

FURTHER AMENDING CERTAIN PROVISIONS OF THE NATIONAL INTERNAL REVENUE CODE.

PRESIDENTIAL DECREE NO. 1994, November 05, 1985

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/7f036e4ccd79/>

WHEREAS, the current economic crisis amounts to a grave emergency which affects the stability of the nation and require immediate action;

WHEREAS, there is an imperative need to simplify and restructure certain provisions of the National Internal Revenue Code;

WHEREAS, the issuance of this Decree is an essential and necessary component of the national economic recovery program promulgated to meet and overcome the emergency;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree:

SECTION. 1. Section 5 of the National Internal Revenue Code is hereby amended to read as follows:

“SEC. 5. Forms, receipts, certificates, and appliances. [a] Provision and distribution to proper officials. – It shall be the duty of the Commissioner, among other things, to prescribe, provide, and distribute to the proper officials the requisite licenses, internal revenue stamps, labels, all other forms, certificates, bonds, records, invoices, books, receipts, instruments, appliances and apparatus used in administering the laws falling within the jurisdiction of the Bureau. For this purpose, internal revenue stamps, strip stamps and labels shall be caused by the Commissioner to be printed with adequate security features.

“[b] Receipts for payments made. – It shall be the duty of the Commissioner or his duly authorized representative to whom any payment of any taxes is made under the provisions of this Code, to issue to the person making such payment a receipt, expressing the amount paid and the particular account for which such payment was made.”

SEC. 2. Section 7 of the National Internal Revenue Code is hereby amended to read as follows:

“SEC. 7. Power of the Commissioner to obtain information, examine, summon and take testimony. – For the purpose of ascertaining the correctness of any return, making a return where none has been made, determining the liability of any person or any internal revenue tax, or collecting any such liability, the Commissioner is authorized:

“[1] To examine any book, paper, record or other data which may be relevant or material to such inquiry;

“[2] To obtain information from any office or officer of the national and local governments, government agencies or its instrumentalities, including the Central Bank of the Philippines and government-owned or controlled corporations;

“[3] To summon the person liable for tax or required to file a return, or any officer or employee of such person, or any person having possession, custody, or care of the books of accounts and other accounting records containing entries relating to the business of the person liable for tax, or any other person, to appear before the Commissioner

or his duly authorized representative at a time and place specified in the summons and to produce such books, papers, records, or other data, and to give testimony;

“[4] To take such testimony of the person concerned, under oath, as may be relevant or material to such inquiry; and

“[5] To cause revenue officers and employees to make a canvass from time to time of any revenue district or region and inquire after and concerning all persons therein who may be liable to pay any internal revenue tax, and all persons owning or having the care, management or possession of any object with respect to which a tax is imposed.”

SEC. 3. Section 16 of the National Internal Revenue Code is hereby amended to read as follows:

“SEC. 16. Power of the Commissioner to make assessments. – [a] Examination of returns and determination of tax. – After a return is filed as required under the provisions of this Code, the Commissioner shall examine it and assess the correct amount of the tax. The tax or deficiency tax so discovered shall be paid upon notice and demand from the Commissioner. Any return, statement or declaration filed by any person in any revenue office bearing or purportedly bearing the official or receiving seal or stamp of a revenue office wherein the same is filed shall not be withdrawn: Provided, however, that the same may be modified or changed by filing another amended return, statement or declaration.

“[b] Failure to submit required reports, statements, etc. – When a report required by law as a basis for the assessment of any national internal revenue tax shall not be forthcoming within the time fixed by law or regulation or when there is reason to believe that any such report is false, incomplete or erroneous, the Commissioner shall assess the proper tax on the best evidence obtainable.

“In case a person fails to make and file a required return or list at the time prescribed by law, or makes willfully or otherwise, a false or fraudulent return or list, the Commissioner shall make the return from his own knowledge and from such information as he can obtain through testimony or otherwise. In any such case, the Commissioner may make a return or amend any return and any return so made or amended shall be prima facie good and sufficient for all legal purposes.

“[c] Authority to conduct inventory taking, surveillance and to prescribe presumptive gross sales and receipts. – The Commissioner may at any time during the taxable year order inventory taking of the stock-in-trade of any taxpayer as a basis for determining his internal revenue tax liabilities or may place the business operations of any person, natural or juridical, under observation or surveillance if there are reasons to believe that such person is not declaring his correct income and receipts for internal revenue tax purposes. The findings may be used as a basis for assessing the taxes for the other months or quarters of the same or different taxable years and such assessment shall be deemed prima facie correct.

“When it is found that a person has failed to issue receipts and invoices in violation of the requirements of Section 181, or when there is reason to believe that the books of accounts or other records do not correctly reflect the declarations made or to be made in a return required to be filed under the provisions of this Code, the Commissioner, after taking into account the sales, receipts, income or other taxable base of other persons engaged in similar businesses under similar situations or circumstances or after considering other relevant information, may prescribe a minimum amount of such gross receipts, sales, and taxable base, and such amount so prescribed shall be prima facie correct for purposes of determining the correct internal revenue tax liabilities of such person.

“[d] Authority to terminate taxable period. -When it shall come to the knowledge of the Commissioner that a taxpayer is retiring from the business subject to tax or intends to leave the Philippines, or remove his property

therefrom, or hide or conceal his property, or perform any act tending to obstruct the proceedings for the collection of the tax for the past or current quarter or years or render the same totally or partly ineffective unless such proceedings are begun immediately, the Commissioner shall declare the tax period of such taxpayer terminated at any time and shall send the taxpayer a notice of such decision, together with a request for the immediate payment of the tax for the period so declared terminated and the tax for the preceding year or quarter, or such portion thereof as may be unpaid, and said taxes shall be due and payable immediately and shall be subject to all the penalties hereafter prescribed, unless paid within the time fixed in the demand made by the Commissioner.

“[e] Authority of the Commissioner to prescribe real property values. – The Commissioner is hereby authorized to divide the Philippines into different zones or areas and shall, upon consultation with competent appraisers both from private and public sectors, determine the fair market value of real properties located in each zones or area. For purposes of computing any internal revenue tax the value of the property shall be whichever is the higher of:

“[1] the fair market value as determined by the Commissioner; or

“[2] the fair market value as shown in the schedule of values of the Provincial and City Assessors.

“[f] Authority of the Commissioner to inquire into bank deposit accounts. – The provisions of Republic Act No. 1405 to the contrary notwithstanding, the Commissioner is hereby authorized to inquire into the bank deposits of a decedent for the purpose of determining the gross estate of such decedent. In case a taxpayer offers to compromise the payment of his tax liabilities on the ground that his financial position demonstrates a clear inability to pay the tax assessed, his offer shall not be considered unless he waives his privilege under the said law and such waiver shall serve as authority of the Commissioner to inquire into the bank deposits of said taxpayer.

“[g] Authority to accredit and register tax agents. – The Commissioner may require prior accreditation and registration, based on competence and moral fitness, of persons and general professional partnerships or their representatives in the preparation and filing of required tax returns, statements, reports, memoranda, or in appearing or in filing protests or papers with the Bureau for taxpayers. For this purpose, the Commissioner is empowered to create national and regional accreditation boards and to designate from among the ranks of senior officials of the Bureau, one chairman and two members in each board and issue the necessary rules and regulations subject to the approval of the Minister of Finance.”

SEC. 4. Section 19 of the National Internal Revenue Code is hereby amended to read as follows:

“SEC. 19. Sources of revenue. – The following taxes, fees and charges are deemed to be national internal revenue taxes:

“[a] Income tax;

“[b] Estate and gift taxes;

“[c] Excise taxes;

“[d] Taxes on business;

“[e] Documentary stamp taxes;

“[f] Mining taxes; and

“[g] Miscellaneous taxes, fees and charges, namely: taxes on banks, finance companies, insurance companies, franchise taxes, taxes on amusements, and charges on forest products, tobacco inspection fees and such other taxes as are or hereafter may be imposed and collected by the Bureau of Internal Revenue.”

SEC. 5. Section 21 [d] of the National Internal Revenue Code is hereby amended to read as follows:

“SEC. 21 [d] On interest from bank deposits and yield or any other monetary benefit from deposit substitutes and from trust fund and similar arrangements. – Interest from Philippine Currency Bank deposits and yield or any other monetary benefit from deposit substitutes and from trust fund and similar arrangements whether received by citizens of the Philippines or by resident alien individuals, shall be subject to a 17-1/2% final tax and paid as provided in Sections 51 and 52 of this Code.

SEC. 6. Section 24 [b] [2] [ii] of the National Internal Revenue Code is hereby amended to read as follows:

“[ii] Tax on branch profits remittances. – Any profit remitted by a branch to its head office shall be subject to a tax of 15% [except those registered with the Export Processing Zone Authority]: Provided, That any profit remitted by a branch to its head office authorized to engage in petroleum operations in the Philippines shall be subject to tax at 7-1/2%. In both cases, the tax shall be collected and paid in the same manner as provided in Sections 51 and 52 of this Code: and Provided, further, That interests, dividends, rents, royalties, including remunerations for technical services, salaries, wages, premiums, annuities, emoluments or other fixed or determinable annual, periodical or casual gains, profits, income and capital gains received by a foreign corporation during each taxable year from all sources within the Philippines shall not be considered as branch profits unless the same are effectively connected with the conduct of its trade or business in the Philippines.

SEC. 7. Section 24 [cc] of the National Internal Revenue Code is hereby renumbered and amended as 24 [d] and a new sub-paragraph denoted as 24 [e] is hereby added, both to read as follows:

“[d] Rates of tax on interest from deposits and yield or any other monetary benefit from deposit substitutes and from trust fund and similar arrangements. – Interest on Philippine currency bank deposits and yield or any other monetary benefit from deposit substitutes and from trust fund and similar arrangements received by domestic or resident foreign corporation shall be subject to a 17-1/2% final tax to be collected and paid as provided in Sections 51 and 52 of this Code, except income received by [1] foreign governments, [2] financing institutions owned, controlled, or enjoying refinancing from them, and [3] international or regional financing institutions established by governments.”

“[e] Tax on Royalties. – Royalties shall be subject to 15% final tax, the return and payment of which shall be in accordance with Sections 51 and 52 of this Code.

SEC. 8. A new subparagraph [E] is hereby added to paragraph [c] [7] of Section 29 of the National Internal Revenue Code to read as follows:

“[E] Prizes and awards made primarily in recognition of religious, charitable, scientific, educational, artistic, literary, or civic achievement but only if:

“[1] the recipient was selected without any action on his part to enter the contest or proceeding; and

“[2] the recipient is not required to render substantial future services as a condition to receiving the prize or award.”

SEC. 9. Paragraphs [a] [3]; [b] [1]; and [b] [2] of Section 30 of the National Internal Revenue Code are hereby amended and a new sub-paragraph to Section 30 [d] [1], denoted as 30 [d] [1] [c] is hereby inserted, to read as follows:

“[a] [3] Expenses allowable to private educational institutions. – In addition to the expenses allowable as deductions under subparagraph [1] of this paragraph, a private educational institution, whether stock or nonstock, may at its option, elect either [a] to deduct expenditures otherwise considered as capital outlays of depreciable assets incurred during the taxable year for the expansion of school facilities or [b] to deduct allowances for

depreciation therefor under paragraph [f] of this Section.”

“[b] [1] In general. – That amount of interest paid or accrued within a taxable year on indebtedness in connection with the taxpayer’s profession, trade or business, except on indebtedness incurred or continued to purchase or carry obligation the interest upon which is exempt from taxation as income under this Title. However, no such deduction shall be allowed to a branch in the Philippines in respect to the amount of interest paid or incurred abroad by a non-resident parent lending institution, unless the indebtedness was incurred to provide funds for investment in the said resident branch, the income from which is taxable under this Title.

“The deduction shall be allowed to the branch if it submits an authenticated copy of the investment agreement and such other information as may be required for its determination.

“[b] [2] Interest allowable to non-resident aliens. – In the case of a non-resident alien individual or a foreign corporation, the amount of interest allowable is the amount of interest paid within the year on indebtedness incurred in connection with his profession, trade or business in the Philippines, except on indebtedness incurred or continued to purchase or carry obligations, the interest upon which is wholly exempt from taxation as income under this Title, and a ratable part of any interest effectively connected with the business or trade conducted exclusively within the Philippines which cannot definitely be allocated to income from within the Philippines; but this deduction shall be allowed only if such non-resident alien individual or foreign corporation includes in the return required by this Title all the information necessary for its calculation.”

“[d] [7] [C] No loss shall be allowed as a deduction under this paragraph if at the time of the filing of the return, such loss has been claimed as a deduction for estate tax purposes in the estate tax return.”

SEC. 10. Paragraph [h] of Section 34 of the National Internal Revenue Code is hereby amended to read as follows:

“[h] The provisions of paragraph [b] of this section to the contrary notwithstanding, sales, exchanges or other dispositions of real property classified as capital assets, including pacto-de-retro sales and other forms of conditional sale, by individuals, including estates and trusts, shall be taxed at the rate of 5% based on the gross selling price or the fair market value prevailing at the time of sale, whichever is higher.

“Such tax shall be in lieu of the tax imposed under Section 21 of this Code: Provided, however, That the tax liability, if any, on gains from sales or other dispositions of real property to the government or any of its political subdivisions or agencies or to government-owned or controlled corporations shall be determined either under Section 21 thereof or under this section, at the option of the taxpayer: Provided, further, That if the taxpayer elects to report such gains in accordance with the provisions of Section 43[b], the amount of the tax which shall be paid on each installment shall be the proportion of the tax herein imposed, which the installment payment received bears to the total selling price: Provided, finally, That failure on the part of the seller to pay the tax imposed herein on any gains returnable under the installment method will automatically disqualify the seller-taxpayer from paying the tax on installments and the unpaid portion of the tax shall immediately be due and demandable. The tax herein imposed shall be returned and paid in accordance with Sections 45 [c] and 50 [a] [4].

“No registration of any document transferring real property shall be effected by the Register of Deeds unless the Commissioner or his duly authorized representative has certified that such transfer has been reported and the tax herein imposed, if any, has been paid.”

SEC. 11. Paragraph [b] of Section 35 of the National Internal Revenue Code is hereby amended to read as follows:

“[b] In the case of property acquired on or after March first, nineteen hundred and thirteen, the cost thereof, if such property was acquired by purchase or the fair market price or value as of the date of the acquisition if the same was acquired by inheritance. If the property was acquired by gift or transferred for less than adequate and full consideration in money or money’s worth, the basis to the transferee shall be the same as it would be in the hands of the donor or transferor.

SEC. 12. Section 37 [b] of the Tax Code is hereby amended to read as follows:

“[b] Net income from sources in the Philippines. – From the items of gross income specified in subsection [a] of this section there shall be deducted the expenses, losses, and other deductions properly allocated thereto and a ratable part of any expenses, interests, losses, and other deductions effectively connected with the business or trade conducted exclusively within the Philippines which cannot definitely be allocated to some items or class of gross income: Provided, That such items of deductions shall be allowed only if fully substantiated by all the information necessary for its calculation. The remainder, if any, shall be treated in full as net income from sources within the Philippines.”

SEC. 13. Section 51 [a] [1] of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 50. Payment and assessment of income tax. [a] Payment of tax. – [1] In general. -The total amount of tax imposed by this Title shall be paid by the person subject thereto at the time the return is required to be filed.

“In the case of tramp vessels, the shipping agents and/or the husbanding agents, and in their absence, the captains thereof are required to file the return herein provided and pay the tax due thereon before their departure. Upon failure of the said agents or captains to file the return and pay the tax, the Bureau of Customs is hereby authorized to hold the vessel and prevent its departure until proof of payment of the tax is presented or, in meritorious cases, a sufficient bond is filed to answer for the tax due.”

SEC. 14. Section 53 [d] [1] of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 51 [d] [1] Withholding final tax. – Every bank or non-bank financial intermediary or commercial, industrial, finance companies, and other non-financial companies authorized by the Securities and Exchange Commission to issue deposit substitutes shall deduct and withhold from the interest on bank deposits or yield or any other monetary benefit from deposit substitutes a final tax equal to 17 ½% of the interest on deposits or yield or any other monetary benefit from deposit substitutes and from trust fund and similar arrangements.”

SEC. 15. Section 58 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 56 Exemption allowed to estates and trusts. – For the purpose of the tax provided in this Title, there shall be allowed an exemption of Four Thousand Pesos from the estate or trust.”

SEC. 16. Section 76 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 70. Collection of foreign payments. – All persons, corporations, duly registered general copartnerships [companies collectives] undertaking for profit or otherwise the collection of foreign payments or bills of exchange shall obtain a license from the Commissioner, and shall be subject to such regulations enabling the government to obtain the information required under this Title, as the Minister of Finance shall prescribe.”

SEC. 17. Paragraph [a] [1] [C] of Section 101, renumbered as Section 89, of the National Internal Revenue Code

is hereby amended to read as follows:

“[C] For claims against the estate: Provided, That at the time the, indebtedness was incurred the debt instrument was duly notarized and, if the loan was contracted within three years before the death of the decedent, the administrator or executor shall submit a statement showing the disposition of proceeds of the loan.”

SEC. 18. Section 103 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 91. Determination of value of the estate.- [a] Usufruct. – To determine the value of the right of usufruct, use or habitation, as well as that of annuity, there shall be taken into account the probable life of the beneficiary in accordance with the latest American Tropical Experience Table.

“[b] Properties. – The estate shall be appraised at its fair market value as of the time of death. However, the appraised value of real property as of the time of death shall be whichever is the higher of -

“[1] the fair market value as determined by the Commissioner, or

“[2] the fair market value as shown in the schedule of values fixed by the Provincial and City Assessors.”

SEC. 19. Section 105 of the National Internal Revenue Code is hereby renumbered as Section 93 and paragraph [b] thereof is hereby amended to read as follows:

“[b] Time for filing. – For the purpose of determining the estate tax provided for in Section 87 of this Code, the estate tax return required under the preceding subsection [a] shall be filed within ninety days from the decedent’s death.

“A certified copy of the schedule of partition and the order of the court approving the same shall be furnished the Commissioner within thirty days after the promulgation of such order.”

SEC. 20. Title IV of the National Internal Revenue Code is hereby amended to read as follows:

“TITLE IV – EXCISE TAXES

“Chapter I – General Provisions

“SEC. 109. Article subject to excise taxes. -Excise taxes apply to articles manufactured or produced in the Philippines for domestic sale or consumption or for any other disposition and to things imported, but not to anything locally produced or manufactured which shall be removed for exportation and is actually exported without returning to the Philippines, whether so exported in its original state or as an ingredient or part of any manufactured articles or products. In case of importations, excise taxes shall be in addition to the customs duties, if any.

“For purposes of this Title, excise taxes herein imposed and based on weight or volume capacity or any other physical unit of measurement shall be referred to as ‘specific tax’ and an excise tax herein imposed and based on selling price or other specific value of the article be referred to as ‘ad valorem tax.’

“SEC. 110. Payment of excise taxes on domestic products. – [a] Persons liable; time for payment. – Unless otherwise especially allowed, excise taxes on domestic products shall be paid by the manufacturer or producer before removal from the place of production: Provided, however, That excise tax on locally manufactured petroleum products levied under Section 128 of this Title shall be paid within fifteen [15] days from the date of removal thereof from the place of production. Should domestic products be removed from the place of production without the payment of other tax, the owner or person having possession thereof shall be liable for the tax due thereon.

“[b] Determination of gross selling price of articles subject to ad valorem tax. – The price at which the articles are sold at wholesale in the place of production or through their sales agents to the public shall constitute the gross selling price. If the manufacturer also sells or allows to be sold at wholesale in another establishment of which he is the owner or in the profits of which he has an interest, the wholesale price in such establishment shall constitute the gross selling price. Should such price be less than the cost of manufacture plus expenses incurred until the articles are finally sold, then a proportionate margin of profits, not less than 10% of such manufacturing cost and expenses, shall be added to constitute the gross selling price.

“[c] Manufacturer’s or producer’s sworn statement. – Every manufacturer or producer of articles or products subject to excise taxes shall file with the Commissioner on the date or dates designated by the latter, and as often as may be required, a sworn statement showing among other information, the different articles or products manufactured or produced and their corresponding gross selling price or market value, together with the cost of manufacture or production plus expenses incurred or to be incurred until the articles or products are finally sold.

“SEC. 111. Payment of excise taxes on imported articles. – [a] Persons liable. – Excise taxes on imported articles shall be paid by the owner or importer to the customs officers, conformably with the regulations of the Ministry of Finance and before the release of such articles from the custom house, or by the person who is found in possession of articles which are exempt from the excise taxes other than those legally entitled to exemption.

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

“[b] Rate and basis of the excise tax on imported articles. – Unless otherwise specified, imported articles shall be subject to the same rates and basis of excise taxes applicable to locally manufactured articles.

“SEC. 112 . Mode of computing contents of cask or package. – Every fractional part of a proof liter equal to or greater than a half liter in a cask or package containing more than one liter shall be taxed as a liter, and any smaller fractional part shall be exempt; but any package of spirits the total contents of which are less than a proof liter shall be taxed as one liter.

“Chapter II – Exemption or Conditional Tax-Free Removal of Certain Articles

“SEC. 113. Removal of wines and distilled spirits for treatment of tobacco leaf. – Upon permit from the Commissioner and subject to the regulations of the Ministry of Finance, manufacturers of cigars and cigarettes may withdraw from bond, free of excise tax local and imported wines and distilled spirits in specific quantities and grades for use in the treatment of tobacco leaf to be used in the manufacture of cigars and cigarettes; but such wines and distilled spirits must first be suitably denatured.

“SEC. 114. Domestic denatured 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 tax prescribed in Section 121: Provided, however, That such denatured alcohol shall be subject to tax under Section 165 of this Code: Provided, further, That if such alcohol is to be used for motive power, it shall be taxed under Section 128[a] [4] of this Code.

“SEC. 115. Petroleum products sold to foreign international carriers. – Petroleum products sold to an international carrier for its use or consumption outside of the Philippines, shall not be subject to excise taxes; Provided, That

the country of said carrier exempts from similar taxes petroleum products sold to Philippine carriers.

“SEC. 116. Denaturation, withdrawal and use of denatured alcohol. – Any person who produces, withdraws, sells, transports or knowingly uses, or is in possession of denatured alcohol, or articles containing denatured alcohol in violation of laws or regulations now or hereinafter in force pertaining thereto shall be required to pay the corresponding tax, in addition to the penalties provided for under Title XI of this Code.

“SEC. 117. Removal of spirits or cigars under bond. – Spirits requiring rectification may be removed from the place of production to some other establishment for the purpose of rectification without the prepayment of the excise tax: Provided, the distiller removing such spirits and the rectifier receiving them shall file with the Commissioner their joint bond conditioned upon the payment by the rectifier of the excise tax due on the finished products: Provided, further, That in cases where alcohol has already been rectified either by original and continuous distillation or by redistillation is further re-rectified, no loss for rectification and handling shall be allowed and the rectifier thereof shall pay the specific tax due on such losses. Cigars may be removed by a manufacturer of tobacco products owning and operating a branch factory separate from his principal factory, from the branch factory to the principal factory, for exportation, without the prepayment of the excise tax, provided that a bond is filed with the Commissioner conditioned upon the payment of the excise tax that may be due on the finished product.

“SEC. 118. Removal of fermented liquors to bonded warehouse. – Any brewer may remove or transport from his brewery or other place of manufacture to a bonded warehouse used by him exclusively for the storage or sale in bulk of fermented liquors of his own manufacture, any quantities of such fermented liquors, not less than one thousand liters at one removal, without payment of the tax thereon under a permit which shall be granted by the Commissioner. Such permit be cancelled or destroyed in such manner as the Commissioner may prescribe. Thereafter, the manufacturer of such fermented liquors shall pay the tax in the same manner and under the same penalty and liability as when paid at the brewery.

“SEC. 119. Removal of damaged liquors free of tax. – When any fermented liquor has become sour or otherwise damaged so as to be unfit for use as such, brewers may sell and, after securing a special permit from the Commissioner, under such conditions as may be prescribed in the regulations of the Ministry of Finance remove the same without the payment of tax thereto, in cask or other packages, distinct from those ordinarily used for fermented liquors, each containing not less than one hundred seventy-five liters with a note of their contents permanently affixed thereon.

“SEC. 120. Removal of tobacco products without prepayment of tax. – Products of tobacco entirely unfit for agricultural or industrial use, under such conditions as may be prescribed in the regulations of the Ministry of Finance. Stemmed leaf tobacco, fine-cut shorts, the refuse of fine-cut chewing tobacco, scraps, cuttings, clippings, stems or midribs, and sweepings of tobacco may be sold in bulk as raw materials by one manufacturer directly to another, without payment of the tax under such conditions as may be prescribed in the regulations of the Ministry of Finance.

““Stemmed leaf tobacco, as herein used means leaf tobacco which has had the stem or midrib removed. The term does not include broken leaf tobacco.

“Chapter III – Excise Tax on Alcohol Products

“SEC. 121. Distilled spirits. – On distilled spirits, there shall be collected, subject to the provisions of Section 114 of this Code, specific taxes as follows:

“[a] If produced from sap of nipa, coconut, cassava, camote or buri palm or from the juice, syrup or sugar of the

cane, provided such materials are produced commercially in the country where they are processed into distilled spirits, per proof liter, four pesos: Provided, That if produced in a pot still or other similar primary distilling apparatus, by a distiller producing not more than one hundred liters a day, containing not more than fifty per centum of alcohol by volume, per proof liter, one peso and fifty six centavos;

“[b] If produced from raw materials other than those enumerated in the preceding paragraph, per proof liter, thirty five pesos; and

“[c] Medicinal preparations, flavoring extracts, and all other preparations, except toilet preparations, of which, excluding water, distilled spirits from the chief ingredient, shall be subject to the same tax as such chief ingredient.

“This tax shall be proportionally increased for any strength of the spirits taxed over proof spirits, and the tax shall attach to this substance as soon as it is in existence as such, whether it be subsequently separated as pure or impure spirits, or transformed into any other substance either in the process of original production or by any subsequent process.

“‘Spirit or distilled spirits’ is the substance known as ethyl alcohol, ethanol or spirits of wine, including all dilutions, purifications and mixtures thereof, from whatever source by whatever process produced and shall include whisky, brandy, rum, gin and vodka, and other similar products or mixtures, except compounded liquors taxed under Section 122 of this Code.

“‘Proof spirits’ is liquor containing one-half of its volume of alcohol of a specific gravity of seven thousand nine hundred and thirty nine ten thousandths [0.7939] at fifteen degrees centigrade. A proof liter means a liter of proof spirits.

“SEC. 122. Compounded liquors. – There shall be levied, assessed and collected an ad valorem tax of four percent of the manufacturer’s gross selling price or market value of locally compounded liquors.

“For the purpose of this section, compounded liquor shall include any intoxicating beverage whatever concocted by or resulting from the mixture of or addition to distilled spirits, either before or after rectification, of any coloring matter, flavoring extract or essence of other kind of wine, liquor or other ingredient. Locally manufactured imitation wines shall be considered as compounded liquor.

“SEC. 123. Wines. – On wines there shall be collected per liter of volume capacity, the following taxes:

“[a] Sparkling wines regardless of proof, twenty six pesos;

“[b] Still wines containing fourteen percent of alcohol by volume or less, four pesos; and

“[c] Still wines containing more than fourteen percent of alcohol by volume, eight pesos.

“Fortified wines containing more than twenty-five percent of alcohol by volume shall be taxed as distilled spirits. Fortified wines shall mean natural wines to which distilled spirits are added to increase their alcoholic strength.

“SEC. 124. Specific and ad valorem tax on fermented liquors. – [a] Specific tax. – On beer, lager beer, ale, porter and other fermented liquors [except tuba, basi, tapuy and similar domestic fermented liquors] there shall be collected on each liter of volume capacity, one peso and eighty centavos.

“[b] Ad valorem tax. – In addition to the specific tax herein imposed there shall be levied, assessed and collected an ad valorem tax equivalent to five percent of the brewer’s selling price, net of specific tax, of the products enumerated under subsection [a] hereof.

“Chapter IV – Excise Tax on Tobacco Products

“SEC. 125. Tobacco Products. – There shall be collected a tax of seventy-five centavos on each kilogram of the following products of tobacco:

“[a] tobacco twisted by hand or reduced into a condition to be consumed in any manner other than the ordinary mode of drying and curing;

“[b] tobacco prepared or partially prepared with or without the use of any machine or instruments or without being pressed or sweetened; and

“[c] fine-cut shorts and refuse, scraps, clippings, cuttings, stems and sweepings of tobacco.

“Fine-cut shorts and refuse, scraps, clippings, cuttings, stems and sweepings of tobacco resulting from the handling or stripping of whole leaf tobacco may be transferred, disposed of, or otherwise sold, without prepayment of the specific tax herein provided for under such conditions as may be prescribed in the regulations promulgated by the Ministry of Finance upon recommendation of the Commissioner if the same are to be exported or to be used in the manufacture of other tobacco products on which the excise tax will eventually be paid on the finished product.

“On tobacco specially prepared for chewing so as to be unsuitable for use in any other manner, on each kilogram, sixty centavos.

“SEC. 126. Cigars and cigarettes. – There shall be collected on cigars and cigarettes, the following taxes:

“[a] Cigars. -

“[1] When the manufacturer’s or importer’s wholesale price, less the amount of the tax does not exceed thirty pesos per thousand, on each thousand, two pesos and thirty centavos;

“[2] When the manufacturer’s or importer’s wholesale price, less the amount of the tax exceeds thirty pesos but does not exceed sixty pesos per thousand, on each thousand, four pesos and sixty centavos; and

“[3] When the manufacturer’s or importer’s wholesale price, less the amount of the tax, exceeds sixty pesos per thousand, on each thousand, seven pesos.

“[b] Cigarettes packed in thirties: -

“[1] When the retail price per pack does not exceeded two pesos, on each thousand, three pesos and fifty centavos;

“[2] When the retail price per pack exceeds two pesos, but does not exceed two pesos and forty centavos, on each thousand, six pesos; and

“[3] When the retail price per pack exceeds two pesos and forty centavos, on each thousand, nine pesos.

“[c] Cigarettes packed in twenties: -

“[1] When the retail price per pack does not exceed three pesos and fifty centavos, on each thousand, twelve pesos;

“[2] When the retail price per pack exceeds three pesos and fifty centavos, but does not exceed four pesos and fifty centavos, on each thousand, twenty-five pesos;

“[3] When the retail price per pack exceeds four pesos and fifty centavos, but does not exceed five pesos and sixty

centavos, on each thousand, thirty-five pesos;

“[4] When the retail price per pack exceeds five pesos and sixty centavos, but does not exceed six pesos and eighty centavos, on each thousand, forty pesos;

“[5] When the retail price per pack exceeds six pesos and eighty centavos, but does not exceed seven pesos and fifty centavos, on each thousand, fifty seven pesos and fifty centavos;

“[6] When the retail price per pack exceeds seven pesos and fifty centavos, but does not exceed eight pesos, on each thousand, eighty pesos;

“[7] When the retail price per pack exceeds eight pesos, but does not exceed nine pesos, on each thousand, one hundred fourteen pesos; and

“[8] When the retail price per pack exceeds nine pesos, on each thousand, one hundred fifty-one pesos.

“[d] Imported cigarettes. – If the cigarettes are of foreign manufacture, regardless of the retail price or contents per pack, on each thousand, one hundred fifty-one pesos.

“[e] Ad valorem tax on cigarettes. – In addition to the specific tax imposed herein, there shall be levied, assessed and collected an ad valorem tax on cigarettes based on the gross selling price, net of specific tax, as follows:

“[1] On cigarettes packed in 30's

2%

“[2] On cigarettes packed in 20's and on imported cigarettes

4%

“[f] Effect of change of rates or classification. – Whenever there is a change of tax rates or classification of cigars and cigarettes, no downward reclassification for tax purposes of any existing brand shall be allowed, and cigars and cigarettes subject to tax at a lower rate before such change shall automatically be subject to the corresponding higher rate or classification.

“In case a manufacturer introduces a new category of cigarettes using a foreign brand or trademark under a licensing agreement, for tax purposes, the maximum retail price of such cigarettes shall in no case be lower than the prevailing maximum retail price of an existing category of cigarettes using a foreign brand or trademark of comparable quality, blend, cost of production and other relevant factors.

“Duly registered and/or existing brands of cigarettes packed in twenties shall not be allowed to be packed in thirties.

“[g] Determination of rates applicable to cigars. – The price at which the various classes of cigars are sold at wholesale in the factory or in the establishment of the importer to the public shall determine the rate of the tax applicable to such cigars. If the manufacturer or importer also sells, or allows to be sold, his cigars at wholesale in another establishment of which he is the owner or in the profits of which he has an interest, the wholesale price in such establishment shall determine the rate of the tax applicable to the cigars therein sold. Should such price be less than the cost of manufacture or importation, such cost and expenses incurred until the cigars are finally sold, plus 10% thereof shall constitute the wholesale price.

“[h] Printing of rates of tax. – All packs of locally manufactured cigarettes shall bear thereon, in print, the amount of specific tax per pack except those used as samples. No cigarettes shall be allowed to be removed from any factory unless this requirement has been complied with.

“Chapter V – Excise Tax on Petroleum Products

“SEC. 128. Manufactured oils and other fuels. – There shall be collected on refined and manufactured mineral oils and motor fuels, the following excise taxes which shall attach to the articles hereunder enumerated as soon as they are in existence as such:

“[a] For products subject to specific tax only:

“[1] Lubricating oils, per liter of volume capacity, four pesos and fifty centavos;

“[2] Processed gas, per liter of volume capacity, five centavos;

“[3] Greases, waxes and petrolatum, per kilogram, four pesos and fifty centavos; and

“[4] On denatured alcohol to be used for motive power, per liter of volume capacity, five centavos: Provided, That unless otherwise provided by special laws, if the denatured alcohol is mixed with gasoline, the excise tax on which has already been paid, only the alcohol content shall be subject to the tax herein prescribed. For purposes of this subsection, the removal of denatured alcohol of not less than one hundred eighty degrees proof [ninety percent absolute alcohol] shall be deemed to have been removed for motive power, unless shown otherwise.

“[b] For products subject to ad valorem tax only:

“[1] Kerosene, fourteen percent;

“[2] Asphalt, fourteen percent; and

“[3] Fuel oil commercially known as diesel fuel oil, and on similar fuel oils, having more or less the same generating capacity, and liquefied petrolatum gas used for motive power, twenty-two percent.

“[c] For products subject to both specific and ad valorem taxes:

“ Specific

“Ad Valorem

“[1] Naptha, regular gasoline and similar products of distillation

P1.575/liter

25%

“[2] Premium and aviation gasoline

P1.49/liter

25%

“[3] Thinners and solvents

P1.491/liter

25%

“[4] Liquefied petroleum gas except those used for motive power

P0.572/liter or P1.029/kg

14%

“[5] Aviation turbo fuel

P1.509/liter

25%

“[6] Fuel oil commercially known as bunker fuel oil and oils having more or less the same generating power

P0.443/liter

7%

“The ad valorem tax shall be based on the wholesale posted price, net of specific and domestic ad valorem taxes on the oil product as approved by the Board of Energy.

“SEC. 129. Indigenous petroleum. – There shall be levied, assessed and controlled once only on the first taxable sale, barter, exchange or similar transaction intended to transfer ownership of, or title to, indigenous petroleum, a tax equivalent to twenty-two percent of the fair international market price thereof, such tax to be paid by the buyer or purchaser within fifteen days from the date of actual or constructive delivery to the said buyer or purchaser. The phrase “first taxable sale, barter, exchange or similar transaction” means the transfer of the indigenous petroleum in its original state to a first taxable transferee. The fair international market price shall be determined in accordance with regulations to be promulgated by the Minister of Finance upon recommendation of the Commissioner in consultation with an appropriate government agency.

“For the purpose of this subsection, “indigenous petroleum” shall include locally extracted mineral oil, hydrocarbon gas, bitumen, crude asphalt, mineral gas and all other similar or naturally associated substances with the exception of coal, peat, bituminous shale and/or stratified mineral deposits.

“Chapter VI – Miscellaneous Articles

“SEC. 130. Matches. – There shall be levied, assessed and collected on matches, an ad valorem tax equivalent to ten percent of the manufacturer’s gross selling price.

“SEC. 131. Fireworks. – There shall be collected on all fireworks, a tax of thirty pesos per kilogram. “Fireworks” as herein used shall include firecrackers, sparklers, rockets and similar devices which are exploded or burned to produce noises or brilliant lighting effects.

“SEC. 132. Coal.- There shall be collected, on all coal and coke a tax of fifty pesos per metric ton.

“SEC. 133. Cinematographic Films. – [a] Taxable films. – There shall be collected, once only, on cinematographic film, including television films or tapes in reels, regardless of width, a tax of seventy centavos per linear meter.

“[b] Films not subject to tax. – [1] Educational films or cinematographic films used for visual education, whether manufactured in the Philippines or imported; and

“[2] Any tax-paid cinematographic film subsequent returned to the Philippines or on any negative film or unprinted positive film, and on any reversal film used in amateur photography of sixteen millimeters or less.

“SEC. 134. Video Tapes. – There shall be collected on each processed video-tape cassette, ready for playback, regardless of length, an annual tax of five pesos: Provided, That locally manufactured or imported blank video tape shall be subject to sales tax.

“SEC. 135. Saccharine. – There shall be collected on saccharine, sodium saccharinate and all its derivatives or salts of saccharine and other artificial sweetening agents, a tax of seventy five pesos per kilogram.

SEC. 21. Section 190 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 160. Time for payment of fixed taxes. – All fixed taxes shall be payable annually, on or before the last day of the first month of the taxable year adopted by the taxpayer for income tax purposes. Any person beginning a business must first pay the tax before engaging therein.”

SEC. 22. Section 192 of the National Internal Revenue Code is hereby renumbered and paragraphs [1] and [3] [d], [i], [o], [q], and [r] thereof are amended, and new subparagraphs are added after subparagraphs [qq], all to read as follows:

“SEC. 161. Fixed taxes. – [1] Persons subject to percentage tax. – Unless otherwise provided, every person engaging in a business on which the percentage tax is imposed shall pay a fixed annual tax of two hundred pesos.

“[3] Other fixed taxes. -

“[d] Wholesale dealers of distilled spirits and wine:

“[1] In Metro Manila and other cities, two thousand pesos.

“[2] In other places, five hundred pesos.

“[i] Retail vino dealers, one hundred pesos.

“[o] Retail leaf tobacco dealers, one hundred pesos.

“Retail dealers of cigars, cigarettes and other manufactured tobacco products, one hundred pesos.

“[q] Retail peddlers of cigars, cigarettes and other manufactured tobacco products, one hundred pesos.

“[r] Importers of distilled spirits, wines and fermented liquors; and manufacturers, importers or exporters of manufactured tobacco products:

“[1] In Metro Manila, five thousand pesos.

“[2] In other places, one thousand pesos.

xxx xxx xxx

“[rr] Persons dealing in firearms or ammunition under license issued in accordance with the provisions of Section 883 of the Administrative Code, or in explosives as provided by Act Numbered Twenty-two hundred and fifty-five, two thousand pesos.

“[ss] Wholesale dealers of petroleum products other than liquified petroleum gas, two thousand pesos.

“[tt] Producer or processor of video-tape cassettes, five hundred pesos.

“[uu] Lessor or distributor of video-tape cassettes, three hundred pesos.

“[vv] Manufacturers or importers of automobiles, five thousand pesos.

“[ww] Forest or logging operators or concessionaires, five thousand pesos.

“[xx] Producers of minor forest products, two hundred pesos.

“[yy] Producers of minerals and mineral products, five thousand pesos.

“[zz] Producers of quarry resources, five hundred pesos.

“[aaa] Manufacturers of non-essential articles, five hundred pesos.

SEC. 23. Section 194 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 163. Percentage tax on sales of non-essential articles. – There shall be levied, assessed and collected, once only on every original sale, barter, exchange, or similar transaction for nominal or valuable consideration intended to transfer ownership of, or title to, the articles herein below enumerated a tax equivalent to 50% of the gross value in money of the articles so sold, bartered, exchanged or transferred, such tax to be paid by the manufacturer or producer:

“[a] All articles commonly or commercially known as jewelry, whether real or imitation, pearls, precious and semi-precious stones, and imitations thereof; articles made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory [not including surgical and dental instruments, silver-plated wares, frames or mounting for spectacles or eyeglasses, and dental gold or gold alloys and other precious metal used in filling, mounting or fitting of the teeth]; opera glasses, and lorgnettes. The term “precious metals” shall include platinum, gold, silver, and other metals of similar or greater value. The term “imitations thereof” shall include plantings and alloys of such metals.

“[b] Perfumes, essences, extracts, toilet waters, cosmetics, hair dressings, hair dyes, hair restoratives, aromatic cachous, toilet powders, except tooth and mouth washes, dentifrice, toothpaste, talcum and medicated toilet powders, hair oils and pomades.

“[c] Dice, mahjong sets and playing cards.

“[d] Jukeboxes.

“[e] Manufactured parts and accessories of automobiles which are principally for ornamentation or embellishment.

“[f] Similar or analogous articles, substances or preparations to those enumerated above as determined by the Minister of Finance upon the recommendation of the Commissioner of Internal Revenue based on the inherent essentiality of the product.

“Any material, part or accessory of the above-mentioned articles shall be taxed under this section.”

SEC. 24. Section 195 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 164. Percentage tax on sales of automobiles. – There shall be levied, assessed and collected once only on every original sale, barter, exchange or similar transaction for nominal or valuable consideration intended to transfer ownership of or title to automobiles, a percentage tax based on the suggested retail or list price or actual retail price, whichever is higher, such tax to be paid by the manufacturer or importer, determined in accordance with the following schedule:

Engine Displacement

Tax Rate

Gasoline

Diesel

30%

Up to 1200 cc

Up to 1850 cc

35%

1201 to 1600 cc

1851 to 2050 cc

40%

1601 to 1800 cc

2051 to 2250 cc

50%

1801 cc or over

2251 cc or over

“Parts and accessories of automobiles imported as completely knocked down parts by assemblers registered under the progressive car manufacturing program of the Board of Investments, or their replacements; and imported and locally manufactured spare parts and accessories with which automobiles are usually equipped shall be subject to the tax under Section 165[A] [2].

“For purposes of this section, the term “suggested retail or list price” shall mean the price at which locally manufactured automobiles are offered for sale to the public, as fixed by the assemblers, which shall in no case be less than 15% over and above the selling price of the assembler to the dealer; or not less than 30% over and above the manufacturing cost, in case of direct sales to the public by the assemblers.

“Automobile assemblers shall submit to the Commissioner of Internal Revenue a sworn statement of the “suggested retail or list price” of each particular brand, make or model of their products before the same is offered for sale; and periodically thereafter a notification of any projected change thereof. The assemblers are also required to cause the publication of their respective “suggested retail or list price” or any change thereof in a newspaper of general publication.

“A sale of an automobile shall, for purposes of this section, be considered to be a sale of the chassis and of the

body together with parts and accessories with which the same are usually equipped including other parts and accessories permanently attached thereto at the time of the original sale. The term “automobiles” used herein shall not include motor vehicles classified as trucks, jeeps and utility vehicles.”

SEC. 25. Section 203 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 168. Percentage tax upon proprietors or operators of rope factories, sugar centrals and mills, coconut oil mills, palm oil mills, cassava mills, and desiccated coconut factories. – Proprietors or operators of rope factories, sugar centrals and mills, coconut oil mills, palm oil mills, cassava mills, and desiccated coconut factories, shall pay a tax equivalent to three [3%] per cent of the gross value of money of all the rope, sugar, coconut oil, palm oil, cassava flour or starch, desiccated coconut, manufactured, processed or milled by them, including the by-product of the raw materials, from which said articles are produced, processed, or manufactured, such tax to be based on the actual selling price or market value of these articles at the time they leave the factory or mill warehouse: Provided, however, That this tax shall not apply to rope, coconut oil, palm oil and the by-product of copra from which it is produced or manufactured, and desiccated coconuts, if such rope, coconut oil, palm oil, copra by-products and desiccated coconuts, shall be removed for exportation by the proprietor or operator of the factory or mill himself, and are actually exported without returning to the Philippines, whether in their original state or as an ingredient or part of any manufactured article or products: Provided, further, That where the planter or the owner of the raw materials is the exporter of the aforementioned milled or manufactured products, he shall be entitled to a tax credit equivalent to the proportion of the miller’s taxes withheld by the proprietor or operator of the factory or mill, corresponding to the quantity exported, which may be used against any internal revenue tax directly due from him: and Provided, finally, That credit for any sales, miller’s or excise taxes paid on raw materials or supplies used in the milling process shall not be allowed against the miller’s tax due, except in the case of a proprietor or operator of a refined sugar factory as provided hereunder.

“In case the raw materials are processed, manufactured or milled in pursuance of a contract where the factory, central, or mill receives a share of the finished products, the tax on the share pertaining to the planter or owner of the raw materials shall be charged to the planter or owner and withheld by the proprietor or operator of the factory, central, or mill and paid by him to the Commissioner.

“A proprietor or operator of a refined sugar factory shall be subject to the tax imposed by this section but any miller’s tax paid under this section on the raw sugar shall be credited against the tax due on the refined sugar.

“Where articles subject to manufacturer’s sales tax are manufactured out of materials subject to tax under this section, the miller’s tax paid herein shall be credited against the sales tax due on the finished products in the same manner as provided under Section 166 of this Code.”

SEC. 26. Section 205 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 170. Contractors, proprietors or operators of dockyards, and others. – A contractor’s tax of four percent of the gross receipts is hereby imposed on proprietors or operators of the following business establishments and/or persons engaged in the business of selling or rendering the following services for a fee or compensation:

“[a] General engineering, general building and specialty contractors, as defined in Republic Act No. 4566;

“[b] Filling, demolition and salvage work contractors and operators of mine drilling apparatus;

“[c] Dockyards;

“[d] Installation of water system, gas or electric light, heat or power;

“[e] Smelting plants, engraving plants, plating establishments and plastic lamination establishments;

“[f] Upholstering, washing or greasing of motor vehicles, vulcanizing, recapping and battery charging;

“[g] Planning or surfacing and recutting of lumber and sawmills under contract to saw or cut logs belonging to others;

“[h] Dry cleaning or dyeing establishments, steam laundries and laundries using washing machines;

“[i] Repair of any kind of bicycles, mechanical and electrical devices, instruments, apparatus, or furniture and shoe repairing by machine or any mechanical contrivance;

“[j] Parking lots and parking spaces;

“[k] Tailor shops, dress shops, milliners and hatters, beauty parlors, barber shops, massage clinics, sauna, turkish and swedish baths, slendering and body building saloons and similar establishments, photographic studios and funeral parlors;

“[l] Arrastre and stevedoring, warehousing, or forwarding establishments;

“[m] Plumbers, smiths and house or sign painters;

“[n] Printers, bookbinders, lithographers and publishers, except those engaged in the publication or printing and publication of any newspaper, magazine, review, or bulletin which appear at regular intervals, with fixed prices for subscription and sale and which is not devoted principally to the publication of advertisements;

“[o] Business agents and private detective or watchman agencies;

“Lessors of personal property, except video, tape cassettes and nonresident owners of property subject to the final tax under Section 24[b] [vii] of this Code; and

“[q] Other independent contractors. The term independent contractors includes persons [juridical or natural] not enumerated above [but not including individuals subject to the occupation tax under the Local Tax Code] whose activity consists essentially of the sale of all kinds of services for a fee regardless of whether or not the performance of the service calls for the exercise or use of the physical or mental faculties of such contractors or their employees. It does not include regional or area headquarters established in the Philippines by multinational corporations, including their alien executives, and which headquarters do not earn or derive income from the Philippines and which act as supervisory, communications and coordinating centers for their affiliates, subsidiaries or branches in the Pacific Region.

“The term “gross receipts” means all amounts received by the prime or principal contractor as the total contract price, undiminished by any amount paid to the subcontractor under a subcontract arrangement. Any portion of the total contract price which is paid to the subcontractor, shall be excluded from the taxable gross receipts of the subcontractor.”

SEC. 27. Section 205-A of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 171. Hotels, motels and others. -There is hereby imposed on proprietors, operators or keepers of hotels, motels, resthouses, pension houses, lodging houses and resorts, a tax equivalent to twelve percent of their gross receipts derived from room occupancy.”

SEC. 28. Section 206 of the National Internal Revenue Code is hereby renumbered as Section 172 and paragraph [3] thereof is hereby amended to read as follows:

“[3] On proprietors or operators of restaurants, refreshment parlors, bars, cafes, and other eating places which are maintained within the premises or compound of a cockpit, cabaret, night or day club, Jai-Alai, race track, or which are accessible to patrons of such cockpits, cabaret, night or day club, Jai-Alai, race track by means of a connecting door or passage, 12% in the case of cockpit, cabaret, night or day club, and 25% in the case of Jai-Alai and race track, of their gross receipts.”

SEC. 29. Section 208 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 174. Percentage tax on stock, real estate, commercial, customs and immigration brokers, cinematographic film owners, producers, lessors or distributors. – Stock, real estate, commercial, customs, and immigration brokers shall pay a percentage tax equivalent to seven percent of the gross compensation received by them. Cinematographic film lessors, or distributors shall pay a percentage tax of three per cent of their gross receipts: Provided, however, That the term “cinematographic films” shall not include video tape cassettes.”

SEC. 30. Section 209 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 175. Percentage tax on dealers in securities, lending investors. – Dealers in securities shall pay a tax equivalent to six [6%] per cent of their gross income. Lending investors shall pay a tax equivalent to five [5%] per cent of their gross income.”

SEC. 31. Section 215 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 180. Registration of name or style with the revenue district officer or collection agent. – Every person engaged in any business shall, on or before the commencement of his business, or whenever he transfers to another revenue district, register with the revenue district officer concerned within ten days from commencement of business or transfer. In cities or municipalities where no revenue district officer is stationed, such person shall register with the collection agent within ten days after securing his privilege tax receipt. The registration shall contain his name or style, place of residence, business, the place where such business is carried on, and such other information as may be required by the Commissioner in the form prescribed therefor. In case of a firm, the names and residences of the various persons constituting the same shall also be registered. The Commissioner, after taking into consideration the volume of sales, financial condition and other relevant factors, may require the registrant to guarantee the payment of his sales taxes by way of advance payment, or the posting or filing of a security, guarantee or collateral acceptable to the Commissioner.

Manufacturers, producers, importers and millers liable to pay sales, percentages or excise taxes, who are already registered in accordance with the existing provisions of the Tax Code, shall register anew within 30 days from the date of effectivity of the decree, and shall be subject to the requirements provided in this section.

SEC. 32. Section 222 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 186. Stamp taxes upon documents, instruments, and papers. – Upon documents, instruments, and papers, and upon acceptances, assignments, sales, and transfers of the obligation, right, or property incident thereto, there shall be levied, collected and paid for, and in respect of the transaction so had or accomplished, the corresponding

documentary stamp taxes prescribed in the following sections of this Title, by the person making, signing, issuing, accepting, or transferring the same, and at the same time such act is done or transaction had: Provided, That whenever one party to the taxable document enjoys exemption from the tax herein imposed, the other party thereto who is not exempt shall be the one directly liable for the tax.”

SEC. 33. Section 238 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 192. Stamp tax on warehouse receipts. – On each warehouse receipt for property held in storage in a public or private warehouse or yard for any person other than the proprietor of such warehouse or yard, there shall be collected a documentary stamp tax of one peso and fifty centavos: Provided, That no tax shall be collected on each warehouse receipt issued to any one person in any one calendar month covering property the value of which does not exceed two hundred pesos.”

SEC. 34. Section 248 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 212. Documents and papers not subject to stamp tax. – The provisions of Section 186 to the contrary notwithstanding, the following instruments, documents, and papers shall be exempt from the documentary stamp tax:

“[1] Policies of insurance of annuities made or granted by a fraternal or beneficiary society, order, association, or cooperative company, operated on the lodge system or local cooperation plan and organized and conducted solely by the members thereof for the exclusive benefit of each member and not for profit.

“[2] Certificates of oaths administered to any government official in his official capacity or of acknowledgment by any government official in the performance of his official duties, written appearance in any court by any government official, in his official capacity; certificates of the administration of oaths to any person as to the authenticity of any paper required to be filed in court by any person or party thereto, whether the proceedings be civil or criminal; papers and documents filed in courts by or for the national, provincial, city, or municipal governments, affidavits of poor persons for the purpose of proving poverty; statements and other compulsory information required of persons or corporations by the rules and regulations of the national, provincial, city, or municipal governments exclusively for statistical purposes and which are wholly for the use of the bureau or office in which they are filed, and not at the instance or for the use or benefit of the person filing them; certified copies and other certificates placed upon documents, instruments, and papers for the national, provincial, city or municipal governments, made at the instance and for the sole use of some other branch of the national, provincial, city or municipal governments; and certificates of the assessed value of lands, not exceeding two hundred pesos in value assessed, furnished by provincial, city, or municipal treasurer to applicants for registration of title to land.”

SEC. 35. Section 262 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 222. Time for payment of tax. – The tax imposed in Sections 220, and 221 shall be due every calendar quarter. It shall be the duty of every bank or finance company, within twenty days after the end of each calendar quarter, to make a true and complete return of the amount of gross income derived during the preceding calendar quarter and pay the tax due thereon.”

SEC. 36. Section 263 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 223. Tax on insurance premium. – There shall be collected from every person, company or corporation [except purely cooperative companies or associations] doing insurance business of any sort in the Philippines a tax of five [5%] per cent of the gross premium collected whether such premiums are paid in money, notes, credits or any substitute for money; but premiums refunded within six months after payment on account of rejection of risk or returned for other reason to a person insured shall not be included in the taxable receipts; nor shall any tax be paid upon reinsurance by a company that has already paid the tax; nor upon premiums collected or received by any branch of a domestic corporation, firm or association doing business outside the Philippines on account of any life insurance of the insured who is a non-resident, if any tax on such premium is imposed by the foreign country where the branch is established nor upon premiums collected or received on account of any reinsurance, if the risk insured against covers property located outside the Philippines, or the insured, in the case of personal insurance, resides outside the Philippines, if any tax on such premiums is imposed by the foreign country where the original insurance has been issued or perfected; nor upon the portion of the premiums collected or received by the insurance companies on variable contracts [as defined in Section 232[2] of Presidential Decree No. 612] in excess of the amounts necessary to insure the lives of the variable contract owners.

“Cooperative companies or associations are such as are conducted by the members thereof with the money collected from among themselves and solely for their own protection and not for profit.”

SEC. 37. Section 264 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 224. Time for payment of tax. – The tax on insurance premiums shall be due every calendar quarter. It shall be the duty of every insurance company within twenty days after the end of each calendar quarter, to make a true and complete return of the amount of gross premiums derived during the calendar quarter and pay the tax due thereon.”

SEC. 38. Section 267 of the National Internal Revenue Code is hereby renumbered and amended to read as follows:

“SEC. 227. Tax on franchises. – [a] In general. – There shall be collected in respect to all franchises, upon the gross receipts from the business covered by the law granting the franchise, a tax of five percent on such taxes, charges, and percentages as are specified in the special charters of the grantees upon whom such franchise are conferred, whichever is higher, unless the provisions thereof preclude the imposition of a higher tax. For the purpose of facilitating the assessment of this tax, reports shall be made by the respective holders of the franchises in such form and at such times, as shall be required by regulations.

“The taxes, charges, and percentages on franchises, shall be assessed, collected by and paid to the Commissioner or any of his collection agents, any provision in the franchise to the contrary notwithstanding, and shall be due and payable as specified in the particular franchise, or, in case no time limit is specified therein, the provisions of Section 162 shall apply.”

“[b] Tax on electric franchise holders. – Any provision of law or local ordinance to the contrary notwithstanding, the franchise tax payable by all grantees of franchise to generate, distribute and sell electric current for light, heat and power and for the manufacture, distribution and sale of city gas shall be 2% of their gross receipts received from the sale of electric current and from transactions incident to the generation, distribution and sale of electric current and of manufactured city gas.

“Such franchise tax shall be payable to the Commissioner of Internal Revenue, or his duly authorized representative, on or before the twentieth day of the month following the end of each calendar quarter or month,

as may be provided in the respective franchise or pertinent municipal regulation and shall, any provision of the Local Tax Code or any other law to the contrary notwithstanding, be in lieu of all taxes and assessments of whatever nature imposed by any local authority on earning, receipt, income and privilege of generation, distribution and sale of electric current and of manufactured city gas.

“[c] Filing of returns and verification thereof. – The returns of all franchise grantees subject to tax under this section or under their respective franchises shall be filed with and subject to audit by the Bureau of Internal Revenue, any provision of existing law to the contrary notwithstanding.”

SEC. 39. Section 268 is hereby renumbered to Section 228 and the second paragraph is amended to read as follows:

“The taxes imposed herein shall be payable at the end of each quarter or month and it shall be the duty of the proprietor, lessee, or operator concerned, as well as any party liable, within twenty days after the end of each quarter or month, to make a true and complete return of the amount of gross receipts derived during the preceding quarter or month and pay the tax due thereon.”

SEC. 40. Title XI of the National Internal Revenue Code is hereby amended to read as follows:

“TITLE XI – Additions to the Tax and
General Penal Provisions

Chapter I – Additions to the Tax

“SEC. 281. General Provisions. – [a] The additions to the tax or deficiency tax prescribed in this Chapter shall apply to all taxes, fees and charges imposed in this Code. The amount so added to the tax shall be collected at the same time, in the same manner and as part of the tax.

“[b] If the withholding agent is the Government or any of its agencies, political subdivisions or instrumentalities, or a government-owned or controlled corporation, the employee thereof responsible for the withholding and remittance of the tax shall be personally liable for the additions to the tax prescribed herein.

“[c] The term “person”, as used in this Chapter, includes an officer or employee of a corporation who as such officer, employee, or member is under a duty to perform the act in respect of which the violation occurs.

“SEC. 282. Civil Penalties. – [a] There shall be imposed, in addition to the tax required to be paid, a penalty equivalent to twenty-five percent [25%] of the amount due, in the following cases:

“[1] Failure to file any return required under the provisions of this Code or regulations on the date prescribed; or a

“[2] Filing a return with an internal revenue officer other than those with whom the return is required to be filed;
or

“[3] Failure to pay the tax within the time prescribed for its payment; or

“[4] Failure to pay the full amount of tax shown on any return required to be filed under the provisions of this Code or regulations, or the full amount of tax due for which no return is required to be filed, on or before the date prescribed for its payment.

“[b] In case of willful neglect to file the return within the period prescribed by this Code or regulations, or in case a false or fraudulent return is willfully made, the penalty to be imposed shall be fifty percent [50%] of the tax or of the deficiency tax, in case any payment has been made on the basis of such return before the discovery of the falsity or fraud.

“[c] The penalties imposed hereunder shall form part of the tax and the entire amount shall be subject to the interest prescribed in Section 283.

“[d] In the case of failure to affix the proper documentary stamps to a document or instrument, there shall, for every violation, be imposed, in addition to the amount of documentary stamp tax required to be paid, an amount equivalent to twenty-five percent of such unpaid amount which shall be in lieu of the interest prescribed in Section 283, Provided, That when the amount is not paid within the time prescribed in the notice and demand, there shall be collected on the total unpaid amount, including the surcharge, the interest prescribed in Section 283[a] from the due date prescribed in the notice and demand until the amount is fully paid, which interest shall form part of the tax.

“SEC. 283. Interest. – [a] In general. -There shall be assessed and collected on any unpaid amount of tax, interest at the rate of twenty percent [20%] per annum, or such higher rate as may be prescribed by regulations, from the date prescribed for payment until the amount is fully paid.

“[b] Deficiency interest. – Any deficiency in the tax due, as the term is defined in this Code, shall be subject to the interest prescribed in paragraph [a] hereof, which interest shall be assessed and collected from the date prescribed for its payment until the full payment thereof.

“[c] Delinquency interest. – In case of failure to pay:

“[1] The amount of the tax due on any return required to be filed, or

“[2] the amount of the tax due for which no return is required, or

“[3] a deficiency tax, or any surcharge or interest thereon, on the due date appearing in the notice and demand of the Commissioner there shall be assessed and collected, on the unpaid amount, interest at the rate prescribed in paragraph [a] hereof until the amount is fully paid, which interest shall form part of the tax.

“[d] Interest on extended payment. – If any person required to pay the tax is qualified and elects to pay the tax on installment under the provisions of this Code, but fails to pay the tax or any installment thereof, or any part of such amount or installment on or before the date prescribed for its payment, or where the Commissioner has authorized an extension of time within which to pay a tax or a deficiency tax or any part thereof, there shall be assessed and collected interest at the rate hereinabove prescribed on the tax or deficiency tax or any part thereof unpaid from the date of notice and demand until it is paid.

“SEC. 284. Failure to file certain information returns. – In the case of each failure to file an information return, statement or list, or keep any record, or supply any information required by this Code or by the Commissioner on the date prescribed therefor, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall, upon notice and demand by the Commissioner, be paid by the person failing to file, keep or supply the same, one thousand pesos for each such failure: Provided, however, That the aggregate amount to be imposed for all such failures during a calendar year shall not exceed twenty-five thousand pesos.

“SEC. 285. Failure of a withholding agent to collect and remit tax. – Any person required to collect, account for, and remit any tax imposed by this Code or who willfully fails to collect such tax, or account for and remit such tax, or willfully assists in any manner to evade any such tax or the payment thereof, shall, in addition to other penalties provided for under this Chapter, be liable to a penalty equal to the total amount of the tax not collected, or not accounted for and remitted.

“Chapter II – Crimes, Other Offenses
and Forfeitures

“SEC. 286. General provisions. – [a] Any person convicted of a crime penalized by this Code shall, in addition to being liable for the payment of the tax, be subject to the penalties imposed herein: Provided, That payment of the tax due after apprehension shall not constitute a valid defense in any prosecution for violation of any provision of this Code or in any action for the forfeiture of untaxed articles.

“[b] Any person who willfully aids or abets in the commission of a crime penalized herein or who causes the commission of any such offense by another, shall be liable in the same manner as the principal.

“[c] If the offender is not a citizen of the Philippines, he shall be deported immediately after serving the sentence without further proceedings for deportation. If he is a public officer or employee, the maximum penalty prescribed for the offense shall be imposed and, in addition, he shall be dismissed from the public service and perpetually disqualified from holding any public office, to vote and to participate in any election. If the offender is a certified public accountant, his certificate as a certified public account shall, upon conviction, be automatically revoked or cancelled.

“[d] In the case of associations, partnerships, or corporations, the penalty shall be imposed on the partner, president, general manager, branch manager, treasurer, officer-in-charge, and employees responsible for the violation.

“SEC. 287. Attempt to evade or defeat tax. -Any person who willfully attempts in any manner to evade or defeat any tax imposed under this Code or the payment thereof shall, in addition to other penalties provided by law, upon conviction thereof, be fined not more than ten thousand pesos or imprisoned for not more than two years, or both.

“SEC. 288. Failure to file return, supply information, pay tax, withhold and remit tax. – Any person required under this Code or by regulations promulgated thereunder to pay any tax, make a return, keep any records, or supply any information, who willfully fails to pay such tax, make such return, keep such records, or supply such information, or withhold or remit taxes withheld, at the time or times required by law or regulations, shall, in addition to other penalties provided by law, upon conviction thereof, be fined not less than five thousand pesos nor more than fifty thousand pesos, or imprisoned for not less than six months and one day but not more than five years, or both.

“Any person who attempts to make it appear for any reason that he or another has in fact filed a return or statement, or actually files a return or statement and subsequently withdraws the same return or statement after securing the official receiving seal or stamp of receipt of an internal revenue office wherein the same was actually filed shall, upon conviction therefor be fined not less than three thousand pesos or imprisoned for not more than one year, or both.

“SEC. 289. Penal liability of corporations. -Any corporation, association or general co-partnership liable for any of the acts or omissions penalized under this Code, in addition to the penalties imposed herein upon the responsible corporate officers, partners or employees, shall, upon conviction, for each act or omission be fined for not less than ten thousand pesos but not more than one hundred thousand pesos.

“SEC. 290. Penal liability for making false entries, records or reports. – [A] Any independent certified public accountant engaged to examine and audit books of accounts of taxpayers under subparagraph [a] of Section 272 and any person under his direction who:

“[1] willfully falsifies any report or statement bearing on any examination or audit, or renders a report, including exhibits, statements, schedules or other forms of accountancy work which has not been verified by him personally or under his supervision or by a member of his firm or by a member of his staff in accordance with sound auditing practices, or

“[2] certifies financial statements of a business enterprise containing an essential misstatement of facts or omission in respect of the transactions, taxable income, deduction and exemption of his client, or

“[b] Any person who:

“[1] not being an Independent Certified Public Accountant according to subparagraph [B] of Section 272, examines and audits books of accounts of taxpayers, or

“[2] offers to sign and certify financial statements without audit, or

“[3] offers any taxpayer the use of accounting bookkeeping records for internal revenue purposes not in conformity with the requirements prescribed in this Code or regulations promulgated thereunder, or

“[4] knowingly makes any false entry or enters any false or fictitious name in the books of accounts or records mentioned in the preceding paragraphs, or

“[5] keeps two or more sets of such records or books of accounts, or

“[6] in any way commits an act or omission, in violation of the provisions of this Section, or

“[7] fails to keep the books of accounts or records mentioned in Section 272 in a native language, English, or Spanish, or to make a true and complete transaction as required in Section 274 of this Code, or whose books of accounts or records kept in a native language, English, or Spanish and found to be at material variance with books or records kept by him in another language.

shall, upon conviction for each act or omission, be punished by a fine of not less than ten thousand pesos but not more than fifty thousand pesos or by imprisonment of not less than four years and one day but not more than six years, or both.

“SEC. 291. Unlawful pursuit of business. -Any person who carries on any business for which a privilege tax is imposed without paying the tax as required by law shall, upon conviction for each act or omission, be fined not less than one thousand pesos but not more than five thousand pesos or imprisoned for not less than one month but not more than six months, or both: Provided, That in the case of a person engaged in the business of distilling, rectifying, repacking, compounding or manufacturing any article subject to excise tax, he shall, upon conviction for each act or omission, be fined for not less than five thousand pesos but not more than twenty-five thousand pesos or imprisoned for a term of not less than six months but not more than three years, or both.

“SEC. 292. Illegal collection of foreign payments. – Any person who knowingly undertakes the collection of foreign payments as provided under Section 70 of this Code without having obtained a license therefor, or without complying with its implementing regulations, shall, upon conviction for each act or omission, be fined for not less than five thousand pesos nor more than twenty-five thousand pesos, or imprisoned for not less than six months but not more than three years, or both.

“SEC. 293. Unlawful possession of cigarette paper in bobbins, etc. – It shall be unlawful for any person to have in his possession cigarette paper in bobbins or rolls, cigarette tipping paper or cigarette filter tips, without the corresponding authority therefor issued by the Commissioner. Any person, importer, manufacturer of cigar and cigarettes, who has been found guilty under this Section, shall, upon conviction of each act or omission, be fined a sum not less than twenty thousand pesos but not more than one hundred thousand pesos and imprisoned for a term of not less than six years and one day but not more than twelve years.

“SEC. 294. Unlawful use of denatured alcohol. – Any person who, for the purpose of manufacturing any beverage, uses denatured alcohol or alcohol specially denatured to be used for motive power or withdrawn under

bond for industrial uses or alcohol knowingly misrepresented to be denatured to be unfit for oral intake, or who knowingly sells or offers for sale any beverage made in whole or in part from such alcohol, or who uses such alcohol for the manufacture of liquid medicinal preparations taken internally, or knowingly sells or offers for sale such preparations containing as an ingredient such alcohol, shall, upon conviction for each act or omission, be fined for not less than twenty thousand pesos, but not more than one hundred thousand pesos, and imprisoned for a term of not less than six years and one day but not more than twenty years.

“Any person who shall unlawfully recover, or attempt to recover by distillation or other process any denatured alcohol or who knowingly sells or offers for sale, conceals or otherwise disposes of alcohol so recovered or redistilled shall be subject to the same penalties imposed under this Section.

“SEC. 295. Shipment or removal of liquor or tobacco products under false name or brand or as an imitation of any existing or otherwise known product name or brand. – Any person who ships, transports or removes spirituous, compounded or fermented liquors, wines or any manufactured products of tobacco under any other than the proper name or brand known to the trade as designating the kind and quality of the contents of the cask, bottle, or package containing the same or as an imitation, of any existing or otherwise known product name or brand, or causes such act to be done, shall, upon conviction for each act or omission, be fined for not less than twenty thousand pesos but not more than one hundred thousand pesos and imprisoned for not less than six years and one day but not more than twelve years.

“SEC. 296 . Unlawful possession or removal of articles subject to excise tax without payment of the tax. – Any person who owns and/or is found in possession of imported articles subject to excise tax, the tax on which has not been paid in accordance with law or any person who owns and/or is found in possession of imported tax-exempt articles other than those to whom they are legally issued shall be punished by:

“1. A fine of not less than one hundred pesos nor more than five hundred pesos and imprisonment of not less than fifteen days nor more than thirty days, if the appraised value, to be determined in the manner prescribed in the Tariff and Customs Code, including duties and taxes, of the articles does not exceed five hundred pesos.

“2. A fine of not less than one thousand pesos nor more than five thousand pesos and imprisonment of not less than six months and one day nor more than four years, if the appraised value, to be determined in the manner prescribed in the Tariff and Customs Code, including duties and taxes, of the articles exceed five hundred pesos but does not exceed one hundred fifty thousand pesos.

“3. A fine of not less than ten thousand pesos nor more than twenty-five thousand pesos and imprisonment of not less than four years and one day nor more than eight years, if the appraised value, to be determined in the manner prescribed in the Tariff and Customs Code, including taxes and duties, of the articles is more than fifty thousand pesos but does not exceed one hundred fifty thousand pesos.

“4. A fine of not less than twenty thousand pesos nor more than fifty thousand pesos and imprisonment of not less than ten years and one day nor more than fourteen years, if the appraised value, to be determined in the manner prescribed in the Tariff and Customs Code, including taxes and duties, of the articles exceeds one hundred fifty thousand pesos.

“Any person who is found in possession of locally manufactured articles subject to excise tax, the tax on which has not been paid in accordance with law, or any person who is found in possession of such articles which are exempt from excise tax other than those to whom the same is lawfully issued shall be punished with a fine of not less than ten times the amount of excise tax due on the article found but not less than five hundred pesos nor more than ten thousand pesos and imprisonment of from six months and one day to four years.

“Any manufacturer, owner, or person in charge of any article subject to excise tax who removes or allows or causes the unlawful removal of any such articles from the place of production or bonded warehouse, upon which the articles subject to excise tax has not been paid at the time and in manner required, and any person who knowingly aids or abets in the removal of such articles as aforesaid, or conceals the same after illegal removal shall, for the first offense, be punished with a fine of not less than ten times the amount of excise tax due on the article, but not less than one thousand pesos nor more than one hundred thousand pesos and imprisonment for not less than six months and one day but not more than six years.

“The mere unexplained possession of articles subject to excise tax, the tax on which has not been paid in accordance with law, shall be punished under this Section.

“SEC. 297. Illegal cutting and removal of forest products. – [a] Any person who unlawfully cuts or gathers forest products in any forest lands without license or if under license, in violation of the terms hereof, shall, upon conviction for each act or omission, be fined for not less than ten thousand pesos but not more than one hundred thousand pesos or imprisoned for a term of not less than four years and one day but not more than six years, or both.

“[b] If forest products shall be removed without invoice, or upon removal shall, without permit, be discharged from the boat, car, cart, or other means of transportation, he shall, upon conviction for each act or omission, be fined in a sum of not less than five thousand pesos but not more than fifty thousand pesos or imprisoned for not less than six months and one day but not more than two years, or both.

“SEC. 298. Failure or refusal to issue receipts or sales or commercial invoices, violations related to the printing of such receipts or invoices and other violation. – [a] Any person who, being required under Section 181 to issue receipts or sales or commercial invoices, fails or refuses to issue such receipts or invoices, issues receipts or invoices that do not truly reflect and/or contain all the information required to be sworn therein or uses multiple or double receipts or invoices, shall, upon conviction, for each act or omission be fined not less than one thousand pesos but not more than fifty thousand pesos or imprisoned for a term of not less than six months and one day but not more than two years, or both.

“[b] Any person who commits any of the acts enumerated hereunder shall be penalized in the same manner and to the same extent as provided for in this Section:

“1. Prints receipts or sales or commercial invoices without authority from the Bureau of Internal Revenue;

“2. Prints double or multiple sets of invoices or receipts;

“3. Prints unnumbered receipts or sales or commercial invoices, not bearing the name, business style, taxpayer account number, and business address of the person or entity; or

“4. Fails to submit the quarterly report required in Section 182.”

“SEC. 299. Offenses relating to stamps. -Any person who commits any of the acts enumerated hereunder shall, upon conviction thereof, be fined not more than ten thousand pesos or imprisoned for not more than five years, or both:

“[1] Makes, imports, sells, uses or possesses without express authority from the Commissioner, any die for printing or making stamps, labels, tags or playing cards.

“[2] Erases the cancellation marks of any stamps previously used or alters the written figures or letters or cancellation marks on internal revenue stamps.

“[3] Possesses false, counterfeit, restored or altered stamps, labels or tags or causes the commission of any such offense by another.

“[4] Sells or offers for sale any box or package containing articles subject to excise tax with false, spurious or counterfeit stamps or labels or sells from any such fraudulent box, package or container as aforesaid.

“[5] Gives away or accepts from another or sells, buys or uses containers on which the stamps are not completely destroyed.

“SEC. 300. Failure to obey summons. – Any person who, being duly summoned to appear to testify, or to appear and produce books of accounts, records, memoranda, or other papers, or to furnish information as required under the pertinent provisions of this Code, neglects to appear or to produce such books of accounts, records, memoranda, or other papers, or to furnish such information, shall, upon conviction, be fined not less than one thousand pesos or imprisoned for not more than one year, or both.

“SEC. 301. Declaration under penalties of perjury. – Any declaration, return and other statements required under this Code, shall, in lieu of an oath, contain a written statement that they are made under the penalties of perjury. Any person who willfully files a declaration, return or statement containing information which is not true and correct as to every material matter shall, upon conviction, be subject to the penalties prescribed for perjury under the Revised Penal Code.

“SEC. 302 . Other crimes and offenses. [a] Misdeclaration or misrepresentation of manufacturers subject to excise tax. – Any manufacturer who, in violation of the provisions of Title IV of this Code, misdeclares in the sworn statement required therein or in the sales invoice, any pertinent data or information shall be punished by a summary cancellation or withdrawal of the permit to engage in business as a manufacturer of articles subject to excise tax.

“[b] Forfeiture of property used in unlicensed business or of dies used for printing false stamps, etc. – All chattels, machinery, and removable fixtures of any sort used in the unlicensed production of articles subject to excise tax shall be forfeited.

“Dies and other equipment used for the printing or making of any internal revenue stamp, label, or tag which is in imitation of or purports to be a lawful stamp, label, or tag shall also be forfeited.

“[c] Forfeiture of goods illegally stored or removed. – Unless otherwise specifically authorized by the Commissioner, all articles subject to excise tax should not be stored or allowed to remain in a distillery, distillery warehouse, bonded warehouse, or other place where made, after the tax thereon has been paid, otherwise all such articles shall be forfeited. Articles withdrawn from any such place or from customs custody or imported into the country without the payment of the required tax shall likewise be forfeited.

“Chapter III – Penalties Imposed on Public Officers

“SEC. 303. Violations committed by government enforcement officers. – Every official, agent or employee of the Bureau of Internal Revenue or any other agency of the government charged with the enforcement of the provisions of this Code, who is guilty of any of the offenses hereinbelow specified, shall, upon conviction for each act or omission, be fined in a sum of not less than five thousand pesos but not more than fifty thousand pesos or imprisoned for a term of not less than one year but not more than ten years, or both:

“1. Those guilty of extortion or willful oppression through the use of his office;

“2. Those who knowingly demand other or greater sums than are authorized by law or receive any fees,

compensation or reward, except as by law prescribed, for the performance of any duty;

“3. Those who willfully neglect to give receipts, as by law required, for any sums collected in the performance of duty or who willfully neglect to perform any other duties enjoined by law;

“4. Those who conspire or collude with another or others to defraud the revenues or otherwise violate the provisions of this Code;

“5. Those who by neglect or design permit the violation of the law by any other person;

“6. Those who make or sign any false entry or entries in any books, or make or sign any false certificate or return;

“7. Those who allow, or conspire or collude with another to allow the unauthorized retrieval, withdrawal or recall of any return, statement or declaration after the same has been officially received by the Bureau of Internal Revenue;

“8. Those who, having knowledge or information of a violation of this Code or of any fraud committed on the revenue collectible by the Bureau of Internal Revenue, fail to report such knowledge or information to their superior officer or to report as otherwise required by law; and

“9. Those who, without the authority of law, demand or accept or attempt to collect, directly or indirectly, as payment or otherwise any sum of money or other thing of value for the compromise, adjustment, or settlement of any charge or complaint for any violation or alleged violation of this Code.

“SEC. 304. Unlawful divulgence of trade secrets. – Except as provided in Section 74 of this Code and Section 26 of Republic Act Numbered 6388, any officer or employee of the Bureau of Internal Revenue who divulges to any person or makes known in any other manner than may be provided by law information regarding the business, income, or estate of any taxpayer, the secrets, operation, style or work, or apparatus of any manufacturer or producer, or confidential information regarding the business of any taxpayer, knowledge of which was acquired by him in the discharge of his official duties, shall, upon conviction for each act or omission, be fined in a sum of not less than five thousand pesos but not more than ten thousand pesos, or imprisoned for a term of not less than six months but not more than five years, or both.

“SEC. 305. Unlawful interest of revenue law enforcers in business. – Any internal revenue officer who is or shall become interested, directly or indirectly, in the manufacture, sale, or importation of any article subject to tax under Title IV of this Code or in the manufacture or repair or sale, of any die for the printing, or making of stamps, or labels shall, upon conviction for each act or omission, be fined in a sum of not less than five thousand pesos but not more than ten thousand pesos, or imprisoned for a term of not less than two years and one day but not more than four years, or both.

“SEC. 306. Violation of withholding tax provision. – Every officer or employee of the government of the Republic of the Philippines or any of its agencies and instrumentalities, its political subdivisions, as well as government-owned or controlled corporations including the Central Bank who, under the provisions of this Code or regulations promulgated thereunder, is charged with the duty to deduct and withhold any internal revenue tax and to remit the same in accordance with the provisions of this Code and other laws is guilty of any offense hereinbelow specified shall, upon conviction for each act or omission, be fined in a sum of not less than five thousand pesos but not more than fifty thousand pesos or imprisoned for a term of not less than six months, and one day but not more than two years, or both:

“1. Those who fail or cause the failure to deduct and withhold any internal revenue tax under any of the withholding tax laws and implementing regulations;

“2. Those who fail or cause the failure to remit taxes deducted and withheld within the time prescribed by law and implementing regulations; and

“3. Those who fail or cause the failure to file return or statement within the time prescribed, or render or furnish a false or fraudulent return or statement required under the withholding tax laws and regulations.

“SEC. 307. Penalty for failure to issue and execute warrant. – Any official who fails to issue or execute the warrant of distraint or levy within thirty days after the expiration of the time prescribed in Sections 255 and 261 or who is found guilty of abusing the exercise thereof by competent authority shall be automatically dismissed from the service after due notice and hearing.

“Chapter IV – Other Penal Provisions

“SEC. 308 . Penalty for second and subsequent offenses. – In the case of reincidence, the maximum of the penalty prescribed for the offense shall be imposed.

“SEC. 309. Violation of other provisions of this Code or regulations in general. – A person who violates any provision of this Code or any regulation of the Ministry of Finance promulgated thereunder, for which no specific penalty is provided by law shall, upon conviction for each act or omission, be fined in a sum of not more than one thousand pesos or imprisoned for a term of not more than six months, or both.

“SEC. 310. Penalty for selling, transferring, encumbering, or in any way disposing of property placed under constructive distraint. – Any taxpayer whose property has been placed under constructive distraint who sells, transfers, encumbers, or in anyway disposes of said property, or any part thereof, without the knowledge and consent of the Commissioner, shall, upon conviction for each act or omission be fined in a sum of not less than twice the value of the property so sold, encumbered or disposed of, but not less than five thousand pesos, or imprisoned for a term of not less than two years and one day but not more than four years, or both.

“SEC. 311. Failure to surrender property placed under distraint and levy. – Any person having in his possession or under his control any property or rights to property, upon which a warrant of constructive distraint or of actual distraint and levy has been issued shall, upon demand by the Commissioner or any of his deputies executing such warrant, surrender such property or right to property to the Commissioner or any of his deputies, unless such property or right is, at the time of such demand, subject to an attachment or execution under any judicial process. Any person who fails or refuses to surrender any of such property or right shall be liable in his own person and estate to the Government in a sum equal to the value of the property or rights not so surrendered but not exceeding the amount of the taxes [including penalties and interest] for the collection of which such warrant had been issued, together with costs and interest, if any, from the date of such warrant. In addition, such person shall, upon conviction for each act or omission, be fined in a sum of not less than five thousand pesos or imprisoned for a term of not less than six months and one day but not more than two years, or both.”

“SEC. 312. Procuring unlawful divulgence of trade secrets. – Any person who causes or procures an officer or employee of the Bureau of Internal Revenue to divulge any confidential information regarding the business, income, or inheritance of any taxpayer, knowledge of which was acquired by him in the discharge of his official duties, and which it is unlawful for him to reveal, and any person who publishes or prints in any manner whatever, not provided by law, any income, profits, losses, or expenditures appearing in any income tax return shall be fined in a sum of not more than two thousand pesos or imprisoned for a term of not less than six months nor more than five years, or both.”

SEC. 41. Section 290-B is hereby renumbered and amended to read as follows:

“SEC. 241. Flexibility clause. – [1] In general. – In the interest of the national economy and general welfare and subject to the limitations herein prescribed, the President, upon recommendation of the Minister of Finance, is hereby empowered to make adjustments on all internal revenue taxes where such adjustments refer to the following:

“[a] Revision of rates;

“[b] Change in the classification of articles;

“[c] Revision of taxable base including modification or change of the manner and method of computing the tax such as, but not limited to, the change in deduction scheme for tax credit to cost deduction;

“[d] Revision of deadlines for the filing of tax returns, payment of tax, and compliance with other tax requirements; and

“[e] Modification or integration of safeguards to ensure the collection of the correct tax;

“The above authority may be exercised by the President if any of the following conditions exists;

“[a] When there is a need to obviate unemployment and economic and special dislocation;

“[b] Where, due to adverse economic conditions, it becomes imperative to revise tax rates and/or taxable bases;

“[c] Where, in the interest of economic development, it is necessary to redirect expenditure or consumption patterns;

“[d] Where, in the light of technological and social changes, it is necessary to change the classification of certain articles on the bases of the concepts of essentiality or the degree of manufacturing done;

“[e] Whenever by reason of fluctuation or currency values and/or inflation or deflation, the existing base and/or price levels are no longer realistic or consistent with the current price levels;

“[f] Where, it is necessary to counter adverse economic action on the part of another country;

“[g] Where such revision is necessary to simplify and systematize the various tax deadlines; and

“[h] Where such adjustments are necessary pursuant to ASEAN or international commitments in respect of trade, tariff and other similar arrangements.

“[2] Specific limitations on the exercise of authority to make adjustments in all internal revenue taxes:

“[a] The existing tax rates may be increased or decreased by not more than 50%, Provided, That the rates as last revised shall be the basis for this limitation. Provided, further, That in the case of the sales on second sale of agricultural food products sold in their original state or where such agricultural food products merely have undergone the simple processes, the existing rate may be increased to not more than 3%.

“[b] Before any recommendation is submitted to the President by the Minister of Finance pursuant to the provisions of this Section, a public hearing shall, whenever practicable, be held and interested parties afforded a reasonable opportunity to be heard.

“[3] [a] Counter-measure against discriminatory tax treatment of Philippine taxpayers. -Whenever it is established by the Philippine Government that -

“[1] the law of any foreign country discriminates against Philippine citizens or domestic corporations with respect to the effective tax rate on their income in that country or on articles coming from the Philippines and brought into

that country, and

“[2] such foreign country, inspite of appropriate request by the Philippine Government, refuses or fails to abate or otherwise remedy such discriminatory and adverse tax treatment of Philippine citizens, corporations or products,

the President may, upon recommendation of the Commissioner of Internal Revenue, through the Minister of Finance, and as a counter measure against such discrimination, adjust the effective rate of tax to be applied on income in the Philippines of nationals, residents or corporations of such foreign country or on articles produced or manufactured thereat and imported into the Philippines.

“The tax rate adjustment, which shall be aimed at alleviating the effect of such discrimination by placing the reciprocal tax treatment of citizens, corporations and products of the Philippines and those of the foreign countries on a parity basis or on substantially equivalent terms, may consist of:

“[i] disallowance in whole or part of any deduction, credit or exemption, or

“[ii] increase in the rate of tax.

“[b] Rescission of retaliatory tax rate adjustment. – Upon being advised that the foreign country has so amended its law as to remove the cause of discrimination against Philippine citizens, corporations, or products, the President, at the instance of the Minister of Finance and the Commissioner of Internal Revenue, shall rescind the retaliatory tax rate adjustment, whereupon the citizens, corporations or products of the foreign country shall again be subject to tax in accordance with the applicable provisions of this Code.

“[4] Rules and regulations. – The Minister of Finance, upon recommendation of the Commissioner of Internal Revenue, shall promulgate the necessary rules and regulations to implement the provisions of this section.”

SEC. 42. The amendments affected by the “Sales Tax Reform Decree of 1985”, together with the amendments contained herein and other amendments to the National Internal Revenue Code shall be codified to be known as the “National Internal Revenue Code of 1985”.

SEC. 43. The following provisions of the National Internal Revenue Code are hereby renumbered and transferred to as part of Chapter IV, Title XI thereof:

Present Number

New Number

Section 338

Section 313

Section 339

Section 314

Section 340

Section 315

Section 341

Section 316

SEC. 44. In accordance with the preceding amendatory provisions of this Decree, the following sections or provisions under certain sections of the National Internal Revenue Code are hereby deleted and/or merged with other provisions under appropriate Titles and corresponding Chapters and the numerical or alphabetical designations and sequence of their respective paragraphs, subparagraphs and subparts, as well as references to such provisions appearing in any section of the said Code, are also hereby consecutively adjusted accordingly:

Last paragraph, Section 7

Second paragraph, Section 51

Paragraph [b], [d] and [e], Section 51

Section 52

Sections 72 to 75, inclusive

Section 78

Section 88

Section 89

Sections 96 to 98, inclusive

Section 106

Section 108

Sections 111 to 114, inclusive

Section 119

Sections 127 to 132, inclusive

Second paragraph, Section 136

Second paragraph, Section 190

Sections 155 and 156

Last sentence, Section 160

Paragraph [a] [5], Section 196

Second Paragraph, Section 171

Sections 180 to 186, inclusive

Section 191

Sections 220, 220-A and 221

Sections 251 and 252

Section 259

Section 260-A

Last paragraph, Section 268

Last paragraph, Section 269

Sections 282 to 287, inclusive

Sections 289 and 290

SEC. 45. Subject to the preceding provisions of this Decree which have already renumbered and amended certain sections of the National Internal Revenue Code, the following provisions of the said Code are hereby renumbered and the numerical or alphabetical designations and sequence of their respective paragraphs and subparagraphs, as well as references thereto in any provision of the said Code, are also hereby consecutively adjusted accordingly:

Present Number

New Number

Section 53

Section 51

Section 54

Section 52

Section 55

Section 53

Section 56

Section 54

Section 57

Section 55

Section 58

Section 56

Section 59

Section 57

Section 60

Section 58

Section 61

Section 59

Section 62

Section 60

Section 63

Section 61

Section 64

Section 62

Section 65

Section 63

Section 66

Section 64

Section 67

Section 65

Section 68

Section 66

Section 69

Section 67

Section 70

Section 68

Section 71

Section 69

Section 76

Section 70

Section 77

Section 71

Section 78

Section 46 [c]

Section 79

Section 72

Section 80

Section 73

Section 81

Section 74

Section 82

Section 75

Section 83

Section 76

Section 84

Section 77

Section 85

Section 78

Section 86

Section 79

Section 87
Section 80
Section 90
Section 81
Section 91
Section 82
Section 92
Section 83
Section 93
Section 84
Section 94
Section 85
Section 95
Section 86
Section 99
Section 87
Section 100
Section 88
Section 101
Section 89
Section 102
Section 90
Section 103
Section 91
Section 104
Section 92
Section 105
Section 93
Section 107
Section 94
Section 109

Section 95
Section 110
Section 96
Section 115
Section 97
Section 116
Section 98
Section 117
Section 99
Section 118
Section 100
Section 120
Section 101
Section 121
Section 102
Section 122
Section 103
Section 123
Section 104
Section 124
Section 105
Section 125
Section 106
Section 126
Section 107
Section 133
Section 108
Section 134
Section 109
Section 135
Section 110

Section 136

Section 111

Section 137

Section 112

Section 138

Section 113

Section 139

Sections 114 and 115

Section 140

Section 116

Section 141

Section 117

Section 142

Section 118

Section 143

Section 119

Section 144

Section 120

Section 145

Section 121

Section 146

Sections 122 and 123

Section 147

Section 124

Section 148

Section 125

Section 149

Section 126

Section 150

Section 127

Section 151

Section 130

Section 152

Section 131

Sections 153, 155, 156

Section 128

Section 154

Section 132

Section 157

Section 133

Section 158

Section 135

Section 187

Section 157

Section 188

Section 158

Section 189

Section 159

Section 190

Section 160

Section 192

Section 161

Section 193

Section 162

Section 194

Section 163

Section 195

Section 164

Section 196}

Section 197}

Section 198}

Section 199[a]}

Section 201}

Section 165

Section 200}

Section 166

Section 202

Section 167

Section 203

Section 168

Section 199[b]

Section 129

Section 204

Section 169

Section 205

Section 170

Section 205-A

Section 171

Section 206

Section 172

Section 207

Section 173

Section 208

Section 174

Section 209

Section 175

Section 211

Section 176

Section 212

Section 177

Section 213

Section 178

Section 214

Section 179

Section 215

Section 180

Section 216

Section 181

Section 216-A

Section 182

Section 217

Section 183

Section 218

Section 184

Section 219

Section 185

Section 222

Section 186

Section 223

Section 187

Section 224

Section 188

Section 225

Section 189

Section 226

Section 190

Section 227

Section 191

Section 228

Section 192

Section 229

Section 193

Section 230

Section 194

Section 231

Section 195

Section 232

Section 196

Section 233

Section 197

Section 234

Section 198

Section 235

Section 199

Section 236

Section 200

Section 237

Section 201

Section 238

Section 202

Section 239

Section 203

Section 240

Section 204

Section 241

Section 205

Section 242

Section 206

Section 243

Section 207

Section 244

Section 208

Section 245

Section 209

Section 246

Section 210

Section 247

Section 211

Section 248

Section 212

Section 249

Section 213

Section 250

Section 214

Section 253

Section 215

Section 254

Section 216

Section 255

Section 217

Section 256

Section 218

Section 257

Section 219

Section 260

Section 220

Section 261

Section 221

Section 262

Section 222

Section 263

Section 223

Section 264

Section 224

Section 265

Section 225

Section 266

Section 226

Section 267

Section 227

Section 268

Section 228

Section 269

Section 229

Section 270

Section 230

Section 271

Section 231

Section 272

Section 232

Section 273

Section 233

Section 276

Section 234

Section 277

Section 235

Section 279

Section 236

Section 280

Section 237

Section 281

Section 238

Section 288

Section 239

Section 290-A

Section 240

Section 290-B

Section 241

Section 291

Section 242

Section 292

Section 243

Section 293

Section 244

Section 294

Section 245

Section 295

Section 246

Section 296

Section 247

Section 297

Section 248

Section 298

Section 249

Section 299

Section 250

Section 300

Section 251

Section 301

Section 252

Section 302

Section 253

Section 303

Section 254

Section 304

Section 255

Section 305

Section 256

Section 306

Section 257

Section 307

Section 258

Section 308

Section 259

Section 309

Section 260

Section 310

Section 261

Section 312

Section 262

Section 313

Section 263

Section 314

Section 264

Section 315

Section 265

Section 316

Section 266

Section 317

Section 267

Section 318

Section 268

Section 319

Section 269

Section 319-A

Section 270

Section 320

Section 271

Section 321

Section 272

Section 322

Section 273

Section 323

Section 274

Section 324

Section 275

Section 325

Section 276

Section 326

Section 277

Section 327

Section 278

Section 328

Section 279

Section 329

Section 280

Section 330

Section 303

Section 331

Section 316

Section 346

Section 322

Section 347

Section 323

Section 348

Section 324

SEC. 46. Chapter II of Title IV of the National Internal Revenue Code is hereby renumbered as Chapter VII and Sections 159 to 179 are likewise correspondingly renumbered as indicated hereunder. The penal provisions under Sections 160 and 171 are transferred to Title XI of this Code.

Present Number

New Number

Section 159

Section 136

Section 160

Section 137

Section 161

Section 138

Section 162

Section 139

Section 163

Section 140

Section 164

Section 141

Section 165

Section 142

Section 166

Section 143

Section 167

Section 144

Section 168

Section 145

Section 169

Section 146

Section 170

Section 147

Section 171

Section 148

Section 172

Section 149

Section 173

Section 150

Section 174

Section 151

Section 175

Section 152

Section 176

Section 153

Section 177

Section 154

Section 178

Section 155

Section 179

Section 156

SEC. 47. The Minister of Finance, upon recommendation of the Commissioner of Internal Revenue, shall promulgate the necessary rules and regulations for the transitory and full implementation of this Presidential Decree.

SEC. 48. All laws, decrees, executive orders, and regulations and other issuances or parts thereof which are inconsistent with this Decree are hereby repealed, amended or modified accordingly.

SEC. 49. Effectivity. – This Decree shall take effect on January 1, 1986.

DONE in the City of Manila, on this 5th day of November, in the year of Our Lord, Nineteen Hundred and Eighty-Five.

(SGD.) FERDINAND E. MARCOS

President of the Philippines

By the President:

(SGD.) JUAN C. TUVERA

Presidential Executive Assistant

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.