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TITLE : AN ACT RESTRUCTURING THE ESTATE AND DONOR'S TAXES,
AMENDING FOR THE PURPOSE SECTIONS 77, 79(a), 83(b) AND 92(a) AND
(b) ON TRANSFER TAXES OF THE NATIONAL INTERNAL REVENUE CODE, AS
AMENDED

TEXT :

H. No. 34211

Republic of the Philippines
Congress of the Philippines
Metro Manila

Begun and held in Metro Manila, on Monday, the twenty-second
day of July, nineteen hundred and ninety-one.

[REPUBLIC ACT NO. 7499]

AN ACT RESTRUCTURING THE ESTATE AND DONOR'S
TAXES, AMENDING FOR THE PURPOSE SECTIONS
77, 79(a), 83(b) AND 92(a) AND (b) ON
TRANSFER TAXES OF THE NATIONAL INTERNAL
REVENUE CODE, AS AMENDED

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

SECTION 1. Section 77 of the National Internal Revenue
Code, as amended, is hereby further amended to read as follows:

"SEC. 77. Rates of estate tax. - There shall be levied,
assessed, collected, and paid upon the transfer of the net estate
as determined in accordance with Sections 78 and 79 of every dece-
dent, whether resident or nonresident of the Philippines, a tax
based on the value of such net estate, as computed in accordance
with the following schedules:

"If the net estate is:

"Over	But Not Over	The Tax Shall Be	Plus	Of Excess Over
—	P 200,000	Exempt	-	-
P 200,000	500,000	5%	-	P 200,000
500,000	2,000,000	P 15,000	8%	500,000
2,000,000	5,000,000	135,000	12%	2,000,000
5,000,000	10,000,000	495,000	21%	5,000,000
10,000,000	And Over	1,545,000	35%	10,000,000

SEC. 2. Section 79(a) of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"(a) 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 per centum of the gross estate, whichever is lower, but in no case to exceed P 100,000;

"(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 years before the death of the decedent, the administrator or executor shall submit a statement showing the disposition of the proceed 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 taxes 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 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 sub-section (a) of Section 84.

"(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 years prior to the death of the decedent, or transferred to the decedent by gift within five 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 per centum of the value if the prior decedent died within one 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 per centum of the value if the prior decedent died more than one year but not more than two 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 per centum of the value if the prior decedent died more than two years but not more than three 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 per centum of the value if the prior decedent died more than three years but not more than four years prior to the death of decedent, or if the property was transferred to him by gift within the same period prior to his death; and

"Twenty per centum of the value if the prior decedent died more than four years but not more than five 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 gift tax, or estate tax imposed under this Title were 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 gift tax, or the estate tax of the prior decedent, which were paid in whole or in part prior to the decedent's death then the deduction allowable under said paragraph 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 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 or fair market value or zonal value of the decedent's family home, whichever is higher: Provided, however, That, if the said current or fair market value or zonal value exceeds One million pesos (P 1,000,000), the excess shall be subject to estate tax. As a sine qua non condition 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. 3. Section 83(b) of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"(b) Time for filing. - For the purpose of determining the estate tax provided for in Section 77 of this Code, the estate tax return required under the preceding subsection (a) shall be filed within six months from the decedent's death.

"A certified copy of the schedule of partition and the order of the court approving the same shall be furnished the Commissioner within thirty days after the promulgation of such order."

SEC. 4. Section 92(a) and (b) of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

SEC. 92. Rates of tax payable by donor. - (a) In general. - The tax for each calendar year shall be computed on the basis of the total net gifts made during the calendar year in accordance with the following schedule:

"If the net gift is:

'Over	But Not Over	The Tax Shall Be	Plus	Of Excess Over
-	P 50,000	Exempt	-	-
P 50,000	100,000	1.5%	-	P 50,000
100,000	200,000	P 750	3%	100,000
200,000	500,000	3,750	5%	200,000
500,000	1,000,000	18,750	8%	500,000
1,000,000	3,000,000	58,750	10%	1,000,000
3,000,000	5,000,000	285,750	15%	3,000,000
5,000,000	-	558,750	20%	5,000,000

"(b) Tax payable by donor if donee is a stranger. - When the donee or beneficiary is a stranger, the tax payable by the donor shall be ten percent (10%) of the net gifts. For the purpose of this tax, a stranger is a person who is not a:

"(i) Brother, sister (whether by whole or half blood), spouse, ancestor, and lineal descendant; or

"(ii) Relative by consanguinity in the collateral line within the fourth degree of relationship.

"(c) Any contribution in cash or in kind to any candidate, political party or coalition of parties for campaign purposes, shall be governed by the Election Code, as amended."

SEC. 5. All laws, decrees, orders, rules, regulations and other issuances, or parts thereof, inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 6. This Act shall take effect upon its approval.

Approved,

NEPTALI A. GONZALES
President of the Senate

RAMON V. MITRA
Speaker of the House
of Representatives

This Act which originated in the House of Representatives

was finally passed by the House of Representatives and the Senate
on February 7, 1992.

ANACLETO D. BADOY, JR.
Secretary of the Senate

CAMILO L. SABIO
Secretary General
House of Representatives

Approved: May 15, 1992

CORAZON C. AQUINO
President of the Philippines