

# [ PRESIDENTIAL DECREE NO. 1351, April 17, 1978 ]

## **AMENDING SECTIONS 30 AND 53 OF THE NATIONAL INTERNAL REVENUE CODE OF 1977 TO AUTHORIZE THE SECRETARY OF FINANCE TO REQUIRE WITHHOLDING OF CREDITABLE INCOME TAXES FROM CERTAIN INCOME PAYMENTS AND TO REQUIRE PROOF OF SUCH WITHHOLDING AS AN ADDITIONAL CONDITION FOR DEDUCTIONS FROM GROSS INCOME**

**WHEREAS**, the most convenient, effective and generally accepted method of collecting income taxes is through the withholding system;

**WHEREAS**, in order to optimize the effectiveness of the present tax collection system, it is necessary to expand the coverage of the withholding system;

**WHEREAS**, certain ordinary and necessary expenses and other items allowed as deductions constitute income to the recipients thereof and therefor includible in their gross income;

**WHEREAS**, in order to insure the collection of the income tax on these income payments, it is necessary to subject such payments to the withholding of tax at source and to require proof of such withholding and payment to the BIR as a requirement for the deductibility of such payment;

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

**SECTION 1.** Section 53(f) of the National Internal Revenue Code of 1977 is hereby amended to read as follows:

"(f) The Secretary of Finance may, upon recommendation of the Commissioner of Internal Revenue, 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 not less than 2-1/2% but not more than 35% thereof which shall be credited against the income tax liability of the taxpayer for the taxable year."

**SECTION 2.** Section 30 of the National Internal Revenue Code of 1977 is hereby amended by adding a new paragraph to read as follows:

"(m) *Additional requirement for deductibility of income payments.* Any income payment which is otherwise deductible from gross income under this Section shall be allowed as a deduction only if it is shown that the tax required to be deducted and withheld therefrom has been paid to the Bureau of Internal Revenue in accordance with this Section, Section 54 and 93 of this Code."

**SECTION 3.** This decree shall take effect immediately.

DONE in the City of Manila, this 17th day of April, in the year of Our Lord, nineteen hundred and seventy-eight.