



SENATE

'19 JUL 15 A10:39

S. No. 475

Introduced by Senator Ralph G. Recto

**AN ACT
EXPANDING THE COVERAGE OF MICRO ENTERPRISES AS BENEFICIARIES OF
THE MAGNA CARTA FOR MICRO, SMALL AND MEDIUM ENTERPRISES,
AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 6977, AS AMENDED**

EXPLANATORY NOTE

The State upheld the policy "to promote, support, strengthen and encourage the growth and development of small and medium enterprises in all productive sectors of the economy" with the enactment of Republic Act No. 6977 or the Magna Carta for Small Enterprises in 1991. It created the Micro Small and Medium Enterprise Development (MSMED) Council and the Small Business Finance and Guarantee Corporation to aid in the fulfillment of the guiding principles enshrined in the law. The law also established rules in the provision of technical and other forms of assistance to MSMEs and required all lending institutions to set aside part of their loan portfolio and make it available for small enterprise credit. These interventions were made in recognition of the MSME's potential to generate employment and boost economic growth.

Nonetheless, problems and issues hindering the MSMEs from achieving their potentials still persist despite the enactment of the RA 6977 and its subsequent amendments. One of these impediments is the outdated definition of the business activities or enterprises that belong to the MSME category. While the Magna Carta for Small Enterprises and its subsequent amendments provided the MSMED Council the power to review and adjust the definition of business establishments considering inflation and other economic indicators, the definition of MSMEs remained unchanged since the enactment of RA 9501 in 2008. This creates an onerous situation where a good number of small enterprises are barred from enjoying the benefits, programs and plans to improve their productivity and competitiveness.

In order to correct this situation, this bill proposes to redefine the asset value thresholds of the Micro and Small Enterprise categories in order to make more privileges and benefits available to more enterprises. This bill proposes to amend the definition of micro enterprises as those with total assets of not more than P7.5 million instead of P3 million. Consequently, small enterprises will now be defined as those with total assets ranging from more than P7.5 million to P15 million. This bill thus reinforces the direction laid out in the MSME Development Plan 2017-2022 in addressing the key challenges and constraints that prevent the MSME sector from realizing its full potential in boosting the country's industrial growth. Redefining the total asset value of MSME categories would reinvigorate the business environment, protect critical economic drivers, and sustain the Philippine economic momentum in the near future.

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

/mdg



RALPH G. RECTO

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

1 Section 1. Section 3 of the Magna Carta for Micro, Small and Medium Enterprises
2 or Republic Act No. 6977, as amended by Republic Act No. 8289 and further amended
3 by Republic Act No. 9501, is hereby further amended to read as follows:

4 "Sec. 3. *Micro, Small and Medium Enterprises (MSMEs) as*
5 *Beneficiaries.* — MSMEs shall be defined as any business activity or
6 enterprise engaged in industry, agribusiness and/or services, whether
7 single proprietorship, cooperative, partnership or corporation whose total
8 assets, inclusive of those arising from loans but exclusive of the land on
9 which the particular business entity's office, plant and equipment are
10 situated, must have value falling under the following categories:

11 micro: not more than [P3,000,000] P7,500,000

12 small: [P3,000,001-P15,000,000] **MORE THAN P7,500,000 TO**

13 **P15,000,000**

14 medium: [P15,000,001-P100,000,000] **MORE THAN**

15 **P15,000,000 TO P100,000,000.**

16 "x x x.

17 "x x x."

18 Sec. 2. *Implementing Rules and Regulations.* — The Department of Trade and
19 Industry shall, in coordination with the Micro, Small and Medium Enterprise
20 Development Council, promulgate the necessary implementing rules and regulations
21 within thirty (30) days upon the approval of this Act.

1 Sec. 3. *Repealing Clause.* – All laws, decrees, orders, rules and regulations or
2 parts thereof inconsistent with any of the provisions of this Act are hereby repealed,
3 amended or modified accordingly.

4 Sec. 4. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its
5 complete publication in the *Official Gazette* or in at least two (2) newspapers of general
6 circulation.

Approved,