

[BATAS PAMBANSA BLG. 41, September 07, 1979]

**AN ACT FURTHER AMENDING CERTAIN PROVISIONS OF THE
NATIONAL INTERNAL REVENUE CODE.**

Be it enacted by the Batasang Pambansa in session assembled:

SECTION 1. The titles of subparagraphs (B) and (C) of Section 30 (a) (1) of the National Internal Revenue Code are hereby amended to read as follows:

"(B) Limitation of entertainment expenses for individuals."

"(C) General requirements for entertainment, amusement or recreation."

SEC. 2. Section 30 (a) (1) of the National Internal Revenue Code is hereby further amended by adding thereto a new subparagraph to read as follows:

"(D) Substantiation required.—No deduction shall be allowed under the preceding subparagraphs (B) and (C), unless the taxpayer substantiates with official receipts or by adequate records or by sufficient evidence corroborating his own statement (i) the amount of such expense or other item, (ii) the date and place of entertainment, amusement; or recreation, (iii) the business purpose of the expense or other items and (iv) the business relationship to the taxpayer of the persons entertained or using the facility. The Minister of Finance may by regulations provide that some or all of the preceding sentence shall not apply in the case of an expense which does not exceed an amount prescribed pursuant to such regulations."

SEC. 3. Section 30(d) (1) (A) of the National Internal Revenue Code is hereby amended to read as follows:

"(A) If incurred in trade or business: Provided, however, That a loss representing the excess over the income, of allowable expenses and other deductions directly or proximately attributable or related to the production or earning of such income from a particular line of business or activity, shall not be allowed as a deduction from or offset against income derived from other sources; Provided, further, That a net operating loss sustained in a particular line of business or activity within three years after the commencement of such business or activity may, in a manner prescribed by regulations promulgated by the Minister of Finance, be carried over as a deduction from the income derived from the same particular line of business or activity for two (2) consecutive years immediately following the year such loss was sustained."

SEC. 4. Section 36 of the National Internal Revenue Code is hereby amended to read as follows:

"SEC. 36. Inventories.—Whenever in the judgment of the Commissioner of Internal Revenue, the use of inventories is necessary in order to determine clearly the

income of any taxpayer, inventories shall be taken by such taxpayer upon such basis as the Minister of Finance may, by regulations, prescribe as conforming as nearly as may be to the best accounting practice in the trade or business and as most clearly reflecting the income.

"If a taxpayer, after having complied with the terms and conditions prescribed by the Commissioner, uses a particular method of valuing its inventory for any taxable year, then such method shall be used in all subsequent taxable years unless:

"(i) with the approval of the Commissioner, a change to a different method is authorized; or,

"(ii) the Commissioner finds that the nature of the stock on hand (e.g. its scarcity, liquidity, marketability and price movements) is such that inventory gains should be considered realized for tax purposes and, therefore, it is necessary to modify the valuation method for purposes of ascertaining the income, profits, or loss in a more realistic manner; *Provided, however,* That the Commissioner shall not exercise his authority to require a change in inventory method more often than once every three years; and, *Provided, further,* That any change in an inventory valuation method must be subject to approval by the Minister of Finance."

SEC. 5. Paragraph (m) of Section 30 is hereby amended to read as follows:

"(m) *Additional requirement for deductibility of certain payments.*—Any amount paid or payable which is otherwise deductible from, or taken into account in computing, gross income or for which depreciation or amortization may be allowed under this section and Section 29, shall be allowed as a deduction only if it is shown that the tax required to be deducted and withheld therefrom has been paid to the Bureau of Internal Revenue in accordance with this section, Sections 54 and 93 of this Code."

SEC. 6. Subparagraph (F) of Section 37 (a) (4) of the National Internal Revenue Code is hereby amended to read as follows:

"(F) Technical advice, assistance or services rendered in connection with technical management or administration of any scientific, industrial or commercial undertaking, venture, project or scheme; and".

SEC. 7. Paragraph (b) of Section 45 of the National Internal Revenue Code is hereby amended to read as follows:

"(b) *Where to file.*—Except in cases where the Commissioner otherwise permits, the return shall be filed with the Revenue District Officer, Collection Agent, or duly authorized Treasurer of the municipality in which such person has his legal residence or principal place of business in the Philippines, or if there be no legal residence or place of business in the Philippines, then with the Office of the Commissioner of Internal Revenue."

SEC. 8. Paragraph (f) of Section 53 of the National Internal Revenue Code is hereby amended to read as follows:

"(f) The Minister of Finance may, upon recommendation of the Commissioner of Internal Revenue, require also the withholding of a tax at appropriate rates not to exceed thirty-five *per centum* on amounts payable or paid to persons (natural or juridical) residing in the Philippines by the same persons mentioned in paragraph (b) (1) of this section which shall be credited against the income tax liability of the taxpayer for the taxable year."

SEC. 9. Section 54 of the National Internal Revenue Code is hereby amended to read as follows:

"SEC. 54. *Returns and payment of taxes withheld at source.*— (a) *Quarterly returns and payment of taxes withheld.*—Taxes deducted and withheld under Section fifty-three shall be covered by a return and paid to the Revenue District Officer, Collection Agent, or duly authorized Treasurer of the city, or municipality where the withholding agent has his legal residence or principal place of business, or where the withholding agent is a corporation, where the principal office is located. The taxes deducted and withheld by the withholding agent shall be held as a special fund in trust for the Government until paid to the collecting officers. The Commissioner of Internal Revenue may, with the approval of the Minister of Finance, require these withholding agents to pay or deposit the taxes deducted or withheld at more frequent intervals when necessary to protect the interest of the Government. The return for final withholding tax shall be filed and the payment made within 25 days from the close of each calendar quarter, while the return for creditable withholding taxes shall be filed and the payment made not later than the last day of the month following the close of the quarter during which withholding was made.

"(b) *Penalties for failure to render returns; for rendering false or fraudulent returns; for non-payment or late payment of taxes withheld.*— The surcharges prescribed in Section seventy-two and the specific penalties prescribed in Section seventy-three of this Title in cases of failure to render returns, for filing- false or fraudulent returns and for failure to pay tax shall apply to failure to file returns or pay the tax required under this Section. In case the taxes deducted and withheld are not paid within the time prescribed, there shall be added a surcharge of five *per centum* on the amount of tax unpaid and interest at the rate of fourteen *per centum* per annum from the date the same became due until paid.

"(c) *Statement of income payments made and taxes withheld.*—Every withholding agent required to deduct and withhold taxes under Section fifty-three shall furnish each recipient, in respect to his or its receipts during the calendar quarter or year, a written statement showing the income or other payments made by the withholding agent during such quarter or year, and the amount of the tax deducted and withheld therefrom, simultaneously upon payment at the request of the payee, but not later than the 20th day following the close of the quarter in the case of corporate payee, or not later than March 1 of the following year in the case of individual payee for creditable withholding taxes. For final