



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

Twentieth Congress
First Regular Session

HOUSE BILL NO. 4927



**Introduced by Representatives Ferdinand Martin G. Romualdez,
Yedda Marie K. Romualdez, Andrew Julian K. Romualdez
and Jude A. Acidre**

AN ACT
PROMOTING PROFIT-SHARING ARRANGEMENTS BETWEEN
EMPLOYERS AND EMPLOYEES, ESTABLISHING A NATIONAL
FRAMEWORK AND SUPPORT MECHANISMS, AND FOR OTHER
PURPOSES

EXPLANATORY NOTE

Even as key economic indicators show progress, the Philippines continues to grapple with gross inequality and the failure of prosperity to reach the majority of Filipino workers. Productivity has increased, businesses have expanded, and national income has grown. But for too many, wages remain stagnant, job security elusive, and economic participation limited. The gap between the rich and the poor has widened, and the rewards of growth have become increasingly concentrated in the hands of a few.

This bill seeks to address these structural imbalances by promoting a bold but radical model for more inclusive and equitable economic participation, grounded one principle of distributive justice, which holds that the wealth created by a society should be shared fairly among those who contribute to it.

This measure institutionalizes a national framework that enables and incentivizes voluntary profit-sharing arrangements between employers and employees. Under this framework, businesses that choose to adopt a formal profit-sharing plan, distributing a portion of their net profits to employees, will

be recognized as Profit-Sharing Businesses and granted access to technical support, preferential financing, and tax incentives.

Profit-sharing is a tested and proven approach that builds inclusive growth from the ground up. It aligns the interests of employers and employees, fosters a culture of trust and mutual investment, and creates a more stable, motivated, and high- performing workforce. Workers are no longer treated as mere cost centers, but as co- creators of value and partners in the enterprise's success.

To support this, the bill establishes the National Profit-Sharing Promotion Center (NPSPC) under the Department of Trade and Industry (DI), in coordination with the Department of Labor and Employment (DOLE). The NPSPC will lead nationwide awareness efforts, provide advisory and training services, facilitate access to financing, and support registered businesses in implementing effective and transparent profit-sharing plans.

This measure does not impose new mandates. Instead, it rewards enterprises that voluntarily embrace inclusive business models, those that see workers not just as laborers, but as stakeholders and partners in growth. It is a strategic, incentive-based approach to how we pursue sustainable development: not by trickle-down promises, but by lifting people up through real participation in the fruits of economic success.

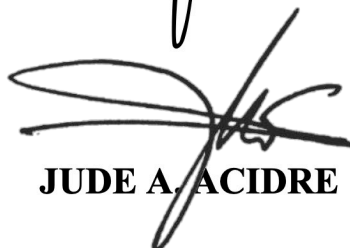
At a time of deepening inequality, this bill offers a pathway to a more just, resilient, and inclusive economy, where growth and prosperity is not only robust, but shared.

In view of the foregoing, approval of this bill is earnestly requested.


FERDINAND MARTIN G. ROMUALDEZ


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

SECTION 1. *Short Title.* – This Act shall be known as the “Profit Sharing Act.”

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to promote inclusive and equitable economic development by fostering greater employee participation in enterprise success through profit-sharing arrangements. The State recognizes that such mechanisms:

- a) Encourage higher productivity, innovation, and employee engagement;
- b) Improve labor-management relations and workplace stability;
- c) Provide workers with a fair share in the financial returns of enterprises;
- d) Support the resilience and competitiveness of businesses; and

- e) Reduce income inequality and foster shared prosperity.

Towards these ends, the State shall establish a national framework that encourages and incentivizes voluntary profit-sharing arrangements through technical assistance, financing, regulatory support, and tax incentives.

SEC. 3. *Definition of Terms.* – For purposes of this Act:

- a) Profit-Sharing Arrangement refers to any formal mechanism whereby an enterprise voluntarily allocates a portion of its net profits to eligible employees, in addition to regular wages and benefits.
- b) Eligible Employee refers to any individual employed by a business and covered under the terms of its registered profit-sharing arrangement.
- c) Qualifying Business refers to any enterprise duly registered under Philippine law that adopts a profit-sharing arrangement in accordance with this Act and the Implementing Rules and Regulations (IRR).
- d) Profit-Sharing Plan refers to a written and registered document outlining the formula, conditions, frequency, and eligibility criteria for distributing profits to employees.
- e) National Profit-Sharing Promotion Center (NPSPC) refers to the center created under this Act to promote and support profit-sharing arrangements.
- f) Technical Assistance refers to expert services provided to businesses for the design, implementation, and management of profit-sharing plans.

SEC. 4. *Recognition of Profit-Sharing Businesses.* – Any business enterprise duly registered under Philippine laws that adopts a formal and voluntary profit-sharing arrangement with its employees may be recognized as a Profit-Sharing Business provided it complies with the qualifications and procedures set forth in this Act and its Implementing Rules and Regulations (IRR).

SEC. 5. *Qualifications.* – To qualify as a Profit-Sharing Business, an enterprise must:

- a) Develop a written Profit-Sharing Plan that clearly outlines the formula for distribution, eligibility requirements, payout schedule, and dispute resolution mechanisms;
- b) Ensure that profit-sharing distributions are in addition to and do not diminish regular wages, benefits, and entitlements mandated by law;
- c) Secure approval and registration of the Profit-Sharing Plan with the NPSPC; and
- d) Submit annual reports to the NPSPC on plan implementation, including employee participation rates, amounts distributed, and business performance indicators.

SEC. 6. *Voluntary Adoption.* – Participation in a profit-sharing arrangement shall be voluntary on the part of the employer but must be applied equitably among eligible employees once adopted.

SEC. 7. *Incentives for Profit-Sharing Businesses.* – To encourage adoption of profit-sharing arrangements, qualifying businesses shall be entitled to the following:

- a) **Tax Deductibility:** Contributions distributed under a registered profit-sharing plan shall be deductible from gross income, subject to ceilings and conditions set in the IRR.
- b) **Tax Credit for Design and Implementation:** A tax credit shall be granted for a portion of the professional fees and administrative costs incurred in designing and implementing a profit-sharing plan, as may be defined in the IRR.

- c) **Preferential Financing:** Qualifying businesses shall be given preferential access to existing government loan programs, credit facilities, and investment funds, and shall be prioritized for new financing programs specifically designed for profit-sharing businesses, including those offering loan guarantees, interest rate subsidies, or direct investment, administered by government financial institutions (GFIs) such as the Development Bank of the Philippines (DBP), the Land Bank of the Philippines (LBP), and other relevant financial institutions.

SEC. 8. *Creation of the National Profit-Sharing Promotion Center (NPSPC).*

– There is hereby created, under the Department of Trade and Industry (DTI), in coordination with the Department of Labor and Employment (DOLE), a National Profit- Sharing Promotion Center (NPSPC). The NPSPC shall be the primary government agency responsible for promoting, supporting, and facilitating profit-sharing arrangements in the country. The Executive Director of the NPSPC shall be appointed by the DTI Secretary in consultation with the DOLE Secretary.

SEC. 9. *Functions of the NPSPC.* – The NPSPC shall perform the following functions:

- a) **Information and Advocacy:** Launch public awareness campaigns to promote the benefits of profit-sharing for both employers and workers.
- b) **Technical Assistance:** Provide businesses with advisory services on designing profit-sharing formulas, drafting plans, determining eligibility, and managing implementation.
- c) **Education and Training:** Develop training modules on financial literacy, enterprise performance, and participatory management for employees and employers.

- d) Facilitating Access to Incentives: Assist businesses in accessing government incentives and financing programs related to profit-sharing adoption.
- e) Policy Research and Data Collection: Gather data on profit-sharing outcomes and recommend policies for further development.
- f) Model Plans and Best Practices: Develop and disseminate model profit-sharing plans and templates for use by enterprises.
- g) Multi-Stakeholder Engagement: Partner with business associations, labor unions, academic institutions, LGUs, and civil society to build support for profit-sharing practices.

SEC. 10. *Certification and Registry.* – The NPSPC shall issue a certificate of recognition to Profit-Sharing Businesses and maintain an official Registry of Profit-Sharing Businesses for purposes of monitoring, research, and access to incentives under this Act.

SEC. 11. *Role of Government Agencies.* – The following agencies shall support the implementation of this Act:

- a) Department of Trade and Industry (DTI): Shall oversee the NPSPC and integrate profit-sharing promotion into MSME development and business support programs.
- b) Department of Labor and Employment (DOLE): Shall promote profit-sharing as a labor-management cooperation strategy and include it in labor education initiatives.
- c) Bureau of Internal Revenue (BIR): Shall issue rules and guidelines for the tax treatment of profit-sharing distributions and related incentives.

- d) Commission on Higher Education (CHED) and Technical Education and Skills Development Authority (TESDA): Shall support integration of financial literacy and shared productivity models in relevant curricula.

SEC. 12. *Implementing Rules and Regulations.* – Within ninety (90) days from the effectivity of this Act, the DI, in coordination with DOLE, BIR, and other concerned agencies, shall promulgate the Implementing Rules and Regulations necessary to carry out the provisions of this Act.

SEC. 13. *Appropriations.* – The amount necessary to carry out the initial implementation of this Act shall be charged against the current appropriations of the DTI. Thereafter, such sums as may be necessary for the continued operation of the NPSPC and the implementation of this Act shall be included in the annual General Appropriations Act.

SEC. 14. *Separability Clause.* – If any provision of this Act is declared unconstitutional or invalid, the remaining provisions shall remain in full force and effect.

SEC. 15. *Repealing Clause.* – All laws, decrees, executive orders, rules, and regulations or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 16. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,