

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

**TWENTIETH CONGRESS**  
First Regular Session  
House Bill No. **4442**



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Introduced by: Congressman **BIENVENIDO M. ABANTE, JR.**

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**AN ACT**  
**PROVIDING ENHANCED INCENTIVES AND SUBSIDIES FOR MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMEs) WITH LESS THAN ONE HUNDRED EMPLOYEES, AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the Philippine economy, accounting for over 99% of all registered businesses and generating millions of jobs nationwide. Despite their vital role in economic growth, job creation, and innovation, MSMEs continue to face significant barriers to entry and sustainability, including high regulatory costs, limited access to government procurement, and insufficient support for capacity building and market access.<sup>1</sup>

The proposed Enhanced MSME Incentives and Subsidies Act seeks to address these persistent challenges by providing a comprehensive package of incentives and support mechanisms for MSMEs with less than one hundred (100) employees. This measure is consistent with the State policy to promote, support, and strengthen MSMEs as articulated in the Magna Carta for MSMEs and related laws, such as the "Go Negosyo Act" (RA 10644 (2014)), the "Philippine Innovation Act" (RA 11293 (2019)), and the "Barangay Micro Business Enterprises (BMBEs) Act" (RA 9178 (2002)).

Key features of this bill include: (1) capping business permit and license fees to a reasonable amount for eligible MSMEs; (2) mandating expedited permit processing through provisional authorities; (3) reserving a share of government procurement for MSMEs; (4) requiring discounts on shipping and delivery services; (5) providing free or discounted selling space in public and private venues; (6) ensuring access to credit and financial support; and (7) prioritizing MSMEs in government-led training and capability-building programs.

The need to rationalize and limit business permit fees is underscored by the Supreme Court's recent pronouncement in *Bases Conversion and Development Authority, et al. v. City Government of Baguio City* (G.R. No. 192694, 2023), where the Court clarified

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<sup>1</sup> Filipino Society of Composers, Authors and Publishers, Inc. v. Anrey, Inc. G.R. No. 233918 August 9, 2022.

that business permit fees imposed by local government units (LGUs) are regulatory in nature and not intended for revenue generation. The decision affirms the authority of LGUs to set permit fees, provided these are reasonable and serve a regulatory purpose, and highlights the importance of ensuring that such fees do not unduly burden MSMEs.

By institutionalizing enhanced incentives and support for MSMEs, this bill aims to foster a more enabling environment for entrepreneurship, promote inclusive economic growth, and empower Filipino enterprises to compete and thrive in both domestic and global markets.

Hence, in the light of the foregoing, the immediate passage of this Bill is earnestly pleaded.



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*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 "**Enhanced MSME Incentives and Subsidies Act.**"

**SEC. 2. Declaration of Policy.** – It is the policy of the State to promote, support, and strengthen the development of micro, small, and medium enterprises (MSMEs) as vital engines of economic growth, job creation, and innovation, consistent with the Magna Carta for MSMEs and related laws.

**SEC. 3. Coverage.** – This Act shall apply to all MSMEs:

- (a) with less than one hundred (100) employees, duly registered with the Department of Trade and Industry (DTI), Securities and Exchange Commission (SEC), or Cooperative Development Authority (CDA), as the case may be;
- (b) one hundred percent (100%) Filipino-owned if a sole proprietorship or partnership, or at least sixty percent (60%) Filipino-owned if a corporation, and
- (c) not be a branch, subsidiary, or division of a large-scale enterprise, nor have its policies determined by a large-scale enterprise or by persons who are not owners or employees of the enterprise.

**SEC. 4. Reduced Business Permit Costs to all eligible MSMEs.** –

- (a) The total fees for all business permits, licenses, and similar documents required by any government agency or local government unit shall not

exceed Five Hundred Pesos (₱500) per agency per year, for a period of five (5) years from initial registration.

- (b) After the initial five (5) year period, the total fees for all business permits, licenses, and similar documents required by any government agency or local government unit shall not exceed One Thousand Pesos (₱1,000) per agency per year.

**SEC. 5. Expedited Permit Processing.** – Upon receipt of a complete application for a business permit or license, the local government unit or concerned agency shall immediately issue a provisional authority valid for one (1) year, allowing the MSME to commence operations pending final approval. The provisional authority shall remain effective unless the issuing office formally denies or revokes it within thirty (30) calendar days from the issuance thereof upon determination that the MSME has not met the requirements and qualifications imposed by such office.

Failure of the office to act within this period shall be deemed an approval of the provisional authority.

**SEC. 6. Procurement Opportunities.** – Eligible MSMEs with less than one hundred (100) employees shall be allocated at least twenty percent (20%) of the total annual procurement value of goods and services supplied to the Government, its bureaus, offices, agencies, government-owned and controlled corporations, and local government units, in accordance with existing procurement laws and regulations.

The Department of Budget and Management shall have the authority to monitor and ensure compliance of all government entities with the mandated procurement allocation for MSMEs. The DBM shall submit a detailed report on compliance and procurement performance to the Micro, Small, and Medium Enterprises Development (MSMED) Council created under R.A. No. 6977 on a semi-annual basis, and to the Congress of the Philippines, through its appropriate committees, on a yearly basis.

**SEC. 7. Discounts on Shipping and Delivery.** – All public and private shipping, delivery, and courier service providers shall grant at least a ten percent (10%) discount on shipping, delivery, and courier fees for products and raw materials of eligible MSMEs under Section 3 of this Act.

**SEC. 8. Free Selling Space.** –

- (a) At least one percent (1%) of the total available space in public markets, ports, parks, and other public venues shall be designated as free selling areas for the qualified MSMEs under this Act.
- (b) Private malls and shopping centers are encouraged to provide free space or discounted rental rates of at least ten percent (10%) discount to MSMEs.

**SEC. 9. *Financial Support and Credit Access.*** —

- (a) MSMEs under this Act shall have access to a free basic credit report annually from the Credit Information Corporation or its accredited agencies.
- (b) The Small Business Corporation and other government financial institutions shall provide financing and credit guarantee programs for such MSMEs, subject to guidelines to be issued by the Department of Finance and the DTI.

**SEC. 10. *Additional Subsidies and Support Programs.*** —

- (a) MSMEs shall be given priority access to government-led capability-building trainings, technology transfer, and entrepreneurship education programs.
- (b) Subsidies shall be provided for participation in trade fairs, exhibitions, and product development activities, subject to the availability of funds and guidelines to be issued by the DTI.

**SEC. 11. *Reportorial Compliance Requirements.*** — Notwithstanding any exemption from the payment of taxes that may be granted under this Act, all Micro, Small, and Medium Enterprises (MSMEs) covered by this Act shall continue to comply with all reportorial and documentation requirements mandated by the Bureau of Internal Revenue and other relevant government agencies. Nothing in this Act shall be construed as an exemption from the obligation to file tax returns, submit reports, or comply with any other documentary requirements as may be prescribed by existing laws, rules, and regulations.

**SEC. 12. *Implementing Rules and Regulations.*** — Within ninety (90) days from the effectivity of this Act, the DTI, in coordination with concerned agencies, shall promulgate the necessary rules and regulations for the effective implementation of this Act.

**SEC. 13. *Separability Clause.*** — If any provision of this Act is declared unconstitutional or invalid, the other provisions not affected thereby shall remain in full force and effect.

**SEC. 14. *Repealing Clause.*** — All laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

**SEC. 15. *Effectivity.*** — This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

*Approved.*