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HOUSE OF REPRESENTATIVES

H. No. 11024

INTRODUCED BY HONORABLE ORBOS, GOLEZ, TINGA, JAVIER (E.), FUENTEBELLA, PEREZ (H.), RAMIREZ, PLAZA, DEL MAR, ROMERO, SARMIENTO (R.), GULLAS, PAYUMO, DIAZ (R.), GILLEGO, TAJON, FIGUEROA, PARAS, LIBAN, ENVERGA, AUMENTADO, MENDOZA, LORETO, MONTEJO, MERCADO, DOMINGUEZ, LOPEZ-VITO, ESPINOSA, ZAPATA, MARTINEZ, JR., BELMONTE, JR., TIRADOR, TAMMANG, TILANDUCA, VENEGAS, RESPICIO, ASPIRAS, ACUÑA, ACOSTA, ADIONG, AQUINO (F.), CHAVES, DRAGON, AQUINO (H.), TUAZON, TINGZON, VILLAR, JR., DE LA CRUZ, JR., VILLAVIZA, DINGLASAN, JR., JABAR, VERCELES (E.), ZAMORA, SANCHEZ, OCAMPO, AND RECTO, PER COMMITTEE REPORT NO. 337

AN ACT REQUIRING GOVERNMENT-OWNED OR -CONTROLLED CORPORATIONS TO DECLARE AT LEAST TWENTY-FIVE PERCENT (25%) OF THEIR ANNUAL NET PROFIT AS CASH DIVIDENDS TO THE NATIONAL GOVERNMENT, PROVIDING PENALTIES FOR VIOLATION THEREOF, AND FOR OTHER PURPOSES



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

- 1 SECTION 1. *Declaration of Policy.* - It is hereby declared the
- 2 policy of the State that in order for the National Government to
- 3 realize additional revenues, government-owned or -controlled
- 4 corporations, without impairing their viability and the purposes for

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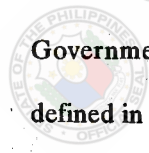
1 which they have been established, shall share a substantial amount
2 of their net profit to the National Government.

3 SEC. 2. *Definition of Terms.* - As used in this Act, the
4 terms:

5 (a) "National Government" refers to the entire machinery of
6 the central government as distinguished from the different forms of
7 local governments.

8 (b) "Government-owned or -controlled corporation" refers
9 to corporation organized as a stock or non-stock corporation vested
10 with functions relating to public needs, whether governmental or
11 proprietary in nature, and owned by the Government directly or
12 through its instrumentalities either wholly or, where applicable as in
13 the case of stock corporations, to the extent of at least fifty-one
14 percent (51%) of its capital stock. This term shall also include
15 financial institutions, owned or controlled by the National
16 Government, but shall exclude acquired asset corporations, as
17 defined in the next paragraph, state universities, and colleges.

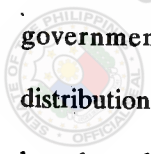
18 (c) "Acquired asset corporation" refers to a corporation: (1)
19 which is under private ownership, the voting or outstanding shares
20 of which were: (i) conveyed to the Government or to a government
21 agency, instrumentality or corporation in satisfaction of debts
22 whether by foreclosure or otherwise, or (ii) duly acquired by the



1 Government through final judgment in a sequestration proceeding,
 2 or (2) which is a subsidiary of a government corporation organized
 3 exclusively to own and manage, or lease, or operate specific physical
 4 assets acquired by a government financial institution in satisfaction
 5 of debts incurred therewith, and which in any case by law or by
 6 enunciated policy is required to be disposed of to private ownership
 7 within a specified period of time.

8 (d) "Net profit" refers to gross operating and non-operating
 9 income of a government-owned or -controlled corporation less its
 10 total expenses (inclusive of interest payments and corporate income
 11 tax due).

12 SEC. 3. *Cash Dividends.* - All government-owned or
 13 -controlled corporations shall declare and remit at least twenty-five
 14 percent (25%) of their annual net profit as cash dividends to the
 15 National Government. This section shall also apply to those
 16 government-owned or -controlled corporations whose profit
 17 distribution is provided for by their respective charters or by special
 18 law, but shall exclude those enumerated in Section 4 hereof:
 19 *Provided,* That cash dividends accruing to the National Government
 20 shall be received by the National Treasury and recorded as income
 21 of the General Fund: *Provided, further,* That in the interest of
 22 national economy and general welfare, the fraction of net profit that



1 should be declared by a government-owned or -controlled
 2 corporation may be increased or deferred by the President of the
 3 Philippines subject to existing rules and regulations and upon
 4 recommendation by the Secretary of Finance.

5 **SEC. 4. Exemptions.** - The provisions of the preceding
 6 section notwithstanding, government-owned or -controlled
 7 corporations created or organized by law to administer real or
 8 personal properties or funds held in trust for the use and benefit of
 9 its members shall not be covered by this Act, such as, but not
 10 limited to, the Government Service Insurance System, the Social
 11 Security System, the Home Development Mutual Fund, the
 12 Employees Compensation Commission, the Overseas Workers
 13 Welfare Administration, and the Philippine Medical Care
 14 Commission.

15 **SEC. 5. Penalty.** - Any member of the governing board, the
 16 chief executive officer and the chief financial officer of a
 17 government-owned or -controlled corporation who violates any
 18 provision of this Act or any of its implementing rules and
 19 regulations promulgated thereunder, in addition to the other
 20 sanctions provided by law, upon conviction thereof, shall suffer the
 21 penalty of a fine of not less than Fifty thousand pesos (P50,000) or
 22 imprisonment of not less than one (1) year but not more than three



1 (3) years, or both, at the discretion of the court.

2 SEC. 6. *Implementing Rules and Regulations.* - The
3 Department of Finance shall formulate and issue the necessary
4 rules and regulations within sixty (60) days from the effectivity of
5 this Act and shall exercise primary jurisdiction in its
6 implementation.

7 SEC. 7. *Separability Clause.* - If for any reason or reasons
8 any part of the provisions of this Act shall be deemed to be
9 unconstitutional or invalid, the other parts or provisions hereof
10 which are not affected thereby shall continue to be in full force and
11 effect.

12 SEC. 8. *Repealing Clause.* - Executive Order No. 399, dated
13 April 24, 1990, and all other laws, decrees, executive orders, letters
14 of instruction, rules and regulations, and portions thereof
15 inconsistent with the provisions of this Act are hereby repealed or
16 modified accordingly.

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

Approved,