

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



'16 AUG -3 P4:03

SENATE

RECEIVED

BY: 

S.B. No. 980

Introduced by Senator **SONNY ANGARA**

AN ACT
AMENDING SECTIONS 84, 86, 89 AND 97 OF TITLE III, CHAPTER I, ESTATE TAX OF
THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

EXPLANATORY NOTE

It has been said that there are only two things that are constant in this world, death and taxes. And for purposes of estate taxes, these two things occur almost simultaneously. Experiencing death in the family is not an easy burden. The number of things that need to be settled and the various costs attendant to it further intensify the feeling of grief and loss.

The last estate tax amendment was done in 1997 by virtue of Republic Act (RA) No. 8424 or the National Internal Revenue Code of 1997. However, after almost two decades, the threshold amounts on which the various taxes are based have not been adjusted. As inflation keeps rising and the purchasing power of Peso decreasing, the amount of taxes being paid by the taxpayers have encroached more on the income of ordinary Filipinos resulting to very little take home pay.

This bill intends to lessen the burden on the surviving spouse and heirs of a decedent in settling their estate tax liabilities. The threshold amount of P200,000 in net estate liable to estate taxes as well the allowable deductions for medical expenses, funeral expenses, standard deduction and value of family home no longer represents their present actual value. By increasing the value of the estate tax exemption and other allowable deductions, we are giving the surviving spouse and heirs of the decedent the opportunity to enjoy more the fruits of labor of their deceased loved ones. Moreover, in case of sudden death in the family, rich and affluent individuals are able to minimize their estate taxes by having availed estate tax planning in advance. However, poor and middle-income families are not able to avail such intricate and costly plan, thus, bearing the burden of paying such tax. Increasing the exemptions and deductions for estate tax purposes would also ensure that the administrative cost of collecting estate taxes be more efficient.

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

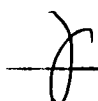

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NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

1 **SECTION 1.** Section 84 of the National Internal Revenue Code (NIRC) of 1997, as amended, is
2 hereby amended to read as follows:

3
4 **Section 84. Rates of Estate Tax.** There shall be levied, assessed, collected and
5 paid upon the transfer of the net estate as determined in accordance with
6 Sections 85 and 86 of every decedent, whether resident or nonresident of the
7 Philippines, a tax based on the value of such net estate, as computed in
8 accordance with the following schedule:

9
10 If the net estate is:

<i>Over</i>	<i>But Not Over</i>	<i>The Tax shall be</i>	<i>Plus</i>	<i>Of the Excess Over</i>
	P 460,000	Exempt		
P 460,000	1,150,000	0	5%	P 460,000
1,150,000	4,600,000	P 23,000	8%	1,150,000
4,600,000	11,500,000	299,000	11%	4,600,000
11,500,000	23,000,000	1,058,000	15%	11,500,000
23,000,000	And Over	2,783,000	20%	23,000,000

11 **PROVIDED, THAT EVERY THREE (3) YEARS AFTER THE EFFECTIVITY OF THIS ACT,**
12 **THE PRESIDENT OF THE PHILIPPINES SHALL ADJUST THE AMOUNTS HEREINSTATED**
13 **TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX (CPI) AS PUBLISHED BY**
14 **THE PHILIPPINE STATISTICS AUTHORITY (PSA).**

1 **SEC. 2.** Section 86 of the National Internal Revenue Code (NIRC) of 1997, as amended, is
2 hereby amended to read as follows:

3
4 **Section 86. Computation of Net Estate.** – For the purpose of the tax imposed
5 in this Chapter, the value of the net estate shall be determined:

6 (A) *Deductions Allowed to the Estate of Citizen or a Resident.* – In the case of
7 a citizen or resident of the Philippines, by deducting from the value of the gross
8 estate –

9 (1) Expenses, Losses, Indebtedness, and taxes. – Such amounts –

10 (a) For actual funeral expenses or in an amount equal to five percent (5%) of
11 the gross estate, whichever is lower, but in no case to exceed **FIVE HUNDRED**
12 **THOUSAND PESOS (P500,000.00)** [Two hundred thousand pesos
13 (P200,000)];

14 (b) x x x ;

15 (c) x x x ;

16 (d) x x x ; and

17 (e) x x x .

18 (2) Property Previously Taxed. – x x x.

19 (3) Transfers for Public Use. – x x x.

20 (4) The Family Home. – An amount equivalent to the current fair market value
21 of the decedent's family home: Provided, however, That if the said current fair
22 market value exceeds **TWO MILLION PESOS (P2,000,000.00)** [One million
23 pesos (P1,000,000)], the excess shall be subject to estate tax. As a sine qua
24 non condition for the exemption or deduction, said family home must have
25 been the decedent's family home as certified by the barangay captain of the
26 locality.

27 (5) Standard Deduction. – An amount equivalent to **TWO MILLION PESOS**
28 **(P2,000,000.00)** [One million pesos (P1,000,000)].

29 (6) Medical Expenses. – Medical Expenses incurred by the decedent within
30 one (1) year prior to his death which shall be duly substantiated with receipts:
31 Provided, That in no case shall the deductible medical expenses exceed **ONE**
32 **MILLION PESOS (P1,000,000.00)** [Five Hundred Thousand Pesos
33 (P500,000)].

34 (7) x x x.

35 x x x.

36
37 **SEC. 3.** Section 89 of the National Internal Revenue Code (NIRC) of 1997, as amended, is
38 hereby amended to read as follows:

39
40 **Section 89. Notice of Death to be Filed.** – In all cases of transfers subject to tax,
41 or where, though exempt from tax, the gross value of the estate exceeds **TWO**
42 **HUNDRED THOUSAND PESOS (P200,000.00)** [Twenty thousand pesos

1 (P20,000)], the executor, administrator or any of the legal heirs, as the case may
2 be, within two (2) months after the decedent's death, or within a like period after
3 qualifying as such executor or administrator, shall give a written notice thereof to
4 the Commissioner.

5
6 **SEC. 4.** Section 97 of the National Internal Revenue Code (NIRC) of 1997, as amended, is
7 hereby amended to read as follows:

8
9 **Section 97. Payment of Tax Antecedent to the Transfer of Shares, Bonds or**
10 **Rights. – x x x.**

11
12 If a bank has knowledge of the death of a person, who maintained a bank deposit
13 account alone, or jointly with another, it shall not allow any withdrawal from the
14 said deposit account, unless the Commissioner has certified that the taxes
15 imposed thereon by this Title have been paid: Provided, however, That the
16 administrator of the estate or any one (1) of the heirs of the decedent may, upon
17 authorization by the Commissioner, withdraw an amount not exceeding **TWO**
18 **HUNDRED THOUSAND PESOS (P200,000.00)** [Twenty thousand pesos
19 (P20,000)] without the said certification. For this purpose, all withdrawal slips
20 shall contain a statement to the effect that all of the joint depositors are still living
21 at the time of withdrawal by any one of the joint depositors and such statement
22 shall be under oath by the said depositors.

23
24 **SEC. 5. Implementing Rules and Regulations.** The Bureau of Internal Revenue shall, within
25 sixty (60) days from the effectivity of this Act, issue the necessary rules and regulations for the
26 effective implementation of this Act.

27
28 **SEC. 6. Separability Clause.** If any provision of this Act is subsequently declared as invalid or
29 unconstitutional, other provisions hereof which are not affected thereby shall remain in full force
30 and effect.

31
32 **SEC. 7. Repealing Clause.** All laws, decrees, orders, rules and regulations, and other
33 issuances, or parts thereof, inconsistent with the provisions of this Act are hereby repealed or
34 modified accordingly.

35
36 **SEC. 8. Effectivity Clause.** This Act shall take fifteen (15) days after its publication in the
37 Official Gazette or in a newspaper of general circulation

38
39 Approved,