

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
Second Regular session

HOUSE BILL NO. 4996



Introduced by Representative **GIORGIDI B. AGGABAO**

EXPLANATORY NOTE

As a member country of the ASEAN Integration which will take effect in 2015, we have committed to create a "single market and production base" known as the ASEAN Economic Community that will provide a highly competitive and integrated global economy.

Many economists and business experts agree that a major step towards this direction is the provision of a market that is attractive to long term foreign direct investments (FDI). While our FDI has increased by 20% in the last year, there is no denying that we are lagging behind our neighboring countries and that there is much yet to be done to make our economy globally competitive. One of the reasons advanced why we seem to lag behind is the high cost of doing business in the country.

Our country charges the highest corporate tax rate at 30% among the ASEAN member nations. The average rate among the 10 ASEAN member nations is 23% with Singapore charging the lowest at 17%. Even our VAT rate is the highest at 12% compared to other ASEAN members with rates of zero to 10%.

Presently, domestic corporations in the Philippines are taxed at 30% on their net taxable income derived from all income within and outside of the Philippines. Resident foreign corporations, on the other hand are taxed at the same rate of 30% , but only on their net taxable income derived from sources within the country.

This bill aims to keep our tax rates at par with our neighboring countries, creating a globally competitive and more attractive climate for foreign investments.

Approval of this bill is earnestly sought.


GIORGIDI B. AGGABAO

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House Bill No. **4996**

Introduced by Representative Giorgidi B. Aggabao

**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**

*Be it enacted by the Senate and the 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-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2015, AND TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2017, is hereby imposed upon the taxable income derived during each taxable year from all sources with 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%)].”

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. -

(I) In General. - (Except as otherwise provided in this Code, a corporation organized, authorized, or existing under the laws of any foreign country, engaged in trade or business within the Philippines, shall be subject to an income tax equivalent to [thirty-five percent (35%)] TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2015, AND TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2017 of the taxable income derived in the preceding taxable year from all sources within the Philippines [:Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%)].

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“(B) Tax on Nonresident Foreign Corporations. -

- (1) In General.- Except as otherwise provided in this Code, a foreign corporation not engaged in trade or business in the Philippines shall pay a tax equal to [thirty-five percent (35%)] TWENTY-EIGHT PERCENT (28%) BEGINNING JANUARY 1, 2015, AND TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2017 of the gross income received during each taxable year from all sources within the Philippines, such as interests, dividends, rents, royalties, salaries, premiums (except reinsurance premiums), annuities, emoluments or other fixed or determinable annual, periodic or casual gains, profits and income, and capital gains, except capital gains subject to tax under subparagraph 5(c) [: Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%)].

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- (5) Tax on Certain Incomes Received by a Nonresident Foreign Corporation.-

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- (b) Intercorporate Dividends.- A final withholding tax at the rate of fifteen percent (15%) is hereby imposed on the amount of cash and/or property dividends received from a domestic corporation, which shall be collected and paid as provided in Section 57 (A) of this Code, subject to the condition that the country in which the non-resident foreign corporation is domiciled, shall allow credit against the tax due from the nonresident foreign corporation taxes deemed to have been paid in the Philippines equivalent to [twenty percent (20%)] THIRTEEN PERCENT (13%), which represent the difference between the regular income tax of [thirty-five percent (35%) TWENTY-EIGHT PERCENT (28%) beginning January 1, 2015 and the fifteen percent (15%) tax on dividends as provided in this subparagraph. Provided, That effective January 1, [2009] 2017, the credit against the tax due shall be equivalent to [fifteen percent (15%)] TEN PERCENT (10%), which represents the difference between the regular income tax of [thirty percent (30%)] TWENTY-FIVE PERCENT (25%) and the fifteen percent (15%) tax on dividends.”

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

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

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

SEC.6. Effectivity- This Act shall take effect on January 1, 2015 following its publication in at least two (2) newspapers of general circulation.

Approved