

IMPOSING A 15% TAX ON DIVIDENDS RECEIVED BY A DOMESTIC OR RESIDENT FOREIGN CORPORATION FROM A DOMESTIC CORPORATION, AMENDING SECTIONS 24, 29, 53 and 65 OF THE NATIONAL INTERNAL ...

PRESIDENTIAL DECREE NO. 299-A, September 21, 1973

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WHEREAS, it is imperative to adopt measures responsive to the requirements of a developing economy foremost of which is the financing of economic development programs; and

WHEREAS, in order to encourage more capital investment for large projects, an appropriate tax be imposed on dividends in the same manner as the tax imposed on interest on foreign loans;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, do hereby order and decree as follows:

SECTION 1. The provisions of subsection (d) of Section 24 of the National Internal Revenue Code are hereby transferred to a new Subsection (e) added to said section and said Subsection (d) shall now read as follows:

"(d) Rate of tax on certain dividends. — Dividends received by a domestic or resident foreign corporation from a domestic corporation liable to tax under this Chapter shall be subject to tax at 15% on the total amount thereof which shall be collected and paid as provided in Section 53 of this Code."

SEC. 2. — A new subsection is hereby added to Section 24 of the National Internal Revenue Code to contain the former provisions of Subsection (d) of the same Section amended to read as follows:

"(e) The provisions of existing special or general laws to the contrary notwithstanding, all corporate taxpayers not specifically exempt under Sections 24(c) (1) and (d) and 27 of this Code shall pay the rates provided in this Section. All corporations, agencies, or instrumentalities owned or controlled by the Government, including the Government Service Insurance System and the Social Security System but excluding educational institutions, shall pay such rate of tax upon their taxable net income as are imposed by this Section upon associations or corporations engaged in a similar business or industry."

SEC. 3. Subsection (e) of Section 29 of the National Internal Revenue Code is hereby repealed.

SEC. 4. A new Subsection is hereby added to Section 53 of the National Internal Revenue Code to be denominated as Subsection (d) and to read as follows:

"(d) Withholding tax on certain dividends. — The tax imposed under Section 24 (d) of this Code on dividends shall be withheld by the payor corporation and paid to the Commissioner of Internal Revenue under appropriate return at the same time that the dividends are paid to the recipient corporations."

SEC. 5. Subsection (a) of Section 65 of the National Internal Revenue Code is hereby amended to read as follows:

"(a) Dividends (other than dividends subject to tax under Section 24 (d) of this Code), interest (other than interest constituting rent as defined in Subsection (g) hereof), royalties (other than mineral oil, or gas royalties), and annuities. The term royalties, as herein used, includes income from copyrights, patent, and other similar revenues."

SEC. 6. Dividends already received and reported in the corporation's quarterly income tax return shall no longer be subject to the tax imposed in Section 24 (d) of the National Internal Revenue Code as now amended but considered as if it was subject thereto for purposes of Section 65 (a) of the same Code as now amended.

SEC. 7. The Commissioner of Internal Revenue shall promulgate the rules and regulations to implement this Decree subject to the approval of the Secretary of Finance.

SEC. 8. This Decree takes effect immediately.

Done in the City of Manila, this 21st day of September, in the year of Our Lord, nineteen hundred and seventy-three.

(Sgd.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(Sgd.) ROBERTO V. REYES
Assistant Executive Secretary

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