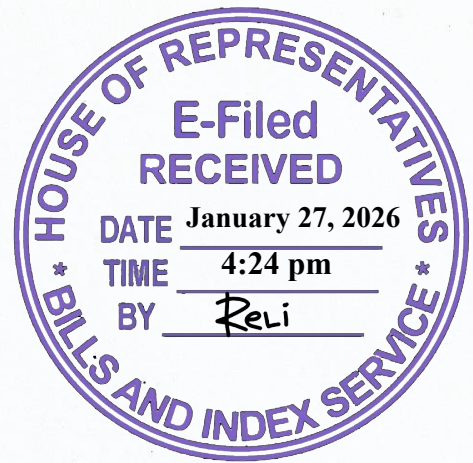


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 7436



Introduced by Lone District of Agusan del Norte Representative
HON. DALE B. CORVERA

AN ACT
ABOLISHING THE ESTATE TAX UNDER THE NATIONAL INTERNAL
REVENUE CODE OF 1997, AS AMENDED

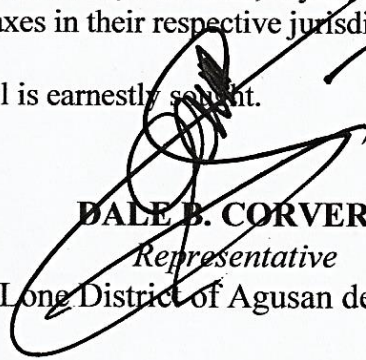
EXPLANATORY NOTE

Tax on the transfer of property of a deceased person was first imposed in our country through Act No. 2601 which became effective on 01 July 1916, which was then referred to as the Inheritance Tax. More than a century since its imposition, Filipinos still find it hard to comply with the estate tax requirements. Even with exemptions granted under existing laws, transfer of properties to heirs remains costly – not to mention the imposition of surcharge and interest for late returns, complex, and emotionally draining - the law even requires to file the estate tax return within one (1) year from the date of the decedent or during the time of mourning in Filipino culture.

Often, assets remain idle or “dead capital” after the death of an owner precisely because of the combined impact of tax obligations, administrative delays, and transfer restrictions – not to mention the disputes that may arise between co-heirs on the distribution of properties of a decedent. Such stagnation can undermine economic activity that would otherwise be stimulated by buying, selling, or developing inherited properties.

Research and tax policy reports from the Organisation for Economic Co-operation and Development—a global policy forum that promotes policies to improve the economic and social well-being of people around the world – highlight that many countries found that estate taxes yielded relatively modest revenues compared with the high cost of administration and compliance, prompting repeal or non-imposition of estate taxes. Several countries in Asia, including Singapore, Hong Kong, Malaysia, Laos, Cambodia, Indonesia, Myanmar, and India, have either never imposed or have repealed estate taxes in their respective jurisdictions.

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


DALE B. CORVERA
Representative
Lone District of Agusan del Norte

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

SECTION 1. *Short Title.* – This Act shall be known as the “Estate Tax Abolition Act”.

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to simplify the administration and settlement of estates, reduce the financial burden on heirs, and improve tax compliance by promoting just and equitable transfer of property.

SEC. 3. *Repeal of the Estate Tax.* – Sections 84 to 97 of the National Internal Revenue Code of 1997 (NIRC), as amended, and other provisions relating to Estate Tax are hereby repealed, and all other provisions imposing estate tax are hereby annulled.

SEC. 4. *Estate Clearance.* –

(A) Requirements. – In all cases of transfers of real and personal property through succession, a clearance from the Bureau of Internal Revenue is required as a condition precedent for the transfer of ownership thereof in the name of the transferee, the executor, or the administrator, or any of the legal heirs, as the case may be.

(B) Time for Filing. – The estate clearance required under the preceding Subsection (A) shall be filed within three (3) years from the decedent's death.

When the property of the deceased is the subject of a court proceeding, a certified copy of the schedule of partition and the order of the court approving the same shall be furnished the Commissioner within thirty (30) days after the promulgation of such order.

(C) Place of Filing. - Except in cases where the Commissioner otherwise permits, the estate clearance required under Subsection (A) shall be filed, either electronically or manually, with the Revenue District Office (RDO) where the deceased is registered or the RDO which has jurisdiction over the area where any of the deceased properties is located.

SEC. 5. *Estate Clearance as Pre-Condition for Delivery.* - No judge shall authorize the executor or judicial administrator to deliver a distributive share to any party interested in the estate unless an estate clearance from the Commissioner is submitted as part of the record.

SEC. 6. *Duties of Certain Officers and Debtors.* - Registers of Deeds shall not register in the Registry of Property any document transferring real property or real rights therein or any chattel mortgage, by way of gifts inter vivos or mortis causa, legacy or inheritance, unless an estate clearance from the Commissioner is submitted. Neither shall a debtor of the deceased pay his debts to the heirs, legatee, executor or administrator of his creditor, unless the estate clearance is presented; but he may pay the executor or judicial administrator without said clearance if the credit is included in the inventory of the estate of the deceased.

SEC. 7. *Presentation of Estate Clearance Antecedent to the Transfer of Shares, Bonds or Rights.* - There shall not be transferred to any new owner in the books of any corporation, sociedad anonima, partnership, business, or industry organized or established in the Philippines any share, obligation, bond or right by way of gift inter vivos or mortis causa, legacy or inheritance, unless an estate clearance from the Commissioner is presented.

SEC. 8. *Applicability.* - The provisions of this Act shall take effect prospectively and shall apply only to the estates of persons who die on or after the effectivity of this Act, regardless of the date of registration of the estate with the BIR.

Estates of persons who died prior to the effectivity of this Act shall remain subject to the tax laws in force at the time of the person's death, without prejudice to applicable tax amnesty programs and relief measures.

SEC. 9. *Implementing Rules and Regulations.* - Within thirty (30) days from the effectivity of this Act the Department of Finance, upon the recommendation of the BIR shall, in consultation with the Supreme Court of the Philippines, the Department of Justice, the Securities and Exchange Commission, the Land Registration Authority, and other relevant government agencies, formulate the rules and regulations necessary for the effective implementation of this Act.

SEC. 10. *Transitory Provisions.* - The obligations of heirs, executors, administrators and transferees with respect to estate tax returns and payments of corresponding tax obligations of estates of persons who died before the effectivity of this Act shall continue, notwithstanding the date of registration of the estate with the BIR and the effectivity of this Act.

SEC. 11. *Separability Clause.* - If, for any reason, any section, clause or term of this Act is held to be illegal, invalid, or unconstitutional, such parts not affected by such declaration shall remain in full force and effect.

SEC. 12. *Repealing Clause.* - All laws, presidential decrees, issuances, executive orders, letters of instruction, rules, and regulations inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 13. *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,