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**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), 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:

- a. have an asset size of not more than three million pesos (P3,000,000.00) excluding land, before applying for BMBE registration; and
- b. 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:

- a. an applicant for BMBE shall go to the Office of the Municipal or City Treasurer where the business is located;
- b. the applicant shall accomplish BMBE Form 01 in triplicate and submit to the Office of the Municipal or City Treasurer;
- c. 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
- d. 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, upon the approval 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.

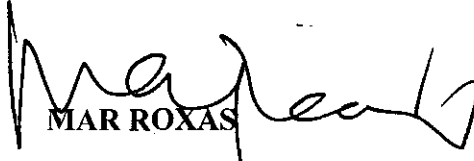
In case of non-compliance with the provisions of Section 9 of the Act, the BSP shall impose administrative sanctions and other penalties on the concerned government financial institutions, including a fine of not less than Five Hundred Thousand Pesos (P500,000.00).

#### 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.

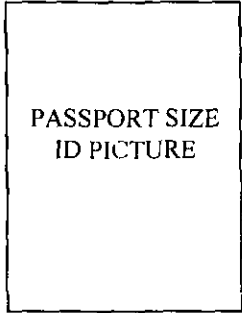
Sec. 19. **Effectivity.** - These rules shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

APPROVED: 07 February 2003.

  
MAR ROXAS  
Secretary of Trade and Industry

**BMBE Form 01**

Date of Application : \_\_\_\_\_  
 Application No. \_\_\_\_\_



**APPLICATION FOR REGISTRATION AS  
 BARANGAY MICRO BUSINESS ENTERPRISE  
 UNDER REP. ACT NO. 9178  
 (To be accomplished in triplicate)**

\_\_\_\_\_  
 NAME OF ENTERPRISE

**1. Registrant's:**

- a. \_\_\_\_\_  
 Business Name/s
- b. \_\_\_\_\_  
 Residence Address
- c. \_\_\_\_\_  
 Residence Tel. No.
- c. \_\_\_\_\_  
 Business Address (head Office)
- e. \_\_\_\_\_  
 Business Tel. No.
- f. \_\_\_\_\_  
 Type of Entity (Single-proprietorship/Corporation/Cooperative/Association/Other type of entity)
- g. Tax Identification No. \_\_\_\_\_

**h. Name of other owners, if any**

Name	Nationality	Address

**2. Business Classification:**

- New
- Existing

**3. Assets/Liabilities (To the nearest Thousand Pesos)**

Assets*	Value (in Pesos)	Liabilities	Value (in Pesos)
	Total		Total

\*For the purpose of exemption from taxes and fees under RA 9178, the term "assets" shall mean all kinds of properties, real or personal, owned and/or used by the BMBE for the conduct of its business.

Networth (Total Assets less Total Liabilities) \_\_\_\_\_

(Please use additional sheet if necessary or present documents if necessary).

- 4. Total Number of Employees \_\_\_\_\_  
 Permanent \_\_\_\_\_  
 No. of employees registered with SSS \_\_\_\_\_
- Year Established \_\_\_\_\_  
 No. of contractual employees per year \_\_\_\_\_  
 No. of employees registered with Philhealth \_\_\_\_\_

5. Principal Business Activity/Products Processed/Produced \_\_\_\_\_

6. Branch Offices (if any)

Address/es	Tel.No.

Please use additional forms/sheets, if necessary.

I hereby certify that all foregoing statements are true to the best of my knowledge and belief.

\_\_\_\_\_  
Applicant's/Authorized Representative's signature

Republic of the Philippines)  
                                ) s.s.

SUBSCRIBED AND SWORN to me this \_\_\_ day of \_\_\_\_\_ 200\_\_, affiant exhibited to me his/her Res. Cert.  
No. \_\_\_\_\_ issued at \_\_\_\_\_ on \_\_\_\_\_ 200\_\_.

Notary Public/Adm. Officer  
Until December 31 \_\_\_\_\_

Doc. No. \_\_\_\_  
Page No. \_\_\_\_  
Book No. \_\_\_\_  
Series of 200\_



REPUBLIC OF THE PHILIPPINES

\_\_\_\_\_  
(City/Municipality)

*BMBE Certificate of Authority*

(Registered Barangay Micro Business Enterprise)

This certificate, which is effective for two (2) years, entitles the registered Barangay Micro Business Enterprise (BMBE) to all the benefits and incentives, subject to the terms and conditions, of Republic Act No. 9178, signed by President Gloria Macapagal Arroyo on 13 November 2002, and the Implementing guidelines, rules and regulations thereof issued by Secretary of Trade and Industry Mar Roxas on 11 February 2003. This certificate will expire on \_\_\_\_\_.

Granted to:

\_\_\_\_\_  
**Name of Enterprise**

Owner/Manger: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IN TESTIMONY WHEREOF, I have set my hand and caused the seal of the Municipality/City to be affixed at \_\_\_\_\_  
This \_\_\_\_\_ day of \_\_\_\_\_ in the year of our Lord, twenty hundred and \_\_\_\_\_.

\_\_\_\_\_  
**City / Municipal Treasurer**

*Attested:*

\_\_\_\_\_  
**Mayor**

REPUBLIC ACT NO. 9178

**AN ACT TO PROMOTE THE ESTABLISHMENT OF BARANGAY MICRO BUSINESS ENTERPRISES (BMBEs),  
PROVIDING INCENTIVES AND BENEFITS THEREFOR, AND FOR OTHER PURPOSES**

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

**PRELIMINARY PROVISIONS**

SEC. 1. *Short Title.* – This Act shall be known as the “Barangay Micro Business Enterprises (BMBEs) Act of 2002”.

SEC. 2. *Declaration of Policy.* - It is hereby declared to be 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. 3. *Definition of Terms.* – As used in the 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 Three Million Pesos (P3,000,000.00). 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 the 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.

(b) “Certificate of Authority” is the certificate issued granting the authority to the registered BMBE to operate and be entitled to the benefits and privileges accorded thereto.

(c.) “Assets” refers 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.

(d) “Registration” refers to the inclusion of BMBE in the BMBE Registry of a city or municipality.

(e) “Financing” refers to all borrowings of the BMBE from all sources after registration.

**REGISTRATION AND OPERATION OF BMBEs**

SEC. 4. *Registration and Fees.* - The Office of the Treasurer of each city or municipality shall register the BMBEs and issue a Certificate of Authority to enable the BMBE to avail of the benefits under the Act. Any such application shall be processed within fifteen (15) working days upon submission of complete documents. Otherwise, the BMBEs shall be deemed registered. The Municipal or City Mayor may appoint a BMBE Registration Officer who shall be under the Office of the Treasurer. Local government units (LGUs) are encouraged to establish a One-Stop-Business Registration Center to handle the efficient registration and processing of permits/licenses of BMBEs. Likewise, LGUs shall make a periodic evaluation of the BMBEs’ financial status for monitoring and reporting purposes.

The LGUs shall issue the Certificate of Authority promptly and free of charge. However, to defray the administrative costs of registering and monitoring the BMBEs, the LGUs may charge a fee not exceeding One Thousand Pesos (P1,000.00).

The Certificate of Authority shall be effective for a period of two (2) years, renewable for a period of two (2) years for every renewal.

As much as possible, BMBEs shall be subject to minimal bureaucratic requirements and reasonable fees and charges.

SEC. 5 *Who are Eligible to Register.* – Any person, natural or juridical, or cooperative, or association, having the qualifications as defined in Section 3(a) hereof may apply for registration as BMBE.

SEC. 6. *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.

### INCENTIVES AND BENEFITS

SEC. 7. *Exemption from Taxes and Fees.* – All BMBEs shall be exempt from income tax for income arising from the operations of the enterprise.

The LGUs are encouraged either to reduce the amount of local taxes, fees and charges imposed or to exempt the BMBEs from local taxes, fees and charges.

SEC. 8. *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. 9. *Credit Delivery.* – Upon the approval of the Act, the Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP), the Small Business Guarantee and Finance Corporation (SBGFC), and the 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 Bangko Sentral ng Pilipinas (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 credit, 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, 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 this 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 BBEs, 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. 10. *Technology Transfer, Production and Management Training, and Marketing Assistance.* – A BMBE Development Fund shall be set up with an endowment of Three Hundred Million Pesos (P300,000,000.00) from the Philippine Amusement and Gaming Corporation (PAGCOR) and shall be administered by the SMED Council.

The Department of Trade and Industry (DTI), the Department of Science and Technology (DOST), the University of the Philippines Institute for Small Scale Industries (UP ISSI), Cooperative Development Authority (CDA), Technical Education and Skills Development Authority (TESDA), and Technology and Livelihood Resource Center (TLRC) may avail of the said Fund for technology transfer, production and management training and marketing assistance to BMBEs.

The DTI, in coordination with the private sector and non-government organizations (NGOs), shall explore the possibilities of linking or matching-up BMBEs with small, medium and large enterprises, and likewise establish incentives therefor.

The DTI, in behalf of the DOST, UP ISSI, CDA, TESDA and TLRC shall be required to furnish the appropriate Committees of both Houses of Congress a yearly report on the development and accomplishments of their projects and programs in relation to technology transfer, production and management training and marketing assistance extended to BMBEs.

SEC. 11. *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.

#### INFORMATION DISSEMINATION

SEC. 12. *Information Dissemination.* - The Philippine Information Agency (PIA), in coordination with the Department of Labor and Employment (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 specifically in the barangay level.

#### PENALTY

SEC. 13. *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).

#### MISCELLANEOUS PROVISIONS

SEC. 14. *Annual Report.* - The DILG, DTI, and BSP shall submit an annual report to the Congress on the status of the implementation of the Act.

SEC. 15. *Implementing Rules and Regulations.* - The Secretary of the Department of Trade and Industry, in consultation with the Secretaries of the DILG, DOF, and the BSP Governor shall formulate the necessary rules and regulations to implement the provisions of the Act within ninety (90) days after its approval. The rules and regulations issued pursuant to this section shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

SEC. 16. *Separability Clause.* - If any provision or part hereof, is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

SEC. 17. *Repealing Clause.* - Existing laws, presidential decrees, executive orders, proclamations or administrative regulations that are inconsistent with the provisions of the Act are hereby amended, modified, superseded or repealed accordingly.

SEC. 18. *Effectivity.* - The Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,

(Sgd.) JOSE DE VENECIA JR.  
*Speaker of the House of Representative*

(Sgd.) FRANKLIN M. DRILON  
*President of the Senate*

This Act, which is a consolidation of Senate Bill No. 1855 and House Bill No. 4871 was finally passed by the Senate and the House of Representatives on October 24, 2002 and October 23, 2002, respectively.

(Sgd.) ROBERTO P. NAZARENO  
*Secretary General  
House of Representatives*

(Sgd.) OSCAR G. YABES  
*Secretary of the Senate*

Approved: November 13, 2002

(Sgd.) GLORIA MACAPAGAL-ARROYO  
*President of the Philippines*