



HOUSE OF REPRESENTATIVES

H. No. 6683

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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-TAMBUK AND VILLARICA, PER COMMITTEE REPORT NO. 251

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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:*

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 (P5,000.00), 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 (P50,000,000.00) 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 (P20,000.00) but  
21 not more than Fifty thousand pesos (P50,000.00), 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,