

# [ PRESIDENTIAL DECREE NO. 1959, October 10, 1984 ]

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

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

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

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

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

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

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

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

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

"(cc) Rates of tax on interest from deposits and yield or any other monetary benefit from deposit substitutes and from trust fund and



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

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

"**Sec. 53** (d) (1). *Withholding of Final Tax.*—Every bank or non-bank financial intermediary or commercial, industrial, finance companies, and other non-financial companies authorized by the Securities and Exchange Commission to issue deposit substitutes shall deduct and withhold from the interest on bank deposits or yield or any other monetary benefit from deposit substitutes a final tax equal to fifteen per centum (15%) of the interest on deposits or yield or any other monetary benefit from deposit substitutes and from trust fund and similar arrangements."

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

"(3) *Ad valorem penalties.*—

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