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DATE : 05/15/92  
TITLE : AN ACT AMENDING PERTINENT PROVISIONS OF THE NATIONAL  
INTERNAL REVENUE CODE, AS AMENDED, RELATIVE TO THE FINAL  
WITHHOLDING TAX ON PURELY COMPENSATION INCOME

TEXT :

H. No. 35297

Republic of the Philippines  
Congress of the Philippines  
Metro Manila

Fifth Regular Session

Begun and held In Metro Manila, on Monday, the twenty-second  
day of July, nineteen hundred and ninety-one.

[REPUBLIC ACT NO. 7497]

AN ACT AMENDING PERTINENT PROVISIONS OF THE  
NATIONAL INTERNAL REVENUE CODE, AS AMENDED,  
RELATIVE TO THE FINAL WITHHOLDING TAX ON  
PURELY COMPENSATION INCOME

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

SECTION 1. Title. - This Act shall be known as the "Finality  
of the Withholding Tax on Purely Compensation Income."

SEC. 2. Declarations of Policy. - It is the policy of the  
State to further enhance the development of the tax system in our  
country thus simplifying compliance and administration of the  
withholding tax system on purely compensation income.

SEC. 3. Coverage. - Every employer making payment of

compensation income shall deduct and withhold a tax in an amount equal to the tax due on the employee's compensation income for the entire year, in accordance with Section 21(a) of the National Internal Revenue Code, as amended.

SEC. 4. The last paragraph of paragraph (a) of Section 21 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"In the case of married individuals, the husband and wife, subject to the provision of Section 44(d) hereof, shall compute separately their individual income tax based on their respective total taxable income: Provided, That if any income cannot be definitely attributable to or identifiable as income exclusively earned or realized by either of the spouses, the same shall be divided equally between the spouses for the purpose of computing their respective taxable income."

SEC. 5. The first paragraph of item (1), paragraph (1) of Section 29 of the same Code, as amended, is hereby further amended to read as follows:

"(1) Personal exemptions allowable to individuals. -

"(1) Basic personal exemption. - For the purpose of determining the tax provided in Section 21(a) of this Title, there shall be allowed a basic personal exemption as follows:

"For single individual or married individual judicially decreed as legally separated with no qualified dependents P 9,000

"For head of family..... P 12,000

"For each married individual .. P 18,000

Provided, That, in case one of the spouses is deriving taxable income, only said spouse shall be allowed to avail of the aforesaid basic personal exemption for married individual."

SEC. 6. The first paragraph of item (2) (A), paragraph (1) of Section 29 of the same Code, as amended, is hereby further amended to read as follows:

"(2) Additional exemptions

"(A) Taxpayers with dependents. - A married individual or a head of a family shall be allowed an additional exemption of Five thousand pesos (P 5,000 for each dependent: Provided, That the total number of dependents for which additional exemptions may be claimed shall not exceed four dependents: Provided, further, That the additional exemption for dependents shall be claimed by only

one of the spouses in the case of married individuals."

SEC. 7. A new subparagraph (C) is hereby added to Section 44(a)(2) of the National Internal Revenue Code, as amended to read as follows:

"(C) Individuals with respect to pure compensation income, as defined in Section 28(a)(1), derived from sources within the Philippines, the income tax on which has been withheld under the provisions of Section 72 of this Code: Provided, That an individual deriving compensation concurrently from two or more employers at any time during the taxable year shall file an income tax return: Provided, further, That an individual whose pure compensation income exceeds Sixty thousand pesos (P60,000) shall also file an income tax return."

SEC. 8. Paragraph (d) of Section 44 of the same Code, as amended, is hereby further amended to read as follows:

"(d) Husband and wife. - Married individuals, whether citizens, resident or nonresident aliens who do not derive income purely from compensation, shall file a return for the taxable year to include the income of both spouses to file one return, each spouse may file a separate return of income but the returns so filed shall be consolidated by the Bureau for purposes of verification for the taxable year."

SEC. 9. Section 72(d)(2)(B) of the same Code, as amended, is hereby further amended to read as follows:

"(B) Change of status. - In case of change of status of an employee as a result of which he would be entitled to a lesser or greater amount of exemption, the employee shall, within ten days from such change, file with the employer a new withholding exemption certificate reflecting the change."

SEC. 10. Item (1), paragraph (f) of Section 72 of the same Code, as amended, is hereby further amended to read as follows:

(1) The husband shall be deemed the head of the family and proper claimant of the additional exemption in respect to any dependent children, unless he explicitly waives his right in favor of his wife in the withholding exemption certificate;"

SEC. 11. A new paragraph (h) is hereby added to Section 72 of the National Internal Revenue Code, as amended, to read as follows:

"(h) Year-end adjustment. - On or before the end of the calendar year but prior to the payment of the compensation for the last payroll period, the employer shall determine the tax due from each employee on taxable compensation income for the entire taxable year in accordance with Section 21(a). The difference between the tax due from the employee for the entire year and the

sum of taxes withheld from January to November shall either be withheld from his salary in December of the current calendar year or refunded to the employee, not later than January 25 of the succeeding year."

SEC. 12. Section 73 of the same Code, as amended, is hereby further amended to read as follows:

"SEC. 73. Liability for tax. - (a) Employer. - The employer shall be liable for the withholding and remittance of the correct amount of tax required to be deducted and withheld under this Chapter. If the employer fails to withhold and remit the correct amount of tax as required to be withheld under the provision of this Chapter, such tax shall be collected from the employer together with the penalties or additions to the tax otherwise applicable in respect of such failure to withhold and remit.

"(b) Employee. - Where an employee fails or refuses to file the withholding exemption certificate or willfully supplies false or inaccurate information thereunder, the tax otherwise to be withheld by the employer shall be collected from him including penalties or additions to the tax from the due date of remittance until the date of payment. On the other hand, excess taxes withheld made by the employer due to: (a) failure or refusal to file the withholding exemption certificate; or (b) false and inaccurate information shall not be refunded to the employee but shall be forfeited in favor of the Government."

SEC. 13. A new section, Section 251-A, is hereby added in the National Internal Revenue Code, as amended, which shall read as follows:

"SEC. 25 I-A. Failure of a withholding agent to refund excess withholding tax. - Any employer/withholding agent who fails, or refuses to refund excess withholding tax shall, in addition to the penalties provided in this Title, be liable to a penalty equal to the total amount of refunds which was not refunded to the employee resulting from any excess of the amount withheld over the tax actually due on their return."

SEC. 14. The first paragraph of Section 254 of the same Code, as amended, is hereby further amended to read as follows:

"SEC. 254. Failure to file return, supply correct and accurate information, pay tax, withhold and remit tax and refund excess taxes withheld on compensation. - Any person required under this Code or by regulations promulgated thereunder to pay any tax, make a return, keep any record, or supply correct and accurate information, who willfully fails to pay such tax, make such return, keep such record, or supply such correct and accurate information, or withhold or remit taxes withheld, or refund excess taxes withheld on compensation, at the time or times required by law or regulations shall, in addition to other penalties provided by law, upon conviction thereof, be fined of not less than Ten

thousand pesos (P 10,000) and imprisonment of not less than one (1) year but not more than ten (10) years."

SEC. 15. Rules and Regulations. - The Bureau of Internal Revenue shall issue and publish the implementing rules and regulations, to implement the provisions of this Act.

SEC. 16. Reportorial Requirement. - The Bureau of Internal Revenue shall provide Congress with an annual report with respect to the implementation of the provisions of this Act.

SEC. 17. Repealing Clause. - Any law, decree, order, rule and regulation, or part thereof, which is inconsistent with this Act is hereby repealed or iiiiidirlcd \*a(-cor(lifigly.

SEC. 18. Effectivity Clause. - This Act shall take upon its approval.

NEPTALI A. GONZALES  
President of the Senate

RAMON V. MITRA  
Speaker of the House  
of Representatives

This Act which originated in the House of Representatives was finally passed by the House of Representatives and the Senate on February 7, 1992.

ANACLETO D. BADOY, JR.  
Secretary of the Senate

CAMILO L. SABIO  
Secretary General  
House of Representatives

Approved: May 15, 1992

CORAZON C. AQUINO  
President of the Philippines