

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

16th Congress
1st Regular Session

House Bill No. **4007**



Introduced by **HON. RODRIGO A. ABELLANOSA**

EXPLANATORY NOTE

Micro, small, and medium enterprises (MSMEs) are the lifeblood of the economy. They create avenues for healthy trade and promote productivity by providing income-generating activities for a large portion of our population. MSMEs are also the key to developing our country-sides and stimulating local tourism. As such, the government needs to do its part in encouraging these enterprises.

The passage of a bill providing support and incentives to MSMEs could be a good start for the proliferation of such businesses, hence boosting employment levels and relieving the poverty gap.

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

A handwritten signature in dark ink, appearing to read "Rodrigo A. Abellanos".

RODRIGO A. ABELLANOSA

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AN ACT
PROMOTING THE REDUCTION OF POVERTY THROUGH THE DEVELOPMENT
OF MICRO, SMALL, AND MEDIUM ENTERPRISES

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 "Go Negosyo Act of 2013."

SECTION 2. Declaration of Policy. - It is hereby declared the policy of the state to foster national development and alleviate poverty by encouraging the establishment of micro, small, and medium enterprises (MSMEs) that generate local job creation and production in the country. The State shall do this by rationalizing existing bureaucratic regulations, providing greater incentives and benefits to MSMEs, and strengthening the Micro, Small, and Medium Enterprise Development (MSMED) Council.

SECTION 3. Micro, Small and Medium Enterprises (MSMEs). - MSMEs shall refer to any business activity or enterprise engaged in the production, processing or manufacturing of products or commodities, trading and services, whether single proprietorship, cooperative, partnership or corporation whose total assets must have value falling under the following categories:

MICRO not more than Php 3,000,000

SMALL Php 3,000,001 Php 15,000,000

MEDIUM Php 15,000,001 Php 100,000,000

The above classification of MSMEs shall be subject to review and adjustments by the Micro, Small, and Medium Enterprises Development (MSMED) Council created under

Section 6 of 1 Republic Act 6977, as amended, or upon the recommendation of sectoral organizations concerned, taking into account inflation and other economic indicators.

The term "services" shall exclude those rendered by anyone, who is duly licensed by the government after having passed a government licensure examination, in connection with the exercise of one's profession. The term "assets" refers to all kinds of properties, real or personal, owned by the MSME, including those arising from loans, and used for the conduct of its business as defined by the MSMED Council: Provided, That for the purpose of exemption from taxes and fees under this Act, this term shall mean all kinds of properties, real or personal, owned and/or used by the MSME for the conduct of its business as defined by the MSMED Council. Notwithstanding the plans and programs set for MSMEs, the Council shall ensure that a set of policies, plans and programs shall be formulated and implemented according to the specific and distinct needs of each category (micro, small and medium) encouraging each level of enterprise to graduate to a higher category.

SECTION 4. Eligibility. Any person, natural or juridical, or cooperative, or association, having the qualifications as defined in Section 3 of this Act may apply for registration as MSME.

SECTION 5. Registration and Fees. -

- (a) Micro Enterprises. -The Office of the Treasurer of each city or municipality shall register the micro enterprise and issue a Certificate of Authority to enable the micro enterprise to avail of the benefits under this Act. Any such application shall be processed within fifteen (15) working days. Should the process, after application, take more than 15 days, the micro enterprise shall be deemed registered and can proceed with its operation unless revoked by the Local Government Unit (LGU). The Municipal or City Mayor shall designate a Micro Enterprise Registration Officer who shall be under the Office of the Treasurer. LGUs shall establish a One-Stop-Business Registration Center to handle the efficient registration and processing of permits/licenses of the concerned enterprises. Likewise, LGUs shall make a periodic evaluation of the micro enterprise's financial status for monitoring and reporting purposes. To defray the administrative costs of registering and monitoring micro enterprises, the LGUs may charge a fee not exceeding One Thousand Pesos (P1,000.00). The Certificate of Authority to be issued by the LGU shall be effective for a period of two (2) years, renewable every two (2) years.
- (b) Small and Medium Enterprises (SME) - The Department of Trade and Industry (DTI), through its field offices, shall register the small and medium enterprises (SMEs) and issue a Certificate of Authority to enable the SME to avail of the

benefits under this Act. Any such application shall be processed within fifteen (15) working days. Should the process, after application, take more than 15 days, the SME shall be deemed registered and can proceed with operations unless revoked by DTI. The DTI shall designate a SME Registration Officer who shall be under the DTI field office concerned. The DTI field offices shall establish a One-Stop-Business Center to handle the efficient registration and processing of permits/licenses of concerned enterprises. Likewise, the DTI shall make a periodic evaluation of the SME's financial status for monitoring and reporting purposes. To defray the administrative costs of registering and monitoring the small and medium enterprises, the DTI field office may charge a fee not exceeding One Thousand Pesos (P5,000.00). The Certificate of Authority to be issued by DTI shall be effective for a period of two (2) years, renewable every two (2) years.

SECTION 6. Incentives and Benefits. -

- (a) Micro Enterprises: The following incentives and benefits shall be made available to registered micro enterprises:
 - 1. Exemption from Income Tax. - All micro enterprises shall be exempt from the payment of income tax with respect to income received from the operations of the enterprise; and
 - 2. Exemption from the Coverage of the Minimum Wage Law. - All micro enterprises shall be exempt from the coverage of the Minimum Wage Law: Provided, That all employees covered under this Act shall be entitled to the same benefits given to any regular employee such as, among others, social security and healthcare benefits.
- (b) Small and Medium Enterprises. - Registered small and medium enterprises which shall hire additional employees subsequent to its registration under this Act, shall be allowed a deduction from its gross income in the amount of Forty Thousand Pesos (P40,000.00) for each new employee hired: Provided, That the maximum allowable deduction from gross income shall not exceed One Hundred Twenty Thousand Pesos (P120,000.00): Provided, further, That the employment must be continuous for a period of at least one (1) year: Provided, finally, That the incentive shall no longer be applicable upon the termination of the employee. This incentive can only be availed for a period of five (5) years from the effectivity of this Act.
- (c) Micro, Small and Medium Enterprises. - In addition to the above incentives, MSMEs shall be entitled to the following:
 - 1. Exemption from Value-Added Tax (VAT) Registration and Percentage Tax. - Registered MSMEs whose annual gross selling price or gross value in money

received from the sale, barter, or exchange of goods, as well as the annual gross receipts derived from the sale or exchange of services do not exceed Three Million Pesos (P3,000,000.00) shall not be required to be a VAT-registered entity and shall likewise be exempt from the payment of percentage tax under the National Internal Revenue Code, as amended. Should the enterprise exceed the Three Million Pesos (P3,000,000.00) value, it shall no longer be covered by this exemption on the following year; and

2. Local Taxes and Fees for Micro Enterprises - LGUs shall not charge micro enterprises any local tax and are encouraged to reduce the amount of applicable fees and charges.
3. Local Taxes and Fees for Small and Medium Enterprises. - LGUs are encouraged either to reduce the amount of applicable local taxes, fees and charges imposed or to exempt the small and medium enterprises from the payment of local taxes, fees and charges.

SECTION 7. Composition of the Micro, Small and Medium Enterprise Development Council (MSMED).- The Council shall be headed by the Secretary of Trade and Industry as Chairman, and may elect from among themselves a Vice-chairman to preside over the Council meetings in the absence of the Chairman. To ensure greater representation by the sectors involved, the members of the Council shall be the following:

- (a) Secretary of Agriculture;
- (b) Secretary of the Interior and Local Government; .
- (c) Secretary of Science and Technology;
- (d) Secretary of Tourism;
- (e) Chairman of Small Business Corporation;
- (f) Three (3) representatives from the micro enterprise sector to represent Luzon, Visayas and Mindanao; to focus on the specific needs of micro enterprises.
- (g) Three (3) representatives from the small and medium enterprise (SME) sector to represent Luzon, Visayas and Mindanao; to focus on the specific needs of small and medium enterprises.
- (h) One representative from the youth sector to focus on the promotion of youth entrepreneurship;
- (i) One representative from the Microfinance Council;
- (j) One representative from the labor sector, to be nominated by accredited labor groups; and
- (k) A representative from the private banking sector: to serve alternately among the

- (l) Chamber of Thrift Banks; the Rural Bankers' Association of the Philippines (RBAP); Bankers' Association of the Philippines (BAP); and the Micro Finance Council of the Philippines (MFCP).

SECTION 8. FUNCTIONS OF MSMED Council. - In addition to the existing functions of the council as stated in RA 9501 or the Magna Carta for Micro, Sma II and Medium Enterprise, the following functions shall be added:

- (a) Development Planning. - MSMED Council shall prepare separate six-year development plans for micro enterprises and for small and medium enterprises (SMEs) to reflect a clear strategy for each sector for approval by the President.
- (b) Promoting Value Chain Linkages - MSMED Council shall provide information and matchmaking services for MSMEs and larger firms to bridge backward and forward value chain linkages. It shall also coordinate flow of information through national websites, business directories and business contact fairs and events.
- (c) Technical Assistance. - The MSMED Council shall develop programs to provide awareness raising, capacity building and training for MSMEs to start and grow their businesses. Assistance may be rendered to MSMEs regarding financial management, marketing strategies, enhancement of business plans and other necessary information to help the enterprise overcome business difficulties.

SECTION 9. Information Dissemination. - The Philippine Information Agency (PIA), in coordination with DTI, SSP, Department of Labor and Employment (DOLE), and DILG shall ensure the proper and adequate information dissemination of the contents and benefits of this Act to the general public especially to its intended beneficiaries specifically in the barangay level.

SECTION 10. Annual Report. - The DTI, SSP, DOLE and DILG, shall submit an annual report to Congress on the status of the implementation of this Act.

SECTION 11. Implementing Rules and Regulations.- The Secretary of the Department of Trade and Industry, in consultation with the Secretaries of the Department of Interior and Local Government (DILG), Department of Finance (DOF), Department of Labor and Employment (DOLE) and the Sangko Sentral ng Pilipinas (SSP) Governor shall formulate the necessary rules and regulations to implement the provisions of this Act within ninety (90) days after its approval. The rules and regulations issued pursuant to this Act shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

SECTION 12. Penalties.-

- (a) Any person who shall willfully violate any provision of this Act or who shall in any manner commit any act to defeat any provision of this Act shall, upon

conviction, be punished by a fine of not less than Twenty-Five Thousand Pesos (P25,000.00) but not more than Fifty Thousand Pesos (P50,000.00) and suffer imprisonment of not less than six (6) months but not more than two (2) years.

- (b) In case of non-compliance with the provisions of Section 7 of this Act, the BSP shall impose administrative sanctions and other penalties on the concerned lending institutions, including a fine of not less than Five Hundred Thousand Pesos (P500,000.00). Penalties on noncompliance shall be directed to the development of the MSME sector. Ninety percent (90%) of the penalties collected should go to the MSMED Council Fund, while the remaining ten percent (10%) should be given to the BSP to cover for administrative expenses.

SECTION 13. Separability Clause. - If any provision of this Act shall be held unconstitutional, the remainder of the Act not otherwise affected shall remain in full force and effect.

SECTION 14. Repealing Clause. - Provisions of Republic Act No. 6977, as amended by Republic Act No. 8289 and Republic Act No. 9501, Republic Act No. 9178, and all other existing laws, presidential decrees, executive orders, proclamations or administrative regulations that are inconsistent with the provisions of this Act are hereby amended, modified, superseded, or repealed accordingly.

SECTION 15. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,