

DEPARTMENT ADMINISTRATIVE ORDER NO. 01
Series of 2003.

SUBJECT: Implementing Rules and Regulations of R.A. 9178, Otherwise known as the “Barangay Micro Business Enterprises (BMBEs) Act of 2002”

Pursuant to Sec. 15 of R.A. 9178, otherwise known as the “**Barangay Micro Business Enterprises (BMBEs) Act of 2002**”, and after consultation with the Department of the Interior and Local Government (DILG), the Department of Finance (DOF) and the Bangko Sentral ng Pilipinas (BSP), and other concerned agencies, the following Rules and Regulations governing BMBEs are hereby prescribed for the compliance, information and guidance of all concerned.

I. PRELIMINARY PROVISIONS

Sec. 1. Declaration of Policy. As stated in Sec. 2 of RA 9178, it is the policy of the State to hasten the country’s economic development by encouraging the formation and growth of barangay micro business enterprises which effectively serve as seedbeds of Filipino entrepreneurial talents, and integrating those in the informal sector with the mainstream economy, through the rationalization of bureaucratic restrictions, the active intervention of the government specially in the local level, and the granting of incentives and benefits to generate much-needed employment and alleviate poverty.

Sec. 2. Definition of Terms. - When used herein, the term:

- a. *Act*- shall refer to the “Barangay Micro Business Enterprises Act of 2002”.
- b. *Barangay Micro Business Enterprise (BMBE)* - as defined in Sec. 3a of the Act, shall refer to any business entity or enterprise engaged in the production, processing or manufacturing of products or commodities, including agro-processing, trading and services, whose total assets including those arising from loans but exclusive of the land on which the particular business entity’s office, plant and equipment are situated, shall not be more than Three Million Pesos (P3,000,000.00) subject to review and upward adjustment by the SMED Council, as mandated under Republic Act 6977, as amended by Republic Act 8289. A BMBE shall include any individual owning such business entity/enterprise, partnership, cooperative, corporation, association or other entity incorporated and/or organized and existing under Philippine laws; and registered with the office of the treasurer of a city or municipality in accordance with this implementing rules and regulations.

“*Services*” shall exclude those rendered by any one, who is duly licensed by the government after having passed a government licensure examination, in connection with the exercise of one’s profession as stated in Paragraph 2 Sec. 3(a), RA 9178.
- c. *Certificate of Authority (CA)* - shall refer to the certificate issued to an applicant authorizing the same to operate as a BMBE and to be entitled to the benefits and privileges accorded to a registered BMBE.
- d. *Assets* - shall refer to all kinds of properties, real or personal, owned by the BMBE and used for the conduct of its business as defined by the SMED Council: Provided, That for the purpose of exemption from taxes and fees under the Act, this term shall mean all kinds of properties, real or personal, owned and/or used by the BMBE for the conduct of its business as defined by the SMED Council.
- e. *Registration* - shall mean the inclusion of a BMBE in the BMBE Registry of a city or municipality.
- f. *Financing* - shall refer to all borrowings of the BMBE from all sources after registration.

II. REGISTRATION OF BMBE

Sec. 3. **Place of Registration.** - The Office of the Treasurer of each city or municipality shall register BMBEs and issue a Certificate of Authority (CA) to enable the BMBE to avail of incentives under the Act; Provided, That only one Certificate of Authority shall be issued for each BMBE and only by the Office of the Treasurer of the city or municipality that has jurisdiction over the principal place of business of the BMBE.

Sec. 4. **Who are eligible to register.** - Any person, natural or juridical, cooperative or association, having the qualifications herein below enumerated, may apply for registration as BMBE:

1. have an asset size of not more than three million pesos (P3,000,000.00) excluding land, before applying for BMBE registration; and
2. engaged in the business activities as defined in Sec. 2(b) of this IRR.

Sec. 5. **Requirements for Registration.** The applicant for BMBE registration shall submit the duly filled up application (BMBE Form 01) in triplicate, signed by the owner or manager of the entity applying for registration.

Sec. 6. **Procedures for Registration.** The following are the procedures when applying for registration as BMBE:

1. an applicant for BMBE shall go to the Office of the Municipal or City Treasurer where the business is located;
2. the applicant shall accomplish BMBE Form 01 in triplicate and submit to the Office of the Municipal or City Treasurer;
3. the Municipal or City Treasurer evaluates the application. Application shall be processed within fifteen (15) working days upon submission of complete documents. Otherwise, the BMBEs shall be deemed registered; and

a registered BMBE shall be issued a CA as proof of registration, which will be effective for a period of two (2) years, renewable for a period of two (2) years for every renewal.

Sec. 7. **Fees and Charges.** - The LGUs shall issue the CA promptly and free of charge. However, to defray the administrative costs of registering and monitoring the BMBEs, the LGU may charge a fee not exceeding One Thousand Pesos (P1,000.00).

Sec. 8. **Transfer of Ownership.** - The BMBE shall report to the city or municipality of any change in the status of its ownership structure, and shall surrender the original copy of the BMBE Certificate of Authority for notation of the transfer.

III. INCENTIVES AND BENEFITS

Sec. 9. **Exemption from taxes and fees.** - All BMBEs shall be exempted from income tax for income arising from the operation of the enterprise.

The Local Government Units (LGUs) are encouraged either to reduce the amount of local taxes, fees and charges imposed or to exempt the BMBE from local taxes, fees and charges.

Sec. 10. **Exemption from the Coverage of the Minimum Wage Law.** The BMBEs shall be exempt from the coverage of the Minimum Wage Law: Provided, That all employees covered under the Act shall be entitled to the same benefits given to any regular employee such as social security and healthcare benefits.

Sec. 11. **Credit Delivery.** As stated in Sec. 9 of the Act, the Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP), Small Business Guarantee and Finance Corporation (SBGFC), and People's Credit and Finance Corporation (PCFC) shall set up a special credit window that will service the financing needs of BMBEs registered under the Act consistent with the BSP policies, rules and regulations. The Government Service Insurance System (GSIS) and Social Security

System (SSS) shall likewise set up a special credit window that will serve the financing needs of their respective members who wish to establish a BMBE. The concerned financial institutions (FIs) are encouraged to wholesale the funds to accredited private financial institutions including community-based organizations such as cooperatives, non-government organizations (NGOs) and people's organizations, which will in turn, directly provide credit support to BMBEs.

All loans from whatever sources granted to BMBEs under the Act shall be considered as part of alternative compliance to Presidential Decree No. 717, otherwise known as the Agri-Agra Law, or to Republic Act No. 6977, otherwise known as the Magna Carta for Small and Medium Enterprises, as amended. For purposes of compliance with Presidential Decree No. 717 and Republic Act No. 6977, as amended, loans granted to BMBEs under the Act shall be computed at twice the amount of the face value of the loans.

Any existing laws to the contrary notwithstanding, interests, commissions and discounts derived from the loans by the LBP, DBP, PCFC and SBGFC granted to BMBEs as well as loans extended by the GSIS and SSS to their respective member-employees under the Act shall be exempt from gross receipts tax (GRT).

To minimize the risks in lending to the BMBEs, the SBGFC and the Quedan and Rural Credit Guarantee Corporation (QUEDANCOR) under the Department of Agriculture, in case of agribusiness activities, shall set up a special guarantee window to provide the necessary credit guarantee to BMBEs under their respective guarantee programs.

The LBP, DBP, PCFC, SBGFC, SSS, GSIS, and QUEDANCOR shall annually report to the appropriate Committees of both Houses of Congress on the status of the implementation of this provision.

The BSP shall formulate the rules for the implementation of this provision and shall likewise establish incentive programs to encourage and improve credit delivery to the BMBEs.

Sec. 12. Technology Transfer, Production and Management Training, and Marketing Assistance. BMBEs can avail of technology transfer, production, management training programs and marketing assistance of the DTI, DOST, UP-ISSI, CDA, TESDA, TLRC and other concerned agencies.

Sec. 13. BMBE Development Fund. As stated in Sec. 10 of the Act, a BMBE Development Fund shall be set up with an endowment of Three Hundred Million Pesos (P300,000,000.00) from the PAGCOR and shall be administered by the SMED Council.

The DTI, DOST, UP ISSI, CDA, TESDA, and TLRC may avail of the said Fund for technology transfer, production and management training and marketing assistance to BMBEs.

Sec. 14. Trade and Investment Promotion. - The data gathered from business registration shall be made accessible to and shall be utilized by private sector organizations and non-government organizations for purposes of business matching, trade and investment promotion.

Sec. 15. One-Stop Business Registration Center. LGUs are encouraged to establish a One- Stop Business Registration to handle the efficient registration and processing of permits/licenses of BMBEs.

IV. INFORMATION DISSEMINATION

Sec. 16. Information Dissemination. The Philippine Information Agency (PIA) in coordination with the concerned agencies (DOLE, the DILG, and the DTI) shall ensure the proper and adequate information dissemination of the contents and benefits of the Act to the general public especially to its intended beneficiaries in the barangay level.

V. PENALTY

Sec. 17. Penalty. Any person who shall willfully violate any provision of the Act or who shall in any manner commit any act to defeat any provision of the 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.

In case of non-compliance with the provisions of Section 9 of the Act, the BSP shall impose administrative sanctions and other penalties on the concerned government financial institutions, including a fine of not less than Five Hundred Thousand Pesos (P500,000.00).

VI. MISCELLANEOUS PROVISIONS

Sec. 18. **Annual Report.** The DILG, DTI, and BSP shall submit Annual Reports to Congress on the status of the implementation of the Act.

Sec. 19. **Effectivity.** - These rules shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

APPROVED: 07 February 2003.