and programs by
15 government or private institutions.

16 Host agencies shall be prohibited from disqualifying
17 innovative startups or support service providers access to general
18 and additional benefits and incentives under this Act on the basis
19 of nationality.

20 SEC. 13. *Role and Responsibilities of Innovative Startups and*
21 *Support Service Providers.* – Innovative startups and support
22 service providers shall have the following roles and responsibilities
23 upon its application for the benefits and incentives provided in
24 this Act, and for additional benefits and incentives that may be
25 provided by the host agency:

26 (a) Truthfully disclose information requested by the host
27 agency and/or other national government agencies starting from

1 the application for collaboration or the provision of benefits and
2 incentives under this Act;

3 (b) Ensure compliance with the agreed terms for the
4 provision of the benefits provided under this Act, and such other
5 additional benefits that may be provided by the host agency
6 and/or other national government agencies; and

7 (c) Prepare and update the necessary documentary
8 requirements to ascertain the eligibility of the enterprise as
9 an innovative startup or support service provider.

10 SEC. 14. *Startup Philippine (PH) Website.* – The DICT, in
11 consultation with DTI and DOST, shall develop and maintain a
12 website that shall serve as the primary source of information on
13 statistics, events, programs, and benefits for innovative startups
14 and support service providers in the Philippines, not limited to
15 those defined under this Act. This website shall at least have the
16 following features:

17 (a) Online database of innovative startups and support
18 service providers, indicating basic information such as business
19 address, founders, contact information, and funding received:
20 *Provided,* That this database may also be expanded to include
21 businesses and project groups assessed by either DOST, DTI, or
22 DICT to be an innovative startup;

23 (b) Online inquiry, registration, application, and release
24 of results for endorsements, and applications for benefits and
25 incentives provided under this Act: *Provided,* That this feature
26 may also be extended to facilitate application for funding, or
27 participation in programs or events for startups, whether organized
28 or supported by the government or the private sector; and

1 (c) Statistical information and annual reports pertinent to
2 the implementation of this measure, and such other information
3 content beneficial to and in line with the goals and objectives of this
4 Act: *Provided*, That such information shall also include studies and
5 reports pertinent to the innovative startups and support service
6 providers in the Philippines.

7 SEC. 15. *Implementing Rules and Regulations.* – The DOST,
8 DTI and DICT, in coordination with the pertinent government
9 agencies, shall promulgate the necessary rules and regulations
10 within sixty (60) days from the effectivity of this Act.

11 SEC. 16. *Separability Clause.* – If any section or part of
12 this Act is held unconstitutional, no other section or provision shall
13 be affected.

14 SEC. 17. *Repealing Clause.* – All provisions of existing laws,
15 presidential decrees or issuances, executive orders, letters of
16 instruction, administrative orders, rules and regulations contrary
17 to or inconsistent with the provisions of this Act are hereby
18 repealed, amended, or modified accordingly.

19 SEC. 18. *Effectivity.* – This Act shall take effect fifteen (15)
20 days after its complete publication in the *Official Gazette* and in at
21 least two (2) newspapers of general circulation.

Approved,

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