

[PRESIDENTIAL DECREE NO. 929, May 04, 1976]

AMENDING SUB-PARAGRAPH (b) OF SECTION 84 AND SECTION 191 OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED.

WHEREAS, local contractors contribute substantially to the development program of the country;

WHEREAS, local contractors are at a disadvantage in competitive bidding with foreign contractors in view of limited capital and financial resources;

WHEREAS, in order to be able to compete with big foreign contractors, it may be necessary for them to enter into joint ventures to pool their limited resources in undertaking big construction projects;

WHEREAS, to assist them in achieving competitiveness with foreign contractors, the joint ventures formed by them should not be considered an additional income tax tier;

WHEREAS, the corporate income tax is imposed on joint ventures as well as on the entities composing such joint ventures;

WHEREAS, the 3% contractor's tax is based both on the total contract price received by a principal contractor and on the portion of such contract price which is allocated by the said principal contractor to and received by, a sub-contractor;

WHEREAS, the double taxation of gross receipts to a principal contractor and a sub-contractor also diminishes the competitive capability of local contractors against foreign contractors;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby order and decree the following:

SECTION 1. Subsection (b), Section 84 of the National Internal Revenue Code, as amended is hereby further amended to read as follows:

"(b) The term "corporation" includes partnership no matter how created or organized, joint stock companies, joint accounts (*cuentas en participacion*), associations or insurance companies, but does not include general professional partnerships and a joint venture formed for the purpose of undertaking construction projects.

SEC. 2. Section 191 of the National Internal Revenue Code is hereby amended by adding thereto the following paragraph:

"The term "gross receipts" shall not include the portion of the total contract price paid by a principal contractor to a sub-contractor under a subcontract arrangement which portion shall form Part of the taxable gross receipt of the latter."

SEC. 3. Effectivity.—This Decree shall take effect beginning with calendar year 1976.