

## [ Act No. 2926, March 26, 1920 ]

### **AN ACT TO AMEND SEVERAL SECTIONS OF ACT NUMBERED TWENTY-EIGHT HUNDRED AND THIRTY-THREE, INCREASING THE NORMAL AND ADDITIONAL TAX RATES, AND FOR OTHER PURPOSES.**

*Be it enacted by the Senate and House of Representatives of the Philippines in Legislature assembled and by the authority of the same:*

SECTION. Section one of Act Numbered Twenty-eight hundred and thirty-three is hereby amended to read as follows:

"SECTION 1. (a) There shall be levied, assessed, collected, and paid annually upon the entire net income received in the preceding calendar year from all sources by every individual, a citizen or resident of the Philippine Islands, a tax of three per centum upon such income; and a like tax shall be levied, assessed, collected, and paid annually upon the entire net income received in the preceding calendar year from all sources within the Philippine Islands by every individual, a nonresident alien, including interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise.

"(b) In addition to the income tax imposed by subdivision (a) of this section, herein referred to as the normal tax, there shall be levied, assessed, collected, and paid upon the total net income of every individual, or, in the case of a nonresident alien, the total net income received from all sources within the Philippine Islands, an additional income tax, herein referred to as the additional tax, of one-half of one per centum per annum upon the amount by which such total net income exceeds ten thousand pesos and does not exceed thirty thousand pesos; one and one-half per centum per annum upon the amount by which such total net income exceeds thirty thousand pesos and does not exceed forty thousand pesos; two per centum per annum upon the amount by which such total net income exceeds forty thousand pesos and does not exceed fifty thousand pesos; two and one-half per centum per annum upon the amount by which such total net income exceeds fifty thousand pesos and does not exceed sixty thousand pesos; three per centum per annum upon the amount by which such total net income exceeds sixty thousand pesos and does not exceed seventy thousand pesos; three and one-half per centum per annum upon the amount by which such total net income exceeds seventy thousand pesos and does not exceed eighty thousand pesos; four per centum per annum upon the amount by which such total net income exceeds eighty thousand pesos and does not exceed ninety thousand pesos; four and one-half 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; five 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; five and one-half 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; six 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; six and one-half 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; seven 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; eight 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; nine 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; ten 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; eleven per centum per annum upon the amount by which such total net income exceeds five hundred thousand pesos and does not exceed seven hundred thousand pesos; twelve per centum per annum upon the amount by which such total net income exceeds seven hundred thousand pesos and does not exceed nine hundred thousand pesos; thirteen per centum per annum upon the amount by which such total net income exceeds nine hundred thousand pesos and does not exceed one million two hundred thousand pesos; fourteen per centum per annum upon the amount by which such total net income exceeds one million two hundred thousand pesos and does not exceed one million five hundred thousand pesos; fifteen per centum per annum upon the amount by which such total net income exceeds one million five hundred thousand pesos and does not exceed two million pesos; sixteen per centum per annum upon the amount by which such total net income exceeds two million pesos does not exceed two million five hundred thousand pesos; seventeen per centum per annum upon the amount by which such total net income exceeds two million five hundred thousand pesos and does not exceed three million pesos; eighteen per centum per annum upon the amount by which such total net income exceeds three million pesos and does not exceed four million pesos; nineteen per centum per annum upon the amount by which such total net income exceeds four million pesos and does not exceed five million pesos; twenty per centum per annum upon the amount by which such total net income exceeds five million pesos.

"For the purposes of the additional tax there shall be included as income the income derived from dividends or net earnings subject to the tax established in subsection

(a) of section ten.

"All the provisions of this Law relating to the normal tax on individuals, so far as they are applicable and are not inconsistent with this subdivision and section three, shall apply to the imposition, levy, assessment, and collection of the additional tax imposed under this subdivision.

"(c) The foregoing normal and additional tax rates shall apply to the entire net income, except as hereinafter provided, received by every taxable person in the calendar year nineteen hundred and twenty and in each year thereafter."

SEC. 2. Subsection (c) of section two of the same Act is likewise amended, to read as follows, and a new subsection (d) is added at the end of said section two:

"(c) The gain derived or loss sustained from the sale or other disposition of property, real, personal, or mixed, shall be determined in accordance with the following schedule:

"(1) In the case of property acquired before March first, nineteen hundred and thirteen, the fair market price or value of such property as of March first, nineteen hundred and thirteen.

"(2) In the case of property acquired on or before March first, nineteen hundred and thirteen, the fair market price or value of such property as of the date of the acquisition thereof.

"(3) In the case of the exchange of one piece of property for another, the property received in exchange shall be considered as equivalent of money in a sum equal to its fair market value on the date on which the exchange was made.

"(d) Whenever, in the judgment of the Collector of Internal Revenue, the taking of an inventory of property is necessary in order to determine the income of a tax payer, the latter shall make an inventory in such form as said Collector may prescribe."

SEC. 3. The fourth, fifth, and seventh paragraphs of subsection (a) of section five of the same Act are hereby amended to read as follows:

"Fourth. Losses actually sustained during the year, incurred in his business or trade, or arising from fires, storms, shipwreck, or other casualty, and from theft, when such losses are not compensated for by insurance or otherwise.

"Fifth. In transactions entered into for profit but not connected with his business or trade the losses actually sustained therein during the year not compensated for by insurance or otherwise.

"Seventh. A reasonable allowance for deterioration of property arising out of its use or employment in the business or trade, or out of its not being used."

SEC. 4. The fourth, fifth, and seventh paragraphs of subsection (a) of section six of the same Act are hereby amended to read as follows:

"Fourth. Losses actually sustained during the year incurred in business or trade conducted by him within the Philippine Islands, and losses of property within the Philippine Islands arising from fires, storms,

shipwreck, or other casualty, and from theft, when such losses are not compensated for by insurance or otherwise.

"Fifth. In transactions entered into for profit in the Philippine Islands but not connected with his business or trade, the losses actually sustained during the year not compensated for by insurance or otherwise.

"Seventh. A reasonable allowance for the deterioration of property within the Philippine Islands arising out of its use or employment, or its non-use, in the business or trade: (a) in the case of oil and gas wells a reasonable allowance for actual reduction in flow and production to be ascertained not by the flush flow, but by settled production or regular flow; (b) in the case of mines a reasonable allowance for depletion thereof not to exceed the market value in the mine of the product thereof which has been mined and sold during the year for which the return and computation are made, such reasonable allowance to be made in the case of both (a) and (b) under rules and regulations to be prescribed by the Collector of Internal Revenue with the approval of the Secretary of Finance: *Provided*, That when the allowance authorized in (a) and (b) shall equal the capital originally invested, or in case of purchase made prior to March first, nineteen hundred and thirteen, the fair market value as of that date, no further allowance shall be made. No deduction shall be allowed for any amount paid out for new buildings, permanent improvements, or betterments, made to increase the value of any property, or estate, and no reduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which an allowance is or has been made."

SEC. 5. Section seven of the same Act is hereby amended to read as follows:

"SEC. 7. For the purpose of the normal tax only, there shall be allowed as an exemption in the nature of of a deduction from the amount of the net income of each citizen or resident of the Philippine Islands, ascertained as provided herein, the sum of four thousand pesos plus two thousand pesos additional if the person making the return be a married man with a wife living with him, or plus the sum of two thousand pesos additional if the person making the return be a married woman with a husband living with her or an unmarried man or woman with parents or one or more brothers or sisters dependednt upon him or her; but in no event shall this additional exemption of two thousand pesos be deducted by both: *Provided*,That only one deduction of six thousand pesos shall be made from the aggregate income of both husband and wife when living together: *Provided, further*, That if the person making the return is the head of a family there shall be an additional exemption of four hundred pesos for each legitimate, recognized natural or adopted child dependent upon such person, if a minor or incapable of self support because mentally or physically defective: *Provided, further*, That guardians or trustees shall be allowed to make this personal exemption as to income derived from the property of which such guardian or trustee has charge in favor of each ward or cestui que trust: *Provided, further*, That in no event shall a ward or cestui que trust be allowed a greater personal exemption than as provided in this section, from the amount of net