

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



'22 SEP -6 P 4 :19

SENATE
S. No. 1285

RECEIVED BY: J

Introduced by Senator Joseph Victor G. Ejercito

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

EXPLANATORY NOTE

Article II, Section 20 of the 1987 Constitution provides that, “[T]he State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.” Moreover, it is a declared policy of the State under the Go Negosyo Act to “foster national development, promote inclusive growth and reduce poverty by encouraging the establishment of micro, small and medium enterprises (MSMEs) that facilitate local job creation, production and trade in the country.”

The nationwide 2021 Updating of the List of Establishments (ULE) conducted by the Philippine Statistics Authority (PSA) reported that establishments with total employment of 1 to 9, or micro enterprises, dominated the count of establishments with 977,670 comprising 90.5 percent of total establishments in operation. In its 2020 MSME Statistics, the Department of Trade and Industry (DTI) shared that micro enterprises produced the biggest share of the country’s total employment at 29.38 percent.


As businesses thrive, the Philippine economy starts to bounce back to its pre-pandemic level. It is at this point that government must interject reliefs in order to simplify registration, filing of returns and payment of income and percentage taxes, and provide for tax relief for micro-enterprises.

At present, micro enterprises registered under Republic Act No. 9138, otherwise known as the "Barangay Micro Business Enterprises (BMBE's) Act of 2002" enjoy exemption from payment of income tax for income arising from the operation of the enterprise. However, not all micro enterprises are enjoying the benefits under the said Act. Thus, it is the objective of this bill to exempt all micro enterprises not registered under the BMBE Act from the payment of income tax for the first three (3) years of their registration as taxpayers.

Moreover, digital transformation must aid and further simplify both registration and compliance. At present, online tax payment system is already available but micro enterprises are not yet mandated to file and pay their tax returns via the Bureau of Internal Revenue's (BIR) electronic filing and payment system (EFPS). Thus, this measure's objective is to go green and pave the way for paperless tax return filing and payment.

In sum, 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, subject to the provisions of R.A. No. 9178; and, (iii) a simplified online registration process for taxpayers.

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



JOSEPH VICTOR G. EJERCITO

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SECTIONS 74, 128 AND 236 OF THE NATIONAL INTERNAL REVENUE CODE,
AS AMENDED

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

1 Section 1. *Declaration of Policy.* - It is hereby declared the policy of the State
2 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 will
7 enable small businesses to flourish by providing them with accessible, affordable and
8 more efficient government processes to enable them to engage in entrepreneurship
9 and other productive activities.

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

13 Section 74. *Declaration of Income Tax for Individuals.* -

14

X X X

1 (B) *Return and Payment of Estimated Income Tax by Individuals.* - The amount
2 of estimated income as defined in Subsection (C) with respect to which a
3 declaration is required under Subsection (A) shall be paid in four (4)
4 installments. The first installment shall be paid at the time of declaration and
5 the second and third shall be paid on August 15 and November 15 of the current
6 year, respectively. The fourth installment shall be paid on or before May 15 of
7 the following calendar year when the final adjusted income tax return is due to
8 be filed; **PROVIDED, THAT SELF-EMPLOYED INDIVIDUALS**
9 **REGISTERED AS SOLE PROPRIETORS OF MICRO ENTERPRISES**
10 **EMPLOYING LESS THAN TEN (10) EMPLOYEES SHALL ONLY BE**
11 **REQUIRED TO FILE A FINAL OR ANNUAL INCOME TAX RETURN;**
12 **PROVIDED FURTHER, THAT SELF-EMPLOYED INDIVIDUALS**
13 **REGISTERED AS SOLE PROPRIETORS OF MICRO ENTERPRISES**
14 **EMPLOYING LESS THAN TEN (10) EMPLOYEES SHALL BE EXEMPT**
15 **FROM PAYMENT OF INCOME TAXES WITHIN THE FIRST THREE YEARS**
16 **OF THEIR REGISTRATION AS TAXPAYERS; PROVIDED FINALLY, THAT**
17 **THE EXEMPTION FROM PAYMENT OF INCOME TAXES OF BARANGAY-**
18 **BASED MICRO ENTERPRISES REGISTERED UNDER REPUBLIC ACT**
19 **NO. 9178, OTHERWISE KNOWN AS THE "BARANGAY MICRO**
20 **BUSINESS ENTERPRISES (BMBE's) ACT OF 2002", SHALL BE**
21 **COVERED BY THE SAID LAW.**

22 X X X

23
24 *Sec. 3. Simplified Filing of Returns and Payment of Percentage Taxes.* - Section
25 128(A)(1) of the National Internal Revenue Code, as amended, is hereby amended to
26 read as follows:

27 *Sec. 128. Returns and Payments of Percentage Taxes.* -

28 (A) *Returns of Gross Sales, Receipts or Earnings and Payment of Tax.* -

29 (1) *Persons Liable to Pay Percentage Taxes.* - Every person subject
30 to the percentage taxes imposed under this Title shall file a quarterly

1 return of the amount of his gross sales, receipts or earnings and pay the
2 tax due thereon within twenty-five (25) days after the end of each taxable
3 quarter: *Provided*, That in the case of a person whose VAT registration is
4 cancelled and who becomes liable to the tax imposed in Section 116 of
5 this Code, the tax shall accrue from the date of cancellation and shall be
6 paid in accordance with the provisions of this Section; **PROVIDED**
7 **FURTHER, THAT SELF-EMPLOYED INDIVIDUALS REGISTERED AS**
8 **SOLE PROPRIETORS OF MICRO-ENTERPRISES EMPLOYING LESS**
9 **THAN TEN (10) EMPLOYEES SHALL ONLY BE REQUIRED TO FILE**
10 **A FINAL OR ANNUAL PERCENTAGE TAX RETURN.**

11 X X X

12
13 *Sec. 4. Simplified Registration Process.* - Section 236(A) of the National Internal
14 Revenue Code, as amended, is hereby further amended to read as follows:

15 *Sec. 236. Registration Requirements.* -

16 (A) *Requirements.* - Every person subject to any internal tax shall register
17 once with the appropriate Revenue District Officer:

18 (1) Within ten (10) days from date of employment, or

19 (2) On or before the commencement of business, or

20 (3) Before payment of any tax due, or

21 (4) Upon filing of a return, statement, or declaration as required in
22 this Code.

23 The registration shall contain the taxpayer's name, style, place of
24 residence, business and such other information as may be required by the
25 Commissioner in the form prescribed therefor: *Provided*, That the
26 Commissioner shall simplify the business registration and tax compliance
27 requirements of self-employed individuals and/or professionals,
28 **INCLUDING THE ESTABLISHMENT OF AN ONLINE**
29 **REGISTRATION, FILING AND PAYMENT SYSTEM.**

30 A person maintaining a head office, branch or facility shall register
31 with the Revenue District Officer having jurisdiction over the head office,

1 branch or facility. For purposes of this Section, the term '*facility*' may
2 include but not be limited to sales outlets, places of production,
3 warehouses and storage places.

4 *Sec. 5. Implementing Rules and Regulations.* - Within sixty (60) days from the
5 implementation of this Act, the Bureau of Internal Revenue, upon consultation with
6 relevant stakeholders, shall issue the implementing rules and regulations to implement
7 the provisions of this Act.

8 *Sec. 6. Separability Clause.* - Any portion or provisions of this Act that may be
9 declared unconstitutional or invalid shall not have the effect of nullifying other portions
10 and provisions hereof as long as such remaining portions or provisions can still subsist
11 and be given effect in their entirety.

12 *Sec. 7. Repealing Clause.* - All laws, decrees, executive orders, rules and
13 regulations or part thereof deemed inconsistent with the provisions of this Act are
14 hereby repealed or modified accordingly.

15 *Sec. 8. Effectivity Clause.* - This Act shall take effect fifteen (15) days from the
16 publication in the Official Gazette or in at least two (2) national newspapers of general
17 circulation.

Approved,