

[**REPUBLIC ACT NO. 590, September 22, 1950**]

AN ACT TO AMEND CERTAIN SECTIONS OF COMMONWEALTH ACT NUMBERED FOUR HUNDRED AND SIXTY-SIX, AS AMENDED, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE, AND TO ADD TO TITLE II THEREOF A SUPPLEMENT PROVIDING FOR THE WITHHOLDING OF THE INCOME TAX ON WAGES, 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 and sixty-six, as amended by Republic Act Numbered Eighty-two, is further amended to read as follows:

"SEC. 21. *Rates of tax on citizens or residents.*—There shall be levied, assessed, 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:

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

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

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

"Eighteen *per centum per annum* upon the amount by which such total net income exceeds six 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 forty 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 and 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. Subsection (b) of section twenty-two of Commonwealth Act Numbered Four hundred and sixty-six, as amended by Republic Act Numbered Eighty-two, is hereby further amended to read as follows:

"(b) Nonresident alien not engaged in trade or business within the Philippines or not having an office or place of business therein.—There shall be levied, assessed, collected, and paid for each taxable year upon the entire net income received from all sources within the Philippines by every nonresident alien individual not engaged in trade or business within the Philippines or not having an office or place of business therein a tax equal to sixteen per centum thereof: Provided, That if the total net income of such nonresident alien individual from all sources within the Philippines exceeds fourteen thousand seven hundred and fifty pesos, the rates established in section twenty-one shall apply."

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

"SEC. 23. Amount of personal exemptions allowable to individuals.—For the purpose of the tax provided for in this Title, there shall be allowed in the nature of a deduction from the amount of net income the following personal exemptions:

"(a) Personal exemption of single individuals.—The sum of one thousand eight hundred pesos, if the person making the return is a single person or a married person legally separated from his or her spouse.

"(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 with a wife not legally separated from him or a married woman with a husband not legally separated from her, 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 a 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 dependent upon him or her for their chief support where such brothers, sisters, or children are less than twenty-one years of age or where such children are incapable of self-support because mentally or physically defective.

"(c) Additional exemption for dependents.—The sum of six hundred pesos for each legitimate, recognized natural, or adopted child wholly

dependent upon the taxpayer, if such dependents are under twenty-one years of age, 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 a family.

"(d) *Change of status.*—If the status of the taxpayer insofar as it affects the personal and additional exemption for himself or his dependents, changes during the taxable year by reason of his death, the amount of the personal and additional exemptions shall be apportioned, under rules and regulations prescribed by the Secretary of Finance, in accordance with the number of months before and after such change. For the purpose of such apportionment a fractional part of a month shall be disregarded unless it amounts to more than half a month, in which case it shall be considered as a month."

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

"SEC. 24. *Rate of tax on corporations.*—There shall be levied, assessed, 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 (*compañías colectivas*), a tax of sixteen *per centum* upon such income; and a like tax shall be levied, assessed, 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 section one hundred and seventy-one to one hundred and ninety of the Corporation Law, as amended, shall pay a tax of nine per centum 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, only twenty-five *per centum* thereof shall be returnable for purposes of the tax imposed by this section."

SEC. 5. Section thirty of Commonwealth Act Numbered Four hundred and sixty-six, as amended, is hereby further amended by adding thereto a new subsection which shall read as follows:

"(j) *Optional standard deduction.*—In lieu of the deductions allowed under this section an individual, other than a nonresident alien, may elect a standard deduction. Such optional standard deduction shall be in the amount of one thousand pesos or in an amount equal to ten per centum of his gross income, whichever is the lesser. Unless the taxpayer signifies in his return his intention to elect the optional standard deduction he shall be considered as having availed himself of the deductions allowed in the preceding subsection. The Secretary of Finance shall prescribe the manner of the election. Such election when made in the return shall be irrevocable for the taxable year for which the return is made."

SEC. 6. Subsection (a) of section forty-five of Commonwealth Act Numbered Four hundred and sixty-six is hereby amended to read as follows:

"SEC. 45. *Individual returns.*— (a) *Requirement.*— (1) Every citizen of the Philippines of lawful age, whether residing at home or abroad and, (2) every person residing in the Philippines, though not a citizen thereof, having a gross income of one thousand eight hundred pesos or over, including dividends, for the taxable year, and (3) every nonresident alien deriving income from sources within the Philippines regardless of amount, shall file an income tax return, in duplicate, setting forth specifically the gross amount of income from all sources and deducting from the total thereof the aggregate items of allowances authorized under this Title, in such form and manner as the Collector of Internal Revenue, with the approval of the Secretary of Finance, may prescribe."

SEC. 7. Subsections (a) and (b) of section fifty-three of Commonwealth Act Numbered Four hundred and sixty-six, as amended by Republic Act Numbered Eighty-two, is hereby further amended to read as follows:

"(a) *Tax-free covenant bonds.*— (1) *Requirement of withholding.*—In any case where bonds, mortgages, deeds of trust, or other similar obligations of domestic or resident foreign corporations, contain a contract or provision by which the obligor agrees to pay any portion of the tax imposed by this Title upon the obligee or to reimburse the obligee for any portion of the tax or to pay the interest without deduction for any tax which the obligor may be required or permitted to pay thereon or to retain therefrom under any law of the Philippines, or of any state or country, the obligor shall deduct and withhold a tax equal to sixteen *per centum* of the interest upon such bonds, mortgages, deeds of trust, or other obligations, whether such interest is payable annually or at shorter or longer periods, and whether such bonds, obligations, or securities had been heretofore or are hereafter issued or marketed, and the interest thereon paid, within or without the Philippines if such interest is payable to a nonresident alien individual or to a citizen or resident of the Philippines.

"(2) *Benefit of exemptions against net income.*—Such deduction and withholding shall not be required in the case of a citizen or resident entitled to receive such interest if such person shall file with the withholding agent, on or before February first, a signed notice in writing claiming the benefit of the exemption provided in section twenty-three of this Title.

"(b) *Nonresident aliens.*—All persons, corporations and general copartnerships (*compañias colectivas*), in whatever capacity acting, including lessees or mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, receivers, conservators, fiduciaries, employers, and all officers and employees of the Government of the Philippines having the control, receipt, custody, disposal, or payment of interest, dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinate annual or periodical gains, profits, and income of any nonresident alien individual, not engaged in trade or business