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2 Republic of the Philippines  
3 **House of Representatives**  
4 Quezon City  
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6 **18TH CONGRESS**  
7 First Regular Session

8 **HOUSE BILL NO. 2958**  
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11 **Introduced by Representative Michael L. Romero**

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14 **EXPLANATORY NOTE**

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16 This bill covers the fourth package of the Duterte Administration's  
17 comprehensive tax reform program. It complements the Tax Reform for  
18 Acceleration and Inclusion Act (R.A. No. 10963) by making capital income taxes  
19 and financial intermediary taxes simpler, fairer, and more efficient.

20 With the sizable contribution of the financial sector to the economy and the  
21 crucial role it plays in financing large-scale investments, including the Build,  
22 Build, Build (BBB) program, there are many compelling reasons to undertake a  
23 comprehensive tax reform in this sector given several deficiencies:

- 24
- 25 a. **Complicated tax structure** – The taxation of capital income and  
26 financial services has become overly complex. Based on the current tax  
27 system, there are 80 tax base and tax rate combinations applicable to  
28 financial income, financial intermediation services, and financial  
29 transactions. Tax on income also depends on many factors and  
30 conditions which are difficult to ascertain. Factors that affect the  
31 taxation of income include the type of product, type of lending, issuer,  
32 currency, maturity, taxpayer, residency, business status, and various  
33 special laws. All of these result on variations in the tax base and tax rate,  
34 even among comparable financial instruments and transactions.

35

  - 36 b. **Susceptibility to arbitrage** – The variations in tax rates and unequal  
37 tax treatment of equivalent or comparable financial instruments give rise  
38 to arbitrage. Different tax treatment among sectors, or between financial  
39 institutions and non-financial institutions offering the same service

1 and/or product, or between interests and dividends, open window for  
2 arbitrage and leveraging. These disparities in tax treatment distort  
3 investment decisions considering that tax impositions overshadow all  
4 other considerations. Competitive advantage arises in favor of the  
5 financial sector favored by the law's tax treatment.

- 6
- 7 c. **Uneven playing field** – The current tax system provides certain  
8 concessions or different tax treatments of certain transactions for some  
9 types of financial institutions (FIs) compared to similar transactions of  
10 other FIs. For instance, there are exemptions allowed on long-term  
11 investments, bank deposits, individual trust funds, and investment  
12 management accounts in favor of resident individuals. Such exemptions  
13 do not cover long-term savings offered by other FIs, such as life  
14 insurance, pre-need/pension plans, investment houses, among others.

15

16 Also, classifications between different FIs cause unequal treatment,  
17 considering that some are subject to gross receipts tax (GRT), while some  
18 are subject to premium tax, while others are subject to the value-added  
19 tax (VAT). For instance, banks, quasi-banks, and other FIs are subject to  
20 GRT, while life insurance companies are subject to premium tax, and  
21 lending investors, property insurers, pre-need companies, health  
22 maintenance organizations (HMOs), and money remitters are subject to  
23 VAT.

- 24
- 25 d. **Inequitable distribution of tax burden** – Investments in equity and  
26 some forms of long-terms instruments are subject to lower tax rates.  
27 Hence, those who have more money to place in these kinds of investment  
28 tend to pay lower taxes compared to working class individuals who are  
29 content with placing their funds in short-term investments or savings  
30 deposit with higher taxes.

- 31
- 32 e. **Uncompetitive tax system** – A comparison of taxes on capital income in  
33 ASEAN nations shows that Philippine tax on capital income remains the  
34 highest in the region. Considering this, the Philippine capital market  
35 remains shallow and uncompetitive, and continues to lag behind ASEAN  
36 neighbors.

- 37
- 38 f. **High administrative and compliance cost** – The complicated structure  
39 of the current tax system makes administration and compliance difficult  
40 and costly. For instance, firms have to pay different taxes that are  
41 derived from the same tax base.

- 42
- 43 g. **Not supportive of capital market development** – There are a number  
44 of taxes on financial transactions that hinder capital market  
45 development. Initial public offering (IPO) tax, for instance, is essentially a  
46 tax on capital, and does not take into consideration income generation.

Such an imposition serves as a deterrent to public listing. This results in the Philippine Stock Exchange (PSE) lagging behind other ASEAN countries in terms of market capitalization.

The inclusion of the capital income and financial services in the current administration's comprehensive tax reform program provides a window of opportunity to achieve the much-needed reform in the financial sector. The taxation of the financial system should indeed be viewed as a major component of these reforms, an ingredient that could fuel and direct the movement of capital rightly to where they are most needed, so that higher, sustainable, and more inclusive growth can be achieved.

And so, this bill seeks to reform the taxation of capital income and financial services in the country, by redesigning the financial sector taxation into a simpler, fairer, more efficient, and a revenue neutral tax system. This bill aims to achieve the following objectives:

- a. Provide neutrality in the tax treatment across financial institutions and financial instruments.
- b. Simplify what has become a complex tax system.
- c. Improve equity across investors and savers.
- d. Minimize arbitrage opportunities.
- e. Promote capital market development and tax competitiveness within the context of financial globalization, increased capital mobility, and financial inclusion.

To achieve these, this bill proposes the following reforms:

- a. Reduction in the number of rates of withholding taxes - Due to the difficulties posed by various tax rates on interest income, distinctions are removed, such that a more uniform tax treatment is imposed on interest income regardless of currency, maturity, issuer, and other differentiating factors. Likewise, special rates and exemptions are removed.
- b. Unification of tax rates for interests, dividends, and capital gains - Considering the complicated tax system on capital income, a more unified rate of tax is imposed for interests, dividends, and capital gains.
- c. Harmonization of business taxes - A single GRT rate for all FIs, excluding premium tax on insurance, is imposed. For further harmonization of taxes, distinction between lending and non-lending activities, as well as

1           the term of maturity of an instrument, is removed. A single rate of 5% is  
2           imposed.

3  
4           Pre-need, pension, life, and HMO insurance are all taxed similarly at a  
5           2% premium tax rate. Meanwhile, non-life insurance is subject to 12%  
6           value-added tax.

7  
8           d. Removal or minimization of barriers to capital market development - IPO  
9           tax, which is found to be detrimental to capital market development is  
10          removed.

11  
12          Overall, the DST of the financial sector is being rationalized to promote  
13          capital mobility.

14  
15          e. Adoption of a regionally competitive tax system - Considering that  
16          Philippine taxes on capital income is the highest in the ASEAN region,  
17          measures are taken towards the adoption of tax rates comparable to  
18          those of neighboring ASEAN nations and their best practices. With the  
19          reform, the proposed rates would be at par with the rates imposed in  
20          ASEAN to ensure competitiveness of the domestic capital market.

21  
22          Financial sector taxation is indeed ripe for reform. The approval of this bill is  
23          earnestly sought so we can compete better in attracting capital and investment,  
24          which is urgently needed to finance infrastructure, create more and better jobs,  
25          and boost the inclusive and sustainable growth of the economy.

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30          **MICHAEL L. ROMERO Ph.D.**

Republic of the Philippines  
**House of Representatives**  
Quezon City

**18TH CONGRESS**  
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House Bill No. 2958

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**AN ACT**

**AMENDING SECTIONS 22, 24, 25, 27, 28, 29, 30, 32, 34, 37,  
38, 39, 42, 51, 52, 54, 56, 57, 73, 108, 121, 122, 123, 174,  
176, 179, 181, 182, 183, 184, 185, 186, 187, 188, 195, 198,  
AND 199; AND REPEALING SECTIONS 127, 175, 177, 178, 180,  
192, AND 193; ALL UNDER REPUBLIC ACT NO. 8424,  
OTHERWISE KNOWN AS 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:*

1   **SECTION. 1. Title** – This Act shall be known as the “**Passive Income and**  
2   **Financial Intermediary Taxation Act.**”

3  
4   **SEC. 2. Declaration of Policy.** – The financial sector plays a significant role in  
5   the long-term growth of the national economy. A key policy consideration is to  
6   allow the capital market to develop as efficiently as possible, with the least  
7   intervention. The optimal taxation of capital markets, and the products and  
8   transactions that come with them, is an essential element in developing the  
9   capital market. Towards this end, the State recognizes the necessity of a simpler,  
10   fairer, more efficient, and regionally more competitive tax system for passive  
11   income and financial intermediation to encourage savings and develop as well as  
12   deepen the capital markets. Accordingly, the State adopts the following policies:  
13

- 1      1. The State shall promote and develop a tax system that provides
- 2      neutrality in the tax treatment across financial institutions and
- 3      financial instruments.
- 4      2. The State shall endeavor to simplify an otherwise complex tax system
- 5      for easy compliance.
- 6      3. The State shall ensure that the taxation of passive income and financial
- 7      transactions is equitable across all stakeholders and discourages
- 8      arbitrage opportunities.
- 9      4. The State shall promote capital market development and tax
- 10     competitiveness within the context of globalization, increased capital
- 11     mobility, and financial inclusion.

12     **SEC. 3.** Section 22 of the National Internal Revenue Code of 1997, as amended,  
13     is hereby amended to read as follows:

14     **SEC. 22. Definitions** - When used in this Title:

15        (A) xxx

16        xxx    xxx    xxx

17        (L) The term '**shares of stock**' shall include shares of stock of a  
18        corporation, warrants and/or options, **WHETHER TO BUY OR SELL**  
19        **SECURITIES, FUTURES CONTRACTS, AND SUCH OTHER**  
20        **DERIVATIVE SECURITIES LISTED AND TRADED IN A LOCAL**  
21        **EXCHANGE OR AN ORGANIZED MARKETPLACE**, as well as units of  
22        participation in a partnership (except general professional partnerships),  
23        joint stock companies, joint accounts, **COLLECTIVE INVESTMENT**  
24        **SCHEMES**, joint ventures taxable as corporations, associations and  
25        recreation or amusement clubs (such as golf, polo or similar clubs), mutual  
26        funds certificates.

27        (M) The term '**shareholder**' shall include holders of a share/s of stock,  
28        warrant/s and/or option/s, **WHETHER TO BUY OR SELL SECURITIES,**  
29        **FUTURES CONTRACTS, AND SUCH OTHER DERIVATIVE SECURITIES**  
30        **LISTED AND TRADED IN A LOCAL EXCHANGE OR AN ORGANIZED**  
31        **MARKETPLACE**, as well as a holder of a unit of participation in a  
32        partnership (except general professional partnerships), in a joint stock  
33        company, a joint account, **A COLLECTIVE INVESTMENT SCHEME**, a  
34        taxable joint venture, a member of an association, recreation or  
35        amusement club (such as golf, polo, or similar clubs), and a holder of a  
36        mutual fund certificate, a member in an association, joint-stock company,  
37        or insurance company.

38        xxx    xxx    xxx

imposed upon the amount of interest, **YIELD, OR ANY OTHER MONETARY BENEFIT EARNED OR RECEIVED FROM DEBT INSTRUMENT, BANK DEPOSIT, DEPOSIT SUBSTITUTE, TRUST FUND, AND ANY OTHER FORM OF DEBT INSTRUMENT AND SIMILAR ARRANGEMENTS.** [from any currency bank deposit, and yield or any other monetary benefit from deposit substitutes, and from trust funds and similar arrangements; royalties, except on books, as well as other literary works and musical compositions, which shall be imposed a final tax of ten percent (10%); prizes (except prizes amounting to Ten thousand pesos (P10,000) or less which shall be subject to tax under Subsection (A) of Section 24); and other winnings (except winnings amounting to Ten Thousand or less from Philippine Charity Sweepstakes and Lotto which shall be exempt), derived from sources within the Philippines: *Provided, however,* That interest income received by an individual taxpayer (except a nonresident individual) from a depository bank under the expanded foreign currency deposit system shall be subject to a final income tax at the rate of fifteen percent (15%) of such interest income: *Provided, further,* That interest income from long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the Bangko Sentral ng Pilipinas (BSP) shall be exempt from the tax imposed under this Subsection: *Provided, finally,* That should the holder of the certificate pre-terminate the deposit or investment before the fifth (5<sup>th</sup>) year, a final tax shall be imposed on the entire income and shall be deducted and withheld by the depository bank from the proceeds of the long-term deposit or investment certificate based on the remaining maturity thereof:

Four (4) years to less than five (5) years – 5%;

Three (3) years to less than (4) years – 12%; and

Less than three (3) years – 20%.]

**(2) Cash and/or Property Dividends.** – A final tax at the **RATE OF FIFTEEN PERCENT** (15%) [ten percent (10%)] shall be imposed upon the cash and/or property dividends actually or constructively received by an individual from a domestic corporation or from a joint stock company, insurance, [or ]mutual fund companies, **ENTITIES ENGAGED INCOLLECTIVE INVESTMENTSCHMES**, and regional operating headquarters of multinational companies, or on the share of an individual in the distributable net income after tax of a partnership (except a general professional partnership) of which he is a partner, or on the share of an individual in the net income after tax of an association, a joint account, or a joint venture or consortium taxable as a corporation of which he is a member or co-venturer:**PROVIDED, HOWEVER, THAT THE FIFTEEN**

1 (T)The term '**securities**'means [shares of stock in a corporation, and rights  
2 to subscribe for or to receive such shares. The term includes bonds,  
3 debentures, notes or certificates, or other evidence of indebtedness, issued  
4 by any corporation, including those issued by a government or political  
5 subdivision thereof, with interest coupons or in registered form.] **SHARES,**  
6 **PARTICIPATION, OR INTERESTS IN A CORPORATION OR IN A**  
7 **COMMERCIAL ENTERPRISE OR PROFIT-MAKING VENTURE**  
8 **EVIDENCED BY A CERTIFICATE, CONTRACT, INSTRUMENTS,**  
9 **WHETHER WRITTEN OR ELECTRONIC IN CHARACTER. IT INCLUDES:**

- 10 (1) **SHARES OF STOCK, BONDS, DEBENTURES, NOTES,**  
11 **EVIDENCES OF INDEBTEDNESS, ASSET-BACKED**  
12 **SECURITIES;**
- 13 (2) **INVESTMENT CONTRACTS, CERTIFICATES OF INTEREST,**  
14 **OR PARTICIPATION IN A PROFIT SHARING AGREEMENT**  
15 **SUCH AS COLLECTIVE INVESTMENT SCHEMES,**  
16 **CERTIFICATE OF DEPOSIT FOR A FUTURE SUBSCRIPTION;**
- 17 (3) **FRACTIONAL UNDIVIDED INTERESTS IN OIL, GAS, OR**  
18 **OTHER MINERAL RIGHTS;**
- 19 (4) **DERIVATIVES LIKE OPTIONS AND WARRANTS;**
- 20 (5) **CERTIFICATES OF ASSIGNMENTS, CERTIFICATES OF**  
21 **PARTICIPATION, TRUST CERTIFICATES, VOTING TRUST**  
22 **CERTIFICATES, OR SIMILAR INSTRUMENTS;**
- 23 (6) **PROPRIETARY OR NON-PROPRIETARY MEMBERSHIP**  
24 **CERTIFICATES IN CORPORATIONS; AND**
- 25 (7) **OTHER INSTRUMENTS AS MAY IN THE FUTURE BE**  
26 **DETERMINED BY THE SECURITIES AND EXCHANGE**  
27 **COMMISSION.**

36        XXX    XXX    XXX

38 (V) The term '**bank**'means every banking institution, as defined in Section  
39 2 Republic Act No. 337, as amended, otherwise known as the General  
40 Banking Act. A bank may either be, a commercial bank, a thrift bank, a  
41 development bank, a rural bank, a specialized government bank, or a  
42 cooperative bank] **AS DEFINED IN SECTION 3 OF REPUBLIC ACT NO.**  
43 **8791, OTHERWISE KNOWN AS THE GENERAL BANKING LAW OF**  
44 **2000, SHALL REFER TO ENTITIES ENGAGED IN THE LENDING OF**  
45 **FUNDS OBTAINED IN THE FORM OF DEPOSITS. BANKS SHALL BE**  
46 **CLASSIFIED INTO UNIVERSAL BANKS, COMMERCIAL BANKS,**

1           **THRIFT BANKS COMPOSED OF: (A) SAVINGS AND MORTGAGE**  
2           **BANKS; (B) STOCK SAVINGS AND LOAN ASSOCIATIONS; AND (C)**  
3           **PRIVATE DEVELOPMENT BANKS, AS DEFINED IN REPUBLIC ACT NO.**  
4           **7906, OR THE THRIFT BANKS ACT, RURAL BANKS, AS DEFINED IN**  
5           **REPUBLIC ACT NO. 7353 OT THE RURAL BANKS ACT; COOPERATIVE**  
6           **BANKS, AS DEFINED IN REPUBLIC ACT NO. 6938 OR THE**  
7           **COOPERATIVE CODE, ISLAMIC BANKS AS DEFINED IN REPUBLIC**  
8           **ACT NO. 6848,OR THE CHARTER OF AL AMANAH ISLAMIC**  
9           **INVESTMENT BANK OF THE PHILIPPINES, AND OTHER**  
10          **CLASSIFICATIONS OF BANKS AS DETERMINED BY THE MONETARY**  
11          **BOARD OF THE BANGKO SENTRAL NG PILIPINAS.**

12  
13          (W) The term '***non-bank financial intermediary***' means PERSONS OR  
14          ENTITIES ENGAGED IN THE BORROWING OF FUNDS, FOR THE  
15          BORROWER'S OWN ACCOUNT, THROUGH THE ISSUANCE,  
16          ENDORSEMENT, OR ACCEPTANCE OF DEBT INSTRUMENTS OF ANY  
17          KIND OTHER THAN DEPOSITS, OR THROUGH THE ISSUANCE  
18          OFCERTIFICATES OF PARTICIPATIONS, CERTIFICATES OF  
19          ASSIGNMENT, OR SIMILAR INSTRUMENTS WITH RE COURSE, TRUST  
20          CERTIFICATES, OR OF REPURCHASE AGREEMENTS, FROM TWENTY  
21          (20) OR MORE LENDERS AT ANY ONE TIME, FOR PURPOSES OF  
22          RELENDING OR PURCHASING OF RECEIVABLES AND OTHER  
23          OBLIGATIONS, BUT DOES NOT INCLUDE COMMERCIAL,  
24          INDUSTRIAL, AND OTHER NON-FINANCIAL COMPANIES, WHICH  
25          BORROW FUNDS THROUGH ANY OF THESE MEANS FOR THE  
26          LIMITED PURPOSE OF FINANCING THEIR OWN NEEDS OR THE  
27          NEEDS OF THEIR AGENTS OR DEALERS.[a financial intermediary, as  
28          defined in Section 2(D)(c) of Republic Act No. 337, as amended, otherwise  
29          known as the General Banking Act, authorized by the Bangko Sentral ng  
30          Pilipinas (BSP) to perform quasi-banking activities.]

31  
32          (X) THE TERM '**QUASI-BANK**' SHALL REFER TO ENTITIES ENGAGED  
33          IN THE BORROWING OF FUNDS THROUGH THE ISSUANCE,  
34          ENDORSEMENT OR ASSIGNMENT WITH RE COURSE OR  
35          ACCEPTANCE OF DEPOSIT SUBSTITUTES, AS DEFINED IN  
36          SUBSECTION (Z) HEREOF FOR PURPOSES OF RELENDING OR  
37          PURCHASING OF RECEIVABLES AND OTHER OBLIGATIONS.

38  
39          (Y) The term '***quasi-banking activities***'means borrowing funds from  
40          twenty (20) or more [personal]INDIVIDUAL or corporate lenders at any one  
41          time through the issuance, endorsement, or acceptance of debt  
42          instruments of any kind other than deposits for the borrower's own  
43          account, or through the issuance of certificates of assignment or similar  
44          instruments, with recourse, or of repurchase agreements for purposes of  
45          re lending or purchasing receivables and other similar obligations:  
46          Provided, however, That commercial, industrial and other non-financial

1 companies, which borrow funds through any of these means for the limited  
2 purpose of financing their own needs or the needs of their agents or  
3 dealers, shall not be considered as performing quasi-banking functions.

4 **PROVIDED FURTHER THAT IF THE INTENTION IS FOR THE DEBT**  
5 **INSTRUMENTS TO BE HELD BY MORE THAN 19 HOLDERS DURING**  
6 **THE ENTIRE TERM OF THE DEBT INSTRUMENT AND IF THE TENOR**  
7 **AND DENOMINATION ARE SUCH THAT THEY CAN BE HELD BY MORE**  
8 **THAN 19 LENDERS, THEN THE INSTRUMENT SHALL BE**  
9 **CONSIDERED DEPOSIT SUBSTITUTES.**

10  
11 (Z) The term '**deposit substitutes**' shall mean an alternative form of  
12 obtaining funds from the public (the term 'public' means borrowing from  
13 twenty (20) or more individual or corporate lenders at any one time) other  
14 than deposits, through the issuance, endorsement, or acceptance of debt  
15 instruments for the borrowers own account, for the purpose of relending  
16 or purchasing of receivables and other obligations, or financing their own  
17 needs or the needs of their agent or dealer. These instruments may  
18 include, but need not be limited to bankers' acceptances, promissory  
19 notes, repurchase agreements, [including]**EXCLUDING** reverse  
20 repurchase agreements entered into by and between the Bangko Sentral  
21 ng Pilipinas (BSP) and any authorized agent bank, certificates of  
22 assignment or participation and similar instruments with recourse.

23  
24 **DEBT INSTRUMENTS ISSUED BY THE GOVERNMENT AND ANY OF ITS**  
25 **AGENCIES AND INSTRUMENTALITIES, INCLUDING GOVERNMENT**  
26 **FINANCIAL INSTITUTIONS SHALL BE DEEMED ISSUED TO THE**  
27 **PUBLIC AND CONSIDERED DEPOSIT SUBSTITUTES.** *Provided,*  
28 however, that debt instruments issued for interbank call loans with  
29 maturity of not more than five (5) days to cover deficiency in reserves  
30 against deposit liabilities, including those between or among banks and  
31 quasi-banks, shall not be considered as deposit substitute debt  
32 instruments.

33  
34 XXX XXX XXX  
35

36 (BB) The term '**mutual fund company**' shall mean **ANY INVESTMENT**  
37 **COMPANY WHICH IS OR HOLDS ITSELF OUT AS BEING ENGAGED**  
38 **PRIMARILY, OR PROPOSES TO ENGAGE PRIMARILY IN THE**  
39 **BUSINESS OF POOLING TOGETHER MONEY FROM VARIOUS**  
40 **INVESTORS AND INVESTS, REINVESTS, OR TRADES THE SAME IN**  
41 **SECURITIES, WHETHER IN STOCKS, BONDS, MONEY-MARKET**  
42 **INSTRUMENTS, OTHER SECURITIES, CASH, OR ANY OTHER ASSET,**  
43 **OR an open-end and close-end investment company as defined under**  
44 **REPUBLIC ACT NO. 2629, ALSO KNOWN AS** the Investment Company  
45 **Act OF THE PHILIPPINES.**

1            XXX    XXX    XXX  
2

3            **(FF)** The term[‘long-term deposit or investment certificate’]shall refer to  
4            certificate of time deposit or investment in the form of savings, common or  
5            individual trust funds, deposit substitutes, investment management  
6            accounts and other investments with a maturity period of not less than  
7            five (5) years, the form of which shall be prescribed by the Bangko Sentral  
8            ng Pilipinas (BSP) and issued by banks only (not by nonbank financial  
9            intermediaries and finance companies) to individuals in denominations of  
10           Ten thousand pesos (P10,000) and other denominations as may be  
11           prescribed by the BSP.]**FINANCIAL INSTITUTIONS’OR ‘FINANCIAL**  
12           **INTERMEDIARIES’ SHALL MEAN PERSONS OR ENTITIES WHOSE**  
13           **PRINCIPAL FUNCTIONS INCLUDE THE BUSINESS OF LENDING,**  
14           **FINANCING, INVESTING, OR PLACEMENT OF FUNDS OR EVIDENCES**  
15           **OF INDEBTEDNESS OR EQUITY DEPOSITED WITH THEM, ACQUIRED**  
16           **BY THEM, OR OTHERWISE COURSED THROUGH THEM, EITHER FOR**  
17           **THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF OTHERS, AND ARE**  
18           **AUTHORIZED BY THE BANGKO SENTRAL NG PILIPINAS OR BY THE**  
19           **SECURITIES AND EXCHANGE COMMISSION DEPENDING ON THE**  
20           **GOVERNMENT AGENCY AUTHORIZED TO REGULATE THEM. IT**  
21           **SHALL INCLUDE BANKS, QUASI-BANKS, TRUST ENTITIES,**  
22           **PAWNSHOPS, FOREIGN EXCHANGE DEALERS, MONEY BROKERS,**  
23           **CREDIT COOPERATIVES, FINANCING COMPANIES, FINANCE LEASING**  
24           **COMPANIES, INVESTMENT COMPANIES, AND OTHER ENTITIES**  
25           **ENGAGED IN COLLECTIVE INVESTMENT SCHEMES, INVESTMENT**  
26           **HOUSES, LENDING INVESTORS OR ENTITIES ENGAGED IN**  
27           **FINANCIAL INTERMEDIATION ACTIVITIES, AND OTHER TYPES OF**  
28           **BUSINESS THAT MAY BE CLASSIFIED BY THE BANGKO SENTRAL NG**  
29           **PILIPINAS OR THE SECURITIES AND EXCHANGE COMMISSION AS**  
30           **FINANCIAL INSTITUTIONS.**

31  
32           **LIFE AND NON-LIFE INSURANCE COMPANIES, PRE-NEED**  
33           **COMPANIES AND HEALTH MAINTENANCE ORGANIZATIONS ARE**  
34           **ALSO CONSIDERED FINANCIAL INSTITUTIONS UNDER THE**  
35           **SUPERVISION OF THE INSURANCE COMMISSION.**

36  
37           (GG)The term ‘**statutory minimum wage**’ x x x.  
38

39           (HH) The term ‘**minimum wage earner**’ x x x.  
40

41           **(II) THE TERM ‘COLLECTIVE INVESTMENT SCHEMES’ OR ‘CIS’ SHALL**  
42           **MEAN ANY ARRANGEMENT WHEREBY FUNDS ARE SOLICITED FROM**  
43           **THE INVESTING PUBLIC AND POOLED TOGETHER FOR THE**  
44           **PURPOSE OF INVESTING, RE-INVESTING, AND/OR TRADING IN**  
45           **SECURITIES OR OTHER ASSETS OR DIFFERENT CLASSES THEREOF**  
46           **AS ALLOWED UNDER THE LAW, WHICH MAY EITHER HAVE A**

1           **CORPORATE STRUCTURE, SUCH AS AN INVESTMENT COMPANY, OR**  
2           **A CONTRACTUAL STRUCTURE, SUCH AS A UNIT INVESTMENT TRUST**  
3           **FUND OR SIMILAR SCHEME HELD BY A TRUST CORPORATION OR A**  
4           **SEPARATE ACCOUNT FUND ESTABLISHED PURSUANT TO A**  
5           **VARIABLE UNITLINKED LIFE INSURANCE POLICY ISSUED BY AN**  
6           **INSURANCE COMPANY, AND SUCH OTHER FORMS OF COLLECTIVE**  
7           **INVESTMENT SCHEMES AS MAY BE DETERMINED BY THE**  
8           **APPROPRIATE GOVERNMENT REGULATORY AGENCIES SUCH AS**  
9           **THE BANGKO SENTRAL NG PILIPINAS, THE SECURITIES AND**  
10          **EXCHANGE COMMISSION AND THE INSURANCE COMMISSION. A CIS**  
11          **MAY EITHER BE OPEN-END OR CLOSED-END, DEFINED AS**  
12          **FOLLOWS:**

13  
14          **'OPEN-END CIS'** MEANS A CIS WHERE SECURITIES ARE  
15          OFFERED AND ARE ALWAYS REDEEMABLE BY THE CIS; AND

16  
17          **'CLOSED-END CIS'** MEANS A CIS WHERE A FIXED NUMBER OF  
18          SECURITIES ARE OFFERED IN AN INITIAL PUBLIC OFFERING  
19          AND THEREAFTER MAY BE TRADED IN AN ORGANIZED  
20          MARKETPLACE AS DETERMINED BY THE SECURITIES AND  
21          EXCHANGE COMMISSION, BUT MAY NOT BE REDEEMED BY  
22          THE CIS. A CLOSED-END CIS SHALL NOT BE ALLOWED TO  
23          INCREASE ITS NUMBER OF SECURITIES.

24  
25          **(JJ) THE TERM 'UNITLINKED INVESTMENT INSTRUMENT'** SHALL  
26          MEAN A CONTRACTUAL CIS ORGANIZED PURSUANT TO A  
27          CONTRACT, SUCH AS TRUST INDENTURE, OR AS AN INVESTMENT  
28          COMPONENT OF AN INSURANCE CONTRACT, ENGAGED OR HOLDS  
29          ITSELF OUT AS BEING ENGAGED, OR PROPOSES TO ENGAGE, IN THE  
30          BUSINESS OF INVESTING, REINVESTING, AND/OR TRADING IN  
31          SECURITIES OR OTHER INVESTMENT ASSETS, AND ISSUES UNITS  
32          OF PARTICIPATION, EACH OF WHICH REPRESENTS AN UNDIVIDED  
33          INTEREST IN A POOL OF INVESTMENT ASSETS.

34  
35          **(KK) THE TERM 'HOLDING COMPANY'** SHALL REFER TO ANY  
36          CORPORATION ORGANIZED TO HOLD THE STOCK OF ANOTHER OR  
37          OTHER CORPORATIONS, AND OTHER FORMS OF HOLDING  
38          COMPANIES AS MAY BE DETERMINED BY APPROPRIATE  
39          GOVERNMENT REGULATORY AGENCIES.

40  
41          **(LL) THE TERM 'DEBT INSTRUMENT'** SHALL REFER TO  
42          INSTRUMENTS REPRESENTING BORROWING AND LENDING  
43          TRANSACTIONS INCLUDING BUT NOT LIMITED TO DEBENTURES,  
44          CERTIFICATES OF INDEBTEDNESS, DUE BILLS, BONDS, LOAN  
45          AGREEMENTS, INSTRUMENTS, AND SECURITIES ISSUED BY THE  
46          GOVERNMENT OR ANY OF ITS INSTRUMENTALITIES, DEPOSIT

1 SUBSTITUTES, CERTIFICATES OR OTHER EVIDENCES OF  
2 DEPOSITS, PROMISSORY NOTES, WHETHER NEGOTIABLE OR NON-  
3 NEGOTIABLE, OTHER SIMILAR INSTRUMENTS, AND OTHER  
4 INSTRUMENTS AS MAY BE DETERMINED BY APPROPRIATE  
5 GOVERNMENT AGENCIES.

6  
7 (MM) THE TERM ‘ORGANIZED MARKETPLACE’ IS AN EXCHANGE, AN  
8 OVER-THE-COUNTERMARKET, ALTERNATIVE TRADING SYSTEM,  
9 RECOGNIZED AS SUCH BY THE SECURITIES AND EXCHANGE  
10 COMMISSION AS AN EXCHANGE UNDER REPUBLIC ACT NO. 8799, AS  
11 AMENDED, AND GOVERNED BY, AMONG OTHERS, TRANSPARENT  
12 AND BINDING RULES AND MARKET CONVENTIONS ON  
13 MEMBERSHIP, TRADING, PRICE TRANSPARENCY, TRADE  
14 REPORTING, MARKET MONITORING AND ORDERLY  
15 CONDUCT/OPERATION OF THE MARKET WHICH ARE ENFORCEABLE  
16 ON THE MEMBERS AND PARTICIPANTS.

17  
18 (NN) HEALTH INSURANCE PRODUCTS ARE THOSE THAT ARE BEING  
19 OFFERED AND SOLD BY INSURANCE COMPANIES, EITHER LIFE OR  
20 NON-LIFE, WHEREIN THERE IS A LIST OF COVERED ILLNESSES OF  
21 WHICH THE COMPANIES ASSUME RISKS AND INDEMNIFY LOSSES  
22 BROUGHT BY THE SAID COVERED ILLNESSES.

23  
24 (OO) HEALTH MAINTENANCE ORGANIZATION (HMO) PRODUCTS  
25 REFER TO PRE-AGREED OR DESIGNATED HEALTH CARE SERVICES  
26 TO THE ENROLLED MEMBERS FOR A FIXED PRE-PAID FEE FOR A  
27 SPECIFIED PERIOD OF TIME THROUGH THE USE OF SELECTED  
28 NETWORK OF HEALTH CARE PROVIDERS. HMO PRODUCTS  
29 PROVIDE A WIDE ARRAY OF MEDICAL, SURGICAL AND HOSPITAL  
30 SERVICES THAT INCLUDE PREVENTIVE CARE AND WELLNESS  
31 PROGRAMS AND GENERALLY HAVE NO CASH-OUT TRANSACTION.

32  
33 **SEC. 4.** Section 24 (B) and (C) of the National Internal Revenue Code of 1997, as  
34 amended, is hereby amended to read as follows:

35  
36 **SEC. 24. Income Tax Rates. –**

37  
38 (A) *Rates of Income Tax on Individual Citizen and Individual*  
39 *Resident Alien of the Philippines. –*

40  
41 XXX XXX XXX

42  
43 (B) *Rate of Tax on Certain Passive Income: –*

44  
45 (1) *Interests, Royalties, Prizes, and Other Winnings.]* – A final tax at  
46 the rate of [twenty percent (20%)]FIFTEEN PERCENT (15%) is hereby

1 PERCENT (15%) TAX ON DIVIDENDS SHALL APPLY ONLY ON INCOME  
2 EARNED ON OR AFTER JANUARY 1, 2020. INCOME FORMING PART  
3 OF RETAINED EARNINGS AS OF DECEMBER 31, 2019, EVEN IF  
4 DECLARED OR DISTRIBUTED ON OR AFTER JANUARY 1, 2020,  
5 SHALL BE SUBJECT TO TEN PERCENT (10%) TAX.

6  
7 LIQUIDATING DIVIDEND SHALL BE SUBJECT TO SECTION 24(A)  
8 BASED ON NET GAIN.  
9

10 [(C)(3) *Capital Gains from THE Sale, EXCHANGE, BARTER, OR*  
11 *DISPOSITION of Shares of Stock not Traded in the Stock Exchange***OR**  
12 **ORGANIZED MARKETPLACE.** -[The provisions of Section 39(B)  
13 notwithstanding, a] A final tax at the rate[s prescribed below]of fifteen  
14 percent (15%) is hereby imposed upon the net capital gains realized during  
15 the taxable year from the sale, barter, exchange or other disposition of  
16 shares of stock in a domestic corporation, except shares sold, or disposed  
17 of through **A LOCAL**[the] stock exchange~~.]~~**OR AN ORGANIZED**  
18 **MARKETPLACE.**

19  
20 [(C)(4)**PRESUMPTIVE CAPITAL GAINS FROM THE SALE, EXCHANGE,**  
21 **BARTER, OR DISPOSITION OF SHARES OF STOCK TRADED IN THE**  
22 **STOCK EXCHANGE**~~OR~~ **AN ORGANIZED MARKETPLACE.**-THERE  
23 SHALL BE LEVIED, ASSESSED AND COLLECTED ON EVERY SALE,  
24 BARTER, EXCHANGE, OR ANY OTHER MODE OF DISPOSITION OF  
25 SHARES OF STOCK LISTED AND TRADED THROUGH A LOCAL STOCK  
26 EXCHANGE OR AN ORGANIZED MARKETPLACE, A FINAL TAX AT THE  
27 RATE OF SIX-TENTH OF ONE PERCENT (6/ 10 OF 1%), AND SHALL BE  
28 REDUCED ACCORDING TO THE FOLLOWING SCHEDULE:  
29

30 **JANUARY 1, 2021: FIVE-TENTH OF ONE PERCENT (5/ 10 OF 1%),**  
31

32 **JANUARY 1, 2022: FOUR-TENTH OF ONE PERCENT (4/ 10 OF 1%),**  
33

34 **JANUARY 1, 2023: THREE-TENTH OF ONE PERCENT (3/ 10 OF 1%),**  
35

36 **JANUARY 1, 2024: TWO-TENTH OF ONE PERCENT (2/ 10 OF 1%),**  
37

38 **JANUARY 1, 2025: ONE-TENTH OF ONE PERCENT (1/ 10 OF 1%).**  
39

40 **THE TAX SHALL BE BASED ON THE GROSS SELLING PRICE OR**  
41 **GROSS VALUE IN MONEY OF THE SHARES OF STOCK SOLD,**

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BARTERED, EXCHANGED, OR OTHERWISE DISPOSED OF, TO BE PAID BY THE SELLER OR TRANSFEROR.

ANY GAIN EARNED FROM SHARES OF STOCK IN A DOMESTIC CORPORATION TRADED IN A FOREIGN EXCHANGE, SHALL BE TAXED UNDER SUBSECTION (A) OF THIS SECTION.

ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR DISPOSITION OF SHARES OF STOCK, LISTED OR UNLISTED, BY A DEALER IN SECURITIES LICENSED BY THE APPROPRIATE GOVERNMENTREGULATORY AGENCIES TO BUY AND SELL IN SECURITIES, FOR THE DEALER'S OWN ACCOUNT IN THE ORDINARY COURSE OF BUSINESS, SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION BUT SUBSECTION (A) AS AN ORDINARY INCOME.

(5) CAPITAL GAINS FROM SALE, EXCHANGE, TRANSFER, BARTER, DISPOSITION OF NON-LISTED AND NON-TRADED DEBT INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION 24(B)(3) AND (4). -ANY GAIN EARNED FROM A DEBT INSTRUMENT AND OTHER SECURITIESNOT INCLUDED IN SUBSECTIONS (B)(3) AND (4), ISSUED BY A CITIZEN OR RESIDENT ALIEN, OR BY A DOMESTIC CORPORATION, OR A RESIDENT FOREIGN CORPORATION, OR BY THE GOVERNMENT OR ANY OF ITS AGENCIES OR INSTRUMENTALITIES, SHALL BE SUBJECT TO A FINAL TAX AT THE RATE OF FIFTEEN PERCENT (15%) UPON THE NET CAPITAL GAINS REALIZED.

(6) PRESUMPTIVE CAPITAL GAINSON LISTED AND TRADED DEBT INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION 24(B)(3) AND (4) - THERE SHALL BE LEVIED, ASSESSED, AND COLLECTED ON EVERY SALE, BARTER, EXCHANGE, OR OTHER DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES, LISTED AND TRADED THROUGH A LOCAL STOCK EXCHANGE OR A LICENSED ORGANIZED MARKETPLACE, A FINAL TAX AT THE RATE OF ONE-TENTH OF ONE PERCENT (1/10 OF 1%) OF THE GROSS SELLING PRICE OR GROSS VALUE IN MONEY OF THE DEBT INSTRUMENT OR SECURITIES SOLD, BARTERED, EXCHANGED, OR OTHERWISE DISPOSED, WHICH SHALL BE PAID BY THE SELLER OR TRANSFEROR. IF TRADED IN A FOREIGN EXCHANGE, THE GAIN SHALL BE SUBJECT TO TAX UNDER SUBSECTION (A) HEREOF.

ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER OR DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES, LISTED OR UNLISTED, BY A DEALER IN SECURITIES OR OTHER ENTITIES LICENSED BY THE APPROPRIATE GOVERNMENTREGULATORY AGENCY TO BUY AND SELL IN DEBT

1                   **INSTRUMENTS SECURITIES, FOR THE DEALER'S OWN ACCOUNT IN**  
2                   **THE ORDINARY COURSE OF BUSINESS, SHALL NOT BE SUBJECT TO**  
3                   **TAX UNDER THIS SUBSECTION BUT TO SECTION 24(A) AS AN**  
4                   **ORDINARY INCOME.**

5  
6                   ***[(D)](7) Capital Gains from Sale of Real Property. -***

7  
8                   **(a) In General.** - [The provisions of Section 39(B) notwithstanding,a]A final  
9                   tax of six percent (6%) based on the gross selling price or current fair  
10                  market value as determined in accordance with Section 6(E) of this Code,  
11                  whichever is higher, is hereby imposed upon capital gains presumed to  
12                  have been realized from the sale, exchange, or other disposition of real  
13                  property located in the Philippines, classified as capital assets, including  
14                  *pacto de retro* sales and other forms of conditional sales, by individuals,  
15                  including estates and trusts: *Provided*, That the tax liability, if any, on  
16                  gains from sales or other dispositions of real property to the government  
17                  or any of its political subdivisions or agencies or to government-owned or  
18                  -controlled corporations shall be determined either under Subsection (A)  
19                  or under this Subsection, at the option of the taxpayer;

20  
21                  **(b) Exception.** - The provisions of paragraph (1) of this Subsection to the  
22                  contrary notwithstanding, capital gains presumed to have been realized  
23                  from the sale or disposition of their principal residence by natural persons,  
24                  the proceeds of which is fully utilized in acquiring or constructing a new  
25                  principal residence within eighteen (18) calendar months from the date of  
26                  sale or disposition, shall be exempt from the capital gains tax imposed  
27                  under this Subsection: *Provided*, That the historical cost or adjusted basis  
28                  of the real property sold or disposed shall be carried over to the new  
29                  principal residence built or acquired: *Provided, further*, That the  
30                  Commissioner shall have been duly notified by the taxpayer within thirty  
31                  (30) days from the date of sale or disposition through a prescribed return  
32                  of his intention to avail of the tax exemption herein mentioned: *Provided,*  
33                  *still further*, That the said tax exemption can only be availed of once every  
34                  ten (10) years: *Provided, finally*, That if there is no full utilization of the  
35                  proceeds of sale or disposition, the portion of the gain presumed to have  
36                  been realized from the sale or disposition shall be subject to capital gains  
37                  tax. For this purpose, the gross selling price or fair market value at the  
38                  time of sale, whichever is higher, shall be multiplied by a fraction which  
39                  the unutilized amount bears to the gross selling price in order to determine  
40                  the taxable portion and the tax prescribed under paragraph (1) of this  
41                  Subsection shall be imposed thereon.

42  
43                  **(C) ROYALTIES, PRIZES, AND OTHER Winnings - A FINAL TAX AT**  
44                  **THE RATE OF TWENTY PERCENT (20%) IS HEREBY IMPOSED ON THE**  
45                  **FOLLOWING INCOME DERIVED FROM SOURCES WITHIN THE**

1 **PHILIPPINES: (1) ROYALTIES EARNED AS PASSIVE INCOME, EXCEPT**  
2 **ROYALTIES FROM BOOKS, AS WELL AS OTHER LITERARY WORKS**  
3 **AND MUSICAL COMPOSITIONS WHICH SHALL BE SUBJECT TO A**  
4 **FINAL TAX OF TEN PERCENT (10%); (2) PRIZES (EXCEPT PRIZES**  
5 **AMOUNTING TO TEN THOUSAND PESOS (P10,000) OR LESS) WHICH**  
6 **SHALL BE SUBJECT TO TAX UNDER SECTION 24 (A); AND (3) OTHER**  
7 **WINNINGS (EXCEPT WINNINGS AMOUNTING TO PHP10,000 OR LESS**  
8 **FROM PHILIPPINE CHARITY SWEEPSTAKES AND LOTTO WHICH**  
9 **SHALL BE EXEMPT).**

10  
11 **SEC. 5.** Section 25 (A) and (B) of the National Internal Revenue Code of 1997, as  
12 amended, is hereby amended to read as follows:

13  
14 **SEC. 25. Tax on Nonresident Alien Individual. –**

15  
16 **(A) Nonresident Alien Engaged in Trade or Business Within the**  
17 **Philippines.** – [(1) *In General.* – ]A nonresident alien individual engaged  
18 in trade or business in the Philippines shall be subject to [an]income tax  
19 **UNDER SECTION 24 OF THIS CODE**, in the same manner as an  
20 individual citizen and a resident alien individual,] on taxable income  
21 received from all sources within the Philippines. A nonresident alien  
22 individual who shall come to the Philippines and stay therein for an  
23 aggregate period of more than one hundred eighty**THREE (183)** days  
24 during any calendar year shall be deemed a ‘nonresident alien doing  
25 business in the Philippines’, Section 22(G) of this Code notwithstanding.

26  
27 **[(2) Cash and/or Property Dividends from a Domestic Corporation or Joint**  
28 **Stock Company, or Insurance or Mutual Fund Company or Regional**  
29 **Operating Headquarter or Multinational Company, or Share in the**  
30 **Distributable Net Income of a Partnership (Except a General Professional**  
31 **Partnership), Joint Account, Joint Venture Taxable as a Corporation or**  
32 **Association, Interests, Royalties, Prizes, and Other Winnings.** –Cash and/or  
33 property dividends from a domestic corporation, or from a joint stock  
34 company, or from an insurance or mutual fund company or from a regional  
35 operating headquarter of multinational company, or the share of a  
36 nonresident alien individual in the distributable net income after tax of a  
37 partnership (except a general professional partnership) of which he is a  
38 partner, or the share of a nonresident alien individual in the net income  
39 after tax of an association, a joint account), or a joint venture taxable as a  
40 corporation of which he is a member or a co-venturer; royalties (in any  
41 form); and prizes (except prizes amounting to Ten thousand pesos  
42 (P10,000) or less which shall be subject to tax under Subsection (B)(1) of  
43 Section 24); and other winnings (except Philippine Charity Sweepstakes  
44 and Lotto winnings), shall be subject to an income tax of twenty percent  
45 (20%) on the total amount thereof: *Provided, however,* That royalties on  
46 books as well as other literary works, and royalties on musical

1 compositions shall be subject to a final tax of ten percent (10%) on the  
2 total amount thereof: *Provided, further,* That cinematographic films and  
3 similar works shall be subject to the tax provided under Section 28 of this  
4 Code: [*Provided, furthermore,* That interest income from long-term deposit  
5 or investment in the form of savings, common or individual trust funds,  
6 deposit substitutes, investment management accounts and other  
7 investments evidenced by certificates in such form prescribed by the  
8 Bangko Sentral ng Pilipinas (BSP) shall be exempt from the tax imposed  
9 under this Subsection: *Provided, finally,* That should the holder of the  
10 certificate pre-terminate the deposit or investment before the fifth (5<sup>th</sup>)  
11 year, a final tax shall be imposed on the entire income and shall be  
12 deducted and withheld by the depository bank from the proceeds of the  
13 long-term deposit or investment certificate based on the remaining  
14 maturity thereof:]

15  
16 [Four (4) years to less than five (5) years – 5%;]

17  
18 [Three (3) years to less than four (4) years – 12%; and]

19  
20 [Less than three (3) years – 20%.]

21  
22 [(3) *Capital Gains.* – Capital gains realized from sale, barter or exchange of  
23 shares of stock in domestic corporations not traded through the local stock  
24 exchange, and real properties shall be subject to the tax prescribed under  
25 Subsections (C) and (D) of Section 24.]

26  
27 **(B) Nonresident Alien Individual Not Engaged in Trade or Business**  
28 **Within the Philippines.**– There shall be levied, collected and paid for  
29 each taxable year upon the entire income received from all sources within  
30 the Philippines by every nonresident alien individual not engaged in trade  
31 or business within the Philippines as [interest, cash and/or property  
32 dividends,] rents, salaries, wages, premiums, annuities, compensation,  
33 remuneration, emoluments, or other fixed or determinable annual or  
34 periodic or casual gains, profits, and income, [and capital gains,] a **FINAL**  
35 tax equal to twenty five percent (25%) of such income. Capital gains  
36 realized by a nonresident alien individual not engaged in trade or business  
37 in the Philippines from the sale of [shares of stock in any domestic  
38 corporation and] real property shall be subject to the income tax  
39 prescribed under Subsection[s (C) and (D)](B) (7) of Section 24.

40  
41 **INTEREST, DIVIDENDS AND CAPITAL GAINS ON SALE OF SHARES OF**  
42 **STOCK, DEBT INSTRUMENTS, AND OTHER SECURITIES SHALL BE**  
43 **SUBJECT TO TAX PRESCRIBED UNDER SECTION 24 (B), OR TO THE**  
44 **PROVISIONS OF APPLICABLE TAX TREATY.**

1  
2 **SEC. 6.** Section 27 (D) of the National Internal Revenue Code of 1997, as  
3 amended, is hereby amended to read as follows:

4

5 **SEC. 27. Rates of Income Tax on Domestic Corporations. –**

6

7 **(A) In General.** – Except as otherwise provided in this Code, an income  
8 tax of thirty-five percent (35%) is hereby imposed upon the taxable income  
9 derived during each taxable year from all sources within and without the  
10 Philippines by every corporation, as defined in Section 22(B) of this Code  
11 and taxable under this Title as a corporation, organized in, or existing  
12 under the laws of the Philippines: *Provided*, That effective January 1, 2009,  
13 the rate of income tax shall be thirty percent (30%).

14

15       xxx    xxx    xxx

16

17 **(D) Rates of Tax on Certain Passive Incomes.**

18

19 **[(1) Interest from Deposits and Yield or any other Monetary Benefit  
20 from Deposit Substitutes and from Trust Funds and Similar  
21 Arrangements, and Royalties.** – A final tax at the rate of twenty percent  
22 (20%) is hereby imposed upon the amount of interest on currency bank  
23 deposit and yield or any other monetary benefit from deposit substitutes  
24 and from trust funds and similar arrangements received by domestic  
25 corporations, and royalties, derived from sources within the Philippines:  
26 *Provided, however*, That interest income derived by a domestic corporation  
27 from a depository bank under the expanded foreign currency deposit  
28 system shall be subject to a final income tax at the rate of fifteen percent  
29 of such interest income.]

30

31 **[(2) Capital Gains from the Sale of Shares of Stock Not Traded in the  
32 Stock Exchange.** –A final tax at the rate of fifteen percent (15%) shall  
33 be imposed on net capital gains realized during the taxable year from the  
34 sale, exchange or other disposition of shares of stock in a domestic  
35 corporation except shares sold or disposed of through the stock exchange.]

36

37 **[(3) Tax on Income Derived under the Expanded Foreign Currency  
38 Deposit System.** – Income derived by a depository bank under the  
39 expanded foreign currency deposit system from foreign currency  
40 transactions with nonresidents, offshore banking units in the Philippines,  
41 local commercial banks, including branches of foreign banks that may be  
42 authorized by the Bangko Sentral ng Pilipinas (BSP) to transact business  
43 with foreign currency depository system units and other depository banks  
44 under the expanded foreign currency deposit system shall be exempt from  
45 all taxes, except net income from such transactions as may be specified by  
46 the Secretary of Finance, upon recommendation by the Monetary Board to

1           be subject to the regular income tax payable by banks: *Provided, however,*  
2           That interest income from foreign currency loans granted by such  
3           depository banks under said expanded system to residents other than  
4           offshore banking units in the Philippines or other depository banks under  
5           the expanded system, shall be subject to a final tax at the rate of ten  
6           percent (10%).

7  
8           [Any income of nonresidents, whether individuals or corporations, from  
9           transactions with depository banks under the expanded system shall be  
10          exempt from income tax.]

11  
12          **(4) Intercorporate Dividends.**- Dividends received by a domestic  
13          corporation from another domestic corporation shall not be subject to tax.]

14  
15          **(1) INTERESTS. -A FINAL TAX AT THE RATE OF FIFTEEN PERCENT**  
16          **(15%) IS HEREBY IMPOSED UPON THE AMOUNT OF INTEREST,**  
17          **YIELD, OR OTHER MONETARY BENEFIT EARNED OR RECEIVED**  
18          **FROM A DEBT INSTRUMENT, BANK DEPOSIT, DEPOSIT SUBSTITUTE,**  
19          **TRUST FUND, AND SIMILAR ARRANGEMENTS.**

20  
21          **(2) CASH AND/OR PROPERTY DIVIDENDS. - INTERCORPORATE**  
22          **DIVIDENDS OR DIVIDENDS RECEIVED FROM A DOMESTIC**  
23          **CORPORATION SHALL NOT BE SUBJECT TO TAX IMPOSED UNDER**  
24          **THIS SUBSECTION.**

25  
26          **LIQUIDATING DIVIDEND SHALL BE SUBJECT TO SECTION 27(A) AND**  
27          **BASED ON NET GAIN.**

28  
29          **(3) CAPITAL GAINS FROM THE SALE, EXCHANGE, BARTER OR**  
30          **DISPOSITION OF SHARES OF STOCK NOT TRADED IN THE STOCK**  
31          **EXCHANGE OR AN ORGANIZED MARKETPLACE. -A FINAL TAX AT THE**  
32          **RATE OF FIFTEEN PERCENT (15%) IS HEREBY IMPOSED UPON THE**  
33          **NET CAPITAL GAINS REALIZED DURING THE TAXABLE YEAR FROM**  
34          **THE SALE, BARTER, EXCHANGE, OR OTHER MODES OF**  
35          **DISPOSITION OF SHARES OF STOCK IN A DOMESTIC CORPORATION,**  
36          **EXCEPT SHARES SOLD, OR DISPOSED OF THROUGH A LOCAL**  
37          **STOCK EXCHANGE OR AN ORGANIZED MARKETPLACE.**

38  
39          **(4) PRESUMPTIVE CAPITAL GAINS FROM THE SALE, EXCHANGE,**  
40          **BARTER OR DISPOSITION OF SHARES OF STOCK TRADED IN THE**  
41          **STOCK EXCHANGE OR AN ORGANIZED MARKETPLACE. -THERE**  
42          **SHALL BE LEVIED, ASSESSED AND COLLECTED ON EVERY SALE,**  
43          **BARTER, EXCHANGE, OR OTHER DISPOSITION OF SHARES OF**  
44          **STOCK LISTED AND TRADED THROUGH A LOCAL STOCK EXCHANGE**  
45          **OR AN ORGANIZED MARKETPLACE, A FINAL TAX AT THE RATE OF**

1 SIX-TENTH OF ONE PERCENT (6/10 OF 1%), AND SHALL BE  
2 REDUCED ACCORDING TO THE FOLLOWING SCHEDULE:  
3

4 **JANUARY 1, 2021: FIVE-TENTH OF ONE PERCENT (5/10 OF 1%),**  
5

6 **JANUARY 1, 2022: FOUR-TENTH OF ONE PERCENT (4/10 OF 1%),**  
7

8 **JANUARY 1, 2023: THREE-TENTH OF ONE PERCENT (3/10 OF 1%),**  
9

10 **JANUARY 1, 2024: TWO-TENTH OF ONE PERCENT (2/10 OF 1%),**  
11

12 **JANUARY 1, 2025: ONE-TENTH OF ONE PERCENT (1/10 OF 1%).**  
13

14 THE TAX SHALL BE BASED ON THE GROSS SELLING PRICE OR  
15 GROSS VALUE IN MONEY OF THE SHARES OF STOCK SOLD,  
16 BARTERED, EXCHANGED, OR OTHERWISE DISPOSED OF, TO BE  
17 PAID BY THE SELLER OR TRANSFEROR.  
18

19 ANY GAIN EARNED FROM SHARES OF STOCK IN A DOMESTIC  
20 CORPORATION TRADED IN A FOREIGN EXCHANGE, SHALL BE  
21 TAXED UNDER SECTION 27 (A) HEREOF.  
22

23 ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR  
24 DISPOSITION OF SHARES OF STOCK, LISTED OR UNLISTED, BY A  
25 DEALER IN SECURITIES LICENSED BY THE APPROPRIATE  
26 GOVERNMENTREGULATORY AGENCIES TO BUY AND SELL IN  
27 SECURITIES, FOR HIS OWN ACCOUNT IN THE ORDINARY COURSE  
28 OF BUSINESS SHALL NOT BE SUBJECT TO TAX UNDER THIS  
29 SUBSECTION BUT TO SECTION 27(A) AS AN ORDINARY INCOME.  
30

31 **(5) CAPITAL GAINS FROM SALE, EXCHANGE, TRANSFER, BARTER,**  
32 **DISPOSITION OF NON-LISTED AND NON-TRADED DEBT**  
33 **INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION**  
34 **27(D)(3) AND (4). -ANY GAIN EARNED FROM DEBT INSTRUMENT AND**  
35 **OTHER SECURITIESNOT INCLUDED IN SECTION 27(D)(3) AND (4),**  
36 **ISSUED BY A CITIZEN OR RESIDENT ALIEN, OR BY A DOMESTIC**  
37 **CORPORATION, OR A RESIDENT FOREIGN CORPORATION, OR BY**  
38 **THE GOVERNMENT OR ANY OF ITS AGENCIES OR**  
39 **INSTRUMENTALITIES, SHALL BE SUBJECT TO A FINAL TAX AT THE**  
40 **RATE OF FIFTEEN PERCENT(15%) UPON THE NET CAPITAL GAINS**  
41 **REALIZED.**  
42

43 **(6) PRESUMPTIVE CAPITAL GAINSON LISTED AND TRADED DEBT**  
44 **INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION**  
45 **27(D)(3) AND (4) - THERE SHALL BE LEVIED, ASSESSED, AND**  
46 **COLLECTED ON EVERY SALE, BARTER, EXCHANGE, OR OTHER**

1 DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES,  
2 LISTED AND TRADED THROUGH A LOCAL EXCHANGE OR AN  
3 ORGANIZED MARKETPLACE, A FINAL TAX AT THE RATE OF ONE-  
4 TENTH OF ONE PERCENT (1/10 OF 1%) OF THE GROSS SELLING  
5 PRICE OR GROSS VALUE IN MONEY OF THE DEBT INSTRUMENT OR  
6 SECURITIES SOLD, BARTERED, EXCHANGED, OR OTHERWISE  
7 DISPOSED, WHICH SHALL BE PAID BY THE SELLER OR  
8 TRANSFEROR. IF TRADED IN A FOREIGN EXCHANGE, THE GAIN  
9 SHALL BE SUBJECT TO TAX UNDER SECTION 27 (A) HEREOF.

10  
11 ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR  
12 DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES,  
13 LISTED OR UNLISTED, BY A DEALER IN SECURITIES OR OTHER  
14 ENTITIES LICENSED BY THE APPROPRIATE  
15 GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN DEBT  
16 INSTRUMENTS SECURITIES, FOR THE DEALER'S OWN ACCOUNT IN  
17 THE ORDINARY COURSE OF BUSINESS, SHALL NOT BE SUBJECT TO  
18 TAX UNDER THIS SUBSECTION BUT TO SECTION 27(A) AS AN  
19 ORDINARY INCOME.

20  
21 **[(5)](7)Capital Gains Realized from the Sale, Exchange or Disposition of**  
22 **Lands and/or Buildings.**-A final tax of six percent (6%) is hereby imposed on  
23 the gain presumed to have been realized on the sale, exchange or disposition of  
24 lands and/or buildings which are not actually used in the business of a  
25 corporation and are treated as capital assets, based on the gross selling price or  
26 fair market value as determined in accordance with Section 6(E) of this Code,  
27 whichever is higher, of such lands and/or buildings.

28  
29 **(E) ROYALTIES - A FINAL TAX AT THE RATE OF TWENTY PERCENT**  
30 **(20%) IS HEREBY IMPOSED ON ROYALTIES EARNED AS PASSIVE**  
31 **INCOME.**

32  
33 **[(E)](F) Minimum Corporate Income Tax on Domestic Corporations -**  
34 **(1)Imposition of tax.**- x x x

35  
36 XXX XXX XXX

37  
38 **(4) Gross Income Defined.** – xxx

39  
40 XXX XXX XXX

41  
42 In the case of taxpayers engaged in the sale of service, '**gross income**'  
43 means gross receipts less sales returns, allowances, discounts and cost of  
44 services. '**Cost of services**' shall mean all direct costs and expenses  
45 necessarily incurred to provide the services required by the customers and  
46 clients including (A) salaries and employee benefits of personnel,

1 consultants and specialists directly rendering the service and (B) cost of  
2 facilities directly utilized in providing the service such as depreciation or  
3 rental of equipment used and cost of supplies: *Provided, however,* That in  
4 the case of banks **AND OTHER FINANCIAL INTERMEDIARIES**, '**cost of**  
5 **services**' shall include interest expense.

6  
7 **SEC. 7.** Section 28 (A) and (B) of the National Internal Revenue Code of 1997, as  
8 amended, is hereby amended to read as follows:  
9

10           **SEC. 28. Rates of Income Tax on Foreign Corporations. –**

11           **(A) Tax on Resident Foreign Corporations. –**

12           **(1) In General.** – Except as otherwise provided in this Code, a corporation  
13 organized, authorized, or existing under the laws of any foreign country,  
14 engaged in trade or business within the Philippines, shall be subject to  
15 [an] income tax **UNDER SECTION 27 OF THIS CODE**[equivalent to thirty-  
16 five percent (35%) of the]**ON**taxable income derived in the preceding  
17 taxable year from all sources within the Philippines[: *Provided,* That  
18 effective January 1, 2009, the rate of income tax shall be thirty percent  
19 (30%)].  
20

21           xxx    xxx    xxx  
22

23           **(2) Minimum Corporate Income Tax on Resident Foreign Corporations.**

24           — A minimum corporate income tax of two percent (2%) of gross income,  
25 as prescribed under Section 27([E]F) of this Code, shall be imposed, under  
26 the same conditions, on a resident foreign corporation taxable under  
27 paragraph (1) of this Subsection.  
28

29           **(3) International Carrier.** – x x x  
30

31           [(4) *Offshore Banking Units.* –The provisions of any law to the contrary  
32 notwithstanding, income derived by offshore banking units authorized by  
33 the Bangko Sentral ng Pilipinas (BSP), from foreign currency transactions  
34 with nonresidents, other offshore banking units, local commercial banks,  
35 including branches of foreign banks that may be authorized by the Bangko  
36 Sentral ng Pilipinas (BSP) to transact business with offshore banking units  
37 shall be exempt from all taxes except net income from such transactions  
38 as may be specified by the Secretary of Finance, upon recommendation of  
39 the Monetary Board which shall be subject to the regular income tax  
40 payable by banks: *Provided, however,* That any interest income derived  
41 from foreign currency loans granted to residents other than offshore  
42 banking units or local commercial banks, including local branches of  
43 foreign banks that may be authorized by the BSP to transact business with  
44

45

1 offshore banking units, shall be subject only to a final tax at the rate of  
2 ten percent (10%).]

3  
4 [Any income of nonresidents, whether individuals or corporations, from  
5 transactions with said offshore banking units shall be exempt from income  
6 tax.]

7  
8 **[(5)] (4)Tax on Branch Profits Remittances.** – Any profit remitted by a  
9 branch to its head office shall be subject to a tax of fifteen percent (15%)  
10 which shall be based on the total profits applied or earmarked for  
11 remittance without any deduction for the tax component thereof. [(except  
12 those activities which are registered with the Philippine Economic Zone  
13 Authority)]. The tax shall be collected and paid in the same manner as  
14 provided in Sections 57 and 58 of this Code: *Provided*, That interests,  
15 dividends, rents, royalties, including remuneration for technical services,  
16 salaries, wages, premiums, annuities, emoluments or other fixed or  
17 determinable annual, periodic or casual gains, profits, income and capital  
18 gains received by a foreign corporation during each taxable year from all  
19 sources within the Philippines shall not be treated as branch profits unless  
20 the same are effectively connected with the conduct of its trade or business  
21 in the Philippines.

22  
23 **[(6)](5)Regional or Area Headquarters and Regional Operating**  
24 **Headquarters of Multinational Companies.** – x x x

25  
26 **[(7) Tax on Certain Incomes Received by a Resident Foreign Corporation. –]**

27  
28 **[(a) Interest from Deposits and Yield or any other Monetary Benefit from**  
29 **Deposit Substitutes, Trust Funds and Similar Arrangements and Royalties**  
30 **- Interest from any currency bank deposit and yield or any other monetary**  
31 **benefit from deposit substitutes and from trust funds and similar**  
32 **arrangements and royalties derived from sources within the Philippines**  
33 **shall be subject to a final income tax at the rate of twenty percent (20%) of**  
34 **such interest.: *Provided, however,* That interest income derived by a**  
35 **resident foreign corporation from a depository bank under the expanded**  
36 **foreign currency deposit system shall be subject to a final income tax at**  
37 **the rate of seven and one-half percent (7 1/2%) of such interest income.]**

38  
39 **[(b) Income Derived under the Expanded Foreign Currency Deposit System -**  
40 **Income derived by a depository bank under the expanded foreign currency**  
41 **deposit system from foreign currency transactions with nonresidents,**  
42 **offshore banking units in the Philippines, local commercial banks**  
43 **including branches of foreign banks that may be authorized by the Bangko**  
44 **Sentral ng Pilipinas (BSP) to transact business with foreign currency**  
45 **deposit system units and other depository banks under the expanded**

1 foreign currency deposit system shall be exempt from all taxes, except net  
2 income from such transactions as may be specified by the Secretary of  
3 Finance, upon recommendation by the Monetary Board to be subject to  
4 the regular income tax payable by banks: Provided, however That interest  
5 income from foreign currency loans granted by such depository banks  
6 under the said expanded system to residents other than offshore banking  
7 units in the Philippines or other depository banks under the expanded  
8 system shall be subject to a final tax at the rate of ten percent (10%)】  
9

10 [Any income of nonresidents, whether individuals or corporations, from  
11 transactions with depository banks under the expanded system shall be  
12 exempt from income tax.]  
13

14 [(c) *Capital Gains from Sale of Shares of Stock Not Traded in the Stock*  
15 *Exchange.* - A final tax at the rates prescribed below is hereby imposed  
16 upon the net capital gains realized during the taxable year from the sale,  
17 barter, exchange or other disposition of shares of stock in a domestic  
18 corporation except shares sold or disposed of through the stock  
19 exchange.:.]  
20

21 [Not over P100,000..... 5%]  
22 [On any amount in excess of P100,000.....10%]  
23

24 [(d) *Intercorporate Dividends.* - Dividends received by a resident foreign  
25 corporation from a domestic corporation liable to tax under this Code shall  
26 not be subject to tax under this Title.]  
27

28 **(B) Tax on Nonresident Foreign Corporation. -**  
29

30 **(1) In General.** - Except as otherwise provided in this Code, a foreign  
31 corporation not engaged in trade or business in the Philippines shall pay  
32 a tax equal to thirty five percent (35%) of the gross income received during  
33 each taxable year from all sources within the Philippines, such as  
34 [interests, dividends,] rents, royalties, salaries, premiums (except  
35 reinsurance premiums), annuities, emoluments or other fixed or  
36 determinable annual, periodic or casual gains, profits and income, and  
37 capital gains, except capital gains subject to tax under subparagraph  
38 5[(c)]: *Provided*, That effective January 1, 2009, the rate of income tax shall  
39 be thirty percent (30%).  
40

41 xxx xxx xxx

1  
2       **(5) Tax on Certain Incomes Received by a Nonresident Foreign**  
3       **Corporation. -**

5       **[(a) Interest on Foreign Loans.**—A final withholding tax at the rate of  
6       twenty percent (20%) is hereby imposed on the amount of interest on  
7       foreign loans contracted on or after August 1, 1986;]

9       **[(b) Intercorporate Dividends.**—A final withholding tax at the rate of  
10      fifteen percent (15%) is hereby imposed on the amount of cash and/or  
11      property dividends received from a domestic corporation, which shall be  
12      collected and paid as provided in Section 57(A) of this Code, subject to the  
13      condition that the country in which the nonresident foreign corporation is  
14      domiciled, shall allow a credit against the tax due from the nonresident  
15      foreign corporation taxes deemed to have been paid in the Philippines  
16      equivalent to twenty percent (20%), which represents the difference  
17      between the regular income tax of thirty-five percent (35%) and the fifteen  
18      percent (15%) tax on dividends as provided in this subparagraph;  
19      Provided, That effective January 1, 2009, the credit against the tax due  
20      shall be equivalent to fifteen percent (15%), which represents the difference  
21      between the regular income tax of thirty percent (30%) and the fifteen  
22      percent (15%) tax on dividends;]

24       **[(c) Capital Gains from Sale of Shares of Stock not Traded in the**  
25      **Stock Exchange.**—A final tax at the rates prescribed below is hereby  
26      imposed upon the net capital gains realized during the taxable year from  
27      the sale, barter, exchange or other disposition of shares of stock in a  
28      domestic corporation, except shares sold, or disposed of through the stock  
29      exchange:]

30       [Not over P100,000..... 5%]

33       [On any amount in excess of P100,000..... 10%]

35       **INTERESTS AND CAPITAL GAINS FROM SALE, TRANSFER, BARTER,**  
36      **OR DISPOSITION OF SHARES OF STOCK, DEBT INSTRUMENTS,**  
37      **DEPOSIT SUBSTITUTES, AND OTHER SECURITIES SHALL BE**  
38      **SUBJECT TO TAX UNDER SECTION 27(D)(1), (3), (4), (5) AND (6) OF**  
39      **THIS CODE, OR TO THE PROVISIONS OF THE APPLICABLE TAX**  
40      **TREATY, PROVIDED THAT ANY INCOME OF NONRESIDENTS,**  
41      **WHETHER INDIVIDUALS OR CORPORATIONS, FROM TRANSACTIONS**  
42      **WITH DEPOSITORY BANKS UNDER THE EXPANDED SYSTEM AND**  
43      **OFFSHORE BANKING UNITS SHALL BE EXEMPT FROM INCOME TAX.**

45       **CASH AND/OR PROPERTY DIVIDENDS RECEIVED FROM A**  
46      **DOMESTIC CORPORATION SHALL BE SUBJECT TO A FINAL TAX OF**

1           **FIFTEEN PERCENT (15%) OR TO THE PROVISIONS OF THE**  
2           **APPLICABLE TAX TREATY.**

4           **SEC. 8.** Section 29(A), (B) AND (C) of the National Internal Revenue Code of 1997,  
5           as amended, is hereby amended to read as follows:

7           **SEC. 29. Imposition of Improperly Accumulated Earnings Tax. –**

9           **(A) In General** – In addition to other taxes imposed by this Title, there is  
10          hereby imposed for each taxable year on the improperly accumulated  
11          taxable income of each corporation described in Subsection B hereof, an  
12          improperly accumulated earnings tax equal to [ten]**FIFTEEN** percent  
13          [(10)][(15%)] of the improperly accumulated taxable income.

15          **(B) Tax on Corporations Subject to Improperly Accumulated Earnings**  
16          **Tax. –**

18          **(1) In General.** – The improperly accumulated earnings tax imposed in the  
19          preceding Section shall apply to every corporation formed or availed for  
20          the purpose of avoiding the income tax with respect to its shareholders or  
21          the shareholders of any other corporation, by permitting earnings and  
22          profits to accumulate instead of being divided or distributed.

24          **(2) Exceptions.** – The improperly accumulated earnings tax as provided for  
25          under this Section shall not apply to:

27          (a) Publicly-held corporations;

29          (b) Banks, [and other] nonbank financial intermediaries, **AND OTHER**  
30          **FINANCIAL INSTITUTIONS AS MAY BE DETERMINED BY THE**  
31          **APPROPRIATE GOVERNMENT REGULATORY AGENCIES;** and

33          (c) Insurance companies **SUCH AS LIFE AND NON-LIFE,**  
34          **REINSURANCE COMPANIES, PRE-NEED COMPANIES, PENSION**  
35          **FUNDS, AND OTHER ENTITIES DOING BUSINESS SIMILAR TO OR**  
36          **AKIN TO INSURANCE.**

38          **(C) Evidence of Purpose to Avoid Income Tax. –**

40          **[(1) Prima Facie Evidence.]** – The fact that any corporation is a mere  
41          holding company or investment company shall be *prima facie* evidence of  
42          a purpose to avoid the tax upon its shareholders or members.]

44          **[(2) Evidence Determinative of Purpose.]** – The fact that the earnings or  
45          profits of a corporation are permitted to accumulate beyond the reasonable  
46          needs of the business shall be determinative of the purpose to avoid the

1 tax upon its shareholders or members unless the corporation, by the clear  
2 preponderance of evidence, shall prove to the contrary.]  
3

4 **THE FACT THAT THE EARNINGS OR PROFITS OF A CORPORATION**  
5 **ARE PERMITTED TO ACCUMULATE BEYOND THE REASONABLE**  
6 **NEEDS OF THE BUSINESS SHALL BE DETERMINATIVE OF THE**  
7 **PURPOSE TO AVOID THE TAX UPON ITS SHAREHOLDERS OR**  
8 **MEMBERS UNLESS THE CORPORATION, BY THE CLEAR**  
9 **PREPONDERANCE OF EVIDENCE, SHALL PROVE TO THE CONTRARY.**

10 XXX XXX XXX  
11

12 **SEC. 9.** Section 30 of the National Internal Revenue Code of 1997, as amended,  
13 is hereby amended to read as follows:  
14

15 **SEC. 30. Exemption from tax on Corporations.** - The following  
16 organizations shall not be taxed under this Title in respect to income  
17 received by them as such:

18 (A) Labor, agricultural or horticultural organization not organized  
19 principally for profit;  
20

21 [(B) Mutual savings bank not having a capital stock represented by shares,  
22 and cooperative bank without capital stock organized and operated for  
23 mutual purposes and without profit;]  
24

25 [(C)](B) A beneficiary society, order or association, operating for the  
26 exclusive benefit of the members such as a fraternal organization  
27 operating under the lodge system, or a mutual aid association or a  
28 nonstock corporation organized by employees providing for the payment  
29 of life, sickness, accident, or other benefits exclusively to the members of  
30 such society, order, or association, or nonstock corporation or their  
31 dependents;  
32

33 [(D)](C) Cemetery company owned and operated exclusively for the benefit  
34 of its members;  
35

36 [(E)](D) Nonstock corporation or association organized and operated  
37 exclusively for religious, charitable, scientific, athletic, or cultural  
38 purposes, or for the rehabilitation of veterans, no part of its net income or  
39

1 asset shall belong to or inure to the benefit of any member, organizer,  
2 officer or any specific person;

3  
4 **[(F)](E)** Business league, chamber of commerce, or board of trade, not  
5 organized for profit and no part of the net income of which inures to the  
6 benefit of any private stockholder or individual;

7  
8 **[(G)](F)** Civic league or organization not organized for profit but operated  
9 exclusively for the promotion of social welfare;

10  
11 **[(H)](G)** A nonstock and nonprofit educational institution;

12  
13 **[(I)](H)** Government educational institution;

14  
15 **[(J)](I)** Farmers' or other mutual typhoon or fire insurance company,  
16 mutual ditch or irrigation company, mutual or cooperative telephone  
17 company, or like organization of a purely local character, the income of  
18 which consists solely of assessments, dues, and fees collected from  
19 members for the sole purpose of meeting its expenses; and

20  
21 **[(K)](J)** Farmers', fruit growers', or like association organized and operated  
22 as a sales agent for the purpose of marketing the products of its members  
23 and turning back to them the proceeds of sales, less the necessary selling  
24 expenses on the basis of the quantity of produce finished by them;

25  
26 Notwithstanding the provisions in the preceding paragraphs, the income  
27 of whatever kind and character of the foregoing organizations from any of  
28 their properties, real or personal, or from any of their activities conducted  
29 for profit regardless of the disposition made of such income, shall be  
30 subject to tax imposed under this Code.

31  
32 **SEC. 10.** Section 32(B)(7)(g) and (h) of the National Internal Revenue Code of  
33 1997, as amended, is hereby amended to read as follows:

34  
35 **SEC. 32. Gross Income. -xxx**

36  
37 **(B) Exclusions from Gross Income.-** The following items shall not be  
38 included in gross income and shall be exempt from taxation under this  
39 Title:

40  
41     xxx    xxx    xxx

42  
43 **(7) Miscellaneous Items. -**

44  
45     xxx    xxx    xxx

1  
2     **(g) Gains from the Sale of Bonds, Debentures or other Certificate of**  
3     **Indebtedness.** – Gains realized from the same or exchange or retirement  
4     of bonds, debentures or other certificate of indebtedness with a maturity  
5     of more than five (5) years.]

6  
7     **(G) INTEREST INCOME FROM, AND GAINS FROM THE SALE,**  
8     **TRANSFER, OR DISPOSITION OF, PROJECT SPECIFIC BONDS THAT**  
9     **ARE ISSUED BY THE REPUBLIC OF THE PHILIPPINES OR ANY OF ITS**  
10     **INSTRUMENTALITIES TO FINANCE CAPITAL EXPENDITURES OR**  
11     **PROGRAMS COVERED BY THE PHILIPPINE DEVELOPMENT PLAN OR**  
12     **ITS EQUIVALENT AND OTHER GOVERNMENT PROGRAMS**  
13     **CONSIDERED TO BE OF HIGH-LEVEL PRIORITY OF THE**  
14     **COUNTRY: PROVIDED, THAT, THE EXEMPTION SHALL BE UPON THE**  
15     **APPROVAL BY THE SECRETARY OF FINANCE.**

16  
17     **(h) Gains from Redemption of Shares OR UNITS OF PARTICIPATION**  
18     **in [Mutual Fund] COLLECTIVE INVESTMENT SCHEMES**– Gains realized  
19     by the investor upon redemption, of shares of stock [in a mutual fund]**OR**  
20     **UNITS OF PARTICIPATION IN A COLLECTIVE INVESTMENT SCHEME**  
21     as defined[in] **UNDER** Section 22**[BB] (II)** of this Code.

22        XXX    XXX    XXX

23  
24     **SEC. 11.** Section 34(A), (B), (C) and (E) of the National Internal Revenue Code of  
25     1997, as amended, is hereby further amended to read as follows:

26  
27     **SEC. 34. Deductions from Gross Income.** – Except for taxpayers earning  
28     compensation income arising from personal services rendered under an  
29     employer-employee relationship where no deductions shall be allowed  
30     under this Section, in computing taxable income subject to income tax  
31     under Sections 24(A); 25(A); 26; 27(A), (B) and (C); and 28(A)(1), there shall  
32     be allowed the following deductions from gross income:

33  
34        **(A) Expenses.** –

35  
36        **(1) Ordinary and Necessary Trade, Business or Professional**  
37        **Expenses.** –

38  
39        **(a) In General.** – There shall be allowed as deduction from gross  
40        income all the ordinary and necessary expenses paid or incurred  
41        during the taxable year in carrying on or which are directly  
42        attributable to, the development, management, operation and/or  
43        conduct of the trade, business or exercise of a profession, including:

44        XXX    XXX    XXX

1  
2       **(b) Substantiation Requirements.** – No deduction from gross  
3 income shall be allowed under Subsection (A) hereof unless the  
4 taxpayer shall substantiate with sufficient evidence, such as official  
5 receipts or other adequate records: (i) the amount of the expense  
6 being deducted, and (ii) the direct connection or relation of the  
7 expense being deducted to the development, management, operation  
8 and/or conduct of the trade, business or profession of the taxpayer.  
9

10       **(c) Bribes, Kickbacks and Other Similar Payments.**– No  
11 deduction from gross income shall be allowed under Subsection (A)  
12 hereof for any payment made, directly or indirectly, to an official or  
13 employee of the national government, or to an official or employee of  
14 any local government unit, or to an official or employee of a  
15 government-owned or -controlled corporation, or to an official or  
16 employee or representative of a foreign government, or to a private  
17 corporation, general professional partnership, or a similar entity, if  
18 the payment constitutes a bribe or kickback.  
19

20       **(D) EXPENSES RELATED TO OR IN CONNECTION WITH INCOME  
21 NOT SUBJECT TO REGULAR TAX UNDER SECTIONS 24(A),  
22 25(A), 27(A) AND (B), AND 28(A) SHALL NOT BE ALLOWED AS  
23 DEDUCTIONS UNDER SUBSECTION (A) HEREOF. EXPENSES  
24 THAT CANNOT BE SPECIFICALLY IDENTIFIED OR ARE  
25 COMMON SHALL BE ALLOCATED BASED ON A REASONABLE  
26 METHOD OF MEASUREMENT AS PROVIDED IN A REGULATION  
27 ISSUED BY THE SECRETARY OF FINANCE:PROVIDED, THAT  
28 INTEREST EXPENSES SUBJECTED TO THE LIMITATION UNDER  
29 SECTION 34(B)(1) SHALL BE EXCLUDED FROM THIS SECTION.**  
30

31       XXX    XXX    XXX  
32

33       **(B) Interest.**–  
34

35       **(1) In General.**– The amount of interest paid or incurred within a  
36 taxable year on indebtedness in connection with the taxpayer's profession,  
37 trade or business shall be allowed as deduction from gross income:  
38 *Provided, however,* That the taxpayer's otherwise allowable deduction for  
39 interest expense shall be reduced by forty-two percent (42%) of the interest  
40 income subjected to final tax: *Provided,* That effective January 1, 2009, the  
41 percentage shall be thirty-three percent (33%):**PROVIDED FURTHER,**  
42 **THAT EFFECTIVE JANUARY 1, 2020, THE PERCENTAGE SHALL BE**  
43 **FIFTY PERCENT (50%).**  
44

1 ANY DIVIDEND DISGUISED AS INTEREST AND CLAIMED AS A  
2 DEDUCTION UNDER THIS SUBSECTION SHALL NOT BE ALLOWED AS  
3 A DEDUCTIBLE INTEREST EXPENSE.

4

5 **(2) Exceptions.** – No deduction shall be allowed in respect of interest  
6 under the succeeding subparagraphs:

7

8 (a) If within the taxable year an individual taxpayer reporting income on  
9 the cash basis incurs an indebtedness on which an interest is paid in  
10 advance through discount or otherwise: *Provided*, That such interest shall  
11 be allowed as a deduction in the year the indebtedness is paid: *Provided,*  
12 *further*, That if the indebtedness is payable in periodic amortizations, the  
13 amount of interest which corresponds to the amount of the principal  
14 amortized or paid during the year shall be allowed as deduction in such  
15 taxable year;

16

17 (b) If both the taxpayer and the person to whom the payment has been  
18 made or is to be made are persons specified under Section 36(B); or

19

20 [(c) If the indebtedness is incurred to finance petroleum exploration.]

21

22 **(3) [Optional] Treatment of Interest Expense RELATED TO**  
23 **ACQUISITION OF ASSET.** – [At the option of the  
24 taxpayer,] **i**nterest **EXPENSE** incurred to acquire property used in trade,  
25 business or exercise of a profession **THAT WILL BENEFIT THE BUSINESS**  
26 **LONGER THAN ONE YEAR SHALL**[may] **BE CAPITALIZED AND**  
27 **THEREAFTER AMORTIZED OR DEPRECIATED AS PART OF THE**  
28 **COST OF THE ASSET.**

29

30 XXX XXX XXX

31

32 **(E) Bad Debts.** –

33

34 **(1) In General.** –XXX

35

36 **(2) Securities Becoming Worthless.** – If securities, as defined in Section  
37 22(T), are ascertained to be worthless and charged off within the taxable  
38 year and are capital assets, the loss resulting therefrom shall, [in the case  
39 of a taxpayer other than a bankor trust company incorporated under the  
40 laws of the Philippines a substantial part of whose business is the receipt  
41 of deposits, for the purpose of this Title,]be considered as a loss from the  
42 sale or exchange **OF CAPITAL ASSETS**, on the last day of such taxable  
43 year[, of capital assets].**SECURITIES HELD BY A DEALER IN**  
44 **SECURITIES OR AN ENTITY LICENSED BY THE APPROPRIATE**  
45 **GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN**  
46 **SECURITIES INCLUDING BANKS, AND OTHER FINANCIAL**

1           **INTERMEDIARIES, SHALL BE CONSIDERED ORDINARY ASSETS, AND**  
2           **SECURITIES HELD THAT ARE ASCERTAINED TO BE WORTHLESS**  
3           **SHALL BE CONSIDERED ORDINARY LOSSES THAT ARE ALLOWED AS**  
4           **DEDUCTION FROM TAXABLE INCOME.**

5  
6           XXX    XXX    XXX  
7

8           **SEC. 12.** Section 37(B) of the National Internal Revenue Code of 1997, as  
9           amended, is hereby amended to read as follows:

10           **SEC. 37. Special Provisions Regarding Income and Deductions of**  
11           **Insurance Companies, Whether Domestic or Foreign. -**

12           **(A) Special Deductions Allowed to Insurance Companies, PRE-NEED**  
13           **COMPANIES, AND PENSION FUNDS.** -In the case of insurance  
14           companies, **PRE-NEED COMPANIES, AND PENSION FUNDS**, whether  
15           domestic or foreign, doing business in the Philippines, the net additions,  
16           if any, required by law to be made within the year to reserve funds and the  
17           sums other than dividends paid within the year on policy and annuity  
18           contracts may be deducted from their gross income: Provided, however,  
19           That the released reserve be treated as income for the year of release.

20           **(B) Mutual Insurance Companies.** - In the case of  
21           **MUTUALLIFE**, mutual fire and mutual employers' liability and mutual  
22           workmen's compensation and mutual casualty insurance companies  
23           requiring their members to make premium deposits to provide for losses  
24           and expenses, said companies shall not **INCLUDE**[return] as income any  
25           portion of the premium deposits returned to their policyholders, but shall  
26           **INCLUDE**[return] as taxable income all income received by them from all  
27           other sources plus such portion of the premium deposits as are retained  
28           by the companies for purposes other than the payment of losses and  
29           expenses and reinsurance reserves.

30  
31           XXX    XXX    XXX  
32

33           **SEC. 13.** Section 38 (A) of the National Internal Revenue Code of 1997, as  
34           amended, is hereby amended to read as follows:

35           **SEC. 38. Losses from Wash Sales of Stock or Securities. -**

36           (A) In the case of any loss claimed to have been sustained from any sale or  
37           other disposition of shares of stock or securities where it appears that  
38           within a period beginning thirty (30) days before the date of such sale or  
39           disposition and ending thirty (30) days after such date, the taxpayer has  
40           acquired (by purchase or by exchange upon which the entire amount of  
41           gain or loss was recognized by law), or has entered into a contract or option

1 so **AS** to acquire, substantially identical stock or securities, then no  
2 deduction for the loss shall be allowed under Section 34 unless the claim  
3 is made by a dealer in stock or securities, **OR BY ANY ENTITY'S OR A**  
4 **FINANCIAL INTERMEDIARY DULY LICENSED BY THE APPROPRIATE**  
5 **GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN**  
6 **SECURITIES EITHER FOR THE ENTITIES OWN ACCOUNT OR FOR**  
7 **THE ACCOUNT OF OTHERS** and with respect to a transaction made in  
8 the ordinary course of the business of such dealer.

9       xxx   xxx   xxx

10      **SEC. 14.** Section 39 of the National Internal Revenue Code of 1997, as amended,  
11 is hereby amended to read as follows:

12      **SEC. 39. Capital Gains and Losses. -**

13      **(A) Definitions.** - As used in this Title -

14       xxx   xxx   xxx

15      **((B) Percentage Taken Into Account.** - In the case of a taxpayer, other  
16 than a corporation, only the following percentages of the gain or loss  
17 recognized upon the sale or exchange of a capital asset shall be taken into  
18 account in computing net capital gain, net capital loss, and net income:]

19      [(1) One hundred percent (100%) if the capital asset has been held for not  
20 more than twelve (12) months; and]

21      [(2) Fifty percent (50%) if the capital asset has been held for more than  
22 twelve (12) months;]

23      **((C)) (B) Limitation on Capital Losses.** - Losses from sales or exchanges  
24 of capital assets shall be allowed only to the extent of the gains from such  
25 sales or exchanges. If a [bank, or a trust company]**DEALER IN**  
26 **SECURITIES OR OTHER ENTITIES OR FINANCIAL INTERMEDIARIES**  
27 **DULY LICENSED BY THE APPROPRIATE GOVERNMENT**  
28 **REGULATORY AGENCIES TO TRADE IN SECURITIES**, sells any bond,  
29 debenture, note, or certificate or other evidence of indebtedness issued by  
30 any corporation (including one issued by a government or political  
31 subdivision thereof), with interest coupons or in registered form, any loss  
32 resulting from such sale shall not be subject to the foregoing limitation  
33 and shall not be included in determining the applicability of such  
34 limitation to other losses.

35      **((D) Net Capital Loss Carry-over.** - If any taxpayer, other than a  
36 corporation, sustains in any taxable year a net capital loss, such loss (in

1 an amount not in excess of the net income for such year) shall be treated  
2 in the succeeding taxable year as a loss from the sale or exchange of a  
3 capital asset held for not more than twelve (12) months.]

4

5 **[(E)](C) Retirement of Bonds, etc.** – x x x

6

7 **[(F) Gains or Losses from Short Sales, Etc.** – For purposes of this Title

8

9

10 (1) Gains or losses from short sales of property shall be considered as gains  
11 or losses from sales or exchanges of capital assets; and

12

13 (2) Gains or losses attributable to the failure to exercise privileges or  
14 options to buy or sell property shall be considered as capital gains or  
15 losses.]

16

17 **SEC. 15.** Section 42(A)(1), (2) and (B)(2) of the National Internal Revenue Code  
18 of 1997, as amended, is hereby amended to read as follows:

19

20 **SEC. 42. Income from Sources Within the Philippines.** –

21

22 **(A) Gross Income From Sources Within the Philippines.** – The following  
23 items of gross income shall be treated as gross income from sources within  
24 the Philippines:

25

26 **(1) Interests.** - Interests **AND YIELD**[derived from sources within the  
27 Philippines, and interests]FROM DEBT INSTRUMENTS, BANK  
28 DEPOSITS, DEPOSIT SUBSTITUTES, TRUST FUNDS, AND SIMILAR  
29 ARRANGEMENTS SUCH AS bonds, notes or other interest-bearing  
30 obligations of residents, corporate or otherwise, **INCLUDING DEBT**  
31 **INSTRUMENTS OR DEBT SECURITIES ISSUED BY THE GOVERNMENT**  
32 **OR ANY OF ITS AGENCIES OR INSTRUMENTALITIES;**

33

34 **(2) Dividends.**– The amount received as dividends:

35

36 (a) From a domestic corporation; and

37

38 (b) From a foreign corporation [ unless less ]**WITH AT LEAST** [than] fifty  
39 percent (50%) of the gross income of such foreign corporation for the three-  
40 year period ending with the close of its taxable year preceding the  
41 declaration of such dividends (or for such part of such period as the  
42 corporation has been in existence) was derived from sources within the  
43 Philippines as determined under the provisions of this Section; but only in  
44 an amount which bears the same ratio to such dividends as the gross

1 income of the corporation for such period derived from sources within the  
2 Philippines bears [to]ON its gross income from all sources;  
3

4 XXX XXX XXX  
5

6 **(B) Taxable Income From Sources Within the Philippines. -**

7 **(1) General Rule. -**

8 XXX XXX XXX  
9

10 **(2) Exception.** - No deductions for interest paid or incurred abroad shall  
11 be allowed from the item of gross income specified in Subsection (A) unless  
12 indebtedness was actually incurred to provide funds for use in connection  
13 with the conduct or operation of trade or business in the Philippines **OR**  
14 **ON A TRADE OR BUSINESS OUTSIDE THE PHILIPPINES PROVIDED**  
15 **THAT INCOME GENERATED OR RECEIVED FROM THE USE OF SUCH**  
16 **FUNDSIN CONNECTION WITH THE CONDUCT OR OPERATION OF**  
17 **TRADE OR BUSINESS IN THE PHILIPPINESIS A TAXABLE INCOME IN**  
18 **THE PHILIPPINES.**

19 **SEC. 16.** Section 51(C)(2) of the National Internal Revenue Code of 1997, as  
20 amended, is hereby amended to read as follows:

21 **SEC. 51. Individual Return. -**

22 **(A) Requirements. -** XXX XXX XXX  
23

24 XXX XXX XXX  
25

26 **(C) When to File. -**

27 XXX XXX XXX  
28

29 (2) Individuals subject to tax on capital gains:  
30

31 (a) From the sale or exchange of shares of stock **OR DEBT INSTRUMENTS**  
32 **AND OTHER SECURITIES** not traded [thru]**THROUGH** a local [stock]  
33 exchange **OR AN ORGANIZED MARKETPLACE**as prescribed under  
34 SectionS 24[(C)](B) (3) and [(4)][(5),**AND** 25(A)**AND** (B), [shall file] a  
35 return**SHALL BE FILED** within thirty (30) days after each transaction.  
36 [and a final consolidated return on or before April 15 of each year covering  
37 all stock transactions of the preceding taxable year; and]

38 **(B) FROM THE SALE, EXCHANGE, OR BARTER OF SHARES OF STOCK**  
39 **OR DEBT INSTRUMENTS AND OTHER SECURITIES TRADED**

1           **THROUGH A LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE**  
2           **AS PRESCRIBED UNDER SECTIONS 24(B)(4) AND (6), AND 25(A) AND**  
3           **(B), THE TAX SHALL BE COLLECTED BY THE BROKER WHO**  
4           **EFFECTED THE SALE, AND SHALL BE REMITTED TO THE BUREAU**  
5           **OF INTERNAL REVENUE WITHIN FIVE (5) BANKING DAYS FROM THE**  
6           **DATE OF COLLECTION THEREOF.** THE BROKER SHALL  
7           **LIKewiseSUBMIT ON MONDAYS OF EACH WEEK TO THE**  
8           **SECRETARY OF THE LOCALEXCHANGE OR ORGANIZED**  
9           **MARKETPLACE OF WHICH THE BROKER IS A MEMBER, A TRUE AND**  
10          **COMPLETE RETURN WHICH SHALL CONTAIN A DECLARATION OF**  
11          **ALL THE TRANSACTIONS EFFECTED DURING THE PRECEDING**  
12          **WEEK, AND OF ALL TAXES COLLECTED AND TURNED OVER TO THE**  
13          **BUREAU OF INTERNAL REVENUE.**

14  
15          [(b)] **(C)** From the sale or disposition of real property under Section  
16          24[(D)][**(B)** **(7)**] shall file a return within thirty (30) days following each sale  
17          or other disposition.

18  
19          **SEC. 17.** Section 52(A) and (D) of the National Internal Revenue Code of 1997,  
20          as amended, is hereby amended to read as follows:

21  
22          **SEC. 52. Corporation Returns. –**

23  
24          **(A) Requirements.** – Every corporation **AS DEFINED UNDER SECTION**  
25          **22(B) OF THIS CODE, AND** subject to the tax herein imposed, except  
26          foreign corporations not engaged in trade or business in the Philippines,  
27          shall render, in duplicate, a true and accurate quarterly income tax return  
28          and final or adjustment return in accordance with the provisions of  
29          Chapter XII of this Title. The income tax return shall consist of a maximum  
30          of four (4) pages in paper form or electronic form, be filed by the president,  
31          vice-president or other principal officer, shall be sworn to by such officer  
32          and by the treasurer or assistant treasurer, and shall only contain the  
33          following information:

- 34  
35          (1) Corporate profile and information;  
36          (2) Gross sales, receipts or income from services rendered, or conduct  
37          of trade or business, except income subject to final tax as provided under  
38          this Code;  
39          (3) Allowable deductions under this Code;  
40          (4) Taxable income as defined in Section 31 of this Code; and  
41          (5) Income tax due and payable.

42  
43          *Provided,* That the foregoing provisions shall not affect the implementation  
44          of Republic Act No. 10708 or TIMTA.

1            XXX    XXX    XXX  
2

3            **(D) Return on Capital Gains Realized from Sale of Shares of Stock,**  
4            **DEBT INSTRUMENT, AND OTHER SECURITIES not Traded in the**  
5            **Local [Stock] Exchange OR AN ORGANIZED MARKETPLACE.** - Every  
6            corporation deriving capital gains from the sale or exchange of shares of  
7            stock, **DEBT INSTRUMENTS AND OTHER SECURITIES** not traded thru  
8            a local [stock] exchange **OR AN ORGANIZED MARKETPLACE** as  
9            prescribed under **SECTIONS 27(D)(3), AND (5), AND 28**[Sections 24(C),  
10           25(A)(3), 27(E)(2), 28(A)(8)(c) and 28(B)(5)(c).] shall file a return within  
11           thirty (30) days after each transaction.[and a final consolidated return of  
12           all transactions during the taxable year on or before the fifteenth (15<sup>th</sup>) day  
13           of the fourth (4<sup>th</sup>) month following the close of the taxable quarter.]

14  
15            **(E) RETURN ON CAPITAL GAINS REALIZED FROM SALE OF SHARES**  
16            **OF STOCK, DEBT INSTRUMENTS, AND OTHER SECURITIES**  
17            **TRADED IN THE LOCAL EXCHANGE OR AN ORGANIZED**  
18            **MARKETPLACE.** -IT SHALL BE THE DUTY OF EVERY BROKER WHO  
19            EFFECTED THE SALE, SUBJECT TO THE TAX IMPOSED UNDER  
20            SECTION 27(D)(4) AND (6), AND 28, TO COLLECT THE TAX DUE AND  
21            REMIT THE SAME TO THE BUREAU OF INTERNAL REVENUE WITHIN  
22            FIVE (5) BANKING DAYS FROM THE DATE OF COLLECTION  
23            THEREOF, AND TO SUBMIT ON MONDAYS OF EACH WEEK TO THE  
24            SECRETARY OF THE LOCALEXCHANGE OR ORGANIZED  
25            MARKETPLACE, OF WHICH THE BORROWER IS A MEMBER, A TRUE  
26            AND COMPLETE RETURN WHICH SHALL CONTAIN A DECLARATION  
27            OF ALL THE TRANSACTIONS EFFECTED DURING THE PRECEDING  
28            WEEK, AND TAXES COLLECTED AND TURNED OVER TO THE BUREAU  
29            OF INTERNAL REVENUE.

30  
31            **SEC. 18.** Section 54 of the National Internal Revenue Code of 1997, as amended,  
32            is hereby amended to read as follows:

33  
34            **SEC. 54. Returns of Receivers, Trustees, [in Bankruptcy] or**  
35            **Assignees.** -[In cases wherein r]Receivers, **ADMINISTRATORS**, trustees  
36            in **AN IRREVOCABLE TRUST OR** bankruptcy, or **ANY OTHER PERSON**  
37            **ASSIGNED OR**[assignees are]**IN-CHARGE OF** operating the property or  
38            business of [a ]**ANOTHER PERSON OR** corporation subject to the tax  
39            **UNDER THIS CODE**[imposed by this Title, such receivers, trustees or  
40            assignees] shall **BE IMPOSED WITH THE OBLIGATION TO FILE** [make]  
41            **THE** returns **AND PAY THE TAXES FOR SUCH PERSON OR**  
42            **CORPORATION IN THE SAME MANNER REQUIRED UNDER THIS**  
43            **CODE.** [of net income as and for such corporation, in the same manner  
44            and form as such organization is hereinbefore required to make returns,  
45            and] Any tax due on the income as returned by receivers,  
46            **ADMINISTRATORS**, trustees or assignees shall be assessed and collected

1           in the same manner as if assessed directly against the  
2 [organizations]**PERSON, ESTATE OR ORGANIZATION**[of] whose  
3 businesses or properties they have custody or control.

4  
5           **THE TRUSTOR IN A REVOCABLE TRUST, NOT THE TRUSTEE, SHALL**  
6           **BE RESPONSIBLE IN FILING THE RETURNS REQUIRED UNDER THIS**  
7           **CODE AND IN DECLARING THE INCOME RECEIVED FROM THE**  
8           **TRUST IN ACCORDANCE WITH SECTIONS 24, 25, 27 AND 28 OF THIS**  
9           **CODE. INCOME OF THE TRUST SUBJECTED TO FINAL TAX UNDER**  
10          **SECTIONS 24, 25, 27 AND 28 SHALL NO LONGER BE SUBJECT TO**  
11          **TAX UPON DISTRIBUTION OF THE INCOME TO THE TRUSTOR OR**  
12          **BENEFICIARY, NOR SHALL THE TRUSTOR OR BENEFICIARY BE**  
13          **REQUIRED TO DECLARE THE INCOME AS PART OF ITS TAXABLE**  
14          **INCOME.**

15  
16          **ANY INCOME OF A REVOCABLE TRUST NOT SUBJECTED TO FINAL**  
17          **TAX SHALL BE SUBJECT TO CREDITABLE WITHHOLDING TAX UPON**  
18          **DISTRIBUTION OF THE INCOME TO THE TRUSTOR OR THE**  
19          **BENEFICIARY AT A RATE NOT EXCEEDING THE HIGHEST RATE OF**  
20          **TAX IMPOSED ON INDIVIDUALS UNDER SECTION 24 IN THE CASE OF**  
21          **INDIVIDUAL TRUSTORS, OR THE CORPORATE INCOME TAX UNDER**  
22          **SECTION 27 IN THE CASE OF CORPORATE TRUSTORS.**

23  
24          **SEC. 19.** Section 56 of the National Internal Revenue Code of 1997, as amended,  
25 is hereby amended to read as follows:

26  
27          ***SEC. 56. Payment and Assessment of Income Tax for Individuals and***  
28          ***Corporations. -***

29  
30          ***(A) Payment of Tax. -***

31  
32          XXX    XXX    XXX

33  
34          ***(3) Payment of Capital Gains Tax. -***

35  
36          **A. IN GENERAL** - The total amount of tax imposed and prescribed under  
37 Section **S 24[(C)][(B)(3), 24[(D)][(B)(5), 24(B)(7), 25, 27[(E)(2)][(D)(3), 27(D)(5),**  
38 **27(D)(7), 28(A)[(8)(c)] and 28(B)(5)[(c)]** shall be paid on the date the return  
39 prescribed therefor is filed by the person liable thereto: *Provided*, That if  
40 the seller submits proof of his intention to avail himself of the benefit of  
41 exemption of capital gains under existing special laws **OR TAX TREATY**,  
42 no such payments shall be required: *Provided, further*, That in case of  
43 failure to qualify for exemption under such special laws, **TAX TREATY**  
44 and implementing rules and regulations, the tax due on the gains realized  
45 from the original transaction shall immediately become due and payable,  
46 and subject to the penalties prescribed under applicable provisions of this

1           Code: *Provided, finally*, That if the seller, having paid the tax, submits such  
2           proof of intent within six (6) months from the registration of the document  
3           transferring the real property, he shall be entitled to a refund of such tax  
4           upon verification of his compliance with the requirements for such  
5           exemption.

6           x x x

7           **SEC. 20.** Section 57 of the National Internal Revenue Code of 1997, as amended,  
8           is hereby amended to read as follows:

9  
10           **SEC. 57. Withholding of Tax at Source. -**

11  
12           **(A) Withholding of Final Tax on Certain Incomes.** - Subject to rules  
13           and regulations the Secretary of Finance may promulgate, upon the  
14           recommendation of the Commissioner, requiring the filing of income tax  
15           return by certain income payees , the tax imposed or prescribed  
16           [by]UNDER Sections 24(B), 24(C), 25(A), 25(B), 27(D), 27(E), 28(A) AND  
17           28(B)(5)[(2), 25(A)(3) AND 25(B), 25(C), 25(D), 25(E);27(D)(1), 27(D)(2),  
18           27(D)(3), 27(D)(5); 28(A)(4), 28(A)(5), 28(A)(7)(a), 28(A)(7)(b), 28(A)(7)(c),  
19           28(B)(1), 28(B)(2), 28(B)(3), 28(B)(4), 28(B)(5)(a), 28(B)(5)(b), 28(B)(5)(c)]; 33;  
20           and 282 of this Code on specified items of income **SUBJECT TO FINAL**  
21           **TAX** shall be withheld by payor-corporation and/or person and paid in the  
22           same manner and subject to the same conditions as provided in Section  
23           58 of this Code.

24  
25           (B) xxxxxxxx xxx

26  
27           **((C) Tax-free Covenant Bonds.**-In any case where bonds, mortgages, deeds  
28           of trust or other similar obligations of domestic or resident foreign  
29           corporations, contain a contract or provision by which the obligor agrees  
30           to pay any portion of the tax imposed in this Title upon the obligee or to  
31           reimburse the obligee for any portion of the tax or to pay the interest  
32           without deduction for any tax which the obligor may be required or  
33           permitted to pay thereon or to retain therefrom under any law of the  
34           Philippines, or any state or country, the obligor shall deduct and withhold  
35           a tax equal to thirty percent (30%) of the interest or other payments upon  
36           those bonds, mortgages, deeds of trust or other obligations, whether the  
37           interest or other payments are payable annually or at shorter or longer  
38           periods, and whether the bonds, securities or obligations had been or will  
39           be issued or marketed, and the interest or other payment thereon paid,  
40           within or without the Philippines, if the interest or other payment is  
41           payable to a nonresident alien or to a citizen or resident of the Philippines.  
42           ]

43  
44  
45

1   **SEC. 21.** Section 73 (A) of the National Internal Revenue Code of 1997, as  
2   amended, is hereby amended to read as follows:

3

4   **SEC. 73. Distribution of Dividends or Assets by Corporations. -**

5

6   **(A) Definition of Dividends.** – The term ‘**dividends**’ when used in this  
7   Title means any distribution made by a corporation to its shareholders out  
8   of its earnings or profits and payable to its shareholders, whether in money  
9   or in other property.

10

11   Where a corporation distributes all of its assets in complete liquidation or  
12   dissolution, the gain realized or loss sustained by the stockholder, whether  
13   individual or corporate, is a taxable income or a deductible loss, **UNDER**  
14   **SECTIONS 24(A), 25(A), 25(B), 27(A), 28(A) AND 28 (B)**, as the case may  
15   be.

16

17   **(B) Stock Dividend.**–x x x

18

19   **SEC. 22.** Section 108 of the National Internal Revenue Code of 1997, as  
20   amended, is hereby amended to read as follows:

21

22   **SEC. 108. Value-added Tax on Sale of Services and Use or Lease of**  
23   **Properties.**–

24

25   **(A) Rate and Base of Tax.** –xx x

26

27   The phrase ‘sale or exchange of services’ means the performance of all  
28   kinds of services in the Philippines for others for a fee, remuneration or  
29   consideration, including those performed or rendered by construction and  
30   service contractors; stock, real estate, commercial, customs and  
31   immigration brokers; lessors of property, whether personal or real;  
32   warehousing services; lessors or distributors of cinematographic films;  
33   persons engaged in milling, processing, manufacturing or repacking goods  
34   for others; proprietors, operators or keepers of hotels, motels, resthouses,  
35   pension houses, inns, resorts; proprietors or operators of restaurants,  
36   refreshment parlors, cafes and other eating places, including clubs and  
37   caterers; dealers in securities; [lending investors ;] transportation  
38   contractors on their transport of goods or cargoes, including persons who  
39   transport goods or cargoes for hire and other domestic common carriers  
40   by land relative to their transport of goods or cargoes; common carriers by  
41   air and sea relative to their transport of passengers, goods or cargoes from  
42   one place in the Philippines to another place in the Philippines; sales of  
43   electricity by generation companies, transmission, by any entity and  
44   distribution companies, including electric cooperatives; services of  
45   franchise grantees of electric utilities, telephone and telegraph, radio and  
46   television broadcasting and all other franchise grantees except those

1 under Section 119 of this Code and non-life insurance companies (except  
2 their crop insurances), including surety, fidelity, indemnity and bonding  
3 companies ; and similar services regardless of whether or not the  
4 performance thereof calls for the exercise or use of the physical or mental  
5 faculties. The phrase 'sale or exchange of services' shall likewise include:  
6

7       xxx    xxx    xxx  
8

9 **SEC. 23.** Section 121 of the National Internal Revenue Code of 1997, as  
10 amended, is hereby amended to read as follows:

11  
12       **SEC. 121. Tax on Banks and Non-Bank Financial Intermediaries**  
13       **Performing Quasi-Banking Functions.** -There shall be collected a tax  
14 on gross receipts derived from sources within the Philippines by all banks  
15 and non-bank financial intermediaries **PERFORMING QUASI-BANKING**  
16 **FUNCTIONS AT THE RATE OF FIVE PERCENT (5%) ON INCOME SUCH**  
17 **AS INTEREST, COMMISSIONS, AND DISCOUNTS FROM LENDING**  
18 **ACTIVITIES AS WELL AS INCOME FROM FINANCIAL LEASING,**  
19 **ROYALTIES, RENTALS OF PROPERTY, REAL OR PERSONAL,**  
20 **PROFITS FROM SALE OR EXCHANGE INCLUDING GAINS DERIVED**  
21 **FROM SALE OR TRANSFER OF REAL PROPERTIES, NET TRADING**  
22 **GAINS WITHIN THE TAXABLE YEAR OF FOREIGN CURRENCY, DEBT**  
23 **SECURITIES, DERIVATIVES, AND OTHER SIMILAR FINANCIAL**  
24 **INSTRUMENTS, AND ALL OTHER ITEMS TREATED AS GROSS**  
25 **INCOME UNDER SECTION 32 OF THIS CODE, EXCEPT DIVIDENDS**  
26 **AND EQUITY SHARES AND NET INCOME OF SUBSIDIARIES WHICH**

1           **SHALL BE SUBJECT TO ZERO PERCENT(0%)**[in accordance with the  
2           following schedule]:  
3  
4

5           [(a) On interest, commissions and discounts from lending activities as well  
6           as income from financial leasing, on the basis of remaining maturities of  
7           instruments from which such receipts are derived:]  
8  
9

10          [Maturity period is five years or less ..... 5%]  
11  
12

13          [Maturity period is more than five years ..... 1%]  
14  
15

16          [(b) On dividends and equity shares and net income of subsidiaries  
17           ..... 0%]  
18  
19

20          [(c) On royalties, rentals of property, real or personal, profits, from  
21           exchange and all other items treated as gross income under Section 32 of  
22           this Code ..... 7%]  
23  
24

25          [(d) On net trading gains within the taxable year of foreign currency, debt  
26           securities, derivatives, and other similar financial  
27           instruments..... 7%]  
28  
29

30          *[Provided, however, That in case the maturity period referred to in*  
31           paragraph (a) is shortened thru pre-termination, then the maturity period  
32           shall be reckoned to end as of the date of pre-termination for purposes of  
33           classifying the transaction and the correct rate of tax shall be applied  
34           accordingly.]

35          *Provided, That FOR PURPOSES OF COMPUTING THE GROSS*  
36           *RECEIPTS, the generally accepted accounting principles OF RECORDING*  
37           *INCOME AS ADOPTED BY THE BANK SHALL BE*  
38           *FOLLOWED.PROVIDED THAT MERE INCREASE OR DECREASE IN*  
39           *VALUE OF PROPERTY AS A RESULT OF CHANGES IN MARKET*  
40           *VALUES SHALL NOT BE CONSIDERED IN THE COMPUTATION OF*  
41           *GROSS RECEIPTS.:PROVIDED,FURTHER,THAT FOR PURPOSES OF*  
42           *DETERMINING THE GROSS RECEIPTS, NO DEDUCTION SHALL BE*  
43           *MADE ON THE INCOME EXCEPT IN THE CASE OF GAINS FROM*  
44           *DEALINGS IN PROPERTY AND TRADING GAINS, WHERE NET LOSS*  
45           *WITHIN THE SAME BUSINESS ACTIVITY CAN BE OFFSET TO*  
46           *DETERMINE THE NET GAIN SUBJECT TO THIS TAX:PROVIDED,*  
47           *FURTHER, THAT SUCH OFFSETTING SHALL BE ON A*  
48           *QUARTERLYBASIS, AND ANY NET LOSS INCURRED IN A*  
49           *QUARTERCAN BE CARRIED OVER AS DEDUCTION IN THE*  
50           *SUCCEEDING QUARTER/S:PROVIDED FINALLY, THAT NET LOSS*

1           **INCURRED IN A TAXABLE YEAR CANNOT BE CARRIED OVER TO THE**  
2           **SUCCEEDING TAXABLE YEAR.**

4           [as may be prescribed by the Bangko Sentral ng Pilipinas for the bank or  
5           non-bank financial intermediary performing quasi-banking functions shall  
6           likewise be the basis for the calculation of gross receipts.]

8           XXX    XXX    XXX

10          **SEC. 24.** Section 122 of the National Internal Revenue Code of 1997, as  
11          amended, is hereby amended to read as follows:

13          **SEC. 122. Tax on Other Non-Bank Financial Intermediaries.** - There  
14          shall be collected a tax of five percent (5%) on the gross receipts derived by  
15          other non-bank financial intermediaries doing business in the Philippines,  
16          from interest, commissions **AND** discounts **FROM LENDING ACTIVITIES,**  
17          **AS WELL AS INCOME FROM FINANCIAL LEASING, ROYALTIES,**  
18          **RENTALS OF PROPERTY, REAL OR PERSONAL, PROFITS FROM SALE**  
19          **OR EXCHANGE INCLUDING GAINS DERIVED FROM SALE OR**  
20          **TRANSFER OF REAL PROPERTIES, NET TRADING GAINS WITHIN THE**  
21          **TAXABLE YEAR OF FOREIGN CURRENCY, DEBT SECURITIES,**  
22          **DERIVATIVES, AND OTHER SIMILAR FINANCIAL INSTRUMENTS,**  
23          **UNDERWRITING FEES, SERVICE INCOME, AND ALL OTHER ITEMS**  
24          **TREATED AS GROSS INCOME UNDER SECTION 32 OF THIS CODE,**  
25          **EXCEPT DIVIDENDS AND EQUITY SHARES AND NET INCOME OF**  
26          **SUBSIDIARIES WHICH SHALL BE SUBJECT TO ZERO PERCENT (0%).**

27          [and all other items treated as gross income under this Code. [.: *Provided,*  
28          That interests, commissions and discounts from lending activities, as well  
29          as income from financial leasing, shall be taxed on the basis of the  
30          remaining maturities of the instruments from which such receipts are  
31          derived, in accordance with the following schedule: ]

33          [Maturity is five years or less ..... 5%]

35          [Maturity period is more than five years ..... 1%]

37          *[Provided, however,* That in case the maturity period is shortened thru  
38          pretermination, then the maturity period shall be reckoned to end as of  
39          the date of pretermination for purposes of classifying the transaction and  
40          the correct rate of tax shall be applied accordingly.]

42          **GROSS RECEIPTS SHALL BE COMPUTED IN THE SAME MANNER**  
43          **PROVIDED UNDER SECTION 121.**

45          **FINANCIAL INTERMEDIARIES SUBJECT TO TAX UNDER THIS**  
46          **SECTION SHALL INCLUDE FINANCING COMPANIES,**

1 FINANCELEASING COMPANIES, INVESTMENT HOUSES, PAWNSHOPS,  
2 FOREIGN EXCHANGE DEALERS AND MONEY BROKERS, TRUST  
3 ENTITIES, CREDIT CARD COMPANIES, LENDING INVESTORS,  
4 SAVINGS AND LOAN ASSOCIATIONS, AND OTHER FINANCIAL  
5 INTERMEDIARIES EXCEPT BANKS AND NON-BANKS PERFORMING  
6 QUASI-BANKING FUNCTIONS WHICH SHALL BE TAXED UNDER  
7 SECTION 121 OF THIS CODE.

8 COLLECTIVE INVESTMENT SCHEMES SUCH AS MUTUAL FUNDS,  
9 UNITLINKED INVESTMENT TRUST FUNDS, UNITLINKED VARIABLE  
10 INSURANCE, AND OTHER COLLECTIVE INVESTMENT SCHEMES AS  
11 MAY BE DETERMINED BY APPROPRIATE GOVERNMENT  
12 REGULATORY AGENCIES SHALL NOT BE SUBJECT TO GROSS  
13 RECEIPTS TAX AND OTHER PERCENTAGE TAXES IMPOSED UNDER  
14 TITLE V, AND THE VALUE ADDED TAX IMPOSED UNDER TITLE IV OF  
15 THIS CODE. FOR PURPOSES OF THIS EXEMPTION, A CIS SHALL  
16 HAVE AT LEAST ONE THOUSAND (1,000) OWNERS, INVESTORS OR  
17 PARTICIPANTS, AND SHALL HAVE COMPLIED WITH THE MINIMUM  
18 PUBLIC OWNERSHIP REQUIREMENT OF THE APPROPRIATE  
19 GOVERNMENT REGULATORY AGENCIES.

20 IF A PERSON OR COMPANY NOT LICENSED TO DO FINANCIAL  
21 INTERMEDIATION BUT ENGAGES IN FINANCIAL INTERMEDIATION  
22 SERVICES AS AN INCIDENT TO ITS MAIN BUSINESS ACTIVITY, AND  
23 RECEIVING INCOME THEREFROM, SUCH INCOME FROM FINANCIAL  
24 INTERMEDIATION SHALL BE SUBJECT TO THE TAX IMPOSED ON ITS  
25 PRINCIPAL ACTIVITY. TO BE CONSIDERED INCIDENTAL, THE  
26 INCOME FROM INTERMEDIATION SERVICES SHALL NOT EXCEED  
27 FIFTY PERCENT (50%) OF ITS TOTAL ANNUAL INCOME. IF MORE  
28 THAN FIFTY PERCENT (50%), WITH AT LEAST SIX (6) TRANSACTIONS  
29 ENTERED INTO DURING THE YEAR, THE TOTAL INCOME FROM  
30 FINANCIAL INTERMEDIATION SHALL BE SUBJECT TO TAX UNDER  
31 THIS SUBSECTION.

32 IN-HOUSE LENDING OR SELLER FINANCING SHALL NOT BE SUBJECT  
33 TO TAX UNDER THIS SUBSECTION. ANY INCOME EARNED OR  
34 RECEIVED FROM IN-HOUSE LENDING OR SELLER FINANCING SHALL  
35 BE SUBJECT TO THE SAME TAX APPLICABLE TO THE PRINCIPAL  
36 BUSINESS ACTIVITY OR TRANSACTION.

37 HOLDING COMPANIES SHALL BE SUBJECT TO EITHER VALUE  
38 ADDED TAX OR GROSS RECEIPTS TAX DEPENDING ON THE NATURE  
39 OF ITS BUSINESS ACTIVITIES. IF UNDERTAKING FINANCING AND  
40 OTHER SIMILAR ACTIVITIES, IT SHALL BE SUBJECT TO GROSS  
41 RECEIPTS TAX UNDER THIS SECTION. INCOME DERIVED FROM THE  
42 SALE OF GOODS, PROPERTIES AND OTHER SERVICES SHALL BE

1                   **SUBJECT TO VALUE ADDED TAX UNDER SECTION 105 OF THIS**  
2                   **CODE.**

3  
4                   *[Provided finally,* That the generally accepted accounting principles as may  
5                   be prescribed by the Securities and Exchange Commission for other non-  
6                   bank financial intermediaries shall likewise be the basis for the calculation  
7                   of gross receipts. ]

8  
9                   Nothing in this Code shall preclude the Commissioner from imposing the same tax herein provided on persons **OR ENTITIES** performing similar  
10                  [financing] **FINANCIAL INTERMEDIATION** activities.

11  
12                 **SEC. 25.** Section 123 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

13  
14                 **SEC. 123. Tax on Life Insurance AND REINSURANCE Premiums[,] . -**  
15                 There shall be collected from every person, company or corporation, (except purely cooperative companies or associations) doing life insurance business of any sort in the Philippines **A PREMIUM TAX AT THE FOLLOWING RATES:**

16  
17                 **(A) FOR LIFE INSURANCE INCLUDING HEALTH INSURANCE AS A RIDER TO LIFE INSURANCE POLICY,** a tax of two percent (2%) of the total premium collected, whether such premiums are paid in money, notes, credits or any substitute for money; but premiums refunded within six (6) months after payment on account of rejection of risk or returned for other reason to a person insured shall not be included in the taxable receipts; nor shall any tax be paid upon reinsurance by a company **IF THE TAX**[that] has already **BEEN** paid [the tax]**ON THE DIRECT PREMIUM;** nor upon premiums collected or received by any branch of a domestic corporation, firm or association doing business outside the Philippines on account of any life insurance of the insured who is a nonresident, if any tax on such premium is imposed by the foreign country where the branch is established; nor upon premiums collected or received on account of any reinsurance, if the insured, in case of personal insurance, resides outside the Philippines, if any tax on such premiums is imposed by the foreign country where the original insurance has been issued or perfected; nor upon that portion of the premiums collected or received by the insurance companies on variable contracts **IN A COLLECTIVE INVESTMENT SCHEME** in excess of the amounts necessary to insure the lives of the variable contract owners: **PROVIDED, THAT THE CIS SHALL HAVE AT LEAST ONE THOUSAND (1,000) OWNERS, INVESTORS OR PARTICIPANTS, AND THAT ANY MINIMUM PUBLIC OWNERSHIP AS MAY BE**

1 REQUIRED BY APPROPRIATE GOVERNMENT REGULATORY  
2 AGENCIES SHALL BE COMPLIED WITH.  
3

4 (B) PERSONS DOING BUSINESS SIMILAR OR AKIN TO LIFE AND  
5 HEALTH INSURANCE SUCH AS PRE-NEED COMPANIES,  
6 PENSION FUND COMPANIES, HEALTH MAINTENANCE  
7 ORGANIZATIONS AND OTHER COMPANIES SIMILAR TO LIFE  
8 INSURANCE, AS MAY BE DETERMINED BY THE  
9 APPROPRIATE GOVERNMENT REGULATORY AGENCIES, SHALL  
10 BE SUBJECT TO TAX UNDER THIS SUBSECTION AT THE RATE  
11 OF TWO PERCENT (2%) OF THE GROSS PREMIUM, PLAN  
12 PAYMENT, OR INSTALLMENT PAYMENTS COLLECTED  
13 WITHOUT ANY DEDUCTION FOR THE AMOUNTS REQUIRED BY  
14 THE APPROPRIATE GOVERNMENT REGULATORY AGENCIES  
15 TO BE EARMARKED FOR THE BENEFIT OF THE INSURED, OR  
16 PLANHOLDER.

17  
18 NOTHING IN THIS CODE SHALL PRECLUDE THE COMMISSIONER  
19 FROM IMPOSING THE SAME TAX HEREIN PROVIDED ON PERSONS  
20 PERFORMING SIMILAR INSURANCE BUSINESS ACTIVITIES.

21  
22 LIFE REINSURANCE COMPANIES SHALL BE SUBJECT TO PREMIUM  
23 TAX ON PREMIUMS COLLECTED UNDER SUBSECTION (A) HEREOF.  
24 HOWEVER, PREMIUMS COLLECTED WHERE THE TAX ON THE  
25 DIRECT PREMIUM HAS ALREADY BEEN PAID BY THE DIRECT  
26 INSURER SHALL BE EXCLUDED FROM THE GROSS PREMIUM  
27 SUBJECT TO PREMIUM TAX.

28  
29 NON-LIFE REINSURANCE COMPANIES SHALL BE SUBJECT TO VALUE  
30 ADDED TAX ON PREMIUMS COLLECTED UNDER SECTION 108 OF  
31 THIS CODE. HOWEVER, PREMIUMS COLLECTED WHERE THE TAX  
32 ON THE DIRECT PREMIUM HAS ALREADY BEEN PAID BY THE  
33 DIRECT INSURER SHALL BE EXCLUDED FROM THE GROSS  
34 PREMIUM SUBJECT TO VALUE ADDED TAX.

35  
36 FOR THE PURPOSE OF CLAIMING EXEMPTION ON REINSURANCE  
37 PREMIUMS, THE SECRETARY OF FINANCE, UPON THE  
38 RECOMMENDATIONS OF THE COMMISSIONER OF INTERNAL  
39 REVENUE AND INSURANCE COMMISSIONER, SHALL PROMULGATE  
40 THE REQUIRED REPORTS TO BE SUBMITTED TO THE BUREAU OF  
41 INTERNAL REVENUE. ANY MISREPRESENTATION SHALL SUBJECT  
42 THE DIRECT INSURER AND/OR REINSURER TO PENALTIES UNDER  
43 SECTIONS 248, 249, 253, 254, 255, 256, AND 257 OF THIS CODE.

44  
45 ANY INCOME, OTHER THAN RECEIPT OF PREMIUM SUCH AS  
46 MANAGEMENT FEES, SERVICE FEES, CHARGES, AND PENALTIES,

1           **COMMISSIONS, INCOME FROM THE SALE OR TRANSFER OF GOODS,**  
2           **PROPERTIES OR SERVICES, EARNED OR RECEIVED AS AN INCIDENT**  
3           **OF DOING THE BUSINESS OF LIFE, NON-LIFE AND OTHER**  
4           **INSURANCE ACTIVITIES, SHALL BE SUBJECT TO THE VALUEADDED**  
5           **TAX UNDER SECTION 105 OF THIS CODE; PROVIDED, THAT INCOME**  
6           **RECEIVED FROM THE INVESTMENT AND REINVESTMENT OF**  
7           **PREMIUMS EARNED SHALL NOT BE SUBJECT TO VALUE ADDED TAX**  
8           **NOR TO THE GROSS RECEIPTS TAX IMPOSED UNDER SECTIONS 121**  
9           **AND 122 OF THIS CODE.**

10           **A VARIABLE INSURANCE CONTRACT WHERE AMOUNTS IN EXCESS**  
11           **OF INSURANCE COSTS ARE COLLECTED AS PART OF THE PREMIUM**  
12           **AND WHERE UNITS OF PARTICIPATION IN A POOLED FUND ARE**  
13           **ISSUED TO THE INSURED REPRESENTING ITS SHARE IN THE**  
14           **POOLED FUNDS, IS A COLLECTIVE INVESTMENT SCHEME. THE**  
15           **AMOUNTS OF PREMIUM COLLECTED IN EXCESS OF THE INSURANCE**  
16           **COST IS NOT SUBJECT TO PREMIUM TAX UNDER THIS SECTION AND**  
17           **TO THE GROSS RECEIPTS TAX IMPOSED UNDER SECTIONS 121 AND**  
18           **122, OR TO ANY PERCENTAGE TAX IMPOSED UNDER TITLE V AND**  
19           **TO VALUE ADDED TAXUNDER SECTION 105, TITLE IV OF THIS**  
20           **CODE.**

21  
22           **SEC. 26.** Section 127 of the National Internal Revenue Code of 1997, as  
23           amended, is hereby deleted:

24  
25           **[SEC. 127. *Tax on Sale, Barter or Exchange of Shares of Stock Listed***  
26           ***and Traded through the Local Stock Exchange or through Initial***  
27           ***Public Offering.* -]**

28  
29           **[(A) *Tax on Sale, Barter or Exchange of Shares of Stock Listed and***  
30           ***Traded through the Local Stock Exchange.* - There shall be levied,**  
31           assessed and collected on every sale, barter, exchange, or other disposition  
32           of shares of stock listed and traded through the local stock exchange other  
33           than the sale by a dealer in securities, a tax at the rate of six-tenths of  
34           one percent (6/10 of 1%) of the gross selling price or gross value in money  
35           of the shares of stock sold, bartered, exchanged or otherwise disposed  
36           which shall be paid by the seller or transferor.]

37  
38           **[(B) *Tax on Shares of Stock Sold or Exchanged through Initial Public***  
39           ***Offering.* - There shall be levied, assessed and collected on every sale,**  
40           barter, exchange or other disposition through initial public offering of  
41           shares of stock in closely-held corporations, as defined herein, a tax at the  
42           rates provided hereunder based on the gross selling price or gross value in  
43           money of the shares of stock sold, bartered, exchanged or otherwise  
44           disposed in accordance with the proportion of shares of stock sold,

1 bartered, exchanged or otherwise disposed to the total outstanding shares  
2 of stock after the listing in the local stock exchange:]

3  
4 [Up to twenty-five percent (25%) ..... 4%]  
5

6 [Over twenty-five percent (25%) but not over thirty-three and one third  
7 percent (33 1/3%) ..... 2%]  
8

9 [Over thirty-three and one third percent (33 1/3%) ... 1%]  
10

11 The tax herein imposed shall be paid by the issuing corporation in primary  
12 offering or by the seller in secondary offering.]  
13

14 [For purposes of this Section, the term '**closely held corporation**' means  
15 any corporation at least fifty percent (50%) in value of outstanding capital  
16 stock or at least fifty percent (50%) of the total combined voting power of  
17 all classes of stock entitled to vote is owned directly or indirectly by or for  
18 not more than twenty (20) individuals.]  
19

20 [For purposes of determining whether the corporation is a closely held  
21 corporation, insofar as such determination is based on stock ownership,  
22 the following rules shall be applied:]  
23

24 [(1) **Stock Not Owned by Individuals.** – Stock owned directly or indirectly  
25 by or for a corporation, partnership, estate or trust shall be considered as  
26 being owned proportionately by its shareholders, partners or  
27 beneficiaries.]  
28

29 [(2) **Family and Partnership Ownerships.** – An individual shall be  
30 considered as owning the stock owned directly or indirectly, by or for his  
31 family, or by or for his partner. For purposes of the paragraph, the '**family**  
32 **of an individual**' includes only his brothers and sisters (whether by whole  
33 or half-blood), spouse, ancestors and lineal descendants.]  
34

35 [(3) **Option.**– If any person has an option to acquire stock, such stock shall  
36 be considered as owned by such person. For purposes of this paragraph,  
37 an option to acquire such an option and each one of a series of options  
38 shall be considered as an option to acquire such stock.]  
39

40 [(4) **Constructive Ownership as Actual Ownership.** – Stock  
41 constructively owned by reason of the application of paragraph (1) or (3)  
42 hereof shall, for purposes of applying paragraph (1) or (2), be treated as  
43 actually owned by such person; but stock constructively owned by the  
44 individual by reason of the application of paragraph (2) hereof shall not be

1 treated as owned by him for purposes of again applying such paragraph  
2 in order to make another the constructive owner of such stock.]  
3

4 ***[(C) Return on Capital Gains Realized from Sale of Shares of Stocks.***  
5 -]  
6

7 ***[(1) Return on Capital Gains Realized from Sale of Shares of Stock Listed and Traded in the Local Stock Exchange.*** – It shall be the duty  
8 of every stock broker who effected the sale subject to the tax imposed  
9 herein to collect the tax and remit the same to the Bureau of Internal  
10 Revenue within five (5) banking days from the date of collection thereof  
11 and to submit on Mondays of each week to the secretary of the stock  
12 exchange, of which he is a member, a true and complete return which shall  
13 contain a declaration of all the transactions effected through him during  
14 the preceding week and of taxes collected by him and turned over to the  
15 Bureau of Internal Revenue.]

16  
17 ***[(2) Return on Public Offerings of Shares of Stock.*** – In case of primary  
18 offering, the corporate issuer shall file the return and pay the  
19 corresponding tax within thirty (30) days from the date of listing of the  
20 shares of stock in the local stock exchange. In the case of secondary  
21 offering, the provision of Subsection (C)(1) of this Section shall apply as to  
22 the time and manner of the payment of the tax.]

23  
24 ***[(D) Common Provisions.*** – Any gain derived from the sale, barter, exchange  
25 or other disposition of shares of stock under this Section shall be exempt  
26 from the tax imposed in Sections 24(C), 27(D)(2), 28(A)(8)(c), and 28(B)(5)(c)  
27 of this Code and from the regular individual or corporate income tax. Tax  
28 paid under this Section shall not be deductible for income tax purposes.]

29  
30 **SEC. 27.** Section 174 of the National Internal Revenue Code of 1997, as  
31 amended, is hereby amended to read as follows:  
32

33  
34 **SEC. 174. Stamp Tax on Original Issue of Shares of Stock.** – On every  
35 original issue, whether on organization, reorganization or for any lawful  
36 purpose, of shares of stock by any association, company, or corporation,  
37 **INCLUDING SHARES OF STOCK OR UNITS OF PARTICIPATION IN A**  
38 **COLLECTIVE INVESTMENT SCHEME,** there shall be collected a  
39 documentary stamp tax **OF SEVENTY-FIVE PERCENT OF ONE**  
40 **PERCENT(0.75%)OF THE PAR VALUE**[Two pesos (P2.00) on each Two  
41 hundred pesos (P200), or fractional part thereof, of the par value,]of such  
42 shares of stock: *Provided*, That in the case of the original issue of shares  
43 of stock without par value, the amount of the documentary stamp tax  
44 herein prescribed shall be based upon the actual consideration for the  
45 issuance of such shares of stock: *Provided, further*, That in the case of  
46 stock dividends, on the actual value represented by each share;

1           **PROVIDED, FINALLY, THAT IN THE CASE OF COLLECTIVE**  
2           **INVESTMENT SCHEMES WITHOUT PAR VALUE, THE DOCUMENTARY**  
3           **STAMP TAX SHALL BE BASED ON THE INITIAL NET ASSET VALUE**  
4           **PER UNIT.**

5  
6           **SEC 28.** Section 175 of the National Internal Revenue Code of 1997, as amended,  
7           is hereby repealed.

8  
9           **[SEC. 175. Stamp Tax on Sales, Agreements to Sell, Memoranda of**  
10          **Sales, Deliveries or Transfer of Shares or Certificates of Stock.** – On  
11          all sales, or agreements to sell, or memoranda of sales, or deliveries, or  
12          transfer of shares or certificates of stock in any association, company, or  
13          corporation, or transfer of such securities by assignment in blank, or by  
14          delivery, or by any paper or agreement, or memorandum or other evidences  
15          of transfer or sale whether entitling the holder in any manner to the benefit  
16          of such stock, or to secure the future payment of money, or for the future  
17          transfer of any stock, there shall be collected a documentary stamp tax of  
18          One peso and fifty centavos (P1.50) on each Two hundred pesos (P200), or  
19          fractional part thereof, of the par value of such stock: *Provided*, That only  
20          one tax shall be collected on each sale or transfer of stock from one person  
21          to another, regardless of whether or not a certificate of stock is issued,  
22          indorsed, or delivered in pursuance of such sale or transfer: and *Provided,*  
23          *further*, That in the case of stock without par value the amount of the  
24          documentary stamp tax herein prescribed shall be equivalent to fifty  
25          percent (50%) of the documentary stamp tax paid upon the original issue  
26          of said stock.]

27  
28          **SEC. 29.** Section 176 of the National Internal Revenue Code of 1997, as  
29          amended, is hereby amended to read as follows:

30  
31          **SEC 176. Stamp Tax on Bonds, Debentures, Certificates of Stock or**  
32          **Indebtedness Issued in Foreign Countries.** – On all bonds, debentures,  
33          certificates of stock, or certificates of indebtedness issued in any foreign  
34          country, there shall be collected from the person selling or transferring the  
35          same in the Philippines, **A DOCUMENTARY STAMP TAX OF SEVENTY-**  
36          **FIVE PERCENT OF ONE PERCENT(0.75%) OF THE VALUE OF THE**  
37          **TRANSACTION.** [such tax as is required by law on similar instruments  
38          when issued, sold or transferred in the Philippines.]

39  
40          **SEC 30.** Sections 177 and 178 of the National Internal Revenue Code of 1997,  
41          as amended, are hereby repealed.

42  
43          **[SEC. 177. Stamp Tax on Certificates of Profits or Interest in**  
44          **Property or Accumulations.** – On all certificates of profits, or any  
45          certificate or memorandum showing interest in the property or  
46          accumulations of any association, company or corporation, and on all

1 transfers of such certificates or memoranda, there shall be collected a  
2 documentary stamp tax of One peso (P1.00) on each Two hundred pesos  
3 (P200), or fractional part thereof, of the face value of such certificates or  
4 memorandum.]

5  
6 **[SEC. 178. Stamp Tax on Bank Checks, Drafts, Certificates of**  
7 **Deposit not Bearing Interest, and Other Instruments.** – On each bank  
8 check, draft, or certificate of deposit not drawing interest, or order for the  
9 payment of any sum of money drawn upon or issued by any bank, trust  
10 company, or any person or persons, companies or corporations, at sight  
11 or on demand, there shall be collected a documentary stamp tax of Three  
12 pesos (P3.00).]

13  
14 **SEC 31.** Section 179 of the National Internal Revenue Code of 1997, as  
15 amended, is hereby amended to read as follows:

16  
17 **SEC. 179. Stamp Tax on All Debt Instruments.** – On every original issue  
18 of debt instruments, there shall be collected a documentary stamp tax **OF**  
19 **SEVENTY-FIVE PERCENT OF ONE PERCENT(0.75%)** [One peso and fifty  
20 centavos (P1.50) on each Two hundred pesos (P200), or fractional part  
21 thereof,] of the issue price of any such debt instruments: *Provided*, That  
22 for such debt instruments with terms of less than one (1) year, the  
23 documentary stamp tax to be collected shall be of a proportional amount  
24 in accordance with the ratio of its term in number of days to three hundred  
25 sixty-five (365) days: *Provided, further*, That only one documentary stamp  
26 tax shall be imposed on either loan agreement, or promissory notes issued  
27 to secure such loan

28  
29 For purposes of this section, the term debt instrument shall mean  
30 instruments representing borrowing and lending transactions including  
31 but not limited to debentures, certificates of indebtedness, due bills,  
32 bonds, loan agreements, including those signed abroad wherein the object  
33 of contract is located or used in the Philippines, instruments and  
34 securities issued by the government or any of its instrumentalities, deposit  
35 substitute debt instruments, certificates or other evidences of deposits  
36 that are either drawing interest significantly higher the regular savings  
37 deposit taking into consideration the size of the deposit and the risks  
38 involved or drawing interest and having a specific maturity date, [orders  
39 for payment of any sum of money otherwise than at sight or on demand,]  
40 promissory notes, whether negotiable or non-negotiable, except bank  
41 notes issued for circulation.

42  
43 **SEC 32.** Section 180 of the National Internal Revenue Code of 1997, as  
44 amended, is hereby repealed.

1           **[SEC. 180. Stamp Tax on All Bills of Exchange or Drafts.** – On all bills  
2           of exchange (between points within the Philippines) or drafts, there shall  
3           be collected a documentary stamp tax of Sixty centavos (P0.60) on each  
4           Two hundred pesos (P200) or fractional part thereof, of the face value of  
5           any such bill of exchange or draft.]

6  
7           **SEC 33.** Sections 181, 182, 183, 184, 185, 186, 187 and 188 of the National  
8           Internal Revenue Code of 1997, as amended, are hereby amended to read as  
9           follows:

10  
11          **SEC. 181. Stamp Tax Upon Acceptance of Bills of Exchange and  
Others.** – Upon any acceptance or payment of any bill of exchange or order  
12          for the payment of money purporting to be drawn in a foreign country but  
13          payable in the Philippines, there shall be collected a documentary stamp  
14          tax **OF THIRTY PERCENT OF ONE PERCENT(0.30%)** [Sixty centavos  
15          (P0.60) on each Two hundred pesos (P200), or fractional part thereof,] of  
16          the face value of any such bill of exchange, or order, or the Philippine  
17          equivalent of such value, if expressed in foreign currency.

18  
19  
20          **SEC. 182. Stamp Tax on Foreign Bills of Exchange and Letters of  
Credit.** – On all foreign bills of exchange and letter of credit (including  
21          orders, by telegraph or otherwise, for the payment of money issued by  
22          express or steamship companies or by any person or persons) drawn in  
23          but payable out of the Philippines in a set of three (3) or more according to  
24          the custom of merchants and bankers, there shall be collected a  
25          documentary stamp tax **OF THIRTY PERCENT OF ONE  
PERCENT(0.30%)** [Sixty centavos (P0.60) on each Two hundred pesos  
26          (P200), or fractional part thereof,] of the face value of any such bill of  
27          exchange or letter of credit, or the Philippine equivalent of such face value,  
28          if expressed in foreign currency: **PROVIDED, THAT, IN THE CASE OF A  
LETTER OF CREDIT ON WHICH THE DOCUMENTARY STAMP TAX  
IMPOSED UNDER THIS SECTION IS PAID UPON OPENING, THE SAME  
SHALL NOT BE SUBJECT AGAIN TO SECTION 195 UPON AVAILMENT  
OF THE TRUST RECEIPT LINE WHERE THE PROPERTY SUBJECT OF  
THE LETTER OF CREDIT IS MADE A SECURITY FOR PAYMENT.**

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37          **SEC. 183. Stamp Tax on Life AND HEALTH Insurance, POLICIES OF  
ANNUITIES, AND HEALTH MAINTENANCE ORGANIZATION  
PRODUCTS** – On all policies of insurance or other instruments by whatever  
38          name the same may be called, whereby any insurance shall be made or  
39          renewed upon any life or lives **AND HEALTH OF PERSONS**, there shall be  
40          collected a one-time documentary stamp tax at the following rates:

41  
42  
43  
44          If the amount of insurance does not exceed P100,000 - Exempt  
45          If the amount of insurance exceeds P100,000  
46          but does not exceed P300,000 - P20.00

|   |           |
|---|-----------|
| If the amount of insurance exceeds P300,000<br>but does not exceed P500,000   | - P50.00  |
| If the amount of insurance exceeds P500,000<br>but does not exceed P750,000   | - P100.00 |
| If the amount of insurance exceeds P750,000<br>but does not exceed P1,000,000 | - P150.00 |
| If the amount of insurance exceeds P1,000,000                                 | - P200.00 |

**SEC. 184. Stamp Tax on Policies of Insurance Upon Property.** – On all policies of insurance or other instruments by whatever name the same may be called, by which insurance shall be made or renewed upon property of any description, including rents or profits, against peril by sea or on inland waters, or by fire or lightning, there shall be collected a documentary stamp tax **OF TWELVE AND ONE-HALF PERCENT(12.5%)**[Fifty centavos (P0.50) on each Four pesos (P4.00), or fractional part thereof,] of the amount of premium charged: *Provided, however,* That no documentary stamp tax shall be collected on reinsurance contracts or on any instrument by which cession or acceptance of insurance risks under any reinsurance agreement is effected or recorded:**PROVIDED,FURTHER, THAT SUCH RATE SHALL BE REDUCED ACCORDING TO THE FOLLOWING SCHEDULE:**

**JANUARY 1, 2021: ELEVEN AND ONE-HALF PERCENT (11.5%),**

**JANUARY 1, 2022: TEN AND ONE-HALF PERCENT (10.5%),**

**JANUARY 1, 2023: NINE AND ONE-HALF PERCENT (9.5%),**

**JANUARY 1, 2024: EIGHT AND ONE-HALF PERCENT (8.5%),**

**JANUARY 1, 2025: SEVEN AND ONE-HALF PERCENT (7.5%).**

**SEC. 185. Stamp Tax on Fidelity Bonds and Other Insurance Policies.**

– On all policies of insurance or bonds or obligations of the nature of indemnity for loss, damage or liability made or renewed by any person, association, company or corporation transacting the business of accident, fidelity, employer's liability, plate, glass, steam boiler, burglar, elevator, automatic sprinkler, or other branch of insurance (except life, marine, inland, and fire insurance), and all bonds, undertakings, or recognizances, conditioned for the performance of the duties of any office or position, for the doing or not doing of anything therein specified, and on all obligations guaranteeing the validity or legality of any bond or other obligations issued by any province, city, municipality, or other public body or organization, and on all obligations guaranteeing the title to any real estate, or guaranteeing any mercantile credits, which may be made or renewed by any such person, company or corporation, there shall be collected a

1 documentary stamp tax **OF TWELVE AND ONE-HALF**  
2 **PERCENT(12.5%)**[Fifty centavos (P0.50) on each Four pesos (P4.00), or  
3 fractional part thereof,] of the premium charged:**PROVIDED, FURTHER,**  
4 **THAT SUCH RATE SHALL BE REDUCED ACCORDING TO THE**  
5 **FOLLOWING SCHEDULE:**

6 **JANUARY 1, 2021: ELEVEN AND ONE-HALF PERCENT (11.5%),**

7 **JANUARY 1, 2022: TEN AND ONE-HALF PERCENT (10.5%),**

8 **JANUARY 1, 2023: NINE AND ONE-HALF PERCENT (9.5%),**

9 **JANUARY 1, 2024: EIGHT AND ONE-HALF PERCENT (8.5%),**

10 **JANUARY 1, 2025: SEVEN AND ONE-HALF PERCENT (7.5%).**

11 **SEC. 186. Stamp Tax on Policies of Annuities, and Pre-Need Plans-**

12 [On all policies of annuities, or other instruments by whatever name the  
13 same may be called, whereby an annuity may be made, transferred or  
14 redeemed, there shall be collected a documentary stamp tax One peso  
15 (P1.00) on each Two hundred pesos (P200), or fractional part thereof, of  
16 the premium or installment payment on contract price, collected.] On pre-  
17 need plans, **THERE SHALL BE COLLECTED A DOCUMENTARY STAMP**  
18 **TAX OF TWENTY PERCENT OF ONE PERCENT (0.2%) OF THE**  
19 **PREMIUM OR INSTALLMENT PAYMENT ON CONTRACT PRICE, OR**  
20 **CONTRIBUTION CHARGED.**[Forty centavos (P0.40) on each Two hundred  
21 pesos (P200), or fractional part thereof, of the premium or contribution  
22 collected.]

23 **SEC. 187. Stamp Tax on Indemnity Bonds.** – On all bonds for

24 indemnifying any person, firm or corporation who shall become bound or  
25 engaged as surety for the payment of any sum of money or for the due  
26 execution or performance of the duties of any office or position or to  
27 account for money received by virtue thereof, and on all other bonds of  
28 any description, except such as may be required in legal proceedings, or  
29 are otherwise provided for herein, there shall be collected a documentary  
30 stamp tax of [Thirty centavos (P0.30) on each Four pesos (P4.00), or  
31 fractional part thereof,]**SEVEN AND ONE-HALF PERCENT (7.5%) OF THE**  
32 **PREMIUM CHARGED.**

33 **SEC. 188. Stamp Tax on Certificates.** – On each certificate of damage or

34 otherwise, and on every other certificate or document issued by any  
35 customs officer, marine surveyor, or other person acting as such, and on  
36 each certificate issued by a notary public, and on each certificate of any  
37 description required by law or by rules or regulations of a public office, or  
38 which is issued for the purpose of giving information, or establishing proof

1 of a fact, and not otherwise specified herein, there shall be collected a  
2 documentary stamp tax of [Thirty]**FORTY** pesos (P[3]40.00).

3  
4 **SEC 34.** Sections 192 and 193 of the National Internal Revenue Code of 1997, as  
5 amended, are hereby repealed.  
6

7 **[SEC. 192. Stamp Tax on Proxies.]** –On each proxy for voting at any  
8 election of officers of any company or association, or for any other purpose,  
9 except proxies issued affecting the affairs of associations or corporations  
10 organized for religious, charitable or literary purposes, there shall be  
11 collected a documentary stamp tax of Thirty Pesos (P30.00).  
12

13 **[SEC. 193. Stamp Tax on Powers of Attorney.]** – On each power of  
14 attorney to perform any act whatsoever, except acts connected with the  
15 collection of claims due from or accruing to the Government of the  
16 Republic of the Philippines, or the government of any province, city or  
17 municipality, there shall be collected a documentary stamp tax of Ten  
18 pesos (P10.00).  
19

20 **SEC 35.** Sections 195, 198, and 199 of the National Internal Revenue Code of  
21 1997, as amended, are hereby amended to read as follows:  
22

23 **SEC. 195. Stamp Tax on Mortgages, Pledges and Deeds of Trust.** – On  
24 every mortgage or pledge of lands, estate, or property, real or personal,  
25 heritable or movable, whatsoever, where the same shall be made as a  
26 security for the payment of any definite and certain sum of money lent at  
27 the time or previously due and owing or forborne to be paid, being payable,  
28 and on any conveyance of land, estate, or property whatsoever, in trust or  
29 to be sold, or otherwise converted into money which shall be and intended  
30 only as security, either by express stipulation or otherwise, there shall be  
31 collected a documentary stamp tax **OF THIRTY PERCENT OF ONE**  
32 **PERCENT(0.3%) OF THE AMOUNT SECURED.** [at the following rates:]  
33

34 [(a) When the amount secured does not exceed Five thousand pesos  
35 (P5,000), Forty pesos (P40.00).]  
36

37 [(b) On each Five thousand pesos (P5,000), or fractional part thereof in  
38 excess of Five thousand pesos (P5,000), an additional tax of Twenty pesos  
39 (P20.00).]  
40

41       xxx   xxx   xxx  
42

43 **SEC. 198. Stamp Tax on [Assignments and]Renewals of Certain**  
44 **Instruments.** – Upon each and every [assignment or transfer of any  
45 mortgage, lease or policy of insurance, or the] renewal or continuance of  
46 any agreement, contract, charter, or any evidence of obligation or

1 indebtedness by **THE EXTENSION OF THE TERM OR MATURITY**  
2 **BY[altering or otherwise,] ALTERATION OF SUCH AGREEMENT,**  
3 **CONTRACT OR CHARTER**, there shall be levied, collected and paid a  
4 documentary stamp tax, at the same rate as that imposed on the original  
5 instrument.

6  
7 **SEC. 199. Documents and Papers Not Subject to Stamp Tax.**— The  
8 provisions of Section 173 to the contrary notwithstanding, the following  
9 instruments, documents and papers shall be exempt from the  
10 documentary stamp tax:

11  
12 (a) Policies of insurance or annuities made or granted by a fraternal or  
13 beneficiary society, order, association or cooperative company, operated  
14 on the lodge system or local cooperation plan and organized and  
15 conducted solely by the members thereof for the exclusive benefit of each  
16 member and not for profit.

17  
18       xxx   xxx   xxx  
19  
20 (n) Interbank call loans with maturity of not more than [seven (7)]**FIVE (5)**  
21 days to cover deficiency in reserves against deposit liabilities, including  
22 those between or among banks and quasi-banks.

23  
24 **(O)REDEMPTION, SALE, BARTER, EXCHANGE, OR OTHER MODES OF**  
25 **DISPOSITION OR EXCHANGE OF SHARES OF STOCK OR UNITS OF**  
26 **PARTICIPATION IN A COLLECTIVE INVESTMENT SCHEME OR OTHER**  
27 **CIS SECURITIES LISTED AND TRADED IN A LOCAL EXCHANGE OR**  
28 **AN ORGANIZED MARKETPLACE. THE ORIGINAL ISSUANCE OF**  
29 **SHARES OR UNITS OF PARTICIPATION IN A CIS SHALL NOT BE**  
30 **COVERED BY THIS EXEMPTION.**

31  
32 **SEC. 36. Prospectivity Clause.** —The changes introduced under this Act shall  
33 take effect on income and transactions beginning January 1, 2020. Any tax  
34 exemption on interest income and gains granted to long-term instruments and  
35 securities prior to the effectivity of this Act shall remain exempt.

36  
37 **SEC. 37. Implementing Rules and Regulations.** — The Department of Finance,  
38 in consultation with the Securities and Exchange Commission, Bangko Sentral  
39 ng Pilipinas, Insurance Commission, the Bureau of the Treasury, and the Bureau  
40 of Internal Revenue, shall issue the implementing rules and regulations for the  
41 effective implementation of this Act.

42  
43 **SEC. 38. Separability Clause.** — If, for any reason any article or provision of  
44 this Act, or any portion thereof, or application of such article, provision, or  
45 portion thereof to any person, group, or circumstance is declared invalid or

1 unconstitutional, the remainder of this Act shall not be affected by such decision  
2 or declaration.

3

4 **SEC. 39. Repealing Clause.** – The following laws or provisions of laws are  
5 hereby repealed or modified accordingly and the persons and/or transactions  
6 affected herein are hereby made subject to applicable taxes on interest income,  
7 dividends, and capital gains, gross receipts tax, premium tax, and documentary  
8 stamp tax under the National Internal Revenue Code of 1997, as amended:

9

10 (a) Section 9, insofar as the tax exemption on the issuance of bonds  
11 and securities is concerned, of Presidential Decree 1648, known as  
12 “Reorganizing The National Development Company and Establishing A  
13 Revised Charter Therefor”;

14 (b) Sections 6, 7, and 8, insofar as tax exemption on interest income,  
15 capital gains, and documentary stamp tax is concerned, of Executive  
16 Order 603, entitled “Creating A Light Rail Transit Authority, Vesting The  
17 Same With Authority to Construct and Operate The Light Rail Transit  
18 (LRT) Project and Providing Funds Therefor”;

19 (c) Section 14, insofar as tax exemption on interest income, capital  
20 gains, and documentary stamp tax is concerned, of Republic Act 7354,  
21 entitled “An Act Creating The Philippine Postal Corporation, Defining Its  
22 Powers, Functions And Responsibilities, Providing For Regulation of The  
23 Industry and for Other Purposes Connected Therewith”;

24 (d) Section 12, insofar as tax exemption on interest income, capital  
25 gains, and documentary stamp tax is concerned, of Republic Act 4850,  
26 entitled “An Act Creating The Laguna Lake Development Authority,  
27 Prescribing its Powers, Functions and Duties, Providing Funds Therefor,  
28 and for Other Purposes”;

29 (e) Number 8, insofar as tax exemption on interest income, capital  
30 gains, and documentary stamp tax is concerned, of Presidential Decree 37,  
31 entitled “Creating The Nayong Pilipino Foundation”

32 (f) Section 12, insofar as tax exemption on interest income, capital  
33 gains, and documentary stamp tax is concerned, of Presidential Decree  
34 205, entitled “Creating and Establishing The Development Academy of The  
35 Philippines, Defining Its Powers, Functions, and Responsibilities, and for  
36 Other Purposes”;

37 (g) Article 202, insofar as tax exemption on interest income, capital  
38 gains, documentary stamp tax, and premium tax is concerned, of  
39 Presidential Decree 442 as amended by Presidential Decree 626, entitled  
40 “Labor Code Of The Philippines”;

- 1  
2       (h) Section 10, insofar as tax exemption on interest income, capital  
3       gains, and documentary stamp tax of subsidiaries of Philippine Aerospace  
4       Development Corporation is concerned, of Presidential Decree 696, entitled  
5       “Revising Presidential Decree No. 286, dated September 5, 1973, as  
6       amended, otherwise known as The Charter of The Philippine Aerospace  
7       Development Corporation and for Other Purposes”;
- 8  
9       (i) Section 2(g), insofar as tax exemption on interest income is  
10      concerned, of Republic Act 85, as amended by Republic Act 2081, entitled  
11      “An Act Creating The Rehabilitation Finance Corporation”;
- 12  
13      (j) Sections 76, 77 and 98, insofar as tax exemption on interest income,  
14      dividends, capital gains, and documentary stamp tax on bonds is  
15      concerned, of Republic Act 3844 or The Agricultural Land Reform Code;
- 16  
17      (k) Section 37, insofar as tax exemption on interest income, capital  
18      gains, gross receipts tax, and documentary stamp tax is concerned, of  
19      Republic Act 6848 or The Charter of The Al-Amanah Islamic Investment  
20      Bank of the Philippines;
- 21  
22      (l) Sections 10, insofar as tax exemption on interest income is  
23      concerned, of Republic Act 3591, as amended by Republic Act 9576 or An  
24      Act Increasing The Maximum Deposit Insurance Coverage, and in  
25      Connection Therewith, To Strengthen The Regulatory And Administrative  
26      Authority, And Financial Capability of The Philippine Deposit Insurance  
27      Corporation (Pdic), Amending for this Purpose Republic Act Numbered  
28      Three Thousand Five Hundred Ninety-One, as amended, otherwise known  
29      as The PDIC Charter, and for Other Purposes;
- 30  
31      (m) Section 12, insofar as tax exemption on interest income, capital  
32      gains, and documentary stamp tax is concerned, of Executive Order 1037,  
33      entitled “An Act Creating The Philippine Retirement Park System,  
34      Providing Funds Therefor and for Other Purposes”;
- 35  
36      (n) Section 19, insofar as tax exemption on interest income and  
37      documentary stamp tax is concerned, of Republic Act 8763 or Home  
38      Guaranty Corporation Act of 2000;
- 39  
40      (o) Section 19, insofar as tax exemption on documentary stamp tax is  
41      concerned, of Republic Act 7279 or The Urban Development and Housing  
42      Act Of 1992;
- 43  
44      (p) Section 8(a), insofar as tax exemption on interest income, capital  
45      gains, and documentary stamp tax of bonds is concerned, as provided

1 under Section 1 of Republic Act 6395 or An Act Revising The Charter of  
2 The National Power Corporation;  
3

4 (q) Section 15, insofar as tax exemption on interest income, capital  
5 gains, and documentary stamp tax is concerned, of PD 334, entitled“  
6 Creating The Philippine National Oil Company, Defining its Powers and  
7 Functions, Providing Funds Therefore, and for Other Purposes”;  
8

9 (r) Section 16, insofar as tax exemption on interest income, capital  
10 gains, and documentary stamp tax is concerned, of Presidential Decree  
11 1467, entitled “An Act Creating The Philippine Crop Insurance  
12 Corporation, Prescribing Its Powers And Activities, Providing For Its  
13 Capitalization and for The Required Government Premium Subsidy, and  
14 for Other Purposes”;  
15

16 (s) Section 3, insofar as tax exemption on interest income, capital gains,  
17 and documentary stamp tax of bonds is concerned, of Republic Act 3601,  
18 entitled “An Act Granting The National Irrigation Administration”;  
19

20 (t) Section 6 (a, xviii (2)), in so far as tax exemption on interest income  
21 and documentary stamp tax is concerned, of PD 1485, as amended by PD  
22 1770, entitled“ Reconstituting The National Grains Authority to The  
23 National Food Authority, Broadening its Functions and Powers and for  
24 Other Purposes”;  
25

26 (u) Section 5 (e), insofar as tax exemption on interest income, capital  
27 gains, and documentary stamp tax on bonds is concerned, of Republic Act  
28 6260, entitled “An Act Instituting A Coconut Investment Fund and  
29 Creating A Coconut Investment Company for the Administration Thereof”;  
30

31 (v) Section 9, insofar as tax exemption on interest income, capital gains,  
32 and documentary stamp tax on bonds is concerned, of Republic Act 10744  
33 Or Credit Surety Fund Act Of 2014;  
34

35 (w) Section 20, insofar as tax on interest income, capital gains and  
36 documentary stamp tax is concerned, of Republic Act 10693, entitled“ An  
37 Act Strengthening Nongovernment Organizations (NGOs) Engaged in  
38 Microfinance Operations for the Poor”;  
39

40 (x) Section 7, insofar as tax exemption on documentary stamp tax and  
41 premium tax is concerned, of Republic Act 7111, entitled “An Act  
42 Establishing The Overseas Workers’ Investment Fund to Provide  
43 Incentives to Overseas Workers, Reduce the Foreign Debt Burden and for  
44 Other Purposes”;  
45

1                         (y)   Section 56, insofar as tax exemption on interest income, capital  
2   gains, and documentary stamp tax is concerned, of Republic Act 10801,  
3   entitled“ An Act Governing The Operations and Administration of the  
4   Overseas Workers Welfare Administration”;

5  
6                         (z)   Section 5, insofar as tax exemption on interest income is concerned,  
7   of Republic Act 8367, entitled“ An Act Providing for the Regulation of the  
8   Organization and Operation of Non-Stock Savings and Loan Associations”;

9  
10                       (aa)   Section 28, insofar as tax exemption on capital gains on shares of  
11   stock and documentary stamp tax is concerned, of Republic Act 9267 or  
12   The Securitization Act Of 2004”;

13  
14                       (bb)   Section 17, insofar as tax exemption on interest income, capital  
15   gains, gross receipts tax and documentary stamp tax is concerned, of  
16   Republic Act 7906, entitled “An Act Providing for the Regulation of the  
17   Organization and Operations Of Thrift Banks, and for Other Purposes”;

18  
19                       (cc)   Section 15, insofar as tax exemption on capital gains and  
20   documentary stamp tax is concerned, of Republic Act 9182, as amended  
21   by Republic Act 9343, entitled “An Act Granting Tax Exemptions and Fee  
22   Privileges to Special Purpose Vehicles which Acquire or Invest in Non-  
23   Performing Assets, Setting The Regulatory Framework Therefor, and for  
24   Other Purposes”;

25  
26                       (dd)   Sections 13 and 14, insofar as tax exemption on DST and dividends  
27   is concerned, of R.A. 9856 or The Real Estate Investment Act of 2009; and

28  
29                       (ee)   Section 23, insofar as no deduction from gross income shall be  
30   allowed in respect of any interest if the indebtedness is incurred to finance  
31   petroleum exploration is concerned, of P.D. 87, entitled Amending  
32   Presidential Decree No. 8 Issued On October 2, 1972, and Promulgating  
33   an Amended Act To Promote The Discovery and Production of Indigenous  
34   Petroleum and Appropriate Funds Therefor.

35  
36                       (ff)   Section 6, insofar as tax exemption on interest income, dividends  
37   and capital gains are concerned, of RA 6426, as amended.

38  
39                       **SEC. 40. Effectivity Clause** - This Act shall take effect on January 1, 2020, or  
40   fifteen (15) days after its complete publication in the Official Gazette or in at least  
41   two (2) newspaper of general circulation, whichever comes earlier.

42  
43                       Approved,