

EXECUTIVE ORDER NO. 437

INCREASING THE TAX ON RENTALS, CHARTER AND OTHER FEES EARNED BY NON-RESIDENT LESSORS OF AIRCRAFT FROM 7.5% TO 8.5% PURSUANT TO SUBPARAGRAPH 4, SECTION 25 (b) OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED

WHEREAS, the President is authorized under subparagraph 4 of Section 25 (b) of the National Internal Revenue Code, as amended, to prescribe the tax on rentals, charter and other fees earned by non-resident lessors of aircraft, machineries and other equipment upon recommendation of the Secretary of Finance;

WHEREAS, to lessen the regressivity of the income tax system, the present 7.5% preferential tax on rental income of non-resident lessors on leased aircraft should be increased;

WHEREAS, since the common carrier's tax of 2%, which has been one of the bases of the 7.5% preferential tax rate, has been increased by one percentage point by virtue of Presidential Decree No. 1959 in 1984;

WHEREAS, increasing the tax rate still maintains the preferential tax treatment of said income vis-a-vis the normal tax rate of 35% imposed on other corporate incomes;

NOW, THEREFORE, I, CORAZON C. AQUINO, President of the Philippines, by virtue of the powers vested in me by law, do hereby order:

SECTION 1. The rate of 8.5% shall be imposed on rentals, charter and other fees derived by non-resident lessors of aircraft.

SEC. 2. The rate of 7.5% shall remain imposed on rentals and other fees derived by non-resident lessors of machineries and other equipment.

SEC. 3. This Executive Order shall take effect two (2) days following the completion of its publication in a national newspaper of general circulation.

DONE in the City of Manila, this 23rd day of November, in the year of our Lord, nineteen hundred and ninety.



By the President:



CATALINO MACARAIG, JR.
Executive Secretary

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