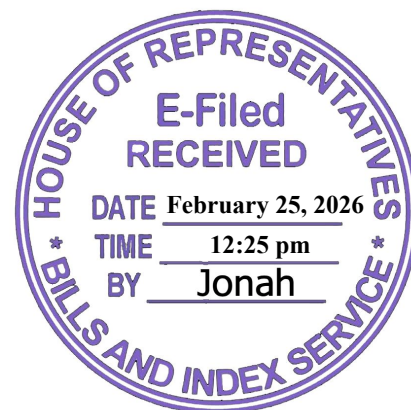




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session



HOUSE BILL NO. **8079**

Introduced by **Representative MA. VICTORIA CO-PILAR**

EXPLANATORY NOTE

The power to tax is an inherent attribute of sovereignty vested in Congress under Article VI, Section 28(1) of the 1987 Constitution, which provides that “the rule of taxation shall be uniform and equitable” and that Congress shall have the power to evolve a progressive system of taxation.

Under the National Internal Revenue Code of 1997, as amended, estate tax is imposed on the transfer of the net estate of every decedent. While reforms introduced by Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN) Law, simplified the estate tax system and reduced its rate to six percent (6%) of the net estate, the tax remains a burden on heirs and family enterprises, particularly those whose assets are illiquid, such as but not limited to land, family homes, and closely held businesses.

At current times, estate taxation often results in liquidity constraints for heirs. In many instances, properties forming part of the estate are not readily convertible to cash, compelling families to sell ancestral homes, agricultural lands, or shares in family corporations at unfavorable terms merely to satisfy estate tax liabilities.

Moreover, estate tax seemingly operates as a form of double taxation. The assets comprising a decedent’s estate generally consist of income, savings, and properties that have already been subjected to income tax, capital gains tax, donor’s tax, value-added tax, and other forms of taxation during the decedent’s lifetime. The

imposition of estate tax upon death places an additional layer of tax on wealth that has previously been taxed. More importantly, estate taxation may discourage capital formation and intergenerational continuity of family-owned enterprises. At a time when the State seeks to strengthen micro, small, and medium enterprises (MSMEs) and promote inclusive economic growth, reducing tax friction in wealth transfer can help sustain businesses across generations.

This measure proposes the complete abolition of the estate tax under the National Internal Revenue Code of 1997, as amended, by repealing Chapter I (Estate Tax), Title III, and all related provisions. By abolishing the estate tax, the bill seeks to

- Ease the financial burden on heirs and prevent the forced sale of family assets;
- Promote capital formation and strengthen family-owned enterprises;
- Simplify tax administration and reduce compliance costs for taxpayers and the government; and
- Encourage the prompt settlement and productive utilization of estates.

The bill contains appropriate transitory provisions to ensure that estates of decedents who died prior to its effectivity remain governed by the estate tax laws applicable at the time of death, thereby upholding the principle that tax liabilities are determined at the time the taxable event occurs.

In sum, this proposed legislation reflects a policy determination by Congress that the objectives of equity, economic growth, and administrative efficiency are better served by removing the estate tax from the Philippine tax system. The measure is a legitimate exercise of Congress' plenary power of taxation, including the power to repeal tax impositions when public welfare so demands and national interest so requires.

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

A handwritten signature in black ink, appearing to be "S. Garcia", located at the bottom right of the page.



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TWENTIETH CONGRESS
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HOUSE BILL NO. **8079**

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AN ACT
ABOLISHING THE ESTATE TAX UNDER THE NATIONAL INTERNAL
REVENUE 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. *Short Title.* - This Act shall be known as the “Estate Tax Abolition Act”

SECTION 2. *Declaration of Policy.* - It is hereby declared the policy of the State to promote capital formation, strengthen family-owned enterprises, prevent double taxation on accumulated wealth, simplify tax administration, and ease the financial burden on heirs by abolishing the estate tax imposed upon the transfer of property at death.

SECTION 3. *Repeal of Estate Tax Provisions.* - All provisions of the National Internal Revenue Code of 1997, as amended, imposing estate tax are hereby repealed, to wit:

(a) Chapter I (Estate Tax), Title III of the National Internal Revenue Code, including but not limited to Sections 84, 85, 86, 87, 88, 89, 90, 91, 92, and 97, is hereby repealed;

(b) All other provisions of the National Internal Revenue Code, as amended, and related revenue regulations, rules, or issuances inconsistent with this Act are likewise repealed or modified accordingly.

References to “estate tax” in all other sections of the National Internal Revenue Code, as amended, and in other tax laws, executive issuances, rules, and regulations are hereby deleted or amended to conform with the abolition of the estate tax.

SECTION 4. *Implementing Rules and Regulations.* - The Bureau of Internal Revenue shall, within ninety (90) days from the effectivity of this Act, promulgate the necessary rules and regulations for the orderly implementation of this Act.

SECTION 5. *Transitory Provisions.*- Estates of decedents who died prior to the effectivity of this Act shall remain subject to the estate tax laws in force at the time of death. For decedents who die on or after the effectivity of this Act, no estate tax shall be imposed, assessed, or collected.

Pending estate tax assessments, audits, or judicial proceedings involving decedents who died prior to the effectivity of this Act shall proceed in accordance with the applicable laws at the time of death.

SECTION 6. *Separability Clause.*- If any provision of this Act is declared unconstitutional or invalid, the other provisions not affected thereby shall remain in full force and effect.

SECTION 7. *Repealing Clause.* - All laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with this Act are hereby repealed, amended, or modified accordingly.

SECTION 8. *Effectivity.* - This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation.