


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



Senate
Office of the Secretary

'16 OCT 13 P2:22

SENATE
S.B. NO. 1204

RECEIVED BY: 

Introduced by Senator Maria Lourdes Nancy S. Binay

AN ACT
INSTITUTING CORPORATE INCOME TAX REFORM, AMENDING FOR THIS
PURPOSE, SECTIONS 27 AND 28 OF THE NATIONAL INTERNAL REVENUE CODE
OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Article VI, Section 28 of the 1987 Philippine Constitution provides: "1. The rule of taxation shall be uniform and equitable. The Congress shall evolve a progressive system of taxation. xxx". With this in mind, the current National Internal Revenue Code of 1997 or the Tax Code came into effect on said year and has seen minimal changes to date.

Pursuant to the above constitutional provision, this representation has previously filed a tax reform bill that proposes to adjust the income tax rates for individuals.

Parallel to this, there is also a need to reduce the corporate income tax rate due to the Association of South East Asian Nations (ASEAN) integration. This is to guarantee and maintain the competitiveness of the Philippines in the region. A comparison of corporate income tax rates puts the Philippines in number one, being the country in South East Asia imposing the highest corporate income tax rates.

Following the ASEAN trend of lowering corporate income tax rates, the Philippines would attract foreign investments that will result in increased job generation in the country and encourage the expansion of existing foreign investments.

The two-pronged tax reform would entail, individual tax payers with stable purchasing power on one hand and corporations being able to hire more employees on the other, including new corporations entering the Philippines. These measures would ensure unburdening the tax payers and provide financial stability and security for individuals as well as corporations.

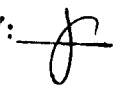
In view of the foregoing, the passage of this bill is earnestly recommended.


MARIA LOURDES NANCY S. BINAY
Senator

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3 PURPOSE, SECTIONS 27 AND 28 OF THE NATIONAL INTERNAL REVENUE CODE
4 OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

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

8
9 SECTION 1. Section 27 of the National Internal Revenue Code, as amended, is hereby further
10 amended to read as follows:

11
12 “Sec.27. Rates of Income Tax on Domestic Corporations. –

13
14 (A) In General. - Except as otherwise provided in this Code, an income
15 tax of thirty-five percent (35%) is hereby imposed upon the taxable
16 income derived during each taxable year from all sources within and
17 without the Philippines by every corporation, as defined in Section
18 22(B) of this Code and taxable under this Title as a corporation,
19 organized in, or existing under the laws of the Philippines: Provided,
20 That effective January 1, 2009, the rate of income tax shall be thirty
21 percent (30%). PROVIDED FURTHER, THAT, BEGINNING
22 JANUARY 1, 2017 THE RATE OF INCOME TAX SHALL BE
23 TWENTY-EIGHT PERCENT (28%) AND AN ANNUAL
24 REDUCTION OF ONE PERCENT (1%) FROM THE RATE OF
25 INCOME TAX SHALL BE IMPLEMENTED STARTING
26 JANUARY 1, 2018. PROVIDED FINALLY, THAT, THE RATE OF
27 INCOME TAX BEGINNING JANUARY 1, 2020 SHALL BE
28 TWENTY-FIVE PERCENT (25%).

29
30 X X X”

31
32 SECTION 2. Section 28 of the National Internal Revenue Code, as amended, is hereby further
33 amended to read as follows:

34
35 “SEC. 28. Rates of Income Tax on Foreign Corporations. -

1 (A) Tax on Resident Foreign Corporations. -

2
3 (1) In General. - Except as otherwise provided in this Code, a
4 corporation organized, authorized, or existing under the laws of
5 any foreign country, engaged in trade or business within the
6 Philippines, shall be subject to an income tax equivalent to thirty-
7 five percent (35%) of the taxable income derived in the preceding
8 taxable year from all sources within the Philippines: Provided,
9 That effective January 1, 2009, the rate of income tax shall be
10 thirty percent (30%). PROVIDED FURTHER, THAT,
11 BEGINNING JANUARY 1, 2017 THE RATE OF INCOME
12 TAX SHALL BE TWENTY-EIGHT PERCENT (28%) AND AN
13 ANNUAL REDUCTION OF ONE PERCENT (1%) FROM THE
14 RATE OF INCOME TAX SHALL BE IMPLEMENTED
15 STARTING JANUARY 1, 2018. PROVIDED FINALLY,
16 THAT, THE RATE OF INCOME TAX BEGINNING
17 JANUARY 1, 2020 SHALL BE TWENTY-FIVE PERCENT
18 (25%).

19
20 X X X

21
22
23 (B) Tax on Nonresident Foreign Corporation. -

24
25 (1) In General. - Except as otherwise provided in this Code, a
26 foreign corporation not engaged in trade or business in the
27 Philippines shall pay a tax equal to thirty-five percent (35%) of
28 the gross income received during each taxable year from all
29 sources within the Philippines, such as interests, dividends, rents,
30 royalties, salaries, premiums (except reinsurance premiums),
31 annuities, emoluments or other fixed or determinable annual,
32 periodic or casual gains, profits and income, and capital gains,
33 except capital gains subject to tax under subparagraph 5 (c):
34 Provided, That effective January 1, 2009, the rate of income tax
35 shall be thirty percent (30%). PROVIDED FURTHER, THAT,
36 BEGINNING JANUARY 1, 2017 THE RATE OF INCOME
37 TAX SHALL BE TWENTY-EIGHT PERCENT (28%) AND AN
38 ANNUAL REDUCTION OF ONE PERCENT (1%) FROM THE
39 RATE OF INCOME TAX SHALL BE IMPLEMENTED
40 STARTING JANUARY 1, 2018. PROVIDED FINALLY,
41 THAT, THE RATE OF INCOME TAX BEGINNING
42 JANUARY 1, 2020 SHALL BE TWENTY-FIVE PERCENT
43 (25%).

44
45 X X X

46
47
48 (5) Tax on Certain Incomes Received by a Nonresident Foreign
49 Corporation. -
50

1 (b) Intercorporate Dividends. - A final withholding tax at the
2 rate of fifteen percent (15%) is hereby imposed on the amount
3 of cash and/or property dividends received from a domestic
4 corporation, which shall be collected and paid as provided in
5 Section 57 (A) of this Code, subject to the condition that the
6 country in which the nonresident foreign corporation is
7 domiciled, shall allow a credit against the tax due from the
8 nonresident foreign corporation taxes deemed to have been
9 paid in the Philippines equivalent to twenty percent (20%),
10 which represents the difference between the regular income
11 tax of thirty-five percent (35%) and the fifteen percent (15%)
12 tax on dividends as provided in this subparagraph: Provided,
13 that effective January 1, 2009, the credit against the tax due
14 shall be equivalent to fifteen percent (15%), which represents
15 the difference between the regular income tax of thirty percent
16 (30%) and the fifteen percent (15%) tax on dividends.[;]
17 PROVIDED FURTHER, THAT, BEGINNING JANUARY 1,
18 2017, THE ALLOWABLE CREDIT AGAINST THE TAX
19 DUE AS MENTIONED ABOVE SHALL BE THIRTEEN
20 PERCENT (13%) AND THEREAFTER DECREASE
21 ANNUALLY BY ONE PERCENT (1%) IN ACCORDANCE
22 WITH THE ANNUAL REDUCTION OF CORPORATE
23 INCOME TAX. PROVIDED FINALLY, THAT,
24 BEGINNING JANUARY 1, 2020, THE ALLOWABLE
25 CREDIT AGAINST THE TAX DUE AS DISCUSSED
26 UNDER THIS SECTION SHALL BE TEN PERCENT
27 (10%);
28

29 X X X”
30
31

32 SECTION 3. *Implementing Rules and Regulations.* The Secretary of the Department of
33 Finance shall immediately promulgate the necessary rules and regulations for the effective
34 implementation of this Act.
35

36 SECTION 4. *Repealing Clause.* All laws, decrees, executive orders, rules and regulations or
37 parts thereof contrary to, or inconsistent with this act, are hereby modified or repealed
38 accordingly.
39

40 SECTION 5. *Separability Clause.* Should any provision of this Act be declared
41 unconstitutional or invalid, other parts or provisions hereof not affected thereby shall continue
42 and remain to be in full force and effect.
43

44 SECTION 6. *Effectivity Clause.* This Act shall take effect on January 1, 2017 following its
45 complete publication in at least two (2) newspapers of general circulation.
46

47 Approved,