


SENATE '19 JUL 16 A11:42

Senate Bill No. 535

RECEIVED BY: 

Introduced by Senator Juan Miguel F. Zubiri

**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**

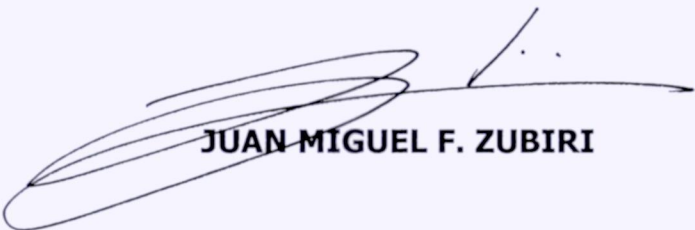
EXPLANATORY NOTE

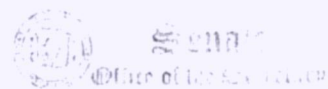
In the ASEAN region, the Philippines has the highest corporate income tax at 30 percent, followed by Indonesia with 25 percent, Thailand with 23 percent; Vietnam with 22 percent and Cambodia with 20 percent. Singapore levies the lowest rate of 17 percent and attracts the most foreign direct investments. The Philippines, with its highest tax rate, remains one of the lowest recipients of FDI inflows in the region.

If we intend to compete in the ASEAN region, it is imperative that we adopt measures to make the Philippine economy at par with its neighbors as an excellent location for foreign investors. In addition to addressing inadequate infrastructure, bureaucratic inefficiencies, high cost of power and corruption, the Philippine government can push for competitive tax rates for businesses in the country to attract the entry of new investors and encourage the expansion of existing ones.

In view of the foregoing, this bill seeks to reduce the corporate income tax rate by January 1, 2020 to 25 percent from the current 30 percent. Any foregone revenue as a consequence of the reduction of the corporate income tax rate will be offset by the projected increase in economic activities and employment opportunities arising from increase in investments. Moreover, an expansion of the tax base as a result of this measure may bode well for increased revenue collections in the long term.

The immediate approval of this bill is therefore earnestly sought.


JUAN MIGUEL F. ZUBIRI



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Be it enacted by the Senate and 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-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2020**, 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%).]"

"x x x."

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

1 in trade or business within the Philippines, shall be subject to an income tax
2 equivalent to [thirty-five percent (35%)] **TWENTY-FIVE PERCENT (25%)**
3 **BEGINNING JANUARY 1, 2020**, of the taxable income derived in the
4 preceding taxable year from all sources within the Philippines [: Provided, That
5 effective January 1, 2009, the rate of income tax shall be thirty percent (30%).]

6 "x x x

7 "(B) *Tax on Non-resident Foreign Corporations. –*

8 "(1) *In General.* - Except as otherwise provided in this Code, a foreign
9 corporation not engaged in trade or business In the Philippines shall pay a tax
10 equal to [thirty-five percent (35%)] **TWENTY-FIVE PERCENT (25%)**
11 **BEGINNING JANUARY 1, 2020**, of the gross income received during each
12 taxable year from all sources within the Philippines, such as interests, dividends,
13 rents, royalties, salaries, premiums (except reinsurance premiums), annuities,
14 emoluments or other fixed or determinable annual, periodic or casual gains,
15 profits and income, and capital gains, except capital gains subject to tax under
16 subparagraph 5(c) [: Provided, That effective 19 January 1, 2009, the rate of
17 income tax shall be thirty percent (30%).]

18 "x x x

19 "(5) *Tax on Certain Incomes Received by a Non-resident Foreign*
20 *Corporation. -*

21 "x x x

22 "(b) *Intercorporate Dividends.* - -A final withholding tax at the rate of
23 fifteen percent (15%) is hereby imposed on the amount of cash and/or property
24 dividends received from a domestic corporation, which shall be collected and paid
25 as provided in Section 57(A) of this Code, subject to the condition that the
26 country in which the non-resident foreign corporation is domiciled, shall allow a
27 credit against the tax due from the non-resident foreign corporation taxes
28 deemed to have been paid in the Philippines equivalent to [twenty percent
29 (20%)] **TEN PERCENT (10%)**, which represents the difference between the
30 regular income tax of [thirty-five percent (35%)] **TWENTY-FIVE PERCENT**
31 **(25%) BEGINNING JANUARY 1, 2020**, and the fifteen percent (15%) tax on
32 dividends as provided in this subparagraph:

33 "x x x."

1 **SEC. 3. *Implementing Rules and Regulations.*** - The Secretary of Finance
2 shall promulgate the necessary rules and regulations for the effective implementation of
3 the provisions of this Act.

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

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

10 **SEC. 6. *Effectivity Clause.*** - This Act shall take effect on January 1, 2020
11 following its publication in at least two (2) newspapers of general circulation.

Approved,