

*Republic of the Philippines*  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**SEVENTEENTH CONGRESS**  
First Regular Session

**HOUSE BILL NO. 3528**

HOUSE OF REPRESENTATIVES

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Introduced by: Hon. Angelina "Heler" D.L. Tan, M.D.

**AN ACT AMENDING SECTIONS 84, 86, 89, 90 AND 97 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

This measure proposes amendments to the estate tax provided under Republic Act No. 8424, otherwise known as the National Internal Revenue Code (NIRC) of 1997 or the Tax Reform Act of 1997. The last estate tax amendment was made in 1997 and after almost a couple of decades the threshold amounts on which the various taxes are based have not been adjusted.

Hence, the need to make the adjustments inasmuch as inflation keeps rising and the purchasing power of peso is decreasing and the amount of taxes being paid by the taxpayers have encroached significantly on the income of ordinary Filipinos resulting to meager take home pay.

Under the law, the one liable for the payment of estate tax is the estate of the decedent but in the payment of such tax the burden of complying with the requirements of the law rests ultimately on the heirs.

The NIRC, as amended, requires the taxpayer to secure TIN for the estate, file notice of death within 2 months after the decedent's death, file estate tax return and pay the tax within 6 months from decedent's death, determine the gross estate and allowable deductions and compute the estate tax which may require the services of a certified public accountant (CPA) depending on the value of the gross estate, and secure tax clearance before the title to the properties can be transferred in the name of the heirs. These requirements are additional burden on the members of the family who are still grieving for the loss of their loved one.

With the passage of this bill, the actual funeral expenses, and medical expenses incurred within one year immediately preceding the death of the decedent, can now be claimed in full as deductions against the gross estate. It increases the value of the family home and the amount of standard deduction to be allowed as deductions against the gross estate and provides automatic indexation of the value or amount every six years.

Moreover, it increases the threshold amounts and provides automatic indexation every six years for the requirement of filing an estate tax return and submission of a CPA certification. It will only require the filing of notice of death if the estate is required to

file an estate tax return. Ultimately, the proposal allows withdrawals from the bank account of the decedent, in an amount not exceeding the aggregate amount of the estate tax due, funeral expenses and other expenses related to the settlement of the estate.

While the bill, in effect, removes the exemption from estate tax of a net estate valued at not more than P200,000, its entirety, however, would benefit the heirs or taxpayers due to a higher allowable deductions against the gross estate and a lower estate tax rate of 10%.

The result is a more simplified estate taxation to ease the burden on the heirs and a broader tax base, which can be done by encouraging more heirs to file estate tax returns and pay the corresponding estate taxes.

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

  
**ANGELINA "HELEN" D.L. TAN, M.D.**  
4th District, Quezon

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

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

"SEC. 84. 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 85 and 86 of every decedent, whether resident or nonresident of the Philippines, a **TEN PERCENT (10%)** tax based on the value of such net estate[, as computed in accordance with the following schedule:].

"[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%	P 200,000]
"[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]

SEC. 2. Section 86(A) of the National Internal Revenue Code of 1997, as amended, is hereby further 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) XXX

"(c) XXX

"(d) XXX

"(e) XXX

"(2) XXX

"(3) XXX

"(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 [One million pesos (P1, 000,000),] **TWO MILLION FIVE HUNDRED THOUSAND PESOS (P2,500,000)**, 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[.]: **PROVIDED, FURTHER, THAT NOT LATER THAN SIX (6) YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY SIX (6) YEARS THEREAFTER, THE PRESIDENT OF THE PHILIPPINES SHALL ADJUST THE AMOUNT HEREIN STATED TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX (CPI), AS PUBLISHED BY THE PHILIPPINE STATISTICS AUTHORITY (PSA).**

"(5) Standard Deduction. - An amount equivalent to [One million pesos (P1, 000,000).] **TWO MILLION FIVE HUNDRED THOUSAND PESOS (P2,500,000): PROVIDED, HOWEVER, THAT NOT LATER THAN SIX (6) YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY SIX (6) YEARS THEREAFTER, THE PRESIDENT OF THE PHILIPPINES SHALL ADJUST THE AMOUNT HEREIN STATED TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX (CPI), AS PUBLISHED BY THE PHILIPPINE STATISTICS AUTHORITY (PSA).**

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

"(7) XXX

"XXX"

SEC. 3. Section 89 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 89. Notice of Death to be Filed. - In all cases of transfers subject to tax, or

where **THE ESTATE IS REQUIRED TO FILE ESTATE TAX RETURN**, [though exempt from tax, the gross value of the estate exceeds Twenty thousand pesos (P20,000),] the executor, administrator or any of the legal heirs, as the case may be, within [two (2)] **SIX (6)** months after the decedent's death, or within a like period after qualifying as such executor or administrator, shall give a written notice thereof to the Commissioner."

SEC. 4. Section 90 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

SEC. 90. Estate Tax Returns. -

(A) Requirements. - In all cases of transfers subject to the tax imposed herein, or where[, though exempt from tax,] the gross value of the estate exceeds [Two hundred thousand pesos (P200,000)] **FIVE HUNDRED THOUSAND PESOS (P500,000)**, or regardless of the gross value of the estate, where the said estate consists of registered or registrable property such as real property, motor vehicle, shares of stock or other similar property for which a clearance from the Bureau of Internal Revenue is required as a condition precedent for the transfer of ownership thereof in the name of the transferee, the executor, or the administrator, or any of the legal heirs, as the case may be, shall file a return under oath in duplicate, setting forth:

"(1) XXX

"(2) XXX

"(3) XXX

*"Provided, however,* That estate tax returns showing a gross value exceeding Two million pesos (P2, 000,000) shall be supported with a statement duly certified to by a Certified Public Accountant containing the following:

"(a) XXX

"(b) XXX

"(c) XXX

**"PROVIDED, FURTHER, THAT NOT LATER THAN SIX (6) YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY SIX (6) YEARS THEREAFTER, THE PRESIDENT OF THE PHILIPPINES SHALL ADJUST THE AMOUNT HEREIN STATED TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX (CPI), AS PUBLISHED BY THE PHILIPPINE STATISTICS AUTHORITY (PSA).**

(B) Time for Filing. - For the purpose of determining the estate tax provided for in Section 84 of this Code, the estate tax return required under the preceding Subsection (A) shall be filed within [six (6) months] **ONE YEAR (1) YEAR** 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 (30) days after the promulgation of such order.

SEC. 5. Section 97 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

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

"If a bank has knowledge of the death of a person, who maintained a bank deposit account alone, or jointly with another, it shall not allow any withdrawal from the said deposit account, unless the Commissioner has certified that the taxes imposed thereon by this Title have been paid: Provided, however, That the administrator of the estate or any one (1) of the heirs of the decedent may, upon authorization by the Commissioner **OR HIS/HER DULY AUTHORIZED REPRESENTATIVE**, withdraw an amount not exceeding [Twenty thousand pesos (P20,000)] **THE AGGREGATE AMOUNT OF THE ESTATE TAX DUE, FUNERAL EXPENSES AND OTHER EXPENSES RELATED TO THE SETTLEMENT OF THE ESTATE** without the said certification. For this purpose, all withdrawal slips shall contain a statement to the effect that all of the joint depositors are still living at the time of withdrawal by any one of the joint depositors and such statement shall be under oath by the said depositors."

SEC. 6. *Implementing Rules and Regulations.* - The Secretary of Finance, shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate not later than thirty (30) days upon the effectivity of this Act the necessary rules and regulations for its proper and effective implementation.

SEC. 7. *Separability Clause.* - If any provision or part hereof is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

SEC. 8. *Repealing Clause.* - Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with the provisions of this Act is hereby modified or amended accordingly.

SEC. 7. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,