Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila
EIGHTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 7084

Introduced by ANG PROBINSYANO
Party-List Representative Alfred Delos Santos

EXEMPLARY NOTE

After being placed in community quarantine, many Filipinos found themselves unemployed. Just in April 2020, at least 2.2 million workers have been affected or laid off due to severe business losses incurred by their employers, making the total number of workers who lost their jobs at a total of around 4.9 million. This number is expected to balloon as the community quarantine still prohibits many industries from resuming operations at full capacity. The Philippine Statistics Authority (PSA) announced that the unemployment rate in April is already at 17.7% or around 7.3 million jobless Filipinos; a dismal fall from the January 2020 unemployment rate of only 5.3%.

Because of unemployment, our kababayans resorted to online selling of various goods ranging from household items, DIY kits, cooked meals, at-home barbershop or salon service, and countless others. As a result, the Philippines’ e-commerce industry saw a steady growth from 2019’s $7 billion, and an even higher surge when the community lockdown began in March.

Knowing that the resort of Filipinos to e-commerce is driven mainly by the need to survive and provide for their daily expenses, it is the undersigned’s view that we should create a less hostile fiscal environment for them. Recently, the BIR has called on to online sellers to register their business for purposes of tracking and taxation. As expected, many online sellers resisted since it would entail certain expenses which could have been used for their families’ needs. Despite the issuance of RMO 30-2020 which provides for faster registration process transactions involving online sellers, we deem this as insufficient in addressing the concerns of online sellers.

Thus, one potential solution is to waive the registration fee for the BIR registration of online sellers, the complete migration of the registration process for them, including the issuance of an electronic certificate of registration, and the grant of exemptions from certain national taxes related to their income and
the conduct of their business. It is hoped that through this legislation, we can help our fellow Filipinos bounce back from the economic drought caused by the pandemic.

Alfred C. Delos Santos
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Republic of the Philippines
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AN ACT PROVIDING FOR CERTAIN EXEMPTIONS FROM NATIONAL
INTERNAL REVENUE TAXES, AND A SIMPLIFIED BUSINESS
REGISTRATION PROCESS FOR SMALL-TIME ONLINE SELLERS

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

SECTION 1. Short Title. – This Act shall be known as the “Madiskarteng
Online Sellers Act.”

SECTION 2. Declaration of Policy. – The State recognizes and encourages
private enterprise as an important player in the growth of the Philippine
economy. It shall be the policy of the State to promote and protect these private
enterprises, particularly small-time online businesses. To this end, the State
shall create a fiscal environment that is conducive to the growth of small-time
online businesses through certain exemptions and a simplified registration
process.

SECTION 3. Categories of Online Sellers. – For purposes of this Act, the
following terms shall mean:

a) “small scale online seller” is an online business conducted by any
Filipino citizen exclusively through electronic channels including but not limited
to social media, online shopping platforms, and online marketplaces, where the
gross income from the conduct of the sale of goods or services does not exceed
one hundred fifty thousand thousand pesos (PhP 150,000.00) annually;

b) “medium scale online seller” is an online business conducted by any
Filipino citizen exclusively through electronic channels including but not limited
to social media, online shopping platforms, and online marketplaces, where the
gross income from the conduct of the sale of goods or services is more than one
hundred fifty thousand pesos (PhP 150,000.00) but does not exceed two hundred fifty thousand pesos (PhP 250,000.00) annually; and

c) “large scale online seller” is an online business conducted by any Filipino citizen exclusively through electronic channels including but not limited to social media, online shopping platforms, and online marketplaces, where the gross income from the conduct of the sale of goods or services exceeds two hundred fifty thousand pesos (PhP 250,000.00) but not more than three million pesos (PhP 3,000,000.00) annually.

SECTION 4. Exemption of online sellers from national internal revenue taxes per category. – Persons falling under the definition of small scale online sellers in the preceding paragraph, shall remain exempt from payment of the income tax as already provided for in the NIRC. They shall likewise remain exempt from the payment of Other Percentage Taxes (OPT) at the rate of 3% under Section 116 of the NIRC.

Persons falling under medium scale online sellers category shall remain exempt from payment of the income tax as already provided for in the NIRC. However, they shall be liable to pay only the OPT at the rate of 3% under Section 116 of the NIRC.

Persons falling under large scale online sellers category shall be liable for all the taxes as provided in the NIRC which includes the income tax using the graduated tax rates, the OPT under Section 116, or the 8% tax on gross sales or receipts and other operating income in excess of PhP 250,000.00 in lieu of the graduated income tax rate and the OPT under Section 116.

SECTION 5. Waiver of Registration Fee for Small and Medium Scale Online Sellers. – The registration fee in the amount of five hundred pesos (PhP 500.00) shall be waived for small and medium scale online sellers who started their businesses in March 2020, and will register within a period specified by the Bureau. Large scale online sellers shall remain liable to pay the PhP 500.00 registration fee.

SECTION 6. Complete Migration of the Registration Process to Electronic Modes. – There shall be a complete migration of the entire registration process to electronic modes (i.e. the registration forms, submission of other necessary documents, payment of documentary stamp tax, and issuance of electronic certificates) for all qualified small-time online sellers. There shall also be an assistance hotline accessible to all small-time online sellers to provide guidance to registrants in every step of the registration process.

The Bureau of Internal Revenue (BIR) shall seek the assistance of the Department of Information and Communications Technology (DICT) in creating
the necessary security safeguards for the electronic certificates to be issued
under this provision.

SECTION 7. Separability Clause. – If any provision or part of this Act is
held invalid or unconstitutional, the remaining provisions or parts unaffected
shall remain in full force and effect.

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

SECTION 9. Effectivity Clause. – This Act shall take effect fifteen (15) days
after its publication in the Official Gazette or in a newspaper of general
circulation.

Approved,