

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL No. 3794



Introduced by Honorable Rosenda Ann Ocampo

EXPLANATORY NOTE

One of the most heartbreaking experiences is losing a loved one while failing to enjoy the fruits of inheritance left by a decedent. The occurrence of death in the family is not an easy burden. The number of things that need to be settled and the various costs attendant to it further intensify the feeling of grief and loss.

The last estate tax amendment was done in 1997 by virtue of Republic Act (RA) No. 8424 or the National Internal Revenue Code of 1997. However, after almost two decades, the threshold amounts on which the various taxes are based have not been adjusted accordingly. As inflation keeps rising and the purchasing power of the Peso decreasing, the amount of taxes being paid by the taxpayers have diminished the income of ordinary Filipinos.

This bill intends to lessen the burden on the surviving spouse and heirs of a decedent in settling their estate tax liabilities. The threshold amount of P200,000 in net estate liable to estate taxes as well the allowable deductions for medical expenses, funeral expenses, standard deduction and value of family home no longer represents their present actual value. By increasing the value of the estate tax exemption and other allowable deductions, we are giving the surviving spouse and heirs the opportunity to enjoy the fruits of labor of their deceased loved ones.

Moreover, in case of sudden death in the family, rich and affluent individuals are able to minimize their estate taxes by having availed estate tax planning in advance. However, poor and middle-income families are not able to avail such intricate and costly plan, thus, bearing the full burden of settling the estate tax.

Increasing the exemptions and deductions for estate tax purposes would also ensure a greater chance for government to maximize the estate tax take not otherwise collected from ordinary families who are drained from the emotional, physical and material loss of their loved ones.

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



ROSENDA ANN OCAMPO

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AN ACT
REVISING THE SCHEDULED RATES OF ESTATE TAX COMPUTATION AND
INCREASING THE ALLOWABLE DEDUCTIONS THEREON AMENDING FOR THIS
PURPOSE SECTIONS 84, 86, 89 AND 97 OF TITLE III, CHAPTER I, ESTATE TAX
OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED"

Be it enacted by the Senate and the 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:

"Section 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 non-resident of the Philippines, a 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
	P 500,000	Exempt		
P 500,000	1,250,000	0	5%	P 500,000
1,250,000	5,000,000	P 23,000	8%	1,250,000
5,000,000	12,500,000	299,000	11%	5,000,000
12,500,000	25,000,000	1,058,000	15%	12,500,000
25,000,000	and Over	2,783,000	20%	25,000,000

PROVIDED, THAT EVERY THREE (3) YEARS AFTER THE EFFECTIVITY OF THIS ACT, THE PRESIDENT OF THE PHILIPPINES SHALL ADJUST THE AMOUNTS HEREINSTATED TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX (CPI) AS PUBLISHED BY THE PHILIPPINE STATISTIC AUTHORITY (PSA)."

SECTION 2. Section 86 of the National Internal Revenue Code (NIRC) of 1997, as amended, is hereby amended to read as follows:

"Section 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 **FIVE HUNDRED THOUSAND PESOS (P500,000.00)** [Two Hundred Thousand Pesos (P200,000)];

(b) xxx;

(c) xxx;

(d) xxx; and

(e) xxx.

(2) Property Previously Taxed. –xxx;

(3) Transfers for Public Use. –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 **TWO MILLION PESOS (P2,000,000.00)** [One Million Pesos (P1,000,000)], 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;

(5) Standard Deduction. –An amount equivalent to **TWO MILLION PESOS (P2,000,000.00)** [One Million Pesos (P1,000,000)];

(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 be deductible medical expenses exceed **ONE MILLION PESOS (P1,000,000.00)** [Five hundred Thousand Pesos (P500,000)];

(7) xxx.”

SECTION 3. Section 89 of the National Internal Revenue Code (NIRC) of 1997 as amended, is hereby amended to read as follows:

“**Section 89. Notice of Death to be Filed** –In all cases of transfers subject to tax, or where, though exempt from tax, the gross value of the estate exceeds **TWO HUNDRED THOUSAND PESOS (P200,000.00)** [Twenty Thousand Pesos (P20,000)], the executor, administrator or any of the legal heirs, as the case may be, within two (2) 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.”

SECTION 4. Section 97 of the National Internal Revenue Code (NIRC) of 1997, as amended, is hereby amended to read as follows:

“**Section 97. Payment of Tax Antecedent to the Transfer of Shares, Bonds or Rights** –xxx. If a bank has knowledge of the death of the 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, withdraw an amount not exceeding **TWO HUNDRED THOUSAND PESOS (P200,000.00)** [Twenty Thousand Pesos (P20,000)] without the said certification. For this purpose all withdrawal slips shall contain a statement to the effect that all the joint depositors and such statement shall be under oath by the said depositors.”

SECTION 5. Implementing Rules and Regulations. The Bureau of Internal Revenue shall, within sixty (60) days from the effectivity of this Act, issue the necessary rules and regulations for the effective implementation of this Act.

SECTION 6. *Separability Clause.* if any provision of this Act is subsequently declared as invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

SECTION 7. *Repealing Clause.* All laws, decrees, orders rules and regulations, and other issuances, or parts thereof, inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 8. *Effectivity Clause.* This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

APPROVED.