

FOURTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Second Regular Session)

8 AUG 11 P 3:13

SENATE

Senate Bill No. 2526

RECEIVED BY: 

Introduced by Senator Juan Ponce Enrile

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.

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


JUAN PONCE ENRILE

Senator

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AN ACT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sixty percent (60%) of the value, if the prior decedent died more than two (2) years but not more than three (3) years prior to the death of the decedent, or if the property was transferred to him by gift within the same period prior to his death;

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

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

These deductions shall be allowed only where a donor's tax or estate tax imposed under this Title was finally determined and paid by or on behalf of such donor, or the estate of such prior decedent, as the case may be, and only in the amount finally determined as the value of such property in determining the value of the gift, or the gross estate of such prior decedent, and only to the extent that the value of such property is included in the decedent's gross estate, and only if in determining the value of the estate of the prior decedent, no deduction was allowable under paragraph (2) in respect of the property or properties given in exchange therefor. Where a deduction was allowed of any mortgage or other lien in determining the donor's tax, or the estate tax of the prior decedent, which was paid in whole or in part prior to the decedent's death, then the deduction allowable under said Subsection shall be reduced by the amount so paid. Such deduction allowable shall be reduced by an amount which bears the same ratio to the amounts allowed as deductions under paragraphs (1) and (3) of this Subsection as the amount otherwise deductible under said paragraph (2) bears to the value of the decedent's estate. Where the property referred to consists of two or more items, the aggregate value of such items shall be used for the purpose of computing the deduction.

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

(4) *The Family Home.* - An amount equivalent to the current fair market value of the decedent's family home: Provided, however, That if the said current fair market value exceeds TEN MILLION PESOS (P10,000,000.00), the excess shall be subject to estate tax. As a condition sine qua non for the exemption or deduction, said family home must have been the decedent's family home as certified by the barangay captain of the locality."

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

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

Approved,