

AMENDING TITLE IV (SPECIFIC TAXES) OF THE NATIONAL INTERNAL REVENUE CODE OF 1977, BY ADDING A NEW SECTION THERETO PROVIDING FOR A FLEXIBILITY CLAUSE, AND FURTHER AMENDING SECTION...

PRESIDENTIAL DECREE NO. 1393, May 31, 1978

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WHEREAS, it is necessary to give flexibility to the tax system in order to improve and optimize its sensitiveness and conformity to the rapidly changing patterns of the economic, social, and political environment;

WHEREAS, the President is equipped with relevant data for the formulation of immediate, timely and effective measures to make the tax system more responsive to current conditions;

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.—Title IV (Specific Taxes) of the National Internal Revenue Code of 1977 is hereby amended by adding a new section thereto, Section 158-A, to read as follows:

"SEC. 158-A.—Flexibility Clause. (a) 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 Secretary of Finance and the National Economic and Development Authority, is hereby empowered to revise the rates of specific taxes.

"The foregoing authority may be exercised by the President if any of the following conditions exists:

"(1) Where, in the interest of economic development, it is necessary to redirect expenditure or consumption patterns;

"(2) Whenever by reason of fluctuation of currency values and/or inflation or deflation, the existing taxable base and rates levels are no longer realistic or consistent with current price levels;

"(3) When it is necessary to counter adverse action on the part of another country.

"(b) Specific limitations on the exercise of authority granted.

"1. The existing rates of specific taxes may be increased by not more than 50%, or decreased by not more than 10%.

"2. Before any recommendation is submitted to the President by the Secretary of Finance and the National Economic and Development Authority 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."

SECTION 2. Section 193 (c), Title V (Taxes on Business) is hereby amended to read as follows:

"SEC. 193.—Payment of percentage taxes.—

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"(c) 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 Secretary of Finance and the National Economic and Development Authority, is hereby empowered to:

"a) Revise the rates of percentage taxes;

"b) Change the classification of articles enumerated in Sections 194, 195, 196, 197, 198, 199 and 201; and

"c) Revise the taxable base levels in Sections 195 and 197.

"The above authority may be exercised by the President if any of the following conditions exists:

"(1) Where, in the interest of economic development, it is necessary to redirect expenditure or consumption patterns;

"(2) Where, in the light of technological and social changes, it is necessary to change the classification of certain articles on the basis of the changed concepts of essentiality or the decree of manufacturing done;

"(3) Whenever by reason of fluctuation of currency values and/or inflation or deflation, the existing taxable base and/or price levels are no longer realistic or consistent with current price levels;

"(4) When it is necessary to counter adverse action on the part of another country.

"(2) Specific limitations on the exercise of authority granted.

"a) The existing rates of percentage taxes may be increased by not more than 50%, or decreased by not more than 10%.

"b) The existing price levels may be increased or decreased by not more than 50%.

"c) Before any recommendation is submitted to the President by the Secretary of Finance and the National Economic and Development Authority 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."

SECTION 3. Effectivity.—This Decree shall take effect upon approval.

Done in the City of Manila, this 31st day of May in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(Sgd.) JUAN C. TUVERA
Presidential Assistant

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