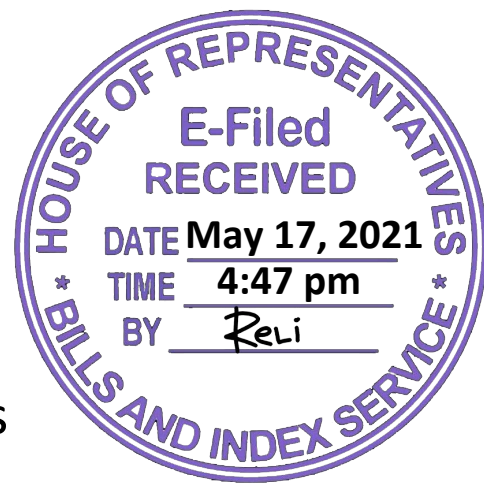




Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 9349



Introduced by Representative LORD ALLAN JAY Q. VELASCO

EXPLANATORY NOTE

The world is at war with an invisible enemy that has dramatically changed our lives.

While the Philippine government has attempted to do its best in responding to and mitigating the effects of the COVID-19 pandemic, our economy has been practically brought to its knees, with our inflation rate currently at 4.5% and our GDP contracted by 4.2%.

We need to mitigate the impact of the pandemic and aid in our national recovery efforts. Fiscal stimulus measures need to be backed up by adequate revenue sources.

This bill seeks to increase the rate of dividends to be declared and remitted by government-owned or controlled corporations to the National Government and expand the covered agencies required to remit dividends, amending for the purpose Republic Act No. 7656, entitled "An Act Requiring Government-Owned or Controlled Corporations to Declare Dividends Under Certain Conditions to the National Government, and for Other Purposes."

This bill proposes to provide the National Government with additional sources of revenue by increasing the rate of dividends that GOCCs remit to the National Government from fifty percent (50%) to seventy-five percent (75%). The twenty-five percent (25%) increase will surely boost the remittance and help raise additional funds.

This bill also proposes to mandate acquired assets corporations and government instrumentalities with corporate powers to remit cash dividends to the National Government.

Section 16, Article XII of the 1987 Constitution provides that government-owned or controlled corporations (GOCCs) may be created or established by special charters in the interest of common good and subject to the test of economic viability. The role of GOCCs is to promote national development and improve the delivery of economic and social services of the national government.

The 2018 annual report of the Governance Commission for GOCCs shows that there are 120 GOCCs serving in different sectors and with total assets of P7.9 trillion, total liabilities of P4.3 trillion, and total net worth of P3.6 trillion. The same report shows that GOCCs remitted a total of P35.4 billion as dividends in 2018.

The Corporate Affairs Group of the Department of Finance reported that GOCCs remitted P69.17 billion and P156.97 billion as dividends for 2019 and 2020, respectively. Of the P156.97 billion, P119.1 billion were used to fund the social amelioration program, the government's response to ease the economic impact of the coronavirus disease 2019 (COVID-19) pandemic.

The Department of Budget and Management reported that, to date, more than half of the 2021 budget has already been released to fund the interventions of the national government to fight the COVID-19 pandemic. It is clear that the National Government needs additional source of revenue.

This proposed measure may not fully address the urgent need for adequate government funding for the COVID-19 pandemic response but will definitely help ease the burden in raising revenue to help alleviate the suffering of our marginalized *kababayans* and provide the country with much needed financial impetus.

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


LORD ALLAN JAY Q. VELASCO



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HOUSE BILL NO. 9349

Introduced by Representative LORD ALLAN JAY Q. VELASCO

AN ACT
INCREASING THE RATE OF DIVIDENDS TO BE DECLARED AND
REMITTED BY GOVERNMENT-OWNED OR CONTROLLED
CORPORATIONS TO THE NATIONAL GOVERNMENT AND
EXPANDING THE COVERED AGENCIES REQUIRED TO REMIT
DIVIDENDS, AMENDING FOR THE PURPOSE REPUBLIC ACT NO.
7656, ENTITLED “AN ACT REQUIRING GOVERNMENT-OWNED OR
CONTROLLED CORPORATIONS TO DECLARE DIVIDENDS UNDER
CERTAIN CONDITIONS TO THE NATIONAL GOVERNMENT, AND FOR
OTHER PURPOSES”

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

SECTION 1. Section 2 of Republic Act No. 7656 is amended to read as follows:

“SEC. 2. *Definition of Terms.* – As used in this Act, the term:

(a) xxx

(b) “Government-owned or controlled corporations” refer to corporations organized as a stock or non-stock corporation vested with functions relating to public needs, whether governmental or proprietary in nature, and owned by the Government directly or through its instrumentalities either wholly or, where applicable as in

the case of stock corporations, to the extent of at least fifty-one percent (51%) of its capital stock. This term [~~shall also include~~] **INCLUDES** financial institutions, owned or controlled by the National Government, [~~but shall exclude~~] acquired asset corporations [~~, as defined in the next paragraph,~~] **AND GOVERNMENT INSTRUMENTALITIES WITH CORPORATE POWERS, BUT EXCLUDES** state universities [,] and colleges.

(c) xxx

(d) “Net earning” shall mean income derived from whatever source, [~~whether exempt or subject to tax~~] **INCLUDING EXEMPT INCOME, INCOME SUBJECT TO FINAL TAX, FRANCHISE TAX AND OTHER PERCENTAGE TAXES AND OTHER SPECIAL TAXES**, net of deductions allowed under Section 29 of the National Internal Revenue Code, as amended, and income tax and other taxes paid thereon, but in no case shall any reserve for whatever purpose be allowed as a deduction from net earnings[.]; **OTHER TAXES PAID SHALL IN NO CASE INCLUDE PAYMENT OF TAX DEFICIENCIES, SURCHARGES, PENALTIES, AND OTHER PAYMENTS SIMILAR IN NATURE; GOVERNMENT SUBSIDY, DONATIONS AND GRANTS AND OTHER FORMS AS MAY BE DETERMINED BY THE SECRETARY OF FINANCE SHALL BE EXCLUDED FROM NET EARNINGS.”**

SEC. 2. Section 3 of the same Act is amended to read as follows:

“SEC. 3. *Dividends.* – All government-owned or controlled corporations shall declare and remit at least [~~fifty percent (50%)~~] **SEVENTY-FIVE PERCENT (75%)** of their annual net earnings as cash [~~, stock or property~~] dividends to the National Government. This section shall also apply to those government-owned or controlled corporations whose profit distribution is provided by their respective charters or by special law, but shall exclude those enumerated in Section 4 hereof: *Provided*, That such dividends accruing to the National Government shall be received by the National Treasury and recorded as income of the General Fund. **ADDITIONAL DIVIDENDS MAY BE COLLECTED OUT OF ACCUMULATED EARNINGS.**

SEC. 3. A new section denominated as Section 3-A is added after Section 3 of the same Act to read as follows:

“SEC. 3-A. PROVISIONS OF SPECIAL LAWS. – ALL PROVISIONS OF SPECIAL OR GENERAL LAWS WHICH PROVIDE EXEMPTION FROM DIVIDEND PAYMENT, PROFIT DISTRIBUTION, DEFINITION OF EARNINGS OR OF THE DIVIDEND BASE, USE OF INCOME SUCH AS BUT NOT LIMITED TO THE FOLLOWING GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS, ARE HEREBY REPEALED, AMENDED, OR MODIFIED ACCORDINGLY:

A. SMALL BUSINESS CORPORATION AS PROVIDED UNDER SECTION 12 OF REPUBLIC ACT NO. 6977, AS AMENDED BY REPUBLIC ACT NO. 9501, OTHERWISE KNOWN AS THE “MAGNA CARTA FOR MICRO, SMALL, MEDIUM ENTERPRISES”;

B. BANGKO SENTRAL NG PILIPINAS (BSP) AS PROVIDED UNDER SECTIONS 43 AND 132 OF REPUBLIC ACT NO. 7653, AS AMENDED BY REPUBLIC ACT NO. 11211;

C. PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC) AS PROVIDED UNDER SECTION 18 OF REPUBLIC ACT NO. 3591, AS AMENDED BY REPUBLIC ACT NO. 10846: *PROVIDED*, THAT FOR PURPOSES OF COMPUTING THE AMOUNT OF DIVIDENDS TO BE DECLARED AND REMITTED TO THE NATIONAL GOVERNMENT, THE DIVIDEND BASE SHALL BE THE SUM OF ALL INCOME, EXCLUDING ASSESSMENT INCOME AND THAT NO OTHER DEDUCTIONS FROM THE DIVIDEND BASE SHALL BE ALLOWED;

D. NATIONAL TRANSMISSION CORPORATION (TRANSCO) AND POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION (PSALM) AS PROVIDED UNDER SECTION 18 OF REPUBLIC ACT NO. 9136, OTHERWISE KNOWN AS THE “ELECTRIC POWER INDUSTRY REFORM ACT OF 2001”: *PROVIDED*, THAT IN THE CASE OF TRANSCO, THE BALANCE OF

NET EARNINGS OR DIVIDEND BASE, AFTER REMITTANCE OF DIVIDEND TO THE NATIONAL GOVERNMENT, SHALL ACCRUE TO PSALM;

E. TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY (TIEZA), AS PROVIDED UNDER SECTIONS 1 AND 2 OF PRESIDENTIAL DECREE NO. 1447, AND REPUBLIC ACT NO. 9593, OTHERWISE KNOWN AS “THE TOURISM ACT OF 2009”: PROVIDED THAT TIEZA SHALL REMIT AS DIVIDEND SEVENTY-FIVE (75%) PERCENT OF ALL INTEREST INCOME EARNED FROM INVESTMENTS, NET OF FINAL TAX, AND OTHER INCOME, EXCLUDING TRAVEL TAX;

F. DUTY-FREE PHILIPPINES CORPORATION, AS PROVIDED UNDER SECTIONS 55 AND 93 OF REPUBLIC ACT NO. 9593, OTHERWISE KNOWN AS “THE TOURISM ACT OF 2009”;

G. CIVIL AVIATION AUTHORITY OF THE PHILIPPINES, AS PROVIDED UNDER SECTION 15 OF REPUBLIC ACT NO. 9497, OTHERWISE KNOWN AS THE “CIVIL AVIATION ACT OF 2008”;

H. VETERANS FEDERATION ACT OF THE PHILIPPINES, AS PROVIDED UNDER SECTION 6 OF REPUBLIC ACT NO. 2640;

CORPORATIONS ABOVE-MENTIONED SHALL ADOPT THE PROVISIONS OF SECTION 3 OF THIS ACT.

SEC. 4. A new section denominated as Section 3-B is added after Section 3-A of the same Act to read as follows:

“SEC. 3-B. INVESTMENT PROMOTION AGENCIES AND PROCESSING ZONES. – THE DIVIDEND BASE OF PAGCOR AND PCSO, AND OTHER GOVERNMENT CORPORATIONS WHICH ARE CONSIDERED INVESTMENT PROMOTION AGENCIES, PROCESSING ZONES OR LOCATED IN A PROCESSING AND ECONOMIC ZONE SUCH AS, BUT NOT LIMITED TO, SUBIC BAY METROPOLITAN AUTHORITY (SMBA), CLARK INTERNATIONAL AIRPORT CORPORATION

(CIAC), CLARK DEVELOPMENT CORPORATION (CDC), AND AUTHORITY OF THE FREEPORT AREA OF BATAAN (AFAB), SHALL BE IN ACCORDANCE WITH THE PROVISIONS OF SECTION 3 OF THIS ACT.

SEC. 5. A new section denominated as Section 3-C is added after Section 3-B of the same Act to read as follows:

**“SEC. 3-C. *ADDITIONAL COVERED CORPORATIONS.*
– ACQUIRED ASSET CORPORATIONS AND GOVERNMENT INSTRUMENTALITIES WITH CORPORATE POWERS SHALL BE COVERED BY THE PROVISIONS OF SECTION 3 OF THIS ACT.**

“FOR PURPOSES OF THIS ACT, *GOVERNMENT INSTRUMENTALITIES WITH CORPORATE POWERS* REFER TO INSTRUMENTALITIES OR AGENCIES OF THE GOVERNMENT, WHICH ARE NEITHER CORPORATIONS NOR AGENCIES INTEGRATED WITHIN THE DEPARTMENTAL FRAMEWORK, BUT VESTED BY LAW WITH SPECIAL FUNCTIONS OR JURISDICTION, ENDOWED WITH SOME CORPORATE POWERS, ADMINISTERING SPECIAL FUNDS, AND ENJOYING OPERATIONAL AUTONOMY USUALLY THROUGH A CHARTER SUCH AS, BUT NOT LIMITED TO THE FOLLOWING: THE MANILA INTERNATIONAL AIRPORT AUTHORITY (MIAA), THE PHILIPPINE PORTS AUTHORITY (PPA), THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC), THE METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS), THE LAGUNA LAKE DEVELOPMENT AUTHORITY (LLDA), THE PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY (PFDA), THE BASES CONVERSION AND DEVELOPMENT AUTHORITY (BDCA), THE CEBU PORT AUTHORITY (CPA), THE CAGAYAN DE ORO PORT AUTHORITY, THE SAN FERNANDO PORT AUTHORITY, THE LOCAL WATER UTILITIES ADMINISTRATION (LWUA) AND THE ASIAN PRODUCTIVITY ORGANIZATION (APO).

SEC. 6. A new section denominated as Section 3-D is added after Section 3-C of the same Act to read as follows:

“SEC. 3-D. NON-PROFIT CORPORATIONS. – NON-PROFIT CORPORATIONS SHALL REMIT SEVENTY-FIVE PERCENT (75%) OF ALL ITS INTEREST INCOME EARNED FROM INVESTMENT, NET OF FINAL TAX.”

SEC. 7. Section 4 of the same Act is amended to read as follows:

“SEC. 4. Exemptions. – The provisions of the preceding section notwithstanding, government-owned or controlled corporations created or organized by law to administer real or personal properties or funds held in trust for the use and the benefit of its members, shall not be covered by this Act such as , but not limited to: the Government Service Insurance System, the Home Development Mutual Fund, the Employees Compensation Commission, the Overseas Workers Welfare Administration, SOCIAL SECURITY SYSTEM and the Philippine [Medical-Care Commission] HEALTH INSURANCE CORPORATION. PROVIDED, HOWEVER THAT THE MEMBERS REFERRED TO IN THIS SECTION MAKE A REGULAR CONTRIBUTION TO THE SAID FUNDS AS IN THE CASE OF THE CORPORATIONS MENTIONED HEREIN.”

SEC. 8. Section 6 of the same Act is amended to read as follows:

~~“SEC. 6. Penalty. – [Any member of the governing board, the chief executive officer and the chief financial officer of a government-owned or controlled corporation who violates any provision of this Act or any of the implementing rules and regulations promulgated thereunder, in addition to other sanctions provided by law, upon conviction thereof, shall suffer the penalty of a fine of not less than Ten thousand pesos (P10,000) but not more than Fifty thousand pesos (P50,000) or imprisonment of not less than one (1) year but not more than three (3) years, or both, at the discretion of the court.]~~ GOVERNMENT CORPORATIONS NOT IN COMPLIANCE WITH THE PROVISIONS OF THIS ACT AS DETERMINED BY THE DEPARTMENT OF FINANCE SHALL NOT BE ENTITLED TO AVAIL, ALLOT, OR DISTRIBUTE ANY FORM OF PERFORMANCE BONUS OR INCENTIVES.

SEC. 9. A new section denominated as Section 6-A is added after Section 6 of the same Act to read as follows:

“SEC. 6-A. APPLICATION CLAUSE. – THE NEW RATE OF DIVIDENDS TO BE DECLARED AND REMITTED TO THE NATIONAL GOVERNMENT BY GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS PROVIDED UNDER THIS ACT SHALL APPLY ON NET EARNINGS STARTING YEAR 2020.

SEC. 10. Section 9 of the same Act is amended to read as follows:

“SEC. 9. Repealing Clause. – Executive Order No. 399 dated April 24, 1990; [and] SECTION 12 OF REPUBLIC ACT NO. 6977, OTHERWISE KNOWN AS THE “MAGNA CARTA FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs),” AS AMENDED BY REPUBLIC ACT NO. 9501; SECTIONS 43, 44 AND PARAGRAPH B, SECTION 132 OF REPUBLIC ACT NO. 7653, AS AMENDED BY REPUBLIC ACT NO. 11211, ALSO KNOWN AS “THE NEW CENTRAL BANK ACT”; SECTION 18 OF REPUBLIC ACT NO. 3591, AS AMENDED BY REPUBLIC ACT NO. 10846, ENTITLED “AN ACT ESTABLISHING THE PHILIPPINE DEPOSIT INSURANCE CORPORATION, DEFINING ITS POWERS AND DUTIES AND FOR OTHER PURPOSES”; SECTION 18 OF REPUBLIC ACT NO. 9136, OTHERWISE KNOWN AS THE “ELECTRIC POWER INDUSTRY REFORM ACT OF 2001”; SECTIONS 1 AND 2 OF PRESIDENTIAL DECREE NO. 1447, ENTITLED “INSTITUTING A PROCEDURE FOR THE MANAGEMENT OF PROCEEDS OF TAXES AND FEES EARMARKED FOR OR ADMINISTERED BY THE PHILIPPINE TOURISM AUTHORITY,” AND REPUBLIC ACT NO. 9593, OTHERWISE KNOWN AS “THE TOURISM ACT OF 2009”; SECTION 15 OF REPUBLIC ACT NO. 9497, OTHERWISE KNOWN AS THE “CIVIL AVIATION AUTHORITY ACT OF 2008”; SECTION 6 OF REPUBLIC ACT NO. 2640, ENTITLED “AN ACT TO CREATE A PUBLIC CORPORATION TO BE KNOWN AS THE VETERANS FEDERATION OF THE PHILIPPINES, DEFINING ITS POWERS AND FOR OTHER PURPOSES”; AND SECTIONS 55 AND 93 OF THE TOURISM ACT OF 2009 AND all other laws, decrees, executive orders, letters of instruction, rules and regulations, and portions thereof inconsistent with the provisions of this Act are **AMENDED, repealed or modified accordingly.”**

SEC. 11. Separability Clause. – If any part, section or provision of this Act is held invalid or unconstitutional, other provisions not affected thereby shall remain in full force and effect.

SEC. 12. Repealing Clause. – All laws, decrees, orders, rules and regulations or parts thereof inconsistent with this Act are hereby repealed or amended accordingly.

SEC. 13. Within sixty (60) days from the approval of this Act, the Secretary of Finance shall promulgate the necessary rules and regulations for the effective implementation of this Act.

SEC. 14. This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,