

Republic Act No. 55 October 15, 1946

AN ACT TO IMPOSE A WAR PROFITS TAX

Section 1. Rates of tax. - There shall be levied, assessed, collected and paid on the amount by which the net worth of an individual, partnership, company or corporation, on February 26, 1945, exceeds the net worth of said individual, partnership, company or corporation on December 8, 1941, a war profits tax equal to the sum of the following:

Fifty per cent upon the amount by which such excess is over P6,000 but is not over P50,000;

Sixty per cent upon the amount by which such excess is over P50,000 but is not over P100,000;

Seventy per cent upon the amount by which such excess is over P100,000 but is not over P300,000;

Eighty per cent upon the amount by which such excess is over P300,000 but is not over P500,000;

Ninety per cent upon the amount by which such excess is over P500,000 but is not over P1,000,000;

Ninety-five per cent upon the amount by which such excess is over P1,000,000.

The amount taxable under the next preceding paragraph shall be held to mean the increase in the net worth of every individual, whether a citizen, alien, resident or non-resident, and of every partnership, company or corporation, whether domestic or foreign, attributable to income from sources within the Philippines or incident to property held within the Philippines, during any part of the period from December 8, 1941 to February 26, 1945.

Where a partnership, company or corporation was organized after December 8, 1941, the date of organization shall, for the purposes of this Act, be used in place of the said date.

Section 2. Determination of net worth. - The term "net worth" as used in section 1 of this Act shall mean the value of assets, including real and personal property and/or cash in banks (exclusive of amounts received during the period from December 8, 1941 to February 26, 1945 as proceeds of life insurance policies issued on or before December 31, 1941), credits, interests, and rights (exclusive of war damage claims and other claims against the Government of the Republic of the Philippines and foreign governments, or their instrumentalities), less liabilities incurred in carrying on a trade or business or in acquiring property: Provided, however, That should a taxpayer subsequently receive payment on account of such war damage claims or other claims against the Government of the Republic of the Philippines and foreign governments, or their instrumentalities, the amount or value of the payment received by him shall be considered as part of his assets on February 26, 1945.

The term "value" shall, in the case of real property, be construed to mean the assessed value. In the case of personal property and of real property not yet assessed for taxation, the term "value" shall be held to mean the fair market value: Provided, however, That property, real or personal, acquired on or before December 8, 1941 and still held by the taxpayer on February 26, 1945 shall be declared at the same value in the inventories of assets as of December 8, 1941 and February 26, 1945, except

that improvements made on the same property during the said period shall be included in the inventory as of February 26, 1945 at their fair market value: And Provided, further, That where title to property acquired on or before December 8, 1941 passed after that date to another person by way of gift or inheritance, such person, or any other person taking title to the property through a series of acquisitions by the same mode, shall be deemed to have acquired the property on or before December 8, 1941.

Section 3. Allowable deductions. - In computing the tax imposed in section 1 hereof, there shall be allowed as deduction from the excess of the net worth on February 26, 1945 over the net worth on December 8, 1941, an amount equivalent to six per centum per annum on the net worth of the taxpayer on December 8, 1941, computed for the period from December 8, 1941 to February 26, 1945, both dates inclusive: Provided, That the total amount deductible under this paragraph shall not exceed seventy-five per centum of the excess of the net worth on February 26, 1945 over the net worth on December 8, 1941.

Where a taxpayer acquired after December 8, 1941 and still hold on February 26, 1945 shares of stock of a corporation subject to the tax imposed by this Act, there shall be allowed as deduction from the excess of his net worth on February 26, 1945 over his net worth on December 8, 1941, that proportion of the tax payable by the corporation which the number of shares held by the taxpayer bears to the total number of shares issued and outstanding. Where there are two or more classes of stock, the tax shall be fairly allocated among the different classes and deduction taken accordingly, with the approval of the Collector of Internal Revenue. The corporation shall, prior to the last day for filing returns, issue appropriate statements to its stockholders to enable them to compute the deduction allowed under this paragraph.

Section 4. Filing of returns. -

(a) Every individual, partnership, company or corporation subject to the tax herein imposed or who acquired real and/or personal property in excess of P6,000 in value during the period from December 8, 1941 to February 26, 1945, shall render in duplicate a true and accurate return in the manner and form prescribed by the Collector of Internal Revenue with the approval of the Secretary of Finance and containing such facts and information as are necessary to determine the correctness of the amount subject to the tax and to carry out the provisions of this Act. In the case of partnership, companies, or corporations, the return shall be filed by the President, Vice-President, Manager or other principal officer and shall be sworn to by such officer and by the Treasurer or Assistant Treasurer.

(b) When to file return. - The return required in subsection (a) of this section shall be rendered on or before the last day of the third month following the date of the approval of this Act. In case a taxpayer receives payment on account of war damage or other claims against the Government of the Republic of the Philippines and foreign governments, or their instrumentalities, subsequent to the filing of his return, he shall file, within thirty days from the receipt of the payment, an amended return to include the same as part of his net worth.

(c) Where to file return. - The return shall be filed with the Collector of Internal Revenue, with the Provincial Revenue Agent, or with the treasurer of the province, city or municipality in which the individual, partnership, company or corporation has his or its legal residence or principal place of business; or if there be no legal residence or principal place of business in the Philippines, then with the Collector of Internal Revenue in Manila. All such returns, shall, as received, be transmitted

forthwith by the officer receiving them to the Collector of Internal Revenue.

(d) Husband and wife. - In the case of married persons, whether citizens, resident or non-resident aliens, only one consolidated return shall be filed by either spouse; but where it is impracticable for the spouses to file one consolidated return, each spouse may file his or her separate return, but the returns so filed shall be consolidated for the purposes of the tax imposed in this Act.

(e) Unmarried minors. - The assets and liabilities of unmarried minors shall be included in the return of the parent or parents or guardians of such minors.

Section 5. *Assessment and payment of tax.* -

(a) Assessment of tax. - All assessments shall be made by the Collector of Internal Revenue and all individuals, partnerships, companies and corporations subject to the tax shall be notified of the amount for which they are respectively liable, on or before the last day of the fifth month following the approval of this Act.

(b) Time of payment. - The total amount of the tax imposed by this Act shall be paid on or before the last day of the sixth month following the approval hereof. The deficiency tax due on the amended return required to be filed under section 4 (b) of this Act on account of the receipt of payment for war damage or other claims shall be paid within thirty days from the receipt of the assessment of the Collector of Internal Revenue. To any sum or sums due and unpaid after the date prescribed for the payment of the same there shall be added the surcharge of fifteen per centum on the amount of the tax unpaid and interest at the rate of one per centum per month upon said tax from the time the same becomes due.

(c) Extension of time. - When the Collector of Internal Revenue finds that the payment on the due date of the tax imposed in this Act or any part thereof would impose undue hardship upon the taxpayer, the said official may extend the time for payment of such tax or any part thereof not to exceed five years, under such terms and conditions as may be required by him. Where the time for payment of the tax or any part thereof is extended, the same shall earn interest at the rate of one-half per centum per month from the due date thereof until paid.

Section 6. *Surcharge for failure to render returns or for rendering false and fraudulent returns.*

- In case of willful neglect to file the return within the time prescribed under this Act, or in case a false or fraudulent return is wilfully made, the Collector of Internal Revenue shall add to the tax a surcharge of fifty per centum.

The Collector of Internal Revenue may, in meritorious cases, grant a reasonable extension of time for the filing of returns required by this Act.

Section 7. *Lien of the tax.* - The amount of the tax herein imposed shall constitute a superior lien in favor of the Government on all property acquired by the taxpayer during the period from December 8, 1941 to February 26, 1945. This lien shall be effective as of August 2, 1946.

In case the lien established in the next preceding paragraph should be declared ineffective with respect to any mortgage, purchaser or judgment creditor, then the said lien shall be effective on the

date of the approval of this Act.

Section 8. *Penalty.* - Any individual or responsible officer of a partnership, company or corporation violating any provision of this Act or of the regulations promulgated hereunder, or any person conniving with such individual or responsible officer for the purpose of evading the tax herein imposed, shall, upon conviction, be punished by imprisonment from five years to twenty years or a fine of not less than five thousand pesos but not more than thirty thousand pesos, or both, in the discretion of the court.

Section 9. *Administrative remedies.* - All administrative, special and general provisions of law including the laws in relation to the assessment, remission, collection and refund of national internal revenue taxes, not inconsistent with the provisions of this Act, are hereby extended and made applicable to all the provisions of this law, and to the tax herein imposed.

Section 10. *Separability clause.* - If any clause, sentence, paragraph or part of this Act shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder of this Act, but shall be confined in its operations to the clause, sentence, paragraph or part thereof directly involved in the controversy.

Section 11. *Appropriation of funds.* - The amount of fifty thousand pesos or so much thereof as may be necessary is hereby appropriated out of any funds in the National Treasury not otherwise appropriated to cover traveling and other expenses in connection with the enforcement of the provisions of this Act: Provided, however, That no part of his appropriation shall be used for salaries of additional personnel.

Section 12. *Effectivity.* - This Act shall take effect upon its approval.

Approved: October 15, 1946