

SENATE

S. No. 1168

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PREPARED BY THE COMMITTEE ON WAYS AND MEANS WITH SENATORS  
HERRERA, ANGARA, MACEDA, ROMULO, OPLE, GUINGONA, JR. AS  
AUTHORS

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AN ACT REQUIRING ALL GOVERNMENT-OWNED OR  
CONTROLLED CORPORATIONS TO DECLARE CASH  
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:*

1           SECTION 1. *Declaration of Policy.* - It is hereby declared a policy  
2 that the Government must equitably share in the earnings of government-  
3 owned or -controlled corporations to augment budgetary resources for  
4 development programs without impairing the viability of these entities  
5 and the purposes for which they have been established.

6           SEC. 2. *Definition of Terms:*

7           a) "Government" means the National Government.

8           b) "Government-owned or -controlled corporations" are corpora-  
9 tions created by special law or organized under the Corporation Code in  
10 which the Government, directly or indirectly, has ownership of the  
11 majority capital or has voting control: *Provided*, That an acquired asset  
12 corporation as defined in the next paragraph and state universities and

1 colleges shall not be considered as government-owned or -controlled  
2 corporations for purposes of this Act; and

3 c) "Acquired asset corporation" is a corporation (1) which is  
4 under private ownership, the voting or outstanding shares of which (i)  
5 were conveyed to the government or to a government agency, instrumen-  
6 tality or corporation in satisfaction of debts whether by foreclosure or  
7 otherwise, or (ii) were duly acquired by the Government through final  
8 judgment in a sequestration proceeding; or (2) which is a subsidiary  
9 of a government corporation organized exclusively to own and manage,  
10 or lease, or operate specific physical assets acquired by a government  
11 financial institution in satisfaction of debts incurred therewith, and  
12 which by law or enunciated policy is required to be disposed of to private  
13 ownership within a specified period of time.

14 SEC. 3. *Cash Dividends.* - a) Except as otherwise provided under  
15 this Act, or unless a higher cash dividend declaration is required under  
16 their respective charters, all government-owned or -controlled corpora-  
17 tions shall declare fifty *per centum* (50%) of their annual net earnings  
18 after tax as cash dividends to the Government.

19 b) Government-owned or -controlled corporations with private  
20 minority shareholders shall remit cash dividends to the Government as  
21 declared by their respective governing boards.

22 c) Cash dividends accruing to the Government shall be received  
23 by the National Treasury and recorded as income of the General Fund.

24 SEC. 4. *Exceptions.* - The provisions of the preceding Section  
25 notwithstanding, the following entities are not covered by this Act:

- 1 a) Government Service Insurance System;
- 2 b) Social Security System;
- 3 c) Home Development Mutual Fund;
- 4 d) Employment Compensation Commission; and
- 5 e) Overseas Workers Welfare Administration.

6 **SEC. 5. Flexible Clause.** - In the interest of national economy and  
 7 general welfare, the fraction of net earnings that shall be declared by a  
 8 corporation may be changed by the Secretary of Finance subject to rules  
 9 and regulations to be approved by the President of the Philippines.

10 **SEC. 6. Rules and Regulations.** - The Secretary of Finance shall  
 11 formulate all other necessary rules and regulations within sixty (60) days  
 12 from the effectivity of this Act and shall exercise primary jurisdiction in  
 13 its implementation.

14 **SEC. 7. Penal Sanctions.** - Any member of the governing board,  
 15 chief executive officer and chief financial officer of a government-owned  
 16 or -controlled corporation who willfully violates any of the provisions of  
 17 this Act or any of the implementing rules and regulations promulgated  
 18 thereunder shall, in addition to other sanctions provided by law, upon  
 19 conviction thereof, suffer the penalty of a fine of not less than Ten  
 20 thousand pesos (P10,000.00) nor more than Fifty thousand pesos  
 21 (P50,000.00) or imprisonment of not less than one (1) year but not more  
 22 than three (3) years or both at the discretion of the Court.

23 **SEC. 8. Repealing Clause.** - Executive Order No. 399, dated April  
 24 24, 1990 and all other acts, decrees, executive orders, letters of instruction,  
 25 rules and regulations inconsistent with this Act are hereby repealed or

1 amended accordingly.

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

6 SEC. 10. *Effectivity.* - This Act shall take effect fifteen (15) days  
7 after its publication in the *Official Gazette* or in at least two (2) national  
8 newspapers of general circulation, whichever comes earlier.

Approved,

Senate Archives (LRAB)

