

AMENDING CERTAIN SECTIONS OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED.

PRESIDENTIAL DECREE NO. 778, August 24, 1975

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WHEREAS, there is a need to update, simplify, reduce the number of special tax classifications, and equalize taxation of similar business activities;

WHEREAS, there is a need to improve the administrative provisions of the National Internal Revenue Code.

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

SECTION 1. Section 24 of the National Internal Revenue Code is hereby amended to read as follows:

"SEC. 24. Rates of tax on corporations.—(a.) Tax on domestic Corporations.—A tax is hereby imposed upon the taxable net income received during each taxable year from all sources by every corporation organized in, or existing under the laws of the Philippines, and partnerships, no matter how created or organized, but not including general professional partnership, in accordance with the following:

"Twenty-five per cent upon the amount by which the taxable net income does not exceed one hundred thousand pesos; and

"Thirty-five per cent upon the amount by which the taxable net income exceeds one hundred thousand pesos.

"Private educational institutions, whether stock or non-stock shall pay a tax of ten per cent of their taxable net income from the operation of the school, related school activities, and on their passive investment income consisting of interest, dividends, royalties, and the like: Provided, However, That dividends received by a private educational institution, whether stock or non-stock from a domestic or resident foreign corporation shall be subject to the intercorporate dividends tax under subsection (c) hereof.

"(b) Tax on foreign corporation.—(1) Non-resident corporations.— A foreign corporation not engaged in trade or business in the Philippines shall pay a tax equal to thirty-five percent of the gross income received during each taxable year from all sources within the Philippines as interest, (except interest on foreign loans which shall be subject to fifteen per cent tax), dividends, rents, royalties, salaries, remunerations for technical services, emoluments or other fixed or determinable annual, periodical or casual gains, profits, and income, and capital gains: Provided, however, That premium shall not include reinsurance premiums: Provided, further, That cinematographic film owners, lessors or distributors shall pay a tax of fifteen per cent of their gross income from all sources within the Philippines: Provided, still further, That on dividends received from a domestic corporation liable to tax under this chapter the tax shall be 15% of the dividends received, which shall be collected and paid as provided in Section 53 (d) of this Code subject to the condition that the country in which the non-resident foreign corporation is domiciled shall allow a credit against the tax due from the non-resident foreign corporation, taxes deemed to have been paid in the Philippines equivalent to 20% which represents the difference between the regular tax (35%) on corporations and the tax (15%) on dividends as provided in this section: Provided, finally, That regional or area headquarters established in the Philippines by multinational corporations 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 Asia-Pacific Region shall not be subject to tax.

"For purposes of this paragraph, the gross income of cinematographic film owners, lessors, or distributors shall include film rentals and all items of gross income under Section 29(a).

"(2) Resident corporations.—A corporation organized, authorized, or existing under the laws of any foreign country, engaged in trade or business within the Philippines, shall be taxable as provided in subsection (a) of this section upon the total net income received in the preceding taxable year from all sources within the Philippines: Provided, however, That international carriers shall pay a tax of two and one-half per cent on their gross Philippine billings: Provided, further, That any profit remitted abroad by a branch office to its mother company shall be subject to tax of twenty per cent (except those registered with the Export Processing Zone Authority).

"(c) Rate of tax on certain dividends.—Dividends received by a domestic or resident foreign corporation from a domestic corporation liable to tax under this Code shall be subject to a final tax at 10% on the total amount thereof, which shall be collected and paid as provided in Section 53 and 54 of this Code; and which shall not be included in the determination of gross income.

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

SEC. 2. Section 26 of the National Internal Revenue Code is hereby amended to read as follows:

"SEC. 26. Tax liability of members of general professional partnerships.—Persons exercising a common profession in general partnership, shall be liable for income tax only in their individual capacity, and the share in the profits of the general professional partnership to which any taxable partner would be entitled, whether distributed or otherwise, shall be returned for taxation and the tax paid in accordance with the provisions of this Title."

SEC. 3. Section 45 (c) of the National Internal Revenue Code is hereby amended to read as follows:

"SEC. 45(c) When to file.— (1) The return of the following individuals shall be filed on or before the fifteenth day of March of each year, covering income of the preceding taxable year.

(A) Residents of the Philippines, whether citizens or aliens, whose income have been derived solely from salaries, wages, interests, dividends, allowances, commissions, bonuses, fees, pensions or any combination thereof: Provided, however, That residents of the Philippines, whether citizens or aliens, who have no income or whose income is below one thousand eight hundred pesos or who did not have any transaction in any business carried on for gain or profit during the preceding year, but are nevertheless required to file an income tax return under paragraph No. 3, subsection (a) of this section, shall file their income tax return on or before the fifteenth day of February of each year.

"(2) The return of all other individuals not mentioned above, including non-resident citizens shall be filed on or before the fifteenth day of April of each year covering income of the preceding year."

SEC. 4. Section 51 (a) of the National Internal Revenue Code is hereby amended to read as follows:

"SEC. 51. 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 at the time the return is filed. Such tax shall be paid by the person subject

thereto.

"If the return is filed after the time prescribed by law (including cases in which an extension of time for filing the return has been granted under section forty-seven of this Code), there shall be paid at the time of such filing the tax or installment which would have been payable on or before such time if the return had been filed within the time prescribed by law, and the remaining installment shall be paid at the time at which, and in the amount in which, it would have been payable if the return had been so filed, subject to the payment of interest at fourteen per centum per annum from the original due date.

"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. Failure 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 a sufficient bond is filed to answer for the tax due.

"(2) Installment payments.—When the tax due is in excess of one thousand pesos, the taxpayer other than a corporation taxable under Section 24 and the withholding agents required to deduct and withhold the tax under Sections 53 and 54, all of this Title, may elect to pay the tax in two equal installments, in which case, the first installment shall be paid at the time the return is filed and the second installment, on or before the fifteenth day of July following the close of the calendar year. If any installment is not paid on or before the date fixed for its payment, the whole amount of the tax unpaid becomes due and payable together with the delinquency penalties.

"(3) Installment payments for non-resident citizens.—When the tax due from a non-resident citizen is in excess of two hundred dollars (U.S. \$200.00), the taxpayer may elect to pay the tax in two equal installments, in which case, the first installment shall be paid at the time the return is filed and the second installment, on or before the fifteenth day of July following the close of the calendar year. If any installment is not paid on or before the date fixed for its payment the whole amount of the tax unpaid becomes due and payable together with the delinquency penalties."

SEC. 5. Section 101 of the National Internal Revenue Code is hereby amended by adding thereto subsection (b) which shall read as follows:

"SEC. 101. Additions to the tax increase of nonpayment.—

* * * * *

"(b) Deficiency.—

"(1) Payment not extended.—Where a deficiency on any interest assessed in connection therein under Section 100, or any addition to the taxes provided for in Section 102 is not paid in full within thirty days from the date of the date of the notice and demand from the Commissioner, there shall be collected as part of the taxes, interest upon the unpaid amount at the rate of fourteen per centum per annum from the date of such notice and unpaid until it is paid: Provided, That the maximum amount that may be collected as interest on deficiency shall in no case exceed the amount corresponding to a period of three years, the present provisions regarding prescription to the contrary notwithstanding.

"(2) Payment extended.—If the part of the deficiency the time for payment of which is extended is not paid in accordance with the terms of the extension, there shall be collected, as part of the taxes, interest on such unpaid amount at the rate of fourteen per centum per annum from the date the same was originally due until it is paid.

"(c) Surcharge.—If any amount of the taxes included in the notice and demand from the Commissioner of Internal Revenue is not paid in full within thirty days after such notice and demand, there shall be collected in addition to the interest prescribed herein and in Section 99 and 100 and as part of the taxes a surcharge of five

per centum of the unpaid amount.

SEC. 6. Effectivity.—This Decree shall take effect immediately.

Done in the City of Manila, this 24th day of August in the year of Our Lord nineteen hundred and seventy-five.

(Sgd.)

FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(Sgd.)

ROBERTO V. REYES

Acting Executive Secretary

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