

SIXTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)



Senate
Office of the Secretary

'14 MAY 26 P5 55

SENATE
S.B. NO. 2244

RECEIVED BY: *Jei*

Introduced by Senator Maria Lourdes Nancy S. Binay

AN ACT REPEALING CHAPTER I OF TITLE III OF THE NATIONAL INTERNAL
REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

This bill seeks to abolish the estate tax provisions of the National Internal Revenue Code of 1997, as amended, by repealing Chapter I of Title III thereof.

The imposition of the estate tax has been justified based on the Privilege Theory/ State Partnership Theory which provides that the estate tax represents the share of the State as a passive or silent partner in the accumulation of property by the decedent. The State is regarded as an extraordinary compulsory heir of the decedent, practically taking precedence over the legitimate heirs in the distribution of the decedent's assets.

As an internal revenue tax, estate taxes are the most uncertain in terms of revenue generation because these are levies directly affecting the passing on of wealth and property of the taxpayer to his heirs and beneficiaries.

Despite the various reforms instituted to make the estate tax a tool for wealth redistribution as far back as 1916 when Act 2601 was passed, revenue collection from estate tax remains very negligible at one percent (1%) of total Bureau of Internal Revenue collections, prompting the Department of Finance to review estate tax declarations for the past five years in its goal to collect P50 billion annually from this source.

It is accepted that the abolition of the estate tax would result to revenue erosion; however, the attendant revenue forgone would remain elusive if potential taxpayers will not surface because of the existing estate tax per se. It is believed that the revenue loss will consequently be recouped through capital gains tax which shall be imposed upon the eventual sale or transfer of the estate to buyers or donor's tax if passed on through donation.

Around the world, estate taxes have been abolished. The "death" of the estate tax should be welcomed. A paradigm shift will make the Philippines an attractive place for wealth to be invested and built up by Filipinos or foreigners. It is not only a practical or expedient measure, but also one that balances and will be to the country's best interest.

In view of the foregoing, the immediate approval of this bill is earnestly sought.

A handwritten signature in black ink, appearing to read 'M. Binay', with a long horizontal flourish extending to the right.

MARIA LOURDES NANCY S. BINAY
Senator

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SENATE
S.B. NO. **2244**

RECEIVED BY: *Jr*

Introduced by Senator Maria Lourdes Nancy S. Binay

1 AN ACT REPEALING CHAPTER I OF TITLE III OF THE NATIONAL INTERNAL
2 REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

3
4 *Be it enacted by the Senate and House of Representatives of the Philippines in Congress*
5 *assembled:*

6
7 SECTION 1. Sections 84 to 97 of the National Internal Revenue Code of 1997, as amended,
8 are hereby repealed.

9
10 SECTION 2. *Repealing Clause.* All laws, orders, issuances, circulars, rules and regulations or
11 parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or
12 modified accordingly.

13
14 SECTION 4. *Effectivity.* This Act shall take effect fifteen (15) days after its complete
15 publication in at least two (2) newspapers of general circulation.

16
17 Approved,