

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2086

Introduced by Representative Junie E. Cua

This bill covers the fourth package of the Duterte Administration's comprehensive tax reform program. It complements the 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 given 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. All of these result on 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 remains shallow and uncompetitive, and continues to lag behind ASEAN neighbors.
- f. ***High administrative and compliance cost*** – The complicated structure of the current tax system makes administration and compliance difficult and costly. For instance, firms have to pay different taxes that are derived from the same tax base.
- g. ***Not supportive of capital market development*** – There are a number 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.

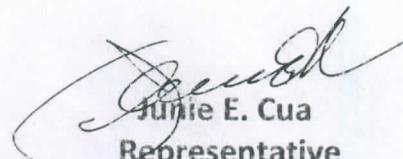
Pre-need, pension, life, and HMO insurance are all taxed similarly at a 2% premium tax rate. Meanwhile, non-life insurance is subject to 12% value-added tax.

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

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

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

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.



Junie E. Cua
Representative
Lone District, Quirino

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HOUSE OF REPRESENTATIVES
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AN ACT

AMENDING SECTIONS 22, 24, 25, 27, 28, 29, 30, 32, 34, 37, 38, 39, 42, 51, 52, 54, 56, 57, 73, 108, 121, 122, 123, 174, 176, 179, 181, 182, 183, 184, 185, 186, 187, 188, 195, 198, AND 199; AND REPEALING SECTIONS 127, 175, 177, 178, 180, 192, AND 193; ALL UNDER REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

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

1 **SECTION. 1. Title.** – This Act shall be known as the “***Passive Income and Financial Intermediary Taxation Act.***”
2
3

4 **SEC. 2. Declaration of Policy.** – The financial sector plays a significant
5 role in the long-term growth of the national economy. A key policy
6 consideration is to allow the capital market to develop as efficiently as
7 possible, with the least intervention. The optimal taxation of capital
8 markets, and the products and transactions that come with them, is an
9 essential element in developing the capital market. Towards this end, the
10 State recognizes the necessity of a simpler, fairer, more efficient, and
11 regionally more competitive tax system for passive income and financial
12 intermediation to encourage savings and develop as well as deepen the
13 capital markets. Accordingly, the State adopts the following policies:
14

- 15 1. The State shall promote and develop a tax system that provides
16 neutrality in the tax treatment across financial institutions and
17 financial instruments.
18 2. The State shall endeavor to simplify an otherwise complex tax
19 system for easy compliance.
20 3. The State shall ensure that the taxation of passive income and
21 financial transactions is equitable across all stakeholders and
22 discourages arbitrage opportunities.

1 4. The State shall promote capital market development and tax
2 competitiveness within the context of globalization, increased capital
3 mobility, and financial inclusion.
4

5 **SEC. 3.** Section 22 of the National Internal Revenue Code of 1997, as
6 amended, is hereby amended to read as follows:
7

8 **SEC. 22. Definitions** - When used in this Title:
9

10 (A) xxx
11

12 xxx xxx xxx
13

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

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

37 xxx xxx xxx
38

39 (T) The term '**securities**' means [shares of stock in a corporation, and
40 rights to subscribe for or to receive such shares. The term includes
41 bonds, debentures, notes or certificates, or other evidence of
42 indebtedness, issued by any corporation, including those issued by a
43 government or political subdivision thereof, with interest coupons or in
44 registered form.] **SHARES, PARTICIPATION, OR INTERESTS IN A
45 CORPORATION OR IN A COMMERCIAL ENTERPRISE OR PROFIT-
46 MAKING VENTURE EVIDENCED BY A CERTIFICATE, CONTRACT,
47 INSTRUMENTS, WHETHER WRITTEN OR ELECTRONIC IN
48 CHARACTER. IT INCLUDES:**
49

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

xxx xxx xxx

(V) The term ‘bank’ [means every banking institution, as defined in Section 2 Republic Act No. 337, as amended, otherwise known as the General Banking Act. A bank may either be, a commercial bank, a thrift bank, a development bank, a rural bank, a specialized government bank, or a cooperative bank] AS DEFINED IN SECTION 3 OF REPUBLIC ACT NO. 8791, OTHERWISE KNOWN AS THE GENERAL BANKING LAW OF 2000, SHALL REFER TO ENTITIES ENGAGED IN THE LENDING OF FUNDS OBTAINED IN THE FORM OF DEPOSITS. BANKS SHALL BE CLASSIFIED INTO UNIVERSAL BANKS, COMMERCIAL BANKS, THRIFT BANKS COMPOSED OF: (A) SAVINGS AND MORTGAGE BANKS; (B) STOCK SAVINGS AND LOAN ASSOCIATIONS; AND (C) PRIVATE DEVELOPMENT BANKS, AS DEFINED IN REPUBLIC ACT NO. 7906, OR THE THRIFT BANKS ACT, RURAL BANKS, AS DEFINED IN REPUBLIC ACT NO. 7353 OR THE RURAL BANKS ACT; COOPERATIVE BANKS, AS DEFINED IN REPUBLIC ACT NO. 6938 OR THE COOPERATIVE CODE, ISLAMIC BANKS AS DEFINED IN REPUBLIC ACT NO. 6848, OR THE CHARTER OF AL AMANAH ISLAMIC INVESTMENT BANK OF THE PHILIPPINES, AND OTHER CLASSIFICATIONS OF BANKS AS DETERMINED BY THE MONETARY BOARD OF THE BANGKO SENTRAL NG PILIPINAS.

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

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

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

(Z) The term '*deposit substitutes*' shall mean an alternative form of obtaining funds from the public (the term 'public' means borrowing

1 from twenty (20) or more individual or corporate lenders at any one
2 time) other than deposits, through the issuance, endorsement, or
3 acceptance of debt instruments for the borrowers own account, for the
4 purpose of relending or purchasing of receivables and other obligations,
5 or financing their own needs or the needs of their agent or dealer. These
6 instruments may include, but need not be limited to bankers'
7 acceptances, promissory notes, repurchase agreements, [including]
8 **EXCLUDING** reverse repurchase agreements entered into by and
9 between the Bangko Sentral ng Pilipinas (BSP) and any authorized
10 agent bank, certificates of assignment or participation and similar
11 instruments with recourse.
12

13 **DEBT INSTRUMENTS ISSUED BY THE GOVERNMENT AND ANY OF**
14 **ITS AGENCIES AND INSTRUMENTALITIES, INCLUDING**
15 **GOVERNMENT FINANCIAL INSTITUTIONS SHALL BE DEEMED**
16 **ISSUED TO THE PUBLIC AND CONSIDERED DEPOSIT**
17 **SUBSTITUTES.** *Provided, however,* that debt instruments issued for
18 interbank call loans with maturity of not more than five (5) days to cover
19 deficiency in reserves against deposit liabilities, including those
20 between or among banks and quasi-banks, shall not be considered as
21 deposit substitute debt instruments.
22

23 XXX XXX XXX
24

25 (BB) The term '**mutual fund company**' shall mean **ANY INVESTMENT**
26 **COMPANY WHICH IS OR HOLDS ITSELF OUT AS BEING ENGAGED**
27 **PRIMARILY, OR PROPOSES TO ENGAGE PRIMARILY IN THE**
28 **BUSINESS OF POOLING TOGETHER MONEY FROM VARIOUS**
29 **INVESTORS AND INVESTS, REINVESTS, OR TRADES THE SAME IN**
30 **SECURITIES, WHETHER IN STOCKS, BONDS, MONEY-MARKET**
31 **INSTRUMENTS, OTHER SECURITIES, CASH, OR ANY OTHER**
32 **ASSET, OR** an open-end and close-end investment company as defined
33 under **REPUBLIC ACT NO. 2629, ALSO KNOWN AS** the Investment
34 Company Act **OF THE PHILIPPINES.**
35

36 XXX XXX XXX
37

38 (FF) The term ['long-term deposit or investment certificate' shall refer to
39 certificate of time deposit or investment in the form of savings, common
40 or individual trust funds, deposit substitutes, investment management
41 accounts and other investments with a maturity period of not less than
42 five (5) years, the form of which shall be prescribed by the Bangko
43 Sentral ng Pilipinas (BSP) and issued by banks only (not by nonbank
44 financial intermediaries and finance companies) to individuals in
45 denominations of Ten thousand pesos (P10,000) and other
46 denominations as may be prescribed by the BSP.] **FINANCIAL**
47 **INSTITUTIONS' OR 'FINANCIAL INTERMEDIARIES' SHALL MEAN**
48 **PERSONS OR ENTITIES WHOSE PRINCIPAL FUNCTIONS INCLUDE**
49 **THE BUSINESS OF LENDING, FINANCING, INVESTING, OR**

1 PLACEMENT OF FUNDS OR EVIDENCES OF INDEBTEDNESS OR
2 EQUITY DEPOSITED WITH THEM, ACQUIRED BY THEM, OR
3 OTHERWISE COURSED THROUGH THEM, EITHER FOR THEIR
4 OWN ACCOUNT OR FOR THE ACCOUNT OF OTHERS, AND ARE
5 AUTHORIZED BY THE BANGKO SENTRAL NG PILIPINAS OR BY THE
6 SECURITIES AND EXCHANGE COMMISSION DEPENDING ON THE
7 GOVERNMENT AGENCY AUTHORIZED TO REGULATE THEM. IT
8 SHALL INCLUDE BANKS, QUASI-BANKS, TRUST ENTITIES,
9 PAWNSHOPS, FOREIGN EXCHANGE DEALERS, MONEY BROKERS,
10 CREDIT COOPERATIVES, FINANCING COMPANIES, FINANCE
11 LEASING COMPANIES, INVESTMENT COMPANIES, AND OTHER
12 ENTITIES ENGAGED IN COLLECTIVE INVESTMENT SCHEMES,
13 INVESTMENT HOUSES, LENDING INVESTORS OR ENTITIES
14 ENGAGED IN FINANCIAL INTERMEDIATION ACTIVITIES, AND
15 OTHER TYPES OF BUSINESS THAT MAY BE CLASSIFIED BY THE
16 BANGKO SENTRAL NG PILIPINAS OR THE SECURITIES AND
17 EXCHANGE COMMISSION AS FINANCIAL INSTITUTIONS.
18

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

23
24 (GG) The term '***statutory minimum wage***' x x x.
25

26 (HH) The term '***minimum wage earner***' x x x.
27

28 (II) THE TERM 'COLLECTIVE INVESTMENT SCHEMES' OR 'CIS'
29 SHALL MEAN ANY ARRANGEMENT WHEREBY FUNDS ARE
30 SOLICITED FROM THE INVESTING PUBLIC AND POOLED
31 TOGETHER FOR THE PURPOSE OF INVESTING, RE-INVESTING,
32 AND/OR TRADING IN SECURITIES OR OTHER ASSETS OR
33 DIFFERENT CLASSES THEREOF AS ALLOWED UNDER THE LAW,
34 WHICH MAY EITHER HAVE A CORPORATE STRUCTURE, SUCH AS
35 AN INVESTMENT COMPANY, OR A CONTRACTUAL STRUCTURE,
36 SUCH AS A UNIT INVESTMENT TRUST FUND OR SIMILAR SCHEME
37 HELD BY A TRUST CORPORATION OR A SEPARATE ACCOUNT
38 FUND ESTABLISHED PURSUANT TO A VARIABLE UNIT LINKED
39 LIFE INSURANCE POLICY ISSUED BY AN INSURANCE COMPANY,
40 AND SUCH OTHER FORMS OF COLLECTIVE INVESTMENT
41 SCHEMES AS MAY BE DETERMINED BY THE APPROPRIATE
42 GOVERNMENT REGULATORY AGENCIES SUCH AS THE BANGKO
43 SENTRAL NG PILIPINAS, THE SECURITIES AND EXCHANGE
44 COMMISSION AND THE INSURANCE COMMISSION. A CIS MAY
45 EITHER BE OPEN-END OR CLOSED-END, DEFINED AS FOLLOWS:
46

47 'OPEN-END CIS' MEANS A CIS WHERE SECURITIES ARE
48 OFFERED AND ARE ALWAYS REDEEMABLE BY THE CIS; AND
49

1 **'CLOSED-END CIS'** MEANS A CIS WHERE A FIXED NUMBER
2 OF SECURITIES ARE OFFERED IN AN INITIAL PUBLIC
3 OFFERING AND THEREAFTER MAY BE TRADED IN AN
4 ORGANIZED MARKETPLACE AS DETERMINED BY THE
5 SECURITIES AND EXCHANGE COMMISSION, BUT MAY NOT
6 BE REDEEMED BY THE CIS. A CLOSED-END CIS SHALL NOT
7 BE ALLOWED TO INCREASE ITS NUMBER OF SECURITIES.
8

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

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

25 **(LL) THE TERM 'DEBT INSTRUMENT'** SHALL REFER TO
26 INSTRUMENTS REPRESENTING BORROWING AND LENDING
27 TRANSACTIONS INCLUDING BUT NOT LIMITED TO DEBENTURES,
28 CERTIFICATES OF INDEBTEDNESS, DUE BILLS, BONDS, LOAN
29 AGREEMENTS, INSTRUMENTS, AND SECURITIES ISSUED BY THE
30 GOVERNMENT OR ANY OF ITS INSTRUMENTALITIES, DEPOSIT
31 SUBSTITUTES, CERTIFICATES OR OTHER EVIDENCES OF
32 DEPOSITS, PROMISSORY NOTES, WHETHER NEGOTIABLE OR
33 NON-NEGOTIABLE, OTHER SIMILAR INSTRUMENTS, AND OTHER
34 INSTRUMENTS AS MAY BE DETERMINED BY APPROPRIATE
35 GOVERNMENT AGENCIES.
36

37 **(MM) THE TERM 'ORGANIZED MARKETPLACE'** IS AN EXCHANGE,
38 AN OVER-THE-COUNTER MARKET, ALTERNATIVE TRADING
39 SYSTEM, RECOGNIZED AS SUCH BY THE SECURITIES AND
40 EXCHANGE COMMISSION AS AN EXCHANGE UNDER REPUBLIC
41 ACT NO. 8799, AS AMENDED, AND GOVERNED BY, AMONG
42 OTHERS, TRANSPARENT AND BINDING RULES AND MARKET
43 CONVENTIONS ON MEMBERSHIP, TRADING, PRICE
44 TRANSPARENCY, TRADE REPORTING, MARKET MONITORING
45 AND ORDERLY CONDUCT/OPERATION OF THE MARKET WHICH
46 ARE ENFORCEABLE ON THE MEMBERS AND PARTICIPANTS.
47

48 **(NN) HEALTH INSURANCE PRODUCTS** ARE THOSE THAT ARE
49 BEING OFFERED AND SOLD BY INSURANCE COMPANIES, EITHER

1 **LIFE OR NON-LIFE, WHEREIN THERE IS A LIST OF COVERED**
2 **ILLNESSES OF WHICH THE COMPANIES ASSUME RISKS AND**
3 **INDEMNIFY LOSSES BROUGHT BY THE SAID COVERED**
4 **ILLNESSES.**

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

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

19 **SEC. 24. Income Tax Rates. -**

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

24 XXX XXX XXX

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

28 **(1) Interests[, Royalties, Prizes, and Other Winnings.]** - A final tax
29 at the rate of [twenty percent (20%)] **FIFTEEN PERCENT (15%)** is
30 hereby imposed upon the amount of interest, **YIELD, OR ANY OTHER**
31 **MONETARY BENEFIT EARNED OR RECEIVED FROM DEBT**
32 **INSTRUMENT, BANK DEPOSIT, DEPOSIT SUBSTITUTE, TRUST**
33 **FUND, AND ANY OTHER FORM OF DEBT INSTRUMENT AND**
34 **SIMILAR ARRANGEMENTS.** [from any currency bank deposit, and
35 yield or any other monetary benefit from deposit substitutes, and from
36 trust funds and similar arrangements; royalties, except on books, as
37 well as other literary works and musical compositions, which shall be
38 imposed a final tax of ten percent (10%); prizes (except prizes
39 amounting to Ten thousand pesos (P10,000) or less which shall be
40 subject to tax under Subsection (A) of Section 24); and other winnings
41 (except winnings amounting to Ten Thousand or less from Philippine
42 Charity Sweepstakes and Lotto which shall be exempt), derived from
43 sources within the Philippines: *Provided, however,* That interest income
44 received by an individual taxpayer (except a nonresident individual)
45 from a depository bank under the expanded foreign currency deposit
46 system shall be subject to a final income tax at the rate of fifteen percent
47 (15%) of such interest income: *Provided, further,* That interest income
48 from long-term deposit or investment in the form of savings, common
49 or individual trust funds, deposit substitutes, investment management

1 accounts and other investments evidenced by certificates in such form
2 prescribed by the Bangko Sentral ng Pilipinas (BSP) shall be exempt
3 from the tax imposed under this Subsection: *Provided, finally,* That
4 should the holder of the certificate pre-terminate the deposit or
5 investment before the fifth (5th) year, a final tax shall be imposed on the
6 entire income and shall be deducted and withheld by the depository
7 bank from the proceeds of the long-term deposit or investment
8 certificate based on the remaining maturity thereof:
9

10 Four (4) years to less than five (5) years – 5%;
11

12 Three (3) years to less than (4) years – 12%; and
13

14 Less than three (3) years – 20%.]

16 **(2) Cash and/or Property Dividends.** – A final tax at the **RATE OF**
17 **FIFTEEN PERCENT** (15%) [ten percent (10%)] shall be imposed upon
18 the cash and/or property dividends actually or constructively received
19 by an individual from a domestic corporation or from a joint stock
20 company, insurance, [or]mutual fund companies, **ENTITIES**
21 **ENGAGED IN COLLECTIVE INVESTMENT SCHEMES**, and regional
22 operating headquarters of multinational companies, or on the share of
23 an individual in the distributable net income after tax of a partnership
24 (except a general professional partnership) of which he is a partner, or
25 on the share of an individual in the net income after tax of an
26 association, a joint account, or a joint venture or consortium taxable as
27 a corporation of which he is a member or co-venturer: **PROVIDED,**
28 **HOWEVER, THAT THE FIFTEEN PERCENT (15%) TAX ON**
29 **DIVIDENDS SHALL APPLY ONLY ON INCOME EARNED ON OR**
30 **AFTER JANUARY 1, 2020. INCOME FORMING PART OF RETAINED**
31 **EARNINGS AS OF DECEMBER 31, 2019, EVEN IF DECLARED OR**
32 **DISTRIBUTED ON OR AFTER JANUARY 1, 2020, SHALL BE**
33 **SUBJECT TO TEN PERCENT (10%) TAX.**

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

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

48 **[(C)(4) PRESUMPTIVE CAPITAL GAINS FROM THE SALE,**
49 **EXCHANGE, BARTER, OR DISPOSITION OF SHARES OF STOCK**

1 **TRADED IN THE STOCK EXCHANGE OR AN ORGANIZED
2 MARKETPLACE.** - THERE SHALL BE LEVIED, ASSESSED AND
3 COLLECTED ON EVERY SALE, BARTER, EXCHANGE, OR ANY
4 OTHER MODE OF DISPOSITION OF SHARES OF STOCK LISTED
5 AND TRADED THROUGH A LOCAL STOCK EXCHANGE OR AN
6 ORGANIZED MARKETPLACE, A FINAL TAX AT THE RATE OF SIX-
7 TENTH OF ONE PERCENT (6/10 OF 1%), AND SHALL BE REDUCED
8 ACCORDING TO THE FOLLOWING SCHEDULE:
9

10 **JANUARY 1, 2021: FIVE-TENTH OF ONE PERCENT (5/10 OF 1%),**
11
12 **JANUARY 1, 2022: FOUR-TENTH OF ONE PERCENT (4/10 OF 1%),**
13
14 **JANUARY 1, 2023: THREE-TENTH OF ONE PERCENT (3/10 OF 1%),**
15
16 **JANUARY 1, 2024: TWO-TENTH OF ONE PERCENT (2/10 OF 1%),**
17
18 **JANUARY 1, 2025: ONE-TENTH OF ONE PERCENT (1/10 OF 1%).**
19

20 THE TAX SHALL BE BASED ON THE GROSS SELLING PRICE OR
21 GROSS VALUE IN MONEY OF THE SHARES OF STOCK SOLD,
22 BARTERED, EXCHANGED, OR OTHERWISE DISPOSED OF, TO BE
23 PAID BY THE SELLER OR TRANSFEROR.
24

25 ANY GAIN EARNED FROM SHARES OF STOCK IN A DOMESTIC
26 CORPORATION TRADED IN A FOREIGN EXCHANGE, SHALL BE
27 TAXED UNDER SUBSECTION (A) OF THIS SECTION.
28

29 ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR
30 DISPOSITION OF SHARES OF STOCK, LISTED OR UNLISTED, BY A
31 DEALER IN SECURITIES LICENSED BY THE APPROPRIATE
32 GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN
33 SECURITIES, FOR THE DEALER'S OWN ACCOUNT IN THE
34 ORDINARY COURSE OF BUSINESS, SHALL NOT BE SUBJECT TO
35 TAX UNDER THIS SUBSECTION BUT SUBSECTION (A) AS AN
36 ORDINARY INCOME.
37

38 **(5) CAPITAL GAINS FROM SALE, EXCHANGE, TRANSFER, BARTER,
39 DISPOSITION OF NON-LISTED AND NON-TRADED DEBT
40 INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN
41 SECTION 24(B)(3) AND (4).** - ANY GAIN EARNED FROM A DEBT
42 INSTRUMENT AND OTHER SECURITIES NOT INCLUDED IN
43 SUBSECTIONS (B)(3) AND (4), ISSUED BY A CITIZEN OR RESIDENT
44 ALIEN, OR BY A DOMESTIC CORPORATION, OR A RESIDENT
45 FOREIGN CORPORATION, OR BY THE GOVERNMENT OR ANY OF
46 ITS AGENCIES OR INSTRUMENTALITIES, SHALL BE SUBJECT TO
47 A FINAL TAX AT THE RATE OF FIFTEEN PERCENT (15%) UPON
48 THE NET CAPITAL GAINS REALIZED.
49

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

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

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

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

(b) Exception. – The provisions of paragraph (1) of this Subsection to the contrary notwithstanding, capital gains presumed to have been realized from the sale or disposition of their principal residence by natural persons, the proceeds of which is fully utilized in acquiring or constructing a new principal residence within eighteen (18) calendar months from the date of sale or disposition, shall be exempt from the capital gains tax imposed under this Subsection: *Provided*, That the historical cost or adjusted basis of the real property sold or disposed

1 shall be carried over to the new principal residence built or acquired:
2 *Provided, further,* That the Commissioner shall have been duly notified
3 by the taxpayer within thirty (30) days from the date of sale or
4 disposition through a prescribed return of his intention to avail of the
5 tax exemption herein mentioned: *Provided, still further,* That the said
6 tax exemption can only be availed of once every ten (10) years: *Provided,*
7 *finally,* That if there is no full utilization of the proceeds of sale or
8 disposition, the portion of the gain presumed to have been realized from
9 the sale or disposition shall be subject to capital gains tax. For this
10 purpose, the gross selling price or fair market value at the time of sale,
11 whichever is higher, shall be multiplied by a fraction which the
12 unutilized amount bears to the gross selling price in order to determine
13 the taxable portion and the tax prescribed under paragraph (1) of this
14 Subsection shall be imposed thereon.
15

16 **(C) ROYALTIES, PRIZES, AND OTHER Winnings - A FINAL TAX AT**
17 **THE RATE OF TWENTY PERCENT (20%) IS HEREBY IMPOSED ON**
18 **THE FOLLOWING INCOME DERIVED FROM SOURCES WITHIN THE**
19 **PHILIPPINES: (1) ROYALTIES EARNED AS PASSIVE INCOME,**
20 **EXCEPT ROYALTIES FROM BOOKS, AS WELL AS OTHER**
21 **LITERARY WORKS AND MUSICAL COMPOSITIONS WHICH SHALL**
22 **BE SUBJECT TO A FINAL TAX OF TEN PERCENT (10%); (2) PRIZES**
23 **(EXCEPT PRIZES AMOUNTING TO TEN THOUSAND PESOS**
24 **(P10,000) OR LESS) WHICH SHALL BE SUBJECT TO TAX UNDER**
25 **SECTION 24 (A); AND (3) OTHER Winnings (EXCEPT Winnings**
26 **AMOUNTING TO PHP10,000 OR LESS FROM PHILIPPINE CHARITY**
27 **SWEEPSTAKES AND LOTTO WHICH SHALL BE EXEMPT).**
28

29 **SEC. 5.** Section 25 (A) and (B) of the National Internal Revenue Code of 1997,
30 as amended, is hereby amended to read as follows:
31

32 **SEC. 25. Tax on Nonresident Alien Individual. -**
33

34 **(A) Nonresident Alien Engaged in Trade or Business Within the**
35 **Philippines. - [(1) In General. -]A nonresident alien individual engaged**
36 **in trade or business in the Philippines shall be subject to [an] income**
37 **tax **UNDER SECTION 24 OF THIS CODE**[, in the same manner as an**
38 **individual citizen and a resident alien individual,] on taxable income**
39 **received from all sources within the Philippines. A nonresident alien**
40 **individual who shall come to the Philippines and stay therein for an**
41 **aggregate period of more than one hundred eighty **THREE (183)** days**
42 **during any calendar year shall be deemed a 'nonresident alien doing**
43 **business in the Philippines', Section 22(G) of this Code**
44 **notwithstanding.**
45

46 **[(2) Cash and/or Property Dividends from a Domestic Corporation or Joint**
47 **Stock Company, or Insurance or Mutual Fund Company or Regional**
48 **Operating Headquarter or Multinational Company, or Share in the**
49 **Distributable Net Income of a Partnership (Except a General Professional**

Partnership), Joint Account, Joint Venture Taxable as a Corporation or Association, Interests, Royalties, Prizes, and Other Winnings. – Cash and/or property dividends from a domestic corporation, or from a joint stock company, or from an insurance or mutual fund company or from a regional operating headquarter of multinational company, or the share of a nonresident alien individual in the distributable net income after tax of a partnership (except a general professional partnership) of which he is a partner, or the share of a nonresident alien individual in the net income after tax of an association, a joint account), or a joint venture taxable as a corporation of which he is a member or a co-venturer; royalties (in any form); and prizes (except prizes amounting to Ten thousand pesos (P10,000) or less which shall be subject to tax under Subsection (B)(1) of Section 24); and other winnings (except Philippine Charity Sweepstakes and Lotto winnings), shall be subject to an income tax of twenty percent (20%) on the total amount thereof: *Provided, however,* That royalties on books as well as other literary works, and royalties on musical compositions shall be subject to a final tax of ten percent (10%) on the total amount thereof: *Provided, further,* That cinematographic films and similar works shall be subject to the tax provided under Section 28 of this Code: [*Provided, furthermore,* That interest income from long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the Bangko Sentral ng Pilipinas (BSP) shall be exempt from the tax imposed under this Subsection: *Provided, finally,* That should the holder of the certificate pre-terminate the deposit or investment before the fifth (5th) 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

1 determinable annual or periodic or casual gains, profits, and income,
2 [and capital gains,] a **FINAL** tax equal to twenty five percent (25%) of
3 such income. Capital gains realized by a nonresident alien individual
4 not engaged in trade or business in the Philippines from the sale of
5 [shares of stock in any domestic corporation and] real property shall be
6 subject to the income tax prescribed under Subsection[s (C) and (D)]
7 **(B) (7)** of Section 24.

8

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

13 xxx xxx xxx

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

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

17 **(A) In General.** – Except as otherwise provided in this Code, an income
18 tax of thirty-five percent (35%) is hereby imposed upon the taxable
19 income derived during each taxable year from all sources within and
20 without the Philippines by every corporation, as defined in Section 22(B)
21 of this Code and taxable under this Title as a corporation, organized in,
22 or existing under the laws of the Philippines: *Provided*, That effective
23 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**
27 **from Deposit Substitutes and from Trust Funds and Similar**
28 **Arrangements, and Royalties.** – A final tax at the rate of twenty
29 percent (20%) is hereby imposed upon the amount of interest on
30 currency bank deposit and yield or any other monetary benefit from
31 deposit substitutes and from trust funds and similar arrangements
32 received by domestic corporations, and royalties, derived from sources
33 within the Philippines: *Provided, however*, That interest income derived
34 by a domestic corporation from a depository bank under the expanded
35 foreign currency deposit system shall be subject to a final income tax
36 at the rate of fifteen percent of such interest income.]

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

1 domestic corporation except shares sold or disposed of through the
2 stock exchange.]

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

21 [Any income of nonresidents, whether individuals or corporations, from
22 transactions with depository banks under the expanded system shall
23 be exempt from income tax.]
24

25 **(4) Intercorporate Dividends.** – Dividends received by a domestic
26 corporation from another domestic corporation shall not be subject to
27 tax.]
28

29 **(1) INTERESTS.** – A FINAL TAX AT THE RATE OF FIFTEEN
30 PERCENT (15%) IS HEREBY IMPOSED UPON THE AMOUNT OF
31 INTEREST, YIELD, OR OTHER MONETARY BENEFIT EARNED OR
32 RECEIVED FROM A DEBT INSTRUMENT, BANK DEPOSIT, DEPOSIT
33 SUBSTITUTE, TRUST FUND, AND SIMILAR ARRANGEMENTS.
34

35 **(2) CASH AND/OR PROPERTY DIVIDENDS.** - INTERCORPORATE
36 DIVIDENDS OR DIVIDENDS RECEIVED FROM A DOMESTIC
37 CORPORATION SHALL NOT BE SUBJECT TO TAX IMPOSED UNDER
38 THIS SUBSECTION.
39

40 LIQUIDATING DIVIDEND SHALL BE SUBJECT TO SECTION 27(A)
41 AND BASED ON NET GAIN.
42

43 **(3) CAPITAL GAINS FROM THE SALE, EXCHANGE, BARTER OR**
44 **DISPOSITION OF SHARES OF STOCK NOT TRADED IN THE STOCK**
45 **EXCHANGE OR AN ORGANIZED MARKETPLACE** - A FINAL TAX AT
46 THE RATE OF FIFTEEN PERCENT (15%) IS HEREBY IMPOSED
47 UPON THE NET CAPITAL GAINS REALIZED DURING THE TAXABLE
48 YEAR FROM THE SALE, BARTER, EXCHANGE, OR OTHER MODES
49 OF DISPOSITION OF SHARES OF STOCK IN A DOMESTIC

1 CORPORATION, EXCEPT SHARES SOLD, OR DISPOSED OF
2 THROUGH A LOCAL STOCK EXCHANGE OR AN ORGANIZED
3 MARKETPLACE.

4

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

15

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

17

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

19

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

21

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

23

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

25

26 **THE TAX SHALL BE BASED ON THE GROSS SELLING PRICE OR**
27 **GROSS VALUE IN MONEY OF THE SHARES OF STOCK SOLD,**
28 **BARTERED, EXCHANGED, OR OTHERWISE DISPOSED OF, TO BE**
29 **PAID BY THE SELLER OR TRANSFEROR.**

30

31 **ANY GAIN EARNED FROM SHARES OF STOCK IN A DOMESTIC**
32 **CORPORATION TRADED IN A FOREIGN EXCHANGE, SHALL BE**
33 **TAXED UNDER SECTION 27 (A) HEREOF.**

34

35 **ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR**
36 **DISPOSITION OF SHARES OF STOCK, LISTED OR UNLISTED, BY A**
37 **DEALER IN SECURITIES LICENSED BY THE APPROPRIATE**
38 **GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN**
39 **SECURITIES, FOR HIS OWN ACCOUNT IN THE ORDINARY COURSE**
40 **OF BUSINESS SHALL NOT BE SUBJECT TO TAX UNDER THIS**
41 **SUBSECTION BUT TO SECTION 27(A) AS AN ORDINARY INCOME.**

42

43 **(5) CAPITAL GAINS FROM SALE, EXCHANGE, TRANSFER, BARTER,**
44 **DISPOSITION OF NON-LISTED AND NON-TRADED DEBT**
45 **INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN**
46 **SECTION 27(D)(3) AND (4).** - ANY GAIN EARNED FROM DEBT
47 **INSTRUMENT AND OTHER SECURITIES NOT INCLUDED IN**
48 **SECTION 27(D)(3) AND (4), ISSUED BY A CITIZEN OR RESIDENT**
49 **ALIEN, OR BY A DOMESTIC CORPORATION, OR A RESIDENT**

1 FOREIGN CORPORATION, OR BY THE GOVERNMENT OR ANY OF
2 ITS AGENCIES OR INSTRUMENTALITIES, SHALL BE SUBJECT TO
3 A FINAL TAX AT THE RATE OF FIFTEEN PERCENT (15%) UPON
4 THE NET CAPITAL GAINS REALIZED.

5
6 **(6) PRESUMPTIVE CAPITAL GAINS ON LISTED AND TRADED DEBT**
7 **INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN**
8 **SECTION 27(D)(3) AND (4) - THERE SHALL BE LEVIED, ASSESSED,**
9 **AND COLLECTED ON EVERY SALE, BARTER, EXCHANGE, OR**
10 **OTHER DISPOSITION OF DEBT INSTRUMENTS AND OTHER**
11 **SECURITIES, LISTED AND TRADED THROUGH A LOCAL**
12 **EXCHANGE OR AN ORGANIZED MARKETPLACE, A FINAL TAX AT**
13 **THE RATE OF ONE-TENTH OF ONE PERCENT (1/10 OF 1%) OF THE**
14 **GROSS SELLING PRICE OR GROSS VALUE IN MONEY OF THE DEBT**
15 **INSTRUMENT OR SECURITIES SOLD, BARTERED, EXCHANGED,**
16 **OR OTHERWISE DISPOSED, WHICH SHALL BE PAID BY THE**
17 **SELLER OR TRANSFEROR. IF TRADED IN A FOREIGN EXCHANGE,**
18 **THE GAIN SHALL BE SUBJECT TO TAX UNDER SECTION 27 (A)**
19 **HEREOF.**

20
21 **ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR**
22 **DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES,**
23 **LISTED OR UNLISTED, BY A DEALER IN SECURITIES OR OTHER**
24 **ENTITIES LICENSED BY THE APPROPRIATE GOVERNMENT**
25 **REGULATORY AGENCIES TO BUY AND SELL IN DEBT**
26 **INSTRUMENTS SECURITIES, FOR THE DEALER'S OWN ACCOUNT**
27 **IN THE ORDINARY COURSE OF BUSINESS , SHALL NOT BE**
28 **SUBJECT TO TAX UNDER THIS SUBSECTION BUT TO SECTION**
29 **27(A) AS AN ORDINARY INCOME.**

30
31 **[(5)](7) Capital Gains Realized from the Sale, Exchange or Disposition of**
32 **Lands and/or Buildings.** - A final tax of six percent (6%) is hereby imposed
33 on the gain presumed to have been realized on the sale, exchange or
34 disposition of lands and/or buildings which are not actually used in the
35 business of a corporation and are treated as capital assets, based on the gross
36 selling price or fair market value as determined in accordance with Section
37 6(E) of this Code, whichever is higher, of such lands and/or buildings.

38
39 **(E) ROYALTIES - A FINAL TAX AT THE RATE OF TWENTY PERCENT**
40 **(20%) IS HEREBY IMPOSED ON ROYALTIES EARNED AS PASSIVE**
41 **INCOME.**

42
43 **[(E)](F) Minimum Corporate Income Tax on Domestic Corporations**
44 **-**

45 **(1) Imposition of tax. - x x x**

46
47 **xxx xxx xxx**

48
49 **(4) Gross Income Defined. - xxx**

1
2 xxx xxx xxx
3

4 In the case of taxpayers engaged in the sale of service, '**gross income**'
5 means gross receipts less sales returns, allowances, discounts and cost
6 of services. '**Cost of services**' shall mean all direct costs and expenses
7 necessarily incurred to provide the services required by the customers
8 and clients including (A) salaries and employee benefits of personnel,
9 consultants and specialists directly rendering the service and (B) cost
10 of facilities directly utilized in providing the service such as depreciation
11 or rental of equipment used and cost of supplies: *Provided, however,*
12 That in the case of banks **AND OTHER FINANCIAL INTERMEDIARIES**,
13 '**cost of services**' shall include interest expense.
14

15 **SEC. 7.** Section 28 (A) and (B) of the National Internal Revenue Code of 1997,
16 as amended, is hereby amended to read as follows:
17

18 **SEC. 28. Rates of Income Tax on Foreign Corporations. –**
19

20 **(A) Tax on Resident Foreign Corporations. –**
21

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

31 xxx xxx xxx
32

33 **(2) Minimum Corporate Income Tax on Resident Foreign**
34 **Corporations.** — A minimum corporate income tax of two percent (2%)
35 of gross income, as prescribed under Section 27([E]F) of this Code, shall
36 be imposed, under the same conditions, on a resident foreign
37 corporation taxable under paragraph (1) of this Subsection.
38

39 **(3) International Carrier. – x x x**
40

41 **[(4) Offshore Banking Units.** – The provisions of any law to the contrary
42 notwithstanding, income derived by offshore banking units authorized
43 by the Bangko Sentral ng Pilipinas (BSP), from foreign currency
44 transactions with nonresidents, other offshore banking units, local
45 commercial banks, including branches of foreign banks that may be
46 authorized by the Bangko Sentral ng Pilipinas (BSP) to transact
47 business with offshore banking units shall be exempt from all taxes
48 except net income from such transactions as may be specified by the
49 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

1 commercial banks including branches of foreign banks that may be
2 authorized by the Bangko Sentral ng Pilipinas (BSP) to transact
3 business with foreign currency deposit system units and other
4 depository banks under the expanded foreign currency deposit system
5 shall be exempt from all taxes, except net income from such
6 transactions as may be specified by the Secretary of Finance, upon
7 recommendation by the Monetary Board to be subject to the regular
8 income tax payable by banks: Provided, however That interest income
9 from foreign currency loans granted by such depository banks under
10 the said expanded system to residents other than offshore banking
11 units in the Philippines or other depository banks under the expanded
12 system shall be subject to a final tax at the rate of ten percent (10%)]
13

14 [Any income of nonresidents, whether individuals or corporations, from
15 transactions with depository banks under the expanded system shall
16 be exempt from income tax.]
17

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

24
25 [Not over P100,000..... 5%]
26 [On any amount in excess of P100,000.....10%]
27

28 [(d) *Intercorporate Dividends.* - Dividends received by a resident foreign
29 corporation from a domestic corporation liable to tax under this Code
30 shall not be subject to tax under this Title.]
31

32 **(B) Tax on Nonresident Foreign Corporation. -**
33

34 **(1) In General.** - Except as otherwise provided in this Code, a foreign
35 corporation not engaged in trade or business in the Philippines shall
36 pay a tax equal to thirty five percent (35%) of the gross income received
37 during each taxable year from all sources within the Philippines, such
38 as [interests, dividends,] rents, royalties, salaries, premiums (except
39 reinsurance premiums), annuities, emoluments or other fixed or
40 determinable annual, periodic or casual gains, profits and income, and
41 capital gains, except capital gains subject to tax under subparagraph
42 5[(c)]: *Provided,* That effective January 1, 2009, the rate of income tax
43 shall be thirty percent (30%).
44

45 xxx xxx xxx

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

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

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

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

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

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

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

46 **CASH AND/OR PROPERTY DIVIDENDS RECEIVED FROM A
47 DOMESTIC CORPORATION SHALL BE SUBJECT TO A FINAL TAX
48 OF FIFTEEN PERCENT (15%) OR TO THE PROVISIONS OF THE
49 APPLICABLE TAX TREATY.**

1
2 **SEC. 8.** Section 29(A), (B) AND (C) of the National Internal Revenue Code of
3 1997, as amended, is hereby amended to read as follows:
4

5 **SEC. 29. Imposition of Improperly Accumulated Earnings Tax. -**
6

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

13 **(B) Tax on Corporations Subject to Improperly Accumulated
14 Earnings Tax. -**

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

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

26 (a) Publicly-held corporations;
27

28 (b) Banks, [and other] nonbank financial intermediaries, **AND**
29 **OTHER FINANCIAL INSTITUTIONS AS MAY BE DETERMINED**
30 **BY THE APPROPRIATE GOVERNMENT REGULATORY**
31 **AGENCIES;** and
32

33 (c) Insurance companies **SUCH AS LIFE AND NON-LIFE,**
34 **REINSURANCE COMPANIES, PRE-NEED COMPANIES, PENSION**
35 **FUNDS, AND OTHER ENTITIES DOING BUSINESS SIMILAR TO**
36 **OR AKIN TO INSURANCE.**
37

38 **(C) Evidence of Purpose to Avoid Income Tax. -**
39

40 [(1) **Prima Facie Evidence.** – The fact that any corporation is a mere
41 holding company or investment company shall be *prima facie* evidence
42 of a purpose to avoid the tax upon its shareholders or members.]
43

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

1 corporation, by the clear preponderance of evidence, shall prove to the
2 contrary.]

3
4 **THE FACT THAT THE EARNINGS OR PROFITS OF A CORPORATION**
5 **ARE PERMITTED TO ACCUMULATE BEYOND THE REASONABLE**
6 **NEEDS OF THE BUSINESS SHALL BE DETERMINATIVE OF THE**
7 **PURPOSE TO AVOID THE TAX UPON ITS SHAREHOLDERS OR**
8 **MEMBERS UNLESS THE CORPORATION, BY THE CLEAR**
9 **PREPONDERANCE OF EVIDENCE, SHALL PROVE TO THE**
10 **CONTRARY.**

11 xxx xxx xxx

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

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

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

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

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

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

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

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

3
4 [(F)](E) Business league, chamber of commerce, or board of trade, not
5 organized for profit and no part of the net income of which inures to the
6 benefit of any private stockholder or individual;
7

8 [(G)](F) Civic league or organization not organized for profit but operated
9 exclusively for the promotion of social welfare;
10

11 [(H)](G) A nonstock and nonprofit educational institution;
12

13 [(I)](H) Government educational institution;
14

15 [(J)](I) Farmers' or other mutual typhoon or fire insurance company,
16 mutual ditch or irrigation company, mutual or cooperative telephone
17 company, or like organization of a purely local character, the income of
18 which consists solely of assessments, dues, and fees collected from
19 members for the sole purpose of meeting its expenses; and
20

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

26 Notwithstanding the provisions in the preceding paragraphs, the
27 income of whatever kind and character of the foregoing organizations
28 from any of their properties, real or personal, or from any of their
29 activities conducted for profit regardless of the disposition made of such
30 income, shall be subject to tax imposed under this Code.
31

32 **SEC. 10.** Section 32(B)(7)(g) and (h) of the National Internal Revenue Code of
33 1997, as amended, is hereby amended to read as follows:
34

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

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

40 xxx xxx xxx
41

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

44 xxx xxx xxx
45

46 [(g) **Gains from the Sale of Bonds, Debentures or other Certificate**
47 **of Indebtedness.** - Gains realized from the same or exchange or
48

1
2 retirement of bonds, debentures or other certificate of indebtedness
3 with a maturity of more than five (5) years.]

4
5 (G) INTEREST INCOME FROM, AND GAINS FROM THE SALE,
6 TRANSFER, OR DISPOSITION OF, PROJECT SPECIFIC BONDS
7 THAT ARE ISSUED BY THE REPUBLIC OF THE PHILIPPINES OR
8 ANY OF ITS INSTRUMENTALITIES TO FINANCE CAPITAL
9 EXPENDITURES OR PROGRAMS COVERED BY THE PHILIPPINE
10 DEVELOPMENT PLAN OR ITS EQUIVALENT AND OTHER
11 GOVERNMENT PROGRAMS CONSIDERED TO BE OF HIGH-LEVEL
12 PRIORITY OF THE COUNTRY: PROVIDED, THAT, THE EXEMPTION
13 SHALL BE UPON THE APPROVAL BY THE SECRETARY OF
14 FINANCE.

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

21 xxx xxx xxx

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

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

33 **(A) Expenses.** -
34

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

37 **(a) In General.** - There shall be allowed as deduction from
38 gross income all the ordinary and necessary expenses paid or
39 incurred during the taxable year in carrying on or which are
40 directly attributable to, the development, management, operation
41 and/or conduct of the trade, business or exercise of a profession,
42 including:
43
44

45 xxx xxx xxx

1
2 **(b) Substantiation Requirements.** - No deduction from gross
3 income shall be allowed under Subsection (A) hereof unless the
4 taxpayer shall substantiate with sufficient evidence, such as
5 official receipts or other adequate records: (i) the amount of the
6 expense being deducted, and (ii) the direct connection or relation
7 of the expense being deducted to the development, management,
8 operation and/or conduct of the trade, business or profession of
9 the taxpayer.
10

11 **(c) Bribes, Kickbacks and Other Similar Payments.** - No
12 deduction from gross income shall be allowed under Subsection
13 (A) hereof for any payment made, directly or indirectly, to an
14 official or employee of the national government, or to an official
15 or employee of any local government unit, or to an official or
16 employee of a government-owned or -controlled corporation, or to
17 an official or employee or representative of a foreign government,
18 or to a private corporation, general professional partnership, or a
19 similar entity, if the payment constitutes a bribe or kickback.
20

21 **(D) EXPENSES RELATED TO OR IN CONNECTION WITH**
22 **INCOME NOT SUBJECT TO REGULAR TAX UNDER SECTIONS**
23 **24(A), 25(A), 27(A) AND (B), AND 28(A) SHALL NOT BE**
24 **ALLOWED AS DEDUCTIONS UNDER SUBSECTION (A)**
25 **HEREOF. EXPENSES THAT CANNOT BE SPECIFICALLY**
26 **IDENTIFIED OR ARE COMMON SHALL BE ALLOCATED**
27 **BASED ON A REASONABLE METHOD OF MEASUREMENT AS**
28 **PROVIDED IN A REGULATION ISSUED BY THE SECRETARY**
29 **OF FINANCE: PROVIDED, THAT INTEREST EXPENSES**
30 **SUBJECTED TO THE LIMITATION UNDER SECTION 34(B)(1)**
31 **SHALL BE EXCLUDED FROM THIS SECTION.**
32

33 xxx xxx xxx
34

35 **(B) Interest.** -
36

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

46
47 **ANY DIVIDEND DISGUISED AS INTEREST AND CLAIMED AS A**
48 **DEDUCTION UNDER THIS SUBSECTION SHALL NOT BE ALLOWED**
49 **AS A DEDUCTIBLE INTEREST EXPENSE.**

1
2 **(2) Exceptions.** – No deduction shall be allowed in respect of interest
3 under the succeeding subparagraphs:

4
5 (a) If within the taxable year an individual taxpayer reporting income on
6 the cash basis incurs an indebtedness on which an interest is paid in
7 advance through discount or otherwise: *Provided*, That such interest
8 shall be allowed as a deduction in the year the indebtedness is paid:
9 *Provided, further*, That if the indebtedness is payable in periodic
10 amortizations, the amount of interest which corresponds to the amount
11 of the principal amortized or paid during the year shall be allowed as
12 deduction in such taxable year;

13
14 (b) If both the taxpayer and the person to whom the payment has been
15 made or is to be made are persons specified under Section 36(B); or

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

17
18 **(3) [Optional] Treatment of Interest Expense RELATED TO**
19 **ACQUISITION OF ASSET.** – [At the option of the taxpayer,] I[i]nterest
20 **EXPENSE** incurred to acquire property used in trade, business or
21 exercise of a profession **THAT WILL BENEFIT THE BUSINESS**
22 **LONGER THAN ONE YEAR SHALL [may] BE CAPITALIZED AND**
23 **THEREAFTER AMORTIZED OR DEPRECIATED AS PART OF THE**
24 **COST OF THE ASSET.**

25
26 xxx xxx xxx

27
28 **(E) Bad Debts.** –

29
30 **(1) In General.** – xxx

31
32 **(2) Securities Becoming Worthless.** – If securities, as defined in
33 Section 22(T), are ascertained to be worthless and charged off within
34 the taxable year and are capital assets, the loss resulting therefrom
35 shall, [in the case of a taxpayer other than a bank or trust company
36 incorporated under the laws of the Philippines a substantial part of
37 whose business is the receipt of deposits, for the purpose of this Title,]
38 be considered as a loss from the sale or exchange **OF CAPITAL**
39 **ASSETS**, on the last day of such taxable year[, of capital assets].
40 **SECURITIES HELD BY A DEALER IN SECURITIES OR AN ENTITY**
41 **LICENSED BY THE APPROPRIATE GOVERNMENT REGULATORY**
42 **AGENCIES TO BUY AND SELL IN SECURITIES INCLUDING BANKS,**
43 **AND OTHER FINANCIAL INTERMEDIARIES, SHALL BE**
44 **CONSIDERED ORDINARY ASSETS, AND SECURITIES HELD THAT**
45 **ARE ASCERTAINED TO BE WORTHLESS SHALL BE CONSIDERED**

1 **ORDINARY LOSSES THAT ARE ALLOWED AS DEDUCTION FROM**
2 **TAXABLE INCOME.**

3
4 XXX XXX XXX
5

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

8
9 **SEC. 37. Special Provisions Regarding Income and Deductions of**
10 **Insurance Companies, Whether Domestic or Foreign. -**

11
12 **(A) Special Deductions Allowed to Insurance Companies, PRE-**
13 **NEED COMPANIES, AND PENSION FUNDS.** – In the case of insurance
14 companies, **PRE-NEED COMPANIES, AND PENSION FUNDS**, whether
15 domestic or foreign, doing business in the Philippines, the net
16 additions, if any, required by law to be made within the year to reserve
17 funds and the sums other than dividends paid within the year on policy
18 and annuity contracts may be deducted from their gross income:
19 Provided, however, That the released reserve be treated as income for
20 the year of release.

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

32
33 XXX XXX XXX
34

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

37
38 **SEC. 38. Losses from Wash Sales of Stock or Securities. -**

39
40 (A) In the case of any loss claimed to have been sustained from any sale
41 or other disposition of shares of stock or securities where it appears
42 that within a period beginning thirty (30) days before the date of such
43 sale or disposition and ending thirty (30) days after such date, the
44 taxpayer has acquired (by purchase or by exchange upon which the
45 entire amount of gain or loss was recognized by law), or has entered
46 into a contract or option so **AS** to acquire, substantially identical stock
47 or securities, then no deduction for the loss shall be allowed under
48 Section 34 unless the claim is made by a dealer in stock or securities,
49 **OR BY ANY ENTITY'S OR A FINANCIAL INTERMEDIARY DULY**

1 **LICENSED BY THE APPROPRIATE GOVERNMENT REGULATORY**
2 **AGENCIES TO BUY AND SELL IN SECURITIES EITHER FOR THE**
3 **ENTITIES OWN ACCOUNT OR FOR THE ACCOUNT OF OTHERS** and
4 with respect to a transaction made in the ordinary course of the
5 business of such dealer.

6
7 xxx xxx xxx
8

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

11
12 **SEC. 39. Capital Gains and Losses. -**

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

15
16 xxx xxx xxx
17

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

23
24 [(1) One hundred percent (100%) if the capital asset has been held for
25 not more than twelve (12) months; and]

26
27 [(2) Fifty percent (50%) if the capital asset has been held for more than
28 twelve (12) months;]

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

42
43 **[(D) Net Capital Loss Carry-over.** - If any taxpayer, other than a
44 corporation, sustains in any taxable year a net capital loss, such loss
45 (in an amount not in excess of the net income for such year) shall be
46 treated in the succeeding taxable year as a loss from the sale or
47 exchange of a capital asset held for not more than twelve (12) months.]

48
49 **[(E)](C) Retirement of Bonds, etc. - x x x**

1
2 **[(F) Gains or Losses from Short Sales, Etc.** - For purposes of this
3 Title -

- 5 (1) Gains or losses from short sales of property shall be considered as
6 gains or losses from sales or exchanges of capital assets; and
7
8 (2) Gains or losses attributable to the failure to exercise privileges or
9 options to buy or sell property shall be considered as capital gains or
10 losses.]

11
12 **SEC. 15.** Section 42(A)(1), (2) and (B)(2) of the National Internal Revenue Code
13 of 1997, as amended, is hereby amended to read as follows:

14
15 **SEC. 42. Income from Sources Within the Philippines.** -

16
17 **(A) Gross Income From Sources Within the Philippines.** - The
18 following items of gross income shall be treated as gross income from
19 sources within the Philippines:

20
21 **(1) Interests.** - Interests **AND YIELD** [derived from sources within the
22 Philippines, and interests] **FROM DEBT INSTRUMENTS, BANK**
23 DEPOSITS, DEPOSIT SUBSTITUTES, TRUST FUNDS, AND SIMILAR
24 ARRANGEMENTS SUCH AS bonds, notes or other interest-bearing
25 obligations of residents, corporate or otherwise, **INCLUDING DEBT**
26 **INSTRUMENTS OR DEBT SECURITIES ISSUED BY THE**
27 **GOVERNMENT OR ANY OF ITS AGENCIES OR**
28 **INSTRUMENTALITIES;**

29
30 **(2) Dividends.** - The amount received as dividends:

31
32 (a) From a domestic corporation; and

33
34 (b) From a foreign corporation [unless less] **WITH AT LEAST** [than]
35 fifty percent (50%) of the gross income of such foreign corporation for
36 the three-year period ending with the close of its taxable year preceding
37 the declaration of such dividends (or for such part of such period as the
38 corporation has been in existence) was derived from sources within the
39 Philippines as determined under the provisions of this Section; but only
40 in an amount which bears the same ratio to such dividends as the gross
41 income of the corporation for such period derived from sources within
42 the Philippines bears [to] **ON** its gross income from all sources;

43
44 xxx xxx xxx

45
46 **(B) Taxable Income From Sources Within the Philippines.** -

47
48 **(1) General Rule.** -

1 XXX XXX XXX
2

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

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

14 **SEC. 51. Individual Return.** –

15 **(A) Requirements.** – XXX

16 XXX XXX XXX

17 **(C) When to File.** –

18 XXX XXX XXX

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

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

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

1 **THE PRECEDING WEEK, AND OF ALL TAXES COLLECTED AND**
2 **TURNED OVER TO THE BUREAU OF INTERNAL REVENUE.**

4 [(b)] **(C)** From the sale or disposition of real property under Section
5 24[(D)] **(B) (7)** shall file a return within thirty (30) days following each
6 sale or other disposition.

7
8 **SEC. 17.** Section 52(A) and (D) of the National Internal Revenue Code of 1997,
9 as amended, is hereby amended to read as follows:

10
11 **SEC. 52. Corporation Returns. –**

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

- 23
24 (1) Corporate profile and information;
25 (2) Gross sales, receipts or income from services rendered, or
26 conduct of trade or business, except income subject to final tax as
27 provided under this Code;
28 (3) Allowable deductions under this Code;
29 (4) Taxable income as defined in Section 31 of this Code; and
30 (5) Income tax due and payable.

31
32 Provided, That the foregoing provisions shall not affect the
33 implementation of Republic Act No. 10708 or TIMTA.

34
35 xxx xxx xxx

36
37 **(D) Return on Capital Gains Realized from Sale of Shares of Stock,**
38 **DEBT INSTRUMENT, AND OTHER SECURITIES not Traded in the**
39 **Local [Stock] Exchange OR AN ORGANIZED MARKETPLACE.** –
40 Every corporation deriving capital gains from the sale or exchange of
41 shares of stock, **DEBT INSTRUMENTS AND OTHER SECURITIES** not
42 traded thru a local [stock] exchange **OR AN ORGANIZED**
43 **MARKETPLACE** as prescribed under **SECTIONS 27(D)(3), AND (5),**
44 **AND 28** [Sections 24(C), 25(A)(3), 27(E)(2), 28(A)(8)(c) and 28(B)(5)(c).]
45 shall file a return within thirty (30) days after each transaction.[and a
46 final consolidated return of all transactions during the taxable year on

1 or before the fifteenth (15th) day of the fourth (4th) month following the
2 close of the taxable quarter.]

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

20
21 **SEC. 18.** Section 54 of the National Internal Revenue Code of 1997, as
22 amended, is hereby amended to read as follows:

23
24 **SEC. 54. Returns of Receivers, Trustees, [in Bankruptcy] or**
25 **Assignees.** - [In cases wherein r]Receivers, **ADMINISTRATORS**,
26 trustees in **AN IRREVOCABLE TRUST OR** bankruptcy, or **ANY OTHER**
27 **PERSON ASSIGNED OR** [assignees are] **IN-CHARGE OF** operating the
28 property or business of [a]**ANOTHER PERSON OR** corporation subject
29 to the tax **UNDER THIS CODE** [imposed by this Title, such receivers,
30 trustees or assignees] shall **BE IMPOSED WITH THE OBLIGATION TO**
31 **FILE** [make] **THE returns AND PAY THE TAXES FOR SUCH PERSON**
32 **OR CORPORATION IN THE SAME MANNER REQUIRED UNDER THIS**
33 **CODE.** [of net income as and for such corporation, in the same manner
34 and form as such organization is hereinbefore required to make returns,
35 and] Any tax due on the income as returned by receivers,
36 **ADMINISTRATORS**, trustees or assignees shall be assessed and
37 collected in the same manner as if assessed directly against the
38 [organizations] **PERSON, ESTATE OR ORGANIZATION** [of] whose
39 businesses or properties they have custody or control.

40
41 **THE TRUSTOR IN A REVOCABLE TRUST, NOT THE TRUSTEE,**
42 **SHALL BE RESPONSIBLE IN FILING THE RETURNS REQUIRED**
43 **UNDER THIS CODE AND IN DECLARING THE INCOME RECEIVED**
44 **FROM THE TRUST IN ACCORDANCE WITH SECTIONS 24, 25, 27**
45 **AND 28 OF THIS CODE. INCOME OF THE TRUST SUBJECTED TO**
46 **FINAL TAX UNDER SECTIONS 24, 25, 27 AND 28 SHALL NO**
47 **LONGER BE SUBJECT TO TAX UPON DISTRIBUTION OF THE**
48 **INCOME TO THE TRUSTOR OR BENEFICIARY, NOR SHALL THE**

1 **TRUSTOR OR BENEFICIARY BE REQUIRED TO DECLARE THE**
2 **INCOME AS PART OF ITS TAXABLE INCOME.**

3
4 **ANY INCOME OF A REVOCABLE TRUST NOT SUBJECTED TO FINAL**
5 **TAX SHALL BE SUBJECT TO CREDITABLE WITHHOLDING TAX**
6 **UPON DISTRIBUTION OF THE INCOME TO THE TRUSTOR OR THE**
7 **BENEFICIARY AT A RATE NOT EXCEEDING THE HIGHEST RATE**
8 **OF TAX IMPOSED ON INDIVIDUALS UNDER SECTION 24 IN THE**
9 **CASE OF INDIVIDUAL TRUSTORS, OR THE CORPORATE INCOME**
10 **TAX UNDER SECTION 27 IN THE CASE OF CORPORATE**
11 **TRUSTORS.**

12
13 **SEC. 19.** Section 56 of the National Internal Revenue Code of 1997, as
14 amended, is hereby amended to read as follows:

15
16 **SEC. 56. *Payment and Assessment of Income Tax for Individuals***
17 ***and Corporations.* -**

18
19 **(A) *Payment of Tax.* -**

20
21 XXX XXX XXX

22
23 **(3) *Payment of Capital Gains Tax.* -**

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

42
43 XXX

44
45 **SEC. 20.** Section 57 of the National Internal Revenue Code of 1997, as
46 amended, is hereby amended to read as follows:

1
2 **SEC. 57. Withholding of Tax at Source. -**

3
4 **(A) Withholding of Final Tax on Certain Incomes.** - Subject to rules
5 and regulations the Secretary of Finance may promulgate, upon the
6 recommendation of the Commissioner, requiring the filing of income tax
7 return by certain income payees , the tax imposed or prescribed [by]
8 **UNDER Sections 24(B), 24(C), 25(A), 25(B), 27(D), 27(E), 28(A) AND**
9 **28(B)(5) [(2), 25(A)(3) AND 25(B), 25(C), 25(D), 25(E); 27(D)(1), 27(D)(2),**
10 **27(D)(3), 27(D)(5); 28(A)(4), 28(A)(5), 28(A)(7)(a), 28(A)(7)(b), 28(A)(7)(c),**
11 **28(B)(1), 28(B)(2), 28(B)(3), 28(B)(4), 28(B)(5)(a), 28(B)(5)(b), 28(B)(5)(c)];**
12 **33; and 282 of this Code on specified items of income SUBJECT TO**
13 **FINAL TAX** shall be withheld by payor-corporation and/or person and
14 paid in the same manner and subject to the same conditions as
15 provided in Section 58 of this Code.

16
17 (B) xxx xxx xxx

18
19 **[(C) Tax-free Covenant Bonds.** - In any case where bonds, mortgages,
20 deeds of trust or other similar obligations of domestic or resident foreign
21 corporations, contain a contract or provision by which the obligor
22 agrees to pay any portion of the tax imposed in this Title upon the
23 obligee or to reimburse the obligee for any portion of the tax or to pay
24 the interest without deduction for any tax which the obligor may be
25 required or permitted to pay thereon or to retain therefrom under any
26 law of the Philippines, or any state or country, the obligor shall deduct
27 and withhold a tax equal to thirty percent (30%) of the interest or other
28 payments upon those bonds, mortgages, deeds of trust or other
29 obligations, whether the interest or other payments are payable
30 annually or at shorter or longer periods, and whether the bonds,
31 securities or obligations had been or will be issued or marketed, and
32 the interest or other payment thereon paid, within or without the
33 Philippines, if the interest or other payment is payable to a nonresident
34 alien or to a citizen or resident of the Philippines.]

35
36 **SEC. 21.** Section 73 (A) of the National Internal Revenue Code of 1997, as
37 amended, is hereby amended to read as follows:

38
39 **SEC. 73. Distribution of Dividends or Assets by Corporations. -**

40
41 **(A) Definition of Dividends.** - The term '**dividends**' when used in this
42 Title means any distribution made by a corporation to its shareholders
43 out of its earnings or profits and payable to its shareholders, whether
44 in money or in other property.

45
46 Where a corporation distributes all of its assets in complete liquidation
47 or dissolution, the gain realized or loss sustained by the stockholder,
48 whether individual or corporate, is a taxable income or a deductible

1 loss, **UNDER SECTIONS 24(A), 25(A), 25(B), 27(A), 28(A) AND 28 (B)**,
2 as the case may be.

3

4 **(B) Stock Dividend. – x x x**

5

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

8

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

11

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

13

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

40

41 xxx xxx xxx

42

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

45

46 **SEC. 121. Tax on Banks and Non-Bank Financial Intermediaries
47 Performing Quasi-Banking Functions.** – There shall be collected a
48 tax on gross receipts derived from sources within the Philippines by all
49 banks and non-bank financial intermediaries **PERFORMING QUASI-**

1 **BANKING FUNCTIONS AT THE RATE OF FIVE PERCENT (5%) ON**
2 **INCOME SUCH AS INTEREST, COMMISSIONS, AND DISCOUNTS**
3 **FROM LENDING ACTIVITIES AS WELL AS INCOME FROM**
4 **FINANCIAL LEASING, ROYALTIES, RENTALS OF PROPERTY, REAL**
5 **OR PERSONAL, PROFITS FROM SALE OR EXCHANGE INCLUDING**
6 **GAINS DERIVED FROM SALE OR TRANSFER OF REAL**
7 **PROPERTIES, NET TRADING GAINS WITHIN THE TAXABLE YEAR**
8 **OF FOREIGN CURRENCY, DEBT SECURITIES, DERIVATIVES, AND**
9 **OTHER SIMILAR FINANCIAL INSTRUMENTS, AND ALL OTHER**
10 **ITEMS TREATED AS GROSS INCOME UNDER SECTION 32 OF THIS**
11 **CODE, EXCEPT DIVIDENDS AND EQUITY SHARES AND NET**
12 **INCOME OF SUBSIDIARIES WHICH SHALL BE SUBJECT TO ZERO**
13 **PERCENT (0%) [in accordance with the following schedule]:**

14
15 [(a) On interest, commissions and discounts from lending activities as
16 well as income from financial leasing, on the basis of remaining
17 maturities of instruments from which such receipts are derived:]

18
19 [Maturity period is five years or less 5%]

20
21 [Maturity period is more than five years 1%]

22
23 [(b) On dividends and equity shares and net income of subsidiaries
24 0%]

25
26 [(c) On royalties, rentals of property, real or personal, profits, from
27 exchange and all other items treated as gross income under Section 32
28 of this Code 7%]

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

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

39
40 *Provided,* That **FOR PURPOSES OF COMPUTING THE GROSS**
41 **RECEIPTS,** the generally accepted accounting principles **OF**
42 **RECORDING INCOME AS ADOPTED BY THE BANK SHALL BE**
43 **FOLLOWED.** **PROVIDED THAT MERE INCREASE OR DECREASE IN**
44 **VALUE OF PROPERTY AS A RESULT OF CHANGES IN MARKET**
45 **VALUES SHALL NOT BE CONSIDERED IN THE COMPUTATION OF**
46 **GROSS RECEIPTS.: PROVIDED, FURTHER, THAT FOR PURPOSES**
47 **OF DETERMINING THE GROSS RECEIPTS, NO DEDUCTION SHALL**
48 **BE MADE ON THE INCOME EXCEPT IN THE CASE OF GAINS FROM**
49 **DEALINGS IN PROPERTY AND TRADING GAINS, WHERE NET LOSS**

1 **WITHIN THE SAME BUSINESS ACTIVITY CAN BE OFFSET TO**
2 **DETERMINE THE NET GAIN SUBJECT TO THIS TAX: PROVIDED,**
3 **FURTHER, THAT SUCH OFFSETTING SHALL BE ON A QUARTERLY**
4 **BASIS, AND ANY NET LOSS INCURRED IN A QUARTER CAN BE**
5 **CARRIED OVER AS DEDUCTION IN THE SUCCEEDING**
6 **QUARTER/S: PROVIDED FINALLY, THAT NET LOSS INCURRED IN**
7 **A TAXABLE YEAR CANNOT BE CARRIED OVER TO THE**
8 **SUCCEEDING TAXABLE YEAR.**

9
10 [as may be prescribed by the Bangko Sentral ng Pilipinas for the bank
11 or non-bank financial intermediary performing quasi-banking
12 functions shall likewise be the basis for the calculation of gross
13 receipts.]

14 xxx xxx xxx

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

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

37 [Maturity is five years or less 5%]

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

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

1 the date of pretermination for purposes of classifying the transaction
2 and the correct rate of tax shall be applied accordingly.]
3

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

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

16
17 **COLLECTIVE INVESTMENT SCHEMES SUCH AS MUTUAL FUNDS,**
18 **UNIT LINKED INVESTMENT TRUST FUNDS, UNIT LINKED**
19 **VARIABLE INSURANCE, AND OTHER COLLECTIVE INVESTMENT**
20 **SCHEMES AS MAY BE DETERMINED BY APPROPRIATE**
21 **GOVERNMENT REGULATORY AGENCIES SHALL NOT BE SUBJECT**
22 **TO GROSS RECEIPTS TAX AND OTHER PERCENTAGE TAXES**
23 **IMPOSED UNDER TITLE V, AND THE VALUE ADDED TAX IMPOSED**
24 **UNDER TITLE IV OF THIS CODE. FOR PURPOSES OF THIS**
25 **EXEMPTION, A CIS SHALL HAVE AT LEAST ONE THOUSAND**
26 **(1,000) OWNERS, INVESTORS OR PARTICIPANTS, AND SHALL**
27 **HAVE COMPLIED WITH THE MINIMUM PUBLIC OWNERSHIP**
28 **REQUIREMENT OF THE APPROPRIATE GOVERNMENT**
29 **REGULATORY AGENCIES.**

30
31 **IF A PERSON OR COMPANY NOT LICENSED TO DO FINANCIAL**
32 **INTERMEDIATION BUT ENGAGES IN FINANCIAL INTERMEDIATION**
33 **SERVICES AS AN INCIDENT TO ITS MAIN BUSINESS ACTIVITY,**
34 **AND RECEIVING INCOME THEREFROM, SUCH INCOME FROM**
35 **FINANCIAL INTERMEDIATION SHALL BE SUBJECT TO THE TAX**
36 **IMPOSED ON ITS PRINCIPAL ACTIVITY. TO BE CONSIDERED**
37 **INCIDENTAL, THE INCOME FROM INTERMEDIATION SERVICES**
38 **SHALL NOT EXCEED FIFTY PERCENT (50%) OF ITS TOTAL**
39 **ANNUAL INCOME. IF MORE THAN FIFTY PERCENT (50%), WITH AT**
40 **LEAST SIX (6) TRANSACTIONS ENTERED INTO DURING THE YEAR,**
41 **THE TOTAL INCOME FROM FINANCIAL INTERMEDIATION SHALL**
42 **BE SUBJECT TO TAX UNDER THIS SUBSECTION.**

43
44 **IN-HOUSE LENDING OR SELLER FINANCING SHALL NOT BE**
45 **SUBJECT TO TAX UNDER THIS SUBSECTION. ANY INCOME**
46 **EARNED OR RECEIVED FROM IN-HOUSE LENDING OR SELLER**
47 **FINANCING SHALL BE SUBJECT TO THE SAME TAX APPLICABLE**
48 **TO THE PRINCIPAL BUSINESS ACTIVITY OR TRANSACTION.**

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

9
10 *[Provided finally, That the generally accepted accounting principles as
11 may be prescribed by the Securities and Exchange Commission for
12 other non-bank financial intermediaries shall likewise be the basis for
13 the calculation of gross receipts.]*

14
15 Nothing in this Code shall preclude the Commissioner from imposing
16 the same tax herein provided on persons **OR ENTITIES** performing
17 similar [financing] **FINANCIAL INTERMEDIATION** activities.

18
19 **SEC. 25.** Section 123 of the National Internal Revenue Code of 1997, as
20 amended, is hereby amended to read as follows:

21
22 **SEC. 123. Tax on Life Insurance AND REINSURANCE Premiums[.] .**
23 - There shall be collected from every person, company or corporation,
24 (except purely cooperative companies or associations) doing life
25 insurance business of any sort in the Philippines **A PREMIUM TAX AT
26 THE FOLLOWING RATES:**

27
28 **(A) FOR LIFE INSURANCE INCLUDING HEALTH INSURANCE
29 AS A RIDER TO LIFE INSURANCE POLICY,** a tax of two percent
30 (2%) of the total premium collected, whether such premiums are
31 paid in money, notes, credits or any substitute for money; but
32 premiums refunded within six (6) months after payment on
33 account of rejection of risk or returned for other reason to a
34 person insured shall not be included in the taxable receipts; nor
35 shall any tax be paid upon reinsurance by a company **IF THE
36 TAX** [that] has already **BEEN** paid [the tax] **ON THE DIRECT
37 PREMIUM;** nor upon premiums collected or received by any
38 branch of a domestic corporation, firm or association doing
39 business outside the Philippines on account of any life insurance
40 of the insured who is a nonresident, if any tax on such premium
41 is imposed by the foreign country where the branch is
42 established; nor upon premiums collected or received on account
43 of any reinsurance, if the insured, in case of personal insurance,
44 resides outside the Philippines, if any tax on such premiums is
45 imposed by the foreign country where the original insurance has
46 been issued or perfected; nor upon that portion of the premiums
47 collected or received by the insurance companies on variable
48 contracts **IN A COLLECTIVE INVESTMENT SCHEME** in excess
49 of the amounts necessary to insure the lives of the variable

1 contract owners: **PROVIDED, THAT THE CIS SHALL HAVE AT**
2 **LEAST ONE THOUSAND (1,000) OWNERS, INVESTORS OR**
3 **PARTICIPANTS, AND THAT ANY MINIMUM PUBLIC**
4 **OWNERSHIP AS MAY BE REQUIRED BY APPROPRIATE**
5 **GOVERNMENT REGULATORY AGENCIES SHALL BE**
6 **COMPLIED WITH.**

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

21
22 **NOTHING IN THIS CODE SHALL PRECLUDE THE COMMISSIONER**
23 **FROM IMPOSING THE SAME TAX HEREIN PROVIDED ON PERSONS**
24 **PERFORMING SIMILAR INSURANCE BUSINESS ACTIVITIES.**

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

32
33 **NON-LIFE REINSURANCE COMPANIES SHALL BE SUBJECT TO**
34 **VALUE ADDED TAX ON PREMIUMS COLLECTED UNDER SECTION**
35 **108 OF THIS CODE. HOWEVER, PREMIUMS COLLECTED WHERE**
36 **THE TAX ON THE DIRECT PREMIUM HAS ALREADY BEEN PAID BY**
37 **THE DIRECT INSURER SHALL BE EXCLUDED FROM THE GROSS**
38 **PREMIUM SUBJECT TO VALUE ADDED TAX.**

39
40 **FOR THE PURPOSE OF CLAIMING EXEMPTION ON REINSURANCE**
41 **PREMIUMS, THE SECRETARY OF FINANCE, UPON THE**
42 **RECOMMENDATIONS OF THE COMMISSIONER OF INTERNAL**
43 **REVENUE AND INSURANCE COMMISSIONER, SHALL**
44 **PROMULGATE THE REQUIRED REPORTS TO BE SUBMITTED TO**
45 **THE BUREAU OF INTERNAL REVENUE. ANY MISREPRESENTATION**
46 **SHALL SUBJECT THE DIRECT INSURER AND/OR REINSURER TO**
47 **PENALTIES UNDER SECTIONS 248, 249, 253, 254, 255, 256, AND**
48 **257 OF THIS CODE.**

1 ANY INCOME, OTHER THAN RECEIPT OF PREMIUM SUCH AS
2 MANAGEMENT FEES, SERVICE FEES, CHARGES, AND PENALTIES,
3 COMMISSIONS, INCOME FROM THE SALE OR TRANSFER OF
4 GOODS, PROPERTIES OR SERVICES, EARNED OR RECEIVED AS
5 AN INCIDENT OF DOING THE BUSINESS OF LIFE, NON-LIFE AND
6 OTHER INSURANCE ACTIVITIES, SHALL BE SUBJECT TO THE
7 VALUE ADDED TAX UNDER SECTION 105 OF THIS CODE;
8 PROVIDED, THAT INCOME RECEIVED FROM THE INVESTMENT
9 AND REINVESTMENT OF PREMIUMS EARNED SHALL NOT BE
10 SUBJECT TO VALUE ADDED TAX NOR TO THE GROSS RECEIPTS
11 TAX IMPOSED UNDER SECTIONS 121 AND 122 OF THIS CODE.
12

13 A VARIABLE INSURANCE CONTRACT WHERE AMOUNTS IN
14 EXCESS OF INSURANCE COSTS ARE COLLECTED AS PART OF THE
15 PREMIUM AND WHERE UNITS OF PARTICIPATION IN A POOLED
16 FUND ARE ISSUED TO THE INSURED REPRESENTING ITS SHARE
17 IN THE POOLED FUNDS, IS A COLLECTIVE INVESTMENT SCHEME.
18 THE AMOUNTS OF PREMIUM COLLECTED IN EXCESS OF THE
19 INSURANCE COST IS NOT SUBJECT TO PREMIUM TAX UNDER
20 THIS SECTION AND TO THE GROSS RECEIPTS TAX IMPOSED
21 UNDER SECTIONS 121 AND 122, OR TO ANY PERCENTAGE TAX
22 IMPOSED UNDER TITLE V AND TO VALUE ADDED TAX UNDER
23 SECTION 105, TITLE IV OF THIS CODE.
24

25 **SEC. 26.** Section 127 of the National Internal Revenue Code of 1997, as
26 amended, is hereby deleted:
27

28 **[SEC. 127. Tax on Sale, Barter or Exchange of Shares of Stock
29 Listed and Traded through the Local Stock Exchange or through
30 Initial Public Offering. -]**
31

32 **[(A) Tax on Sale, Barter or Exchange of Shares of Stock Listed and
33 Traded through the Local Stock Exchange.** - There shall be levied,
34 assessed and collected on every sale, barter, exchange, or other
35 disposition of shares of stock listed and traded through the local stock
36 exchange other than the sale by a dealer in securities, a tax at the rate
37 of six-tenths of one percent (6/10 of 1%) of the gross selling price or
38 gross value in money of the shares of stock sold, bartered, exchanged
39 or otherwise disposed which shall be paid by the seller or transferor.]
40

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

1 total outstanding shares of stock after the listing in the local stock
2 exchange.]

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

6 [Over twenty-five percent (25%) but not over thirty-three and one third
7 percent (33 $\frac{1}{3}$ %) 2%]
8

9 [Over thirty-three and one third percent (33 $\frac{1}{3}$ %) ... 1%]
10

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

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

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

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

29 [(2) **Family and Partnership Ownerships.** - An individual shall be
30 considered as owning the stock owned directly or indirectly, by or for
31 his family, or by or for his partner. For purposes of the paragraph, the
32 '**family of an individual**' includes only his brothers and sisters
33 (whether by whole or half-blood), spouse, ancestors and lineal
34 descendants.]
35

36 [(3) **Option.** - If any person has an option to acquire stock, such stock
37 shall be considered as owned by such person. For purposes of this
38 paragraph, an option to acquire such an option and each one of a series
39 of options shall be considered as an option to acquire such stock.]
40

41 [(4) **Constructive Ownership as Actual Ownership.** - Stock
42 constructively owned by reason of the application of paragraph (1) or
43 (3) hereof shall, for purposes of applying paragraph (1) or (2), be treated
44 as actually owned by such person; but stock constructively owned by
45 the individual by reason of the application of paragraph (2) hereof shall
46 not be treated as owned by him for purposes of again applying such
47 paragraph in order to make another the constructive owner of such
48 stock]
49

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

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

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

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

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

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

1 **SEC 28.** Section 175 of the National Internal Revenue Code of 1997, as
2 amended, is hereby repealed.
3

4 **[SEC. 175. Stamp Tax on Sales, Agreements to Sell, Memoranda
5 of Sales, Deliveries or Transfer of Shares or Certificates of Stock.]**

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

24 **SEC. 29.** Section 176 of the National Internal Revenue Code of 1997, as
25 amended, is hereby amended to read as follows:
26

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

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

40 **[SEC. 177. Stamp Tax on Certificates of Profits or Interest in
41 Property or Accumulations.]** – On all certificates of profits, or any
42 certificate or memorandum showing interest in the property or
43 accumulations of any association, company or corporation, and on all
44 transfers of such certificates or memoranda, there shall be collected a
45 documentary stamp tax of One peso (P1.00) on each Two hundred pesos
46 (P200), or fractional part thereof, of the face value of such certificates
47 or memorandum.]
48

1 **[SEC. 178. Stamp Tax on Bank Checks, Drafts, Certificates of**
2 **Deposit not Bearing Interest, and Other Instruments.** – On each

3 bank check, draft, or certificate of deposit not drawing interest, or order

4 for the payment of any sum of money drawn upon or issued by any

5 bank, trust company, or any person or persons, companies or

6 corporations, at sight or on demand, there shall be collected a

7 documentary stamp tax of Three pesos (P3.00).]

8

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

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

23

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

37

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

40

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

46

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

1
2 **SEC. 181. Stamp Tax Upon Acceptance of Bills of Exchange and**
3 **Others.**— Upon any acceptance or payment of any bill of exchange or
4 order for the payment of money purporting to be drawn in a foreign
5 country but payable in the Philippines, there shall be collected a
6 documentary stamp tax **OF THIRTY PERCENT OF ONE PERCENT**
7 **(0.30%)** [Sixty centavos (P0.60) on each Two hundred pesos (P200), or
8 fractional part thereof,] of the face value of any such bill of exchange,
9 or order, or the Philippine equivalent of such value, if expressed in
10 foreign currency.
11

12 **SEC. 182. Stamp Tax on Foreign Bills of Exchange and Letters of**
13 **Credit.**— On all foreign bills of exchange and letter of credit (including
14 orders, by telegraph or otherwise, for the payment of money issued by
15 express or steamship companies or by any person or persons) drawn in
16 but payable out of the Philippines in a set of three (3) or more according
17 to the custom of merchants and bankers, there shall be collected a
18 documentary stamp tax **OF THIRTY PERCENT OF ONE PERCENT**
19 **(0.30%)** [Sixty centavos (P0.60) on each Two hundred pesos (P200), or
20 fractional part thereof,] of the face value of any such bill of exchange or
21 letter of credit, or the Philippine equivalent of such face value, if
22 expressed in foreign currency: **PROVIDED, THAT, IN THE CASE OF A**
23 **LETTER OF CREDIT ON WHICH THE DOCUMENTARY STAMP TAX**
24 **IMPOSED UNDER THIS SECTION IS PAID UPON OPENING, THE**
25 **SAME SHALL NOT BE SUBJECT AGAIN TO SECTION 195 UPON**
26 **AVAILMENT OF THE TRUST RECEIPT LINE WHERE THE**
27 **PROPERTY SUBJECT OF THE LETTER OF CREDIT IS MADE A**
28 **SECURITY FOR PAYMENT.**
29

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

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

1 **SEC. 184. Stamp Tax on Policies of Insurance Upon Property.** – On
2 all policies of insurance or other instruments by whatever name the
3 same may be called, by which insurance shall be made or renewed upon
4 property of any description, including rents or profits, against peril by
5 sea or on inland waters, or by fire or lightning, there shall be collected
6 a documentary stamp tax **OF TWELVE AND ONE-HALF PERCENT**
7 **(12.5%)** [Fifty centavos (P0.50) on each Four pesos (P4.00), or fractional
8 part thereof,] of the amount of premium charged: *Provided, however,*
9 That no documentary stamp tax shall be collected on reinsurance
10 contracts or on any instrument by which cession or acceptance of
11 insurance risks under any reinsurance agreement is effected or
12 recorded: **PROVIDED, FURTHER, THAT SUCH RATE SHALL BE**
13 **REDUCED ACCORDING TO THE FOLLOWING SCHEDULE:**

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

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

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

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

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

19 **SEC. 185. Stamp Tax on Fidelity Bonds and Other Insurance**
20 **Policies.** – On all policies of insurance or bonds or obligations of the
21 nature of indemnity for loss, damage or liability made or renewed by
22 any person, association, company or corporation transacting the
23 business of accident, fidelity, employer's liability, plate, glass, steam
24 boiler, burglar, elevator, automatic sprinkler, or other branch of
25 insurance (except life, marine, inland, and fire insurance), and all
26 bonds, undertakings, or recognizances, conditioned for the
27 performance of the duties of any office or position, for the doing or not
28 doing of anything therein specified, and on all obligations guaranteeing
29 the validity or legality of any bond or other obligations issued by any
30 province, city, municipality, or other public body or organization, and
31 on all obligations guaranteeing the title to any real estate, or
32 guaranteeing any mercantile credits, which may be made or renewed
33 by any such person, company or corporation, there shall be collected a
34 documentary stamp tax **OF TWELVE AND ONE-HALF PERCENT**
35 **(12.5%)** [Fifty centavos (P0.50) on each Four pesos (P4.00), or fractional
36 part thereof,] of the premium charged: **PROVIDED, FURTHER, THAT**
37 **SUCH RATE SHALL BE REDUCED ACCORDING TO THE**
38 **FOLLOWING SCHEDULE:**

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

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

1 **JANUARY 1, 2023: NINE AND ONE-HALF PERCENT (9.5%),**
2

3 **JANUARY 1, 2024: EIGHT AND ONE-HALF PERCENT (8.5%),**
4

5 **JANUARY 1, 2025: SEVEN AND ONE-HALF PERCENT (7.5%).**
6

7 **SEC. 186. Stamp Tax on [Policies of Annuities, and] Pre-Need**
8 **Plans-** [On all policies of annuities, or other instruments by whatever
9 name the same may be called, whereby an annuity may be made,
10 transferred or redeemed, there shall be collected a documentary stamp
11 tax One peso (P1.00) on each Two hundred pesos (P200), or fractional
12 part thereof, of the premium or installment payment on contract price,
13 collected.] On pre-need plans, **THERE SHALL BE COLLECTED A**
14 **DOCUMENTARY STAMP TAX OF TWENTY PERCENT OF ONE**
15 **PERCENT (0.2%) OF THE PREMIUM OR INSTALLMENT PAYMENT**
16 **ON CONTRACT PRICE, OR CONTRIBUTION CHARGED.** [Forty
17 centavos (P0.40) on each Two hundred pesos (P200), or fractional part
18 thereof, of the premium or contribution collected.]
19

20 **SEC. 187. Stamp Tax on Indemnity Bonds.** – On all bonds for
21 indemnifying any person, firm or corporation who shall become bound
22 or engaged as surety for the payment of any sum of money or for the
23 due execution or performance of the duties of any office or position or
24 to account for money received by virtue thereof, and on all other bonds
25 of any description, except such as may be required in legal proceedings,
26 or are otherwise provided for herein, there shall be collected a
27 documentary stamp tax of [Thirty centavos (P0.30) on each Four pesos
28 (P4.00), or fractional part thereof,] **SEVEN AND ONE-HALF PERCENT**
29 **(7.5%) OF THE PREMIUM CHARGED.**
30

31 **SEC. 188. Stamp Tax on Certificates.** – On each certificate of damage
32 or otherwise, and on every other certificate or document issued by any
33 customs officer, marine surveyor, or other person acting as such, and
34 on each certificate issued by a notary public, and on each certificate of
35 any description required by law or by rules or regulations of a public
36 office, or which is issued for the purpose of giving information, or
37 establishing proof of a fact, and not otherwise specified herein, there
38 shall be collected a documentary stamp tax of [Thirty] **FORTY** pesos
39 (P[3]40.00).
40

41 **SEC 34.** Sections 192 and 193 of the National Internal Revenue Code of 1997,
42 as amended, are hereby repealed.
43

44 **[SEC. 192. Stamp Tax on Proxies.** –On each proxy for voting at any
45 election of officers of any company or association, or for any other
46 purpose, except proxies issued affecting the affairs of associations or
47 corporations organized for religious, charitable or literary purposes,
48 there shall be collected a documentary stamp tax of Thirty Pesos
49 (P30.00).]
50

1
2 **[SEC. 193. Stamp Tax on Powers of Attorney.]** – On each power of
3 attorney to perform any act whatsoever, except acts connected with the
4 collection of claims due from or accruing to the Government of the
5 Republic of the Philippines, or the government of any province, city or
6 municipality, there shall be collected a documentary stamp tax of Ten
7 pesos (P10.00).]

8
9 **SEC 35.** Sections 195, 198, and 199 of the National Internal Revenue Code
10 of 1997, as amended, are hereby amended to read as follows:

11
12 **SEC. 195. Stamp Tax on Mortgages, Pledges and Deeds of Trust.** –
13 On every mortgage or pledge of lands, estate, or property, real or
14 personal, heritable or movable, whatsoever, where the same shall be
15 made as a security for the payment of any definite and certain sum of
16 money lent at the time or previously due and owing or forborne to be
17 paid, being payable, and on any conveyance of land, estate, or property
18 whatsoever, in trust or to be sold, or otherwise converted into money
19 which shall be and intended only as security, either by express
20 stipulation or otherwise, there shall be collected a documentary stamp
21 tax **OF THIRTY PERCENT OF ONE PERCENT (0.3%) OF THE**
22 **AMOUNT SECURED.** [at the following rates:]

23
24 [(a) When the amount secured does not exceed Five thousand pesos
25 (P5,000), Forty pesos (P40.00).]

26
27 [(b) On each Five thousand pesos (P5,000), or fractional part thereof
28 in excess of Five thousand pesos (P5,000), an additional tax of Twenty
29 pesos (P20.00).]

30 xxx xxx xxx

31
32 **SEC. 198. Stamp Tax on [Assignments and] Renewals of Certain**
33 **Instruments.** – Upon each and every [assignment or transfer of any
34 mortgage, lease or policy of insurance, or the] renewal or continuance
35 of any agreement, contract, charter, or any evidence of obligation or
36 indebtedness by **THE EXTENSION OF THE TERM OR MATURITY BY**
37 **[altering or otherwise,] ALTERATION OF SUCH AGREEMENT,**
38 **CONTRACT OR CHARTER,** there shall be levied, collected and paid a
39 documentary stamp tax, at the same rate as that imposed on the
40 original instrument.

41
42 **SEC. 199. Documents and Papers Not Subject to Stamp Tax.** – The
43 provisions of Section 173 to the contrary notwithstanding, the following
44 instruments, documents and papers shall be exempt from the
45 documentary stamp tax:
46

47
48 (a) Policies of insurance or annuities made or granted by a fraternal or
49 beneficiary society, order, association or cooperative company, operated

1 on the lodge system or local cooperation plan and organized and
2 conducted solely by the members thereof for the exclusive benefit of
3 each member and not for profit.
4

5 xxx xxx xxx
6

7 (n) Interbank call loans with maturity of not more than [seven (7)] **FIVE**
8 **(5)** days to cover deficiency in reserves against deposit liabilities,
9 including those between or among banks and quasi-banks.
10

11 **(O) REDEMPTION, SALE, BARTER, EXCHANGE, OR OTHER MODES**
12 **OF DISPOSITION OR EXCHANGE OF SHARES OF STOCK OR UNITS**
13 **OF PARTICIPATION IN A COLLECTIVE INVESTMENT SCHEME OR**
14 **OTHER CIS SECURITIES LISTED AND TRADED IN A LOCAL**
15 **EXCHANGE OR AN ORGANIZED MARKETPLACE. THE ORIGINAL**
16 **ISSUANCE OF SHARES OR UNITS OF PARTICIPATION IN A CIS**
17 **SHALL NOT BE COVERED BY THIS EXEMPTION.**
18

19 **SEC. 36. *Prospectivity Clause.*** – The changes introduced under this Act
20 shall take effect on income and transactions beginning January 1, 2020. Any
21 tax exemption on interest income and gains granted to long-term instruments
22 and securities prior to the effectivity of this Act shall remain exempt.
23

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

30 **SEC. 38. *Separability Clause.*** – If, for any reason any article or provision of
31 this Act, or any portion thereof, or application of such article, provision, or
32 portion thereof to any person, group, or circumstance is declared invalid or
33 unconstitutional, the remainder of this Act shall not be affected by such
34 decision or declaration.
35

36 **SEC. 39. *Repealing Clause.*** – The following laws or provisions of laws are
37 hereby repealed or modified accordingly and the persons and/or transactions
38 affected herein are hereby made subject to applicable taxes on interest
39 income, dividends, and capital gains, gross receipts tax, premium tax, and
40 documentary stamp tax under the National Internal Revenue Code of 1997,
41 as amended:
42

43 (a) Section 9, insofar as the tax exemption on the issuance of bonds
44 and securities is concerned, of Presidential Decree 1648, known as
45 “Reorganizing The National Development Company and Establishing A
46 Revised Charter Therefor”;
47

48 (b) Sections 6, 7, and 8, insofar as tax exemption on interest income,
49 capital gains, and documentary stamp tax is concerned, of Executive

1 Order 603, entitled "Creating A Light Rail Transit Authority, Vesting The
2 Same With Authority to Construct and Operate The Light Rail Transit
3 (LRT) Project and Providing Funds Therefor";
4

5 (c) Section 14, insofar as tax exemption on interest income, capital
6 gains, and documentary stamp tax is concerned, of Republic Act 7354,
7 entitled "An Act Creating The Philippine Postal Corporation, Defining
8 Its Powers, Functions And Responsibilities, Providing For Regulation of
9 The Industry and for Other Purposes Connected Therewith";
10

11 (d) Section 12, insofar as tax exemption on interest income, capital
12 gains, and documentary stamp tax is concerned, of Republic Act 4850,
13 entitled "An Act Creating The Laguna Lake Development Authority,
14 Prescribing its Powers, Functions and Duties, Providing Funds
15 Therefor, and for Other Purposes";
16

17 (e) Number 8, insofar as tax exemption on interest income, capital
18 gains, and documentary stamp tax is concerned, of Presidential Decree
19 37, entitled "Creating The Nayong Pilipino Foundation"
20

21 (f) Section 12, insofar as tax exemption on interest income, capital
22 gains, and documentary stamp tax is concerned, of Presidential Decree
23 205, entitled "Creating and Establishing The Development Academy of
24 The Philippines, Defining Its Powers, Functions, and Responsibilities,
25 and for Other Purposes";
26

27 (g) Article 202, insofar as tax exemption on interest income, capital
28 gains, documentary stamp tax, and premium tax is concerned, of
29 Presidential Decree 442 as amended by Presidential Decree 626,
30 entitled "Labor Code Of The Philippines";
31

32 (h) Section 10, insofar as tax exemption on interest income, capital
33 gains, and documentary stamp tax of subsidiaries of Philippine
34 Aerospace Development Corporation is concerned, of Presidential
35 Decree 696, entitled "Revising Presidential Decree No. 286, dated
36 September 5, 1973, as amended, otherwise known as The Charter of
37 The Philippine Aerospace Development Corporation and for Other
38 Purposes";
39

40 (i) Section 2(g), insofar as tax exemption on interest income is
41 concerned, of Republic Act 85, as amended by Republic Act 2081,
42 entitled "An Act Creating The Rehabilitation Finance Corporation";
43

44 (j) Sections 76, 77 and 98, insofar as tax exemption on interest
45 income, dividends, capital gains, and documentary stamp tax on bonds
46 is concerned, of Republic Act 3844 or The Agricultural Land Reform
47 Code;
48

(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;

(I) 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":

1
2 (t) Section 6 (a, xviii (2)), in so far as tax exemption on interest
3 income and documentary stamp tax is concerned, of PD 1485, as
4 amended by PD 1770, entitled "Reconstituting The National Grains
5 Authority to The National Food Authority, Broadening its Functions and
6 Powers and for Other Purposes";
7

8 (u) Section 5 (e), insofar as tax exemption on interest income, capital
9 gains, and documentary stamp tax on bonds is concerned, of Republic
10 Act 6260, entitled "An Act Instituting A Coconut Investment Fund and
11 Creating A Coconut Investment Company for the Administration
12 Thereof";
13

14 (v) Section 9, insofar as tax exemption on interest income, capital
15 gains, and documentary stamp tax on bonds is concerned, of Republic
16 Act 10744 Or Credit Surety Fund Act Of 2014;
17

18 (w) Section 20, insofar as tax on interest income, capital gains and
19 documentary stamp tax is concerned, of Republic Act 10693, entitled
20 "An Act Strengthening Nongovernment Organizations (NGOs) Engaged
21 in Microfinance Operations for the Poor";
22

23 (x) Section 7, insofar as tax exemption on documentary stamp tax
24 and premium tax is concerned, of Republic Act 7111, entitled "An Act
25 Establishing The Overseas Workers' Investment Fund to Provide
26 Incentives to Overseas Workers, Reduce the Foreign Debt Burden and
27 for Other Purposes";
28

29 (y) Section 56, insofar as tax exemption on interest income, capital
30 gains, and documentary stamp tax is concerned, of Republic Act 10801,
31 entitled "An Act Governing The Operations and Administration of the
32 Overseas Workers Welfare Administration";
33

34 (z) Section 5, insofar as tax exemption on interest income is
35 concerned, of Republic Act 8367, entitled "An Act Providing for the
36 Regulation of the Organization and Operation of Non-Stock Savings and
37 Loan Associations";
38

39 (aa) Section 28, insofar as tax exemption on capital gains on shares
40 of stock and documentary stamp tax is concerned, of Republic Act 9267
41 or The Securitization Act Of 2004";
42

43 (bb) Section 17, insofar as tax exemption on interest income, capital
44 gains, gross receipts tax and documentary stamp tax is concerned, of
45 Republic Act 7906, entitled "An Act Providing for the Regulation of the
46 Organization and Operations Of Thrift Banks, and for Other Purposes";
47

48 (cc) Section 15, insofar as tax exemption on capital gains and
49 documentary stamp tax is concerned, of Republic Act 9182, as

1 amended by Republic Act 9343, entitled "An Act Granting Tax
2 Exemptions and Fee Privileges to Special Purpose Vehicles which
3 Acquire or Invest in Non-Performing Assets, Setting The Regulatory
4 Framework Therefor, and for Other Purposes";
5

6 (dd) Sections 13 and 14, insofar as tax exemption on DST and
7 dividends is concerned, of R.A. 9856 or The Real Estate Investment Act
8 of 2009; and
9

10 (ee) Section 23, insofar as no deduction from gross income shall be
11 allowed in respect of any interest if the indebtedness is incurred to
12 finance petroleum exploration is concerned, of P.D. 87, entitled
13 Amending Presidential Decree No. 8 Issued On October 2, 1972, and
14 Promulgating an Amended Act To Promote The Discovery and
15 Production of Indigenous Petroleum and Appropriate Funds Therefor.
16

17 (ff) Section 6, insofar as tax exemption on interest income, dividends
18 and capital gains are concerned, of RA 6426, as amended.
19

20 **SEC. 40. Effectivity Clause.** - This Act shall take effect on January 1, 2020,
21 or fifteen (15) days after its complete publication in the Official Gazette or in
22 at least two (2) newspaper of general circulation, whichever comes earlier.
23

24 Approved,