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13 ATENEO L.J. 455 (March 1964).

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(1964). Ateneo Law Journal, 13(4), 455-460.

Chicago 17th ed.

," Ateneo Law Journal 13, no. 4 (March 1964): 455-460

AGLC 4th ed.

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## ADMINISTRATIVE RULES AND RULINGS

### REGULATIONS GOVERNING THE IMPLEMENTATION OF REPUBLIC ACT NO. 3470, OTHERWISE KNOWN AS THE NATIONAL COTTAGE INDUSTRIES DEVELOPMENT AUTHORITY LAW

*Pursuant to the Provisions of Section 3 of Republic Act No. 3470, Otherwise Known as the National Cottage Industries Development Authority Law, the Following Regulations Governing the Organization, Operation and Administration of All Cottage Industries Are Hereby Promulgated for the Information and Guidance of All Concerned.*

#### PRELIMINARY PROVISIONS

Regulation 1. *Title.*—This set of rules shall be known as the Regulations. They shall implement the provisions of Republic Act No. 3470, which provide for the creation of the National Cottage Industries Development Authority under the Department of Commerce and Industry.

Regulation 2. *Definition of Terms.*—The terms used in these Regulations shall have the definition and meaning herein indicated:

“Act” shall mean Republic Act No. 3470.

“Board” shall mean the National Cottage Industries Development Authority (NACIDA).

“Cottage Industry” shall mean an economic activity in a small scale which is carried on mainly in the homes or in other places for profit and which is mainly done with the help of the members of the family.

It shall include the following:

1. Fiber crafts, such as making of abaca rope and twines, buntal fiber extracting and buri leaf braiding;
2. Woodcraft, such as making of wooden shoes, wooden fans, walking sticks (canes) and wood carvings;
3. Hat weaving, such as Calasiao, buri, rafia, buntal, and bamboo hats, salakots and helmets;
4. Mat weaving, such as door, sleeping, buri, pandan, bahilan and saba-butan mats;
5. Metal craft, such as making of jewelries, knives, bolos, scissors, razors, silverwares and brassworks;
6. Ceramics, such as making of potteries, hollow blocks, tiles, firebricks, clay stoves and other ceramic products;

7. Shell craft, such as making of sea shell buttons and coconut shell products;

8. Bamboo and rattan crafts, such as making of hammocks, basketry, making of sawali and other bamboo and rattan furniture and articles;

9. Small agricultural hand tools, such as plow points;

10. Toy craft, such as making dolls and toys;

11. Embroidery industries;

12. Needle craft (including knitting and crocheting);

13. Loom weaving, such as making of fish nets, making mosquito nets, weaving of Ilocano cloth, Igorot weaving, pina "barong Filipino", jusi and sinamay;

14. Machine parts manufacture, such as wheels and stone mortars;

15. Poultry, including duck raising and "balut" making;

16. Piggery;

17. Home cigar making;

18. Food preservation and canning, including the making of vinegar wine, "bagoong", "mazapan" pili, "tostado comitado" de pili, "bucayo";

19. Small mining operations;

20. Other related crafts, such as the making of brooms, nito and buri bags, "karagamoy" bags, bead making, guitar and other musical instruments; and

21. Such other industries done in the home with the aid of electrical gadgets and/or by hand manipulation.

"Standardization" refers to the setting up of fixed sizes, types, qualities and measurements of products or articles within a specified class or group of articles produced by cottage industries thru the use of generally accepted scientific procedures and processes.

"Cottage Products" shall mean products produced, either by hand or machines, by cottage industries in the Philippines.

"Grading" shall mean the determination of the quality of cottage products in accordance with the rules laid down by the Board.

"Classifying" shall mean the determination as to what category, class or group a product of cottage industries specifically belong.

"Inspection" shall mean the physical examination factual testing of raw materials and other supplies that are used in the manufacture or production of cottage industry products (including determination of appropriateness of raw materials, components and intermediate assemblies) in order to determine whether such raw materials and supplies conform to requirements as well as to specifications and purchase descriptions.

"Registration" shall mean the act of filing by the cottage industries

producer of his application for registration with the NACIDA and the subsequent approval and issuance of the Certificate of Registration upon compliance with the rules and regulations issued by the Board of Directors.

"Regional Institutes" shall mean the regional offices which shall act as implementing arms of the NACIDA in strategic regions as specified under the Act.

#### ORGANIZATION

Regulation 3. — All governmental agencies whose functions relate, deal or have to do with cottage industries, shall be transferred to the Board and their personnel shall be absorbed by the Board, including pertinent machines, equipment and corresponding budget outlay subject to the Memorandum Agreement with the agencies affected.

Regulation 4. — All instructions, orders and directives of the Secretary of Commerce and Industry to the Directors of the Regional Institutes relative to the establishment and/or promotion of cottage industries and other related matters shall be transmitted to the Administrator of the NACIDA: Provided, that the NACIDA Administrator shall course through the Board for approval all pertinent instructions so transmitted to the Regional Directors.

#### REGISTRATION

Regulation 5. *Who may register for tax exemptions (Qualifications):*

- a. In case of single proprietorship, Filipino citizens who own and operate cottage industries;
- b. In case of corporations, partnerships or cooperatives operating and owning cottage industries, at least 75% of its capital and its stockholders and all members of its Board of Directors shall be Filipino citizens.

Regulation 6. *Who shall be entitled to tax exemptions.* — The following shall be entitled to tax exemptions:

- (a) Small cottage industries mainly carried on in the homes or in other places for profit which are mainly done with the help of the members of the family; and
- (b) All cottage industries not falling within the purview of Regulation No 5 shall be entitled to such assistance and privileges as may be provided for by law, such as consultation services, technical know-how and field assistance.

Regulation 7. *What may be exempted.* — The production, manufacture and sale of cottage products shall be exempted from all taxes for a period of five years from the date of registration of the person or firm engaged in the production or manufacture of cottage products with the Board.

Regulation 8. *Requirements for Registration.* —

- (a) A statement of the applicant in writing and made under oath

(prescribed form), stating, among others, name of applicant, nationality, location of business establishment, kind of products, sources of raw materials, number of persons directly employed, nature of process or processes involved, actual output, actual or estimated cost per unit, quality of raw materials and other relevant data;

(b) Applications for registration of cottage industries must be supported by copies of the following:

1. Municipal license;

*Regulation 9. Issuance of Certificates of Registration. —*

3. Articles of Incorporation or Co-partnership as well as By-laws, in cases of corporations and partnerships, including a certificate from the Securities and Exchange Commission as to the percentage of ownership of stocks by Filipino citizens.

*Regulation 9. Issuance of Certificates of Registration. —*

(a) All applications for registration of cottage industries shall be processed, examined and approved if found to have complied satisfactorily with the rules and regulations of the NACIDA Board. The Administrator shall then issue a Certificate of Registration in favor of the registrant;

(b) All applications for registration of cottage industries in the provinces shall be filed with the Regional Institute having jurisdiction thereof. The Regional Director concerned shall forward the same to the Main Office for processing, examination and approval.

FINANCIAL ASSISTANCE

*Regulation 10. Granting of Loans. —* (a) Small loans, not exceeding P1,000.00 for financing the production, manufacture and sale of cottage industry products, including such small loans intended for the planting, cultivation, and production of raw materials, shall be granted under the terms and conditions prescribed by the NACIDA Board. All applications shall be processed and approved or disapproved, as the case may be by the Administrator in accordance with the existing policies of the Board.

(b) Arrangements and recommendations for loans out of allocated funds from the NACIDA Bank, Development Bank of the Philippines and the Philippine National Bank shall be made by the NACIDA Board.

The above loans shall be subject to the following requirements:

(c) Collateral Requirements.

1. Real estate with or without Torrens Title owned by the applicant, free from encumbrances and/or liens;

2. Establishments, machineries and equipment owned by the applicant and cottage products produced by the applicant in stock or inventory forms.

They shall be subject to the following conditions:

1. Machineries and equipment must be in good operating conditions.

2. Products in stock or inventory forms must be reasonably marketable, non-perishable and must satisfy standardization requirements.

3. Character loans not exceeding P500.00 may be granted by the NACIDA Board to deserving cottage industrialists who possess the necessary technical qualifications and know-how for the success of the project.

Failure to utilize the fund borrowed under these Regulations for any purpose or purposes other than those applied for, shall be punished by imprisonment of one year and a fine of P2,000.00 as provided under Section 17 of R.A. 3470.

(d) No loans shall be released without previous notice in writing and formal approval of the NACIDA.

#### PROCUREMENT AND MARKETING

Regulation 11. *Production and Labeling of Products.*—All cottage industries products now produced and those hereinafter produced shall be labeled "Cottage Products-Made in the Philippines".

Regulation 12. *Standardization.*—All cottage industries products shall be standardized, graded, classified, inspected, certified and stamped "NACIDA".

Regulation 13. *Raw Materials.*—(a) All procurement of raw materials for use and resale to the cottage industries shall be based only on actual orders thereof.

(b) All orders for raw materials shall be subject to performance bonds. Failure to claim orders for raw materials after reasonable notice shall empower the NACIDA to confiscate such bonds.

(c) The procurement and marketing of necessary raw materials for the needs of cottage industry producers must be in accordance with the regulations on standardization as laid down by the NACIDA.

(d) The exportation of any local raw material which may be needed for the promotion of cottage industries in the Philippines shall be prohibited except upon certification after investigation by the NACIDA that local demands have been fully satisfied.

#### PENAL CLAUSE

Regulation 14.—All information, data, and figures stated in the application for registration shall be considered as confidential by the NACIDA and may be divulged only upon proper order of the Courts or for purposes required by law.

Any officer or employee who shall violate this regulation shall be subject to administrative charges without prejudice to whatever criminal action may be proper in the premises.

Regulation 15.—Any person who utilizes any funds borrowed, under the provisions of this Act, for any purposes other than those applied for, shall

be punishable by an imprisonment of one (1) year and a fine of ₱2,000.00 as provided for under Section 17 of R.A. 3470.

Regulation 16. — Any violation of the provisions of R.A. 3470 and of these Regulations shall subject the offender to the cancellation of his registration, forfeiture and denial of technical and financial assistance as well as the exemption from taxation, without prejudice to the penalties under Section 17 of the act, whenever same is applicable.

#### EFFECTIVITY

Regulation 17. — These Regulations shall take effect 15 days after their publication in a newspaper of general circulation in the Philippines.

ATTESTED:

JOVITO A. RIVERA  
Acting Administrator

APPROVED: June 2, 1963.  
HILARION M. HENARES, SR.  
Acting Chairman