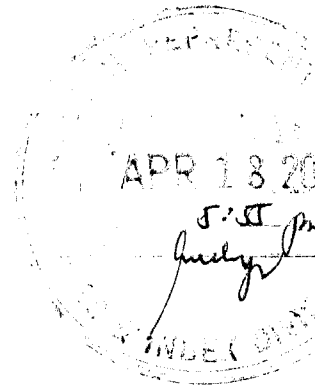


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Diliman, Quezon City

THIRTEENTH CONGRESS
First Regular Session

4193

EXPLANATORY NOTE



This bill intends to mandate all private business corporations, companies, industries, establishments and other money-making ventures to share ten percent (10%) of their annual net profits to their respective workers at the end of each calendar year.

It is a recognized fact that business in the areas of construction, retail trade, maritime, mining, agricultural or industrial production exist for profit whether material or non-material. The profit is usually expressed in terms of the liquid assets as usually reflected in the audit systems currently used in this country.

Both actors of production – the employees/owners and the workers – are expected to do their respective duties and responsibilities as provided for by law and common sense to bring about the profit.

But the realities of economic production in the Philippines portray, in general, low compensation and salaries for the workers. Workers normally get a monthly and regular pay which is, in most cases, barely sufficient to meet the cost of the family expenses for food, clothing, shelter, education, health services, and other unforeseen needs. Except through forced savings, many families are left without extra savings to spare. When emergency situations occur, the workers are forced to incur debts, even with interests, from their employers, or from friends, and in many cases from unscrupulous loan sharks. The cycle of incurring debts often multiply to the extent that the workers are left to resort to other alternative or clandestine means of obtaining money-whether such means may be legal or illegal, good or bad. This sad situation affects negatively the families' social and moral life.

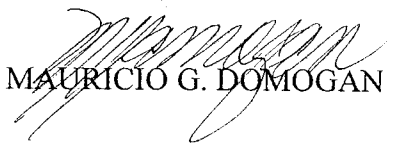
The mandatory sharing of ten per cent (10%) of annual profits at the end of each calendar year by the private business industries will do a great justice to their workers as a whole, to wit;

1. It will help ameliorate the living conditions of the families of employees-workers;
2. It will give good incentives to the workers by generating more trust, more respect, more good will – elements that redound to good employee-employer relationships;

3. It will, if given at the end of the calendar year, . . . help solve much of the financial needs of the workers' families at a time when the season dictates much of the financial expenses;
4. It will help make the employer happy at having put to practice the godly values of social justice, charity, sympathy – all in the spirit of equity and fairness.

Hopefully, a result of these conjunctive and reciprocative actions of both employers and workers will help to bring about better social and economic working conditions in this country.

Considering all the foregoing, approval of this bill is earnestly sought.



MAURICIO G. DOMOGAN

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Diliman, Quezon City

THIRTEENTH CONGRESS
First Regular Session

HOUSE BILL No. 4193

Introduced by
HON. MAURICIO G. DOMOGAN

AN ACT MANDATING EACH BUSINESS ENTITY, CORPORATION, FIRM, RETAIL OUTLET, ESTABLISHMENT AND ENTERPRISE IN THE PRIVATE SECTOR TO SHARE TEN PER CENT (10%) OF ITS ANNUAL NET PROFITS TO ITS RESPECTIVE EMPLOYEES AND WORKERS OVER AND ABOVE WHAT THEY RECEIVE AS WAGES AND OTHER BENEFITS PURSUANT TO EXISTING LAWS, ESTABLISHING THE MECHANISM AND PROPER STANDARDS THEREFOR, 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 as the “Mandatory Profit Sharing Act of 2005.”

SECTION 2. Declaration of Policy. – It is hereby declared the policy of the State pursuant to the principle of social justice, equity and fairness to recognize the right of workers to their just share in the fruits of production and to other benefits that will strongly motivate and enhance their efficiency and effectiveness and will strengthen good relationships between employers and employees in all government and non-government business enterprises.

SECTION 3. Definition of Terms. – For purposes of this Act, the following terms shall be defined as follows:

- a) Social Justice - as accepted in social legislations and by the Supreme Court this refers to the precept that "those who have less in life shall have more in law."
- b) Equity - the right according to one's capacity and needs; the right which corresponds with responsibility; those who have more responsibility have more authority;
- c) Net Profit - the excess of returns over expenditures in a transaction or series of transactions usually for a given period of time; the ratio of profit (usually in the amount of money) for a given year to the amount of capital invested or to the value of sales; the excess of the selling price of goods over their cost usually for a period of time. (Webster's New International Dictionary 1976)

SECTION 4. *Ten per cent (10%) of net income as cash gift.* - In line with the declared policy under this Act, every business entity, corporation, firm, retail outlet, establishment or enterprise in the private sector, shall, at the end of the calendar year, set aside ten per cent (10%) of its net profit as a cash gift, over and above the workers' wages and benefits, to be divided equally among all its regular and non-regular employees; *Provided*, however, that such ten per cent (10%) cash gift shall not form part of the additional and special additional deductions or exemptions as declared in its income tax returns declarations; *Provided*, finally, that non-regular employees shall be given their share corresponding to the number of months they have worked in that said business entity, corporation, firm, retail outlet, establishment, or enterprise.

SECTION 5. *Implementing Rules and Regulations.* - The Department of Labor and Employment (DOLE) shall promulgate the necessary rules and regulations for the guidance of all concerned. It shall, in coordination with the regional and provincial government units where each business is operating, implement the provisions of this Act and shall require each said business, corporation, firm, establishment or enterprise to submit an annual report of compliance.

SECTION 6. *Penalties.* - Any business entity, firm, corporation, establishment and enterprise which refuses or fails to pay the ten per cent (10%) share to its employees shall be punished by a fine of not less than twenty thousand pesos (P20, 000) but not more than one hundred thousand pesos (P 100, 000) and/or imprisonment of the entity's responsible officers, including but not limited to the President, Vice-President, Chief Executive Officer, or Manager of not less than six (6) months but not more than one (1) year; *Provided*, That any business entity, corporation, establishment, enterprise, firm, owner/employer convicted under this Act shall not be entitled to the benefits provided for under the Probation Law.

If the offender is an alien, he shall, after service of sentence, be deported immediately without further proceeding in the Bureau of Immigration (BI), and shall be banned permanently from re-entering the country.

SECTION 7. *Repealing Clause.* Provisions of laws, decrees, orders, issuances, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 8. *Separability Clause.* - If any provision or part of this Act, or the application thereof to any business entity, corporation, firm, enterprise, or establishment is held invalid or unconstitutional, the other provisions not otherwise affected shall remain in full force or effect.

SECTION 9. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) national newspapers of general circulation, whichever comes earlier.

Approved,