



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

'14 FEB -4 P 6:00

SENATE

S.B. No. 2102

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Introduced by **Senator Juan Ponce Enrile**

AN ACT
AMENDING SECTION 86 (A) (4) OF REPUBLIC ACT NO. 8424, AS AMENDED,
OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF
1997

EXPLANATORY NOTE

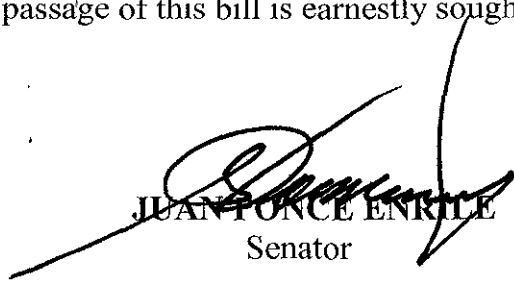
This proposed bill seeks to amend Section 86 (A) (4) of Republic Act No. 8424 or the National Internal Revenue Code of 1997, as amended, by increasing the estate tax exemption for a family home from One million pesos (P1,000,000.00) to Ten million pesos (P10,000,000.00).

The prevailing provisions of Republic Act No. 8424, as amended, allow for the deduction from the gross estate an amount equivalent to the current fair market value of the decedent's family home up to P1,000,000.00. Despite the deduction, the increasing value of the family home nowadays and its inclusion in the computation of the estate tax contribute significantly to the amount to be paid by the surviving spouse.

Given the increasing cost of living and coupled with other taxes exacted by the government in the form of income tax, value-added tax and real property tax, among others, the proposed measure will give immediate relief to the decedent's family by allowing them to spend the amount saved from the payment of estate tax on other basic necessities and priority needs of the bereaved family. The bill also intends to lessen the pressure on the surviving spouse to sell their property to other interested parties instead of passing them on to the next generation.

Senate Bill No. 132 and Senate Bill No. 2656, pushing for the same exemption, were filed by this Representation during the 15th and 14th Congresses, respectively.

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


JUAN PONCE ENRILE
Senator



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

1 SECTION 1. Section 86 (A) (4) of Republic Act No. 8424, as amended,
2 otherwise known as the National Internal Revenue Code of 1997, is hereby amended
3 to read as follows:

4
5 "SEC. 86. Computation of Net Estate. - For the purpose of the tax
6 imposed in this Chapter, the value of the net estate shall be determined:

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

11
12 (1) *Expenses, Losses, Indebtedness, and taxes.* - Such
13 amounts:

14
15 (a) For actual funeral expenses or in an amount equal to
16 five percent (5%) of the gross estate, whichever is lower,
17 but in no case to exceed Two hundred thousand pesos
18 (P200,000);

19
20 (b) For judicial expenses of the testamentary or intestate
21 proceedings;

22
23 (c) For claims against the estate: *Provided*, That at the
24 time the indebtedness was incurred the debt instrument
25 was duly notarized and, if the loan was contracted
26 within three (3) years before the death of the decedent,
27 the administrator or executor shall submit a statement
28 showing the disposition of the proceeds of the loan;

29
30 (d) For claims of the deceased against insolvent persons
31 where the value of decedent's interest therein is included
32 in the value of the gross estate; and

1
2 (e) For unpaid mortgages upon, or any indebtedness in
3 respect to, property where the value of decedent's
4 interest therein, undiminished by such mortgage or
5 indebtedness, is included in the value of the gross estate,
6 but not including any income tax upon income received
7 after the death of the decedent, or property taxes not
8 accrued before his death, or any estate tax. The
9 deduction herein allowed in the case of claims against
10 the estate, unpaid mortgages or any indebtedness shall,
11 when founded upon a promise or agreement, be limited
12 to the extent that they were contracted bona fide and for
13 an adequate and full consideration in money or money's
14 worth. There shall also be deducted losses incurred
15 during the settlement of the estate arising from fires,
16 storms, shipwreck, or other casualties, or from robbery,
17 theft or embezzlement, when such losses are not
18 compensated for by insurance or otherwise, and if at the
19 time of the filing of the return such losses have not been
20 claimed as a deduction for the income tax purposes in an
21 income tax return, and provided that such losses were
22 incurred not later than the last day for the payment of
23 the estate tax as prescribed in Subsection (A) of Section
24 91.
25

26 (2) *Property Previously Taxed.* - An amount equal to the
27 value specified below of any property forming a part of the
28 gross estate situated in the Philippines of any person who
29 died within five (5) years prior to the death of the decedent,
30 or transferred to the decedent by gift within five (5) years
31 prior to his death, where such property can be identified as
32 having been received by the decedent from the donor by
33 gift, or from such prior decedent by gift, bequest, devise or
34 inheritance, or which can be identified as having been
35 acquired in exchange for property so received:
36

37 One hundred percent (100%) of the value, if the prior
38 decedent died within one (1) year prior to the death of the
39 decedent, or if the property was transferred to him by gift
40 within the same period prior to his death;
41

42 Eighty percent (80%) of the value, if the prior decedent died
43 more than one (1) year but not more than two (2) years prior
44 to the death of the decedent, or if the property was
45 transferred to him by gift within the same period prior to his
46 death;
47

48 Sixty percent (60%) of the value, if the prior decedent died
49 more than two (2) years but not more than three (3) years
50 prior to the death of the decedent, or if the property was

1 transferred to him by gift within the same period prior to his
2 death;

3
4 Forty percent (40%) of the value, if the prior decedent died
5 more than three (3) years but not more than four (4) years
6 prior to the death of the decedent, or if the property was
7 transferred to him by gift within the same period prior to his
8 death;

9
10 Twenty percent (20%) of the value, if the prior decedent
11 died more than four (4) years but not more than five (5)
12 years prior to the death of the decedent, or if the property
13 was transferred to him by gift within the same period prior
14 to his death;

15
16 These deductions shall be allowed only where a donor's tax
17 or estate tax imposed under this Title was finally determined
18 and paid by or on behalf of such donor, or the estate of such
19 prior decedent, as the case may be, and only in the amount
20 finally determined as the value of such property in
21 determining the value of the gift, or the gross estate of such
22 prior decedent, and only to the extent that the value of such
23 property is included in the decedent's gross estate, and only
24 if in determining the value of the estate of the prior
25 decedent, no deduction was allowable under paragraph (2)
26 in respect of the property or properties given in exchange
27 therefor. Where a deduction was allowed of any mortgage or
28 other lien in determining the donor's tax, or the estate tax of
29 the prior decedent, which was paid in whole or in part prior
30 to the decedent's death, then the deduction allowable under
31 said Subsection shall be reduced by the amount so paid. Such
32 deduction allowable shall be reduced by an amount which
33 bears the same ratio to the amounts allowed as deductions
34 under paragraphs (1) and (3) of this Subsection as the
35 amount otherwise deductible under said paragraph (2) bears
36 to the value of the decedent's estate. Where the property
37 referred to consists of two or more items, the aggregate value
38 of such items shall be used for the purpose of computing the
39 deduction.

40
41 (3) *Transfers for Public Use.* - The amount of all the
42 bequests, legacies, devises or transfers to or for the use of the
43 Government of the Republic of the Philippines, or any
44 political subdivision thereof, for exclusively public purposes.

45
46 (4) *The Family Home.* - An amount equivalent to the
47 current fair market value of the decedent's family home:
48 Provided, however, That if the said current fair market value
49 exceeds TEN MILLION PESOS (P10,000,000.00), the excess
50 shall be subject to estate tax. As a condition sine qua non for
51 the exemption or deduction, said family home must have

1 been the decedent's family home as certified by the barangay
2 captain of the locality.”

3
4 Sec. 2. Repealing Clause. - All laws, decrees, orders, rules and regulations or
5 other issuances or parts thereof inconsistent with the provisions of this Act are hereby
6 repealed and modified accordingly.

7
8 Sec. 3. Effectivity. - This Act shall take effect fifteen (15) days following the
9 completion of its publication either in the Official Gazette or in a newspaper of
10 general circulation in the Philippines.

11
12 *Approved,*
13