

[REPUBLIC ACT NO. 2343, June 20, 1959]

**AN ACT TO AMEND CERTAIN SECTIONS OF COMMONWEALTH ACT
NUMBERED FOUR HUNDRED SIXTY-SIX, OTHERWISE KNOWN AS
THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, AND
FOR OTHER PURPOSES.**

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

SECTION 1. Section twenty-one of Commonwealth Act Numbered Four hundred sixty-six, as amended by Republic Act Numbered Eighty-two, is hereby further amended to read as follows:

"SEC. 21. *Rates of tax on citizens or residents.*—There shall be levied, collected, and paid annually upon the entire net income received in the preceding taxable year from all sources by every individual, a citizen or resident of the Philippines, a tax equal to the sum of the following:

"Three *per centum per annum* upon the amount by which such total net income does not exceed two thousand pesos;

Six *per centum per annum* upon the amount by which such total net income exceeds two thousand pesos and does not exceed four thousand pesos;

"Nine *per centum per annum* upon the amount by which such total net income exceeds four thousand pesos and does not exceed six thousand pesos;

"Sixteen *per centum per annum* upon the amount by which such total net income exceeds six thousand pesos does not exceed eight thousand pesos;

"Twenty *per centum per annum* upon the amount by which such total net income exceeds eight thousand pesos and does not exceed ten thousand pesos;

"Twenty-four *per centum per annum* upon the amount by which such total net income exceeds ten thousand pesos and does not exceed twenty thousand pesos;

"Thirty *per centum per annum* upon the amount by which such total net income exceeds twenty thousand pesos and does not exceed thirty thousand pesos;

"Thirty-six *per centum per annum* upon the amount by which such total net income exceeds thirty thousand pesos and does not exceed forty thousand pesos;

"Forty *per centum per annum* upon the amount by which such total net income exceeds forty thousand pesos and does not exceed fifty thousand pesos;

"Forty-two *per centum per annum* upon the amount by which such total

net income exceeds fifty thousand pesos and does not exceed sixty thousand pesos;

"Forty-four *per centum per annum* upon the amount by which such total net income exceeds sixty thousand pesos and does not exceed seventy thousand pesos;

"Forty-six *per centum per annum* upon the amount by which such total net income exceeds seventy thousand pesos and does not exceed eighty thousand pesos;

"Forty-eight *per centum per annum* upon the amount by which such total net income exceeds eighty thousand pesos and does not exceed ninety thousand pesos;

"Fifty *per centum per annum* upon the amount by which such total net income exceeds ninety thousand pesos and does not exceed one hundred thousand pesos;

"Fifty-two *per centum per annum* upon the amount by which such total net income exceeds one hundred thousand pesos and does not exceed one hundred and twenty thousand pesos;

"Fifty-three *per centum per annum* upon the amount by which such total net income exceeds one hundred and twenty thousand pesos and does not exceed one hundred and thousand pesos;

"Fifty-four *per centum per annum* upon the amount by which such total net income exceeds one hundred and forty thousand pesos and does not exceed one hundred and sixty thousand pesos;

"Fifty-five *per centum per annum* upon the amount by which such total net income exceeds one hundred and sixty thousand pesos and does not exceed two hundred thousand pesos;

"Fifty-six *per centum per annum* upon the amount by which such total net income exceeds two hundred thousand pesos and does not exceed two hundred fifty thousand pesos;

"Fifty-seven *per centum per annum* upon the amount by which such total net income exceeds two hundred and fifty thousand pesos and does not exceed three hundred thousand pesos;

"Fifty-eight *per centum per annum* upon the amount by which such total net income exceeds three hundred thousand pesos and does not exceed four hundred thousand pesos;

"Fifty-nine *per centum per annum* upon the amount by which such total net income exceeds four hundred thousand pesos and does not exceed five hundred thousand pesos; and

"Sixty *per centum per annum* upon the amount by which such total net income exceeds five hundred thousand pesos."

SEC. 2. Section twenty-two of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further amended to read as follows:

"SEC. 22. *Tax on nonresident alien individual.*—(a) Non-resident 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 non-resident alien individual engaged in trade or business within the Philippines the tax imposed by section twenty-one.

"(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 remunerations, emoluments, or other fixed or determinable annual or periodical gains, capital gains, profits, and income, a tax equal to twenty *per centum* of such income: *Provided*, That if the total income received by such nonresident alien individual from all sources within the Philippines exceeds twenty-three thousand eight hundred pesos, the rates established in section twenty-one shall apply, but in no case shall the tax imposed under this subsection be less than twenty per centum of the total income."

SEC. 3. Subsections (b) and (c) of section twenty-three of Commonwealth Act Numbered Four hundred sixty-six are amended to read as follows:

"(b) *Personal exemption 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-three years of age, unmarried, and not gainfully employed, or where such children are incapable of self-support because mentally or physically defective.

"(c) *Additional exemption for dependents.*—The sum of one thousand pesos for each legitimate, recognized natural, or adopted child, wholly dependent upon and living with the taxpayer if such dependents are not more than twenty-three 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."

SEC. 4. Section twenty-four of Commonwealth Act Numbered Four hundred sixty-six, as amended, is further amended to read as follows:

"SEC. 24. *Rate of tax on corporations.*—(a) Tax on domestic corporations. —In general there shall be levied, collected, and paid annually upon the total net income received in the preceding 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 copartnerships (*companias colectivas*), domestic life insurance companies and foreign life insurance companies doing business in the Philippines, a tax upon such income equal to the sum of the following:

"Twenty-two *per centum* upon the amount by which such total net income does not exceed one hundred thousand pesos; and

"Thirty *per centum* upon the amount by which such total net income

exceeds one hundred thousand pesos; and a like tax shall be levied, collected, and paid annually upon the total net income received in the preceding taxable year from all sources within the Philippines by every corporation organized, authorized, or existing under the laws of any foreign country: *Provided, however,* That building and loan associations operating as such in accordance with sections one hundred and seventy-one to one hundred and ninety of the Corporation Law, as amended, as well as private educational institutions, shall pay a tax of twelve *per centum* and ten *per centum*, respectively, on their total net income: *And provided, further,* That in the case of dividends received by a domestic or resident foreign corporation from a domestic corporation liable to tax under this Chapter or from a domestic corporation engaged in a new and necessary industry, as denned under Republic Numbered Nine hundred and one, only twenty-five *per centum* thereof shall be returnable for purposes on the tax imposed by this section.

"(b) *Tax on foreign corporations.*— (1) Nonresident corporations.—There shall be levied, collected, and paid for each taxable year, in lieu of the tax imposed by the preceding paragraph, upon the amount received by every foreign corporation not engaged in trade or business within the Philippines, from all sources within the Philippines, as interest, dividends, rents, salaries, wages, premiums annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income, a tax equal to thirty *per centum* of such amount.

"(2) *Resident corporations.*—A foreign corporation engaged in trade or business within the Philippines (except foreign life insurance companies) shall be taxable as provided in subsection (a) of this section.

"(c) *Rate of tax on life insurance companies.*—There shall be levied, assessed, collected and paid annually from every life insurance company organized in or existing under the laws of the Philippines, or foreign life insurance company authorized to carry on business in the Philippines, but not including purely cooperative companies or associations as denned in section two hundred fifty-five of this Code, on the total investment income received by such company during the preceding taxable year from interest, dividends, and rents from all sources, whether from or without the Philippines, a tax of six and one-half *per centum* upon such income: *Provided, however,* That foreign life insurance companies not doing business in the Philippines shall, on any investment income received by them from the Philippines, be subject to tax as any other foreign corporation.

"The total net investment income of domestic life insurance companies is the gross investment income received during the taxable year from rents, dividends, and interest less deductions for real estate expenses, depreciation, interest paid within the taxable year on its indebtedness except on indebtedness incurred to purchase or carry obligation the interest upon which is wholly exempt from taxation under existing laws, and such investment expenses aid during the taxable year as are ordinary and necessary the conduct of the investments; and the total net investment income of foreign life insurance companies doing business in

the Philippines is that portion of their gross world investment income which bears the same ratio to such income as their total Philippine reserve bears to their total world reserve less that portion of their total world investment expenses which bear the same ratio to such expenses as their total Philippine investment income bears to their total world investment income."

SEC. 5. Subsection (c) of section forty-five of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further amended to read as follows:

"(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."

SEC. 6. Subsections (b) and (d) of section forty-six of Commonwealth Act Numbered Four hundred sixty-six, as amended, are hereby further amended to read as follows:

"(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.

"(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 Receding 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. 7. Section forty-seven of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further amended to read as follows:

"SEC. 47. *Extension of time to file returns.*—The Commission of Internal Revenue may, in meritorious cases, grant a reasonable extension of time for tiling returns of income subject to the provisions of section fifty-one of this Code."

SEC. 8. Section fifty-one of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further amended to read as follows:

"SEC. 51. *Payment and assessment of income tax.*— (a) *Payment of tax.* — (1) *In general.*—The total amount of tax imposed by this Title shall be paid at the time the return is filed but not later than the fifteenth day of April following the close of the calendar year, or, if the return is made on the basis of a fiscal year, then not later than the fifteenth day of the fourth month following the close of the fiscal year. Such tax shall be paid by the person subject thereto, and in the case of a corporation by the