

REPUBLIC OF THE PHILIPPINES }
CONGRESS OF THE PHILIPPINES }
 Second Special Session

H. No. 11024
S. No. 1168

REPUBLIC ACT NO. 7656

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

SECTION 1. *Declaration of Policy.* – It is hereby declared
the policy of the State that in order for the National Government
to realize additional revenues, government-owned or controlled
corporations, without impairing their viability and the purposes
for which they have been established, shall share a substantial
amount of their net earnings to the National Government.

SEC. 2. *Definition of Terms.* – As used in this Act, the
term:

(a) "National Government" refers to the entire machinery
of the central government, as distinguished from the different
forms of local governments.

(b) "Government-owned or controlled corporations" refer to
corporations organized as a stock or non-stock corporation vested
with functions relating to public needs, whether governmental or
proprietary in nature, and owned by the Government directly or
through its instrumentalities either wholly or, where applicable
as in the case of stock corporations, to the extent of at least fifty-
one percent (51%) of its capital stock. This term shall also include
financial institutions, owned or controlled by the National
Government, but shall exclude acquired asset corporations, as
defined in the next paragraph, state universities, and colleges.

(c) "Acquired asset corporation" refers to a corporation: (1) which is under private ownership, the voting or outstanding shares of which were: (i) conveyed to the Government or to a government agency, instrumentality or corporation in satisfaction of debts whether by foreclosure or otherwise, or (ii) duly acquired by the Government through final judgment in a sequestration proceeding; or (2) which is subsidiary of a government corporation organized exclusively to own and manage, or lease, or operate specific physical assets acquired by a government financial institution in satisfaction of debts incurred therewith, and which in any case by law or by enunciated policy is required to be disposed of to private ownership within a specified period of time.

(d) "Net earnings" shall mean income derived from whatever source, whether exempt or subject to tax, net of deductions allowed under Section 29 of the National Internal Revenue Code, as amended, and income tax and other taxes paid thereon, but in no case shall any reserve for whatever purpose be allowed as a deduction from net earnings.

SEC. 3. *Dividends.* – All government-owned or controlled corporations shall declare and remit at least fifty percent (50%) of their annual net earnings as cash, stock or property dividends to the National Government. This section shall also apply to those government-owned or controlled corporations whose profit distribution is provided by their respective charters or by special law, but shall exclude those enumerated in Section 4 hereof: *Provided*, That such dividends accruing to the National Government shall be received by the National Treasury and recorded as income of the General Fund.

SEC. 4. *Exemptions.* – The provisions of the preceding section notwithstanding, government-owned or controlled corporations created or organized by law to administer real or personal properties or funds held in trust for the use and the benefit of its members, shall not be covered by this Act such as, but not limited to: the Government Service Insurance System, the Home Development Mutual Fund, the Employees Compensation Commission, the Overseas Workers Welfare Administration, and the Philippine Medical Care Commission.

SEC. 5. *Flexible Clause.* – In the interest of national economy and general welfare, the percentage of annual net earnings that shall be declared by a government-owned or controlled corporation may be adjusted by the President of the Philippines upon recommendation by the Secretary of Finance.

SEC. 6. *Penalty.* – Any member of the governing board, the chief executive officer and the chief financial officer of a government-owned or controlled corporation who violates any provision of this Act or any of the implementing rules and regulations promulgated thereunder, in addition to other sanctions provided by law, upon conviction thereof, shall suffer the penalty of a fine of not less than Ten thousand pesos (P10,000) but not more than Fifty thousand pesos (P50,000) or imprisonment of not less than one (1) year but not more than three (3) years, or both, at the discretion of the court.

SEC. 7. *Implementing Rules and Regulations.* – The Department of Finance shall formulate and issue the necessary rules and regulations within sixty (60) days from the effectivity of this Act and shall exercise primary jurisdiction in its implementation.

SEC. 8. *Separability Clause.* – If for any reason or reasons any part of the provisions of this Act shall be deemed to be unconstitutional or invalid, the other parts or provisions hereof which are not affected thereby shall continue to be in force and effect.

SEC. 9. *Repealing Clause.* – Executive Order No. 399, dated April 24, 1990, and all other laws, decrees, executive orders, letters of instruction, rules and regulations, and portions thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

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

Approved, November 9, 1993.