

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**SEVENTEENTH CONGRESS**

First Regular Session

HOUSE BILL NO. **2882**

HOUSE OF REPRESENTATIVES

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**Introduced by HONORABLE LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.**  
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**EXPLANATORY NOTE**

The private sector is a critical driver of economic growth. It generates employment and provides essential goods and services. The start-up industry, for one, is instigating a string of positive effects on the economy at large — encouraging investment, bringing innovation, creating jobs, and building a more vibrant entrepreneurial ecosystem.

The government plays a crucial role in creating a healthy environment for startups. As enshrined in the Constitution, the State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments. A thriving start-up ecosystem requires a close collaboration between the public and private sectors.

By 2020, the roadmap targets to achieve at least 500 Philippine startups.<sup>1</sup> The continued growth of startups in the country benefits Filipinos who have innate talent for shaping contemporary ideas.

This re-filed version of the start-up bill takes inspiration from the Senate bill filed by Senator Paolo Benigno "Bam" A. Aquino IV on 30 June 2016. Taking the vision for Philippine start-up further, it proposes online application and processing of documents for faster and paperless government transactions. It also seeks to broaden the definition of startups and provide more incentives to entrepreneurs such as streamlined business procedures, tax incentives, and easier immigration.

This bill takes into consideration experiences of nations with groundbreaking startups. Chile and Estonia are two examples of countries with start-up success stories. In Chile, entrepreneurs who are accepted in its start-up program are given seed capital, equity-free funding and residence visa valid for a year. The start-up program of Chile receives 200 to 250 applicants per year. It aims to attract early-

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<sup>1</sup> Philippines. Department of Science and Technology-Information and Communications Technology Office (DOST-ICT Office). (2015). *The Philippine Roadmap for Digital Startups: 2015 and Beyond*. Retrieved from the Department of Science and Technology Web site: <http://icto.dost.gov.ph/dost-icto-to-launch-philippine-roadmap-for-digital-startups-at-geeks-on-a-beach-3-eyes-more-startups-by-2020/>

stage, high-potential entrepreneurs to bootstrap their startups using Chile as a platform to go global.

The Estonian start-up community, on the other hand, connects networks of investors and mentors, numerous business and innovation accelerators, starting and already succeeded enterprises. Estonia produces the biggest number of startups and seed stage investments per capita in Europe. Entrepreneurs can apply their business online, access several start-up accelerator programs and benefit from the zero corporate income tax.

By adopting the best practices in start-up communities and tailoring the same to fit the Philippine start-up ecosystem, the Filipino entrepreneurs can only be immensely benefited. Thus, the immediate approval of this bill is earnestly sought.



**LUIS RAYMUND "LRAY" VILLAFUERTE, JR.**

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**SEVENTEENTH CONGRESS**  
First Regular Session

**HOUSE BILL NO. 2882**

.....  
Introduced by **HONORABLE LUIS RAYMUND F. VILLAFUERTE, JR.**  
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**AN ACT DEVELOPING, SUPPORTING AND PROVIDING VARIOUS  
INCENTIVES TO INNOVATIVE START-UP ENTREPRENEURS AND ITS  
INVESTORS**

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

**SECTION 1. *Short Title.*** – This Act shall be known as the "Start-up *Pilipinas* Act"

**SECTION 2. *Declaration of Policy.*** – The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments. The goals of the national economy are a more equitable distribution of opportunities, income, and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the underprivileged

Accordingly, the State shall foster national development and promote inclusive growth by encouraging the creation of enterprises that facilitate job creation, production, innovation and trade in the country. For such purposes, the State shall provide incentives and remove constraints to start-up businesses and proliferate an entrepreneurial culture in Philippine society.

**SECTION 3. *Definition of Terms.*** – For purposes of this Act, the following definitions shall apply to the following terms:

- a. Investor – means any person who commits money to a duly-certified start-up enterprise in the minimum amount of Five Million Pesos (PhP5,000,000.00).
- b. Research and Development Cost – the expenditure of the start-up enterprise as a fraction of its total operational cost that shall include the salary of the employees engaged in research and development, purchase or lease of equipment, software, substances or materials, and such other items and goods and services that may be justified for the purposes of the development of the innovative good, service, process, or business model of the start-up enterprise.



- c. Start-up enterprise or Start-up – means an organization formed to search for a repeatable and scalable business model; provided that:
  - i. It is a duly-registered business in the Philippines;
  - ii. It exists for no longer than (60) months from commencement of business operation;
  - iii. It is working towards innovation, development, deployment or commercialization of new products, processes or services driven by, but not limited to, technology or intellectual property;
  - iv. It is not a mere end user of an innovative product, process or business model;
  - v. It is not an affiliate, a subsidiary, or franchise of an enterprise with gross annual revenue of more than Two Hundred Fifty Million Pesos (PhP 250,000,000.00); and
  - vi. It has not exceeded Two Hundred Fifty Million Pesos (PhP 250,000,000.00) as gross revenue.
- d. Repeatable business model – means doing the same sales process and getting additional customers or users.
- e. Scalable business model – means spending money on sales and marketing that yields incremental net cash.
- f. Start-up *Pilipinas* Certificate – means the document awarded to eligible entrepreneurs with registered startups.
- g. Venture capital (VC) – means financing that investors provide to a start-up enterprise in the minimum amount of Fifty Million Pesos (PhP50,000,000.00).

## Chapter 1

### Start-up *Pilipinas* Certificate

**SECTION 4. Start-up *Pilipinas* Certificate.** – Department of Trade and Industry (DTI) shall issue Start-up *Pilipinas* 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 product, process or business 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; and
- d. The gross annual revenue of the enterprise has not exceeded Two Hundred

Fifty Million Pesos (PhP 250,000,000.00).

**SECTION 5. *Expiration of the Certificate.*** – The Start-up *Pilipinas* Certificate shall expire after sixty (60) months from its issuance or when the enterprise receives venture capital from an investor in the amount of Two Hundred Fifty Million Pesos (PhP250,000,000.00), whichever is earlier.

The expiration of the Start-up *Pilipinas* Certificate or receipt of venture capital disqualifies the holder to the benefits and incentives under this Act.

**SECTION 6. *Revocation of Certificate.*** – DTI shall revoke the certificate of bearers who no longer meet the standards set to qualify the requirements under this Act prior to its expiration.

DTI shall first issue a notice detailing the grounds for the revocation of the certificate. It shall then provide the enterprise at least twenty (20) working days in order to protest or clarify the notice of revocation. DTI shall only proceed with revocation if the notice remains uncontested, or the grounds have been confirmed despite protest. DTI shall also be required to immediately post on its website, and on the website created under this Act, information on the revocation of certificate such as but not limited to the following:

- a. Rules and regulations related to revocation; and
- b. Cases of revocation and its resolution of result.

## **Chapter 2**

### **Application and Assessment**

**SECTION 7. *Application and Evaluation Process.*** –DTI shall be tasked to create an online application and evaluation process for the Start-up *Pilipinas* Certificate created under this Act while ensuring that:

- a. Current owner(s) of a start-up enterprise shall be deemed eligible to apply, and may commence with the application process for Start-up *Pilipinas* Certificate upon submission of the Certificate of Business Name Registration.
- b. The result of the application shall be released within seven (7) 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 an email notification that indicates and explains the ground for rejection and the right to contest the result within thirty (30) working days from date of email notification of rejected application.

- d. In case an application shall be approved, the applicant shall be issued a Start-up *Pilipinas* Certificate.

### **Chapter 3** **Benefits and Incentives**

**SECTION 8. *Tax Benefits.*** – Holders of a Start-up *Pilipinas* 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:

- 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 9. *IPO Subsidy.*** – Holders of a Start-up *Pilipinas* Certificate shall be exempt from fees and charges levied by the Intellectual Property Office for its services.

**SECTION 10. *Investment Incentives.*** –A Start-up enterprise holding a Start-up *Pilipinas* Certificate shall be granted the following incentive benefits:

(a) *Protection of Patents and Other Proprietary Rights.* The right to be protected from infringement of patents, trademarks, copyright, trade names, and other proprietary rights, where such patents, trade marks, copyright, trade names, and other proprietary rights have been registered with the appropriate agencies of the Government of the Philippines.

(b) *Capital Gains Tax Exemption.* Exemption from income tax on that portion of the gains realized from the sale, disposition, or transfer of capital assets, as defined in Section thirty-four of the National Internal Revenue Code, that corresponds to the portion of the proceeds of the sale that is invested in new issues of capital stock within six months from the date the gains were realized: *Provided*, (1) that the said date, disposition or transfer and the investment of the proceeds thereof have been registered with the DTI Special Office and the Bureau of Internal Revenue; and (2) that the shares of stock representing the investment are not disposed of, transferred, assigned, or conveyed for a period of five years from the date the investment was made. If such shares of stock are disposed of within the said period of five (5) years, all taxes due on the gains realized from the original transfer, sale or disposition of the capital assets shall immediately become due and payable.

(c) *Accelerated Depreciation.* At the option of the taxpayer and in accordance with the procedure established by the Bureau of Internal Revenue, fixed assets may be (1) depreciated to the extent of not more than twice as fast as normal rate of depreciation or depreciated at normal rate of depreciation if expected life is ten years or less; or (2) depreciated over any number of years between five years and expected life if the latter is more than ten (10) years; and the depreciation thereon allowed as a deduction from taxable income: *Provided*, That the taxpayer notifies the Bureau of Internal Revenue at the beginning of the depreciation period which depreciation rate allowed by this section

will be used by it.

(d) *Tax Exemption on Imported Capital Equipment.* Within seven years from the date of registration, importation of machinery and equipment, and spare parts shipped with such machinery and equipment, shall not be subject to tariff duties and compensating tax: *Provided*, That said machinery, equipment and spare parts: (1) are not manufactured domestically in reasonable quantity and quality as reasonable prices; (2) are directly and actually needed and will be used exclusively by the registered enterprise in the manufacture of its products; and (3) are covered by shipping documents in the name of the registered enterprise to whom the shipment will be delivered direct by customs authorities. If the registered enterprise sells, transfers, or disposes of these machinery, equipment and spare parts without the prior approval of the DTI Special Office within five (5) years from the date of acquisition, the registered enterprise shall pay twice the amount of the tax exemption given it. However, the DTI Special Office shall allow and approve the sale, transfer, or disposition of the said items within the said period of five (5) years if made: (1) to another registered enterprise; (2) for reasons of proven technical obsolescence; of (3) for purposes of replacement to improve and/or expand the operations of the enterprise.

**SECTION 11 *Tax Exemption on Stocks Given to Employees.*** – Capital Gains Tax shall not be imposed on stocks from the company that is given to employees in exchange for intellectual capital and/or as incentive by the holder of a Start-up *Pilipinas* certificate.

#### **Chapter 4 Start-Up Visa**

**SECTION 12 *Start-up Visa.*** – The Bureau of Immigration (BI) shall be tasked to promulgate the necessary rules and regulations in the provisions of the following visas:

- a. General Start-up Visa – The visa shall entitle its holder a renewable twelve (12) month stay in the Philippines requiring only an official endorsement or invitation from any registered start-up enterprise or holder of a Start-up *Pilipinas* Certificate justifying the purpose of the travel and its duration.
- b. Start-up Employment Visa – The visa shall entitle its holder 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 holders of Start-up *Pilipinas* certificate, requiring only the following in addition to standard visa requirements:
  - i. Applicant's employment contract endorsed by the hiring start-up enterprise; and
  - ii. *Start-up Pilipinas Certificate*

Provided, that the endorsing employer/hiring start-up enterprise shall inform the BI within fourteen (14) working days from the termination of the contract used to justify the visa and provide the whereabouts of the visa holder that it endorsed.

- c. Start-up Investor Visa – This visa shall entitle its holder to a multiple entry visa

for infusing at least Five Million Pesos (PhP5,000,000.00) worth of total investment into any holder of a Start-up *Pilipinas* Certificate within twelve (12) months from the issuance of visa, requiring only the following, in addition to standard visa requirements:

- i. Proof of investment of at least Five Million Pesos amount in a start-up enterprise; and
- ii. If spouse and dependent children are included in the application, a marriage contract duly authenticated by the Philippine Consulate or Embassy in the applicant's country, or the embassy of the country of the applicant in the Philippines.

Provided, that the Board of Investment shall also require for the periodic reporting of investments to be determined in the implementing rules and regulations of this Act.

**SECTION 13. *Revocation of Visa.*** – The different types of visa created under this Act may be revoked subject to any of the following conditions:

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

Provided, that for foreign applicants, the revocation of any type of start-up visa shall be a ground for deportation. The holder of a revoked start-up visa shall be barred from re-application until charges have been cleared.

## **Chapter 5** **DTI Special Office**

**SECTION 14. *DTI Special Office.*** – A special office referred to as “Start-up Office” is created under this Act. The Start-up Office shall be attached to DTI.

**SECTION 15. *Mandate.*** – The Start-up Office 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 Start-up Office 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 16. *Funding.*** – The activities and operational expenses of the Start-up Office shall be funded by budgetary appropriation from the government. It may also be funded by private sector contributions subject to the necessary rules and regulations that shall be promulgated under this Act. An initial allocation of One Hundred Million Pesos (PhP100,000,000.00) for the necessary operating expenses of the Start-up Office shall come from the funds of DTI. Subsequent funding may be incorporated in the budget proposal of the DTI, subject to existing accounting and auditing laws, and



procedures.

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

## **Chapter 6**

### **Start-up Website**

**SECTION 17. *Start-up Website.*** – DTI shall develop and maintain a single portal that shall serve as the primary source of information on statistics, events, programs, application forms and related processes, and benefits with regard to the implementation of this Act.

**SECTION 18. *Functions of the Start-up Website.*** – The Start-up Website shall have features such as but not limited to the following:

- a. Online database of certificate holders under this Act, which may include basic information on the start-up enterprise;
- b. Online application, inquiry, registration, and release of results of qualified entrepreneurs for Start-up *Pilipinas* Certificate;
- c. Advertising space which shall be a source of funds for the maintenance and development of the website; and
- d. Statistical information and annual reports pertinent to the implementation of this Act, and such other informative content about startups.

## **Others**

**SECTION 19. *Role of LGUs.*** – The concerned LGU may promulgate rules and regulations encouraging and providing incentives to start-up enterprises in relation to the purpose of this Act pursuant to the Local Government Code. It may create its own start-up office, provide local financing, and develop a local start-up ecosystem.

**SECTION 20. *Implementing Rules and Regulations.*** – DTI, in coordination with SEC, IPO, BI, BOI, and a representative from the Union of Local Authorities of the Philippines (ULAP) shall promulgate not later than thirty (30) days upon the effectivity of this Act the necessary rules and regulations for its effective implementation.

**SECTION 21. *Separability Clause.*** – If any section or part of this Act is held unconstitutional or invalid, the other sections or provisions not otherwise affected shall remain in full force and effect.

**SECTION 22. *Repealing Clause.*** – All laws, decrees, executive orders, rules and regulations, issuances or any part thereof inconsistent with the provisions of this Act, are hereby repealed, amended or modified accordingly.

**SECTION 23. *Effectivity.*** – This Act shall take effect fifteen (15) days after its

publication either in the Official Gazette or in at least two (2) national newspapers of general circulation.

Approved,