

[REPUBLIC ACT NO. 579, September 15, 1950]

AN ACT TO AMEND SECTIONS EIGHTY-FIVE, EIGHTY-SIX, EIGHTY-NINE, ONE HUNDRED AND NINE AND ONE HUNDRED AND TEN OF COMMONWEALTH ACT NUMBERED FOUR HUNDRED AND SIXTY-SIX, OTHERWISE KNOWN AS 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 eighty-five of Commonwealth Act Numbered Four hundred and sixty-six, otherwise known as the National Internal Revenue Code, is hereby amended to read as follows:

"SEC. 85. *Rates of estate tax.*—There shall be levied, assessed, collected, and paid upon the transfer of the net estate of every decedent, whether a resident or nonresident of the Philippines, a tax equal to the sum of the following percentages of the value of the net estate determined as provided in sections eighty-eight and eighty-nine:

"One *per centum* of the amount by which the net estate exceeds five thousand pesos and does not exceed twelve thousand pesos;

"Two *per centum* of the amount by which the net estate exceeds twelve thousand pesos and does not exceed thirty thousand pesos;

"Two and one half *per centum* of the amount by which the net estate exceeds thirty thousand pesos and does not exceed fifty thousand pesos;

"Three *per centum* of the amount by which the net estate exceeds fifty thousand pesos and does not exceed seventy thousand pesos;

"Five *per centum* of the amount by which the net estate exceeds seventy thousand pesos and does not exceed one hundred thousand pesos;

"Seven *per centum* of the amount by which the net estate exceeds one hundred thousand pesos and does not exceed one hundred and fifty thousand pesos;

"Nine *per centum* of the amount by which the net estate exceeds one hundred and fifty thousand pesos and does not exceed two hundred and fifty thousand pesos;

"Eleven *per centum* of the amount by which the net estate exceeds two hundred and fifty thousand pesos and does not exceed five hundred

thousand pesos;

"Thirteen *per centum* of the amount by which the net estate exceeds five hundred thousand pesos and does not exceed one million pesos; and

"Fifteen *per centum*, of the amount by which the net estate exceeds one million pesos."

SEC. 2. Section eighty-six of Commonwealth Act Numbered Four hundred and sixty-six, as amended by section one of Republic Act Numbered Eighty-three, is hereby further amended to read as follows:

"SEC. 86. *Rates of inheritance tax.*—In addition to the estate tax imposed by section eighty-five, there shall be levied, assessed, collected, and paid an inheritance tax equal to the sum of the following percentages of the value of the individual share of each heir or beneficiary in the net estate, after deducting the amount of the estate tax, of every decedent, whether a resident or nonresident of the Philippines:

"(a) When the surviving spouse, a legitimate, recognized natural, illegitimate or adopted child, or legitimate descendant, or ascendant, or either of the adopting parents is the beneficiary, or the father or mother who had recognized him as a natural child, and in every case where the beneficiary receives the property exclusively for educational or charitable purposes, there shall be collected upon the share which corresponds to each beneficiary in the inventoried property a tax according to the following schedule: *Provided, however,* That such portion of the share of a surviving spouse or a legitimate, recognized natural, illegitimate, or adopted child of a decedent who was a citizen or resident of the Philippines at the time of his death, which is not in excess of five thousand pesos shall be exempt from this tax;

"Two *per centum* of the amount of the share not in excess of twelve thousand pesos;

"Four *per centum* of the amount by which the share exceeds twelve thousand pesos and does not exceed thirty-thousand pesos;

"Six *per centum* of the amount by which the share exceeds thirty thousand pesos and does not exceed fifty thousand pesos;

"Eight *per centum* of the amount by which the share exceeds fifty thousand pesos and does not exceed seventy thousand pesos;

"Twelve *per centum* of the amount by which the share exceeds seventy thousand pesos and does not exceed one hundred thousand pesos;

"Fourteen *per centum* of the amount by which the share exceeds one hundred thousand pesos and does not exceed one hundred and fifty thousand pesos;

"Sixteen *per centum* of the amount by which the share exceeds one

hundred and fifty thousand pesos and does not exceed two hundred and fifty thousand pesos;

"Eighteen *per centum* of the amount by which the share exceeds two hundred and fifty thousand pesos and does not exceed five hundred thousand pesos;

"Twenty *per centum* of the amount by which the share exceeds five hundred thousand pesos and does not exceed one million pesos; and

"Twenty-two *per centum* of the amount by which the share exceeds one million pesos.

"Where the property is received for educational or charitable purposes, it shall be the duty of the person or persons in charge thereof to submit from time to time a report of the administration and use of the property to the Collector of Internal Revenue and within twenty days after demand therefor has been made by the said Collector.

"(b) When a brother or sister, who is a legitimate or acknowledged natural child of a common father or mother or both, or the children of such brother or sister, or any descendant mentioned as such in the will and not included in subsection (a) hereof is the beneficiary, there shall be collected the same tax fixed in said subsection with an increase of seventy-five *per centum*.

"(c) When other relatives within the degree of relationship recognized by law in intestate succession not included in the two next preceding subsections are beneficiaries, there shall be collected upon the share which corresponds to each beneficiary the same tax fixed in subsection (a) with an increase of one hundred and fifty *per centum*.

"(d) When a relative by affinity within the same degree as those mentioned in subsections (a) and (b), with the exception of the surviving spouse, is the beneficiary, there shall be collected the same tax fixed in subsection (a) with an increase of two hundred and twenty-five *per centum*.

"(e) When strangers are beneficiaries there shall be collected upon the share which corresponds to each beneficiary the same tax fixed in subsection (a) with an increase of four hundred *per centum*, provided that if such share exceeds five hundred thousand pesos, the excess shall be subject to tax at ninety-five *per centum*.

"For the purpose of this tax, strangers are deemed those relatives by consanguinity in the collateral line, not within the degree of relationship recognized by law in intestate succession, and all relatives by affinity with the exception of the spouse and those mentioned in subsection (d) of this section: *Provided, however,* That where the beneficiary is a domestic servant, or a trusted employee, there shall be collected on the first two thousand pesos and five thousand pesos, respectively, the tax fixed in subsection (a) of this section, and on the excess, the tax prescribed in this subsection. In cases of property which by the will of the testator should be divided among the poor, without the designation of any particular persons, or which should be disposed of for masses or other

pious works, there shall be collected the tax at the rate fixed in this subsection upon the total amount of said property.

"In case the property is transmitted to the heirs subject to the usufructuary interest, use or habitation, or annuity of a third person, the tax shall be based on the value of the inventoried property less that of the usufruct, use or habitation, or annuity determined as hereinafter provided."

SEC. 3. Sub-paragraph (E) of paragraph (1) of subsection (a) of section eighty-nine of Commonwealth Act Numbered Four hundred and sixty-six, is hereby amended to read as follows:

"SEC. 89. *Net estate*.—For the purpose of the taxes imposed in this Chapter the value of the net estate shall be determined:

"(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—

* * * * *

"(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 or inheritance taxes. The deduction herein allowed in the cases 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 em-bezzelment, 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 subsection (a) of section ninety-five."

SEC. 4. Section one hundred and nine of Commonwealth Act Numbered Four hundred and sixty-six is hereby amended to read as follows:

"SEC. 109. *Rates of tax payable by donor*.—The tax for each calendar year shall be an amount equal to the excess of a tax, computed in accordance with the rate schedule hereinafter set forth, on the aggregate sum of the net gifts for such calendar year and for each of the preceding calendar years, over a tax computed in accordance with the rate schedule, on the aggregate sum of the net gifts for each of the preceding calendar years.

"Rate Schedule