

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

18th CONGRESS
First Regular Session

HOUSE BILL NO. 4521



Introduced by **REP. EVELINA G. ESCUDERO**

EXPLANATORY NOTE

The Constitutional mandate that taxation be just, fair, equitable, and reasonable cannot be more profound than when taken in context of today's looming economic reality. Faced with the current situation of the economy, any tax reform effort and revenue scheme should not only be judged according to its fiscal adequacy, equity, and administrative feasibility, but more importantly its impact on poverty, income distribution, and economic growth.

Recent amendments to the National Internal Revenue Code as amended, are proof positive that the legislature has, in fact, taken this stance. Both houses of congress are pushing for legislative measures that will provide relief to the taxpayers, recognizing that taxation is not solely about raising revenues, but is also to accomplish some desirable non-revenue or social objectives.

This bill proposes that documents evidencing the receipt of personal property as security for the payment of certain sum of money, i.e. a contract of pledge, where the loaned amount does not exceed ten thousand pesos (Php10,000.00) be exempt from payment of the documentary stamp tax (DST).

Passage of this bill is justified by the reality that the transactions of this value ordinarily and regularly occur among those belonging to the marginalized sectors of our society. Finding themselves in dire financial situation, they resort to pledging their personal properties in order to borrow money from individuals and/or lending institutions. Because the Tax Code is indifferent on whose liability the payment of DST falls, it is often absorbed by the one making the pledge as a part of the cost of the loan transaction. This is ironic because while the pledge is the one pressed for cash, he still has to cut a share of the proceeds of the loan to pay for the DST.

In this context, the urgent approval of this bill is earnestly recommended.

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AN ACT

EXEMPTING PLEDGE OF PERSONAL PROPERTY COVERING A LOAN OF MONEY NOT EXCEEDING TEN THOUSAND PESOS FROM DOCUMENTARY STAMP TAX, AMENDING FOR THE PURPOSE SECTION 195 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

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

SECTION 1. Section 195 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

X X X

“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, **EXCEPT AS PROVIDED FOR HEREINBELOW**, a documentary stamp tax at the following rates:

- (a) When the amount secured does not exceed Five thousand pesos (P5,000), Twenty pesos (P20.00).
- (b) On each Five thousand pesos (P5,000), or fractional part thereof in excess of Five thousand pesos (P5,000), an additional tax of Ten pesos (P10.00).
- (c) **PROVIDED FURTHER THAT NO DOCUMENTARY STAMP TAX SHALL BE REQUIRED FOR DOCUMENTS OR OTHER PAPERS EVIDENCING THE RECEIPT OF PERSONAL PROPERTY AS SECURITY FOR THE PAYMENT OF ANY DEFINITE AND CERTAIN SUM OF MONEY WHERE THE PRINCIPAL AMOUNT LOANED DOES NOT EXCEED TEN THOUSAND PESOS (Php 10,000.00)."**

SEC. 2. Implementing Rules and Regulations – The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate and publish the necessary rules and regulations for the effective implementation of this Act.

SEC. 3. *Repealing Clause* – All laws, decrees, executive orders, rules and regulations or parts thereof which are inconsistent with this Act, are hereby repealed, amended or modified accordingly.

SEC. 4. *Effectivity* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in any two (2) newspapers of general circulation.

Approved,