

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila



Eighteenth Congress  
First Regular Session

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**COMMITTEE REPORT NO. 4**

Submitted by the Committee on Ways and Means on AUG 29 2019

Re : House Bill No. 304

Recommending its approval with amendment, in consolidation with House Bills Numbered 1907, 2086, 2399, 2553, 2958 and 3359

Sponsor: Representative Joey Sarte Salceda

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Mr. Speaker:

The Committee on Ways and Means to which were referred House Bill No. 304 introduced by Representative Joey Sarte Salceda, entitled:

“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, 189, 190, 191, 194, 195, 196, 197, 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;”

House Bill No. 1907 introduced by Representative Luis Raymund “LRay” F. Villafuerte, Jr., entitled:

“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;”

House Bill No. 2086 introduced by Representative Junie E. Cua, entitled:

“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;”

House Bill No. 2399 introduced by Representatives Estrellita B. Suansing and Horacio P. Suansing, entitled:

“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, 189, 190, 191, 194, 195, 196, 197, 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;”

House Bill No. 2553 introduced by Representative Sharon S. Garin, entitled:

“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, 189, 190, 191, 194, 195, 196, 197, 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;”

House Bill No. 2958 introduced by Representative Michael Odylon L. Romero, entitled:

“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;” AND

House Bill No. 3359 introduced by Representative Ann K. Hofer, entitled:

“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;”

has considered the same and recommends the approval of House Bill No. 304, in consolidation with House Bills Numbered 1907, 2086, 2399, 2553, 2958 and 3359, with the amendment on effectivity clause, as follows:

*“SEC. 32. Effectivity. - This Act shall take effect on January 1, [2019] 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.”*

with Representatives Joey Sarte Salceda, Luis Raymund “LRay” F. Villafuerte, Jr., Junie E. Cua, Estrellita B. Suansing and Horacio P. Suansing, Sharon S. Garin, Michael Odylon L. Romero, Ann K. Hofer, Joy Myra S. Tambunting and Cheryl P. Deloso-Montalla as authors thereof.

Respectfully submitted



JOEY SARTÉ SALCEDA  
Chairperson  
Committee on Ways and Means

THE HONORABLE SPEAKER  
HOUSE OF REPRESENTATIVES  
QUEZON CITY

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

Eighteenth Congress  
First Regular Session



304  
HOUSE BILL NO.

Introduced by Representative JOEY SARTE SALCEDA

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, 189, 190, 191, 194, 195, 196, 197, 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

EXPLANATORY NOTE

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

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

- (a) Complicated tax structure - The taxation of capital income and financial services has become overly complex. Based on the current tax system, there are 80 tax base and tax rate combinations applicable to financial income, financial intermediation services, and financial transactions. Tax on income also depends on many factors and conditions which are difficult to ascertain. Factors that affect the taxation of income include the type of product, type of lending, issuer, currency, maturity, taxpayer, residency, business status, and various special laws. These result in the variations in the tax base and tax rate, even among comparable financial instruments and transactions.
- (b) Susceptibility to arbitrage - the variations in tax rates and unequal tax treatment of equivalent or comparable financial instruments give rise to arbitrage. Different tax treatment among sectors, or between financial institutions and non-financial institutions offering the same service and/or product, or between interests and

dividends, open window for arbitrage and leveraging. These disparities in tax treatment distort investment decisions considering that tax impositions overshadow all other considerations. Competitive advantage arises in favor of the financial sector favored by the law's tax treatment.

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

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

- (d) **Inequitable distribution of tax burden** - Investments in equity and some forms of long-terms instruments are subject to lower tax rates. Hence, those who have more money to place in these kinds of investment tend to pay lower taxes compared to working class individuals who are content with placing their funds in short-term investments or savings deposit with higher taxes.
- (e) **Uncompetitive tax system** - A comparison of taxes on capital income in ASEAN nations shows that Philippine tax on capital income remains the highest in the region. Considering this, the Philippine capital market remain shallow and uncompetitive, and continues to lag behind ASEAN neighbors.
- (f) **High administrative and compliance cost** - The complicated structure of taxes on financial transactions that hinder capital market development. Initial public offering (IPO) tax, for instance, is essentially a tax on capital, and does not take into consideration income generation. Such an imposition serves as a deterrent to public listing. This results in the Philippine Stock Exchange (PSE) lagging behind other ASEAN countries in terms of market capitalization.

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

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

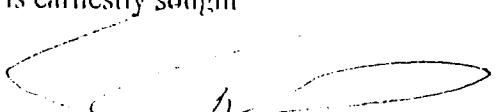
- (a) Provide neutrality in the tax treatment across financial institutions and financial instruments.
- (b) Simplify what has become a complex tax system.
- (c) Improve equity across investors and savers.
- (d) Minimize arbitrage opportunities.
- (e) Promote capital market development and tax competitiveness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

To achieve these, this bill proposes the following reforms:

- (a) Reduction in the number of rates of withholding taxes - Due to the difficulties posed by various tax rates on interest income, distinctions are removed, such that a more uniform tax treatment is imposed on interest income regardless of currency, maturity, issuer, and other differentiating factors. Likewise, special rates and exemptions are removed.
- (b) Unification of tax rates for interests, dividends, and capital gains - Considering the complicated tax system on capital income, a more unified rate of tax is imposed for interests, dividends, and capital gains.
- (c) Harmonization of business taxes - A single GRT rate for all FIs, excluding premium tax on insurance, is imposed. For further harmonization of taxes, distinction between lending and non-lending activities, as well as the term of maturity of an instrument, is removed. A single rate of 5% is imposed.
- (d) 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.
- (e) Removal or minimization of barriers to a capital market development - IPO tax, which is found to be detrimental to capital market development is removed.
- (f) Overall, the DST of the financial sector is being rationalized to promote capital mobility.
- (g) 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.

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

In view of the foregoing, the passage of this bill is earnestly sought



JOEY SARTE SALCEDA

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

Eighteenth Congress  
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304  
HOUSE BILL NO.

Introduced by Representative JOEY SARTE SALCEDA

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, 189, 190, 191, 194, 195, 196, 197, 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

(B) The term 'corporation' shall include partnerships, no matter how created or organized, joint-stock companies, joint accounts (*cuentas en participacion SUCH AS COLLECTIVE INVESTMENT SCHEMES*), associations, or insurance companies, but does not include general professional partnerships and a joint venture or consortium formed for the purpose of undertaking construction projects or engaging in petroleum, coal, geothermal and other energy operations pursuant to an operating or consortium agreement under a service contract with the Government. '*General professional partnerships*' are partnerships formed by persons for the sole purpose of exercising their common profession, no part of the income of which is derived from engaging in any trade or business. **A COLLECTIVE INVESTMENT SCHEME MAY OR MAY NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

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(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; **SUCH AS 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 **SUCH AS COLLECTIVE INVESTMENT SCHEMES**, 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.

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(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.

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(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 OF 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 PARTICIPATIONS, CERTIFICATES OF ASSIGNMENT, OR SIMILAR INSTRUMENTS WITH RECOURSE, 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, OR 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 RECOURSE OR ACCEPTANCE OF DEPOSIT SUBSTITUTES, AS DEFINED IN SECTION 95 OF REPUBLIC ACT NO. 7653, OR THE NEW CENTRAL BANKING ACT 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. THE PHRASE "AT ANY ONE TIME" SHALL BE COUNTED AT THE TIME OF ORIGINATION OR ISSUANCE OF THE DEBT INSTRUMENT.

(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.

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(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.

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(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 COLLECTIVE INVESTMENT SCHEMES, INVESTMENT HOUSES, LENDING INVESTORS, 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, DEBT INSTRUMENTS, 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, REGISTERED AND LICENSED 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) THE TERM '*CLOSELY HELD CORPORATION*' MEANS ANY CORPORATION WITH 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, INSO FAR 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 THE INDIVIDUAL'S FAMILY, OR PARTNER. FOR PURPOSES OF THE PARAGRAPH,

THE 'FAMILY OF AN INDIVIDUAL' INCLUDES ONLY 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 PERSON THE CONSTRUCTIVE OWNER OF SUCH STOCK.

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[s], 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, 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, 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, 2019. INCOME FORMING PART OF RETAINED EARNINGS AS OF DECEMBER 31, 2018, EVEN IF DECLARED OR DISTRIBUTED ON OR AFTER JANUARY 1, 2019, 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 rates 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.**

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

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

***[(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, 2020: FIVE-TENTH OF ONE PERCENT (5/10 OF 1%),**

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

**JANUARY 1, 2022: THREE-TENTH OF ONE PERCENT (3/10 OF 1%),**

**JANUARY 1, 2023: TWO-TENTH OF ONE PERCENT (2/10 OF 1%),**

**JANUARY 1, 2024: 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, WHETHER OR NOT UNDERTAKEN AS A PRIMARY BUSINESS UNDERTAKING FOR THE DEALER'S OWN ACCOUNT OR FOR THE ACCOUNT OF OTHERS, OR UNDERTAKEN IN A FIDUCIARY CAPACITY, SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION BUT TO SECTION 24(A) AS AN ORDINARY INCOME.

**I(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 (180) 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 headquarterS of A 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 rates prescribed below 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:]

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

[Amount in excess of P100,000..... 10%]

**[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%) of such income.]

[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, 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, 2020: FIVE-TENTH OF ONE PERCENT (5/10 OF 1%),

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

JANUARY 1, 2022: THREE-TENTH OF ONE PERCENT (3/10 OF 1%),

JANUARY 1, 2023: TWO-TENTH OF ONE PERCENT (2/10 OF 1%),

JANUARY 1, 2024: 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, WHETHER OR NOT UNDERTAKEN AS A PRIMARY BUSINESS UNDERTAKING, FOR THE DEALER'S OWN ACCOUNT OR FOR THE ACCOUNT OF OTHERS, OR UNDERTAKEN IN A FIDUCIARY CAPACITY, 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.* – xxx**

xxx      xxx      xxx

**(4) Gross Income Defined. – xxx**

xxx      xxx      xxx

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. –**

**(1) *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(IEIF) 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%).

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**(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.**

**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, HEALTH MAINTENANCE ORGANIZATIONS AND OTHER ENTITIES DOING BUSINESS SIMILAR TO OR AKEIN 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.**

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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 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.

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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 SUBJECT TO THE LIMITATION UNDER SECTION 34(B)(1) SHALL BE EXCLUDED FROM THIS SECTION.**

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**(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, 2019, 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(1B); 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,] If interest 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.

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**(E) Bad Debts.** –

**(1) In General.** – xxx

**(2) Securities Becoming Worthless.** – If securities, as defined in Section 22(1), 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.**

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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.* – xxx**

**(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.

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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.

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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 —

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[(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, 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 MORE 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;

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

(1) **General Rule.** –

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(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

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**(C) When to File. –**

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(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.

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**(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.

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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<sup>3</sup> 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:

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**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. BANKS USING THE ACCRUAL BASIS OF FINANCIAL REPORTING SHALL USE THE ACCRUAL METHOD IN COMPUTING THE GROSS RECEIPTS: PROVIDED, THAT, ONCE ADOPTED, IT SHALL BE CONSISTENT FROM YEAR TO YEAR: 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.]

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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 or 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 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, A CERTIFICATION AND A SUMMARY REPORT TO BE PRESCRIBED IN A REGULATION, ISSUED BY THE DIRECT INSURER, THAT THE TAX THEREON HAS ALREADY BEEN PAID, SHALL BE ATTACHED TO THE QUARTERLY PREMIUM TAX RETURN OR VALUE ADDED TAX RETURN TO BE FILED. ANY MISREPRESENTATION SHALL SUBJECT THE DIRECT INSURER TO PENALTIES UNDER SECTIONS 248, 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 one-half of one percent ( $\frac{1}{2}$  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. Sections 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, and 199 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. 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 [176]175. 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. 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. [179]176. 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 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. 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. [181]177. 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]178. 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]179. Stamp Tax on Life AND HEALTH Insurance Policies.** – 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]180. 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, 2020: ELEVEN AND ONE-HALF PERCENT (11.5%),**

**JANUARY 1, 2021: TEN AND ONE-HALF PERCENT (10.5%),**

**JANUARY 1, 2022: NINE AND ONE-HALF PERCENT (9.5%),**

**JANUARY 1, 2023: EIGHT AND ONE-HALF PERCENT (8.5%),**

**JANUARY 1, 2024: SEVEN AND ONE-HALF PERCENT (7.5%).**

**SEC. [185]181. 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, 2020: ELEVEN AND ONE-HALF PERCENT (11.5%),**

**JANUARY 1, 2021: TEN AND ONE-HALF PERCENT (10.5%),**

**JANUARY 1, 2022: NINE AND ONE-HALF PERCENT (9.5%),**

**JANUARY 1, 2023: EIGHT AND ONE-HALF PERCENT (8.5%),**

**JANUARY 1, 2024: SEVEN AND ONE-HALF PERCENT (7.5%).**

**SEC. [186]182. 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 **OF ONE-HALF OF ONE PERCENT (0.5%)** [**One peso (P1.00)** on each Two hundred pesos (P200), or fractional part thereof,] of the premium or installment payment on contract price, **OR CONTRIBUTION** [**collected**] **CHARGED**. On pre-need plans, **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 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]183. 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]184. 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. [189]185. Stamp Tax on Warehouse Receipts.** – xxx

**SEC. [190]186. Stamp Tax on Jai-alai, Horse Race Tickets, Lotto or Other Authorized Numbers Games.** – xxx

**SEC. [191]187. Stamp Tax on Bills of Lading or Receipts.** – xxx

[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. [194]188. *Stamp Tax on Leases and Other Hiring Agreements.* – xxx

SEC. [195]189. *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. [196]190. *Stamp Tax on Deeds of Sale, Conveyances and Donation of Real Property.* – xxx

SEC. [197]191. *Stamp Tax on Charter Parties and Similar Instruments.* – xxx

SEC. [198]192. *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]193. *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. 28. *Prospectivity Clause.* – The changes introduced under this Act shall take effect on income and transactions beginning January 1, 2019. 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. 29. *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. 30. *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. 31. *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 (c), 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 Tax 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.

**SEC. 32. Effectivity Clause.** - This Act shall take effect on January 1, 2019, 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,

**House of Representatives  
Committee Affairs Department**

**FACT SHEET**

**House Bill No. 304  
(approved by the Committee on Ways and Means with amendment, in consolidation  
with House Bills No. 1907, 2806, 2399, 2553 and 3359, on August 27, 2019)**

**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**

*Introduced by: JOEY SARTE SALCEDA, LUIS RAYMUND "LRAY" F. VILLAFUERTE  
JR., JUNIE E. CUA, HORACIO P. SUANSING, JR., ESTRELLITA B. SUANSING,  
SHARON S. GARIN AND ANNE K. HOFER*

**Committee Referral: COMMITTEE ON WAYS AND MEANS  
Committee Chairperson: REP. JOEY SARTE SALCEDA**

**OBJECTIVES:**

- To rationalize the multiple tax rates and bases;
- To lower the current high rates;
- To reduce the tax burden of low-income people;
- To deepen the shallow capital market;
- To level the uneven playing field among financial intermediaries;
- To harmonize the unequal treatment on insurance products;
- To reduce the high friction cost of documentary stamp taxes (DST);
- To lower the high DST on non-insurance;
- To lessen administrative and compliance cost; and
- To broaden the narrow tax base due to many exemptions and special rates

**KEY PROVISIONS:**

- Imposes the following tax rates:

<b>Tax Type</b>	<b>Tax Rate</b>
Interest income of individuals and corporations	15%
Capital gains on unlisted stocks	15%
Presumptive capital gains on listed debt securities	0.1%
Capital gains on unlisted debt securities	15%
Income on banks and non-bank financial intermediaries	5%
Premium tax on life, health, HMO, pension and pre-need insurance	2%
Documentary stamp tax (DST) on the sale of original-issue shares of stocks; bond, debentures, certificate of stock or certificate of indebtedness issued in any foreign country; and on miscellaneous related transactions	0.75%
DST of certificates	P40

- Harmonizes and lowers the tax rates on interest income;
- Lowers the tax on passive income and complements the tax treatment between equity and debt;
- Reduces gradually stock transaction tax on listed stock from 0.6% to 0.1%;
- Removes the tax on initial public offering of shares of stock;
- Equalizes the tax treatment for all financial intermediaries;
- Harmonizes the tax rates for life and health insurance and non-life insurance;
- Shifts the DST rates on life insurance and non-life insurance from fixed amount into ad valorem rates;
- Reduces gradually DST on policies of insurance upon property, fidelity bonds and other insurance property until it reaches 7.5%;
- Removes the DST on the following: proxies, powers of attorney, and assignments and renewals of certain instruments: sales, agreement to sell, memoranda of sales, deliveries or transfer of shares or certificates of stocks; certificates of profits or interest in property or accumulations; bank checks, drafts, certificates of deposit not bearing interest and other interest; and bills of exchange or drafts;
- Reduces administrative and compliance cost by simplifying tax policy; and
- Repeals tax exemptions/preferential rates of mutual savings banks and cooperative banks; offshore banking units and foreign currency deposit units; gains from sale of bonds, debentures or other certificates of indebtedness with maturity of more than 5 years.

#### **RELATED LAWS:**

- Republic Act (R.A.) No. 8424, as amended (The National Internal Revenue Code of 1997)
- R.A. No. 10963 [Tax Reform for Acceleration and Inclusion (TRAIN) Law]
- Presidential Decree (P.D.) No. 1648 (National Development Company)
- Executive Order (EO) No. 603 (Light Rail Transit Authority)
- R.A. No. 7354 (Philippine Postal Corporation)
- R.A. No. 4850 (Laguna Lake Development Authority)
- P.D. No. 37 (Nayong Pilipino Foundation, Inc.)
- P.D. No. 205 (Development Academy of the Philippines)

- P.D. No. 626 (Employees Compensation Commission)
- P.D. No. 696 (Philippine Aerospace Development Corporation)
- R.A. No. 2081 (Development Bank of the Philippines)
- R.A. No. 3844 (Land Bank of the Philippines)
- R.A. No. 6848 (Al-Amanah Islamic Investment Bank of the Philippines)
- R.A. No. 3591, as amended by R.A. No. 9576 (Philippine Deposit Insurance Corporation)
- R.A. No. 6424 (Philippine Export Credit Insurance and Guarantee Corporation)
- R.A. No. 7653 (Bangko Sentral ng Pilipinas)
- E.O. No. 1037 (Philippine Retirement Authority)
- P.D. No. 1146, as amended by R.A. No. 8291 (Government Service Insurance System)
- R.A. No. 1161, as amended by R.A. No. 8282 (Social Security System)
- R.A. No. 9505 (Personal Equity and Retirement Account (PERA) Contributor)
- R.A. No. 7875, as amended by R.A. No. 9241 and R.A. No. 10606 (Philippine Health Insurance Corporation)
- R.A. No. 8763 (Home Guaranty Corporation)
- R.A. No. 7279 (National Housing Authority)
- R.A. No. 9679 (Home Development Mutual Fund)
- R.A. No. 6395 (National Power Corporation)
- P.D. No. 334 (Philippine National Oil Company)
- P.D. No. 198, as amended by P.D. No. 768 (Local Water Utilities Administration)
- R.A. No. 6038 (National Electrification Administration)
- P.D. No. 1467 (Philippine Crop Insurance Corporation)
- R.A. No. 3601 (National Irrigation Administration)
- P.D. No. 4, as amended by P.D. No. 1485 (National Food Authority)
- R.A. No. 6260 (Coconut Investment Company)
- R.A. No. 10744 (Credit Surety Fund Act of 2014)
- R.A. No. 10693 (Microfinance Non-Government Organizations)
- R.A. 7111 (Overseas Workers' Investment (OWI) Fund)
- R.A. No. 10801 (Overseas Workers Welfare Administration)
- R.A. No. 8042, as amended by R.A. No. 10022 (Remittance of Overseas Filipino Workers.

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

Eighteenth Congress  
First Regular Session

**House Bill No. 304**

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**Introduced by Representatives Joey Sarte Salceda, Luis Raymund "LRay" F. Villafuerte, Jr., Junie E. Cua, Estrellita B. Suansing and Horacio P. Suansing, Sharon S. Garin, Michael Odylon L. Romero, Ann K. Hofer, Joy Myra S. Tambunting, Cheryl P. Deloso-Montalla, Ronnie L. Ong, Maximo Y. Dalog, Jr., Jorge Antonio P. Bustos, Rogelio D. Pacquiao, Ferdinand Martin G. Romualdez, Llanda B. Bolilia, Fredenil "Fred" H. Castro, Fernando T. Cabrero, Alfred Delos Santos, Adriano A. Ebcas, Sabiniano S. Canama, Kristine Singson-Meehan**

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**AN ACT**

**AMENDING SECTIONS 22, 24, 25, 27, 28, 29, 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, 195, 198, AND 199; AND REPEALING SECTIONS 127, 175, 177, 178, 180, 188, 192, AND 193; ALL UNDER REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES**

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

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

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

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

9  
10       SEC. 3. Section 22 of the National Internal Revenue Code of 1997, as amended, is  
11 hereby amended to read as follows:

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

13       (A) xxx

14                   xxx     xxx     xxx

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

24       (M) The term '*shareholder*' shall [include] REFER TO holders of a share/s of  
25 stock, warrant/s and/or option/s [to purchase shares of stock of a corporation],  
26 WHETHER TO BUY OR SELL SECURITIES, FUTURES CONTRACTS, AND  
27 SUCH OTHER DERIVATIVE SECURITIES LISTED AND TRADED IN A  
28 LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE, as well as a  
29 holder of a unit of participation in a partnership (except general professional  
30 partnerships), in a joint stock company, a joint account, A COLLECTIVE  
31 INVESTMENT SCHEME, a taxable joint venture, a member of an association,  
32 recreation or amusement club (such as golf, polo, or similar clubs), and a holder of a

1 mutual fund certificate, a member in an association, joint-stock company, or insurance  
2 company.

3           xxx   xxx   xxx

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

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

29           xxx   xxx   xxx

30           (V) The term '*bank*' [means every banking institution, as defined in Section 2  
31 Republic Act No. 337, as amended, otherwise known as the "General Banking Act."  
32 A bank may either be, a commercial bank, a thrift bank, a development bank, a rural  
33 bank or specialized government bank] **AS DEFINED IN SECTION 3 OF**  
34 **REPUBLIC ACT NO. 8791, OTHERWISE KNOWN AS THE GENERAL**

1           **BANKING LAW OF 2000, SHALL REFER TO ENTITIES ENGAGED IN THE**  
2           **LENDING OF FUNDS OBTAINED IN THE FORM OF DEPOSITS. BANKS**  
3           **SHALL BE CLASSIFIED INTO UNIVERSAL BANKS, COMMERCIAL**  
4           **BANKS, AND THRIFT BANKS COMPOSED OF: (A) SAVINGS AND**  
5           **MORTGAGE BANKS; (B) STOCK SAVINGS AND LOAN ASSOCIATIONS;**  
6           **AND (C) PRIVATE DEVELOPMENT BANKS, AS DEFINED IN REPUBLIC**  
7           **ACT NO. 7906, OR THE THRIFT BANKS ACT; RURAL BANKS, AS**  
8           **DEFINED IN REPUBLIC ACT NO. 7353 OF THE RURAL BANKS ACT;**  
9           **COOPERATIVE BANKS, AS DEFINED IN REPUBLIC ACT NO. 6938 OR**  
10          **THE COOPERATIVE CODE; ISLAMIC BANKS AS DEFINED IN REPUBLIC**  
11          **ACT NO. 6848, OR THE CHARTER OF AL AMANAH ISLAMIC**  
12          **INVESTMENT BANK OF THE PHILIPPINES; AND OTHER**  
13          **CLASSIFICATIONS OF BANKS AS DETERMINED BY THE MONETARY**  
14          **BOARD OF THE BANGKO SENTRAL NG PILIPINAS.**

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

32          (X) THE TERM '*QUASI-BANK*' **SHALL REFER TO ENTITIES**  
33          **ENGAGED IN THE BORROWING OF FUNDS THROUGH THE ISSUANCE,**  
34          **ENDORSEMENT OR ASSIGNMENT WITH RE COURSE OR ACCEPTANCE**

1           **OF DEPOSIT SUBSTITUTES, AS DEFINED IN SUBSECTION (Z) HEREOF**  
2           **FOR PURPOSES OF RELENDING OR PURCHASING OF RECEIVABLES**  
3           **AND OTHER OBLIGATIONS.**

4           [(X)] (Y) The term '*QUASI-BANKING ACTIVITIES*' [means] **SHALL**  
5           **REFER TO** borrowing funds from twenty (20) or more [personal] **INDIVIDUALS** or  
6           corporate lenders at any one time through the issuance, endorsement, or acceptance of  
7           debt instruments of any kind other than deposits for the borrower's own account, or  
8           through the issuance of certificates of assignment or similar instruments, with recourse,  
9           or of repurchase agreements for purposes of relending or purchasing receivables and  
10          other similar obligations: *Provided, however,* That commercial, industrial and other  
11          non-financial companies, which borrow funds through any of these means for the  
12          limited purpose of financing their own needs or the needs of their agents or dealers,  
13          shall not be considered as performing quasi-banking functions. **PROVIDED,**  
14          **FURTHER, THAT IF THE INTENTION IS FOR THE DEBT INSTRUMENTS**  
15          **TO BE HELD BY MORE THAN NINETEEN (19) HOLDERS DURING THE**  
16          **ENTIRE TERM OF THE DEBT INSTRUMENT AND IF THE TENOR AND**  
17          **DENOMINATION ARE SUCH THAT THEY CAN BE HELD BY MORE THAN**  
18          **NINETEEN (19) LENDERS, THEN THE INSTRUMENT SHALL BE**  
19          **CONSIDERED DEPOSIT SUBSTITUTES.**

20          [(Y)] (Z) The term '*deposit substitutes*' shall [mean] **REFER TO** an alternative  
21          form of obtaining funds from the public (the term 'public' means borrowing from twenty  
22          (20) or more individual or corporate lenders at any one time) other than deposits,  
23          through the issuance, endorsement, or acceptance of debt instruments for the borrowers  
24          own account, for the purpose of relending or purchasing of receivables and other  
25          obligations, or financing their own needs or the needs of their agent or dealer. These  
26          instruments may include, but need not be limited to bankers' acceptances, promissory  
27          notes, repurchase agreements, [including] **EXCLUDING** reverse repurchase  
28          agreements entered into by and between the Bangko Sentral ng Pilipinas (BSP) and any  
29          authorized agent bank, certificates of assignment or participation and similar  
30          instruments with recourse. **DEBT INSTRUMENTS ISSUED BY THE**  
31          **GOVERNMENT AND ANY OF ITS AGENCIES AND INSTRUMENTALITIES,**  
32          **INCLUDING GOVERNMENT FINANCIAL INSTITUTIONS SHALL BE**  
33          **DEEMED ISSUED TO THE PUBLIC AND CONSIDERED DEPOSIT**  
34          **SUBSTITUTES.** *Provided, however,* That debt instruments issued for interbank call

1 loans with maturity of not more than five (5) days to cover deficiency in reserves against  
2 deposit liabilities, including those between or among banks and quasi-banks, shall not  
3 be considered as deposit substitute debt instruments.

4 [Z] (AA) The term '*ordinary income*' xxx xxx xxx

5 [(AA)] (BB) The term '*rank and file employees*' xxx xxx xxx

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

16 [(CC)] (DD) The term '*trade, business or profession*' xxx xxx xxx

17 [(DD)] (EE) The term '*regional or area headquarters*' xxx xxx xxx

18 [(EE)] (FF) The term '*regional operating headquarters*' xxx xxx xxx

19 [(FF)] (GG) The term ['long-term deposit or investment certificate'] shall refer  
20 to certificate of time deposit or investment in the form of savings, common or individual  
21 trust funds, deposit substitutes, investment management accounts and other investments  
22 with a maturity period of not less than five (5) years, the form of which shall be  
23 prescribed by the Bangko Sentral ng Pilipinas (BSP) and issued by banks only (not by  
24 non-bank financial intermediaries and finance companies) to individuals in  
25 denominations of Ten thousand pesos (P10,000) and other denominations as may be  
26 prescribed by the BSP.] **FINANCIAL INSTITUTIONS' OR 'FINANCIAL**  
27 **INTERMEDIARIES' SHALL REFER TO PERSONS OR ENTITIES WHOSE**  
28 **PRINCIPAL FUNCTIONS INCLUDE THE BUSINESS OF LENDING,**  
29 **FINANCING, INVESTING, OR PLACEMENT OF FUNDS OR EVIDENCES**  
30 **OF INDEBTEDNESS OR EQUITY DEPOSITED WITH THEM, ACQUIRED**  
31 **BY THEM, OR OTHERWISE COURSED THROUGH THEM, EITHER FOR**  
32 **THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF OTHERS, AND ARE**  
33 **AUTHORIZED BY THE BANGKO SENTRAL NG PILIPINAS OR BY THE**

1 SECURITIES AND EXCHANGE COMMISSION DEPENDING ON THE  
2 GOVERNMENT AGENCY AUTHORIZED TO REGULATE THEM. THESE  
3 SHALL INCLUDE BANKS, QUASI-BANKS, TRUST ENTITIES,  
4 PAWNSHOPS, FOREIGN EXCHANGE DEALERS, MONEY BROKERS,  
5 CREDIT COOPERATIVES, FINANCING COMPANIES, FINANCE LEASING  
6 COMPANIES, INVESTMENT COMPANIES, AND OTHER ENTITIES  
7 ENGAGED IN COLLECTIVE INVESTMENT SCHEMES, INVESTMENT  
8 HOUSES, LENDING INVESTORS OR ENTITIES ENGAGED IN FINANCIAL  
9 INTERMEDIATION ACTIVITIES, AND OTHER TYPES OF BUSINESS  
10 THAT MAY BE CLASSIFIED BY THE BANGKO SENTRAL NG PILIPINAS  
11 OR THE SECURITIES AND EXCHANGE COMMISSION AS FINANCIAL  
12 INSTITUTIONS.

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

17 [(GG)] (HH) The term '*statutory minimum wage*' xxx xxx xxx

18 [(HH)] (II) The term '*minimum wage earner*' xxx xxx xxx

19 (JJ) THE TERM '**COLLECTIVE INVESTMENT SCHEMES**' OR '**CIS**'  
20 SHALL REFER TO ANY ARRANGEMENT WHEREBY FUNDS ARE  
21 SOLICITED FROM THE INVESTING PUBLIC AND POOLED TOGETHER  
22 FOR THE PURPOSE OF INVESTING, RE-INVESTING, OR TRADING IN  
23 SECURITIES OR OTHER ASSETS OR DIFFERENT CLASSES THEREOF AS  
24 ALLOWED UNDER THE LAW, WHICH MAY EITHER HAVE A  
25 CORPORATE STRUCTURE, SUCH AS AN INVESTMENT COMPANY, OR A  
26 CONTRACTUAL STRUCTURE, SUCH AS A UNIT INVESTMENT TRUST  
27 FUND OR SIMILAR SCHEME HELD BY A TRUST CORPORATION OR A  
28 SEPARATE ACCOUNT FUND ESTABLISHED PURSUANT TO A VARIABLE  
29 UNIT LINKED LIFE INSURANCE POLICY ISSUED BY AN INSURANCE  
30 COMPANY, AND SUCH OTHER FORMS OF COLLECTIVE INVESTMENT  
31 SCHEMES AS MAY BE DETERMINED BY THE APPROPRIATE  
32 GOVERNMENT REGULATORY AGENCIES SUCH AS THE BANGKO  
33 SENTRAL NG PILIPINAS, THE SECURITIES AND EXCHANGE

1           **COMMISSION AND THE INSURANCE COMMISSION. A CIS MAY EITHER**  
2           **BE OPEN-END OR CLOSED-END, DEFINED AS FOLLOWS:**

3           ‘**OPEN-END CIS**’ SHALL REFER TO A CIS WHERE SECURITIES  
4           ARE OFFERED AND ARE ALWAYS REDEEMABLE BY THE CIS; AND

5           ‘**CLOSED-END CIS**’ SHALL REFER TO A CIS WHERE A FIXED  
6           NUMBER OF SECURITIES ARE OFFERED IN AN INITIAL PUBLIC  
7           OFFERING AND THEREAFTER MAY BE TRADED IN AN ORGANIZED  
8           MARKETPLACE AS DETERMINED BY THE SECURITIES AND  
9           EXCHANGE COMMISSION, BUT MAY NOT BE REDEEMED BY THE CIS.  
10          A **CLOSED-END CIS** SHALL NOT BE ALLOWED TO INCREASE ITS  
11          NUMBER OF SECURITIES.

12         (KK) THE TERM ‘**UNIT LINKED INVESTMENT INSTRUMENT**’  
13         SHALL REFER TO A CONTRACTUAL CIS ORGANIZED PURSUANT TO A  
14         CONTRACT, SUCH AS TRUST INDENTURE, OR AS AN INVESTMENT  
15         COMPONENT OF AN INSURANCE CONTRACT, ENGAGED OR HOLDS  
16         ITSELF OUT AS BEING ENGAGED, OR PROPOSES TO ENGAGE, IN THE  
17         BUSINESS OF INVESTING, REINVESTING, OR TRADING IN SECURITIES  
18         OR OTHER INVESTMENT ASSETS, AND ISSUES UNITS OF  
19         PARTICIPATION, EACH OF WHICH REPRESENTS AN UNDIVIDED  
20         INTEREST IN A POOL OF INVESTMENT ASSETS.

21         (LL) THE TERM ‘**HOLDING COMPANY**’ SHALL REFER TO ANY  
22         CORPORATION ORGANIZED TO HOLD THE STOCK OF ANOTHER OR  
23         OTHER CORPORATIONS, AND OTHER FORMS OF HOLDING  
24         COMPANIES AS MAY BE DETERMINED BY APPROPRIATE  
25         GOVERNMENT REGULATORY AGENCIES.

26         (MM) THE TERM ‘**DEBT INSTRUMENT**’ SHALL REFER TO  
27         INSTRUMENTS REPRESENTING BORROWING AND LENDING  
28         TRANSACTIONS INCLUDING BUT NOT LIMITED TO DEBENTURES,  
29         CERTIFICATES OF INDEBTEDNESS, DUE BILLS, BONDS, LOAN  
30         AGREEMENTS, INSTRUMENTS, AND SECURITIES ISSUED BY THE  
31         GOVERNMENT OR ANY OF ITS INSTRUMENTALITIES, DEPOSIT  
32         SUBSTITUTES, CERTIFICATES OR OTHER EVIDENCES OF DEPOSITS,  
33         PROMISSORY NOTES, WHETHER NEGOTIABLE OR NON-NEGOTIABLE,

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

3 (NN) THE TERM ‘*ORGANIZED MARKETPLACE*’ SHALL REFER TO  
4 AN EXCHANGE, AN OVER-THE-COUNTER MARKET, OR AN  
5 ALTERNATIVE TRADING SYSTEM RECOGNIZED AS SUCH BY THE  
6 SECURITIES AND EXCHANGE COMMISSION AS AN EXCHANGE UNDER  
7 REPUBLIC ACT NO. 8799, AS AMENDED, AND GOVERNED BY, AMONG  
8 OTHERS, TRANSPARENT AND BINDING RULES AND MARKET  
9 CONVENTIONS ON MEMBERSHIP, TRADING, PRICE TRANSPARENCY,  
10 TRADE REPORTING, MARKET MONITORING AND ORDERLY CONDUCT  
11 OF THE MARKET WHICH ARE ENFORCEABLE ON THE MEMBERS AND  
12 PARTICIPANTS.

13 (OO) THE TERM HEALTH INSURANCE PRODUCTS SHALL REFER  
14 TO THOSE THAT ARE BEING OFFERED AND SOLD BY INSURANCE  
15 COMPANIES, EITHER LIFE OR NON-LIFE, WHEREIN THERE IS A LIST  
16 OF COVERED ILLNESSES OF WHICH THE COMPANIES ASSUME RISKS  
17 AND INDEMNIFY LOSSES BROUGHT BY THE SAID COVERED  
18 ILLNESSES.

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

28  
29 SEC. 4. Section 24 (B) and (C) of the National Internal Revenue Code of 1997, as  
30 amended, is hereby amended to read as follows:

31 **SEC. 24. Income Tax Rates. –**

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

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

2                   (1) ***Interests], Royalties, Prizes, and Other Winnings.]*** – A final tax at the rate  
3 of [twenty percent (20%)] **FIFTEEN PERCENT (15%)** is hereby imposed upon the  
4 amount of interest [from any currency bank deposit, and yield or any other monetary  
5 benefit from deposit substitutes, and from trust funds and similar arrangements;  
6 royalties, except on books, as well as other literary works and musical compositions,  
7 which shall be imposed a final tax of ten percent (10%); prizes (except prizes amounting  
8 to Ten thousand pesos (P10,000) or less which shall be subject to tax under Subsection  
9 (A) of Section 24; and other winnings (except winnings amounting to Ten Thousand  
10 pesos (P10,000) or less from Philippine Charity Sweepstakes and Lotto which shall be  
11 exempt), derived from sources within the Philippines:] **YIELD, OR ANY OTHER**  
12 **MONETARY BENEFIT EARNED OR RECEIVED FROM BANK DEPOSIT,**  
13 **DEPOSIT SUBSTITUTE, TRUST FUND, AND SIMILAR ARRANGEMENTS.**  
14 [Provided, however, That interest income received by an individual taxpayer (except a  
15 non-resident individual) from a depository bank under the expanded foreign currency  
16 deposit system shall be subject to a final income tax at the rate of fifteen percent (15%)  
17 of such interest income: Provided, further, That interest income from long-term deposit  
18 or investment in the form of savings, common or individual trust funds, deposit  
19 substitutes, investment management accounts and other investments evidenced by  
20 certificates in such form prescribed by the Bangko Sentral ng Pilipinas (BSP) shall be  
21 exempt from the tax imposed under this Subsection: Provided, finally, That should the  
22 holder of the certificate pre-terminate the deposit or investment before the fifth (5<sup>th</sup>)  
23 year, a final tax shall be imposed on the entire income and shall be deducted and  
24 withheld by the depository bank from the proceeds of the long-term deposit or  
25 investment certificate based on the remaining maturity thereof:

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

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

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

29                  (2) ***Cash and/or Property Dividends.*** – A final tax at the rate of [ten percent  
30 (10%)] **FIFTEEN PERCENT (15%)** shall be imposed upon the cash and/or property  
31 dividends actually or constructively received by an individual from a domestic  
32 corporation or from a joint stock company, insurance or mutual fund companies,  
33 **ENTITIES ENGAGED IN COLLECTIVE INVESTMENT SCHEMES**, and  
34 regional operating headquarters of multinational companies, or on the share of an

1 individual in the distributable net income after tax of a partnership (except a general  
2 professional partnership) of which [he] **ONE** is a partner, or on the share of an  
3 individual in the net income after tax of an association, a joint account, or a joint venture  
4 or consortium taxable as a corporation of which [he] **ONE** 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.**

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

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

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

30 **JANUARY 1, 2021: FIVE-TENTH OF ONE PERCENT (5/10 OF 1%),**  
31 **JANUARY 1, 2022: FOUR-TENTH OF ONE PERCENT (4/10 OF 1%),**  
32 **JANUARY 1, 2023: THREE-TENTH OF ONE PERCENT (3/10 OF 1%),**  
33 **JANUARY 1, 2024: TWO-TENTH OF ONE PERCENT (2/10 OF 1%),**  
34 **JANUARY 1, 2025: ONE-TENTH OF ONE PERCENT (1/10 OF 1%).**

1           **THE TAX SHALL BE BASED ON THE GROSS SELLING PRICE OR**  
2           **GROSS VALUE IN MONEY OF THE SHARES OF STOCK SOLD,**  
3           **BARTERED, EXCHANGED, OR OTHERWISE DISPOSED OF, TO BE PAID**  
4           **BY THE SELLER OR TRANSFEROR: PROVIDED, THAT EFFECTIVE**  
5           **JANUARY 1, 2026, EVERY SALE, BARTER, EXCHANGE, OR ANY OTHER**  
6           **MODE OF DISPOSITION OF SHARES OF STOCK LISTED AND TRADED**  
7           **THROUGH A LOCAL STOCK EXCHANGE OR AN ORGANIZED**  
8           **MARKETPLACE SHALL NOT BE SUBJECT TO TAX UNDER SECTION 24**  
9           **OF THIS CODE.**

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

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

20          **(5) CAPITAL GAINS FROM SALE, EXCHANGE, TRANSFER, BARTER,**  
21          **DISPOSITION OF NON-LISTED AND NON-TRADED DEBT INSTRUMENTS**  
22          **AND OTHER SECURITIES NOT INCLUDED IN SECTION 24(B)(3) AND (4). -**  
23          **A FINAL TAX AT THE RATE OF FIFTEEN PERCENT (15%) SHALL BE**  
24          **IMPOSED ON THE NET CAPITAL GAIN EARNED FROM A DEBT**  
25          **INSTRUMENT AND OTHER SECURITIES NOT INCLUDED IN**  
26          **SUBSECTIONS (B)(3) AND (4), ISSUED BY A CITIZEN OR RESIDENT**  
27          **ALIEN, OR BY A DOMESTIC CORPORATION, OR A RESIDENT FOREIGN**  
28          **CORPORATION, OR BY THE GOVERNMENT OR ANY OF ITS AGENCIES**  
29          **OR INSTRUMENTALITIES.**

30          **(6) PRESUMPTIVE CAPITAL GAINS ON LISTED AND TRADED DEBT**  
31          **INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION**  
32          **24(B)(3) AND (4) - A FINAL TAX AT THE RATE OF ONE-TENTH OF ONE**  
33          **PERCENT (1/10 OF 1%) OF THE GROSS SELLING PRICE OR GROSS**  
34          **VALUE IN MONEY OF THE DEBT INSTRUMENT OR SECURITIES SOLD,**

1 BARTERED, EXCHANGED, OR OTHERWISE DISPOSED SHALL BE  
2 LEVIED, ASSESSED, AND COLLECTED ON EVERY SALE, BARTER,  
3 EXCHANGE, OR OTHER DISPOSITION OF DEBT INSTRUMENTS AND  
4 OTHER SECURITIES, LISTED AND TRADED THROUGH A LOCAL STOCK  
5 EXCHANGE OR A LICENSED ORGANIZED MARKETPLACE, AND SHALL  
6 BE PAID BY THE SELLER OR TRANSFEROR: PROVIDED, THAT  
7 EFFECTIVE JANUARY 1, 2026, EVERY SALE, BARTER, EXCHANGE, OR  
8 OTHER DISPOSITION OF DEBT INSTRUMENTS AND OTHER  
9 SECURITIES, LISTED AND TRADED THROUGH A LOCAL STOCK  
10 EXCHANGE OR A LICENSED ORGANIZED MARKETPLACE SHALL NOT  
11 BE SUBJECT TO TAX UNDER SECTION 24 OF THIS CODE. IF TRADED IN  
12 A FOREIGN EXCHANGE, THE GAIN SHALL BE SUBJECT TO TAX UNDER  
13 SUBSECTION (A) HEREOF.

14 ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER OR  
15 DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES,  
16 LISTED OR UNLISTED, BY A DEALER IN SECURITIES OR OTHER  
17 ENTITIES LICENSED BY THE APPROPRIATE GOVERNMENT  
18 REGULATORY AGENCY TO BUY AND SELL IN DEBT INSTRUMENTS  
19 AND OTHER SECURITIES FOR THE DEALER'S OWN ACCOUNT IN THE  
20 ORDINARY COURSE OF BUSINESS, SHALL NOT BE SUBJECT TO TAX  
21 UNDER THIS SUBSECTION BUT TO SECTION 24(A) AS AN ORDINARY  
22 INCOME.

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

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

1       determined either under Section 24(A) or under this Subsection, at the option of the  
2       taxpayer.

3       **[(2)] (b) *Exception.* – xxx   xxx   xxx**

4       **(C) ROYALTIES, PRIZES, AND OTHER Winnings - A FINAL TAX**  
5       **AT THE RATE OF TWENTY PERCENT (20%) IS HEREBY IMPOSED ON**  
6       **THE FOLLOWING INCOME DERIVED FROM SOURCES WITHIN THE**  
7       **PHILIPPINES: (1) ROYALTIES EARNED AS PASSIVE INCOME, EXCEPT**  
8       **ROYALTIES FROM BOOKS, AS WELL AS OTHER LITERARY WORKS**  
9       **AND MUSICAL COMPOSITIONS WHICH SHALL BE SUBJECT TO A**  
10      **FINAL TAX OF TEN PERCENT (10%); (2) PRIZES (EXCEPT PRIZES**  
11      **AMOUNTING TO TEN THOUSAND PESOS (P10,000) OR LESS) WHICH**  
12      **SHALL BE SUBJECT TO TAX UNDER SECTION 24 (A); AND (3) OTHER**  
13      **Winnings (EXCEPT Winnings AMOUNTING TO TEN THOUSAND**  
14      **PESOS (P10,000) OR LESS FROM PHILIPPINE CHARITY SWEEPSTAKES**  
15      **AND LOTTO WHICH SHALL BE EXEMPT).**

16

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

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

20       **(A) *Nonresident Alien Engaged in Trade or Business Within the Philippines.***  
21       – [(1) *In General.* – ]A nonresident alien individual engaged in trade or business in the  
22       Philippines shall be subject to [an] income tax **UNDER SECTION 24 OF THIS**  
23       **CODE[**, in the same manner as an individual citizen and a resident alien individual,]  
24       on taxable income received from all sources within the Philippines. A nonresident alien  
25       individual who shall come to the Philippines and stay therein for an aggregate period  
26       of more than [one hundred eighty (180)] **ONE HUNDRED EIGHTY-THREE (183)**  
27       days during any calendar year shall be deemed a ‘**nonresident alien doing business in**  
28       **the Philippines**’, Section 22(G) of this Code notwithstanding.

29       **[(2) *Cash and/or Property Dividends from a Domestic Corporation or Joint***  
30       ***Stock Company, or Insurance or Mutual Fund Company or Regional Operating***  
31       ***Headquarter or Multinational Company, or Share in the Distributable Net Income of a***  
32       ***Partnership (Except a General Professional Partnership), Joint Account, Joint Venture***  
33       ***Taxable as a Corporation or Association, Interests, Royalties, Prizes, and Other***

1       *Winnings.* – Cash and/or property dividends from a domestic corporation, or from a  
2 joint stock company, or from an insurance or mutual fund company or from a regional  
3 operating headquarter of multinational company, or the share of a nonresident alien  
4 individual in the distributable net income after tax of a partnership (except a general  
5 professional partnership) of which he is a partner, or the share of a nonresident alien  
6 individual in the net income after tax of an association, a joint account), or a joint  
7 venture taxable as a corporation of which he is a member or a co-venturer; interests;  
8 royalties (in any form); and prizes (except prizes amounting to Ten thousand pesos  
9 (P10,000) or less which shall be subject to tax under Subsection (B)(1) of Section 24);  
10 and other winnings (except Philippine Charity Sweepstakes and Lotto winnings), shall  
11 be subject to an income tax of twenty percent (20%) on the total amount thereof:  
12 *Provided, however,* That royalties on books as well as other literary works, and royalties  
13 on musical compositions shall be subject to a final tax of ten percent (10%) on the total  
14 amount thereof: *Provided, further,* That cinematographic films and similar works shall  
15 be subject to the tax provided under Section 28 of this Code: *Provided, furthermore,*  
16 That interest income from long-term deposit or investment in the form of savings,  
17 common or individual trust funds, deposit substitutes, investment management  
18 accounts and other investments evidenced by certificates in such form prescribed by  
19 the Bangko Sentral ng Pilipinas (BSP) shall be exempt from the tax imposed under this  
20 Subsection: *Provided, finally,* That should the holder of the certificate pre-terminate the  
21 deposit or investment before the fifth (5<sup>th</sup>) year, a final tax shall be imposed on the entire  
22 income and shall be deducted and withheld by the depository bank from the proceeds  
23 of the long-term deposit or investment certificate based on the remaining maturity  
24 thereof.]

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

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

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

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

32       **(B) Nonresident Alien Individual Not Engaged in Trade or Business Within**  
33 **the Philippines.** – There shall be levied, collected and paid for each taxable year upon  
34 the entire income received from all sources within the Philippines by every nonresident

1 alien individual not engaged in trade or business within the Philippines as [interest, cash  
2 and/or property dividends,] rents, salaries, wages, premiums, annuities, compensation,  
3 remuneration, emoluments, or other fixed or determinable annual or periodic or casual  
4 gains, profits, and income, [and capital gains,] a FINAL tax equal to twenty five percent  
5 (25%) of such income. Capital gains realized by a nonresident alien individual not  
6 engaged in trade or business in the Philippines from the sale of [shares of stock in any  
7 domestic corporation and] real property shall be subject to the income tax prescribed  
8 under Subsection[s (C) and (D)] (B) (7) of Section 24.

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

13                   xxx     xxx     xxx

14

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

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

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

24                   xxx     xxx     xxx

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

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

1 bank under the expanded foreign currency deposit system shall be subject to a final  
2 income tax at the rate of fifteen percent (15%) of such interest income.]

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

8 **[*(3) Tax on Income Derived under the Expanded Foreign Currency Deposit***  
9 ***System.*** – Income derived by a depository bank under the expanded foreign currency  
10 deposit system from foreign currency transactions with nonresidents, offshore banking  
11 units in the Philippines, local commercial banks including branches of foreign banks  
12 that may be authorized by the Bangko Sentral ng Pilipinas (BSP) to transact business  
13 with foreign currency deposit system units and other depository banks under the  
14 expanded foreign currency deposit system shall be exempt from all taxes, except net  
15 income from such transactions as may be specified by the Secretary of Finance, upon  
16 recommendation by the Monetary Board to be subject to the regular income tax payable  
17 by banks: *Provided, however,* That interest income from foreign currency loans granted  
18 by such depository banks under said expanded system to residents other than offshore  
19 banking units in the Philippines or other depository banks under the expanded system  
20 shall be subject to a final tax at the rate of ten percent (10%).]

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

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

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

31 **(2) CASH AND/OR PROPERTY DIVIDENDS.** - INTERCORPORATE  
32 DIVIDENDS OR DIVIDENDS RECEIVED FROM A DOMESTIC

1           **CORPORATION SHALL NOT BE SUBJECT TO TAX IMPOSED UNDER**  
2           **THIS SUBSECTION.**

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

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

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

23          **JANUARY 1, 2021: FIVE-TENTH OF ONE PERCENT (5/10 OF 1%),**  
24          **JANUARY 1, 2022: FOUR-TENTH OF ONE PERCENT (4/10 OF 1%),**  
25          **JANUARY 1, 2023: THREE-TENTH OF ONE PERCENT (3/10 OF 1%),**  
26          **JANUARY 1, 2024: TWO-TENTH OF ONE PERCENT (2/10 OF 1%),**  
27          **JANUARY 1, 2025: ONE-TENTH OF ONE PERCENT (1/10 OF 1%).**

28          **THE TAX SHALL BE BASED ON THE GROSS SELLING PRICE OR**  
29          **GROSS VALUE IN MONEY OF THE SHARES OF STOCK SOLD,**  
30          **BARTERED, EXCHANGED, OR OTHERWISE DISPOSED OF, TO BE PAID**  
31          **BY THE SELLER OR TRANSFEROR: PROVIDED, THAT EFFECTIVE**  
32          **JANUARY 1, 2026, EVERY SALE, BARTER, EXCHANGE, OR ANY OTHER**  
33          **MODE OF DISPOSITION OF SHARES OF STOCK LISTED AND TRADED**  
34          **THROUGH A LOCAL STOCK EXCHANGE OR AN ORGANIZED**

1 MARKETPLACE SHALL NOT BE SUBJECT TO TAX UNDER SECTION 27  
2 OF THIS CODE.

3 ANY GAIN EARNED FROM SHARES OF STOCK IN A DOMESTIC  
4 CORPORATION TRADED IN A FOREIGN EXCHANGE, SHALL BE TAXED  
5 UNDER SECTION 27 (A) HEREOF.

6 ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR  
7 DISPOSITION OF SHARES OF STOCK, LISTED OR UNLISTED, BY A  
8 DEALER IN SECURITIES LICENSED BY THE APPROPRIATE  
9 GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN  
10 SECURITIES, FOR HIS OWN ACCOUNT IN THE ORDINARY COURSE OF  
11 BUSINESS, SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION  
12 BUT TO SECTION 27(A) AS AN ORDINARY INCOME.

13 **(5) CAPITAL GAINS FROM SALE, EXCHANGE, TRANSFER, BARTER,  
14 DISPOSITION OF NON-LISTED AND NON-TRADED DEBT INSTRUMENTS  
15 AND OTHER SECURITIES NOT INCLUDED IN SECTION 27(D)(3) AND (4).** –  
16 A FINAL TAX AT THE RATE OF FIFTEEN PERCENT (15%) SHALL BE  
17 IMPOSED ON NET CAPITAL GAINS EARNED FROM DEBT INSTRUMENT  
18 AND OTHER SECURITIES NOT INCLUDED IN SECTION 27(D)(3) AND (4),  
19 ISSUED BY A CITIZEN OR RESIDENT ALIEN, OR BY A DOMESTIC  
20 CORPORATION, OR A RESIDENT FOREIGN CORPORATION, OR BY THE  
21 GOVERNMENT OR ANY OF ITS AGENCIES OR INSTRUMENTALITIES..

22 **(6) PRESUMPTIVE CAPITAL GAINS ON LISTED AND TRADED DEBT  
23 INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION  
24 27(D)(3) AND (4)** - A FINAL TAX AT THE RATE OF ONE-TENTH OF ONE  
25 PERCENT (1/10 OF 1%) OF THE GROSS SELLING PRICE OR GROSS  
26 VALUE IN MONEY OF THE DEBT INSTRUMENT OR SECURITIES SOLD,  
27 BARTERED, EXCHANGED, OR OTHERWISE DISPOSED SHALL BE  
28 LEVIED, ASSESSED, AND COLLECTED ON EVERY SALE, BARTER,  
29 EXCHANGE, OR OTHER DISPOSITION OF DEBT INSTRUMENTS AND  
30 OTHER SECURITIES, LISTED AND TRADED THROUGH A LOCAL  
31 EXCHANGE OR AN ORGANIZED MARKETPLACE, AND SHALL BE PAID  
32 BY THE SELLER OR TRANSFEROR: PROVIDED, THAT EFFECTIVE  
33 JANUARY 1, 2026, EVERY SALE, BARTER, EXCHANGE, OR OTHER  
34 DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES,

1 LISTED AND TRADED THROUGH A LOCAL STOCK EXCHANGE OR A  
2 LICENSED ORGANIZED MARKETPLACE SHALL NOT BE SUBJECT TO  
3 TAX UNDER SECTION 27 OF THIS CODE. IF TRADED IN A FOREIGN  
4 EXCHANGE, THE GAIN SHALL BE SUBJECT TO TAX UNDER SECTION  
5 27 (A) HEREOF.

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

15 [(5)] (7) *Capital Gains Realized from the Sale, Exchange or Disposition of*  
16 *Lands and/or Buildings.* – A final tax of six percent (6%) is hereby imposed on the  
17 gain presumed to have been realized on the sale, exchange or disposition of lands and/or  
18 buildings which are not actually used in the business of a corporation and are treated as  
19 capital assets, based on the gross selling price or fair market value as determined in  
20 accordance with Section 6(E) of this Code, whichever is higher, of such lands and/or  
21 buildings.

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

25 [(E)(F) *Minimum Corporate Income Tax on Domestic Corporations* –

26 (1) *Imposition of Tax.* – x x x

27 (2) *Carry Forward of Excess Minimum Tax.* – x x x

28 (3) *Relief from the Minimum Corporate Income Tax under Certain*  
29 *Conditions.* – x x x

30 (4) *Gross Income Defined.* – x x x

31                   xxx     xxx     xxx

32                 In the case of taxpayers engaged in the sale of service, ‘gross income’ means  
33 gross receipts less sales returns, allowances, discounts and cost of services. ‘Cost of  
34 services’ shall mean all direct costs and expenses necessarily incurred to provide the

1 services required by the customers and clients including (A) salaries and employee  
2 benefits of personnel, consultants and specialists directly rendering the service and (B)  
3 cost of facilities directly utilized in providing the service such as depreciation or rental  
4 of equipment used and cost of supplies: *Provided, however,* That in the case of banks  
5 **AND OTHER FINANCIAL INTERMEDIARIES**, ‘cost of services’ shall include  
6 interest expense.

7

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

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

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

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

19                   xxx     xxx     xxx

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

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

24 ***(3) International Carrier. – x x x***

25 ***[4] Offshore Banking Units.*** – The provisions of any law to the contrary  
26 notwithstanding, income derived by offshore banking units authorized by the Bangko  
27 Sentral ng Pilipinas (BSP), from foreign currency transactions with nonresidents, other  
28 offshore banking units, local commercial banks, including branches of foreign banks  
29 that may be authorized by the Bangko Sentral ng Pilipinas (BSP) to transact business  
30 with offshore banking units shall be exempt from all taxes except net income from such  
31 transactions as may be specified by the Secretary of Finance, upon recommendation of  
32 the Monetary Board which shall be subject to the regular income tax payable by banks:  
33 *Provided, however, That any interest income derived from foreign currency loans*

1 granted to residents other than offshore banking units or local commercial banks,  
2 including local branches of foreign banks that may be authorized by the BSP to transact  
3 business with offshore banking units, shall be subject only to a final tax at the rate of  
4 ten percent (10%).]

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

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

19 [(6)](5) ***Regional or Area Headquarters and Regional Operating***  
20 ***Headquarters of Multinational Companies.*** – x x x

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

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

31 [(b) *Income Derived under the Expanded Foreign Currency Deposit System.* -  
32 Income derived by a depository bank under the expanded foreign currency deposit  
33 system from foreign currency transactions with nonresidents, offshore banking units in  
34 the Philippines, local commercial banks including branches of foreign banks that may

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

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

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

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

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

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

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

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

32       xxx       xxx       xxx

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

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

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

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

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

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

24

25                  **INTERESTS AND CAPITAL GAINS FROM SALE, TRANSFER,**  
26                  **BARTER, OR DISPOSITION OF SHARES OF STOCK, DEBT**  
27                  **INSTRUMENTS, DEPOSIT SUBSTITUTES, AND OTHER SECURITIES**  
28                  **SHALL BE SUBJECT TO TAX UNDER SECTION 27(D)(1), (3), (4), (5) AND (6)**  
29                  **OF THIS CODE, OR TO THE PROVISIONS OF THE APPLICABLE TAX**  
30                  **TREATY.**

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

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

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

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

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

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

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

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

- 20           (a) Publicly-held corporations;
- 21           (b) Banks, [and other] nonbank financial intermediaries, **AND OTHER**  
22 **FINANCIAL INSTITUTIONS AS MAY BE DETERMINED BY THE**  
23 **APPROPRIATE GOVERNMENT REGULATORY AGENCIES;** and
- 24           (c) Insurance companies[.] **SUCH AS LIFE AND NON-LIFE,**  
25 **REINSURANCE COMPANIES, PRE-NEED COMPANIES, PENSION FUNDS,**  
26 **AND OTHER ENTITIES DOING BUSINESS SIMILAR TO INSURANCE.**

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

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

31           **[(2) Evidence Determinative of Purpose.]** – The fact that the earnings or profits  
32 of a corporation are permitted to accumulate beyond the reasonable needs of the  
33 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 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.**

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

6                             xxx      xxx      xxx

7  
8                             **SEC. 10.** Section 34(A), (B), (C) and (E) of the National Internal Revenue Code of  
9                             1997, as amended, is hereby further amended to read as follows:

10                             **SEC. 34. Deductions from Gross Income.** – Except for taxpayers earning  
11                             compensation income arising from personal services rendered under an employer-  
12                             employee relationship where no deductions shall be allowed under this Section, in  
13                             computing taxable income subject to income tax under Sections 24(A); 25(A); 26;  
14                             27(A), (B), and (C); and 28(A)(1), there shall be allowed the following deductions from  
15                             gross income;

16                             (A) *Expenses.* –

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

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

22                             xxx      xxx      xxx

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

29                             (c) *Bribes, Kickbacks and Other Similar Payments.* – No deduction from gross  
30                             income shall be allowed under Subsection (A) hereof for any payment made, directly  
31                             or indirectly, to an official or employee of the national government, or to an official or  
32                             employee of any local government unit, or to an official or employee of a government-  
33                             owned or -controlled corporation, or to an official or employee or representative of a

1 foreign government, or to a private corporation, general professional partnership, or a  
2 similar entity, if the payment constitutes a bribe or kickback.

3                   xxx     xxx     xxx

4                   **(B) Interest. –**

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

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

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

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

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

25                   **(3) [Optional] Treatment of Interest Expense RELATED TO ACQUISITION**  
26 **OF ASSET.** – [At the option of the taxpayer, interest] **INTEREST EXPENSE** incurred  
27 to acquire property used in trade, business or exercise of a profession **THAT WILL**  
28 **BENEFIT THE BUSINESS LONGER THAN ONE YEAR** [may be allowed as a  
29 deduction or treated as a capital expenditure] **SHALL BE CAPITALIZED AND**  
30 **THEREAFTER AMORTIZED OR DEPRECIATED AS PART OF THE COST**  
31 **OF THE ASSET.**

32                   xxx     xxx     xxx

1                   **(E) Bad Debts. –**

2                   **(1) In General. –** xxx

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

17                   xxx      xxx      xxx

18

19                   **SEC. 11.** Section 37 (A) and (B) of the National Internal Revenue Code of 1997, as  
20 amended, is hereby amended to read as follows:

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

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

30                   **(B) Mutual Insurance Companies.** – In the case of **MUTUAL LIFE**, mutual  
31 fire and mutual employers' liability and mutual workmen's compensation and mutual  
32 casualty insurance companies requiring their members to make premium deposits to  
33 provide for losses and expenses, said companies shall not **INCLUDE** [return] as

1 income any portion of the premium deposits returned to their policyholders, but shall  
2 INCLUDE [return] as taxable income all income received by them from all other  
3 sources plus such portion of the premium deposits as are retained by the companies for  
4 purposes other than the payment of losses and expenses and reinsurance reserves.

5                   xxx     xxx     xxx

6

7       **SEC. 12.** Section 38 (A) of the National Internal Revenue Code of 1997, as amended,  
8 is hereby amended to read as follows:

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

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

23                   xxx     xxx     xxx

24

25       **SEC. 13.** Section 39 of the National Internal Revenue Code of 1997, as amended, is  
26 hereby amended to read as follows:

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

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

29                   xxx     xxx     xxx

30

31

32

1           **[(B) Percentage Taken Into Account.** – In the case of a taxpayer, other than a  
2 corporation, only the following percentages of the gain or loss recognized upon the sale  
3 or exchange of a capital asset shall be taken into account in computing net capital gain,  
4 net capital loss, and net income:]

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

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

9           **[(C)] (B) Limitation on Capital Losses.** – Losses from sales or exchanges of  
10 capital assets shall be allowed only to the extent of the gains from such sales or  
11 exchanges. If a [bank or trust company incorporated under the law of the Philippines,  
12 a substantial part of whose business is the receipt of deposits,] **DEALER IN  
13 SECURITIES OR OTHER ENTITIES OR FINANCIAL INTERMEDIARIES  
14 DULY LICENSED BY THE APPROPRIATE GOVERNMENT REGULATORY  
15 AGENCIES TO TRADE IN SECURITIES**, sells any bond, debenture, note, or  
16 certificate or other evidence of indebtedness issued by any corporation[ (), including  
17 one issued by a government or political subdivision thereof)], with interest coupons or  
18 in registered form, any loss resulting from such sale shall not be subject to the foregoing  
19 limitation and shall not be included in determining the applicability of such limitation  
20 to other losses.

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

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

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

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

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

1           **SEC. 14.** Section 42(A)(1), (2) and (B)(2) of the National Internal Revenue Code of  
2 1997, as amended, is hereby amended to read as follows:

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

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

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

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

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

23                         xxx      xxx      xxx

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

25           **(1) *General Rule.* –**

26                         xxx      xxx      xxx

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

1           **THE CONDUCT OR OPERATION OF TRADE OR BUSINESS IN THE**  
2           **PHILIPPINES IS A TAXABLE INCOME IN THE PHILIPPINES.**  
3

4           **SEC. 15.** Section 51(C)(2) of the National Internal Revenue Code of 1997, as amended,  
5 is hereby amended to read as follows:

6           **SEC. 51. *Individual Return.* –**

7           **(A) Requirements.** – x x x

8           **(B) Where to file.** – x x x

9           **(C) When to File.** – x x x

10           (1) x x x

11           (2) Individuals subject to tax on capital gains:

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

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

1                   **[(b)] (C)** From the sale or disposition of real property under Section 24**[(D)] (B)**  
2                   **(7)** shall file a return within thirty (30) days following each sale or other disposition.  
3

4                   **SEC. 16.** Section 52(A) and (D) of the National Internal Revenue Code of 1997, as  
5 amended, is hereby amended to read as follows:

6                   **SEC. 52. Corporation Returns. –**

7                   **(A) Requirements.** – Every corporation **AS DEFINED UNDER SECTION**  
8 **22(B) OF THIS CODE, AND** subject to the tax herein imposed, except foreign  
9 corporations not engaged in trade or business in the Philippines, shall render, in  
10 duplicate, a true and accurate quarterly income tax return and final or adjustment return  
11 in accordance with the provisions of Chapter XII of this Title. The income tax return  
12 shall consist of a maximum of four (4) pages in paper form or electronic form, be filed  
13 by the president, vice-president or other principal officer, shall be sworn to by such  
14 officer and by the treasurer or assistant treasurer, and shall only contain the following  
15 information:

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

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

24                   xxx       xxx       xxx

25                   **(D) Return on Capital Gains Realized from Sale of Shares of Stock, DEBT**  
26 **INSTRUMENTS, AND OTHER SECURITIES not Traded in the Local [Stock]**  
27 **Exchange OR AN ORGANIZED MARKETPLACE.** – Every corporation deriving  
28 capital gains from the sale or exchange of shares of stock, **DEBT INSTRUMENTS**  
29 **AND OTHER SECURITIES** not traded [thru] **THROUGH** a local [stock] exchange  
30 **OR AN ORGANIZED MARKETPLACE** as prescribed under **SECTIONS 27(D)(3),**  
31 **AND (5), AND 28** [Sections 24(C), 25(A)(3), 27(E)(2), 28(A)(8)(c) and 28(B)(5)(c).]  
32 shall file a return within thirty (30) days after each transaction and a final consolidated

1 return of all transactions during the taxable year on or before the fifteenth (15<sup>th</sup>) day of  
2 the fourth (4<sup>th</sup>) month following the close of the taxable year.

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

20           SEC. 17. Section 54 of the National Internal Revenue Code of 1997, as amended, is  
21 hereby amended to read as follows:

22           **SEC. 54. Returns of Receivers, Trustees, [in Bankruptcy] or Assignees.** – [In  
23 cases wherein receivers] RECEIVERS, ADMINISTRATORS, trustees in AN  
24 IRREVOCABLE TRUST OR bankruptcy, or ANY OTHER PERSON ASSIGNED  
25 OR [assignees are] IN CHARGE OF operating the property or business of  
26 [a]ANOTHER PERSON OR corporation, subject to the tax UNDER THIS CODE  
27 [imposed by this Title, such receivers, trustees or assignees] shall BE IMPOSED  
28 WITH THE OBLIGATION TO FILE [make] THE returns AND PAY THE  
29 TAXES FOR SUCH PERSON OR CORPORATION IN THE SAME MANNER  
30 REQUIRED UNDER THIS CODE. [of net income as and for such corporation, in  
31 the same manner and form as such organization is hereinbefore required to make  
32 returns, and any] ANY tax due on the income as returned by receivers,  
33 ADMINISTRATORS, trustees or assignees shall be assessed and collected in the same

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

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

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

21  
22 **SEC. 18.** Section 56 of the National Internal Revenue Code of 1997, as amended, is  
23 hereby amended to read as follows:

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

26 **(A) *Payment of Tax.* –**

27                   xxx     xxx     xxx

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

29 **IN GENERAL** - The total amount of tax imposed and prescribed under  
30 [Section] **SECTIONS 24[(C)](B)(3), 24[(D)](B)(5), 24(B)(7), 25, 27[(E)(2)](D)(3),**  
31 **27(D)(5), 27(D)(7), 28(A)[(8)(c)] and 28(B)(5)[(c)]** shall be paid on the date the return  
32 prescribed therefor is filed by the person liable thereto: *Provided*, That if the seller  
33 submits proof of [his] **THE** intention to avail [himself] of the benefit of exemption of  
34 capital gains under existing special laws **OR TAX TREATY**, no such payments shall

1 be required: *Provided, further*, That in case of failure to qualify for exemption under  
2 such special laws, **TAX TREATY** and implementing rules and regulations, the tax due  
3 on the gains realized from the original transaction shall immediately become due and  
4 payable, and subject to the penalties prescribed under applicable provisions of this  
5 Code: *Provided, finally*, That if the seller, having paid the tax, submits such proof of  
6 intent within six (6) months from the registration of the document transferring the real  
7 property, [he] **THE SELLER** shall be entitled to a refund of such tax upon verification  
8 of [his] compliance with the requirements for such exemption.

9                   xxx     xxx     xxx

10

11       **SEC. 19.** Section 57 of the National Internal Revenue Code of 1997, as amended, is  
12 hereby amended to read as follows:

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

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

25                   **(B) xxx     xxx     xxx**

26                   **[(C) Tax-free Covenant Bonds.** – In any case where bonds, mortgages, deeds of  
27 trust or other similar obligations of domestic or resident foreign corporations, contain a  
28 contract or provision by which the obligor agrees to pay any portion of the tax imposed  
29 in this Title upon the obligee or to reimburse the obligee for any portion of the tax or to  
30 pay the interest without deduction for any tax which the obligor may be required or  
31 permitted to pay thereon or to retain therefrom under any law of the Philippines, or any  
32 state or country, the obligor shall deduct and withhold a tax equal to thirty percent  
33 (30%) of the interest or other payments upon those bonds, mortgages, deeds of trust or  
34 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. 20.** 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. 21.** 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

1 to their transport of goods or cargoes; common carriers by air and sea relative to their  
2 transport of passengers, goods or cargoes from one place in the Philippines to another  
3 place in the Philippines; sales of electricity by generation companies, transmission by  
4 any entity, and distribution companies, including electric cooperatives; services of  
5 franchise grantees of electric utilities, telephone and telegraph, radio and television  
6 broadcasting and all other franchise grantees except those under Section 119 of this  
7 Code and non-life insurance companies (except their crop insurances), including surety,  
8 fidelity, indemnity and bonding companies ; and similar services regardless of whether  
9 or not the performance thereof calls for the exercise or use of the physical or mental  
10 faculties. The phrase ‘sale or exchange of services’ shall likewise include:

11                   xxx     xxx     xxx

12

13       **SEC. 22.** Section 121 of the National Internal Revenue Code of 1997, as amended, is  
14 hereby amended to read as follows:

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

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

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

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

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

8           [(b) On dividends and equity shares and net income of subsidiaries-  
9 ..... 0%]

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

12          [(d) On net trading gains within the taxable year of foreign currency, debt  
13 securities, derivatives, and other similar financial instruments-  
14 ..... 7%]

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

19          *Provided, [finally,] That FOR PURPOSES OF COMPUTING THE GROSS  
20 RECEIPTS, the generally accepted accounting principles [as may be prescribed by the  
21 Bangko Sentral ng Pilipinas for the bank or non-bank financial intermediary performing  
22 quasi-banking functions shall likewise be the basis for the calculation of gross receipts.]*

23          **OF RECORDING INCOME AS ADOPTED BY THE BANK SHALL BE  
24 FOLLOWED: PROVIDED, THAT THE MERE INCREASE OR DECREASE IN  
25 VALUE OF PROPERTY AS A RESULT OF CHANGES IN MARKET VALUES  
26 SHALL NOT BE CONSIDERED IN THE COMPUTATION OF GROSS  
27 RECEIPTS: PROVIDED, FURTHER, THAT FOR PURPOSES OF  
28 DETERMINING THE GROSS RECEIPTS, NO DEDUCTION SHALL BE  
29 MADE ON THE INCOME EXCEPT IN THE CASE OF GAINS FROM  
30 DEALINGS IN PROPERTY AND TRADING, WHERE NET LOSS WITHIN  
31 THE SAME BUSINESS ACTIVITY CAN BE OFFSET TO DETERMINE THE  
32 NET GAIN SUBJECT TO THIS TAX: PROVIDED, FURTHER, THAT SUCH  
33 OFFSETTING SHALL BE ON A QUARTERLY BASIS, AND ANY NET LOSS  
34 INCURRED IN A QUARTER CAN BE CARRIED OVER AS DEDUCTION IN**

1           **THE SUCCEEDING QUARTERS: PROVIDED FINALLY, THAT NET LOSS**  
2           **INCURRED IN A TAXABLE YEAR CANNOT BE CARRIED OVER TO THE**  
3           **SUCCEEDING TAXABLE YEAR.**

4                                 xxx      xxx      xxx  
5

6           **SEC. 23.** Section 122 of the National Internal Revenue Code of 1997, as amended, is  
7           hereby amended to read as follows:

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

26                                 [Maturity is (5) five years or less ..... 5%]

27                                 [Maturity period is more than (5) five years ..... 1%]

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

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

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

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

14 **COLLECTIVE INVESTMENT SCHEMES SUCH AS MUTUAL FUNDS,**  
15 **UNIT LINKED INVESTMENT TRUST FUNDS, UNIT LINKED VARIABLE**  
16 **INSURANCE, AND OTHER COLLECTIVE INVESTMENT SCHEMES AS**  
17 **MAY BE DETERMINED BY APPROPRIATE GOVERNMENT**  
18 **REGULATORY AGENCIES SHALL NOT BE SUBJECT TO GROSS**  
19 **RECEIPTS TAX AND OTHER PERCENTAGE TAXES IMPOSED UNDER**  
20 **TITLE V, AND THE VALUE ADDED TAX IMPOSED UNDER TITLE IV OF**  
21 **THIS CODE. FOR PURPOSES OF THIS EXEMPTION, A CIS SHALL HAVE**  
22 **AT LEAST TWO HUNDRED (200) OWNERS, INVESTORS OR**  
23 **PARTICIPANTS, AND SHALL HAVE COMPLIED WITH THE MINIMUM**  
24 **PUBLIC OWNERSHIP REQUIREMENT OF THE APPROPRIATE**  
25 **GOVERNMENT REGULATORY AGENCIES.**

26 **THE INCOME OF A PERSON OR COMPANY NOT LICENSED TO DO**  
27 **FINANCIAL INTERMEDIATION BUT WHICH ENGAGES IN FINANCIAL**  
28 **INTERMEDIATION SERVICES AS AN INCIDENT TO ITS MAIN BUSINESS**  
29 **ACTIVITY, AND DERIVES INCOME THEREFROM, SHALL BE SUBJECT**  
30 **TO THE TAX IMPOSED ON ITS PRINCIPAL ACTIVITY. TO BE**  
31 **CONSIDERED INCIDENTAL, THE INCOME FROM INTERMEDIATION**  
32 **SERVICES SHALL NOT EXCEED FIFTY PERCENT (50%) OF THE PERSON**  
33 **OR THE COMPANY'S TOTAL ANNUAL INCOME. IF THE TOTAL INCOME**  
34 **RECEIVED FROM FINANCIAL INTERMEDIATION IS MORE THAN FIFTY**

1 PERCENT (50%), AND THE PERSON OR COMPANY HAS ENTERED INTO  
2 AT LEAST SIX (6) TRANSACTIONS DURING THE YEAR, THE TOTAL  
3 INCOME FROM SUCH FINANCIAL INTERMEDIATION SHALL BE  
4 SUBJECT TO TAX UNDER THIS SUBSECTION.

5 IN-HOUSE LENDING OR SELLER FINANCING SHALL NOT BE  
6 SUBJECT TO TAX UNDER THIS SUBSECTION. ANY INCOME EARNED OR  
7 RECEIVED FROM IN-HOUSE LENDING OR SELLER FINANCING SHALL  
8 BE SUBJECT TO THE SAME TAX APPLICABLE TO THE PRINCIPAL  
9 BUSINESS ACTIVITY OR TRANSACTION.

10 HOLDING COMPANIES SHALL BE SUBJECT TO EITHER VALUE  
11 ADDED TAX OR GROSS RECEIPTS TAX DEPENDING ON THE NATURE  
12 OF THEIR BUSINESS ACTIVITIES. IF UNDERTAKING FINANCING AND  
13 OTHER SIMILAR ACTIVITIES, THEY SHALL BE SUBJECT TO GROSS  
14 RECEIPTS TAX UNDER THIS SECTION. INCOME DERIVED FROM THE  
15 SALE OF GOODS, PROPERTIES AND OTHER SERVICES SHALL BE  
16 SUBJECT TO VALUE ADDED TAX UNDER SECTION 105 OF THIS CODE.

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

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

24 **SEC. 24.** Section 123 of the National Internal Revenue Code of 1997, as amended, is  
25 hereby amended to read as follows:

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

30 **(A) FOR LIFE INSURANCE INCLUDING HEALTH INSURANCE AS A**  
31 **RIDER TO LIFE INSURANCE POLICY,** a tax of two percent (2%) of the total  
32 premium collected, whether such premiums are paid in money, notes, credits or any  
33 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 CIS** in excess of the amounts necessary to insure the lives of the variable contract owners[.]: **PROVIDED, THAT THE CIS SHALL HAVE AT LEAST TWO HUNDRED (200) 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 AKIN 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.**

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

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

13         FOR THE PURPOSE OF CLAIMING EXEMPTION ON  
14 REINSURANCE PREMIUMS, THE SECRETARY OF FINANCE, UPON THE  
15 RECOMMENDATIONS OF THE COMMISSIONER OF INTERNAL  
16 REVENUE AND INSURANCE COMMISSIONER, SHALL PROMULGATE  
17 THE REQUIRED REPORTS TO BE SUBMITTED TO THE BUREAU OF  
18 INTERNAL REVENUE. ANY MISREPRESENTATION SHALL SUBJECT  
19 THE DIRECT INSURER OR REINSURER TO PENALTIES UNDER  
20 SECTIONS 248, 249, 253, 254, 255, 256, AND 257 OF THIS CODE.

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

32  
33

1           A VARIABLE INSURANCE CONTRACT WHERE AMOUNTS IN  
2 EXCESS OF INSURANCE COSTS ARE COLLECTED AS PART OF THE  
3 PREMIUM AND WHERE UNITS OF PARTICIPATION IN A POOLED FUND  
4 ARE ISSUED TO THE INSURED REPRESENTING THEIR RESPECTIVE  
5 SHARES IN THE POOLED FUND, IS A CIS. THE AMOUNTS OF PREMIUM  
6 COLLECTED IN EXCESS OF THE INSURANCE COST IS NOT SUBJECT TO  
7 PREMIUM TAX UNDER THIS SECTION AND TO THE GROSS RECEIPTS  
8 TAX IMPOSED UNDER SECTIONS 121 AND 122, OR TO ANY  
9 PERCENTAGE TAX IMPOSED UNDER TITLE V AND TO VALUE ADDED  
10 TAX UNDER SECTION 105, TITLE IV OF THIS CODE.

11           Cooperative companies or associations are such as are conducted by the  
12 members thereof with the money collected from among themselves and solely for their  
13 own protection and not for profit.

14

15           SEC. 25. Section 127 of the National Internal Revenue Code of 1997, as amended, is  
16 hereby repealed.

17

18           SEC. 26. Section 174 of the National Internal Revenue Code of 1997, as amended, is  
19 hereby amended to read as follows:

20           SEC. 174. *Stamp Tax on Original Issue of Shares of Stock.* – On every original  
21 issue, whether on organization, reorganization or for any lawful purpose, of shares of  
22 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 [Two pesos (P2.00) on  
25 each Two hundred pesos (P200), or fractional part thereof, of the par value,]  
**SEVENTY-FIVE PERCENT OF ONE PERCENT (0.75%) 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.**

1           **SEC 27.** Section 175 of the National Internal Revenue Code of 1997, as amended, is  
2 hereby repealed.  
3

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

6           **SEC 176. *Stamp Tax on Bonds, Debentures, Certificates of Stock or***  
7 ***Indebtedness Issued in Foreign Countries.*** – [On all] A DOCUMENTARY STAMP  
8 TAX OF SEVENTY-FIVE PERCENT OF ONE PERCENT (0.75%) OF THE  
9 VALUE OF THE TRANSACTION SHALL BE COLLECTED FROM A  
10 PERSON SELLING OR TRANSFERRING bonds, debentures, certificates of stock,  
11 or certificates of indebtedness issued in any foreign country.[, there shall be collected  
12 from the person selling or transferring the same in the Philippines, such tax as is  
13 required by law on similar instruments when issued, sold or transferred in the  
14 Philippines.]  
15

16           **SEC 29.** Sections 177 and 178 of the National Internal Revenue Code of 1997, as  
17 amended, are hereby repealed.  
18 ,  
19

20           **SEC 30.** Section 179 of the National Internal Revenue Code of 1997, as amended, is  
hereby amended to read as follows:

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

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

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

7

8       **SEC 31.** Section 180 of the National Internal Revenue Code of 1997, as amended, is  
9 hereby repealed.

10

11       **SEC 32.** Sections 181, 182, 183, 184, 185, 186, and 187 of the National Internal  
12 Revenue Code of 1997, as amended, are hereby amended to read as follows:

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

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

1           **SEC. 183. *Stamp Tax on Life AND HEALTH Insurance Policies[.]***  
2       **OF ANNUITIES, AND HEALTH MAINTENANCE ORGANIZATION**  
3       **PRODUCTS.** – On all policies of insurance or other instruments by whatever name  
4       the same may be called, whereby any insurance shall be made or renewed upon any life  
5       or lives **AND HEALTH OF PERSONS**, there shall be collected a one-time  
6       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

17  
18           **SEC. 184. *Stamp Tax on Policies of Insurance Upon Property.*** – On all  
19       policies of insurance or other instruments by whatever name the same may be called,  
20       by which insurance shall be made or renewed upon property of any description,  
21       including rents or profits, against peril by sea or on inland waters, or by fire or lightning,  
22       there shall be collected a documentary stamp tax of [Fifty centavos (P0.50) on each  
23       Four pesos (P4.00), or fractional part thereof,] **TWELVE AND ONE-HALF**  
24       **PERCENT (12.5%)** of the amount of premium charged: *Provided, however,* That no  
25       documentary stamp tax shall be collected on reinsurance contracts or on any instrument  
26       by which cession or acceptance of insurance risks under any reinsurance agreement is  
27       effected or recorded. **PROVIDED, FURTHER, THAT SUCH RATE SHALL BE**  
28       **REDUCED ACCORDING TO THE FOLLOWING SCHEDULE:**

29           **JANUARY 1, 2021: ELEVEN AND ONE-HALF PERCENT (11.5%),**  
30           **JANUARY 1, 2022: TEN AND ONE-HALF PERCENT (10.5%),**  
31           **JANUARY 1, 2023: NINE AND ONE-HALF PERCENT (9.5%),**  
32           **JANUARY 1, 2024: EIGHT AND ONE-HALF PERCENT (8.5%),**  
33           **JANUARY 1, 2025: SEVEN AND ONE-HALF PERCENT (7.5%).**

1                   **SEC. 185. Stamp Tax on Fidelity Bonds and Other Insurance Policies.** – On  
2 all policies of insurance or bonds or obligations of the nature of indemnity for loss,  
3 damage or liability made or renewed by any person, association, company or  
4 corporation transacting the business of accident, fidelity, employer's liability, plate,  
5 glass, steam boiler, burglar, elevator, automatic sprinkler, or other branch of insurance  
6 (except life, marine, inland, and fire insurance), and all bonds, undertakings, or  
7 recognizances, conditioned for the performance of the duties of any office or position,  
8 for the doing or not doing of anything therein specified, and on all obligations  
9 guaranteeing the validity or legality of any bond or other obligations issued by any  
10 province, city, municipality, or other public body or organization, and on all obligations  
11 guaranteeing the title to any real estate, or guaranteeing any mercantile credits, which  
12 may be made or renewed by any such person, company or corporation, there shall be  
13 collected a documentary stamp tax of [Fifty centavos (P0.50) on each Four pesos  
14 (P4.00), or fractional part thereof,] **TWELVE AND ONE-HALF PERCENT (12.5%)**  
15 of the premium charged[.]: **PROVIDED, THAT SUCH RATE SHALL BE**  
16 **REDUCED ACCORDING TO THE FOLLOWING SCHEDULE:**

17                   **JANUARY 1, 2021: ELEVEN AND ONE-HALF PERCENT (11.5%),**  
18                   **JANUARY 1, 2022: TEN AND ONE-HALF PERCENT (10.5%),**  
19                   **JANUARY 1, 2023: NINE AND ONE-HALF PERCENT (9.5%),**  
20                   **JANUARY 1, 2024: EIGHT AND ONE-HALF PERCENT (8.5%),**  
21                   **JANUARY 1, 2025: SEVEN AND ONE-HALF PERCENT (7.5%).**

22                   **SEC. 186. Stamp Tax on [Policies of Annuities, and] Pre-Need Plans.** – [On  
23 all policies of annuities, or other instruments by whatever name the same may be called,  
24 whereby an annuity may be made, transferred or redeemed, there shall be collected a  
25 documentary stamp tax of One peso (P1.00) on each Two hundred pesos (P200), or  
26 fractional part thereof, of the premium or installment payment on contract price  
27 collected.] On pre-need plans, [the documentary stamp tax shall be Forty centavos  
28 (P0.40) on each Two hundred pesos (P200), or fractional part thereof, of the premium  
29 or contribution collected.] **THERE SHALL BE COLLECTED A**  
30 **DOCUMENTARY STAMP TAX OF TWENTY PERCENT OF ONE PERCENT**  
31 **(0.2%) OF THE PREMIUM OR INSTALLMENT PAYMENT ON CONTRACT**  
32 **PRICE, OR CONTRIBUTION CHARGED.**

1                   **SEC. 187. Stamp Tax on Indemnity Bonds.** – On all bonds for indemnifying  
2 any person, firm or corporation who shall become bound or engaged as surety for the  
3 payment of any sum of money or for the due execution or performance of the duties of  
4 any office or position or to account for money received by virtue thereof, and on all  
5 other bonds of any description, except such as may be required in legal proceedings, or  
6 are otherwise provided for herein, there shall be collected a documentary stamp tax of  
7 [Thirty centavos (P0.30) on each Four pesos (P4.00), or fractional part thereof,]  
8 **SEVEN AND ONE-HALF PERCENT (7.5%)** of the premium charged.  
9

10                  **SEC 33.** Section 188 of the National Internal Revenue Code of 1997, as amended, is  
11 hereby repealed.  
12

13                  **SEC 34.** Sections 192 and 193 of the National Internal Revenue Code of 1997, as  
14 amended, are hereby repealed.  
15

16                  **SEC 35.** Sections 195, 198, and 199 of the National Internal Revenue Code of 1997, as  
17 amended, are hereby amended to read as follows:  
18

19                  **SEC. 195. Stamp Tax on Mortgages, Pledges and Deeds of Trust.** – On every  
20 mortgage or pledge of lands, estate, or property, real or personal, heritable or movable,  
21 whatsoever, where the same shall be made as a security for the payment of any definite  
22 and certain sum of money lent at the time or previously due and owing or forborne to  
23 be paid, being payable, and on any conveyance of land, estate, or property whatsoever,  
24 in trust or to be sold, or otherwise converted into money which shall be and intended  
25 only as security, either by express stipulation or otherwise, there shall be collected a  
documentary stamp tax [at the following rates:  
26

27                  (a) When the amount secured does not exceed Five thousand pesos  
(P5,000), Forty pesos (P40.00).  
28

29                  (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).]  
30

31                  **OF THIRTY PERCENT OF ONE PERCENT (0.3%) OF THE AMOUNT  
SECURED.**  
32

xxx    xxx    xxx  
33

1                   **SEC. 198. Stamp Tax on [Assignments and] Renewals of Certain**  
2                   **Instruments.** – Upon each and every [assignment or transfer of any mortgage, lease or

3                   policy of insurance, or the] renewal or continuance of any agreement, contract, charter,

4                   or any evidence of obligation or indebtedness by **THE EXTENSION OF THE TERM**

5                   **OR MATURITY BY** [altering or otherwise,] **ALTERATION OF SUCH**

6                   **AGREEMENT, CONTRACT OR CHARTER,** there shall be levied, collected and

7                   paid a documentary stamp tax, at the same rate as that imposed on the original

8                   instrument.

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

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

16                                 xxx      xxx      xxx

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

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

27                   **SEC. 36. Prospectivity Clause.** – The changes introduced under this Act shall apply to  
28                  transactions taking effect beginning January 1, 2020.

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

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

5

6           **SEC. 39. Repealing Clause.** – The following laws or provisions of laws are hereby  
7 repealed or modified accordingly and the persons and/or transactions affected herein are hereby  
8 made subject to applicable taxes on interest income, dividends, and capital gains, gross receipts  
9 tax, premium tax, and documentary stamp tax under the National Internal Revenue Code of  
10 1997, as amended:

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

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

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

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

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

1                         (f)     Section 12, insofar as tax exemption on interest income, capital gains,  
2 and documentary stamp tax is concerned, of Presidential Decree 205, entitled "Creating  
3 and Establishing the Development Academy of the Philippines, Defining its Powers,  
4 Functions, and Responsibilities, and for Other Purposes";

5                         (g)     Article 202, insofar as tax exemption on interest income, capital gains,  
6 documentary stamp tax, and premium tax is concerned, of Presidential Decree 442 as  
7 amended by Presidential Decree 626, entitled "Labor Code of the Philippines";

8                         (h)     Sections 10 and 11, insofar as the tax exemptions on interest income,  
9 capital gains, and documentary stamp tax of subsidiaries of Philippine Aerospace  
10 Development Corporation and on the issuance of bonds are concerned, of Presidential  
11 Decree 696, entitled "Revising Presidential Decree No. 286, dated September 5, 1973,  
12 as amended, otherwise known as The Charter of The Philippine Aerospace  
13 Development Corporation and for Other Purposes";

14                         (i)     Section 2(g), insofar as the tax exemptions on interest income and on the  
15 issuance of bonds are concerned, of Republic Act 85, as amended by Republic Act  
16 2081, entitled "An Act Creating the Rehabilitation Finance Corporation";

17                         (j)     Sections 76, 77 and 98, insofar as tax exemption on interest income,  
18 dividends, capital gains, and documentary stamp tax on bonds is concerned, of Republic  
19 Act 3844 or The Agricultural Land Reform Code;

20                         (k)     Section 37, insofar as the tax exemption on interest income, capital  
21 gains, gross receipts tax, and documentary stamp tax is concerned, of Republic Act  
22 6848 or The Charter of The Al-Amanah Islamic Investment Bank of the Philippines;

23                         (l)     Sections 19, insofar as the tax exemptions on interest income and  
24 issuance of bonds are concerned, of Republic Act 3591, as amended by Republic Act  
25 9576 or An Act Increasing the Maximum Deposit Insurance Coverage, and in  
26 Connection Therewith, to Strengthen the Regulatory and Administrative Authority, and  
27 Financial Capability of the Philippine Deposit Insurance Corporation (PDIC),  
28 Amending for this Purpose Republic Act Numbered Three Thousand Five Hundred  
29 Ninety-One, as amended, otherwise known as The PDIC Charter, and for Other  
30 Purposes;

31                         (m)     Section 12, insofar as tax exemption on interest income, capital gains,  
32 and documentary stamp tax and the issuance of bonds are concerned, of Executive  
33 Order 1037, entitled "An Act Creating the Philippine Retirement Park System,  
34 Providing Funds Therefor and for Other Purposes";

1                         (n)     Sections 5 and 19, insofar as the tax exemptions on the issuance of  
2 bonds, interest income and documentary stamp tax are concerned, of Republic Act 8763  
3 or Home Guaranty Corporation Act of 2000;

4                         (o)     Sections 19 and 25, insofar as tax exemption on documentary stamp tax  
5 is concerned, of Republic Act 7279 or The Urban Development and Housing Act of  
6 1992;

7                         (p)     Section 8(a), insofar as tax exemption on interest income, capital gains,  
8 and documentary stamp tax of bonds is concerned, as provided under Section 1 of  
9 Republic Act 6395 or An Act Revising the Charter of the National Power Corporation;

10                         (q)     Sections 9 and 15, insofar as the tax exemptions on the issuance of  
11 bonds, interest income, capital gains, and documentary stamp tax are concerned, of PD  
12 334, entitled "Creating the Philippine National Oil Company, Defining its Powers and  
13 Functions, Providing Funds Therefor, and for Other Purposes";

14                         (r)     Section 16, insofar as tax exemption on interest income, capital gains,  
15 and documentary stamp tax is concerned, of Presidential Decree 1467, entitled "An Act  
16 Creating the Philippine Crop Insurance Corporation, Prescribing Its Powers and  
17 Activities, Providing For Its Capitalization and for the Required Government Premium  
18 Subsidy, and for Other Purposes";

19                         (s)     Section 3, insofar as the tax exemption on interest income, capital gains,  
20 and documentary stamp tax of bonds is concerned, of Republic Act 3601, entitled "An  
21 Act Granting the National Irrigation Administration";

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

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

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

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

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

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

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

16                         (aa)   Section 28, insofar as tax exemption on capital gains on shares of stock  
17 and documentary stamp tax is concerned, of Republic Act 9267 or The Securitization  
18 Act of 2004”;

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

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

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

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

1                         (ff)     Section 6, insofar as tax exemption on interest income, dividends and  
2 capital gains are concerned, of RA 6426 or the Foreign Currency Deposit Act of the  
3 Philippines, as amended; and

4                         (gg)     Section 32, insofar as the tax exemptions on capital gains, interest  
5 income and DST and issuance of bonds are concerned, of RA 6424 or the Philippine  
6 Export Credit Insurance and Guarantee Corporation Act.

7

8                         **SEC. 40. Effectivity** - This Act shall take effect on January 1, 2020, or fifteen (15) days  
9 after its complete publication in at least two (2) newspaper of general circulation.

10

11                         Approved,