

**[ REPUBLIC ACT NO. 7497, May 15, 1992 ]**

**AN ACT AMENDING PERTINENT PROVISIONS OF THE NATIONAL  
INTERNAL REVENUE CODE, AS AMENDED, RELATIVE TO THE  
FINAL WITHHOLDING TAX ON PURELY COMPENSATION INCOME**

*Be it enacted by the Senate and House of Representatives of the Philippines in  
Congress assembled:*

SECTION 1. *Title.* – This Act shall be known as the "Finality of the Withholding Tax  
on Purely Compensation Income."

SEC. 2. *Declaration of Policy.* – It is the policy of the State to further enhance the  
development of the tax system in our country thus simplifying compliance and  
administration of the withholding tax system on purely compensation income.

SEC. 3. *Coverage.* – Every employer making payment of compensation income shall  
deduct and withhold a tax in an amount equal to the tax due on the employee's  
compensation income for the entire year, in accordance with Section 21(a) of the  
National Internal Revenue Code, as amended.

SEC. 4. The last paragraph of paragraph (a) of Section 21 of the National Internal  
Revenue Code, as amended, is hereby further amended to read as follows:

"In the case of married individuals, the husband and wife, subject to the  
provision of Section 44(d) hereof, shall compute separately their  
individual income tax based on their respective total taxable income:  
*Provided,* That if any income cannot be definitely attributable to or  
identifiable as income exclusively earned or realized by either of the  
spouse, the same shall be divided equally between the spouses for the  
purpose of computing their respective taxable income."

SEC. 5. The first paragraph of item (1), paragraph (1) of Section 29 of the same  
Code, as amended, is hereby further amended to read as follows:

"(1) Personal Exemptions allowable to individuals. -

"(1) Basic personal exemption. - For the purpose of determining the tax  
provided in Section 21(a) of this Title, there shall be allowed a basic  
personal exemption as follows:

"For single individual or married individual judicially decreed as legally separated with no qualified dependents	P 9,000
"For head of a family	P 12,000
"For each married individual	P 18,000

*"Provided, That, in case one of the spouses is deriving taxable income, only said spouse shall be allowed to avail of the aforesaid basic personal exemption for married individual."*

SEC. 6. The first paragraph of item (2)(A), paragraph (1) of Section 29 of the same Code, as amended, is hereby further amended to read as follows:

*"(2) Additional exemptions*

*"(A) Taxpayer with dependents. - A married individual or a head of a family shall be allowed an additional exemption of Five thousand pesos (P5,000) for each dependent: Provided, That the total number of dependents for which additional exemptions may be claimed shall not exceed four dependents: Provided, further, That the additional exemption for dependents shall be claimed by only one of the spouses in the case of married individuals."*

SEC. 7. A new subparagraph (C) is hereby added to Section 44(a)(2) of the National Internal Revenue Code, as amended, to read as follows:

*"(C) Individuals with respect to pure compensation income, as defined in Section 28(a)(1), derived from sources within the Philippines, the income tax on which has been withheld under the provisions of Section 72 of this Code: Provided, That an individual deriving compensation concurrently from two or more employers at any time during the taxable year shall file an income tax return: Provided, further, That an individual whose pure compensation income exceeds Sixty thousand pesos (P60,000) shall also file an income tax return."*

SEC. 8. Paragraph (d) of Section 44 of the same Code, as amended, is hereby further amended to read as follows:

*"(d) Husband and wife. - Married individuals, whether citizens, resident or nonresident aliens who do not derive income purely from compensation, shall file a return for the taxable year to include the income of both spouses, but where it is impracticable for the spouses to file one return, each spouse may file a separate return of income but the returns so filed shall be consolidated by the Bureau for purposes of verification for the taxable year."*

Sec. 9. Section 72(d)(2)(B) of the same Code, as amended, is hereby further amended to read as follows:

*"(B) Change of status. - In case of change of status of an employee as a result of which he would be entitled to a lesser or greater amount of exemption, the employee shall, within ten days from such change, file with the employer a new withholding exemption certificate reflecting the change."*

SEC. 10. Item (1), paragraph (f) of Section 72 of the same Code, as amended, is hereby further amended to read as follows:

*"(1) The husband shall be deemed the head of the family and proper claimant of the additional exemption in respect to any dependent*