

AN ACT TO AMEND SECTIONS NINE, TEN, THIRTEEN AND TWENTY-FIVE OF ACT NUMBERED TWENTY-EIGHT HUNDRED AND THIRTY-THREE, AS AMENDED BY ACT NUMBERED TWENTY-NINE HUNDRED AND TWENTY-SIX...

Act No. 3761, November 26, 1930

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Be it enacted by the Senate and House of Representatives of the Philippines in Legislature assembled and by the authority of the same:

SECTION 1. Subsection (c) of section nine of Act Numbered Twenty-eight hundred and thirty-three is hereby amended to read as follows:

"SEC. 9. (c) The normal tax hereinbefore imposed shall also be deducted and withheld from fixed or determinable annual or periodical gains, profits, and income derived from interest upon bonds and mortgages, or deeds of trust or other similar obligations of domestic or resident foreign corporations, joint-stock companies, partnerships, joint account (cuentas en participacion), associations, and insurance companies if such bonds, mortgages, or other obligations contain a contract or provision by which the obligor agrees to pay any portion of the tax imposed by this law 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 Philippine Islands, or of any state or country, whether payable annually or at shorter or longer periods, whether such bonds, obligations or securities had been heretofore or are hereafter issued or marketed, and the interest thereon paid, within or without the Philippine Islands, and whether such interest is payable to a nonresident alien individual or to a citizen or resident of the Philippine Islands, subject to the provisions of the foregoing subdivision (b) of this section requiring the tax to be withheld at the source and deducted from annual income and returned and paid to the Government, unless the person entitled to receive such interest shall file with the withholding agent, on or before February first, a signed notice in writing claiming the benefit of an exemption under section seven of this law."

SEC. 2. Section ten of Act Numbered Twenty-eight hundred and thirty-three, as amended by section seven of Act Numbered Twenty-nine hundred and twenty-six, is hereby amended to read as follows:

"SEC. 10. (a) There shall be levied, assessed, collected, and paid annually upon the total net income received in the preceding calendar year from all sources by every corporation, joint-stock company, partnership, joint account (cuenta en participacion), association or insurance company, organized in the Philippine Islands, no matter how created or organized, but not including duly registered general copartnerships (compañias colectivas), a tax of three 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 calendar year from all sources within the Philippine Islands by every corporation, joint-stock company, partnership, joint account (cuenta en participacion), association, or insurance company organized, authorized, or existing under the laws of any foreign country, including interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise: Provided, however, That nothing in this section shall be construed as permitting the taxation of the income derived from dividends or net profits on which the normal tax has been paid."

"The gain derived or loss sustained from the sale or other disposition by a corporation, joint-stock company, partnership, joint account (cuenta en participacion), association, or insurance company, or property, real, personal, or mixed, shall be ascertained in accordance with subsections (c) and (d) of section two of Act Numbered Two thousand eight hundred and thirty-three, as amended by Act Numbered Twenty-nine hundred and twenty-six.

"The foregoing tax rate shall apply to the net income received by every taxable corporation, joint-stock company, partnership, joint account (cuenta en participacion), association, or insurance company in the calendar year nineteen hundred and twenty and in each year thereafter."

SEC. 3. Subsections (e) and (f) of section thirteen of Act Numbered Twenty-eight hundred and thirty-three, as amended by section eight of Act Numbered Twenty-nine hundred and twenty-six, is hereby further amended to read as follows:

"SEC. 13. (e) All the provisions of this law relating to the tax required to be deducted and withheld and paid to the internal revenue officer authorized to receive the same from the income of nonresident alien individuals from sources within the Philippine Islands shall be made applicable to the normal tax imposed by law upon the incomes described in subsection (b) of section nine, as well as upon the income derived from interest upon bonds and mortgages, or deeds of trust, notes, or other interest-bearing obligations of a domestic or resident foreign corporation, joint-stock company, partnership, joint account (cuenta en participacion), association, and insurance company, whether or not the bonds and other such obligations or securities contain the so-called tax free covenant clause, 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 Philippine Islands, in cases where such income or interest is received or obtained by, or paid to, nonresident alien firms, co-partnerships, companies, corporations, joint-stock companies, partnerships, associations, trust companies, trustees and insurance companies, not engaged in business or trade within the Philippine Islands and not having any office or place of business therein."

"SEC. 13. (f) Likewise, all the provisions of this law relating to the tax required to be deducted and withheld and paid to the officer of the Government of the Philippine Islands authorized to receive the same from the income of nonresident alien individuals from sources within the Philippine Islands shall be made applicable to income derived by nonresident alien firms, corporations, joint-stock companies, partnerships, joint accounts (cuentas en participacion), associations, and insurance companies, not engaged in business or trade within the Philippine Islands and not having any office or place of business therein, from dividends upon the capital stock or from the net earnings on which the normal tax has not been paid, of domestic or other resident corporations, joint-stock companies, partnerships, joint accounts (cuentas en participacion), associations, and insurance companies, which are exempt from income tax under this Act or any other law."

SEC. 4. Subsection (a) of section twenty-five of Act Numbered Twenty-eight hundred and thirty-three, as amended by section ten of Act Numbered Twenty-nine hundred and twenty-six, is hereby further amended to read as follows:

"SEC. 25. (a) The term "dividends" as used in this law shall be held to mean any distribution made by a corporation, joint-stock company, partnership, association, or insurance company, out of its earnings or profits accrued since March first, nineteen hundred and thirteen, and payable to its shareholders, whether in cash or other property.

"Where a corporation, partnership, association, joint-account, or insurance company, distributes all of its assets in complete liquidation or dissolution, the gain realized or loss sustained by the stockholder, whether individual or corporate, is a taxable income or a deductible loss, as the case may be.

"A stock dividend representing the transfer of surplus to capital account shall not be subject to tax. However, if a corporation, partnership, association, joint-account or insurance company cancels or redeems stock issued as

a dividend at such time and in such manner as to make the distribution and cancellation or redemption, in whole or in part, essentially equivalent to the distribution of a taxable dividend, the amount so distributed in redemption or cancellation of the stock shall be considered as taxable income to the extent that it represents a distribution of earnings or profits accumulated after March first, nineteen hundred and thirteen."

SEC. 5. This Act shall take effect upon its approval and Application of Act. shall apply to income received from January first, nineteen hundred and thirty.

Approved, November 26, 1930.

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