

[BATAS PAMBANSA BLG. 135, December 18, 1981]

**AN ACT AMENDING CERTAIN PROVISIONS OF THE NATIONAL
INTERNAL REVENUE CODE OF 1977 AS AMENDED, AND FOR
OTHER PURPOSES.**

Be it enacted by the Batasang Pambansa in session assembled:

SECTION 1. Section 21 of the National Internal Revenue Code of 1977, as amended, is hereby further amended to read as follows:

"SEC. 21. *Rates of tax on citizens or residents.*— (a) *On taxable compensation income.*—A tax is hereby imposed upon the taxable compensation income as determined in Section 28 (a) received during each taxable year from all sources by every individual, whether a citizen of the Philippines or alien residing in the Philippines, determined in accordance with the following schedule:

Not over P2.500	0%
Over P 2,500 but not over P 5,000	1%
Over P 5,000 but not over P 10,000	P 25 + 3% of excess over P 5,000
Over P 10,000 but not over P 20,000	P 175 + 7% of excess over P 10,000
Over P 20,000 but not over P 40,000	P 875 + 11% of excess over P 20,000
Over P 40,000 but not over P 60,000	P 3,075 + 15% of excess over P 40,000
Over P 60,000 but not over P 100,000	P 6,075 + 19% of excess over P 60,000
Over P100.000 but not over P 250,000	P 13,675 + 24% of excess over P 100,000
Over P250.000 but not over P 500,000	P 49,676 + 29% of excess over P250.000
Over P500.000	P122,175 + 35% of excess over P500.000

"(b) *On taxable net income.*—A tax is hereby imposed upon the taxable net income as determined in Section 29 (a) received during each taxable year from all sources by every individual, whether a citizen of the Philippines, or an alien residing in the Philippines determined in accordance with the following schedule:

Not over P 10,000	5%
Over P 10,000 but not over P 30,000	P 500 + 15% of excess over P 10,000
Over P 30,000 but not over P	P 3,500 + 30% of excess

150,000	over P 30,000
Over P150.000 but not over P 500,000	P 39,500 + 45% of excess over P150,000
Over P 500,000	P197.000 + 60% of excess over P 500,000

" (c) *On royalties, prizes and other winnings.*—Royalties, prizes (except prizes amounting to Three thousand pesos or less which shall be subject to tax under paragraph (b)) and other winnings (except Philippine Charity Sweepstakes winnings) received by citizens and resident alien individuals shall be subject to a final tax at the rate of fifteen *per centum* (15%) on the total amount thereof, which shall be collected and paid as provided in Sections 53 and 54 of this Code.

"(d) *On interest from bank deposits and yield or any other monetary benefit from deposit substitutes and from trust fund and similar arrangements.*—Interest from Philippine Currency Bank deposits and yield or any other monetary benefit from deposit substitutes and from trust fund and similar arrangements whether received by citizens of the Philippines or by resident alien individuals, shall be subject to the final tax as follows: (a) fifteen *per centum* (15%) of the interest on savings deposits, and (b) twenty *per centum* (20%) of interest on time deposits and yield or any other monetary benefit from deposit substitutes and from trust fund and similar arrangements, which shall be collected and paid as provided in Sections 53 and 54 of this Code: *Provided*, That no tax shall be imposed if the aggregate amount of the interest on all Philippine Currency deposit accounts maintained by a depositor alone or together with another in any one bank at any time during the taxable period does not exceed One thousand pesos (P1,000.00) a year or Two hundred fifty pesos (P250.00) per quarter: *Provided, further*, That if the recipient of such interest is exempt from income taxation, no tax shall be imposed and that, if the recipient is enjoying preferential income tax treatment, then the preferential tax rates so provided shall be imposed.

"(e) *On dividends and share of individual partner in the net profits of taxable partnership.*—Dividends received by an individual who is a citizen of the Philippines or resident alien from a domestic corporation and the share of an individual partner in a partnership subject to tax under Section 24 (a) shall be subject to a final tax at the rate of fifteen *per centum* (15%) on the total amount thereof, which shall be collected and paid as provided in Sections 53 and 54 of this Code.

"(f) *On adjusted gross income*—A tax is hereby imposed upon the adjusted gross income derived by a non-resident citizen from all sources without the Philippines during each taxable year computed in accordance with the following schedule:

If the amount subject to tax is:

Not over U.S. \$6,000.00	1%
Over U.S. \$6,000.00 but not over U.S. \$20,000.00	U.S. \$60 plus 2% of excess over U.S. \$6,000
Over U.S. \$20,000	U.S. \$340 3% of excess over

U.S. \$20,000

For purposes of this paragraph, 'adjusted gross income' means the gross income from all sources without the Philippines less the following:

"(1) An allowance for personal exemption in the amount of Two thousand dollars (U.S. \$ 2,000), if the person making the return is a single or a married person legally separated from his or her spouse; or Four thousand dollars (U.S. 4,000), if the person making the return is married or head of the. family, as defined in Section 23 of this Code and

"(2) The total amount of the national income tax actually paid to the government of the foreign country of his residence.

"Every non-resident citizen availing of the special rates provided herein is required to support his declaration of gross income, exemption and deductions claimed by attaching to his Philippine income tax return a copy of the income tax return he has filed with the government of the foreign country of his residence."

SEC. 2. Section 22 of the said Code is hereby amended to read as follows:

"SEC. 22. *Tax on non-resident alien individuals.*—(a) *Non-resident aliens engaged in trade or business within the Philippines.* (1) *In general.*—Non-resident aliens engaged in trade or business in the Philippines shall be subject to tax in the same manner as resident citizens and aliens on taxable compensation income and/or other taxable net income received from all sources within the Philippines, except capital gains realized from buying and/or selling shares of stock of Philippine corporations listed in the dollar or any foreign currency board of stock exchange: *Provided*, That for purposes of this Title, a non-resident alien individual who shall come to the Philippines and stay therein for an aggregate period of more than one hundred eighty days during any calendar year shall be deemed a non-resident alien, doing business in the Philippines, the provision of Section 20 (g) of this Code to the contrary notwithstanding.

"(2) *Dividends, share in the net profits of a taxable partnership, interest, royalties, prizes and other winnings, etc.*—Dividends from a domestic corporation, share in the net profits of a partnership taxable under Section 24 (a), interest, royalties (in any form) and prizes (except prizes amounting to P3,000 or less which shall be subject to tax under paragraph (b) of Section 21) and other winnings (except Philippine Charity Sweepstakes winnings), shall be subject to a final tax of thirty *per centum* (30%) on the total amount thereof, which shall be collected and paid as provided in Sections 53 and 54 of this Code.

"(b) *Non-resident 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 non-resident 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 or casual gains, profits, and income, and capital gains (except capital gains real-

ized from buying and/or selling shares of stock of Philippine corporations listed in the dollar or any acceptable foreign currency board of any stock exchange), a tax equal to thirty *per centum* (30%) of such income.

"(c) *Aliens employed by regional or area headquarters of multinational corporations.*—There shall be levied, collected and paid for each taxable year upon the gross income received by every alien individual employed by regional or area headquarters established in the Philippines by multinational corporations as salaries, wages, annuities, compensations, remunerations and other emoluments, such as honoraria and allowances, from such regional or area headquarters a tax equal to fifteen *per centum* (15%) of such gross income: *Provided*, That the activities of the said regional headquarters or area headquarters shall be limited to acting as supervisory, communications and coordinating center for their affiliates, subsidiaries or branches of such multinational corporations. For purposes of this chapter, the term 'multinational corporation' means a foreign firm or entity engaged in international trade with affiliates or subsidiaries or branch offices in the Asia Pacific Region.

"(d) *Aliens employed by offshore banking units.*— There shall be levied, collected and paid for each taxable year upon the gross income received by every alien individual employed by offshore banking units established in the Philippines as salaries, wages, annuities, compensations, remunerations and other emoluments, such as honoraria and allowances, from such offshore banking units a tax equal to fifteen *per centum* (15%) of such gross income.

"(e) *Aliens employed by petroleum service contractors and subcontractors.*—Aliens who are permanent residents of a foreign country but who are employed and assigned in the Philippines by service contractors or by subcontractors engaged in petroleum operations in the Philippines shall be liable to a final income tax equal to fifteen *per centum* (15%) of the salaries, wages, annuities, compensations, remunerations and other emoluments such as honoraria and allowances, received from such contractors or subcontractors. Any income earned from all other sources within the Philippines by the said alien employees shall be subject to the income tax imposed under the National Internal Revenue Code."

SEC. 3. Section 23 of the said Code is hereby amended to read as follows:

"SEC. 23. *Amount of personal exemptions allowable to individuals.*—For the purpose of the tax provided in this Title, there shall be allowed in the nature of a deduction from the amount of gross compensation income and/or net income, as the case may be, the following personal exemptions:

"(a) *Personal exemption of single individuals.*—The sum of Three thousand pesos (P3,000.00), if the person making the return is a single person or a married person judicially decreed as legally separated from his or her spouse.

"(b) *Personal exemption of married persons or heads of family.*—The sum of Six thousand pesos (P6,000.00), if the person making the return is a

married man or a married woman, or Four thousand five hundred pesos (P4,500.00), if the person making the return is the head of a family: *Provided*, That only one exemption of Six thousand pesos (P6,000.00) shall be made from the aggregate income of both husband and wife when not legally separated. For the purposes of this section, the term head of the family' means an unmarried man or woman with one or both parents, or with one or more brothers or sisters, or with 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-one years of age, unmarried, and not gainfully employed, or where such children are incapable of self-support because of mental or physical defect.

"(c) *Additional exemption for dependents.*—The sum of Two thousand pesos (P2,000.00) for each legitimate, recognized natural or adopted child wholly dependent upon and living with the taxpayer if such dependents are not more than twenty-one years of age, unmarried, and not gainfully employed or if they are incapable of self-support because of mental or physical defect. The additional exemption under this subsection shall be allowed only if the person making the return is either married or head of the family: *Provided, however*, That the total number of dependents for which additional exemptions may be claimed shall not exceed four dependents: *Provided, further*, That an additional exemption of One thousand pesos (P1,000.00) shall be allowed for each child who otherwise qualified as dependent prior to January 1, 1980.

"In the case of an individual who derives compensation and other incomes, the amount of personal and additional exemptions granted under this section shall be deducted first from the gross compensation income. Any excess thereof shall be deducted from other income.

"(d) *Change of status.*—If the taxpayer married or should have additional dependents as defined in subsection (c) above during the taxable year, the taxpayer may claim the corresponding personal and additional exemption, as the case may be, in full for such year.

"If the taxpayer should die during the taxable year, his estate may still claim the personal and additional exemptions for himself and his dependents as if he died at the close of such year.

"If the spouse or any of the dependents should die or if any of such dependents becomes twenty-one years old during the taxable year, the taxpayer may still claim the same exemptions as if they died, or if such dependents become twenty-one years old at the close of such year.

" (e) *Allowances for adjustment.*—Upon the recommendation of the Minister of Finance, the President may not more often than once every three years, adjust the personal and additional exemptions taking into account, among others, the movements in consumer price indices, levels of minimum wages, and bare subsistence levels.

"(f) *Personal exemptions allowable to non-resident alien individuals.*—A non-resident alien individual engaged in trade or business in the Philippines shall be entitled to personal exemption in an amount equal to