

[Act No. 2339, February 27, 1914]

AN ACT REVISING AND CONSOLIDATING THE LAWS RELATIVE TOM INTERNAL REVENUE.

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

PRELIMINARY CHAPTER.

SECTION 1. *Short title of this Act.*—This Act may be referred to as The Internal Revenue Law of Nineteen hundred and fourteen.

CHAPTER ONE.

THE BUREAU OF INTERNAL REVENUE.

SEC. 2. *Chief officials of Bureau of Internal Revenue.*— The Bureau of Internal Revenue shall have one chief and one assistant chief appointed by the Governor-General, with the advice and consent of the Philippine Commission, and known respectively as Collector of Internal Revenue and Deputy Collector of Internal Revenue.

Subject to the supervision of the Secretary of Finance and Justice, the Collector of Internal Revenue shall have general authority in all matters, and shall see to the enforcement of all laws and regulations, embraced within the jurisdiction of the Bureau or relating to the operation thereof.

SEC. 3. *City assessor and collector of Manila.*—The Collector of Internal Revenue shall be ex officio city assessor and collector of Manila and as such shall collect all its municipal revenues and shall perform in and for said city the duties imposed by this law on provincial treasurers generally.

SEC. 4. *Powers and duties of Bureau.*—The powers and duties of the Bureau of Internal Revenue shall comprehend the collection of all taxes, fees, and charges specified in and allowable under this Act, and the enforcement of all forfeitures, penalties, and fines sanctioned by the same.

Said Bureau shall also give effect to and administer the supervisory and police powers of this Act and enforce any other law or parts of laws specifically placed under its jurisdiction.

SEC. 5. *Regulations of the Bureau of Internal Revenue.*— The Collector of Internal Revenue shall have the power, and it shall be his duty, to make regulations, not inconsistent with law, necessary to carry this Act into full effect and to secure an harmonious and efficient administration of his branch of the service. Such regulations may be either general or local in application and shall become effective as law when approved by the Department head and published.

SEC. 6. *Specific provisions to be contained in regulations.*—The Regulations of the Bureau of Internal Revenue shall, among other things, contain provisions specifying, prescribing, or defining:

- (a) The time and manner in which provincial treasurers shall canvass their provinces for the purpose of discovering persons and property liable to internal-revenue taxes, and the manner in which their lists of taxable persons and tax-able objects shall be made and kept.
- (b) The forms of labels, brands, or marks to be required on goods subject to a specific tax and the manner in which the labeling, branding, or marking shall be effected.
- (c) The conditions under which and the manner in which goods intended for export, which if not exported would be subject to a specific tax, shall be labeled, branded, or marked.
- (d) The conditions to be observed by revenue officers, provincial fiscals, and other officials respecting the institution and conduct of legal actions and proceedings.
- (e) The manner in which persons authorized to have and keep prohibited drugs shall keep their records relating to the same.
- (f) The conditions under which opium may be imported, the manner of its storage and removal for use, as well as the manner in which the same shall be marked or labeled prior to removal.
- (g) The conditions under which prohibited drugs may be transferred from the possession of persons authorized to have and keep the same to the possession of other persons similarly authorized.
- (h) The conditions under which goods intended for storage in bonded warehouses shall be conveyed thither, their manner of storage, and the method of keeping the entries and records in connection therewith; also the books to be kept by storekeepers and the reports to be made by them in connection with their supervision of such houses.
- (i) The conditions under which alcohol intended for use in the arts and industries may be withdrawn free of tax, and dealt in, the character and quantity of the denaturing material to be used, the manner in which the process of denaturing shall be effected, the bonds to be given, the books and records to be kept, the entries to be made therein, the reports to be made to the Collector of Internal Revenue, and the signs to be displayed in the business or by the person for whom such denaturing is done or by whom such alcohol is dealt in.
- (j) The manner in which revenue shall be collected and paid, the instrument, document, or object to which revenue stamps shall be affixed, the mode of cancellation of the same, the manner in which the proper books, records, invoices, and other papers shall be kept and entries therein made by the person subject to the tax, as well as the manner in which licenses and stamps shall be gathered up and returned after serving their purpose.
- (k) Prohibitions relative to the size, style, subject-matter, and location of signs, signboards, billboards, and other forms of outdoor advertising, and the conditions precedent to securing a license to erect or display such signs, signboards, and billboards.

SEC. 7. *Power of Collector of Internal Revenue to fix bonds.*—The Collector of Internal Revenue shall, consistently with the law, prescribe the form and fix the amount of all bonds executed by private parties to the Government under the laws pertaining to his Bureau and shall pass on the sufficiency of the security and retain possession of the bond.

SEC. 8. *Forms, certificates, and appliances supplied by the Collector of Internal Revenue.*—It shall be the duty of the Collector of Internal Revenue, among other things, to prescribe, provide, and distribute to the proper officials the requisite licenses, cedula forms, internal revenue stamps, and labels or tags used in sealing weights and measures, and all other forms, certificates, bonds, records, invoice books, instruments, appliances and apparatus used in administering the laws under the jurisdiction of the Bureau.

SEC. 9. *Agents and deputies for collection of internal revenue.*—For the collection of the internal revenue on imported articles the Insular Collector of Customs and his subordinates are constituted agents of the Collector of Internal Revenue; and the provincial treasurers, their deputies, and employees shall be his deputies for the collection of other internal revenue and the enforcement of all laws within the jurisdiction of the Bureau.

For economy or effectiveness in the collection of the cedula tax, the Collector of Internal Revenue may authorize the provincial treasurer of any province to appoint, for the first four months of the year only, special deputies to collect such tax, at a rate of compensation not greater than ten centavos for each tax collected and certificate issued.

SEC. 10. *Expenses of collection to be borne by provinces.*—The expenses incurred by the provincial and municipal authorities in collecting taxes and in enforcing the laws under the jurisdiction of the Bureau of Internal Revenue, including expenses incurred in appearing in the courts in internal-revenue cases, shall be borne by the respective provinces; but the city of Manila shall be liable only for such expenses as are incident to the collection of internal-revenue and other taxes in and for that city, and for such expenses the Insular Government shall be reimbursed.

SEC. 11. *Internal-revenue inspection districts.*—With the approval of the Department head, the Collector of Internal Revenue shall divide the Philippine Islands into such number of inspection districts as may from time to time be required for administrative purposes. Each of these districts shall be in charge of an internal-revenue agent.

SEC. 12. *Duties of internal-revenue agents.*—It shall be the duty of every internal-revenue agent to see that all laws and regulations relative to the collection of internal-revenue taxes are faithfully executed and complied with, to aid in the prevention, detection, and punishment of any frauds or delinquencies in connection therewith, and to examine into the efficiency of all officers and employees of the Bureau of Internal Revenue. He shall report in writing to the Collector of Internal Revenue any neglect of duty, incompetency, delinquency, or malfeasance in office of any internal-revenue officer of which he may obtain knowledge, with a statement of all the facts in each case and any evidence sustaining the same. He may, by notice in writing, suspend from duty any storekeeper, and in such case he shall immediately notify the Collector of Internal Revenue and within three days thereafter report his action and his reasons therefor in writing to said Collector.

Should any revenue agent discover any neglect, incompetency, delinquency, or malfeasance of any provincial treasurer in the performance of his duty as a collector of internal revenue, he shall immediately report the facts to the Collector of Internal Revenue in writing.

SEC. 13. *Authority of agent's assistant.*—An agent's assistant in any district may, in the name of the internal-revenue agent in charge of such district and under the control of such officer as his principal, exercise any power or perform any act which might be exercised or performed by such internal-revenue agent himself.

SEC. 14. *Assignment of storekeepers to warehouses.*—The Collector of Internal Revenue shall employ and assign to such bonded warehouses and manufacturers' warehouses as he shall deem expedient internal-revenue storekeepers, special

SEC. 15. *Assignment of internal-revenue agents to special duties.*—Internal-revenue agents may be assigned to duty under the direction of any officer of the Bureau of Internal Revenue and may be assigned to special duties other than those of internal-revenue agent proper.

Any officer or employee of the Bureau may be assigned to the duties of revenue agent without change of his official character or salary.

SEC. 16. *Reports of violations of law.*—When a provincial or deputy provincial treasurer or an internal-revenue agent discovers evidence of the violation of any penal provision of this Act of such character that a criminal prosecution ought to be instituted, he shall immediately report the facts to the fiscal of the province, giving the name of the offender and the names of the witnesses, if possible. A duplicate of such report shall be sent to the Collector of Internal Revenue.

It shall also be the duty of officers and employees of the Bureau of Internal Revenue to report to the Bureau of Forestry any violations of the Forest Law within their knowledge. A duplicate of each such report shall be furnished to the Collector of Internal Revenue.

SEC. 17. *Authority of internal-revenue officers to make arrests and seizures.*—The Collector of Internal Revenue, the Deputy Collector of Internal Revenue, internal-revenue agents, and provincial treasurers and their deputies shall have authority to make arrests and seizures for violations of this Act or of regulations pursuant thereto. Any person so arrested shall be forthwith carried before a magistrate there to be dealt with according to law.

SEC. 18. *Power of Collector of Internal Revenue in making Assessment of taxes. assessments.*—When a report required by this Act as a basis for the assessment of any tax shall not be forthcoming within the time fixed by law or regulation, or when there is reason to believe that any such report is false, incomplete or erroneous, the Collector of Internal Revenue shall assess the proper tax on the best evidence obtainable.

SEC. 19. *Authority of officers to administer oaths and take testimony.*—The Collector of Internal Revenue, the Deputy Collector of Internal Revenue, internal-revenue agents, and provincial treasurers and their deputies may administer oaths, summon witnesses, and take testimony in any official investigation conducted by them touching any matter within the jurisdiction of the Bureau.

SEC. 20. *Contents of Collector's annual report.*—The Annual report, annual report of the Collector of Internal Revenue shall contain a detailed statement of the

collections and disbursements of the Bureau with specifications of the sources of revenue and classes of disbursements.

CHAPTER TWO

INTERNAL-REVENUE TAXES.

Article I.—*Sources of internal revenue.*

SEC. 21. *Sources of taxes.*—The following taxes, fees, etc. and charges in the nature of tax are deemed to be internal-revenue taxes:

- (a) The cedula tax;
- (b) The documentary tax;
- (c) The privilege taxes on business and occupation;
- (d) Specific taxes on manufactured products;
- (e) Taxes on resources of banks, receipts of insurance companies, and receipts of corporations paying a franchise tax;
- (f) Charges for forest products;
- (g) Fees for testing and sealing weights and measures;
- (h) Internal revenue, including the income tax, collected in the Philippine Islands under laws enacted by the Congress of the United States;
- (i) Taxes on signs, signboards, and billboards.

SEC. 22.—*Persons liable to cedula tax.*—An annual internal-revenue cedula tax shall be paid by all male inhabitants of the Philippine Islands over the age of eighteen and under sixty with the following exceptions:

- (a) Commissioned officers of the United States Army or Navy;
- (b) Enlisted soldiers, sailors, and marines of the United States Army or Navy;
- (c) Civilian employees of the military or naval branches of the United States Government who have come to the Philippine Islands under orders of the Government of the United States;
- (d) Diplomatic and consular representatives and officials of foreign powers;
- (e) Paupers;
- (f) Insane persons;
- (g) Imbeciles;
- (h) Persons serving a sentence of more than one year in a public prison;
- (i) Such inhabitants of Batanes, Mindoro, and Palawan as are subject to the road tax;
- (j) Members of non-Christian tribes, subject to the qualification stated in the next section.

SEC. 23. *Liability of non-Christian people to cedula tax.*—Except in the Department of Mindanao and Sulu, members of non-Christian tribes shall pay the cedula tax herein prescribed; unless the provincial board, with the approval of the Secretary of the Interior, shall by resolution exempt them, in which case copy of said resolution shall be furnished the Collector of Internal Revenue, amount.

SEC. 24. *Amount of the cedula tax.*—The cedula tax shall be one peso; but in the