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



**THIRTEENTH CONGRESS**  
*Second Regular Session*

**HOUSE BILL NO. 5516**

**EXPLANATORY NOTE**

The recent economic crunch that has beset our country has sent all sectors of our society reeling with the continuous decline of the purchasing power of the peso as well as the increasing prices of prime commodities, the labor sector's need for protection has never been more urgent. But while we recognize the labor sector's need for assistance, we cannot, however, overlook the fact that the crises has also affected the business sector.

Cognizant of these facts and pursuant to the Constitutional provision which provides,

"The state shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to expansion and growth."

(underscoring supplied) Article XIII, Section 3, Paragraph 4

this bill seeks to strike a balance between the two interests involved by giving labor the much needed additional benefits which will not involve immediate cash outlay for employers.

The immediate approval of this bill is earnestly urged.

  
**CONRADO M. ESTRELLA III**

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

**THIRTEENTH CONGRESS**  
*Second Regular Session*

**HOUSE BILL NO. 5516**

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Introduced by Honorable **Conrado Estrella III**

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**AN ACT**  
**ESTABLISHING PROFIT-SHARING IN ALL BUSINESS ENTERPRISES,**  
**INCLUDING GOVERNMENT-OWNED AND CONTROLLED CORPORATIONS**

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

1           **SECTION 1**           It shall be the policy of the State to provide  
2       labor a fair share of the fruits of production, rationalize income inequalities,  
3       expand economic opportunities and pursue economic and social progress,  
4       growth and stability by establishing an equitable system of profit-sharing in all  
5       business enterprises, including government-owned and controlled corporations  
6       and entities.

7           **SECTION 2**           Every enterprise of any kind, whether or not  
8       organized for profit, including government-owned and controlled  
9       corporations, duly registered and operating under Philippine laws, shall  
10      establish a profit-sharing system as an integral part of its regular overall  
11      administrative organization under the following guidelines:

12           a)       Such profit-sharing system shall be established within six (6)  
13                   months after the approval of this act;

- 14           b)     The funding of such system shall be derived from ten (10)  
15                     percent of the net profit before tax of the enterprise;
- 16           c)     The profit sharing fund hereinafter referred to as “the Fund”  
17                     shall be distributed annually to all employees, workers and  
18                     laborers who have been employed for at least six (6) consecutive  
19                     months;
- 20           d)     Those occupying executive and / or management position  
21                     are excluded as beneficiaries of the Fund;
- 22           e)     The annual distribution shall be made every 30<sup>th</sup> day of  
23                     April of the applicable year;
- 24           f)     In addition to the Fund , employees , workers and laborers of  
25                     business enterprises , entities or corporations , including  
26                     government-owned and controlled corporations shall continue to  
27                     enjoy all other employee benefits , including the regular  
28                     Christmas bonus and/or 13<sup>th</sup> month pay;
- 29           g)     The amount so distributed shall be tax-exempt. It  
30                     shall be non - assignable and non-negotiable and shall be paid  
31                     in cash , Philippine Currency, only to the qualified employees,  
32                     workers , laborers, or their duly authorized legal heir or heirs as  
33                     defined in the Civil Code.

34           **SECTION 3**           In business enterprises where there are existing  
35                     labor organizations, there shall be included in every collective bargaining  
36                     agreement a provision on at least the equivalent of profit-sharing system  
37                     provided herein: Provided, that profit-sharing schemes under the existing  
38                     collective bargaining agreements granting less than the amount stipulated  
39                     herein shall be considered partial compliance with the provisions hereof

40 and the employer shall pay the difference.

41           **SECTION 4**           Business enterprises covered by this Act shall be  
42 granted a special deduction from gross income equivalent to Fifty (50) percent  
43 of the total amount shared to the workers and employees, over and above the  
44 total allowable ordinary and necessary business deductions for such bonuses  
45 under the National Internal Revenue Code.

46           **SECTION 5**           Every business enterprise in the Philippines but  
47 not duly licensed or registered by existing Philippine laws, shall aside from  
48 penalties and sanctions already provided under existing laws, pay the amount  
49 constituting the profit-sharing system as provided in section 2 hereof.

50           **SECTION 6**           Violation of the profit-sharing provision of this  
51 Act for every applicable year shall be penalized by a fine not less than  
52 Twenty-five thousand pesos ( P25,000.00 ) nor more than One hundred  
53 thousand pesos ( P100,000.00 ) or double the audited net profit after tax for the  
54 applicable year, whichever is higher. The officers and / or owners of the  
55 offending enterprise shall, in addition to the above-stated fine, be penalized by  
56 imprisonment of not less than six (6) months nor more than (6) years.

57           **SECTION 7**           The Secretary of Labor and Employment, within  
58 six (6) months from the approval of this Act, shall issue the necessary rules  
59 rules and regulations to effectively implement the provisions hereof.

60           **SECTION 8**           If for any reason, any provision of this Act is  
61 declared as unconstitutional, the other provisions thereof which are not  
62 affected thereby shall continue to be in full force and effect.

63           **SECTION 9**           All laws, executive orders, rules and regulations  
64   that are inconsistent with the provisions of this Act are hereby repealed or  
65   modified accordingly.

66           **SECTION 10**       The Act shall take effect fifteen (15) days after  
67   its publication in the Official Gazette or in at least two (2) national newspaper  
68   of general circulation.

Approved: