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SENATE  
Senate Bill No. 1028

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Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

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#### EXPLANATORY NOTE

Micro, small, and medium enterprises (MSMEs) are defined as any business activity/enterprise engaged in industry, agri-business/services, whether single proprietorship, cooperative, partnership, or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories: a micro enterprise has an asset value of up to PHP3,000,000.00, a small enterprise from PHP3,000,001.00 to PHP15,000,000.00, and a medium enterprise from PHP15,000,001.00 to PHP100,000,000.00.

These industries may be small in scale, but have a mighty impact on our nation's economic development. They bring vast contributions by way of rural industrialization; rural development and decentralization of industries; creation of employment opportunities and more equitable income distribution; use of indigenous resources; earning of foreign exchange resources; creation of backward and forward linkages with existing industries; and entrepreneurial development.

A nation like ours has a plentiful and high-quality labor pool. MSMEs by nature are labor-intensive and thus the industry has so much to offer in generating jobs for our countrymen especially in the locality where they are situated. In this sense, they bring about a more balanced economic growth and equity in income distribution. MSMEs are oftentimes the roots from where great ideas, skills, and innovations spring forth, as scarce resources and the need to compete provide a challenge in the market.

Thus the "Go Negosyo Act of 2013" seeks to further strengthen the MSME sector by providing this sector with better incentives and benefits, granting more access to focused support for enhanced business performance, promoting support to key growth industries, and facilitating financing support programs that are much-needed for growth. Further, the Act promotes more participation from the private sector in the MSME Development Council.

MSMEs have an important socioeconomic role in our nation's machinery. Unemployment numbers are growing, and we have to realize that allocating effort and resources towards a strong and thriving MSME sector not only sustains, but also leads to the creation of considerable net employment.

Thus the legislature is urged to pass the Go Negosyo Act of 2013. Ultimately, this Act can help improve the design and implementation of the nation's MSME sector. This has the potential to assist MSMEs to integrate themselves in the formal economic market, which will bring forth more job opportunities and the enhanced growth of our nation's economy.

*Bam Aquino*  
Senator Paolo Benigno "Bam" A. Aquino IV



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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:*

1 **SECTION 1. Short Title.** This Act shall be known as the "Go Negosyo Act of 2013."

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

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

12	MICRO	not more than		Php 3,000,000
13	SMALL	Php 3,000,001	-	Php 15,000,000
14	MEDIUM	Php 15,000,001	-	Php 100,000,000

15 The above classification of MSMEs shall be subject to review and adjustments by the Micro,  
16 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  
2 concerned, taking into account inflation and other economic indicators.

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

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

16 **SECTION 5. Registration and Fees. -**

17 (a) *Micro Enterprises.* - The Office of the Treasurer of each city or municipality shall register the  
18 micro enterprise and issue a Certificate of Authority to enable the micro enterprise to avail of  
19 the benefits under this Act. Any such application shall be processed within fifteen (15) working  
20 days. Should the process, after application, take more than 15 days, the micro enterprise shall  
21 be deemed registered and can proceed with its operation unless revoked by the Local  
22 Government Unit (LGU). The Municipal or City Mayor shall designate a Micro Enterprise  
23 Registration Officer who shall be under the Office of the Treasurer. LGUs shall establish a One-  
24 Stop-Business Registration Center to handle the efficient registration and processing of  
25 permits/licenses of the concerned enterprises. Likewise, LGUs shall make a periodic evaluation  
26 of the micro enterprise's financial status for monitoring and reporting purposes. To defray the  
27 administrative costs of registering and monitoring micro enterprises, the LGUs may charge a fee

1 not exceeding One Thousand Pesos (P1,000.00). The Certificate of Authority to be issued by the  
2 LGU shall be effective for a period of two (2) years, renewable every two (2) years.

3 (b) *Small and Medium Enterprises (SME)* - The Department of Trade and Industry (DTI), through  
4 its field offices, shall register the small and medium enterprises (SMEs) and issue a Certificate of  
5 Authority to enable the SME to avail of the benefits under this Act. Any such application shall  
6 be processed within fifteen (15) working days. Should the process, after application, take more  
7 than 15 days, the SME shall be deemed registered and can proceed with operations unless  
8 revoked by DTI. The DTI shall designate a SME Registration Officer who shall be under the DTI  
9 field office concerned. The DTI field offices shall establish a One-Stop-Business Registration  
10 Center to handle the efficient registration and processing of permits/licenses of concerned  
11 enterprises. Likewise, the DTI shall make a periodic evaluation of the SME's financial status for  
12 monitoring and reporting purposes. To defray the administrative costs of registering and  
13 monitoring the small and medium enterprises, the DTI field office may charge a fee not  
14 exceeding One Thousand Pesos (P5,000.00). The Certificate of Authority to be issued by DTI  
15 shall be effective for a period of two (2) years, renewable every two (2) years.

16 **SECTION 6. *Incentives and Benefits.* -**

17 (a) *Micro Enterprises:* The following incentives and benefits shall be made available to  
18 registered micro enterprises:

- 19 1. Exemption from Income Tax. - All micro enterprises shall be exempt from the payment  
20 of income tax with respect to income received from the operations of the enterprise;  
21 and
- 22 2. Exemption from the Coverage of the Minimum Wage Law. - All micro enterprises shall  
23 be exempt from the coverage of the Minimum Wage Law: Provided, That all employees  
24 covered under this Act shall be entitled to the same benefits given to any regular  
25 employee such as, among others, social security and healthcare benefits.

1 (b) *Small and Medium Enterprises.* - Registered small and medium enterprises which shall  
2 hire additional employees subsequent to its registration under this Act, shall be allowed  
3 a deduction from its gross income in the amount of Forty Thousand Pesos (P40,000.00)  
4 for each new employee hired: Provided, That the maximum allowable deduction from  
5 gross income shall not exceed One Hundred Twenty Thousand Pesos (P120,000.00):  
6 Provided, further, That the employment must be continuous for a period of at least one  
7 (1) year: Provided, finally, That the incentive shall no longer be applicable upon the  
8 termination of the employee. This incentive can only be availed for a period of five (5)  
9 years from the effectivity of this Act.

10 (c) *Micro, Small and Medium Enterprises.* - In addition to the above incentives, MSMEs shall  
11 be entitled to the following:

12 1. *Exemption from Value-Added Tax (VAT) Registration and Percentage Tax.* - Registered  
13 MSMEs whose annual gross selling price or gross value in money received from the sale, barter,  
14 or exchange of goods, as well as the annual gross receipts derived from the sale or exchange of  
15 services do not exceed Three Million Pesos (P3,000,000.00) shall not be required to be a VAT-  
16 registered entity and shall likewise be exempt from the payment of percentage tax under the  
17 National Internal Revenue Code, as amended. Should the enterprise exceed the Three Million  
18 Pesos (P3,000,000.00) value, it shall no longer be covered by this exemption on the following  
19 year; and

20 2. *Local Taxes and Fees for Micro Enterprises – LGUs shall not charge micro enterprises*  
21 *any local tax and are encouraged to reduce the amount of applicable fees and charges.*

22 3. *Local Taxes and Fees for Small and Medium Enterprises.* - LGUs are encouraged either  
23 to reduce the amount of applicable local taxes, fees and charges imposed or to exempt the  
24 small and medium enterprises from the payment of local taxes, fees and charges.

25 **SECTION 7.** *Composition of the Micro, Small and Medium Enterprise Development Council*  
26 *(MSMED).*– The Council shall be headed by the Secretary of Trade and Industry as Chairman,  
27 and may elect from among themselves a Vice-chairman to preside over the Council meetings in

1 the absence of the Chairman. To ensure greater representation by the sectors involved, the  
2 members of the Council shall be the following:

3 (a) Secretary of Agriculture;

4 (b) Secretary of the Interior and Local Government;

5 (c) Secretary of Science and Technology;

6 (d) Secretary of Tourism;

7 (e) Chairman of Small Business Corporation;

8 (f) Three (3) representatives from the micro enterprise sector to represent Luzon,  
9 Visayas and Mindanao; to focus on the specific needs of micro enterprises.

10 (g) Three (3) representatives from the small and medium enterprise (SME) sector to  
11 represent Luzon, Visayas and Mindanao; to focus on the specific needs of small and  
12 medium enterprises.

13 (h) One representative from the youth sector to focus on the promotion of youth  
14 entrepreneurship;

15 (i) One representative from the Microfinance Council;

16 (j) One representative from the labor sector, to be nominated by accredited labor  
17 groups; and

18 (k) A representative from the private banking sector: to serve alternately among the  
19 Chamber of Thrift Banks; the Rural Bankers' Association of the Philippines (RBAP);  
20 Bankers' Association of the Philippines (BAP); and the Micro Finance Council of the  
21 Philippines (MFCP).

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

4 (a) *Development Planning.* - MSMED Council shall prepare separate six-year development  
5 plans for micro enterprises and for small and medium enterprises (SMEs) to reflect a  
6 clear strategy for each sector for approval by the President.

7 (b) *Promoting Value Chain Linkages* – MSMED Council shall provide information and  
8 matchmaking services for MSMEs and larger firms to bridge backward and forward  
9 value chain linkages. It shall also coordinate flow of information through national  
10 websites, business directories and business contact fairs and events.

11 (c) *Technical Assistance.* – The MSMED Council shall develop programs to provide  
12 awareness raising, capacity building and training for MSMEs to start and grow their  
13 businesses. Assistance may be rendered to MSMEs regarding financial management,  
14 marketing strategies, enhancement of business plans and other necessary information  
15 to help the enterprise overcome business difficulties.

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

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

23 **SECTION 11. Implementing Rules and Regulations.**- The Secretary of the Department of Trade  
24 and Industry, in consultation with the Secretaries of the Department of Interior and Local  
25 Government (DILG), Department of Finance (DOF), Department of Labor and Employment  
26 (DOLE) and the Bangko Sentral ng Pilipinas (BSP) Governor shall formulate the necessary rules

1 and regulations to implement the provisions of this Act within ninety (90) days after its  
2 approval. The rules and regulations issued pursuant to this Act shall take effect fifteen (15) days  
3 after its publication in a newspaper of general circulation.

4 **SECTION 12. Penalties.-**

5 (a) Any person who shall willfully violate any provision of this Act or who shall in any manner  
6 commit any act to defeat any provision of this Act shall, upon conviction, be punished by a fine  
7 of not less than Twenty-Five Thousand Pesos (P25,000.00) but not more than Fifty Thousand  
8 Pesos (P50,000.00) and suffer imprisonment of not less than six (6) months but not more than  
9 two (2) years.

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

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

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

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