

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 6584



Introduced by:

HON. CHRISTOPHERSON "COCO" M. YAP

EXPLANATORY NOTE

A modern productivity law must move beyond the bonus-sharing and tax-deduction framework of the early 1990s. Although Republic Act 6971 sought to promote shared gains through mandatory bonus formulas and special tax incentives, experience has shown that these mechanisms are too narrow, overly legalistic, and insufficient for the capabilities that drive real productivity today. The Supreme Court has repeatedly had to resolve disputes on coverage and refund obligations, highlighting structural gaps and compliance risks that the old model created.

The policy embodied in RA 6971 was progressive for its time, encouraging higher productivity and shared responsibility. Yet its fixed sharing rule and reliance on tax benefits constrained broader efforts such as work redesign, skills upgrading, quality systems, and digital and green transitions. These approaches, which are central to modern competitiveness, cannot be captured by a rigid bonus formula or monetized through special deductions, especially for small and medium enterprises that lack the capacity to benefit from such incentives.

Jurisprudence further exposed the limits of the statute. Government-owned and controlled corporations with original charters, as well as entities governed by the Civil Service, were held outside the law's scope. Benefits granted under the mistaken belief that these institutions were covered were later disallowed and ordered refunded. These recurring disputes underscored the statute's unclear coverage and the risks it created for public bodies and workers alike. Process rigidity also slowed adoption, as the law's formal committee structure and fixed formula often generated technical conflicts rather than genuine productivity improvements.

This bill repeals RA 6971 and establishes a new framework that emphasizes flexible enterprise-level partnerships, measurable improvements, and a wider menu of tools suited to today's work environments. It shifts the focus from formula-driven bonuses to performance compacts that may include gainsharing, training, lean systems, and digital or environmental enhancements. It also provides practical assistance to smaller firms, ensures meaningful worker participation, protects existing benefits, and channels disputes toward fast and cooperative resolution. Basic measurement and periodic tripartite review support learning without imposing heavy administrative burdens.

By replacing an outdated, tax-linked bonus model with an inclusive and capability-oriented system, the bill aligns productivity policy with current economic realities and long-standing jurisprudence. It strengthens cooperation, broadens participation, reduces legal uncertainty, and supports sustained productivity gains that translate into better wages, better jobs, and stronger enterprise competitiveness.

In the Nineteenth Congress, the House of Representatives approved a similar measure on Third Reading as House Bill No. 6683 on February 6, 2023.

In view of the foregoing, **ug sa ngalan sa SERBISYONG TINUORAY**, the undersigned respectfully requests the immediate passage of this measure.


CHRISTOPHERSON "COCO" M. YAP
Representative, Second District of Southern Leyte

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AN ACT
PROMOTING INCLUSIVE AND SUSTAINABLE PRODUCTIVITY GROWTH,
REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 6971, OTHERWISE KNOWN
AS THE PRODUCTIVITY INCENTIVES ACT OF 1990

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 “*Enterprise Productivity Act.*”

SECTION 2. Declaration of Policy. — It is hereby declared the policy of the State to:

- (a) Encourage higher levels of productivity in all industries to enable enterprises to compete globally;
- (b) Promote gainful employment, improve working conditions, maintain industrial peace and harmony and promote the principle of partnership and shared responsibility in the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of business enterprises to reasonable returns of investments and for expansion and growth; and
- (c) Provide corresponding incentives to both labor and management for undertaking productivity improvement programs and gainsharing.

SECTION 3. Coverage. — This Act shall apply to all business enterprises with or without existing and duly recognized collective bargaining agreements. It shall cover all employees and workers regardless of their position, designation, or status, and the manner by which their wages are paid.

SECTION 4. Definition of Terms. — As used in this Act:

- (a) *Business enterprise* refers to an entity duly incorporated, organized, or registered pursuant to the prevailing applicable laws, rules and regulations;
- (b) *Productivity improvement program* refers to a set of actions identifying and addressing productivity problem areas formulated by the productivity incentives committee using either a principle, tool, technique, method, practice, guideline, model or approach towards productivity improvement in people, inputs or technologies, products or services, policies, and process. It shall contain, among others, a productivity tool or technique, benchmarks and measurement of productivity, or efficiency improvements;
- (c) *Productivity incentives committee* refers to a body in a business enterprise composed of representatives of management or employers and employees created to formulate and implement the productivity incentives program, and to settle issues arising from the interpretation or implementation of the said program; and
- (d) *Productivity incentives program* refers to a formal agreement formulated by the productivity incentives committee, containing a productivity improvement program and provisions on its coverage, schemes on the sharing of the gains, or savings realized therefrom, and the forms, manner, and frequency of payment or distribution of such incentives.

SECTION 5. Productivity Incentives Committee. — Business enterprises employing ten (10) or more persons shall establish a productivity incentives committee, hereinafter referred to as the Committee, composed of representatives of labor and management.

- (a) In business enterprises with legitimate labor organization or workers' association, the employee representatives shall be those designated in the collective bargaining agreement or by the said organization or association.

(b) In business enterprises with Labor-Management Councils or Labor Management Committee, it shall be a subcommittee thereof.

(c) In business enterprises without legitimate labor organization or workers' association, the employee representatives shall be those designated by at least a majority of all rank-and-file employees.

SECTION 6. Incentives Program. — The Committee shall develop the productivity incentives program. Whenever gains or savings are realized from the implementation of the productivity improvement program, the management shall initiate the discussion on the sharing thereof.

Productivity incentives program as provided in this Act shall be based on the implemented productivity improvement program, and without prejudice to any company policy, program, contract, or collective bargaining agreement providing for higher productivity incentives.

SECTION 7. Tax Deductions. — Private establishments may avail of the following tax deductions:

(a) Subject to the provisions of Section 6, a business enterprise that adopts a productivity incentives program duly and mutually agreed upon by the employers and employees' representatives, shall be granted a special deduction from gross income equivalent to fifty percent (50%) of the total productivity incentives given to employees under this Program, over and above the deductions for total allowable ordinary, and necessary trade, business, or professional expenses under the National Internal Revenue Code of 1997, as amended, and other prevailing laws, rules and regulations;

(b) A business enterprise shall be granted a special deduction from gross income equivalent to fifty percent (50%) of the total grants for training and special studies given to employees pursuant to the productivity incentives program prepared by the Committee, over and above the deductions for total allowable ordinary and necessary trade, business, or professional expenses under the National Internal Revenue Code of 1997, as amended, and other prevailing laws, rules and regulations;

A business enterprise shall submit a copy of its productivity incentives program and other required documents to the concerned revenue district office of the

Bureau of Internal Revenue to avail of the corresponding benefits and tax deductions provided in this Act;

A business enterprise shall be entitled to the aforementioned tax deductions starting the next taxable year following the effectivity of this Act.

SECTION 8. Availment of Tax Deductions. — The Bureau of Internal Revenue shall establish a system for availing of tax deductions. It shall maintain and furnish the National Wages and Productivity Commission (NWPC) with an annual record of business enterprises that avail of tax deductions under this Act for program monitoring.

SECTION 9. Productivity Advisories. — The Regional Tripartite Wages and Productivity Board (RTWPB) shall issue advisories on productivity improvement programs and schemes, and relative thereto, shall provide training and technical assistance to enterprises.

SECTION 10. Issues and Grievances. — Whenever issues, grievances, or other matters arise from the interpretation or implementation of the productivity incentives program, the Committee shall meet to resolve the same within fifteen (15) days from receipt of a formal complaint from any aggrieved party, subject to the following conditions:

- (a) Parties may agree on whether or not to suspend the implementation of the productivity incentives program, pending the resolution of the complaint;
- (b) Business enterprises shall not be deemed to have forfeited any tax incentives accrued prior to the said complaint, and the employees and workers shall not be required to reimburse the productivity incentives already granted;
- (c) Likewise, productivity incentives that have already accrued prior to the said complaint, shall be paid to the entitled employees and worker within six (6) months from the date of accrual of the same; and
- (d) Any complaint which remains unresolved within thirty (30) days from the time of receipt of complaint shall be referred by the Committee to voluntary arbitration pursuant to prevailing laws, rules, and regulations on the matter.

SECTION 11. Loan Availment. — All banking institutions shall provide a loan facility or extend a credit window to micro, small and medium enterprises at an interest rate lower than the prevailing rate that implement a productivity improvement program.

SECTION 12. Submission of Productivity Incentives Program. — When needed, a business enterprise that implements a productivity incentives program shall submit a copy of the same to the RTWPB for information and appropriate technical assistance.

SECTION 13. National Innovation Council. — The National Innovation Council, created under Republic Act No. 11293, otherwise known as the “Philippine Innovation Act” shall have as one of its overriding goals the attainment of high and rising levels of productivity. Hence, its National Innovation Agenda and Strategy document shall mainstream strategic actions in support of national development plans to improve the country’s overall productivity performance.

SECTION 14. Technical Assistance. — Any member of the Committee may request technical assistance from the following agencies in developing and implementing productivity improvement programs:

- (a) The Department of Agriculture shall provide technical assistance to MSMEs for agricultural extension or agricultural advisory services on current technologies and systems;
- (b) The Department of Budget and Management (DBM)-Systems and Productivity Improvement Bureau shall establish a mechanism for providing technical assistance in implementing a government quality management program;
- (c) The Department of Environment and Natural Resources shall encourage and promote the use of technology and science to create products and services that are environmentally-friendly;
- (d) The Department of Trade and Industry (DTI)-Bureau of Small and Medium Enterprise Development shall extend assistance in the effective marketing of products and services of MSMEs;
- (e) The DTI-Competitiveness Bureau shall promote and provide counseling services on business operations to enhance productivity growth and competitiveness of companies and enterprises;

- (f) The Department of Science and Technology shall provide and promote technology acquisition and use to improve the operational growth of companies and enterprises;
- (g) The Department of Tourism shall promote and encourage tourism quality standards accreditation, and the development of the tourism value chain;
- (h) The Development Academy of the Philippines (DAP) shall conduct free enterprise-appropriate training that will provide MSMEs the necessary productivity tools and advice on the technologies to enhance enterprise operations and achieve their productivity goals.
- (i) The NWPC and RTWPB shall provide training and technical assistance on productivity improvement and performance incentives schemes to companies and enterprises;
- (j) The Technical Education and Skills Development Authority shall provide and promote skills training, assessment, and certification; and
- (k) The University of the Philippines – Institute for Small Scale Industries shall offer technical assistance to small scale industries.

The enumeration above shall not prevent any member of the Committee from also seeking assistance from government agencies, or private institutions, other than those cited in this Section, in the development and implementation of their productivity improvement and gainsharing programs.

SECTION 15. Accreditation of Productivity Experts. — The NWPC shall establish an accreditation system for productivity experts who shall provide productivity-related services to enterprises. To be accredited by the NWPC, a productivity expert shall pay an accreditation fee of Five thousand pesos (₱5,000.00), which amount shall be adjusted by the NWPC as it may deem necessary.

The NWPC shall be allowed to utilize fifty percent (50%) of the collected accreditation fees for the administration and management of the accreditation system.

An initial seed fund of Fifty million pesos (₱50,000,000.00) shall be drawn from the innovation fund under R.A. No. 11293, or the “National Innovation Act.”

SECTION 16. Assistance to Micro Enterprises. — The NWPC shall develop guidelines in the engagement of productivity experts who shall provide technical assistance to micro enterprises. Relative to this, accredited productivity experts shall be entitled to receive an honorarium pursuant to DBM's rules and regulations.

The DAP shall regularly conduct trainings, free of charge, to enhance the capabilities of the pool of productivity experts on advanced productivity technologies and systems.

SECTION 17. Strengthening Workplace Bipartite Mechanism. — The Department of Labor and Employment (DOLE) shall formulate a program, in consultation with employer and labor groups, to strengthen the bipartite mechanism especially in the area of bargaining on productivity schemes and standards.

SECTION 18. Penalty. — Any person who shall make any fraudulent claim under this Act, regardless of whether or not a tax benefit has been granted, shall, upon conviction, be punished with imprisonment of not less than six (6) months but not more than one (1) year, or a fine of not less than Twenty thousand pesos (₱20,000.00) but not more than Fifty thousand pesos (₱50,000.00), or both, at the discretion of the Court, without prejudice to prosecution for any other acts punishable under existing laws.

In the case of partnerships or corporations, the penalty shall be imposed upon the officers, employees, and other persons responsible who knowingly approved, authorized, or ratified the filing of a fraudulent claim.

SECTION 19. Non-Diminution of Benefits. — Nothing in this Act shall be construed to diminish or reduce any benefits and other privileges enjoyed by workers under existing laws, decrees, executive orders, company policy or practice, or any agreement or contract between employers and their employees.

SECTION 20. Monitoring of Compliance of Private Enterprises. — The Secretary of Labor and Employment shall, under Article 128 of P.D. 442, as amended, otherwise known as the "Labor Code of the Philippines," ensure the compliance of private enterprises with the provisions of this Act.

SECTION 21. Public Sector. — The Civil Service Commission and the DBM may establish a similar system in the public sector.

SECTION 22. Implementing Rules and Regulations. — Within one hundred eighty (180) days from the effectivity of this Act, the NWPC and the DOLE shall, in consultation with other government agencies, and concerned stakeholders, issue the rules and regulations necessary to effectively implement the provisions of this Act.

SECTION 23. Separability Clause. — If any provision of this Act is declared invalid or unconstitutional, other provisions hereof shall remain in full force and effect.

SECTION 24. Repealing Clause. — Republic Act No. 6971, otherwise known as the “Productivity Incentives Act of 1990,” is hereby repealed. All laws, presidential decrees, executive orders, proclamations, or administrative regulations that are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 25. Effectivity. — This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,