

LETTER OF INSTRUCTIONS NO. 192, June 07, 1974

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TO: The Commissioner of Internal Revenue

WHEREAS, under Presidential Decree No. 131, dated February 19, 1973, the rate of withholding tax on interest on foreign loans was reduced from 35% to 15% beginning January 1, 1973;

WHEREAS, before the promulgation of the said Presidential Decree, there were persons, corporations, and entities who had already incurred liabilities to the withholding tax at the old rate of 35% on interest payments made on foreign loans;

WHEREAS, the introduction of the floating rate of exchange in February, 1970, an event which was unforeseen when many of such loans were earlier negotiated and contracted, necessitated an increase in the peso requirements to service these obligations and, consequently, increased also the liability to the withholding tax on the interest thereon;

WHEREAS, there have been serious difficulties in the collection of such tax liabilities because such persons or entities have been in financial distress to the extent that in some cases, their guarantors mostly government financing institutions had to advance funds for the servicing thereof; and

WHEREAS, to enforce collection of such tax liabilities thru summary remedies may seriously impair the financial condition or jeopardize the business operations of the persons, corporations or entities concerned to the extent of forcing them to liquidate or abandon their businesses, an event which will adversely affect the economic growth and development of the country.

In view of the foregoing, I, FERDINAND E. MARCOS, President of the Philippines, hereby direct you to cause the early settlement of such liabilities on withholding tax on interest paid on foreign loans by accepting payments therefor at the reduced rate of 15% under the following terms and conditions;

- The person or entity shall have been ascertained as incapable of paying the liability of the withholding tax of 35% ; and/or, if forced to pay such liability, a serious dislocation of the business operations may ensue;
- The amount payable under this instruction shall be paid in full within fifteen (15) days from date of notification except when the amount payable is more than P200,000.00 in which case it can be paid by installments in equal amounts but in no case shall the period of payment exceed one year from the date of payment- of the first installment.
- The proceedings for the collection of tax accounts on withholding tax under Sections 53 and 54 of the National Internal Revenue Code, whether pending in the Bureau of Internal Revenue or are in the courts are hereby suspended for a period of six months from the date of this Letter of Instructions in order to afford the taxpayers involved the opportunity to avail of the concession granted above. Such suspension, however, stops the running of the period of prescription.
- Suspension of laws, decrees, etc.—In the implementation of this Letter of Instructions and in order that the

objectives thereof may be accomplished expeditiously, all provisions of the various laws, decrees, executive orders, administrative orders and letters of instructions which may be inconsistent herewith are hereby suspended for the duration of the period allowed herein.

- Implementing circulars.—To give effect to these instructions, appropriate rules and circulars shall be issued by the Commissioner of Internal Revenue.

DONE in the City of Manila, this 7th day of June, in the year of Our Lord, nineteen hundred and seventy-four.

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

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