



SENATE

20 JUN -9 P3:50

S.B. No. 1591

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Introduced by SEN. WIN GATCHALIAN

**AN ACT
PROTECTING CONSUMERS AND MERCHANTS ENGAGED IN INTERNET
TRANSACTIONS, CREATING FOR THIS PURPOSE THE ECOMMERCE
BUREAU AND APPROPRIATING FUNDS THEREFOR**

EXPLANATORY NOTE

From mobile shopping to online shopping, eCommerce has radically changed the way we live our lives. Whether as a consumer or a seller, technology and the internet have dramatically transformed the way businesses and transactions are conducted. The rise of digital technology saw the emergence of mobile networks and rapid advancement in computer technologies. As Bill Gates said, *"[digital technology] is the center of attention for businesses, governments and individuals around the world. It has spawned entirely new industries, transformed existing ones, and become a global cultural phenomenon."*

From the buyer's perspective, eCommerce is faster, cheaper and more convenient. Consumers are presented with a variety of options to meet their every need with a tap of a finger. eCommerce provides the consumers with time-saving options and access to swift delivery of goods and services. Finally, it presents value for money largely because from the seller's perspective, set-up costs are lower and operating costs are kept at a minimum. It has been said that from an enterprise's perspective, eCommerce is the great equalizer, because MSME's gain access to the same markets at low costs. Furthermore, the importance of eCommerce platforms in the ecosystem has become integral as they are able to aggregate multiple transactions. They play a key role in balancing the needs of consumers and sellers by facilitating fair and efficient trade between these two players.

Undeniably, technology has revolutionized our conventional way of buying and selling in ways unimaginable to those that have come before us.

Based on a recent 2019 study by Google and Temasek, in ASEAN alone, the Internet economy is experiencing exponential growth as total Gross Merchandise Value (GMV) in Southeast Asia has reached the \$100B mark, and is projected to reach \$300 billion in 2025. ASEAN economies have witnessed huge increases in internet economy from 2015 to 2019 and growth rate is expected to continue at 10%-30% from 2019 to 2025.

Notably, the Philippines has the lowest GMV in 2019 at \$7B, lower than Malaysia (\$11B), Vietnam (\$12B), Singapore (\$12B), Thailand (\$16B), and Indonesia (\$40B), this – despite the Philippines' estimated 76 million active internet users and high internet penetration rate (71% vis-à-vis a global average of 54%), longer hours spent daily on internet (10 hours vis-à-vis a global average of 6 hours 42 minutes), and very high social media penetration for population aged 13+ (99% vis-à-vis a 59% global average).

This representation acknowledges that expected growth of the Philippine internet economy at 27% CAGR, is deemed to be one of the fastest among ASEAN economies. We acknowledge the findings of Google and Temasek and the aim of this bill is to ensure that this growth is achieved or even surpassed.

Indeed, eCommerce in the country is in its nascent stage, reflecting immense potential for businesses. The Philippines has not yet generated unicorns - a tech startup company that reaches a valuation of \$1 billion – nor has our economy reflected the dynamism the Indonesian and Vietnamese eCommerce markets have reached, at 2.9% and 4.0% of GDP, respectively. The Philippines' eCommerce market remains at 1.6% of GDP.

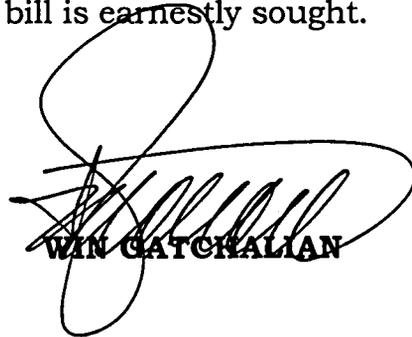
Philippine MSMEs lag behind the adoption of eCommerce because enterprises either find using digital technology platforms and tools too difficult, or are unaware of the benefits they offer. The Philippines also lacks policies and regulations that will facilitate online transactions and cross-border trade processes which should address the following concerns:

- (a) Lack of trust;
- (b) Internet infrastructure (Low internet speed experienced in Philippines);
- (c) Logistics infrastructure (Weak last-mile delivery options; challenging topographical structure);
- (d) Payment mechanisms (Payment gateways and currency exchange rates; Majority still prefer to pay in local currency against foreign currency);
- (e) Lack of governing entity at the regional level that can fight cybercrime and settle cross-border disputes;
- (f) Difficulty in the process of returning product;

- (g) Taxation (VAT, customs duties and other charges, de minimis threshold, VAT registrations of foreign e-commerce operators, 12% VAT on total value of online transactions in the Philippines); and
- (h) Online consumer complaints.

This bill seeks to create an environment founded on trust among consumers and merchants, as a means to increase the number of eCommerce participants, and ultimately achieve sustainable growth. This bill will address the need to establish a singular office that will: (1) be given the responsibility to carry out provisions of this bill; (2) ensure the implementation of Republic Act. No. 8792 or the Electronic Commerce Act of 2000; and (3) be the focal point in the monitoring and implementation of the Philippine eCommerce roadmap.

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



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

1 SECTION 1. **Short Title.** – This act shall be known as the “*Internet*
2 *Transactions Act*”.

3
4 SEC. 2. **Declaration of Policy.** – It is the policy of the State to
5 promote the growth of electronic commerce (eCommerce) in the country by
6 building trust between online sellers and consumers. The State recognizes the
7 growth of the digital economy where digital access to goods and services is
8 secure, fast, and accessible to consumers, and where businesses are more
9 readily able to adopt innovations to increase their efficiency. Towards these
10 ends, the State shall ensure fair business and advertising practices, secure
11 online transactions through appropriate disclosure, maintain data privacy
12 rights, affirm the paramount importance of product safety, and enable all
13 consumers and businesses to have meaningful access to effective
14 mechanisms for dispute resolution.

15

1 **SEC. 3. *Definition of Terms.*** – As used in this Act:

- 2 (A) *Compatibility* refers to the ability of the digital content or digital
3 service to function with hardware or software with which digital
4 content or digital services of the same type are normally used,
5 without the need to convert the digital content or digital service;
- 6 (B) *Consumer* refers to a natural or juridical person who is a
7 purchaser, lessee, recipient or prospective purchaser, lessor or
8 recipient of consumer products, services, credit, technology,
9 advertising or promotion, and other items in eCommerce;
- 10 (C) *Consumer-to-Consumer Transactions (C2Cs)* refer to one-off, petty,
11 or occasional low-value transactions of an individual to another
12 that are not made in the ordinary course of business;
- 13 (D) *Digital contents* refer to data which are produced and supplied in
14 electronic form;
- 15 (E) *Digital products* refer to goods and services transacted over the
16 internet;
- 17 (F) *Digital service* refers to a service that allows the consumer to
18 create, process, store or access data in electronic form or allows
19 the sharing of or any other interaction with data in electronic
20 form uploaded or created by the consumer or other users of that
21 service;
- 22 (G) *eCommerce Philippine Trustmark* refers to the mark approved by
23 the eCommerce Bureau that assures consumer protection for
24 online transactions and consumer complaints;
- 25 (H) *Electronic Commerce* or *eCommerce* refers to the production,
26 distribution, marketing, sale, or delivery of goods and services by
27 electronic means;
- 28 (I) *Functionality* refers to the ability of the digital content or digital
29 service to perform its functions according to its purpose;

30

- 1 (J) *Goods or Digital Goods* refer to physically produced items over
2 which ownership rights may be established and whose economic
3 ownership may be passed from one institutional unit to another
4 by engaging in transactions;
- 5 (K) *Interoperability* refers to the ability of the digital content or digital
6 service to function with hardware or software different from those
7 with which digital content or digital services of the same type are
8 normally used;
- 9 (L) *Online eCommerce Platform* refers to a natural or juridical person
10 that solicits the purchase of digital products through digital
11 platforms and marketplaces whose business is to connect online
12 buyers and online sellers, facilitating sales of products, goods or
13 services through the internet with the presence and use of
14 monetary transaction.
- 15 (M) *Online merchant* refers to any natural, or juridical person,
16 irrespective of whether privately or publicly owned, that directly
17 sells, manufactures goods, or offers for sale, any goods and
18 services, in the ordinary course of business over the internet,
19 through a website, an online marketplace, a social media website
20 or application or through other similar means.
- 21 (N) *Price* refers to money or a digital representation of value that is
22 due in the exchange for the supply of digital products, whether
23 goods and services, digital content, or digital service;
- 24 (O) *Producer* refers to the manufacturer or importer of goods, or any
25 person purporting to be a manufacturer who places its name,
26 trademark, or other distinctive sign on the goods;
- 27 (P) *Repair* refers to bringing goods into conformity with the contract,
28 in case of defective goods;
- 29 (Q) *Trader* refers to any natural person, or juridical person
30 irrespective of whether privately or publicly owned, who is acting,
31 including through any other person acting on the trader's name

1 or on the trader's behalf, for purposes relating to the trader's
2 business, craft, or profession, in relation to contracts covered by
3 this Act.
4

5 **SEC. 4. *Scope and Coverage.*** – This Act applies to the sale or
6 exchange of digital products, including the following:

- 7 (A) Internet retail of consumer goods;
- 8 (B) Online travel services, covering the purchase of flights, hotel
9 accommodations, and vacation rental spaces;
- 10 (C) Digital media providers, including advertising, gaming, music
11 subscription, and video on demand;
- 12 (D) Ride hailing services for personal transport, delivery of food and
13 merchandise; and
- 14 (E) Financial services offered through digital online platforms, such
15 as online payments, remittances, online lending, online
16 investment, and online insurance services.

17
18 **SEC. 5. *eCommerce Bureau.*** – To coordinate and supervise the
19 implementation of this Act, and to promote the growth of the eCommerce
20 sector, there is hereby created the eCommerce Bureau, hereinafter referred to
21 as the Bureau, under the Department of Trade and Industry (DTI), to perform
22 the following functions:

- 23 (A) Implement, monitor, and ensure strict compliance by eCommerce
24 stakeholders of the provisions of this Act;
- 25 (B) Build trust between consumers and sellers to promote
26 eCommerce growth;
- 27 (C) Coordinate the formulation of policies, plans and programs to
28 increase the number of online merchants and consumers;
- 29 (D) Act as a virtual one stop shop for consumer complaints on
30 internet transactions, and facilitate the speedy resolution of

- 1 consumer complaints by the respective government agency which
2 has jurisdiction over the complaint;
- 3 (E) Compel or petition any entity, government agency or
4 instrumentality of take action on any matter that may impeded
5 eCommerce;
- 6 (F) Monitor the compliance of other government agencies or
7 instrumentalities on their compliance to the provisions of this Act
8 and the eCommerce roadmap;
- 9 (G) Represent the Philippines in international negotiations to
10 promote cross border eCommerce transactions;
- 11 (H) Collect, compile, analyze, abstract, and publish eCommerce data
12 for policy formulation and program development;
- 13 (I) Prepare and conduct periodic studies on eCommerce;
- 14 (J) Collaborate with departments of the national government
15 including local government units and government-owned or
16 controlled corporations in implementing programs to promote
17 eCommerce, including information, education, and campaign, as
18 well as in ensuring a policy regime that is pro-active; and
- 19 (K) Recommend executive and legislative measures to ensure a
20 regulatory framework that encourages growth of the sector.

21
22 **SEC. 6. *Composition of the Bureau.*** – The Bureau shall be headed
23 by a commissioner who must have sufficient knowledge and background in
24 production, distribution, marketing, sale, or delivery of goods and services by
25 electronic means.

26 The commissioner shall be assisted by six (6) deputy commissioners;
27 one (1) for administration, one (1) for finance, one (1) for planning, one (1) for
28 operations, one (1) for franchising, and one (1) for law enforcement and
29 adjudication. All deputy commissioners must be career executive service
30 officers with at least ten (10) years of experience and practice in eCommerce.

1 The commissioner and deputy commissioners shall be appointed by the
2 President of the Philippines upon the recommendation of the Secretary of
3 Trade and Industry.

4
5 **SEC. 7. Code of Conduct.** – To build trust in online businesses and
6 in keeping consumers' interests primordial, all businesses engaged in
7 eCommerce are expected to act responsibly, consistent with the following
8 principles:

- 9 (A) Treat consumers with honesty, integrity, and fairness, and
10 refrain from engaging in illegal, fraudulent, unethical, or unfair
11 business practices that harm consumers;
- 12 (B) Uphold their responsibilities to the public and to the State, and
13 to apply the rights of consumers equally;
- 14 (C) Comply with applicable laws and regulations, especially the
15 protection of intellectual property rights;
- 16 (D) Ensure that goods and services marketed and sold online to
17 Philippine consumers conform to Philippine regulatory standards
18 and provide accurate information about the digital products in
19 Filipino and English;
- 20 (E) Ensure that the safety of digital products marketed or sold online
21 are not compromised and that products that have been recalled
22 in the offline retail market are not marketed or sold online;
- 23 (F) Be honest and truthful in all representations and all information
24 on digital products or services must be easily accessible,
25 complete, and correct and promoted through fair advertising and
26 marketing practices;
- 27 (G) Be transparent to consumers about costs and avoid any hidden
28 charges or additional costs such as customs duties, currency
29 conversion, and shipping, or delivery;

- 1 (H) Allow for tracking of deliveries by online merchants and provide
2 complete records of the goods purchased and have them delivered
3 within the promised time and described condition;
- 4 (I) Offer cancellation options in order that consumers may be able
5 to review their online orders before finally confirming their
6 purchase, and be able to withdraw from a confirmed transaction
7 in appropriate circumstances;
- 8 (J) Take consumer complaints seriously and address them fairly by
9 instituting comprehensive and equitable mechanisms for
10 consumer redress through easy, fair, and transparent methods,
11 and provide compensation, refund, repair, and replacement, if
12 warranted;
- 13 (K) Keep private information private by strictly complying with all
14 applicable data privacy laws and regulations including Republic
15 Act No. 10173, otherwise known as the "*Data Privacy Act of*
16 *2012*", and other similar laws and regulations;
- 17 (L) Ensure the safety and security of online payments and safeguard
18 sensitive data by using secure technology and protocols as
19 evidenced by visible trust certificates;
- 20 (M) Avoid online spamming except online spamming or unsolicited
21 commercial email or bulk email subject to the control and
22 discretion of the consumer through readily accessible
23 configurations allowing the consumer to choose whether they
24 wish to receive or opt-out from commercial messages by email or
25 electronic means;
- 26 (N) Avoid improper conduct such as producing fake online reviews or
27 spreading wrong information about competitors but allowing
28 consumers to make critical reviews about digital products; and
- 29 (O) Educate consumers about online risks as a priority by informing
30 the consumers about risks of internet transactions and providing
31 competent and professional advice.

1 Whenever appropriate, the DTI shall issue the corresponding rules and
2 regulations in accordance with international best practices.

3
4 **SEC. 8. *Qualifications to Engage in eCommerce.*** – The following are
5 presumed legally authorized to engage in eCommerce in the Philippines in the
6 ordinary course of their trade or business:

- 7 (A) A Filipino individual who is duly licensed to do business as a
8 single-proprietor with the DTI;
- 9 (B) A Filipino juridical entity that is duly registered with the
10 Securities and Exchange Commission (SEC), whether as a
11 corporation, a one-person corporation, or as a partnership;
- 12 (C) A Filipino cooperative that is duly licensed by the Cooperative
13 Development Authority (CDA); and
- 14 (D) A foreign corporation that is duly licensed by the SEC to transact
15 business in the Philippines.

16 A resident of the Philippines who engages in unauthorized eCommerce
17 activities in the ordinary course of trade or business shall be subject to the
18 penal provisions of this Act.

19 A person who is authorized to engage in eCommerce in the Philippines
20 and who facilitates the sale of a digital product or service by one who is not
21 so authorized is deemed primarily liable for any obligation, damage, or fine,
22 that may arise from the transaction or from the digital product.

23 A non-resident of the Philippines who engages in eCommerce by
24 marketing goods or services that are accessible in the Philippines may not
25 evade legal liability in the Philippines owing to the fact of non-residency, and
26 shall be subject the same obligations and liabilities arising from any
27 transaction as those who are authorized to engage in eCommerce in the
28 Philippines.

29
30
31

1 SEC. 9. **Business Registration.** –

2 (A) To encourage the formation of business enterprises, the growth
3 and integrated development of eCommerce, and protection of
4 online consumers, all individuals engaged in internet
5 transactions as Online Merchants or as Online eCommerce
6 Platforms shall register as a business either as a sole proprietor,
7 one-person corporation, partnership, corporation, or
8 cooperatives.

9 (B) No person shall be allowed to engage in eCommerce, including
10 the sale of any digital product without a license to operate. Any
11 entity, whether natural or juridical, who offers to sell or have been
12 found engaged in any internet transaction without a license to
13 operate is in violation of this Act; *Provided, however,* That
14 consumer to consumer transactions shall not be covered by this
15 Act. For the first year of implementation, the penalty for
16 unregistered online merchants and first-time offenders shall be
17 waived upon presentation of business registration papers.

18 (C) All regulatory agencies responsible for business registration
19 whether for sole proprietorships, one-person corporations,
20 partnerships, corporations, or cooperatives, shall extend its
21 jurisdiction or regulatory powers over business websites and
22 other communication channels covering internet transactions.
23 The DTI or any of the implementing agencies shall have the
24 authority to enforce website takedown procedures, and shall
25 report the violator to the Bureau of Internal Revenue.

26 (D) Consistent with Republic Act No. 11032, otherwise known as the
27 “*Ease of Doing Business Act,*” all National Government agencies
28 and local government agencies (LGUs) shall make available online
29 registration of business permits and licenses particularly for
30 those engaged in eCommerce.

1 (E) The SEC, LGUs, and the CDA shall submit to the DTI an annual
2 list of registered enterprises for monitoring and for purposes of
3 maintaining a database of online merchants.
4

5 **SEC. 10. *Regulatory Jurisdiction of the DTI.*** – The DTI shall exercise
6 primary regulatory jurisdiction over any website, webpage, social media
7 account, or other similar platform that markets digital products that are
8 accessible in the Philippines, regardless of whether the owner of the website,
9 webpage, social media account, or other similar platform is authorized to
10 engage in eCommerce in the Philippines. The jurisdiction of the DTI includes
11 the authority to order the owner of the website, webpage, social media
12 account, or other similar platform to desist from marketing or offering goods
13 or services that are accessible in the Philippines on account of violation of this
14 Act, or any other consumer or trade laws and regulations, as well as the
15 prerogative to refer the matter to the Bureau of Internal Revenue for
16 appropriate action.
17

18 **SEC. 11. *Obligations of Online eCommerce Platforms.*** –

19 (A) Online eCommerce Platforms shall ensure that any commercial
20 communication shall:

- 21 (i) Be clearly identifiable as a commercial communication;
22 (ii) Clearly identify the person on whose behalf the commercial
23 communication is made;
24 (iii) Clearly identify any promotional offer including any
25 discount, premium, or gift, and ensure that any conditions
26 which must be met to qualify for it are easily accessible,
27 and presented clearly and unambiguously; and
28 (iv) Clearly identify any promotional competition or game and
29 ensure that any conditions for participation are easily
30 accessible and presented clearly and unambiguously.
31

- 1 **(B) Online eCommerce Platforms shall require all Online Merchants,**
- 2 **prior to the latter's onboarding to submit the following:**
- 3 **(i) Name of the online merchant;**
- 4 **(ii) Registration documents of the online merchant from the**
- 5 **appropriate regulatory authority, including but not limited**
- 6 **to business permits, certificate of registration, barangay**
- 7 **clearance;**
- 8 **(iii) Geographic address at which the online merchant is**
- 9 **established;**
- 10 **(iv) Details of the online merchant, a mobile or landline**
- 11 **number, and a valid electronic mail address, which makes**
- 12 **it possible to immediately and easily contact and**
- 13 **communicate with the online merchant and communicate**
- 14 **in a direct and effective manner; and**
- 15 **(v) Details of any professional body or similar institution with**
- 16 **which the online merchant is registered, in instances when**
- 17 **the online merchant exercises a regulated profession.**
- 18 **(C) Online eCommerce Platforms shall maintain a file of all registered**
- 19 **online merchants which shall be regularly verified and updated.**
- 20 **(D) Online eCommerce Platforms shall publish on their website,**
- 21 **webpage, social media account, or other similar platform, the**
- 22 **following general information:**
- 23 **(i) Name of the online merchant;**
- 24 **(ii) Registration documents of the online merchant from the**
- 25 **appropriate regulatory authority, including but not limited**
- 26 **to business permits, certificate of registration, barangay**
- 27 **clearance;**
- 28 **(iii) Geographic address at which the online merchant is**
- 29 **established;**
- 30 **(iv) Details of the online merchant, a mobile or landline**
- 31 **number, and a valid electronic mail address, which makes**

1 it possible to immediately and easily contact and
2 communicate with the online seller and communicate in a
3 direct and effective manner; and

4 (v) Details of any professional body or similar institution with
5 which the online merchant is registered, in instances when
6 the online merchant exercises a regulated profession.

7 (E) Online eCommerce Platforms shall submit to the Bureau a list of
8 all online merchants registered under their platform. When an
9 Online eCommerce Platform discovers that an online merchant
10 has not obtained registration documents from the relevant
11 regulatory agency, it shall report such fact to the Bureau within
12 fifteen (15) days from discovery thereof.

13 Where the Online eCommerce Platform provides prices, the prices shall
14 be indicated clearly and unambiguously and, in particular, shall indicate
15 whether the prices are inclusive of taxes and delivery costs.

16
17 **SEC. 12. *Internet Transactions Involving Consumers.*** – An online
18 merchant of goods shall exercise the following responsibilities:

19 (A) Deliver or cause the delivery of goods to the consumer ensuring
20 the following requirements:

21 (i) The goods are of the description, type, quantity, and
22 quality, and possess the functionality, compatibility,
23 interoperability and other features, as required by the sales
24 contract;

25 (ii) The seller must show a sample or a model of the goods to
26 the consumer and the goods possess the quality of and
27 correspond to the description of the sample or model;
28 possess the qualities and performance features, including
29 in relation to functionality, compatibility, interoperability,
30 accessibility, continuity, and security, normal for digital
31 content or digital services of the same type and of which

1 the consumer may reasonably expect; fir for any particular
2 purpose for which the consumer requires them and which
3 the consumer made known to the seller at the time of the
4 conclusion of the contract, and which the seller has
5 accepted; and possess the qualities and performance
6 capabilities indicated in any pre-contractual statement
7 which forms an integral part of the contract.

8 (iii) All digital goods shall:

9 (a) Be delivered along with the accessories including
10 packaging, installation instructions or other
11 instruction as the consumer may expect to receive;
12 and

13 (b) Possess qualities and performance capabilities which
14 are normal in goods of the same type and which the
15 consumer may expect given the nature of the goods
16 and taking into account any public statement made
17 by or on behalf of the seller or other persons in earlier
18 links of the chain of transactions, including the
19 producer, unless the online merchant shows that:

- 20 1. The online merchant was not, and could not
21 reasonably have been aware of the statement
22 in question;
- 23 2. By the time of conclusion of the contract, the
24 statement had been corrected; or
- 25 3. The decision to buy the goods could not have
26 been influenced by the statement.

27 (B) Be liable for any lack of conformity with the contract which exists
28 at the time when:

29 (i) The consumer or a third party indicated by the consumer
30 other than the carrier has acquired the physical possession
31 of the goods, or when the goods are handed over to the

- 1 carrier chosen by the consumer, and that carrier was not
2 proposed by the seller or where the seller proposes no
3 means of carriage;
- 4 (ii) The goods were installed by the seller or under the seller's
5 responsibility, and the time when the installation is
6 completed is considered as the time when the consumer
7 has acquired the physical possession of the goods;
- 8 (iii) The goods were intended to be installed by the consumer,
9 and the time when the consumer had reasonable time for
10 the installation not later than thirty (30) days after the time
11 indicated in subparagraph (a) of paragraph B, is considered
12 as the time when the consumer has acquired the physical
13 possession of the goods.
- 14 (iv) The goods are incorrectly installed. Any lack of conformity
15 resulting from the correct installation is regarded as lack of
16 conformity with the contract of the goods if:
- 17 (a) The goods were installed by the seller or under the
18 seller's responsibility; and
- 19 (b) The goods, intended to be installed by the consumer,
20 were installed by the consumer and the correct
21 installation was due to a shortcoming in the
22 installation instructions.
- 23 (C) Where the contract provides that the digital content or digital
24 service is to be supplied or made accessible to the consumer over
25 a period of time, the seller may modify the digital content or
26 digital service beyond what is necessary to maintain the digital
27 content or digital service in conformity, if the following conditions
28 are met:
- 29 (i) The contract allows, and provides a valid reason for, such
30 a modification;

- 1 (ii) Such a modification is made without additional cost to the
2 consumer; and
3 (iii) The consumer is informed in a clear and comprehensible
4 manner of the modification.
- 5 (D) Where the online merchant operates its own website, webpage,
6 social media account, or any other similar platform, it shall
7 publish on its homepage the following:
- 8 (i) Name of the online merchant;
9 (ii) Registration documents of the online merchant from the
10 appropriate regulatory authority, including but not limited
11 to business permits, certificate of registration, barangay
12 clearance;
13 (iii) Geographic address at which the online merchant is
14 established;
15 (iv) Details of the online merchant, a mobile or landline
16 number, and a valid electronic mail address, which makes
17 it possible to immediately and easily contact and
18 communicate with the online seller and communicate in a
19 direct and effective manner; and
20 (v) Details of any professional body or similar institution with
21 which the online merchant is registered, in instances when
22 the online merchant exercises a regulated profession

23 Any agreement is valid only if, at the time of the conclusion of the
24 contract, the consumer has knowledge of the specific condition of the goods
25 and the consumer has expressly accepted this specific condition when
26 concluding the contract.

27

28 **SEC. 13. *Right to Redress by Online Merchants.*** – Where the online
29 merchant is liable to the consumer because of a lack of conformity with the
30 contract resulting from an act or omission by a person in earlier links of the

1 chain of transactions, the online merchant is entitled to pursue remedies
2 against the person or persons liable in the chain of transactions.

3 The person against whom the online merchant may pursue remedies
4 and the relevant actions and conditions to exercise must be in accordance
5 with the following:

6 (A) A repair or replacement must be completed within a reasonable
7 time and without any significant inconvenience to the consumer,
8 taking into account the nature of the goods and the purpose for
9 which the consumer acquired the goods;

10 (B) A proportionate reduction of the price or the termination of the
11 contract, including restitution of the price, in the following
12 instances:

13 (i) A repair or replacement is impossible or unlawful;

14 (ii) The online merchant has not completed repair or
15 replacement within a reasonable time;

16 (iii) A repair or replacement may cause significant
17 inconvenience to the consumer; or

18 (iv) The online merchant has declared, or it is equally clear
19 from the circumstances that the online merchant may not
20 bring the goods in conformity with the contract within a
21 reasonable time;

22 (C) The consumer is entitled to withhold the payment of any
23 outstanding part of the price, until the online merchant has
24 brought the goods into conformity with the contract;

25 (D) The consumer is not entitled to a remedy to the extent that the
26 consumer has contributed to the lack of conformity with the
27 contract or its effects;

28 (E) Where the online merchant remedies the lack of conformity with
29 the contract by replacement, the online merchant may take back
30 the replaced goods at the online merchant's expense unless the
31 parties have agreed otherwise after the lack of conformity with

1 the contract has been brought to the online merchant's attention
2 by the consumer;

3 (F) Where the consumer had installed the goods in a manner
4 consistent with their nature and purpose, before the lack of
5 conformity with the contract became apparent, the cost for the
6 removal of the non-conforming goods and the installation of
7 replacement goods, and all associated costs shall be for the
8 account of the online merchant;

9 (G) In case of goods that do not conform to the contract, the
10 consumer is not liable to pay for using the non-conforming goods
11 prior to its replacement;

12 (H) The consumer may choose between repair and replacement
13 unless the option chosen is impossible, unlawful or, imposes
14 costs upon the online merchant that is disproportionate, taking
15 into account all circumstances, including:

16 (i) The value the goods would have if the goods conformed to
17 the contract;

18 (ii) The significance of the lack of conformity with the contract;
19 and

20 (iii) Whether the alternative remedy may be completed without
21 significant inconvenience to the consumer.

22 The reduction of price is proportionate to the decrease in the value of
23 the goods which were received by the consumer compared to the value the
24 goods would have if in conformity with the contract.

25

26 **SEC. 14. *Right to Terminate the Contract.*** – If the goods delivered do
27 not conform to the contract, the consumer may exercise the right to terminate
28 the contract by giving notice to the online merchant. Where the lack of
29 conformity relates to only some of the goods delivered under the contract, the
30 consumer may terminate the contract only in relation to the non-conforming
31 good and any other goods which was acquired as an accessory it.

1 Where the consumer terminates a contract as a whole or in relation to
2 some of the goods delivered:

3 (A) The online merchant shall reimburse to the consumer the price
4 paid without undue delay and in any event not later than fourteen
5 (14) days from receipt of the notice;

6 (B) Upon receipt of the reimbursement from the online merchant, the
7 consumer shall return, at the online merchant's expense, the
8 goods without undue delay and in any event not later than
9 fourteen (14) days from the receipt of the reimbursement;

10 (C) Where the goods cannot be returned because of destruction or
11 loss, the consumer shall pay to the online merchant the monetary
12 value which the non-conforming goods would have had at the
13 date when the return was to be made if they had been kept by the
14 consumer without destruction or loss until that date, unless the
15 destruction or loss has been caused by a lack of conformity with
16 the goods with the contract; and

17 (D) The consumer shall pay for a decrease in the value of the goods
18 only to the extent that the decrease in value exceeds depreciation
19 through regular use. The payment for decrease in value shall not
20 exceed the price paid for the goods.

21

22 **SEC. 15. Damages.** – The online merchant is liable for damages to the
23 consumer due to the lack of conformity with the contract of the goods:
24 *Provided*, That the lack of conformity becomes apparent within two (2) years
25 from the relevant time of establishing conformity.

26 No damages may be recovered from this Act after the lapse of four (4)
27 years from the time the conformity has been established.

28

29 **SEC. 16. Online Dispute Resolution.** – The DTI shall develop an online
30 dispute resolution (ODR) platform which is a single point of entry for

1 consumers, online merchants and traders seeking out-of-court resolution of
2 disputes.

3 (A) The ODR shall be an interactive website which may be accessed
4 electronically and free of charge. The DTI, through the Bureau,
5 shall be responsible for its operation, including its maintenance,
6 funding and data security. The ODR platform must be user-
7 friendly and must adopt the twin principles of "privacy by design"
8 and "design for all", where the privacy of its users is respected
9 from the design stage, and the ODR platform is accessible and
10 usable by all, including vulnerable users.

11 (B) The DTI shall establish a network of ODR contact points from,
12 among others, the agencies involved in consumer complaints
13 specified in Republic Act No. 7394, otherwise known as the
14 "*Consumer Act of the Philippines*," which includes the DTI's Fair
15 Trade Enforcement Bureau, Department of Agriculture,
16 Department of Tourism, and the Department of Health. The
17 National Privacy Commission and the Intellectual Property Office
18 of the Philippines shall also form part of the ODR network.

19 (C) Each agency shall designate one ODR contact point and
20 communicate its name and contact details to the DTI. The head
21 of agency shall confer responsibility to the ODR contact points in
22 ensuring that timely and competent support is provided to the
23 resolution of disputes relating to complaints submitted through
24 the ODR platform.

25 (D) The ODR platform shall have the following functions:

26 (i) Provide an electronic form by means of which alternative
27 dispute resolution (ADR) entities shall transmit the
28 information;

29 (ii) Provide a feedback system which allows the parties to
30 express their views on the functioning of the ODR platform
31 and on the ADR entity which handles their dispute; and

- 1 (iii) Make publicly available general information on ADR as a
2 means of out-of-court dispute resolution and information
3 on ADR entities which are competent to deal with disputes.
- 4 (E) The DTI shall ensure that the information in the website is
5 accurate, up to date and provided in a clear, understandable and
6 accessible way.
- 7 (F) Government and private sector entities which provide ADR
8 services which are competent to deal with disputes shall be
9 registered electronically with the ODR platform.
- 10 (G) Digital platforms and online retailers shall provide on their
11 websites an electronic link to the DTI ODR platform on their
12 homepage. That link shall be easily accessible to consumers.
- 13 (H) The DTI, in consultation with other concerned agencies, shall
14 issue the implementing rules and regulations on the
15 development, management, operations, and maintenance of the
16 ODR platform within three (3) months from the effectivity of this
17 Act.

18

19 **SEC. 17. *Joint and Solidary Liability.*** – Online eCommerce platforms
20 shall share solidary liability with an online merchant under the following
21 instances:

- 22 (A) If the online eCommerce platform fails to exercise extraordinary
23 diligence to prevent any loss or damage to the consumer;
- 24 (B) If the identity of the online merchant and the online eCommerce
25 platform is the same;
- 26 (C) If the online eCommerce platform knows or should have known
27 that the digital products sold do not comply with law, or otherwise
28 infringes on intellectual property rights, and fails to take
29 necessary measures;
- 30 (D) If the online eCommerce platform fails to publish details of its
31 online merchant;

1 (E) If the online eCommerce Platform fails to examine digital
2 products related to food, drugs, and cosmetics or otherwise
3 relates to the life or health of consumers;

4 (F) If an online merchant is not duly registered with the appropriate
5 regulatory agencies and the online eCommerce platform permits
6 the online merchant to sell digital products;

7
8 **SEC. 18. *Digital Payments.*** – Online eCommerce Platforms and Online
9 Merchants shall, issue paper or electronic invoices or receipts for all sales. An
10 electronic invoice or receipt shall have the same legal effect as a physical
11 invoice or receipt.

12 Within sixty (60) days from the effectivity of this Act, the Bureau of
13 Internal Revenue shall, in coordination with the Bureau of Customs, issue
14 rules and regulations that modernize and streamline the regulatory
15 framework and encourage the adoption of electronic payment systems by the
16 citizenry. The DTI and the Bangko Sentral ng Pilipinas shall also develop
17 guidelines to protect merchants and consumers covering the various digital
18 payment solutions.

19
20 **SEC. 19. *Tax Exemption for Newly Registered eCommerce***
21 ***Enterprises.*** – Newly registered micro-enterprises, as defined under existing
22 laws, and which are engaged in eCommerce shall be exempt from all national
23 and local taxes for the first two (2) years of operation under the following
24 conditions:

25 (A) The enterprise is not an affiliate, subsidiary, or a franchise of any
26 existing company;

27 (B) In the case of a sole proprietorship, one-person corporation or
28 partnership, it does not have any previous or other existing
29 registered companies, partnerships, or businesses; and

30 (C) In the case of a corporation, each stockholder of the eCommerce
31 enterprise must have at least a five percent (5%) share in stocks

1 and the corporation must have no nominal stakeholders or
2 stockholders holding the shares in trust for others: *Provided*,
3 That all stockholders of the corporation shall not have held
4 shares of a previous or existing corporation with at least a five
5 percent (5%) share therein, nor registered any former or existing
6 sole proprietorship or partnership.
7

8 **SEC. 20. *eCommerce Philippine Trustmark.*** – To provide assurance
9 of safety and security in internet transactions, an eCommerce Philippine
10 Trustmark shall be developed for online merchants.

11 (A) The DTI is tasked to create an eCommerce Philippines Trustmark
12 to be administered and managed by an industry-led private
13 sector governance body.

14 (B) The industry-led governance body comprises the following:

- 15 (i) Two (2) representatives from the digital platforms;
- 16 (ii) Two (2) representatives from the payment gateways;
- 17 (iii) Two (2) representatives from the logistics services;
- 18 (iv) Two (2) representatives from other enablers; and
- 19 (v) One (1) representative from the public sector.

20 (C) An eCommerce Philippine Trustmark on the website of an online
21 merchant signifies that the company is committed to the Code of
22 Conduct stipulated in Section 8 of this Act, guaranteeing ethical
23 standards in the digital marketplace.

24 (D) In the case of a complaint involving the purchase of their
25 products or services, those companies with the trustmark shall
26 give consumers the option of filing claims through the trustmark
27 portal, if the company's customer care service has not been able
28 to resolve the issue.

29 (E) The eCommerce Philippines Trustmark shall be linked to DTI's
30 online ODR.

31

1 SEC. 21. **Implementing Agencies.** – The provisions of this Act and its
2 implementing rules and regulations shall be enforced by the following
3 agencies:

4 (A) Department of Trade and Industry, with respect to consumer
5 products;

6 (B) Department of Health, with respect to food, drugs, cosmetics,
7 health products, and substances;

8 (C) Department of Agriculture, with respect to products related to
9 agriculture;

10 (D) Intellectual Property Office of the Philippines, with respect to
11 intellectual property, particularly on infringement of patents,
12 trademarks, and copyrights;

13 (E) Optical Media Board, with respect to digital media and
14 enforcement of online piracy;

15 (F) Philippine National Police, with respect to cybercrime; and

16 (G) Bangko Sentral ng Pilipinas, with respect to the implementation
17 of Republic Act No. 11127, otherwise known as the "*National*
18 *Payment Systems Act.*"

19
20 SEC. 22. **Jurisdiction.** – The implementing agencies mentioned in
21 Section 21 of this Act shall continue to exercise the powers and duties
22 provided to them under existing laws, unless repealed or modified
23 accordingly. All implementing agencies must develop and implement
24 programs to inform and educate their respective stakeholders about
25 eCommerce, including the provisions under this Act.

26
27 SEC. 23. **Penalties.** –

28 (A) Online merchants found guilty of violating Section 9, paragraph
29 (B) of this Act or who fail to register either as a sole proprietor,
30 one-person corporation, partnership, corporation, or cooperative,
31 shall be punished with a fine equivalent to one hundred percent

1 (100%) of the amount of the digital goods offered or sold based on
2 the market price as determined by the Bureau, including
3 confiscation of the digital products as advertised, and forfeiture
4 of license; and

5 (B) Online eCommerce platforms and online merchants found guilty
6 of violating Section 11 or Section 12 (D) of this Act shall be
7 punished with a fine not less than Five Hundred Thousand Pesos
8 (P500,000.00) but not more than Five Million Pesos
9 (P5,000,000.00) or the revocation of their licenses, or both, at the
10 discretion of the court.

11
12 **SEC. 24. Appropriations.** – The amount of Fifty million pesos
13 (P50,000,000.00) for the initial operation of the Bureau is hereby appropriated
14 out of any funds in the National Treasury not otherwise appropriated.
15 Thereafter, such sum as may be necessary for the continued implementation
16 of this Act shall be included in the annual General Appropriations Act.

17
18 **SEC. 25. Separability Clause.** – If any provision or part of this Act is
19 declared invalid or unconstitutional, such declaration shall not affect the
20 validity of the remaining provisions of this Act.

21
22 **SEC. 26. Repealing Clause.** – All laws, rules, and regulations,
23 presidential decrees, letters of instruction and other presidential issuances
24 which are incompatible or inconsistent with the provisions of this Act are
25 hereby repealed amended, or modified accordingly.

26
27 **SEC. 27. Effectivity Clause.** – This Act shall take effect thirty (30) days
28 after its publication in the *Official Gazette* or in a newspaper of general
29 circulation.

30
31 Approved,