

[REPUBLIC ACT NO. 7499, May 15, 1992]

AN ACT RESTRUCTURING THE ESTATE AND DONOR'S TAXES, AMENDING FOR THE PURPOSE SECTIONS 77, 79(A), 83(B) AND 92(A) AND (B) ON TRANSFER TAXES OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED

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

SECTION 1. Section 77 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 77. *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 78 and 79 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 schedules:

"If the net estate is:

"Over	But Not Over	The Tax Shall Be	Plus	Of Excess Over
--	P 200,000	Exempt	--	--
P200,000	500,000	5%	--	P 200,000
500,000	2,000,000	P 15,000	8%	500,000
2,000,000	5,000,000	135,000	12%	2,000,000
5,000,000	10,000,000	495,000	21%	5,000,000
10,000,000	And Over	1,545,000	35%	10,000,000

SEC. 2. Section 79(a) of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"(a) 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 actual funeral expenses or in an amount equal to five per centum of the gross estate, whichever is lower, but in no case to exceed P 100,000;

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

"(C) For claims against the estate: *Provided*, That at the time the indebtedness was incurred the debt instrument was duly notarized and, if the loan was contracted within three years before the death of the decedent, the administrator or executor shall submit a statement showing the disposition of the proceed of the loan;

"(D) For claims of the deceased against insolvent persons where the value of 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 tax. 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 a 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 sub-section (a) of Section 84.

"(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;