



Republic of the Philippines
HOUSE OF REPRESENTATIVE
Quezon City

SIXTEENTH CONGRESS
First Regular Session

House Bill No. 1061



Introduced by Hon. Neptali M. Gonzales II

EXPLANATORY NOTE

The State recognizes the complementary roles of government and non-government institutions in providing and protecting the interests of the poor through the institutions of related micro-finance services.

This bill seek to establish Micro-Enterprise Development Institutions (MEDIs) which shall be organized as non-profit institutions accredited by the proper government authorities, primarily to implement a social reforms program that would empower the poor to manage their risks and vulnerabilities, improve their asset base and expand access to micro-finance services such as insurance, health care, education, housing and the other value added services that would eradicate poverty in the Philippines.

The proposed bill shall allow the MEDIs to pay a tax of only two percent (2%) of the gross income in lieu of all national and local taxes and such proceeds shall form part of the disbursable portion of the People's Development Trust Fund established under Republic Act. No. 8425, otherwise known as the "Social Reform and Poverty Alleviation Act." Thus, the tax scheme shall lower the costs of borrowing in the absence of income tax, value added tax, documentary stamp tax, other forms of percentage tax and local tax.

In view of the foregoing, approval of this bill is highly recommended.


NEPTALI M. GONZALES II

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AN ACT
GOVERNING THE CREATION AND ACCREDITATION OF MICRO-ENTERPRISE DEVELOPMENT INSTITUTIONS, AND FOR OTHER PURPOSES

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

1 **SECTION 1. Title.** This Act shall be known as the "Micro-Enterprise
2 Development Institution Act of 2013."

3 **SEC. 2. Declaration of Policy.** It is hereby declared the policy of the
4 State to pursue a program of poverty eradication wherein poor Filipino
5 families shall be encouraged to undertake entrepreneurial activities to meet
6 its minimum basic needs including income security. In pursuance of this
7 policy, the government shall support and work in partnership with qualified
8 institutions in the private sector providing general and other entrepreneurial
9 services to the poor.

10 **SEC. 3. Definition of Terms.** For purposes of implementing this Act,
11 the following definitions shall apply:

- 1 a) MICRODEV Accreditation Center refers to the entity created under
2 Section 7 of this Act;
- 3 b) *Micro-Enterprise Development Strategy* refers to a social reform
4 program to empower the poor, manage risks and vulnerabilities and
5 thereby improve their asset base and expand access to micro-finance
6 services, such as micro-credit, micro-insurance, micro-savings, health
7 care and micro-housing through a broad package of financial,
8 business and human development services and other non-financial
9 services, including education to enable them to live productive lives;
- 10 c) *Micro Finance* refers to the provision of a broad range of financial
11 services exclusively for the poor to improve the asset base of
12 household and expand their access to savings and enable them to
13 raise their income levels and living standards;
- 14 d) *Net Worth* refers to the difference between total assets and total
15 liabilities of an entity;
- 16 e) *Poor* refers to individuals and families whose income fall below the
17 poverty threshold as defined by the National Economic and
18 Development Authority or those who cannot afford in a sustained
19 manner to provide their minimum basic needs of food, health care,
20 education, housing and other essential amenities of life as defined by
21 the Republic Act No. 8425, otherwise known as the "Social Reform
22 and Poverty Alleviation Act";
- 23 f) *Regulatory Authorities* refer to the entities as designated under Section
24 9 of this Act; and

1 g) *Social Reform* refers to the continuing process of addressing the basic
2 inequities in Filipino society through a systematic, unified and
3 coordinated delivery of socio-economic programs or packages;

4 **SEC. 4. Recognition of Micro-Enterprise Development Institutions**
5 **(MICRODEVs).** Micro-Enterprise Development Institutions (MICRODEVs) are
6 hereby recognized as institutions mandated to implement a micro-enterprise
7 development strategy. MICRODEVs shall be operated as non-stock and non-
8 profit corporations in accordance with the Securities and Exchange
9 Commission (SEC) rules and regulations and provisions of Title XI (Non-
10 Stock Corporations) of Batas Pambansa Blg. 68, otherwise known as "The
11 Corporation Code of the Philippines." These shall be governed by a Board of
12 Trustees whose members shall not receive compensation: *Provided*, That no
13 part of the net income of MICRODEVs inure to the benefit of the member,
14 trustees, directors or officers: *Provided, further*, That the administrative
15 expenses shall in no case exceed thirty percent (30%) of the total expenses
16 within a taxable year: *Provided*, finally, That the administrative expenses
17 shall conform with the rules and regulations to be prescribed by the
18 Department of Finance upon the recommendation of the Bureau of Internal
19 Revenue.

20 **SEC. 5. Powers and Functions of a MICRODEV.** A MICRODEV
21 shall exercise such powers and functions and undertake such activities in
22 accordance with the policies, programs and services provided in this Act. It
23 shall:

- 1 a) provide the poor access to reasonable and affordable credit and
2 related services including micro-finance, micro-insurance, health care
3 and micro-housing;
- 4 b) provide business development opportunities such as leadership
5 training and entrepreneurial skills training; and
- 6 c) provide human development services to help the poor achieve a level
7 of sustainability and empowerment and adopt measures to promote a
8 spirit of generosity and selfless giving among individuals and
9 institutions that would help support all programs directly involved in
10 poverty eradication.

11 Any accredited MICRODEV shall not undertake deposit-taking
12 activities, engage in the insurance business and carry out fund management
13 activities without the necessary licenses and authority from the relevant
14 regulatory agencies.

15 For the purpose of implementing this provision, deposit taking does
16 not include taking of funds from current or prospective borrowers for the
17 purpose of equity build-up of an individual borrower's own loan. A
18 MICRODEV shall be a net lender at all times, wherein net loans mean total
19 loans minus total equity build-up.

20 **SEC. 6. Capital Requirements.** A MICRODEV shall have a net
21 worth of Twenty Million Pesos (P20,000,000.00), or in the case of newly
22 organized MICRODEVs, an initial net worth of Ten Million Pesos
23 (P10,000,000.00).

24 **SEC. 7. Creation and Composition of the Accrediting Entity.**
25 An accrediting entity to be known as the MICRODEV Accreditation Center

1 shall be created under the National Anti-Poverty Commission (NAPC) to
2 perform the functions provided hereof. It shall be composed of the following:

- 3 a) The President of the NAPC or designated representative;
- 4 b) The Secretary of the Department of Finance (DOF) or designated
5 representative;
- 6 c) The Secretary of the Department of Trade and Industry (DTI) or
7 designated representative;
- 8 d) The Governor of the Bangko Sentral ng Pilipinas (BSP) or designated
9 representative;
- 10 e) The Chairperson of the SEC or designated representative; and
- 11 f) The President of the Microfinance Council of the Philippines (MFCP) or
12 designated representative.

13 The MICRODEV Accrediting Center shall be assisted by a Secretariat
14 in the performance of its functions. Funding for its operation shall be
15 sourced from the two percent (2%) tax proceeds from MICRODEVs to be
16 remitted to the Peoples Development Trust Fund established under R. A. No.
17 8425 as provided for in subparagraph (a) of Section 10 of this Act.

18 **SEC. 8. Power and Functions of the Accrediting Entity.** The
19 MICRODEV Accreditation Center established under this Act shall have the
20 following functions and responsibilities:

- 21 a) Institute and operationalize a system of accreditation for MICRODEVs;
- 22 b) Issue Certificate of Accreditation as a MICRODEV to a non-stock and
23 non-profit corporation applicant: *Provided*, That the certificate of
24 accreditation shall be valid only for such period as may be prescribed
25 under that implementing rules and regulations of this Act; *Provided*,

1 further, That no application shall be processed for accreditation as a
2 MICRODEV unless applicant enterprise secures a valid registration or
3 licensed with the government agency that exercises regulatory
4 function over such corporation;

5 c) Monitor the performances of MICRODEVs to ensure compliance with
6 the provisions of this Act and its implementing rules and regulations;

7 d) Suspended or revoke any certificate of accreditation upon
8 determination that a MICRODEV no longer meets the criteria for
9 accreditation;

10 e) Require regular submission of reports by MICRODEVs;

11 f) Collect reasonable accreditation and monitoring fees from a
12 MICRODEV which shall be used for the accrediting entity's
13 operational requirements;

14 g) Submit an annual report to the President of the Philippines and the
15 concerned committees of both Houses of Congress; and

16 h) Perform such other functions as may be necessary to accomplish the
17 purposes and objectives of this Act.

18 **SEC. 9. Power of the Regulatory Authorities to Examine**
19 **MICRODEVs.** The BSP and the Insurance Commission, in coordination with
20 the accrediting entities, shall have the power to examine the operations of
21 MICRODEVs, solely for the purpose of activities which are subject to their
22 respective regulations.

23 **SEC. 10. Taxation of Accredited MICRODEVs.** The taxation of
24 MICRODEVs shall be as follows;

- 1 a) The MICRODEVs shall pay two percent (2%) of the gross income in
2 lieu of all national and local taxes which shall be remitted to the
3 National Government. The Tax proceeds shall from part of the
4 disbursable portion of the Peoples Development Trust Fund
5 established under R.A No.8245. The term gross income shall mean
6 gross receipts less sales returns, allowances, discounts and the costs
7 of services. The term cost of services shall mean all direct costs and
8 expenses necessarily incurred to provide the services required by the
9 customers and clients including salaries and employee benefits of
10 personnel, consultants and specialists directly rendering the service
11 and cost of facilities directly utilized in providing the service and cost
12 of supplies. Interest expenses on borrowings for lending services of a
13 MICRODEV shall be deductible from gross receipts as part of cost of
14 services in arriving at gross income. The term gross income shall
15 exclude donations;
- 16 b) Donations to the MICRODEV shall be fully deductible from the gross
17 income of the donor subject to the conditions of Section 34 © of
18 Republic Act No.8424, as amended, otherwise known as the National
19 Internal Revenue Code of 1997: *Provided*, however. That the
20 accreditation of the MICRODEV by the accrediting entity under this
21 Act shall be sufficient;
- 22 c) Donations to the MICRODEV shall be exempt from donor's tax subject
23 to the qualifications of Section 101 of Republic Act No.8242, as
24 amended otherwise known as the National Internal Revenue Code of

1 1997: *Provided*, That for purpose of utilization, accreditation granted
2 under this Act shall be sufficient; and

3 d) Transactions of MICRODEV and its clients shall be exempt from
4 documentary stamp tax.

5 **SEC. 11. *Implementing Rules and Regulations.*** The NAPC, in
6 coordination with the DOF, BIR, BSP, DTI and MFCP, shall formulate the
7 implementing rules and regulations (IRR) of this Act within ninety (90) days
8 after its approval. The IRR shall take effect fifteen (15) days after its
9 publication in a newspaper of general circulation in Philippines.

10 **SEC. 12. *Penalty Clause.*** If the BSP or the Insurance Commission
11 finds, pursuant to its power under Section 9 of this ACT, MICRODEVs
12 engaging in unauthorized undertakings or activities, the BSP or the
13 Insurance Commission may impose administrative sanctions including, but
14 not limited to, issuance of and order requiring the MICRODEV and/or the
15 directors and/or officers concerned to cease and desist from the indicated
16 practice or violation, and may further order that immediate action be taken
17 to correct the conditions resulting from such violation. The cease of desist
18 order shall be immediately effective upon service of such order to the
19 respondents.

20 Further, MICRODEVs and/or its directors and/or officers found to be
21 engaged in unauthorized undertaking and activities shall be subject to
22 criminal and administrative fines as provided in Section 36 and 37 of
23 Republic Act No.7653 or the New Central Bank Act, and in case of
24 unauthorized activities regulated by the Insurance Commission, be liable
25 under the applicable insurance laws.

1 **SEC. 13. *Separability Clause.*** The provisions of this Act hereby
2 declared to be separable. If any provision of this Act shall be held
3 unconstitutional, the remainder of the Act not otherwise affected shall
4 remain in full force and effect.

5 **SEC. 14. *Repealing Clause.*** All executive orders, rules and
6 regulations, or parts thereof, which are contrary to or inconsistent with this
7 Act are hereby repealed, amended or modified accordingly.

8 **SEC. 15. *Effectivity.*** This Act shall take effect fifteen (15) days
9 after its publication in at least two (2) newspapers of national circulation.

Approved,