

[Commonwealth Act No. 117, November 03, 1936]

AN ACT TO AMEND SECTIONS ONE, THREE, SEVEN, EIGHT, TEN, SEVENTEEN, AND TWENTY-ONE OF ACT NUMBERED TWENTY-EIGHT HUNDRED AND THIRTY-THREE, AS AMENDED BY ACTS NUMBERED TWENTY-NINE HUNDRED AND TWENTY-SIX, THIRTY HUNDRED AND TWENTY-SIX, THIRTY-SIX HUNDRED AND FIVE, AND THIRTY-SEVEN HUNDRED AND SIXTY-ONE, REGARDING INCOME TAX.

Be it enacted by the National Assembly of the Philippines:

SECTION 1. Subsection (&) of section one of Act Numbered Twenty-eight hundred and thirty-three, as amended by section one of Act Numbered Twenty-nine hundred and twenty-six, is hereby further amended to read as follows:

“(b) In addition to the income tax imposed by subdivision (a) of this section, herein referred to as the normal tax, there shall be levied, assessed, collected, and paid upon the total net income of every individual, or, in the case of a non-resident alien, the total net income received from all sources within the Philippines, an additional income tax of one *per centum per annum* upon the amount by which such total net income exceeds ten thousand pesos and does not exceed thirty thousand pesos; two *per centum per annum* upon the amount by which such total net income exceeds thirty thousand pesos and does not exceed fifty thousand pesos; three *per centum per annum* upon the amount by which such total net income exceeds fifty thousand pesos and does not exceed seventy thousand pesos; four *per centum per annum* upon the amount by which such total net income exceeds seventy thousand pesos and does not exceed ninety thousand pesos; five *per centum per annum* upon the amount by which such total net income exceeds ninety thousand pesos and does not exceed one hundred ten thousand pesos; six *per centum per annum* upon the amount by which such total net income exceeds one hundred ten thousand pesos and does not exceed one hundred forty thousand pesos; seven *per centum per annum* upon the amount by which such total net income exceeds one hundred forty thousand pesos and does not exceed one hundred seventy thousand pesos; eight *per centum per annum* upon the amount by which such total net income exceeds one hundred seventy thousand pesos and does not exceed two hundred thousand pesos; nine *per centum per annum* upon the amount by which such total net income exceeds two hundred thousand pesos and does not exceed two hundred thirty thousand pesos; ten *per centum per annum* upon the amount by which such total net income exceeds two hundred thirty thousand pesos and does not exceed two hundred sixty thousand pesos; eleven *per centum per annum* upon the amount by which such total net income exceeds two hundred sixty thousand pesos and does not exceed three hundred thousand pesos; twelve *per centum per annum* upon the amount by which such total net income exceeds three hundred thousand pesos and does not exceed three hundred sixty thousand pesos; fourteen *per centum per annum*

upon the amount by which such total net income exceeds three hundred sixty thousand pesos and does not exceed four hundred twenty thousand pesos; sixteen *per centum per annum* upon the amount by which such total net income exceeds four hundred twenty thousand pesos and does not exceed four hundred eighty thousand pesos; eighteen *per centum per annum* upon the amount by which such total net income exceeds four hundred eighty thousand pesos and does not exceed five hundred forty thousand pesos; twenty *per centum per annum* upon the amount by which such total net income exceeds five hundred forty thousand pesos and does not exceed six hundred thousand pesos; twenty-three *per centum per annum* upon the amount by which such total net income exceeds six hundred thousand pesos and does not exceed one million pesos; twenty-six *per centum per annum* upon the amount by which such total net income exceeds one million pesos and does not exceed one million four hundred thousand pesos; twenty-nine *per centum per annum* upon the amount by which such total net income exceeds one million four hundred thousand pesos and does not exceed one million eight hundred thousand pesos; thirty-two *per centum per annum* upon the amount by which such total net income exceeds one million eight hundred thousand pesos and does not exceed two million two hundred thousand pesos; thirty six *per centum per annum* upon the amount by which such total net income exceeds two million two hundred thousand pesos.

"For the purposes of the additional tax there shall be included as income the income derived from dividends or net earnings subject to the tax established in subsection (a) of section ten.

"All the provisions of this law relating to the normal tax on individuals, so far as they are applicable and are not inconsistent with this subdivision and section three, shall apply to the imposition, levy, assessment, and collection of the additional tax imposed under this subdivision."

SEC. 2. Section three of Act Numbered Twenty-eight hundred and thirty-three is hereby repealed, and there is enacted, in lieu thereof, as section three of the law, the following:

"SEC. 3. If any corporation, joint-stock company, partnership, joint account (cuenta en participacion), association, however, created or organized, except banks and insurance companies, is formed or availed of for the purpose of preventing the imposition of the additional tax or surtax upon its shareholders or members through the medium of permitting its gains and profits to accumulate instead of being divided or distributed, there is hereby levied and assessed against such corporation, joint-stock-company, partnership, joint account (cuenta en participacion), or association for each taxable year a tax equal to twenty-five per centum of the undistributed portion of its accumulated profits or surplus which shall be in addition to the tax imposed by section ten, as amended, and shall be computed, collected and paid in the same manner and subject to the same provisions of law, including penalties, as that tax."

SEC. 3. Section seven of Act Numbered Twenty-eight hundred and thirty-three, as amended by section five of Act Numbered Twenty-nine hundred and twenty-six, is hereby further amended to read as follows:

"SEC. 7. For the purpose of the normal tax only, there shall be allowed as an exemption in the nature of a deduction from the amount of the net income of each citizen or resident of the Philippines, ascertained as provided in the law, the sum of two thousand pesos plus two thousand pesos additional if the person making the return be a married man with a wife not legally separated from him, or plus the sum of two thousand pesos additional if the person making the return be a married woman with a husband not legally separated from her or an unmarried man or woman with one or both parents or one or more brothers, or sisters or one or more legitimate, recognized natural or adopted children dependent upon him or her for support where such brothers, sisters, or children are less than twenty-one years of age; but in no event shall this additional exemption of two thousand pesos be deducted by both: Provided, That only one deduction of four thousand pesos shall be made from the aggregate income of both husband and wife when not legally separated: Provided, further, That if the person making the return is the head of a family, there shall be an additional exemption of five hundred pesos for each legitimate, recognized natural, or adopted child dependent upon such person, if such dependents are less than twenty-one years of age, or incapable of self-support because mentally or physically defective: Provided, further, That guardians or trustees shall be allowed to claim this personal exemption as to income derived from the property of which such guardian or trustee has charge in favor of each ward or cestui que trust: Provided, finally, That in no event shall a ward or cestui que trust be allowed a greater personal exemption than as provided in this section, from the amount of net income received from all sources. There shall also be allowed an exemption from the amount of the net income of estates of deceased citizens or residents of the Philippines during the period of administration or settlement, and of trusts or other estates of citizens or residents of the Philippines the income of which is not distributed annually or regularly under the provisions of subdivision (b) of section two of this Act the sum of two thousand pesos, including such deductions as are allowed under section five.

"A nonresident alien individual shall be entitled to personal exemption in an amount equal to the exemptions allowed by the income tax law in the country of which he is a subject or citizen to citizens of the Philippines not residing in such country, but not to exceed the amount fixed in this section as exemption for citizens or residents of the Philippines: Provided, That said nonresident alien file a true and accurate return of the total income received by him from all sources in the Philippines, as required by this Act."

Sec. 4. Subsection (b) of section eight of Act Numbered Twenty-eight hundred and thirty-three, as amended by section six of Act Numbered Twenty-nine hundred and twenty-six and section one of Act Numbered Thirty-six hundred and five, is hereby further amended to read as follows:

"(b) On or before the first day of March, nineteen hundred and thirty-seven, and the first day of March in each year thereafter, a true and accurate return under oath, shall be made by each person of lawful age, except as hereinafter provided, having a gross income of two thousand