

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3223

HOUSE OF REPRESENTATIVES

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Introduced by **HON. GUS S. TAMBUNTING**

EXPLANATORY NOTE

Section 9 of Article II of the 1987 Constitution declares as a state policy the freedom of the people from poverty through adequate social services by promoting full employment, a rising standard of living, and an improved quality of life for all. In addition, Republic Act No. 8425, otherwise known as the "Social Reform and Poverty Alleviation Act", identifies the institution of the expansion of micro-credit and microfinance services as one of measures in eradicating poverty.

Microfinance has been proven to be one of the viable solutions in alleviating people from poverty. With a small loan, individuals are given the opportunity to start a small business such that they have the means to augment the needs of their respective families. However, in order to capacitate them, accessibility to financial services should first be put in place. Thus, the establishment of micro-enterprise institutions will provide the ample support these individuals need in order to start-up business.

In effect, the people through microfinance gains income and employment. With the creation of jobs and entrepreneurs who provide wages, it will result to empowering women by giving them economic freedom and towards the improvement in health and education of people. More importantly, with the increase in income, business owners will be able to improve their housing conditions notwithstanding the positive offshoot of creation of jobs.

By reason of the effectivity of microfinance institutions in poverty alleviation, this bill is being filed with the goal of creating micro-enterprise development institutions. These institutions will expand, enhance and promote the accessibility of micro-finance services such as savings, insurance, credit and even health care by capacitating them with economic and productive opportunities.

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


GUS S. TAMBUNTING

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AN ACT
GOVERNING THE CREATION AND ACCREDITATION OF MICRO-ENTERPRISE
DEVELOPMENT INSTITUTIONS, AND FOR OTHER PURPOSES

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

SECTION 1. *Title.* – This Act shall be known and cited as the "Micro-Enterprise Development Institution Act of 2016"

SECTION 2. *Declaration of Policy.* – It is hereby declared the policy of the State to pursue a more focused program of poverty eradication wherein every poor Filipino family shall be empowered to meet its minimum basic needs including income security.

Pursuant thereto, the government shall work in partnership with qualified institutions in the private sector for the poor to have more access to micro-finance, micro-health care, micro-housing, business development, such as leadership training and entrepreneurial skills training and human development services to help the poor entrepreneurs achieve a level of sustainability and empowerment; and adopt measures to promote a spirit of generosity and selfless giving among individuals and institutions that would help support all programs directly involved in poverty eradication.

SECTION 3. *Coverage.* – This Act shall apply to non-stock, non-profit Micro-Enterprise Development Institutions whose mission is totally focused on poverty eradication, and are duly accredited by the Securities & Exchange Commission (SEC), as the accrediting entity, and registered with the Bureau of Internal Revenue (BIR).

SECTION 4. *Definition of Terms.* – For purpose of implementing this Act, the following definitions shall apply:

- a.) "Micro-Enterprise Development Institutions (MEDI)" - refers to a non-stock, non-profit corporation organized and operated to provide Micro-enterprise Development Strategy, as defined in letter (b) hereof, through the broad package of financial and human development services as well as other business development services to the poor to enable them to operate their own productive economic activities; provided, no part

of the net of income of the MEDI inures to the benefit of any private individual, and the administrative expenses of which, on an annual basis, conform with the rules and regulations to be prescribed by the Secretary of Finance, upon recommendation of the Commissioner of Internal Revenue, but in no case to exceed thirty percent (30%) of the total expenses;

b.) "Micro-Enterprise Development Strategy" - a social reform program exclusively for the poor to improve the asset base households and expand the access to micro-finance services, such as micro-credit, micro-insurance, micro-savings and micro-health care for the poor through the broad package of business development services and other non-financial services as well as to the poor to enable them to operate their own productive economic activities;

c.) "Poor" - refers to individuals and families whose income fall below the poverty threshold as defined by National Economic and Development Authority and/or cannot afford in a sustained manner to provide their minimum basic needs of food, health care, education, housing and other essential amenities of life;

d.) "Social Reform" - refers to the continuing process of addressing the basic inequities in Filipino society through a systematic, unified and coordinated delivery of socio economic programs of packages;

e.) "Utilization" by an accredited MEDI- shall refer to:

(i) Any amount in cash or in kind, including administrative expenses, paid or utilized by an accredited MEDI to accomplish one or more purposes for which it was created or organized; or

(ii) Any amount paid to acquire an asset used, or held for use, directly in carrying out one or more purposes for which the accredited MEDI was created or organized; or

(iii) Any amount in cash or in kind invested in any poverty eradication activity related to the purpose for which it was created or organized; or

(iv) Any amount set aside for a specific project which comes within one or more purpose or purposes for which the accredited MEDI was created, provided that the amount will be utilized for a specific project within a period not to exceed five (5) years, and the projects is the one which can be better accomplished by setting aside such amount than by immediate payments of funds;

(v) Any amount in cash or kind invested in capital sustaining and generating activities such as but not limited to, government securities, endowment funds, trust funds, money market placement, shares of stock and similar instruments: Provided, that any income derived from these investments shall be exclusively used in activities directly related to one or more purposed for which the accredited MEDI was created or organized.

(vi) "Accrediting Entity"- shall refer to the Securities & Exchange Commission (SEC) and the Bureau of Internal Revenue (BIR), the regulatory powers of which shall be defined in the implementing rules and regulations of this Act.

SECTION 5. *Form of Organization.* - A MEDI as defined in Section 4 (a) shall be established as a non-stock non-profit corporation.

SECTION 6. *Capital Requirements.* – A MEDI shall have a fund balance of not less than Fifty Million Pesos (P50,000,000.00).

Section 7. *Supervision and Accreditation.* The Accrediting Entity established under this Act shall establish and operationalize a system of accreditation to determine the qualifications of the MEDI. It shall have the following functions and responsibilities:

- (a) Examine, evaluate and accredit the MEDI as a pre-requisite for its registration with the BIR for purposes of tax exemption under this Act.
- (b) Issue Certificate of Accreditation to the MEDI upon determination that it meets the criteria for accreditation; Provided, that the Certificate of Accreditation shall be valid for such period as may be prescribed by implementing rules and regulations.
- (c) Review and deny the application of any MEDI, which does not meet the criteria for accreditation. The MEDI shall be notified of the denial of its application, the reasons therefore, and the evaluators' recommendation in order that the MEDI may meet the criteria for accreditation. The procedure for reconsideration of and/or effecting any corrections amendments to the application shall be provided in the implementing rules and regulations of this Act.

SECTION 8. *Monitoring and Verification of Annual Information Return.* – The Accrediting Entity shall monitor the MEDIs and coordinate to ensure that the provisions of this Act are complied with.

SECTION 9. *Withdrawal of Certificate of Accreditation and Revocation of the Certificate of Registration.* – The Accrediting Entity shall have the authority to withdraw the Certificate of Accreditation, which it used to register the MEDI upon a determination that the latter no longer meets the criteria for accreditation under Section 7 of this Act.

SECTION 10. *Exemption from the National and Local Taxes.* – No taxes, local and national, shall be imposed on MEDIs duly accredited by the Accrediting Entity and registered with the BIR, In lieu thereof, two percent (2%) of the gross income derived by the MEDIs shall be remitted to the National Government. This two percent (2%) tax shall be entirely contributed to the National Government. This two percent (2%) tax shall be entirely contributed to the People's Development Trust Fund established under Republic Act No. 8425 otherwise known as the "Social Reform and Poverty Alleviation Act". In addition borrower of the MEDIs shall not be subject to the documentary stamp tax imposed under Section 179 of the Tax Code, as amended.

The term "gross income" means gross receipts less sales return, allowances, discount and other costs of services. Interest expenses of a MEDI shall be deductible from gross receipts as part of cost of services in arriving at gross income. The term gross income shall exclude donations.

SECTION 11. *Deductibility of Donations.* – Donations to a MEDI shall be fully deductible from the gross income of the donor and shall be exempt from donor's tax imposed under Sec. 98 of the Tax Code.

SECTION 12. *Implementing Rules and Regulations.* – The SEC, in coordination with the BIR, shall formulate the implementing rules and regulation of this Act within sixty (60) days after its approval. Such rules and regulations shall take effect fifteen (15) days after their publication in a newspaper of general circulation in the Philippines.

SECTION 13. *Separability Clause.* – If any provision of this Act or the application thereof to any person or circumstances is held invalid, the other provisions of this Act and the Application of such provisions to other persons or circumstances shall not be affected thereby.

SECTION 14. *Repealing Clause.* – All internal revenue issuances, rules and regulations or parts thereof, which are contrary to or inconsistent with this Act are hereby repealed, amended or modified accordingly

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

Approved,