

TENTH CONGRESS OF)
THE REPUBLIC OF THE PHILIPPINES)
Third Regular Session)

Prepared by the Committee '07 JUL 28 12:25

RECEIVED BY:

H. No. 9077

(AS AMENDED BY SUBSTITUTION)

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AN ACT
AMENDING THE NATIONAL INTERNAL REVENUE CODE, AS
AMENDED, AND FOR OTHER PURPOSES

*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 cited as the "Tax Reform
2 **Act of 1997".**

3 **SECTION 2. *State Policy.*** --- It is hereby declared the policy of the State to
4 promote sustainable economic growth through the rationalization of the Philippine
5 internal revenue tax system, including tax administration; to provide, as much as
6 possible, an equitable relief to a greater number of taxpayers in order to improve levels
7 of disposable income and increase economic activity; and to create a robust environment
8 for the business community to enable them to compete better in the regional as well as
9 the global community of nations, at the same time that the State ensures that Government
10 will be able to provide for the needs of those under its jurisdiction and care.

11 **SECTION 3.** Section 1 of the National Internal Revenue Code, as
12 amended, hereinafter referred to as the Code, is hereby further amended to
13 read as follows:

14 "SECTION 1. *Title of the Code.* - This Code shall be known as
15 the National Internal Revenue Code of [1977] 1997."

16 **SECTION 4.** Section 3 of the Code is renumbered as Section 2 and is
17 amended to read as follows:

18 "SEC. [3] 2. *Powers and [d]Duties of THE Bureau OF*
19 *INTERNAL REVENUE.* -- The BUREAU OF INTERNAL REVENUE
20 SHALL BE UNDER THE SUPERVISION AND CONTROL OF THE
21 DEPARTMENT OF FINANCE AND ITS powers and duties [of the
22 Bureau of Internal Revenue] shall comprehend the assessment and
23 collection of all national internal revenue taxes, fees, and charges, and the
24 enforcement of all forfeitures, penalties, and fines connected

1 therewith, including the execution of judgments in all cases decided in
 2 its favor by the Court of Tax Appeals and the ordinary courts. [Said]
 3 THE Bureau shall [also] give effect to and administer the supervisory
 4 and police powers conferred to it by this Code or other laws.”

5 **SECTION 5. Section 2 of the Code is renumbered as Section 3 and is**
 6 **amended to read as follows:**

7 “SEC. [2]3. *Chief Officials of the Bureau of Internal Revenue.* -

8 The Bureau of Internal Revenue shall have a chief to be known as
 9 Commissioner of Internal Revenue, HEREINAFTER REFERRED TO
 10 AS THE COMMISSIONER and [two] FOUR (4) assistant chiefs to be
 11 known as Deputy Commissioners.”

12 **SECTION 6. Section 4 (*Specific Provision to be Contained in***
 13 ***Regulations*) of the Code is hereby transposed to Title IX (*Compliance***
 14 ***Requirements*), Chapter III (*Rules and Regulations*), and is renumbered as**
 15 **Section 246.**

16 **SECTION 7. A new Section 4 is hereby inserted after Section 3 of the**
 17 **Code to read as follows:**

18 “SEC. 4. *POWER OF THE COMMISSIONER TO INTERPRET*
 19 *TAX LAWS AND TO DECIDE TAX CASES.* -- THE POWER TO
 20 INTERPRET THE PROVISIONS OF THIS CODE AND OTHER TAX
 21 LAWS SHALL BE UNDER THE PRIMARY, EXCLUSIVE AND
 22 ORIGINAL JURISDICTION OF THE COMMISSIONER, SUBJECT TO
 23 REVIEW BY THE SECRETARY OF FINANCE.

1 THE POWER TO DECIDE DISPUTED ASSESSMENTS,
 2 REFUNDS OF INTERNAL REVENUE TAXES, FEES OR OTHER
 3 CHARGES, PENALTIES IMPOSED IN RELATION THERETO, OR
 4 OTHER MATTERS ARISING UNDER THIS CODE OR OTHER
 5 LAWS OR PORTIONS THEREOF ADMINISTERED BY THE
 6 BUREAU OF INTERNAL REVENUE IS VESTED IN THE
 7 COMMISSIONER, SUBJECT TO THE EXCLUSIVE APPELLATE
 8 JURISDICTION OF THE COURT OF TAX APPEALS.

9 SECTION 8. The present Section 7 of the Code is renumbered as
 10 Section 5 and is amended to read as follows:

11 "SEC. [7] 5. *Power of the Commissioner to [o]Obtain*
 12 *[i]Information, [examine,] AND TO [s]Summon, EXAMINE, and*
 13 *[t]Take [t]Testimony OF PERSONS. - [For the purpose of] IN*
 14 *ascertaining the correctness of any return, OR IN making a return*
 15 *[where] WHEN none has been made, OR IN determining the liability*
 16 *of any person for any internal revenue tax, or IN collecting any such*
 17 *liability, OR IN EVALUATING TAX COMPLIANCE, OR IN*
 18 *IMPROVING THE EFFICIENCY OF INTERNAL REVENUE TAX*
 19 *COLLECTION, the Commissioner is authorized:*

20 "(1) x x x

21 "(2) To obtain [information] ON A REGULAR
 22 BASIS FROM ANY PERSON OTHER THAN THE

1 PERSON WHOSE INTERNAL REVENUE TAX LIABILITY
 2 IS SUBJECT TO AUDIT OR INVESTIGATION OR from any
 3 office or officer of the national and local governments, government
 4 agencies [or its] AND instrumentalities, including the [Central Bank of
 5 the Philippines] BANGKO SENTRAL NG PILIPINAS and
 6 government-owned or controlled corporations, ANY INFORMATION
 7 SUCH AS, BUT NOT LIMITED TO, COSTS AND VOLUME OF
 8 PRODUCTION, RECEIPTS OR SALES AND GROSS INCOMES
 9 OF TAXPAYERS, AND THE NAMES, ADDRESSES, AND
 10 FINANCIAL STATEMENTS OF REGISTERED PARTNERSHIPS,
 11 AND THEIR MEMBERS;

12 “(3) x x x

13 “(4) x x x

14 “(5) x x x”

15 **SECTION 9. The present Section 6 of the Code is hereby renumbered**
 16 **as Section 12.**

17 **SECTION 10. The present Section 16 of the Code is hereby renumbered**
 18 **as Section 6 and is amended to read as follows:**

19 “SEC. [16] 6. *Power of the Commissioner to [m]Make*
 20 *[a]Assessments AND PRESCRIBE ADDITIONAL REQUIREMENTS*
 21 *FOR TAX ADMINISTRATION AND ENFORCEMENT. -*

22 “([a]A) *Examination of [r]Returns and [d]Determination of*
 23 *[t]Tax DUE. - After a return [is] HAS BEEN filed as required*

1 under the provisions of this Code, the Commissioner OR HIS DULY
 2 AUTHORIZED REPRESENTATIVE [shall] MAY [examine it and
 3 assess] AUTHORIZE THE EXAMINATION OF ANY TAXPAYER
 4 AND THE ASSESSMENT OF the correct amount of [the] tax:
 5 *PROVIDED, HOWEVER,* THAT FAILURE TO FILE A RETURN
 6 SHALL NOT PREVENT THE COMMISSIONER FROM
 7 AUTHORIZING THE EXAMINATION OF ANY TAXPAYER.

8 “The tax or ANY deficiency tax so assessed shall be paid upon
 9 notice and demand from the Commissioner OR FROM HIS DULY
 10 AUTHORIZED REPRESENTATIVE.

11 “Any return, statement or declaration filed in any office
 12 authorized to receive the same shall not be withdrawn: *Provided,*
 13 That WITHIN THREE (3) YEARS FROM THE DATE OF SUCH
 14 FILING, the same may be modified, [or] changed, OR AMENDED
 15 [by filing another amended return, statement or declaration]:
 16 *PROVIDED, FURTHER,* THAT NO NOTICE FOR AUDIT OR
 17 INVESTIGATION OF SUCH RETURN, STATEMENT OR
 18 DECLARATION HAS, IN THE MEANTIME, BEEN ACTUALLY
 19 SERVED UPON THE TAXPAYER;

20 “([b]B) x x x

21 “([c]C) x x x

22 “([d]D) x x x

23 “([e]E) x x x

1 “([f]F) *Authority of the Commissioner to[i]Inquire into*
 2 ***[b]Bank [d]Deposit [a]Accounts.*** - [The] NOTWITHSTANDING
 3 ANY CONTRARY provision[s] of Republic Act No. 1405, [to the
 4 contrary notwithstanding,] the Commissioner is hereby authorized to
 5 inquire into the bank deposits of: [a decedent for the purpose of
 6 determining the gross estate of such decedent.]

7 (1) A DECEDENT TO DETERMINE HIS GROSS ESTATE;

8 OR

9 (2) ANY TAXPAYER WHO HAS FILED AN APPLICATION
 10 FOR COMPROMISE OF HIS TAX LIABILITY UNDER SECTION
 11 205(A)(2) OF THIS CODE BY REASON OF FINANCIAL
 12 INCAPACITY TO PAY HIS TAX LIABILITY; OR

13 (3) A TAXPAYER WHO WAIVES IN WRITING HIS
 14 PRIVILEGE UNDER REPUBLIC ACT NO. 1405; OR

15 (4) ANY TAXPAYER WHOSE RETURN HAS BEEN
 16 AUDITED BY A DULY AUTHORIZED REVENUE OFFICER OF
 17 THE BUREAU OF INTERNAL REVENUE AND A CLEAR,
 18 DIRECT AND SUBSTANTIAL EVIDENCE OF FRAUD AGAINST
 19 THE REVENUE OF THE GOVERNMENT OR OTHER
 20 CRIMINAL VIOLATION OF THIS CODE HAS BEEN FOUND TO
 21 EXIST.

22 “In case a taxpayer [offers] FILES AN APPLICATION to
 23 compromise the payment of his tax liabilities on [the ground] HIS

1 CLAIM that his financial position demonstrates a clear inability to pay
 2 the tax assessed, his [offer] APPLICATION shall not be considered unless
 3 AND UNTIL he waives IN WRITING his privilege under [the said law]
 4 REPUBLIC ACT NO. 1405, and such waiver shall [serve as]
 5 CONSTITUTE THE authority of the Commissioner to inquire into the
 6 bank deposits of [said] THE taxpayer.

7 “([g]G) Authority to [a]Accredit and [r]Register [t]Tax
 8 [a]Agents. - The Commissioner [may] SHALL ACCREDIT AND
 9 REGISTER, [require prior accreditation and registration,] based on
 10 THEIR PROFESSIONAL competence, INTEGRITY, and moral
 11 fitness, [of persons] INDIVIDUALS and general professional
 12 partnerships [or] AND their representatives [in the preparation and
 13 filing of required] WHO PREPARE AND FILE tax returns,
 14 statements, reports [memoranda], PROTESTS, [or in appearing or in
 15 filing protests or] AND OTHER papers with, OR WHO APPEAR
 16 BEFORE, the Bureau for taxpayers. [For this purpose] WITHIN
 17 ONE-HUNDRED TWENTY (120) DAYS FROM JANUARY 1,
 18 1998, the Commissioner [is empowered to] SHALL create national
 19 and regional accreditation boards, THE MEMBERS OF WHICH
 20 SHALL SERVE FOR THREE (3) YEARS, AND [to] SHALL
 21 designate from among the [ranks of] senior officials of the Bureau, one
 22 chairman and two members [in] FOR each board, [and to issue the
 23 necessary] SUBJECT TO SUCH rules and regulations [subject to the

1 approval of] AS the Secretary of Finance SHALL PROMULGATE
2 UPON THE RECOMMENDATION OF THE COMMISSIONER.

3 "([h]H) x x x"

4 SECTION 11. A new Section 7 is hereby inserted after Section 6 of the
5 Code to read as follows:

6 SEC. 7. AUTHORITY OF THE COMMISSIONER TO
7 DELEGATE POWER. - THE COMMISSIONER MAY DELEGATE
8 THE POWERS VESTED IN HIM UNDER THE PERTINENT
9 PROVISIONS OF THIS CODE TO ANY OR SUCH SUBORDINATE
10 OFFICIALS WITH THE RANK EQUIVALENT TO A DIVISION
11 CHIEF OR HIGHER, SUBJECT TO SUCH LIMITATIONS
12 AND RESTRICTIONS AS MAY BE IMPOSED UNDER RULES
13 AND REGULATIONS TO BE PROMULGATED BY THE
14 SECRETARY OF FINANCE, UPON RECOMMENDATION OF THE
15 COMMISSIONER: PROVIDED, HOWEVER, THAT THE
16 FOLLOWING POWERS OF THE COMMISSIONER SHALL NOT BE
17 DELEGATED:

18 A. THE POWER TO RECOMMEND THE
19 PROMULGATION OF RULES AND REGULATIONS
20 BY THE SECRETARY OF FINANCE;

21 B. THE POWER TO ISSUE RULINGS OF FIRST
22 IMPRESSION OR TO REVERSE, REVOKE OR

1 MODIFY ANY EXISTING RULING OF THE
2 BUREAU;

3 C. THE POWER TO COMPROMISE OR ABATE, UNDER
4 SECTION 205(A) AND (B) OF THIS CODE, ANY
5 TAX LIABILITY: *PROVIDED, HOWEVER,* THAT
6 THE POWER TO EXTRA-JUDICIALLY SETTLE
7 CRIMINAL VIOLATIONS UNDER SECTION 205 OF
8 THIS CODE MAY BE DELEGATED BY THE
9 COMMISSIONER, PURSUANT TO RULES AND
10 REGULATIONS TO BE PRESCRIBED BY THE
11 SECRETARY OF FINANCE, UPON
12 RECOMMENDATION OF THE COMMISSIONER
13 FOR THE PURPOSE;

14 D. THE POWER TO ASSIGN OR RE-ASSIGN INTERNAL
15 REVENUE OFFICERS TO ESTABLISHMENTS
16 WHERE ARTICLES SUBJECT TO EXCISE TAX ARE
17 PRODUCED OR KEPT, AND;

18 E. THE POWER TO INQUIRE INTO BANK DEPOSITS
19 PRESCRIBED UNDER SEC. 6(F)(4) OF THIS CODE.

20 **SECTION 12. The present Section 5 of the Code is hereby renumbered**
21 **as Section 8 and amended as follows:**

22 "SEC. [5] 8. *DUTY OF THE COMMISSIONER TO ENSURE THE*
23 *PROVISION AND DISTRIBUTION OF Forms, [r]Receipts, [c]Certificates,*

1 and [a]Appliances, AND THE ACKNOWLEDGEMENT OF PAYMENT OF
2 TAXES. --

3 “([a]A) x x x

4 “([b]B) x x x”

5 SECTION 13. Section 8 of the Code is renumbered as Section 9 and is
6 amended to read as follows:

7 “SEC. [8] 9. ORGANIZATION OF THE BUREAU INTO
8 Internal [r]Revenue REGIONS AND [d]Districts. -- With the
9 approval of the Secretary of Finance, the Commissioner [of Internal
10 Revenue] shall divide the Philippines into such number of revenue
11 REGIONS AND districts as may from time to time be required for
12 administrative purposes. Each [of these] REVENUE district[s] shall
13 be under [the supervision of] a Revenue District Officer, WHO
14 SHALL BE UNDER THE SUPERVISION AND CONTROL OF A
15 REVENUE REGIONAL DIRECTOR.”

16 SECTION 14. The present Section 11 of the Code is renumbered as
17 Section 13 and is amended to read as follows:

18 “SEC. [11]13. Authority of A Revenue [Examiner] OFFICER. -
19 - SUBJECT TO THE RULES AND REGULATIONS TO BE
20 PRESCRIBED BY THE SECRETARY OF FINANCE, UPON THE
21 RECOMMENDATION OF THE COMMISSIONER, [A]a
22 Revenue [Examiner] OFFICER ASSIGNED TO PERFORM
23 ASSESSMENT FUNCTIONS in any district may, [in the name of]

1 PURSUANT TO A LETTER OF AUTHORITY ISSUED BY the
 2 Revenue District Officer, [in charge of such district and under the
 3 control of such officer as his immediate superior, exercise any power
 4 or perform any act which might be exercised or] EXAMINE
 5 TAXPAYERS WITHIN THE JURISDICTION OF THE DISTRICT
 6 IN ORDER TO COLLECT THE CORRECT AMOUNT OF TAX,
 7 OR TO RECOMMEND THE ASSESSMENT OF ANY
 8 DEFICIENCY TAX DUE IN THE SAME MANNER THAT THE
 9 SAID ACTS COULD HAVE BEEN performed by [such] THE
 10 Revenue District Officer himself.”

11 **SECTION 15. Section 12 of the Code is renumbered as Section 16 and is**
 12 **amended to read as follows:**

13 “SEC. [12] 16. *Assignment of [i]Internal [r]Revenue*
 14 *[o]Officers INVOLVED IN EXCISE TAX FUNCTIONS to*
 15 *[e]Establishments where [a]Articles subject to [e]Excise [t]Tax are*
 16 *[p]Produced OR KEPT. — The Commissioner [of Internal Revenue]*
 17 *shall employ, [and] assign, OR RE-ASSIGN internal revenue*
 18 *officers INVOLVED IN EXCISE TAX FUNCTIONS, AS OFTEN*
 19 *AS THE EXIGENCIES OF THE REVENUE SERVICE MAY*
 20 *REQUIRE, [to regional offices and the Regional Director shall*
 21 *assign them] to establishments or places where articles subject to*
 22 *excise tax are produced or kept: PROVIDED, THAT AN*
 23 *INTERNAL REVENUE OFFICER ASSIGNED TO ANY SUCH*

1 ESTABLISHMENT SHALL IN NO CASE STAY IN HIS
2 ASSIGNMENT FOR MORE THAN TWO (2) YEARS, SUBJECT
3 TO RULES AND REGULATIONS TO BE PRESCRIBED BY THE
4 SECRETARY OF FINANCE, UPON RECOMMENDATION OF
5 THE COMMISSIONER.”

6 **SECTION 16. Section 13 of the Code is renumbered as Section 17 and**
7 **is amended to read as follows:**

8 “SEC. [13] 17. *Assignment of [i]Internal [r]Revenue [o]Officers*
9 *and [o]Other [e]Employees to [o]Other [d]Duties.* - The
10 Commissioner [of Internal Revenue] may, [with the approval of the
11 Secretary of Finance] SUBJECT TO THE PROVISIONS OF
12 SECTION 16 AND THE LAWS ON CIVIL SERVICE, AS WELL AS
13 THE RULES AND REGULATIONS TO BE PRESCRIBED BY
14 THE SECRETARY OF FINANCE, UPON THE
15 RECOMMENDATION OF THE COMMISSIONER, assign OR RE-
16 ASSIGN internal revenue officers and [other] employees of the Bureau
17 of Internal Revenue, without change in their official [character or]
18 RANK AND salary, to [such] OTHER OR special duties connected
19 with the ENFORCEMENT OR administration of the revenue laws as
20 the [best interests] EXIGENCIES of the service may require:
21 *PROVIDED*, THAT INTERNAL REVENUE OFFICERS ASSIGNED
22 TO PERFORM ASSESSMENT OR COLLECTION FUNCTIONS
23 SHALL NOT REMAIN IN THE SAME

1 ASSIGNMENT FOR MORE THAN THREE (3) YEARS:
2 PROVIDED, FURTHER, THAT ASSIGNMENT OF INTERNAL
3 REVENUE OFFICERS AND EMPLOYEES OF THE BUREAU TO
4 SPECIAL DUTIES SHALL NOT EXCEED ONE (1) YEAR.”

5 SECTION 17. A new Section 20 is hereby inserted after Section 19 of
6 the Code to read as follows:

7 SEC. 20. REPORT TO OVERSIGHT COMMITTEE. -- THE
8 COMMISSIONER SHALL, WITH REFERENCE TO SECTION 205
9 OF THIS CODE, SUBMIT TO THE OVERSIGHT COMMITTEE IN
10 CONGRESS, THROUGH THE CHAIRMAN OF THE
11 COMMITTEE ON WAYS AND MEANS OF THE HOUSE OF
12 REPRESENTATIVES AND THE SENATE OF THE PHILIPPINES,
13 A REPORT ON THE EXERCISE OF HIS POWERS PURSUANT
14 TO THE SAID SECTION, EVERY SIX (6) MONTHS OF EACH
15 CALENDAR YEAR.

16 SECTION 18. Sections 14 and 17 of the Code are hereby renumbered as
17 Sections 18 and 14, respectively.

18 SECTION 19. Section 20 of the Code is renumbered as Section 22 and
19 subsection (b) thereof is amended to read as follows:

20 “(b) EXCEPT WHEN OTHERWISE PROVIDED IN THIS
21 CODE, [T]the term ‘corporation’ SHALL include[s] partnerships, no
22 matter how created or organized, joint-stock companies, joint accounts
23 (cuentas en participacion), associations, [or] insurance OR

1 MUTUAL FUND companies, JOINT VENTURES OR
 2 CONSORTIA, AND REGIONAL OPERATING
 3 HEADQUARTERS OF MULTINATIONAL COMPANIES but
 4 [does not include] SHALL EXCLUDE general professional
 5 partnerships. [and a joint venture or consortium formed for the
 6 purpose of undertaking construction projects or engaging in
 7 petroleum, coal, geothermal and other energy operations pursuant to
 8 an operating or consortium agreement under a service contract with
 9 the Government.] ‘General professional partnerships’ are
 10 partnerships formed by persons for the sole purpose of exercising
 11 their common profession, no part of the income of which is derived
 12 from engaging in any trade or business.”

13 **SECTION 20. Subsection (y) of Section 20 of the Code, now Section 22,**
 14 **is amended to read as follows:**

15 “(y) ‘Deposit substitutes’ shall mean an alternative form
 16 of obtaining funds from the public (THE TERM ‘PUBLIC’ MEANS
 17 BORROWING FROM TWENTY (20) OR MORE INDIVIDUAL
 18 OR CORPORATE LENDERS AT ANY ONE TIME), other than
 19 deposits, through the issuance, endorsement, or acceptance of debt
 20 instruments for the borrower’s own account, for the purpose of
 21 relending or purchasing of receivables and other obligations, or
 22 financing their own needs or the needs of their agent or dealer. These
 23 instruments may include, but need not be limited to bankers’

1 acceptances, promissory notes, repurchase agreements INCLUDING
 2 REVERSE REPURCHASE AGREEMENTS ENTERED INTO BY
 3 AND BETWEEN THE *BANGKO SENTRAL NG PILIPINAS* AND
 4 ANY AUTHORIZED AGENT BANK, certificates of assignment or
 5 participation and similar instrument with recourse: [as may be
 6 authorized by the Central Bank of the Philippines, for banks and non-
 7 bank financial intermediaries or by the Securities and Exchange
 8 Commission of the Philippines for commercial, industrial, finance
 9 companies and other non-financial companies] *Provided, however,*
 10 That [only] debt instruments issued for inter-bank call loans WITH
 11 MATURITY OF NOT MORE THAN FIVE (5) DAYS to cover
 12 deficiency in reserves against deposit liabilities including those
 13 between or among banks and quasi-banks shall not be considered as
 14 deposit substitute debt instruments.”

15 **SECTION 21. The following subsections are hereby added after**
 16 **subsection (z) of Section 22:**

17 (AA) THE TERM ‘RANK AND FILE EMPLOYEES’
 18 SHALL MEAN ALL EMPLOYEES WHO ARE HOLDING
 19 NEITHER MANAGERIAL NOR SUPERVISORY POSITION AS
 20 DEFINED UNDER EXISTING PROVISIONS OF THE LABOR
 21 CODE OF THE PHILIPPINES, AS AMENDED.

22 (BB) THE TERM ‘SHARES OF STOCK’ SHALL INCLUDE
 23 SHARES OF STOCK OF A CORPORATION AS WELL AS, UNITS

1 OF PARTICIPATION IN A PARTNERSHIP (EXCEPT GENERAL
2 PROFESSIONAL PARTNERSHIPS), JOINT STOCK COMPANIES,
3 JOINT ACCOUNTS, JOINT VENTURES, ASSOCIATIONS, AND
4 RECREATION OR AMUSEMENT CLUBS (SUCH AS GOLF, POLO OR
5 SIMILAR CLUBS), AND MUTUAL FUND CERTIFICATES.

6 (CC) 'MUTUAL FUND COMPANY' SHALL MEAN AN
7 OPEN-END INVESTMENT COMPANY AS DEFINED UNDER
8 THE INVESTMENT COMPANY ACT.

9 (DD) THE TERM 'TRADE, BUSINESS OR PROFESSION'
10 SHALL NOT INCLUDE PERFORMANCE OF SERVICES BY THE
11 TAXPAYER AS AN EMPLOYEE.

12 (EE) THE TERM 'REGIONAL OPERATING
13 HEADQUARTERS' SHALL MEAN A BRANCH ESTABLISHED
14 IN THE PHILIPPINES BY MULTINATIONAL COMPANIES WHICH
15 ARE ENGAGED IN ANY OF THE FOLLOWING SERVICES:
16 GENERAL ADMINISTRATION AND PLANNING; BUSINESS
17 PLANNING AND COORDINATION; SOURCING AND
18 PROCUREMENT OF RAW MATERIALS AND COMPONENTS;
19 CORPORATE FINANCE ADVISORY SERVICES; MARKETING
20 CONTROL AND SALES PROMOTION; TRAINING AND
21 PERSONNEL MANAGEMENT; LOGISTIC SERVICES;
22 RESEARCH AND DEVELOPMENT SERVICES AND PRODUCT
23 DEVELOPMENT; TECHNICAL SUPPORT AND MAINTENANCE;

1 DATA PROCESSING AND COMMUNICATION; AND BUSINESS
2 DEVELOPMENT.

3 (FF) THE TERM 'CLOSELY HELD CORPORATION'
4 MEANS ANY CORPORATION AT LEAST FIFTY PERCENT
5 (50%) IN VALUE OF THE OUTSTANDING CAPITAL STOCK OR
6 AT LEAST FIFTY PERCENT (50%) OF THE TOTAL COMBINED
7 VOTING POWER OF ALL CLASSES OF STOCK ENTITLED TO
8 VOTE IS OWNED DIRECTLY OR INDIRECTLY BY OR FOR
9 NOT MORE THAN TWENTY (20) INDIVIDUALS.

10 FOR PURPOSES OF DETERMINING WHETHER THE
11 CORPORATION IS A CLOSELY HELD CORPORATION,
12 INsofar AS SUCH DETERMINATION IS BASED ON STOCK
13 OWNERSHIP, THE FOLLOWING RULES SHALL BE APPLIED:

14 (1) *STOCK NOT OWNED BY INDIVIDUALS.* - STOCK
15 OWNED DIRECTLY OR INDIRECTLY BY OR FOR A
16 CORPORATION, PARTNERSHIP, ESTATE OR TRUST SHALL
17 BE CONSIDERED AS BEING OWNED PROPORTIONATELY BY
18 ITS SHAREHOLDERS, PARTNERS, OR BENEFICIARIES.

19 (2) *FAMILY AND PARTNERSHIP OWNERSHIPS.* - AN
20 INDIVIDUAL SHALL BE CONSIDERED AS OWNING THE
21 STOCK OWNED, DIRECTLY OR INDIRECTLY, BY OR FOR HIS
22 FAMILY, OR BY OR FOR HIS PARTNER. FOR PURPOSES OF THIS
23 PARAGRAPH, THE FAMILY OF AN INDIVIDUAL INCLUDES

1 ONLY HIS BROTHERS AND SISTERS (WHETHER BY WHOLE
2 OR HALF-BLOOD), SPOUSE, ANCESTORS, AND LINEAL
3 DESCENDANTS.

4 (3) *OPTION.* - IF ANY PERSON HAS AN OPTION TO
5 ACQUIRE STOCK, SUCH STOCK SHALL BE CONSIDERED AS
6 OWNED BY SUCH PERSON. FOR PURPOSES OF THIS
7 PARAGRAPH, AN OPTION TO ACQUIRE SUCH AN OPTION
8 AND EACH ONE OF A SERIES OF OPTIONS SHALL BE
9 CONSIDERED AS AN OPTION TO ACQUIRE SUCH STOCK.

10 (4) *CONSTRUCTIVE OWNERSHIP AS ACTUAL*
11 *OWNERSHIP.* - STOCK CONSTRUCTIVELY OWNED BY
12 REASON OF THE APPLICATION OF PARAGRAPH (1) OR (3)
13 HEREOF SHALL, FOR PURPOSES OF APPLYING PARAGRAPH
14 (1) OR (2), BE TREATED AS ACTUALLY OWNED BY SUCH
15 PERSON; BUT STOCK CONSTRUCTIVELY OWNED BY THE
16 INDIVIDUAL BY REASON OF THE APPLICATION OF
17 PARAGRAPH (2) HEREOF SHALL NOT BE TREATED AS
18 OWNED BY HIM FOR PURPOSES OF AGAIN APPLYING SUCH
19 PARAGRAPH IN ORDER TO MAKE ANOTHER THE
20 CONSTRUCTIVE OWNER OF SUCH STOCK.

21 **SECTION 22.** A new Chapter II of Title II of the Code is hereby
22 inserted after Section 22 to read as follows:

23 CHAPTER II - TAX ON INCOME

1 **SECTION 23. A new Section 23 is hereby added to Chapter II to read**
2 **as follows:**

3 SEC. 23. *GENERAL PRINCIPLES OF INCOME TAXATION*
4 *IN THE PHILIPPINES.* - EXCEPT WHEN OTHERWISE
5 PROVIDED IN THIS CODE:

6 (A) AN INDIVIDUAL CITIZEN OF THE PHILIPPINES
7 RESIDING THEREIN IS TAXABLE FOR ALL INCOME
8 DERIVED FROM SOURCES WITHIN AND WITHOUT THE
9 PHILIPPINES;

10 (B) AN INDIVIDUAL CITIZEN OF THE PHILIPPINES
11 WORKING OR RESIDING OUTSIDE THE PHILIPPINES IS
12 TAXABLE ONLY FOR INCOME DERIVED FROM SOURCES
13 WITHIN THE PHILIPPINES;

14 (C) AN INDIVIDUAL ALIEN, WHETHER A RESIDENT
15 OR NOT OF THE PHILIPPINES, IS TAXABLE ONLY FOR
16 INCOME DERIVED FROM SOURCES WITHIN THE
17 PHILIPPINES;

18 (D) A CORPORATION AS DEFINED IN SECTION 22(B)
19 HEREOF WHICH HAS BEEN CREATED, ORGANIZED AND
20 EXISTING UNDER THE LAWS OF THE PHILIPPINES IS
21 TAXABLE FOR ALL INCOME DERIVED FROM SOURCES
22 WITHIN AND WITHOUT THE PHILIPPINES;

1 (E) A CORPORATION AS DEFINED IN SECTION 22(D)
 2 HEREOF WHICH HAS BEEN CREATED, ORGANIZED AND
 3 EXISTING UNDER THE LAWS OF ANOTHER COUNTRY
 4 WHETHER ENGAGED OR NOT IN TRADE OR BUSINESS IN
 5 THE PHILIPPINES IS TAXABLE ONLY ON INCOME DERIVED
 6 FROM SOURCES WITHIN THE PHILIPPINES.

7 **SECTION 24. Chapter II of the Code is renumbered as Chapter III.**
 8 **Section 21 thereof is renumbered as Section 24, and amended to read as**
 9 **follows:**

10 "Chapter [III] III - TAX ON INDIVIDUALS

11 "SEC. [21] 24. (A) *RATES OF INCOME Tax on [citizens or*
 12 *residents] INDIVIDUAL CITIZEN AND INDIVIDUAL ALIEN*
 13 *RESIDENT OF THE PHILIPPINES.- [(a) Taxable compensation*
 14 *income. -] (1) [A] AN INCOME tax is hereby imposed [upon the*
 15 *taxable compensation income as defined in Section 27, other than the*
 16 *incomes subject to tax under paragraphs (b),(c),(d),(e) and (f) of this*
 17 *Section, received during each taxable year from all sources determined*
 18 *in accordance with the following schedule]:*

19 (A) ON THE TAXABLE INCOME DEFINED IN SECTION
 20 30 OF THIS CODE, OTHER THAN INCOME SUBJECT TO TAX
 21 UNDER SUBSECTIONS (B),(C),(D) AND (E) OF THIS SECTION,
 22 DERIVED FOR EACH TAXABLE YEAR FROM ALL SOURCES
 23 WITHIN AND WITHOUT THE PHILIPPINES BY EVERY

1 INDIVIDUAL CITIZEN OF THE PHILIPPINES RESIDING
2 THEREIN;

3 (B) ON THE TAXABLE INCOME DEFINED IN SECTION
4 30 OF THIS CODE, OTHER THAN INCOME SUBJECT TO TAX
5 UNDER SUBSECTIONS (B),(C),(D) AND (E) OF THIS SECTION,
6 DERIVED FOR EACH TAXABLE YEAR FROM ALL SOURCES
7 WITHIN THE PHILIPPINES BY AN INDIVIDUAL CITIZEN OF
8 THE PHILIPPINES WHO IS WORKING OR RESIDING OUTSIDE
9 OF THE PHILIPPINES;

10 (C) ON THE TAXABLE INCOME DEFINED IN
11 SECTION 30 OF THIS CODE, OTHER THAN INCOME SUBJECT
12 TO TAX UNDER SUBSECTIONS (B),(C),(D) AND (E), DERIVED
13 FOR EACH TAXABLE YEAR FROM ALL SOURCES WITHIN
14 THE PHILIPPINES BY AN INDIVIDUAL ALIEN WHO IS A
15 RESIDENT OF THE PHILIPPINES.

16 THE TAX SHALL BE COMPUTED IN ACCORDANCE
17 WITH AND AT THE RATES ESTABLISHED IN THE
18 FOLLOWING SCHEDULE:

19 "[Not over P2,500	0%
20 Over P2,500 but not over P5,000	1%
21 Over 5,000 but not over 10,000	P25 + 3% of excess over 5,000
22 Over 10,000 but not over 20,000	175 + 7% of excess over 10,000
23 Over 20,000 but not over 40,000	875 + 11% of excess over 20,000

1	Over 40,000 but not over 60,000	3,075 + 15% of	excess over 40,000
2	Over 60,000 but not over 100,000	6,075 + 19% of	excess over 60,000
3	Over 100,000 but not over 250,000	13,675 + 24% of	excess over 100,000
4	Over 250,000 but not over 500,000	49,675 + 29% of	excess over 250,000
5	Over 500,000	122,175 + 35% of	excess over 500,000]
6	“NOT OVER P15,000		5%
7	OVER P15,000 BUT NOT OVER P30,000	P750 + 10%	OF EXCESS OF P15,000
8	OVER 30,000 BUT NOT OVER 70,000	2,250 + 15%	IN EXCESS OF 30,000
9	OVER 70,000 BUT NOT OVER 150,000	8,250 + 20%	IN EXCESS OF 70,000
10	OVER 150,000 BUT NOT OVER 250,000	24,250 + 25%	IN EXCESS OF 150,000
11	OVER 250,000	49,250 + 30%	IN EXCESS OF 250,000

12 “[In the case of] FOR married individuals, the husband and
13 wife, subject to the provision of Section [44(d)]50(D) hereof, shall
14 compute separately their individual income tax based on their
15 respective total taxable income: *Provided*, That if any income cannot
16 be definitely attribut[able]ED to or identif[able]ED as income
17 exclusively earned or realized by either of the spouses, the same shall
18 be divided equally between the spouses for the purpose of
19 [computing] DETERMINING their respective taxable income.

20 “[(b) Foreign source gross income derived by a nonresident
21 citizen. - A tax is hereby imposed upon the taxable income derived
22 by a nonresident citizen from all sources without the Philippines

1 during each taxable year computed in accordance with the following
2 schedule:

3 If the amount subject to tax is-

4 "Not over U.S.\$6,000.00 1%

5 "Over U.S. \$6,000.00 but not over

6 U.S.\$20,000.00 U.S. \$60 plus 2% of excess
7 over U.S. \$6,000

8 "Over U.S. \$20,000.00 U.S. \$340 plus 3% of excess
9 over U.S. \$20,000]

10 "[c] (B) *RATE OF TAX ON [c]Certain [p]Passive [i]Incomes:*

11 -- [A tax at the rate prescribed below is hereby imposed upon the
12 amount of the following items of gross income received by a citizen
13 or resident alien from sources within the Philippines:]

14 "(1) *INTERESTS, ROYALTIES, PRIZES, LOTTO AND*
15 *OTHER WINNINGS. - A FINAL TAX AT THE RATE OF TWENTY*
16 *PERCENT (20%) IS HEREBY IMPOSED UPON THE AMOUNT*
17 *OF [I]interest from any [Philippine] currency bank deposit and yield*
18 *or any other monetary benefit from deposit substitutes and from trust*
19 *fundS and similar arrangements; royalties, prizes (except prizes*
20 *amounting to [P3,000] TEN THOUSAND PESOS (P10,000) or less*
21 *which shall be subject to tax under [paragraph] SUBSECTION (A)*
22 *OF SECTION 24), LOTTO and other winnings, (except [Philippine*

1 Charity] [S]sweepstakes winnings) [-20%; and] DERIVED FROM
2 SOURCES WITHIN THE PHILIPPINES.

3 “(2) *DIVIDENDS* - A FINAL TAX AT THE FOLLOWING
4 RATES SHALL BE IMPOSED UPON THE [D]dividends EARNED
5 BY AN INDIVIDUAL [received] from a domestic corporation OR
6 FROM A JOINT STOCK COMPANY, INSURANCE OR MUTUAL
7 FUND COMPANIES AND REGIONAL OPERATING
8 HEADQUARTERS OF MULTINATIONAL COMPANIES, OR ON
9 [and] the share of an individual IN THE DISTRIBUTABLE NET
10 INCOME AFTER TAX OF [partner in] a partnership (EXCEPT A
11 GENERAL PROFESSIONAL PARTNERSHIP) OF WHICH HE IS A
12 PARTNER, OR ON THE SHARE OF AN INDIVIDUAL IN THE NET
13 INCOME AFTER TAX OF AN ASSOCIATION, A JOINT ACCOUNT,
14 OR A JOINT VENTURE OR CONSORTIUM OF WHICH HE IS A
15 MEMBER OR A CO-VENTURER [subject to tax under Section 24
16 (a) at the rate of 15% in 1986; 10% effective January 1, 1987; 5%
17 effective January 1, 1988; and 0% effective January 1, 1989.]:

18 “4% FOR CALENDAR YEAR 1998;

19 “8% FOR CALENDAR YEAR 1999; AND

20 “10% FOR CALENDAR YEAR 2000 AND THEREAFTER.

21 (C) *TAX ON SALE, BARTER OR EXCHANGE OF SHARES*
22 *OF STOCK LISTED AND TRADED THROUGH THE LOCAL*

1 STOCK EXCHANGE OR THROUGH INITIAL PUBLIC OFFERING.-

2 - (1) CAPITAL GAINS ON THE SALE, BARTER OR EXCHANGE
 3 OF SHARES OF STOCK LISTED AND TRADED THROUGH THE LOCAL
 4 STOCK EXCHANGE. - A FINAL TAX AT THE RATE OF ONE-HALF
 5 OF ONE PERCENT (1/2 OF 1%) IS HEREBY IMPOSED ON THE GAIN
 6 PRESUMED TO HAVE BEEN REALIZED BY AN INDIVIDUAL
 7 CITIZEN OR RESIDENT ALIEN ON EVERY SALE, BARTER,
 8 EXCHANGE, OR OTHER DISPOSITION OF SHARES OF STOCK
 9 LISTED AND TRADED THROUGH THE LOCAL STOCK EXCHANGE
 10 OTHER THAN THE SALE BY A DEALER IN SECURITIES, BASED
 11 ON THE GROSS SELLING PRICE OR GROSS VALUE IN MONEY OF
 12 THE SHARES OF STOCK SOLD, BARTERED, EXCHANGED, OR
 13 OTHERWISE DISPOSED OF WHICH SHALL BE PAID BY THE
 14 SELLER OR TRANSFEROR.

15 IT SHALL BE THE DUTY OF EVERY STOCK BROKER
 16 WHO EFFECTED THE SALE SUBJECT TO TAX IMPOSED
 17 HEREIN TO COLLECT THE TAX AND REMIT THE SAME TO
 18 THE BUREAU OF INTERNAL REVENUE WITHIN FIVE (5)
 19 BANKING DAYS FROM THE DATE OF COLLECTION THEREOF
 20 AND TO SUBMIT ON MONDAY OF EACH WEEK TO THE
 21 SECRETARY OF THE STOCK EXCHANGE, OF WHICH HE IS
 22 A MEMBER, A TRUE AND COMPLETE RETURN WHICH
 23 SHALL CONTAIN A DECLARATION OF ALL THE

1 TRANSACTIONS EFFECTED THROUGH HIM DURING THE
 2 PRECEDING WEEK AND OF TAXES COLLECTED BY HIM
 3 AND TURNED OVER TO THE BUREAU OF INTERNAL
 4 REVENUE.

5 (2) *TAX ON SHARES OF STOCK SOLD OR EXCHANGED*
 6 *THROUGH INITIAL PUBLIC OFFERING.* - A FINAL TAX AT
 7 THE RATES PRESCRIBED BELOW IS HEREBY IMPOSED ON
 8 EVERY SALE, BARTER, EXCHANGE, OR OTHER
 9 DISPOSITION THROUGH INITIAL PUBLIC OFFERING OF
 10 SHARES OF STOCK IN CLOSELY HELD CORPORATIONS, AS
 11 DEFINED IN SECTION 22(F), BASED ON THE GROSS
 12 SELLING PRICE OR GROSS VALUE IN MONEY OF THE
 13 SHARES OF STOCK SOLD, BARTERED, EXCHANGED OR
 14 OTHERWISE DISPOSED OF IN ACCORDANCE WITH THE
 15 PROPORTION THE SHARES OF STOCK SOLD, BARTERED,
 16 EXCHANGED OR OTHERWISE DISPOSED OF BEARS TO THE
 17 TOTAL OUTSTANDING SHARES OF STOCK AFTER THE
 18 LISTING IN THE LOCAL STOCK EXCHANGE:

19	UP TO 25%	3%
20	OVER 25% BUT NOT OVER 33 1/3%	2%
21	OVER 33 1/3%	1%

1 THE TAX HEREIN IMPOSED SHALL BE PAID BY THE
2 ISSUING CORPORATION IN PRIMARY OFFERING OR BY THE
3 SELLER IN SECONDARY OFFERING.

4 “[(d)] (D) Capital [g]Gains from [s]Sale[s] of [s]Shares of
5 [s]Stock NOT TRADED IN THE STOCK EXCHANGE. - The
6 provisions of Section [33(b)]38(B) notwithstanding, A FINAL TAX
7 AT THE RATES PRESCRIBED BELOW IS HEREBY IMPOSED
8 UPON THE NET capital gains realized DURING THE TAXABLE
9 YEAR from the sale, exchange or OTHER disposition of shares of
10 stock in [any] A domestic corporation [shall be taxed as follows]
11 EXCEPT SHARES SOLD, OR DISPOSED OF THROUGH THE
12 STOCK EXCHANGE.

13 “[(1) Net capital gains as defined in Section 33(a)(2) realized
14 during each taxable year from the sale, exchange or disposition of
15 shares of stock not trade through a local stock exchange:]

16 “Not over P100,000 [10%] 5%;

17 [Over] ON ANY AMOUNT IN EXCESS

18 OF P100,000 [20%] 10%

19 [(e)] (E) Capital [g]Gains from [s]Sales of [r]Real
20 [p]Property. - (1) IN GENERAL. The provisions of Section
21 [33]38(b) notwithstanding, A FINAL TAX OF FIVE
22 PERCENT (5%) BASED ON THE GROSS SELLING
23 PRICE OR FAIR MARKET VALUE AS

1 DETERMINED IN ACCORDANCE WITH SECTION 6(E) OF
 2 THIS CODE, WHICHEVER IS HIGHER, IS HEREBY
 3 IMPOSED UPON capital gains presumed to have been *realized*
 4 from the sale, exchange, or other disposition of real property
 5 located in the Philippines, classified as capital assets, including
 6 *pacto de retro* sales and other forms of conditional sales, by
 7 individuals, including estates and trusts:[, shall be taxed at the rate of
 8 5% based on the gross selling price or the fair market value
 9 prevailing at the time of sale, whichever is higher] *Provided*, That the
 10 tax liability, if any, on gains from sales or other dispositions of real
 11 property to the government or any of its political subdivisions or
 12 agencies or to government-owned or controlled corporations shall be
 13 determined either under Section [21(a)]24(A) or under this subsection,
 14 at the option of the taxpayer;

15 (2) *EXCEPTION.* -- THE PROVISIONS OF PARAGRAPH
 16 (1) OF THIS SUB-SECTION TO THE CONTRARY
 17 NOTWITHSTANDING, CAPITAL GAINS PRESUMED TO HAVE
 18 BEEN REALIZED FROM THE SALE OR DISPOSITION OF
 19 THEIR PRINCIPAL RESIDENCE BY NATURAL PERSONS, THE
 20 PROCEEDS OF WHICH IS FULLY UTILIZED IN ACQUIRING
 21 OR CONSTRUCTING A NEW PRINCIPAL RESIDENCE WITHIN
 22 EIGHTEEN (18) CALENDAR MONTHS FROM THE DATE OF
 23 SALE OR DISPOSITION, SHALL BE EXEMPT FROM THE

1 CAPITAL GAINS TAX IMPOSED UNDER THIS SUB-SECTION:
 2 *PROVIDED*, THAT THE HISTORICAL COST OR ADJUSTED BASIS
 3 OF THE REAL PROPERTY SOLD OR DISPOSED SHALL BE
 4 CARRIED OVER TO THE NEW PRINCIPAL RESIDENCE BUILT
 5 OR ACQUIRED: *PROVIDED, FURTHER*, THAT THE
 6 COMMISSIONER SHALL HAVE BEEN DULY NOTIFIED BY THE
 7 TAXPAYER WITHIN THIRTY (30) DAYS FROM THE DATE OF
 8 SALE OR DISPOSITION THROUGH A PRESCRIBED RETURN OF
 9 HIS INTENTION TO AVAIL OF THE TAX EXEMPTION HEREIN
 10 MENTIONED: *PROVIDED, FINALLY*, THAT IF THERE IS NO
 11 FULL UTILIZATION OF THE PROCEEDS OF SALE OR
 12 DISPOSITION, A PORTION OF THE GAIN PRESUMED TO HAVE
 13 BEEN REALIZED FROM THE SALE OR DISPOSITION SHALL BE
 14 SUBJECT TO CAPITAL GAINS TAX. FOR THIS PURPOSE, THE
 15 GROSS SELLING PRICE OR FAIR MARKET VALUE AT THE
 16 TIME OF SALE, WHICHEVER IS HIGHER, SHALL BE
 17 MULTIPLIED BY A FRACTION WHICH THE UNUTILIZED
 18 AMOUNT BEARS TO THE GROSS SELLING PRICE IN ORDER TO
 19 DETERMINE THE TAXABLE PORTION AND THE TAX
 20 PRESCRIBED UNDER PARAGRAPH(1) OF THIS SUB-SECTION
 21 SHALL BE IMPOSED THEREON.

22 “[(f) Simplified Net Income Tax for the Self-Employed and
 23 for Professionals Engaged in the Practice of Profession. - A tax is

1 hereby imposed upon the taxable net income as determined in Section
 2 27 received during each taxable year from all sources, other than
 3 income covered by paragraphs (b), (c), (d), and (e) of this section by
 4 every individual whether a citizen of the Philippines or an alien
 5 residing in the Philippines who is self-employed or practices his
 6 profession therein, determined in accordance with the following
 7 schedule:

8	Not over P10,000	3%
9	Over P10,000 but not over P30,000	P300 + 9% of excess over P10,000
10	Over 30,000 but not over 120,000	2,100 + 15% of excess over 30,000
11	Over 120,000 but not over 350,000	15,600 + 20% of excess over 120,000
12	Over 350,000	61,600 + 30% of excess over 350,000]

13 **SECTION 25. Section 22 of the Code is renumbered as Section 25 and**
 14 **hereby further amended to read as follows:**

15 "SEC. [22] 25. *Tax on [n]Nonresident [a]Alien*
 16 *[i]Individual[s]. - "[a](A) Nonresident alien[s] engaged in trade*
 17 *or business within the Philippines.-*

18 "(1) *In general. - A [N]nonresident alien[s] INDIVIDUAL*
 19 *engaged in trade or business in the Philippines shall be subject to AN*
 20 *INCOME tax in the same manner as [resident] AN INDIVIDUAL*
 21 *citizen[s] and a RESIDENT alien[s] INDIVIDUAL on taxable income*
 22 *received from all sources within the Philippines [, except capital gains*
 23 *realized from buying and/or selling shares of stock of Philippine*

1 corporations listed in the dollar or any foreign currency board of stock
 2 exchange: *Provided*, That for purposes of this Title,]. [a]A
 3 nonresident alien individual who shall come to the Philippines and stay
 4 therein for an aggregate period of more than ONE HUNDRED AND
 5 EIGHTY (180) days during any calendar year shall be deemed a
 6 nonresident alien doing business in the Philippines, Section
 7 [20]22[(g)](G) of this Code notwithstanding.

8 “(2) *Dividends FROM A DOMESTIC CORPORATION OR JOINT*
 9 *STOCK COMPANY, OR share in the DISTRIBUTABLE net INCOME*
 10 *[profits] of a [taxable partnership, interest, royalties, prizes and other*
 11 *winnings] PARTNERSHIP (EXCEPT A GENERAL PROFESSIONAL*
 12 *PARTNERSHIP), JOINT ACCOUNT, JOINT VENTURE OR*
 13 *ASSOCIATION, INTERESTS, ROYALTIES, PRIZES, LOTTO AND*
 14 *OTHER WINNINGS. - Dividends from a domestic corporation, OR*
 15 *FROM A JOINT STOCK COMPANY, OR THE share [in the net profits*
 16 *of a partnership taxable under Section 24(a),] OF AN INDIVIDUAL*
 17 *NONRESIDENT ALIEN IN THE DISTRIBUTABLE NET INCOME*
 18 *AFTER TAX OF A PARTNERSHIP (EXCEPT A GENERAL*
 19 *PROFESSIONAL PARTNERSHIP) OF WHICH HE IS A PARTNER,*
 20 *OR THE SHARE OF AN INDIVIDUAL NONRESIDENT ALIEN IN*
 21 *THE NET INCOME AFTER TAX OF AN ASSOCIATION, A JOINT*
 22 *ACCOUNT, OR A JOINT VENTURE OF WHICH HE IS A MEMBER*
 23 *OR A CO-VENTURER, interest, royalties (in any form) and prizes*
 24 *(except prizes amounting to [P3,000] TEN THOUSAND*

1 PESOS (P10,000) or less which shall be subject to tax under
 2 [paragraph (c)] SUBSECTION (B)(1) of Section [21] 24), LOTTO
 3 and other winnings (except [Philippine Charity] [S]sweepstakes
 4 winnings), shall be subject to [a] AN INCOME tax of [thirty]
 5 TWENTY percent [(30%)] (20%) on the total amount thereof.

6 (3) *CAPITAL GAINS ON THE SALE, BARTER OR EXCHANGE OF SHARES*
 7 *OF STOCK LISTED AND TRADED THROUGH THE LOCAL STOCK EXCHANGE OR*
 8 *THROUGH INTIAL PUBLIC OFFERING. - A FINAL TAX IS HEREBY IMPOSED*
 9 *ON THE GAIN PRESUMED TO HAVE BEEN REALIZED BY A NON-RESIDENT*
 10 *ALIEN INDIVIDUAL ENGAGED IN TRADE OR BUSINESS IN THE PHILIPPINES*
 11 *ON THE SALE, BARTER OR EXCHANGE OF SHARES OF STOCK AT THE*
 12 *RATE OF ONE-HALF OF ONE PERCENT (1/2 OF 1%) BASED ON THE GROSS*
 13 *SELLING PRICE OR GROSS VALUE IN MONEY OF SHARES OF STOCK SOLD,*
 14 *BARTERED OR EXCHANGED THROUGH THE LOCAL STOCK EXCHANGE,*
 15 *AND AT THE RATES OF ONE PERCENT (1%), TWO PERCENT (2%), AND*
 16 *THREE PERCENT (3%) FOR SHARES OF STOCK SOLD, BARTERED OR*
 17 *EXCHANGED THROUGH INITIAL PUBLIC OFFERING, IN ACCORDANCE WITH*
 18 *SECTION 24(C)(1) AND (2) HEREOF.*

19 “[(3)] (4) *Capital gains. - Capital gains realized from sale[s] of shares of stock in*
 20 *domestic corporations NOT TRADED THROUGH THE LOCAL STOCK EXCHANGE, and real*
 21 *properties shall be subject to the tax prescribed under subsections [(d)](D) and [(e)](E) of Section*
 22 *[21] 24.*

23 “[(b)](B) *Nonresident alien[s] INDIVIDUAL not engaged in trade or business within*
 24 *the Philippines. - There shall be levied, collected and paid for each taxable year upon the entire*
 25 *income received from all sources within the Philippines by every nonresident alien individual not*
 26 *engaged in trade or business within the Philippines as interest, dividends, rents, salaries, wages,*
 27 *premiums, annuities, compensation, remuneration, emoluments, or other fixed or*

1 determinable annual or periodical or casual gains, profits, and income,
 2 and capital gains [except capital gains realized from buying and/or
 3 selling shares of stock of Philippine corporations listed in the dollar or
 4 any acceptable foreign currency board of any stock exchange,] a tax
 5 equal to [(30%)] TWENTY PERCENT (20%) of such income.
 6 [:Provided, That c]Capital gains realized BY A NONRESIDENT
 7 ALIEN NOT ENGAGED IN TRADE OR BUSINESS IN THE
 8 PHILIPPINES from THE sale[s] of shares of stock in any domestic
 9 corporation and real property shall be subject to the INCOME tax
 10 prescribed under subsections (C), [(d)](D) and [(e)](E) of Section 24.

11 “[(c)] (C) *Alien[s] INDIVIDUAL employed by regional or area*
 12 *headquarters AND REGIONAL OPERATING HEADQUARTERS of*
 13 *multinational [corporations] COMPANIES.* - There shall be levied,
 14 collected and paid for each taxable year upon the gross income
 15 received by every alien individual employed by regional or area
 16 headquarters AND REGIONAL OPERATING HEADQUARTERS
 17 established in the Philippines by multinational [corporations]
 18 COMPANIES as salaries, wages, annuities, compensation,
 19 remuneration and other emoluments, such as honoraria and allowances,
 20 from such regional or area headquarters AND REGIONAL
 21 OPERATING HEADQUARTERS, a tax equal to FIFTEEN
 22 PERCENT (15%) of such gross income: *PROVIDED, HOWEVER,*
 23 *THAT THE SAME TAX TREATMENT SHALL APPLY TO*

1 FILIPINOS EMPLOYED AND OCCUPYING THE SAME
 2 POSITION AS THOSE OF ALIENS EMPLOYED BY THESE
 3 MULTINATIONAL COMPANIES]: Provided, That the activities
 4 of the said regional headquarters or area headquarters shall be
 5 limited to acting as supervisory, communications and coordinating
 6 center for the affiliates, subsidiaries or branches of such
 7 multinational corporations]. For purposes of this chapter, the term
 8 'multinational [corporation] COMPANY' means a foreign firm or
 9 entity engaged in international trade with affiliates or subsidiaries or
 10 branch offices in the Asia Pacific Region AND OTHER FOREIGN
 11 MARKETS.

12 [(d)] (D) *Alien[s] INDIVIDUAL employed by offshore banking*
 13 *units.* - There shall be levied, collected and paid for each taxable year
 14 upon the gross income received by every alien individual employed by
 15 offshore banking units established in the Philippines as salaries, wages,
 16 annuities, compensation, remuneration and other emoluments, such as
 17 honoraria and allowances, from such offshore banking units, a tax
 18 equal to FIFTEEN PERCENT (15%) of such gross income:
 19 *PROVIDED, HOWEVER, THAT THE SAME TAX TREATMENT*
 20 *SHALL APPLY TO FILIPINOS EMPLOYED AND OCCUPYING*
 21 *THE SAME POSITION AS THOSE OF ALIENS EMPLOYED BY*
 22 *THESE OFFSHORE BANKING UNITS.*

1 “[(e)] (E) *Alien[s] INDIVIDUAL employed by petroleum*
 2 *service contractor[s] and subcontractor[s]. - AN [A]alien[s]*
 3 *INDIVIDUAL who [are] IS A permanent resident[s] of a foreign*
 4 *country but who [are] IS employed and assigned in the Philippines by*
 5 *A FOREIGN service contractor[s] or by A FOREIGN SERVICE*
 6 *subcontractor[s] engaged in petroleum operations in the Philippines*
 7 *shall be liable to a tax of FIFTEEN PERCENT (15%) of the salaries,*
 8 *wages, annuities, compensation, remuneration and other emoluments,*
 9 *such as honoraria and allowances, received from such contractor[s] or*
 10 *subcontractor[s]: PROVIDED, HOWEVER, THAT THE SAME TAX*
 11 *TREATMENT SHALL APPLY TO A FILIPINO EMPLOYED AND*
 12 *OCCUPYING THE SAME POSITION AS AN ALIEN EMPLOYED*
 13 *BY PETROLEUM SERVICE CONTRACTOR AND*
 14 *SUBCONTRACTOR.*

15 “x x x”

16 **SECTION 26.** **Section 23 of the Code is renumbered as Section 26 and**
 17 **the provisions thereof are deleted and replaced with the following:**

18 “SEC. [23] 26. *Tax [l]Liability of [m]Members of [g]General*
 19 *[p]Professional [p]Partnerships. -*

20 A GENERAL PROFESSIONAL PARTNERSHIP AS SUCH
 21 SHALL NOT BE SUBJECT TO THE INCOME TAX IMPOSED
 22 UNDER THIS CHAPTER. PERSONS ENGAGING IN BUSINESS
 23 AS PARTNERS IN A GENERAL PROFESSIONAL PARTNERSHIP

1 SHALL BE LIABLE FOR INCOME TAX ONLY IN THEIR
2 SEPARATE AND INDIVIDUAL CAPACITIES.

3 FOR PURPOSES OF COMPUTING THE DISTRIBUTIVE
4 SHARE OF THE PARTNERS, THE NET INCOME OF THE
5 PARTNERSHIP SHALL BE COMPUTED IN THE SAME MANNER
6 AS A CORPORATION.

7 EACH PARTNER SHALL REPORT AS GROSS INCOME
8 HIS DISTRIBUTIVE SHARE, ACTUALLY OR
9 CONSTRUCTIVELY RECEIVED, IN THE NET INCOME OF THE
10 PARTNERSHIP.

11 **SECTION 27. Section 24 of the Code is renumbered as Section 27**
12 **and amended to read as follows:**

13 "SEC. [24] 27 - *Rates of INCOME tax on domestic*
14 *corporations. - [(a)](A) In general. - [Unless] EXCEPT AS*
15 *otherwise provided IN THIS CODE, [a] AN INCOME tax of*
16 *THIRTY-FIVE PERCENT (35%) is hereby imposed upon the taxable*
17 *income [received] DERIVED during each taxable year from all sources*
18 *within and without the Philippines by every corporation, AS DEFINED*
19 *IN SECTION 24(B) OF THIS CODE AND TAXABLE UNDER THIS*
20 *TITLE AS A CORPORATION, organized in, or existing under the*
21 *laws of the Philippines [, and partnerships, no matter how created or*
22 *organized, but not including general professional partnerships]:*
23 *PROVIDED, THAT EFFECTIVE JANUARY 1, 1998, THE RATE*

1 OF INCOME TAX SHALL BE THIRTY-THREE PERCENT (33%);
2 EFFECTIVE JANUARY 1, 1999, THE RATE SHALL BE THIRTY-
3 ONE AND ONE-HALF PERCENT (31 1/2%); AND EFFECTIVE
4 JANUARY 1, 2000 AND THEREAFTER, THE RATE SHALL BE
5 THIRTY PERCENT (30%).

6 IN THE CASE OF CORPORATIONS ADOPTING THE
7 FISCAL-YEAR ACCOUNTING PERIOD, THE TAXABLE
8 INCOME SHALL BE COMPUTED WITHOUT REGARD TO THE
9 SPECIFIC DATE WHEN SPECIFIC SALES, PURCHASES AND
10 OTHER TRANSACTIONS OCCUR. THEIR INCOME AND
11 EXPENSES FOR THE FISCAL YEAR SHALL BE DEEMED TO
12 HAVE BEEN EARNED AND SPENT EQUALLY FOR EACH
13 MONTH OF THE PERIOD.

14 THE REDUCED CORPORATE INCOME TAX RATES
15 SHALL BE APPLIED ON THE AMOUNT COMPUTED BY
16 MULTIPLYING THE NUMBER OF MONTHS COVERED BY THE
17 NEW RATES WITHIN THE FISCAL YEAR BY THE TAXABLE
18 INCOME OF THE CORPORATION FOR THE PERIOD, DIVIDED
19 BY TWELVE.

20 “[b)](B) [Private] *PROPRIETARY educational institutions AND*
21 *HOSPITALS.* -[Private] PROPRIETARY educational institutions[,]
22 AND HOSPITALS WHICH ARE NONPROFIT [whether stock or
23 nonstock,] shall pay a tax of TEN PERCENT (10%) on their taxable

1 income except those covered by [paragraph] SUBSECTION [(e)](E) hereof:

2 *Provided, That* if the gross income from unrelated trade, business or other
 3 activity exceeds FIFTY PERCENT (50%) of the total gross income derived
 4 by [any] SUCH educational institution OR HOSPITAL from all sources, the
 5 tax prescribed in [paragraph] SUBSECTION [(a)(1)] (A) hereof shall be
 6 imposed on the entire taxable income [of the educational institution]. For
 7 purposes of this [paragraph] SUBSECTION, the term 'unrelated trade,
 8 business or other activity' means any trade, business or other activity, the
 9 conduct of which is not substantially related to the exercise or performance
 10 by such educational institution OR HOSPITAL of its [educational]
 11 PRIMARY purpose or function. A '[private] PROPRIETARY
 12 educational institution' is any private school maintained and administered
 13 by private individuals or groups WITH AN issued [a] permit to operate [by]
 14 FROM the Department of Education Culture and Sports (DECS), OR THE
 15 COMMISSION ON HIGHER EDUCATION (CHED), OR THE TECHNICAL
 16 EDUCATION AND SKILLS DEVELOPMENT AUTHORITY (TESDA), AS
 17 THE CASE MAY BE, in accordance with existing laws and regulations.

18 “[[(c)](C) *Government-owned or controlled corporations, agencies*
 19 *or instrumentalities.* - The provisions of existing special or
 20 general laws to the contrary notwithstanding, all corporate
 21 taxpayers (WITHOUT EXCEPTION) [not] UNLESS specifically
 22 exemptED under Section [26]29 of this Code shall pay A TAX
 23 ON THEIR TAXABLE INCOME AT the rates provided in this

1 [s]Section. All corporations, agencies, or instrumentalities owned or
 2 controlled by the Government, including the Government Service
 3 Insurance System (GSIS) and the Social Security System (SSS), THE
 4 PHILIPPINE CHARITY SWEEPSTAKES OFFICE (PCSO) AND
 5 THE PHILIPPINE AMUSEMENT AND GAMING CORPORATION
 6 (PAGCOR), NOTWITHSTANDING ANY PROVISION TO THE
 7 CONTRARY IN THEIR RESPECTIVE SPECIAL CHARTERS shall
 8 pay such rate of tax upon their taxable income as are imposed by this
 9 Section upon associations or corporations engaged in a similar
 10 business, industry, or activity.

11 “[d)](D) *Mutual life insurance companies.* - Mutual life
 12 insurance companies organized in and existing under the laws of the
 13 Philippines shall pay a tax of TEN PERCENT (10%) of their gross
 14 investment income consisting of interest, dividends, rents, net capital
 15 gains, and income from any other business than life insurance derived
 16 from all sources, except those covered by paragraph [(e)](5) hereof.

17 “[e)] (E) *RATES OF Tax on [c]Certain PASSIVE [i]Incomes*
 18 *[derived by domestic corporations]. --*

19 “(1) *Interest from [d]Deposits and [y]Yield or any other*
 20 *[m]Monetary [b]Benefit from [d]Deposit [s]Substitutes and from*
 21 *[t]Trust [f]Fund and [s]Similar [a]Arrangements, and*
 22 *[r]Royalties.* - A FINAL TAX AT THE RATE OF TWENTY
 23 PERCENT (20%) IS HEREBY IMPOSED UPON THE

1 AMOUNT OF [I]interest from any [Philippine] currency bank
 2 deposit[s] and yield or any other monetary benefit from deposit
 3 substitutes and from trust fundS and similar arrangements received
 4 by domestic corporations, and royalties, derived from sources within
 5 the Philippines [shall be subject to a 20% tax].

6 (2) CAPITAL GAINS ON THE SALE, BARTER OR EXCHANGE
 7 OF SHARES OF STOCK LISTED AND TRADED THROUGH THE LOCAL
 8 STOCK EXCHANGE OR THROUGH INITIAL PUBLIC OFFERING. - A FINAL
 9 TAX IS HEREBY IMPOSED ON THE GAIN PRESUMED TO HAVE BEEN
 10 REALIZED BY A DOMESTIC CORPORATION ON THE SALE, BARTER OR
 11 EXCHANGE OF SHARES OF STOCK AT THE RATE OF ONE-HALF OF ONE
 12 PERCENT ($\frac{1}{2}$ OF 1%) BASED ON THE GROSS SELLING PRICE OR GROSS
 13 VALUE IN MONEY OF SHARES OF STOCK SOLD, BARTERED OR
 14 EXCHANGED THROUGH THE LOCAL STOCK EXCHANGE, AND AT THE
 15 RATES OF ONE PERCENT (1%), TWO PERCENT (2%), AND THREE
 16 PERCENT (3%) FOR SHARES OF STOCK SOLD, BARTERED OR
 17 EXCHANGED THROUGH INITIAL PUBLIC OFFERING, IN ACCORDANCE
 18 WITH SECTION 24(C)(1) AND (2) HEREOF.

19 "[2)](3) Capital [g]Gains from the [s]Sale[s] of [s]Shares of [s]Stock NOT
 20 TRADED IN THE STOCK EXCHANGE. - A FINAL TAX AT THE RATES
 21 PRESCRIBED BELOW SHALL BE IMPOSED ON [C]capital gains realized
 22 DURING THE TAXABLE YEAR from the sale, exchange or OTHER disposition of
 23 shares of stock in [any] A domestic corporation [shall be taxed as follows] EXCEPT
 24 SHARES SOLD, OR DISPOSED OF THROUGH THE STOCK EXCHANGE:

25 "[A) Net capital gains as defined in Section 33(a)(2) realized during
 26 each taxable year from sale or exchange or other disposition of shares of stock
 27 not traded through a local stock exchange:]

1 "NOT OVER P100,000 [10%] 5%;

2 "[Over] AMOUNT IN EXCESS

3 OF P100,000 [20%]10%

4 “[(3) Tax on income derived under the Expanded Foreign

5 Currency Deposit System. - Income derived by a depository bank

6 under the expanded foreign currency deposit system from foreign

7 currency transactions with nonresidents, offshore banking units in the

8 Philippines, local commercial banks including branches of foreign

9 banks that may be authorized by the Central Bank to transact business

10 with foreign currency depository system units and other depository

11 banks under the expanded foreign currency deposit system shall be

12 exempt from all taxes, except taxable income from such transactions as

13 may be specified by the Secretary of Finance, upon recommendation of

14 the Monetary Board to be subject to the usual income tax payable by

15 banks; provided, that interest income from foreign currency loans

16 granted by such depository banks under said expanded system to

17 residents (other than offshore banking units in the Philippines or other

18 depository banks under the expanded system) shall be subject to a 10%

19 tax.

20 “Any income of nonresident from transactions with depository

21 banks under the expanded system shall be exempt from income tax.]

1 “(4) *Intercorporate dividends.* - Dividends received by a
2 domestic corporation from another domestic corporation shall not be
3 subject to tax.”

4 (5) *CAPITAL GAINS REALIZED FROM THE SALE,*
5 *EXCHANGE OR DISPOSITION OF LANDS AND/OR BUILDINGS.* - A
6 FINAL TAX OF FIVE PERCENT (5%) IS HEREBY IMPOSED ON
7 THE GAIN PRESUMED TO HAVE BEEN REALIZED ON THE
8 SALE, EXCHANGE OR DISPOSITION OF LANDS AND/OR
9 BUILDINGS WHICH ARE NOT ACTUALLY USED IN THE
10 BUSINESS OF A CORPORATION AND ARE TREATED AS
11 CAPITAL ASSETS, BASED ON THE GROSS SELLING PRICE OR
12 FAIR MARKET VALUE AS DETERMINED IN ACCORDANCE
13 WITH SECTION 6(E) OF THIS CODE, WHICHEVER IS HIGHER, OF
14 SUCH LANDS AND/OR BUILDINGS..

15 (F) *MINIMUM CORPORATE INCOME TAX ON*
16 *CORPORATIONS.* - (1) *IMPOSITION OF TAX.* - A MINIMUM
17 INCOME TAX OF THREE-FOURTHS OF ONE PERCENT (3/4 OF
18 1%) OF THE HISTORICAL COST LESS ACCUMULATED
19 DEPRECIATION OF THE NET ASSETS AS DEFINED HEREIN IS
20 HEREBY IMPOSED ON A CORPORATION TAXABLE UNDER
21 THIS TITLE BEGINNING ON THE FOURTH YEAR IMMEDIATELY
22 FOLLOWING THE YEAR IN WHICH THE START UP OF
23 BUSINESS OPERATIONS OF THE CORPORATION HAS
24 COMMENCED: *PROVIDED, HOWEVER,* THAT THE MINIMUM
25 INCOME TAX IS GREATER THAN THE

1 TAX COMPUTED UNDER SUBSECTIONS (A) AND (C) OF THIS
2 SECTION FOR THE TAXABLE YEAR.

3 (2) *CARRY FORWARD OF EXCESS MINIMUM TAX.* - ANY
4 EXCESS OF THE MINIMUM CORPORATE INCOME TAX OVER
5 THE NORMAL INCOME TAX AS COMPUTED UNDER
6 SUBSECTIONS (A) AND (C) OF THIS SECTION SHALL BE
7 CARRIED FORWARD AND CREDITED AGAINST THE
8 NORMAL INCOME TAX FOR THE THREE IMMEDIATELY
9 SUCCEEDING TAXABLE YEARS.

10 (3) *RELIEF FROM THE MINIMUM CORPORATE INCOME*
11 *TAX UNDER CERTAIN CONDITIONS.* - THE SECRETARY OF
12 FINANCE IS HEREBY AUTHORIZED TO SUSPEND THE
13 IMPOSITION OF THE MINIMUM CORPORATE INCOME TAX
14 ON ANY CORPORATION WHICH SUFFERS LOSSES ON
15 ACCOUNT OF PROLONGED LABOR DISPUTE, OR BECAUSE
16 OF *FORCE MAJEURE*, OR BECAUSE OF LEGITIMATE
17 BUSINESS REVERSES.

18 THE SECRETARY OF FINANCE IS HEREBY
19 AUTHORIZED TO PROMULGATE, UPON RECOMMENDATION
20 OF THE COMMISSIONER, THE NECESSARY RULES
21 AND REGULATIONS THAT SHALL DEFINE THE TERMS
22 AND CONDITIONS UNDER WHICH HE

1 MAY SUSPEND THE IMPOSITION OF THE MINIMUM
2 CORPORATE INCOME TAX IN A MERITORIOUS CASE.

3 (4) *NET ASSETS DEFINED.* - FOR PURPOSES OF
4 APPLYING THE MINIMUM CORPORATE INCOME TAX
5 PROVIDED UNDER THIS SUBSECTION (F), THE TERM 'NET
6 ASSETS' SHALL MEAN ASSETS, WHEREVER SITUATED,
7 OWNED BY THE CORPORATION AS OF THE END OF THE
8 TAXABLE YEAR, EXCLUDING:

9 (A) SHARES OF STOCK IN OTHER CORPORATIONS;

10 (B) LOANS OR INDEBTEDNESS INCURRED FROM OR
11 OTHER PAYABLE TO OTHER CORPORATIONS OR TO
12 INDIVIDUALS OR TO THE GOVERNMENT; AND

13 (C) INCOME-PRODUCING FINANCIAL ASSETS, THE
14 INCOME FROM WHICH IS SUBJECT TO A FINAL TAX OR
15 EXEMPTED FROM INCOME TAX UNDER THIS CODE OR
16 UNDER ANY SPECIAL LAW.

17 **SECTION 28.** Section 25 of the Code is hereby renumbered as Section
18 **28 and amended to read as follows:**

19 "SEC. [25] 28. *Rates of INCOME Tax on Foreign*
20 *Corporations.* -

21 "[a)] (A) *Tax on Resident Foreign Corporations.* -

22 "(1) *In general.* - [Unless] EXCEPT AS otherwise provided IN
23 THIS CODE, a corporation organized, authorized, or existing under

1 the laws of any foreign country, engaged in trade or business within the
 2 Philippines, shall be subject to [a] AN INCOME tax equivalent to
 3 THIRTY-FIVE PERCENT (35%) of the taxable income derived in the
 4 preceding taxable year from all sources within the Philippines:
 5 *PROVIDED*, THAT EFFECTIVE JANUARY 1, 1998, THE RATE
 6 OF INCOME TAX SHALL BE THIRTY-THREE PERCENT (33%);
 7 EFFECTIVE JANUARY 1, 1999, THE RATE SHALL BE THIRTY-
 8 ONE AND ONE-HALF PERCENT (31 1/2%); AND JANUARY 1,
 9 2000 AND THEREAFTER, THE RATE SHALL BE THIRTY
 10 PERCENT (30%).

11 IN THE CASE OF CORPORATIONS ADOPTING THE
 12 FISCAL YEAR ACCOUNTING PERIOD, THE TAXABLE
 13 INCOME SHALL BE COMPUTED WITHOUT REGARD TO THE
 14 SPECIFIC DATE WHEN SALES, PURCHASES AND OTHER
 15 TRANSACTIONS OCCUR. THEIR INCOME AND EXPENSES
 16 FOR THE FISCAL YEAR SHALL BE DEEMED TO HAVE BEEN
 17 EARNED AND SPENT EQUALLY FOR EACH MONTH OF THE
 18 PERIOD.

19 THE REDUCED CORPORATE INCOME TAX RATES
 20 SHALL BE APPLIED ON THE AMOUNT COMPUTED BY
 21 MULTIPLYING THE NUMBER OF MONTHS COVERED BY THE
 22 NEW RATES WITHIN THE FISCAL YEAR BY THE TAXABLE

1 INCOME OF THE CORPORATION FOR THE PERIOD, DIVIDED
2 BY TWELVE.

3 “(2) *International carrier[s]*. - AN [I]international carrier[s]
4 doing business in the Philippines shall pay a tax of two and one-half
5 percent (2 ½ %) on [their] ITS ‘Gross Philippine Billings’ as defined
6 hereunder:

7 “[A](a) *International air carrier*. - ‘**Gross Philippine**
8 **Billings**’ [means gross revenue realized from uplifts of passenger
9 anywhere in the world and excess baggage, cargo and mail originating
10 from the Philippines covered by passage documents sold in the
11 Philippines: *Provided*, That documents sold outside the Philippines
12 under a “prepaid ticket advice” scheme for passengers originating
13 from the Philippines shall be considered as documents sold in the
14 Philippines. Gross revenue from chartered flights originating from the
15 Philippines shall likewise form part of the Gross Philippine Billings
16 regardless of the place of sale or payment of the passage documents.

17 For purposes of determining the taxability of revenues from chartered
18 flights, the term ‘**originating from the Philippines**’ shall include
19 flights of passengers who stay in the Philippines for more than forty-
20 eight (48) hours prior to embarkation.] REFERS TO THE AMOUNT
21 OF GROSS REVENUES DERIVED FROM CARRIAGE OF
22 PERSONS, EXCESS BAGGAGE, CARGO AND MAIL
23 ORIGINATING FROM THE PHILIPPINES IN A CONTINUOUS

1 AND UNINTERRUPTED FLIGHT, IRRESPECTIVE OF THE
 2 PLACE OF SALE OR ISSUE AND THE PLACE OF PAYMENT OF
 3 THE TICKET OR PASSAGE DOCUMENT: *PROVIDED*, THAT
 4 TICKETS REVALIDATED, EXCHANGED AND/OR INDORSED
 5 TO ANOTHER INTERNATIONAL AIRLINE FORMS PART OF
 6 THE GROSS PHILIPPINE BILLINGS IF THE PASSENGER
 7 BOARDS A PLANE IN A PORT OR POINT IN THE PHILIPPINES:
 8 *PROVIDED, FURTHER*, THAT FOR A FLIGHT WHICH
 9 ORIGINATES FROM THE PHILIPPINES, BUT
 10 TRANSSHIPMENT OF PASSENGER TAKES PLACE AT ANY
 11 PORT OUTSIDE THE PHILIPPINES ON ANOTHER AIRLINE,
 12 ONLY THE ALIQUOT PORTION OF THE COST OF THE TICKET
 13 CORRESPONDING TO THE LEG FLOWN FROM THE
 14 PHILIPPINES TO THE POINT OF TRANSSHIPMENT SHALL
 15 FORM PART OF GROSS PHILIPPINE BILLINGS.

16 “[(B)](b) x x x

17 “x x x

18 “[4) *Offshore banking units.* - The provisions of any law to
 19 the contrary notwithstanding, income derived by offshore banking units
 20 authorized by the Central Bank of the Philippines from foreign currency
 21 transactions with nonresidents, other offshore banking units, local
 22 commercial banks, including branches of foreign banks that may be
 23 authorized by the Central Bank to transact business with offshore

1 banking units shall be exempt from all taxes except taxable income
2 from such transactions as may be specified by the Secretary of Finance,
3 upon recommendation of the Monetary Board, to be subject to the
4 normal income tax payable by banks; *Provided*, That any interest
5 income derived from foreign currency loans granted to residents other
6 than offshore banking units or local branches of foreign banks that may
7 be authorized by the Central Bank of the Philippines to transact
8 business with offshore banking units, shall be subject only to a 10%
9 tax.

10 Any income of nonresidents from transactions with said offshore
11 banking units shall be exempt from income tax.]

12 “[5)] (4) *Tax on branch profits remittances.* - Any profit
13 remitted by a branch to its head office shall be subject to a tax of
14 FIFTEEN PERCENT (15%) WHICH SHALL BE BASED ON THE
15 TOTAL PROFITS APPLIED OR EARMARKED FOR REMITTANCE
16 WITHOUT ANY DEDUCTION FOR THE TAX COMPONENT
17 THEREOF (except those ACTIVITIES WHICH ARE registered with
18 the [Export Processing] PHILIPPINE ECONOMIC Zone Authority)[;].
19 [Provided, That any profit remitted by a branch to its head office
20 authorized to engage in petroleum operations in the Philippines shall be
21 subject to a tax of seven and a half percent (7½%). In both cases, t]The
22 tax shall be collected and paid in the same manner as provided in
23 Sections [50]56 and [51]57 of this Code[:]; and provided, further,]

1 *PROVIDED*, [t]That interest, dividends, rents, royalties, including
2 remuneration for technical services, salaries, wages, premiums,
3 annuities, emoluments or other fixed or determinable annual,
4 periodic[al] or casual gains, profits, income and capital gains received
5 by a foreign corporation during each taxable year from all sources
6 within the Philippines shall not be [considered] TREATED as branch
7 profits unless the same are effectively connected with the conduct of its
8 trade or business in the Philippines.

9 (5) *REGIONAL OR AREA HEADQUARTERS OF*
10 *MULTINATIONAL COMPANIES.* - REGIONAL OR AREA
11 HEADQUARTERS SHALL NOT BE SUBJECT TO INCOME TAX.

12 FOR PURPOSES OF THIS SECTION, ‘**REGIONAL OR**
13 **AREA HEADQUARTERS**’ SHALL MEAN A BRANCH
14 ESTABLISHED IN THE PHILIPPINES BY MULTINATIONAL
15 COMPANIES AND WHICH HEADQUARTERS DO NOT EARN
16 OR DERIVE INCOME FROM THE PHILIPPINES AND WHICH
17 ACT AS SUPERVISORY, COMMUNICATIONS AND
18 COORDINATING CENTER FOR THEIR AFFILIATES,
19 SUBSIDIARIES, OR BRANCHES IN THE ASIA PACIFIC REGION
20 AND OTHER FOREIGN MARKETS.

21 “(6) *Tax on [c]Certain [i]Incomes [r]Received by A*
22 *[r]Resident [f]Foreign [c]Corporation[s].*

1 “([A]a) *Interest from deposits and yield or any other monetary*
2 *benefit from deposit substitutes, trust fund and similar arrangements*
3 *and royalties.* - Interest on [Philippine] ANY currency bank deposit[s] and yield
4 or any other monetary benefit from deposit substitutes and from trust fund and
5 similar arrangements and royalties derived from sources within the
6 Philippines shall be subject to a TWENTY (20%) tax.

7 “[(B) Income derived under the Expanded Foreign Currency
8 Deposit System. - Income derived by a depository bank under the
9 expanded foreign currency deposit system from foreign currency
10 transactions with nonresidents, offshore banking units in the
11 Philippines, local commercial banks including branches of foreign
12 banks that may be authorized by the Central Bank of the Philippines to
13 transact business with foreign currency deposit system units and other
14 depository banks under the expanded foreign currency deposit system
15 shall be exempt from all taxes, except taxable income from such
16 transactions as may be specified by the Secretary of Finance, upon
17 recommendation of the Monetary Board to be subject to the usual
18 income tax payable by banks; *provided*, that interest income from
19 foreign currency loans granted by such depository banks under said
20 expanded system to residents (other than offshore banking units in the
21 Philippines or other depository banks under the expanded system) shall
22 be subject to a (10%) tax.

1 "Any income of nonresidents from transactions with depository
2 banks under the expanded system shall be exempt from income tax.]

3 (B) CAPITAL GAINS ON THE SALE, BARTER OR EXCHANGE OF
4 SHARES OF STOCK LISTED AND TRADED THROUGH THE LOCAL STOCK
5 EXCHANGE OR THROUGH INITIAL PUBLIC OFFERING. - A FINAL TAX IS
6 HEREBY IMPOSED ON THE GAIN PRESUMED TO HAVE BEEN
7 REALIZED BY A RESIDENT FOREIGN CORPORATION ON THE SALE,
8 BARTER OR EXCHANGE OF SHARES OF STOCK AT THE RATE OF ONE-
9 HALF OF ONE PERCENT (½ OF 1%) BASED ON THE GROSS SELLING
10 PRICE OR GROSS VALUE IN MONEY OF SHARES OF STOCK SOLD,
11 BARTERED OR EXCHANGED THROUGH THE LOCAL STOCK
12 EXCHANGE, AND AT THE RATES OF ONE PERCENT (1%), TWO
13 PERCENT (2%), AND THREE PERCENT (3%) FOR SHARES OF STOCK
14 SOLD, BARTERED OR EXCHANGED THROUGH INITIAL PUBLIC
15 OFFERING, IN ACCORDANCE WITH SECTION 24 (C)(1) AND (2)
16 HEREOF.

17 "[C)c Capital [g]Gains from [s]Sale[s] of [s]Shares of [s]Stock NOT
18 TRADED IN THE STOCK EXCHANGE. - A FINAL TAX AT THE RATES
19 PRESCRIBED BELOW IS HEREBY IMPOSED UPON THE NET [C]capital
20 gains realized DURING THE TAXABLE YEAR from THE sale, exchange or
21 OTHER disposition of shares of stock in [any] A domestic corporation [shall be
22 taxed as follows] EXCEPT SHARES SOLD OR DISPOSED OF THROUGH THE
23 STOCK EXCHANGE:

24 "[(1) Net capital gain as defined in Section 33(a)(2) realized during each
25 taxable year from sale or exchange or other disposition of shares of stock not
26 traded through a local stock exchange shall be taxed as follows:]

27 "Not over P100,000 [10%] 5%;

1 [Over] ON ANY AMOUNT IN EXCESS

2 OF P100,000 [20%] 10%

3 “([D]d) *Intercorporate [d]Dividends*. - Dividends received by a
4 resident foreign corporation from a domestic corporation liable to tax
5 under this Code shall not be subject to tax under this Title.

6 “[b)](B) TAX ON Nonresident [f]Foreign
7 [c]Corporation[s]. -

8 “(1) *In general*. - [Unless] EXCEPT AS otherwise provided
9 IN THIS CODE, a foreign corporation not engaged in trade or business
10 in the Philippines shall pay a tax equal to THIRTY-FIVE PERCENT
11 (35%) of the gross income received during each taxable year from all
12 sources within the Philippines such as interest, dividends, rents,
13 royalties, salaries, premiums (except reinsurance premiums), annuities,
14 emoluments or other fixed or determinable annual, periodic[al] or casual
15 gains, profits and income, and capital gains, except capital gains subject
16 to tax under subparagraph 5([C]c) AND (d): *PROVIDED*, THAT
17 EFFECTIVE JANUARY 1, 1998, THE RATE OF INCOME TAX
18 SHALL BE THIRTY-THREE PERCENT (33%); EFFECTIVE
19 JANUARY 1, 1999, THE RATE SHALL BE THIRTY-ONE AND
20 ONE-HALF PERCENT (31½%), AND; EFFECTIVE JANUARY 1,
21 2000 AND THEREAFTER, THE RATE SHALL BE THIRTY
22 PERCENT (30%).

1 “(2) *Nonresident [c]Cinematographic [f]Film [o]Owner[s],*
2 *[l]Lessor[s] or [d]Distributor[s].* - Cinematographic film owners,
3 lessors, or distributors shall pay a tax of TWENTY FIVE PERCENT
4 (25%) of their gross income from all sources within the Philippines.

5 “(3) *Nonresident [o]Owner[s] OR LESSOR of [v]Vessels*
6 *[c]Chartered by Philippine [n]Nationals.* - [Rentals, lease and
7 charter fees derived by] A nonresident owner[s] OR LESSOR of
8 vessels [chartered by Philippine nationals and which charter or lease
9 has been duly approved by the Maritime Industry Authority] shall be
10 subject to a tax OF FOUR AND A HALF PERCENT (4½%) OF
11 GROSS RENTALS, LEASE OR CHARTER FEES FROM LEASES
12 OR CHARTERS TO FILIPINO CITIZENS OR CORPORATIONS,
13 AS APPROVED BY THE MARITIME INDUSTRY AUTHORITY .

14 “(4) *Nonresident OWNER OR [l]Lessor[s] of [a]Aircrafts,*
15 *[m]Machineries and [o]Other [e]Equipment.* - Rentals, charter and
16 other fees derived by A nonresident lessor[s] of aircrafts, machineries
17 and other equipment shall be subject to a tax of [not less than (5%) but
18 not more than (10%) to be fixed and determined by the President upon
19 recommendation of the Secretary of Finance: *Provided, That the rate*
20 *of 7 1/2% shall be imposed on such rentals, charter and other fees until*
21 *such time as the President shall have prescribed the rates appropriate*
22 *for each category of property] SEVEN AND A HALF PERCENT*
23 *(7½%) OF GROSS RENTALS OR FEES.”*

1 “(5) Tax on [c]Certain [i]Incomes [r]Received by A
2 [n]Nonresident [f]Foreign [c]Corporation[s]. -

3 “(A) Interest on foreign loans [contracted on or after August 1,
4 1986 shall be subject to a 20% tax]. - A FINAL WITHHOLDING
5 TAX AT THE RATE OF TWENTY PERCENT (20%) IS HEREBY
6 IMPOSED ON THE AMOUNT OF INTEREST ON FOREIGN
7 LOANS CONTRACTED ON OR AFTER AUGUST 1, 1986;

8 “(B) INTERCORPORATE DIVIDENDS. - [On dividends
9 received from a domestic corporation liable to tax under this Chapter, the
10 tax shall be] A FINAL WITHHOLDING TAX AT THE RATE OF
11 FIFTEEN PERCENT (15%) IS HEREBY IMPOSED ON THE
12 AMOUNT of [the] dividends received FROM A DOMESTIC
13 CORPORATION, which shall be collected and paid as provided in
14 Section [50]56 ([a]A) of [the National Internal Revenue Code, as
15 amended] THIS CODE, subject to the condition that the country in
16 which the nonresident foreign corporation is domiciled shall allow a
17 credit against the tax due from the nonresident foreign corporation
18 taxes deemed to have been paid in the Philippines equivalent to
19 TWENTY PERCENT (20%) FOR 1997, EIGHTEEN PERCENT
20 (18%) FOR 1998, SIXTEEN AND ONE-HALF PERCENT (16 1/2%)
21 FOR 1999, AND FIFTEEN PERCENT (15%) THEREAFTER, which
22 represents the difference between the regular INCOME tax OF
23 THIRTY-FIVE PERCENT (35%) IN 1997, THIRTY-THREE

1 PERCENT (33%) IN 1998, THIRTY-ONE AND ONE-HALF
2 PERCENT (31 1/2%) IN 1999, AND THIRTY PERCENT (30%)
3 THEREAFTER on corporations and the [tax] FIFTEEN (15%) TAX on
4 dividends as provided in this subparagraph;

5 (c) CAPITAL GAINS ON THE SALE, BARTER OR EXCHANGE OF SHARES
6 OF STOCK LISTED AND TRADED THROUGH THE LOCAL STOCK EXCHANGE OR
7 THROUGH INITIAL PUBLIC OFFERING.. - A FINAL TAX IS HEREBY IMPOSED
8 ON THE GAIN PRESUMED TO HAVE BEEN REALIZED BY A NON-RESIDENT
9 FOREIGN CORPORATION ON THE SALE, BARTER OR EXCHANGE OF SHARES
10 OF STOCK AT THE RATE OF ONE-HALF OF ONE PERCENT (1/2 OF 1%) BASED
11 ON THE GROSS SELLING PRICE OR GROSS VALUE IN MONEY OF SHARES OF
12 STOCK SOLD, BARTERED OR EXCHANGED THROUGH THE LOCAL STOCK
13 EXCHANGE, AND AT THE RATES OF ONE PERCENT (1%), TWO PERCENT (2%),
14 AND THREE PERCENT (3%) FOR SHARES OF STOCK SOLD, BARTERED OR
15 EXCHANGED THROUGH INITIAL PUBLIC OFFERING, IN ACCORDANCE WITH
16 SECTION 24 (C)(1) AND (2) HEREOF.

17 “(d) Capital [g]Gains from [s]Sales of [s]Shares of [s]Stock NOT TRADED IN
18 THE STOCK EXCHANGE. - A FINAL TAX AT THE RATES PRESCRIBED BELOW
19 IS HEREBY IMPOSED UPON THE NET [C]capital gains realized DURING THE
20 TAXABLE YEAR from THE sale, exchange or OTHER disposition of shares of stock in
21 [any] A domestic corporation [shall be taxed as follows] EXCEPT SHARES SOLD, OR
22 DISPOSED OF THROUGH THE STOCK EXCHANGE:

23 “[1) Net capital gain as defined in Section 33(a)(2) realized during each taxable
24 year from the sale or exchange or other disposition of shares of stock not traded through a
25 local stock exchange shall be taxed as follows:]

26 “Not over P100,000 [10%] 5%;

1 [Over] ON ANY AMOUNT IN EXCESS

2 OF P100,000 [20%] 10%

3 SECTION 29. Subsection (h) of Section 26, now Section 29, of the
4 Code is amended to read as follows:

5 “(h) [Club organized and operated exclusively for pleasure,
6 recreation, and other non-profitable purposes, no part of the net
7 income of which inures to the benefit of any private stockholder
8 or member] A NONSTOCK AND NONPROFIT EDUCATIONAL
9 INSTITUTION;”

10 SECTION 30. The Title of Chapter IV of the Code is hereby deleted
11 and replaced as follows:

12 CHAPTER IV - COMPUTATION OF TAXABLE INCOME

13 SECTION 31. The provision of Section 27 of the Code is renumbered
14 as Section 30 and amended as follows:

15 “SEC. [27] 30. *Taxable [i]Income DEFINED.* - The
16 term ‘taxable income’ means the pertinent items of gross
17 income specified in this Code, less the deductions AND/OR
18 PERSONAL AND ADDITIONAL EXEMPTIONS, if any,
19 authorized [by] FOR such types of income by this Code
20 or other special laws[; *Provided*, That for purposes of Section
21 21(b), ‘taxable income’ means gross income from all sources
22 without the Philippines less the deductions allowed in Section 29(m)].”

1 **SECTION 32. A new Chapter V governing the computation of gross**
2 **income is hereby inserted after Section 30 to read as follows:**

3 **CHAPTER V - COMPUTATION OF GROSS INCOME**

4 **SECTION 33. Section 28 of the Code is hereby renumbered as**
5 **Section 31 and amended to read as follows:**

6 “SEC. [28]31. *Gross [i]Income.- ([a]A) General*
7 *[d]Definition. - EXCEPT WHEN OTHERWISE PROVIDED IN*
8 THIS TITLE, [G]gross income means all income DERIVED from
9 whatever source [derived], including (but not limited to) the following
10 items:

11 “(1) Compensation for services IN WHATEVER FORM
12 PAID, including BUT NOT LIMITED TO fees, SALARIES,
13 WAGES, commissions, and similar items;

14 “(2) Gross income derived from THE CONDUCT OF
15 TRADE OR business OR THE EXERCISE OF A
16 PROFESSION;

17 “(3) Gains derived from dealings in property;

18 “(4) Interest;

19 “(5) Rents;

20 “(6) Royalties;

21 “(7) Dividends;

22 “(8) Annuities;

23 “(9) Prizes and winnings;

1 “(10) Pensions; and

2 “(11) Partner’s distributive share [of the gross] FROM
3 THE NET income of THE general professional
4 partnership.

5 “[b]B) *Exclusions from [g]Gross [i]Income.* - The following
6 items shall not be included in gross income and shall be exempt from
7 taxation under this Title:

8 “(1) x x x

9 “(2) x x x

10 “(3) *Gifts, [b]Bequests, and [d]Devises.* - The value of
11 property acquired by gift, bequest, devise, or descent[; but the]:
12 *PROVIDED, HOWEVER, THAT* income from such property AS
13 WELL AS GIFT, BEQUEST, DEVISE, OR DESCENT OF INCOME
14 FROM ANY PROPERTY, IN CASES OF TRANSFERS OF
15 DIVIDED INTEREST, shall be included in gross income.

16 [“(4) *Interest on Government Securities.* - Interest upon the
17 obligations of the Government of the Republic of the Philippines or any
18 political subdivisions thereof but in the case of such obligations issued
19 after the approval of this Code, only to the extent provided in the Act
20 authorizing the issue thereof.]

21 “[5](4) *Compensation for [i]Injuries or [s]Sickness.*- x x x

22 “[6](5) *Income [e]Exempt under [t]Treaty.* - x x x

23 “[7](6) *Retirement [b]Benefits, [p]Pensions, [g]Gratuities, etc.*-

1 ([A]a) Retirement benefits received by officials and employees
 2 of private firms, whether individual or corporate, in accordance with a
 3 reasonable private benefit plan maintained by the employer: *Provided,*
 4 That the retiring official or employee has been in the service of the
 5 same employer for at least 10 years and is not less than 50 years of age
 6 at the time of his retirement: *Provided, further,* That the benefits
 7 granted under this subparagraph shall be availed of by an official or
 8 employee only once. For purposes of this subsection, the term
 9 ‘reasonable private benefit plan’ means a pension, gratuity, stock
 10 bonus or profit-sharing plan maintained by an employer for the benefit
 11 of some or all of his officials or employees, wherein contributions are
 12 made by such employer for THE officials or employees, or both, for the
 13 purpose of distributing to such officials and employees the earnings
 14 and principal of the fund thus accumulated, and wherein it is provided
 15 in said plan that at no time shall any part of the corpus or income of the
 16 fund be used for, or be [delivered] DIVERTED to, any purpose other
 17 than for the exclusive benefit of the said officials and employees.

18 “([B]b) Any amount received by an official or employee or by
 19 his heirs from the employer as a consequence of separation of such
 20 official or employee from the service of the employer [due to]
 21 BECAUSE OF death, sickness or other physical disability or for any
 22 cause beyond the control of the said official or employee.

23 “([C]c) x x x

1 “([D]d) x x x

2 “([E]e) [Payments of benefits made under the Social Security
3 Act of 1954, as amended.] BENEFITS RECEIVED FROM OR
4 ENJOYED UNDER THE SOCIAL SECURITY SYSTEM IN
5 ACCORDANCE WITH THE PROVISIONS OF REPUBLIC ACT
6 NO. 8282; AND

7 “(F) Benefits received from the GSIS UNDER REPUBLIC
8 ACT NO. 8291 INCLUDING [and the] retirement gratuity received by
9 government officials and employees.

10 “[8] (7). *Miscellaneous [i]Items.* -

11 ([A]a) *INCOME DERIVED BY FOREIGN GOVERNMENT.* -

12 Income [received] DERIVED from [their] investments in the
13 Philippines in loans, stocks, bonds or other domestic securities, or from
14 interest on [their] deposits in banks in the Philippines by [(i)](1) foreign
15 governments, [(ii)](2) financing institutions owned, controlled, or
16 enjoying refinancing from [them,] FOREIGN GOVERNMENTS; and
17 [(iii)](3) international or regional [financing] FINANCIAL institutions
18 established by FOREIGN governments.

19 ([B]b) *INCOME DERIVED BY THE GOVERNMENT OR ITS*

20 *POLITICAL SUBDIVISIONS.* - x x x

21 “[C) Income derived as rewards under Section 281 of this
22 Code, as amended.]

1 “[(D) Interest earned from deposits maintained with a bank
2 under the expanded foreign currency deposit system.]

3 “[E](c) *PRIZES AND AWARDS*. - x x x

4 (d) *PRIZES AND AWARDS IN SPORTS COMPETITION*. -
5 ALL PRIZES AND AWARDS GRANTED TO ATHLETES IN
6 LOCAL AND INTERNATIONAL SPORTS COMPETITIONS AND
7 TOURNAMENTS WHETHER HELD IN THE PHILIPPINES OR
8 ABROAD AND SANCTIONED BY THEIR NATIONAL SPORTS
9 ASSOCIATIONS.

10 “[F] (e) *13th [m]Month [p]Pay and [o]Other [b]Benefits*. -
11 GROSS BENEFITS RECEIVED BY OFFICIALS AND
12 EMPLOYEES OF PUBLIC AND PRIVATE ENTITIES: *PROVIDED,*
13 *HOWEVER,* THAT THE TOTAL EXCLUSION UNDER THIS
14 SECTION SHALL NOT EXCEED THIRTY THOUSAND PESOS
15 (P30,000) WHICH SHALL COVER:

16 [(i)(1) Benefits received by officials and employees of
17 the national and local government pursuant to Republic Act No.
18 6686;

19 [(ii)(2) Benefits received by employees pursuant to
20 Presidential Decree No. 851, as amended by Memorandum
21 Order No. 28, dated August 13, 1986;

1 [iii](3) Benefits received by officials and employees not
 2 covered by Presidential Decree No. 851, as amended by
 3 Memorandum Order No. 28, dated August 13, 1986; and

4 [(iv)](4) Other benefits such as productivity incentives and
 5 Christmas bonus [in an amount not exceeding Twelve thousand
 6 pesos (P12,000) which shall be integrated in the 13th month pay
 7 solely for purpose of this Act.

8 *Provided, however,* That the exclusion shall only apply to
 9 the first Thirty thousand pesos (P30,000)].

10 (f) *GSIS, SSS, MEDICARE AND OTHER CONTRIBUTIONS.* -
 11 GSIS, SSS, MEDICARE AND PAG-IBIG CONTRIBUTIONS, AND
 12 UNION DUES OF INDIVIDUALS.

13 **SECTION 34. A new Section 32 is hereby inserted after Section 31 to**
 14 **read as follows:**

15 SEC. 32. - *SPECIAL TREATMENT OF FRINGE BENEFIT.* -

16 (A) *IMPOSITION OF TAX.* - A FINAL TAX OF THIRTY PERCENT
 17 (30%) IS HEREBY IMPOSED ON THE GROSSED UP MONETARY
 18 VALUE OF FRINGE BENEFIT FURNISHED OR GRANTED TO
 19 THE EMPLOYEE (EXCEPT RANK AND FILE EMPLOYEES AS
 20 DEFINED HEREIN) BY THE EMPLOYER, WHETHER AN
 21 INDIVIDUAL OR A CORPORATION, (UNLESS THE FRINGE
 22 BENEFIT IS REQUIRED BY THE NATURE OF, OR NECESSARY
 23 TO THE TRADE, BUSINESS OR PROFESSION OF THE
 24 EMPLOYER, OR WHEN THE FRINGE BENEFIT IS FOR

1 THE CONVENIENCE OR ADVANTAGE OF THE EMPLOYER).
2 THE TAX HEREIN IMPOSED IS PAYABLE BY THE EMPLOYER
3 WHICH TAX SHALL BE PAID IN THE SAME MANNER AS
4 PROVIDED FOR UNDER SECTION 56(A) OF THIS CODE. THE
5 GROSSED UP MONETARY VALUE OF THE FRINGE BENEFIT
6 SHALL BE DETERMINED BY DIVIDING THE ACTUAL
7 MONETARY VALUE OF THE FRINGE BENEFIT BY SEVENTY
8 PERCENT (70%): *PROVIDED, HOWEVER, THAT FRINGE*
9 *BENEFIT FURNISHED TO EMPLOYEES AND TAXABLE*
10 *UNDER SUBSECTIONS B, C, D AND E OF SECTION 25 SHALL*
11 *BE TAXED AT THE APPLICABLE RATES IMPOSED THEREAT:*
12 *PROVIDED, FURTHER, THAT THE GROSSED UP VALUE OF*
13 *THE FRINGE BENEFIT SHALL BE DETERMINED BY DIVIDING*
14 *THE ACTUAL MONETARY VALUE OF THE FRINGE BENEFIT*
15 *BY THE DIFFERENCE BETWEEN ONE HUNDRED PERCENT*
16 *(100%) AND THE APPLICABLE RATES OF INCOME TAX*
17 *UNDER SUBSECTIONS B, C, D, AND E OF SECTION 25.*

18 (B) *FRINGE BENEFIT DEFINED.* - FOR PURPOSES OF THIS
19 SECTION, THE TERM '**FRINGE BENEFIT**' MEANS ANY GOOD,
20 SERVICE, OR OTHER BENEFIT FURNISHED OR GRANTED IN
21 CASH OR IN KIND BY AN EMPLOYER TO AN INDIVIDUAL
22 EMPLOYEE (EXCEPT RANK AND FILE EMPLOYEES AS DEFINED
23 HEREIN) SUCH AS, BUT NOT LIMITED TO, THE FOLLOWING:

24 (1) HOUSING;

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(2) EXPENSE ACCOUNT;

(3) VEHICLE OF ANY KIND;

(4) HOUSEHOLD PERSONNEL SUCH AS MAID,
DRIVER AND OTHERS;

(5) INTEREST ON LOAN AT LESS THAN
MARKET RATE TO THE EXTENT OF THE DIFFERENCE
BETWEEN THE MARKET RATE AND ACTUAL RATE
GRANTED;

(6) MEMBERSHIP FEES, DUES AND OTHER
EXPENSES BORNE BY THE EMPLOYER FOR THE
EMPLOYEE IN SOCIAL AND ATHLETIC CLUBS OR
OTHER SIMILAR ORGANIZATIONS;

(7) EXPENSES FOR FOREIGN TRAVEL;

(8) HOLIDAY AND VACATION EXPENSES;

(9) EDUCATIONAL ASSISTANCE TO THE
EMPLOYEE OR HIS DEPENDENTS;

(10) LIFE OR HEALTH INSURANCE AND OTHER
NON-LIFE INSURANCE PREMIUMS OR SIMILAR
AMOUNTS IN EXCESS OF WHAT THE LAW ALLOWS;

(C) *FRINGE BENEFITS NOT TAXABLE.* - THE
FOLLOWING FRINGE BENEFITS ARE NOT TAXABLE:

1 (1) FRINGE BENEFITS WHICH ARE
2 AUTHORIZED AND EXEMPTED FROM TAX UNDER
3 SPECIAL LAWS;

4 (2) CONTRIBUTIONS OF THE EMPLOYER FOR THE
5 BENEFIT OF THE EMPLOYEE TO RETIREMENT, INSURANCE
6 AND HOSPITALIZATION BENEFIT PLANS;

7 (3) BENEFITS GIVEN TO THE RANK AND FILE
8 EMPLOYEES, WHETHER GRANTED UNDER A COLLECTIVE
9 BARGAINING AGREEMENT OR NOT; AND

10 (4) *DE MINIMIS* BENEFITS AS DEFINED IN THE
11 RULES AND REGULATIONS TO BE PROMULGATED BY
12 THE SECRETARY OF FINANCE, UPON RECOMMENDATION
13 OF THE COMMISSIONER.

14 THE SECRETARY OF FINANCE IS HEREBY
15 AUTHORIZED TO PROMULGATE, UPON RECOMMENDATION
16 OF THE COMMISSIONER, SUCH RULES AND REGULATIONS
17 AS ARE NECESSARY TO CARRY OUT EFFICIENTLY AND
18 FAIRLY THE PROVISIONS OF THIS SECTION, TAKING INTO
19 ACCOUNT THE PECULIAR NATURE AND SPECIAL NEED OF
20 THE TRADE, BUSINESS OR PROFESSION OF THE EMPLOYER.

21 **SECTION 35. A new Chapter VI, allowing the deductibility of certain**
22 **expenses from gross income, is hereby inserted in the Code and shall read as**
23 **follows:**

24 CHAPTER VI - ALLOWABLE DEDUCTIONS

1 **SECTION 36. Section 29 of the Code is hereby renumbered as Section**
2 **33 and amended to read as follows:**

3 “SEC. [29]33. *Deductions from [g]Gross [i]Income.* - In
4 computing taxable income subject to income tax under
5 Sections [21(a)] 24[(a)]; 25(A); 26; [24] 27([a]A), ([b]B) and
6 ([c]C); and [25] 28([a]A)(1), there shall be allowed [as]THE
7 FOLLOWING deductions [the items specified in paragraphs (a)
8 to (i) of this Section: *Provided, however,* That, in computing
9 taxable]FROM GROSS income: [subject to tax under Section
10 21(f) in the case of individuals engaged in business or practice
11 of profession, only the following direct costs shall be allowed
12 as deductions:]

13 [(a) Raw materials, supplies and direct labor;

14 (b) Salaries of employees directly engaged in activities in the
15 course of or pursuant to the business or practice of their
16 profession;

17 (c) Telecommunications, electricity, fuel, light and water;

18 (d) Business rental;

19 (e) Depreciation;

1 (f) Contributions made to the Government and accredited relief
2 organizations for the rehabilitation of calamity-stricken
3 areas declared by the President; and

4 (g) Interest paid or accrued within a taxable year on loans
5 contracted from accredited financial institutions which must
6 be proven to have been incurred in connection with the
7 conduct of a taxpayer's profession, trade or business.

8 "For individuals whose cost of goods sold and direct costs are
9 difficult to determine, including professionals as herein defined, a
10 maximum of forty percent (40%) of their gross receipts shall be
11 allowed as deductions to answer for business or professional expenses
12 as the case may be.

13 "In the case of an individual, the optional standard deduction under
14 paragraph (k) shall be allowed in lieu of itemized deductions under said
15 paragraphs (a) to (i). In addition, the appropriate personal and additional
16 exemptions allowed under paragraph (l) may be claimed by an
17 individual whose income is subject to tax under Section 21(a):
18 *Provided*, That no deductions other than the deduction provided in
19 paragraph (l) may be allowed from compensation income arising from
20 personal services rendered under an employer-employee relationship.]

21 "[a)](A) *Expenses.* -

22 "(1) *ORDINARY AND NECESSARY TRADE, Business OR*
23 *PROFESSIONAL [e]Expenses.* -

1 “([A]a) In [g]General. - THERE SHALL BE
2 ALLOWED AS DEDUCTION FROM GROSS INCOME
3 [A]all THE ordinary and necessary expenses paid or incurred
4 during the taxable year in carrying on [any trade or business,
5 including a reasonable allowance for salaries or other
6 compensation for personal services actually rendered; travelling
7 expenses while away from home in the pursuit of a trade,
8 profession or business; rentals or other payments required to be
9 made as a condition to the continued use or possession, for the
10 purpose of the trade, profession or business, of property to
11 which the taxpayer has not taken or is not taking title or in which
12 he has no equity.] OR WHICH ARE DIRECTLY
13 ATTRIBUTABLE TO, THE DEVELOPMENT,
14 MANAGEMENT, OPERATION AND/OR CONDUCT OF
15 THE TRADE, BUSINESS OR EXERCISE OF A
16 PROFESSION, INCLUDING:

- 17 (1) A REASONABLE ALLOWANCE FOR
- 18 SALARIES, WAGES, AND OTHER FORMS OF
- 19 COMPENSATION FOR PERSONAL SERVICES
- 20 ACTUALLY RENDERED, INCLUDING THE
- 21 GROSSED UP MONETARY VALUE OF FRINGE
- 22 BENEFIT FURNISHED OR GRANTED BY THE
- 23 EMPLOYER TO THE EMPLOYEE: *PROVIDED*, THAT

1 THE FINAL TAX IMPOSED UNDER SECTION 32
2 HEREOF HAS BEEN PAID;

3 (2) A REASONABLE ALLOWANCE FOR
4 TRAVEL EXPENSES, HERE AND ABROAD, WHILE
5 AWAY FROM HOME IN THE PURSUIT OF TRADE,
6 BUSINESS OR PROFESSION;

7 (3) A REASONABLE ALLOWANCE FOR
8 RENTALS AND/OR OTHER PAYMENTS WHICH
9 ARE REQUIRED AS A CONDITION FOR THE
10 CONTINUED USE OR POSSESSION, FOR
11 PURPOSES OF THE TRADE, BUSINESS OR
12 PROFESSION, OF PROPERTY TO WHICH THE
13 TAXPAYER HAS NOT TAKEN OR IS NOT TAKING
14 TITLE OR IN WHICH HE HAS NO EQUITY OTHER
15 THAN THAT OF A LESSEE, USER OR POSSESSOR;

16 (4) A REASONABLE ALLOWANCE FOR
17 ENTERTAINMENT, AMUSEMENT AND
18 RECREATION EXPENSES WHICH ARE DIRECTLY
19 CONNECTED TO THE DEVELOPMENT,
20 MANAGEMENT AND OPERATION OF THE TRADE,
21 BUSINESS OR PROFESSION OF THE TAXPAYER,
22 OR WHICH ARE DIRECTLY RELATED TO OR IN
23 FURTHERANCE OF THE CONDUCT OF HIS TRADE,

1 BUSINESS OR EXERCISE OF A PROFESSION,
 2 SUBJECT TO SUCH LIMITATIONS AS THE
 3 SECRETARY OF FINANCE MAY BY RULES AND
 4 REGULATIONS PRESCRIBE, UPON
 5 RECOMMENDATION OF THE COMMISSIONER,
 6 TAKING INTO ACCOUNT THE NEEDS AS WELL AS
 7 THE SPECIAL CIRCUMSTANCES, NATURE AND
 8 CHARACTER OF THE TRADE, BUSINESS, OR
 9 PROFESSION OF THE TAXPAYER: *PROVIDED*,
 10 THAT ANY EXPENSE INCURRED FOR
 11 ENTERTAINMENT, AMUSEMENT OR
 12 RECREATION WHICH IS CONTRARY TO LAW,
 13 MORALS, PUBLIC POLICY OR PUBLIC ORDER
 14 SHALL IN NO CASE BE ALLOWED AS A
 15 DEDUCTION.

16 (B) NO DEDUCTION FROM GROSS INCOME SHALL
 17 BE ALLOWED UNDER SUBSECTION (A) HEREOF
 18 UNLESS THE TAXPAYER SHALL SUBSTANTIATE WITH
 19 SUFFICIENT EVIDENCE SUCH AS OFFICIAL RECEIPTS
 20 OR OTHER ADEQUATE RECORDS (1) THE AMOUNT OF
 21 THE EXPENSE BEING DEDUCTED, AND (2) THE DIRECT
 22 CONNECTION OR RELATION OF THE EXPENSE BEING
 23 DEDUCTED TO THE DEVELOPMENT, MANAGEMENT,

1 OPERATION AND/OR CONDUCT OF THE TRADE,
2 BUSINESS OR PROFESSION OF THE TAXPAYER.

3 (C) BRIBES, KICKBACKS AND OTHER SIMILAR
4 PAYMENTS. - NO DEDUCTION FROM GROSS INCOME
5 SHALL BE ALLOWED UNDER SUBSECTION (A) HEREOF
6 FOR ANY PAYMENT MADE, DIRECTLY OR
7 INDIRECTLY, TO AN OFFICIAL OR EMPLOYEE OF THE
8 NATIONAL GOVERNMENT, OR TO AN OFFICIAL OR
9 EMPLOYEE OF ANY LOCAL GOVERNMENT UNIT, OR
10 TO AN OFFICIAL OR EMPLOYEE OF A GOVERNMENT-
11 OWNED OR CONTROLLED CORPORATION, OR TO AN
12 OFFICIAL OR EMPLOYEE OR REPRESENTATIVE OF A
13 FOREIGN GOVERNMENT, IF THE PAYMENT
14 CONSTITUTES A BRIBE OR KICKBACK.

15 “(2) Expenses [a]Allowable to [p]Private [e]Educational
16 [i]Institutions. - In addition to the expenses allowable as deductions
17 under [subparagraph (a)(1)(A) above]THIS CHAPTER, a private
18 educational institution, referred to under Section [24(b)]27(B) of this
19 Code, may at its option elect either (A) to deduct expenditures
20 otherwise considered as capital outlays of depreciable assets incurred
21 during the taxable year for the expansion of school facilities or (B) to
22 deduct allowance for depreciation thereof under paragraph ([f]F) of this
23 Section.

1 “[(b)] (B) *Interest.* -

2 “(1) *In [g]General.* - The amount of interest paid or [accrued]
 3 INCURRED within a taxable year on indebtedness in connection with
 4 the taxpayer’s profession, trade or business[, except on indebtedness
 5 incurred or continued to purchase or carry obligation the interest upon
 6 which is exempt from taxation as income under this Title.] SHALL BE
 7 ALLOWED AS DEDUCTION FROM GROSS INCOME:
 8 PROVIDED, HOWEVER, THAT THE TAXPAYER’S OTHERWISE
 9 ALLOWABLE DEDUCTION FOR INTEREST EXPENSE SHALL
 10 BE REDUCED BY AN AMOUNT EQUAL TO THE FOLLOWING
 11 PERCENTAGES OF THE INTEREST INCOME SUBJECTED TO
 12 FINAL TAX:

13 (A) 39% BEGINNING JANUARY 1, 1998;

14 (B) 37% BEGINNING JANUARY 1, 1999;

15 (C) 33% BEGINNING JANUARY 1, 2000.

16 “(2) *EXCEPTIONS.* - No deduction shall be allowed in respect
 17 of interest under the succeeding [sub-paragraphs:]SUBSECTIONS:

18 (A) ON INDEBTEDNESS INCURRED TO
 19 PURCHASE, OR CONTINUED TO CARRY, AN
 20 OBLIGATION THE INTEREST ON WHICH IS EXEMPT
 21 FROM TAXATION AS INCOME UNDER THIS TITLE;

22 “[i](b) If within the taxable year an individual taxpayer
 23 reporting income on the cash basis incurs an indebtedness on

1 which an interest is paid in advance through discount or otherwise:
2 *Provided*, That such interest shall be allowed as a deduction in the
3 year the indebtedness is paid: [and] *Provided, further*, That if the
4 indebtedness is payable in periodic amortizations, the amount of
5 interest which corresponds to the amount of the principal
6 amortized or paid during the year shall be allowed as deduction in
7 such taxable year[.];

8 “[(ii)](c) If both the taxpayer and the person to whom the
9 payment has been made or is to be made are persons specified
10 under Section [30(b)]35(B)[.]; OR

11 “[(iii)](d) If the indebtedness is incurred to finance
12 petroleum exploration.

13 (3) AT THE OPTION OF THE TAXPAYER, INTEREST
14 INCURRED TO ACQUIRE PROPERTY USED IN TRADE, BUSINESS
15 OR EXERCISE OF A PROFESSION MAY BE ALLOWED AS A
16 DEDUCTION OR TREATED AS A CAPITAL EXPENDITURE.

17 (4) *ADDITIONAL ALLOWANCE FOR INTEREST EXPENSE ON*
18 *LOANS INCURRED TO ACQUIRE OR PURCHASE THE FIRST FAMILY*
19 *HOME. - THE AMOUNT OF INTEREST PAID OR INCURRED*
20 *DURING THE TAXABLE YEAR BY AN INDIVIDUAL TAXPAYER*
21 *ON LOANS CONTRACTED WITH AN ACCREDITED FINANCIAL*
22 *INSTITUTION TO ACQUIRE OR PURCHASE THE FIRST FAMILY*
23 *HOME, SHALL BE DEDUCTIBLE FROM HIS GROSS INCOME*
24 *WHETHER DERIVED FROM EMPLOYMENT OR FROM ENGAGING*
25 *IN TRADE, BUSINESS OR THE EXERCISE OF PROFESSION:*

1 *PROVIDED*, THAT FOR PURPOSES OF THIS DEDUCTION A
 2 CERTIFICATION ISSUED BY THE FINANCIAL INSTITUTION SHALL
 3 BE REQUIRED TO SUBSTANTIATE THE SAID DEDUCTION.

4 “[c]C) *Taxes*. -

5 “(1) *In [g]General*. - Taxes paid or [accrued]INCURRED within
 6 the taxable year in connection with the taxpayer’s profession, trade or
 7 business, SHALL BE ALLOWED AS DEDUCTION, except:

8 “(a) The income tax provided for under this Title;

9 “(b) Income[, war profits, and excess profits] taxes
 10 imposed by authority of any foreign country; but this deduction
 11 shall be allowed in the case of a taxpayer who does not signify
 12 in his return his desire to have to any extent the benefits of
 13 paragraph (3) of this subsection (relating to credits for taxes of
 14 foreign countries);

15 “(c) Estate and donor’s taxes; AND

16 “(d) Taxes assessed against local benefits of a kind
 17 tending to increase the value of the property assessed[; and]:

18 [“(E) Electric energy consumption tax imposed by Batas
 19 Pambansa Blg. 36.]

20 *PROVIDED*, THAT TAXES ALLOWED UNDER THIS
 21 SUBSECTION, WHEN REFUNDED OR CREDITED, SHALL
 22 BE INCLUDED AS PART OF GROSS INCOME IN THE

1 YEAR OF RECEIPT TO THE EXTENT OF THE INCOME
2 TAX BENEFIT OF SAID DEDUCTION.

3 “(2) *Limitations on [d]Deductions.* -

4 “[(A)] In the case of a nonresident alien individual and a
5 foreign corporation, the deductions for taxes provided in
6 paragraph (1) of this subsection [(c)](C) shall be allowed only if
7 and to the extent that they are connected with income from
8 sources within the Philippines [;and].

9 [(B) In the case of a citizen of a foreign country residing
10 in the Philippines whose income from sources within such
11 foreign country is not taxable under this Title, only that portion
12 of the taxes paid to such foreign country which corresponds to
13 his taxable income under this Title shall be allowed as
14 deduction.]

15 “(3) *Credit [a]Against [t]Tax for [t]Taxes of [f]Foreign*
16 *[c]Countries.* - If the taxpayer signifies in his return his desire to have
17 the benefits of this paragraph, the tax imposed by this Title shall be
18 credited with:

19 “([A]a) *Citizen and [d]Domestic [c]Corporation.* - In the
20 case of a citizen of the Philippines and of a domestic
21 corporation, the amount of income[, war profits, and excess

1 profits] taxes paid or accrued during the taxable year to any
2 foreign country; AND

3 ["(B) *Alien resident of the Philippines.* - In the case of
4 an alien resident of the Philippines, the amount of any such taxes
5 paid or accrued during the taxable year to any foreign country, if
6 the foreign country of which such alien resident is a citizen or
7 subject, in imposing such taxes, allows a similar credit to
8 citizens of the Philippines residing in such country; and]

9 "[C)](b) *Partnerships and [e]Estates.* - In the case of any
10 such individual who is a member of a general professional
11 partnership or a beneficiary of an estate or trust, his
12 proportionate share of such taxes of the general professional
13 partnership or the estate or trust paid or accrued during the
14 taxable year to a foreign country, if his distributive share of the
15 income of such partnership or trust is reported for taxation under
16 this Title.

17 "[Nonresident] AN alien individual[s] and A foreign
18 corporation[s] shall not be allowed the credits against the tax for
19 the taxes of foreign countries allowed under this paragraph.

20 "(4) x x x

21 "(5) x x x

1 “(6) *Year in [w]Which [c]Credit [t]Taken.* - The credits provided
 2 for in [paragraph]SUBSECTION (C)(3) OF THIS SECTION may, at
 3 the option of the taxpayer and irrespective of the method of accounting
 4 employed in keeping his books, be taken in the year in which the taxes
 5 of the foreign country accrued, subject, however, to the conditions
 6 prescribed in [paragraph] SUBSECTION (C)(5) OF THIS SECTION.
 7 If the taxpayer elects to take such credits in the year in which the taxes
 8 of the foreign country accrued, the credits for all subsequent years
 9 shall be taken upon the same basis, and no portion of any such taxes
 10 shall be allowed as a deduction in the same or any succeeding year.

11 “(7) *Proof of [c]Credits.* - The credits provided in [paragraph]
 12 SUBSECTION (C)(3) shall be allowed only if the taxpayer establishes
 13 to the satisfaction of the Commissioner THE FOLLOWING:

- 14 “([A]a) x x x
- 15 “([B]b) x x x
- 16 “([C]c) x x x

17 [“(8) *Taxes of foreign subsidiary.* - For purposes of this
 18 subsection, a domestic corporation, which owns a majority of the
 19 voting stock of a foreign corporation from which it receives dividends
 20 in any taxable year shall be deemed to have paid the same proportion
 21 of any income, war profits, or excess profits taxes paid by such foreign
 22 corporation to any foreign country, upon or with respect to the
 23 accumulated profits of such foreign corporation from which such

1 dividends were paid which the amount of such dividend bears to the
2 amount of such accumulated profits: *Provided*, That the amount of tax
3 deemed to have been paid under this subsection shall in no case exceed
4 the same proportion of the tax against which credit is taken which the
5 amount of such dividends bears to the among of the entire taxable
6 income of the domestic corporation in which such dividends are
7 included. The term “accumulated profits” when used in this
8 subsection in reference to a foreign corporation, means the amount of
9 its gains, profits, or income in excess of the income, war profits, and
10 excess profits taxes imposed upon or with respect to such profits or
11 income; and the Commissioner shall have full power to determine from
12 the accumulated profits of what year or years such dividends were
13 paid, treating dividends paid in the first 60 days of any year as having
14 been paid from the accumulated profits of the preceding year or years
15 (unless to his satisfaction shown otherwise), and in other respects
16 treating dividends as having been paid from the most recently
17 accumulated gains, profits, or earnings. In the case of a foreign
18 corporation, the income, war profits, and excess profits taxes of which
19 are determined on the basis of an accounting period of less than one
20 year, the word ‘year’ as used in this subsection shall be construed to
21 mean such accounting period.]

22 [“(9) *Taxes of shareholder paid by corporation.* - The
23 deduction for taxes allowed by paragraph (c) shall be allowed to a

1 corporation in the case of taxes imposed upon a shareholder of the
2 corporation upon his interest as shareholder which are paid by the
3 corporation without reimbursement from the shareholder, but in such
4 cases no deduction shall be allowed the shareholder for the amount of
5 such taxes.]

6 “([d]D). *Losses.* -

7 “(1) *[By individuals] IN GENERAL.* - [In the case of individual,
8]Losses actually sustained during the taxable year and not
9 compensated for by insurance or [otherwise] OTHER FORMS OF
10 INDEMNITY SHALL BE ALLOWED AS DEDUCTIONS:

11 “([A]a) x x x

12 [“(B) If incurred in any transaction entered into for profit,
13 though not connected with the trade or business;]

14 “[([C])(b) Of property connected with the trade, [or]
15 business OR PROFESSION, if the loss arises from fires, storms,
16 shipwreck, or other casualties, or from robbery, theft, or
17 embezzlement.

18 “The Secretary of Finance, upon recommendation of the
19 Commissioner [of Internal Revenue], is hereby authorized to
20 promulgate rules and regulations prescribing, among other things,
21 the time and manner by which the taxpayer shall submit a
22 declaration of loss sustained from casualty or from robbery, theft

1 or embezzlement during the taxable year: *Provided, however,*
 2 That the time limit to be so prescribed in the regulations shall not
 3 be less than THIRTY (30) days nor more than NINETY (90)
 4 days from the date of [the occurrence] DISCOVERY of the
 5 casualty or robbery, theft, or embezzlement giving rise to the
 6 loss.

7 “[D)](c) No loss shall be allowed as a deduction under
 8 this [paragraph]SUBSECTION if at the time of the filing of the
 9 return, such loss has been claimed as a deduction for estate tax
 10 purposes in the estate tax return.

11 [“(2) *By corporation.* - In the case of a corporation, all
 12 losses actually sustained and charged off within the taxable year and
 13 not compensated for by insurance or otherwise.]

14 “[3)](2) *Proof of [L]Loss.* - In the case of a nonresident alien
 15 individual or foreign corporation, the losses deductible [are]SHALL
 16 BE those actually sustained during the year incurred in business,
 17 [or] trade OR EXERCISE OF A PROFESSION conducted within
 18 the Philippines, [and losses actually sustained during the year in
 19 transactions entered into for profit in the Philippines although not
 20 connected with their business or trade,] when such losses are not
 21 compensated for by insurance or [otherwise] OTHER FORMS OF
 22 INDEMNITY. The Secretary of Finance, upon recommendation of

1 the Commissioner [of Internal Revenue], is hereby authorized to
2 promulgate rules and regulations prescribing, among other things,
3 the time and manner by which the taxpayer shall submit a
4 declaration of loss sustained from casualty or from robbery, theft, or
5 embezzlement during the taxable year: *Provided*, That the time to
6 be so prescribed in the regulations shall not be less than THIRTY
7 (30) days nor more than NINETY (90) days from the date of [the
8 occurrence] DISCOVERY of the casualty or robbery, theft, or
9 embezzlement giving rise to the loss[.]; AND

10 (3) *NET OPERATING LOSS CARRY-OVER.* - THE
11 AGGREGATE NET OPERATING LOSS OF THE BUSINESS
12 FOR THE THREE (3) CONSECUTIVE TAXABLE YEARS
13 IMMEDIATELY PRECEDING THE TAXABLE YEAR, WHICH
14 HAD NOT BEEN PREVIOUSLY OFFSET AS DEDUCTION
15 FROM GROSS INCOME: *PROVIDED, HOWEVER*, THAT ANY
16 NET LOSS INCURRED IN A TAXABLE YEAR DURING
17 WHICH THE TAXPAYER WAS EXEMPT FROM INCOME
18 TAX SHALL NOT BE ALLOWED AS A DEDUCTION UNDER
19 THIS SUBSECTION: *PROVIDED, FURTHER*, THAT A NET
20 OPERATING LOSS CARRY-OVER SHALL BE ALLOWED
21 ONLY IF THERE HAS BEEN NO SUBSTANTIAL CHANGE IN
22 THE OWNERSHIP OF THE BUSINESS IN THAT -

1 (I) NOT LESS THAN SEVENTY-FIVE
 2 PERCENT (75%) IN NOMINAL VALUE OF
 3 OUTSTANDING ISSUED SHARES, IF THE
 4 BUSINESS IS IN THE NAME OF A CORPORATION,
 5 IS HELD BY OR ON BEHALF OF THE SAME
 6 PERSONS; OR

7 (II) NOT LESS THAN SEVENTY-FIVE
 8 PERCENT (75%) OF THE PAID UP CAPITAL OF THE
 9 CORPORATION, IF THE BUSINESS IS IN THE
 10 NAME OF A CORPORATION, IS HELD BY OR ON
 11 BEHALF OF THE SAME PERSONS.

12 FOR PURPOSES OF THIS SECTION, THE TERM
 13 'NET OPERATING LOSS' SHALL MEAN THE EXCESS
 14 OF ALLOWABLE DEDUCTION OVER GROSS
 15 INCOME OF THE BUSINESS IN A TAXABLE YEAR:

16 *PROVIDED*, THAT FOR MINES OTHER THAN OIL
 17 AND GAS WELLS, A NET OPERATING LOSS WITHOUT
 18 THE BENEFIT OF INCENTIVES PROVIDED FOR UNDER
 19 EXECUTIVE ORDER NO. 226, AS AMENDED, OTHERWISE
 20 KNOWN AS THE OMNIBUS INVESTMENTS CODE OF
 21 1987, INCURRED IN ANY OF THE FIRST TEN (10)
 22 YEARS OF OPERATION MAY BE CARRIED OVER AS A
 23 DEDUCTION FROM TAXABLE INCOME FOR THE

1 NEXT FIVE (5) YEARS IMMEDIATELY FOLLOWING THE
 2 YEAR OF SUCH LOSS. THE ENTIRE AMOUNT OF THE
 3 LOSS SHALL BE CARRIED OVER TO THE FIRST OF THE
 4 FIVE (5) TAXABLE YEARS FOLLOWING THE LOSS, AND
 5 ANY PORTION OF SUCH LOSS WHICH EXCEEDS THE
 6 TAXABLE INCOME OF SUCH FIRST YEAR SHALL BE
 7 DEDUCTED IN LIKE MANNER FROM THE TAXABLE
 8 INCOME OF THE NEXT REMAINING FOUR (4) YEARS.

9 “(4) x x x

10 “(5) x x x

11 “(6) x x x.

12 “(7)) x x x

13 “([e]E) *Bad [d]Debts.* -

14 “(1) *In [g]General.* - Debts due to the taxpayer
 15 actually ascertained to be worthless and charged off
 16 within the taxable year except those not connected with
 17 profession, trade or business and those sustained in a
 18 transaction entered into between parties mentioned under
 19 Section [30]35([b]B) of this Code: *PROVIDED, THAT*
 20 *RECOVERY OF BAD DEBTS PREVIOUSLY*
 21 *ALLOWED AS DEDUCTION IN PRECEDING YEARS*
 22 *SHALL BE INCLUDED AS PART OF THE GROSS*
 23 *INCOME IN THE YEAR OF RECOVERY TO THE*

1 EXTENT OF THE INCOME TAX BENEFIT OF SAID
2 DEDUCTION.

3 “(2) x x x

4 “([f]F) Depreciation. -

5 “(1) x x x

6 “(2) x x x

7 “(3) Agreement as to [u]Useful [l]Life on which
8 [d]Depreciation [r]Rate is [b]Based. - Where under
9 RULES AND regulations prescribed by the Secretary of
10 Finance, UPON THE RECOMMENDATION OF THE
11 COMMISSIONER, the taxpayer and the Commissioner
12 [of Internal Revenue] have entered into an agreement in
13 writing specifically dealing with the useful life and rate of
14 depreciation of any property, the rate so agreed upon
15 shall be binding on both the taxpayer and the [Secretary of
16 Finance] NATIONAL GOVERNMENT in the absence of
17 facts and circumstances not taken into consideration [in
18 the] DURING the adoption of such agreement. The
19 responsibility of establishing the existence of such facts
20 and circumstances shall rest with the party initiating the
21 modification. Any change in the agreed rate and useful life
22 OF THE DEPRECIABLE PROPERTY AS specified in
23 the agreement shall not be effective for taxable years

1 [before]PRIOR TO the taxable year in which notice in
 2 writing by certified mail or registered mail is served by the
 3 party INITIATING SUCH CHANGE to the OTHER
 4 PARTY TO THE agreement [initiating such change]:

5 PROVIDED, HOWEVER, THAT WHERE THE
 6 TAXPAYER HAS ADOPTED SUCH USEFUL LIFE
 7 AND DEPRECIATION RATE FOR ANY
 8 DEPRECIABLE ASSET AND CLAIMED THE
 9 DEPRECIATION EXPENSES AS DEDUCTION FROM
 10 HIS GROSS INCOME, WITHOUT ANY WRITTEN
 11 OBJECTION ON THE PART OF THE
 12 COMMISSIONER OR HIS DULY AUTHORIZED
 13 REPRESENTATIVE, THE AFORESAID USEFUL
 14 LIFE AND DEPRECIATION RATE SO ADOPTED BY
 15 THE TAXPAYER FOR THE AFORESAID
 16 DEPRECIABLE ASSET SHALL BE CONSIDERED
 17 BINDING FOR PURPOSES OF THIS SUBSECTION.

18 “(4) *Depreciation of [p]Properties [u]Used in*
 19 *[p]Petroleum [o]Operations.* - An allowance for
 20 depreciation in respect [to] OF all properties directly
 21 related to production of petroleum initially placed in
 22 service in a taxable year under the straight-line or [double-]

1 declining balance method of depreciation at the
2 option of the service contractor.

3 “However, if the service contractor initially
4 elects the [double-]declining BALANCE method, it
5 may at any subsequent date, shift to the straight-line
6 method.

7 “The useful life of properties used in or related
8 to production of petroleum shall be TEN (10) years
9 or such shorter life as may be permitted by the
10 Commissioner [of Internal Revenue].

11 “X X X

12 (5) *DEPRECIATION OF PROPERTIES*
13 *USED IN MINING OPERATIONS. - AN*
14 *ALLOWANCE FOR DEPRECIATION IN*
15 *RESPECT OF ALL PROPERTIES USED IN*
16 *MINING OPERATIONS OTHER THAN*
17 *PETROLEUM OPERATIONS, SHALL BE*
18 *COMPUTED AS FOLLOWS:*

19 (A) AT THE NORMAL RATE OF
20 DEPRECIATION IF THE EXPECTED LIFE
21 IS TEN (10) YEARS OR LESS; OR

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(B) DEPRECIATED OVER ANY
NUMBER OF YEARS BETWEEN FIVE
(5) YEARS AND THE EXPECTED LIFE IF
THE LATTER IS MORE THAN TEN (10)
YEARS, AND THE DEPRECIATION
THEREON ALLOWED AS DEDUCTION
FROM TAXABLE INCOME: PROVIDED,
THAT THE CONTRACTOR NOTIFIES
THE COMMISSIONER AT THE
BEGINNING OF THE DEPRECIATION PERIOD
WHICH DEPRECIATION RATE ALLOWED
BY THIS SECTION WILL BE USED.

“(5)(6) *Depreciation [d]Deductible by [n]Nonresident
[a]Aliens or [f]Foreign [c]Corporations.* - In the case of
a nonresident alien individual or foreign corporation, a
reasonable allowance for the deterioration of property arising
out of its use or employment or its non-use in the business,
[or] trade OR PROFESSION shall be permitted only when
such property is located in the Philippines.

“(g)G). *Depletion of [o]Oil and [g]Gas [w]Wells and [m]Mines.*

“(1) *In [g]General.* - In the case of oil and gas
wells [and] OR mines, a reasonable allowance for
depletion or amortization computed in accordance with

1 the cost depletion method shall be granted under
 2 rules and regulations to be prescribed by the Secretary
 3 of Finance, UPON RECOMMENDATION OF THE
 4 COMMISSIONER: *Provided*, That when the allowance
 5 FOR DEPLETION shall equal the capital invested no
 6 further allowance shall be granted: *Provided, further*,
 7 That after production in commercial quantities has
 8 commenced, certain intangible exploration and
 9 development drilling costs (A) shall be deductible in the
 10 year incurred if such expenditures are incurred for non-
 11 producing wells AND/OR MINES, or (B) shall be
 12 deductible in full in the year paid or incurred or, at the
 13 election of the taxpayer, may be capitalized and amortized
 14 if such expenditures incurred are for producing wells
 15 AND/OR MINES in the same contract area.

16 "X X X

17 "X X X

18 "(2) *Election to [d]Deduct [e]Exploration and*
 19 *[d]Development [e]Expenditures.* - In computing taxable
 20 income FROM MINING OPERATIONS, the taxpayer
 21 may, at his option, deduct exploration and
 22 development expenditures accumulated as cost or
 23 adjusted basis for cost depletion [as of January 1, 1978, as

1 well] as OF DATE OF PROSPECTING AS WELL AS
2 exploration and development expenditures paid or
3 incurred during the taxable year: *Provided*, That the total
4 amount deductible for exploration and development
5 expenditures shall not exceed twenty-five percent (25%)
6 of the [taxable]NET income from mining operations
7 computed without the benefit of any tax incentives under
8 existing laws. [This subparagraph shall not apply to
9 expenditures for the acquisition or improvement of
10 property of a character which is subject to the allowance
11 for depreciation under Section 29(f)(1) of this Code but
12 the allowance for depreciation thereon shall be treated as
13 expenditure]. THE ACTUAL EXPLORATION AND
14 DEVELOPMENT EXPENDITURES MINUS
15 TWENTY-FIVE PER CENTUM (25%) OF THE NET
16 INCOME FROM MINING SHALL BE CARRIED
17 FORWARD TO THE SUCCEEDING YEARS UNTIL
18 FULLY DEDUCTED.

19 “The election by the taxpayer to deduct the
20 exploration and development expenditures is irrevocable
21 and shall be binding in succeeding taxable years.

22 NET INCOME FROM MINING OPERATIONS
23 AS USED IN THIS SUBSECTION SHALL MEAN

1 GROSS INCOME FROM OPERATIONS LESS
 2 ALLOWABLE DEDUCTIONS WHICH ARE
 3 NECESSARY OR RELATED TO MINING
 4 OPERATIONS. ALLOWABLE DEDUCTIONS SHALL
 5 INCLUDE MINING, MILLING AND MARKETING
 6 EXPENSES, DEPRECIATION OF PROPERTIES
 7 DIRECTLY USED IN THE MINING OPERATIONS.
 8 THIS PARAGRAPH SHALL NOT APPLY TO
 9 EXPENDITURES FOR THE ACQUISITION OR
 10 IMPROVEMENT OF PROPERTY OF A CHARACTER
 11 WHICH IS SUBJECT TO THE ALLOWANCE FOR
 12 DEPRECIATION.

13 "In no case shall this paragraph apply with respect
 14 to amounts paid or incurred for the exploration and
 15 development of oil and gas.

16 "The term 'exploration expenditures' means
 17 expenditures paid or incurred for the purpose of
 18 ascertaining the existence, location, extent, or quality of
 19 any deposit of ore or other mineral, and paid or incurred
 20 before the beginning of the development stage of the mine
 21 or deposit.

22 "The term 'development expenditures' means
 23 expenditures paid or incurred during the development

1 stage of the mine or other natural deposits. The
2 development stage of a mine or other natural deposit shall
3 begin at the time when deposits of ore or other minerals
4 are shown to exist in sufficient commercial quantity and
5 quality and shall end upon commencement of actual
6 commercial extraction.

7 “(3) *Depletion of [o]Oil and [g]Gas [w]Wells and*
8 *[m]Mines [d]Deductible by a [n]Nonresident [a]Alien*
9 *[l]Individual or [f]Foreign [c]Corporation.* - In the case
10 of a nonresident alien individual or a foreign corporation,
11 allowance for depletion of oil and gas wells or mines
12 under [sub]paragraph (1) OF THIS SUBSECTION shall
13 be authorized only in respect to oil and gas wells or mines
14 located within the Philippines.

15 “([h]H). *Charitable and [o]Other [c]Contributions.* -

16 “(1) *In [g]General.* - Contributions or gifts actually
17 paid or made within the taxable year to, or for the use of
18 the Government of the Philippines or any of its agencies
19 or any political subdivision thereof [for] exclusively FOR
20 public purposes, or to domestic corporations or
21 associations organized and operated exclusively for
22 religious, charitable, scientific, youth and sports
23 development, cultural or educational purposes or for the

1 rehabilitation of veterans, or to social welfare institutions,
 2 OR TO NON-GOVERNMENT ORGANIZATIONS,
 3 DULY ACCREDITED BY AN APPROPRIATE
 4 GOVERNMENT AGENCY IN ACCORDANCE WITH
 5 RULES AND REGULATIONS PROMULGATED BY
 6 THE SECRETARY OF FINANCE, UPON
 7 RECOMMENDATION OF THE COMMISSIONER, no
 8 part of the net income of which inures to the benefit of
 9 any private stockholder or individual in an amount not in
 10 excess of [(6%)] TEN PERCENT (10%) in the case of an
 11 individual, and [3%] FIVE PERCENT (5%) in the case
 12 of a corporation, of the taxpayer's taxable income derived
 13 from TRADE, business OR PROFESSION as computed
 14 without the benefit of this and the following
 15 subparagraphs.

16 “(2) Contributions [d]Deductible in [f]Full. -

17 Notwithstanding the provisions of the preceding
 18 subparagraph, donations to the following institutions or
 19 entities shall be deductible in full:

20 “([A]a) Donations to the Government. -

21 Donations to the Government of the Philippines or
 22 to any of its agencies or political subdivisions
 23 including fully-owned government corporations

1 exclusively to finance, to provide for, or to be used
 2 in undertaking priority activities in education,
 3 health, youth and sports development, human
 4 settlements, science and culture, and in economic
 5 development according to a national priority plan
 6 [to be] determined by the NATIONAL
 7 ECONOMIC AND DEVELOPMENT
 8 AUTHORITY (NEDA), in consultation with
 9 appropriate government agencies, including its
 10 regional development councils and private
 11 philanthropic persons and institutions: *Provided,*
 12 That any donation which is made to the
 13 Government or to any of its agencies or political
 14 subdivisions not in accordance with the said annual
 15 priority plan shall be subject to the limitations
 16 prescribed in [sub]paragraph (1) of this [Section]
 17 SUBSECTION;

18 “([B]b) x x x

19 “([C]c) *Donations to [certain private*
 20 *foundations] ACCREDITED NON-GOVERNMENT*
 21 *ORGANIZATIONS.* - The term [**private**
 22 **foundation**’] **‘NON-GOVERNMENT**

ORGANIZATION' means a nonprofit domestic corporation:

“(i) x x x

“(ii) x x x

“(iii) x x x

“(iv) x x x

“Subject to such terms and conditions as may be prescribed by the Secretary of Finance, the term **'utilization'** means:

“([i]I) Any amount in cash or in kind (including administrative expenses) paid or utilized to accomplish one or more purposes for which the [private foundation] ACCREDITED NON-GOVERNMENT ORGANIZATION was created or organized.

“([ii]II) Any amount paid to acquire an asset used (or held for use) directly in carrying out one or more purposes for which the [foundation] ACCREDITED NON-GOVERNMENT ORGANIZATION was created or organized.

“An amount set aside for a specific project which comes within one or more purposes of the [foundation] ACCREDITED

1 NON-GOVERNMENT ORGANIZATION may be
2 treated as a utilization, but only if at the time
3 such amount is set aside, the [private
4 foundation] ACCREDITED NON-GOVERNMENT
5 ORGANIZATION [establishes] HAS
6 ESTABLISHED to the satisfaction of the
7 Commissioner [of Internal Revenue] that the
8 amount will be paid for the specific project within a
9 period to be prescribed in RULES AND
10 regulations to be promulgated by the Secretary of
11 Finance UPON RECOMMENDATION OF THE
12 COMMISSIONER, but not to exceed FIVE (5)
13 years, and the project is one which can be better
14 accomplished by setting aside such amount than by
15 immediate payment of funds.

16 “(3) *Valuation.* - [Properties other than cash
17 donated shall be valued in accordance with the rules and
18 regulations prescribed by the Secretary of Finance in
19 consultation with appropriate government agencies.]THE
20 AMOUNT OF ANY CHARITABLE CONTRIBUTION
21 OF PROPERTY OTHER THAN MONEY SHALL BE
22 VALUED BASED ON THE HISTORICAL OR
23 ACQUISITION COST OF SAID PROPERTY.

1 “(4) *Proof of [d]Deductions.* - Contributions or
2 gifts shall be allowable as deduction only if verified under
3 the RULES AND regulations prescribed by the Secretary
4 of Finance, UPON RECOMMENDATION OF THE
5 COMMISSIONER.

6 (I). *RESEARCH AND DEVELOPMENT.* -

7 (1) *IN GENERAL.* - A TAXPAYER MAY TREAT
8 RESEARCH OR DEVELOPMENT EXPENDITURES
9 WHICH ARE PAID OR INCURRED BY HIM DURING
10 THE TAXABLE YEAR IN CONNECTION WITH HIS
11 TRADE, BUSINESS OR PROFESSION AS
12 ORDINARY AND NECESSARY EXPENSES WHICH
13 ARE NOT CHARGEABLE TO CAPITAL ACCOUNT.
14 THE EXPENDITURES SO TREATED SHALL BE
15 ALLOWED AS DEDUCTION DURING THE
16 TAXABLE YEAR WHEN PAID OR INCURRED.

17 (2) *AMORTIZATION OF CERTAIN RESEARCH*
18 *AND DEVELOPMENT EXPENDITURES.* - AT THE
19 ELECTION OF THE TAXPAYER AND IN
20 ACCORDANCE WITH THE RULES AND
21 REGULATIONS TO BE PRESCRIBED BY THE
22 SECRETARY OF FINANCE, UPON
23 RECOMMENDATION OF THE COMMISSIONER,

1 THE FOLLOWING RESEARCH AND
2 DEVELOPMENT EXPENDITURES MAY BE
3 TREATED AS DEFERRED EXPENSES:

4 (A) PAID OR INCURRED BY THE
5 TAXPAYER IN CONNECTION WITH HIS
6 TRADE, BUSINESS OR PROFESSION;

7 (B) NOT TREATED AS EXPENSES
8 UNDER PARAGRAPH (1) HEREOF; AND

9 (C) CHARGEABLE TO CAPITAL
10 ACCOUNT BUT NOT CHARGEABLE TO
11 PROPERTY OF A CHARACTER WHICH IS
12 SUBJECT TO DEPRECIATION OR
13 DEPLETION.

14 IN COMPUTING TAXABLE INCOME,
15 SUCH DEFERRED EXPENSES SHALL BE
16 ALLOWED AS DEDUCTION RATABLY
17 DISTRIBUTED OVER A PERIOD OF NOT
18 LESS THAN SIXTY (60) MONTHS AS MAY BE
19 ELECTED BY THE TAXPAYER (BEGINNING
20 WITH THE MONTH IN WHICH THE
21 TAXPAYER FIRST REALIZES BENEFITS
22 FROM SUCH EXPENDITURES).

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THE ELECTION PROVIDED BY
PARAGRAPH (2) HEREOF MAY BE MADE
FOR ANY TAXABLE YEAR BEGINNING
AFTER THE EFFECTIVITY OF THIS ACT, BUT
ONLY IF MADE NOT LATER THAN THE TIME
PRESCRIBED BY LAW FOR FILING THE
RETURN FOR SUCH TAXABLE YEAR. THE
METHOD SO ELECTED, AND THE PERIOD
SELECTED BY THE TAXPAYER, SHALL BE
ADHERED TO IN COMPUTING TAXABLE
INCOME FOR THE TAXABLE YEAR FOR
WHICH THE ELECTION IS MADE AND FOR
ALL SUBSEQUENT TAXABLE YEARS
UNLESS, WITH THE APPROVAL OF THE
COMMISSIONER, A CHANGE TO A
DIFFERENT METHOD IS AUTHORIZED WITH
RESPECT TO A PART OR ALL OF SUCH
EXPENDITURES. THE ELECTION SHALL NOT
APPLY TO ANY EXPENDITURE PAID OR
INCURRED DURING ANY TAXABLE YEAR
PRIOR TO THE TAXABLE YEAR FOR WHICH
THE TAXPAYER MAKES THE ELECTION.

1 (3) *LIMITATIONS ON DEDUCTION.* - THIS
2 SUBSECTION SHALL NOT APPLY TO:

3 (A) ANY EXPENDITURE FOR THE
4 ACQUISITION OR IMPROVEMENT OF
5 LAND, OR FOR THE IMPROVEMENT OF
6 PROPERTY TO BE USED IN CONNECTION
7 WITH RESEARCH AND DEVELOPMENT OF
8 A CHARACTER WHICH IS SUBJECT TO
9 DEPRECIATION AND DEPLETION; AND

10 (B) ANY EXPENDITURE PAID OR
11 INCURRED FOR THE PURPOSE OF
12 ASCERTAINING THE EXISTENCE,
13 LOCATION, EXTENT, OR QUALITY OF ANY
14 DEPOSIT OF ORE OR OTHER MINERAL,
15 INCLUDING OIL OR GAS.

16 “[i](J) *Pension [t]Trusts.* - An employer establishing or
17 maintaining a pension trust to provide for the payment of reasonable
18 pensions to his employees shall be allowed as a deduction (in addition
19 to the contributions to such trust during the taxable year to cover the
20 pension liability accruing during the year, allowed as a deduction under
21 subsection ([a]A)(1) of this Section) a reasonable amount transferred or
22 paid into such trust during the taxable year in excess of such
23 contributions, but only if such amount (1) has not [therefore]

1 THERETOFORE been allowable as a deduction, and (2) is apportioned
2 in equal parts over a period of TEN (10) consecutive years beginning
3 with the year in which the transfer or payment is made.

4 “(j)(K). *Additional [r]Requirements for [d]Deductibility of*
5 *[c]Certain [p]Payments. - x x x*

6 “(k)(L) *Optional [s]Standard [d]Deduction. --* In lieu of the
7 deductions allowed under the preceding [paragraphs] SUBSECTIONS
8 [of this Section], an individual subject to tax under Section [21(a)] 24,
9 other than a nonresident alien, may elect a standard deduction in an
10 amount not exceeding ten percent (10%) of his gross income. Unless
11 the taxpayer signifies in his return his intention to elect the optional
12 standard deduction, he shall be considered as having availed himself of
13 the deductions allowed in the preceding subsectionS. [The Secretary
14 of Finance shall prescribe the manner of the election.] Such election
15 when made in the return shall be irrevocable for the taxable year for
16 which the return is made: *PROVIDED, THAT AN INDIVIDUAL*
17 *WHO IS ENTITLED TO AND CLAIMED FOR THE OPTIONAL*
18 *STANDARD DEDUCTION SHALL NOT BE REQUIRED TO*
19 *SUBMIT WITH HIS TAX RETURN SUCH FINANCIAL*
20 *STATEMENTS OTHERWISE REQUIRED UNDER THIS CODE:*
21 *PROVIDED, FURTHER, THAT EXCEPT WHEN THE*
22 *COMMISSIONER OTHERWISE PERMITS, THE SAID*
23 *INDIVIDUAL SHALL KEEP SUCH RECORDS PERTAINING TO*

1 HIS GROSS INCOME DURING THE TAXABLE YEAR, AS MAY
2 BE REQUIRED BY THE RULES AND REGULATIONS
3 PROMULGATED BY THE SECRETARY OF FINANCE UPON
4 RECOMMENDATION OF THE COMMISSIONER.

5 "X X X"

6 **SECTION 37. Subsection 29(l) of the Code is hereby repealed and a**
7 **new Section 34 is hereby created to read as follows:**

8 SEC. 34. *ALLOWANCE OF PERSONAL EXEMPTION FOR*
9 *INDIVIDUAL TAXPAYER.* - (A) FOR PURPOSES OF
10 DETERMINING THE TAX PROVIDED IN SECTION 24(A) OF
11 THIS TITLE, THERE SHALL BE ALLOWED A BASIC PERSONAL
12 EXEMPTION OF TWENTY-FIVE THOUSAND PESOS (P25,000)
13 FOR EVERY INDIVIDUAL TAXPAYER.

14 IN THE CASE OF MARRIED INDIVIDUALS WHERE
15 ONLY ONE OF THE SPOUSES IS DERIVING GROSS INCOME,
16 ONLY SUCH SPOUSE SHALL BE ALLOWED THE PERSONAL
17 EXEMPTION.

18 (B) *ADDITIONAL EXEMPTION FOR DEPENDENTS.* -
19 THERE SHALL BE ALLOWED AN ADDITIONAL EXEMPTION
20 OF SIX THOUSAND FIVE HUNDRED PESOS (P6,500) FOR
21 EACH DEPENDENT NOT EXCEEDING FOUR (4).

1 THE ADDITIONAL EXEMPTION FOR DEPENDENTS
2 SHALL BE CLAIMED BY ONLY ONE OF THE SPOUSES IN THE
3 CASE OF MARRIED INDIVIDUALS.

4 IN THE CASE OF LEGALLY SEPARATED SPOUSES,
5 ADDITIONAL EXEMPTIONS MAY BE CLAIMED ONLY BY THE
6 SPOUSE WHO HAS CUSTODY OF THE CHILD OR CHILDREN:
7 *PROVIDED*, THAT THE TOTAL AMOUNT OF ADDITIONAL
8 EXEMPTIONS THAT MAY BE CLAIMED BY BOTH SHALL NOT
9 EXCEED THE MAXIMUM ADDITIONAL EXEMPTIONS HEREIN
10 ALLOWED.

11 FOR PURPOSES OF THIS SUBSECTION, A 'DEPENDENT'
12 MEANS A LEGITIMATE, RECOGNIZED NATURAL OR
13 LEGALLY ADOPTED CHILD CHIEFLY DEPENDENT UPON
14 AND LIVING WITH THE TAXPAYER IF SUCH DEPENDENT IS
15 NOT MORE THAN TWENTY-ONE (21) YEARS OF AGE,
16 UNMARRIED AND NOT GAINFULLY EMPLOYED OR IF SUCH
17 DEPENDENT, REGARDLESS OF AGE, IS INCAPABLE OF SELF-
18 SUPPORT BECAUSE OF MENTAL OR PHYSICAL DEFECT.

19 (C) *CHANGE OF STATUS.* - IF THE TAXPAYER
20 MARRIES OR SHOULD HAVE ADDITIONAL DEPENDENT(S)
21 AS DEFINED ABOVE DURING THE TAXABLE YEAR, THE
22 TAXPAYER MAY CLAIM THE CORRESPONDING

1 ADDITIONAL EXEMPTION, AS THE CASE MAY BE, IN FULL
2 FOR SUCH YEAR.

3 IF THE TAXPAYER DIES DURING THE TAXABLE YEAR,
4 HIS ESTATE MAY STILL CLAIM THE PERSONAL AND
5 ADDITIONAL EXEMPTIONS FOR HIMSELF AND HIS
6 DEPENDENT(S) AS IF HE DIED AT THE CLOSE OF SUCH YEAR.

7 IF THE SPOUSE OR ANY OF THE DEPENDENTS DIES OR IF
8 ANY OF SUCH DEPENDENTS MARRIES, BECOMES TWENTY-
9 ONE (21) YEARS OLD OR BECOMES GAINFULLY EMPLOYED
10 DURING THE TAXABLE YEAR, THE TAXPAYER MAY STILL
11 CLAIM THE SAME EXEMPTIONS AS IF THEY DIED, OR IF SUCH
12 DEPENDENTS MARRY, BECOME TWENTY-ONE (21) YEARS OLD
13 OR BECOME GAINFULLY EMPLOYED AT THE CLOSE OF SUCH
14 YEAR.

15 “(D) *PERSONAL EXEMPTION ALLOWABLE TO*
16 *NONRESIDENT ALIEN INDIVIDUAL.* - A NONRESIDENT
17 ALIEN INDIVIDUAL ENGAGED IN TRADE, BUSINESS OR
18 IN THE EXERCISE OF A PROFESSION IN THE PHILIPPINES
19 SHALL BE ENTITLED TO PERSONAL EXEMPTION IN THE
20 AMOUNT EQUAL TO THE EXEMPTIONS ALLOWED IN THE
21 INCOME TAX LAW IN THE COUNTRY OF WHICH HE IS A
22 SUBJECT OR CITIZEN, TO CITIZENS OF THE PHILIPPINES
23 NOT RESIDING IN SUCH COUNTRY, NOT TO EXCEED THE

1 AMOUNT FIXED IN THE PRECEDING SECTION AS
 2 EXEMPTION FOR CITIZENS OR RESIDENTS OF THE
 3 PHILIPPINES: *PROVIDED*, THAT SAID NONRESIDENT ALIEN
 4 SHOULD FILE A TRUE AND ACCURATE RETURN OF THE
 5 TOTAL INCOME RECEIVED BY HIM FROM ALL SOURCES IN
 6 THE PHILIPPINES, AS REQUIRED BY THIS TITLE.

7 **SECTION 38. Section 34 of the Code is renumbered as Section 39 and is**
 8 **amended to read as follows:**

9 "SEC. [34] 39. *Determination of amount [of] and recognition*
 10 *of gain or loss. -*

11 "[a]A) *Computation of [g]Gain or [l]Loss. - x x x.*

12 "[b]B) *Basis for determining gain or loss from disposition of*
 13 *property. - x x x.*

14 (1) The cost thereof in the case of property acquired on or
 15 [before] AFTER March 1, 1913, if such property was
 16 acquired by purchase; or

17 "(2) x x x

18 "(3) x x x

19 "(4) If the property [,other than capital asset referred to in
 20 Section 21 (e),] was acquired for less than an adequate
 21 consideration in money or money's worth, the basis of
 22 such property is [(i)] the amount paid by the transferee

1 for the property [or (ii) the transferor's adjusted basis at
2 the time of the transfer whichever is greater].

3 "(5) x x x

4 "[c]C Exchange of Property. - x x x

5 "(1) General Rule. - x x x

6 "(2) Exception. - x x x.

7 (a) x x x.

8 (b) x x x.

9 (c) x x x.

10 No gain or loss shall also be recognized if property is
11 transferred to a corporation by person in exchange for stock OR UNIT
12 OF PARTICIPATION in such a corporation of which as a result of
13 such exchange said person, alone or together with others, not
14 exceeding four (4) persons, gains control of said corporation[;]:
15 *Provided*, That stocks issued for services shall not be considered as
16 issued in return for property.

17 **SECTION 39.** A new Section is hereby inserted after Section 41, now
18 **Section 46 of the Code to read as follows:**

19 "SEC. 47. *ACCOUNTING FOR LONG-TERM CONTRACTS.*

20 - INCOME FROM LONG-TERM CONTRACTS SHALL BE
21 REPORTED FOR TAX PURPOSES IN THE MANNER AS
22 PROVIDED IN THIS SECTION. AS USED HEREIN, THE TERM
23 'LONG-TERM CONTRACTS' MEANS BUILDING,

1 INSTALLATION, OR CONSTRUCTION CONTRACTS
2 COVERING A PERIOD IN EXCESS OF ONE (1) YEAR.
3 PERSONS WHOSE GROSS INCOME IS DERIVED IN WHOLE OR
4 IN PART FROM SUCH CONTRACTS SHALL REPORT SUCH
5 INCOME UPON THE BASIS OF PERCENTAGE OF
6 COMPLETION. THE RETURN SHOULD BE ACCOMPANIED
7 BY A CERTIFICATE OF ARCHITECTS, OR
8 ENGINEERS SHOWING THE PERCENTAGE OF COMPLETION
9 DURING THE TAXABLE YEAR OF THE ENTIRE WORK
10 PERFORMED UNDER CONTRACT. THERE SHOULD BE
11 DEDUCTED FROM SUCH GROSS INCOME ALL
12 EXPENDITURES MADE DURING THE TAXABLE YEAR ON
13 ACCOUNT OF THE CONTRACT, ACCOUNT BEING TAKEN OF
14 THE MATERIAL AND SUPPLIES ON HAND AT THE
15 BEGINNING AND END OF THE TAXABLE PERIOD FOR USE IN
16 CONNECTION WITH THE WORK UNDER THE CONTRACT
17 BUT NOT YET SO APPLIED. IF UPON COMPLETION OF A
18 CONTRACT, IT IS FOUND THAT THE TAXABLE NET INCOME
19 ARISING THEREUNDER HAS NOT BEEN CLEARLY
20 REFLECTED FOR ANY YEAR OR YEARS, THE
21 COMMISSIONER MAY PERMIT OR REQUIRE AN AMENDED
22 RETURN."

1 **SECTION 40. Section 44 of the Code is hereby renumbered as**

2 **Section 50 and amended to read as follows:**

3 “SEC. [44] 50. *Individual Return[s]*. -- ([a]A) *Requirements.* --

4 (1) Except as provided in paragraph (2) of this Section, the
5 following individuals are required to file an income tax return:

6 (A) Every Filipino citizen, [whether] residing in the
7 Philippines [or abroad],

8 (B) EVERY FILIPINO CITIZEN, RESIDING OUTSIDE
9 THE PHILIPPINES, ON HIS INCOME FROM
10 SOURCES WITHIN THE PHILIPPINES,

11 [(B)] (C) Every alien residing in the Philippines, [regardless
12 of whether the] ON [gross] income [was] derived from
13 sources within [or without] the Philippines, and

14 [(C)] (D) Every nonresident alien engaged in trade or
15 business OR IN THE EXERCISE OF PROFESSION in
16 the Philippines.

17 (2) The following individuals shall not be required to file an
18 income tax return:

19 (A) AN [Individuals] INDIVIDUAL whose gross income
20 does not exceed his total personal and additional
21 exemptions for dependents under Section [29]34:
22 *Provided*, That a citizen of the Philippines [engaged in

1 business or practice of profession within or without
2 the Philippines] and any alien individual engaged in
3 business or practice of profession within the
4 Philippines shall file an income tax return, regardless of
5 the amount of gross income.

6 [(B) Regardless of the amount of income, the following
7 individuals shall not also be required to file an income tax
8 return:

9 (i) Individuals whose income consists solely of
10 interest, prizes, winnings, royalties, dividends, share of
11 an individual person in a partnership referred to under
12 Section 21(c);

13 (ii) Alien employees of regional or area headquarters
14 of multinational corporations with respect to income
15 referred to under Section 22(c);

16 (iii) Aliens employed by offshore banking units with
17 respect to income under Section 22(d);

18 (iv) Alien employees of service contractors and
19 subcontractors engaged in petroleum exploration in the
20 Philippines with respect to income referred to under
21 Section 22(e); and

1 (v) Other individuals not required to file an income tax
2 return, pursuant to other provisions of this Code and
3 other laws, general or special.]

4 [(C)] (B) AN [Individuals] INDIVIDUAL with respect to
5 pure compensation income, as defined in Section [28]
6 31([a]A)(1), derived from sources within the Philippines,
7 the income tax on which has been CORRECTLY
8 withheld under the provisions of Section [(72)] 78 of this
9 Code: *Provided*, That an individual deriving
10 compensation concurrently from two or more employers
11 at any time during the taxable year shall file an income
12 tax return: *Provided, further*, That an individual whose
13 pure compensation income DERIVED FROM
14 SOURCES WITHIN THE PHILIPPINES exceeds
15 [Sixty] SEVENTY-SIX Thousand Pesos (P76,000) shall
16 [also] file an income tax return.

17 (C) AN INDIVIDUAL WHOSE SOLE INCOME HAS
18 BEEN SUBJECTED TO FINAL WITHHOLDING
19 TAX PURSUANT TO SECTION 56(A) OF THIS
20 CODE, AND

21 (D) AN INDIVIDUAL WHO IS EXEMPT FROM
22 INCOME TAX PURSUANT TO THE PROVISIONS

1 OF THIS CODE AND OTHER LAWS, GENERAL OR
2 SPECIAL.

3 (3) THE FOREGOING NOTWITHSTANDING, ANY
4 INDIVIDUAL NOT REQUIRED TO FILE AN INCOME
5 TAX RETURN MAY NEVERTHELESS BE REQUIRED
6 TO FILE AN INFORMATION RETURN PURSUANT
7 TO RULES AND REGULATIONS PRESCRIBED
8 BY THE SECRETARY OF FINANCE, UPON
9 RECOMMENDATION OF THE COMMISSIONER.”

10 [(3)] (4) The income tax return shall be filed in duplicate[, and
11 shall set forth specifically the gross amount of income from
12 all sources, except that of nonresident aliens engaged in trade
13 or business in the Philippines, which shall contain only such
14 income derived from sources within the Philippines.] BY
15 THE FOLLOWING PERSONS:

16 (A) *A RESIDENT CITIZEN* -- ON HIS INCOME
17 FROM ALL SOURCES;

18 (B) *A NON-RESIDENT CITIZEN* -- ON HIS
19 INCOME DERIVED FROM SOURCES
20 WITHIN THE PHILIPPINES;

21 (C) *A RESIDENT ALIEN* -- ON HIS
22 INCOME DERIVED FROM SOURCES
23 WITHIN THE PHILIPPINES;

(D) A NON-RESIDENT ALIEN -- ON HIS INCOME DERIVED FROM SOURCES WITHIN THE PHILIPPINES.

(b) Where to file. -- Except in cases where the Commissioner [of Internal Revenue] otherwise permits, the return shall be filed with AN AUTHORIZED AGENT BANK, Revenue District Officer, Collection Agent or duly authorized treasurer of the CITY OR municipality in which such person has his legal residence or principal place of business in the Philippines, or if there be no legal residence or place of business in the Philippines, [then] with the Office of the Commissioner of Internal Revenue.

x x x”

SECTION 41. Section 45 of the Code is renumbered as Section 51 and paragraph (c) thereof is amended to read as follows:

“SEC. [45] 51. Corporation Returns.
“x x x

(c) Return of [c]Corporation [c]Contemplating [d]Dissolution OR REORGANIZATION. -- Every corporation shall, within thirty (30) days after the adoption by the corporation of a resolution or plan for [the] ITS dissolution; [of the corporation] or for the liquidation of the whole or any part of its capital stock, including corporations which have been notified of possible involuntary dissolution by the Securities and Exchange Commission; OR FOR ITS REORGANIZATION,

1 render a correct return to the Commissioner [of Internal Revenue],
 2 verified under oath, setting forth the terms of such resolution or plan
 3 and such other information as the Secretary of Finance, UPON
 4 RECOMMENDATION OF THE COMMISSIONER, shall, by
 5 RULES AND regulationS, prescribe.

6 The dissolving OR REORGANIZING corporation SHALL,
 7 prior to the issuance BY THE SECURITIES AND EXCHANGE
 8 COMMISSION of the Certificate of Dissolution OR RE-
 9 ORGANIZATION, AS MAY BE DEFINED BY RULES AND
 10 REGULATIONS PRESCRIBED BY THE SECRETARY OF
 11 FINANCE, UPON RECOMMENDATION OF THE
 12 COMMISSIONER, [by the Securities and Exchange Commission,
 13 shall] secure a certificate of tax clearance from the Bureau of Internal
 14 Revenue which certificate shall be submitted to the Securities and
 15 Exchange Commission.”

16 **SECTION 42 . Section 48 of the Code is renumbered as Section 54 and**
 17 **amended to read as follows:**

18 “SEC. [48] 54. *Returns of General Professional Partnerships.*

19 — Every general professional partnership shall file, in duplicate, a
 20 return of its income, except income exempt under Section [28]
 21 31([b]B) of this Title, setting forth the items of the gross income
 22 and the deductions allowed by this Title, and the names, TAXPAYER

1 IDENTIFICATION NUMBERS (TIN), [and] addresses and shares of
 2 EACH of the partners.”

3 **SECTION 43. Section 50 of the Code is renumbered as Section 56 and**
 4 **amended to read as follows:**

5 “SEC. [50] 56. *Withholding of Tax [a]At Source. – (a)*
 6 *Withholding of [f]Final [t]Tax on [c]Certain [i]Incomes. – The tax*
 7 *imposed or prescribed by Sections [21(c), 21(d)(2); 22(a)(2), (b),*
 8 *(c),(d),(e); 24(e)(1), (e)(2)(B), (e)(3); and 25(a)(4), (a)(5), (a)(6)(A),*
 9 *(a)(6)(B), (a)(6)(C)(ii), (b)(1), (b)(2), (b)(3), (b)(4), (b)(5)(A), (b)(5)(B),*
 10 *(b)(5)(c)(ii)] 24(B)(1), 24(B)(2); 24(C)(1), 24(C)(2); 25(A)(2),*
 11 *25(A)(3), 25(B), 25(C), 25(D), 25(E); 27(E)(1), 27(E)(2); 28(A)(4),*
 12 *28(A)(6)(a), 28(A)(6)(B), 28(A)(6)(c), 28(B)(1), 28(B)(2), 28(B)(3),*
 13 *28(B)(4), 28(B)(5)(A), 28(B)(5)(B), 28(B)(5)(C), 32 and 283 of this*
 14 *Code on specified items of income shall be withheld by payor-*
 15 *corporation and/or person and paid in the same manner and subject to*
 16 *the same conditions as provided in Section [51] 57 of [the National*
 17 *Internal Revenue] THIS Code.*

18 (b) *Withholding of [c]Creditable [t]Tax [a]At [s]Source. —*
 19 *The Secretary of Finance may, upon the recommendation of the*
 20 *Commissioner [of Internal Revenue], require [also] the withholding of*
 21 *a tax on the items of income payable to NATURAL OR JURIDICAL*
 22 *persons, [(natural or juridical)] residing in the Philippines, by payor-*

1 corporation/persons as provided for by law, at the rate of not less
 2 than [Two and a half] ONE percent [(2 ½%)] (1%) but not more than
 3 thirty[-five] percent [(35%)] (30%) thereof, which shall be credited
 4 against the income tax liability of the taxpayer for the taxable year.”

5 **SECTION 44. Section 51 of the Code is renumbered as Section 57 and**
 6 **amended to read as follows:**

7 “SEC. [51] 57. *Returns and Payment of Taxes Withheld [a]At*
 8 *Source.* — ([a]A) *Quarterly [r]Returns and [p]Payments of [t]Taxes*
 9 *[w]Withheld.* — Taxes deducted and withheld under Section [50] 56
 10 BY WITHHOLDING AGENTS shall be covered by a return and paid
 11 to, EXCEPT IN CASES WHERE THE COMMISSIONER
 12 OTHERWISE PERMITS, [the] AN AUTHORIZED AGENT BANK,
 13 Revenue District Officer, Collection Agent, or duly authorized
 14 Treasurer of the city or municipality where the withholding agent has
 15 his legal residence or principal place of business, or where the
 16 withholding agent is a corporation, where the principal office is
 17 located. [The Commissioner of Internal Revenue may, with the
 18 approval of the Secretary of Finance, require the withholding agents to
 19 pay or deposit the taxes deducted or withheld at more frequent
 20 intervals when necessary to protect the interest of the Government.]

1 The taxes deducted and withheld by the withholding agent shall
2 be held as a special fund in trust for the government until paid to the
3 collecting officers.

4 "The return for final withholding tax shall be filed and the
5 payment made within TWENTY-FIVE (25) days from the close of
6 each calendar quarter, while the return for creditable withholding taxes
7 shall be filed and the payment made not later than the last day of the
8 month following the close of the quarter during which withholding was
9 made:[.] PROVIDED, THAT THE COMMISSIONER, WITH THE
10 APPROVAL OF THE SECRETARY OF FINANCE, MAY
11 REQUIRE THESE WITHHOLDING AGENTS TO PAY OR
12 DEPOSIT THE TAXES DEDUCTED OR WITHHELD AT MORE
13 FREQUENT INTERVALS WHEN NECESSARY TO PROTECT
14 THE INTEREST OF THE GOVERNMENT.

15 ([b]B) *Statement of [i]Income [p]Payments [m]Made and*
16 *[t]Taxes [w]Withheld. — x x x*

17 (C) *Annual INFORMATION [r]Return.* — Every withholding
18 agent required to deduct and withhold taxes under Section [50] 56 shall
19 submit to the Commissioner [of Internal Revenue a reconciliation
20 statement of quarterly payments and] AN ANNUAL
21 INFORMATION RETURN CONTAINING THE list of payees and
22 income payments, AMOUNT OF TAXES WITHHELD FROM
23 EACH PAYEE AND SUCH OTHER PERTINENT

1 INFORMATION AS MAY BE REQUIRED BY THE
 2 COMMISSIONER. In the case of final withholding taxes, the return
 3 shall be filed on or before January 31 of the succeeding year, and for
 4 creditable withholding taxes, not later than March 1 of the year
 5 following the year for which the annual report is being submitted. This
 6 return, if made and filed in accordance with the RULES AND
 7 regulations approved by the Secretary of Finance, UPON
 8 RECOMMENDATION OF THE COMMISSIONER, shall be
 9 sufficient compliance with the requirements of Section [61]67 of this
 10 Title in respect to the income payments.

11 "x x x

12 "([d]D) x x x

13 "(E) NO REGISTRATION OF ANY DOCUMENT
 14 TRANSFERRING REAL PROPERTY SHALL BE EFFECTED BY THE
 15 REGISTER OF DEEDS UNLESS THE COMMISSIONER OR HIS
 16 DULY AUTHORIZED REPRESENTATIVE HAS CERTIFIED
 17 THAT SUCH TRANSFER HAS BEEN REPORTED, AND THE
 18 CAPITAL GAINS OR CREDITABLE WITHHOLDING TAX, IF
 19 ANY, HAS BEEN PAID: *PROVIDED, HOWEVER*, THAT THE
 20 INFORMATION AS MAY BE REQUIRED BY RULES AND
 21 REGULATIONS TO BE PRESCRIBED BY THE SECRETARY OF
 22 FINANCE, UPON RECOMMENDATION OF THE COMMISSIONER,
 23 SHALL BE ANNOTATED BY THE REGISTER OF DEEDS IN THE

1 TRANSFER CERTIFICATE OF TITLE OR CONDOMINIUM
2 CERTIFICATE OF TITLE: *PROVIDED, FURTHER*, THAT IN
3 CASES OF TRANSFER OF PROPERTY TO A CORPORATION,
4 PURSUANT TO A MERGER, CONSOLIDATION OR
5 REORGANIZATION, AND WHERE THE LAW ALLOWS
6 DEFERRED RECOGNITION OF INCOME IN ACCORDANCE
7 WITH SECTION 39, THE INFORMATION AS MAY BE
8 REQUIRED BY RULES AND REGULATIONS TO BE
9 PRESCRIBED BY THE SECRETARY OF FINANCE, UPON
10 RECOMMENDATION OF THE COMMISSIONER, SHALL BE
11 ANNOTATED BY THE REGISTER OF DEEDS AT THE BACK OF
12 THE TRANSFER CERTIFICATE OF TITLE OF THE REAL
13 PROPERTY INVOLVED: *PROVIDED, FINALLY*, THAT ANY
14 VIOLATION OF THIS PROVISION BY THE REGISTER OF
15 DEEDS SHALL BE SUBJECT TO THE PENALTIES IMPOSED
16 UNDER SECTION 270 OF THIS CODE.

17 **SECTION 45. Section 55 of the Code is renumbered as Section 61 and**
18 **amended to read as follows:**

19 “SEC. [55] 61. *Exemption [a]Allowed to [e]Estates and*
20 *[t]Trusts.* - For the purpose of the tax provided for in this Title, there
21 shall be allowed an exemption of [Six thousand pesos] TWENTY-
22 FIVE THOUSAND PESOS (P25,000) from the income of the estate or
23 trust.

1 **SECTION 46. Section 64 of the Code is renumbered as Section 70 and is**
 2 **amended to read as follows:**

3 “SEC. [64] 70. *Disposition of Income Tax Returns,*
 4 *Publication of Lists of [Persons Filing Returns and Paying Taxes]*
 5 *TAXPAYERS AND FILERS. — x x x*

6 The Commissioner [of Internal Revenue] may, in each year, cause to
 7 be prepared and published in any newspaper [and otherwise make available
 8 to public inspection upon written request and pursuant to regulations to be
 9 prescribed by the Secretary of Finance,] THE lists containing the names
 10 and addresses of persons who have filed income tax returns [with the
 11 amount of income declared and the income tax paid by each. The list of
 12 taxpayers for the preceding taxable year in each municipality or city shall
 13 be posted at the main entrance of the respective municipal building or city
 14 hall.]”

15 **SECTION 47. Section 69 of the Code is renumbered as Section 75 and**
 16 **amended to read as follows:**

17 “SEC. [69] 75. *Final Adjustment Return. —* Every
 18 corporation liable to tax under Section [24] 27 shall file a final
 19 adjustment return covering the total taxable income for the
 20 preceding calendar or fiscal year. If the sum of the quarterly tax
 21 payments made during the said taxable year is not equal to the total

1 tax due on the entire taxable [net] income of that year, the
2 corporation shall either:

- 3 (a) Pay the [excess] BALANCE OF TAX still due; or
- 4 (B) CARRY-OVER THE EXCESS CREDIT; OR
- 5 [(b)] (C) Be CREDITED OR refunded with the excess
- 6 amount paid, as the case may be.

7 “In case the corporation is entitled to a TAX CREDIT OR
8 refund of the excess estimated quarterly income taxes
9 paid, the [refundable] EXCESS amount shown on its final
10 adjustment return may be CARRIED OVER AND credited
11 against the estimated quarterly income tax liabilities for the
12 taxable quarters of the succeeding taxable yearS. ONCE
13 THE OPTION TO CARRY-OVER AND APPLY THE
14 EXCESS QUARTERLY INCOME TAX AGAINST
15 INCOME DUE FOR THE TAXABLE QUARTERS OF
16 THE SUCCEEDING TAXABLE YEARS HAS BEEN
17 MADE, SUCH OPTION SHALL BE CONSIDERED
18 IRREVOCABLE FOR THAT TAXABLE PERIOD AND NO
19 APPLICATION FOR CASH REFUND OR ISSUANCE OF A
20 TAX CREDIT CERTIFICATE SHALL BE ALLOWED
21 THEREFOR.”

22 **SECTION 48. Section 70 of the Code is renumbered as Section 76 and**
23 **paragraph (a) thereof is amended to read as follows:**

1 “SEC. [70] 76. *PLACE AND TIME OF FILING AND*
2 *PAYMENT OF QUARTERLY CORPORATE INCOME TAX.*

3 (a) *Place of [f]Filing.* — EXCEPT AS THE
4 COMMISSIONER OTHERWISE PERMITS, [T]the quarterly income
5 tax declaration required in Section [68] 74 and the final
6 adjustment return required in Section [69] 75 shall be filed with the
7 Revenue District Officer or [the] Collection Agent or duly
8 authorized Treasurer of the CITY OR municipality having
9 jurisdiction over the location of the principal office of the corporation
10 filing the return or place where its main books of accounts and other
11 data from which the return is prepared are kept.

12 “X X X”

13 **SECTION 49. Section 74 of the Code is renumbered as Section 80 and**
14 **amended to read as follows:**

15 “SEC. [74] 80. *FILING OF Return and [p]Payment [to the*
16 *Government] of [t]Taxes [w]Withheld.* — EXCEPT AS THE
17 COMMISSIONER OTHERWISE PERMITS, [T]taxes deducted
18 and withheld [hereunder] by the employer on wages of employees
19 shall be covered by a return and paid to aN AUTHORIZED BANK,
20 [c]Collection [a]Agent, OR THE DULY AUTHORIZED
21 TREASURER of the city or municipality [in which] WHERE the
22 employer has his legal residence or principal place of business,

1 or, in case the employer is a corporation, [in which] WHERE the
2 principal office is located.

3 “The return shall be filed and the payment made within
4 twenty-five (25) days from the close of each calendar quarter[. The
5 taxes deducted and withheld by employers shall be held in a
6 special fund in trust for the government until the same are paid to
7 the said collecting officers.]: *PROVIDED, HOWEVER, THAT*
8 [T]he Commissioner [of Internal Revenue] may, with the approval
9 of the Secretary of Finance, require the employers to pay or deposit
10 the taxes deducted and withheld at more frequent intervals, in cases
11 where such requirement is deemed necessary to protect the interest
12 of the government.

13 THE TAXES DEDUCTED AND WITHHELD BY
14 EMPLOYERS SHALL BE HELD IN A SPECIAL FUND IN TRUST
15 FOR THE GOVERNMENT UNTIL THE SAME ARE PAID TO
16 THE SAID COLLECTING OFFICERS.”

17 **SECTION 50. Section 76 of the Code is renumbered as Section 82 and**
18 **amended to read as follows:**

19 “SEC. [76] 82. *Statements and Returns. — (a) Requirements.*

20 — Every employer required to deduct and withhold a tax [in respect
21 of the wages of an employee] shall furnish to each such employee in
22 respect of his employment during the calendar year, on or before

1 January thirty-first of the succeeding year, or, if his employment is
2 terminated before the close of such calendar year, on the same day
3 of which the last payment of wages is made, a written statement
4 [showing] CONFIRMING the wages paid by the employer to such
5 employee during the calendar year, and the amount of tax deducted
6 and withheld under this Chapter in respect of such wages. The
7 statement required to be furnished by this Section in respect of any
8 wages shall [be furnished at such other times shall] contain such other
9 information, and shall BE FURNISHED AT SUCH OTHER TIME
10 AND in such form as the Secretary of Finance, UPON THE
11 RECOMMENDATION OF THE COMMISSIONER, may, by RULES
12 AND regulations, prescribe.

13 “(b) *ANNUAL INFORMATION Returns.*— Every employer
14 required to deduct and withhold the taxes in respect of the wages
15 of his employees shall, on or before January thirty-first of the
16 succeeding year, submit to the Commissioner [of Internal Revenue
17 a] AN ANNUAL INFORMATION return CONTAINING A LIST OF
18 EMPLOYEES, [of] the total amount OF COMPENSATION
19 INCOME OF EACH EMPLOYEE, TOTAL AMOUNT OF TAXES
20 withheld THEREFROM during the year, accompanied by copies of
21 the statement referred to in the preceding paragraph AND SUCH
22 OTHER INFORMATION AS MAY BE DEEMED NECESSARY.
23 This return, if made and filed in accordance with RULES AND

1 regulations promulgated by the Secretary of Finance, UPON
 2 RECOMMENDATION OF THE COMMISSIONER, shall be
 3 sufficient compliance with the requirements of Section [61] 67 of
 4 this Title in respect of such wages.

5 “(c) x x x.”

6 **SECTION 51. Section 77, Chapter I of Title III of the Code is**
 7 **renumbered as Section 83 and amended to read as follows:**

8 “SEC. [77] 83. *Rates of [e]Estate [t]Tax.* - There shall be
 9 levied, assessed, collected, and paid upon the transfer of the net estate
 10 as determined in accordance with Sections [78]84 and [79]85 of every
 11 decedent, whether resident or nonresident of the Philippines , a tax
 12 based on the value of such net estate, as computed in accordance with
 13 the following schedules:

14 “If the net estate is:

<u>[Over</u>	<u>But Not Over</u>	<u>The Tax Shall Be</u>	<u>Plus</u>	<u>Of Excess Over</u>
	P 200,000	Exempt		
P 200,000	500,000	5%	nil	P 200,000
500,000	2,000,000	P15,000	8%	500,000
2,000,000	5,000,000	135,000	12%	2,000,000
5,000,000	10,000,000	495,000	21%	5,000,000
10,000,000	And Over	1,545,000	35%	10,000,000]

<u>Over</u>	<u>But Not Over</u>	<u>The Tax Shall Be</u>	<u>Plus</u>	<u>Of Excess Over</u>
	P 200,000	Exempt		

1	P 200,000	500,000	0	5%	P 200,000
2	500,000	2,000,000	P15,000	8%	500,000
3	2,000,000	5,000,000	135,000	11%	2,000,000
4	5,000,000	10,000,000	465,000	15%	5,000,000
5	10,000,000	And Over	1,215,000	20%	10,000,000

6 **SECTION 52. Section 79 of the Code is renumbered as Section 85**
7 **and amended to read as follows:**

8 “SEC. [79] 85. - *Computation of [n]Net [e]Estate [and Estate*
9 *Tax].* - For the purpose of the tax imposed in this Chapter, the value of
10 the net estate shall be determined:

11 “([a]A) In the case of a citizen or resident of the Philippines, by
12 deducting from the value of the gross estate -

13 “(1) *Expenses, [l]Losses, [i]Indebtedness, and [t]Taxes.* -
14 Such amounts -

15 ([A]a) For actual funeral expenses or in amount equal to five
16 per cent[um] of the gross estate, whichever is lower but in
17 no case to exceed [P100,000] P200,000;

18 ([B]b) x x x

19 ([C]c) x x x

20 ([D]d) x x x

21 ([E]e) x x x

22 “(2) *Property [p]Previously [t]Taxed.* - x x x

23 “(3) *Transfers for [p]Public [u]Use.* - x xx x

1 “(4) *The [f]Family [h]Home.* - x x x.

2 (5) *STANDARD DEDUCTION* - AN AMOUNT
3 EQUIVALENT TO ONE MILLION PESOS (P1,000,000).”

4 (6) *MEDICAL EXPENSES.* - MEDICAL EXPENSES INCURRED
5 BY THE DECEDENT WITHIN ONE YEAR PRIOR TO HIS DEATH
6 WHICH SHALL BE DULY SUBSTANTIATED WITH RECEIPTS:
7 *PROVIDED*, THAT IN NO CASE SHALL THE DEDUCTIBLE
8 MEDICAL EXPENSES EXCEED FIVE HUNDRED THOUSAND
9 PESOS (P500,000).

10 (7) *AMOUNT RECEIVED BY HEIRS UNDER REPUBLIC ACT*
11 *4917.* -- ANY AMOUNT RECEIVED BY THE HEIRS FROM THE
12 DECEDENT’S EMPLOYER AS A CONSEQUENCE OF THE DEATH
13 OF THE DECEDENT-EMPLOYEE IN ACCORDANCE WITH
14 REPUBLIC ACT 4917: *PROVIDED*, THAT SUCH AMOUNT IS
15 INCLUDED IN THE GROSS ESTATE OF THE DECEDENT.

16 “([b]B) *Deductions [a]Allowed to [n]Nonresident [e]Estates.* - x x x.”

17 **SECTION 53.** Section 83 of the Code is hereby renumbered as Section
18 **89** and sub-sections (a) and (d) thereof are amended to read as follows:

19 "SEC. [83] 89. *ESTATE TAX [R]returns.* -

20 “([a]A) *Requirements.* - In all cases of transfers subject to THE
21 tax IMPOSED HEREIN, or where, though exempt from tax, the gross
22 value of the estate exceeds [Three] TWO HUNDRED thousand pesos,
23 OR REGARDLESS OF THE GROSS VALUE OF THE ESTATE,
24 WHERE THE SAID ESTATE CONSISTS OF REGISTERED OR
25 REGISTERABLE PROPERTY SUCH AS REAL PROPERTY,

1 MOTOR VEHICLE, SHARES OF STOCK OR OTHER SIMILAR
 2 PROPERTY FOR WHICH A CLEARANCE FROM THE BUREAU
 3 OF INTERNAL REVENUE IS REQUIRED AS A CONDITION
 4 PRECEDENT FOR THE TRANSFER OF OWNERSHIP THEREOF
 5 IN THE NAME OF THE TRANSFEREE, the executor, or THE
 6 administrator, or any of the legal heirs, as the case may be, shall file a
 7 return under oath in duplicate, setting forth:

8 “(1) x x x

9 “(2) x x x

10 “(3) x x x

11 “*Provided, however,* That estate TAX returns showing a gross
 12 value [of] EXCEEDING [Fifty thousand] TWO MILLION pesos
 13 (P2,000,000) [or more] shall be [accompanied] SUPPORTED with a
 14 statement [of] DULY CERTIFIED TO BY A CERTIFIED PUBLIC
 15 ACCOUNTANT CONTAINING THE FOLLOWING:

16 “[[1]] (A) x x x

17 “[[2]] (B) x x x

18 “[[3]] (C) the amount of tax due whether paid or still due and
 19 outstanding [duly certified to by a certified public accountant].

20 “([b]B) x x x

21 “([c]C) x x x

1 "([d]D) *Place of Filing.* - Except in cases where the
 2 Commissioner [of Internal Revenue] OTHERWISE permits, the return
 3 required under Subsection ([a]A) shall be filed with [the] AN
 4 AUTHORIZED AGENT BANK, OR Revenue District Officer,
 5 Collection [Agent] OFFICER, or duly authorized Treasurer of the city
 6 or municipality in which the decedent was domiciled at the time of his
 7 death or if there be no legal residence in the Philippines, [then] with the
 8 Office of the Commissioner [of Internal Revenue]."

9 **SECTION 54. Section 92 of the Code is renumbered as Section 98 and**
 10 **paragraphs (a) and (b) are amended to read as follows:**

11 "SEC. [92]98. *Rates of [t]Tax [p]Payable by [d]Donor.* - - -

12 "([a]A) *In general* - The tax for each calendar year shall be
 13 computed on the basis of the total net gifts made during the calendar
 14 year in accordance with the following schedule:

15 "If the net gift is:"

16	["Over	But Not Over	The Tax Shall Be	Plus	Of Excess Over
17		P50,000	Exempt		
18	P50,000	100,000	1.5%	nil	P50,000
19	100,000	200,000	P750	3%	100,000
20	200,000	500,000	3,750	5%	200,000
21	500,000	1,000,000	18,750	8%	500,000
22	1,000,000	3,000,000	58,750	10%	1,000,000
23	3,000,000	5,000,000	285,750	15%	3,000,000

1	5,000,000		558,750	20%	5,000,000]
2	<u>“Over</u>	<u>But Not Over</u>	<u>The Tax Shall Be</u>	<u>Plus</u>	<u>Of Excess Over</u>
3		P100,000	Exempt		
4	P100,000	200,000	0	2%	P100,000
5	200,000	500,000	2,000	4%	200,000
6	500,000	1,000,000	14,000	6%	500,000
7	1,000,000	3,000,000	44,000	8%	1,000,000
8	3,000,000	5,000,000	204,000	10%	3,000,000
9	5,000,000	10,000,000	404,000	12%	5,000,000
10	10,000,000		1,004,000	15%	10,000,000

11 “([b]B) Tax [p]Payable by [d]Donor if [d]Donee is a [s]Stranger. -
 12 When the donee or beneficiary is a stranger, the tax payable by the donor
 13 shall be THIRTY PER CENT (30%) of the net gifts. x x x

14 “([c]C) x x x.”

15 **SECTION 55. Section 96 is renumbered as Section 102 and is amended**
 16 **to read as follows:**

17 “SEC. [96] 102. *FILING OF Return[s] AND PAYMENT OF*
 18 *TAX. - ([a]A) x x x*

19 “([b]B) *Time and [p]Place of [f]Filing AND PAYMENT. --*

20 The return of the donor required in this Section shall be filed within
 21 thirty (30) days after the date the gift is made AND THE TAX DUE
 22 THEREON SHALL BE PAID AT THE TIME OF FILING. [and,
 23 e]Except in cases where the Commissioner OTHERWISE permits, the
 24 return shall be filed AND THE TAX PAID [with the] TO AN

1 AUTHORIZED AGENT BANK, THE Revenue District Officer,
 2 Collection Agent or duly authorized Treasurer of the city or
 3 municipality [in which] WHERE the donor was domiciled at the time
 4 of the transfer, or if there be no legal residence in the Philippines,
 5 [then] with the Office of the Commissioner [of Internal Revenue]. IN
 6 THE CASE OF GIFTS MADE BY A NON-RESIDENT, THE
 7 RETURN MAY BE FILED WITH THE PHILIPPINE EMBASSY OR
 8 CONSULATE IN THE COUNTRY WHERE HE IS DOMICILED AT
 9 THE TIME OF THE TRANSFER, OR DIRECTLY WITH THE
 10 OFFICE OF THE COMMISSIONER.”

11 **SECTION 56. Section 97 of the Code is hereby deleted.**

12 **SECTION 57. Section 106 of the Code is hereby renumbered as Section**
 13 **111 and Sub-section (d) thereof further amended to read as follows:**

14 “SEC. [106] 111. *Refunds or [t]Tax [c]Credits of [i]Input*
 15 *[t]Tax. -- x x x*

16 “([d]D) *Period within which [r]Refund or [t]Tax [c]Credit of*
 17 *[i]Input [t]Taxes shall be [m]Made. - In proper cases, the*
 18 *Commissioner shall grant a refund or issue the tax credit*
 19 *CERTIFICATE for creditable input taxes within [sixty (60)] ONE*
 20 *HUNDRED TWENTY (120) days from the date of submission of*
 21 *complete documents in support of the application filed in accordance*
 22 *with [subparagraphs] SUBSECTIONS ([a]A) and ([b]B) hereof. In*
 23 *case of full or partial denial of the claim for tax refund or tax credit, or*
 24 *the failure on the part of the Commissioner to act on the application*

1 within the period prescribed above, the taxpayer affected may, within
2 thirty (30) days from the receipt of the decision denying the claim or
3 after the expiration of the [sixty-day] ONE HUNDRED TWENTY-
4 DAY period, appeal the decision or the unacted claim with the Court of
5 Tax Appeals.”

6 **SECTION 58. Sections 107 (Registration of value-added taxpayer) and**
7 **109 (Notification requirements) of the Code are hereby deleted.**

8 **SECTION 59. Section 110 of the Code is hereby renumbered as Section**
9 **113 and is amended to read as follows:**

10 "SEC.[110] 113. *Return and [p]Payment of [v]Value-added*
11 *[t]Tax. -*

12 “[a]A) *In [g]General. - Every person liable to pay the value-*
13 *added tax imposed under this Title shall file a quarterly return of the*
14 *amount of his gross sales or receipts within twenty-FIVE [(20)] (25)*
15 *days following the close of each taxable quarter prescribed for each*
16 *taxpayer[;]: PROVIDED, HOWEVER, THAT VAT-REGISTERED*
17 *PERSONS SHALL PAY THE VALUE-ADDED TAX ON A MONTHLY*
18 *BASIS.*

19 *[Provided, That] A[a]ny person whose registration has been*
20 *cancelled in accordance with Section [107] 237 [hereof,] shall file a*
21 *return and pay the tax due thereon within twenty-FIVE [(20)] (25) days*
22 *from the date of cancellation of registration: PROVIDED, THAT*
23 *[O]only one consolidated return shall be filed by the taxpayer for his*
24 *principal place of business or head office and all branches.*

"([b]B) *Where to [f]File the [r]Return and [p]Pay the [t]Tax.*

- EXCEPT AS THE COMMISSIONER OTHERWISE PERMITS, [T]the return shall be filed with and the tax paid to [a] AN AUTHORIZED AGENT bank, REVENUE COLLECTION OFFICER OR DULY AUTHORIZED CITY OR MUNICIPAL TREASURER IN THE PHILIPPINES [duly accredited by the Commissioner] located within the revenue district where the taxpayer is registered or required to register[: Provided, however, That VAT-registered persons shall pay the value-added tax on a monthly basis: provided, further, that in case no accredited bank is located within the revenue district, the return shall be filed with and the tax paid to the Revenue District Officer, Collection Agent, or duly authorized Treasurer of the municipality where the place of business is located in the order mentioned]."

"([c]C) x x x"

SECTION 60. Section 124-A of the Code is hereby deleted.

SECTION 61. Section 125 of the Code is renumbered as Section 129 and paragraphs (a)(1) and (b) thereof are amended to read as follows:

"SEC. [125] 129. *Returns and [p]Payment of [p]Percentage [t]Taxes. – ([a]A) Returns of [g]Gross [s]Sales, [r]Receipts or [e]Earnings and [p]Payment of [t]Tax. – (1) Persons [l]Liable to [p]Pay [p]Percentage [t]Taxes. – Every person subject to the percentage taxes imposed under this Title shall file a quarterly return of the amount of his gross sales, receipts or*

1 earnings and pay the tax due thereon within twenty-FIVE [(20)] (25)
 2 days after the end of each taxable quarter: *Provided*, That in the
 3 case of a person whose VAT registration is cancelled and who
 4 becomes liable to the tax imposed in Section [112] 115 of this
 5 Code, the tax shall accrue from the date of cancellation and
 6 shall be paid in accordance with the provisions of this Section.

7 "x x x

8 [(b)B] *Where to [f]File.* – EXCEPT AS THE COMMISSIONER
 9 OTHERWISE PERMITS, [E]every person liable to the percentage
 10 tax under this Title may, at his option, file a separate return for each
 11 branch or place of business, or a consolidated return for all branches
 12 or places of business with the AUTHORIZED AGENT BANK,
 13 Revenue District Officer, Collection Agent or duly authorized
 14 Treasurer of the city or municipality where said business or
 15 principal place of business is located, as the case may be."

16 **SECTION 62.** Section 127, Chapter 1 (*General Provisions*) of Title VI
 17 (*Excise Taxes on Certain Goods*) of the Code is renumbered as Section 131 and
 18 **paragraph (a) thereof is amended to read as follows:**

19 "SEC. [127] 131. *FILING OF RETURN AND Payment of*
 20 *[e]Excise [t]Tax[es] on [d]Domestic [p]Products.* – ([a]A) *[Persons*
 21 *liable, time for payment.* – Unless otherwise especially allowed,
 22 excise taxes on domestic products shall be paid by the

1 manufacturer or producer before removal from the place of
2 production; *provided*, that the excise tax on locally manufactured
3 petroleum products and indigenous petroleum levied under Section
4 145 and 151(a)(4), respectively, of this Title shall be paid within 15
5 days from the date of removal thereof from the place of production].

6 *PERSONS LIABLE TO FILE A RETURN, FILING OF RETURN ON*

7 *REMOVAL AND PAYMENT OF TAX. – (1) PERSONS LIABLE TO*

8 *FILE A RETURN. – EVERY PERSON LIABLE TO PAY EXCISE*

9 *TAX IMPOSED UNDER THIS TITLE SHALL FILE A SEPARATE*

10 *RETURN FOR EACH PLACE OF PRODUCTION SETTING*

11 *FORTH, AMONG OTHERS, THE DESCRIPTION AND*

12 *QUANTITY OR VOLUME OF PRODUCTS TO BE REMOVED,*

13 *THE APPLICABLE TAX BASE AND THE AMOUNT OF TAX*

14 *DUE THEREON: PROVIDED, HOWEVER, THAT IN THE CASE*

15 *OF INDIGENOUS PETROLEUM, NATURAL GAS OR*

16 *LIQUEFIED NATURAL GAS, THE EXCISE TAX SHALL BE*

17 *PAID BY THE FIRST BUYER, PURCHASER OR TRANSFEREE*

18 *FOR LOCAL SALE, BARTER, OR TRANSFER, WHILE THE*

19 *EXCISE TAX ON EXPORTED PRODUCTS SHALL BE PAID BY*

20 *THE OWNER, LESSEE, CONCESSIONAIRE OR OPERATOR OF*

21 *THE MINING CLAIM.*

1 Should domestic products be removed from the place of
2 production without the payment of the tax, the owner or person
3 having possession thereof shall be liable for the tax due thereon.

4 (2) *TIME FOR FILING OF RETURN AND PAYMENT OF THE*
5 *TAX.* – UNLESS OTHERWISE SPECIFICALLY ALLOWED, THE
6 RETURN SHALL BE FILED AND THE EXCISE TAX PAID BY
7 THE MANUFACTURER OR PRODUCER BEFORE REMOVAL OF
8 DOMESTIC PRODUCTS FROM PLACE OF PRODUCTION:
9 *PROVIDED*, THAT THE EXCISE TAX ON LOCALLY
10 MANUFACTURED PETROLEUM PRODUCTS AND INDIGENOUS
11 PETROLEUM LEVIED UNDER SECTIONS 149 AND 152(A)(4),
12 RESPECTIVELY, OF THIS TITLE SHALL BE PAID WITHIN FIFTEEN
13 (15) DAYS FROM THE DATE OF REMOVAL THEREOF FROM THE
14 PLACE OF PRODUCTION: *PROVIDED, FURTHER*, THAT THE
15 EXCISE TAX ON NON-METALLIC MINERAL OR MINERAL
16 PRODUCTS, OR QUARRY RESOURCES SHALL BE DUE AND
17 PAYABLE UPON REMOVAL OF SUCH PRODUCTS FROM THE
18 LOCALITY WHERE MINED OR EXTRACTED, BUT WITH RESPECT
19 TO THE EXCISE TAX ON LOCALLY PRODUCED OR EXTRACTED
20 METALLIC MINERAL OR MINERAL PRODUCTS, THE PERSON
21 LIABLE SHALL FILE A RETURN AND PAY THE TAX WITHIN
22 FIFTEEN (15) DAYS AFTER THE END OF THE CALENDAR
23 QUARTER WHEN SUCH PRODUCTS WERE REMOVED SUBJECT
24 TO SUCH CONDITIONS AS MAY BE PRESCRIBED BY RULES AND
25 REGULATIONS TO BE PROMULGATED BY THE SECRETARY OF

1 FINANCE UPON RECOMMENDATION OF THE COMMISSIONER.
 2 FOR THIS PURPOSE, THE TAXPAYER SHALL FILE A BOND IN AN
 3 AMOUNT WHICH APPROXIMATES THE AMOUNT OF EXCISE TAX
 4 DUE ON THE REMOVALS FOR THE SAID QUARTER. THE
 5 FOREGOING RULES NOTWITHSTANDING, FOR IMPORTED
 6 MINERAL OR MINERAL PRODUCTS, WHETHER METALLIC OR
 7 NON-METALLIC, THE EXCISE TAX DUE THEREON SHALL BE
 8 PAID BEFORE THEIR REMOVAL FROM CUSTOMS CUSTODY:
 9 PROVIDED, FINALLY, THAT EXCISE TAX ON ALCOHOL AND
 10 TOBACCO PRODUCTS SHALL BE PAID BY THE MANUFACTURER
 11 OR PRODUCER WITHIN TWO (2) DAYS AFTER REMOVAL OF SAID
 12 PRODUCTS FROM THE PLACE OF PRODUCTION.

13 (3) PLACE FOR FILING OF THE RETURN AND PAYMENT
 14 OF THE TAX.- EXCEPT AS THE COMMISSIONER OTHERWISE
 15 PERMITS, THE RETURN SHALL BE FILED WITH AND THE
 16 TAX PAID TO ANY AUTHORIZED AGENT BANK OR
 17 REVENUE COLLECTION OFFICER, OR DULY AUTHORIZED
 18 CITY OR MUNICIPAL TREASURER IN THE PHILIPPINES.

19 (4) EXCEPTIONS. - THE SECRETARY OF FINANCE,
 20 UPON RECOMMENDATION OF THE COMMISSIONER MAY,
 21 BY RULES AND REGULATIONS, PRESCRIBE:

22 (A) THE TIME FOR FILING THE RETURN AT
 23 INTERVALS OTHER THAN THE TIME PRESCRIBED
 24 IN THE PRECEDING PARAGRAPHS FOR A

1 PARTICULAR CLASS OR CLASSES OF TAXPAYERS
2 AFTER CONSIDERING FACTORS SUCH AS
3 VOLUME OF REMOVALS, ADEQUATE MEASURES
4 OF SECURITY AND SUCH OTHER RELEVANT
5 INFORMATION REQUIRED TO BE SUBMITTED
6 UNDER THE PERTINENT PROVISIONS OF THIS
7 CODE; AND

8 (B) THE MANNER AND TIME OF PAYMENT OF
9 EXCISE TAXES OTHER THAN AS HEREIN
10 PRESCRIBED, UNDER A TAX PREPAYMENT,
11 ADVANCE DEPOSIT OR SIMILAR SCHEMES. IN
12 THE CASE OF LOCALLY PRODUCED OR
13 EXTRACTED MINERALS AND MINERAL PRODUCTS
14 OR QUARRY RESOURCES WHERE THE MINE SITE
15 OR PLACE OF EXTRACTION IS NOT THE SAME AS
16 THE PLACE OF PROCESSING OR PRODUCTION, THE
17 RETURN SHALL BE FILED WITH AND THE TAX
18 PAID TO THE REVENUE DISTRICT OFFICE
19 HAVING JURISDICTION OVER THE LOCALITY
20 WHERE THE SAME ARE MINED, EXTRACTED
21 OR QUARRIED: *PROVIDED, HOWEVER,* THAT FOR
22 METALLIC MINERALS PROCESSED ABROAD,
23 THE RETURN SHALL BE FILED AND THE

1 TAX DUE THEREON PAID TO THE REVENUE
2 DISTRICT OFFICE HAVING JURISDICTION OVER
3 THE LOCALITY WHERE THE SAME ARE MINED,
4 EXTRACTED OR QUARRIED.

5 “([b]B) *Determination of [g]Gross [s]Selling [p]Price of*
6 *[g]Goods subject to [a]Ad [v]Valorem [t]Tax. - x x x*

7 “([c]C) x x x

8 “([d]D) x x x.”

9 **SECTION 63. Section 128 of the Code is hereby renumbered as Section**
10 **132 and amended to read as follows:**

11 “SEC. [128] 132. *Payment of [e]Excise [t]Taxes on [i]Imported*
12 *[a]Articles. -*

13 “([a]A) *Persons liable. - x x x.*

14 “In the case of tax-free articles brought or imported into the
15 Philippines by persons, entities, or agencies exempt from tax which are
16 subsequently sold, transferred or exchanged in the Philippines to non-
17 exempt persons or entities, the purchasers or recipients shall be
18 considered the importers thereof, and shall be liable for the duty and
19 internal revenue tax due on such importation. [The tax due on such
20 article shall constitute a lien on the article itself, superior to all other
21 charges or liens, irrespective of the possessor thereof.]

1 THE PROVISION OF ANY SPECIAL OR GENERAL LAW TO THE
 2 CONTRARY NOTWITHSTANDING, THE IMPORTATION OF CIGARS AND
 3 CIGARETTES, DISTILLED SPIRITS AND WINES INTO THE PHILIPPINES, EVEN
 4 IF DESTINED FOR TAX AND DUTY FREE SHOPS, SHALL BE SUBJECT TO ALL
 5 APPLICABLE TAXES, DUTIES, CHARGES, INCLUDING EXCISE TAXES DUE
 6 THEREON: *PROVIDED, HOWEVER*, THAT THIS SHALL NOT APPLY TO
 7 CIGARS AND CIGARETTES, DISTILLED SPIRITS AND WINES BROUGHT
 8 DIRECTLY INTO THE DULY CHARTERED OR LEGISLATED FREEPORTS OF
 9 THE SUBIC SPECIAL ECONOMIC AND FREEPORT ZONE, CREATED UNDER
 10 R.A. NO. 7227; THE CAGAYAN SPECIAL ECONOMIC ZONE AND FREEPORT,
 11 CREATED UNDER R.A. NO. 7922; AND THE ZAMBOANGA CITY SPECIAL
 12 ECONOMIC ZONE, CREATED UNDER R.A. NO. 7903, AND ARE NOT
 13 TRANSSHIPPED TO ANY OTHER PORT IN THE PHILIPPINES: *PROVIDED,*
 14 *FURTHER*, THAT IF SUCH ARTICLES DIRECTLY BROUGHT INTO THE DULY
 15 CHARTERED OR LEGISLATED FREEPORTS ARE SUBSEQUENTLY
 16 INTRODUCED INTO THE PHILIPPINE CUSTOMS TERRITORY, THEN SUCH
 17 ARTICLES SHALL, UPON SUCH INTRODUCTION, BE DEEMED IMPORTED
 18 INTO THE PHILIPPINES AND SHALL BE SUBJECT TO ALL IMPOSTS AND
 19 EXCISE TAXES PROVIDED HEREIN AND OTHER STATUTES: *PROVIDED,*
 20 *FINALLY*, THAT THE REMOVAL AND TRANSFER OF TAX OR DUTY-FREE
 21 GOODS, PRODUCTS, MACHINERY, EQUIPMENT AND OTHER SIMILAR
 22 ARTICLES, FROM ONE FREEPORT TO ANOTHER FREEPORT SHALL NOT BE
 23 DEEMED AN INTRODUCTION INTO THE PHILIPPINE CUSTOMS TERRITORY.

24 THE TAX DUE ON SUCH GOODS, PRODUCTS, MACHINERY,
 25 EQUIPMENT OR OTHER SIMILAR ARTICLES SHALL CONSTITUTE A LIEN ON
 26 THE ARTICLE ITSELF, SUPERIOR TO ALL OTHER CHARGES OR LIENS,
 27 IRRESPECTIVE OF THE POSSESSOR THEREOF.

28 “([b]B) x x x.”

SECTION 64. Section 131 of this Code is hereby renumbered as Section 135 and amended to read as follows:

“SEC. [131] 135. *Domestic [d]Denatured [a]Alcohol.* - Domestic alcohol of not less than one hundred eighty degrees proof (ninety percent absolute alcohol) shall, when suitably denatured and rendered unfit for oral intake, be exempt from the [specific] EXCISE tax prescribed in Section [138] 142: *Provided, however,* That such denatured alcohol shall be subject to tax under Section [100] 105 (a) of this Code: *Provided, further,* That if such alcohol is to be used for motive power, it shall be taxed under Section [145] 149 [(a)](4) of this Code; *PROVIDED, FINALLY,* THAT ANY ALCOHOL, PREVIOUSLY RENDERED UNFIT FOR ORAL INTAKE AFTER DENATURING BUT SUBSEQUENTLY RENDERED FIT FOR ORAL INTAKE AFTER UNDERGOING FERMENTATION, DILUTION, PURIFICATION, MIXTURE OR ANY OTHER SIMILAR PROCESS SHALL BE TAXED UNDER SECTION 142 OF THIS CODE AND SUCH TAX SHALL BE PAID BY THE PERSON IN POSSESSION OF SUCH REPROCESSED SPIRITS.

SECTION 65. Section 132 of this Code is hereby renumbered as Section 136 and amended to read as follows:

“SEC. [132] 136. *Petroleum [p]Products [s]Sold to [foreign] [i]International [c]Carriers, AND EXEMPT ENTITIES OR AGENCIES.* - Petroleum products sold to [an international carrier of

1 for [its] use or consumption outside the Philippines shall not be subject
2 to excise taxes: *Provided*, That the country of the said exempts from
3 similar taxes petroleum products sold to Philippine carriers.] THE
4 FOLLOWING ARE EXEMPT FROM EXCISE TAX.

5 (1) INTERNATIONAL CARRIERS OF PHILIPPINE OR
6 FOREIGN REGISTRY ON THEIR USE OR CONSUMPTION
7 OUTSIDE THE PHILIPPINES; *PROVIDED*, THAT THE
8 PETROLEUM PRODUCTS SOLD TO THESE INTERNATIONAL
9 CARRIERS SHALL BE STORED IN A BONDED STORAGE
10 TANK AND MAY BE DISPOSED OF ONLY IN ACCORDANCE
11 WITH THE RULES AND REGULATIONS TO BE PRECIBED BY
12 THE SECRETARY OF FINANCE UPON THE
13 RECOMMENDATION OF THE COMMISSIONER;

14 (2) EXEMPT ENTITIES OR AGENCIES COVERED BY TAX
15 TREATIES, CONVENTIONS AND OTHER INTERNATIONAL
16 AGREEMENTS FOR THEIR USE OR CONSUMPTION.

17 *PROVIDED, HOWEVER*, THAT THE COUNTRY OF SAID
18 FOREIGN INTERNATIONAL CARRIER OR EXEMPT ENTITIES
19 OR AGENCIES EXEMPTS FROM SIMILAR TAXES PETROLEUM
20 PRODUCTS SOLD TO PHILIPPINE CARRIERS, ENTITIES OR
21 AGENCIES.

22 **SECTION 66. Section 134 of this Code is hereby renumbered as Section**
23 **138 and amended to read as follows:**

1 “Sec. [134] 138. *Removal of [s]Spirits [u]Under [b]Bond FOR*
 2 *RECTIFICATION.* - Spirits requiring rectification may be removed
 3 from the place of production to [some other] ANOTHER establishment
 4 for purpose of rectification without the prepayment of the excise tax[:]:
 5 *Provided, That* the distiller removing such spirits and the rectifier
 6 receiving them shall file with the Commissioner their joint bond
 7 conditioned upon the payment by the rectifier of the excise tax due on
 8 the [finished product;] RECTIFIED ALCOHOL: *Provided, further,*
 9 That in cases where alcohol has already been rectified either by
 10 original and continuous distillation or by redistillation [is further re-
 11 rectified], no loss for rectification and handling shall be allowed and
 12 the rectifier thereof shall pay the [specific] EXCISE tax due on such
 13 losses[:.] *PROVIDED, FINALLY,* THAT WHERE A RECTIFIER
 14 MAKES USE OF SPIRITS UPON WHICH THE EXCISE TAX HAS
 15 NOT BEEN PAID, HE SHALL BE LIABLE FOR THE PAYMENT
 16 OF THE TAX OTHERWISE DUE THEREON.”

17 **SECTION 67. Section 135 of this Code is hereby renumbered as Section**
 18 **139 and amended as follows:**

19 “SEC. [135] 139. *Removal of [f]Fermented [l]Liquors to*
 20 **[b]Bonded [w]Warehouse.** - Any brewer may remove or transport
 21 from his brewery or other place of manufacture to a bonded warehouse
 22 used by him exclusively for the storage or sale in bulk of fermented
 23 liquors of his own manufacture, any quantities of such fermented

1 liquors, not less than one thousand liters at one removal, without
2 [payment] PREPAYMENT of the tax thereon under a permit which
3 shall be granted by the Commissioner. Such permit shall be affixed to
4 every package so removed and shall be cancelled or destroyed in such
5 manner as the Commissioner may prescribe. Thereafter, the
6 manufacturer of such fermented liquors shall pay the tax in the same
7 manner and under the same penalty and liability as when paid at the
8 brewery.”

9 **SECTION 68. Section 143 of the Code is renumbered as Section 147 and**
10 **the second paragraph thereof is amended to read as follows:**

11 “SEC. [143] 147. *Inspection [f]Fee.* – x x x

12 The inspection fee on LEAF TOBACCO, SCRAP, cigars,
13 cigarettes and other tobacco products AS DEFINED IN
14 SECTION 148 OF THIS CODE shall be paid by the
15 WHOLESALER, manufacturer, producer, [or] owner OR
16 OPERATOR OF REDRYING PLANT, AS THE CASE MAY BE,
17 [within ten (10) days after the end of each month while the
18 inspection fee on leaf tobacco, scrap and other manufactured
19 tobacco shall be paid immediately before removal from the
20 establishment of the wholesaler, manufacturer, or redrying plant]
21 IMMEDIATELY BEFORE REMOVAL THEREOF FROM THE
22 ESTABLISHMENT OF THE WHOLESALER, MANUFACTURER,
23 OWNER, OR OPERATOR OF THE REDRYING PLANT. In case

1 of imported leaf tobacco and products thereof, the inspection fee
2 shall be paid by the importer before removal from customs custody.”

3 **SECTION 69. Section 145 of this Code is hereby renumbered as Section**
4 **149 and paragraph (1) thereof is amended as follows:**

5 “SEC. [145] 149. *Manufactured [o]Oils and [o]Other [f]Fuels.*

6 - X X X

7 (1) Lubricating oils and greases including but not limited to base
8 stock for lube oils and greases, high vacuum distillates, aromatic
9 extracts and other similar preparations, and additives for lubricating
10 oils and greases whether such additives are petroleum based or not, per
11 liter AND KILOGRAM, RESPECTIVELY, of volume capacity OR
12 WEIGHT, four pesos and fifty centavos (P4.50): *Provided, however,*
13 That the [specific] EXCISE taxes paid on the purchased feedstock
14 (bunker) used in the manufacture of exciseable articles and forming
15 part thereof shall be credited against the [specific] EXCISE tax due
16 therefrom: *Provided, further,* That lubricating oils and greases
17 produced from basestocks and additives on which the [specific]
18 EXCISE tax has already been paid shall no longer be subject to
19 [specific] EXCISE tax: *PROVIDED, FINALLY,* THAT LOCALLY
20 PRODUCED OR IMPORTED OILS PREVIOUSLY TAXED AS
21 SUCH BUT ARE SUBSEQUENTLY REPROCESSED, REREFINED
22 OR RECYCLED SHALL LIKEWISE BE SUBJECT TO THE TAX
23 IMPOSED UNDER THIS SECTION.”

1 **SECTION 70. Sections 146, 147 and 148 of the Code are hereby**
2 **repealed.**

3 **SECTION 71. Section 149 of the Code is hereby renumbered as Section**
4 **150 and amended to read as follows:**

5 “SEC. [149]150. *Automobiles.* - x x x

6 “x x x”

7 **AUTOMOBILES ACQUIRED FOR USE BY PERSONS OR ENTITIES**
8 **OPERATING WITHIN THE FREE PORT ZONE SHALL BE EXEMPT FROM**
9 **EXCISE TAX: *PROVIDED*, THAT UTILITY VEHICLES OF REGISTERED**
10 **ZONE ENTERPRISES, WHICH ARE INDISPENSABLE IN THE CONDUCT**
11 **AND OPERATIONS OF THEIR BUSINESS, SUCH AS DELIVERY TRUCKS**
12 **AND CARGO VANS WITH GROSS VEHICLE WEIGHT ABOVE THREE (3)**
13 **METRIC TONS MAY BE ALLOWED UNRESTRICTED USE OUTSIDE THE**
14 **FREE PORT ZONE: *PROVIDED, FURTHER*, THAT TOURIST-ORIENTED**
15 **ENTERPRISES, SUCH AS TOURIST BUSES AND CARS WITH YELLOW**
16 **PLATES, COLOR CODED, AND UTILIZED EXCLUSIVELY FOR THE**
17 **PURPOSE OF TRANSPORTING TOURISTS IN TOURISM RELATED**
18 **ACTIVITIES, AND SERVICE VEHICLES OF FREE PORT REGISTERED**
19 **ENTERPRISES AND EXECUTIVES, SUCH AS COMPANY SERVICE CARS**
20 **AND EXPATRIATES’ AND INVESTORS’ AUTOMOBILES BROUGHT IN**
21 **THE NAME OR UPON THE REQUEST OF SUCH ENTERPRISES, AND**
22 **PERSONALLY-OWNED VEHICLES OF RESIDENTS, INCLUDING THE**
23 **LEASEHOLDERS OF RESIDENCES INSIDE THE FREE PORT ZONE, MAY**
24 **BE USED OUTSIDE THE FREE PORT ZONE FOR SUCH PERIODS AS MAY**
25 **BE PRESCRIBED BY THE DEPARTMENTS OF FINANCE AND TRADE**
26 **AND INDUSTRY, THE BUREAU OF CUSTOMS AND THE FREE PORT**

1 AUTHORITIES CONCERNED, WHICH IN NO CASE SHALL EXCEED
2 FOURTEEN (14) DAYS PER MONTH.

3 IN CASE SUCH VEHICLES ARE USED FOR MORE THAN AN
4 AGGREGATE PERIOD OF FOURTEEN (14) DAYS PER MONTH OUTSIDE
5 OF THE FREE PORT ZONE, THE OWNER OR IMPORTER SHALL PAY
6 THE CORRESPONDING EXCISE TAX DUE ON SUCH VEHICLE.

7 THE SECRETARIES OF FINANCE AND TRADE,
8 TOGETHER WITH THE COMMISSIONER OF CUSTOMS AND
9 THE ADMINISTRATORS OF THE FREE PORTS CONCERNED
10 SHALL PROMULGATE RULES AND REGULATIONS FOR THE
11 PROPER IDENTIFICATION AND CONTROL OF SAID
12 AUTOMOBILES.

13 SECTION 72. Section 150 of the Code is hereby renumbered as
14 Section 151 and amended to read as follows:

15 "SEC. [150]151. *Non-essential [g]Goods.* - x x x

16 "([a]A) x x x

17 "([b]B) [Perfumes and toilet waters;] *TOILET PREPARATIONS* -

18 THE TERM "TOILET PREPARATIONS" SHALL
19 INCLUDE PERFUMES, ESSENCES, EXTRACTS, LOTIONS,
20 TOILET WATERS, COSMETICS, HAIR OILS, POMADES, HAIR
21 DRESSING, HAIR TONICS, HAIR RESTORATIVES, HAIR DYES
22 AND ANY SIMILAR SUBSTANCE, ARTICLES OR
23 PREPARATIONS BY WHATSOEVER NAME KNOWN OR
24 DISTINGUISHED WHICH ARE USED OR APPLIED OR

1 INTENDED TO BE USED OR APPLIED FOR TOILET PURPOSES.
2 ANY ARTICLE ADVERTISED OR HELD OUT TO BE SUITABLE
3 FOR TOILET PURPOSES WILL BE SUBJECT TO TAX AS
4 TOILET PREPARATIONS, REGARDLESS OF THE NAME BY
5 WHICH IT MAY BE KNOWN OR DISTINGUISHED.

6 “(c) x x x”

7 **SECTION 73. Section 151 of the Code is hereby renumbered as Section**
8 **152, with paragraph (c) thereof repealed and paragraph (a)(4) amended to**
9 **read as follows:**

10 “SEC. [151]152. *Mineral Products.* - ([a]A) x x x

11 “(4) On indigenous petroleum, NATURAL GAS AND
12 LIQUEFIED NATURAL GAS, a tax of [fifteen] THREE percent
13 [(15%)](3%) of the fair international market price thereof, on the first
14 taxable sale, BARTER, EXCHANGE OR SUCH SIMILAR
15 TRANSACTION, such tax to be paid by the buyer or purchaser within
16 FIFTEEN (15) days from the date of actual or constructive delivery to
17 the said buyer or purchaser. IN CASE SAID PRODUCTS ARE
18 EXPORTED, THE TAX SHALL BE PAID BY THE
19 SELLER/EXPORTER. The phrase ‘**first taxable sale, barter,**
20 **exchange or similar transaction**’ means the transfer of indigenous
21 petroleum in its original state to a first taxable transferee. The fair
22 international market price shall be determined in consultation with an
23 appropriate government agency.

24 “x x x

1 [“(c) *Time, manner and place of payment of excise tax on*
 2 *mineral and mineral products.* - Unless otherwise provided, the excise
 3 tax on mineral and mineral products shall be due and payable upon
 4 removal of the minerals or mineral products or quarry resources from
 5 the locality where mined or upon removal from customs custody in the
 6 case of importations.

7 “Any person liable to pay the excise tax on locally produced or
 8 extracted mineral, mineral products or quarry resources shall, before
 9 removal of such products, file in duplicate a return setting forth the
 10 quantity and the actual market value of the minerals or mineral
 11 products to be removed and pay the excise taxes due thereon to the
 12 Collection Agent, or the Treasurer of the city or municipality of the
 13 place where the mine is located except as hereinbelow provided.

14 “However, the output of the mine may be removed from such
 15 locality without the prepayment of such excise taxes if the lessee,
 16 owner, or operator of the mining claim shall file a bond in the form and
 17 amount and with such sureties as the Commissioner may require,
 18 conditioned upon the payment of such excise taxes. It shall be the duty
 19 of every lessee, owner or operator to make a true and complete return
 20 in duplicate setting forth the quantity and the actual market value of the
 21 minerals or mineral products, or quarry resources removed during such
 22 calendar quarter, of the balance, if any, in cases where payments are
 23 made upon removal, and pay the excise taxes due thereon within 20

1 days after the end of such quarter to the Collection Agent, or the
2 Treasurer of the city or municipality of the place where the mine is
3 located.

4 "In the case of indigenous petroleum, the tax due thereon shall
5 be paid by the buyer or purchaser within 15 days from the date of
6 actual or constructive delivery to the said buyer or purchaser.]"

7 **SECTION 74. Section 157 of the Code is hereby renumbered as Section**
8 **158 and amended to read as follows:**

9 "SEC. [157]158. *Removal of [a]Articles [a]After the [p]Payment*
10 *of [t]Tax.* - When the tax has been paid on articles or products subject
11 to excise tax, the same shall not thereafter be stored or permitted to
12 remain in the distillery, distillery warehouse, bonded warehouse, or
13 other factory or place where produced. However, upon prior permit
14 from the Commissioner, oil refineries and/or companies may store or
15 deposit tax-paid petroleum products and commingle the same with its
16 own [bonded] MANUFACTURED products NOT YET SUBJECTED
17 TO EXCISE TAX. Imported petroleum products may be allowed to
18 be withdrawn from customs custody without the prepayment of excise
19 tax, which products may be commingled with the tax-paid or bonded
20 products of the importer himself after securing a prior permit from the
21 Commissioner [of Internal Revenue]: *Provided*, That withdrawals shall
22 be taxed and accounted for on a "first-in, first-out" basis."

1 **SECTION 75. Section 160 of the Code is hereby renumbered as Section**
2 **161 and amended to read as follows:**

3 “SEC. [160]161. *Manufacturers’ and [i]Importers’ [b]Bond.* -
4 Manufacturers and importers of articles subject to [specific] EXCISE
5 tax shall [give] POST A bond [in an amount equal, as nearly as can be
6 estimated, to twenty percent of the taxes payable by them during an
7 average year.] SUBJECT TO THE FOLLOWING CONDITIONS:

8 “(1) IN CASE OF INITIAL BOND, THE AMOUNT
9 SHALL BE EQUAL TO ONE HUNDRED THOUSAND
10 PESOS (P100,000); *PROVIDED*, THAT IF AFTER SIX
11 MONTHS OF OPERATION, THE AMOUNT OF INITIAL
12 BOND IS LESS THAN THE AMOUNT OF THE TOTAL
13 EXCISE TAX PAID DURING THE PERIOD, THE AMOUNT
14 OF THE BOND SHALL BE ADJUSTED TO TWICE THE
15 TAX ACTUALLY PAID FOR THE PERIOD.

16 “(2) BOND FOR THE SUCCEEDING YEARS OF
17 OPERATION .- THE BONDS FOR THE SUCCEEDING
18 YEARS OF OPERATION SHALL BE BASED ON THE
19 ACTUAL TOTAL EXCISE TAX PAID DURING THE YEAR
20 IMMEDIATELY PRECEDING THE YEAR OF
21 OPERATION.

22 “Such bond shall be conditioned upon the faithful compliance,
23 during the time such business is followed, with laws and regulations

1 relating to such business and for the satisfaction of all fines and
2 penalties imposed by this Code. [No such bond shall be required in an
3 amount exceeding Five hundred thousand pesos nor be received in a
4 sum less than Ten thousand pesos.]

5 **SECTION 76. Section 174 of the Code is hereby renumbered as Section**
6 **175 and amended to read as follows:**

7 “SEC. [174] 175. *Stamp [t]Tax on [b]Bonds, [d]Debentures,*
8 *DEPOSIT SUBSTITUTE DEBT INSTRUMENTS and [c]Certificates of*
9 *[i]Indebtedness. -- On all bonds, debentures, DEPOSIT*
10 *SUBSTITUTE DEBT INSTRUMENTS, and certificates of*
11 *indebtedness issued by any association, company, or corporation, there*
12 *shall be collected a documentary stamp tax of One peso and fifty*
13 *centavos (P1.50) on each Two hundred pesos, or fractional part*
14 *thereof, of the face value of such documents.”*

15 **SECTION 77. Section 175 of the Code is hereby renumbered as Section**
16 **176 and amended to read as follows:**

17 “SEC. [175] 176. *Stamp [t]Tax on [o]Original [i]Issue of*
18 *[certificates] SHARES of [s]Stock. -- On every original issue, whether*
19 *on organization, reorganization or for any lawful purpose, of*
20 *[certificates] SHARES of stock by any association, company, or*
21 *corporation, there shall be collected a documentary stamp tax of Two*
22 *pesos (P2.00) on each Two hundred pesos, or fractional part thereof, of*
23 *the par value of such [certificates] SHARES OF STOCK[;]:*

1 [p]Provided, [t]That in the case of the original issue of SHARES OF
 2 stock without par value the amount of the documentary stamp tax
 3 herein prescribed shall be based upon the actual consideration
 4 [received by the association, company, or corporation] for the issuance
 5 of such SHARES OF stock: *PROVIDED, FURTHER, THAT*, [and] in
 6 the case of stock dividends, on the actual value represented by each
 7 share. ”

8 **SECTION 78. Section 180 of the Code is hereby renumbered as Section**
 9 **181 and amended to read as follows:**

10 “SEC. [180] 181. *Stamp [t]Tax on [a]All [l]Loan*
 11 *[a]Agreements, [p]Promissory [n]Notes, [b]Bills of [e]Exchange,*
 12 *[d]Drafts, [i]Instruments and [s]Securities [i]Issued by the*
 13 *[g]Government or [a]Any of its [i]Instrumentalities, [c]Certificates of*
 14 *[d]DepositS [b]Bearing [i]Interest and [o]Others [n]Not [p]Payable*
 15 *on [s]Sight or [d]Demand. – On all loan agreements, INCLUDING*
 16 *THOSE signed abroad, wherein the object of the contract is located or*
 17 *used in the Philippines, bills of exchange (between points within the*
 18 *Philippines), drafts, instruments and securities issued by the*
 19 *Government or any of its instrumentalities, [or] certificates of deposits*
 20 *drawing interest, [or] orders for the payment of any sum of money*
 21 *otherwise than at sight or on demand, [or] on all promissory notes,*
 22 *whether negotiable or non-negotiable, except bank notes issued for*
 23 *circulation, and on each renewal of any such note, there shall be*

1 collected a documentary stamp tax of [t]Thirty centavos (P0.30) on
 2 each Two hundred pesos, or fractional part thereof, of the face value of
 3 any such agreement, bill of exchange, draft, certificate of deposit, or
 4 note: *Provided*, That only one documentary stamp tax shall be
 5 imposed on either loan agreement, or promissory notes issued to secure
 6 such loan, whichever will yield a higher tax: *Provided, however*, That
 7 loan agreements or promissory notes the aggregate of which does not
 8 exceed Two hundred fifty thousand pesos (P250,000.00) executed by
 9 an individual for his purchase on installment for his personal use or that
 10 of his family and not for business, resale, barter or hire of a house, lot,
 11 motor vehicle, appliance or furniture shall be exempt from the payment
 12 of the documentary stamp tax provided under this Section.”

13 **SECTION 79. The first paragraph of Section 196, now Section 197, of**
 14 **the Code is hereby amended to read as follows:**

15 “SEC. [196] 197. *Stamp [t]Tax on [d]Deeds of [s]Sale and*
 16 *[c]Conveyances of [r]Real [p]Property.* – On all conveyances,
 17 deeds, instruments, or writings, other than grants, patents, or
 18 original certificates of adjudication issued by the Government,
 19 whereby any lands, tenements or other realty sold shall be
 20 granted, assigned, transferred, or otherwise conveyed to the
 21 purchaser, or purchasers, or to any other person or persons
 22 designated by such purchaser or purchasers, there shall be
 23 collected a documentary stamp tax, at the RATES HEREIN

1 BELOW PRESCRIBED, BASED ON THE CONSIDERATION
2 CONTRACTED TO BE PAID FOR SUCH REALTY OR ON ITS
3 FAIR MARKET VALUE DETERMINED IN ACCORDANCE
4 WITH SECTION 6(E) OF THIS CODE, WHICHEVER IS HIGHER:
5 *PROVIDED*, THAT WHEN ONE OF THE CONTRACTING
6 PARTIES IS THE GOVERNMENT, THE TAX HEREIN IMPOSED
7 SHALL BE BASED ON THE ACTUAL CONSIDERATION:

8 "X X X"

9 **SECTION 80. Section 200 of the Code is hereby renumbered as Section**
10 **201 and the provisions thereof deleted and replaced with the following:**

11 "SEC. 201. *Payment of Documentary Stamp Tax.* -- (A) *IN*
12 *GENERAL.* -- THE PROVISIONS OF PRESIDENTIAL DECREE
13 NO. 1045 NOTWITHSTANDING, ANY PERSON LIABLE TO PAY
14 DOCUMENTARY STAMP TAX UPON ANY DOCUMENT
15 SUBJECT TO TAX UNDER TITLE VII OF THIS CODE SHALL
16 FILE A TAX RETURN AND PAY THE TAX IN ACCORDANCE
17 WITH THE RULES AND REGULATIONS TO BE PRESCRIBED
18 BY THE SECRETARY OF FINANCE, UPON
19 RECOMMENDATION OF THE COMMISSIONER.

20 (B) *TIME FOR FILING AND PAYMENT OF THE TAX.* --
21 EXCEPT AS PROVIDED BY RULES AND REGULATIONS

1 PROMULGATED BY THE SECRETARY OF FINANCE, UPON
 2 RECOMMENDATION OF THE COMMISSIONER, THE TAX
 3 RETURN PRESCRIBED IN THIS SECTION SHALL BE FILED
 4 WITHIN TEN (10) DAYS AFTER THE CLOSE OF THE MONTH
 5 WHEN THE TAXABLE DOCUMENT WAS MADE, SIGNED,
 6 ISSUED, ACCEPTED OR TRANSFERRED, AND THE TAX
 7 THEREON SHALL BE PAID AT THE SAME TIME THE
 8 AFORESAID RETURN IS FILED.

9 (C) *WHERE TO FILE.* -- EXCEPT IN CASES WHERE THE
 10 COMMISSIONER OTHERWISE PERMITS, THE AFORESAID
 11 TAX RETURN SHALL BE FILED WITH AND THE TAX DUE
 12 SHALL BE PAID THROUGH THE AUTHORIZED AGENT BANK
 13 WITHIN THE TERRITORIAL JURISDICTION OF THE REVENUE
 14 DISTRICT OFFICE WHICH HAS JURISDICTION OVER THE
 15 RESIDENCE OR PRINCIPAL PLACE OF BUSINESS OF THE
 16 TAXPAYER. IN PLACES WHERE THERE IS NO AUTHORIZED
 17 AGENT BANK, THE RETURN SHALL BE FILED WITH THE
 18 REVENUE DISTRICT OFFICER, COLLECTION AGENT, OR
 19 DULY AUTHORIZED TREASURER OF THE CITY OR
 20 MUNICIPALITY IN WHICH THE TAXPAYER HAS HIS LEGAL
 21 RESIDENCE OR PRINCIPAL PLACE OF BUSINESS.

22 (D) *EXCEPTION.* -- IN LIEU OF THE FOREGOING
 23 PROVISIONS OF THIS SECTION, THE TAX MAY BE PAID

1 EITHER THROUGH PURCHASE AND ACTUAL AFFIXTURE, OR
 2 BY IMPRINTING THE STAMPS THROUGH A DOCUMENTARY
 3 STAMP METERING MACHINE, ON THE TAXABLE
 4 DOCUMENT, IN THE MANNER AS MAY BE PRESCRIBED BY
 5 RULES AND REGULATIONS TO BE PROMULGATED BY THE
 6 SECRETARY OF FINANCE, UPON RECOMMENDATION OF
 7 THE COMMISSIONER.

8 **SECTION 81. Section 204 of the Code is hereby renumbered as Section**
 9 **205 and amended to read as follows:**

10 "SEC. [204] 205. *Authority of the Commissioner to*
 11 *[c]Compromise, [a]Abate, and [r]Refund[.] OR [c]Credit [t]Taxes. –*

12 The Commissioner may –

13 "[1] (A) Compromise the payment of any internal
 14 revenue tax when –

15 "[a] (1) A reasonable doubt as to the validity of the
 16 claim against the taxpayer exists; or

17 "[b] (2) The financial position of the taxpayer
 18 demonstrates a clear inability to pay the
 19 assessed tax[: *Provided, however,* That final
 20 assessments issued against large taxpayers as
 21 defined under Section [4]246 of this Code shall not
 22 be compromised for less than fifty percent (50%).

23 Any such compromise involving said taxpayers

1 lower than fifty percent (50%) shall be subject to
2 the approval of the Secretary of Finance].

3 THE COMPROMISE SETTLEMENT OF ANY
4 TAX LIABILITY SHALL BE SUBJECT TO THE
5 FOLLOWING MINIMUM AMOUNTS:

6 FOR CASES OF FINANCIAL INCAPACITY, A
7 MINIMUM COMPROMISE RATE EQUIVALENT TO
8 TEN PERCENT (10%) OF THE BASIC ASSESSED
9 TAX; AND

10 FOR OTHER CASES, A MINIMUM
11 COMPROMISE RATE EQUIVALENT TO FORTY
12 PERCENT (40%) OF THE BASIC ASSESSED TAX.

13 WHERE THE BASIC TAX INVOLVED
14 EXCEEDS ONE MILLION PESOS (P1,000,000)
15 OR WHERE THE SETTLEMENT OFFERED IS
16 LESS THAN THE PRESCRIBED MINIMUM RATES,
17 THE COMPROMISE SHALL BE SUBJECT TO THE
18 APPROVAL OF THE EVALUATION BOARD WHICH
19 SHALL BE COMPOSED OF THE COMMISSIONER
20 AND THE FOUR (4) DEPUTY COMMISSIONERS OF
21 INTERNAL REVENUE.

22 “[(2)] (B) Abate or cancel a tax liability, when -

1 “[(a)] (1) The tax or any portion thereof appears to be
2 unjustly or excessively assessed; or

3 “[(b)] (2) The administration and collection costs
4 involved do not justify the collection of the
5 amount due.

6 “All criminal violations may be compromised except: (a)
7 those already filed in court, and (b) those involving fraud.

8 “[The Commissioner of Internal Revenue may delegate his
9 power to compromise internal revenue cases to the Deputy
10 Commissioners and the Regional Directors, subject to such limitations
11 and restrictions as may be imposed under rules and regulations to
12 be promulgated for the purpose.]

13 “[(3)] (C) Credit or refund taxes erroneously or illegally
14 received OR penalties imposed without authority, refund the value
15 of internal revenue stamps when they are returned in good condition
16 by the purchaser, and, in his discretion, redeem or change unused
17 stamps that have been rendered unfit for use and refund their value
18 upon proof of destruction. No credit or refund of taxes or penalties
19 shall be allowed unless the taxpayer files in writing with the
20 Commissioner a claim for credit or refund within two years after
21 the payment of the tax or penalty: *PROVIDED, HOWEVER,*
22 THAT A RETURN FILED SHOWING AN OVERPAYMENT

1 SHALL BE CONSIDERED AS A WRITTEN CLAIM FOR
2 CREDIT OR REFUND.

3 A TAX CREDIT CERTIFICATE VALIDLY ISSUED
4 UNDER THE PROVISIONS OF THIS CODE MAY BE APPLIED
5 AGAINST ANY INTERNAL REVENUE TAX, EXCLUDING
6 WITHHOLDING TAXES, FOR WHICH THE TAXPAYER IS
7 DIRECTLY LIABLE. ANY REQUEST FOR CONVERSION INTO
8 REFUND OF UNUTILIZED TAX CREDITS MAY BE ALLOWED,
9 SUBJECT TO THE PROVISIONS OF SECTION 228 OF THIS
10 CODE: *PROVIDED*, THAT THE ORIGINAL COPY OF THE TAX
11 CREDIT CERTIFICATE SHOWING A CREDITABLE
12 BALANCE IS SURRENDERED TO THE APPROPRIATE
13 REVENUE OFFICER FOR VERIFICATION AND
14 CANCELLATION: *PROVIDED, FURTHER*, THAT IN NO CASE
15 SHALL A TAX REFUND BE GIVEN RESULTING FROM
16 AVAILMENT OF INCENTIVES GRANTED PURSUANT TO
17 SPECIAL LAWS FOR WHICH NO ACTUAL PAYMENT WAS
18 MADE.

19 THE COMMISSIONER SHALL SUBMIT TO THE
20 COMMITTEE ON WAYS AND MEANS OF BOTH THE HOUSE
21 OF REPRESENTATIVES AND THE SENATE OF THE
22 PHILIPPINES, EVERY SIX MONTHS, A REPORT ON THE
23 EXERCISE OF HIS POWERS UNDER THIS SECTION, STATING

1 THEREIN THE FOLLOWING FACTS AND INFORMATION,
2 AMONG OTHERS: NAMES AND ADDRESSES OF TAXPAYERS
3 WHOSE CASES HAVE BEEN THE SUBJECT OF ABATEMENT
4 OR COMPROMISE; AMOUNT INVOLVED; AMOUNT
5 COMPROMISED OR ABATED; AND REASONS FOR THE
6 EXERCISE OF POWER: *PROVIDED*, THAT THE SAID REPORT
7 SHALL BE PRESENTED TO THE OVERSIGHT COMMITTEE IN
8 CONGRESS THAT SHALL BE CONSTITUTED TO DETERMINE
9 THAT SAID POWERS ARE REASONABLY EXERCISED AND
10 THAT THE GOVERNMENT IS NOT UNDULY DEPRIVED OF
11 REVENUES: *PROVIDED*, *FINALLY*, THAT THE
12 CONGRESSIONAL OVERSIGHT COMMITTEE SHALL BE
13 COMPOSED OF THE CHAIRMEN OF THE COMMITTEE ON
14 WAYS AND MEANS OF THE SENATE AND THE HOUSE OF
15 REPRESENTATIVES AND FOUR ADDITIONAL MEMBERS,
16 TWO FROM EACH HOUSE, TO BE DESIGNATED BY THE
17 SENATE PRESIDENT AND THE SPEAKER OF THE HOUSE OF
18 REPRESENTATIVES, RESPECTIVELY. THE CONGRESSIONAL
19 OVERSIGHT COMMITTEE SHALL MONITOR AND ENSURE
20 THE PROPER IMPLEMENTATION OF THE POWER VESTED
21 UNDER THIS PROVISION.”

1 **SECTION 82. Section 213 on ‘Levy on real estate’ is hereby**
2 **incorporated as Subsection (b) of Section 207, now Section 208, of the Code.**
3 **Section 207, now Section 208, is further amended to read as follows:**

4 “SEC. [207] 208. *SUMMARY REMEDIES. - (A) Distraint of*
5 *[p]Personal [p]Property. – [The remedy by distraint shall proceed*
6 *as follows:] Upon the failure of the person owing any delinquent*
7 *tax or delinquent revenue to pay the same, at the time required, the*
8 *REVENUE REGIONAL DIRECTOR, IF THE AMOUNT*
9 *INVOLVED IS IN EXCESS OF ONE MILLION PESOS*
10 *(P1,000,000.00), OR THE Revenue District Officer, IF THE*
11 *AMOUNT INVOLVED IS ONE MILLION PESOS (P1,000,000.00)*
12 *OR LESS, [if the amount involved does not exceed Five thousand*
13 *pesos; the Revenue Regional Director, if the amount involved is*
14 *more than Five thousand pesos but does not exceed Twenty*
15 *thousand pesos; and the Commissioner, if the amount involved*
16 *exceeds Twenty thousand pesos,] shall seize and distraint [not earlier*
17 *than three months nor later than six months from receipt of*
18 *demand,] any goods, chattels, or effects, and the personal property,*
19 *including stocks and other securities, debts, credits, bank accounts,*
20 *and interest in and rights to personal property, of such persons in*
21 *sufficient quantity to satisfy the tax, or charge, together with any*
22 *increment thereto incident to delinquency, and the expenses of the*
23 *distraint and the cost of the subsequent sale.*

1 “A report on the distraint shall, within ten (10) days from
 2 receipt of the warrant, be submitted by the distraining officer to
 3 the Revenue District Officer, AND to the Revenue Regional
 4 Director [and to the Commissioner]: *PROVIDED*, THAT THE
 5 REVENUE REGIONAL DIRECTOR OR THE REVENUE DISTRICT
 6 OFFICER, AS THE CASE MAY BE, SHALL, SUBJECT TO RULES
 7 AND REGULATIONS PROMULGATED BY THE SECRETARY OF
 8 FINANCE UPON RECOMMENDATION OF THE COMMISSIONER,
 9 HAVE THE POWER TO LIFT SUCH ORDER OF DISTRAINT:
 10 *PROVIDED, FURTHER*, THAT A CONSOLIDATED REPORT BY
 11 THE REVENUE REGIONAL DIRECTOR MAY BE REQUIRED BY
 12 THE COMMISSIONER AS OFTEN AS NECESSARY.

13 “[SEC. 213.] (B) *Levy on [r]Real [estate] PROPERTY.* – After
 14 the expiration of the time required to pay the delinquent tax
 15 or delinquent revenue as prescribed in THIS Section [207], real
 16 property may be levied upon, before, simultaneously, or after the
 17 distraint of personal property belonging to the delinquent. To this
 18 end, any internal revenue officer designated by the REVENUE
 19 REGIONAL DIRECTOR OR THE Revenue District Officer[, or the
 20 Revenue Regional Director or the Commissioner], as the case may
 21 be, shall prepare a duly authenticated certificate showing the name of
 22 the taxpayer and the amounts of the tax and penalty due from him.
 23 Said certificate shall operate with the force of a legal execution
 24 throughout the Philippines.

1 “Levy shall be effected by writing upon said certificate a
2 description of the property upon which levy is made. At the same
3 time, written notice of the levy shall be mailed to or served
4 upon the Register of Deeds of the province or city where the property is
5 located and upon the delinquent taxpayer, or, if he be absent from the
6 Philippines, to his agent or the manager of the business in respect to which
7 the liability arose, or, if there be none, to the occupant of the property
8 in question.

9 “In case the levy on real property is not issued before or
10 simultaneously with the warrant of distraint on personal property
11 and the personal property of the taxpayer is not sufficient to
12 satisfy his tax delinquency, the REVENUE REGIONAL DIRECTOR
13 OR THE Revenue District Officer[, Regional Director or
14 Commissioner], as the case may be, shall, within thirty (30) days after
15 execution of the distraint, proceed with the levy on the taxpayer’s
16 real property.

17 “WITHIN TEN (10) DAYS AFTER RECEIPT OF THE
18 WARRANT, [A]a report on any levy shall[, within ten days after receipt
19 of the warrant,] be submitted by the levying officer to the
20 REVENUE REGIONAL DIRECTOR AND THE Revenue District
21 Officer, [the Revenue Regional Director, and to the Commissioner]:
22 *PROVIDED, HOWEVER, THAT A CONSOLIDATED REPORT BY*
23 *THE REVENUE REGIONAL DIRECTOR MAY BE REQUIRED BY*
24 *THE COMMISSIONER AS OFTEN AS NECESSARY: PROVIDED,*
25 *FURTHER, THAT THE REGIONAL DIRECTOR OR REVENUE*

1 DISTRICT OFFICER, AS THE CASE MAY BE, SUBJECT TO RULES
2 AND REGULATIONS PROMULGATED BY THE SECRETARY OF
3 FINANCE, UPON RECOMMENDATION OF THE COMMISSIONER,
4 SHALL HAVE THE AUTHORITY TO LIFT WARRANTS OF LEVY
5 ISSUED IN ACCORDANCE WITH THE PROVISIONS HEREOF.”

6 **SECTION 83. The second paragraph of Section 214 of the Code is**
7 **amended to read as follows:**

8 “SEC. 214. *Advertisement and [s]Sale.* – x x x
9 “Within five (5) days after the sale, a return by the
10 distraining or levying officer of the proceedings shall be entered upon
11 the records of the REVENUE Collection [Agent] OFFICER, the
12 Revenue District Officer, AND the Revenue Regional Director[, and
13 the Commissioner]. The Collection [Agent] OFFICER, in consultation
14 with the Revenue District Officer, shall then make out and deliver to the
15 purchaser a certificate from his records, showing the proceedings of the
16 sale, describing the property sold, stating the name of the purchaser and
17 setting out the exact amount of all taxes, penalties and interest:
18 *Provided, however,* That in case the proceeds of the sale exceeds the
19 claim and cost of sale, the excess shall be turned over to the owner of the
20 property.”

21 **SECTION 84. Subsections (c) and (d) of Section 223 of the Code are**
22 **hereby amended to read as follows:**

23 “SEC. 223. - *Exceptions as to [p]Period of [l]Limitation of*
24 *[a]Assessment and [c]Collection of [t]Taxes. --*

1 " x x x

2 "(c) Any internal revenue tax which has been assessed
3 within the period of limitation above-prescribed may be collected by
4 distraint or levy or by a proceeding in court within [three] FIVE (5)
5 years following the assessment of the tax.

6 "(d) Any internal revenue tax which has been assessed
7 within the period agreed upon as provided in paragraph (b)
8 hereinabove may be collected by distraint or levy or by a proceeding
9 in court within the period agreed upon in writing before the expiration
10 of the [three] FIVE-year period. The period so agreed upon may
11 be extended by subsequent written agreements made before the
12 expiration of the period previously agreed upon."

13 **SECTION 85. Section 229 of the Code is hereby amended to read as**
14 **follows:**

15 "SEC. 229. *Protesting of [a]Assessment.* – When the
16 Commissioner [of Internal Revenue] or his duly authorized
17 representative finds that proper taxes should be assessed, he shall first
18 notify the taxpayer of his findings: *PROVIDED, HOWEVER, THAT*
19 *A PREASSESSMENT NOTICE SHALL NOT BE REQUIRED IN*
20 *THE FOLLOWING CASES:*

21 (A) WHEN THE FINDING FOR ANY DEFICIENCY TAX IS
22 THE RESULT OF MATHEMATICAL ERROR IN THE
23 COMPUTATION OF THE TAX AS APPEARING ON THE FACE
24 OF THE RETURN; OR

1 (B) WHEN A DISCREPANCY HAS BEEN DETERMINED
2 BETWEEN THE TAX WITHHELD AND THE AMOUNT
3 ACTUALLY REMITTED BY THE WITHHOLDING AGENT; OR

4 (C) WHEN A TAXPAYER WHO OPTED TO CLAIM A
5 REFUND OR TAX CREDIT OF EXCESS CREDITABLE
6 WITHHOLDING TAX FOR A TAXABLE PERIOD WAS
7 DETERMINED TO HAVE CARRIED OVER AND
8 AUTOMATICALLY APPLIED THE SAME AMOUNT
9 CLAIMED AGAINST THE ESTIMATED TAX LIABILITIES
10 FOR THE TAXABLE QUARTER OR QUARTERS OF THE
11 SUCCEEDING TAXABLE YEAR; OR

12 (D) WHEN THE EXCISE TAX DUE ON EXCISEABLE
13 ARTICLES HAS NOT BEEN PAID; OR

14 (E) WHEN AN ARTICLE LOCALLY PURCHASED
15 OR IMPORTED BY AN EXEMPT PERSON, SUCH AS,
16 BUT NOT LIMITED TO VEHICLES, CAPITAL
17 EQUIPMENT, MACHINERIES AND SPARE PARTS, HAS
18 BEEN SOLD, TRADED OR TRANSFERRED TO NON-
19 EXEMPT PERSONS.

20 THE TAXPAYER SHALL BE INFORMED IN WRITING OF
21 THE LAW AND THE FACTS ON WHICH THE ASSESSMENT IS
22 MADE; OTHERWISE THE ASSESSMENT SHALL BE VOID.

1 “Within a period to be prescribed by implementing
 2 RULES AND regulations, the taxpayer shall be required to respond
 3 to said notice. If the taxpayer fails to respond, the Commissioner OR
 4 HIS DULY AUTHORIZED REPRESENTATIVE shall issue an
 5 assessment based on his findings.

6 “Such assessment may be protested administratively by filing a
 7 request for reconsideration or reinvestigation WITHIN THIRTY (30)
 8 DAYS FROM RECEIPT OF THE ASSESSMENT in such form and
 9 manner as may be prescribed by implementing RULES AND regulations.
 10 [within thirty (30) days from receipt of the assessment;] WITHIN
 11 SIXTY (60) DAYS FROM FILING OF THE PROTEST, ALL
 12 RELEVANT SUPPORTING DOCUMENTS SHALL HAVE BEEN
 13 SUBMITTED; otherwise, the assessment shall become final [and
 14 unappealable].

15 “If the protest is denied in whole or in part, OR IS NOT
 16 ACTED UPON WITHIN ONE HUNDRED EIGHTY (180) DAYS
 17 FROM SUBMISSION OF DOCUMENTS, the [individual, association or
 18 corporation] TAXPAYER adversely affected by the decision [on the
 19 protest] OR INACTION may appeal to the Court of Tax Appeals
 20 within thirty (30) days from receipt of the said decision, OR FROM
 21 THE LAPSE OF THE 180-DAY PERIOD; otherwise, the decision
 22 shall become final, executory and demandable.”

23 **SECTION 86. Section 230 of the Code is hereby amended by deleting**
 24 **therefrom the paragraph on ‘Forfeiture of Refund’.**

1 **SECTION 87. A new Section 231 is hereby inserted after Section 230 to**
2 **read as follows:**

3 SEC. 231. *FORFEITURE OF CASH REFUND AND OF TAX*
4 *CREDIT. --*

5 (A) *FORFEITURE OF REFUND.* – A REFUND CHECK OR
6 WARRANT ISSUED IN ACCORDANCE WITH THE PERTINENT
7 PROVISIONS OF THIS CODE WHICH SHALL REMAIN
8 UNCLAIMED OR UNCASHED WITHIN FIVE (5) YEARS FROM
9 THE DATE THE SAID WARRANT OR CHECK WAS MAILED OR
10 DELIVERED SHALL BE FORFEITED IN FAVOR OF THE
11 GOVERNMENT AND THE AMOUNT THEREOF SHALL
12 REVERT TO THE GENERAL FUND.

13 (B) *FORFEITURE OF TAX CREDIT.* – A TAX CREDIT
14 CERTIFICATE ISSUED IN ACCORDANCE WITH THE
15 PERTINENT PROVISIONS OF THIS CODE WHICH SHALL
16 REMAIN UNUTILIZED AFTER FIVE (5) YEARS FROM THE
17 DATE OF ISSUE SHALL, UNLESS REVALIDATED, BE
18 CONSIDERED INVALID, AND SHALL NOT BE ALLOWED
19 AS PAYMENT FOR INTERNAL REVENUE TAX LIABILITIES
20 OF THE TAXPAYER AND THE AMOUNT COVERED BY THE
21 CERTIFICATE SHALL REVERT TO THE GENERAL FUND.

22 (C) *TRANSITORY PROVISION.* – FOR PURPOSES OF THE
23 PRECEDING SUBSECTION, A TAX CREDIT CERTIFICATE

1 ISSUED BY THE COMMISSIONER OR HIS DULY
 2 AUTHORIZED REPRESENTATIVE PRIOR TO JANUARY 1, 1998
 3 WHICH REMAINS UNUTILIZED OR HAS A CREDITABLE
 4 BALANCE AS OF SAID DATE, SHALL BE PRESENTED FOR
 5 REVALIDATION WITH THE COMMISSIONER OR HIS DULY
 6 AUTHORIZED REPRESENTATIVE ON OR BEFORE JUNE 30,
 7 1998.

8 **SECTION 88. Section 232 of the Code is hereby renumbered as Section**
 9 **233 and is amended to read as follows:**

10 "SEC. [232] 233. *KEEPING OF BOOKS OF ACCOUNTS*
 11 *AND PENALTIES FOR VIOLATIONS BY A CERTIFIED PUBLIC*
 12 *ACCOUNTANT OR FINANCIAL OFFICER. -- (A) Corporations,*
 13 *[c]Companies, [p]Partnerships, or [p]Persons [r]Required to*
 14 *[k]Keep [b]Books of [a]Accounts. - All corporations, companies,*
 15 *partnerships, or persons required by law to pay internal revenue*
 16 *taxes shall keep a journal and a ledger or their equivalents:*
 17 *Provided, however, That those whose quarterly sales, earnings,*
 18 *receipts, or output do not exceed [Five] FIFTY thousand pesos*
 19 *(P50,000) shall keep and use simplified set of bookkeeping*
 20 *records duly authorized by the Secretary of Finance wherein all*
 21 *transactions and results of operations are shown and from which*
 22 *all taxes due the [g]Government may readily and accurately be*
 23 *ascertained and determined any time of the year[; and]: Provided,*

1 further, That [in the case of] corporations, companies, partnerships,
2 or persons whose gross quarterly sales, earnings, receipts or output
3 exceed [Twenty-five] ONE HUNDRED FIFTY thousand pesos
4 (P150,000), shall have their books of accounts audited and examined
5 yearly by [I]independent Certified Public Accountants and their
6 income tax returns accompanied with A DULY ACCOMPLISHED
7 ACCOUNT INFORMATION FORM (AIF) WHICH SHALL
8 CONTAIN, AMONG OTHERS, INFORMATION LIFTED FROM
9 certified balance sheets, profit and loss statements, schedules
10 listing income producing properties and the corresponding income-
11 therefrom and other relevant statements.

12 “(B) x x x

13 “(C) *Penal [p]Provision.* – Any FINANCIAL OFFICER OR
14 [c]Certified [p]Public [a]Accountant employed to examine and
15 audit books of taxpayers under subsection (A) of this Section, or
16 any person under his direction who willfully falsifies any report
17 or statement bearing on any examination or audit, or renders a report,
18 including exhibits, statements, schedules or other forms of
19 accountancy work which has not been verified by him personally or
20 under his supervision or by a member of his firm or by a member
21 of his staff in accordance with sound auditing practices, or certifie[d]S
22 financial statements of a business enterprise containing an
23 essential misstatement of facts or omission in respect to the

1 transactions, taxable income, deduction and exemption of his client
2 or who, not being an [I]independent Certified Public Accountant
3 according to subsection (B) of this Section, examines and audits
4 books of taxpayers, or any person who offers to sign and certify
5 financial statement without audit, or any person who offers any
6 taxpayer to use wrong accounting/bookkeeping records, or in any
7 way commits an act or omission in violation of the provision of this
8 Section shall be punished by a fine of not [exceeding Five] LESS
9 THAN FIFTY thousand pesos (P50,000.00) BUT NOT MORE
10 THAN ONE HUNDRED THOUSAND PESOS (P100,000.00) and
11 imprisonment of not less than two (2) years BUT NOT MORE
12 THAN SIX (6) YEARS. If the offender is a [c]Certified [p]Public
13 [a]Accountant, upon conviction, his certificate as a [c]Certified
14 [p]Public [a]Accountant shall automatically be revoked or
15 cancelled. In the case of foreigners, conviction under this Code shall
16 constitute a ground for deportation.”

17 **SECTION 89. Section 236 of the Code on ‘Supplying of Taxpayer**
18 **Account Number’ is hereby deleted.**

19 **SECTION 90. The provisions of Section 237 of the Code are hereby**
20 **deleted and replaced with the following:**

21 **SEC. 237. REGISTRATION REQUIREMENTS. – (A)**

22 **EVERY PERSON SUBJECT TO ANY INTERNAL REVENUE**

1 TAX SHALL REGISTER ONCE WITH THE APPROPRIATE
2 REVENUE DISTRICT OFFICER:

- 3 1. WITHIN TEN (10) DAYS FROM DATE OF
- 4 EMPLOYMENT; OR
- 5 2. ON OR BEFORE THE COMMENCEMENT OF
- 6 BUSINESS; OR
- 7 3. BEFORE PAYMENT OF ANY TAX DUE; OR
- 8 4. UPON FILING OF A RETURN, STATEMENT OR
- 9 DECLARATION AS REQUIRED IN THIS CODE.

10 THE REGISTRATION SHALL CONTAIN THE
11 TAXPAYER'S NAME, STYLE, PLACE OF RESIDENCE,
12 BUSINESS, AND SUCH OTHER INFORMATION AS MAY BE
13 REQUIRED BY THE COMMISSIONER IN THE FORM
14 PRESCRIBED THEREFOR.

15 A PERSON MAINTAINING A HEAD OFFICE,
16 BRANCH OR FACILITY SHALL REGISTER WITH THE
17 REVENUE DISTRICT OFFICER HAVING JURISDICTION OVER
18 THE HEAD OFFICE, BRANCH OR FACILITY. FOR
19 PURPOSES OF THIS SECTION, THE TERM 'FACILITY' MAY
20 INCLUDE BUT NOT BE LIMITED TO SALES OUTLETS,
21 PLACES OF PRODUCTION, WAREHOUSES OR STORAGE
22 PLACES.

1 (B) *ANNUAL REGISTRATION FEE.* – AN ANNUAL
 2 REGISTRATION FEE IN THE AMOUNT OF FIVE
 3 HUNDRED PESOS (P500) FOR EVERY SEPARATE OR
 4 DISTINCT ESTABLISHMENT OR PLACE OF BUSINESS
 5 INCLUDING FACILITY TYPES WHERE SALES
 6 TRANSACTIONS OCCUR SHALL BE PAID UPON
 7 REGISTRATION AND EVERY YEAR THEREAFTER
 8 ON OR BEFORE THE LAST DAY OF JANUARY:
 9 *PROVIDED, HOWEVER,* THAT COOPERATIVES,
 10 INDIVIDUALS EARNING PURELY COMPENSATION
 11 INCOME, WHETHER LOCALLY OR ABROAD, AND
 12 OVERSEAS WORKERS ARE NOT LIABLE TO THE
 13 REGISTRATION FEE HEREIN IMPOSED:

14 THE REGISTRATION FEE SHALL BE PAID TO AN
 15 AUTHORIZED AGENT BANK LOCATED WITHIN THE
 16 REVENUE DISTRICT, OR TO THE REVENUE
 17 COLLECTION OFFICER, OR DULY AUTHORIZED
 18 TREASURER OF THE CITY OR MUNICIPALITY WHERE
 19 EACH PLACE OF BUSINESS OR BRANCH IS
 20 REGISTERED.

21 (C) *REGISTRATION OF EACH TYPE OF INTERNAL*
 22 *REVENUE TAX.* – EVERY PERSON WHO IS REQUIRED TO
 23 REGISTER WITH THE BUREAU OF INTERNAL REVENUE

1 UNDER SUBSECTION (A) HEREOF SHALL REGISTER EACH
 2 TYPE OF INTERNAL REVENUE TAX FOR WHICH HE IS
 3 OBLIGATED, FILE A RETURN AND PAY SUCH TAXES, AND
 4 SHALL UPDATE SUCH REGISTRATION OF ANY CHANGES IN
 5 ACCORDANCE WITH SUBSECTION (E) HEREOF.

6 (D) *TRANSFER OF REGISTRATION.* - IN CASE A
 7 REGISTERED PERSON DECIDES TO TRANSFER HIS PLACE
 8 OF BUSINESS OR HIS HEAD OFFICE OR BRANCHES, IT
 9 SHALL BE HIS DUTY TO UPDATE HIS REGISTRATION
 10 STATUS BY FILING AN APPLICATION FOR REGISTRATION
 11 INFORMATION UPDATE IN THE FORM PRESCRIBED
 12 THEREFOR.

13 (E) *OTHER UPDATES.* - ANY PERSON REGISTERED IN
 14 ACCORDANCE WITH THIS SECTION SHALL, WHENEVER
 15 APPLICABLE, UPDATE HIS REGISTRATION INFORMATION
 16 WITH THE REVENUE DISTRICT OFFICE WHERE HE IS
 17 REGISTERED, SPECIFYING THEREIN ANY CHANGE IN TAX
 18 TYPE AND OTHER TAXPAYER DETAILS.

19 (F) *CANCELLATION OF REGISTRATION.* - THE
 20 REGISTRATION OF ANY PERSON WHO CEASES TO BE
 21 LIABLE TO A TAX TYPE SHALL BE CANCELLED UPON
 22 FILING WITH THE REVENUE DISTRICT OFFICE WHERE HE
 23 IS REGISTERED AN APPLICATION FOR REGISTRATION

1 INFORMATION UPDATE IN A FORM PRESCRIBED
2 THEREFOR.

3 (G) *PERSONS COMMENCING BUSINESS.* - ANY
4 PERSON WHO EXPECTS TO REALIZE GROSS SALES OR
5 RECEIPTS SUBJECT TO VALUE-ADDED TAX IN EXCESS OF
6 THE AMOUNT PRESCRIBED UNDER SECTION 108(T) OF THIS
7 CODE, FOR THE NEXT 12-MONTH PERIOD FROM THE
8 COMMENCEMENT OF THE BUSINESS SHALL REGISTER
9 WITH THE REVENUE DISTRICT OFFICE WHICH HAS
10 JURISDICTION OVER THE HEAD OFFICE OR BRANCH AND
11 SHALL PAY THE ANNUAL REGISTRATION FEE PRESCRIBED
12 IN THE PARAGRAPH (A) HEREOF.

13 (H) *PERSONS BECOMING LIABLE TO THE VALUE-*
14 *ADDED TAX.* - ANY PERSON WHOSE GROSS SALES OR
15 RECEIPTS IN ANY 12-MONTH PERIOD EXCEEDS THE
16 AMOUNT PRESCRIBED UNDER SECTION 108(T) OF THIS
17 CODE, FOR EXEMPTION FROM THE VALUE-ADDED TAX
18 SHALL REGISTER IN ACCORDANCE WITH
19 SUBPARAGRAPH (A) HEREOF AND PAY THE ANNUAL
20 REGISTRATION FEE PRESCRIBED THEREIN WITHIN TEN
21 (10) DAYS AFTER THE END OF THE LAST MONTH
22 OF THAT PERIOD AND SHALL BE LIABLE TO THE

1 VALUE-ADDED TAX COMMENCING FROM THE FIRST
2 DAY OF THE MONTH FOLLOWING HIS REGISTRATION.

3 (I) *OPTIONAL REGISTRATION OF EXEMPT PERSON.* –
4 ANY PERSON WHOSE TRANSACTIONS ARE EXEMPT
5 FROM VALUE-ADDED TAX UNDER SECTION 108(T) OF
6 THIS CODE, OR ANY PERSON WHOSE TRANSACTIONS ARE
7 EXEMPT FROM THE VALUE-ADDED TAX UNDER SECTION
8 108(A), (B), (C) AND (D) OF THIS CODE, WHO OPTS TO
9 REGISTER AS A VAT TAXPAYER WITH RESPECT TO HIS
10 EXPORT SALES ONLY, MAY UPDATE HIS REGISTRATION
11 INFORMATION IN ACCORDANCE WITH SUB-PARAGRAPH
12 (E) HEREOF, NOT LATER THAN TEN (10) DAYS BEFORE THE
13 BEGINNING OF THE TAXABLE QUARTER AND SHALL PAY
14 THE ANNUAL REGISTRATION FEE PRESCRIBED IN
15 SUBSECTION (B) OF THIS SECTION.

16 IN ANY CASE, THE COMMISSIONER MAY, FOR
17 ADMINISTRATIVE REASONS, DENY ANY APPLICATION FOR
18 REGISTRATION INCLUDING UPDATES PRESCRIBED UNDER
19 SUBSECTION (E) HEREOF.

20 FOR PURPOSES OF TITLE IV OF THIS CODE, ANY
21 PERSON WHO HAS REGISTERED VALUE-ADDED TAX AS A
22 TAX TYPE IN ACCORDANCE WITH THE PROVISIONS OF
23 SUBSECTION (C) HEREOF SHALL BE REFERRED TO AS VAT-

1 REGISTERED PERSON WHO SHALL BE ASSIGNED ONLY
2 ONE TAXPAYER IDENTIFICATION NUMBER.

3 (J) SUPPLYING OF TAXPAYER IDENTIFICATION
4 NUMBER (TIN). - ANY PERSON REQUIRED UNDER THE
5 AUTHORITY OF THIS CODE TO MAKE, RENDER, OR FILE A
6 RETURN, STATEMENT, OR OTHER DOCUMENT SHALL BE
7 SUPPLIED WITH OR ASSIGNED A TAXPAYER
8 IDENTIFICATION NUMBER (TIN) WHICH HE SHALL
9 INDICATE IN SUCH RETURN, STATEMENT OR DOCUMENT
10 FILED WITH THE BUREAU OF INTERNAL REVENUE FOR HIS
11 PROPER IDENTIFICATION FOR TAX PURPOSES, AND WHICH
12 HE SHALL INDICATE IN CERTAIN DOCUMENTS SUCH AS
13 BUT NOT LIMITED TO THE FOLLOWING:

14 (1) SUGAR QUEDANS, REFINED SUGAR RELEASE
15 ORDER OR SIMILAR INSTRUMENTS;

16 (2) DOMESTIC BILLS OF LADING;

17 (3) DOCUMENTS TO BE REGISTERED WITH THE
18 REGISTER OF DEEDS OR ASSESSORS OFFICE;

19 (4) REGISTRATION CERTIFICATE OF
20 TRANSPORTATION EQUIPMENT BY LAND, SEA
21 OR AIR;

22 (5) DOCUMENTS TO BE REGISTERED WITH THE
23 SECURITIES AND EXCHANGE COMMISSION;

- 1 (6) BUILDING CONSTRUCTION PERMITS;
- 2 (7) APPLICATION FOR LOAN WITH BANKS,
- 3 FINANCIAL INSTITUTIONS, OR OTHER
- 4 FINANCIAL INTERMEDIARIES;
- 5 (8) APPLICATION FOR MAYOR'S PERMIT;
- 6 (9) APPLICATION FOR BUSINESS LICENSE WITH THE
- 7 DEPARTMENT OF TRADE AND INDUSTRY; AND
- 8 (10) SUCH OTHER DOCUMENTS WHICH MAY
- 9 HEREAFTER BE REQUIRED UNDER REVENUE
- 10 REGULATIONS TO BE PROMULGATED BY
- 11 THE SECRETARY OF FINANCE, UPON
- 12 RECOMMENDATION OF THE COMMISSIONER.

13 IN CASES WHERE A REGISTERED TAXPAYER DIES,
 14 THE ADMINISTRATOR OR EXECUTOR SHALL REGISTER
 15 THE ESTATE OF THE DECEDENT IN ACCORDANCE WITH
 16 SUBSECTION (A) HEREOF AND A NEW TAXPAYER
 17 IDENTIFICATION NUMBER (TIN) SHALL BE SUPPLIED IN
 18 ACCORDANCE WITH THE PROVISIONS OF THIS SECTION.

19 IN THE CASE OF A NON-RESIDENT DECEDENT, THE
 20 EXECUTOR OR ADMINISTRATOR OF THE ESTATE SHALL
 21 REGISTER THE ESTATE WITH THE REVENUE DISTRICT
 22 OFFICE WHERE HE IS REGISTERED: *PROVIDED, HOWEVER,*
 23 THAT IN CASE SUCH EXECUTOR OR ADMINISTRATOR IS

1 NOT REGISTERED, REGISTRATION OF THE ESTATE SHALL
2 BE MADE WITH AND THE TAXPAYER IDENTIFICATION
3 NUMBER (TIN) SUPPLIED BY THE REVENUE DISTRICT
4 OFFICE HAVING JURISDICTION OVER HIS LEGAL
5 RESIDENCE.

6 ONLY ONE TAXPAYER IDENTIFICATION NUMBER
7 SHALL BE GIVEN TO A PERSON REQUIRED TO HAVE ONE
8 AND ANY PERSON WHO SHALL SECURE MORE THAN ONE
9 TAXPAYER IDENTIFICATION NUMBER SHALL BE
10 CRIMINALLY LIABLE UNDER THE PROVISIONS OF SECTION
11 276 ON VIOLATION OF OTHER PROVISIONS OF THIS CODE
12 OR REGULATIONS IN GENERAL.

13 **SECTION 91. Section 239 of the Code is hereby amended to read as**
14 **follows:**

15 "SEC. 239. *Printing of [r]Receipts or [s]Sales or*
16 *[c]Commercial [i]Invoices.* – All persons who [print receipts or
17 sales or commercial invoices] ARE ENGAGED IN BUSINESS
18 shall [for every job order,] secure from the Bureau of Internal
19 Revenue an authority to print [said] receipts or SALES OR
20 COMMERCIAL invoices before [printing] A PRINTER CAN
21 PRINT the same.

22 "No authority to print receipts or sales or commercial invoices
23 shall be granted unless the receipts or invoices to be printed are

1 serially numbered and shall show, among other things, the name,
 2 business style, taxpayer identification number and business address
 3 of the person or entity to use the same, AND SUCH OTHER
 4 INFORMATION THAT MAY BE REQUIRED BY RULES
 5 AND REGULATIONS TO BE PROMULGATED BY THE
 6 SECRETARY OF FINANCE UPON RECOMMENDATION OF
 7 THE COMMISSIONER.

8 ALL PERSONS WHO PRINT RECEIPTS OR SALES OR
 9 COMMERCIAL INVOICES SHALL MAINTAIN A
 10 LOGBOOK/REGISTER OF TAXPAYERS WHO AVAILED OF
 11 THEIR PRINTING SERVICES, CONTAINING THE FOLLOWING
 12 INFORMATION: (1) NAMES, TAXPAYER IDENTIFICATION
 13 NUMBERS OF THE PERSONS OR ENTITIES FOR WHOM THE
 14 RECEIPTS OR SALES OR COMMERCIAL INVOICES WERE
 15 PRINTED, AND, (2) NUMBER OF BOOKLETS, NUMBER OF
 16 SETS PER BOOKLETS, NUMBER OF COPIES PER SET AND
 17 THE SERIAL NUMBERS OF THE RECEIPTS OR INVOICES IN
 18 EACH BOOKLET.

19 “[Within twenty (20) days from the end of every calendar
 20 quarter, the printer shall submit to the Bureau of Internal Revenue
 21 a report containing the following information:]

22 “[(1) Names, addresses, taxpayer identification
 23 numbers of the persons or entities for whom the receipts or sales

1 or commercial invoices were printed during the preceding
2 quarter, and]

3 “[(2) Quantity of receipts or invoices printed and the serial
4 numbers of the receipts or invoices in each booklet.]”

5 **SECTION 92. Subsections (a) and (b) of Section 248, now Section 249,**
6 **of the Code are hereby amended to read as follows:**

7 “SEC. [248] 249. *Civil Penalties.* – ([a]A) There shall be
8 imposed, in addition to the tax required to be paid, a penalty
9 equivalent to twenty-five percent (25%) of the amount due, in the
10 following cases:

11 “(1) Failure to file any return AND PAY THE TAX DUE
12 THEREON AS required under the provisions of this Code
13 or regulations on the date prescribed; or

14 “(2) UNLESS OTHERWISE AUTHORIZED BY THE
15 COMMISSIONER, [F]filing a return with an internal
16 revenue officer other than those with whom the return is
17 required to be filed; or

18 “(3) Failure to pay the DEFICIENCY tax within the time
19 prescribed for its payment IN THE NOTICE OF
20 ASSESSMENT; or

21 “(4) Failure to pay the full OR PART OF THE amount of tax
22 shown on any return required to be filed under the provisions
23 of this Code or RULES AND regulations, or the full

1 amount of tax due for which no return is required to be
2 filed, on or before the date prescribed for its payment.

3 “([b]B) In case of willful neglect to file the return within
4 the period prescribed by this Code or BY RULES AND regulations,
5 or in case a false or fraudulent return is willfully made, the
6 penalty to be imposed shall be fifty percent (50%) of the tax
7 or of the deficiency tax, in case any payment has been made on
8 the basis of such return before the discovery of the falsity or
9 fraud: *PROVIDED*, THAT, A SUBSTANTIAL UNDERDECLARATION
10 OF TAXABLE SALES, RECEIPTS OR INCOME, OR A
11 SUBSTANTIAL OVERSTATEMENT OF DEDUCTIONS, AS
12 DETERMINED BY THE COMMISSIONER PURSUANT TO THE
13 RULES AND REGULATIONS TO BE PROMULGATED BY THE
14 SECRETARY OF FINANCE, SHALL CONSTITUTE *PRIMA FACIE*
15 EVIDENCE OF A FALSE OR FRAUDULENT RETURN:
16 *PROVIDED, FURTHER*, THAT FAILURE TO REPORT SALES,
17 RECEIPTS, OR INCOME IN AN AMOUNT EXCEEDING THIRTY
18 PERCENT (30%) OF THAT DECLARED PER RETURN, AND A
19 CLAIM OF DEDUCTIONS IN AN AMOUNT EXCEEDING
20 THIRTY PERCENT (30%) OF ACTUAL DEDUCTIONS, SHALL
21 RENDER THE TAXPAYER LIABLE FOR SUBSTANTIAL
22 UNDERDECLARATION OF SALES, RECEIPTS OR INCOME OR

1 FOR OVERSTATEMENT OF DEDUCTIONS, AS MENTIONED
2 HEREIN.”

3 SECTION 93. Section 251 of the Code is hereby renumbered as
4 Section 252 and is amended to read as follows:

5 “SEC. [251] 252. *Failure of a [w]Withholding [a]Agent to*
6 *[c]Collect and [r]Remit [t]Tax.* – Any person required to [collect],
7 WITHHOLD, account for, and remit any tax imposed by this Code
8 or who willfully fails to [collect] WITHHOLD such tax, or account
9 for and remit such tax, or [willfully assists] AIDS OR ABETS in any
10 manner to evade any such tax or the payment thereof, shall, in
11 addition to other penalties provided for under this Chapter, be liable
12 UPON CONVICTION to a penalty equal to the total amount of the
13 tax not [collected] WITHHELD, or not accounted for and remitted.”

14 SECTION 94. Section 256 of the Code is renumbered as Section 258
15 and is amended by adding a new paragraph (8) to subsection (b) thereof,
16 which shall read as follows:

17 “SEC. [256] 258. *Penal Liability for [m]Making [f]False*
18 *[e]Entries, [r]Records or [r]Reports, OR USING FALSIFIED*
19 *OR FAKE ACCOUNTABLE FORMS.* – ([a]A) x x x

20 “([b]B) Any person who:

21 x x x

22 “(7) Fails to keep the books of accounts or records
23 mentioned in Section [232] 233 in a native language,

1 English, or Spanish, or to make a true and complete
2 translation as required in Section [234] 235 of this
3 Code, or whose books of accounts or records kept in a
4 native language, English, or Spanish, and found to be at
5 material variance with books or records kept by him in
6 another language[, shall, upon conviction for each act or
7 omission, be punished by a fine of not less than Thirty
8 thousand pesos but not more than Fifty thousand pesos
9 and suffer imprisonment of not less than two years but not
10 more than six years]; OR

11 (8) WILLFULLY ATTEMPTS IN ANY MANNER
12 TO EVADE OR DEFEAT ANY TAX IMPOSED
13 UNDER THIS CODE, OR KNOWINGLY USES
14 FAKE OR FALSIFIED REVENUE OFFICIAL
15 RECEIPTS, LETTERS OF AUTHORITY,
16 CERTIFICATES AUTHORIZING REGISTRATION,
17 TAX CREDIT CERTIFICATES, TAX DEBIT
18 MEMORANDA AND OTHER ACCOUNTABLE
19 FORMS SHALL, UPON CONVICTION FOR EACH
20 ACT OR OMISSION, BE PUNISHED BY A FINE
21 OF NOT LESS THAN FIFTY THOUSAND PESOS
22 (P50,000) BUT NOT MORE THAN ONE HUNDRED
23 THOUSAND PESOS (P100,000) AND SUFFER

1 IMPRISONMENT OF NOT LESS THAN FOUR (4)
2 YEARS BUT NOT MORE THAN TEN (10)
3 YEARS.”

4 **SECTION 95. Section 268 (*Violations Committed by Government***
5 ***Enforcement Officers*) of the Code is hereby renumbered as Section 270 and is**
6 **amended by adding a second paragraph thereto to read as follows:**

7 *PROVIDED*, THAT THE PROVISIONS OF THE
8 FOREGOING PARAGRAPH NOTWITHSTANDING, ANY
9 INTERNAL REVENUE OFFICER FOR WHICH A *PRIMA FACIE*
10 CASE OF GRAVE MISCONDUCT HAS BEEN ESTABLISHED
11 SHALL, AFTER DUE NOTICE AND HEARING OF THE
12 ADMINISTRATIVE CASE AND SUBJECT TO CIVIL SERVICE
13 LAWS, BE DISMISSED FROM THE REVENUE SERVICE:
14 *PROVIDED, FURTHER*, THAT THE TERM “GRAVE
15 MISCONDUCT”, AS DEFINED IN THE CIVIL SERVICE LAW,
16 SHALL INCLUDE THE ISSUANCE OF FAKE LETTERS OF
17 AUTHORITY AND RECEIPTS, FORGERY OF SIGNATURE,
18 USURPATION OF AUTHORITY, AND HABITUAL ISSUANCE
19 OF UNREASONABLE ASSESSMENTS.

20 **SECTION 96. Section 269 of the Code is hereby renumbered as Section**
21 **271 and further amended to read as follows:**

22 “SEC. [269] 271. *Unlawful [d]Divulgence of [t]Trade*
23 *[s]Secrets*. – Except as provided in Section [64] 70 of this Code and

1 Section 26 of Republic Act No. 6388, any officer or employee of the
 2 Bureau of Internal Revenue who divulges to any person or makes
 3 known in any other manner than may be provided by law information
 4 regarding the business, income, or estate of any taxpayer, the secrets,
 5 operation, style or work, or apparatus of any manufacturer or producer,
 6 or confidential information regarding the business of any taxpayer,
 7 knowledge of which was acquired by him in the discharge of his
 8 official duties, shall, upon conviction for each act or omission, be fined
 9 in a sum of not less than [Five] FIFTY thousand pesos (P50,000) but
 10 not more than [Ten] ONE HUNDRED thousand pesos (P100,000),
 11 or imprisoned for a term of not less than [six months] TWO (2)
 12 YEARS but not more than five years, or both.”

13 **SECTION 97. Section 281 of the Code is hereby renumbered as**
 14 **Section 283. Paragraphs (1) and (2) thereof are hereby amended to read as**
 15 **follows:**

16 “SEC. [281.] 283. *Informer’s [r]Reward to [p]Persons*
 17 *[i]Instrumental in the [d]Discovery of [v]Violations of the National*
 18 *Internal Revenue Code and in the [d]Discovery and [s]Seizure of*
 19 *[s]Smuggled [g]Goods. –*

20 “(1) *For [v]Violations of the National Internal Revenue*
 21 *Code. – Any person, except an internal revenue official or employee,*
 22 *or other public official OR EMPLOYEE, or his relative within*
 23 *the sixth degree of consanguinity, who voluntarily gives definite and*

1 sworn information, not yet in the possession of the Bureau of
2 Internal Revenue, leading to the discovery of frauds upon the
3 internal revenue laws or violations of any of the provisions
4 thereof, thereby resulting in the recovery of revenues, surcharges and
5 fees and/or the conviction of the guilty party and/or the imposition of
6 any fine or penalty, shall be rewarded in a sum equivalent to [fifteen]
7 TEN per centum (10%) of the revenues, surcharges or fees
8 recovered and/or fine or penalty imposed and collected OR ONE
9 MILLION PESOS (P1,000,000.00) PER CASE, WHICHEVER IS
10 LOWER. The same amount of reward shall also be given to an
11 informer where the offender has offered to compromise the
12 violation of law committed by him and his offer has been accepted
13 by the Commissioner [and in such a case, the fifteen per centum
14 reward fixed herein shall be based on the amount agreed upon
15 in the compromise] and collected from the offender: *Provided,*
16 That should no revenue, surcharges or fees be actually recovered or
17 collected, such person shall not be entitled to a reward:
18 *Provided, further,* That the information mentioned herein shall not
19 refer to a case already pending or previously investigated or
20 examined by the Commissioner or any of his deputies, agents or
21 examiners, or the Secretary of Finance or any of his deputies or
22 agents: *Provided, finally,* That the reward provided herein shall be
23 paid under RULES AND regulations issued by the [Commissioner of

1 Internal Revenue with the approval of the] Secretary of Finance,
2 UPON RECOMMENDATION OF THE COMMISSIONER.

3 “(2) For [d]Discovery and [s]Seizure of [s]Smuggled
4 [g]Goods. – To encourage the public [and law-enforcement
5 personnel] to extend full cooperation in eradicating smuggling, a
6 cash reward equivalent to [fifteen] TEN per cent[um] (10%) of the
7 fair market value of the smuggled and confiscated goods OR ONE
8 MILLION PESOS (P1,000,000.00) PER CASE, WHICHEVER IS
9 LOWER, shall be given to persons instrumental in the discovery and
10 seizure of such smuggled goods.

11 THE CASH REWARDS OF INFORMERS SHALL BE
12 SUBJECT TO INCOME TAX, COLLECTED AS A FINAL
13 WITHHOLDING TAX, AT THE RATE OF TEN PERCENT
14 (10%).”

15 SECTION 98. The Bureau of Internal Revenue is hereby directed to
16 codify the National Internal Revenue Code and renumber and re-style
17 accordingly all the Sections and all references thereto which are affected by
18 the insertions and deletions as provided in this Act .

19 SECTION 99. The Secretary of Finance shall, upon the
20 recommendation of the Commissioner of Internal Revenue, promulgate
21 and publish the necessary rules and regulations for the effective
22 implementation of this Act.

1 **SECTION 100. *Repealing Clause.*** – The provisions of the National
2 **Internal Revenue Code, as amended, and all other laws, including charters**
3 **of government-owned or -controlled corporations, decrees, order or**
4 **regulations or parts thereof, that are inconsistent with this Act are hereby**
5 **repealed or amended accordingly.**

6 **SECTION 101. *Effectivity.*** -- This Act shall take effect on January 1,
7 **1998.**

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