

AMENDING CERTAIN SECTIONS OF THE NATIONAL INTERNAL REVENUE CODE.

PRESIDENTIAL DECREE NO. 69[1], November 24, 1972

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WHEREAS, prior to the promulgation of Proclamation No. 1081, dated September 21, 1972, there were pending in Congress certain priority measures vital to the national development programs of the Government, one of which was the Omnibus Tax Bill for 1972;

WHEREAS, the Omnibus Tax Bill for 1972 is designed to institute basic reforms in our antiquated tax system by simplifying tax incentive policies, increasing the financial resources of the Government, making it a more effective tool for redistribution of income and wealth and keeping it in step with modernization;

WHEREAS, there are provisions of the National Internal Revenue Code which need to be revised but were not included in the said bill;

WHEREAS, it is imperative to adopt these proposed measures to make the tax system more responsive to the requirements of a developing economy, foremost of which is the speedy restructuring of the social, economic and political institutions of the country;

NOW, THEREFORE, I, FERDINAND E. MARCOS, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, in order to transform the tax system into an effective tool for the implementation of the desired changes and reforms in our society, do hereby order and decree that the said amendments to the National Internal Revenue Code be adopted, as it is hereby adopted, and made part of the law of the land.

SECTION 1. Certain sections of Title I of the National Internal Revenue Code, as amended, are hereby further amended, and a new Section 8-A is hereby inserted, to read as follows:

TITLE I—ORGANIZATION OF THE BUREAU

SEC. 3. Powers and duties of Bureau. — The powers and duties of the Bureau of Internal Revenue shall comprehend the assessment and collection of all national internal revenue taxes, fees, and charges, and the enforcement of all forfeitures, penalties, and fines connected therewith, including the execution of judgments in all cases decided in its favor by the Court of Tax Appeals and the ordinary courts. Said Bureau shall also give effect to and administer the supervisory and police power conferred to it by this Code or other laws.

SEC. 4. Specific provisions to be contained in regulations. — The regulations of the Bureau of Internal Revenue shall, among other things, contain provisions specifying, prescribing, or defining:

- The time and manner in which provincial treasurers shall canvass their provinces for the purpose of discovering persons and properly liable to national internal revenue taxes, and the manner in which their lists and records of taxable persons and taxable objects shall be made and kept.

- The forms of labels, brands, or marks to be required on goods subject to a specific tax, and the manner in which the labeling, branding, or marking shall be effected.
- The conditions under which and [he manner in which goods intended for export, which if not exported would be subject to a specific tax, shall be labelled, branded, or marked.
- The conditions to be observed, by revenue officers, provincial fiscals, and other officials respecting the institution and conduct of legal actions and proceedings.
- The manner in which persons authorized to have and keep prohibited drugs shall keep their records relating to the same.
- The conditions under which opium may be imported, the manner of its storage and removal for use, as well as the manner in which the same shall be marked or labelled prior to removal.
- The conditions under which prohibited drugs may be transferred from the possession of persons authorized to have and keep the same to the possession of other persons similarly authorized.
- The conditions under which goods intended for storage in bonded warehouses shall be conveyed thither, their manner of storage, and the method of keeping the entries and records in connection therewith, also the books to be kept by storekeepers and the reports to be made by them in connection with their supervision of such houses.
- The conditions under which alcohol intended for use in the arts and industries may be removed and dealt in, the character and quantity of the denaturing material to be used, the manner in which the process of denaturing shall be effected, the bonds to be given, the books and records to be kept, the entries to be made therein, the reports to be made to the Commissioner of Internal Revenue, and the signs to be displayed in the business or by the person for whom such denaturing is done or by whom such alcohol is dealt in.
- The manner in which revenue shall be collected and paid, the instrument, document, or object to which revenue and science stamps shall be affixed, any provision of Republic Act Numbered 5448 to the contrary notwithstanding, the mode of cancellation of the same, the manner in which the proper books, records, invoices, and other papers shall be kept and entries therein made by the person subject to the tax, as well as the manner in which licenses and stamps shall be gathered up and returned after serving their purposes.
- The conditions to be observed by revenue officers, provincial fiscals, and other officials respecting the enforcement of Title III imposing a tax on estates, inheritances, legacies, and other acquisitions mortis causa as well as on gifts and such other rules and prohibitions which the Commissioner of Internal Revenue may consider suitable for the enforcement of the said Title III.
- The manner in which income tax returns, information, and reports shall be prepared and reported and the tax collected and paid, as well as the conditions under which evidence of payment shall be furnished the taxpayer, and the preparation and publication of income tax statistics.
- The manner in which internal revenue taxes such as income tax, estate and gift taxes, specific taxes, percentage taxes, mining taxes, taxes on banks, finance companies, insurance companies, franchise taxes, taxes on amusements, charges on forest products and such other taxes as may be added thereto shall be paid through the collection agents of the Bureau of Internal Revenue or through authorized agent commercial banks who are hereby deputized to receive payments of such taxes and the returns, papers and statements that may be filed by the taxpayers in connection with the payment of the tax.

SEC. 8. Internal revenue districts. — With the approval of the Secretary of Finance, the Commissioner of Internal Revenue shall divide the Philippines into such number of revenue districts as may from time to time be required

for administrative purposes. Each of these districts shall be under the supervision of a Revenue District Officer.

SEC. 8-A. Revenue Regional Director. — Under rules and regulations, policies and standards formulated by the Commissioner of Internal Revenue, the Regional Director shall, within the region and district offices under his jurisdiction, among others:

- Implement laws, policies, plans, programs, rules and regulations of the department or agencies in tile regional area;
- Administer and enforce, internal revenue laws and regulations, including the assessment and collection of all internal revenue taxes, charges and fees;
- Provide economical, efficient and effective service to the people in the area;
- Coordinate with regional offices or other departments, bureaus, and agencies in the area;
- Coordinate with local government units in the area;
- Exercise control and supervision over the officers and employees within the region; and
- Perform such other functions as may be provided by law and as may be delegated by the Commissioner.

SEC. 9. Duties of Revenue District Officer, and otter internal revenue officers. — It shall be the duty of every Revenue District Officer or other internal revenue officers and employees to see that all laws and regulations affecting national internal revenues are faithfully executed and complied with, and to aid in the prevention, detection and punishment of frauds or delinquencies in connection therewith.

It shall also be the duty of every Revenue District Officer to examine into the efficiency of all officers and employees of the Bureau of Internal Revenue under his supervision, and to report in writing to the Commissioner of Internal Revenue, through the Regional Director, any neglect of duty, incompetency, delinquency, or malfeasance in office of any internal revenue officer of which he may obtain knowledge, with a statement of all the facts and any evidence sustaining each case.

SEC. 11. Assignment of internal revenue officers. — The Commissioner of Internal Revenue shall employ and assign internal revenue officers to regional offices and the Regional Director shall assign them to establishments or places where articles subject to specific tax are produced or kept.

SEC. 16. Authority of officers to administer oaths and take testimony. — The Commissioner of Internal Revenue, the Deputy Commissioners of Internal Revenue, chiefs and assistant chiefs of divisions, special deputies of the Commissioner, internal revenue officers and any other employee of the Bureau thereunto especially deputed by the Commissioner shall have power to administer oaths and to take testimony in any official matter or investigation conducted by them touching any matter within the jurisdiction of the Bureau,

TITLE II-INCOME TAX

SEC. 2. Certain sections of Title II of the same Code, as amended, arc hereby further amended to read as follows:

SEC. 21. Rates of tax on citizens or residents. — A tax is hereby imposed upon the taxable net income received during each taxable year from all sources by every individual, whether a citizen of the Philippines, residing therein or an alien residing in the Philippines, determined in accordance with the following schedule: Provided, however, That nonresident citizens shall be subject to tax under this schedule only on income derived by them from sources within the Philippines.

Not over P2,000

3%

Over

P

2,000

but not over

P

4,000

P

60 plus 6% of excess over

P

2,000

Over

P

4,000

but not over

P

6,000

P

180 plus 9% of excess over

P

4,000

Over

P

6,000

but not over

P

8,000

P

360 plus 12% of excess over

P

6,000

Over

P

8,000

but not over

P

10,000

P

600 plus 14% of excess over

P

8,000

Over

P

10,000

but not over

P

12,000

P

880 plus 16% of excess over

P

10,000

Over

P

12,000

but not over

P

14,000

P

1,200 plus 18% of excess over

P

12,000

Over

P

14,000

but not over

P

16,000

P

1,560 plus 20% of excess over

P

14,000

Over

P

16,000

but not over

P

18,000

P

1,960 plus 22% of excess over

P

16,000

Over

P

18,000

but not over

P

20,000

P

2,400 plus 24% of excess over

P

18,000

Over

P

20,000

but not over

P

24,000

P

2,880 plus 27% of excess over

P

20,000

Over

P

24,000

but not over

P

28,000

P

3,960 plus 30% of excess over

P

24,000

Over

P

28,000

but not over

P

32,000

P

5,160 plus 33% of excess over

P

28,000

Over

P

32,000

but not over

P

36,000

P

6,400 plus 36% of excess over

P

32,000

Over

P

36,000

but not over

P

40,000

P

7,920 plus 39% of excess over

P

36,000

Over

P

40,000

but not over

P

46,000

P

9,480 plus 42% of excess over

P

40,000

Over

P

46,000

but not over

P

52,000

P

12,000 plus 44% of excess over

P

46,000

Over

P

52,000

but not over

P

58,000

P

14,640 plus 46% of excess over

P

52,000

Over

P

58,000

but not over

P

64,000

P

17,400 plus 48% of excess over

P

58,000

Over

P

64,000

but not over

P

70,000

P

20,280 plus 50% of excess over

P

64,000

Over

P

70,000

but not over

P

78,000

P

23,280 plus 52% of excess over

P

70,000

Over

P

78,000

but not over

P

86,000

P

27,440 plus 54% of excess over

P

78,000

Over

P

86,000

but not over

P

94,000

P

31,760 plus 56% of excess over

P

86,000

Over

P

94,000

but not over

P

102,000

P

36,240 plus 57% of excess over

P

94,000

Over

P

102,000

but not over

P

110,000

P

40,800 plus 58% of excess over

P

102,000

Over

P

110,000

but not over

P

120,000

P

45,440 plus 50% of excess over

P

110,000

Over

P

120,000

but not over

P

130,000

P

51,340 plus 60% of excess over

P

120,000

Over

P

130,000

but not over

P

140,000

P

57,340 plus 61% of excess over

P

130,000

Over

P

140,000

but not over

P

150,000

P

63,440 plus 62% of excess over

P

140,000

Over

P

150,000

but not over

P

160,000

P

69,640 plus 63% of excess over

P

150,000

Over

P

160,000

but not over

P

180,000

P

75,940 Plus 64% of excess over

P

160,000

Over

P

180,000

but not over

P

200,000

P

88,740 plus 65% of excess over

P

180,000

Over

P

200,000

but not over

P

250,000

P

101,740 plus 66% of excess over

P

200,000

Over

P

250,000

but not over

P

300,000

P

134,740 plus 67% of excess over

P

250,000

Over

P

300,000

but not over

P

400,000

P

168,240 plus 68% of excess over

P

300,000

Over

P

400,000

but not over

P

500,000

P

236,240 plus 69% of excess over

P

400,000

Over

P

500,000

P

305,240 plus 70% of excess over

P

500,000

Provided, further, That on the income of nonresident citizens from all sources without the Philippines, there is hereby imposed a tax on the gross amount of such income determined as follows:

Most over \$6,000

1%

Over \$6,000 but not over \$20,000

2%

Over \$20,000

3%

Provided, still further, That for purposes of this section, a nonresident citizen is one who establishes to the satisfaction of the Commissioner the fact of his physical presence abroad for an uninterrupted period which includes an entire taxable year.

SEC. 22. Tax on nonresident alien individuals. —(a) Nonresident 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 nonresident alien individual engaged in trade or business within the Philippines the tax imposed by Section twenty-one: Provided, That for purposes of this Title, a nonresident alien individual who shall come to the Philippines and stay therein for an aggregate period of more than one hundred eighty days during any calendar year shall be deemed a nonresident alien doing business in the Philippines, the provision of Section eighty-four (f) of this Code to the contrary notwithstanding.

(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, remuneration, emoluments, or other fixed or determinable annual or periodical or casual gains, profits and income, and capital gains, a tax equal to thirty per centum of such income.

SEC. 23. Amount of personal exemptions allowable to individuals. — For the purpose of the tax provided for in this Title, there shall be allowed in the nature of a deduction from the amount of net income the following personal exemptions:

- Personal exemption of single individuals. — The sum of one thousand eight hundred pesos, if the person making the return is a single person or a married person legally separated from his or her spouse.
- Personal exemptions 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-one years of age, unmarried, and not gainfully employed, or where such children are incapable of self-support because mentally or physically defective.
- Additional exemption for dependents. — The sum of one thousand pesos of each legitimate, recognized natural, or adopted child, wholly dependent upon and living with the taxpayer if such dependents are not more than twenty-one 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: Provided, however, That the total number of dependents for which additional exemptions may be claimed shall not exceed four dependents.
- Change of status. — If the taxpayer married or should have additional dependents as defined in subsection (c) above during the taxable year the taxpayer may claim the corresponding personal exemptions in full for such year.

If the taxpayer should die during the taxable year, his estate may still claim the personal and additional deductions

for himself and his dependents as if he died at the close of such year.

If the spouse or any of the dependents should die or become twenty-one years old during the taxable year, the taxpayer may still claim the same exemptions as if they died, or as if such dependents became twenty-one years old at the close of such year.

- Personal exemptions allowable to a nonresident alien individual. — A nonresident alien individual engaged in trade or business in the Philippines shall be entitled to personal exemption in an amount equal to the exemptions allowed by the income tax law in the country of which he is a subject or citizen to citizens of the Philippines not residing in such country, but not to exceed the amount fixed in this section as exemption for citizens or residents of the Philippines: Provided, That said nonresident alien file a true and accurate return of the total income received by him from all sources in the Philippines, as required by this Title.

SEC. 24. Rates of Tax on corporations. —

- Tax on domestic corporations. — A tax is hereby imposed upon the taxable net income received during each 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 co-partnership (companias colectivas), general professional partnerships, private educational institutions, and building and loan associations, in accordance with the following: Twenty-five per cent upon the amount by which the taxable net income does not exceed one hundred thousand pesos; and

Thirty-five per cent upon the amount by which the taxable net income exceeds one hundred thousand pesos.

Private educational institutions other than those exempt under Section 21 (e) of this Code Shall pay a tax of ten per cent of their taxable net income.

Building and loan associations operating in accordance with the General Banking Act shall pay a tax of twelve per cent of their taxable net income,

- Tax on foreign corporations. —

- Nonresident corporations. — A foreign corporation not engaged in trade or business in the Philippines including a foreign life insurance company not engaged in the life insurance business in the Philippines shall pay a tax equal to thirty-five per cent of the gross income received during each taxable year from all sources within the Philippines, as interest, dividends, rents, royalties, salaries, wages, premiums, annuities, compensations, remunerations for technical services or otherwise, emoluments or other fixed or determinable annual, periodical or casual gains, profits, and income, and capital gains; Provided, however, That premiums shall not include reinsurance premiums: Provided, further, That cinematographic film owners, lessors or distributors shall pay a tax of fifteen per cent of their gross income.

- Resident corporations. — A corporation organized, authorized, or existing under the laws of any foreign country, engaged in trade or business within the Philippines, shall be taxable as provided in subsection (a) of this section upon the total net income received in the preceding taxable year from all sources within the Philippines: Provided, however, That international carriers shall pay a tax of two and one-half per cent on their gross Philippine billings.

- Rates of tax on life insurance companies. — Life insurance companies shall be taxable as provided in this subsection or under subsections (a) or (b), as the case may be, whichever will result in a higher tax.

- Domestic life insurance companies. — A tax is hereby imposed upon the net investment income received during each taxable year from all sources, whether from within or outside the Philippines, by every life insurance company organized in, or existing under the laws of, the Philippines, but not including a purely cooperative

company or association as defined in this Code, at the rate of eight and three-fourths per cent upon that income. A domestic life insurance company shall be exempt from income tax for a period of three years from the date of issuance of its certificate of authority.

For purposes of this paragraph, the "net investment income" of a domestic life insurance company is its gross investment income derived from sources within and outside the Philippines, less its investment expenses.

- Foreign life insurance companies. — A foreign life insurance company engaged in the life insurance business in the Philippines shall pay the rate of tax provided in paragraph (1) of this subsection upon the net investment income received during each taxable year from all sources within the Philippines.

For purposes of this paragraph, the "net investment income from all sources within the Philippines" of a foreign life insurance company engaged in the life insurance business in the Philippines is that portion of its gross world investment income which bears the same ratio to that 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 those expenses as their total Philippine investment income bears to their total world investment income.

For purposes of paragraphs (1) and (2) of this subsection, "gross investment income" means income received during the taxable year from rents, dividends, interest, and income from any other business than the life insurance business conducted by the company, including net capital gains as defined in Section 34 of this Code; "investment expenses" means real estate expenses, depreciation (except to the extent that property is used in or connected with its underwriting business), interest paid or accrued within the taxable year on indebtedness (except on indebtedness incurred to purchase or carry obligations the interest upon which is wholly exempt from taxation under existing laws), and such investment expenses paid or accrued during the taxable year as are ordinary and necessary in the conduct of its investment or in the conduct of its business other than the life insurance business.

- The provisions of existing special or general laws to the contrary notwithstanding, all corporate taxpayers not specifically exempt under Sections 24(c) (1) and 27 of this Code shall pay the rates provided in this section. All corporations, agencies, or instrumentalities owned or controlled by the Government, including the Government Service Insurance System and the Social Security System but excluding educational institutions, shall pay such rate of tax upon their taxable net income as are imposed by this section upon associations or corporations engaged in a similar business or industry.

SEC. 29. Gross income. —

- General definition. — "Gross income" includes gains, profits, and income derived from salaries, wages, or compensation for personal services of whatever kind and in whatever form paid, or from professions, vocations, trades, businesses, commerce, sales or dealings in property, whether real or personal, growing out of the ownership or use of or interest in such property; also from interests, rents, dividends, securities, or the transactions of any business carried on for gain or profit, or gains, profits, and income derived from any source whatever.

- Exclusion from gross income. — The following items shall not be included in gross income and shall be exempt from taxation under this Title:

- Life insurance. — The proceeds of life insurance policies paid to beneficiaries upon the death of the insured, whether in a single sum or otherwise, but if such amounts are held by the insurer under an agreement to pay interest thereon, the interest payments shall be included in gross income.

- Amount received by insured as return of premium. — The amount received by the insured, as a return of premium or premiums paid by him under life insurance, endowment, or annuity contracts, either during the term or at the

maturity of the term mentioned in the contract or upon surrender of the contract.

- Gifts, bequests, and devises. — The value of properly acquired by gift, bequests, devise, or descent; but the income from such property shall be included in gross income.

- Interest on Government securities. — Interest upon the obligations of the Government of the Republic of the Philippines or any political subdivision thereof, but in the case of such obligations issued after the approval of this Code, only to the extent provided in the act authorizing the issue thereof.

- Compensation for injuries or sickness. — Amounts received, through Accident or Health Insurance or under Workmen's Compensation Acts, as compensation for personal injuries or sickness, plus the amount of any damages received whether by suit or agreement on account of such injuries or sickness.

- Income exempt under treaty. — Income of any kind, to the extent required by any treaty obligation binding upon the Government of the Philippines.

- Miscellaneous items. —

- Income received from their investments in the Philippines in loans, stock, bonds, or other domestic securities, or from interest on their deposits in banks in the Philippines by (1) foreign governments, (2) financing institutions owned, controlled, or enjoying refinancing from them, and (3) international or regional financing institutions established by governments.

- Income derived from any public utility or from the exercise of any essential governmental function accruing to the Government of the Philippines or to any political subdivision thereof.

- Income derived as rewards under Republic Act Numbered Twenty-three hundred and thirty-eight.

- Dividends received from domestic corporations. — In the case of dividends received by a domestic or resident foreign corporation from a domestic corporation liable to tax under this Code, only twenty-five per cent of such dividends shall be returnable for purposes of the tax imposed by Section twenty-four.

SEC. 30. Deductions from gross income. — In computing net income there shall be allowed as deduction —

- Expenses:

(1) In general. — All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including a reasonable allowance for salaries or other compensation for personal services actually rendered; travelling expenses while away from home in the pursuit of a trade or business, rentals or other payments required to be made as a condition to the continued use or possession, for the purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity.

In the case of an individual, ordinary and necessary entertainment expenses in an amount not in excess of one thousand pesos or five per centum of gross income, whichever is lesser, shall be allowed as deduction. Claims for such ordinary and necessary entertainment expenses in an amount exceeding this allowance shall be duly supported by the corresponding vouchers and/or receipts.

(2) Expenses allowable to citizens or resident individuals. —

(A) Expenses incurred and paid in the Philippines during the taxable year, not compensated for by insurance or otherwise, for medical care of the taxpayer, his spouse, or his dependents as defined in Section twenty-three (c).

- Definition. — For purposes of this subsection, the term "medical care expenses" means amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of diseases, or for the purpose of affecting any structure or

function of the body, but excluding amounts paid for medicines.

- Limitation. — The deduction allowed in this subsection shall not exceed five hundred pesos for the taxpayer and an additional five hundred pesos for the spouse and each dependent as defined in Section twenty-three (c), but not to exceed two thousand pesos in the aggregate.

- Proof of deductions. — In connection with claims for medical care expenses deduction, the taxpayer shall furnish the name and address of each person to whom payment for medical care expenses has been made during the taxable year, as well as the amount and the date of the actual payment thereof in each case. Claims for deductions must be substantiated by a receipt or a statement from the individual to whom or entity to which payment for medical care was paid, showing the nature of the service rendered, the amount paid therefor and the date of actual payment thereof, and such other information as the Commissioner may deem necessary.

(B) Expenses incurred and paid in the Philippines during the taxable year for basic tuition fees of taxpayer's dependents, as defined in Section twenty-three (c), who are studying in high schools.

- Definition. — For purposes of this subsection, the term "basic tuition fees" means amounts paid for the privilege to receive instruction in a high school but does not include matriculation fee, and other miscellaneous fees such as library and athletic fees, laboratory fee, entrance fee, ROTC fee, student council fee, graduation fee and similar fees.

- Limitation. — The deduction allowed in this subsection shall be two hundred fifty pesos for each of the taxpayer's dependents, as defined in Section twenty-three (c), who are studying in high schools but shall not exceed one thousand pesos in the aggregate.

- Proof of deductions. — In connection with claims for basic tuition fees deduction, the taxpayer shall furnish the name and date of birth of each dependent child who incurred the expenses during the taxable year, as well as the amount and the date of actual payment thereof in each case. Claims for deductions must be substantiated by a receipt or statement of the school to which payment for basic tuition fees was made, showing the total school fees paid, as well as a breakdown of such fees, and such other information as the Commissioner may deem necessary.

(3) Expenses allowable to nonresident alien individuals and foreign corporations. — In the case of a nonresident alien individual or a foreign corporation, the expenses deductible are the necessary expenses paid or incurred in carrying on any business or trade conducted within the Philippines exclusively.

- Interest:

- In general. — The amount of interest paid within the taxable year on indebtedness, except on indebtedness incurred or continued to purchase or carry obligations the interest upon which is exempt from taxation as income under this Title.

- Interest allowable to nonresident aliens. — In the case of a nonresident alien individual or a foreign corporation, the amount of interest allowable is the proportion of the amount of interest paid within the year on indebtedness, except on indebtedness incurred or continued to purchase or carry obligations, the interest upon which is wholly exempt from taxation as income under this Title, which the gross amount of income for the year derived from sources within the Philippines bears to the gross amount of income derived from all sources within and without the Philippines; but this deduction shall be allowed only if such nonresident alien individual or foreign corporation includes in the return required by this Title all the information necessary for its calculation.

- Taxes:

- In general.— Taxes paid or accrued within the taxable year, except —

- The income tax provided for under this Title;
- Income, war profits, and excess-profits taxes imposed by the authority of any foreign country; but this deduction shall be allowed in the case of a taxpayer who does not signify in his return his desire to have to any extent the benefits of paragraph (3) of this subsection (relating to credit for taxes of foreign countries);
- Estate, inheritance and gift taxes; and
- Taxes assessed against local benefits of a kind tending to increase the value of the property assessed.
- Limitations on deductions. —
- In the case of a nonresident alien individual and a foreign corporation, the deductions for taxes provided in paragraph (1) of this subsection (c) shall be allowed only if and to the extent that they are connected with income from sources within the Philippines; and
- In the case of a citizen of a foreign country residing in the Philippines whose income from source within such foreign country is not taxable under this Title, only first portion of the taxes paid to such foreign country which corresponds to his net income taxable under this Title shall be allowed as deduction.
- Credit against tax for taxes of foreign countries. — If the taxpayer signifies in his return his desire to have the benefits of this paragraph, the tax imposed by this Title shall be credited with —
- Citizen and domestic corporation. — In the case of a citizen of the Philippines and of a domestic corporation, the amount of any income, war-profits, and excess-profits taxes paid or accrued during the taxable year to any foreign country;
- Alien resident of the Philippines. — In the case of an alien resident of the Philippines, the amount of any such taxes paid or accrued during the taxable year to any foreign country, if the foreign country of which such alien resident is a citizen or subject, in imposing such taxes, allows a similar credit to citizens of the Philippines residing in such country; and
- Partnerships and estates. — In the case of any such individual who is a member of a partnership or a beneficiary of an estate or trust, his proportionate share of such taxes of the partnership or the estate or trust paid or accrued during the taxable year to a foreign country, if his distributive share of the income of such partnership or trust is reported for taxation under this Title.
- Nonresident aliens and foreign corporations. — Nonresident alien individuals and foreign corporations shall not be allowed the credits against the tax for the taxes of foreign countries allowed under this paragraph.
- Limitations on credit. — The amount of the credit taken under this section shall be subject to each of the following limitations:
 - The amount of the credit in respect to the tax paid or accrued to any country shall not exceed the same proportion of the tax against which such credit is taken, which the taxpayer's net income from sources within such country taxable under this Title bears to his entire net income for the same taxable year; and
 - (B) The total amount of the credit shall not exceed the same proportion of the tax against which such credit is taken, which the taxpayer's net income from sources without the Philippines taxable under this Title bears to his entire net income for the same taxable year.
- Adjustments on payment of accrued taxes.— If accrued taxes when paid differ from the amounts claimed as credits by taxpayer, or if any tax paid is refunded in whole or in part, the taxpayer shall notify the

Commissioner of Internal Revenue, who shall redetermine the amount of the tax for the year or years affected, and the amount of tax due upon such determination, if any, shall be paid by the taxpayer upon notice and demand by the Commissioner, or the amount of tax overpaid, if any, shall be credited or refunded to the taxpayer. In the case of such a tax accrued but not paid, the Commissioner as a condition precedent to the allowance of this credit may require the taxpayer to give a bond with sureties satisfactory to and to be approved by the Commissioner in such sum as he may require, conditioned upon the payment by the taxpayer of any amount of tax found due upon any such redetermination. The bond herein prescribed shall contain such further conditions as the Commissioner may require

- Year in which credit taken. — The credits provided for in paragraph (3) of this subsection may, at the option of the taxpayer and irrespective of the method of accounting employed in keeping his books, be taken in the year in which the taxes of the foreign country accrued, subject, however, to the conditions prescribed in paragraph five of this subsection. If the taxpayer elects to take such credits in the year in which the taxes of the foreign country accrued, the credits for all subsequent years shall be taken upon the same basis, and no portion of any such taxes shall be allowed as a deduction in the same or any succeeding year.

- Proof of credits. — The credits provided in paragraph (3) of this subsection shall be allowed only if the taxpayer establishes to the satisfaction of the Commissioner (1) the total amount of income derived from sources without the Philippines, (2) the amount of income derived from each country, the tax paid or accrued to which is claimed as a credit under said paragraph, such amount to be determined under rules and regulations prescribed by the Secretary of Finance, and (3) all other information necessary for the verification and computation of such credits.

- Taxes of foreign subsidiary. — For the purposes of this subsection a domestic corporation which owns a majority of the voting stock of a foreign corporation from which it receives dividends in any taxable year shall be deemed to have paid the same proportion of any income, war-profits, or excess-profits taxes paid by such foreign corporation to any foreign country, upon or with respect to the accumulated profits of such foreign corporation from which such dividends were paid, which the amount of such dividends bears to the amount of such accumulated profits: Provided, That the amount of tax deemed to have been paid under this subsection shall in no case exceed the same proportion of the tax against which credit is taken which the amount of such dividends bears to the amount of the entire net income of the domestic corporation in which such dividends are included. The term "accumulated profits" when used in this subsection in reference to a foreign corporation means the amount of its gains, profits, or income in excess of the income, war-profits and excess-profits taxes imposed upon or with respect to such profits or income; and the Commissioner of Internal Revenue shall have full power to determine from the accumulated profits of what year or years such dividends were paid; treating dividends paid in the first sixty days of any year as having been paid from the accumulated profits of the preceding year or years (unless to his satisfaction shown otherwise), and in other respects treating dividends as having been paid from the most recently accumulated gains, profits, or earnings. In the case of a foreign corporation, the income, war-profits, and excess-profits taxes of which are determined on the basis of an accounting period of less than one year, the word "year" as used in this subsection shall be construed to mean such accounting period.

- Taxes of shareholder paid by corporation. — The deduction for taxes allowed by subsection (c) shall be allowed to a corporation in the case of taxes imposed upon a shareholder of the corporation upon his interest as shareholder which are paid by the corporation without reimbursement from the shareholder, but in such cases no deduction shall be allowed the shareholder for the amount of such taxes.

- Losses:

(1) By individuals. — In the case of an individual, losses actually sustained during the taxable year and not

compensated for by insurance or otherwise —

- (A) If incurred in trade or business; or
- (B) If incurred in any transaction entered into for profit, though not connected with the trade or business; or
- (C) Of properly not connected with the trade or business, if the loss arises from fires, storms, shipwreck, or other casualty, or from robbery, theft, or embezzlement. No loss shall be allowed as a deduction under this paragraph if at the time of the filing of the return such loss has been claimed as a deduction for estate or inheritance tax purposes in the estate or inheritance tax return

(2) By corporations. — In the case of a corporation, all losses actually sustained and charged off within the taxable year and not compensated for by insurance or otherwise.

(3) By nonresident aliens of foreign corporations. — In the case of a nonresident alien individual or a foreign corporation, the losses deductible are those actually sustained during the year incurred in business or trade conducted within the Philippines, and losses of property within the Philippines arising from fires, storms, shipwrecks, or other casualty, and from robbery, theft, or embezzlement, and losses actually sustained during the year in transactions entered into for profit in the Philippines although not connected with their business or trade, when such losses are not compensated for by insurance other wise.

(4) Capital losses. —

(A) Limitation. — Losses from sales or exchange of capital assets shall be allowed only to the extent provided in Section 34.

(B) Securities becoming worthless.— If any securities as defined in Section 84 become worthless during the taxable year, and are capital assets, the loss resulting therefrom shall, for the purposes of this Title, be considered as a loss from the sale or exchange, on the last day of such taxable year, of capital assets.

(5) Losses on wash sales of stock or securities. — Losses on "wash sales" of stock or securities as provided in Section 33.

(6) Wagering losses. — Losses from wagering transactions shall be allowed only to the extent of the gains from such transactions.

- Bad debts:

(1) In general. — Debts due to the taxpayer actually ascertained to be worthless and charged off within the taxable year.

(2) Bad debts deductible by nonresident aliens or foreign corporations. —In the case of a nonresident alien individual or a foreign corporation, bad debts are deductible if they have arisen in the course of business or trade conducted within the Philippines and actually ascertained to be worthless and charged off within the year.

(3) Securities becoming worthless. — If any securities as defined in Section eighty-four are ascertained to be worthless and charged off within the taxable year and are capital assets, the loss resulting therefrom shall, in the case of a taxpayer other than a bank or trust company incorporated under the laws of the Philippines a substantial part of whose business is the receipt of deposits, for the purposes of this Title, be considered as a loss from the sale or exchange, on the last day of such taxable year, of capital assets.

- Depreciation:

(1) In general. — A reasonable allowance for deterioration of property arising out of its use or employment in the business or trade, or out of its not being used: Provided, That when the allowance authorized under this subsection shall equal the capital invested by the taxpayer or, in case of purchase made prior to March first, nineteen hundred

and thirteen, the fair market value as of that date, no further allowance shall be made. In the case of property held by one person for life with remainder to another person, the deduction shall be computed as if the life tenant were the absolute owner of the property and shall be allowed to the life tenant. In the case of property held in trust, the allowable deduction shall be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the instrument creating the trust, or, in the absence of such provisions, on the basis of the trust income allocable to each.

(2) Depreciation deductible by nonresident alien or foreign corporations. — In the case of a nonresident alien individual or a foreign corporation, a reasonable allowance for the deterioration of property arising out of its use or employment or its nonuse in the business or trade shall be permitted only when such property is located within the Philippines.

- Depletion of oil and gas wells and mines:

(1) In general. — Based on the following percentages, there shall be a depletion allowance based on the gross income but in no case to exceed thirty-five per centum of the net income or of the net profit, whichever is lower for the calendar year 1973 and fiscal year beginning July 1, 1973 and twenty-five per centum for the calendar year 1974 and fiscal year beginning July 1, 1974: Provided, however, That the percentage depletion allowance based on gross income shall be the percentage of the gross income after an amount equal to any rents or royalties paid or incurred by the taxpayer in respect to the property has been deducted therefrom:

(A) Twenty-seven and one-half per cent for oil and gas wells;

(B) Twenty-three per cent for mines of

(1) Chromite, copper, gold, iron, manganese, mercury, nickel, and silver, and

(2) Anorthosite (to the extent that aluminum and aluminum compounds are extracted therefrom), antimony, asbestos, bauxite, beryl, bismuth, brucite, cadmium, celestite, coal, cobalt, columbium, corundum, flourspar, germanium, graphite, ilmenite, kyanite, lead, lignite, lithium, marble, mercury, mica, molybdenum, olivine, platinum and platinum group metals, quartz crystal (radio grade), rutile, talc, tantalum, thorium, tin, titanium, tungsten, uranium, vanadium, zinc, and zircon; and

(C) Fifteen per cent for mines of

(1) Ball, brick, china, sagger, and tile clay, bentonite, mollusks shells (including clam shells and oyster shells), peat, perlite, pumice scoria, shale, sodium chloride, and wallastonite.

(2) If from brine wells-bromine, calcium chloride and magnesium chloride.

(3) All other minerals including, but not limited to, aplite, barite, borax, calcium carbonates, refractory and fire clay, diatomaceous earth, dolomite, feldspar, fullers earth, garnet, gilsonite, granite, lepidolite, limestone, magnesite, magnesium carbonates, phosphate rock, potash pyrophyllite, quartzite, slate, soapstone, spodumene stone (use or sold for use by the mine owner or operator as dimension stone or ornamental stone), thenardite, tripoli, trona, and for purposes of this paragraph, the term "all other minerals" does not include —

(a) Gravel, sand and stone in loose formation used in construction purposes, soil, sod, dirt, turf, water, or mosses, and

(b) Minerals from sea water, the air, or similar inexhaustible sources. Beginning calendar year 1975 and fiscal year beginning July 1, 1975, depletion allowance shall be in accordance with the following:

(1) In general. —(A) In the case of oil and gas wells, a reasonable allowance for actual reduction in flow and production to be ascertained not by the flush flow, but by the settled: production or regular flow;(B) In the case of mines, a reasonable allowance for depletion thereof not to exceed the market value in the mine of the product

thereof, which has been mined and sold during the year for which the return and computation are made. The allowances shall be made under rules and regulations to be prescribed by the Secretary of Finance: Provided, That when the allowances shall equal the capital invested, no further allowance shall be made.

(2) Depletion of oil and gas wells and mines deductible by a nonresident alien individual or foreign corporation. — in the case of a nonresident alien individual or a foreign corporation, allowance for depletion of oil and gas wells or mines under paragraph (1) shall be authorized only in respect to oil and gas wells or mines located within the Philippines.

- Charitable and other contributions. — Contributions or gifts actually paid or made within the taxable year to or for the use of the Government of the Philippines or any political subdivision thereof for exclusively public purposes, or to domestic corporations or associations organized and operated exclusively for religious, charitable, scientific, athletic, cultural, or educational purposes or for the rehabilitation of veterans, or to societies for the prevention of cruelty to children or animals, no part of the net income of which inures to the benefit of any private stockholder or individual to an amount not in excess of six per centum in the case of an individual, and three per centum in the case of a corporation, of the taxpayer's taxable net income as computed without the benefit of this paragraph.

Notwithstanding the foregoing, the following donations shall be deductible in full and shall not be included for purposes of computing the maximum amount deductible under the preceding paragraph:

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Any donation made to any school, college or university recognized by the Government either for general or special purposes: Provided, That said donation is not for payment or granting of a salary increase, bonus, or personal benefits to any or all of the school officials, faculty, and personnel in case of a public school or to any of its stockholders, school officials, faculty, and personnel in case of private schools.

- Donations to the Artesian Well Fund as provided in Republic Act Numbered Nine hundred seventy-seven.

- Donations to the International Rice Research Institute as provided in Republic Act Numbered Two thousand seven hundred seven.

- Donations to the National Science Development Board and its agencies and to public or recognized private educational institutions, and scientific and research foundations, as provided in Republic Act Numbered Three thousand five hundred eighty-nine.

- Donations to the Ramon Magsaysay Award Foundation, as provided in Republic Act Numbered Three thousand six hundred seventy-six.

- Donations to the University of the Philippines and other state colleges and universities subject to the same limitations in paragraph one above.

- Donations to the Philippine Rural Reconstruction Movement.

- Donations to the Catholic Relief Services-NCWC, and the Tools for Freedom Foundation as provided in Republic Act Numbered Four thousand four hundred eighty-one.

- Donations to the Cultural Center of the Philippines.

- Donations to the Philippine Amateur Athletic Federation.

- Donations to the Trustees of the Press Foundation of Asia, Inc.

- Donations to the National Commission on Culture.
- Donations to the Humanitarian Science Foundation.
- Donations to Roxas Education and Welfare Committee, Inc.

The provisions of existing special laws to the contrary notwithstanding, all other contributions or donations shall be subject to the limitations provided in the first paragraph of this subsection.

Such contribution or gifts shall be allowable as deductions only if verified under rules and regulations prescribed by the Secretary of Finance.

- Conditions under which a nonresident alien individual may receive benefit of deductions. — A nonresident alien individual shall receive the benefit of the deductions provided for in this section only by filing or causing to be filed with the Commissioner of Internal Revenue a true and accurate return of his total income, received from all sources, corporate or otherwise, in the Philippines, in the manner prescribed by this Code; and in case of his failure to file such return the Commissioner of Internal Revenue shall collect the tax on such income.

- Pension trusts. — General rule. — An employer establishing or maintaining a pension trust to provide for the payment of reasonable pensions to his employees shall be allowed as a deduction (in addition to the contributions to such trusts during the taxable year to cover the pension liability accruing during the year, allowed as a deduction under subsection (a) of this section) a reasonable amount transferred or paid into such trust during the taxable year in excess of such contributions, but only if such amount (1) has not theretofore been allowable as a deduction, and (2) is apportioned in equal parts over a period of ten consecutive years beginning with the year in which the transfer or payment is made.

- Optional standard deduction. — In lieu of the deductions allowed under this section an individual, other than a non-resident alien, may elect a standard deduction. Such optional standard deduction shall be in the amount of five thousand pesos or in an amount equal to ten per centum of his gross income, whichever is the lesser. Unless the taxpayer signifies in his return his intention to elect the optional standard deduction, he shall be considered as having availed himself of the deductions allowed in the preceding subsection. The Secretary of Finance shall prescribe the manner of the election. Such election when made in the return shall be irrevocable for the taxable year for which the return is made.

(1) Standard deduction for working wife. — If the gross income reported in the return filed by the taxpayer includes that received by his wife, a standard deduction of ten per cent of the gross income received by his wife but not exceeding P500 shall be allowed as deduction from their combined gross income, regardless of whether the taxpayer uses the itemized deductions under subsections (a) to (j), or the optional standard deduction under subsection (k), of this section.

SEC. 45. Individual returns. —(a) Requirements. —(1) The following individuals are required to file an income tax return, if they have a gross income of at least one thousand eight hundred pesos for the taxable year:

- (A) Every Filipino citizen, whether residing in the Philippines or abroad and
 - (B) Every alien residing in the Philippines, regardless of whether the gross income was derived from sources within or outside the Philippines.
- (2) Regardless of amount, every nonresident alien engaged in trade or business in the Philippines shall file an income tax return.
- (3) Notwithstanding the provisions of the preceding paragraph, a Filipino citizen, whether residing in the Philippines or abroad, or a resident alien, or a nonresident alien engaged in trade or business in the Philippines,

shall file an income tax return if he falls under any of the following categories, regardless of whether he derives any income or not for the taxable year if, during that taxable year, he —

- (A) Is an official or employee of the Government or has a contract with the Government of the Republic of the Philippines, or any of its agencies or instrumentalities, including Government-owned or controlled corporations, regardless of the nature of his appointment or duration of his employment;
- (B) Is a professionals defined herein below;
- (C) Is a registered or beneficial owner or mortgagee of any real property;
- (D) Is a registered or beneficial owner, or mortgagee of any motor vehicle;
- (E) Is a registered or beneficial owner, or mortgagee of any share of stock or security of a corporation, or any interest in a firm or partnership;
- (F) Has travelled abroad, except children below eighteen years of age;
- (G) Has filed a certificate of candidacy for any public office except barrio officials and municipal councilors;
- (H) Is engaged in trade or commerce.

For purposes of this section, an individual is deemed a professional if, during a taxable year, he passes any government examination for the practice of a profession given by a board examiners or by the Supreme Court, or remains a registered member of any profession covered by such examination, regardless of whether or not, during that taxable year he actually practices his profession.

The income tax return shall be filed in duplicate, and shall set forth specifically the gross amount of income from all sources, except that of nonresident aliens engaged in trade or business in the Philippines which shall contain only such incomes derived from sources within the Philippines.

(b) Where to file. — The return shall be filed with the Commissioner, Regional Director, Revenue District Officer, Collection Agent, duly authorized treasurer of the municipality, or authorized agent banks in which such person has his legal residence or place of business in the Philippines, or if there is no legal residence or place of business in the Philippines, then with the Commissioner in Manila.

(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.

(d) Husband and wife. — In the case of married persons whether citizens, resident or nonresident aliens, only one consolidated return for the taxable year shall be filed by either spouse to cover the income of both spouses; but where it is impracticable for the spouses to file one consolidated return, each spouse may file his separate return of income, but the returns so filed shall be consolidated for the purpose of the tax prescribed under this Title.

(e) Return of parent to include income of children. — The income of unmarried minors derived from property received from a living parent shall be included in the return of the parent, except (1) when the gift tax has been paid on such property, or (2) when the transfer of such property is exempt from the gift tax.

(f) Persons under disability. — If the taxpayer is unable to make his own return, the return may be made by his duly authorized agent or representative or by the guardian or other person charged with the care of his person or properly, the principal and his representative or guardian assuming the responsibility of making the return and incurring penalties provided for erroneous, false, or fraudulent returns.

(g) Signature presumed correct. — The fact that an individual's name is signed to a filed return shall be prima facie evidence for all purposes that the return was actually signed by him.

SEC. 46. Corporation returns.—(a) Requirement. — Every corporation, subject to the law herein imposed, except foreign corporations not engaged in trade or business in the Philippines shall render, in duplicate, a true and accurate return of its annual net income in the manner and form prescribed by the Commissioner with the approval of the, Secretary of Finance, and containing such facts, data, and information as are appropriate and in the opinion of the Commissioner necessary to determine the correctness of the net income returned and to carry out the provisions of this Title. The return shall be filed by the president, vice-president, or other principal officer, and shall be sworn to by such officer and by the treasurer or assistant treasurer.

(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.

(c) Where to file. — The return shall be filed with the Commissioner, Regional Director, Revenue District Officer, Collection Agent, duly authorized treasurer of the municipality, or authorized agent banks in which is located the principal office of the corporation where its books of accounts and other data from which the return is prepared are kept, or in the case of foreign corporation which has no office of any kind or agency in the Philippines, then to the Commissioner in Manila. All such returns shall as received be transmitted forthwith by the officer receiving them to the Commissioner.

(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 preceding 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. 51. Payment and assessment of income tax. —(a) Payment of tax. —

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In general. — The total amount of tax imposed by this Title shall be paid at the time the return is filed. 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.

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 or 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 fourteen per centum per annum from the original due date.

- Installment payments. — When the tax due is in excess of one thousand pesos, the taxpayer may elect to pay the tax in two equal installments, in which case, the first installment shall be paid at the time the return is filed 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, wilfully 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:

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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 repaid in respect of such tax; or

- 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 and shall be collected as a part of the tax, at the rate of fourteen 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.—

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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 fourteen per centum per annum from the date prescribed for its payment until it is paid: Provided, That the maximum amount that may be collected as interest on delinquency shall in no case exceed the amount corresponding to a period of three years, the present provisions regarding prescription to the contrary notwithstanding.

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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, there shall be collected upon the unpaid amount as part of the tax, interest at the rate of fourteen per centum per annum 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.

- Surcharge. — If any amount of 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. 53. Withholding tax at source.—(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 proviso by which the obligor agrees to pay any portion of the tax imposed in this 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 30 per cent of the interest or other payments upon those bonds, mortgages, deeds of trust, or other obligations, whether the interest or other payments are payable annually or at shorter or longer periods, and whether the bonds, securities, or obligations had been or will be issued or marketed, and the interest or other payment thereon paid, within or outside the Philippines, if the interest or other payment is payable to a nonresident alien or to a citizen or resident of the Philippines.

(2) Benefit of exemption against net income.—The deductions and withholding required in subsection (a) (1) of this section shall not be required in the case of a citizen, resident alien, or nonresident alien engaged in trade or business in the Philippines, entitled to receive the interest or other payment, if that individual shall file with the withholding agent, on or before February first, a signed notice in writing claiming the benefit of the exemption provided in Section 23 of this Title.

(b) Non-resident aliens and foreign corporations.—(1) Nonresident aliens.—Every individual, corporation, partnership, or association, in whatever capacity acting, including a lessee or mortgagor of real or personal property, trustee acting in any trust capacity, executor, administrator, receiver, conservator, fiduciary, employer, and every officer or employee of the Government of the Republic of the Philippines having the control, receipt, custody, disposal, or payment of interest, dividends, rents, royalties, salaries, wages, premiums, annuities, compensation, remunerations, emoluments, or other fixed or determinable annual, periodical, or casual gains, profits, and income, and capital gains, of any nonresident alien not engaged in trade or business within the Philippines, shall (except in the case provided in sub-section (a) (1) of this Section) deduct and withhold from the annual, periodical, or casual gains, profits and income, and capital gains, a tax equal to 30 per cent thereof. This deduction and withholding shall not be required in the case of dividends paid by a foreign corporation unless (1) the corporation is engaged in trade or business within the Philippines, and (2) more than 85 per cent of the gross income of the corporation for the three-year period ending with the close of its taxable year preceding the declaration of the dividends (or for such part of the period as the corporation has been in existence) was derived from sources within the Philippines as determined under the provisions of Section 37. The Commissioner may authorize the tax to be deducted and withheld from the interest or other income upon any security or obligation the owners of which are not known to the withholding agent.

(2) Nonresident foreign corporations. — In the case of foreign corporations subject to tax under this Title, not engaged in trade or business within the Philippines, there shall be deducted and withheld at the source in the same manner and upon the same items as is provided in subsection (b)(1) of this section, as well as on remunerations for technical services or otherwise, a tax equal to 35 per cent thereof. This tax shall be returned and paid in the same manner and subject to the same conditions as provided in Section 54. This deduction and withholding shall not be required in the case of reinsurance premiums ceded to foreign insurance corporations not engaged in trade or business in the Philippines.

(c) Other cases of withholding tax at source. The President of the Republic of the Philippines may upon the

recommendation of the Secretary of Finance require also the withholding of a tax on the same items of income payable to persons (natural or juridical) residing in the Philippines by the same persons mentioned in paragraph (b)(1) of this section at the rate of ten per cent thereof which shall be credited against the income tax liability of the taxpayer for the taxable year.

SEC. 72. Surcharges for failure to render returns and for rendering false and fraudulent returns. — In case of willful neglect to file the return or list required under this Title within the time prescribed by law, or in case of a false or fraudulent return or list is willfully made, the Commissioner of Internal Revenue shall add 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 of such tax or deficiency tax. In case of any failure to make and file a return or list within the time prescribed by law or by the Commissioner or other internal revenue officer, not due to willful neglect, the Commissioner of Internal Revenue shall add to the tax twenty-five per centum of its amount, except that, when a return is voluntarily and without notice from the Commissioner or other officer filed after such time, and it is shown that the failure to file it was due to a reasonable cause, no such addition shall be made to the tax. The amount so added to any tax shall be collected at the same time in the same manner and as part of the tax unless the tax has been paid before the discovery of the neglect, falsity or fraud, in which case the amount so added shall be collected in the same manner as the tax.

Section 3. Articles 2 and 8 of Supplement A of Title II of the same Code are hereby amended to read as follows:

SUPPLEMENT A — WITHHOLDING ON WAGES

ART. 2. Income tax collected at source.—(a) Requirement of withholding.— Every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with a withholding table to be prepared by the Secretary of Finance.

(b) Tax paid by recipient.—If the employer, in violation of the provisions of this supplement, fails to deduct and withhold the tax as required under this supplement, and thereafter the tax against which such tax may be credited is paid, the tax so required to be deducted and withheld shall not be collected from the employer; but this sub article shall in no case relieve the employer from liability for any penalties or additions to the tax otherwise applicable in respect of such failure to deduct and withhold.

(c) Nondeductibility of tax in computing net income.—The tax deducted and withheld under this article shall not be allowed as a deduction either to the employer or to the recipient of the income in computing net income under this Title.

(d) Refunds or credits.—(1) Employer. —When there has been an overpayment of tax under this article, refund or credit shall be made to the employer only to the extent that the amount of such overpayment was not deducted and withheld hereunder by the employer.

(2) Employees. — The amount deducted and withheld under this supplement during any calendar year shall be allowed as a credit to the recipient of such income against the tax imposed under the main provisions of this Title. Refunds and credits in cases of excessive withholding shall be granted under rules and regulations promulgated by the Secretary of Finance.

Any excess of the taxes withheld over the tax due from the taxpayer shall be refunded or credited within three months from the date of filing of the income tax return of the taxpayer or from the fifteenth day of April, whichever is later. Refunds or credits made after such time shall earn interest at the rate of six per centum per annum starting after the lapse of the three-month period to the date the refund or credit is made.

Refunds shall be made upon warrants drawn by the Commissioner or by his duly authorized representative without the necessity of countersignature by the Auditor General or the latter's duly authorized representative as an exception to the requirement prescribed by Section 621 of the Revised Administrative Code.

(e) Personal exemptions.—(1) In general. — Unless otherwise provided in this supplement, the personal and additional exemptions applicable under this supplement shall be determined in accordance with the main provisions of this Title.

(2) Exemption certificates.—(A) When to be filed. — On or before the date of the commencement of employment with an employer, or within ten days, from the effectivity of this Act in case of persons already employed, the employee shall furnish the employer with a signed withholding exemption certificate relating to the personal and additional exemptions to which he is entitled.

(b) Change of status. — In case of change of status of an employee as a result of which he would be entitled to a lesser amount of exemption, the employee shall, within ten days from such change, file with the employer a new withholding exemption certificate reflecting the change. If the change would entitle the employee to a greater amount of exemption, he may furnish the employer with a new withholding exemption certificate reflecting such change,

(c) Use of certificates. — The certificates filed hereunder shall be used by the employer in the determination of the amount of taxes to be withheld.

(d) Failure to furnish certificate. — Where an employee, in violation of this supplement, either fails or refuses to file a withholding exemption certificate, the employer shall withhold the taxes prescribed under schedule for zero exemption of the withholding tax table in subarticle (a).

(f) Withholding on basis of average wages. — The Commissioner of Internal Revenue may, under regulations promulgated by the Secretary of Finance, authorize employers (1) to estimate the wages which will be paid to an employee in any quarter of the calendar year; (2) to determine the amount to be deducted and withheld upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid, and (3) to deduct and withhold upon any payment of wages to such employee during such quarter such amount as may be required to be deducted and withheld during such quarter without regard to this subarticle.

(g) Husband and wife. — When a husband and wife each are recipients of wages, whether from the same or from different employers, taxes to be withheld shall be determined on the following bases:

- The husband shall be deemed the head of the family and proper claimant of the additional exemption in respect to any dependent children;

- Taxes shall be withheld from the wages of the wife in accordance with the schedule for zero exemption of the withholding tax table in subarticle (a).

(h) Nonresident aliens. — Wages paid to nonresident alien individuals shall not be subject to the provisions of this supplement and shall be governed by the provisions of Section fifty-three of this Title.

ART. 8. Penalties. — (a) Penalties for failure to file, and for filing fraudulent returns or statements. — Any person who willfully renders or furnishes a false or fraudulent return or statement required under the provisions of Articles four, five and six or under regulations promulgated by the Secretary of Finance, or who willfully fails to render or furnish a statement as required in this supplement, or fails to remit to the Commissioner the amount withheld by such agent, shall upon conviction, for each such act or omission, be fined not less than one thousand pesos nor more than two thousand pesos and imprisoned for not more than one year.

(b) Penalties in respect of withholding exemption certificates. — Any individual required to supply information who willfully supplies false or fraudulent information, or who willfully fails to supply information thereunder which would require an increase in the tax to be withheld under Article two, shall, in lieu of any penalty otherwise provided upon conviction be fined not more than one thousand pesos or imprisoned for not more than one year, or both.

The same penalty shall apply to an Employer who willfully accepts as a fact or as true information which would

reduce the tax to be withheld under Article two hereof.

(c) Penalties on corporate officers. — The penalties prescribed in this article shall, in the case of an employer which is a corporation, partnership, or association, be imposed on the president, manager, treasurer, or other persons responsible for the particular act or omission.

SEC. 4. Certain sections of Title III of the same Code are hereby amended to read as follows:

TITLE III. — ESTATE AND DONOR'S TAXES

Chapter 1. — Estate Tax

SEC. 85. Rates of estate tax. — There shall be levied, assessed, collected, and paid upon the transfer of the net estate as determined in accordance with Sections 88 and 89, of every decedent, whether resident or nonresident of the Philippines, a tax based on the value of such net estate, as computed in accordance with the following schedule:

If the Net Estate Is

The Tax Shall Be

Over

But Not Over

Plus

Of Excess Over

- P

10,000

Exempt - P

10,000

P

10,000

50,000

3%

-

50,000

50,000

75,000

P

1,200

4%

75,000

75,000

100,000

2,200

5%

100,000

100,000

150,000

3,450

10%

150,000

150,000

200,000

8,450

15%

200,000

200,000

300,000

15,950

20%

300,000

300,000

400,000

35,950

25%

400,000

400,000

500,000

60,950

30%

500,000

500,000

625,000

90,950

35%

625,000

625,000

750,000

134,700

40%

750,000

750,000

875,000

184,700

45%

875,000

875,000

1,000,000

240,950

50%

1,000,000

1,000,000

2,000,000

303,450

53%

2,000,000

2,000,000

3,000,000

833,450

56%

3,000,000

3,000,000

1,393,450

60%

SEC. 86. Rates of inheritance tax. — This section is hereby repealed.

SEC. 87. Rule of taxation when beneficiaries belong to different classes. — This section is hereby repealed.

SEC. 89. Net estate. — For purposes of the tax imposed in this Chapter, the value of the net estate shall be determined:

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In the case of a citizen or resident of the Philippines, by deducting from the value of the gross estate —

(1) Expenses, losses, indebtedness, and taxes. — Such amounts —

(A) For funeral expenses in an amount equal to five per centum of the gross estate but in no case to exceed P50,000.00;

(B) For judicial expenses of the testamentary or intestate proceedings;

(C) For claims against the estate;

(D) For claims of the deceased against insolvent persons where the value of the decedent's interest therein is included in the value of the gross estate; and

(E) For unpaid mortgages upon, or any indebtedness in respect to, property where the value of decedent's interest therein, undiminished by such mortgage or indebtedness, is included in the value of the gross estate, but not including any income taxes upon income received after the death of the decedent, or property taxes not accrued before his death, or any estate or inheritance taxes. The deduction herein allowed in the case of claims against the estate, unpaid mortgages, or any indebtedness shall, when founded upon a promise or agreement, be limited to the extent that they were contracted bona fide and for an adequate and full consideration in money or money's worth. There shall also be deducted losses incurred during the settlement of the estate arising from fires, storms, shipwreck, or other casualties, or from robbery, theft, or embezzlement, when such losses are not compensated for by insurance or otherwise, and if at the time of the filing of the return such losses have not been claimed as deduction for income tax purposes in an income tax return, and provided that such losses were incurred not later than the last day for the payment of the estate tax as prescribed in subsection (a) of Section ninety-five.

(2) Property previously taxed. — An amount equal to the value specified below of any property forming a part of the gross estate situated in the Philippines of any person who died within five years prior to the death of the decedent, or transferred to the decedent by gift within five years prior to his death, where such property can be

identified as having been received by the decedent from the donor by gift, or from such prior decedent by gift, bequest, devise, or inheritance, or which can be identified as having been acquired in exchange for property so received.

One hundred per centum of the value if the prior decedent died within one year prior to the death of the decedent, or if the property was transferred to him by gift within the same period prior to his death;

Eighty per centum of the value if the prior decedent died more than one year but not more than two years prior to the death of the decedent, or if the property was transferred to him by gift within the same period prior to his death;

Sixty per centum of the value if the prior decedent died more than two years but not more than three years prior to the death of the decedent, or if the property was transferred to him by gift within the same period prior to his death;

Forty per centum of the value if the prior decedent died more than three years but not more than four years prior to the death of the decedent, or if the property was transferred to him by gift within the same period prior to his death; and

Twenty per centum of the value if the prior decedent died more than four years but not more than five years prior to the death of the decedent, or if the property was transferred to him by gift within the same period prior to his death.

These deductions shall be allowed only where a gift tax, or estate tax imposed under this Title were finally determined and paid by or on behalf of such donor, or the estate of such prior decedent, as the case may be, and only in the amount finally determined as the value of such property in determining the value of the gift, or, the gross estate of such prior decedent, and only to the extent that the value of such property is included in the decedent's gross estate, and only if in determining the value of the net estate of the prior decedent no deduction was allowable under paragraph (2) in respect of the property or properties given in exchange therefor. Where a deduction was allowed of any mortgage or other lien in determining the gift tax, or the estate tax of the prior decedent, which were paid in whole or in part prior to the decedent's death, then the deduction allowable under said paragraph shall be reduced by the amount so paid. Such deduction allowable shall be reduced by an amount which bears the same ratio to the amounts allowed as deductions under paragraphs (1), (3), and (4) of this subsection as the amount otherwise deductible under said paragraph (2) bears to the value of the decedent's estate. Where the property referred to consists of two or more items, the aggregate value of such items shall be used for the purpose of computing the deduction.

(3) Transfers for public purposes. — The amount of all bequests, legacies, or transfers to or for the use of the Government of the Republic of the Philippines, or any political subdivision thereof, for exclusively public purposes.

- Deductions allowed to nonresident estates. — In the case of a nonresident not a citizen of the Philippines, by deducting from the value of that part of his gross estate which at the time of his death is situated in the Philippines

—

(1) Expenses, losses, indebtedness, and taxes. — That proportion of the deductions specified in paragraph (1) of subsection (a) of this section which the value of such part bears to the value of his entire gross estate wherever situated;

(2) Property previously taxed. — An amount equal to the value specified below of any property forming a part of the gross estate situated in the Philippines of any person who died within five years prior to the death of the

decendent, or transferred to the decendent by gift within five years prior to his death, where such property can be identified as having been received by the decendent from the donor by gift, or from such prior decendent by gift, bequest, devise, or inheritance, or which can be identified as having been acquired in exchange for property so received.

One hundred per centum of the value if the prior decendent died within one year prior to the death of the decendent, or if the property was transferred to him by gift with the same period prior to his death;

Eighty per centum of the value if the prior decendent died more than one year but not more than two years prior to the death of the decendent, or if the property was transferred to him by gift within the same period prior to his death;

Sixty per centum of the value if the prior decendent died more than two years but not more than three years prior to the death of the decendent, or if the property was transferred to him by gift within the same period prior to his death;

Forty per centum of the value if the prior decendent died more than three years but not more than four years prior to the death of the decendent, or if the property was transferred to him by gift within the same period prior to his death; and

Twenty per centum of the value if the prior decendent died more than four years but not more than five years prior to the death of the decendent, or if the property was transferred to him by gift within the same period prior to his death.

These deductions shall be allowed only where a gift tax, or estate tax imposed under this Title were finally determined and paid by or on behalf of such donor, or the estate of such prior decendent, as the case may be, and only in the amount finally determined as the value of such property in determining the value of the gift, or the gross estate of such prior decendent, and only to the extent that the value of such property is included in the part of the decendent's gross estate which at the time of his death is situated in the Philippines, and only if in determining the value of the net estate of the prior decendent no deduction was allowable under paragraph (2) of subsection (b) of this section in respect of the property or properties given in exchange therefor. Where a deduction was allowed of any mortgage or other lien in determining the gift tax, or the estate tax of the prior decendent, which were paid in whole or in part prior to the decendent's death, then the deduction allowable under said paragraph shall be reduced by the amount so paid. Such deduction allowable shall be reduced by an amount which bears the same ratio to the amounts allowed as deductions under paragraphs (1) and (3) of this subsection as the amount otherwise deducted under paragraph (2) bears to the value of that part of the decendent's gross estate which at the time of his death is situated in the Philippines. Where the property referred to consists of two or more items the aggregate value of such items shall be used for the purpose of computing the deduction, (3) Transfers for public use. - The amount of all bequests, legacies, devises, or transfers to or for the use of the Government of the Republic of the Philippines, or any political subdivision thereof, for exclusively public purposes.

- Share in the conjugal property. — The net share of the surviving spouse in the conjugal partnership property as diminished by the obligations properly chargeable to such property shall, for the purpose of this section, be deducted from the net estate of the decendent.

- Miscellaneous provisions. —

(1) No deduction shall be allowed in the case of a nonresident not a citizen of the Philippines unless the executor, administrator, or anyone of the heirs, as the case may be, includes in the return required to be filed under Section 93 the value at the time of his death of that part of the gross estate of the nonresident not situated in the

Philippines.

(2) For the purpose of this Chapter, stock in a domestic corporation owned and held by a nonresident not a citizen of the Philippines shall be deemed property within the Philippines, and any property of which the decedent has made a transfer by trust or otherwise, within the meaning of subsection (b) or (c) of Section 88 of this Chapter; shall be deemed to be situated in the Philippines if so situated either at the time of the transfer or at the time of the decedent's death.

SEC. 91. Determination of value of usufructs, annuities, and other property. — To determine the value of the right of usufruct, use of habitation, as well as that of annuity, there shall be taken into account the probable life of the beneficiary in accordance with the American Tropical Experience Table calculated at eight per centum annual interest.

The estate shall be appraised at its fair market value as of the time of death, or as of six months thereafter, at the election of the executor or administrator. However, for the purpose of determining the value of real property, the value as of the time of death or, at the election of the executor or administrator, as of six months after death, as shown in the schedule of values fixed by the Department of Finance, shall be considered as the fair market value, and unless the contrary is shown by the taxpayer, the schedule shall be binding upon all concerned for purposes of computing any internal revenue tax based on the value of real property.

For this purpose, a real property valuation committee shall be created in the Department of Finance which shall submit to the Secretary of Finance a schedule of percentage adjustment of the assessed value of real property in each municipality and city after due notice and hearing. This schedule shall be revised every three years.

The Real Property Valuation Committee shall be composed of a chairman and four members, two of whom shall come from the private sector who shall be appointed by the Secretary of Finance. The representatives from the private sector shall hold office for six years. One representative shall be recommended by the Board of Realtors of the Philippines and the other representative shall be recommended by the registered Homeowners Association of the Philippines, but in the absence of either or both associations, the Secretary of Finance shall appoint any qualified real property owner or owners.

The Secretary of Finance shall promulgate uniform rules and regulations for the guidance of the real property valuation committee in the discharge of their functions under this section. The presence of at least three members of the committee shall constitute a quorum sufficient to transact business. The members of the committee representing the private sector shall be entitled to a per diem or thirty pesos for each day of session actually attended, plus actual and ordinary traveling expenses from and to his usual place of residence, to be paid from the appropriations of the Department of Finance. The other members of the committee who are government officials shall serve without additional compensation.

SEC. 92. Notice of death to be filed. — In all cases of transfers subject to tax, or where, though exempt from tax, the gross value of the estate exceeds three thousand pesos, the executor, administrator, or any of the legal heirs, as the case may be, within two months after the decedent's death, or within a like period after qualifying as such executor or administrator, shall give a written notice thereof to the Commissioner of Internal Revenue.

SEC. 93. Returns. —

- Requirements.—In all cases of transfers subject to tax, or where, though exempt from tax, the gross value of the estate exceeds three thousand pesos, the executor, or administrator, or any of the legal heirs, as the case may be, shall file a return under oath in duplicate, setting forth (1) the value of the gross estate of the decedent at the time of his death, or in case of a nonresident not a citizen of the Philippines, of that part of his gross estate situated in

the Philippines; (2) the deductions allowed from gross estate in determining net estate as defined in section eighty-nine; (3) such part of such information as may at the time be ascertainable and such supplemental data as may be necessary to establish the correct taxes: Provided, however. That estate returns showing a gross value of fifty thousand pesos or more shall be accompanied with a statement of (1) itemized assets of the decedent with their corresponding gross value at the time of his death, or, in case of a nonresident not a citizen of the Philippines, of that part of his gross estate situated in the Philippines; (2) itemized deductions from gross estate allowed in Section eighty-nine; and (3) the amount of tax due whether paid or still due and outstanding duly certified to by certified public accountants.

- Time for filing.—For purposes of determining the estate tax provided for in Section eighty-five, the return required under the preceding subsection (a) shall be filed within six months after the decedent's death; but if judicial testamentary or intestate proceedings shall be instituted for the settlement of the decedent's estate prior to the expiration of said period, the return must be filed within twelve months after the decedent's death.

A certified copy of the schedule of partition and the order of the court approving the same shall be furnished the Commissioner of Internal Revenue by the clerk of court within thirty days after the promulgation of such order.

- Extension of time.—The Commissioner of Internal Revenue shall have authority to grant, in meritorious cases, a reasonable extension not exceeding thirty days for filing the return.

- Place for filing.—The return required under subsection (a) shall be filed with the Commissioner of Internal Revenue, or with the Regional Director, revenue district officer, or collection agent of the city or municipality in which the decedent was domiciled at the time of his death.

SEC. 95. Payment of tax. —

- Time of payment. —

(1) General rule. — The estate tax imposed by Section 85 shall be due and payable within nine months after the decedent's death, and shall be paid by the executor, administrator, or the heirs to the Commissioner of Internal Revenue or to the regional director, revenue district officer or collection agent of the city or municipality in which the decedent was domiciled at the time of his death.

(2) Exceptions. — In case judicial testamentary or intestate proceedings shall be instituted for the settlement of the decedent's estate prior to the expiration of six months after his death the estate tax shall be due and payable within twenty-one months after the decedent's death.

- Extension of time. — When the Commissioner of Internal Revenue finds that the payment on the due date of the estate tax or of any part thereof would impose undue hardships upon the estate or any of the heirs, he may extend the time for payment of such tax or any part thereof not to exceed five years in case the estate is settled through the courts, or two years in case the estate is settled extrajudicially. In such case, the amount in respect of which the extension is granted shall be paid on or before the date of the expiration of the period of the extension, and the running of the statute of limitation for assessment as provided in Section 331 of this Code shall be suspended for the period of any such extension.

Where the taxes are assessed by reason of negligence, intentional disregard of rules and regulations, or fraud on the part of the taxpayer, no extension will be granted by the Commissioner.

If an extension is granted, the Commissioner of Internal Revenue may require the executor, administrator, or beneficiary to furnish a bond in such amount, not exceeding double the amount of tax and with such sureties, as the Commissioner deems necessary, conditioned upon the payment of the said tax in accordance with the terms of

the extension.

- Liability for payment. — The estate tax imposed by Section 85 shall be paid by the executor or administrator before delivery to any beneficiary of his distributive share of the estate. Such beneficiary shall, to the extent of his distributive share of the estate, be subsidiarily liable for the payment of such portion of the estate tax as his distributive share bears to the value of the total net estate.

For the purpose of this Chapter, the term "executor" or "administrator" means the executor or administrator of the decedent, or, if there is no executor or administrator appointed, qualified, and acting within the Philippines, then any person in actual or constructive possession of any property of the decedent.

SEC. 99. Interest on extended payment. —

-

Tax shown on the return. — If the time for the payment of the estate tax or any part thereof is extended as provided in subsection (b) of Section 95, there shall be collected, as part of such amount, interest thereon at the rate of fourteen per centum per annum from the day following the due date of the tax to the expiration of the period of the extension.

- Deficiency. — In case an extension for the payment of a deficiency is granted, there shall be collected as a part of the tax, interest on the part of the deficiency the time for the payment of which is so extended at the rate of fourteen per centum per annum for the period of the extension.

SEC. 100. Interest on deficiency. — Interest upon the amount determined as a deficiency shall be assessed at the same time as the deficiency, 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 fourteen per centum per annum, from the due date of the tax 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.

SEC. 101. Additions to the tax in case of nonpayment. —

(a) Tax shown on the return. —

(1) Payment not extended. — Where the amount of the tax imposed by this Chapter, or any part of such amount is not paid on the due date of the tax, there shall be collected as a part of the tax, interest upon such unpaid amount at the rate of fourteen per centum per annum, from the due date until it is paid: Provided, That the maximum amount that may be collected as interest on delinquency shall in no case exceed the amount corresponding to a period of three years, the present provisions regarding prescription to the contrary notwithstanding.

(2) Payment extended. — Where an extension of time for payment of the amount of the tax has been granted, and the amount the time for the payment of which has been extended, and the interest thereon determined under subsection (2) of Section 99, is not paid in full prior to the expiration of the period of the extension, interest at the rate of fourteen per centum per annum, shall be collected on such unpaid amount from the date the same was originally due until it is paid.

SEC. 103. Payment before delivery by executor or administrator. — No judge shall authorize the executor or judicial administrator to deliver a distributive share to any party interested in the estate unless a certification from the Commissioner that the estate tax has been paid is shown.

SEC. 104. Duties of certain officers and debtors. — Registers of deeds shall not register in the registry of property

any document transferring real property or real rights therein or any chattel mortgage, by way of gifts *intervivos* or *mortis causa*, legacy or inheritance, unless a certification from the Commissioner that the tax fixed in this Title and actually due thereon had been paid is shown. And they shall immediately notify the Commissioner, Regional Director, Revenue District Officer or collection agent of the city or municipality where their offices are located, of the nonpayment of the tax discovered by them. Any lawyer, notary public, or any Government officer who by reason of his official duties, intervenes in the preparation or acknowledgment of documents regarding partition or disposal of donation *intervivos* or *mortis causa*, legacy or inheritance, shall have the duty of furnishing the Commissioner, Regional Director, Revenue District Officer or Collection Agent of the place where he may have his principal office, with copies of such documents and any information whatsoever which may facilitate the collection of the aforementioned tax. Neither shall a debtor of a deceased pay his debts to the heirs, legatees executors, or administrator of his creditor, unless the certification of the Commissioner that the tax fixed in this Chapter had been paid is shown; but he may pay the executor or judicial administrator without said certification if the credit is included in the inventory of the estate of the deceased.

SEC. 105. Restitution of tax upon satisfaction of outstanding obligations. — If, after the payment of the estate tax, new obligations of the decedent shall appear, and the persons interested shall have satisfied them by order of the court, they shall have a right to the restitution of the proportional part of the tax paid.

SEC. 106. Payment of tax antecedent to the transfer of shares, bonds, or rights. — There shall not be transferred to any new owner in the books of any corporation, *sociedad anonima*, partnership, business, or industry organized or established in the Philippines, any shares, obligations, bonds or rights by way of gift *intervivos*, or *mortis causa*, legacy, or inheritance unless a certification from the Commissioner that the taxes fixed in this Title and due thereon have been paid is shown.

SEC. 107. Specific penalties.—(a) Any person required under this Chapter or regulations made under authority thereof to pay the tax, make a return, keep any records, or supply any information, for the purposes of the computation, assessment, or collection of any tax imposed by this Chapter, who fails to pay such tax, make such return, keep such records, or supply such information, at the time or times required by this Chapter or regulations, shall, in addition to other penalties provided herein, be fined not more than two thousand pesos or imprisoned for not more than six months, or both.

(b) Any person required under this Chapter to make, render, sign, or verify any return, or to supply any information, who makes any false or fraudulent return or statement with intent to defeat or evade the assessment required by this Chapter to be made, shall, in addition to other penalties provided herein, be fined not more than four thousand pesos or imprisoned for not more than one year, or both.

(c) Any executor or administrator who shall deliver or distribute to an heir, legatee, devisee, donee, or beneficiary any real or personal property, credit, right, or franchise, and any officer, manager or employee of any corporation, firm or association, *sociedad anonima*, partnership, business or industry who transfers in its books to any new owner any share, obligation, bond, or right, pertaining to an estate or inheritance or gift subject to the taxes imposed in this Title without the certification from the Commissioner that their payment being shown, shall be fined not more than five thousand pesos or imprisoned for not more than one year, or both.

(d) Any administrator, executor, donee, legatee, or heir who conceals any goods, rights, credits, or transfers subject to the taxes imposed in this Title shall be punished by a fine of not less than twenty-five per centum of the value of that which he may have concealed, nor more than said value, or by imprisonment for not more than one year, or both.

SEC. 109. Rates of tax payable by donor. — The tax for each calendar year shall be computed on the basis of the

total net gifts made during the calendar year, in accordance with the following schedule:

If the Net Gift is

The Tax Shall Be

Over

But Not Over

Plus

Of Excess Over

P

-

P

1,000

Exempt

-

P

1,000

50,000

1.5%

-

1,000

50,000

75,000

P

735

2.5%

50,000

75,000

100,000

1,360

3%

75,000

100,000

150,000

2,110

6%

100,000

150,000

200,000

5,110

9%

150,000

200,000

300,000

9,610

12%

200,000

300,000

400,000

21,610

15%

300,000

400,000

500,000

36,610

18%

400,000

500,000

625,000

54,610

21%

500,000

625,000

750,000

80,860

24%

625,000

750,000

875,000

110,860

28%

750,000

875,000

1,000,000

145,860

32%

875,000

1,000,000

2,000,000

185,860

36%

1,000,000

2,000,000

2,000,000

545,860

38%

2,000,000

3,000,000

925,860

40%

3,000,000

SEC. 110. Rates of tax payable by donee. — This section is hereby repealed.

SEC. 112. Exemption of certain gifts. — The following gifts or donations shall be exempt from the tax provided for in this chapter:

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In the case of made by a resident:

(1) Dowries or gifts made on account of marriage and before its celebration or within one year thereafter by parents to each of their legitimate, recognized natural or adopted children to the extent of the first ten thousand pesos.

(2) Gifts made to or for the use of the National Government or any entity created by any of its agencies which is not conducted for profit, or to any political subdivision of the said Government; and

(3) Gifts in favor of an educational and/or charitable or religious corporation, institution, foundation, trust or philanthropic organization or research institution or organization: Provided, however. That not more than thirty per centum of said gifts shall be used by such donee for administration purposes.

For the purpose of this exemption, a non-profit educational and/or charitable corporation, institution, foundation, (rust or philanthropic organization and/or research institution, or organization is a school, college or university and/or charitable corporation, foundation, trust or philanthropic organization and/or research institution, or organization, incorporated as a non-stock entity, paying no dividends?, governed by trustees who receive no compensation, and devoting all its income, whether students' fees, or gifts, donations, subsidies or other forms of philanthropy, to the accomplishment and promotion of the purposes enumerated in its articles; of incorporation.

- In the case of gifts made by a nonresident not a citizen of the Philippines:

(1) Gifts made to or for the use of the (National Government or any entity created by any of its agencies which is

not conducted for profit, or to any political subdivision of the said Government, and

(2) Gifts in favor of an educational and/or charitable or religious corporation, institution, foundation, trust or philanthropic organization or research institution or organization: Provided, however. That not more than thirty per centum of said gifts shall be used by such donee for administration purposes.

SEC. 114. Notice of donation to be filed. — This section is hereby repealed.

SEC. 115. Returns. —

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Requirements. — Any individual who makes any transfer by gift (except those which, under Section 112, are exempt from the tax provided for in this Chapter) shall, for the purpose of the said tax, make a return under oath in duplicate. The return shall set forth (1) each gift made during the calendar year which is to be included in computing net gifts; (2) the deductions claimed and allowable; (3) any previous net gifts made during the same calendar year; (4) the name of the donee; and (5) such further information as may be required by regulations made pursuant to law.

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Time and place of filing. — The return of the donor required in this section shall be filed within thirty days after the date the gift is made, with the Commissioner, Regional Director, Revenue District Officer, or Collection Agent of the city or municipality in which the donor was domiciled at the time of the transfer.

- Extension of time for filing. — The Commissioner shall have authority to grant, in meritorious cases, a reasonable extension not exceeding thirty days for filing the return required under this section.

SEC. 116. Payment of tax.—

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Time of payment. - The donor's tax imposed by Section one hundred nine shall be paid at the time the return is filed. The tax shall be paid by the donor to the Commissioner, Regional Director, Revenue District Officer, or Collection Agent of the city or municipality of which the donor is a resident.

- Extension of time. — When the Commissioner finds that the payment on the due date of the tax or of any part of the said amount would impose undue hardship upon the donor, the Commissioner may extend the time for payment thereof not to exceed six months from the date prescribed for the payment of the tax. In such case, the amount in respect of which the extension is granted shall be paid on or before the day of the expiration of the period of the extension.

Where the tax is assessed by reason of negligence, intentional disregard of rules and regulations or fraud on the part of the taxpayer, no extension shall be granted by the Commissioner.

If an extension is granted, the Commissioner may require the donor to furnish a bond in such amount, not exceeding double the amount of the tax, and with such sureties, as the Commissioner deems necessary, conditioned upon the payment of the said tax in accordance with terms of the extension.

SEC. 117. Examination of return and determination of tax. — As soon as practicable, after the return is filed, the Commissioner shall examine it and shall determine the correct amount of the tax.

SEC. 118. Interest on extended payments. —(a) Tax shown on the return. — If the time for the payment of the amount determined as the tax by the donor is extended under the authority of subsection (b) of Section 116, there

shall be collected, as a part of such amount, interest thereon at the rate of fourteen per centum per annum, from the date when such payment should have been made if no extension has been granted, until the expiration of the period of the extension.

(b) Deficiency. — In case an extension for the payment of a deficiency is granted, there shall be collected, as a part of the tax, interest on the part of the deficiency the time for payment of which is so extended, at the rate of fourteen per centum per annum, for the period of the extension.

SEC. 118-A. Interest on deficiency. — Interest upon the amount determined as deficiency, shall be paid upon notice and demand from the Commissioner, and shall be collected as a part of the tax, at the rate of fourteen per centum per annum, from the due date of the tax 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 on the contrary notwithstanding.

SEC. 119. Additions to the tax in case of nonpayment. — (a) Tax shown on the return. —

(1) Payment not extended. — Where the amount of the tax determined by the donor as the tax or any part of such amount is not paid on the due date of the tax, there shall be collected as a part of the tax, interest upon such unpaid amount at the rate of fourteen per centum per annum, from the due date until it is paid: Provided, That the maximum amount that may be collected as interest on delinquency shall in no case exceed the amount corresponding to a period of three years, the present provisions regarding prescription to the contrary notwithstanding.

(2) Payment extended. — Where an extension of time (or payment of the amount so determined as the tax by the donor has been granted, and the amount, the time for the payment of which has been extended and the interest thereon determined under subsection (a) of Section 118 is not paid in full prior to the expiration of the period of the extension, interest at the rate of fourteen per centum per annum, shall be collected on such unpaid amount from the date when the same was originally due until it is paid.

(b) Deficiency. —

(1) Payment not extended. — Where a deficiency, or any interest assessed in connection therewith, or any addition to the tax provided for in Section 120 is not paid in full within thirty days from the date of the notice and demand from the Commissioner, there shall be collected as part of the tax, interest upon the unpaid amount at the rate of fourteen per centum per annum, from the date of such notice and demand until it is paid: Provided, That the maximum amount that may be collected as interest on delinquency shall in no case exceed the amount corresponding to a period of three years, the present provisions regarding prescription to the contrary notwithstanding.

(2) Payment extended. — If any part of the deficiency the time for payment of which is extended is not paid in accordance with the terms of the extension, there shall be collected, as a part of the tax, interest on such unpaid amount at the rate of fourteen per centum per annum, from the date the same was originally due until it is paid.

(c) Surcharge. — If any amount of the tax included in the notice and demand from the Commissioner is not paid in full within thirty days after such notice and demand, there shall be collected in addition to the interest prescribed above and as part of the tax a surcharge of five per centum of the unpaid amount.

SEC. 122. Definitions. — For the purpose of this Title the terms "gross estate" and "gift" include real estate and tangible personal property, or mixed, physically located in the Philippines; franchise which must be exercised in the Philippines; shares, obligations, or bonds issued by any corporation or sociedad anonima organized or constituted in the Philippines in accordance with its laws; shares, obligations, or bonds issued by any foreign corporation eighty-five per centum of the business of which is located in the Philippines; shares, obligations, or

bonds issued by any foreign corporation if such shares, obligations, or bonds have acquired a business situs in the Philippines; shares or rights in any partnership, business or industry established in the Philippines; or any personal property, whether tangible or intangible, located in the Philippines: Provided, however, That in the case of a resident, the transmission or transfer of any intangible personal property, regardless of its location, is subject to the taxes prescribed in this Title: And Provided, further, That no tax shall be collected under this Title in respect of intangible personal property (a) if the decedent at the time of his death was a resident of a foreign country which at the time of his death did not impose a transfer tax or death tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the decedent was a resident at the time of his death allow a similar exemption from transfer taxes or death taxes of every description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

The term "deficiency" means (1) the amount by which the tax imposed by this Chapter exceeds the amount shown as the tax by the donor 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 amounts previously abated, refunded, or otherwise repaid in respect of such tax; or (2) if no amount is shown as the tax by the donor upon his return, or if no return is made by the donor, 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, refunded, or otherwise repaid in respect of such tax.

SEC. 5. Certain sections of Title IV of the same Code are hereby amended to read as follows:

TITLE IV — SPECIFIC TAXES

SEC. 128. Exemption in favor of domestic denatured alcohol. — Domestic alcohol of not less than one hundred eighty degrees proof (ninety per centum absolute alcohol) shall when suitably denatured and rendered unfit for oral intake, be exempt from the specific tax prescribed in Section one hundred thirty-three: Provided, however, That such denatured alcohol shall be subject to tax under Sec. 186: Provided, further, That if such alcohol is to be used for motive power, it shall be taxed under Section one hundred and forty-two (d) of this Code.

SEC. 133. Specific tax on distilled spirits.—On distilled spirits there shall be collected, subject to the provisions of Section one hundred and twenty-eight of this Code, except as hereinafter provided, specific taxes as follows:

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If produced domestically from locally produced raw materials, per proof liter, eighty-five centavos: Provided, 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, seventy-eight centavos;

- If imported or produced from imported raw materials, per proof liter, twenty pesos.

This tax shall be proportionally increased for any strength of the spirits taxed over proof spirits.

"Spirits" or "distilled spirits" is the substance known as ethyl alcohol, ethanol, or spirits of wine, including all dilutions and mixtures thereof, from whatever source or by whatever process produced, and shall include whisky, brandy, rum, gin, and vodka, and other similar products or mixtures.

"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 degrees centigrade. A proof liter means a liter of proof spirits.

SEC. 134. Specific tax on wines. — On wines and imitation wines there shall be collected, per liter of volume capacity, the following taxes:

- Sparkling wines, regardless of proof, twelve pesos; if imported, fifteen pesos;
- Still wines containing fourteen per centum of alcohol or less, (except those manufactured from locally grown raw materials), one peso; if imported, one peso and fifty centavos;
- Still wines containing more than fourteen per centum of alcohol, two pesos; if imported, three pesos.

Imitation wines containing more than twenty-five per centum of alcohol shall be taxed as distilled spirits.

SEC. 135. Specific tax on fermented liquors. — On beer, lager beer, ale, porter, and other fermented liquors (except tuba, basi, tapuy, and similar domestic fermented liquors), there shall be collected, on each liter of volume capacity, thirty two and one-half centavos: Provided, That if the fermented liquor is imported, the tax shall be increased by one hundred per cent.

SEC. 136. Specific tax on products of tobacco. — On manufactured products of tobacco, except cigars, cigarettes, and tobacco specially prepared for chewing so as to be unsuitable for consumption in any other manner, but including all other tobacco twisted by hand or reduced into a condition to be consumed in any manner other than by the ordinary mode of drying and curing; and on all tobacco prepared or partially prepared for sale or consumption, even if prepared without the use of any machine or instrument and without being pressed or sweetened; and on all fine-cut shorts and refuse, scraps, clippings, cuttings, stems, and sweepings of tobacco, there shall be collected on each kilogram, seventy-five centavos: Provided, however, That fine-cut shorts and refuse, scraps, clippings, cuttings, stems, and sweepings of tobacco resulting from the handling or stripping of whole leaf tobacco may be transferred, disposed of, or otherwise sold, without prepayment of the specific tax herein provided for under such conditions as may be prescribed in the regulations promulgated by the Secretary of Finance upon recommendation of the Commissioner if the same are to be exported or to be used in the manufacture of other tobacco products on which the specific tax will eventually be paid on the finished product.

On tobacco specially prepared for chewing so as to be unsuitable for use in any other manner, or each kilogram, sixty centavos.

SEC. 137. Specific tax on cigars and cigarettes. — On cigars and cigarettes there shall be collected the following taxes:

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Cigars —

- (1) When the manufacturer's or importer's wholesale price, less the amount of the tax, does not exceed thirty pesos per thousand, on each thousand, two pesos and thirty centavos.
- (2) When the manufacturer's or importer's wholesale price, less the amount of the tax, exceeds thirty pesos but does not exceed sixty pesos per thousand, on each thousand, four pesos and sixty centavos.
- (3) When the manufacturer's or importer's wholesale price, less the amount of the tax, exceeds sixty pesos per thousand, on each thousand, seven pesos.

- (b) Cigarettes —

- (1) On cigarettes packed in thirties, the retail price of which per pack does not exceed fifty centavos, on each thousand, three pesos.
- (2) On cigarettes packed in thirties, the retail price of which per pack exceeds fifty centavos but does not exceed

sixty centavos, on each thousand, five pesos.

(3) On cigarettes packed in thirties, the retail price of which per pack exceeds sixty centavos, on each thousand, eight pesos.

(4) On cigarettes packed in twenties, the retail price of which per pack does not exceed eighty centavos, on each thousand, eight pesos.

(5) On cigarettes packed in twenties, the retail price of which per pack exceeds eighty centavos but does not exceed one peso, on each thousand, fourteen pesos.

(6) On cigarettes packed in twenties, the retail price of which per pack exceeds one peso but does not exceed one peso and thirty centavos, on each thousand, sixteen pesos.

(7) On cigarettes packed in twenties, the retail price of which per pack exceeds one peso and thirty centavos, on each thousand, twenty-five pesos.

(8) If the cigarettes of local manufacture are mechanically wrapped or packed, the tax shall be increased by one hundred and twenty per centum per thousand cigarettes.

Cigarettes shall be considered as mechanically wrapped or packed when at any stage of the wrapping or packing a machine or any mechanical contrivance shall have been used.

(9) If the cigarettes are of foreign manufacture, the tax thereon shall be the same as that prescribed under sub-paragraph (7) paragraph (b) of this section, plus one hundred twenty per centum.

Where the classification of cigarettes are duly established as prescribed above, the downward re-classification thereof shall not thereafter be allowed.

The maximum price at which the various classes of cigars are sold at wholesale in the factory or in the establishment of the importer to the public shall determine the rate of the tax applicable to such cigars; and if the manufacturer or importer also sells, or allows to be sold his cigars at wholesale in another establishment of which he is the owner or in the profits of which he has an interest, the maximum sale price in such establishment shall determine the rate of the tax applicable to the cigars therein sold: Provided, however, That when such maximum wholesale price is less than the cost of manufacture or importations plus all expenses incurred until the cigars are finally sold by the manufacturer or importer, such cost plus expenses shall determine the amount of tax to be applied.

Every manufacturer or importer of cigars shall file with the Commissioner on the date or dates designated by the latter, a sworn statement showing the maximum wholesale prices of cigars, together with the cost of manufacture or importation plus expenses incurred or to be incurred until the cigars are finally sold and it shall be unlawful to sell said cigars at wholesale at a price in excess of the one specified in the statement required by this Title without previous written notice to the Commissioner. In the case of imported cigars, the sworn statement required herein shall be accompanied by verified sales invoices of the manufacturers of the cigars as well as the consular invoices issued by a Philippine Consul, should one be available at the place of origin or shipment.

The prevailing maximum retail price per pack containing twenty or thirty cigarettes as of the date of the effectivity of the new rates herein prescribed shall be the basis for the rate of tax applicable. Duly registered and/or existing brands of cigarettes packed in 20's at the time of the effectivity of the new rates herein prescribed shall not be allowed to be packed in 30's and neither shall any new brand of cigarettes be registered nor allowed to be manufactured if the same shall be packed in 30's.

Every manufacturer or importer of cigarettes shall file with the Commissioner, on the date or dates designated by the latter and as often as may be required, a sworn statement showing, among other information, the brand or brands of cigarettes manufactured or imported; the approved maximum retail prices per pack of said cigarettes;

and whether or not the cigarettes are mechanically wrapped or packed. In the case of imported cigarettes, the sworn statement required herein shall, in addition to the above information, be accompanied by a verified commercial invoice of the manufacturer of the cigarettes as well as the consular invoices issued by the Philippine Consul, if any, containing the information that Philippine Internal Revenue strip stamps have been affixed to each and every pack of cigarettes and that such pack bears the inscription "For export to the Philippines."

If the government of a foreign country permits the revenue stamps of such country to be affixed in the Philippines to tobacco (including cigars) or snuff manufactured in the Philippines and imported into such foreign country internal revenue stamps of the Philippines may be affixed to tobacco (including cigars) or snuff manufactured in such foreign country to be imported into the Philippines from such foreign country, under such rules and regulations as the Commissioner of Internal Revenue with the approval of the Secretary of Finance may prescribe.

Except those used as samples, all packs of locally manufactured cigarettes shall, upon the effectivity of the new rates of tax herein prescribed, bear thereon in print the maximum retail prices at which the said cigarettes are sold. No cigarettes shall be allowed to be removed from any factory unless this requirement has been complied with.

Any manufacturer who, in violation of this section, knowingly misdeclares or misrepresents in his sworn statement herein required any pertinent data or information, including the approved maximum retail prices of his locally manufactured or imported cigarettes, and the manner of packing or wrapping thereof shall upon discovery be penalized by a summary cancellation or withdrawal of his permit to engage in business as a manufacturer or importer of cigarettes. If the violator is an alien, he shall be liable for deportation.

SEC. 137-A. Definitions of terms. — When used herein and in statements or official forms prescribed hereunder, the following terms shall have the meaning indicated:

- Cigars mean all rolls of tobacco or any substitutes thereof, wrapped in leaf tobacco.
- Cigarettes mean all rolls of finely-cut leaf tobacco, or any substitute therefor, wrapped in paper or any other material.
- Wholesale price shall mean the amount of money or price paid for cigars or cigarettes purchased for the purpose of resale, regardless of quantity.
- Retail price shall mean the amount of money or price which an ultimate consumer or end-user pays for cigars or cigarettes purchased.

SEC. 140. Specific tax on fireworks. — On all fireworks there shall be collected for each kilogram a tax of thirty pesos.

"Fireworks" as herein used shall include firecrackers, sparklers, rockets and similar devices which are exploded or burned to produce noises or brilliant lighting effects.

SEC. 146. Specific tax on cinematographic films.—There shall be collected, once only, on cinematographic films (including television films, the provisions of Republic Act Numbered 1919 to the contrary notwithstanding) the following taxes:

- On films of not more than sixteen millimeters in width, twenty-two and One-half centavos per linear meter; and
- On films of more than sixteen millimeters in width, thirty centavos per linear meter. If the films are imported, the tax shall be increased by fifty per centum.

Educational films or 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 millimeters 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 three hundred and nine.

SEC. 147. Specific Tax on Playing Cards.—This section is hereby repealed.

SEC. 150. Records to be kept by manufacturers.—Assessment based thereon.—Manufacturers of articles subject to specific tax shall keep such records as are required by regulations recommended by the Commissioner and approved by the Secretary of Finance, and such records, whether of raw materials received into the factory or of articles produced therein, shall be deemed public and official documents for all purposes.

The records of raw materials kept by such manufacturers may be used as species of evidence by which to determine the amount of specific taxes due from them, and whenever the amounts of raw materials received into any factory exceeds the amount of manufactured or partially manufactured products on hand and lawfully removed from the factor, plus waste removed or destroyed, and a reasonable allowance for unavoidable loss in manufacture, the Commissioner may assess and collect the tax due on the products which should have been produced from the excess.

SEC. 151-A. Manufacturers to provide themselves with counting or metering devices to determine production.—Manufacturers of cigarettes, alcoholic products, oil products, and other articles subject to specific tax that can be similarly measured shall provide themselves with such necessary number of suitable counting or metering devices to determine as accurately as possible the volume, quantity or number of the articles produced by them under regulations promulgated by the Secretary of Finance upon the recommendation of the Commissioner.

This requirement shall be complied with within twelve months from the date of promulgation of this Decree in the case of existing firms and before commencement of operations in the case of new firms.

SEC. 156. Manufacturer and importer' bond. — Manufacturers and importers of articles subject to specific tax shall give bond in an amount equal, as nearly as can be estimated to twenty per centum of the taxes payable by them during an average year. Such bond shall be conditioned upon the faithful compliance, during the time such business is followed, with the law and regulations relating to such business and for the satisfaction of all fines and penalties imposed by this Code No such bond shall be required in an amount less than ten thousand pesos.

SEC. 6. Certain sections of Title V of the same Code are hereby amended to read as follows:

TITLE V. — PRIVILEGE TAXES ON BUSINESS AND OCCUPATION

SEC. 180. Time for payment of fixed taxes. — All fixed taxes shall be payable annually, on or before the thirty-first day of January. Any person first beginning a business or occupation must pay the tax before engaging therein.

If the privilege tax is not paid within the time specified, the amount of the tax shall be increased by twenty-five per centum, the increment to be part of the tax.

SEC. 180-A. Interest on delinquency.—Where the amount of the tax imposed under Section one hundred and eighty-two, or any part of such amount, is not paid on the due date of the tax, there shall be collected, as part of the tax, interest upon such unpaid amount at the rate of fourteen per centum per annum from the due date until it is paid.

SEC. 181.—Reckoning of tax for business first begun or abandoned during year.—This section is hereby repealed.

SEC. 182. Fixed taxes.—(A) On business, (1) Persons subject to percentage tax.—Unless otherwise provided, every person engaging in business on which the percentage tax is imposed shall pay a fixed annual tax of fifty pesos.

(2) Persons not subject to percentage tax. — Every person who is not required to pay the percentage tax prescribed under this Title shall pay for each calendar year in which the person shall engage in business a fixed annual tax based upon his gross annual sales during the preceding calendar year, as follows:

Ten pesos if the amount of the gross annual sales does not exceed two thousand four hundred pesos;

Twenty pesos, if the amount of the gross annual sales exceeds two thousand four hundred pesos but does not exceed ten thousand pesos;

Forty pesos, if the amount of the gross annual sales exceeds ten thousand pesos but does not exceed thirty thousand pesos;

Eighty pesos, if the amount of the gross annual sales exceeds thirty thousand pesos but does not exceed fifty thousand pesos;

One hundred thirty pesos, if the amount of the gross annual sales exceeds fifty thousand pesos but does not exceed seventy-five thousand pesos;

One hundred seventy-five pesos, if the amount of the gross annual sales exceeds seventy-five thousand pesos but does not exceed one hundred thousand pesos;

Two hundred fifty pesos, if the amount of the gross annual sales exceeds one hundred thousand pesos but does not exceed one hundred fifty thousand pesos;

Four hundred fifty-pesos, if the amount of the gross annual sales exceeds one hundred fifty thousand pesos but does not exceed three hundred thousand pesos;

Eight hundred pesos, if the amount of the gross annual sales exceeds three hundred thousand pesos but does not exceed five hundred thousand pesos;

One thousand five hundred pesos, if the amount of the gross annual sales exceeds five hundred thousand pesos but does not exceed one million pesos;

Two thousand six hundred twenty-five pesos, if the amount of the gross annual sales exceeds one million pesos but does not exceed one million five hundred thousand pesos;

Three thousand six hundred seventy-five pesos, if the amount of the gross annual sales exceeds one million five hundred thousand pesos but does not exceed two million pesos;

Five thousand one hundred seventy-five pesos, if the amount of the gross annual sales exceeds two million pesos but does not exceed two million five hundred thousand pesos;

Six thousand six hundred pesos, if the amount of the gross annual sales exceeds two million five hundred thousand but does not exceed three million pesos;

Eight thousand one hundred twenty-five pesos, if the amount of the gross annual sales exceeds three million pesos.

If a merchant is engaged in two or more businesses, one or more of which is subject to and the others exempt from the percentage tax, he shall pay the graduated fixed annual tax provided above, based on the individual sales

of his business not subject to the percentage tax under this Title. The initial graduated fixed annual tax to be paid by the person first engaging in business subject to the said tax shall be ten pesos.

(3) Other fixed taxes.—The following fixed taxes shall be collected as follows, the amount stated being for the whole year, when not otherwise specified:

- Brewers, five thousand pesos;
- Distillers of spirits, one thousand pesos, if the annual production does not exceed one hundred thousand gauge liters; two thousand pesos, if the annual production exceeds one hundred thousand gauge liters but does not exceed two hundred thousand gauge liters; three thousand pesos, if the annual production exceeds two hundred thousand gauge liters but does not exceed three hundred thousand gauge liters; four thousand pesos, if the annual production exceeds three hundred thousand gauge liters but does not exceed five hundred thousand gauge liters; and five thousand pesos, if the annual production exceeds five hundred thousand gauge liters: Provided, That if the annual production does not exceed ten thousand gauge liters only one hundred pesos shall be collected.
- Rectifiers of distilled spirits, compounded, and repackers of wines or distilled spirits, one thousand pesos; producers of wines, one hundred pesos.
- Wholesale dealers of distilled spirits and wines —
 1. In the City of Manila, one thousand pesos;
 2. In chartered cities other than Manila, six hundred pesos;
 3. In any other place, two hundred pesos.
- Wholesale dealers in fermented liquors, except basi, tuba and tapuy, two hundred pesos.
- Wholesale peddlers of distilled spirits and wines, two hundred pesos.
- Wholesale peddlers of fermented liquors, two hundred pesos.
- Retail liquor dealers, two hundred pesos.
- Retail vino dealers, twenty-pesos.
- Retail dealers in fermented liquors, fifty pesos.
- Retail peddlers of distilled spirits, wine, and fermented liquors, fifty pesos.
- Wholesale leaf tobacco dealers, four hundred pesos.
- Wholesale dealers of cigars, cigarettes and other manufactured tobacco products, one hundred pesos.
- Wholesale peddlers of manufactured tobacco products, one hundred pesos.
- Retail leaf tobacco dealers, thirty pesos,
- Retail dealers of cigars, cigarettes and other manufactured tobacco products, twenty pesos.
- Retail peddlers of cigars, cigarettes, and other manufactured tobacco products, twenty pesos.
- Manufacturers, importers or exporters of cigars, cigarettes and other manufactured tobacco products —
 1. In the cities of Manila, Quezon, Pasay and Caloocan and in the Province of Rizal, one thousand pesos;
 2. In any other place, five hundred pesos.
- Importers or exporters of leaf tobacco, scrap tobacco and other partially manufactured tobacco products, one

thousand pesos.

- Manufacturers or importers of cigarette paper in bobbins or rolls, cigarette tipping papers or cigarette filter tips, one thousand pesos.
- Manufacturers or importers of playing cards, saccharine or sodium saccharinate or any of its other derivatives and salts and other artificial sweetening agents, lighter fluid in liquid or gaseous form, matches, firecrackers, denatured alcohol for motive power, five hundred pesos.
- Manufacturers, importers or exporters of petroleum or other manufactured oils and fuels and fuels from petroleum, two thousand pesos.
- Manufacturers, producers, or importers of soft drinks or mineral waters, four hundred pesos.
- Wholesale dealers of soft drinks, or other mineral waters, fifty pesos.
- Wholesale peddlers of soft drinks, or other mineral waters, fifty pesos.
- Dealers in securities, one hundred and fifty pesos.

(aa) Real estate dealers, one hundred and fifty pesos, if the annual income from buying, selling, exchanging, leasing or renting property (whether on their own accounts as principals or as owners of rental property or properties) is over four thousand pesos but not exceeding ten thousand pesos.

Three hundred pesos, if the annual income exceeds ten thousand pesos but does not exceed thirty thousand pesos.

Five hundred pesos, if the annual income exceeds thirty thousand pesos but does not exceed fifty thousand pesos; and

One thousand pesos, if the annual income exceeds fifty thousand pesos.

(bb) Stock brokers, real estate brokers, commercial brokers, customs brokers and immigration brokers, three hundred pesos.

(cc) Owners of race tracks for each day on which races are run on any track, one thousand pesos.

(dd) Lending investors. —

- In chartered cities and first class municipalities, five hundred pesos;
- In second and third class municipalities, two hundred and fifty pesos;
- In fourth and fifth class municipalities and municipal districts, one hundred and twenty-five pesos: Provided, That lending investors who do business as such in more than one province shall pay a tax of five hundred

(ee) Cinematographic film owners, lessors or distributors, three hundred pesos.

(ff) Pawnshops, five hundred pesos.

(gg) Banks, insurance companies, finance and investment companies doing business in the Philippines and franchise grantees, five hundred pesos.

(hh) Operators, proprietors or lessees of theaters and cinema houses: first run, five hundred pesos; second run, two hundred pesos.

(ii) Operators, proprietors or lessees of boxing arenas, Swimming pools, resorts, skating rinks, golf links and other places of amusement, one hundred pesos.

(jj) Night clubs and day clubs, one thousand pesos.

(kk) Cabarets, five hundred pesos.

(ll) Jai-Alai, for each day on which games are played, two hundred and fifty pesos.

(mm) Operators or owners of rice or corn mills shall be subject to an annual graduated fixed tax based upon total, capacity per machine in accordance with the following schedule:

Corn mill, not exceeding one hundred cavaness
per twelve hour capacity

P 30.00

Corn mill, exceeding one hundred cavaness
per twelve hour capacity

45.00

"Kiskisan" type, not exceeding one hundred cavaness of palay per twelve hour capacity

50.00

"Kiskisan" type, exceeding one hundred cavaness of palay
per twelve hour capacity

75.00

"Cono," of not exceeding one hundred cavaness of palay
per twelve hour capacity

200.00

"Cono," of not exceeding two hundred cavaness of palay
per twelve hour capacity

400.00

"Cono," of not exceeding three hundred cavaness of palay
per twelve hour capacity

600.00

"Cono," of not exceeding four hundred cavaness of palay
per twelve hour capacity

900.00

"Cono," of not exceeding five hundred cavanos of palay
per twelve hour capacity

1,300.00

"Cono," of not exceeding six hundred cavanos of palay
per twelve hour capacity

1,800.00

"Cono," of not exceeding seven hundred cavanos of palay
per twelve hour capacity

2,500.00

"Cono," of not exceeding eight hundred cavanos of palay
per twelve hour capacity

3,200.00

"Cono," of not exceeding nine hundred cavanos of palay
per twelve hour capacity

4,000.00

"Cono," of not exceeding one thousand cavanos of palay
per twelve hour capacity

4,800.00

"Cono," of over one thousand cavanos of palay
per twelve hour capacity

5,600.00

(nn)

Proprietors, operators or lessees of cockpits —

1.

In chartered cities and municipalities
in the Greater Manila area

1,500.00

2.

In first and second class municipalities

1,000.00

3. In third and fourth class municipalities

500.00

4.

In fifth, sixth and seventh class municipalities

100.00

(B) On occupation. — Annual taxes on occupation shall be collected as follows:

(1) Seventy-five pesos:

(a) Lawyers, medical practitioners, architects, interior decorators, certified public accountants, civil, electrical, chemical, mechanical, mining or sanitary engineers, pharmacists, insurance agents and sub-agents, customs brokers, marine Surveyors, actuaries, registered master plumbers, registered electricians, veterinarians, dentists, optometrists, opticians, commercial aviators, professional appraisers or connoisseurs of tobacco and other domestic or foreign products, licensed ship masters and marine chief engineers;

(b) Mechanical plant engineers, junior mechanical engineers and certified plant mechanics, unless he or she is a professional mechanical engineer and has paid the corresponding fixed tax for mechanical engineers.

The term mechanical engineers, as used herein, means professional mechanical engineers, as defined in Commonwealth Act Numbered two hundred and ninety-four.

(2) Fifty pesos:

(a) Land surveyors, chief mates, marine second engineers, registered nurses, chiropodists, tattooers, masseurs, pelotaries, jockeys, professional actors and actresses, stage performers, hostesses, statisticians, dietitians, commercial stewards and stewardesses, flight attendants, insurance adjusters and embalmers.

The Secretary of Finance may, upon recommendation of the Commissioner of Internal Revenue, include within the purview of the occupation tax other professions not hereinabove enumerated which in the light of prevailing circumstances should properly be included therein. The tax imposed on such professions shall take effect six months after publication in a newspaper of general circulation.

SEC. 183. Payment of percentage taxes. —(a) In general. — 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 make a true

and complete return of the amount of his, her or its gross quarterly sales, receipts or earnings or gross value of output actually removed from the factory or mill warehouse and within twenty days after the end of each quarter pay the tax due thereon: Provided, That any person retiring from a business subject to the percentage tax shall notify the nearest internal revenue officer thereof, 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.

If the percentage tax in 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 fourteen per cent per annum.

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 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 fourteen per cent 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 one hundred eighty-four, one hundred eighty-four-A, one hundred eighty-five, one hundred eighty-five-A, one hundred eighty-five-B, one hundred eighty-six and one hundred eighty-six-B of this Code shall be paid in advance by the importer, in accordance with the regulations promulgated by the Secretary of Finance and prior to the release of such articles from customs' custody, based on the import invoice value thereof, certified to as correct under penalties of perjury by the Philippine Consul at the port of origin if there in any, including freight, postage insurance, commission, customs duty and all similar charges, plus one hundred per centum of such total value in the case of articles enumerated in Section one hundred eighty-four, one hundred and eighty-four-A; fifty per centum of such total value in the case of articles enumerated in Sections one hundred eighty-five, one hundred eighty-five-A and one hundred eighty-five-B; and twenty-five per centum in the case of articles enumerated in Sections one hundred eighty-six and one hundred eighty-six-B. 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.

The tax herein imposed shall be collected in all cases where the original importer sold, transferred, or negotiated the imported article to third persons before release thereof from customs custody regardless of the tax status of the original importer and the indorsee or transferee, the same to be paid by the transferee and/or indorsee.

The provisions of this Act shall not be construed as nullifying whatever interpretation the Government has given to the word "importer" heretofore.

In the case of tax-free articles brought or imported into the Philippines by persons, entities or agencies exempt from the tax which are subsequently sold, transferred, or exchanged in the Philippines to non-exempt private persons or entities, the purchasers shall be considered the importers thereof. The tax due on such articles shall constitute a lien on the article itself superior to all other chargers or liens, irrespective of the possessor thereof.

Any percentage tax paid under Sections 184, 184-A, 185, 185-A, 185-B, 186, 186-B on domestically manufactured or on imported raw materials used in the manufacture of finished products exported shall be allowed to be credited against other tax liabilities of the manufacturer-exporter: Provided, however, That said percentage taxes paid are indicated as a separate item in the invoices.

SEC. 184. Percentage tax on sales of jewelry, toilet preparation and others. — There shall be levied, assessed, and collected once only on every original sale, barter, exchange, or similar transaction for nominal or valuable consideration intended to transfer ownership of, or title to, the articles hereinbelow enumerated a tax equivalent to seventy per centum of the gross value in money of the articles so sold, bartered, exchanged, transferred, such tax to be paid by the manufacturer or producer: Provided, further, That where the articles enumerated hereinbelow are manufactured out of materials subject to tax under this section, the total cost of such materials, as duly established, shall be deductible from the gross selling price or gross value in money of such manufactured articles:

(a) All articles commonly or commercially known as jewelry, whether real or imitation pearls, precious and semi-precious stones, and imitations thereof; articles made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical instruments, silver-plated wares, frames or mountings for spectacles or eyeglasses, and dental gold or gold alloys and other precious metals used in filling, mounting or fitting of the teeth); opera glasses, and lorgnettes. The term "precious metals" shall include platinum, gold, silver, and other metals of similar or greater value. The term "imitations thereof" shall include platings and alloys of such metals.

(b) Perfumes, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, aromatic cachous, toilet powders, and any similar substance, article, or preparations, by whatsoever name known or distinguished; and any of the above which are used or applied or intended to be used or applied for toilet purposes; except tooth and mouth washes, dentrifices, tooth paste; and talcum or medicated toilet powders.

(c) Dice, mahjong sets and playing cards, except those locally manufactured.

(d) Beauty parlor equipment and accessories; and

(e) Polo mallets and balls, gold bags, clubs and balls, and chess and checker boards and pieces.

Any part or accessory of the above-mentioned articles shall be taxed at the same rate as the finished articles.

SEC. 184-A. Percentage tax on sales of automobiles. — There shall be levied, assessed, and collected once only on every original sale, barter, exchange, or similar transaction for nominal or valuable consideration intended to transfer ownership of, or title to automobiles, a percentage tax, on the gross selling price or gross value in money of the automobiles so sold, bartered, exchanged, or transferred, the tax to be paid by the manufacturer or importer, determined in accordance with the following schedule:

(A) For locally manufactured automobiles — If the gross selling price does not exceed P20,000, the tax shall be 10% of such selling price; if it exceeds P20,000 but does not exceed P25,000, the tax shall be P2,000 plus 15% of the excess over P20,000;

If it exceeds P25,000 but does not exceed P30,000, the tax shall be P2,750 plus 25% of the excess over P25,000;

If it exceeds P30,000 but does not exceed P35,000, the tax shall be P4,000 plus 35% of the excess over P30,000;

If it exceeds P35,000 but does not exceed P40,000, the tax shall be P5,750 plus 50% of the excess over P35,000; and

If it exceeds P40,000, the tax shall be P8,250 plus 70% of the excess over P40,000.

(B) For imported automobiles — if the landed cost plus mark-up as established by Section 183(b) of this Code does not exceed P20,000, the tax shall be 100% of such landed cost plus mark-up;

If it exceeds P20,000 but does not exceed P25,000, the tax shall be P20,000 plus 125% of the excess over P20,000;

If it exceeds P25,000 but does not exceed P30,000, the tax shall be P26,520 plus 150% of the excess over P25,000;

If it exceeds P30,000 but does not exceed P35,000, the tax shall be P33,750 plus 175% of the excess over P30,000;

If it exceeds P35,000, the tax shall be P42,500 plus 200% of the excess over P35,000.

Any percentage tax paid under Sections one hundred and eighty-four, one hundred and eighty-four-A, one hundred and eighty-five, one hundred and eighty-five-A, one hundred and eighty-five-B, one hundred and eighty-six and one hundred and eighty-nine during the preceding taxable quarter on domestically manufactured or produced, or imported raw materials, parts, accessories of other articles forming parts of the finished product or will form part thereof shall be credited against the gross sales tax due on the finished product. In case the tax paid on the raw materials, accessories or other articles exceeds the gross sales tax due on the finished products, the excess shall be credited against the gross sales tax due on the finished products for the succeeding taxable quarter: Provided, however, That the amount of the tax on these raw materials, parts, accessories or other articles are indicated as a separate item in the invoices.

A sale of tin automobile shall, for the purpose of this section, be considered to be a sale of the chassis and of the body together with parts and accessories with which the same are usually equipped: Provided, however, That parts and accessories of automobiles imported as completely knocked down parts by assemblers registered under the progressive car manufacturing program of the Board of Investments, or as replacement as well as locally manufactured parts and accessories for the assembly of automobiles shall be subject to tax under Section one hundred and eighty-six.

The term "automobiles" used herein shall not include motor vehicles classified as trucks and jeeps.

SEC. 185-A. Percentage tax on sales of refrigerators, air-conditioners, beverage coolers, ice cream cabinets, and others. — There shall be levied, assessed and collected once only on every original sale, barter, exchange, or similar transaction intended to transfer ownership of, or title to, the articles hereinbelow enumerated a tax equivalent to forty per centum of the gross selling price or gross value in money of the articles so sold, bartered, exchanged or transferred such tax to be paid by the manufacturer or producer: Provided, however, That where the articles hereinbelow enumerated are locally manufactured and come under the classification of non-integrated manufactured products as hereinafter defined, the tax shall be fifteen per centum; Provided, farther, That where the articles hereinbelow enumerated are locally manufactured products and come under the classification of non-integrated manufactured products as hereinafter defined, the tax shall be seven per centum: Provided, still further, That where the articles enumerated hereinbelow are manufactured out of materials subject to tax under this Section, the total cost of such materials, as duly established, shall be deductible from the gross selling price or gross value in money of such manufactured articles:

- (a) Refrigerators of all types;
- (b) Beverage coolers, ice cream cabinets, water coolers, food and beverage storage cabinets, ice-making machine, and mild cooler cabinets, each such articles having, or being primarily designated for use with, mechanical refrigerating unit operated by electricity, gas, kerosene, or other means; and
- (c) Air-conditioning units.

Any part or accessory of the above-mentioned articles shall be taxed at the same rate as finished articles.

The words "integrated manufactured products" mean articles manufactured in a manufacturing enterprise which undertakes the operations of processing and/or physically converting raw materials such as metal sheets, plastic pellets, wires, rods, extrusion tubings, castings, forgings, and chemical compounds into various intermediate

components and parts, and subsequently assembling or fitting them together into completed and finished articles: Provided, however, That not less than eighty per centum of the components and parts of each main assembly of the products are manufactured domestically: Provided, further, That not less than sixty per centum of the components and parts of each main assembly of the products are manufactured by the said manufacturing enterprise.

The words "non-integrated manufactured products" mean articles manufactured in a manufacturing enterprise which undertakes the operations of a manufacturing plant as defined in the preceding paragraph: Provided, however, That not less than fifty per centum of the components and parts of each main assembly of the products are manufactured domestically: Provided, further, That not less than thirty per centum of the components and parts of each main assembly of the products are manufactured by the said manufacturing enterprise.

The number of main assemblies which shall comprise a product and the intermediate components and parts of each said main assembly shall be determined by the Board of Investments.

SEC. 186. Percentage tax on sales of other articles. — There shall be levied, assessed and collected once only on every original sale, barter, exchange, and similar transaction either for nominal or valuable consideration, intended to transfer ownership of, or title to, the articles not enumerated in Sections one hundred and eighty-four, one hundred eighty-four-A, one hundred eighty-five, one hundred and eighty -five-A, one hundred eighty-five-B, and one hundred eighty-six-B, a tax equivalent to seven per centum of the gross selling price or gross value in money of the articles so sold, bartered, exchanged, or transferred, such tax to be paid by the manufacturer or producer: Provided, That where the articles subject to tax under this section are manufactured out of materials likewise subject to tax under this section and Section one hundred eighty-nine, the total cost of such materials, as duly established, shall be deductible from the gross selling price or gross value in money of such manufactured articles.

SEC. 186-B. Percentage tax on sales of processed meat, milk, fruits and vegetables, fish and other sea foods, wheat flour and feeds. — There shall be levied, assessed and collected once only on every original sale, barter, exchange and similar transaction either for nominal or valuable consideration, intended to transfer ownership of, or title to, the articles enumerated hereinbelow, a tax equivalent to five per centum of the gross selling price or gross value in money of the articles so sold, bartered, exchanged, or transferred, such tax to be paid by the manufacturer or producer:

- (a) Processed meat, milk, fruits and vegetables; fish and other sea foods;
- (b) Wheat flour; and
- (c) Poultry and animal feeds.

Provided, however, That where the articles are manufactured out of materials subject to tax under this section, Section 186, or Section 189, the total cost of such materials, as duly established, shall be deductible from the gross selling price or gross value in money of the manufactured articles.

For purposes of this section, processed meat, milk, fruits and vegetables, fish and other sea foods include such food products which have undergone the process of curing, canning, bottling or similar processes, but exclude such food products which have undergone only simple preserving processes such as freezing, drying, salting or smoking.

SEC. 188. Transactions and person not subject to percentage tax. — In computing the tax imposed in Sections one hundred eighty-four, one hundred eighty-four-A, one hundred eighty-five, one hundred eighty-five-A, one hundred eighty-five -B, and one hundred eighty-six and one hundred eighty-six -B, transactions in the following commodities shall be excluded.

- (a) Articles subject to tax under Title IV of this Code.
- (b) Agricultural food products, ordinary salt and all kinds of fish and its by-products, whether in their original state or not, except those enumerated under Section 186-E. Agricultural non-food products, whether in their original state or not when sold, bartered or exchanged by the producer or owner of the land where produced. The phrase "whether in their original state or not" means the transformation of said products by the application of simple processes to preserve or otherwise to prepare said products for the market such as freezing, drying, salting, smoking or stripping.
- (c) Minerals and mineral products whether in their original state or not when sold, bartered or exchanged by the lessee, concessionaire or owner of the mineral land from which removed.
- (d) Articles subject to tax under Section one hundred eighty-nine of this Code.
- (e) Articles shipped or exported by the manufacturer or producer, irrespective of any shipping arrangement that may be agreed upon which may influence or determine the transfer of ownership of the articles so exported: Provided, however, That sales to tourists, which are paid for in the foreign currency and on which sales tax had been previously paid, shall be considered export sales, if the articles purchased are actually removed by them from the Philippines upon their departure.

Provided, further, That if the seller is other than the manufacturer or importer, he may credit the amount corresponding to the sales tax on the articles sold, against his other tax liabilities.

The following shall be exempt from the percentage taxes imposed in Sections one hundred eighty-four, one hundred eighty-five, and one hundred eighty-six:

- (a) Persons whose gross monthly sales or receipts do not exceed two hundred pesos.
- (b) All Filipinos in public market places selling at retail all forms or kinds of food products, meat, fruits, vegetables, game, poultry fish and other raw and/or cooked food products.
- (c) Peddlers and sellers at fixed stands and other similar selling places engaged exclusively in the sale at retail of domestic meat, fruits, vegetables, game, poultry, fish, and similar domestic food products, whose total stock in trade in any one day does not reach a retail value of one hundred pesos.
- (d) Producers of commodities of all classes working in their own homes, consisting of parents and children living as one family, when the value of each day's production by each person capable of working is not in excess of five pesos.
- (e) Persons importing articles under contract for the exclusive use of the Armed Forces of the Philippines.

SEC. 189. Percentage tax upon proprietors or operators of rope factories, sugar central and mills, coconut oil mills, cassava mills, and dessicated coconut factories. — Proprietors or operators of rope factories, sugar centrals and mills, coconut oil mills, cassava mills, and dessicated coconut factories, shall pay a tax equivalent to two per centum of the gross value in money of all the rope, sugar, coconut oil, cassava flour or starch, dessicated coconut, manufactured, processed or milled by them, including the by products 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 dessicated coconuts, if such rope, coconut oil, copra by-products and dessicated 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 of Internal Revenue.

A proprietor or operator of a refined sugar factory shall be subject to the tax imposed by this section but shall be

permitted to deduct from the actual selling price or market value of the refined sugar the total cost, as duly established, of the raw sugar upon which the tax under this section has been previously paid.

Where articles are manufactured out of materials subject to tax under this section, the total cost, as duly established of the said materials shall be deductible from the gross selling price or gross value in money of the manufactured articles.

SEC. 190. Compensating tax. — On the commodities, goods, wares or merchandise purchased or received by persons residing or doing business in the Philippines, there shall be paid a compensating tax on the total value thereof, including freight, postage, insurance, commission and similar charges, equivalent to the percentage taxes imposed under this Title on original transaction effected by merchants, importers, or manufacturers, such tax to be paid before the withdrawal or removal of said commodities, goods, wares or merchandise from the customs house or the post office, except as follows:

(a) Articles subject to the specific taxes under Title IV of this Code and articles to be used by the importer himself in the manufacture or preparation of articles subject to specific taxes;

(b) Commodities, goods, wares or merchandise purchased or received by merchants, importers and manufacturers who are subject to tax under Sections one hundred eighty-four, one hundred eighty-four-A, one hundred eighty-five, one hundred eighty-five-A, one hundred eighty-five-B, one hundred eighty-six, one hundred eighty-six-B, or one hundred eighty-nine of this Title, where such importations are to be sold, resold, bartered or exchanged or are to be used in the manufacture or preparation of articles for sale, barter, or exchange and are to form part thereof;

(c) Articles to be used by the importer himself in the manufacture or preparation of articles for export;

(d) Articles to be used by the importer himself as passenger and/or cargo vessel of more than ten thousand tone, whether coastwise or ocean-going, including engine and spare parts of said vessel;

Articles brought in by resident, including non-resident-citizens coming to resettle in the Philippines, and accompanying them upon their return or arriving within ninety days before or after their arrival;

(e) Professional instruments and implements, tools of trade, occupation or employment, wearing apparel, domestic animals, and personal and household effects belonging to persons coming to settle for the first time in the Philippines, for their own use and not for barter, sale or exchange, accompanying such persona, or arriving within ninety days before or, after their arrival, upon the production of evidence satisfactory to the Commissioner that such persons are actually coming to settle in the Philippines, that the articles were brought from their former place of abode, that change of residence is bona fide: Provided, That no vehicle, vessel, aircraft or merchandise of any kind, machinery or other articles for use in manufacture shall be classified under this subsection.

If any article withdrawn from the customhouse or the post office without the payment of the compensating tax is subsequently used by the importer for other purposes, corresponding entry should be made in the books of accounts, if any are kept, or a written notice thereof sent to the Commissioner of Internal Revenue and payment of the corresponding compensating tax made within ten days from the date., of such entry or notice. If the tax is not paid within such period, the amount of tax shall be increased by twenty-Five per centum the increment to form part of the tax.

In the case of tax free articles brought or imported into the Philippines by persons, entities or agencies, exempt from tax which are subsequently sold, transferred or exchanged in the Philippines to non-exempt private persons or entities, the purchasers or recipients shall be considered the importers thereof. The tax due on each article shall constitute a lien, on the article itself superior to all other charges or liens, irrespective of the possessor thereof.

The provisions of existing laws to the contrary notwithstanding, exemptions from this tax shall be limited to the following:

- Those enumerated in this section;
- Those granted under Republic Act No. 5186, as amended, Republic Act No. 6135, as amended, and Republic Act No. 5490;
- Those granted in pursuance of or in compliance with international treaties or commitments, such as the ADB-RP Host Agreement (1966), the 1947 Convention on Privileges and Immunities of the United Nations- and its Specialized Agencies; the United States Agency for International Development-RF Agreement; the 1947 Military Bases Agreement; and other similar treaties Or commitments; and
- Those that may be granted by the President upon recommendation of the NEDA in the interest of economic development.

SEC. 191. Contractors, proprietors or operators of dockyards and others. —A contractor's tax of three per centum of the gross receipts is hereby imposed on the following:

- (1) General engineering, general building, and especialty contractors as defined in Republic Act Numbered Four thousand five hundred sixty-six;
- (2) Filling, demolition and salvage work contractors and proprietors or operations of mine drilling apparatus,
- (3) Proprietors or operators of dockyards;
- (4) Persons engaged in the installation of water system, and gas or electric light, heat, or power;
- (5) Proprietors or operators of smelting plants, engraving plants, plating establishments and plastic lamination establishments;
- (6) Proprietors or operators of establishments for upholstering, washing or greasing of motor vehicles, vulcanizing, recapping and battery charging;
- (7) 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;
- (8) Proprietors or operators of dry-cleaning or dyeing establishments, steam laundries, and laundries using washing machines;
- (9) Proprietors or owners of shops for the repair of any kind of bicycles or vehicles, mechanical and electrical devices, instruments, apparatus, or furniture and shoe repairing by machine or any mechanical contrivance;
- (10) Proprietors or operators of establishments or lots for parking purposes;
- (11) Proprietors or operators of tailorshops, dress-shops, milliners and hatters, beauty parlors, barbershops, massage clinics, sauna, turkish, and Swedish baths, slenderizing and body building saloons and similar establishments, photographic studios, and funeral parlors;
- (12) Proprietors or operators of hotels, motels and lodging houses;
- (13) Proprietors or operators of arrastre and stevedoring, warehousing, or forwarding establishments;
- (14) Registered master plumbers, smiths and house or sign painters;
- (15) Printers, bookbinders, lithographers and publishers except those engaged in the publication or 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;

(16) Business agents and other independent contractors except persons, associations and corporations under contract for embroidery and apparel for export, as well as their agents and contractors and except gross receipts of or from a pioneer industry registered with the Board of Investments under the provisions of Republic Act Numbered Five thousand one hundred and eighty-six;

(17) Lessors of personal property.

The term "independent contractors" includes persons (juridical or natural) not enumerated above (but not including individuals subject to the occupation tax under Section 182 (b) of this 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.

SEC. 204. Persons subject to tax, to issue sales invoices or receipts. — All persons subject to an internal revenue tax shall, for each sale or transfer of merchandise or for services rendered valued at two pesos or more, prepare and issue sales or commercial invoices or receipts serially numbered in duplicate showing, among other things, their names, or styles, if any, and business addresses; Provided, That in case of sales, receipts or transfers in the amount of fifty pesos or more, or, regardless of amount, where the sale is made for the purpose of resale, the invoices or receipts shall further show the name, or style, if any, and business address of the purchaser, customer or client. The original of each sales invoice or receipts shall be issued to the purchaser; customer, or client who, if engaged in any taxable business, shall keep and preserve the same in his place of business for a period of five years from the date of the invoice or receipt, the duplicate to be kept and preserved by the persons subject to tax, also in his place of business for a like period: Provided, That persons subject, to tax whose gross sales, earnings or receipts during the last preceding year exceed twenty thousand pesos shall, for each sale or transaction, issue an invoice or receipt, irrespective of the value of the article sold or service rendered.

The Commissioner may, in meritorious cases, exempt any person subject to an internal revenue tax, from compliance with the provisions of this section. In any event, public market vendors selling exclusively domestic meat, fruits, vegetables, game, poultry, fish and other domestic food products are hereby exempted from the provisions of this section.

SEC. 7. Certain sections of Title VI of the same Code are hereby amended to read as follows:

TITLE VI — DOCUMENTARY STAMP TAX

SEC. 219. Stamp Tax on foreign bills of exchange and letters of credit. — On all foreign bills of exchange and letters of credit (including orders, by telegraph 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 eight 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. 220. 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 sixteen centavos on each two hundred pesos or fractional part thereof, of the amount insured by any such policy.

SEC. 226. 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 thirty 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, resthouses, lodging houses or resorts to a guest for lodging, there shall be collected a documentary stamp tax of one peso: Provided, however, That if the amount of the receipt exceeds twenty pesos an additional tax of one peso on each twenty pesos or fractional part thereof shall be collected.

SEC. 226-A. 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 five centavos: Provided, That if the cost of the ticket exceeds one peso, an additional tax of five centavos on every one peso or fractional part thereof shall be collected.

SEC. 8. Certain sections of Title VII of the same Code are hereby amended to read as follows:

TITLE VII — MINING TAXES

SEC. 241. Occupation fee. — A locator, holder, or occupant of a mining claim shall pay to the Commissioner in advance from the date of the registration of the claim in the Office of the Mining Recorder, and on the same date every year thereafter an annual occupation fee of two pesos a hectare or fractional part thereof, until the lease covering the mining claim shall have been granted. For this purpose, the Office of the Mining Recorder shall submit to the treasurers concerned, a list of the mining claims, including the areas of such claims registered with it. Fifty per centum of all the fees collected under this section shall accrue to the province, and fifty per centum to the municipality in which the mining claims are located: Provided, That in case the mining claims are located in a chartered city, the full amount shall accrue to the city concerned. Failure to pay the occupation fee herein required within thirty days after demand shall cause the mining claims to be open for relocation and lease by other persons qualified to locate and lease the same under the provisions of the Mining Act, in the same manner as if no location of the said mining claims had ever been made, unless the locator, holder, occupant, his heirs, executors, administrators or legal representatives, shall have paid the delinquent occupation fees plus a surcharge of twenty-five per cent for every year of delinquency and have resumed occupation of the claims before relocation by other persons.

No lease shall be granted on any mining claim until the occupation fees and surcharges required to be paid under the section shall have been fully paid: Provided, however, That nothing herein contained shall be construed to extend the period of four years within which application for lease of mining claims shall be filed from the date of the recording of the claim in the Office of the Mining Recorder, as provided for in the Mining Act.

SEC. 9. Certain sections of Title VIII of the same Code are hereby amended to read as follows:

TITLE VIII — MISCELLANEOUS TAXES

SEC. 249. Tax on Banks. — There shall be collected a tax of five per centum on the gross receipts derived by all banks doing business in the Philippines from interests, discounts, dividends, commissions, profits from exchange, royalties, rentals of property, real and personal, and all other items treated as gross income under Section twenty-nine of this Code. This tax shall also be collected from other financial intermediaries on their gross receipts derived from quasi-banking activities as herein defined.

"Bank" as herein used, indicates every incorporated or other bank, and every person, association, or company having a place of business where credits are opened by the deposit or collection of money or currency subject to

be paid or remitted upon draft, check or order, or where money is advanced or loaned on stocks, bonds, bullion, bills of exchange or promissory notes, are received for discount or for sale.

Quasi-banking activities shall refer to borrowing funds from twenty or more personal or corporate lenders at any one time, through the issuance, endorsement or acceptance of debt instruments of any kind other than deposits for the borrower's own accounts, or through the issuance of certificates of assignment or similar instruments, with recourse, or of repurchase agreements for purposes of relending or purchasing receivables and other similar obligations.

SEC. 249-A. Tax on Finance Companies. — There shall be collected a tax of five per centum on the gross receipts derived by all finance companies doing business in the Philippines from interests, discounts, and all other items treated as gross income under this Code.

As used in this section "finance companies" refers to corporations or partnerships other than a bank, or insurance company, primarily organized for the purpose of extending credit facilities to consumers and to industrial, commercial or agricultural enterprises whether by granting direct loans or by discounting or factoring commercial papers or accounts receivables for profit, buying and selling contracts, leases, chattel mortgages and other evidences of indebtedness arising out of one or more of the steps in the distribution and sale of commodities.

SEC. 250. Time for payment of tax. — Increase of tax in case of delinquency. — The tax imposed in Sections 249 and 249-A shall be payable at the end of each calendar quarter and it shall be the duty of every bank or finance company, within twenty days after the end of each calendar quarter, to make a true and complete return of the amount of gross income derived during the preceding calendar quarter and pay the tax due thereon, and, if the tax is not paid within the time prescribed herein, the amount of tax shall be increased by twenty-five per centum, the increment to be a 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 such return before the discovery of the falsity or fraud, a surcharge of fifty per centum of the 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 so added shall be collected in the same manner as the tax.

SEC. 256. Time for payment of tax. — Increase of tax in case of delinquency. — The tax on insurance companies shall be due within twenty days after the end of each calendar quarter. It shall be the duty of every insurance company to make a true and complete return of the amount of gross premiums derived during the preceding calendar quarter and pay the tax due thereon and if the tax is not paid within the time 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 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 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 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.

SEC. 260. Amusement taxes. — There shall be collected from the proprietor, lessee, or operator of theaters, cinematographs, concert halls, circuses and other places of amusement the following rates:

- When the amount paid for admission is one peso or less, twenty per cent;

- When the amount paid for admission exceeds one peso, thirty per cent.

In the case of theaters or cinematographs, the taxes herein prescribed shall first be deducted and withheld by the proprietors, lessees, or operators of the theaters or cinematographs and paid to the Commissioner before the gross receipts are divided between the proprietors, lessees, or operators of the theaters or cinematographs and the distributors of the cinematographic films.

In the case of cabarets, day and night clubs, JAI-ALAI and race tracks, there shall be collected from the proprietor, lessee or operator a tax equivalent to twenty per centum and in the case of cockpits, ten per centum of their gross receipts irrespective of whether or not any amount is charged or paid for admission. For the purpose of amusement tax, the term gross receipt embraces all the receipts of the proprietor, lessee or operator of the amusement place.

The holding of operas, concerts, recitals, dramas, painting, and art exhibitions, flower shows, musical programs, literary and oratorical presentations, except fashion shows, film exhibitions and radio or phonographic records thereof, shall be exempt from the payment of the taxes imposed in this section.

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, 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 of the falsity or fraud, a 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 so assessed shall be collected in the same manner as the tax.

As used in this section "other places of amusements" refers to those places where one seeks admission to entertain himself by seeing or viewing the show or performance, but does not include those places where one seeks admission to entertain himself by direct participation.

SEC. 261. Amusement tax payable by charitable institutions. — This section is hereby repealed.

SEC. 302. Inspection fee. — For inspection made in accordance with this Chapter, there shall be collected a fee of fifty centavos for each thousand cigars or fraction thereof; ten centavos for each thousand cigarettes or fraction thereof two centavos for each kilogram of leaf tobacco or fraction thereof; and three centavos for each kilogram or fraction thereof of scrap and other manufactured tobacco.

The inspection fee on cigars, cigarettes and other tobacco products shall be paid by the manufacturer, producer or owner within ten days after the end of each month while the inspection fee on leaf tobacco, scrap and other manufactured tobacco shall be paid immediately before removal from the establishment of the wholesaler, manufacturer, or redrying plant. In case of imported leaf tobacco and products thereof, the inspection fee shall be paid by the importer before removal from customs' custody.

If the inspection fee is not paid within the time specified above, the amount of the fee shall be increased by twenty-five per centum, the increment to be a part of the fee.

Fifty per centum of the tobacco inspection fee shall accrue to the Tobacco Inspection Fund created by Section 12

of Act No. 2613, as amended by Act No. 3179 and fifty per centum shall accrue to the Cultural Center of the Philippines.

SEC. 10. Certain sections of Title IX of the same Code are hereby amended to read as follows:

TITLE IX — GENERAL ADMINISTRATIVE PROVISIONS

SEC. 306. — Recovery of tax erroneously or illegally collected. — No suit or proceeding shall be maintained in any court for the recovery of any national internal revenue tax hereafter alleged to have been erroneously or illegally assessed or collected, or of any penalty claimed to have been collected without authority, or of any sum alleged to have been excessive or in any manner wrongfully collected, until a claim for refund or credit has been duly filed with the Commissioner; but such suit or proceeding may be maintained, whether or not such tax penalty, or sum has been paid under protest or duress. In any case, no such suit or proceeding shall be begun after the expiration of two years from the date of payment of the tax or penalty regardless of any supervening cause that may arise after payment: Provided, however, That the Commissioner may, even without a written claim therefor, refund or credit any tax, where on the face of the return upon which payment was made, such payment appears clearly to have been erroneously paid.

SEC. 308. — Form and mode of proceeding in actions arising under this Code. — Civil and criminal actions and proceedings instituted in behalf of the Government under the authority of this Code or other law enforced by the Bureau of Internal Revenue shall be brought in the name of the Government of the Philippines and shall be conducted by the provincial or city fiscal, or the Solicitor-General, or by the legal officers of the Bureau of Legal Internal Revenue deputized by the Secretary of Justice, but no civil and criminal actions for the recovery of taxes or the enforcement of any fine, penalty, or forfeiture under this Code shall be begun without the approval of the Commissioner of Internal Revenue.

SEC. 309. — Authority of Commissioner to make compromises and to refund taxes. The Commissioner may:

- Compromise any civil case arising under this code or other laws or part of laws administered by the Bureau of Internal Revenue when there is reasonable doubt as to the validity of the claim against the taxpayer or where the financial position of the taxpayer demonstrates a clear inability to pay the assessed tax; or any criminal case other than one involving the commission of fraud by the taxpayer before that case is filed in Court.
- Abate the payment of any tax that appears to be unjustly or excessively assessed or the unpaid portion of the assessed tax or any liability in respect thereof, if under the rules and regulations to be recommended by the Commissioner with the approval of the Secretary of Finance, the administration and collection costs involved do not warrant the collection of the amount due.
- Credit or refund taxes erroneously or illegally received, or penalties imposed without authority; refund the value of internal revenue stamps when they are returned in good condition by the purchaser, and, in his discretion, redeem or change unused stamps that have been rendered unfit for use and refund their value upon proof of destruction. No credit or refund of taxes or penalties shall be allowed unless the taxpayer files in writing with the Commissioner a claim for credit or refund within two years after the payment of the tax or penalty.

SEC. 311. — Remedy for enforcement of statutory penal provisions. — The remedy for enforcement of statutory penalties of all sorts shall be by criminal or civil action, as the particular situation may require, subject to approval of the Commissioner of Internal Revenue.

SEC. 315. — Nature and extent of tax lien.—If any person, corporation, partnerships, joint-account (cuenta en participacion), association, or insurance company liable to pay an internal revenue tax, neglects or refuses to pay

the same after demand, the amount shall be a lien in favor of the Government of the Philippines from the time when the assessment was made by the Commissioner of Internal Revenue until paid, with interest, penalties, and costs that may accrue in addition thereto upon all property and rights to property belonging to the tax payer: Provided, That this lien shall not be valid against any mortgagee, purchaser, or judgment creditor until notice of such lien shall be filed by the Commissioner in the office of the register of deeds of the province or city where the property of the taxpayer is situated or located.

SEC. 316. — Remedies for the collection of delinquent taxes. — The civil remedies for the collection of internal revenue taxes, fees, or charges, and any increment thereto resulting from delinquency shall be (a), by distraint of goods, chattels, or effects, and other personal property of whatever character, including stocks and other securities, debts, credits, bank accounts, and interest in and rights to personal property, and by levy upon real property and interest in or rights to real property; and (b) by civil or criminal action. Either of these remedies or both simultaneously may be pursued in the discretion of the authorities charged with the collection of such taxes: Provided, however, That the remedies of distraint and levy shall not be availed of where the amount of tax involved is not more than one hundred pesos.

The judgment in the criminal case shall not only impose the penalty but shall also order payment of the taxes subject of the criminal case as finally decided by the Commissioner of Internal Revenue.

The Bureau of Internal Revenue shall advance the amounts needed to defray costs of collection by means of civil or criminal action, including the preservation or transportation of personal property distrained and the advertisement and sale thereof as well as of real property and improvements thereon.

SEC. 328. — Forfeiture to Government for want of bidding. — Incase there is no bidder for real property exposed for sale as hereinabove provided or if the highest bid is for an amount insufficient to pay the taxes, penalties, and costs, the Internal Revenue Officer conducting the sale shall declare the property forfeited to the Government in satisfaction of the claim in question and within two days thereafter shall make a return of his proceedings and the forfeiture which shall be spread upon the records of his office. It shall be the duty of the Register of Deeds concerned upon registration with his office of any such declaration of forfeiture to transfer the title of the property forfeited to the Government without the necessity of an order from a competent Court.

Within one year from the date of such forfeiture the taxpayer, or any one for him, may redeem said property by paying to the Commissioner or the latter's Collection Agent the full amount of the taxes and penalties, together with interest thereon and the costs of sale; but if the property be not thus redeemed, the forfeiture shall become absolute.

SEC. 332. — Exceptions as to period of limitation of assessment and collection of taxes. — (a) In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time within ten years after the discovery of the falsity, fraud, or omission: Provided, That, in a fraud assessment which has become final and executory, the fact of fraud shall be judicially taken cognizance of in the civil or criminal action for the collection thereof-

(b) Where before the expiration of the time prescribed in the preceding section for the assessment of the tax, both the Commissioner of Internal Revenue and the taxpayer have consented in writing to its assessment after such time-, the tax may be assessed at any time prior to the expiration of the period agreed upon. The period so agreed upon may be extended by subsequent agreements in writing, made before the expiration of the period previously agreed upon.

(c) Where the assessment of any internal revenue tax has been made within the period of limitation

above-prescribed, such tax may be collected by distraint or levy or by a proceeding in court, but only if begun (1) within five years after the assessment of the tax, or (2) prior to the expiration of any period for collection agreed upon in writing by the Commissioner of Internal Revenue and the taxpayer before the expiration of such five-year period. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon.

SEC. 333. — Suspension of running of statute. — The running of the statute of limitations provided in Section 331 or 332 on the making of assessment and the beginning of distraint or levy or a proceeding in court for collection, in respect of any deficiency, shall be suspended for the period during which the Commissioner of Internal Revenue is prohibited from making the assessment or beginning distraint or levy or a proceeding in court and for sixty days thereafter; when the taxpayer requests for a reinvestigatoin which is granted by the Commissioner when the taxpayer cannot be located in the address given by him in the return filed upon which a tax is being assessed or collected: Provided, That, if the taxpayer informs the Commissioner of Internal Revenue of any change in address, the statute will not be suspended; when the warrant of distraint and levy is duly served upon the taxpayer, his authorized representative, or a member of his household with sufficient discretion, and no property could be located; and when the taxpayer is out of the Philippines.

SEC. 337. — Preservation of books of accounts, and other accounting records. — All the books of accounts, including the subsidiary books, and other accounting records, of corporations, partnerships, or persons shall be preserved by them for a period of at least five years from the last entry in each books and shall be subject to examination and inspection only once in a taxable year during that five- year period by internal revenue officers, except in cases of fraud, irregularity or mistake as determines by the Commissioner, or unless the taxpayer requests otherwise, in which case, another examination and inspection may be made. Examination and inspection of books of accounts and other accounting records shall be done only 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 may be allowed by the Commissioner of Internal Revenue 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. Corporation and partnerships contemplating dissolution must notify the Commissioner of Internal Revenue and shall not be dissolved until cleared of any tax liability.

SEC. 337-A. — Supplying of taxpayer account number. — Any person required under the authority of this Code to make, render, or file a return, statement, or other document shall be supplied with or assigned a taxpayer account number which he shall include in such return, statement or document filed with the Commissioner for his proper identification for tax purposes.

Only one account number shall be given a person required to have one, and any person who shall secure more than one account number shall be criminally liable under the provisions of Section 352 of this Code.

SEC. 11. Section 347 of Title X of the same Code is hereby amended to read as follows:

TITLE X - MISCELLANEOUS ADMINISTRATIVE PROVISIONS

SEC. 347. Unlawful divulgence of trade secret. — Except as provided in Section 81 of this Code and Section 26 of Republic Act Numbered Six Thousand Three Hundred Eighty-Eight, any officer or employee of the Bureau of Internal Revenue who divulges to any person or makes known in any other manner than may be provided by law information regarding the business, income, or inheritance of any taxpayer, the secrets, operation, style of work, or apparatus of any manufacturer or producer, or confidential information regarding the business of any taxpayer, knowledge of which was acquired by him in the discharge of his official duties, shall be fined in a sum of not

more than two thousand pesos or imprisoned for a term of not less than six months nor more than five years, or both.

SEC. 12. Effective date. — Except as otherwise provided specifically, and except the tax on the income of non-resident citizens under the amendment to Section 21 which shall apply to income beginning January one, nineteen hundred and seventy-two, the provisions of this Decree takes effect on January one, nineteen hundred and seventy-three.

Done in the City of Manila, this 24th day of November, in the year of Our Lord, nineteen hundred and seventy-two.

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

By the President:

(Sgd.) ALEJANDRO MELCHOR
Secretary Executive

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