

AN ACT TO AMEND SECTIONS TWENTY-ONE, TWENTY-TWO, TWENTY-THREE, TWENTY-FOUR, TWENTY-SEVEN, TWENTY-NINE, THIRTY, THIRTY-FOUR, FIFTY-THREE, FIFTY-FOUR, AND TO REPEAL SUBSECTION (u)...

REPUBLIC ACT NO. 82, October 29, 1946

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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section twenty-one of Commonwealth Act Numbered Four hundred and sixty-six is hereby amended to read as follows:

"SEC. 21. Rates of tax on citizens or residents.—There shall be levied, assessed, collected, and paid annually upon the entire net income received in the preceding taxable year from all sources by every individual, a citizen or resident of the Philippines, a tax equal to the sum of the following:

"Three per centum per annum upon the amount by which such total net income does not exceed two thousand pesos;

"Six per centum per annum upon the amount by which such total net income exceeds two thousand pesos and does not exceed four thousand pesos;

"Nine per centum per annum upon the amount by which such total net income exceeds four thousand pesos and does not exceed six thousand pesos;

"Thirteen per centum per annum upon the amount by which such total net income exceeds six thousand pesos and does not exceed ten thousand pesos;

"Seventeen per centum per annum upon the amount by which such total net income exceeds ten thousand pesos and does not exceed twenty thousand pesos;

"Twenty-two per centum per annum upon the amount by which such total net income exceeds twenty thousand pesos and does not exceed thirty thousand pesos;

"Twenty-six per centum per annum upon the amount by which such total net income exceeds thirty thousand pesos and does not exceed forty thousand pesos;

"Twenty-eight per centum per annum upon the amount by which such total net income exceeds forty thousand pesos and does not exceed fifty thousand pesos;

"Thirty per centum per annum upon the amount by which such total net income exceeds fifty thousand pesos and does not exceed sixty thousand pesos;

"Thirty-two per centum per annum upon the amount by which such total net income exceeds sixty thousand pesos and does not exceed seventy thousand pesos;

"Thirty-four per centum per annum upon the amount by which such total net income exceeds seventy thousand pesos and does not exceed eighty thousand pesos;

"Thirty-six per centum per annum upon the amount by which such total net income exceeds eighty thousand pesos and does not exceed ninety thousand pesos;

"Thirty-eight per centum per annum upon the amount by which such total net income exceeds ninety thousand pesos and does not exceed one hundred thousand pesos;

"Forty per centum per annum upon the amount by which such total net income exceeds one hundred thousand pesos and does not exceed one hundred and fifty thousand pesos;

"Forty-two per centum per annum upon the amount by which such total net income exceeds one hundred and fifty thousand pesos and does not exceed two hundred thousand pesos;

"Forty-four per centum per annum upon the amount by which such total net income exceeds two hundred thousand pesos and does not exceed three hundred thousand pesos;

"Forty-six per centum per annum upon the amount by which such total net income exceeds three hundred thousand pesos and does not exceed four hundred thousand pesos;

"Forty-eight per centum per annum upon the amount by which such total net income exceeds four hundred thousand pesos and does not exceed five hundred thousand pesos;

"Fifty per centum per annum upon the amount by which such total net income exceeds five hundred thousand pesos and does not exceed seven hundred thousand pesos;

"Fifty-two per centum per annum upon the amount by which such total net income exceeds seven hundred thousand pesos and does not exceed one million pesos;

"Fifty-five per centum per annum upon the amount by which such total net income exceeds one million pesos and does not exceed two million pesos; and

"Sixty per centum per annum upon the amount by which such total net income exceeds two million pesos.

SEC. 2. Section twenty-two (b) of Commonwealth Act Numbered Four hundred and sixty-six is hereby amended to read as follows:

"SEC. 22 (b). Nonresident alien not engaged in trade or business within the Philippines or not having an office or place of business therein.—There shall be levied, assessed, collected and paid for each taxable year upon the entire net income received from all sources within the Philippines by every nonresident alien, individual not engaged in trade or business within the Philippines or not having an office or place of business therein a tax equal to twelve per centum thereof; Provided, That if the total net income of such nonresident alien individual from all sources within the Philippines exceeds sixteen thousand five hundred Pesos, the rates established in section twenty-one shall apply: And provided, further, That in case such nonresident alien individual files with the Collector of Internal revenue a true and accurate return of his income from all sources within the Philippines on or before the date fixed under this Title for the filing of returns, he shall be entitled to have the tax thereon computed at the rates provided for in section twenty-one, regardless of the amount of income declared in such return."

SEC. 3. The first paragraph of section twenty-three of Commonwealth Act Numbered Four hundred and sixty-six is hereby amended to read as follows:

"SEC. 23. Amount of personal exemptions allowable to individual.—For the purpose of the tax provided for in this Title, there shall be allowed in the nature of a deduction from the amount of net income the following personal exemptions:"

SEC. 4. Section twenty-four of Commonwealth Act Numbered Four hundred and sixty-six is hereby amended to read as follows:

"SEC. 24. Rate of tax on corporations.—There shall be levied, assessed, collected, and paid annually upon the total net income received in the preceding taxable year from all sources by every corporation organized in, or existing under the laws of the Philippines, no matter how created or organized, but not including duly registered general co-partnerships (companias colectivas), a tax of twelve per centum upon such income; and a like tax shall be levied, assessed, collected, and paid annually upon the total net income received in the preceding taxable year from all sources within the Philippines by every corporation organized, authorized, or existing under the laws of any foreign country: Provided, however, That Building and Loan Associations operating as such in accordance with sections one hundred seventy-one to one hundred ninety of the Corporation Law, as amended, shall pay a tax of six per centum on their total net income: And provided, further, That in the case of dividends received by a domestic or resident foreign corporation from a domestic

corporation liable to tax under this Chapter, only twenty-; five per centum thereof shall be returnable for purposes of the tax imposed by this section."

SEC. 5. Section twenty-seven of Commonwealth Act Numbered Four hundred and sixty-six is hereby amended to read as follows:

"SEC. 27. Exemptions from tax on corporation.—The following organizations shall not be taxed under this Title in respect to income received by them as such—

"(a) Labor, agricultural, or horticultural organization not organized principally for profit;

"(b) Mutual savings bank not having a capital stock represented by shares, and cooperative bank without capital stock organized and operated for mutual purposes and without profit;

"(c) Fraternal beneficiary, society, order or association, operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system and providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association, or their dependents;

"(d) Cemetery company owned and operated exclusively for the benefit of its members;

"(e) Corporation or association organized and operated exclusively for religious, charitable, scientific, athletic, cultural, or educational purposes, or for the rehabilitation of veterans no part of the net income of which inures to the benefit of any private stockholder or individual: Provided, however, That the income of whatever kind and character from any of its properties, real or personal, or from any activity conducted for profit, regardless of the disposition made of such income, shall be liable to the tax imposed under this Code;

"(f) Business league, chamber of commerce, or board of trade, not organized for profit and no part of the net income of which inures to the benefit of any private stockholder or individual;

"(g) Civic league or organization not organized for profit but operated exclusively for the promotion of social welfare;

"(h) Club organized and operated exclusively for pleasure, recreation, and other non-profitable purposes, no part of the net income of which inures to the benefit of any private stockholder or member;

"(i) Farmers' or other mutual typhoon or fire insurance company, mutual ditch or irrigation company, mutual or cooperative telephone company, or like organization of a purely local character, the income of which consists solely of assessments, dues, and fees collected from members for the sole purpose of meeting its expenses;

"(j) Farmers', fruit growers', or like association organized and operated as a sales agent for the purpose of marketing the products of its members and turning back to them the proceeds of sales, less the necessary selling expenses, on the basis of the quantity of produce furnished by them;

"(k) Corporation or association organized for the exclusive purpose of holding title to property, collecting income there from, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt from the tax imposed by this Title."

SEC. 6. Paragraph (4) of subsection (b) of section twenty-nine of Commonwealth Act Numbered Four hundred and sixty-six is hereby amended to read as follows:

"(4) Interest on Government securities.—Interest upon the obligations of the Government of the Republic of the Philippines or any political subdivision thereof, but in the case of such obligations issued after the approval of this Code, only to the extent provided in the act authorizing the issue thereof."

SEC. 7. Subparagraph (B) of paragraph (1) of subsection (c), paragraph (3) of subsection (e), and subsection (h) of section thirty of Commonwealth Act Numbered Four hundred and sixty-six are hereby amended to read as follows:

"(B) Income, war-profits, and excess-profits taxes imposed by the authority of any foreign country; but this deduction shall be allowed in the case of a taxpayer who does not signify in his return his desire to have to any extent the benefits of paragraph (3) of this subsection (relating to credit for taxes of foreign countries) ;

"(3) Securities becoming worthless.—If any securities as defined in section 84 are ascertained to be worthless

and charged off within the taxable year and are capital assets, the loss resulting there from shall, in the case of a taxpayer other than a bank or trust company incorporated under the laws of the Philippines a substantial part of whose business is the receipt of deposits, for the purposes of this Title, be considered as a loss from the sale or exchange, on the last day of such taxable year, of capital assets.

"(h) Charitable and other contributions.—Contributions or gifts actually paid or made within the taxable year to or for the use of the Government of the Philippines or any political subdivision thereof for exclusively public purposes, or to domestic corporations or associations organized and operated exclusively for religious, charitable, scientific, athletic, cultural or educational purposes or for the rehabilitation of veterans, or to societies for the prevention of cruelty to children or animals, no part of the net income of which inures to the benefit of any private stockholder or individual to an amount not in excess of six per centum in the case of an individual, and three per centum in the case of a corporation, of the taxpayer's taxable net income as computed without the benefit of this paragraph. Such contributions or gifts shall be allowable as deductions only if verified under rules and regulations prescribed by the Secretary of Finance."

SEC. 8. Section thirty-four of Commonwealth Act Numbered Four hundred and sixty-six is hereby amended to read as follows:

"SEC. 34. Capital gains and losses:

"(a) Definitions.—As used in this Title—

"(1) Capital assets.—The term capital assets means property held by the taxpayer (whether or not connected with his trade or business), but does not include stock in trade of the taxpayer or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, or property, used in the trade or business, of a character which is subject to the allowance for depreciation provided in subsection (f) of section thirty; or real property used in the trade or business of the taxpayer.

"(2) Net capital gain.—The term 'net capital gain' means the excess of the gains from sales or exchanges of capital assets over the losses from such sales or exchanges.

"(3) Net capital loss.—The term 'net capital loss' means the excess of the losses from sales or exchanges of capital assets over the gains from such sales or exchanges,

"(b) Percentage taken into account.—In the case of a taxpayer, other than a corporation, only the following percentages of the gain or loss recognized upon the sale or exchange of a capital asset shall be taken into account in computing net capital gain, net capital loss, and net income:

"(1) 100 per centum if the capital asset has been held for not more than twelve months;

"(2) 50 per centum if the capital asset has been held for more than twelve months.

"(c) Limitation on capital losses.—Losses from sales or exchanges of capital assets shall be allowed only to the extent of the gains from such sales or exchanges. If a bank or trust company incorporated under the laws of the Philippines, a substantial part of whose business is the receipt of deposits, sells any bond, debenture, note, or certificate or other evidence of indebtedness issued by any corporation (including one issued by a government or political subdivision thereof), with interest coupons or in registered form, any loss resulting from such sale shall not be subject to the foregoing limitation and shall not be included in determining the applicability of such limitation to other losses.

"(d) Net capital loss carry-over.—If any taxpayer, other than a corporation, sustains in any taxable year a net capital loss, such loss (in an amount not in excess of the net income for such year) shall be treated in the succeeding taxable year as a loss from the sale or exchange of a capital asset held for not more than twelve months.

"(e) Retirement of bonds, etc.—For the purposes of this Title amounts received by the holder upon the retirement of bonds, debentures, notes, or certificates or other evidences of indebtedness issued by any corporation

(including those issued by a Government or political subdivision thereof) with the interest coupons or in registered form, shall be considered as amounts received in exchange therefore.

"(f) Gains and losses from short sales, etc.—For the purpose of this Title—

"(1) Gains or losses from short sales of property shall be considered as gains or losses from sales or exchanges of capital assets; and

"(2) Gains or losses attributable to the failure to exercise privileges or options to buy or sell property shall be considered as capital gains or losses."

SEC. 9. Subsections (a) and (b) of section fifty-three of Commonwealth Act Numbered Four hundred and sixty-six are hereby amended to read as follows:

"SEC. 53. Withholding of tax at source.—(a) Tax-free covenant bonds— (1) Requirement of withholding.—In any case where bonds, mortgages, deeds of trust, or other similar obligations of domestic or resident foreign corporations, contain a contract or provision by which the obligor agrees to pay any portion of the tax imposed by this Title upon the obligee or to reimburse the obligee for any portion of the tax or to pay the, interest without deduction for any tax which the obligor may be required or permitted to pay thereon or to retain therefrom under any law of the Philippines, or of any state or country, the obligor shall deduct and withhold a tax equal to twelve per centum of the interest upon such bonds, mortgages, deeds of trust, or other obligations, whether such interest is payable annually or at shorter or longer periods, and whether such bonds, obligations, or securities had been heretofore or are hereafter issued or marketed, and the interest thereon paid, within or without the Philippines if such interest is payable to a non-resident alien individual or to a citizen or resident of the Philippines.

"(2) Benefit of exemptions against net income.—Such deduction and withholding shall not be required in the case of a citizen or resident entitled to receive such interest if such person shall file with the withholding agent, on or before February first, a signed notice in writing claiming the benefit of the exemption provided in section twenty-three of this Title.

"(b) Non-resident aliens.—All persons, corporations, and general co-partnerships (companias colectivas) , in whatever capacity acting, including lessees or mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, receivers, conservators, fiduciaries, employers, and all officers and employees of the Government of the Philippines having the control, receipt, custody, disposal, or payment of interests, dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income of any non-resident alien individual not engaged in trade or business within the Philippines and not having any office or place of business therein, shall (except in the cases provided for in subsection (a) of this section) deduct and withhold from such annual or periodical gains, profits, and income a tax equal to twelve per centum thereof: Provided, That no such deduction or withholding shall be required in the case of dividends paid by a foreign corporation unless (1) such corporation is engaged in trade or business within the Philippines or has an office or place of business therein, and (2) more than eighty-five per centum of the gross income of such corporation for the three-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence) was derived from sources within the Philippines as determined under the provisions of section thirty-seven: Provided, further, That the Collector of Internal Revenue may authorize such tax to be deducted and withheld from the interest upon any securities the owners of which are not known to the withholding agent."

SEC. 10. Section fifty-four of Commonwealth Act Numbered Four hundred and sixty-six is hereby amended to read as follows:

"SEC. 54. Payment of corporation income tax at source.— In the case of foreign corporations subject to taxation

under this Title not engaged in trade or business within the Philippines and not having any office or place of business therein there shall be deducted and withheld at the source in the same manner and upon the same items as is provided in section fifty-three a tax equal to twelve per centum thereof, and such tax shall be returned and paid in the same manner and subject to the same conditions as provided in that section."

SEC. 11. Subsection (u) of section eighty-four of Commonwealth Act Numbered Four hundred and sixty-six, as amended by Commonwealth Act Numbered Five hundred sixteen, is hereby repealed.

SEC. 12. The provisions of this Act shall apply to income received from January first, nineteen hundred and forty-six: Provided, however, That the repeal of provisions of Commonwealth Act Numbered Four hundred and sixty-six, as amended, having reference to the United States, its citizens and corporations, shall take effect as of July fourth, nineteen hundred and forty-six.

Approved, October 29, 1946.

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