



HOUSE OF REPRESENTATIVES

H. No. 10410

BY REPRESENTATIVES GO (M.), ABAYA, ROMERO, PINEDA, SALCEDA, MACAPAGAL ARROYO, MENDOZA, COLLANTES, GO (E.C.), NUÑEZ-MALANYAON, MARIANO-HERNANDEZ, BABASA, CABREDO, CARI, TADURAN, PADIERNOS, LOYOLA, LACSON, SAVELLANO, TAMBUNTING, DALIPE, BIAZON, GARCIA (P.J.), SARMIENTO, ARENAS, SUANSING (E.), SUANSING (H.), TAN (A.), RODRIGUEZ, CASTRO (F.L.), TEJADA, SACDALAN, NOGRALES (J.J.), VIOLAGO, EBCAS, DAGOOC, QUIMBO, GARIN (S.), CRISOLOGO, FORTUN, ABU, ESPINO, YU, NOLASCO, REVILLA, ECLEO, LEGARDA, DELOSO-MONTALLA, GORRICETA, TAN (A.S.), BASCUG, GATCHALIAN, SALIMBANGON, CHIPECO, FUENTEBELLA, VILLA, SUNTAY, REYES, DY (F.M.C.) AND NIETO, PER COMMITTEE REPORT NO. 1301

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:*

- 1 SECTION 1. *Short Title.* – This Act shall be known as the "Enterprise
- 2 Productivity Act."
- 3
- 4 SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to:

- 1 (a) Encourage higher levels of productivity in all industries to enable
2 enterprises to compete globally;
- 3 (b) Promote gainful employment, improve working conditions, maintain
4 industrial peace and harmony, and promote the principle of
5 partnership and shared responsibility in the relations between
6 workers and employers, recognizing the right of labor to its just share
7 in the fruits of production, and the right of business enterprises to
8 reasonable returns of investments, and for expansion and growth;
9 and
- 10 (c) Provide corresponding incentives to both labor and capital for
11 undertaking productivity improvement programs and gainsharing.
12

13 SEC. 3. *Coverage.* – This Act shall apply to all business enterprises with or
14 without existing and duly recognized collective bargaining agreements. It shall
15 cover all employees and workers regardless of their position, designation, or
16 status, and the manner by which their wages are paid.
17

18 SEC. 4. *Definition of Terms.* – As used in this Act:
19

- 20 (a) *Business enterprise* refers to an entity duly incorporated,
21 organized, or registered pursuant to the prevailing applicable laws,
22 rules and regulations;
23
- 24 (b) *Productivity improvement program* refers to a set of actions
25 identifying and addressing productivity problem areas formulated
26 by the productivity incentives committee using either a principle,
27 tool, technique, method, practice, guideline, model or approach
28 towards productivity improvement in people, inputs or technologies,
29 products or services, policies, and process. It shall contain, among
30 others, a productivity tool or technique, benchmarks and
31 measurement of productivity, or efficiency improvements;
32
- 33 (c) *Productivity incentives committee* refers to a body in a business
34 enterprise composed of representatives of management or
35 employers and employees created to formulate and implement the
36 productivity incentives program, and to settle issues arising from
37 the interpretation or implementation of the said program; and
38
- 39 (d) *Productivity incentives program* refers to a formal agreement
40 formulated by the productivity incentives committee, containing a
41 productivity improvement program and provisions on its coverage,
42 schemes on the sharing of the gains, or savings realized therefrom,
43 and the forms, manner, and frequency of payment or distribution of
44 such incentives.
45

46 SEC. 5. *Productivity Incentives Committee.* – Business enterprises employing
47 ten (10) or more persons shall establish a productivity incentives committee,
48 hereinafter referred to as the Committee, composed of representatives from the
49 employers and employees.

- 1 (a) In business enterprises with legitimate labor organization or workers'
2 association, the employee representatives shall be those designated
3 in the collective bargaining agreement or by the said organization or
4 association.
5
- 6 (b) In business enterprises with Labor-Management Councils or Labor-
7 Management Committee, it shall be a subcommittee thereof.
- 8 (c) In business enterprises without legitimate labor organization or
9 workers' association, the employee representatives shall be those
10 designated by at least a majority of all rank-and-file employees.
11

12 **SEC. 6. Incentives Program.** – The Committee shall develop the productivity
13 incentives program. Whenever gains, or savings are realized from the
14 implementation of the productivity improvement program, the management
15 shall initiate the discussion on the sharing thereof.

16 Productivity incentives program as provided in this Act shall be based on the
17 implemented productivity improvement program, and without prejudice to any
18 company policy, program, contract, or collective bargaining agreement
19 providing for higher productivity incentives.
20

21 **SEC. 7. Tax Deductions.** – Private establishments may avail of the following
22 tax deductions:

23 a) Subject to the provisions of Section 6, a business enterprise which
24 adopts a productivity incentives program duly and mutually agreed
25 upon by the employers and employees' representatives, shall be
26 granted a special deduction from gross income equivalent to fifty
27 percent (50%) of the total productivity incentives given to employees
28 under this Program, over and above the deductions for total
29 allowable ordinary, and necessary trade, business, or professional
30 expenses under the National Internal Revenue Code of 1997, as
31 amended, and other prevailing laws, rules and regulations;
32

33 b) A business enterprise shall be granted a special deduction from
34 gross income equivalent to fifty percent (50%) of the total grants for
35 training, and special studies given to employees pursuant to the
36 productivity incentives program prepared by the Committee, over
37 and above the deductions for total allowable ordinary, and necessary
38 trade, business, or professional expenses under the National
39 Internal Revenue Code of 1997, as amended, and other
40 prevailing laws, rules and regulations;
41

42 A business enterprise shall submit a copy of its productivity
43 incentives program and other required documents to the concerned
44 revenue district office of the Bureau of Internal Revenue to avail of
45 the corresponding benefits, and tax deductions provided in this Act;

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

4 SEC. 8. *Availment of Tax Deductions.* – The Bureau of Internal Revenue shall
5 establish a system for availment of tax deductions. It shall maintain and furnish
6 the National Wages and Productivity Commission (NWPC) an annual record of
7 business enterprises that avail of tax deductions under this Act for program
8 monitoring.

9 SEC. 9. *Productivity Advisories.* – The Regional Tripartite Wages and
10 Productivity Board (RTWPB) shall issue advisories on productivity
11 improvement programs and schemes, and relative thereto, shall provide
12 training and technical assistance to enterprises.

13 SEC. 10. *Issues and Grievances.* – Whenever issues, grievances, or other
14 matters arise from the interpretation or implementation of the productivity
15 incentives program, the Committee shall meet to resolve the same within
16 fifteen (15) days from receipt of a formal complaint from any aggrieved party,
17 subject to the following conditions:
18

19 (a) Parties may agree on whether or not to suspend the implementation of
20 the productivity incentives program, pending the resolution of the
21 complaint;
22

23 (b) Business enterprises shall not be deemed to have forfeited any tax
24 incentives accrued prior to the said complaint, and the employees and
25 workers shall not be required to reimburse the productivity incentives
26 already granted;
27

28 (c) Likewise, productivity incentives that have already accrued prior to the
29 said complaint, shall be paid to the entitled employees and workers
30 within six (6) months from the date of accrual of the same; and
31

32 (d) Any complaint which remained unresolved within thirty (30) days from
33 the time of receipt of complaint shall be referred by the Committee to
34 voluntary arbitration pursuant to prevailing laws, rules, and regulations
35 on the matter.
36

37 SEC. 11. *Loan Availment.* – All banking institutions shall provide a loan facility
38 or extend a credit window at an interest rate lower than the prevailing rate to
39 Micro, Small and Medium Enterprises (MSMEs) that implement a productivity
40 improvement program.
41

42 SEC. 12. *Submission of Productivity Incentives Program.* – A business
43 enterprise which implements a productivity incentives program shall submit a
44 copy of the same to the RTWPB for information and appropriate technical
45 assistance, when needed.
46

47 SEC. 13. *National Innovation Council.* – The National Innovation Council,
48 created under Republic Act No. 11293, otherwise known as the "*Philippine*
49

1 *Innovation Act*” shall mainstream strategic actions in support of national
2 development plans to improve the country’s overall productivity performance.

3 SEC. 14. *Monitoring of Compliance.* – The Secretary of Labor and Employment
4 shall, under Article 128 of P.D. 442, as amended, otherwise known as the
5 “Labor Code of the Philippines,” ensure the compliance of private enterprises
6 with the provisions of this Act.

7
8 SEC. 15. *Technical Assistance.* – Any member of the Committee may request
9 technical assistance from the following agencies in developing and
10 implementing productivity improvement programs:

11
12 (a) The Department of Agriculture shall provide technical assistance to
13 MSMEs for agricultural extension or agricultural advisory services on
14 current technologies and system;

15 (b) The Department of Budget and Management (DBM) – Systems and
16 Productivity Improvement Bureau shall establish a mechanism for
17 technical assistance in implementing the government quality
18 management program;

19
20 (c) The Department of Environment and Natural Resources shall be
21 mandated to encourage and promote the use of technology and
22 science to create products and services that are environmentally-
23 friendly;

24
25 (d) The Department of Trade and Industry (DTI) - Bureau of Small and
26 Medium Enterprise Development for Youth Entrepreneurship and
27 Enterprise Development shall extend assistance in the effective
28 marketing of products and services;

29
30 (e) The DTI – Competitiveness Bureau shall promote and provide
31 counseling services on business operations to address disputes
32 between labor and management, and to enhance productivity growth
33 in companies and enterprises;

34
35 (f) The Department of Science and Technology shall provide and promote
36 technology acquisition, and use for the improvement of the operational
37 growth of companies and enterprises;

38
39 (g) The Department of Tourism shall promote and encourage tourism
40 quality standards, and accreditation;

41 (h) The Development Academy of the Philippines (DAP) shall provide and
42 assist MSMEs with productivity tools, and technologies to upgrade its
43 productivity, and operations;

44 (i) The NWPC and RTWPB shall provide productivity training, and
45 technical assistance to companies and enterprises;

46 (j) The Technical Education and Skills Development Authority shall
47 provide and promote skills training, assessment, and certification; and

1 (k) The University of the Philippines – Institute for Small Scale Industries
2 shall be mandated to offer technical assistance to small scale
3 industries.
4

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

9 SEC. 16. *Accreditation of Productivity Experts.* – The NWPC shall establish an
10 accreditation system for productivity experts who shall provide productivity-
11 related services to enterprises. To be accredited by the NWPC, a productivity
12 expert shall pay an accreditation fee of Five thousand pesos (₱5,000.00), which
13 amount shall be adjusted by the NWPC as it may deem necessary.
14

15 The NWPC shall be allowed to utilize fifty percent (50%) of the collected
16 accreditation fees for the administration and management of the accreditation
17 system.
18

19 An initial seed fund of Fifty million pesos (₱50,000,000.00) shall be drawn from
20 the innovation fund under R.A. No. 11293, or the “National Innovation Act.”
21

22 SEC. 17. *Assistance to Micro Enterprises.* – The NWPC shall develop
23 guidelines in the engagement of productivity experts who shall provide technical
24 assistance to micro enterprises. Relative to this, accredited productivity experts
25 shall be entitled to receive an honorarium pursuant to DBM’s rules and
26 regulations.
27

28 The DAP shall regularly conduct trainings, free of charge, to enhance the
29 capabilities of the pool of productivity experts on advanced productivity
30 technologies and systems.
31

32 SEC. 18. *Strengthening Workplace Bipartite Mechanism.* – The Department of
33 Labor and Employment (DOLE) shall formulate a program, in consultation with
34 employer and labor groups, to strengthen the bipartite mechanism especially in
35 the area of bargaining on productivity schemes and standards.
36

37 SEC. 19. *Penalty.* – Any person who shall make any fraudulent claim under this
38 Act, regardless of whether or not a tax benefit has been granted, shall, upon
39 conviction, be punished with imprisonment of not less than six (6) months but
40 not more than one (1) year, or a fine of not less than Twenty thousand pesos
41 (₱20,000.00) but not more than Fifty thousand pesos (₱50,000.00), or both, at
42 the discretion of the Court, without prejudice to prosecution for any other acts
43 punishable under existing laws.

44 In the case of partnerships or corporations, the penalty shall be imposed upon
45 the officers, employees, and other persons responsible who knowingly
46 approved, authorized, or ratified the filing of a fraudulent claim.
47

48 SEC. 20. *Non-Diminution of Benefits.* – Nothing in this Act shall be construed
49 to diminish or reduce any benefits and other privileges enjoyed by workers

1 under existing laws, decrees, executive orders, company policy or practice, or
2 any agreement or contract between employers and their employees.

3 SEC. 21. *Public Sector.* – The Civil Service Commission and the DBM may
4 establish a similar system in the public sector.

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

10

11 SEC. 23. *Separability Clause.* – Should any provision of this Act be declared
12 unconstitutional, the remainder thereof not otherwise affected shall remain in
13 full force and effect.

14

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

20

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

Approved,