

SEVENTEENTH CONGRESS  
OF THE REPUBLIC OF THE PHILIPPINES  
*First Regular Session*

HOUSE OF REPRESENTATIVES

House Bill No. **3057**

HOUSE OF REPRESENTATIVES	
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Introduced by Representative Victor A. Yap

#### EXPLANATORY NOTE

Policy makers often think of small business as the employment engine of the economy. But when it comes to job-creating power, it is not the size of the business that matters as much as it is the age. New and young companies are the primary source of job creation. Not only that, but these firms also contribute to economic dynamism by injecting competition into markets and spurring innovation. Businesses with fewer than fifty employees are undoubtedly important to overall economic strength. To be sure, long term growth requires that startups thrive and survive.

According to the Philippine Digital Startup Roadmap, the country expects 500 startups with a \$200 million funding by year 2020. The industry is expected to be valued at \$2 billion by then. The DTI said that by 2020, the Philippine startup and innovation community aims to create 8,500 high-skilled jobs for Filipinos.

This bill, known as the Innovative Start Up Act, seeks to improve the existing startup ecosystem in order to encourage the establishment and long term growth of such businesses. The bill creates the Innovation Council that will steer innovation and similarly provide support to startups at every stage. Financial assistance and support shall be provided through a competitive system of tax incentives and salary subsidies.

Similarly, a fund will be established to provide grants and to support the Innovation Council's policies and programs. Further, the bill will provide for a startup visa program to allow foreigners to work in Filipino startups and to participate in setting up startups here.

By ensuring that startups are supported at every point of the development timeline, we can create a thriving Filipino start up ecosystem geared at high value products and services providing employment and generating economic growth. We acknowledge that Sen. Paolo Benigno "Bam" Aquino filed this proposed measure in the Senate.

Hence, the swift passage of this bill is urgently sought.

  
**VICTOR A. YAP**  
Representative, 2nd District of Tarlac

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AN ACT

CREATING THE INNOVATION COUNCIL AND 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:*

1       **SECTION 1. *Short Title.*** - This Act shall be known as the "*Innovative Startup Act.*"

2       **SECTION 2. *Declaration of Policy.***—It is hereby declared the policy of the State to foster  
3 inclusive growth through an innovative economy by streamlining government and non-government  
4 initiatives, in both local and international spheres, to create new jobs and opportunities, improve  
5 production, and advance innovation and trade in the country.

6       To this end, the State shall provide incentives to encourage and remove constraints to the  
7 establishment and operation of innovative new businesses, and businesses crucial to their growth  
8 and expansion, and to strengthen, promote, and develop an ecosystem of businesses and  
9 government and non-government institutions that foster an innovative entrepreneurial culture in the  
10 Philippines.

11       **SECTION 3. *Definition of Terms.*** As used in this Act, the following terms shall mean:

- 12       (a) *Business operation* – period that shall commence from the date the Authority to Print  
13       Invoices/Receipts from BIR has been claimed by the owners of the enterprise or their  
14       representative, and shall terminate upon the closure of the enterprise;  
15       (b) *Core business function* – the primary undertaking of the enterprise as its main source of  
16       revenue which in the case of the corporation shall be indicated in its articles of  
17       incorporation;

- 1 (c) *End user* – the consumer of the product or service offered by the enterprise whether for  
2 free or for a fee;
- 3 (d) *Innovative Start-up* – a registered enterprise operating for no longer than sixty (60)  
4 months whose core business function involves product, process, or business model  
5 innovation; *Provided, That:*
- 6 i. the innovative product, process, or business model is the primary source of revenue  
7 of the enterprise;
- 8 ii. the enterprise is not a mere end user of the innovative product, process, or business  
9 model;
- 10 iii. the cost of the enterprise for research and development is at least fifteen percent  
11 (15%) of its total operational cost, or is a licensee or owner of a patent or  
12 registered software;
- 13 iv. the enterprise is not an affiliate, a subsidiary, or franchisee of a an enterprise whose  
14 gross annual revenue exceeds fifty million pesos (PHP 50,000,000);
- 15 v. the gross annual revenue of the enterprise has not exceeded fifty million pesos (PHP  
16 50,000,000)
- 17 (e) *Innovative Product* – a good or service that is new or significantly improved, such as  
18 improvements in technical specifications, component materials, software in the product,  
19 user friendliness or other functional characteristics;
- 20 (f) *Innovative Process* – a new or significantly improved production or delivery method  
21 through changes in techniques, equipment and/or software;
- 22 (g) *Innovative Business Model* – a new organizational method in business practices,  
23 workplace organization or external relations;
- 24 (h) *Research and Development Cost* – the expenditure of the enterprise as a fraction of its  
25 total operational cost that shall include the salary of the employees engaged in research  
26 and development, purchase or lease of equipment, software, substances or materials, and  
27 such other items and goods and services that may be justified for the purposes of the  
28 development of the innovative good, service, process, or business model of the  
29 enterprise;
- 30 (i) *Support Service Providers* – any enterprise that provides goods or services that are  
31 identified to be crucial in supporting the operation and growth of innovative start-ups, or  
32 enterprises whose core business function, which in the case of corporations are indicated  
33 in their articles of incorporation, involves the targeted or exclusive provision of goods  
34 and services to innovative start-ups.

CHAPTER I  
CERTIFICATION  
Application and Assessment

**SECTION 4. *Certificate Application.*** – The Department of Trade and Industry (DTI) shall be tasked to create and process the application for the certificates created under this measure while ensuring that:

- (a) current or prospective owner(s) of an enterprise shall be deemed eligible to apply, and may commence with the application process for any of the certificates created under this measure upon the presentation of the Certificate of Business Name Registration;
- (b) The result of the application shall be released within two (2) working days upon the submission of complete requirements which must include an accomplished form with information on the nature of the operation and core business function of the current or prospective enterprise of the applicant;
- (c) In case an application shall be rejected, the applicant shall be given a notice that indicates and explains the grounds for rejection, and the right to contest the result within ten (10) working days from the release of the result;
- (d) In case an application shall be approved, the applicant shall be issued a probationary certificate.

**SECTION 5. *Assessment Process.*** DTI shall be tasked to subject bearer's of a probationary certificate to an assessment process to ascertain the nature of the operation and core business function and such other information declared in the application ensuring that:

- (a) There shall be a minimum number of months of operation, currently set at three (3) months, that must be fulfilled before a bearer of a probationary certificate can undergo an assessment;
- (b) DTI may adjust the requisite months of operation to be eligible for assessment discussed in subsection (a) of this provision;
- (c) Requests for assessment shall be accommodated regardless of the eligibility of the enterprise to be assessed; *Provided*, That the assessment must be scheduled at a date when the enterprise will reach the required minimum number of months of operation governed by subsections (a) and (b) of this provision;
- (d) The result of the assessment must be released within two (2) working days from the date of assessment;
- (e) In case the bearer of a probationary certificate fails the assessment, the bearer shall be a given a notice that indicates and explains the grounds for the result, and the right to contest the result within ten (10) working days from the release of the result; and

(f) In case the bearer of a probationary certificate passes the assessment, the bearer shall be issued the appropriate certificate created under this measure.

### Certificates

**SECTION 6. *Innovative Startup Certificate.*** – DTI shall create certificates for innovative start-ups and providers of support service envisioned under this measure that shall have fields for information such as but not limited to the following:

- (a) Type of Certificate;
- (b) Certificate Number;
- (c) Name of the Owner/s;
- (d) Business Name and address;
- (e) Date and place of issuance of certificate;
- (f) Commencement of operation;
- (g) Date of assessment;
- (h) Assessment result/s;
- (i) Certificate Expiration
- (j) Office, name, position, and signature of the authorized signatory from DTI;

In the case of probationary certificates, all fields must be duly furnished with the necessary information except (f) if the certificate bearer has not yet acquired the Authority to Print Invoice/Receipts from the BIR, and except (g) which shall only be furnished by pertinent authority in DTI once the certificate bearer has passed assessment.

DTI shall ensure that the contents of the certificates are true and consistent with the information provided by the owner(s) of the registered enterprise in all stages of the application for any of the certificates.

**SECTION 7. *Type 1 Innovative Start-up Certificate.*** – DTI shall issue this certificate to registered enterprises operating for no longer than sixty (60) months and whose core business function involves product, process, or business model innovation: *Provided, That:*

- (a) the innovative product, process, or business model is the primary source of revenue of the enterprise;
- (b) the enterprise is not a mere end user of the innovative product, process, or business model;
- (c) the cost of the enterprise for research and development is at least fifteen percent (15%) of its total operational cost, or is a licensee or owner of a patent or registered software;

(d) the enterprise is not an affiliate, a subsidiary, or franchisee of an enterprise whose gross annual revenue exceeds fifty million pesos (PHP 50,000,000);

(e) The gross annual revenue of the enterprise has not exceeded fifty million pesos (PHP 50,000,000).

**SECTION 8. *Type 2 Innovative Start-up Certificate.*** -- DTI shall issue this certificate to registered enterprises whose core business function involves products, process, or business model innovation and that either:

(a) qualify as a Type 1 Innovative Start-up but has operated for more than sixty (60) months; and/or

(b) qualify as a Type 1 Innovative Start-up except for subsection (d) in Section 7; and/or

(c) qualify as a Type 1 Innovative Start-up except for subsection (e) in Section 7.

**SECTION 9. *Type 3 Support Service Certificate.*** -- DTI shall issue this certificate to support service providers that is not an affiliate, a subsidiary, or franchisee of an enterprise whose gross annual revenue exceeds fifty million pesos (PHP 50,000,000), and the gross annual revenue of the support service provider has not exceeded fifty million pesos (PHP 50,000,000), such as but not limited to:

(a) Co-working space operators;

(b) Incubators;

(c) Accelerators;

(d) Fabrication laboratories;

(e) Design centers.

## **Expiration, Revocation, and Mandatory Assessment**

**SECTION 10. *Expiration of the Certificate.*** -- The following certificates may be renewed but shall expire after twenty-four (24) months from its issuance:

(a) Type 1 Innovative Start-up Certificate;

(b) Type 2 Innovative Start-up Certificate; and

(c) Type 3 Support Service Certificate.

Type 1 Innovative Start-up Certificates shall ultimately expire after sixty (60) months of operation and may no longer be renewed as a Type 1 Innovative Start-up Certificate, but may still be renewed as a Type 2 Innovative Start-up Certificate.

In case the ultimate date of expiration of the Type 1 Innovative Start-up Certificate is less than thirty-six (36) months from issuance of a renewed certificate, the date of expiration shall be set



1 at the date of the ultimate expiration, at the end of the sixtieth (60<sup>th</sup>) month of expiration of the  
2 enterprise.

3 Probationary Certificates shall expire after six (6) months from its issuance if it remains  
4 subject to assessment, or has failed to pass assessment prior to its expiration.

5 Bearers of expired certificates shall be reserved the right to reapply for any of the  
6 certificates created under this measure, but shall not be entitled to any benefit or privilege reserved  
7 for bearers of unexpired certificates.

8 **SECTION 11. *Mandatory Re-assessment.*** – Enterprises with a duly assessed certificate  
9 shall be subject to mandatory reassessment by DTI one (1) month prior to the expiration of their  
10 certificate. Enterprises that would pass the reassessment shall have its certificate renewed, effective  
11 for another twenty-four (24) months beginning on the expiration of their certificate.

12 Prior to the date for mandatory reassessment, bearers of the certificate shall reserve the right  
13 to apply or request for an earlier reassessment, and have their certificate renewed for another  
14 twenty-four (24) months beginning from the issuance of the result; *Provided*, That they pass the  
15 reassessment.

16 **SECTION 12. *Revocation.*** DTI shall reserve the right to set the standards for revocation  
17 of any of the certificates created under this measure and revoke the certificates of bearers who no  
18 longer meet the standards set to qualify for each type of certificate prior to its expiration.

19 DTI shall first issue a notice detailing the grounds for the revocation of the certificate. It  
20 shall then provide the enterprise at least twenty (20) working days in order to contest or clarify.

21 DTI shall only proceed with revocation if the notice remains uncontested, or the grounds  
22 have been confirmed despite contestation.

23 DTI shall also be required to immediately post on its website, and on the website created  
24 under this measure, information on the revocation of certificates such as but not limited to the  
25 following:

- 26 (a) Rules and regulations related to revocation;  
27 (b) Cases of revocation and its resolution or result.

28 **CHAPTER 2**  
29 **BENEFITS AND INCENTIVES**

## Registration Benefits

**SECTION 13. *Registration Benefits.*** – Bearers of the certificates created under this measure, including those with probationary status shall be entitled to the following benefits:

- (a) Waived fees in the application and processing of permits and certificates required for the business registration of the enterprise with appropriate registering agency;
- (b) Refund equivalent to the sum of fees and taxes levied by the local government unit for the permit to operate and its prerequisites, to be claimed from DTI;
- (c) Expedited processing of permits and certificates that are requisites to business registration and operation.

In case bearers of a probationary certificate fail to pass the assessment prior to the expiration of its probationary certificate, they shall be required to pay DTI an amount equivalent to fees waived by State departments and agencies in the processing of permits and certificates required for the business registration of their enterprise.

DTI shall only provide the refund equivalent to the fees levied by local government units for the permit to operate and its prerequisites once the bearer of a probationary certificate has successfully passed the assessment.

DTI shall identify government institutions that issue permits and certificates pertinent to this provision, and shall require these institutions to create mechanisms for expedited processing resulting to a timeline from application to approval that is shorter than for those applying for the same permit, certificate, or document without any of the certificates created under this measure.

All instrumentalities of the government that issue permits and certification that are required for the operation of any business shall be tasked to place materials in conspicuous areas advertising the entitlement to these benefits in its field offices.

## Tax Benefits

**SECTION 14. *Tax Exemption.*** – Bearers of a duly assessed Type 1 Innovative Start-up Certificate shall be exempt from the following taxes arising from the operation of the enterprise for the period covered by the validity of the certificate, which may be extended subject to reassessment, and may last until the first sixty (60) months of its operation:

- (a) Income tax arising from the operation of the enterprise;
- (b) Value added Tax (VAT) for the sale and lease of goods, properties or services arising in the course of trade or business of the enterprise or percentage tax;



- (c) Creditable withholding tax on income; and
- (d) Expanded withholding tax on its income payment;

**SECTION 15. Tax Deduction.** Bearers of duly assessed Type 3 Support Service Certificate shall be entitled to special deduction from taxable income equivalent to foregone income arising from partial or discounted rates for services given to bearers of Type 1 Innovative Start-up Certificate; *Provided, That:*

- (a) Bearers of the Type 3 Support Service Certificate shall be required to disclose staple rates in their application including discounted rates that shall be provided to bearers of Type 1 Innovative Start-up Certificate as a basis for the assessment of tax deduction;
- (b) Bearers of Type 3 Support Service Certificate must be able to provide supporting documents such as copies of the Type 1 Innovative Start-up Certificate of enterprises receiving discounted rates; and
- (c) Deductions shall only account for goods and services rendered by the bearer of a Type 3 Support Service Certificate during the validity of its certificate and that of the Type 1 Innovative Start-up Certificate of the recipient of such goods and services.

## **Intellectual Property**

**SECTION 16. IPO Subsidy.** – Bearers of duly assessed Type 1 Innovative Start-up Certificate shall be exempt from fees and charges levied by the Intellectual Property Office of the Philippines for its services.

## **Salary Subsidies**

**SECTION 17. Salary Subsidies.** DTI, in coordination with DOST and DICT shall provide salary subsidies to duly assessed Type 1 Innovative Start-up Certificate bearers under a competitive basis.

DTI, DOST and DICT shall be mandated to create the regulations for the application and awarding of this subsidy ensuring:

- (a) That the subsidy shall only be granted for the purposes of hiring a competent employee or consultant that shall aid in improving the technology readiness of the innovative good or service, and the improvement of the innovative process or business model of the applying enterprise;
- (b) That the subsidy shall prioritize applicants whose innovative good, service, process, or business model compliments or supports the achievement of the mandate of the

respective awarding agencies, or other State departments or agencies overseeing priority programs of the State;

- (c) That the coverage of the subsidy for each recipient employee or consultant for an enterprise shall not exceed twelve (12) months;
- (d) That the awarding agencies shall put limits such as, but not limited to, number of recipients per enterprise at any given time, number of times an enterprise may be awarded a subsidy, allowable rate of salary subsidy, maximum allowable salary subsidy;
- (e) That the enterprise awarded with salary subsidy must be able to provide the awarding agency with timely information on the progress of projects or programs where the recipient employee or consultant is involved, and other related accomplishment reports;
- (f) That the awarding agency shall reserve the right to terminate provision of the subsidy, provided that such grounds for revocation used to terminate the subsidy have been disclosed, or included in ensuing written agreements with the recipient enterprise;
- (g) That the awarding agency shall post such agreements involving salary subsidies in its website, providing information such as but not limited to, recipient enterprise, terms of the subsidy, and purpose of the subsidy, partial or full accomplishments of recipient employees or consultants for the enterprise.

### Support Service Subsidy

**SECTION 18. *Support Service Subsidy.*** – DTI, DOST, and DICT shall provide a support service subsidy under a competitive basis to duly assessed Type 1 Innovative Start-up Certificate bearers.

DTI, DOST and DICT shall be mandated to create the regulations for the application and awarding of this subsidy ensuring:

- (a) That the subsidy shall prioritize applicants whose innovative good, service, process, or business model compliments or supports the achievement of the mandate of the respective awarding agencies, or other State departments or agencies overseeing priority programs of the State;
- (b) That the coverage of the subsidy for each recipient enterprise shall not exceed twelve (12) months;
- (c) That the awarding agencies shall put limits such as, but not limited to, number of support service subsidies per enterprise, allowable subsidy rate, maximum allowable amount for support service subsidy;
- (d) That the awarding agency shall reserve the right to terminate provision of the subsidy, provided that such grounds for revocation used to terminate the subsidy have been disclosed, or included in ensuing written agreements with the recipient enterprise;

- (e) That the awarding agency shall post such agreements involving support service subsidy in its website, providing information such as but not limited to, recipient enterprise, terms of the support service subsidy, and purpose of the subsidy;

#### **Market Validation Study Subsidy**

**SECTION 19. *Market Validation Study Subsidy.*** DTI shall provide a subsidy for market validation studies under a competitive basis to duly assessed Type 1 Innovative Start-up Certificate bearers.

DTI shall be mandated to create the regulations for the application and awarding of this subsidy ensuring:

- (a) That the subsidy shall only be granted for the purposes of funding market validation studies which may be outsourced to competent academic institutions, and providers of consultancy service;
- (b) That the subsidy shall prioritize applicants whose innovative good, service, process, or business model compliments or supports the achievement of the mandate of the respective awarding agencies, or other State departments or agencies overseeing priority programs of the State;
- (c) That the awarding agencies shall put limits such as, but not limited to, number of subsidies per enterprise, number of times an enterprise may be awarded this subsidy, allowable rate of subsidy, maximum allowable market validation study subsidy;
- (d) That the enterprise awarded with market validation study subsidy must be able to provide the awarding agency with timely information on the impact and use of the subsidy in the growth of the enterprise, and such other steps taken to utilize the information gathered from the study, and other related accomplishment reports;
- (e) That the awarding agency shall reserve the right to terminate provision of the subsidy, provided that such grounds for revocation used to terminate the subsidy have been disclosed, or included in ensuing written agreements with the recipient enterprise;
- (f) That the awarding agency shall post such agreements involving market validation study subsidies in its website, providing information such as but not limited to, recipient enterprise, terms of the subsidy, and purpose of the subsidy, partial or full accomplishments of recipient employees or consultants for the enterprise.

#### **Venture Fund**

**SECTION 20. *Innovative Start-up Venture Fund.*** – There is hereby created a one billion peso (PHP 1,000,000,000) Innovative Start-up Venture Fund, to be administered by DOST, to

cover for initial or supplemental investment requirements of bearers of the certificates created under this measure.

DOST shall ensure that grants made under this fund shall be in line with national priorities, or the mandate of State departments or agencies who may endorse applicants whose innovation may aid them in fulfilling or complimenting their functions through their programs.

### CHAPTER 3 STARTUP VISAS

**SECTION 21. *Innovative Start-up Visas.*** – The Bureau of Immigration shall be tasked to promulgate the necessary rules and regulations in the provision of the following visas:

(a) General Start-up Visa – This visa shall entitle its bearer to at least four (4) months and at most twelve (12) months stay in the Philippines, depending on the need justified, requiring only the following in addition to standard visa requirements:

- i. Existing or prospective business plan for an Innovative Start-up or provider of identified support services; and
- ii. Official endorsement or invitation from any of the following registered enterprises in the Philippines justifying the purpose of the travel and its duration:
  1. Duly assessed Innovative Start-up or Support Service Certificate bearers; or
  2. Innovation Council – Department of Trade and Industry

(b) Start-up Founder Visa – This visa shall entitle its bearer, who owns a registered enterprise in the Philippines, stay in the Philippines until three (3) months after the non-renewal or the revocation of its Innovative Start-up or Support Service Certificate, requiring only the following in addition to standard visa requirements:

- i. Business Permit of the applicant's registered enterprise in the Philippines; and
- ii. Duly assessed Innovative Start-up or Support Service Certificate of the enterprise.

(c) Start-up Employment Visa – This visa shall entitle its bearer exemption from the Alien Employment Permit, and stay in the Philippines until three (3) months from the expiration of the applicant's employment contract with bearers of duly assessed Innovative Start-up or Support Service Certificate, requiring only the following in addition to standard visa requirements:

- i. Applicant's employment contract endorsed by the hiring enterprise;
- ii. Duly assessed Innovative Start-up or Support Service Certificate of the hiring enterprise; and
- iii. Business Permit of the hiring enterprise.

1           *Provided*, That the endorsing employer shall inform Bureau of Immigration within  
2           five (5) working days from the termination of the contract used to justify the visa, and  
3           provide the whereabouts of the visa bearer that it endorsed.

4           (d) Start-up Investor Visa – This visa shall entitle its bearer to a multiple entry visa for  
5           complying with at least two million pesos (PHP 2,000,000) worth of total investment into  
6           any bearer of duly assessed Innovative Start-up or Support Service Certificate within twelve  
7           months from the issuance of the visa, requiring only the following in addition to standard  
8           visa requirements:

- 9           i.     Certification under oath of duly-authorized officers of any accredited depository bank  
10           in the Philippines as to the amount of foreign exchange inwardly remitted by the alien  
11           applicant, and its conversion to pesos through the said bank; *Provided*, That for  
12           inward remittances sent through non-accredited correspondent banks, the total amount  
13           of remitted money should be immediately transferred to the accredited banks;  
14           ii.    Certified true copy of peso time deposit with a maturity period of at least thirty (30)  
15           days, amounting to at least two million pesos (PHP 2,000,000);  
16           iii.   If spouse and dependent children are included in the application, a marriage contract  
17           duly authenticated by the Philippine Consulate or Embassy in the applicant's country,  
18           or the embassy of the country of the applicant in the Philippines;

19           *Provided*, that the Innovation Council in coordination with the Board of Investments  
20           shall reserve the right to create rules and regulations on the investment requirement for the  
21           maintenance of this visa. The Board of Investment shall also require for the periodic  
22           reporting of the investments to be determined in the implementing rules and regulations of  
23           this measure.

24           **SECTION 22. Visa Expiration.** – The visas created under this measure shall have the  
25           following terms of expiration:

- 26           (a) General Start-up Visa shall last for at least four (4) months at most twelve (12) months,  
27           depending on the need justified, and shall expire on the date granted by the authorized  
28           immigration officer;  
29           (b) Start-up Founder Visa shall expire three (3) months after the expiration or the revocation  
30           of the certificate of the enterprise used to justify the visa, or one (1) month after the  
31           bearer of the visa has transferred ownership of the enterprise;  
32           (c) Start-up Employment Visa shall expire three (3) months from the termination of the  
33           employment contract used to justify the visa, or (1) month after the employer failed to  
34           comply with the requirement to furnish Bureau of Immigration with a signed copy of the  
35           employment contract used to justify the visa;

(d) Start-up Investor Visa shall expire two (1) months after the bearer failed to comply with the investment requirements for this visa, or (1) month after it has failed to report its investments. Dependent Visas issued shall also expire upon the expiration of the Start-up Investor Visa used to justify its issuance.

*Provided*, That an alien whose visa either expired, or is pending expiration may still apply or re-apply for visas created under this measure.

**SECTION 23. *Revocation of Start-up Visas.*** – The visas created under this measure may be revoked subject to any of the following conditions:

- (a) If the bearer of the visa has been found to have falsified or misrepresented information in the application;
- (b) If the bearer of the visa has been found guilty of a crime of moral turpitude;

*Provided*, That visas created under this measure shall require applicants to provide the pertinent authority access to criminal records that may be provided by the government in the applicant's home country, or its embassy here in the Philippines.

*Provided further*, That documentary requirements such as security clearance shall only be required from an applicant prior to visa approval in cases when there is evidence or information against the applicant, such as but not limited to, International Police Advisory that may be acted upon by pertinent authorities at the moment of application or its processing. Otherwise, failing security clearance shall only be grounds for revocation of visas created under this measure.

*Provided finally*, That the revocation of visa shall also result to the immediate order for deportation of bearers of visas in question, and barring of re-application until charges have been cleared.

**SECTION 24. *Startup Immigration Assessment.*** Bureau of Immigration, in coordination with the Innovation Council shall publish an annual report posted in their website and in the official government portal created under this measure, statistical information related to the start-up visas such as but not limited to:

- (a) Number of aliens granted with each type of visa per country, updated monthly;
- (b) Rate of re-application for each type of visa, updated monthly;
- (c) Rejection Rate (out of total monthly applications);



**SECTION 25. *Visa Fees.*** – The corresponding fees for each visa shall be consulted by the Bureau of Immigration with the Innovation Council, where it shall be deliberated to ensure that the price shall not serve as a barrier to its intended recipients.

## CHAPTER 4

### STARTUP PROMOTION AND DEVELOPMENT

## Innovation Council

**SECTION 26. *Innovation Council.*** – There is hereby created an Innovation Council, hereinafter referred to as the Council, which shall be attached to the Department of Trade and Industry.

**SECTION 27. *Mandate.*** The Council shall promote and develop an environment that fosters innovation in the Philippines by coordinating, initiating, and supporting government and non-government programs, projects, and activities towards this end.

The Council shall push for the implementation of this Act, and the creation of comprehensive development plans for sectors pivotal to the growth of the economy through innovation.

**SECTION 28. Composition.** - The Council shall be composed of the following:

- (a) Department of Trade and Industry (DTI);
- (b) Department of Science and Technology (DOST);
- (c) Department of Information Communication Technology (DICT);
- (d) National Economic Development Authority (NEDA);
- (e) Department of Budget and Management (DBM);
- (f) Department of Education (DepEd);
- (g) Commission on Higher Education (CHED);
- (h) Technical Education and Skills Development Authority (TESDA);
- (i) Top two (2) departments or agencies without permanent membership in the Council, and with the highest budget for programs related to innovation, research, and development;
- (j) One (1) representative from a policy or research institution; and
- (k) Five (5) representatives from the private sector, each representing a sector in the local start-up industry.

1 The Secretary of Trade and Industry and one (1) representative from the private sector, to be  
2 appointed by the President, shall be the Co-Chairpersons of the Council. The remaining four (4)  
3 private sector representatives shall likewise be appointed by the President.

4 The top two (2) departments or agencies with the highest innovation research and  
5 development funding shall be identified by the DBM upon the promulgation of the General  
6 Appropriations Act. DBM shall take into consideration both new appropriations and carried over  
7 appropriations for on-going programs.

8 The Council shall meet once every two (2) months or whenever the Chairperson or Co-  
9 Chairperson shall convene the same.

10 **SECTION 29. Powers and Functions.** The Council shall exercise the following powers  
11 and functions in order to carry out its mandate:

- 12 (a) Act as the primary body that will strategize and execute steps to improve the country's  
13 ranking in the Global Innovation Index, and when necessary, also in other indices and  
14 measures that they may deem appropriate in measuring the growth and development of  
15 innovation in the country, or among countries;
- 16 (b) Advise the President on policy matters affecting the development of innovation in the  
17 country, and recommend to Congress any proposed legislation that would forward  
18 innovation in the country;
- 19 (c) Coordinate, monitor, and assess the implementation of this measure, and such other  
20 policies related to the fulfilment of its mandate, and when necessary, recommend  
21 appropriate adjustments thereon in light of changing conditions in both domestic and  
22 international environment;
- 23 (d) Direct specific departments and agencies to attend to the bottlenecks and problems  
24 constraining stakeholders in the local start-up community and contributors to our  
25 innovation economy;
- 26 (e) Collate and deliver progress report(s) on the programs and activities to forward the  
27 objectives of this measure, and address the bottlenecks identified by the government and  
28 stakeholders in the local start-up community;
- 29 (f) Coordinate with Local Government Units (LGUs) through respective leagues for the  
30 formulation of standards and policies to be observed by LGUs in order to ensure that  
31 plans and budgets of LGUs are supportive of the thrusts of this measure, and ensure  
32 optimal allocation of expenditure;
- 33 (g) Coordinate with concerned agencies for the generation of resources, both governmental  
34 and non-governmental, local, national and international, as may be appropriate, in and

for the development, marketing, growth and competitiveness of innovation in the Philippines;

(h) Promote and coordinate initiatives and programs, with government and non-government institutions, for the complimentary use of innovation in improving processes in the production and preservation of traditional crafts while balancing the interest of cultural preservation;

(i) Support and develop initiatives to improve the appreciation and cultivation of innovation and entrepreneurship in academic institutions;

(j) Perform such other powers and functions as may be necessary or as may be assigned by the President.

**SECTION 30. *Secretariat.*** – The Council shall organize a Secretariat which shall report directly to it, to be headed by an Executive Director, with the support of a private sector staff headed by an Operations Director.

**SECTION 31. *Coordination.*** – The Council shall regularly coordinate with local and international advocates of innovation, stakeholders in the start-up community, and representatives of institutions interested to support and collaborate to pursue programs or activities pivotal or complimentary to the fulfilment of the mandate of the Council.

They may be invited as resource persons during meetings, or be invited in presentations or discussions spearhead by or done in coordination with the Council.

**SECTION 32. *Funding.*** – The activities and operational expenses of the Council shall be funded by budgetary appropriations from the government and from private sector contributions. To carry out the provisions on the establishment of the Council in this measure, an initial allocation of twenty-five million pesos (PHP 25,000,000) for the necessary operating expenses of the Council shall come from the funds of the Department of Trade and Industry. Subsequent funding for the Council may be incorporated in the budget proposal of the DTI, subject to existing accounting and auditing laws, and procedures.

The private sector shall fund its own participation in the work of the Council. They are encouraged to secure their own funding through grants and other contributions from foreign and local private sector counterparts, subject to applicable laws, rules and regulations.

Donations for the operation of the Council shall be received, accounted for, and disbursed in accordance with the pertinent laws, accounting and auditing rules and regulations.

## **Innovative Start-up Website**

**SECTION 33. *Innovative Start-up Website.*** – The Council shall develop and maintain a single portal that shall serve as the primary source of information on statistics, events, programs, and benefits provided in relation to the mandate of the Council, and the implementation of this measure.

**SECTION 34. *Functions of Website.*** – The single portal created under this measure must have features such as but not limited to following:

- (a) Online database of bearers of certificates created under this measure, which may include basic information on the enterprise such as business address and contact number;
- (b) Online inquiry, registration, application, and release of results for certificates and for visa requirements;
- (c) Advertising space which shall be a source of funds for the maintenance and development of the website, which may also be provided for fee or at a subsidized rate for the promotion of events and key stakeholders of the local start-up community;
- (d) Statistical information and annual reports pertinent to the implementation of this measure, and such other informative content beneficial in line with the mandate and goals of the Council.

## **Educational Programs**

**SECTION 35. *Advancement of Education Programs.*** – DepEd, CHED, and TESDA shall be tasked to pursue the creation and updating of programs that shall foster an environment conducive to innovation, and provide incentives to academic institutions to provide funds and/or grants for the research of its students and its faculty.

**SECTION 36. *Innovation in Academic Institutions.*** – The Council, in coordination with government and non-government institutions, shall endeavour the creation of facilities and programs such as but not limited to incubation, design, and research facilities for both students and educators within academic institutions.

## **Intellectual Property**

**SECTION 37. *Intellectual Property Office.*** – The Intellectual Property Office of the Philippines, in coordination with DTI, shall undertake capacity building programs for the Business Counsellors of the Negosyo Center to equip them to address inquiries, and process services related

1 to the acquisition of copyrights, trademark, patents, and such other services that may be provided  
2 by the IPO.

### 3 **Technology Readiness Assessment**

4 **SECTION 38. *Technology Readiness Level Assessment.*** – DICT and DOST shall create  
5 the standards and measures for the assessment of technology readiness level of innovative start-ups,  
6 and shall provide programs that will expedite the ascent of innovators and innovative enterprises in  
7 higher levels of technology readiness, and prevent the stagnation in lower levels.

### 8 **Market Readiness Assessment**

9 **SECTION 39. *Market Readiness Assessment.*** DTI in coordination with academic  
10 institutions shall develop and create measures for the assessment of the market readiness of  
11 innovative business, not limited for the purposes of assessing recipients and applicants of benefits  
12 and privileges created under this measure.

## 13 **CHAPTER 5**

### 14 **Special Provisions**

15 **SECTION 40. *E-commerce.*** – Registered enterprises engaged in E-commerce shall not be  
16 construed as mass media, and shall not be subject to corresponding limitations in Article XVI  
17 Section 11 of the 1987 Philippine Constitution.

18 **SECTION 41. *Co-working Permit.*** All enterprises operating in certified co-working  
19 space shall be exempt from these permits; *Provided*, that the operator of their co-working space has  
20 already complied with the permits:

- 21 (a) Fire permit;
- 22 (b) Sanitation permit;
- 23 (c) Building permit.

### 24 **Others**

25 **SECTION 42. *Numeric Adjustments.*** Numeric parameters used in this measure shall be  
26 subject to the adjustment of an agency or agencies involved with the implementation of the  
27 provision(s) of this measure to adjust to inflation and other economic parameters in light of  
28 changing local and international circumstances.

1       **SECTION 43. *Implementing Rules and Regulations.*** - DTI in coordination with the  
2       pertinent government agencies shall promulgate the necessary rules and regulations within sixty  
3       (60) days from the effectivity of this Act.

4       **SECTION 44. *Separability Clause.*** - If any section or part of this Act is held  
5       unconstitutional, no other section or provision shall be affected.

6       **SECTION 45. *Repealing Clause.*** - All provisions of existing laws, presidential decrees or  
7       issuances, executive orders, letters of instruction, administrative orders, rules and regulations  
8       contrary to or inconsistent with the provisions of this Act are hereby repealed, amended, or  
9       modified accordingly.

10       **SECTION 46. *Effectivity.*** - This Act shall take effect fifteen (60) days after its complete  
11       publication in the Official Gazette and in at least two (2) newspapers of general circulation

12       *Approved.*