



Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

EIGHTEENTH CONGRESS  
First Regular Session  
**1907**  
HOUSE BILL NO. \_\_\_\_\_

---

Introduced by **HON. LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.**

---

#### **EXPLANATORY NOTE**

Taxation is the very lifeblood of the State. It is an inherent power that allows the State to provide goods and services for the jurisdiction it serves. Thereby, it must not only be fiscally adequate and administratively feasible – it must be fair and unhindered. In line with this, the fourth package under the Comprehensive Tax Reform Program (CTRP) of the Duterte Administration is hereby proposed as the Passive Income and Financial Intermediary Taxation Act.

The bill seeks to reform the taxation of the financial sector, including capital and financial sector, including capital and financial services, to be simpler, fairer, more efficient, and revenue neutral. As of the moment, there are some 80 tax rates and tax bases pertinent to the financial sector. The combinations of applicable tax rates on tax bases upon meeting certain qualifiers results in a complicated tax map with plenty of room for tax arbitrage or sly mechanisms to reduce a taxpayer's liability. This complexity entails high administrative and compliance cost, and discourages more transparent returns since taxpayers end up paying different taxes derived from the same base. The bill also encourages capital market development by adjusting, if not removing altogether, taxes that deter legitimate movement towards initial public listing of companies.

The specific objectives of the bill are the following:

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

To achieve the aforementioned goals, the Capital Income and Financial Intermediary Taxation Act of 2018 shall reform the financial sector taxation by the:

- 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 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 the term of maturity of an instrument, is removed. A single rate of 5% is imposed. Pre-need, pension, life, and HMO insurance are all taxed similarly at a 2% premium tax rate. Non-life insurance is also subjected to a similar 5% premium tax rate.
- d) Removal or minimization of barriers to capital market development – IPO tax, which is found to be detrimental to capital market development is removed. Overall, the DST of the financial sector is being rationalized to promote capital mobility.

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

The Duterte Administration remains steadfast in delivering its unprecedented economic goals, part of which is the massive Build, Build, Build infrastructure program already underway. In order to fund the aforementioned projects, this Representation believes that this proposed bill is of critical importance and must not be delayed.

In consideration of the foregoing premises, the passage if this bill is urgently sought.



LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

EIGHTEENTH CONGRESS  
First Regular Session  
1907  
HOUSE BILL NO. \_\_\_\_\_

---

Introduced by HON. LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.

---

**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:*

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

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

1. The State shall promote and develop a tax system that provides neutrality in the tax treatment across financial institutions and financial instruments.
2. The State shall endeavor to simplify an otherwise complex tax system for easy compliance.

3. The State shall ensure that the taxation of passive income and financial transactions is equitable across all stakeholders and discourages arbitrage opportunities.
4. The State shall promote capital market development and tax competitiveness within the context of globalization, increased capital mobility, and financial inclusion.

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

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

(A) xxx

xxx    xxx    xxx

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

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

xxx    xxx    xxx

(T) The term '**securities**' means [shares of stock in a corporation, and rights to subscribe for or to receive such shares. The term includes bonds, debentures, notes or certificates, or other evidence of indebtedness, issued by any corporation, including those issued by a government or political subdivision thereof, with interest coupons or in registered form.] **SHARES,**

PARTICIPATION, OR INTERESTS IN A CORPORATION OR IN A COMMERCIAL ENTERPRISE OR PROFIT-MAKING VENTURE EVIDENCED BY A CERTIFICATE, CONTRACT, INSTRUMENTS, WHETHER WRITTEN OR ELECTRONIC IN CHARACTER. IT INCLUDES:

- (1) SHARES OF STOCK, BONDS, DEBENTURES, NOTES, EVIDENCES OF INDEBTEDNESS, ASSET-BACKED SECURITIES;
- (2) INVESTMENT CONTRACTS, CERTIFICATES OF INTEREST, OR PARTICIPATION IN A PROFIT SHARING AGREEMENT SUCH AS COLLECTIVE INVESTMENT SCHEMES, CERTIFICATE OF DEPOSIT FOR A FUTURE SUBSCRIPTION;
- (3) FRACTIONAL UNDIVIDED INTERESTS IN OIL, GAS, OR OTHER MINERAL RIGHTS;
- (4) DERIVATIVES LIKE OPTIONS AND WARRANTS;
- (5) CERTIFICATES OF ASSIGNMENTS, CERTIFICATES OF PARTICIPATION, TRUST CERTIFICATES, VOTING TRUST CERTIFICATES, OR SIMILAR INSTRUMENTS;
- (6) PROPRIETARY OR NON-PROPRIETARY MEMBERSHIP CERTIFICATES IN CORPORATIONS; AND
- (7) OTHER INSTRUMENTS AS MAY IN THE FUTURE BE DETERMINED BY THE SECURITIES AND EXCHANGE COMMISSION.

XXX XXX XXX

(V) The term '*bank*' [means every banking institution, as defined in Section 2 Republic Act No. 337, as amended, otherwise known as the General Banking Act. A bank may either be, a commercial bank, a thrift bank, a development bank, a rural bank, a specialized government bank, or a cooperative bank] AS DEFINED IN SECTION 3 OF REPUBLIC ACT NO. 8791, OTHERWISE KNOWN AS THE GENERAL BANKING LAW OF 2000, SHALL REFER TO ENTITIES ENGAGED IN THE LENDING OF FUNDS OBTAINED IN THE FORM OF DEPOSITS. BANKS SHALL BE CLASSIFIED INTO UNIVERSAL BANKS, COMMERCIAL BANKS, THRIFT BANKS COMPOSED OF: (A) SAVINGS AND MORTGAGE BANKS; (B) STOCK SAVINGS AND LOAN ASSOCIATIONS; AND (C) PRIVATE DEVELOPMENT BANKS, AS DEFINED IN REPUBLIC ACT NO. 7906, OR THE THRIFT BANKS ACT, RURAL

BANKS, AS DEFINED IN REPUBLIC ACT NO. 7353 OT THE RURAL BANKS ACT; COOPERATIVE BANKS, AS DEFINED IN REPUBLIC ACT NO. 6938 OR THE COOPERATIVE CODE, ISLAMIC BANKS AS DEFINED IN REPUBLIC ACT NO. 6848, OR THE CHARTER OF AL AMANAH ISLAMIC INVESTMENT BANK OF THE PHILIPPINES, AND OTHER CLASSIFICATIONS OF BANKS AS DETERMINED BY THE MONETARY BOARD OF THE BANGKO SENTRAL NG PILIPINAS.

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

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

(Y) The term '*quasi-banking activities*' means borrowing funds from twenty (20) or more [personal] INDIVIDUAL or corporate lenders at any one time through the issuance, endorsement, or acceptance of debt instruments of any kind other than deposits for the borrower's own account, or through the issuance of certificates of assignment or similar instruments, with recourse, or of repurchase agreements for purposes of relending or purchasing receivables and other similar obligations: *Provided, however,* That commercial, industrial and other non-financial companies, which borrow funds through any of these means for the limited purpose of financing their own needs or the needs of their agents or dealers, shall not be considered as performing quasi-banking functions. PROVIDED FURTHER THAT IF THE INTENTION IS FOR THE

**DEBT INSTRUMENTS TO BE HELD BY MORE THAN 19 HOLDERS DURING THE ENTIRE TERM OF THE DEBT INSTRUMENT AND IF THE TENOR AND DENOMINATION ARE SUCH THAT THEY CAN BE HELD BY MORE THAN 19 LENDERS, THEN THE INSTRUMENT SHALL BE CONSIDERED DEPOSIT SUBSTITUTES.**

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

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

xxx    xxx    xxx

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

xxx    xxx    xxx

(FF) The term ['long-term deposit or investment certificate'] shall refer to certificate of time deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts

and other investments with a maturity period of not less than five (5) years, the form of which shall be prescribed by the Bangko Sentral ng Pilipinas (BSP) and issued by banks only (not by nonbank financial intermediaries and finance companies) to individuals in denominations of Ten thousand pesos (P10,000) and other denominations as may be prescribed by the BSP.]

**'FINANCIAL INSTITUTIONS' OR 'FINANCIAL INTERMEDIARIES'** SHALL MEAN PERSONS OR ENTITIES WHOSE PRINCIPAL FUNCTIONS INCLUDE THE BUSINESS OF LENDING, FINANCING, INVESTING, OR PLACEMENT OF FUNDS OR EVIDENCES OF INDEBTEDNESS OR EQUITY DEPOSITED WITH THEM, ACQUIRED BY THEM, OR OTHERWISE COURSED THROUGH THEM, EITHER FOR THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF OTHERS, AND ARE AUTHORIZED BY THE BANGKO SENTRAL NG PILIPINAS OR BY THE SECURITIES AND EXCHANGE COMMISSION DEPENDING ON THE GOVERNMENT AGENCY AUTHORIZED TO REGULATE THEM. IT SHALL INCLUDE BANKS, QUASI-BANKS, TRUST ENTITIES, PAWNSHOPS, FOREIGN EXCHANGE DEALERS, MONEY BROKERS, CREDIT COOPERATIVES, FINANCING COMPANIES, FINANCE LEASING COMPANIES, INVESTMENT COMPANIES, AND OTHER ENTITIES ENGAGED IN COLLECTIVE INVESTMENT SCHEMES, INVESTMENT HOUSES, LENDING INVESTORS OR ENTITIES ENGAGED IN FINANCIAL INTERMEDIATION ACTIVITIES, AND OTHER TYPES OF BUSINESS THAT MAY BE CLASSIFIED BY THE BANGKO SENTRAL NG PILIPINAS OR THE SECURITIES AND EXCHANGE COMMISSION AS FINANCIAL INSTITUTIONS.

LIFE AND NON-LIFE INSURANCE COMPANIES, PRE-NEED COMPANIES AND HEALTH MAINTENANCE ORGANIZATIONS ARE ALSO CONSIDERED FINANCIAL INSTITUTIONS UNDER THE SUPERVISION OF THE INSURANCE COMMISSION.

(GG) The term '***statutory minimum wage***' x x x.

(HH) The term '***minimum wage earner***' x x x.

**(II) THE TERM 'COLLECTIVE INVESTMENT SCHEMES' OR 'CIS'** SHALL MEAN ANY ARRANGEMENT WHEREBY FUNDS ARE SOLICITED FROM THE INVESTING PUBLIC AND POOLED TOGETHER FOR THE PURPOSE OF INVESTING, RE-INVESTING, AND/OR TRADING IN SECURITIES OR OTHER ASSETS OR DIFFERENT CLASSES THEREOF AS ALLOWED UNDER THE LAW, WHICH MAY EITHER HAVE A CORPORATE STRUCTURE, SUCH AS AN INVESTMENT COMPANY, OR A CONTRACTUAL STRUCTURE, SUCH AS A UNIT INVESTMENT TRUST FUND OR SIMILAR SCHEME HELD BY A TRUST CORPORATION OR A SEPARATE ACCOUNT FUND ESTABLISHED PURSUANT TO A VARIABLE

UNIT LINKED LIFE INSURANCE POLICY ISSUED BY AN INSURANCE COMPANY, AND SUCH OTHER FORMS OF COLLECTIVE INVESTMENT SCHEMES AS MAY BE DETERMINED BY THE APPROPRIATE GOVERNMENT REGULATORY AGENCIES SUCH AS THE BANGKO SENTRAL NG PILIPINAS, THE SECURITIES AND EXCHANGE COMMISSION AND THE INSURANCE COMMISSION. A CIS MAY EITHER BE OPEN-END OR CLOSED-END, DEFINED AS FOLLOWS:

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

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

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

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

(LL) THE TERM '*DEBT INSTRUMENT*' SHALL REFER TO INSTRUMENTS REPRESENTING BORROWING AND LENDING TRANSACTIONS INCLUDING BUT NOT LIMITED TO DEBENTURES, CERTIFICATES OF INDEBTEDNESS, DUE BILLS, BONDS, LOAN AGREEMENTS, INSTRUMENTS, AND SECURITIES ISSUED BY THE GOVERNMENT OR ANY OF ITS INSTRUMENTALITIES, DEPOSIT SUBSTITUTES, CERTIFICATES OR OTHER EVIDENCES OF DEPOSITS, PROMISSORY NOTES, WHETHER NEGOTIABLE OR NON-NEGOTIABLE, OTHER

SIMILAR INSTRUMENTS, AND OTHER INSTRUMENTS AS MAY BE DETERMINED BY APPROPRIATE GOVERNMENT AGENCIES.

(MM) THE TERM 'ORGANIZED MARKETPLACE' IS AN EXCHANGE, AN OVER-THE-COUNTER MARKET, ALTERNATIVE TRADING SYSTEM, RECOGNIZED AS SUCH BY THE SECURITIES AND EXCHANGE COMMISSION AS AN EXCHANGE UNDER REPUBLIC ACT NO. 8799, AS AMENDED, AND GOVERNED BY, AMONG OTHERS, TRANSPARENT AND BINDING RULES AND MARKET CONVENTIONS ON MEMBERSHIP, TRADING, PRICE TRANSPARENCY, TRADE REPORTING, MARKET MONITORING AND ORDERLY CONDUCT/OPERATION OF THE MARKET WHICH ARE ENFORCEABLE ON THE MEMBERS AND PARTICIPANTS.

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

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

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

**SEC. 24. Income Tax Rates. –**

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

xxx    xxx    xxx

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

**(1) *Interest, Royalties, Prizes, and Other Winnings.] –*** A final tax at the rate of [twenty percent (20%)] FIFTEEN PERCENT (15%) is hereby 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 IN COLLECTIVE INVESTMENT SCHEMES**, 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 PERCENT (15%) TAX ON DIVIDENDS SHALL APPLY ONLY ON INCOME EARNED ON OR AFTER JANUARY 1, 2020. INCOME FORMING PART OF RETAINED EARNINGS AS OF DECEMBER 31, 2019, EVEN IF DECLARED**

**OR DISTRIBUTED ON OR AFTER JANUARY 1, 2020, SHALL BE SUBJECT TO TEN PERCENT (10%) TAX.**

**LIQUIDATING DIVIDEND SHALL BE SUBJECT TO SECTION 24(A) BASED ON NET GAIN.**

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

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

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

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

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

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

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

**THE TAX SHALL BE BASED ON THE GROSS SELLING PRICE OR GROSS VALUE IN MONEY OF THE SHARES OF STOCK SOLD, 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 GOVERNMENT REGULATORY 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 SECURITIES NOT 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 GAINS ON 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 GOVERNMENT REGULATORY AGENCY TO BUY AND SELL IN DEBT INSTRUMENTS SECURITIES, FOR THE DEALER'S OWN ACCOUNT IN THE ORDINARY COURSE OF BUSINESS , SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION BUT TO SECTION 24(A) AS AN ORDINARY INCOME.

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

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

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

**(C) ROYALTIES, PRIZES, AND OTHER Winnings - A FINAL TAX AT THE RATE OF TWENTY PERCENT (20%) IS HEREBY IMPOSED ON THE FOLLOWING INCOME DERIVED FROM SOURCES WITHIN THE PHILIPPINES: (1) ROYALTIES EARNED AS PASSIVE INCOME, EXCEPT ROYALTIES FROM BOOKS, AS WELL AS OTHER LITERARY WORKS AND MUSICAL COMPOSITIONS WHICH SHALL BE SUBJECT TO A FINAL TAX OF TEN PERCENT (10%); (2) PRIZES (EXCEPT PRIZES AMOUNTING TO TEN THOUSAND PESOS (P10,000) OR LESS) WHICH SHALL BE SUBJECT TO TAX UNDER SECTION 24 (A); AND (3) OTHER Winnings (EXCEPT**

**WINNINGS AMOUNTING TO PHP10,000 OR LESS FROM PHILIPPINE CHARITY SWEEPSTAKES AND LOTTO WHICH SHALL BE EXEMPT).**

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

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

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

[(2) *Cash and/or Property Dividends from a Domestic Corporation or Joint Stock Company, or Insurance or Mutual Fund Company or Regional Operating Headquarter or Multinational Company, or Share in the Distributable Net Income of a Partnership (Except a General Professional Partnership), Joint Account, Joint Venture Taxable as a Corporation or Association, Interests, Royalties, Prizes, and Other Winnings.* – Cash and/or property dividends from a domestic corporation, or from a joint stock company, or from an insurance or mutual fund company or from a regional operating headquarter of multinational company, or the share of a nonresident alien individual in the distributable net income after tax of a partnership (except a general professional partnership) of which he is a partner, or the share of a nonresident alien individual in the net income after tax of an association, a joint account), or a joint venture taxable as a corporation of which he is a member or a co-venturer; royalties (in any form); and prizes (except prizes amounting to Ten thousand pesos (P10,000) or less which shall be subject to tax under Subsection (B)(1) of Section 24); and other winnings (except Philippine Charity Sweepstakes and Lotto winnings), shall be subject to an income tax of twenty percent (20%) on the total amount thereof: *Provided, however,* That royalties on books as well as other literary works, and royalties on musical compositions shall be subject to a final tax of ten percent (10%) on the total amount thereof: *Provided, further,* That cinematographic films and similar works shall be subject to the tax provided under Section 28 of this Code: [*Provided, furthermore,* 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 four (4) years – 12%; and]

[Less than three (3) years – 20%.]

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

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

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

xxx      xxx      xxx

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

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

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

xxx    xxx    xxx

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

**[(1) Interest from Deposits and Yield or any other Monetary Benefit from Deposit Substitutes and from Trust Funds and Similar Arrangements, and Royalties.** – A final tax at the rate of twenty percent (20%) is hereby imposed upon the amount of interest on currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements received by domestic corporations, and royalties, derived from sources within the Philippines: *Provided, however*, That interest income derived by a domestic corporation 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 of such interest income.]

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

**[(3) Tax on Income Derived under the Expanded Foreign Currency Deposit System.** – Income derived by a depository bank under the expanded foreign currency deposit system from foreign currency transactions with nonresidents, offshore banking units in the Philippines, local commercial banks, including branches of foreign banks that may be authorized by the Bangko Sentral ng Pilipinas (BSP) to transact business with foreign currency depository system units and other depository banks under the expanded foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the Monetary Board to be subject to the regular income tax payable by banks: *Provided, however*, That interest income from foreign currency loans granted by such depository banks under said expanded system to residents other than offshore banking units in the Philippines or other

depository banks under the expanded system, shall be subject to a final tax at the rate of ten percent (10%).

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

**[(4) *Intercorporate Dividends.* – Dividends received by a domestic corporation from another domestic corporation shall not be subject to tax.]**

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

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

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

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

**(4) *PRESUMPTIVE CAPITAL GAINS FROM THE SALE, EXCHANGE, BARTER OR DISPOSITION OF SHARES OF STOCK TRADED IN THE STOCK EXCHANGE OR AN ORGANIZED MARKETPLACE.* –THERE SHALL BE LEVIED, ASSESSED AND COLLECTED ON EVERY SALE, BARTER, EXCHANGE, OR OTHER DISPOSITION OF SHARES OF STOCK LISTED AND TRADED THROUGH A LOCAL STOCK EXCHANGE OR AN ORGANIZED MARKETPLACE, A FINAL TAX AT THE RATE OF SIX-TENTH OF ONE PERCENT (6/10 OF 1%), AND SHALL BE REDUCED ACCORDING TO THE FOLLOWING SCHEDULE:**

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

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

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

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

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

THE TAX SHALL BE BASED ON THE GROSS SELLING PRICE OR GROSS VALUE IN MONEY OF THE SHARES OF STOCK SOLD, 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 SECTION 27 (A) HEREOF.

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 GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN SECURITIES, FOR HIS OWN ACCOUNT IN THE ORDINARY COURSE OF BUSINESS SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION BUT TO SECTION 27(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 27(D)(3) AND (4).**

- ANY GAIN EARNED FROM DEBT INSTRUMENT AND OTHER SECURITIES NOT INCLUDED IN SECTION 27(D)(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 GAINS ON LISTED AND TRADED DEBT INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION 27(D)(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 EXCHANGE OR AN 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 SECTION 27 (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 GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN DEBT INSTRUMENTS SECURITIES, FOR THE DEALER'S OWN ACCOUNT IN THE ORDINARY COURSE OF BUSINESS , SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION BUT TO SECTION 27(A) AS AN ORDINARY INCOME.

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

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

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

x x x    x x x    x x x

**(4) Gross Income Defined.** – xxx

x x x    x x x    x x x

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

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

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

**SEC. 28. Rates of Income Tax on Foreign Corporations. —**

**(A) Tax on Resident Foreign Corporations. —**

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

xxx    xxx    xxx

**(2) Minimum Corporate Income Tax on Resident Foreign Corporations. —** A minimum corporate income tax of two percent (2%) of gross income, as prescribed under Section 27([E]F) of this Code, shall be imposed, under the same conditions, on a resident foreign corporation taxable under paragraph (1) of this Subsection.

**(3) International Carrier. — x x x**

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

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

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

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

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

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

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

**[(b) Income Derived under the Expanded Foreign Currency Deposit System -** Income derived by a depository bank under the expanded foreign currency deposit system from foreign currency transactions with nonresidents, offshore banking units in the Philippines, local commercial banks including branches of foreign banks that may be authorized by the Bangko Sentral ng Pilipinas (BSP) to transact business with foreign currency deposit system units and other depository banks under the expanded foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be

specified by the Secretary of Finance, upon recommendation by the Monetary Board to be subject to the regular income tax payable by banks: Provided, however That interest income from foreign currency loans granted by such depository banks under the said expanded system to residents other than offshore banking units in the Philippines or other depository banks under the expanded system shall be subject to a final tax at the rate of ten percent (10%)]

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

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

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

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

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

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

xxx    xxx    xxx

**(5) Tax on Certain Incomes Received by a Nonresident Foreign Corporation. –**

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

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

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

[Not over P100,000..... 5%]

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

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

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

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

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

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

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

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

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

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

(a) Publicly-held corporations;

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

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

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

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

**[(2) Evidence Determinative of Purpose. – The fact that the earnings or profits of a corporation are permitted to accumulate beyond the reasonable needs of the business shall be determinative of the purpose to avoid the tax upon its shareholders or members unless the corporation, by the clear preponderance of evidence, shall prove to the contrary.]**

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

xxx    xxx    xxx

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

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

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

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

**[(C)](B)** A beneficiary society, order or association, operating for the exclusive benefit of the members such as a fraternal organization operating under the lodge system, or a mutual aid association or a nonstock corporation organized by employees providing for the payment of life, sickness, accident, or other

benefits exclusively to the members of such society, order, or association, or nonstock corporation or their dependents;

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

**[(E)](D)** Nonstock corporation or association organized and operated exclusively for religious, charitable, scientific, athletic, or cultural purposes, or for the rehabilitation of veterans, no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person;

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

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

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

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

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

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

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

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

**SEC. 32. Gross Income. – xxx**

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

xxx    xxx    xxx

**(7) Miscellaneous Items. –**

xxx    xxx    xxx

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

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

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

xxx    xxx    xxx

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

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

**(A) Expenses. -**

**(1) Ordinary and Necessary Trade, Business or Professional Expenses. -**

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

xxx    xxx    xxx

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

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

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

xxx    xxx    xxx

**(B) *Interest.* –**

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

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

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

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

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

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

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

xxx    xxx    xxx

**(E) *Bad Debts.* –**

**(1) *In General.* – xxx**

**(2) *Securities Becoming Worthless.* –** If securities, as defined in Section 22(T), are ascertained to be worthless and charged off within the taxable year and are capital assets, the loss resulting therefrom shall, [in the case of a taxpayer other than a bank or trust company incorporated under the laws of the Philippines a substantial part of whose business is the receipt of deposits, for the purpose of this Title,] be considered as a loss from the sale or exchange **OF CAPITAL ASSETS**, on the last day of such taxable year[, of capital assets]. **SECURITIES HELD BY A DEALER IN SECURITIES OR AN ENTITY LICENSED BY THE APPROPRIATE GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN SECURITIES INCLUDING BANKS, AND OTHER FINANCIAL INTERMEDIARIES, SHALL BE CONSIDERED ORDINARY ASSETS, AND SECURITIES HELD THAT ARE ASCERTAINED TO BE WORTHLESS SHALL BE CONSIDERED ORDINARY LOSSES THAT ARE ALLOWED AS DEDUCTION FROM TAXABLE INCOME.**

xxx    xxx    xxx

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

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

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

**(B) *Mutual Insurance Companies.* –** In the case of **MUTUAL LIFE**, mutual fire and mutual employers' liability and mutual workmen's compensation and mutual casualty insurance companies requiring their members to make premium deposits to provide for losses and expenses, said companies shall not **INCLUDE [return]** as income any portion of the premium deposits returned to their policyholders, but shall **INCLUDE [return]** as taxable income all income received by them from all other sources plus such portion of the premium

deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves.

xxx    xxx    xxx

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

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

(A) In the case of any loss claimed to have been sustained from any sale or other disposition of shares of stock or securities where it appears that within a period beginning thirty (30) days before the date of such sale or disposition and ending thirty (30) days after such date, the taxpayer has acquired (by purchase or by exchange upon which the entire amount of gain or loss was recognized by law), or has entered into a contract or option so **AS** to acquire, substantially identical stock or securities, then no deduction for the loss shall be allowed under Section 34 unless the claim is made by a dealer in stock or securities, **OR BY ANY ENTITY'S OR A FINANCIAL INTERMEDIARY DULY LICENSED BY THE APPROPRIATE GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN SECURITIES EITHER FOR THE ENTITIES OWN ACCOUNT OR FOR THE ACCOUNT OF OTHERS** and with respect to a transaction made in the ordinary course of the business of such dealer.

xxx    xxx    xxx

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

**SEC. 39. *Capital Gains and Losses.* –**

**(A) *Definitions.* –** As used in this Title –

xxx    xxx    xxx

**(B) *Percentage Taken Into Account.* –** In the case of a taxpayer, other than a corporation, only the following percentages of the gain or loss recognized

upon the sale or exchange of a capital asset shall be taken into account in computing net capital gain, net capital loss, and net income:]

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

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

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

**[(D) Net Capital Loss Carry-over.** – If any taxpayer, other than a corporation, sustains in any taxable year a net capital loss, such loss (in an amount not in excess of the net income for such year) shall be treated in the succeeding taxable year as a loss from the sale or exchange of a capital asset held for not more than twelve (12) months.]

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

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

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

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

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

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

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

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

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

(a) From a domestic corporation; and

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

xxx    xxx    xxx

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

**(1) *General Rule.* –**

xxx    xxx    xxx

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

**BUSINESS IN THE PHILIPPINES IS A TAXABLE INCOME IN THE PHILIPPINES.**

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

**SEC. 51. *Individual Return.* –**

**(A) *Requirements.* – x x x**

xxx    xxx    xxx

**(C) *When to File.* –**

xxx    xxx    xxx

(2) Individuals subject to tax on capital gains:

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

**(B) FROM THE SALE, EXCHANGE, OR BARTER OF SHARES OF STOCK OR DEBT INSTRUMENTS AND OTHER SECURITIES TRADED THROUGH A LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE AS PRESCRIBED UNDER SECTIONS 24(B)(4) AND (6), AND 25(A) AND (B), THE TAX SHALL BE COLLECTED BY THE BROKER WHO EFFECTED THE SALE, AND SHALL BE REMITTED TO THE BUREAU OF INTERNAL REVENUE WITHIN FIVE (5) BANKING DAYS FROM THE DATE OF COLLECTION THEREOF. THE BROKER SHALL LIKEWISE SUBMIT ON MONDAYS OF EACH WEEK TO THE SECRETARY OF THE LOCAL EXCHANGE OR ORGANIZED MARKETPLACE OF WHICH THE BROKER IS A MEMBER, A TRUE AND COMPLETE RETURN WHICH SHALL CONTAIN A DECLARATION OF ALL THE TRANSACTIONS EFFECTED DURING THE PRECEDING WEEK, AND OF ALL TAXES COLLECTED AND TURNED OVER TO THE BUREAU OF INTERNAL REVENUE.**

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

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

**SEC. 52. Corporation Returns. –**

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

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

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

xxx    xxx    xxx

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

**(E) RETURN ON CAPITAL GAINS REALIZED FROM SALE OF SHARES OF STOCK, DEBT INSTRUMENTS, AND OTHER SECURITIES TRADED IN THE LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE.** – IT SHALL BE

THE DUTY OF EVERY BROKER WHO EFFECTED THE SALE, SUBJECT TO THE TAX IMPOSED UNDER SECTION 27(D)(4) AND (6), AND 28, TO COLLECT THE TAX DUE AND REMIT THE SAME TO THE BUREAU OF INTERNAL REVENUE WITHIN FIVE (5) BANKING DAYS FROM THE DATE OF COLLECTION THEREOF, AND TO SUBMIT ON MONDAYS OF EACH WEEK TO THE SECRETARY OF THE LOCAL EXCHANGE OR ORGANIZED MARKETPLACE, OF WHICH THE BORROWER IS A MEMBER, A TRUE AND COMPLETE RETURN WHICH SHALL CONTAIN A DECLARATION OF ALL THE TRANSACTIONS EFFECTED DURING THE PRECEDING WEEK, AND TAXES COLLECTED AND TURNED OVER TO THE BUREAU OF INTERNAL REVENUE.

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

**SEC. 54. Returns of Receivers, Trustees, [in Bankruptcy] or Assignees. –** [In cases wherein r]Receivers, ADMINISTRATORS, trustees in AN IRREVOCABLE TRUST OR bankruptcy, or ANY OTHER PERSON ASSIGNED OR [assignees are] IN-CHARGE OF operating the property or business of [a ]ANOTHER PERSON OR corporation subject to the tax UNDER THIS CODE [imposed by this Title, such receivers, trustees or assignees] shall BE IMPOSED WITH THE OBLIGATION TO FILE [make] THE returns AND PAY THE TAXES FOR SUCH PERSON OR CORPORATION IN THE SAME MANNER REQUIRED UNDER THIS CODE. [of net income as and for such corporation, in the same manner and form as such organization is hereinbefore required to make returns, and] Any tax due on the income as returned by receivers, ADMINISTRATORS, trustees or assignees shall be assessed and collected in the same manner as if assessed directly against the [organizations] PERSON, ESTATE OR ORGANIZATION [of] whose businesses or properties they have custody or control.

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

ANY INCOME OF A REVOCABLE TRUST NOT SUBJECTED TO FINAL TAX SHALL BE SUBJECT TO CREDITABLE WITHHOLDING TAX UPON DISTRIBUTION OF THE INCOME TO THE TRUSTOR OR THE

**BENEFICIARY AT A RATE NOT EXCEEDING THE HIGHEST RATE OF TAX IMPOSED ON INDIVIDUALS UNDER SECTION 24 IN THE CASE OF INDIVIDUAL TRUSTORS, OR THE CORPORATE INCOME TAX UNDER SECTION 27 IN THE CASE OF CORPORATE TRUSTORS.**

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

***SEC. 56. Payment and Assessment of Income Tax for Individuals and Corporations. –***

***(A) Payment of Tax. –***

xxx    xxx    xxx

***(3) Payment of Capital Gains Tax. –***

**A. IN GENERAL -** The total amount of tax imposed and prescribed under SectionS 24[(C)](B)(3), 24[(D)](B)(5), 24(B)(7), 25, 27[(E)(2)](D)(3), 27(D)(5), 27(D)(7), 28(A)[(8)(c)] and 28(B)(5)[(c)] shall be paid on the date the return prescribed therefor is filed by the person liable thereto: *Provided*, That if the seller submits proof of his intention to avail himself of the benefit of exemption of capital gains under existing special laws **OR TAX TREATY**, no such payments shall be required: *Provided, further*, That in case of failure to qualify for exemption under such special laws, **TAX TREATY** and implementing rules and regulations, the tax due on the gains realized from the original transaction shall immediately become due and payable, and subject to the penalties prescribed under applicable provisions of this Code: *Provided, finally*, That if the seller, having paid the tax, submits such proof of intent within six (6) months from the registration of the document transferring the real property, he shall be entitled to a refund of such tax upon verification of his compliance with the requirements for such exemption.

xxx

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

***SEC. 57. Withholding of Tax at Source. –***

***(A) Withholding of Final Tax on Certain Incomes. –*** Subject to rules and regulations the Secretary of Finance may promulgate, upon the recommendation of the Commissioner, requiring the filing of income tax return by certain income payees , the tax imposed or prescribed [by] **UNDER**

**Sections 24(B), 24(C), 25(A), 25(B), 27(D), 27(E), 28(A) AND 28(B)(5) [(2), 25(A)(3) AND 25(B), 25(C), 25(D), 25(E); 27(D)(1), 27(D)(2), 27(D)(3), 27(D)(5); 28(A)(4), 28(A)(5), 28(A)(7)(a), 28(A)(7)(b), 28(A)(7)(c), 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; and 282 of this Code on specified items of income SUBJECT TO FINAL TAX shall be withheld by payor-corporation and/or person and paid in the same manner and subject to the same conditions as provided in Section 58 of this Code.**

(B) xxx xxx xxx

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

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

**SEC. 73. *Distribution of Dividends or Assets by Corporations.* –**

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

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

**(B) *Stock Dividend.* –** x x x

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

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

**(A) Rate and Base of Tax. – x x x**

The phrase 'sale or exchange of services' means the performance of all kinds of services in the Philippines for others for a fee, remuneration or consideration, including those performed or rendered by construction and service contractors; stock, real estate, commercial, customs and immigration brokers; lessors of property, whether personal or real; warehousing services; lessors or distributors of cinematographic films; persons engaged in milling, processing, manufacturing or repacking goods for others; proprietors, operators or keepers of hotels, motels, resthouses, pension houses, inns, resorts; proprietors or operators of restaurants, refreshment parlors, cafes and other eating places, including clubs and caterers; dealers in securities; [lending investors ;] transportation contractors on their transport of goods or cargoes, including persons who transport goods or cargoes for hire and other domestic common carriers by land relative to their transport of goods or cargoes; common carriers by air and sea relative to their transport of passengers, goods or cargoes from one place in the Philippines to another place in the Philippines; sales of electricity by generation companies, transmission, by any entity and distribution companies, including electric cooperatives; services of franchise grantees of electric utilities, telephone and telegraph, radio and television broadcasting and all other franchise grantees except those under Section 119 of this Code and non-life insurance companies (except their crop insurances), including surety, fidelity, indemnity and bonding companies ; and similar services regardless of whether or not the performance thereof calls for the exercise or use of the physical or mental faculties. The phrase 'sale or exchange of services' shall likewise include:

xxx    xxx    xxx

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

**SEC. 121. Tax on Banks and Non-Bank Financial Intermediaries Performing Quasi-Banking Functions. –** There shall be collected a tax on gross receipts derived from sources within the Philippines by all banks and non-bank financial intermediaries **PERFORMING QUASI-BANKING FUNCTIONS AT THE RATE OF FIVE PERCENT (5%) ON INCOME SUCH AS INTEREST, COMMISSIONS, AND DISCOUNTS FROM LENDING ACTIVITIES AS WELL AS INCOME FROM FINANCIAL LEASING, ROYALTIES, RENTALS OF PROPERTY, REAL OR PERSONAL, PROFITS FROM SALE OR**

**EXCHANGE INCLUDING GAINS DERIVED FROM SALE OR TRANSFER OF REAL PROPERTIES, NET TRADING GAINS WITHIN THE TAXABLE YEAR OF FOREIGN CURRENCY, DEBT SECURITIES, DERIVATIVES, AND OTHER SIMILAR FINANCIAL INSTRUMENTS, AND ALL OTHER ITEMS TREATED AS GROSS INCOME UNDER SECTION 32 OF THIS CODE, EXCEPT DIVIDENDS AND EQUITY SHARES AND NET INCOME OF SUBSIDIARIES WHICH SHALL BE SUBJECT TO ZERO PERCENT (0%) [in accordance with the following schedule]:**

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

**[Maturity period is five years or less ..... 5%]**

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

**[(b) On dividends and equity shares and net income of subsidiaries ..... 0%]**

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

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

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

**Provided, That FOR PURPOSES OF COMPUTING THE GROSS RECEIPTS, the generally accepted accounting principles OF RECORDING INCOME AS ADOPTED BY THE BANK SHALL BE FOLLOWED. PROVIDED THAT MERE INCREASE OR DECREASE IN VALUE OF PROPERTY AS A RESULT OF CHANGES IN MARKET VALUES SHALL NOT BE CONSIDERED IN THE COMPUTATION OF GROSS RECEIPTS.: PROVIDED, FURTHER, THAT FOR PURPOSES OF DETERMINING THE GROSS RECEIPTS, NO DEDUCTION SHALL BE MADE ON THE INCOME EXCEPT IN THE CASE OF GAINS FROM DEALINGS IN PROPERTY AND TRADING GAINS, WHERE NET LOSS WITHIN THE SAME BUSINESS ACTIVITY CAN BE OFFSET TO DETERMINE THE NET GAIN SUBJECT TO THIS TAX:**

**PROVIDED, FURTHER, THAT SUCH OFFSETTING SHALL BE ON A QUARTERLY BASIS, AND ANY NET LOSS INCURRED IN A QUARTER CAN BE CARRIED OVER AS DEDUCTION IN THE SUCCEEDING QUARTER/S: PROVIDED FINALLY, THAT NET LOSS INCURRED IN A TAXABLE YEAR CANNOT BE CARRIED OVER TO THE SUCCEEDING TAXABLE YEAR.**

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

xxx    xxx    xxx

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

**SEC. 122. Tax on Other Non-Bank Financial Intermediaries.** – There shall be collected a tax of five percent (5%) on the gross receipts derived by other non-bank financial intermediaries doing business in the Philippines, from interest, commissions **AND** discounts **FROM LENDING ACTIVITIES, AS WELL AS INCOME FROM FINANCIAL LEASING, ROYALTIES, RENTALS OF PROPERTY, REAL OR PERSONAL, PROFITS FROM SALE OR EXCHANGE INCLUDING GAINS DERIVED FROM SALE OR TRANSFER OF REAL PROPERTIES, NET TRADING GAINS WITHIN THE TAXABLE YEAR OF FOREIGN CURRENCY, DEBT SECURITIES, DERIVATIVES, AND OTHER SIMILAR FINANCIAL INSTRUMENTS, UNDERWRITING FEES, SERVICE INCOME, AND ALL OTHER ITEMS TREATED AS GROSS INCOME UNDER SECTION 32 OF THIS CODE, EXCEPT DIVIDENDS AND EQUITY SHARES AND NET INCOME OF SUBSIDIARIES WHICH SHALL BE SUBJECT TO ZERO PERCENT (0%).** [and all other items treated as gross income under this Code. [**: Provided,** That interests, commissions and discounts from lending activities, as well as income from financial leasing, shall be taxed on the basis of the remaining maturities of the instruments from which such receipts are derived, in accordance with the following schedule: ]

[Maturity is five years of less ..... 5%]

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

[**Provided, however,** That in case the maturity period is shortened thru pretermination, then the maturity period shall be reckoned to end as of the date

of pretermination for purposes of classifying the transaction and the correct rate of tax shall be applied accordingly.]

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

**FINANCIAL INTERMEDIARIES SUBJECT TO TAX UNDER THIS SECTION SHALL INCLUDE FINANCING COMPANIES, FINANCE LEASING COMPANIES, INVESTMENT HOUSES, PAWNSHOPS, FOREIGN EXCHANGE DEALERS AND MONEY BROKERS, TRUST ENTITIES, CREDIT CARD COMPANIES, LENDING INVESTORS, SAVINGS AND LOAN ASSOCIATIONS, AND OTHER FINANCIAL INTERMEDIARIES EXCEPT BANKS AND NON-BANKS PERFORMING QUASI-BANKING FUNCTIONS WHICH SHALL BE TAXED UNDER SECTION 121 OF THIS CODE.**

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

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

**IN-HOUSE LENDING OR SELLER FINANCING SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION. ANY INCOME EARNED OR RECEIVED FROM IN-HOUSE LENDING OR SELLER FINANCING SHALL**

**BE SUBJECT TO THE SAME TAX APPLICABLE TO THE PRINCIPAL BUSINESS ACTIVITY OR TRANSACTION.**

**HOLDING COMPANIES SHALL BE SUBJECT TO EITHER VALUE ADDED TAX OR GROSS RECEIPTS TAX DEPENDING ON THE NATURE OF ITS BUSINESS ACTIVITIES. IF UNDERTAKING FINANCING AND OTHER SIMILAR ACTIVITIES, IT SHALL BE SUBJECT TO GROSS RECEIPTS TAX UNDER THIS SECTION. INCOME DERIVED FROM THE SALE OF GOODS, PROPERTIES AND OTHER SERVICES SHALL BE SUBJECT TO VALUE ADDED TAX UNDER SECTION 105 OF THIS CODE.**

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

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

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

**SEC. 123. Tax on Life Insurance AND REINSURANCE Premiums[.] . -**  
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:**

**(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 REQUIRED BY APPROPRIATE GOVERNMENT REGULATORY AGENCIES SHALL BE COMPLIED WITH.**

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

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

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

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

FOR THE PURPOSE OF CLAIMING EXEMPTION ON REINSURANCE PREMIUMS, THE SECRETARY OF FINANCE, UPON THE RECOMMENDATIONS OF THE COMMISSIONER OF INTERNAL REVENUE

AND INSURANCE COMMISSIONER, SHALL PROMULGATE THE REQUIRED REPORTS TO BE SUBMITTED TO THE BUREAU OF INTERNAL REVENUE. ANY MISREPRESENTATION SHALL SUBJECT THE DIRECT INSURER AND/OR REINSURER TO PENALTIES UNDER SECTIONS 248, 249, 253, 254, 255, 256, AND 257 OF THIS CODE.

ANY INCOME, OTHER THAN RECEIPT OF PREMIUM SUCH AS MANAGEMENT FEES, SERVICE FEES, CHARGES, AND PENALTIES, COMMISSIONS, INCOME FROM THE SALE OR TRANSFER OF GOODS, PROPERTIES OR SERVICES, EARNED OR RECEIVED AS AN INCIDENT OF DOING THE BUSINESS OF LIFE, NON-LIFE AND OTHER INSURANCE ACTIVITIES, SHALL BE SUBJECT TO THE VALUE ADDED TAX UNDER SECTION 105 OF THIS CODE; PROVIDED, THAT INCOME RECEIVED FROM THE INVESTMENT AND REINVESTMENT OF PREMIUMS EARNED SHALL NOT BE SUBJECT TO VALUE ADDED TAX NOR TO THE GROSS RECEIPTS TAX IMPOSED UNDER SECTIONS 121 AND 122 OF THIS CODE.

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

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

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

**[(A) Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange. –** There shall be levied, assessed and collected on every sale, barter, exchange, or other disposition of shares of stock listed and traded through the local stock exchange other than the sale by a dealer in securities, a tax at the rate of six-tenths of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold,

bartered, exchanged or otherwise disposed which shall be paid by the seller or transferor.]

**[(B) Tax on Shares of Stock Sold or Exchanged through Initial Public Offering.** – There shall be levied, assessed and collected on every sale, barter, exchange or other disposition through initial public offering of shares of stock in closely-held corporations, as defined herein, a tax at the rates provided hereunder based on the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed in accordance with the proportion of shares of stock sold, bartered, exchanged or otherwise disposed to the total outstanding shares of stock after the listing in the local stock exchange:]

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

[Over twenty-five percent (25%) but not over thirty-three and one third percent (33  $\frac{1}{3}$ %) ..... 2%]

[Over thirty-three and one third percent (33  $\frac{1}{3}$ %) ... 1%

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

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

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

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

**[(2) Family and Partnership Ownerships.** – An individual shall be considered as owning the stock owned directly or indirectly, by or for his family, or by or for his partner. For purposes of the paragraph, the ‘family of an individual’

includes only his brothers and sisters (whether by whole or half-blood), spouse, ancestors and lineal descendants.]

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

**[(4) Constructive Ownership as Actual Ownership.** – Stock constructively owned by reason of the application of paragraph (1) or (3) hereof shall, for purposes of applying paragraph (1) or (2), be treated as actually owned by such person; but stock constructively owned by the individual by reason of the application of paragraph (2) hereof shall not be treated as owned by him for purposes of again applying such paragraph in order to make another the constructive owner of such stock]

**[(C) Return on Capital Gains Realized from Sale of Shares of Stocks. –]**

**[(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 of every stock broker who effected the sale subject to the tax imposed herein to collect the tax and remit the same to the Bureau of Internal Revenue within five (5) banking days from the date of collection thereof and to submit on Mondays of each week to the secretary of the stock exchange, of which he is a member, a true and complete return which shall contain a declaration of all the transactions effected through him during the preceding week and of taxes collected by him and turned over to the Bureau of Internal Revenue.]

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

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

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

**SEC. 174. Stamp Tax on Original Issue of Shares of Stock.** – On every original issue, whether on organization, reorganization or for any lawful purpose, of shares of stock by any association, company, or corporation, **INCLUDING SHARES OF STOCK OR UNITS OF PARTICIPATION IN A COLLECTIVE INVESTMENT SCHEME**, there shall be collected a documentary stamp tax **OF SEVENTY-FIVE PERCENT OF ONE PERCENT (0.75%) OF THE PAR VALUE** [Two pesos (P2.00) on each Two hundred pesos (P200), or fractional part thereof, of the par value,] of such shares of stock: *Provided*, That in the case of the original issue of shares of stock without par value, the amount of the documentary stamp tax herein prescribed shall be based upon the actual consideration for the issuance of such shares of stock: *Provided, further*, That in the case of stock dividends, on the actual value represented by each share; **PROVIDED, FINALLY, THAT IN THE CASE OF COLLECTIVE INVESTMENT SCHEMES WITHOUT PAR VALUE, THE DOCUMENTARY STAMP TAX SHALL BE BASED ON THE INITIAL NET ASSET VALUE PER UNIT.**

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

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

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

**SEC 176. Stamp Tax on Bonds, Debentures, Certificates of Stock or Indebtedness Issued in Foreign Countries.** – On all bonds, debentures, certificates of stock, or certificates of indebtedness issued in any foreign

country, there shall be collected from the person selling or transferring the same in the Philippines, A DOCUMENTARY STAMP TAX OF SEVENTY-FIVE PERCENT OF ONE PERCENT (0.75%) OF THE VALUE OF THE TRANSACTION. [such tax as is required by law on similar instruments when issued, sold or transferred in the Philippines.]

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

**[SEC. 177. Stamp Tax on Certificates of Profits or Interest in Property or Accumulations.** – On all certificates of profits, or any certificate or memorandum showing interest in the property or accumulations of any association, company or corporation, and on all transfers of such certificates or memoranda, there shall be collected a documentary stamp tax of One peso (P1.00) on each Two hundred pesos (P200), or fractional part thereof, of the face value of such certificates or memorandum.]

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

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

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

For purposes of this section, the term debt instrument shall mean instruments representing borrowing and lending transactions including but not limited to debentures, certificates of indebtedness, due bills, bonds, loan agreements, including those signed abroad wherein the object of contract is located or used in the Philippines, instruments and securities issued by the government or any of its instrumentalities, deposit substitute debt instruments, certificates or other

evidences of deposits that are either drawing interest significantly higher than the regular savings deposit taking into consideration the size of the deposit and the risks involved or drawing interest and having a specific maturity date, [orders for payment of any sum of money otherwise than at sight or on demand,] promissory notes, whether negotiable or non-negotiable, except bank notes issued for circulation.

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

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

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

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

**SEC. 182. Stamp Tax on Foreign Bills of Exchange and Letters of Credit.** – On all foreign bills of exchange and letter of credit (including orders, by telegraph or otherwise, for the payment of money issued by express or steamship companies or by any person or persons) drawn in but payable out of the Philippines in a set of three (3) or more according to the custom of merchants and bankers, there shall be collected a documentary stamp tax **OF THIRTY PERCENT OF ONE PERCENT (0.30%)** [Sixty centavos (P0.60) on each Two hundred pesos (P200), or fractional part thereof,] of the face value of any such bill of exchange or letter of credit, or the Philippine equivalent of such face value, 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.**

**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 name the same may be called, whereby any insurance shall be made or renewed upon any life or lives **AND HEALTH OF PERSONS**, there shall be collected a one-time documentary stamp tax at the following rates:

If the amount of insurance does not exceed P100,000	- Exempt
If the amount of insurance exceeds P100,000 but does not exceed P300,000	- P20.00
If the amount of insurance exceeds P300,000 but does not exceed P500,000	- P50.00
If the amount of insurance exceeds P500,000 but does not exceed P750,000	- P100.00
If the amount of insurance exceeds P750,000 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 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 premium charged: **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. 186. Stamp Tax on [Policies of Annuities, and] Pre-Need Plans**– [On all policies of annuities, or other instruments by whatever name the same may be called, whereby an annuity may be made, transferred or redeemed, there shall be collected a documentary stamp tax One peso (P1.00) on each Two hundred pesos (P200), or fractional part thereof, of the premium or installment payment on contract price, collected.] On pre-need plans, **THERE SHALL BE COLLECTED A DOCUMENTARY STAMP TAX OF TWENTY PERCENT OF ONE PERCENT (0.2%) OF THE PREMIUM OR INSTALLMENT PAYMENT ON CONTRACT PRICE, OR CONTRIBUTION CHARGED.** [Forty centavos (P0.40) on each Two hundred pesos (P200), or fractional part thereof, of the premium or contribution collected.]

**SEC. 187. Stamp Tax on Indemnity Bonds.** – On all bonds for indemnifying any person, firm or corporation who shall become bound or engaged as surety for the payment of any sum of money or for the due execution or performance of the duties of any office or position or to account for money received by virtue thereof, and on all other bonds of any description, except such as may be

required in legal proceedings, or are otherwise provided for herein, there shall be collected a documentary stamp tax of [Thirty centavos (P0.30) on each Four pesos (P4.00), or fractional part thereof, ] **SEVEN AND ONE-HALF PERCENT (7.5%) OF THE PREMIUM CHARGED.**

**SEC. 188. Stamp Tax on Certificates.** – On each certificate of damage or otherwise, and on every other certificate or document issued by any customs officer, marine surveyor, or other person acting as such, and on each certificate issued by a notary public, and on each certificate of any description required by law or by rules or regulations of a public office, or which is issued for the purpose of giving information, or establishing proof of a fact, and not otherwise specified herein, there shall be collected a documentary stamp tax of [Thirty] **FORTY pesos (P[3]40.00).**

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

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

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

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

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

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

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

xxx xxx xxx

**SEC. 198. *Stamp Tax on [Assignments and] Renewals of Certain Instruments.*** – Upon each and every [assignment or transfer of any mortgage, lease or policy of insurance, or the] renewal or continuance of any agreement, contract, charter, or any evidence of obligation or indebtedness by **THE EXTENSION OF THE TERM OR MATURITY BY [altering or otherwise,] ALTERATION OF SUCH AGREEMENT, CONTRACT OR CHARTER,** there shall be levied, collected and paid a documentary stamp tax, at the same rate as that imposed on the original instrument.

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

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

xxx xxx xxx

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

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

**SEC. 36. *Prospectivity Clause.*** – The changes introduced under this Act shall take effect on income and transactions beginning January 1, 2020. Any tax exemption on

interest income and gains granted to long-term instruments and securities prior to the effectiveness of this Act shall remain exempt.

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

**SEC. 38. *Separability Clause.*** – If, for any reason any article or provision of this Act, or any portion thereof, or application of such article, provision, or portion thereof to any person, group, or circumstance is declared invalid or unconstitutional, the remainder of this Act shall not be affected by such decision or declaration.

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

- (a) Section 9, insofar as the tax exemption on the issuance of bonds and securities is concerned, of Presidential Decree 1648, known as "Reorganizing The National Development Company and Establishing A Revised Charter Therefor";
- (b) Sections 6, 7, and 8, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Executive Order 603, entitled "Creating A Light Rail Transit Authority, Vesting The Same With Authority to Construct and Operate The Light Rail Transit (LRT) Project and Providing Funds Therefor";
- (c) Section 14, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Republic Act 7354, entitled "An Act Creating The Philippine Postal Corporation, Defining Its Powers, Functions And Responsibilities, Providing For Regulation of The Industry and for Other Purposes Connected Therewith";
- (d) Section 12, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Republic Act 4850, entitled "An Act Creating The Laguna Lake Development Authority, Prescribing its Powers, Functions and Duties, Providing Funds Therefor, and for Other Purposes";

- (e) Number 8, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Presidential Decree 37, entitled "Creating The Nayong Pilipino Foundation"
- (f) Section 12, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Presidential Decree 205, entitled "Creating and Establishing The Development Academy of The Philippines, Defining Its Powers, Functions, and Responsibilities, and for Other Purposes";
- (g) Article 202, insofar as tax exemption on interest income, capital gains, documentary stamp tax, and premium tax is concerned, of Presidential Decree 442 as amended by Presidential Decree 626, entitled "Labor Code Of The Philippines";
- (h) Section 10, insofar as tax exemption on interest income, capital gains, and documentary stamp tax of subsidiaries of Philippine Aerospace Development Corporation is concerned, of Presidential Decree 696, entitled "Revising Presidential Decree No. 286, dated September 5, 1973, as amended, otherwise known as The Charter of The Philippine Aerospace Development Corporation and for Other Purposes";
- (i) Section 2(g), insofar as tax exemption on interest income is concerned, of Republic Act 85, as amended by Republic Act 2081, entitled "An Act Creating The Rehabilitation Finance Corporation";
- (j) Sections 76, 77 and 98, insofar as tax exemption on interest income, dividends, capital gains, and documentary stamp tax on bonds is concerned, of Republic Act 3844 or The Agricultural Land Reform Code;
- (k) Section 37, insofar as tax exemption on interest income, capital gains, gross receipts tax, and documentary stamp tax is concerned, of Republic Act 6848 or The Charter of The Al-Amanah Islamic Investment Bank of the Philippines;
- (l) Sections 10, insofar as tax exemption on interest income is concerned, of Republic Act 3591, as amended by Republic Act 9576 or An Act Increasing The Maximum Deposit Insurance Coverage, and in Connection Therewith, To Strengthen The Regulatory And Administrative Authority, And Financial Capability of The Philippine Deposit Insurance Corporation (Pdic), Amending for this Purpose Republic Act Numbered Three Thousand Five Hundred Ninety-One, as amended, otherwise known as The PDIC Charter, and for Other Purposes;

- (m) Section 12, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Executive Order 1037, entitled "An Act Creating The Philippine Retirement Park System, Providing Funds Therefor and for Other Purposes";
- (n) Section 19, insofar as tax exemption on interest income and documentary stamp tax is concerned, of Republic Act 8763 or Home Guaranty Corporation Act of 2000;
- (o) Section 19, insofar as tax exemption on documentary stamp tax is concerned, of Republic Act 7279 or The Urban Development and Housing Act Of 1992;
- (p) Section 8(a), insofar as tax exemption on interest income, capital gains, and documentary stamp tax of bonds is concerned, as provided under Section 1 of Republic Act 6395 or An Act Revising The Charter of The National Power Corporation;
- (q) Section 15, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of PD 334, entitled "Creating The Philippine National Oil Company, Defining its Powers and Functions, Providing Funds Therefore, and for Other Purposes";
- (r) Section 16, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Presidential Decree 1467, entitled "An Act Creating The Philippine Crop Insurance Corporation, Prescribing Its Powers And Activities, Providing For Its Capitalization and for The Required Government Premium Subsidy, and for Other Purposes";
- (s) Section 3, insofar as tax exemption on interest income, capital gains, and documentary stamp tax of bonds is concerned, of Republic Act 3601, entitled "An Act Granting The National Irrigation Administration";
- (t) Section 6 (a, xviii (2)), in so far as tax exemption on interest income and documentary stamp tax is concerned, of PD 1485, as amended by PD 1770, entitled "Reconstituting The National Grains Authority to The National Food Authority, Broadening its Functions and Powers and for Other Purposes";
- (u) Section 5 (e), insofar as tax exemption on interest income, capital gains, and documentary stamp tax on bonds is concerned, of Republic Act 6260, entitled "An Act Instituting A Coconut Investment Fund and Creating A Coconut Investment Company for the Administration Thereof";

- (v) Section 9, insofar as tax exemption on interest income, capital gains, and documentary stamp tax on bonds is concerned, of Republic Act 10744 Or Credit Surety Fund Act Of 2014;
- (w) Section 20, insofar as tax on interest income, capital gains and documentary stamp tax is concerned, of Republic Act 10693, entitled "An Act Strengthening Nongovernment Organizations (NGOs) Engaged in Microfinance Operations for the Poor";
- (x) Section 7, insofar as tax exemption on documentary stamp tax and premium tax is concerned, of Republic Act 7111, entitled "An Act Establishing The Overseas Workers' Investment Fund to Provide Incentives to Overseas Workers, Reduce the Foreign Debt Burden and for Other Purposes";
- (y) Section 56, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Republic Act 10801, entitled "An Act Governing The Operations and Administration of the Overseas Workers Welfare Administration";
- (z) Section 5, insofar as tax exemption on interest income is concerned, of Republic Act 8367, entitled "An Act Providing for the Regulation of the Organization and Operation of Non-Stock Savings and Loan Associations";
- (aa) Section 28, insofar as tax exemption on capital gains on shares of stock and documentary stamp tax is concerned, of Republic Act 9267 or The Securitization Act Of 2004";
- (bb) Section 17, insofar as tax exemption on interest income, capital gains, gross receipts tax and documentary stamp tax is concerned, of Republic Act 7906, entitled "An Act Providing for the Regulation of the Organization and Operations Of Thrift Banks, and for Other Purposes";
- (cc) Section 15, insofar as tax exemption on capital gains and documentary stamp tax is concerned, of Republic Act 9182, as amended by Republic Act 9343, entitled "An Act Granting Tax Exemptions and Fee Privileges to Special Purpose Vehicles which Acquire or Invest in Non-Performing Assets, Setting The Regulatory Framework Therefor, and for Other Purposes";
- (dd) Sections 13 and 14, insofar as tax exemption on DST and dividends is concerned, of R.A. 9856 or The Real Estate Investment Act of 2009; and
- (ee) Section 23, insofar as no deduction from gross income shall be allowed in respect of any interest if the indebtedness is incurred to finance petroleum exploration is concerned, of P.D. 87, entitled Amending Presidential Decree No.

8 Issued On October 2, 1972, and Promulgating an Amended Act To Promote The Discovery and Production of Indigenous Petroleum and Appropriate Funds Therefor.

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

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

Approved,