

RECENT LEGISLATION

THE RESIDENCE TAX LAW

(COMMONWEALTH ACT
No. 465)

Be it enacted by the National Assembly of the Philippines:

SECTION 1. *Persons liable to residence tax.*—Every inhabitant of the Philippines over eighteen years of age who has been regularly employed on a wage or salary basis for at least thirty consecutive working days during any calendar year at the rate of not less than fifty centavos a day, or who is engaged in business or occupation, or who owns real property with an aggregate assessed value of one thousand pesos or more, or who is required by law to file an income tax return shall pay an annual residence tax of fifty centavos, and an annual additional tax which in no case shall exceed five hundred pesos, in accordance with the following schedule:

(a) For every five thousand pesos worth of real property in the Philippines owned by such person during the preceding year, the valuation to be based upon the assessment rolls of the municipality where the property is situated, one peso;

(b) For every five thousand pesos of gross receipts or earnings derived by such person from his business in the Philippines during the preceding year, one peso; and

(c) For every one thousand pesos of salaries or gross receipts or earnings derived by such person from the exercise of any profession

in the Philippines or from the pursuit of any occupation therein during the preceding year, one peso.

For the purposes of the additional tax, dividends received by the taxpayer from any corporation shall not be considered as part of his gross receipts or earnings.

In the case of husband and wife, the additional tax herein imposed shall be based upon the total property owned by them, or upon the total gross receipts or earnings derived by them.

SEC. 2. *Entities liable to residence tax.*—Every corporation, no matter how created or organized, whether domestic or resident foreign, engaged in or doing business in the Philippines shall pay an annual residence tax of five pesos and an annual additional tax which, in no case, shall exceed one thousand pesos, in accordance with the following schedule:

(a) For every five thousand pesos worth of real property in the Philippines owned by it during the preceding year, the valuation to be based upon the assessment rolls of the municipality where the real property is situated, one peso; and

(b) For every five thousand pesos of gross receipts or earnings derived by it from its business in the Philippines during the preceding year, one peso: *Provided, however,* That dividends received by a corporation from another corporation shall not, for the purposes of the additional tax, be considered

as part of the gross receipts or earnings of said corporation.

The term "corporation" as used in this Act includes jointstock company, partnership, joint account (*cuenta en participación*), association, or insurance company, no matter how created or organized.

The term "resident foreign" when applied to a corporation means a foreign corporation engaged in trade or business within the Philippines or having an office or place of business therein.

SEC. 3. *Residence Certificates.*—A residence certificate shall be issued to every person or corporation upon payment of the residence tax. A residence certificate shall also be issued to any person or corporation not liable to the payment of the residence tax upon payment of twenty centavos.

The residence certificate for persons shall contain the full name, place and date of birth, citizenship, civil status, length of residence in the Philippines, length of residence in the city or municipality where the certificate is issued, occupation or calling, right hand thumb mark, and signature of the person to whom such residence certificate is issued. It shall also contain the signature of the officer issuing it.

SEC. 4. *Exemptions.*—The following shall not be taxed under this Act:

(a) The United States High Commissioner and members of his staff;

(b) Commissioned officers of the United States Army and Navy;

(c) Enlisted soldiers, sailors and marines of the United States Army and Navy;

(d) Civilian employees of the military or naval branches of the United States Government who have come to the Philippines under orders from the United States Government;

(e) Diplomatic and consular representatives and officers of foreign powers; and

(f) Transient visitors when their stay in the Philippines does not exceed three months.

SEC. 5. *Time for payment; penalties for delinquency.*—Liability for the residence taxes accrues on the first day of January of each year as regards persons then resident of the Philippines and liable to the taxes; and if a person so liable fails to pay the taxes on or before the last day of April, he shall be delinquent. As regards those who come to reside in the Philippines on or before the last day of June, and those who reach the age of eighteen years or otherwise lose the benefit of exemption on or before that day, liability shall attach upon the day of arrival or upon the day exemption ceases, and if arriving or becoming liable on or before the tenth day of April, they shall likewise be delinquent upon failure to pay the taxes on or before the last day of April, but such persons, arriving or becoming liable after the tenth day of April, shall have twenty days within which to pay the taxes without becoming delinquent: *Provided*, That persons who come to reside in the Philippines or arrive at the age of eighteen years on or after the first day of July of any year or who ceases to belong to an exempt class on or after the same date, shall not be subject to the taxes for that year.

As regards corporations which may be established or organized on or before the thirtieth day of June, liability for the residence tax for that year shall attach, and if becoming liable on or before the tenth day of April, they shall be delinquent upon failure to pay the taxes on or before the last day of April, but those becoming liable after the tenth day of April, shall have twenty days within which to pay the taxes without becoming delinquent: *Provided*, That those who may be established or organized on or after the first day of July of any year, shall not be subject to the tax for such year.

If the taxes are not paid within the time prescribed above, there shall be added to the unpaid amount a surcharge of five *per centum* every month or fractional part thereof, but in no case shall the total surcharge exceed twenty-five *per centum*.

SEC. 6. *Presentation of residence certificate upon certain occasions.*—When a person liable to the taxes prescribed in this Act acknowledges any document before a notary public, takes the oath of office upon election or appointment to any position in the government service, receives any license, certificate or permit from any public authority, pays any tax or fee, receives any money from any public fund, or transacts other official business, or receives any salary or wage from any person or corporation, it shall be the duty of such person or officer of such corporation with whom such transaction is had or business done to require the exhibition of the residence certificate showing the payment of the residence taxes by such person: *Provided, however*, That the presentation of the res-

idence certificate shall not be required in connection with the registration of a voter.

When, through its authorized officers, any corporation liable to the taxes prescribed in this Act receives any license, certificate or permit from any public authority, pays any tax or fee, receives any money from any public fund, or transacts other official business, it shall be the duty of the public officials with whom such transaction is had or business done to require the exhibition of the residence certificate showing the payment of the residence taxes by such corporation.

The certificate mentioned in the next two preceding paragraphs shall be the one issued for the current year, except during the month of January of each year and except also in the case of the payment of the residence tax at any time during the year, in which cases the exhibition of the certificate of the previous year shall suffice.

SEC. 7. *Administrative remedies.*—All administrative, special, and general provisions of law including the laws in relation to the assessment, remission, collection, and refund of national internal-revenue taxes not inconsistent with the provisions of this Act, are extended and made applicable to all the provisions of this law, and to the taxes herein imposed.

SEC. 8. *Collection and disposition of proceeds.*—The taxes herein prescribed shall be collected by the provincial or city treasurers and their deputies. All collections shall be remitted by the treasurer concerned to the Collector of Internal Revenue and shall be allotted in the following proportions by the said Collector among the

provinces, cities, municipalities, and municipal districts on the basis of population as shown by the latest official census:

One-fourth to the general funds of the provinces. A subprovince shall receive its proportionate share of the proceeds allotted to the province;

One-fourth to the general funds of the cities, municipalities, and municipal districts; and

Two-fourths to the school fund of the cities, municipalities, and municipal districts.

SEC. 9. *Authority of Secretary of Finance to promulgate rules and regulations.*—The Secretary of Finance shall promulgate all needful rules and regulations for the effective enforcement of the provisions of this Act.

SEC. 10. *Unlawful use of residence certificate.* — Any person who uses, attempts to use, or is in possession of, with intent to defraud the revenues, deceive the courts, or mislead any revenue officer or other person, any residence certificate issued to any other person or corporation shall be fined in a sum not exceeding two hundred pesos or imprisoned for a term not exceeding six months.

SEC. 11. *Falsification or counterfeiting of residence certificate.*—Any person who makes, sells, or uses any false or counterfeit residence certificate or any die for

printing or making such certificate which is in imitation of or purports to be a lawful residence certificate, or who alters the written or printed figures or letters contained therein, or who has in his possession any such false, counterfeit, or altered certificate for the purpose of using the same in the payment of revenue or in securing any exemption or privilege conferred by law, or who procures the commission of any such offense by another, shall for each offense be fined in a sum not less than two hundred pesos nor more than five thousand pesos and imprisoned for a term not less than two months nor more than five years, or both.

SEC. 12. *Violation of this law or regulation.*—Any person who violates any provision of this law, or any regulation promulgated in accordance therewith, for which delinquency no specific penalty is provided by law, shall be punished by a fine of not more than three hundred pesos, or by imprisonment for not more than six months, or both: *Provided*, That delinquency in the payment of this residence tax shall be dealt with in accordance with sections five and seven hereof.

SEC. 13. This Act shall take effect on January first, nineteen hundred and forty.

Approved, June 14, 1939.



