



HOUSE OF REPRESENTATIVES

H. No. 6683

BY REPRESENTATIVES SALCEDA, GO (M.), ROMERO, NOGRALES (J.F.F.), YAP (C.), TY, CAJAYON-UY, HERNANDEZ, TAN (K.M.), ARBISON, ACOP, BOSITA, CARI, FLORES, GARDIOLA, HARESCO, LAGMAN, LUISTRO, MAGSINO, OLASO, ORDANES, ROBES, SANTOS, TARRIELA, TULFO (J.), VARGAS, DE VENECIA, DELOS SANTOS, DUTERTE, ROMAN, ROMULO, SORIANO, CUA, SUANSING (M.A.), LAGON (S.), BRIONES, VERGARA, ARROGANCIA, REYES, GATCHALIAN, ALVAREZ (J.), ARENAS, DAGOOC, PALMA, ACIDRE, CALDERON, RIVERA, DALIPE, TAMBUNTING, CAGAS, SINGSON-MEEHAN, TAN-TAMTUBUT AND VILLARICA, PER COMMITTEE REPORT NO. 251

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
5 to:
6

7 (a) Encourage higher levels of productivity in all industries to enable
8 enterprises to compete globally;

9
10 (b) Promote gainful employment, improve working conditions, maintain
11 industrial peace and harmony and promote the principle of partnership

1 and shared responsibility in the relations between workers and
2 employers, recognizing the right of labor to its just share in the fruits of
3 production and the right of business enterprises to reasonable returns of
4 investments and for expansion and growth; and

- 5
6 (c) Provide corresponding incentives to both labor and management for
7 undertaking productivity improvement programs and gainsharing.

8
9 **SEC. 3. Coverage.** – This Act shall apply to all business enterprises with or
10 without existing and duly recognized collective bargaining agreements. It shall
11 cover all employees and workers regardless of their position, designation, or
12 status, and the manner by which their wages are paid.

13
14 **SEC. 4. Definition of Terms.** – As used in this Act:

- 15
16 (a) *Business enterprise* refers to an entity duly incorporated, organized, or
17 registered pursuant to the prevailing applicable laws, rules and
18 regulations;

- 19
20 (b) *Productivity improvement program* refers to a set of actions identifying
21 and addressing productivity problem areas formulated by the
22 productivity incentives committee using either a principle, tool,
23 technique, method, practice, guideline, model or approach towards
24 productivity improvement in people, inputs or technologies, products or
25 services, policies, and process. It shall contain, among others, a
26 productivity tool or technique, benchmarks and measurement of
27 productivity, or efficiency improvements;

- 28
29 (c) *Productivity incentives committee* refers to a body in a business
30 enterprise composed of representatives of management or employers
31 and employees created to formulate and implement the productivity
32 incentives program, and to settle issues arising from the interpretation
33 or implementation of the said program; and

- 34
35 (d) *Productivity incentives program* refers to a formal agreement formulated
36 by the productivity incentives committee, containing a productivity
37 improvement program and provisions on its coverage, schemes on the
38 sharing of the gains, or savings realized therefrom, and the forms,
39 manner, and frequency of payment or distribution of such incentives.

40
41 **SEC. 5. Productivity Incentives Committee.** – Business enterprises
42 employing ten (10) or more persons shall establish a productivity incentives
43 committee, hereinafter referred to as the Committee, composed of representatives of
44 labor and management.

- 45
46 (a) In business enterprises with legitimate labor organization or workers'
47 association, the employee representatives shall be those designated in
48 the collective bargaining agreement or by the said organization or
49 association.

- 50
51 (b) In business enterprises with Labor-Management Councils or Labor-
52 Management Committee, it shall be a subcommittee thereof.

1 (c) In business enterprises without legitimate labor organization or workers'
2 association, the employee representatives shall be those designated by
3 at least a majority of all rank-and-file employees.
4

5 **SEC. 6. Incentives Program.** – The Committee shall develop the productivity
6 incentives program. Whenever gains or savings are realized from the implementation
7 of the productivity improvement program, the management shall initiate the discussion
8 on the sharing thereof.
9

10 Productivity incentives program as provided in this Act shall be based on the
11 implemented productivity improvement program, and without prejudice to any
12 company policy, program, contract, or collective bargaining agreement providing
13 for higher productivity incentives.
14

15 **SEC. 7. Tax Deductions.** – Private establishments may avail of the following
16 tax deductions:
17

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

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

37 A business enterprise shall submit a copy of its productivity incentives
38 program and other required documents to the concerned revenue district
39 office of the Bureau of Internal Revenue to avail of the corresponding
40 benefits and tax deductions provided in this Act;
41

42 A business enterprise shall be entitled to the aforementioned tax deductions
43 starting the next taxable year following the effectivity of this Act.
44

45 **SEC. 8. Availment of Tax Deductions.** – The Bureau of Internal Revenue shall
46 establish a system for availing of tax deductions. It shall maintain and furnish the
47 National Wages and Productivity Commission (NWPC) with an annual record of
48 business enterprises that avail of tax deductions under this Act for program monitoring.
49

50 **SEC. 9. Productivity Advisories.** – The Regional Tripartite Wages and
51 Productivity Board (RTWPB) shall issue advisories on productivity improvement

1 programs and schemes, and relative thereto, shall provide training and technical
2 assistance to enterprises.

3
4 **SEC. 10. *Issues and Grievances.*** – Whenever issues, grievances, or other
5 matters arise from the interpretation or implementation of the productivity incentives
6 program, the Committee shall meet to resolve the same within fifteen (15) days from
7 receipt of a formal complaint from any aggrieved party, subject to the following
8 conditions:

9
10 (a) Parties may agree on whether or not to suspend the implementation of
11 the productivity incentives program, pending the resolution of the
12 complaint;

13
14 (b) Business enterprises shall not be deemed to have forfeited any tax
15 incentives accrued prior to the said complaint, and the employees and
16 workers shall not be required to reimburse the productivity incentives
17 already granted;

18
19 (c) Likewise, productivity incentives that have already accrued prior to the
20 said complaint, shall be paid to the entitled employees and workers
21 within six (6) months from the date of accrual of the same; and

22
23 (d) Any complaint which remains unresolved within thirty (30) days from the
24 time of receipt of complaint shall be referred by the Committee to
25 voluntary arbitration pursuant to prevailing laws, rules, and regulations
26 on the matter.

27
28 **SEC. 11. *Loan Availment.*** – All banking institutions shall provide a loan facility
29 or extend a credit window to micro, small and medium enterprises at an interest rate
30 lower than the prevailing rate that implement a productivity improvement program.

31
32 **SEC. 12. *Submission of Productivity Incentives Program.*** – When needed,
33 a business enterprise that implements a productivity incentives program shall submit
34 a copy of the same to the RTWPB for information and appropriate technical
35 assistance.

36
37 **SEC. 13. *National Innovation Council.*** – The National Innovation Council,
38 created under Republic Act No. 11293, otherwise known as the “Philippine Innovation
39 Act” shall have as one of its overriding goals the attainment of high and rising levels
40 of productivity. Hence, its National Innovation Agenda and Strategy document shall
41 mainstream strategic actions in support of national development plans to improve the
42 country’s overall productivity performance.

43
44 **SEC. 14. *Technical Assistance.*** – Any member of the Committee may request
45 technical assistance from the following agencies in developing and implementing
46 productivity improvement programs:

47
48 (a) The Department of Agriculture shall provide technical assistance to
49 MSMEs for agricultural extension or agricultural advisory services on
50 current technologies and systems;

- 1 (b) The Department of Budget and Management (DBM)–Systems and
2 Productivity Improvement Bureau shall establish a mechanism for
3 providing technical assistance in implementing a government quality
4 management program;
5
- 6 (c) The Department of Environment and Natural Resources shall encourage
7 and promote the use of technology and science to create products and
8 services that are environmentally-friendly;
9
- 10 (d) The Department of Trade and Industry (DTI)-Bureau of Small and
11 Medium Enterprise Development shall extend assistance in the effective
12 marketing of products and services of MSMEs;
13
- 14 (e) The DTI–Competitiveness Bureau shall promote and provide
15 counseling services on business operations to enhance productivity
16 growth and competitiveness of companies and enterprises;
17
- 18 (f) The Department of Science and Technology shall provide and promote
19 technology acquisition and use to improve the operational growth of
20 companies and enterprises;
21
- 22 (g) The Department of Tourism shall promote and encourage tourism quality
23 standards accreditation, and the development of the tourism value chain;
24
- 25 (h) The Development Academy of the Philippines (DAP) shall conduct free
26 enterprise-appropriate training that will provide MSMEs the necessary
27 productivity tools and advice on the technologies to enhance enterprise
28 operations and achieve their productivity goals.
29
- 30 (i) The NWPC and RTWPB shall provide training and technical assistance
31 on productivity improvement and performance incentives schemes to
32 companies and enterprises;
33
- 34 (j) The Technical Education and Skills Development Authority shall provide
35 and promote skills training, assessment, and certification; and
36
- 37 (k) The University of the Philippines – Institute for Small Scale Industries
38 shall offer technical assistance to small scale industries.
39

40 The enumeration above shall not prevent any member of the Committee
41 from also seeking assistance from government agencies, or private
42 institutions, other than those cited in this Section, in the development and
43 implementation of their productivity improvement and gainsharing
44 programs.
45

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

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

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

3
4 **SEC. 16. Assistance to Micro Enterprises.** – The NWPC shall develop
5 guidelines in the engagement of productivity experts who shall provide technical
6 assistance to micro enterprises. Relative to this, accredited productivity experts shall
7 be entitled to receive an honorarium pursuant to DBM’s rules and regulations.

8
9 The DAP shall regularly conduct trainings, free of charge, to enhance the capabilities
10 of the pool of productivity experts on advanced productivity technologies and systems.

11
12 **SEC. 17. Strengthening Workplace Bipartite Mechanism.** – The Department
13 of Labor and Employment (DOLE) shall formulate a program, in consultation with
14 employer and labor groups, to strengthen the bipartite mechanism especially in the
15 area of bargaining on productivity schemes and standards.

16
17 **SEC. 18. Penalty.** – Any person who shall make any fraudulent claim under
18 this Act, regardless of whether or not a tax benefit has been granted, shall, upon
19 conviction, be punished with imprisonment of not less than six (6) months but not more
20 than one (1) year, or a fine of not less than Twenty thousand pesos (₱20,000.00) but
21 not more than Fifty thousand pesos (₱50,000.00), or both, at the discretion of the
22 Court, without prejudice to prosecution for any other acts punishable under existing
23 laws.

24
25 In the case of partnerships or corporations, the penalty shall be imposed upon the
26 officers, employees, and other persons responsible who knowingly approved,
27 authorized, or ratified the filing of a fraudulent claim.

28
29 **SEC. 19. Non-Diminution of Benefits.** – Nothing in this Act shall be construed
30 to diminish or reduce any benefits and other privileges enjoyed by workers under
31 existing laws, decrees, executive orders, company policy or practice, or any
32 agreement or contract between employers and their employees.

33
34 **SEC. 20. Monitoring of Compliance of Private Enterprises.** – The Secretary
35 of Labor and Employment shall, under Article 128 of P.D. 442, as amended, otherwise
36 known as the “Labor Code of the Philippines,” ensure the compliance of private
37 enterprises with the provisions of this Act.

38
39 **SEC. 21. Public Sector.** – The Civil Service Commission and the DBM may
40 establish a similar system in the public sector.

41
42 **SEC. 22. Implementing Rules and Regulations.** – Within one hundred eighty
43 (180) days from the effectivity of this Act, the NWPC and the DOLE shall, in
44 consultation with other government agencies, and concerned stakeholders, issue the
45 rules and regulations necessary to effectively implement the provisions of this Act.

46
47 **SEC. 23. Separability Clause.** – Should any provision of this Act be declared
48 unconstitutional, the remainder thereof not otherwise affected shall remain in full force
49 and effect.

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

6
7 **SEC. 25. Effectivity.** – This Act shall take effect fifteen (15) days after its
8 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,