




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

'17 FEB 20 P 4 :04

SENATE
S.B. No. 1338

RECEIVED BY: 

INTRODUCED BY SENATOR JUAN MIGUEL F. ZUBIRI

**AN ACT
AMENDING SECTIONS 84, 86, 88, 89, 90 AND 97 OF TITLE III,
CHAPTER I, ESTATE TAX OF THE NATIONAL INTERNAL REVENUE CODE
OF 1997, AS AMENDED**

EXPLANATORY NOTE

The 1987 Constitution provides that the rule of taxation shall be uniform and equitable, and that Congress shall evolve a progressive system of taxation. A sound system of taxation must further be based upon the general principles of fiscal adequacy, theoretical justice, and administrative feasibility.

As such, this measure seeks to update our law on estate tax to make it fair, equitable, and less burdensome. It likewise simplifies the estate tax rates to make compliance easier and more convenient, thus encouraging the public to pay the proper estate tax promptly and eventually unlock the land market for development.

Specifically, this bill fixes the estate tax rate to a uniform final tax of 6% on the value of the net estate. Further, this measure adjusts the allowable deductions to the current rates of inflation, especially since the last amendment to the estate tax law was made in 1997 or almost twenty years ago. As such, although the tax rate will be lowered from the current prescribed schedule of five percent (5%) to twenty percent (20%), depending on the value of the net estate, the tax base is in effect increased, to the benefit of the government.

This also amends the determination of the value of the estate, in that the Municipal and City Assessors are required to update their schedule of values of real properties closer to the prevailing market prices, within eighteen months from the effectivity of this law. This new valuation shall then become the new base of tax. Finally, the updated values shall be the basis for the Real Estate Property Index, upon which the schedule of values will be adjusted every six years.

Taxes are the lifeblood of the government. Thus, Congress has the inherent mandate to develop laws that impose fair tax rates upon the people and facilitate efficient collection and administration. This is one such measure in pursuit of that mandate. In this light, I hope for the earnest passage of this bill.



JUAN MIGUEL F. ZUBIRI

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Senate Bill No. 1338

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Introduced by Senator Juan Miguel F. Zubiri

AN ACT
AMENDING SECTIONS 84, 86, 88, 89, 90 AND 97 OF TITLE III, CHAPTER I,
ESTATE TAX OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS
AMENDED

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

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

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

8 If the net estate is:

Over	But Not Over	The Tax Shall Be	Plus	Of the Excess Over
	P200,000	Exempt		
P200,000	500,000	0	5%	P200,000
500,000	2,000,000	P15,000	8%	500,000
2,000,000	5,000,000	135,000	11%	2,000,000
5,000,000	10,000,000	456,000	15%	5,000,000
10,000,000	And Over	1,215,000	20%	10,000,000]

9 **SEC. 2.** Section 86 of the National Internal Revenue Code of 1997, as amended is
10 hereby amended to read as follows:

11 Section 86. For the purpose of the tax imposed in this Chapter, the value of the
12 net estate shall be determined:

13

1 (A) Deductions Allowed to the Estate of Citizen or a Resident. - In the case of a
2 citizen or resident of the Philippines, by deducting from the value of the gross
3 estate -

4 (1) Expenses, Losses, Indebtedness, and Taxes. - Such amounts -

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

9 (b) x x x;

10 (c) x x x;

11 (d) x x x; and

12 (e) x x x.

13 (2) Property Previously Taxed. - x x x

14 (3) Transfers for Public Use. - x x x

15 (4) The Family Home. - An amount equivalent to the current fair market
16 value of the decedent's family home: Provided, however, That if the said
17 current fair market value exceeds **FIVE MILLION PESOS**
18 **(P5,000,000.00)** [One million pesos (P1,000,000)], the excess shall be
19 subject to estate tax. As a sine qua non condition for the exemption or
20 deduction, said family home must have been the decedent's family home
21 as certified by the barangay captain of the locality.

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

24 (6) Medical Expenses. - Medical Expenses incurred by the decedent within
25 one (1) year prior to his death which shall be duly substantiated with
26 receipts: Provided, That in no case shall the deductible medical expenses
27 exceed **TWO MILLION PESOS (P2,000,000.00)** [Five Hundred
28 Thousand Pesos (P500, 000)].

29 (7) x x x.

30 x x x

31 **SEC. 3.** Section 88 of the National Internal Revenue Code of 1997, as amended is
32 hereby amended to read as follows:

33 SEC. 88. Determination of the Value of the Estate. -

1 (A) Usufruct. – x x x.

2 (B) Properties. - The estate shall be appraised at its fair market value as of the
3 time of death. However, the appraised value of real property as of the time of
4 death shall be, whichever is higher of -

5 (1) The fair market value as determined by the Commissioner; or

6 (2) The fair market value as shown in the schedule of values fixed by the
7 Provincial and City Assessors.

8 **PROVIDED, THAT ON THE FIRST EIGHTEEN (18) MONTHS OF**
9 **IMPLEMENTATION OF THIS ACT, THE BASE OF TAX SHALL BE THE OLD**
10 **SCHEDULE OF VALUES OF REAL PROPERTIES OF CITIES AND**
11 **PROVINCES.**

12 **PROVIDED FURTHER, THAT WITHIN EIGHTEEN (18) MONTHS UPON**
13 **THE EFFECTIVITY OF THIS ACT, PROVINCIAL, MUNICIPAL AND CITY**
14 **ASSESSORS SHALL BE DIRECTED TO UPDATE THEIR SCHEDULE OF**
15 **VALUES OF REAL PROPERTIES CLOSER TO THE PREVAILING MARKET**
16 **PRICES, WHICH HEREINAFTER SHALL BECOME THE NEW BASE OF TAX.**

17 **PROVIDED FINALLY, THAT EVERY SIX (6) YEARS THEREAFTER, THE**
18 **SCHEDULE OF VALUES SHALL BE ADJUSTED TO ITS PRESENT VALUE**
19 **USING A REAL ESTATE PROPERTY INDEX, AS PUBLISHED BY THE**
20 **PHILIPPINE STATISTICS AUTHORITY (PSA).**

21 **SEC. 4.** Section 89 of the National Internal Revenue Code of 1997, as amended is
22 hereby amended to read as follows:

23 **SEC. 89. Notice of Death to be Filed.** - In all cases of transfers subject to tax,
24 or where, though exempt from tax, [the gross value of the estate exceeds
25 Twenty thousand pesos (P20,000)], the executor, administrator or any of the
26 legal heirs, as the case may be, within two (2) months after the decedent's
27 death, or within a like period after qualifying as such executor or administrator,
28 shall give a written notice thereof to the Commissioner.

29 **SEC. 5.** Section 90 of the National Internal Revenue Code of 1997, as amended is

1 hereby amended to read as follows:

2 SEC. 90. Estate Tax Returns. -

3 (A) Requirements. - In all cases of transfers subject to the tax imposed herein,
4 or where, though exempt from tax, [the gross value of the estate exceeds Two
5 hundred thousand pesos (P200,000), or regardless of the gross value of the
6 estate], where the said estate consists of registered or registrable property such
7 as real property, motor vehicle, shares of stock or other similar property for
8 which a clearance from the Bureau of Internal Revenue is required as a condition
9 precedent for the transfer of ownership thereof in the name of the transferee,
10 the executor, or the administrator, or any of the legal heirs, as the case may be,
11 shall file a return under oath in duplicate, setting forth:

12 (1) The value of the gross estate of the decedent at the time of his death,
13 or in case of a nonresident, not a citizen of the Philippines, of that part of
14 his gross estate situated in the Philippines;

15 (2) The deductions allowed from gross estate in determining the estate as
16 defined in Section 86; and

17 (3) Such part of such information as may at the time be ascertainable and
18 such supplemental data as may be necessary to establish the correct
19 taxes.

20 Provided, however, That estate tax returns showing a gross value
21 exceeding **FIVE MILLION PESOS (P5,000,0000.00)** [Two million
22 pesos (P2, 000,0000)] shall be supported with a statement duly certified to
23 by a Certified Public Accountant containing the following:

24 (a) Itemized assets of the decedent with their corresponding gross
25 value at the time of his death, or in the case of a nonresident, not a
26 citizen of the Philippines, of that part of his gross estate situated in
27 the Philippines;

28 (b) Itemized deductions from gross estate allowed in Section 86;
29 and

30 (c) The amount of tax due whether paid or still due and
31 outstanding.

32 **SEC. 6.** Section 97 of the National Internal Revenue Code of 1997, as amended is
33 hereby amended to read as follows:

1 SEC. 97. Payment of Tax Antecedent to the Transfer of Shares, Bonds or
2 Rights. - There shall not be transferred to any new owner in the books of any
3 corporation, sociedad anonima, partnership, business, or industry organized or
4 established in the Philippines any share, obligation, bond or right by way of gift
5 inter vivos or mortis causa, legacy or inheritance, unless a certification from the
6 Commissioner that the taxes fixed in this Title and due thereon have been paid is
7 shown.

8 If a bank has knowledge of the death of a person, who maintained a bank
9 deposit account alone, or jointly with another, it shall not allow any withdrawal
10 from the said deposit account, unless the Commissioner has certified that the
11 taxes imposed thereon by this Title have been paid: Provided, however, That the
12 administrator of the estate or any one (1) of the heirs of the decedent may,
13 upon authorization by the Commissioner, withdraw an amount not exceeding
14 **FIVE HUNDRED THOUSAND PESOS (P500,000.00)** [Twenty thousand
15 pesos (P20,000)] without the said certification. For this purpose, all withdrawal
16 slips shall contain a statement to the effect that all of the joint depositors are still
17 living at the time of withdrawal by any one of the joint depositors and such
18 statement shall be under oath by the said depositors.

19 **SEC. 7. Implementing Rules and Regulations.** The Bureau of Internal Revenue,
20 shall within sixty (60) days from the effectivity of this Act, issue the necessary rules and
21 regulations for the effective implementation of this Act.

22 **SEC. 8. Separability Clause.** If any provision of this Act is subsequently declared as
23 invalid or unconstitutional, other provisions hereof which are not affected thereby, shall
24 remain in full force and in effect.

25 **SEC. 9 Repealing Clause.** All laws, decrees, order, rules and regulations, and other
26 issuances, or parts thereof, inconsistent with the provisions of this Act are hereby
27 repealed or modified accordingly.

28 **SEC. 10. Effectivity Clause.** This Act shall take fifteen (15) days after its publication
29 in the Official Gazette or in newspaper of general circulation.

30 Approved,