

AN ACT TO AMEND CERTAIN SECTIONS OF COMMONWEALTH ACT NUMBERED FOUR HUNDRED AND SIXTY-SIX, AS AMENDED, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE, AND TO ADD TO TITLE ...

REPUBLIC ACT NO. 590, September 22, 1950

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

SECTION 1. Section twenty-one of Commonwealth Act Numbered Four hundred and sixty-six, as amended by Republic Act Numbered Eighty-two, is further amended to read as follows:

"SEC. 21. Rates of tax on citizens or residents.—There shall be levied, assessed, collected, and paid annually upon the entire net income received in the preceding taxable year from all sources by every individual, a citizen or resident of the Philippines, a tax equal to the sum of the following:

"Five per centum per annum upon the amount by which such total net income does not exceed two thousand pesos;

"Eight per centum per annum upon the amount by which such total net income exceeds two thousand pesos and does not exceed four thousand pesos;

"Twelve per centum per annum upon the amount by which such total net income exceeds four thousand pesos and does not exceed six thousand pesos;

"Eighteen per centum per annum upon the amount by which such total net income exceeds six thousand pesos and does not exceed ten thousand pesos;

"Twenty-four per centum per annum upon the amount by which such total net income exceeds ten thousand pesos and does not exceed twenty thousand pesos;

"Thirty per centum per annum upon the amount by which such total net income exceeds twenty thousand pesos and does not exceed thirty thousand pesos;

"Thirty-six per centum per annum upon the amount by which such total net income exceeds thirty thousand pesos and does not exceed forty thousand pesos;

"Forty per centum per annum upon the amount by which such total net income exceeds forty thousand pesos and does not exceed fifty thousand pesos;

"Forty-two per centum per annum upon the amount by which such total net income exceeds fifty thousand pesos and does not exceed sixty thousand pesos;

"Forty-four per centum per annum upon the amount by which such total net income exceeds sixty thousand pesos and does not exceed seventy thousand pesos;

"Forty-six per centum per annum upon the amount by which such total net income exceeds seventy thousand pesos and does not exceed eighty thousand pesos;

"Forty-eight per centum per annum upon the amount by which such total net income exceeds eighty thousand pesos and does not exceed ninety thousand pesos;

"Fifty per centum per annum upon the amount by which such total net income exceeds ninety thousand pesos and does not exceed one hundred thousand pesos;

"Fifty-two per centum per annum upon the amount by which such total net income exceeds one hundred thousand pesos and does not exceed one hundred and twenty thousand pesos;

"Fifty-three per centum per annum upon the amount by which such total net income exceeds one hundred and twenty thousand pesos and does not exceed one hundred and forty thousand pesos;

"Fifty-four per centum per annum upon the amount by which such total net income exceeds one hundred and forty thousand pesos and does not exceed one hundred and sixty thousand pesos;

"Fifty-five per centum per annum upon the amount by which such total net income exceeds one hundred and sixty thousand pesos and does not exceed two hundred thousand pesos;

"Fifty-six per centum per annum upon the amount by which such total net income exceeds two hundred thousand pesos and does not exceed two hundred and fifty thousand pesos;

"Fifty-seven per centum per annum upon the amount by which such total net income exceeds two hundred and fifty thousand pesos and does not exceed three hundred thousand pesos;

"Fifty-eight per centum per annum upon the amount by which such total net income exceeds three hundred thousand pesos and does not exceed four hundred thousand pesos;

"Fifty-nine per centum per annum upon the amount by which such total net income exceeds four hundred thousand pesos and does not exceed five hundred thousand pesos; and

"Sixty per centum per annum upon the amount by which such total net income exceeds five hundred thousand pesos."

SEC. 2. Subsection (b) of section twenty-two of Commonwealth Act Numbered Four hundred and sixty-six, as amended by Republic Act Numbered Eighty-two, is hereby further amended to read as follows:

"(b) Nonresident alien not engaged in trade or business within the Philippines or not having an office or place of business therein.—There shall be levied, assessed, collected, and paid for each taxable year upon the entire net income received from all sources within the Philippines by every nonresident alien individual not engaged in trade or business within the Philippines or not having an office or place of business therein a tax equal to sixteen per centum thereof: Provided, That if the total net income of such nonresident alien individual from all sources within the Philippines exceeds fourteen thousand seven hundred and fifty pesos, the rates established in section twenty-one shall apply."

SEC. 3. Subsections (a), (b), (c) and (d) of section twenty-three of Commonwealth Act Numbered Four hundred and sixty-six are hereby amended to read as follows:

"SEC. 23. Amount of personal exemptions allowable to individuals.—For the purpose of the tax provided for in this Title, there shall be allowed in the nature of a deduction from the amount of net income the following personal exemptions:

"(a) Personal exemption of single individuals.—The sum of one thousand eight hundred pesos, if the person making the return is a single person or a married person legally separated from his or her spouse.

"(b) Personal exemption of married persons or heads of family.—The sum of three thousand pesos, if the person making the return is a married man with a wife not legally separated from him or a married woman with a

husband not legally separated from her, or the head of a family; Provided, That only one exemption of three thousand pesos shall be made from the aggregate income of both husband and wife when not legally separated. For the purpose of this section, the term 'head of a family' includes an unmarried man or woman with one or both parents, or one or more brothers or sisters, or one or more legitimate, recognized natural, or adopted children dependent upon him or her for their chief support where such brothers, sisters, or children are less than twenty-one years of age or where such children are incapable of self-support because mentally or physically defective.

"(c) Additional exemption for dependents.—The sum of six hundred pesos for each legitimate, recognized natural, or adopted child wholly dependent upon the taxpayer, if such dependents are under twenty-one years of age, or incapable of self-support because mentally or physically defective. The additional exemption under this subsection shall be allowed only if the person making the return is the head of a family.

"(d) Change of status.—If the status of the taxpayer insofar as it affects the personal and additional exemption for himself or his dependents, changes during the taxable year by reason of his death, the amount of the personal and additional exemptions shall be apportioned, under rules and regulations prescribed by the Secretary of Finance, in accordance with the number of months before and after such change. For the purpose of such apportionment a

fractional part of a month shall be disregarded unless it amounts to more than half a month, in which case it shall be considered as a month."

SEC. 4. Section twenty-four of Commonwealth Act Numbered Four hundred and sixty-six, as amended by Republic Act Numbered Eighty-two, is hereby further amended to read as follows:

"SEC. 24. Rate of tax on corporations.—There shall be levied, assessed, collected, and paid annually upon the total net income received in the preceding taxable year from all sources by every corporation organized in, or existing under the laws of the Philippines, no matter how created or organized, but not including duly registered general copartnerships (*compañías colectivas*), a tax of sixteen per centum upon such income; and a like tax shall be levied, assessed, collected, and paid annually upon the total net income received in the preceding taxable year from all sources within the Philippines by every corporation organized, authorized, or existing under the laws of any foreign country: Provided, however, That Building and Loan Associations operating as such in accordance with section one hundred and seventy-one to one hundred and ninety of the Corporation Law, as amended, shall pay a tax of nine per centum on their total net income: And provided, further, That in the case of dividends received by a domestic or resident foreign corporation from a domestic corporation liable to tax under this Chapter, only twenty-five per centum thereof shall be returnable for purposes of the tax imposed by this section."

SEC. 5. Section thirty of Commonwealth Act Numbered Four hundred and sixty-six, as amended, is hereby further amended by adding thereto a new subsection which shall read as follows:

"(j) Optional standard deduction.—In lieu of the deductions allowed under this section an individual, other than a nonresident alien, may elect a standard deduction. Such optional standard deduction shall be in the amount of one thousand pesos or in an amount equal to ten per centum of his gross income, whichever is the lesser. Unless the taxpayer signifies in his return his intention to elect the optional standard deduction he shall be considered as having availed himself of the deductions allowed in the preceding subsection. The Secretary of Finance shall prescribe the manner of the election. Such election when made in the return shall be irrevocable for the taxable year for which the return is made."

SEC. 6. Subsection (a) of section forty-five of Commonwealth Act Numbered Four hundred and sixty-six is hereby amended to read as follows:

"SEC. 45. Individual returns.— (a) Requirement.— (1) Every citizen of the Philippines of lawful age, whether residing at home or abroad and, (2) every person residing in the Philippines, though not a citizen thereof,

having a gross income of one thousand eight hundred pesos or over, including dividends, for the taxable year, and (3) every nonresident alien deriving income from sources within the Philippines regardless of amount, shall file an income tax return, in duplicate, setting forth specifically the gross amount of income from all sources and deducting from the total thereof the aggregate items of allowances authorized under this Title, in such form and manner as the Collector of Internal Revenue, with the approval of the Secretary of Finance, may prescribe."

SEC. 7. Subsections (a) and (b) of section fifty-three of Commonwealth Act Numbered Four hundred and sixty-six, as amended by Republic Act Numbered Eighty-two, is hereby further amended to read as follows:

"(a) Tax-free covenant bonds.— (1) Requirement of withholding.—In any case where bonds, mortgages, deeds of trust, or other similar obligations of domestic or resident foreign corporations, contain a contract or provision by which the obligor agrees to pay any portion of the tax imposed by this Title upon the obligee or to reimburse the obligee for any portion of the tax or to pay the interest without deduction for any tax which the obligor may be required or permitted to pay thereon or to retain therefrom under any law of the Philippines, or of any state or country, the obligor shall deduct and withhold a tax equal to sixteen per centum of the interest upon such bonds, mortgages, deeds of trust, or other obligations, whether such interest is payable annually or at shorter or longer periods, and whether such bonds, obligations, or securities had been heretofore or are hereafter issued or marketed, and the interest thereon paid, within or without the Philippines if such interest is payable to a nonresident alien individual or to a citizen or resident of the Philippines.

"(2) Benefit of exemptions against net income.—Such deduction and withholding shall not be required in the case of a citizen or resident entitled to receive such interest if such person shall file with the withholding agent, on or before February first, a signed notice in writing claiming the benefit of the exemption provided in section twenty-three of this Title.

"(b) Nonresident aliens.—All persons, corporations and general copartnerships (compañías colectivas), in whatever capacity acting, including lessees or mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, receivers, conservators, fiduciaries, employers, and all officers and employees of the Government of the Philippines having the control, receipt, custody, disposal, or payment of interest, dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinate annual or periodical gains, profits, and income of any nonresident alien individual, not engaged in trade or business within the Philippines and not having any office or place of business therein, shall (except in the cases provided for in subsection (a) of this section) deduct and withhold from such annual or periodical gains, profits, and income a tax equal to sixteen per centum thereof: Provided, That no such deduction or withholding shall be required in the case of dividends paid by a foreign corporation unless (1) such corporation is engaged in trade or business within the Philippines or has an office or place of business therein, and (2) more than eighty-five per centum of the gross income of such corporation for the three-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence) was derived from sources within the Philippines as determined under the provisions of section thirty-seven: Provided, further, That the Collector of Internal Revenue may authorize such tax to be deducted and withheld from the interest upon any securities the owners of which are not known to the withholding agent."

SEC. 8. Section fifty-four of Commonwealth Act Numbered Four hundred and sixty-six, as amended by Republic Act Numbered Eighty-two, is further amended to read as follows:

"SEC. 54. Payment of corporation income tax at source.— In the case of foreign corporations subject to taxation under this Title not engaged in trade or business within the Philippines and not having any office or place of business therein there shall be deducted and withheld at the source in the same manner and upon the same items as is provided in section fifty-three a tax equal to eighteen per centum thereof, and such tax shall be returned and paid in the same manner and subject to the same conditions as provided in that section".

SEC. 9. Section fifty-eight of Commonwealth Act Numbered Four hundred and sixty-six is hereby amended to read as follows:

"SEC. 58. Exemption allowed to estates and trusts.—For the purpose of the tax provided for in this Title, there shall be allowed an exemption of one thousand eight hundred pesos from the income of the estate or trust."

SEC. 10. Section sixty-one of Commonwealth Act Numbered Four hundred and sixty-six is hereby amended to read as follows:

"SEC. 61. Fiduciary returns.—Guardians, trustees, executors, administrators, receivers, conservators, and all persons or corporations, acting in any fiduciary capacity, shall render, in duplicate, a return of the income of the person, trust, or estate for whom or which they act, and be subject to all the provisions of this Title, which apply to individuals in case such person, estate, or trust has a gross income, of one thousand eight hundred pesos or over during the taxable year. Such fiduciary or person filing the return for him or it, shall take oath that he has sufficient knowledge of the affairs of such persons, trust, or estate to enable him to make such return and that the same is, to the best of his knowledge and belief, true and correct, and be subject to all the provisions of this Title which apply to individuals: Provided, That a return made by or for one of two or more joint fiduciaries filed in the province where such fiduciary resides, under such regulations as the Secretary of Finance may prescribe, shall be a sufficient compliance with the requirements of this section."

SEC. 11. Section seventy-seven of Commonwealth Act Numbered Four hundred and sixty-six is hereby amended to read as follows:

"SEC. 77. Information at source as to payments of one thousand eight hundred pesos or more.—All persons, corporations or duly registered copartnerships (compañías colectivas), in whatever capacity acting, including lessees or mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, receivers, conservators, and employees, making payment to another person, corporation, or duly registered general copartnership (compañía colectiva), of interest, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable gains, profits, and income, other than payments described in sections seventy-five and seventy-nine, of one thousand eight hundred pesos or more in any taxable year, or, in the case of such payments made by the Government of the Philippines, the officers or employees of the Government having information as to such payments and required to make returns in regard thereto, are authorized and required to render a true and accurate return to the Collector of Internal Revenue, under such rules and regulations and in such form and manner as may be prescribed by the Secretary of Finance, setting forth the amount of such gains, profits, and income, and the name and address of the recipient of such payment: Provided, That such returns shall be required, regardless of amount in the case of payments of interest upon bonds and mortgages or deeds of trust or other similar obligations of corporations, and in the case of collections of items, not payable in the Philippines, of interest upon the bonds of foreign countries and interest from the bonds and dividends from the stock of foreign corporations by persons, corporations, or duly registered general copartnerships (compañías colectivas), undertaking as a matter of business or for profit or otherwise the collection of foreign payments of such interest or dividends by means of coupons or bills of exchange."

SEC. 12. Supplement to Title II of Code.—There is hereby added to Title II of the National Internal Revenue Code, as amended, as a supplement to, and an integral part of, the said Title, the following provisions to be known as "Supplement A":

"SUPPLEMENT A—WITHHOLDING ON WAGES

"ARTICLE 1. Definitions.—As used in this supplement—

"(a) Wages.—The term "wages" means all remuneration (other than fees paid to a public official) for services

performed by an employee for his employer, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include remuneration paid—

- for agricultural labor paid entirely in products of the farm where the labor is performed, or
- for domestic service in a private home, or
- for casual labor not in the course of the employer's trade or business, or
- for services by a citizen or resident of the Philippines for a foreign government or an international organization.

"If the remuneration paid by an employer to an employee for services performed during one-half or more of any payroll period of not more than thirty-one consecutive days constitutes wages, all the remuneration paid by such employer to such employee for such period shall be deemed to be wages; but if the remuneration paid by an employer to an employee for services performed during more than one-half of any such payroll period does not constitute wages, then none of the remuneration paid by such employer to such employee for such period shall be deemed to be wages.

"(b) Payroll period.—The term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by his employer, and the term "miscellaneous payroll period" means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual period.

"(c) Employee.—The term "employee" refers to any individual who is the recipient of wages and includes an officer, employee, or elected official of the Government of the Philippines or any political subdivision, agency or instrumentality thereof. The term "employee" also includes an officer of a corporation.

"(d) Employer.—The term "employer" means the person for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that—

- if the person for whom the individual performs or performed any services does not have control of the payment of the wages for such services, the term "employer" (except for the purposes of sub article (a) means the person having control of the payment of such wages; and
- in the case of a person paying wages on behalf of a nonresident alien individual, foreign partnership or foreign corporation, not engaged in trade or business within the Philippines, the term "employer" [except for the purposes of sub article (a)] means such person.

"ART. 2. Income tax collected at source—(a) Requirement of withholding.—Every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with a withholding table to be prepared by the Secretary of Finance.

"(b) Tax paid by recipient.—If the employer, in violation of the provisions of this supplement, fails to deduct and withhold the tax as required under this supplement, and thereafter the tax against which such tax may be credited is paid, the tax so required to be deducted and withheld shall not be collected from the employer; but this sub article shall in no case relieve the employer from liability for any penalties or additions to the tax otherwise applicable in respect of such failure to deduct and withhold.

"(c) Nondeductibility of tax in computing net income.— The tax deducted and withheld under this article shall not be allowed as a deduction either to the employer or to the recipient of the income in computing net income under this Title.

"(d) Refunds or credits—(1) Employer.—Where there has been an overpayment of tax under this article, refund or credit shall be made to the employer only to the extent that the amount of such overpayment was not deducted and withheld hereunder by the employer.

"(2) Employees.—The amount deducted and withheld under this supplement during any calendar year shall be allowed as a credit to the recipient of such income against the tax imposed under the main provisions of this Title—Refunds and credits in cases of excessive withholding shall be granted under rules and regulations promulgated by the Secretary of Finance.

"(e) Personal exemptions—(1) In general.—Unless otherwise provided in this supplement, the personal and additional exemptions applicable under this supplement shall be determined in accordance with the main provisions of this Title.

"(2) Exemptions certificates—(A) when to be filed.— On or before the date of the commencement of employment with an employer, or within ten days from the effectivity of this Act in case of persons already employed, the employee shall furnish the employer with a signed withholding exemption certificate relating to the personal and additional exemptions to which he is entitled.

"(B) Change of status.—In case of change of status of an employee as a result of which he would be entitled to a lesser amount of exemption, the employee shall, within ten days from such change, file with the employer a new withholding exemption certificate reflecting the change. If the change would entitle the employee to a greater amount of exemption, he may furnish the employer with a new withholding exemption certificate reflecting such change.

"(C) Use of certificates.—The certificates filed hereunder shall be used by the employer in the determination of the amount of taxes to be withheld.

"(D) Failure to furnish certificate.—Where an employee, in violation of this supplement, either fails or refuses to file a withholding exemption certificate, the employer shall withhold the taxes prescribed under schedule for zero exemption of the withholding tax table in sub article (a).

"(f) Withholding on basis of average, wages.—The Collector of Internal Revenue may, under regulations promulgated by the Secretary of Finance, authorize employers (1) to estimate the wages which will be paid to an employee in any quarter of the calendar year, (2) to determine the amount to be deducted and withheld upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages, paid, and (3) to deduct and withhold upon any payment of wages to such employee during such quarter such amount as may be required to be deducted and withheld during such quarter without regard to this sub article.

"(g) Husband and wife.—When a husband and wife each are recipients of wages, whether from the same or from different employers, taxes to be withheld shall be determined on the following bases:

- The husband shall be deemed the head of the family and proper claimant of the additional exemption in respect to any dependent children;
- Taxes shall be withheld from the wages of the wife in accordance with the schedule for zero exemption of the withholding tax table in sub article (a).

"(h) Nonresident aliens.—Wages paid to nonresident alien individuals shall not be subject to the provisions of this supplement and shall be governed by the provisions of section fifty-three of this Title.

"ART. 3. Liability for tax.—The employer shall be liable for the payment of the tax required to be deducted and withheld under this supplement, and shall not be liable to any person for the amount of any such payment.

"ART. 4. Return and payment to the Government of taxes withheld.—Taxes deducted and withheld hereunder by the employer on wages of employees shall be covered by a return and paid to the treasurer of the province, city or municipality in which the employer has his legal residence or principal place of business, or, in case the employer is a corporation, in which the principal office is located. The return shall be filed and the payment made within twenty-five days from the close of each calendar quarter. The taxes deducted and withheld by

employers shall be held in a special fund in trust for the Government until the same are paid to the said collecting officers. The Collector of Internal Revenue may, with the approval of the Secretary of Finance, require employers to pay or deposit the taxes deducted and withheld at more frequent intervals, in cases where such requirement is deemed necessary to protect the interest of the Government.

"ART. 5. Return and payment in case of Government employees.—If the employer is the Government of the Philippines or any political subdivision, agency or instrumentality thereof, the return of the amount deducted and withheld upon any wages shall be made by the officer or employee having control of the payment of such wages, or by any officer or employee duly designated for that purpose.

"ART. 6. Statements and returns—(a) Requirement.— Every employer required to deduct and withhold a tax in respect of the wages of an employee shall furnish to each such employee in respect of his employment during the calendar year, on or before January thirty-first of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of wages is made, a written statement showing the wages paid by the employer to such employee during the calendar year, and the amount of the tax deducted and withheld under this supplement in respect of such wages. The statement required to be furnished by this article in respect of any wages shall be furnished at such other times, shall contain such other information, and shall be in such form as the Secretary of Finance may by regulations prescribe.

"(b) Returns.—Every employer required to deduct and withhold the taxes in respect of the wages of his employees shall, on or before January thirty-first of the succeeding year, submit to the Collector of Internal Revenue a return of the total amount withheld during the year accompanied by copies of the statements referred to in the preceding paragraph. This return, if made and filed in accordance with regulations promulgated by the Secretary of Finance, shall be sufficient compliance with the requirements of section seventy-seven of this Title in respect of such wages.

"(c) Extension of time.—The Collector of Internal Revenue, under such regulations as may be promulgated by the Secretary of Finance, may grant to any employer a reasonable extension of time to furnish and submit the statements and returns required under this article.

"ART. 7. Surcharges for failure to render returns and for rendering false or fraudulent returns; delinquency in payment of taxes.—The surcharges prescribed in section seventy-two of this Title in cases of failure to render returns and for filing false or fraudulent returns shall apply to the returns required under Articles four and five.

"In case the taxes deducted and withheld by the employer are not paid within the time prescribed, there shall be added a surcharge of five per centum on the amount of tax unpaid and interest at the rate of one per centum a month upon the amount required to be paid from the time the same became due until paid.

"ART. 8. Penalties—(a) Penalties for failure to file, and for filing fraudulent returns or statements.—Any person who wilfully renders or furnishes a false or fraudulent return or statement required under the provisions of articles four, five and six or under regulations promulgated by the Secretary of Finance, or who wilfully fails to render or furnish a statement as required in this supplement, shall upon conviction, for each such act or omission, be fined not less than one thousand pesos nor more than two thousand pesos and imprisoned for not more than one year.

"(b) Penalties in respect of withholding exemption certificates.—Any individual required to supply information who wilfully supplies false or fraudulent information, or who wilfully fails to supply information thereunder which would require an increase in the tax to be withheld under article two, shall, in lieu of any penalty otherwise provided, upon conviction be fined not more than one thousand pesos or imprisoned for not more than one year, or both.

"The same penalty shall apply to an employer who wilfully accepts as a fact or as true information which would reduce the tax to be withheld under article two hereof.

"(c) Penalties on corporate officers.—The penalties prescribed in this article shall, in the case of an employer which is a corporation, partnership, or association, be imposed on the president, manager, treasurer, or other persons responsible for the particular act or omission.

"ART. 9. Verification of returns, etc.— (a) Power of Collector of Internal Revenue to require.—The Collector of Internal Revenue, under regulations promulgated by the Secretary of Finance, may require that any return, statement, or other document required to be filed under this supplement, or under regulations promulgated by the Secretary of Finance, shall contain or be verified by a written declaration that it is made under the penalties of perjury, and such declaration shall be in lieu of any oath otherwise required.

"(b) Penalties.—Every person who wilfully makes and subscribes any return, statement, or other document which contains or is verified by a written declaration that it is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter, shall be guilty of a felony, and, upon conviction, shall be subject to the penalties prescribed for perjury under the Revised Penal Code."

SEC. 13. No salary wherever received by any public officer of the Republic of the Philippines shall be considered as exempt from the income tax, payment of which is hereby declared not to be a diminution of his compensation fixed by the Constitution or by law.

SEC. 14. Treatment of fractions.—In computing net income under Title II of Commonwealth Act Numbered Four hundred and sixty-six, as amended, a fraction of a peso shall be disregarded. In computing the tax on the annual returns required under the said Title, a fraction of a peso less than fifty centavos shall be disregarded, and a fraction of a peso amounting to fifty centavos or more shall be considered as one peso. In case of overpayment or underpayment of income tax where the amount involved is less than one peso, no refund or collection shall be made.

SEC. 15. Payment with backpay certificate.—When an employee is entitled to backpay under the provisions of Republic Act Numbered Three hundred and four, the amount of income tax withheld under this Act shall, if he elects to pay his annual income tax with his backpay, be refunded to him unless the backpay being negotiated is insufficient to cover his tax liability, in which case only the excess of the total of the amount withheld and the amount of such backpay rights being negotiated, over his total income tax liability shall be refunded.

SEC. 16. Effective date.—This Act shall apply to income received from January first, nineteen hundred and fifty, except section twelve hereof which shall take effect on January first, nineteen hundred and fifty-one: Provided, however, That, unless otherwise expressly extended by Congress, the increased taxes provided for in this Act shall continue in force and effect only until December thirty-first, nineteen hundred and fifty-two, after which period the actual rates of taxes shall again be in force.

Approved, September 22, 1950.

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