

[Commonwealth Act No. 466, June 15, 1939]

AN ACT TO REVISE, AMEND AND CODIFY THE INTERNAL REVENUE LAWS OF THE PHILIPPINES

Be it enacted by the National Assembly of the Act:

TITLE OF ACT

SECTION 1. Title of Act. — This Act shall be known as the National Internal Revenue Code.

TITLE I ORGANIZATION OF BUREAU

SEC. 2. Chief officials of Bureau of Internal Revenue. — The Bureau of Internal Revenue shall have one chief and one assistant chief to be known, respectively, as the Collector of Internal Revenue and the Deputy Collector of Internal Revenue.

SEC. 3. Powers and duties of Bureau. — The powers and duties of the Bureau of Internal Revenue shall comprehend the collection of all national internal-revenue taxes, fees, and charges, and the enforcement of all forfeitures, penalties, and fines connected therewith. Said Bureau shall also give effect to and administer the supervisory and police power conferred to it by this Code or other laws.

SEC. 4. 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 national internal revenue taxes, and the manner in which their lists and records of taxable persons and taxable 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 labelled, 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 labelled 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 removed 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, 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 purposes.

(k) The conditions to be observed by revenue officers, provincial fiscals, and other officials respecting the enforcement of Title III imposing a tax on estate, inheritances, legacies, and other acquisitions mortis causa as well as on gifts and such other rules and prohibition which the Collector of Internal Revenue may consider suitable for the enforcement of the said Title III.

(l) The manner in which income tax returns, information, and reports shall be prepared and reported and the tax collected and paid, as well as the conditions under which evidence of payment shall be furnished the taxpayer, and the preparation and publication of income tax statistics.

SEC. 5. Forms, certificates, and appliances supplied by the Collector or 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, 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 falling within the jurisdiction of the Bureau.

SEC. 6. Agents and deputies for collection of National internal revenue. — For the collection of the national 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 and City treasurers, and their deputies shall be his deputies for the collection of other national internal revenue and the enforcement of all laws falling within the jurisdiction of the Bureau.

SEC. 7. Expenses of collection to be borne by provinces and cities. — The expenses

incurred by the provincial, city, and municipal authorities in collecting national internal revenue and in enforcing the laws falling within 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 and cities.

SEC. 8. Internal-revenue inspection districts. — With the approval of the Department Head, the Collector of Internal Revenue shall divide the Philippines into such number of inspection districts as may from time to time be required for administrative purposes. Each of these districts shall be under the supervision of a provincial revenue agent.

SEC. 9. Duties of provincial revenue agents and other internal-revenue officers. — It shall be the duty of every provincial revenue agent or other internal-revenue officers to see that all laws and regulations affecting national internal revenues are faithfully executed and complied with, and to aid in the prevention, detection, and punishment of any frauds or delinquencies in connection therewith.

It shall also be the duty of every provincial revenue agent to examine into the efficiency of all officers and employees of the Bureau of Internal Revenue under his supervision, and to 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 or secret service agent, 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 a provincial revenue agent or any officer under his supervision discover any neglect, incompetency, delinquency, or malfeasance of any provincial or city treasurer in the performance of his duty under section six hereof, he shall immediately report the facts to the Collector of Internal Revenue in writing.

SEC. 10. Authority of agent's assistant or examiner. — An agent's assistant or examiner in any district may, in the name of the provincial revenue agent in charge of such district and under the control of such officer as his immediate superior, exercise any power or perform any act which might be exercised or performed by such provincial revenue agent himself.

SEC. 11. Assignment of storekeepers or secret service agents. The Collector of Internal Revenue shall employ and assign internal-revenue storekeepers or secret service agents to establishments or places where articles subject to specific tax are produced or kept.

SEC. 12. Assignment of internal-revenue agents and other employees to other duties. — The Collector of Internal Revenue may, with the approval of the Secretary of Finance, assign internal-revenue agents and other officers and employees of the Bureau of Internal Revenue without change in their official character or salary to such special duties connected with the administration of the revenue laws as the best interests of the service may require.

SEC. 13. Reports of violations of law. — When an internal-revenue officer discovers evidence of a violation of this Code or of any law or regulation administered by the

Bureau of Internal Revenue, of such character as to warrant the institution of criminal proceedings, he shall immediately report the facts to the Collector of Internal Revenue, through his immediate superior, giving the name and address of the offender and the names of the witnesses, if possible: Provided, That in urgent cases the provincial revenue agent, provincial treasurer, or city treasurer, as the case may be, may send the report direct to the corresponding prosecuting officer. In the latter case, a copy of his report shall be sent to the Collector of Internal Revenue.

It shall be the duty of any officer or employees of the Bureau of Internal Revenue to report to the Bureau of Forestry any violations of the Forest Law within his knowledge. A duplicate of each such report shall be furnished the Collector of Internal Revenue.

SEC. 14. Authority of internal-revenue officers to make arrests and seizures. — The Collector of Internal Revenue, the Deputy Collector of Internal Revenue, internal revenue agents, agent's assistants and examiners, and provincial or city treasurers and their deputies shall have authority to make arrests and seizures for the violation of any penal law or regulation administered by the Bureau of Internal Revenue. Any person so arrested shall be forthwith carried before a magistrate, there to be dealt with according to law.

SEC. 15. Power of Collector of Internal Revenue to make assessments. — When a report required by law as a basis for the assessment of any national internal-revenue law 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.

When it shall come to the knowledge of the Collector of Internal Revenue that a taxpayer is retiring from the business subject to taxation or intends to leave the Philippines, or remove his property therefrom, or hide or conceal his property, or perform any act tending to obstruct the proceedings for collecting the tax for the past or current quarter or year, or render the same totally or partly inefficient, unless such proceedings are begun immediately, the Collector of Internal Revenue shall declare the tax period of such taxpayer terminated at any time and shall send the taxpayer a notice of such decision, together with a request for the immediate payment of the tax for the tax period so declared terminated and the tax for the preceding year or quarter, or such portion thereof as may be unpaid, and said taxes shall be due and payable immediately and shall be subject to all the penalties hereafter prescribed, unless paid within the time fixed in the request of the Collector of Internal Revenue.

SEC. 16. Authority of officers to administer oaths and take testimony. — The Collector of Internal Revenue, the Deputy Collector of Internal Revenue, special deputies of the Collector, internal-revenue agents, agent's assistants and examiners, provincial, or city treasurers and their deputies, and any other employees of the Bureau thereunto specially deputized by the Collector shall have power to administer oaths and to take testimony in any official matter or investigation conducted by them touching any matter within the jurisdiction of the Bureau.

SEC. 17. Contents of Collector's annual report. — The 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.

SEC. 18. Sources of revenue. — The following taxes, fees, and charges are deemed to be national internal-revenue taxes:

- (a) Income tax;
- (b) Estate, inheritance and gift taxes;
- (c) Specific taxes on certain articles;
- (d) Privilege taxes on business or occupation;
- (e) Documentary stamp taxes;
- (f) Mining taxes;
- (g) Miscellaneous taxes; fees and charges, namely, taxes on banks, and insurance companies, franchise taxes, taxes on amusements, charges on forest products, fees for sealing weights and measures, firearms license fees, radio registration fees, tobacco inspection fees, and water rentals.

TITLE II Income Tax

SEC. 19. Classification of provisions. — The provisions of this Title are herein classified and designated as —

Chapter I. Introductory provision.

Chapter II. Tax on individuals.

Chapter III. Tax on corporations.

Chapter IV Computation of net income.

Chapter V Accounting periods and methods of accounting.

Chapter VI Returns and payment of tax.

Chapter VII Estates and trusts.

Chapter VIII Personal holding companies.

Chapter IX Administrative provisions.

Chapter X Definitions.

CHAPTER I - Introductory Provision

SEC. 20. Application of Title. — The provisions of this Title shall apply only to