

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Fifteenth Congress
Second Regular Session

HOUSE BILL NO. 5703



Introduced by Honorable Arthur R. Defensor, Jr.

EXPLANATORY NOTE

This bill, entitled "Estate Tax Amnesty Law" grants amnesty in estate tax, pursuant to the policies of maximizing collection of taxes, and of freeing-up capital in the form of property, making them susceptible to business transaction, and in turn generating objects of taxation.

The records of the Bureau of Internal Revenue (BIR) will bear that indeed estate tax is a poor performer in the area of collection. In fact, The BIR has launched "Project Rest in Peace" through the issuance of Revenue Memorandum Order No. 10-2010. Through this project, the BIR is targeting the increase in the number of estate tax returns filed, and collection as well. This is an administrative measure to closely monitor potential estate tax cases by establishing linkages with, and accessing the records of, the Civil Registers, hospitals, memorial parks, cemeteries, funeral parks, crematoriums, judicial clerks of court, life insurance companies and other relevant financial institutions.

The bill will complement the administrative measures of the BIR with a tax measure that, at least, in the long term, will enhance collection. While an estate tax amnesty, at the first glance, appears to be a negative revenue generation measure, it is posited that, in the long term, it will increase tax collection. The essence of the grant of estate tax amnesty under this bill is a radical deviation from the existing rates under Republic Act No. 8424, as amended. While a radical decrease in estate tax rates would tend to decrease estate tax collection, it is intended to make estate settlement and estate tax payment attractive. The intended consequence of this is, perhaps increased estate tax collection in the short term, or within the period contemplated in the bill, which would outweigh the merits of long term collection under the present rates, as the latter may not necessarily come as desired. In any event, increased short term collection will serve its purpose of having immediately available funds for the present administration. On the one hand, the more important purpose of the estate tax amnesty, as it would promote settlement of estates, is to free-up property of unsettled estates, so that they may be open to business transaction. Such properties after settlement may be sold, leased, subject of joint venture agreements, or whatever transaction that will have tax consequences, and result in increased tax collection for the government.



ARTHUR R. DEFENSOR, JR.

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AN ACT GRANTING AMNESTY IN ESTATE TAX

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

Sec. 1. *Title.* - This Act shall be known as the "Estate Tax Amnesty Law".

Sec. 2. *Declaration of Policies* - The following are declared policies underlying state:

- a. to maximize the collection of taxes; and
- b. to free-up capital in the form of property, making the same susceptible to transaction, giving rise to further subjects of taxation.

Sec. 3. *Objectives.* - The following are the objectives of this Act:

- a. to grant amnesty in estate tax, that shall in the long term, result in increased tax collection; and
- b. to grant amnesty in estate tax, that shall promote the settlement of estates, and in turn free-up properties of unsettled estates, with the end view of generating financial transactions and stimulating economic activity.

Sec. 4. *Coverage and Duration of Tax Amnesty.* - The tax amnesty granted herein shall cover all unpaid estate taxes as of the time this Act shall have taken effect, and those that shall be paid within five (5) years henceforth. The estate tax amnesty shall only be available within five (5) years from the time this Act shall have taken effect.

Sec. 5. *Grant of Tax Amnesty.* - Within the coverage of the estate tax amnesty as provided in the preceding section, estate tax shall be levied, assessed, collected and paid upon the transfer of the net estate, as determined in accordance with Sections 85 and 86 of Republic Act No. 8424, as amended, of every decedent, whether resident or nonresident of the Philippines, 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 2,000,000	Exempt		
2,000,000	5,000,000	15,000	5%	2,000,000
5,000,000	10,000,000	135,000	8%	5,000,000
10,000,000	50,000,000	465,000	11%	10,000,000

Estates with a net estate value exceeding fifty million pesos (P50,000,000) shall be levied, assessed and pay estate tax in accordance with the schedule in Section 84 of Republic Act No.8424, as amended.

Sec. 6. Applicability of Republic Act No. 9480. - Section 6, on the grant of immunities and privileges, Section 8, on exceptions, Section 9, on divulgence of tax amnesty return, and Section 10, on penalties, of Republic Act No. 9480, shall apply to the herein grant of estate tax amnesty, in so far, as they are relevant.

Sec. 7. Implementing Rules and Regulations. - The Secretary of Finance shall, in coordination with the Commissioner of Internal Revenue, promulgate and publish rules and regulations for the implementation of this Act, within sixty (60) days after the same shall have taken effect.

Sec. 8. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette, or in any two (2) newspapers of general circulation, whichever comes earlier.

Approved.