

AMENDING SECTION 30 AND 53 OF THE NATIONAL INTERNAL REVENUE CODE

PRESIDENTIAL DECREE NO. 1156, June 03, 1977

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WHEREAS, interest on bank deposit is one of the items includible in gross income;

WHEREAS, many bank depositors fail to declare interest income in their income tax returns.

WHEREAS, in order to maximize the collection of the income tax on interest on bank deposits, it is necessary to apply the withholding system on this type of fixed or determinable income;

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

SECTION 1. Section 30 (b) of the National Internal Revenue Code is hereby amended to read as follows:

" (b) Interest:

" (1) In general.-The amount of interest paid within the taxable year on indebtedness, except on indebtedness incurred or continued to purchase or carry obligations the interest upon which is exempt from taxation as income under this Title: Provided, however, That interest on deposits paid by authorized agent banks of the Central Bank of the Philippines to depositors shall be allowed as a deduction only if it is shown that the tax on such interest was withheld and paid in accordance with the provisions of Section 53 and 54 of this Code."

SEC. 2. Section 53 of the National Internal Revenue Code is hereby amended to read as follows:

"SEC. 53. Withholding tax at source.-

"(a) xxx

"(b) xxx

"(c) Withholding tax on interest on bank deposits.-

"(1) Rate of withholding tax.-Every bank or banking institution shall deduct and withhold from the interest on bank deposits (except interest paid or credited to non-resident alien individuals and foreign corporations), a tax equal to fifteen per cent of the said interest: Provided, however, That no withholding of tax shall be made if the aggregate amount of the interest on all deposit accounts maintained by a depositor alone or together with another in any one bank at any time during the taxable period does not exceed three hundred fifty pesos a year or eighty-seven pesos and fifty centavos per quarter. For this purpose, interest on a deposit account maintained by two person shall be deemed to be equally owned by them.

"(2) Treatment of bank deposit interest.-The interest income shall be included in the gross income in computing the depositor's income tax liability in accordance with existing law.

"(3) Depositors enjoying tax exemption privileges or preferential tax treatment.-In all cases where time depositor is tax-exempt or is enjoying preferential income tax treatment under existing laws, the withholding tax imposed in

this paragraph shall be refunded or credited as the case may be upon submission to the Commissioner of Internal Revenue of proof that the said depositor is a tax-exempt entity or enjoys a preferential income tax treatment.

"(4) Manner of withholding.-Without divulging the names of the depositors, the tax shall be withheld by the bank an paid in the same manner and subject to the same conditions provided in Section 54 of this code.

"(d) xxx."

SEC. 3. Effectivity.-This Decree shall take effect and shall be applicable to interest on bank deposits accruing on or after the approval of this Decree.

Done in the City of Manila, this 3rd day of June, in the year of Our Lord, nineteen hundred and seventy-seven.

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

By the President:

(Sgd.) JUAN C. TUVERA
Presidential Assistant

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