

AMENDING CERTAIN SECTIONS OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED.

PRESIDENTIAL DECREE NO. 1959, October 10, 1984

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WHEREAS, the current economic crisis amounts to a grave emergency which affects the stability of the nation and requires immediate action;

WHEREAS, the issuance of this decree is an essential and necessary component of the national economic recovery-program formulated to meet and overcome the emergency.

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

SECTION 1. A new Subsection (y) is inserted in Section 20 of the National Internal Revenue Code to read as follows:

"(y) 'Deposit substitutes' shall mean an alternative form of obtaining funds from the public, other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrower's own account, for the purpose of relending or purchasing of receivables and other obligations, or financing their own needs or the needs of their agent or dealer. These promissory notes, repurchase agreements, certificates of assignment or participation and similar instrument with recourse as may be authorized by the Central Bank of the Philippines, for banks and non-bank financial intermediaries or by the Securities and Exchange Commission of the Philippines for commercial, industrial, finance companies and other non-financial companies: Provided, however, that only debt instruments issued for inter-bank call loans to cover deficiency in reserves against deposit liabilities including those between or among banks and quasi-banks shall not be considered as deposit substitute debt instruments."

SEC. 2. Section 21 (d) of this Code, as amended, is hereby further amended to read as follows:

"(d) On interest from bank deposits and yield or any other monetary benefit from- deposit substitutes and from trust fund and similar arrangements.— Interest from Philippine Currency Bank deposits and yield or any other monetary benefit from deposit substitutes and from trust fund and similar arrangements whether received by citizens of the Philippines or by resident alien individuals, shall be subject to a 15% final tax to be collected and paid as provided in Sections 53 and 54 of this Code."

SEC. 3. Section 24 (cc) of this Code, as amended, is hereby further amended to read as follows:

"(cc) Rates of tax on interest from deposits and yield or any other monetary benefit from deposit substitutes and from trust fund and similar arrangements.—Interest on Philippine Currency Bank deposits and yield or any other monetary benefit from deposit substitutes and from trust fund and similar arrangements received by domestic or resident foreign corporations shall be subject to a 15% final tax to be collected and paid as provided in Section 53 and 54 of this Code."

SEC. 4. Section 53 (d) (1) of this Code is hereby amended to read as follows:

"Sec. 53 (d) (1). Withholding of Final Tax.—Every bank or non-bank financial intermediary or commercial,

industrial, finance companies, and other non-financial companies authorized by the Securities and Exchange Commission to issue deposit substitutes shall deduct and withhold from the interest on bank deposits or yield or any other monetary benefit from deposit substitutes a final tax equal to fifteen per centum (15%) of the interest on deposits or yield or any other monetary benefit from deposit substitutes and from trust fund and similar arrangements."

SEC. 5. A new subsection (q) is hereby added to Section 54 of this Code, as amended to read as follows:

"(q) All taxes withheld pursuant to the provisions of this Code and its implementing regulations are hereby considered trust funds and shall be maintained in a separate account and not coming-led with any other funds of the withholding- agent.

"Any violations of this provision shall be subject to the surcharges and penalties prescribed in paragraph (b) of this Section.:

SEC. 6. Section 145 of this Code, as amended, is further amended to read as follows:

"Sec. 145. Specific tax on distilled spirits.—On distilled spirits there shall be collected, subject to the provisions of Sec. 139 of this Code, exc2pt as hereinafter provided, specific taxes as follows:

"(a) If produced from the sap of nipa, coconut, cassava, camote or buri palm or from the juice, syrup or sugar of the cane, per proof liter, five pesos; Provided, that such materials are produced commercially in the country where they are processed into distilled spirits; Provided, further, That if produced in a pot still or other similar primary distilling apparatus by a distiller producing not more than one hundred liters a day, containing not more than fifty per centum of alcohol by volume, per proof liter, one peso and fifty six centavos."

"(b) If produced from raw materials other than (a) hereof, per proof liter, thirty-five pesos."

"This tax shall be proportionally increased for any strength of the spirits taxed over proof spirits, and the tax shall attach to the substance as soon as it is in existence as such, whether it be subsequently separated as pure or impure spirits immediately or at any subsequent time transformed into any other substance either in the process of original, production or by the subsequent process.

"Spirits or distilled spirits" is the substance known as ethyl alcohol, ethanol or spirits of wine, including all dilutions and mixture thereof, from whatever source by whatever process produced, and shall include whisky brandy, rum, gin and vodka, and other similar products or mixture including compounded liquors and all other preparations, except toilet preparations, of which excluding water distilled "spirits is the chief ingredient.

"Proof spirits" is liquor containing one-half of its volume of alcohol of a specific gravity of seven thousand nine hundred and thirty-nine ten thousandths at fifteen decrees centigrade. A proof liter means a liter of proof spirits."

SEC. 7. Section 147 of this Code, as amended-, is hereby further amended to read as follows:

SEC. 147. Specific and Ad Valorem Tax on Fermented Liquors. (A) Specific Tax.—On beer, lager, beer, ale, porter and other fermented liquors (except tuba, tapuy, and similar domestic fermented liquors), there shall be collected on each liter of volume capacity, two pesos ten centavos.

(B) Ad Valorem Tax.—In addition to the specific tax herein imposed, there shall be levied, assessed and collected an ad valorem tax equivalent to twenty percent (20) of the brewer's or importer's gross selling price, net of specific, tax, of the products enumerated under sub-section (a) hereof, to be removed from the brewery or other place of manufacture or to be released from customs custody which shall be paid by the brewer or importer, as the case may be, at the same time as the specific tax."

"The provisions of Section 186-A hereof governing the determination of the gross selling price should likewise

apply in the determination of the gross selling price of fermented liquor together with all the administrative requirements prescribed therein and subject to the same penalties therein imposed:

SEC. 8. Section 151 of this Code, as amended, is hereby-further amended to read as follows:

"Sec. 151. Specific ad valorem tax on matches.— There shall be levied, assessed and collected an ad valorem tax equivalent to ten per cent (10%) of the manufacturer's or importer's gross selling price of matches to be removed from the place of manufacture or to be released from customs custody, which shall be paid by the manufacturer or importer, as the case may be, before such removal."

"The provisions of Section 186-A hereof governing the determination of the gross selling price should likewise apply in the determination of the gross selling price of matches together with all the administrative requirements prescribed therein and subject to the same penalties therein imposed:

SEC. 9. Section 157 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 157. Specific tax on cinematographic films.— There shall be collected, once only, on cinematographic films, including television films, regardless of width, the provisions of existing laws to the contrary notwithstanding, a tax amounting to seventy centavos per linear meter.

"Educational films, cinematographic films used for visual education, whether manufactured in the Philippines or imported, shall be exempt from the tax prescribed in this section."

"This tax shall not be collected on any tax-paid cinematographic film subsequently returned to the Philippines or on any negative; film or unprinted positive film, and on any reversal film used in amateur photography of sixteen millimeter or less, and any tax heretofore paid on cinematographic films so returned, or on any negative film or unprinted positive film, or on any reversal film shall be refunded subject to the provisions of Section two hundred ninety-five of the Tax Code."

SEC. 10. Section 158 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 158. Specific tax on saccharine.—On saccharine, sodium saccharine and all its derivatives or salts of saccharine and other artificial sweetening agents, there shall be collected a tax of one hundred twenty five pesos per kilogram" the discovery of the falsity or fraud, a surcharge of fifty per centum of its amount and the entire unpaid amount shall be subject to interest at the rate of twenty per centum per annum. The amount so added to any tax shall be collected at the same time and in the same manner and as part of the tax unless the tax has been paid before the discovery of the falsity or fraud, in which case the amount so added shall be collected in the same manner as the tax.

"(b) Sales tax on imported articles.—When the articles are imported, the percentage taxes established in Sections 194, 195, 196, 197, 198, 199 and 201 of this Code shall be paid in advance by the importer, in accordance with the regulations promulgated by the Minister of Finance and prior to the release of such articles from Bureau of Customs' custody, based on the home consumption value or price (excluding internal revenue excise taxes) thereof, plus ten (10%) per cent of such home consumption value or price, including postage, commission, customs duty and all similar charges, except freight and insurance, to be declared in an importer's return, plus twenty-five per centum of the total value of such articles. The tax imposed in this section shall not apply to articles to be used by the importer himself in the manufacture or preparation of articles subject to specific tax: Provided, however, That where the National Economic and Development Authority certifies to the availability of local raw materials of sufficient quantity, comparable quality and price to meet the needs of manufacturers subject to specific tax the importation of such raw materials shall be subject to the tax herein imposed.

"(c) Value-added Tax.—The provisions of this Title to the contrary notwithstanding, when the public interest so requires, the President upon recommendation of the Minister of Finance, may subject the second sale of any

article taxable under this Title to a value-added tax at the rates not exceeding fifty per cent (50 %) based on the gross selling price or gross value of any of the article sold, bartered, exchanged or transferred, less the cost of the article."

SEC. 12. Section 203 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 203. Percentage tax upon proprietors or operators of rope factories, sugar centrals and mills, coconut oil mills, cassava mills, and desiccated coconut factories.—Proprietors or operators of rope factories, sugar centrals and mills, coconut oil mills, cassava mills.

SEC. 11. Section 193 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 193. Payment of percentage taxes.— "(a) In general.—(1) Declaration and payment of quarterly gross sales, receipts, etc.—Unless otherwise specifically provided, it shall be the duty of every person conducting a business on which a percentage tax is imposed under this Title, to render a quarterly declaration of the amount of his, her or its gross sales, receipts or earnings or gross value of output actually removed from the factory or mill warehouse and to compute the tax due thereon.

"For each quarter of the taxable year, the tax so computed shall be decreased by the sum of the tax credits allowed under this Title. The tax due shall be paid not later than twenty day & following the close of each quarter: Provided, That any person retiring from a business subject to the percentage tax shall notify the nearest internal revenue officer, file his return or declaration and pay the tax due thereon within twenty days after closing- his business.

"For purposes of this Section, sales on consignment shall be considered actually sold on the day of sale or sixty days after the date consigned, whichever is earlier.

"(2) Where to file.—Except in cases where the Commissioner otherwise permits, the percentage tax returns required to be filed in the preceding paragraphs shall be filed with the Revenue District Officer, Collection Agent, or duly authorized Treasurer of the municipality in which such person has his legal residence or principal place of business in the Philippines.

"(3) Ad valorem penalties.—

"(i) Failure to file and pay the tax.—If the percentage tax return is filed with a person, other than that mentioned in the preceding subparagraph or if the percentage tax on any business is not paid within the time specified above, the amount of the tax shall be increased by twenty-five per centum, the increment to be a part of the tax and the entire unpaid amount shall be subject to interest at the rate of twenty per centum per annum.

"(ii) Willful neglect to file, or filing false or fraudulent return.—In case of willful neglect to file the return within the period prescribed herein, or in case a false or fraudulent return is willfully made, there shall be added to the tax or to the deficiency tax in case any payment has been made on the basis of such return before and desiccated coconut factories, shall pay a tax equivalent to three (3%) Per centum of the gross value in money of all the rope, sugar, coconut oil, cassava flour or starch, desiccated coconut, manufactured, processed or milled by them, including the by-product of the raw materials from which said articles are produced, processed, or manufactured, such tax to be based on the actual selling price or market value of these articles at the time they leave the factory or mill warehouse: Provided, however, That this tax shall not apply to rope, coconut oil, and the by-product of copra from which it is produced or manufactured, and desiccated coconuts, if such rope, coconut oil, copra by-products and desiccated coconuts, shall be removed for exportation and are actually exported without returning to the Philippines, whether so exported in their original state, or as an ingredient or part of any-manufactured article or product.

In case the raw materials are processed, manufactured or milled in pursuance of a contract where the factory, central, or mill receives a share of the finished products, the tax on the share pertaining to the planter or owner of

the raw materials shall be charged to the planter or owner and withheld by the proprietor or operator of the factory, central, or mill and paid by him to the Commissioner.

A proprietor or operator of a refined sugar factory shall be subject to the tax imposed by this section but any percentage tax paid under this section on the raw sugar shall be credited against the tax due on the refined sugar.

Where articles are manufactured out of materials subject to tax under this section, the percentage tax paid herein shall be credited against the sales tax due on the finished product.

SEC. 13. Section 205 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 205. 'Contractors, proprietors or operators of dockyards, and others.—A contractor's tax of four (4%) per centum of the gross receipts is hereby imposed on the following:

- General engineering, general building, and specially contractors as defined in Republic Act Number 4566;
- Filling, demolition and salvage work contractors, and proprietors or operators of mine drilling apparatus;
- Proprietors or operators of dockyards;
- Persons engaged in the installation of water systems and gas or electric light, heat, power;
- Proprietors or operators of smelting plants, engraving plants, plating establishments, and plastic lamination establishments;
- Proprietors or operators of establishments for upholstering, washing or greasing of motor vehicles, vulcanizing, recapping and battery charging;
- Proprietors or operators of establishments for planning or surfacing and recutting of lumber, and sawmills under contract to saw or cut logs belonging to others;
- Proprietors or operators of dry-cleaning or dyeing establishments, steam laundries, and laundries using washing machines;
- Proprietors or owners of shops for the repair of any kind of bicycles, mechanical and electrical devices, instruments, apparatus or furniture and shoe repairing by machine or any mechanical contrivance;
- Proprietors or operators of establishments or lots for parking purposes;
- Proprietors or operators of tailor shops, dress shops, milliners and hatters, beauty parlors, barbershops, massage clinics, sauna turkish, and Swedish baths, slendering and body building saloons and similar establishments, photographic studio, and funeral parlors;
- Proprietors or operators of hotels, motels and lodging houses;
- Proprietors or operators of arrastre and stevedoring, warehousing, for forwarding establishments ;
- Registered master plumbers, smiths, and house or sign painters;
- Printers, bookbinders, lithographers and publishers except those engaged in the publication of printing and publication of any newspaper, magazine, review or bulletin which appears at regular intervals, with fixed prices for subscription and sale and which is not devoted principally to the publication of advertisements ;
- Business agents and other independent contractors, including private detective or watchman agencies, except gross receipts of a pioneer enterprise registered with the Board of Investments under PD 1789, as amended by BP 391 ;

- Lessors of personal property, except nonresident owners of property subject to the final tax under Section 24 (b) (vii) of this Code.

The term "independent contractors" includes persons (juridical or natural) not enumerated above (but not including individuals subjects to the occupation tax under Section 12 of the Local Tax Code) whose activity consists essentially of the sale of all kinds of services for a fee regardless of whether or not the performance of the service calls for the exercise or use of the physical or mental faculties of such contractors or their employees.

The term "independent contractor" shall not include regional or area headquarters established in the Philippines by multinational corporations, including their alien executives, and which headquarters do not earn or derive income from the Philippines and which act as supervisory, communications and coordinating centers for their affiliates, subsidiaries or branches in the Asia-Pacific Region.

The term "gross receipts" means all amounts received by the prime or principal contractor as the total contract price, undiminished by any amount paid to the sub-contractor under a sub-contract arrangement. Any portion of the total contract price which is paid to the subcontractor, shall be excluded from the taxable gross receipts of the sub-contractor.

SEC. 14. Section 205-A of this Code, as amended, is hereby further amended to read as follows:

"Sec. 205-A. Percentage tax on hotels,, motels and others.—There is hereby imposed on proprietors, operator or keepers of hotels, motels, resthouses pension houses, lodging houses and resorts, a tax equivalent to twelve (12%) percent of their gross receipts derived from room occupancy: Provided, That the foregoing tax shall be in lieu of the contractor's and the documentary stamp tax under Sections 205(12) and 238(b) of the National Internal Revenue Code of 1977, respectively.."

SEC. 15. Section 206 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 206. Caterers,—A caterer's tax is hereby imposed as follows:

(1) On proprietors or operators of restaurants, refreshment parlors, and other eating places, including clubs and caterers, four (4%) per annum of their gross receipts;

(2) On proprietors or operators of restaurants, bars, cafes and other eating places, including clubs where distilled spirits, fermented liquors in wines are served, four (4%) per centum of their gross receipts from the sale of food or refreshments and eight (8%) per centum of their gross receipts from sale of distilled spirits, fermented liquors or wines. Two sets of commercial invoices or receipts serially numbered in duplicate shall be separately prepared and issued, one for each sale of food or refreshment served and another for each sale of distilled spirits, fermented liquors or wines served, the originals of the invoices or receipts to be issued to the purchaser or customer;

(3) On proprietors or operators of restaurants, refreshment parlors, bars, cafes, and other eating places which are maintained within the premises, or compound of a cockpit, cabaret, night or day club, Jai-Alai, race track, or which are accessible to patrons of such cockpit, cabaret, night or day club, Jai-Alai, race track by means of a connecting door or passage, twelve (12%) per centum in the case of night or day club, and twenty-five (25%) per centum in the case of Jai-Alai and race track, of their gross receipts.

Where the establishments enumerated above are operated or maintained by clubs of any kind or nature (irrespective of the disposition of their net income and whether or not they cater exclusively to members of their guests), the keepers of the establishments shall pay the corresponding tax at the rates fixed above.

SEC. 16. Section 207 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 207. Percentage tax on carriers and keepers of garages—Keepers of garages, cars for rent or hire driven by the lessee, transportation contractors, persons who transport passenger or freight for hire, and common carriers by land, air or water, except owners of bancas and owners of animal-drawn two wheeled vehicles, shall pay a tax equivalent to three (3%) per centum, of their quarterly gross receipts.

In computing the percentage tax provided in this section, the following shall be considered the minimum quarterly gross receipts in each particular case:

Autocalesa —

1.

Manila and other cities

P 1,200.00

2.

Provincial

600.00

Jeepney for hire —

1.

Manila and other cities

2,400.00

2.

Provincial

1,200.00

Public utility bus —

Not exceeding 30 passengers

3,600.00

Exceeding 30 but not exceeding 50 passengers

6,000.00

Exceeding 50 passengers

7,200.00

Taxis —

1. Manila and other cities P3,600.00

2. Provincial 2,400.00

Car for hire (with chauffeur)

3,000.00

Car for hire (without chauffeur) 1,800.00

SEC. 17. Section 208 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 208 Percentage tax on stock, real estate, commercial, customs and immigration brokers and cinematographic film owners, lessors, or distributors.— Stock, real estate, commercial, customs, and immigration brokers shall pay a percentage tax equivalent to seven (77%) Per centum of the gross compensation received by them. Cinematographic film owners, lessors, or distributors shall pay a percentage tax of three (37o) per centum of their gross receipts.

The records kept by said brokers and cinematographic film owners, lessors or distributors may be used as evidence to determine the amount of percentage tax due from them, and the Commissioner may assess and collect the tax due on compensation or gross re-receipts earned in accordance with said records.

In any case the amount of the compensation or gross monthly receipts of said brokers and cinematographic film owners, lessors, or distributors shall be declared for taxation within the time established for the other monthly sales or receipts.

SEC. 18. Section 209 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 209. Percentage tax on dealers in securities; lending investors —Dealers in securities and lending investors shall pay a tax equivalent to six (6%) per centum of their gross income.

SEC. 19. Section 223 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 223. Stamp tax on bonds, debentures, and certificates of indebtedness.—On all bonds, debentures, and certificates of indebtedness issued by any association, company, or corporation, there shall be collected a documentary stamp tax of one peso on each two hundred pesos, or fractional part thereof, of the face value of such documents."

SEC. 20. Section 224 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 224. Stamp, tax on original issue of certificates of stock.—On every original issue, whether on organization, reorganization or for any lawful purpose, of certificates of stock by any association, company, or corporation, there shall be collected a documentary stamp tax of one peso and seventy centavos on each two hundred pesos, or fractional part thereof, of the par value of such certificates; Provided, That in the case of the original issue of stock without par value the amount of the documentary stamp tax herein prescribed shall be based upon the actual consideration received by the association, company, or corporation for the issuance of such stock, and in the case of stock dividends, on the actual value represented by each share."

SEC. 21. Section 225 of this Code, as amended, is hereby

further amended to read as follows:

"Sec. 225. Stamp tax on sales, agreements to sell, memoranda of sales, deliveries or transfer of bonds, duebills, certificates of obligation, or shares or certificates of stock.—On all sales, or agreements to all, or memoranda of sales, or deliveries, or transfer of bonds, due-bills, certificates of obligation, or shares or certificates of stock in any association, company, or corporation, or transfer of such securities by assignment in bank, or by delivery, or by any paper or agreement, or memorandum or other evidences of transfer or sale whether entitling the holder in any manner to the benefit of such bonds, due-bills, certificates of obligation or stock, or to secure the future payment of money, or for the future transfer of any bond, due-bills, certificates of obligation or stock, there shall be collected a documentary stamp tax of fifty centavos on each two hundred pesos, or fractional part thereof, of the par value of such bond, due-bill, certificates of obligation or stock: Provided, That only one tax shall be collected on each sale or transfer of stock or securities from one person to another, regardless of whether or not a certificate of stock or obligation is issued, indorsed or delivered in pursuance of such sale or transfer: And Provided, further. That in the case of stock without par value the amount of the documentary stamp tax herein prescribed shall be equivalent to twenty-five per centum of the documentary stamp tax paid upon the original issue of said stock."

SEC. 22. Section 227 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 227. Stamp tax on certificates of profits or interest in property or accumulations.—On all certificates of profits, or any certificate of memorandum showing interest in the property or accumulations of any association, company, or corporation, and on all transfer of such certificates or memoranda, there shall be collected a documentary stamp tax of twenty centavos on each two hundred pesos, or fractional part thereof, of the face value of such certificate or memorandum."

SEC. 23. Section 228 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 228. Stamp tax on bank checks, drafts,, and other insti'uments.—On each bank check, draft, or order for the payment of any sum of money drawn upon or issued by any bank, trust company, or any person or persons companies or corporation at sight or on demand, there shall be collected a documentary stamp tax of twenty centavos."

SEC. 24. Section 229 of this Code, as amended, is hereby 1 further amended to read as follows:

"Sec. 229. Stamp tax on promissory notes, bills of exchange, drafts, certificates of deposit, debt instruments used for deposit substitutes and others not payable on sight or demand.—On all bills of exchange (between points within the Philippines),, drafts, or certificates of deposits, debt instruments used for deposit substitutes or orders for the payment of any sum of money otherwise than at sight or on demand, on all promissory notes, whether negotiable or non-negotiable, except bank notes issued for circulation, and on each renewal of any such note, there shall be collected a documentary stamp tax of twenty centavos on each two hundred pesos, or fractional part thereof, of the face value of any such bill of exchange, draft, certificate of deposit, debt instrument, or note."

SEC. 25. Section 230 of this Code, as amended is hereby further amended to read as follows:

"Sec. 230. Stamp tax upon acceptance of bills of exchange and others.—Upon any acceptance or payment of any bill of exchange or order for the payment of money purporting to be drawn in a foreign country but payable in the Philippines, there shall be collected a documentary stamp tax of thirty centavos on each two hundred pesos or fractional part thereof, of the face value of any such bill of exchange, or order, or the Philippine equivalent of such value, if expressed in foreign currency."

SEC. 26. Section 231 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 231. Stamp tax on foreign bills of exchange and letters of credit.—On all foreign bills of exchange and

letters of credit (including orders, by telegraphic or otherwise, for the payment of money issued by express or steamship companies or by any person or persons) drawn in but payable out of the Philippines in a set of three or more according to the custom of merchants and bankers, there shall be collected a documentary stamp tax of thirty centavos on each two hundred pesos, or fractional part thereof, of the face value of any such bill of exchange or letter of credit, or the Philippine equivalent of such face value, if expressed in foreign currency."

SEC. 27. Section 232 of this Code, as amended, is hereby flint as amended to read as follows:

"Sec. 232. Stamp, tax on life insurance policies. — On all policies of insurance or other instruments by whatever name the same may be called, whereby any insurance shall be made or renewed upon any life or lives,, there shall be collected a documentary stamp tax of fifty centavos on each two hundred pesos or fractional part thereof, of the amount insured by any such policy."

SEC. 28. Section 233 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 233. Stamp tax on policies of insurance upon property.—On all policies of insurance or other instruments by whatever name the same may be called, by which insurance shall be made or renewed upon property of any description, including rents or profits, against peril by sea or on inland waters, or by fire or lighting, there shall be collected a documentary stamp tax of thirty centavos on each four pesos, or fractional part thereof, of the amount of premium charged: Provided, however, That no documentary stamp tax shall be collected on reinsurance contracts or on any instrument by which cession or acceptance of insurance risks under any reinsurance agreement is effected or recorded.

SEC. 32. Section 237 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 237. Stamp tax on certificates.—On each certificate of damage or otherwise, and on every other certificate or document issued by any customs officer, marine surveyor or other person acting as such, and on each certificate issued by a notary public, and on each certificate of any description required by law or by rules or regulations of a public office, or which is issued for the purpose of giving information, or establishing proof of a fact, and not otherwise specified herein, there shall be collected a documentary stamp tax of three pesos."

SEC. 33. Section 238 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 238. Stamp tax on warehouse, motel, and hotel receipts; and others.— (a) On each warehouse receipt for property held in storage in a public or private warehouse or yard for any other person than the proprietor of such warehouse or yard himself, there shall be collected a documentary stamp tax of one peso and fifty centavos Provided, That no tax shall be collected on each warehouse receipt issued to any one person in any one calendar month covering property the value of which does not exceed two hundred pesos, (b) On each hotel receipt issued by keepers of hotels, motels, rest-houses, lodging houses, or resorts to a guest for lodging, there shall be collected a documentary stamp tax of three pesos:' Provided, however, That if the amount of the receipt exceeds twenty pesos an additional tax of three pesos on each twenty pesos or fractional part thereof shall be collected."

SEC. 34. Section 239 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 239. Stamp tax on Jai-Alai or horse race tickets. —On each Jai-Alai or horse race ticket, there shall be collected a documentary stamp tax of twenty-centavos: Provided, That if the cost of the ticket exceeds one peso, an additional tax of twenty centavos on every one peso or fractional part thereof shall be collected."

SEC. 35. Section 240 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 240. Stamp tax on bills of lading or receipts.— On each set of bills of lading or receipts (except charter party) for any goods, merchandise, or effects shipped from

SEC. 29. Section 234 of this Cede, as amended, is hereby further amended to read as follows:

"Sec. 234. Stamp tax on fidelity bonds and other insurance policies.—On all policies of insurance or bonds or obligations of the nature of indemnity for loss, damage, or liability made or renewed by any person, association, company or corporation transacting, the business of accident, fidelity, employer's liability, plate, glass, steam boiler, burglar, elevator, automatic sprinkler, or other branch of insurance (except life, marine, inland, and fire insurance), and all bonds, undertakings, or recognizances, conditioned for the performance of the duties of any officer or position, for the doing, or not doing of anything therein specified, and on all obligations guaranteeing the validity or legality of any bonds or other obligations issued by any province, city, municipality, or other public body or organization, and on all obligations guaranteeing the title to any real estate, or guaranteeing any mercantile, credits, which may be made or renewed by any such person, company, or corporation, there shall be collected a documentary stamp tax of thirty centavos on each four pesos, or fractional part thereof, of the premium charged."

SEC. 30. Section 235 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 235. Stamp tax on 'policies of annuities.—On all policies of annuities, or other instruments by whatever name the same may be called, whereby an annuity may be made, transferred, or redeemed, there shall be collected a documentary stamp tax of one peso on each two hundred pesos, or fractional part thereof, of the capital of the annuity, or should this be unknown, then on each two hundred pesos, or fractional part thereof, of thirty-three and one- third times the annual income."

SEC. 31. Section 236 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 236. Stamp tax on indemnity bonds. —On all bonds for indemnifying any person, firm, or corporation who shall become bound or engaged as surety for the payment of any sum of money or for the due execution or performance of the duties of any office or position or to account for money received by virtue thereof, and on all other bonds of any description, except such as may be required in legal proceedings, or are otherwise provided for herein there shall be collected a documentary stamp tax of three pesos and fifty centavos."

SEC. 39. Section 244 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 244. Stamp tax on mortgages pledges, and deeds of trust.—On every mortgage or pledge of lands, estate, or property, real or personal, heritable or movable, whatsoever, where the same shall be made as a security for the payment of any definite and certain sum of money lent at the time or previously due and owing or forborne to be paid being payable, and on any conveyance of land, estate, or property whatsoever, intrust or to be sold, or otherwise converted into money which shall be and intended only as security, either by express stipulation or otherwise,, there shall be collected a documentary stamp at the following rates:

(a) When the amount secured does not exceed five thousand pesos, ten pesos.

(b) On each five thousand pesos, or fractional part thereof in excess of five thousand pesos, an additional tax of five pesos.

On any mortgage, pledge, or deed of trust, where the same shall be made as a security for the payment of a fluctuating account or future advances without fixed limit, the documentary stamp tax on such mortgage, pledge or deed of trust shall be computed on the amount actually loaned or given at the time of the execution of the mortgage, pledge, or deed of trust. However, if subsequent advances are made on such mortgage, pledge or deed of trust, additional documentary stamp tax shall be paid which shall be computed on the basis of the amount advanced or loaned at the ' rates specified above: Provided, however, That if the full amount of the loan or credit, granted under the mortgage, pledge or deed of trust is specified therein, the documentary stamp tax prescribed in this section shall be paid and computed on the said amount of the loan of credit granted.

SEC. 40. Section 245 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 245. Stamp tax on deed of sale and conveyance of real property.—On all conveyance, deeds, instruments, or writing, other than grants, patents, or original certificates of adjudication issued by the Government, whereby any lands, tenements or other realty sold shall be granted assigned, transferred, or otherwise conveyed to the purchaser, or purchasers, or to any other person or persons designated by such purchaser or purchasers, there shall be collected a documentary stamp tax at the following rates: one port or place in the Philippines to another port or place in the Philippines (except on ferries across rivers) or to any foreign port, there shall be collected a documentary stamp tax in accordance with the following schedule:

If the value of goods:

Exceeds P100 but does not exceed P1,000

P .50

Exceeds P1,000 but does not exceed P10,000

1.00

Exceeds P10,000

3.00

Provided, however, That freight tickets covering goods, merchandise, or effects carried as accompanied baggage of passengers on land and water carriers primarily engaged in the transportation of passengers are hereby exempt."

SEC. 36. Section 241 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 241. Stamp tax on proxies.—On each proxy for voting at any election for officers of any company or association, or for any other purposes, except proxies issued affecting the affairs of associations or corporations organized for religious, charitable, or literary purposes, there shall be collected a documentary stamp tax of two pesos and fifty centavos."

SEC. 37. Section 242 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 242. Stamp tax on powers of attorney.—On each power of attorney to perform any act whatsoever, except acts connected with the collection of claims due from or accruing to the Government of the Republic of the Philippines, or the government of any province, city or municipality, there shall be collected a documentary stamp tax of two pesos: Provided, however, That on each power of attorney which authorizes another to administer, sell, lease, or otherwise dispose of the property of a principal, there shall be collected a documentary stamp tax of three pesos.

SEC. 38. Section 243 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 243. Stamp tax on leases and other hiring agreements.—On each lease, agreement, memorandum, or contract for hire, use or rent of any lands or tenements, or portions thereof, there shall be collected a documentary stamp of three pesos for each year of the term of said contracts or agreement."

(a) When the consideration, or value received or contracted to be paid for such realty, after making a proper

allowance of any incumbrance, does not exceed one thousand pesos ten pesos.

(b) For each additional one thousand pesos, or fractional part thereof in excess of one thousand pesos of such consideration of value, ten pesos.

When it appears that the amounts of the documentary stamp tax payable hereunder has been reduced by an incorrect statement, of the consideration in any: conveyance, deed, instrument, or writing subject to such tax, the Commissioner, provincial or city treasurer, or other revenue officer shall, from the assessment rolls or other reliable source of information, assess the property of its true market value and collect the proper tax thereon."

SEC. 41. Section 246 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 246. Stamp tax on charter parties and similar instrument.—On every charter party, contract, or agreement for the charter of any ship, vessel, or steamer, or any letter or memorandum or other writing between the captain, master, or owner, or other person acting as agent of any ship, vessel, or steamer, and any other person or persons for or relating to the charter of any such ship, vessel, or steamer, and on any renewal or transfer of such charter, contract, agreement, letter or memorandum, there shall be collected a documentary stamp tax at the following rates:

(a) If the registered gross tonnage of the ship, vessels or steamer does not exceed three hundred tons and the duration of the charter or contract does not exceed six months, one hundred >pesos; and for each month or fraction of a month in excess of six months, an-additional tax of twenty pesos shall be paid.

(b) If the registered gross tonnage exceeds three hundred tons and does not exceed six hundred tons, and the duration of the charter or contract does not exceed six months, two hundred pesos; and for each month or fraction of a month in excess of six months, an additional tax of forty pesos shall be paid.

(c) If the registered gross tonnage exceeds six hundred four and the duration of the charter or contract does not exceed six months, three hundred pesos; and for each month or fraction of a month in excess of six months, an additional tax of fifty four pesos"

SEC. 42. A new Subsection A is hereby added to Sec. 260 of this Code, as amended, to read as follows:

"Sec. 260-A. Additional Tax on banks non-bank financial intermediaries and authorized foreign-exchange dealers.—There shall be collected, in addition to the tax on gross receipts imposed under Section 260 hereof, a tax of one per centum (1%) based on the gross value of every sale or purchase of foreign exchange by all banks, non-bank financial intermediaries, and all authorized foreign-exchange dealers.

"The tax imposed hereunder, for foreign exchange. transacted within one week, shall be payable on the first banking day of the succeeding week and it shall be the duty of every bank and non-financial intermediary to make a true and complete return of the value of foreign exchange sold or purchased during the week and pay the tax due thereon and if the tax is not paid on the date prescribed herein, the amount of the tax shall be increased by twenty-five per centum, the increment to be part of the tax.

"In case of willful neglect to file the return on the date prescribed herein, or in case a false or fraudulent return is willfully made, there shall be added to the tax or to the deficiency tax in case any payment has been made on the basis of such return before the discovery of the falsity or fraud, a surcharge of fifty Per centum of the amount. The amount so added to the tax shall be collected at the same time and in same manner and as part of the tax unless the tax has been paid before the discovery of the falsity or fraud, in which case the amount so added shall be collected in the same manner as the tax.

SEC. 43. Section 263 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 263. Tax on insurance premium.—There shall be collected from every person, company, or corporation (except purely cooperative companies or associations) doing insurance business of any sort in the Philippines a

tax of six per centum of the total premium collected, whether such premiums are paid in money, notes, credits or any substitute for money; but premiums refunded within six months after payment on account of rejection or risk or returned for other reason to a person insured shall not be included in the taxable receipts; nor shall any tax be paid upon reinsurance by accompany that has already paid the tax; nor upon premiums collected or received by any branch of a domestic corporation, firm or association doing business outside the Philippines on account of —any life insurance of the insured who is a non-resident, if any percentage tax on such premium is imposed by the foreign country where the branch is established nor upon premiums collected or received on account of any reinsurance, if the risk insured against covers property located outside the Philippines, or the insured, in case of personal insurance, resides outside the Philippines, if any percentage tax on such premiums is imposed by the foreign country where the original insurance has been issued or perfected; nor upon that portion of the premiums collected or received by the insurance companies on variable contracts (as denned in Sec. 232 (2) of Presidential Decree No. 612), in excess of the amounts necessary to insure the lives of the variable contract workers.

"Cooperatives companies or Associations are such as are conducted by the members thereof with the money collected from among themselves and solely for their own protection and not for profit."

SEC. 44. Section 268 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 268. Amusement taxes.—There shall be collected from the proprietor, lessee or operator of cockpits, cabarets, night or day cluHs, boxing exhibitions, profession basketball games, Jai-Alai, race tracks and bowling alleys, a tax equivalent, to:

"1. Eighteen per centum in the case of cockpits;

"2. Eighteen per centum in the case of cabarets, night or day clubs;

"3. Fifteen per centum in the case of boxing exhibitions ;

"4. Fifteen per centum in the case of professional basketball games as envisioned in Presidential Decree No. 871. Provided, however, That the tax herein shall be in lieu of all other percentage taxes of whatever nature and description;

"5. Thirty per centum in the case of Jai-Alai and race tracks; and

"6. Fifteen per centum in the case of bowling alleys of their gross receipts, irrespective of whether or not any amount is charged or paid for admission. For the purpose of the amusement tax, the term "gross receipts" embraces all the receipts of the proprietor, lessee or operator of the amusement place. Said gross receipts also include income from television, radio and motion picture rights, if any. (A person or entity or association conducting any activity subject to the tax herein imposed shall be similarly liable for said tax with respect to such portion of the receipts derived by him or it.)

"The taxes imposed herein shall be payable at the end of each quarter and it shall be the duty of the proprietor, lessee, or operator concerned, as well as any party liable, within twenty days after the end of each quarter, to make a true and complete return of the amount of the gross receipts derived during the preceding quarter and pay the tax due thereon. If the tax is not paid within the time prescribed above, the amount of the tax shall be increased by Twenty-five per centum, the increment to be part of the tax.

"In case of willful neglect to file the return within the period prescribed herein, or in case a false or fraudulent return is willfully made, there shall be added to the tax or to the deficiency tax, in case any payment has been made on the basis of the return before the discovery falsity of fraud and surcharge of fifty per centum of its amount. The amount so added to any tax shall be collected at the same time and in the same manner and as part of the tax unless the tax has been paid before the discovery of the falsity or fraud, in which case, the amount to assessed shall be collected in the same manner as the tax."

SEC. 45. Section 269 of this Code, as amended, is hereby further amended to read as follows:

"Sec. 269. Tea: on Winnings.—Every person who wins in horse race or Jai-Alai shall pay a tax equivalent to fifteen percent of his winnings or 'dividends', the tax to be based on the actual amount paid to him for every winning ticket after deducting the cost of the ticket. The tax herein prescribed shall be deducted from the 'dividends' corresponding to each winning ticket and withheld by the operator, manager, or person in charge of the horse-races or Jai-Alai before paying the 'dividends' to the person entitling thereto. The same tax shall be collected from owners of winning race horses at the same time and in the same manner above.

"Operator, manager, or person in charge of horse races or Jai-Alai shall, within twenty days from the date the tax was deducted and withheld in accordance with the first paragraph hereof, file a true and correct return with the Commissioner in the manner of form to be prescribed by the Minister of Finance, and pay within the same period the total amount of tax so deducted and withheld.

"If the tax herein provided is not paid within the time prescribed above, or in case of willful neglect to file the return within the period prescribed herein, or in case a false or fraudulent return is willfully made, there shall be added to the tax or to the deficiency tax, in case any payment has been made on the basis of the return before the discovery of the falsity or fraud, the corresponding surcharges provided in Section 268 of this Code."

Section 324 of this Code is hereby further amended to read as follows:

SEC. 46. Section 324. Preservation of books of accounts and other accounting records.—All the books of accounts including the subsidiary books, and other accounting records of corporations, partnership, or persons shall be preserved by them for a period beginning from the last entry in each book until the last day prescribed by Section 318 within which the Commissioner is authorized to make an assessment. The said books and records shall be subject to examination and inspection by internal revenue officers: Provided, That for income tax purposes, such examination and inspection shall be made only once in a taxable year, except in the following cases:

- (a) Fraud, irregularity or mistakes as determined by the Commissioner;
- (b) The taxpayer requests reinvestigation;
- (c) Verification of compliance with withholding tax laws and regulations;
- (d) Verification of capital gains tax liabilities; and
- (e) In the exercise of the Commissioner's power under Section 7 (b) to obtain information from other persons, in which case, another or separate examination and inspection may be made. Examination and inspection of books of accounts and other accounting records shall be done in the taxpayer's office or place of business or in the office of the Bureau of Internal Revenue. All corporations, partnerships or persons that retire from business shall, within ten days from the date of retirement or within such period of time as maybe allowed by the Commissioner in special cases, submit their books of accounts, including the subsidiary books and other accounting records to the Commissioner or any of his deputies for examination, after which they shall be returned. Corporations and partnerships contemplating dissolution must notify the Commissioner and shall not be dissolved until cleared of any tax liability."

"Any provision of existing general or special law to the contrary notwithstanding, the books of accounts and other pertinent records of tax-exempt organizations or grantees of tax incentives shall be subject to examination by the Bureau of Internal Revenue for purposes of ascertaining compliance with the conditions under which they have been granted tax exemptions or tax incentives, and their tax liability, if any."

SEC. 47. The Minister of Finance, upon recommendation of the Commissioner of Internal Revenue shall promulgate the necessary rules and regulations for the implementation of this Presidential Decree.

SEC. 48. 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. 49. If for no reason any section or provision of this Decree is declared unconstitutional or invalid, other sections or provisions hereof which are not affected thereby shall continue to be in full force and effect.

SEC. 50. This Decree shall take effect on October 15, 1984: Provided, however, That with respect to the 20% ad valorem tax on fermented liquor under 'Sec. 7 of this Decree, 10% thereof shall be imposed beginning October 15, 1984 and the remaining 10% ad valorem shall apply beginning January 1, 1985: and Provided, further. That the specific tax increases on distilled spirits and cinematographic films under Sec. 6 & 9 of this Decree shall take effect beginning January 1, 1985.

Done in the City of Manila, on this 10th day of October, in the year of Our Lord, nineteen hundred and eighty-four.

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

By the President:

(Sgd.) JUAN C. TUVERA
Presidential Executive Assistant

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