

[Act No. 2601., February 04, 1916]

AN ACT TO TAX INHERITANCES, LEGACIES AND OTHER ACQUISITIONS

By authority of the the United States, be it enacted by the Philippine"Legislature, that:

SECTION 1. Every transmission by virtue of inheritance, devise, bequest, gift mortis causa, or advance in anticipation of inheritance, devise, or bequest shall be subject to the following tax:

(a) When the surviving spouse, a legitimate, recognized natural, or adopted child, or legitimate descendant of any of them, is the beneficiary, one per centum on the inventoried property if not exceeding fifty thousand pesos; one and one-half per centum, upon the inventoried property if it is of the amount of fifty thousand pesos and not in excess of two hundred and fifty thousand pesos; two and one-half per centum, upon the inventoried property if it is of the amount of two hundred and fifty thousand pesos and not in excess of five hundred thousand pesos, and four per centum, upon all inventoried property in an amount in excess of five hundred thousand pesos;

(b) When either of the legitimate parents of the deceased, or a legitimate brother or sister of the same, or the father or mother who had recognized him as a natural child, is the beneficiary, there shall be collected the same tax fixed in the paragraph next preceding, with an increase of one hundred per centum;

(c) When other relatives not included in the two next preceding subsections are beneficiaries, there shall be collected the tax fixed in subsection (a) with an increase of two hundred per centum;

(d) When strangers are beneficiaries, there shall be collected the tax fixed in subsection (a) with an increase of three hundred per centum.

SEC. 2. This tax shall fall:

(a) On all real property located in the Philippine Islands, and real rights in such property;

(b) On any franchise which must be exercised in the Philippines;

(c) On shares, obligations or bonds issued by any corporation or *sociedad anonima* organized or constituted in the Philippine Islands in accordance with its laws;

(d) On shares or rights in any partnership, business or industry established in the Philippine Islands;

(e) On any personal property located in the Philippines.

SEC. 3. Notwithstanding the provisions of subsection (a) of section one the portions of the surviving spouse, a legitimate child and a recognized natural or adopted child,

shall be wholly exempt from tax in so far as not in excess of three thousand pesos each.

SEC. 4. In order to determine the net sum which must bear the tax, when an inheritance is concerned, there shall be deducted the expenses of the funeral and burial of the deceased, the proper capital of the surviving spouse, and his or her part of the gains (gananciales), the proven debts, the judicial expenses of the testamentary or intestate proceedings, and claims against insolvent persons. After the aforementioned deductions have been made, there shall be added to the resulting amount the value of all gifts or advances made by the predecessor to any of those who, after his death, shall prove to be his heirs, devisees, legatees, or *donees mortis causa*.

SEC. 5. When divers persons not included in the same class or group of section one, are beneficiaries, each share shall be subject to the scale of taxation which corresponds to the person taking.

SEC. 6. In order to determine the value of the right of usufruct, use or habitation, as well as that of annuity, there shall be taken into account the probable life of the beneficiary in accordance with the American Tropical Experience Table, calculated at eight per centum annual interest.

SEC. 7. The following shall not be taxed:

- (a) The merger of the usufruct in the owner of the naked title;
 - (b) The transmission or delivery of the inheritance or legacy by the fiduciary heir or legatee to the trustees;
 - (c) The transmission from the first heir, legatee, or donee in favor of another beneficiary, in accordance with the desire of the predecessor.
- In the last two cases, if the scale of taxation appropriate to the new beneficiary is greater than that paid by the first, the former must pay the difference.

SEC. 8. The tax fixed in this Act shall be paid:

- (a) In the cases (b) and (c) of the next preceding section, before entrance into possession of the property.
- (b) In other cases, within the six months subsequent to the death of the predecessor; but if judicial testamentary or intestate proceedings shall be instituted prior to the expiration of said period, the payment shall be made by the executor or administrator before delivering each beneficiary his share.

SEC. 9. The Government shall have a right to the collection of the tax fixed in this Act, on the property transmitted, with preference over any real right created on the same subsequent to the death of the predecessor, but this preference will be extinguished at the end of five years from the date when the tax becomes payable upon real property, and three years upon any other kind of property.

SEC. 10. In the absence of contrary disposition by the predecessor, there shall be charged to the account of each beneficiary the part of the tax which pertains to him,