

[PRESIDENTIAL DECREE NO. 913, March 29, 1976]

AMENDING SECTION 24b (c) OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED BY PRESIDENTIAL DECREE No. 778.

WHEREAS, it is the policy of the government to encourage the foreign investments in the Philippines to augment domestic capital;

WHEREAS, some domestic corporations and resident foreign corporations obtain loans from abroad to be used in acquiring equity capital in other domestic corporations

WHEREAS, some intercorporate dividends are derived from equity investments in domestic corporations financed with foreign borrowings;

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

SECTION 1. Section 24 (c) of the National Internal Revenue Code is hereby amended to read as follows:

"(c) *Rate of tax on certain dividends.* Dividends received by a domestic or resident foreign corporation from a domestic corporation liable to tax under this Code—

1. shall be subject to a final tax at 10% on the total amount thereof, which shall be collected and paid as provided in Sections 53 and 54 of this Code, and
2. shall not be included in the determination of the gross income of the recipient corporation: *Provided, however,* That interest paid or incurred on indebtedness abroad by a domestic or resident foreign corporation, which indebtedness was incurred to provide funds for investment in a domestic corporation shall be allowed as a deduction from the intercorporate dividends before computing the 10% final tax. Any excess of the interest herein allowed as deduction from intercorporate dividends may be deducted from the other gross income of the recipient corporation, subject to the provisions of Section 30(b) of this Code.

"The above deduction of interest from intercorporate dividends shall be allowed only if the recipient domestic or resident foreign corporation submits an authenticated copy of the foreign loan-agreement stipulating the end-use of the loan proceeds and such other information as may be required for its determination.

"The Secretary of Finance, upon recommendation of the Commissioner of Internal Revenue, shall promulgate rules and regulations to implement the provisions of this paragraph."

SECTION 2. Effectivity.—This Decree shall take effect immediately.