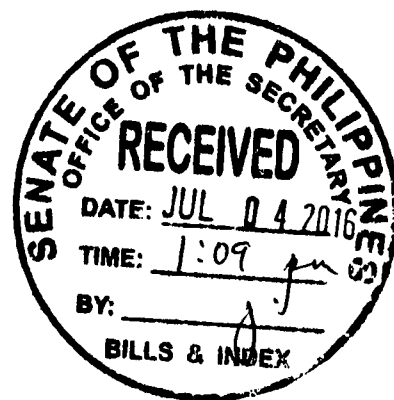


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE
S.B. No. 317

Introduced by Senator SONNY ANGARA

AN ACT
REDUCING THE CORPORATE INCOME TAX RATE, AMENDING SECTIONS 27 AND 28 OF
THE NATIONAL INTERNAL REVENUE CODE OF 1997,
AS AMENDED, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

This bill seeks to amend Sections 27 and 28 of the National Internal Revenue Code of 1997, as amended, by gradually reducing the rate of corporate income tax over a three-year period beginning January 1, 2017.

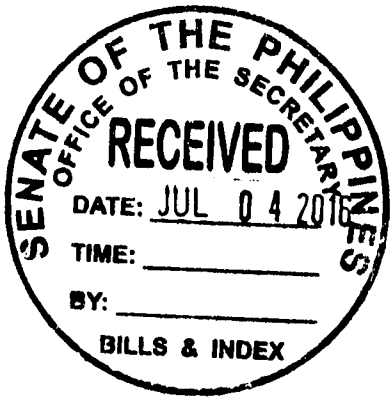
This bill was originally filed in the 16th Congress, and is part of a twin measure to reduce the country's income tax rates for individuals and corporations in consideration of the Association of South East Asian Nations (ASEAN) Integration which seeks to transform ASEAN into a single market and production base effective 2016.

The Philippines currently holds the distinction of having the highest corporate income tax rate at 30 percent. When the ASEAN Economic Community (AEC) Declaration was signed in 2007, some member-states began to lower their corporate income tax rates. Thailand gradually reduced its corporate income tax rate from 30 percent in 2011 to 23 percent in 2012, and down to 20 percent in 2013. Vietnam also lowered its corporate income tax rate from 25 percent to 22 percent last year and further reduced it to 20 percent starting this year. The differentiated tax rates would inevitably swing the pendulum as investors and taxpayers shift from a high-tax jurisdiction to a low-tax jurisdiction. At present, the average rate among the ASEAN countries is at 22.5 percent, with Singapore having the lowest at 17 percent.

In order for the Philippines to become more competitive in the region, it is imperative that we reduce this stumbling block. A recent study by Dr. Stella Quimbo of the UP School of Economics showed that while a decrease in corporate income tax rate will initially lead to lower corporate income tax collection, the offset will come in the form of greater net collections given the projected increase in investments when corporate income tax rates are reduced. The study showed that a percentage point reduction in tax rates will lead to P30.6 billion increase in investments. Instead of looking at the possible revenue loss, the government must regard the reduction in corporate income tax rates as a means to attract foreign direct investments and boost job generation in the country.

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

SONNY ANGARA



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AS AMENDED, AND FOR OTHER PURPOSES

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

SECTION 1. Section 27(A) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"Sec. 27. Rates of Income Tax on Domestic Corporations. –
"(A) In General - Except as otherwise provided in this Code, an income tax of [thirty-five percent (35%)] TWENTY-NINE PERCENT (29%) BEGINNING JANUARY 1, 2017, TWENTY-SEVEN PERCENT (27%) BEGINNING JANUARY 1, 2018 AND TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2019, is hereby imposed upon the taxable income derived during each taxable year from all sources within and without the Philippines by every corporation, as defined in Section 22(B) of this Code and taxable under this Title as a corporation, organized in, or existing under the laws of the Philippines[: Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%)]."

SEC. 2. Section 28 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 28. Rates of Income Tax on Foreign Corporations. -
"(A) Tax on Resident Foreign Corporations. –
(1) In General. - Except as otherwise provided in this Code, a corporation organized, authorized, or existing under the laws of any foreign country, engaged in trade or business within the Philippines, shall be subject to an income tax equivalent to [thirty-five percent (35%)] TWENTY-NINE PERCENT (29%) BEGINNING JANUARY 1, 2017, TWENTY-SEVEN PERCENT (27%) BEGINNING JANUARY 1, 2018 AND TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2019 of the taxable income derived in the preceding taxable year from all sources within the Philippines[: Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%)]."

1 x x x

2
3 "(B) Tax on Nonresident Foreign Corporations, -:-

4 (1) In General. - Except as otherwise provided in this Code, a foreign corporation
5 not engaged in trade or business in the Philippines shall pay a tax equal to [thirty-five
6 percent (35%)] TWENTY-NINE PERCENT (29%) BEGINNING JANUARY 1, 2017,
7 TWENTY-SEVEN PERCENT (27%) BEGINNING JANUARY 1, 2018 AND TWENTY-
8 FIVE PERCENT (25%) BEGINNING JANUARY 1, 2019 of the gross income received
9 during each taxable year from all sources within the Philippines, such as interests,
10 dividends, rents, royalties, salaries, premiums (except reinsurance premiums), annuities,
11 emoluments or other fixed or determinable annual, periodic or casual gains, profits and
12 income, and capital gains, except capital gains subject to tax under subparagraph 5(c) [:
13 Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent
14 (30%)].

15
16 x x x

17
18 (5) Tax on Certain Incomes Received by a Nonresident Foreign Corporation. -

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20 x x x

21
22 (b) Intercorporate Dividends. - A final withholding tax at the rate of fifteen percent
23 (15%) is hereby imposed on the amount of cash and/or property dividends received from
24 a domestic corporation, which shall be collected and paid as provided in Section 57(A) of
25 this Code, subject to the condition that the country in which the nonresident foreign
26 corporation is domiciled, shall allow a credit against the tax due from the nonresident
27 foreign corporation taxes deemed to have been paid in the Philippines equivalent to
28 [twenty percent (20%)] FOURTEEN PERCENT (14%), which represents the difference
29 between the regular income tax of [thirty-five percent (35%)] TWENTY-NINE PERCENT
30 (29%) BEGINNING JANUARY 1, 2017 and the fifteen percent (15%) tax on dividends as
31 provided in this subparagraph: Provided, That effective January 1, [2009] 2018, the
32 credit against the tax due shall be equivalent to [fifteen percent (15%)] TWELVE
33 PERCENT (12%), AND EFFECTIVE JANUARY 1, 2019, EQUIVALENT TO TEN
34 PERCENT (10%), which represents the difference between the regular income tax of
35 [thirty percent (30%)] TWENTY-SEVEN PERCENT (27%) AND TWENTY-FIVE
36 PERCENT (25%), RESPECTIVELY, and the fifteen percent (15%) tax on dividends."

37
38 **SEC. 3. Implementing Rules and Regulations.** The Secretary of Finance shall promulgate the
39 necessary rules and regulations for the effective implementation of the provisions of this Act.
40

SEC. 4. Repealing Clause. All laws, orders, issuances, circulars, rules and regulations or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 5. Separability Clause. If any provision of this Act is declared unconstitutional or invalid, other parts or provisions hereof not affected thereby shall continue to be in full force and effect.

SEC. 6. Effectivity. This Act shall take effect on January 1, 2017 following its publication in at least two (2) newspapers of general circulation.

Approved,