

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

**SEVENTEETH CONGRESS**  
First Regular Session

**HOUSE BILL NO. 5583**



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Introduced by Representative Federico S. Sandoval II

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### EXPLANATORY NOTE

In 2002, Congress enacted **Republic Act No. 9178** with the purpose of hastening the country's economic development by encouraging the formation and growth of Barangay Micro Business Enterprises (BMBE) 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.

In this law, a barangay micro business enterprise is defined as any business enterprise engaged in production, processing, or manufacturing of products, including agro-processing, as well as trading and services, with total assets of not more than P3 million. Such assets shall include those arising from loans but not the land on which the plant and equipment are located

The law encourages the formation and growth of Barangay Micro Business Enterprises by granting them incentives and other benefits. A registered BMBE can avail of incentives, such as income tax exemption and exemption from the coverage of the minimum wage law.

Interestingly, despite the implementation of **Republic Act No. 9178**, not many enterprises and local government units are able to implement and cover as much BMBE's. This is either because the P3 Million limit is no longer feasible or a number of local government units do not effectively implement this law.

As to whether the law contributed in the reduction of poverty, it is well to note that in January 2005, Karin Schelzig, Social Development Specialist, Southeast Asia Department, Asian Development Bank (ADB), in its "Poverty in the Philippines: Income, Assets, and Access" reported that major causes of poverty in the Philippines fall into several broad categories. Two of these are weak macroeconomic management and employment issues.

To this date however and despite the implementation of the current Republic Act No. 9178, these two categories remain big factors that affect Philippine economy.

For decades, reducing poverty has always been one of the top priorities of the government. Short term anti-poverty policies and programs have been implemented to reduce the same as well long term programs such as **Republic Act No. 9178** and **Republic Act 10693** or the Microfinance Non-Government Organizations Act which promotes the policy of the State to “pursue a program of poverty eradication, wherein poor Filipino families shall be encouraged to undertake entrepreneurial activities to meet their minimum basic needs including income security” as well as “to support and work in partnership with qualified NGOs in promoting financially inclusive and pro-poor financial and credit policies and mechanisms, such as microfinance and its allied services.”

Notwithstanding these pro poor legislations, there is a need to supplement, expand and improve the coverage of micro businesses in the Philippines by increasing its limit from P3 Million to P 5 Million Pesos.

This threshold is more consistent and reasonable with the same purpose to encourage, promote and strengthen the nation’s economic development and will surely increase the coverage of barangay micro business enterprises which in turn is the backbone of small scale Filipino enterprises that need to be integrated with mainstream economy, through the grant of the aforesaid incentives and benefits, among others.

*Expanding the coverage to P5 Million Pesos will encourage Filipinos to engage in micro businesses as they will be able to avail of 1.) income tax exemption from income arising from the operations of the enterprise; 2.) and exemption from the coverage of the minimum wage law. This will eventually help encourage equal employment opportunities for all and in the process help alleviate poverty.*

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

  
**HON. FEDERICO S. SANDOVAL II**  
Representative, Lone District of Malabon City

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**AN ACT EXPANDING AND PROMOTING THE COVERAGE AND  
ESTABLISHMENT OF BARANGAY MICRO BUSINESS  
ENTERPRISES (BMBEs) PURSUANT TO REPUBLIC ACT NO. 9178  
AND AMENDING FOR SAID PURPOSE SECTION 3 OF REPUBLIC  
ACT NO. 9178**

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

Sec. 3. Definition of Terms. — As used in this Act, the following terms shall mean: (a) "Barangay Micro Business Enterprise," hereinafter referred to as BMBE, refers 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 **Five Million Pesos (P 5,000,000.00)**. The above definition shall be subject to review and upward adjustment by the SMED Council, as mandated under Republic Act No. 6977, as amended by Republic Act No. 8289.

For the purpose of this Act, "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.

*Approved,*