

AN ACT TO AMEND CERTAIN SECTIONS OF COMMONWEALTH ACT NUMBERED FOUR HUNDRED SIXTY-SIX, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, AND FOR OTHER PURPOSES.

REPUBLIC ACT NO. 2343, June 20, 1959

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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 sixty-six, as amended by Republic Act Numbered Eighty-two, is hereby further amended to read as follows:

"SEC. 21. Rates of tax on citizens or residents.—There shall be levied, 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;

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

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

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

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

"Thirty-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;

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

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

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

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

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

"Fifty 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;

"Fifty-two 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 twenty thousand pesos;

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

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

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

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

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

"Fifty-eight 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;

"Fifty-nine 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; and

"Sixty per centum per annum upon the amount by which such total net income exceeds five hundred thousand pesos."

SEC. 2. Section twenty-two of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further amended to read as follows:

"SEC. 22. Tax on nonresident alien individual.—(a) Non-resident alien engaged in trade or business within the Philippines.—There shall be levied, collected, and paid for each taxable year upon the entire net income received from all sources within the Philippines by every non-resident alien individual engaged in trade or business within the Philippines the tax imposed by section twenty-one.

"(b) Nonresident alien not engaged in trade or business within the Philippines.—There shall be levied, collected and paid for each taxable year upon the entire income received from all sources within the Philippines by every nonresident alien individual not engaged in trade or business within the Philippines as interest, dividends rents, salaries, wages, premiums, annuities, compensations remunerations, emoluments, or other fixed or determinable annual or periodical gains, capital gains, profits, and income, a tax equal to twenty per centum of such income: Provided, That if the total income received by such nonresident alien individual from all sources within the Philippines exceeds twenty-three thousand eight hundred pesos, the rates established in section twenty-one shall apply, but in no case shall the tax imposed under this subsection be less than twenty per centum of the total income."

SEC. 3. Subsections (b) and (c) of section twenty-three of Commonwealth Act Numbered Four hundred sixty-six are amended to read as follows:

"(b) Personal exemption of married persons or heads of family.—The sum of three thousand pesos, if the person making the return is a married man or a married woman or the head of a family: Provided, That only one exemption of three thousand pesos shall be made from the aggregate income of both husband and wife when not legally separated. For the purpose of this section, the term 'head of family' includes an unmarried man or woman with one or both parents, or one or more brothers or sisters, or one or more legitimate, recognized natural, or adopted children living with and dependent upon him or her for their chief support where such brothers, sisters, or children are not more than twenty-three years of age, unmarried, and not gainfully employed, or where such children are incapable of self-support because mentally or physically defective.

"(c) Additional exemption for dependents.—The sum of one thousand pesos for each legitimate, recognized natural, or adopted child, wholly dependent upon and living with the taxpayer if such dependents are not more than twenty-three years of age, unmarried, and not gainfully employed or incapable of self-support because mentally or physically defective. The additional exemption under this subsection shall be allowed only if the

person making the return is the head of the family."

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

"SEC. 24. Rate of tax on corporations.—(a) Tax on domestic corporations.—In general there shall be levied, 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 copartnerships (*companias colectivas*), domestic life insurance companies and foreign life insurance companies doing business in the Philippines, a tax upon such income equal to the sum of the following:

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

"Thirty per centum upon the amount by which such total net income exceeds one hundred thousand pesos; and a like tax shall be levied, 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 and seventy-one to one hundred and ninety of the Corporation Law, as amended, as well as private educational institutions, shall pay a tax of twelve per centum and ten per centum, respectively, 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 or from a domestic corporation engaged in a new and necessary industry, as denned under Republic Numbered Nine hundred and one, only twenty-five per centum thereof shall be returnable for purposes on the tax imposed by this section.

"(b) Tax on foreign corporations.— (1) Nonresident corporations.—There shall be levied, collected, and paid for each taxable year, in lieu of the tax imposed by the preceding paragraph, upon the amount received by every foreign corporation not engaged in trade or business within the Philippines, from all sources within the Philippines, as interest, dividends, rents, salaries, wages, premiums annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income, a tax equal to thirty per centum of such amount.

"(2) Resident corporations.—A foreign corporation engaged in trade or business within the Philippines (except foreign life insurance companies) shall be taxable as provided in subsection (a) of this section.

"(c) Rate of tax on life insurance companies.—There shall be levied, assessed, collected and paid annually from every life insurance company organized in or existing under the laws of the Philippines, or foreign life insurance company authorized to carry on business in the Philippines, but not including purely cooperative companies or associations as denned in section two hundred fifty-five of this Code, on the total investment income received by such company during the preceding taxable year from interest, dividends, and rents from all sources, whether from or without the Philippines, a tax of six and one-half per centum upon such income: Provided, however, That foreign life insurance companies not doing business in the Philippines shall, on any investment income received by them from the Philippines, be subject to tax as any other foreign corporation.

"The total net investment income of domestic life insurance companies is the gross investment income received during the taxable year from rents, dividends, and interest less deductions for real estate expenses, depreciation, interest paid within the taxable year on its indebtedness except on indebtedness incurred to purchase or carry obligation the interest upon which is wholly exempt from taxation under existing laws, and such investment expenses aid during the taxable year as are ordinary and necessary the conduct of the investments; and the total net investment income of foreign life insurance companies doing business in the Philippines is that portion of their gross world investment income which bears the same ratio to such income as their total Philippine reserve bears to their total world reserve less that portion of their total world investment

expenses which bear the same ratio to such expenses as their total Philippine investment income bears to their total world investment income."

SEC. 5. Subsection (c) of section forty-five of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further amended to read as follows:

"(c) When to file.—The return shall be filed on or before the fifteenth day of April of each year, covering income of the preceding calendar year, or within the extension which may be granted by the Commissioner of Internal Revenue as herein set forth."

SEC. 6. Subsections (b) and (d) of section forty-six of Commonwealth Act Numbered Four hundred sixty-six, as amended, are hereby further amended to read as follows:

"(b) When to file.—The return shall be filed on or before the fifteenth day of April of each year for the preceding calendar year, or if the corporation has designated a fiscal year, on or before the fifteenth of the fourth month following the close of such fiscal year.

"(d) Fiscal year of corporations.—Every corporation subject to tax, including duly registered general copartnerships, may designate the last day of any month in the year as the day of the closing of its fiscal year, and shall be entitled to have the tax payable by it computed upon the basis of the net income ascertained as herein provided for the year ending on the day so designated in the year Receding the date of assessment instead of upon the basis of the net income for the calendar year preceding the date of assessment; and it shall give notice of the day it has thus designated as the closing of its fiscal year to the Commissioner of Internal Revenue at any time not less than thirty days prior to the fifteenth day of April of the year in which its return would be filed if made upon the basis of the calendar year."

SEC. 7. Section forty-seven of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further amended to read as follows:

"SEC. 47. Extension of time to file returns.—The Commission of Internal Revenue may, in meritorious cases, grant a reasonable extension of time for tiling returns of income subject to the provisions of section fifty-one of this Code."

SEC. 8. Section fifty-one of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further 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 but not later than the fifteenth day of April following the close of the calendar year, or, if the return is made on the basis of a fiscal year, then not later than the fifteenth day of the fourth month following the close of the fiscal year. Such tax shall be paid by the person subject thereto, and in the case of a corporation by the President, vice-president, or other responsible officer thereof: Provided, That if in any preceding year, the payer was entitled to a refund of any amount thereof, if not yet refunded, it may be deducted from the amount of tax to be paid.

"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 of 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 twelve per centum per annum from the original due date.

"(2) Installment payments.—When the tax due is in excess of five hundred pesos, the taxpayer may elect to pay the tax in two equal installments, in which case, the first installment shall be paid on or before the date prescribed in the preceding paragraph and the second installment, on or before the fifteenth day of July

following the close of the calendar year, or on or before the fifteenth day of the seventh month following the close of the fiscal year, as the case may be. 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.

"(b) Assessment and payment of deficiency tax.—After the return is filed, the Commissioner of Internal Revenue shall examine it and assess the correct amount of the tax. The tax or deficiency in tax so discovered shall be paid upon notice and demand from the Commissioner of Internal Revenue.

"In case a person fails to make and file a return or list at the time prescribed by law, or makes, willfully or otherwise, a false or fraudulent return or list, the Commissioner of Internal Revenue 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 of Internal Revenue 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, unless the taxpayer can prove the contrary under proper proceedings to be determined by the Commissioner Of Internal Revenue.

"(c) Definition of deficiency.—As used in this Chapter in respect of a tax imposed by this Title, the term 'deficiency' means;

"(1) The amount by which the tax imposed by this Title exceeds the amount shown as the tax by the taxpayer upon his return; but the amount so shown on the return shall first be increased by the amounts previously assessed (or collected without assessment) as a deficiency and decreased by the amount previously abated, credited, returned, or otherwise in respect of such tax; or

"(2) If no amount is shown as the tax by the taxpayer upon his return, or if no return is made by the taxpayer, then the amount by which the tax exceeds the amounts previously assessed (or collected without assessment) as a deficiency; but such amounts previously assessed or collected without assessment, shall first be decreased by the amounts previously abated, credited, returned, or otherwise repaid in respect of such tax.

"(d) Interest on deficiency.—Interest upon the amount determined as a deficiency shall be assessed at the same time as the deficiency and shall be paid upon notice and demand from the Commissioner of Internal Revenue; and shall be collected as a part of the tax, at the rate of six per centum per annum from the date prescribed for the payment of the tax (or, if the tax is paid in installments, from the date prescribed for the payment of the first installment) to the date the deficiency is assessed: 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."

"(e) Additions to the tax in case of nonpayment.— (1) Tax shown on the return.—Where the amount determined by the taxpayer as the tax imposed by this Title or any installment thereof, or any part of such amount or installment, is not paid on or before the date prescribed for its payment, there shall be collected as a part of the tax, interest upon such unpaid amount at the rate of one per centum a month from the date prescribed for its payment 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) Deficiency.—Where a deficiency, or any interest assessed in connection therewith under paragraph (d) of this section, or any addition to the taxes provided for in section seventy-two of this Code is not paid in full within thirty days from the date of notice and demand from the Commissioner of Internal Revenue, there shall be collected upon the unpaid amount, as part of the tax, interest at a rate of one per centum a month from the date of such notice and demand 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.

"(3) Surcharge.—If any amount of the tax 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 paragraph (d) above and as part of the tax a surcharge of five per centum of the amount of tax unpaid."

SEC. 9. Subsections (a) (1), (b), and (c), of section fifty-three of Commonwealth Act Numbered Four hundred sixty-six, as amended, are hereby further amended to read as follows:

"(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 the 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 twenty 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 nonresident alien individual or to a citizen or resident of the Philippines.

"(b) Nonresident aliens.—All persons, corporations and general copartnerships (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 interest, dividends, rents salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income of any nonresident 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 twenty per centum, hereof: 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 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 Commissioner 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.

"(c) Return and payment.—Every person required deduct and withhold any tax under this section shall make return thereof, in duplicate, on or before, the fifteenth day of April of each year, and, on or before, the time fixed law for the payment of the tax, shall pay the amount of withheld to the officer of the Government of the Philippines authorized to receive it. Every such person is made personally liable for such tax, and is indemnified against the claims and demands of any persons for the amount of any payments made in accordance with the provision of this section."

SEC. 10. Section fifty-four of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further 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 thirty 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. In lieu of section three hundred sixty of Commonwealth Act Numbered Four hundred sixty-six, as amended, which has been repealed by section eight, Commonwealth Act Numbered Five hundred eighty-six,

insert a new section reading as follows:

"SEC. 360. Disposition of proceeds of income, inheritance, and gift taxes.—Two and one-half per centum of the proceeds of the tax on income and of the tax on inheritance, legacies, and other acquisitions mortis causa, as well as on gifts, shall accrue to the provinces, two and one-half per centum shall accrue to the municipalities, and the remaining ninety-five per centum shall accrue to the National Government. The proceeds accruing to the provinces and municipalities shall be apportioned either on the basis of population as shown by the latest official census is or on the total amount of the respective tax collected during the fiscal year within the respective province or municipality, whichever will render the greater share to the local government.

"In addition to the foregoing, whenever the total annual collection of income taxes within a municipality or province, as the case may be, exceeds the total collection of such taxes within such municipality or province during the fiscal year nineteen hundred fifty-nine, all the excess shall be apportioned as follows: twenty per cent to the municipality, ten per cent to the province and seventy per cent to the National Government.

"Such provisions of Commonwealth Act Numbered Five hundred eighty-six as may be inconsistent with the foregoing are hereby repealed."

SEC. 12. Returns or information hereafter filed or required to be filed under Title II of Commonwealth Act Numbered Four hundred sixty-six, otherwise known as the National Internal Revenue Code, as amended, on or before the first day of March of each year shall, henceforth, be filed on or before the fifteenth day of April of each year.

SEC. 13. This Act shall take effect upon its approval: Provided, That the rate hereinabove stipulated shall apply to income received from January first, nineteen hundred and fifty-nine, and for fiscal periods ending after June thirty, nineteen hundred and fifty-nine.

Approved, June 20, 1959.

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