

[**PRESIDENTIAL DECREE NO. 16, October 05, 1972**]

AMENDING SECTION 34 (b) OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, EXEMPTING CAPITAL GAINS, EXCEPT SHARES OF STOCKS OF CORPORATIONS COVERED UNDER SECTION 2 OF REPUBLIC ACT NO. 6141 UNDER CERTAIN CONDITIONS

WHEREAS, capital gains accrue irregularly, and are commonly considered as addition or accretion to capital, and not to disposable income;

WHEREAS, most capital gains accumulate for a period longer than one year, and to hold them as taxable income at the particular year that they accrue creates a heavy tax burden for the recipient;

WHEREAS, it has been observed that the capital gains tax has locked in effects or causes the freezing of assets, which could otherwise be mobilized to stimulate production and industry;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines and pursuant to Proclamation No. 1081, dated September 21, 1972, do hereby decree and order that Section 34 (b) of the National Internal Revenue Code, as amended, be further amended to read as follows:

"SEC. 34(b) — In the case of a taxpayer, other than a corporation, no gain or loss will be recognized upon the sale or exchange of a capital asset except shares of stocks of corporations covered in Section 2 of Republic Act No. 6141, *provided* that such gains are invested in the following within six (6) months from the date the gains are realized:

- (1) Government Bonds;
- (2) Government Securities;
- (3) Treasury Notes;
- (4) Government Debentures; and
- (5) Any productive enterprise."

All persons, natural or juridical, availing of this exemption shall file a notice and a tax return on the sale or exchange of such capital assets within thirty (30) days after such sale or exchange. All investments shall also be reported to the Commissioner of Internal Revenue within six (6) months after such sale or exchange of capital assets out of which such capital gains have been derived.

The Commissioner of Internal Revenue, upon approval by the Secretary of Finance, shall promulgate the implementing regulations and shall prescribe the forms to be used by the taxpayers.

This Decree shall be effective for one year from the date of promulgation.