

AMENDING SECTION 290-B OF THE NATIONAL INTERNAL REVENUE CODE AS AMENDED, IN ORDER TO EXPAND THE SCOPE OF THE “FLEXIBILITY CLAUSE.”

PRESIDENTIAL DECREE NO. 1885, October 05, 1983

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WHEREAS, Sec. 290-B of the National Internal Revenue Code, as amended, provides for a flexibility clause empowering the President, under certain conditions and subject to specific limitations therein, to revise tax rates, change the classification of taxable articles, and revise the taxable base and manner of computing internal revenue tax;

WHEREAS, in order to enhance tax collection, it is necessary to simplify and modify the existing tax structure through the systematization of tax deadlines as well as the method and manner of tax computation;

WHEREAS, it appears that the present flexibility clause, is inadequate to satisfy the foregoing objectives; moreover, the same is not an effective instrument to enable the country to fulfill its ASEAN and international commitments;

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, as follows:

SECTION 1. Section 290-B (1) of the National Internal Revenue Code, as amended, is hereby amended as follows:

SEC. 290-B 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 from 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 of 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 social 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 bases 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;

“(h) Where such adjustments are necessary pursuant to Asean or International commitments in respect of trade, tariff and other similar arrangements.”

SEC. 2. Paragraph (2) of Section 290-B of the National Internal Revenue Code, as amended, is hereby amended as follows:

“(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.

“(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.

SEC. 3. Rules and Regulations. The Minister of Finance upon the recommendation of the Commissioner of Internal Revenue, shall promulgate the necessary rules and regulations to implement the provisions of this Decree.

SEC. 4. Repealing Clause. All laws, decrees, executive orders, rules and regulations and other issuances or parts thereof which are inconsistent with this Decree are hereby repealed, amended or modified accordingly.

SEC. 5. Effectivity. This Decree shall take effect upon its approval.

Done in the City of Manila, this 5th day of October in the year of Our Lord, nineteen hundred and eighty-three.

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

By the President:

(Sgd.) JUAN C. TUVERA
Presidential Executive Assistant

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