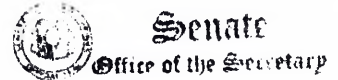


NINETEENTH CONGRESS OF THE  
REPUBLIC OF THE PHILIPPINES  
First Regular Session



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SENATE

RECEIVED BY: 

S. B. NO. 1046

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Introduced by SENATOR JOEL VILLANUEVA

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**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, there are 977,670 micro- enterprises in the country in 2021, constituting 90.5% of all business enterprises in the country.<sup>1</sup> They also generate a total of over 2.5 million jobs.<sup>2</sup>

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 171<sup>st</sup> out of 190 countries in terms of starting a business. The country also ranks relatively low in terms of enforcing contracts (152nd), getting credit (132nd), registering property (120th), trading across borders (113th), and paying taxes (95th). Payment of taxes is also cumbersome,

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<sup>1</sup>"More than 1.08 million Establishments Operated in 2021 which Generated Total Employment of 8.57 million (2021 Updating of the List of Establishments Preliminary Results)." Retrieved from <https://psa.gov.ph/content/more-108-million-establishments-operated-2021-which-generated-total-employment-857-million> (date last accessed: July 29, 2022).

<sup>2</sup> "2020 MSME Statistics" Retrieved from <https://www.dti.gov.ph/resources/msme-statistics/> (date last accessed: July 29, 2022)

with around 171 hours spent per year on tax-related transactions.<sup>3</sup>

Overall, the World Bank ranks the Philippines 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.<sup>4</sup>

Further, the COVID-19 pandemic has been 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.<sup>5</sup> In a study conducted by the Asian Development Bank Institute in February 2021, it was found that 61.7% of micro-sized businesses had little to zero revenue and were forced to temporarily close at the advent of the pandemic.<sup>6</sup> In addition, 68% of micro-sized businesses were constrained to retrench their employees.<sup>7</sup> To make matters worse, MSMEs have recently had to endure further business losses as a result of natural calamities such as typhoons and global economic events such as the Russia-Ukraine conflict, unprecedented inflation and rising fuel prices.

Hence, in order to spur recovery for the sector 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 bill provides for (i) a more convenient procedure for 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.<sup>8</sup> Providing tax relief in the first three years of the enterprise also allows them to survive and establish momentum.

This bill hopes to provide small businesses with accessible, affordable and more efficient ways to do business through government support, ensuring their longevity and development during these difficult times.

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

  
SENATOR JOEL VILLANUEVA

<sup>3</sup> "World Bank Doing Business 2020" Retrieved from <https://www.doingbusiness.org/content/dam/doingBusiness/country/p/philippines/PHL.pdf> (date last accessed: July 29, 2022).

<sup>4</sup> *Id.*

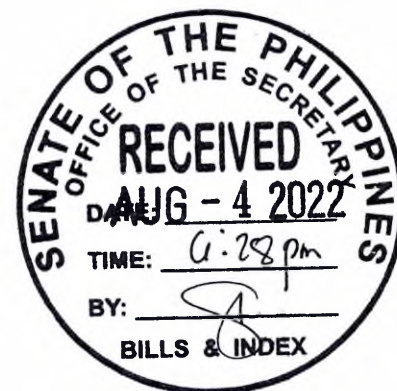
<sup>5</sup> "DTI: Over half of MSMEs in PH fully stopped operations due to virus outbreak." Retrieved from <https://business.inquirer.net/296227/dti-over-half-of-msmes-in-ph-fully-stopped-operations-due-to-virus-outbreak> (date last accessed: July 29, 2022).

<sup>6</sup> "COVID-19 Impact on Micro, Small, And Medium-Sized Enterprises Under The Lockdown: Evidence From A Rapid Survey In The Philippines." Retrieved from <https://www.adb.org/sites/default/files/publication/677321/adbi-wp1216.pdf> (date last accessed: July 29, 2022).

<sup>7</sup> *Id.*

<sup>8</sup> *Supra* note 5.

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**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**

*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  
2 State to 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  
6 underprivileged. Towards these ends, the State shall provide an environment that  
7 will enable small businesses to flourish by providing them with accessible, affordable  
8 and more efficient government processes to enable them to engage in  
9 entrepreneurship and other productive activities.

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

14           **Section 74. Declaration of Income Tax for Individuals.** —  
15

16           x x x  
17

18           (B) *Return and Payment of Estimated Income Tax by Individuals.* — The  
19 amount of estimated income as defined in Subsection (C) with respect to  
20 which a declaration is required under Subsection (A) shall be paid in four  
21 installments. The first installment shall be paid at the time of declaration and  
22 the second and third shall be paid on August 15 and November 15 of the  
23



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

13  
14 **SEC. 3. Simplified Filing of Returns and Payment of Percentage Taxes.**  
15 — Section 128(A)(1) of the National Internal Revenue Code, as amended, is hereby  
16 amended to read as follows:

17  
18 **SEC. 128. Returns and Payments of Percentage Taxes. —**

19  
20 (A) *Returns of Gross Sales, Receipts or Earnings and Payment of Tax. —*

21  
22 (1) *Persons Liable to Pay Percentage Taxes. —* Every person subject to the  
23 percentage taxes imposed under this Title shall file a quarterly return of the  
24 amount of his gross sales, receipts or earnings and pay the tax due thereon  
25 within twenty-five (25) days after the end of each taxable quarter: *Provided*,  
26 That in the case of a person whose VAT registration is cancelled and who  
27 becomes liable to the tax imposed in Section 116 of this Code, the tax shall  
28 accrue from the date of cancellation and shall be paid in accordance with the  
29 provisions of this Section; *PROVIDED*, THAT SELF-EMPLOYED  
30 INDIVIDUALS REGISTERED AS SOLE PROPRIETORS OF MICRO-  
31 ENTERPRISES EMPLOYING LESS THAN TEN (10) EMPLOYEES SHALL  
32 ONLY BE REQUIRED TO FILE A FINAL OR ANNUAL TAX RETURN.

33  
34 **SEC. 4. Simplified Registration Process.** — Section 236(A) of the National  
35 Internal Revenue Code, as amended, is hereby further amended to read as follows:

36  
37 **Section 236. Registration Requirements. —**

38  
39 (A) *Requirements.* — Every person subject to any internal tax shall register  
40 once with the appropriate Revenue District Officer:

- 41  
42 (1) Within ten (10) days from date of employment, or  
43 (2) On or before the commencement of business, or  
44 (3) Before payment of any tax due, or <sup>SEP</sup>  
45 (4) Upon filing of a return, statement, or declaration as required in  
46 this Code.

47  
48  
49 The registration shall contain the taxpayer's name, style, place of residence,

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

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

13 **SEC. 5. Implementing Rules and Regulations.** — Within sixty (60) days  
14 from the effectivity of this Act, the Bureau of Internal Revenue, upon consultation  
15 with relevant stakeholders, shall issue the rules and regulations for the effective  
16 implementation of this Act.  
17

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

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

27 **SEC. 8. Effectivity Clause.** — This Act shall take effect fifteen (15) days after  
28 its publication in the Official Gazette or in at least two (2) newspapers of general  
29 circulation.  
30

31 **Approved,**