

AN ACT TO PLACE LIFE INSURANCE COMPANIES ON A NEW INCOME TAX BASIS BY AMENDING SECTIONS TWENTY-FOUR AND THIRTY-TWO OF COMMONWEALTH ACT NUMBERED FOUR HUNDRED AND SIXTY-SIX, OTHER...

REPUBLIC ACT NO. 1855, June 22, 1957

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

SECTION 1. Section twenty-four of Commonwealth A Numbered Four hundred and sixty-six, otherwise know as the National Internal Revenue Code, as amended, hereby further amended to read as follows:

"SEC. 24. Rate of Tax on Corporations.—(A) In gene 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 Philippine matter how created or organized, but not including duly registered general copartnerships (compañias 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 per centum upon the amount by which total net income does not exceed one hundred thousand pesos; and

"Twenty-eight per centum upon the amount by such total net income exceeds one hundred j pesos; 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 an 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 defined under Republic Numbered Nine hundred and one, only twenty-five per centum thereof shall be returnable for purposes of the tax imposed by this section.

"(B) 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 Philippines, but not including purely cooperative companies or associations as defined in section two hundred 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 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 paid during the taxable year as are ordinary and necessary in 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 bears the same ratio to such expenses as their total Philippine investment income bears to their total world investment income."

SEC. 2. Section thirty-two of the National Internal Revenue Code, as amended, is here by further amended read as follows:

"SEC. 32. Special provisions regarding income and deductions of insurance companies, whether domestic or foreign.—(a) Special deductions allowed, to insurance companies.—In the case of insurance companies, except domestic life insurance companies and foreign life insurance companies doing business in the Philippines, the net additions, if any, required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts may be deducted from their gross income: Provided, however, That the released reserved be treated as income for year of release.

"(b) Mutual insurance companies.—In the case mutual fire and mutual employers liability and mutual workmen's compensation and mutual casualty insurance companies requiring their members to make premium deposits to provide for losses and expenses, said companies shall not return as income any portion of the premium deposits returned to their policy-holders, but shall return as taxable income all income received by them from all other sources plus such portion of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and re-insurance reserve.

"(c) Mutual marine insurance companies.—Mutual marine insurance companies shall include in their return of income gross premiums collected and received by them less amounts paid for re-insurance, but shall be entitled to include in deductions from gross income amounts repaid to policy-holders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment thereof and the payment thereof.

"(d) Assessment insurance companies.—In the case of assessment insurance companies, whether domestic or foreign, the actual deposit of sums with the officers of the Government of the Philippines pursuant to law, as additions to guarantee or reserve funds, shall be treated as payments required by law to reserve funds."

SEC. 3. This Act shall take effect upon its approval.

Approved, June 22, 1957.

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