

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

Twentieth Congress
First Regular Session

House Bill No. 6552



Introduced by REP. RAYMOND ADRIAN E. SALCEDA

AN ACT
ABOLISHING THE ESTATE TAX, INTEGRATING A DEFERRED SUCCESSION
COMPONENT INTO THE CAPITAL GAINS TAX REGIME UPON THE FIRST
TRANSFER FOR VALUE OF PROPERTY ACQUIRED BY SUCCESSION,
AMENDING SECTIONS 24 AND 39 OF THE NATIONAL INTERNAL REVENUE
CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

The estate tax imposes a burden at the exact moment when Filipino families have the least liquidity. While designed to tax the transfer of wealth, its practical effect has been to freeze millions of parcels under the names of deceased relatives, impede the productive use of property, and require families in mourning to incur immediate cash outflows merely to comply with procedure. A tax that appears only when a family is grieving is not simply inefficient; it strains the public's sense of fairness. In recent years, the estate tax has generated around **₱14 billion annually**, or **less than one-half of one percent (0.4–0.5%)** of total **Bureau of Internal Revenue collections**. It is one of the smallest sources of revenue but one of the most burdensome to comply with. A tax that is both low-yielding and high-friction is ripe for structural reform.

This bill abolishes the estate tax entirely. In its place, the bill shifts the taxation of inherited property to the moment when the heir actually realizes value: the sale or transfer for value of inherited property. Under this realization-based approach, heirs incur no tax at the time of death and pay tax only when the inherited property is eventually monetized. The bill integrates a Deferred Succession Component into the existing capital gains tax regime without altering the current six percent (6%) capital gains tax. For property acquired by succession, the seller pays an additional amount equal to six percent (6%) of the value of the property at the time of succession, plus simple annual interest of three percent (3%) until the first transfer for value, capped at six percent (6%) of the property's value at the time of sale.

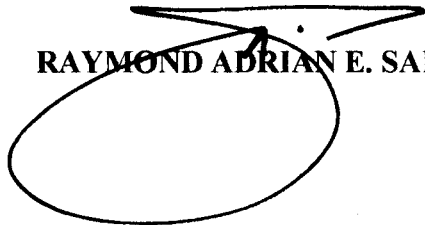
The design is intended to be fair, enforceable, and administratively simple. The base amount reflects the value of the inherited property at the time it was received, while the three-percent annual interest recognizes the time value of money. The six-percent cap prevents any confiscatory outcome and keeps the system proportional. Enforcement is strengthened because the tax is due only at the point of transfer for value—where administrative controls are strongest. Registries of deeds, stock transfer agents, and corporate secretaries cannot record transfers without Bureau of Internal Revenue clearance, ensuring high compliance with minimal intrusion.

The measure is also grounded in a moral intuition shared by most societies: **a tax should not impose hardship at the moment of loss**. No law should require a family to sell property simply to satisfy an administrative requirement triggered by death. The legitimacy of taxation rests not only on ability to pay, but on timing, fairness, and the reasonable expectations of citizens. Moving the tax from the moment of death to the moment of realization respects these expectations and aligns the burden of taxation with actual economic benefit.

This measure is intended to be **revenue neutral** at minimum. The modest share of estate tax in total collections can be offset by collecting the Deferred Succession Component at the point of sale, where compliance is far higher. In practice, better titling, greater land mobility, and more transactions are expected to make the reform **revenue positive over time**, as previously frozen or untaxed inherited assets finally enter the formal market.

Beyond revenue, the reform aims to restore integrity to the system of transfers. By lowering the procedural barriers to settlement, it encourages families to keep titles current, strengthens land records, and unlocks dormant assets for productive use. By taxing inherited wealth only when that wealth is realized, the measure aligns with international best practice and reinforces the principle that the tax system should reflect both fairness and economic reality. The result is a system that is more humane to families, easier for the government to administer, and more consistent with the expectations of a society striving for both growth and justice.

In view of the foregoing, the approval of this measure is earnestly sought.



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CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

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

SECTION 1. Title III of the National Internal Revenue Code of 1997, as amended, together with all sections therein, is hereby **REPEALED**.

SEC. 2. Section 24(D) of the National Internal Revenue Code of 1997, as amended, is hereby further amended by **inserting a new paragraph after paragraph (1)** to read as follows:

“SEC. 24. Income Tax Rates. –

(D) Capital Gains from Sale of Real Property. –

(1) In General. – [NO CHANGE]

“The tax imposed under this Subsection shall be six percent (6%) based on the gross selling price or fair market value as determined under this Code, whichever is higher.”

(2) PROPERTY ACQUIRED BY SUCCESSION. – IN THE CASE OF REAL PROPERTY ACQUIRED BY SUCCESSION, THERE SHALL BE ADDED TO THE TAX DUE UNDER PARAGRAPH (1) A DEFERRED SUCCESSION COMPONENT COMPUTED AS FOLLOWS:

(A) BASE AMOUNT – SIX PERCENT (6%) OF THE ASSESSED VALUE OF THE PROPERTY AT THE TIME OF THE EARLIEST SUCCESSION OCCURRING AFTER THE EFFECTIVITY OF THIS ACT;

(B) ANNUAL INTEREST – AN AMOUNT EQUAL TO THREE PERCENT (3%) PER YEAR OF THE BASE AMOUNT, USING SIMPLE INTEREST, MULTIPLIED BY THE NUMBER OF FULL YEARS BETWEEN THE DATE OF SUCH SUCCESSION AND THE DATE OF THE FIRST TRANSFER FOR VALUE; NO ANNUAL INTEREST SHALL BE CHARGED FOR TRANSFERS OF VALUE MADE WITHIN ONE (1) YEAR OF SUCCESSION;

(C) CAP – THE TOTAL OF THE BASE AMOUNT AND ANNUAL INTEREST SHALL IN NO CASE EXCEED SIX PERCENT (6%) OF THE ASSESSED VALUE OR FAIR MARKET VALUE OF THE PROPERTY AT THE TIME OF THE FIRST TRANSFER FOR VALUE;

(D) SINGLE SUCCESSION RULE – ALL SUCCESSIONS PRIOR TO THE FIRST TRANSFER FOR VALUE SHALL BE TREATED AS A SINGLE SUCCESSION EVENT FOR PURPOSES OF COMPUTING THE BASE AMOUNT AND HOLDING PERIOD.”

SEC. 3 Section 39 of the National Internal Revenue Code, as amended, is hereby further amended by inserting a new subsection to read as follows:

“SEC. 39. Capital Gains and Losses. –

(F) DEFERRED SUCCESSION COMPONENT FOR DISPOSITIONS OF PROPERTY ACQUIRED BY SUCCESSION OTHER THAN REAL PROPERTY. –

UPON THE FIRST TRANSFER FOR VALUE OF PERSONAL PROPERTY ACQUIRED BY SUCCESSION, THE SELLER OR TRANSFEROR SHALL PAY A DEFERRED SUCCESSION COMPONENT COMPUTED AS FOLLOWS:

(1) BASE AMOUNT – SIX PERCENT (6%) OF THE FAIR MARKET VALUE OF THE PROPERTY AT THE TIME OF THE EARLIEST SUCCESSION OCCURRING AFTER THE EFFECTIVITY OF THIS ACT;

(2) ANNUAL INTEREST – THREE PERCENT (3%) PER YEAR OF THE BASE AMOUNT, USING SIMPLE INTEREST;

(3) CAP – THE TOTAL SHALL NOT EXCEED SIX PERCENT (6%) OF THE FAIR MARKET VALUE OF THE PROPERTY AT THE TIME OF THE FIRST TRANSFER FOR VALUE;

(4) SINGLE SUCCESSION RULE – ALL SUCCESSIONS PRIOR TO THE FIRST TRANSFER FOR VALUE SHALL BE TREATED AS A SINGLE SUCCESSION EVENT.”

TRANSFER FOR VALUE” SHALL INCLUDE ANY SALE, EXCHANGE, DACION EN PAGO, ASSIGNMENT, TRANSFER OF BENEFICIAL INTEREST, OR CONTRIBUTION TO A CORPORATION OR PARTNERSHIP WITH CONSIDERATION.

NO REGISTRY OF DEEDS, STOCK TRANSFER AGENT, CORPORATE SECRETARY, OR OTHER PERSON SHALL RECORD OR REGISTER ANY TRANSFER FOR VALUE OF PROPERTY ACQUIRED BY SUCCESSION WITHOUT A CERTIFICATION OF FULL PAYMENT OF THE DEFERRED SUCCESSION COMPONENT FROM THE BUREAU OF INTERNAL REVENUE.

ONLY SUCCESSIONS OCCURRING AFTER DECEMBER 31, 2025 SHALL BE USED AS THE BASIS FOR COMPUTING THE DEFERRED SUCCESSION COMPONENT. SUCCESSIONS PRIOR TO THE EFFECTIVITY OF THIS ACT SHALL NOT GENERATE A BASE AMOUNT.

SEC. 4. Separability Clause. -- If any section or provision of this franchise is held or declared unconstitutional or invalid by a competent court in a final judgment, the other sections or provisions hereof shall continue to be in force as if the section or provision so annulled or voided had never been incorporated in this franchise.

SEC. 5. Repealing Clause. -- All laws, decrees, orders, instructions, and rules and regulations, or parts thereof, which are inconsistent herewith are hereby repealed or modified accordingly.

SEC. 6. Effectivity. -- This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,