

[**REPUBLIC ACT NO. 55, October 15, 1946**]

AN ACT TO IMPOSE A WAR PROFITS TAX

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

SECTION 1. *Rates of tax.*—There shall be levied, assessed, collected and paid on the amount by which the net worth of an individual, partnership, company or corporation, on February 26, 1945, exceeds the net worth of said individual, partnership, company or corporation on December 8, 1941, a war profits tax equal to the sum of the following:

- Fifty per cent upon the amount by which such excess is over P6,000 but is not over P50,000;
- Sixty per cent upon the amount by which such excess is over P50,000 but is not over P100,000;
- Seventy per cent upon the amount by which such excess is over P100,000 but is not over P300,000;
- Eighty per cent upon the amount by which such excess is over P300,000 but is not over P500,000;
- Ninety per cent upon the amount by which such excess is over P500,000 but is not over P1,000,000;
- Ninety-five per cent upon the amount by which such excess is over P1,000,000.

The amount taxable under the next preceding paragraph shall be held to mean the increase in the net worth of every individual, whether a citizen, alien, resident or non-resident, and of every partnership, company or corporation, whether domestic or foreign, attributable to income from sources within the Philippines or incident to property held within the Philippines, during any part of the period from December 8, 1941 to February 26, 1945.

Where a partnership, company or corporation was organized after December 8, 1941, the date of organization shall, for the purposes of this Act, be used in place of the said date.

SEC. 2. *Determination of net worth.*—The term "net worth" as used in section 1 of this Act shall mean the value of assets, including real and personal property and/or cash in banks (exclusive of amounts received during the period from December 8, 1941 to February 26, 1945 as proceeds of life insurance policies issued on or before December 31, 1941), credits interests and rights (exclusive of war damage claims and other claims against the Government of the Republic of the Philippines and foreign governments, or their instrumentalities), less liabilities incurred in carrying on a trade or business or in acquiring property: *Provided, however,* That should a taxpayer subsequently receive payment on account of such war damage claims or

other claims against the Government of the Republic of the Philippines and foreign governments, or their instrumentalities, the amount or value of the payment received by him shall be considered as part of his assets on February 26, 1945. The term "value" shall, in the case of real property, be construed to mean the assessed value. In the case of personal property and of real property not yet assessed for taxation, the term "value" shall be held to mean the fair market value: *Provided, however,* That property, real or personal, acquired on or before December 8, 1941 and still held by the taxpayer on February 26, 1945 shall be declared at the same value in the inventories of assets as of December 8, 1941 and February 26, 1945, except that improvements made on the same property during the said period shall be included in the inventory as of February 26, 1945 at their fair market value; *And Provided, further,* That where title to property acquired on or before December 8, 1941 passed after that date to another person by way of gift or inheritance, such person, or any other person taking title to the property through a series of acquisitions by the same mode, shall be deemed to have acquired the property on or before December 8, 1941.

SEC. 3. *Allowable deductions.*—In computing the tax imposed in section 1 hereof, there shall be allowed as deduction from the excess of the net worth on February 26, 1945 over the net worth on December 8, 1941, an amount equivalent to six *per centum* per annum on the net worth of the taxpayer on December 8, 1941, computed for the period from December 8, 1941 to February 26, 1945, both dates inclusive: *Provided,* That the total amount deductible under this paragraph shall not exceed seventy-five *per centum* of the excess of the net worth on February 26, 1945 over the net worth on December 8, 1941.

Where a taxpayer acquired after December 8, 1941 and still hold on February 26, 1945 shares of stock of a corporation subject to the tax imposed by this Act, there shall be allowed as deduction from the excess of his net worth on February 26, 1945 over his net worth on December 8, 1941, that proportion of the tax payable by the corporation which the number of shares held by the taxpayer bears to the total number of shares issued and outstanding. Where there are two or more classes of stock, the tax shall be fairly allocated among the different classes and deduction taken accordingly, with the approval of the Collector of Internal Revenue. The corporation shall, prior to the last day for filing returns, issue appropriate statements to its stockholders to enable them to compute the deduction allowed under this paragraph.

SEC. 4. *Filing of returns.*— (a) Every individual, partnership, company or corporation subject to the tax herein imposed or who acquired real and/or personal property in excess of P6,000 in value during the period from December 8, 1941 to February 26, 1945, shall render in duplicate a true and accurate return in the manner and form prescribed by the Collector of Internal Revenue with the approval of the Secretary of Finance and containing such facts and information as are necessary to determine the correctness of the amount subject to the tax and to carry out the provisions of this Act. In the case of partnerships, companies, or corporations, the return shall be filed by the President, Vice-President, Manager or other principal officer and shall be sworn to by such officer and by the Treasurer or Assistant Treasurer.

(b) *When to file return.*—The return required in subsection (a) of this section shall be rendered on or before the last day of the third month following the date of the approval of this Act. In case a taxpayer receives payment on account of war damage or other claims against the Government of the Republic of the Philippines