

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

SEVENTEENTH (17<sup>th</sup>) CONGRESS  
First Regular Session

House Bill No. 2625

HOUSE OF REPRESENTATIVES

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Introduced by: Representative Jose L. Atienza, Jr.

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### EXPLANATORY NOTE

Just recently, the Philippine economy received a much-needed boost with the improved credit rating it received from Standard & Poor's, signaling an improvement in the country's standing.

While this is a welcome development as far as the country's overall economic growth is concerned, we are still very much aware of the prevailing poverty among a majority of our fellow Filipinos, who have yet to feel the effects of this improvement in their everyday lives.

This bill seeks to help our countrymen benefit from this economic improvement by making sure this trickles down to our daily wage earners. This profit sharing program would be derived from the net profit made by all companies, rather than increasing the minimum daily wage, which may not be feasible at this time. This measure might have more far-reaching effects on laborers and workers, and would encourage them to work harder for the successful operation of their companies.

Moreover, in this bill, we propose that the net profit contribution be made tax deductible the following year. In this manner, all sectors would be benefited by this bill.

  
**JOSE L. ATIENZA, JR.**  
Representative, BUHAY Party-list

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AN ACT MANDATING ALL BUSINESS ESTABLISHMENTS IN THE COUNTRY TO INSTITUTIONALIZE PROFIT SHARING, REPEALING AND/OR AMENDING ALL LAWS INCONSISTENT WITH THIS ACT

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

SECTION ONE. *Title.* - This Act shall be known as "The Profit Sharing Act of 2016"

SECTION TWO. *Declaration of Policy.* - It is hereby declared under the Constitution that the State affirms labor as a primary social economic force. It shall protect the rights of workers and promote their welfare.

SECTION THREE. *Definition of Terms*

A. Profit Sharing - refers to various incentive plans, introduced by business that provide direct payments to employees that depend on the company's profitability, in addition to salaries and bonuses.

B. Gross Income - total revenue received before any deductions, allowances, taxes or any other expenses.

C. Net Income - total revenue received after any deductions, allowances, taxes or any other expenses.

D. Employees - workforce of a business, regular or contractual

E. Tax Creditable - the amount of money that a taxpayer is able to subtract from the amount of tax that they owe to the government.

SECTION FOUR. All business establishments that made a profit for a fiscal year shall annually distribute TEN PERCENT (10%) of their NET INCOME to all their employees, both regular and contractual.

SECTION FIVE. The shared profit shall not affect the salary, 13<sup>th</sup> month pay and other benefits presently being enjoyed by the employees.

SECTION SIX. The total amount given by the company thru profit sharing shall be Tax Creditable to his Income Tax Return.

SECTION SEVEN. The implementing rules and regulations of this Act shall be drafted by the Department of Labor and Employment and the Bureau of Internal Revenue.

SECTION EIGHT. All laws, rules, regulations, orders, circulars and memoranda inconsistent with this act are hereby repealed, modified, and amended accordingly.

SECTION NINE. *Separability Clause* – If any provision of this Act is declared unconstitutional, the same shall not affect the validity and effectivity of the other provisions hereof.

SECTION TEN. *Effectivity*- This act shall take effect immediately upon approval.

Approved.