

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

**Seventeenth Congress
Third Regular Session**

House Bill No. 8252



**Introduced by Representatives
Estrellita B. Suansing and Horacio P. Suansing, Jr.**

EXPLANATORY NOTE

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

With the sizable contribution of the financial sector to the economy and the crucial role it plays in financing large-scale investments, including the Build, Build, Build (BBB) program, there are many compelling reasons to undertake a comprehensive tax reform in this sector 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. These result in the variations in the tax base and tax rate, even among comparable financial instruments and transactions.
- b. **Susceptibility to arbitrage** – The variations in tax rates and unequal tax treatment of equivalent or comparable financial instruments give rise to arbitrage. Different tax treatment among sectors, or between financial institutions and non-financial institutions offering the same service and/or product, or between interests and dividends, open window for arbitrage and leveraging. These disparities in tax treatment distort investment decisions considering that tax impositions overshadow all other considerations. Competitive advantage arises in favor of the financial sector favored by the law's tax treatment.

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

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

- d. Inequitable distribution of tax burden – Investments in equity and some forms of long-term 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. Non-life insurance is also subjected to a similar 5% premium tax rate.

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

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

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

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.


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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, 127, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, and 199 OF 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 “Capital Income and
2 Financial Intermediary Taxation Act of 2019.”

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

- 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 capital income and
21 financial transactions is equitable across all stakeholders and
22 discourages arbitrage opportunities.
23 4. The State shall promote capital market development and tax
24 competitiveness within the context of globalization, increased capital
25 mobility, and financial inclusion.
26

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

3
4 **SEC. 22. Definitions** - When used in this Title:

5
6 (A) xxx

7
8 (B) The term '**corporation**' shall include partnerships, no matter how
9 created or organized, joint-stock companies, joint accounts (*cuentas en*
10 *participacion* **SUCH AS COLLECTIVE INVESTMENT SCHEMES**),
11 associations, or insurance companies, but does not include general
12 professional partnerships and a joint venture or consortium formed for
13 the purpose of undertaking construction projects or engaging in
14 petroleum, coal, geothermal and other energy operations pursuant to
15 an operating or consortium agreement under a service contract with the
16 Government. '**General professional partnerships**' are partnerships
17 formed by persons for the sole purpose of exercising their common
18 profession, no part of the income of which is derived from engaging in
19 any trade or business. **A COLLECTIVE INVESTMENT SCHEME MAY**
20 **OR MAY NOT BE REGISTERED WITH THE SECURITIES AND**
21 **EXCHANGE COMMISSION.**

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24
25 (L) The term '**shares of stock**' shall include shares of stock of a
26 corporation, warrants and/or options to purchase shares of stock, as
27 well as units of participation in a partnership (except general
28 professional partnerships), joint stock companies, joint accounts,
29 **SUCH AS COLLECTIVE INVESTMENT SCHEMES**, joint ventures
30 taxable as corporations, associations and recreation or amusement
31 clubs (such as golf, polo or similar clubs), mutual funds certificates.

32
33 (M) The term '**shareholder**' shall include holders of a share/s of stock,
34 warrant/s and/or option/s to purchase shares of stock of a
35 corporation, as well as a holder of a unit of participation in a
36 partnership (except general professional partnerships), in a joint stock
37 company, a joint account **SUCH AS COLLECTIVE INVESTMENT**
38 **SCHEMES**, a taxable joint venture, a member of an association,
39 recreation or amusement club (such as golf, polo, or similar clubs), and
40 a holder of a mutual fund certificate, a member in an association, joint-
41 stock company, or insurance company.

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44
45 (T) The term '~~securities~~' means ~~shares of stock in a corporation, and~~
46 ~~rights to subscribe for or to receive such shares. The term includes~~
47 ~~bonds, debentures, notes or certificates, or other evidence of~~
48 ~~indebtedness, issued by any corporation, including those issued by a~~
49 ~~government or political subdivision thereof, with interest coupons or in~~

1 registered form. **SHARES, PARTICIPATION, OR INTERESTS IN A**
2 **CORPORATION OR IN A COMMERCIAL ENTERPRISE OR PROFIT-**
3 **MAKING VENTURE AND EVIDENCED BY A CERTIFICATE,**
4 **CONTRACT, INSTRUMENTS, WHETHER WRITTEN OR**
5 **ELECTRONIC IN CHARACTER. IT INCLUDES:**
6

- 7 (A) **SHARES OF STOCKS, BONDS, DEBENTURES, NOTES,**
8 **EVIDENCES OF INDEBTEDNESS, ASSET-BACKED**
9 **SECURITIES;**
- 10
11 (B) **INVESTMENT CONTRACTS, CERTIFICATES OF**
12 **INTEREST, OR PARTICIPATION IN A PROFIT SHARING**
13 **AGREEMENT SUCH AS COLLECTIVE INVESTMENT**
14 **SCHEMES, CERTIFICATE OF DEPOSIT FOR A FUTURE**
15 **SUBSCRIPTION;**
- 16
17 (C) **FRACTIONAL UNDIVIDED INTERESTS IN OIL, GAS, OR**
18 **OTHER MINERAL RIGHTS;**
- 19
20 (D) **DERIVATIVES LIKE OPTION AND WARRANTS;**
- 21
22 (E) **CERTIFICATES OF ASSIGNMENTS, CERTIFICATES OF**
23 **PARTICIPATION, TRUST CERTIFICATES, VOTING TRUST**
24 **CERTIFICATES, OR SIMILAR INSTRUMENTS;**
- 25
26 (F) **PROPRIETARY OR NON-PROPRIETARY MEMBERSHIP**
27 **CERTIFICATES IN CORPORATIONS; AND**
- 28
29 (G) **OTHER INSTRUMENTS AS MAY IN THE FUTURE BE**
30 **DETERMINED BY THE SECURITIES AND EXCHANGE**
31 **COMMISSION.**

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33 XXX XXX XXX

34
35 (V) The term **'bank'** means every banking institution, as defined in
36 Section 2 Republic Act No. 337, as amended, otherwise known as the
37 General Banking Act. A bank may either be **A UNIVERSAL BANK**, a
38 commercial bank, a thrift bank, a development bank, a rural bank, a
39 specialized government bank, or a cooperative bank.

40
41 (W) The term **'non-bank financial intermediary'** OR **"QUASI-BANK"**
42 means **PERSONS OR ENTITIES ENGAGED IN THE BORROWING OF**
43 **FUNDS, FOR THE BORROWER'S OWN ACCOUNT, THROUGH THE**
44 **ISSUANCE, ENDORSEMENT, OR ACCEPTANCE OF DEBT**
45 **INSTRUMENTS OF ANY KIND OTHER THAN DEPOSITS, OR**
46 **THROUGH THE ISSUANCE OF PARTICIPATION'S, CERTIFICATES**
47 **OF ASSIGNMENT, OR SIMILAR INSTRUMENTS WITH RECOURSE,**
48 **TRUST CERTIFICATES, OR OF REPURCHASE AGREEMENTS,**
49 **FROM TWENTY OR MORE LENDERS AT ANY ONE TIME, FOR**

1 **PURPOSES OF RELENDING OR PURCHASING OF RECEIVABLES**
2 **AND OTHER OBLIGATIONS, BUT DOES NOT INCLUDE**
3 **COMMERCIAL, INDUSTRIAL, AND OTHER NON-FINANCIAL**
4 **COMPANIES, WHICH BORROW FUNDS THROUGH ANY OF THESE**
5 **MEANS FOR THE LIMITED PURPOSE OF FINANCING THEIR OWN**
6 **NEEDS OR THE NEEDS OF THEIR AGENTS OR DEALERS, OR** a
7 financial intermediary, as defined in Section 2(D)(c) of Republic Act No.
8 337, as amended, otherwise known as the General Banking Act,
9 authorized by the Bangko Sentral ng Pilipinas (BSP) to perform quasi-
10 banking activities.

11
12 (X) The term '**quasi-banking activities**' means borrowing funds from
13 twenty (20) or more personal or corporate lenders at any one time
14 through the issuance, endorsement, or acceptance of debt instruments
15 of any kind other than deposits for the borrower's own account, or
16 through the issuance of certificates of assignment or similar
17 instruments, with recourse, or of repurchase agreements for purposes
18 of relending or purchasing receivables and other similar obligations:
19 *Provided, however,* That commercial, industrial and other non-financial
20 companies, which borrow funds through any of these means for the
21 limited purpose of financing their own needs or the needs of their agents
22 or dealers, shall not be considered as performing quasi-banking
23 functions. **THE PHRASE "AT ANY ONE TIME" SHALL BE COUNTED**
24 **AT THE TIME OF ORIGATION OR ISSUANCE OF THE DEBT**
25 **INSTRUMENT.**

26
27 (Y) The term "**deposit substitutes**" shall mean an alternative from of
28 obtaining funds from the public (the term 'public' means borrowing
29 from twenty (20) or more individual or corporate lenders at any one
30 time) other than deposits, through the issuance, endorsement, or
31 acceptance of debt instruments for the borrowers own account, for the
32 purpose of relending or purchasing of receivables and other obligations,
33 or financing their own needs or the needs of their agent or dealer. These
34 instruments may include, but need not be limited to bankers'
35 acceptances, promissory notes, repurchase agreements, ~~{including}~~
36 **EXCLUDING** reverse repurchase agreements entered into by and
37 between the Bangko Sentral ng Pilipinas (BSP) and any authorized
38 agent bank, certificates of assignment or participation and similar
39 instruments with recourse.

40
41 **DEBT INSTRUMENTS ISSUED BY THE GOVERNMENT AND ANY OF**
42 **ITS AGENCIES AND INSTRUMENTALITIES INCLUDING**
43 **GOVERNMENT FINANCIAL INSTITUTIONS SHALL BE DEEMED**
44 **ISSUED TO THE PUBLIC AND CONSIDERED DEPOSIT**
45 **SUBSTITUTES.** *Provided, however,* that debt instruments issued for
46 interbank call loans with maturity of not more than five (5) days to cover
47 deficiency in reserves against deposit liabilities, including those

1 between or among banks and quasi-banks, shall not be considered as
2 deposit substitute debt instruments.

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

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18
19 ~~(FF) [The term 'long-term deposit or investment certificate' shall refer~~
20 ~~to certificate of time deposit or investment in the form of savings,~~
21 ~~common or individual trust funds, deposit substitutes, investment~~
22 ~~management accounts and other investments with a maturity~~
23 ~~period of not less than five (5) years, the form of which shall be~~
24 ~~prescribed by the Bangko Sentral ng Pilipinas (BSP) and issued by~~
25 ~~banks only (not by nonbank financial intermediaries and finance~~
26 ~~companies) to individuals in denominations of Ten thousand pesos~~
27 ~~(P10,000) and other denominations as may be prescribed by the~~
28 ~~BSP.] THE TERM 'FINANCIAL INSTITUTIONS' OR 'FINANCIAL~~
29 ~~INTERMEDIARIES' SHALL MEAN PERSONS OR ENTITIES WHOSE~~
30 ~~PRINCIPAL FUNCTIONS INCLUDE THE BUSINESS OF LENDING,~~
31 ~~FINANCING, INVESTING, OR PLACEMENT OF FUNDS OR~~
32 ~~EVIDENCES OF INDEBTEDNESS OR EQUITY DEPOSITED WITH~~
33 ~~THEM, ACQUIRED BY THEM, OR OTHERWISE COURSED~~
34 ~~THROUGH THEM, EITHER FOR THEIR OWN ACCOUNT OR FOR~~
35 ~~THE ACCOUNT OF OTHERS, AND ARE AUTHORIZED BY THE~~
36 ~~BANGKO SENTRAL NG PILIPINAS OR BY THE SECURITIES AND~~
37 ~~EXCHANGE COMMISSION DEPENDING ON THE GOVERNMENT~~
38 ~~AGENCY AUTHORIZED TO REGULATE THEM. IT SHALL INCLUDE~~
39 ~~BANKS, QUASI-BANKS, TRUST ENTITIES, PAWNSHOPS, FOREIGN~~
40 ~~EXCHANGE DEALERS, MONEY BROKER, CREDIT COOPERATIVES,~~
41 ~~FINANCING COMPANIES, FINANCE-LEASING COMPANIES,~~
42 ~~INVESTMENT COMPANIES, AND OTHER COLLECTIVE~~
43 ~~INVESTMENT SCHEMES, INVESTMENT HOUSE, LENDING~~
44 ~~INVESTOR, AND OTHER TYPES OF BUSINESSES THAT MAY BE~~
45 ~~CLASSIFIED BY THE BSP OR THE SECURITIES AND EXCHANGE~~
46 ~~COMMISSION AS FINANCIAL INSTITUTION.~~

1 INSURANCE COMPANIES, LIFE AND NON-LIFE, ARE ALSO
2 CONSIDERED FINANCIAL INSTITUTIONS UNDER THE
3 SUPERVISION OF THE INSURANCE COMMISSION.
4

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

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

34 "OPEN-END CIS" MEANS A CIS WHERE SECURITIES ARE OFFERED
35 AND ARE ALWAYS REDEEMABLE BY THE CIS; AND
36

37 "CLOSED-END CIS" MEANS A CIS WHERE A FIXED NUMBER OF
38 SECURITIES ARE OFFERED IN AN INITIAL PUBLIC OFFERING AND
39 THEREAFTER MAY BE TRADED IN AN ORGANIZED MARKET AS
40 DETERMINED BY THE SEC, BUT MAY NOT BE REDEEMED BY THE
41 CIS. A CLOSED-END CIS SHALL NOT BE ALLOWED TO INCREASE
42 ITS NUMBER OF SECURITIES.
43

44 (JJ) THE TERM 'HOLDING COMPANY' SHALL REFER TO ANY
45 CORPORATION ORGANIZED TO HOLD THE STOCK OF ANOTHER
46 OR OTHER CORPORATIONS, AND OTHER FORMS OF HOLDING
47 COMPANIES AS MAY BE DETERMINED BY APPROPRIATE
48 REGULATORY GOVERNMENT AGENCIES.
49

1 (KK) THE TERM 'DEBT INSTRUMENT' SHALL REFER TO
2 INSTRUMENTS REPRESENTING BORROWING AND LENDING
3 TRANSACTIONS INCLUDING BUT NOT LIMITED TO DEBENTURES,
4 CERTIFICATES OF INDEBTEDNESS, DUE BILLS, BONDS, LOAN
5 AGREEMENTS, INSTRUMENTS, AND SECURITIES ISSUED BY THE
6 GOVERNMENT OR ANY OF ITS INSTRUMENTALITIES, DEPOSIT
7 SUBSTITUTE DEBT INSTRUMENTS, CERTIFICATES OR OTHER
8 EVIDENCES OF DEPOSITS, PROMISSORY NOTES, WHETHER
9 NEGOTIABLE OR NON-NEGOTIABLE, OTHER SIMILAR
10 INSTRUMENTS, AND OTHER INSTRUMENTS AS MAY BE
11 DETERMINED BY APPROPRIATE GOVERNMENT AGENCIES.
12

13 (LL) THE TERM 'ORGANIZED MARKETPLACE' IS AN EXCHANGE, AN
14 OVER-THE-COUNTER MARKET, ALTERNATIVE TRADING SYSTEM,
15 OR OTHERWISE RECOGNIZED AS SUCH BY THE SEC, AND
16 GOVERNED BY, AMONG OTHERS, TRANSPARENT AND BINDING
17 RULES AND MARKET CONVENTIONS ON MEMBERSHIP, TRADING,
18 PRICE TRANSPARENCY, TRADE REPORTING, MARKET
19 MONITORING AND ORDERLY CONDUCT/OPERATION OF THE
20 MARKET WHICH ARE ENFORCEABLE ON THE MEMBERS AND
21 PARTICIPANTS.
22

23 (MM) THE TERM 'CLOSELY HELD CORPORATION' MEANS ANY
24 CORPORATION WITH AT LEAST FIFTY PERCENT (50%) IN VALUE
25 OF OUTSTANDING CAPITAL STOCK OR AT LEAST FIFTY PERCENT
26 (50%) OF THE TOTAL COMBINED VOTING POWER OF ALL
27 CLASSES OF STOCK ENTITLED TO VOTE IS OWNED DIRECTLY OR
28 INDIRECTLY BY OR FOR NOT MORE THAN TWENTY (20)
29 INDIVIDUALS.
30

31 FOR PURPOSES OF DETERMINING WHETHER THE CORPORATION
32 IS A CLOSELY HELD CORPORATION, INsofar AS SUCH
33 DETERMINATION IS BASED ON STOCK OWNERSHIP, THE
34 FOLLOWING RULES SHALL BE APPLIED:
35

36 (1) STOCK NOT OWNED BY INDIVIDUALS. - STOCK OWNED
37 DIRECTLY OR INDIRECTLY BY OR FOR A CORPORATION,
38 PARTNERSHIP, ESTATE OR TRUST SHALL BE CONSIDERED
39 AS BEING OWNED PROPORTIONATELY BY ITS
40 SHAREHOLDERS, PARTNERS OR BENEFICIARIES.
41

42 (2) FAMILY AND PARTNERSHIP OWNERSHIPS. - AN
43 INDIVIDUAL SHALL BE CONSIDERED AS OWNING THE
44 STOCK OWNED DIRECTLY OR INDIRECTLY, BY OR FOR HIS
45 FAMILY, OR BY OR FOR HIS PARTNER. FOR PURPOSES OF
46 THE PARAGRAPH, THE 'FAMILY OF AN INDIVIDUAL'
47 INCLUDES ONLY HIS BROTHERS AND SISTERS (WHETHER

1 BY WHOLE OR HALF-BLOOD), SPOUSE, ANCESTORS AND
2 LINEAL DESCENDANTS.
3

4 (3) **OPTION.** - IF ANY PERSON HAS AN OPTION TO ACQUIRE
5 STOCK, SUCH STOCK SHALL BE CONSIDERED AS OWNED
6 BY SUCH PERSON. FOR PURPOSES OF THIS PARAGRAPH,
7 AN OPTION TO ACQUIRE SUCH AN OPTION AND EACH ONE
8 OF A SERIES OF OPTIONS SHALL BE CONSIDERED AS AN
9 OPTION TO ACQUIRE SUCH STOCK.
10

11 (4) **CONSTRUCTIVE OWNERSHIP AS ACTUAL OWNERSHIP.** -
12 STOCK CONSTRUCTIVELY OWNED BY REASON OF THE
13 APPLICATION OF PARAGRAPH (1) OR (3) HEREOF SHALL,
14 FOR PURPOSES OF APPLYING PARAGRAPH (1) OR (2), BE
15 TREATED AS ACTUALLY OWNED BY SUCH PERSON; BUT
16 STOCK CONSTRUCTIVELY OWNED BY THE INDIVIDUAL BY
17 REASON OF THE APPLICATION OF PARAGRAPH (2) HEREOF
18 SHALL NOT BE TREATED AS OWNED BY HIM FOR
19 PURPOSES OF AGAIN APPLYING SUCH PARAGRAPH IN
20 ORDER TO MAKE ANOTHER THE CONSTRUCTIVE OWNER
21 OF SUCH STOCK]
22

23
24 **SEC. 4.** Section 24 (B) and (C) of the National Internal Revenue Code of 1997,
25 as amended, is hereby amended to read as follows:
26

27 **SEC. 24. Income Tax Rates. -**
28

29 **(A) *Rates of Income Tax on Individual Citizen and Individual***
30 ***Resident Alien of the Philippines. -***
31

32 XXX XXX XXX
33

34 **(B) *Rate of Tax on CERTAIN CAPITAL ~~Certain~~ Passive Income: -***
35

36 **(1) ~~Interests, Royalties, Prizes, and Other Winnings.~~** - A final tax at
37 the rate of twenty-percent (20%) **FIFTEEN PERCENT (15%)** is hereby
38 imposed upon the amount of interest, **YIELD, OR ANY OTHER**
39 **MONETARY BENEFIT EARNED OR RECEIVED FROM DEBT**
40 **INSTRUMENT, BANK DEPOSIT, DEPOSIT SUBSTITUTE, AND ANY**
41 **OTHER FORM OF DEBT INSTRUMENT AND SIMILAR**
42 **ARRANGEMENTS. IF THE PAYOR OF THE INCOME IS A**
43 **DESIGNATED WITHHOLDING AGENT AS REQUIRED UNDER THIS**
44 **CODE OR ITS IMPLEMENTING RULES AND REGULATIONS, THE**
45 **TAX IMPOSED UNDER THIS SECTION SHALL BE COLLECTED BY**
46 **WAY OF A FINAL WITHHOLDING TAX. IF THE PAYOR IS NOT A**
47 **DESIGNATED WITHHOLDING AGENT OR IF THE INCOME WAS NOT**
48 **SUBJECTED TO FINAL WITHHOLDING TAX, IT SHALL BE THE**
49 **DUTY OF THE INCOME RECIPIENT TO DECLARE THE INTEREST**

1 **INCOME RECEIVED AND PAY THE 15% FINAL TAX WITHIN THE**
2 **TIME REQUIRED UNDER REVENUE REGULATIONS.** ~~from any~~
3 ~~currency bank deposit, and yield or any other monetary benefit from~~
4 ~~deposit substitutes, and from trust funds and similar arrangements;~~
5 ~~royalties, except on books, as well as other literary works and musical~~
6 ~~compositions, which shall be imposed a final tax of ten percent (10%);~~
7 ~~prizes (except prizes amounting to Ten thousand pesos (P10,000) or less~~
8 ~~which shall be subject to tax under Subsection (A) of Section 24); and~~
9 ~~other winnings (except winnings amounting to Ten Thousand or less~~
10 ~~from Philippine Charity Sweepstakes and Lotto which shall be exempt);~~
11 ~~derived from sources within the Philippines: *Provided, however,* That~~
12 ~~interest income received by an individual taxpayer (except a~~
13 ~~nonresident individual) from a depository bank under the expanded~~
14 ~~foreign currency deposit system shall be subject to a final income tax~~
15 ~~at the rate of fifteen percent (15%) of such interest income: *Provided,*~~
16 ~~further, That interest income from long term deposit or investment in~~
17 ~~the form of savings, common or individual trust funds, deposit~~
18 ~~substitutes, investment management accounts and other investments~~
19 ~~evidenced by certificates in such form prescribed by the Bangko Sentral~~
20 ~~ng Pilipinas (BSP) shall be exempt from the tax imposed under this~~
21 ~~Subsection: *Provided, finally,* That should the holder of the certificate~~
22 ~~pre-terminate the deposit or investment before the fifth (5th) year, a final~~
23 ~~tax shall be imposed on the entire income and shall be deducted and~~
24 ~~withheld by the depository bank from the proceeds of the long term~~
25 ~~deposit or investment certificate based on the remaining maturity~~
26 ~~thereof:~~

27
28 Four (4) years to less than five (5) years – 5%;

29
30 Three (3) years to less than (4) years – 12%; and

31
32 Less than three (3) years – 20%.

33
34 **(2) Cash and/or Property Dividends.** – A final tax at the **RATE OF**
35 **FIFTEEN PERCENT** (15%) ~~ten percent (10%)~~ shall be imposed upon the
36 cash and/or property dividends actually or constructively received by
37 an individual from a domestic corporation or from a joint stock
38 company, insurance, ~~or~~ mutual fund companies, **COLLECTIVE**
39 **INVESTMENT SCHEMES**, and regional operating headquarters of
40 multinational companies, or on the share of an individual in the
41 distributable net income after tax of a partnership (except a general
42 professional partnership) of which he is a partner, or on the share of an
43 individual in the net income after tax of an association, a joint account,
44 or a joint venture or consortium taxable as a corporation of which he is
45 a member or co-venturer.

46
47 **PROVIDED, HOWEVER, THAT THE FIFTEEN PERCENT (15%) TAX**
48 **ON DIVIDENDS SHALL APPLY ONLY ON INCOME EARNED ON OR**
49 **AFTER JANUARY 1, 2019. INCOME FORMING PART OF RETAINED**

EARNINGS AS OF DECEMBER 31, 2018 SHALL, EVEN IF DECLARED OR DISTRIBUTED ON OR AFTER JANUARY 1, 2019, SHALL BE SUBJECT TO TEN PRECENT (10%) TAX.

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

(C3) Capital Gains from THE Sale, EXCHANGE, BARTER, OR DISPOSITION of Shares of Stock ~~not Traded in the Stock Exchange.~~ -

(a) UNLISTED SHARES OF STOCK - The provisions of Section 39(B) notwithstanding, a final tax at the rate of 15% is hereby imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic corporation, except shares sold, or disposed of through **A LOCAL** the stock exchange. ~~OR A LICENSED ORGANIZED MARKETPLACE.~~

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

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

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

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

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

JANUARY 1, 2024: ONE TENTH OF ONE PERCENT (1/10 OF 1%).

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

ANY GAIN EARNED FROM SHARES OF STOCK IN A DOMESTIC CORPORATION TRADED IN A FOREIGN EXCHANGE, SHALL BE TAXED UNDER SECTION 24 (A) HEREOF.

ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR DISPOSITION OF SHARES OF STOCK, LISTED OR UNLISTED, BY A DEALER IN SECURITIES OR OTHER ENTITIES LICENSED BY THE APPROPRIATE REGULATORY GOVERNMENT AGENCIES TO BUY

1 AND SELL IN SECURITIES, WHETHER OR NOT UNDERTAKEN AS A
2 PRIMARY BUSINESS UNDERTAKING, FOR HIS OWN ACCOUNT, OR
3 FOR THE ACCOUNT OF OTHERS, OR IN A FIDUCIARY CAPACITY,
4 SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION BUT
5 TO SECTION 24(A) AS AN ORDINARY INCOME.
6

7 (4) CAPITAL GAINS FROM SALE, EXCHANGE, TRANSFER, BARTER,
8 DISPOSITION OF DEBT INSTRUMENTS, AND OTHER SECURITIES
9 NOT INCLUDED IN SECTION 24(B)(3). -
10

11 ANY GAIN EARNED FROM DEBT INSTRUMENT AND OTHER
12 SECURITIES NOT INCLUDED IN SECTION 24(B)(3), ISSUED BY A
13 CITIZEN OR RESIDENT ALIEN, OR BY A DOMESTIC
14 CORPORATION, OR BY THE GOVERNMENT OR ANY OF ITS
15 AGENCIES OR INSTRUMENTALITIES, SHALL BE SUBJECT TO TAX
16 AS FOLLOWS:
17

18 (a) UNLISTED DEBT INSTRUMENTS AND OTHER SECURITIES
19 NOT INCLUDED IN SECTION 24(B)(3). - THE PROVISIONS OF
20 SECTION 39(B) NOTWITHSTANDING, A FINAL TAX AT THE RATE
21 OF 15% IS HEREBY IMPOSED UPON THE NET CAPITAL GAINS
22 REALIZED DURING THE TAXABLE YEAR FROM THE SALE,
23 BARTER, EXCHANGE, OR OTHER DISPOSITION OF DEBT
24 INSTRUMENTS AND OTHER SECURITIES AS DEFINED UNDER
25 SECTION 22 OF THIS CODE, ISSUED BY A CITIZEN OR RESIDENT
26 ALIEN OR BY A DOMESTIC CORPORATION, EXCEPT DEBT
27 SECURITIES SOLD, OR DISPOSED OF THROUGH A LOCAL STOCK
28 EXCHANGE OR A LICENSED ORGANIZED MARKETPLACE.
29

30 (b) LISTED AND TRADED DEBT INSTRUMENTS AND OTHER
31 SECURITIES NOT INCLUDED IN SECTION 24(B)(3). - THERE SHALL
32 BE LEVIED, ASSESSED, AND COLLECTED ON EVERY SALE,
33 BARTER, EXCHANGE, OR OTHER DISPOSITION OF DEBT
34 INSTRUMENTS AND OTHER SECURITIES AS DEFINED UNDER
35 SECTION 22 OF THIS CODE, LISTED AND TRADED THROUGH A
36 LOCAL STOCK EXCHANGE OR A LICENSED ORGANIZED
37 MARKETPLACE, A FINAL TAX AT THE RATE OF ONE TENTH OF
38 ONE PERCENT (1/10 OF 1%) OF THE GROSS SELLING PRICE OR
39 GROSS VALUE IN MONEY OF THE DEBT INSTRUMENT OR
40 SECURITIES SOLD, BARTERED, EXCHANGED, OR OTHERWISE
41 DISPOSED, WHICH SHALL BE PAID BY THE SELLER OR
42 TRANSFEROR. IF TRADED IN A FOREIGN EXCHANGE, THE GAIN
43 SHALL BE SUBJECT TO TAX UNDER SECTION 24 (A) HEREOF.
44

45 ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER OR
46 DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES,
47 LISTED OR UNLISTED, BY A DEALER IN SECURITIES OR OTHER
48 ENTITIES LICENSED BY THE APPROPRIATE REGULATORY

1 GOVERNMENT AGENCIES TO BUY AND SELL IN DEBT
2 INSTRUMENTS SECURITIES, WHETHER OR NOT UNDERTAKEN AS
3 A PRIMARY BUSINESS UNDERTAKING, FOR HIS OWN ACCOUNT,
4 OR FOR THE ACCOUNT OF OTHERS, OR DONE IN A FIDUCIARY
5 CAPACITY, SHALL NOT BE SUBJECT TO TAX UNDER THIS
6 SUBSECTION BUT TO SECTION 24(A) AS AN ORDINARY INCOME.
7

8 **(D5) Capital Gains from Sale of Real Property. -**
9

10 **(1) In General. -** The provisions of Section 39(B) notwithstanding, a
11 final tax of six percent (6%) based on the gross selling price or current
12 fair market value as determined in accordance with Section 6(E) of this
13 Code, whichever is higher, is hereby imposed upon capital gains
14 presumed to have been realized from the sale, exchange, or other
15 disposition of real property located in the Philippines, classified as
16 capital assets, including *pacto de retro* sales and other forms of
17 conditional sales, by individuals, including estates and trusts: *Provided,*
18 That the tax liability, if any, on gains from sales or other dispositions of
19 real property to the government or any of its political subdivisions or
20 agencies or to government-owned or -controlled corporations shall be
21 determined either under Section 24(A) or under this Subsection, at the
22 option of the taxpayer;
23

24 **(2) Exception. -** The provisions of paragraph (1) of this Subsection to
25 the contrary notwithstanding, capital gains presumed to have been
26 realized from the sale or disposition of their principal residence by
27 natural persons, the proceeds of which is fully utilized in acquiring or
28 constructing a new principal residence within eighteen (18) calendar
29 months from the date of sale or disposition, shall be exempt from the
30 capital gains tax imposed under this Subsection: *Provided,* That the
31 historical cost or adjusted basis of the real property sold or disposed
32 shall be carried over to the new principal residence built or acquired:
33 *Provided, further,* That the Commissioner shall have been duly notified
34 by the taxpayer within thirty (30) days from the date of sale or
35 disposition through a prescribed return of his intention to avail of the
36 tax exemption herein mentioned: *Provided, still further,* That the said
37 tax exemption can only be availed of once every ten (10) years: *Provided,*
38 *finally,* That if there is no full utilization of the proceeds of sale or
39 disposition, the portion of the gain presumed to have been realized from
40 the sale or disposition shall be subject to capital gains tax. For this
41 purpose, the gross selling price or fair market value at the time of sale,
42 whichever is higher, shall be multiplied by a fraction which the
43 unutilized amount bears to the gross selling price in order to determine
44 the taxable portion and the tax prescribed under paragraph (1) of this
45 Subsection shall be imposed thereon.
46

47 **(C) ROYALTIES, PRIZES, AND OTHER WINNINGS - A FINAL TAX AT**
48 **THE RATE OF TWENTY PERCENT (20%) IS HEREBY IMPOSED ON**
49 **THE FOLLOWING INCOME DERIVED FROM SOURCES WITHIN THE**

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

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

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

15
16 **(A) Nonresident Alien Engaged in Trade or Business Within the**
17 **Philippines. -** ~~(1) In General. -~~ A nonresident alien individual engaged
18 in trade or business in the Philippines shall be subject to an income tax
19 **UNDER SECTION 24 OF THIS CODE,** ~~in the same manner as an~~
20 ~~individual citizen and a resident alien individual,~~ on taxable income
21 received from all sources within the Philippines. A nonresident alien
22 individual who shall come to the Philippines and stay therein for an
23 aggregate period of more than one hundred eighty (180) days during
24 any calendar year shall be deemed a 'nonresident alien doing business
25 in the Philippines', Section 22(G) of this Code notwithstanding.

26
27 ~~(2) Cash and/or Property Dividends from a Domestic Corporation or Joint~~
28 ~~Stock Company, or Insurance or Mutual Fund Company or Regional~~
29 ~~Operating Headquarter or Multinational Company, or Share in the~~
30 ~~Distributable Net Income of a Partnership (Except a General Professional~~
31 ~~Partnership), Joint Account, Joint Venture Taxable as a Corporation or~~
32 ~~Association, Interests, Royalties, Prizes, and Other Winnings. -~~ Cash
33 and/or property dividends from a domestic corporation, or from a joint
34 stock company, or from an insurance or mutual fund company or from
35 a regional operating headquarter of multinational company, or the
36 share of a nonresident alien individual in the distributable net income
37 after tax of a partnership (except a general professional partnership) of
38 which he is a partner, or the share of a nonresident alien individual in
39 the net income after tax of an association, a joint account, or a joint
40 venture taxable as a corporation of which he is a member or a co-
41 venturer;; royalties (in any form); and prizes (except prizes amounting
42 to Ten thousand pesos (P10,000) or less which shall be subject to tax
43 under Subsection (B)(1) of Section 24); and other winnings (except
44 Philippine Charity Sweepstakes and Lotto winnings), shall be subject to
45 an income tax of twenty percent (20%) on the total amount thereof:
46 *Provided, however,* That royalties on books as well as other literary
47 works, and royalties on musical compositions shall be subject to a final
48 tax of ten percent (10%) on the total amount thereof: *Provided, further,*
49 That cinematographic films and similar works shall be subject to the

1 tax provided under Section 28 of this Code: ~~[Provided, furthermore, That~~
2 ~~interest income from long-term deposit or investment in the form of~~
3 ~~savings, common or individual trust funds, deposit substitutes,~~
4 ~~investment management accounts and other investments evidenced by~~
5 ~~certificates in such form prescribed by the Bangko Sentral ng Pilipinas~~
6 ~~(BSP) shall be exempt from the tax imposed under this Subsection:~~
7 ~~Provided, finally, That should the holder of the certificate pre-terminate~~
8 ~~the deposit or investment before the fifth (5th) year, a final tax shall be~~
9 ~~imposed on the entire income and shall be deducted and withheld by~~
10 ~~the depository bank from the proceeds of the long-term deposit or~~
11 ~~investment certificate based on the remaining maturity thereof:~~

12
13 ~~Four (4) years to less than five (5) years – 5%;~~

14
15 ~~Three (3) years to less than four (4) years – 12%; and~~

16
17 ~~Less than three (3) years – 20%.]~~

18
19 ~~(3) Capital Gains. – Capital gains realized from sale, barter or~~
20 ~~exchange of shares of stock in domestic corporations not traded~~
21 ~~through the local stock exchange, and real properties shall be~~
22 ~~subject to the tax prescribed under Subsections (C) and (D) of~~
23 ~~Section 24.]~~

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

39
40 **INTEREST, DIVIDENDS AND CAPITAL GAINS ON SALE OF SHARES**
41 **OF STOCK, DEBT INSTRUMENTS, AND OTHER SECURITIES SHALL**
42 **BE SUBJECT TO TAX PRESCRIBED UNDER SECTION 24 (B), OR TO**
43 **THE PROVISIONS OF APPLICABLE TAX TREATY.**

44
45 XXX XXX XXX

46
47 **SEC. 6.** Section 27 (D) of the National Internal Revenue Code of 1997, as
48 amended, is hereby amended to read as follows:
49

SEC. 27. Rates of Income Tax on Domestic Corporations. -

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

XXX XXX XXX

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

(1) INTERESTS. - A FINAL TAX AT THE RATE OF FIFTEEN PERCENT (15%) IS HEREBY IMPOSED UPON THE AMOUNT OF INTEREST, YIELD, OR OTHER MONETARY BENEFIT EARNED OR RECEIVED FROM DEBT INSTRUMENT, BANK DEPOSIT, DEPOSIT SUBSTITUTE, AND SIMILAR ARRANGEMENTS. IF THE PAYOR OF THE INCOME IS A DESIGNATED WITHHOLDING AGENT AS REQUIRED UNDER THIS CODE OR ITS IMPLEMENTING RULES AND REGULATIONS, THE TAX IMPOSED UNDER THIS SECTION SHALL BE COLLECTED BY WAY OF A FINAL WITHHOLDING TAX. IF THE PAYOR IS NOT A DESIGNATED WITHHOLDING AGENT OR IF THE INCOME WAS NOT SUBJECTED TO FINAL WITHHOLDING TAX, IT SHALL BE THE DUTY OF THE INCOME RECIPIENT TO DECLARE THE INTEREST INCOME RECEIVED AND PAY THE 15% FINAL TAX WITHIN THE TIME REQUIRED UNDER REVENUE REGULATIONS.

(2) CASH AND/OR PROPERTY DIVIDENDS. - INTERCORPORATE DIVIDENDS OR DIVIDENDS RECEIVED BY A DOMESTIC CORPORATION FROM ANOTHER DOMESTIC CORPORATION SHALL NOT BE SUBJECT TO TAX IMPOSED UNDER THIS SUBSECTION EXCEPT IN THE CASE OF DIVIDENDS PAID TO A SOLE CORPORATION AS DEFINED UNDER THE LAWS OR BY RULES AND REGULATION ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION, WHICH SHALL BE SUBJECT TO A FINAL TAX OF 15%.

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

(3) CAPITAL GAINS FROM THE SALE, EXCHANGE, BARTER OR DISPOSITION OF SHARES OF STOCK. -

(a) UNLISTED SHARES OF STOCK - THE PROVISIONS OF SECTION 39(B) NOTWITHSTANDING, A FINAL TAX AT THE RATE OF 15% IS HEREBY IMPOSED UPON THE NET CAPITAL GAINS REALIZED DURING THE TAXABLE YEAR FROM THE SALE,

1 BARTER, EXCHANGE, OR OTHER DISPOSITION OF SHARES OF
2 STOCK IN A DOMESTIC CORPORATION, EXCEPT SHARES SOLD,
3 OR DISPOSED OF THROUGH A LOCAL STOCK EXCHANGE OR A
4 LICENSED ORGANIZED MARKETPLACE.

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

13
14 JANUARY 1, 2020: FIVE TENTH OF ONE PERCENT (5/10 OF 1%),

15
16 JANUARY 1, 2021: FOUR TENTH OF ONE PERCENT (4/10 OF 1%),

17
18 JANUARY 1, 2022: THREE TENTH OF ONE PERCENT (3/10 OF 1%),

19
20 JANUARY 1, 2023: TWO TENTH OF ONE PERCENT (2/10 OF 1%),

21
22 JANUARY 1, 2024: ONE TENTH OF ONE PERCENT (1/10 OF 1%).

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

28
29 ANY GAIN EARNED FROM SHARES OF STOCK IN A DOMESTIC
30 CORPORATION TRADED IN A FOREIGN EXCHANGE, SHALL BE
31 TAXED UNDER SECTION 27 (A) HEREOF.

32
33 ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR
34 DISPOSITION OF SHARES OF STOCK, LISTED OR UNLISTED, BY A
35 DEALER IN SECURITIES OR OTHER ENTITIES LICENSED BY THE
36 APPROPRIATE REGULATORY GOVERNMENT AGENCIES TO BUY
37 AND SELL IN SECURITIES, WHETHER OR NOT UNDERTAKEN AS A
38 PRIMARY BUSINESS UNDERTAKING, FOR HIS OWN ACCOUNT, OR
39 FOR THE ACCOUNT OF OTHERS, OR IN A FIDUCIARY CAPACITY,
40 SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION BUT
41 TO SECTION 27(A) AS AN ORDINARY INCOME.

42
43 (4) CAPITAL GAINS FROM SALE, EXCHANGE, TRANSFER, BARTER,
44 DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES
45 NOT INCLUDED IN SECTION 27(D)(3). -

46
47 ANY GAIN EARNED FROM DEBT INSTRUMENT AND OTHER
48 SECURITIES NOT INCLUDED IN SECTION 27(D)(3), ISSUED BY A
49 CITIZEN OR RESIDENT ALIEN, OR BY A DOMESTIC

CORPORATION, OR BY THE GOVERNMENT OR ANY OF ITS AGENCIES OR INSTRUMENTALITIES, SHALL BE SUBJECT TO TAX AS FOLLOWS:

(a) UNLISTED DEBT INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION 27(D)(3) - THE PROVISIONS OF SECTION 39(B) NOTWITHSTANDING, A FINAL TAX AT THE RATE OF 15% IS HEREBY IMPOSED UPON THE NET CAPITAL GAINS REALIZED DURING THE TAXABLE YEAR FROM THE SALE, BARTER, EXCHANGE, OR OTHER DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES AS DEFINED UNDER SECTION 22 OF THIS CODE, ISSUED BY A RESIDENT INDIVIDUAL OR CITIZEN OR BY A DOMESTIC CORPORATION, EXCEPT DEBT SECURITIES SOLD, OR DISPOSED OF THROUGH A LOCAL STOCK EXCHANGE OR A LICENSED ORGANIZED MARKETPLACE.

(b) LISTED AND TRADED DEBT INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION 27(D)(3) - THERE SHALL BE LEVIED, ASSESSED, AND COLLECTED ON EVERY SALE, BARTER, EXCHANGE, OR OTHER DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES AS DEFINED UNDER SECTION 22 OF THIS CODE, 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 SECTION 27 (A) HEREOF.

ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES, LISTED OR UNLISTED, BY A DEALER IN SECURITIES OR OTHER ENTITIES LICENSED BY THE APPROPRIATE REGULATORY GOVERNMENT AGENCIES TO BUY AND SELL IN DEBT INSTRUMENTS SECURITIES, WHETHER OR NOT UNDERTAKEN AS A PRIMARY BUSINESS UNDERTAKING, FOR HIS OWN ACCOUNT, OR FOR THE ACCOUNT OF OTHERS, OR DONE IN A FIDUCIARY CAPACITY, SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION BUT TO SECTION 27(A) AS AN ORDINARY INCOME.

~~(1) Interest from Deposits and Yield or any other Monetary Benefit from Deposit Substitutes and from Trust Funds and Similar Arrangements, and Royalties. - A final tax at the rate of twenty percent (20%) is hereby imposed upon the amount of interest on currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements received by domestic corporations, and royalties, derived from sources~~

1 within the Philippines: *Provided, however,* That interest income derived
2 by a domestic corporation from a depository bank under the expanded
3 foreign currency deposit system shall be subject to a final income tax
4 at the rate of fifteen percent of such interest income.

5
6 **~~(2) Capital Gains from the Sale of Shares of Stock Not Traded in~~**
7 **~~the Stock Exchange.~~** – A final tax at the rates prescribed below shall
8 be imposed on net capital gains realized during the taxable year from
9 the sale, exchange or other disposition of shares of stock in a domestic
10 corporation except shares sold or disposed of through the stock
11 exchange:

12
13 Net over P100,000..... 5%

14
15 Amount in excess of P100,000..... 10%

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

34
35 Any income of nonresidents, whether individuals or corporations, from
36 transactions with depository banks under the expanded system shall
37 be exempt from income tax.

38
39 **~~(4) Intercorporate Dividends.~~** – Dividends received by a domestic
40 corporation from another domestic corporation shall not be subject to
41 tax.

42
43 **~~(5) Capital Gains Realized from the Sale, Exchange or Disposition~~**
44 **~~of Lands and/or Buildings.~~** – A final tax of six percent (6%) is hereby
45 imposed on the gain presumed to have been realized on the sale,
46 exchange or disposition of lands and/or buildings which are not
47 actually used in the business of a corporation and are treated as capital
48 assets, based on the gross selling price or fair market value as

determined in accordance with Section 6(E) of this Code, whichever is higher, of such lands and/or buildings.

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

(EF) Minimum Corporate Income Tax on Domestic Corporations -

XXX XXX XXX

(4) Gross Income Defined. - XXX XXX XXX

XXX XXX XXX

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

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

SEC. 28. Rates of Income Tax on Foreign Corporations. -

(A) Tax on Resident Foreign Corporations. -

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

XXX XXX XXX

(2) Minimum Corporate Income Tax on Resident Foreign Corporations. - A minimum corporate income tax of two percent (2%) of gross income, as prescribed under Section 27(F) of this Code, shall

be imposed, under the same conditions, on a resident foreign corporation taxable under paragraph (1) of this Subsection.

XXX XXX XXX

~~[(4) Offshore Banking Units. – The provisions of any law to the contrary notwithstanding, income derived by offshore banking units authorized by the Bangko Sentral ng Pilipinas (BSP), from foreign currency transactions with nonresidents, other offshore banking units, local commercial banks, including branches of foreign banks that may be authorized by the Bangko Sentral ng Pilipinas (BSP) to transact business with offshore banking units shall be exempt from all taxes except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation of the Monetary Board which shall be subject to the regular income tax payable by banks: Provided, however, That any interest income derived from foreign currency loans granted to residents other than offshore banking units or local commercial banks, including local branches of foreign banks that may be authorized by the BSP to transact business with offshore banking units, shall be subject only to a final tax at the rate of ten percent (10%).]~~

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

(5) 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.

XXX XXX XXX

~~(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~~

1 other monetary benefit from deposit substitutes and from trust funds
2 and similar arrangements and royalties derived from sources within the
3 Philippines shall be subject to a final income tax at the rate of twenty
4 percent (20%) of such interest.: *Provided, however,* That interest income
5 derived by a resident foreign corporation from a depository bank under
6 the expanded foreign currency deposit system shall be subject to a final
7 income tax at the rate of seven and one-half percent (7 1/2%) of such
8 interest income.

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

26
27 Any income of nonresidents, whether individuals or corporations, from
28 transactions with depository banks under the expanded system shall
29 be exempt from income tax.

30
31 ~~(c) Capital Gains from Sale of Shares of Stock Not Traded in the Stock~~
32 ~~Exchange.~~—A final tax at the rates prescribed below is hereby imposed
33 upon the net capital gains realized during the taxable year from the
34 sale, barter, exchange or other disposition of shares of stock in a
35 domestic corporation except shares sold or disposed of through the
36 stock exchange.:

37 Not _____ over _____ P100,000..... 5%
38 On any amount in excess of P100,000.....10%

39
40 ~~(d) Intercorporate Dividends.~~—Dividends received by a resident foreign
41 corporation from a domestic corporation liable to tax under this Code
42 shall not be subject to tax under this Title.

43 44 **(B) Tax on Nonresident Foreign Corporation. -**

45
46 **(1) In General. -** Except as otherwise provided in this Code, a foreign
47 corporation not engaged in trade or business in the Philippines shall
48 pay a tax equal to thirty percent (35%) of the gross income received
49 during each taxable year from all sources within the Philippines, such

as interests, dividends, rents, royalties, salaries, premiums (except reinsurance premiums), annuities, emoluments or other fixed or determinable annual, periodic or casual gains, profits and income, and capital gains, except capital gains subject to tax under subparagraph 5(c): *Provided*, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).

XXX XXX XXX

(5) Tax on Certain CAPITAL Incomes Received by a Nonresident Foreign Corporation. -

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

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

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

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

~~**(c) Capital Gains from Sale of Shares of Stock not Traded in the Stock Exchange. -** A final tax at the rates prescribed below is hereby imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock~~

1 in a domestic corporation, except shares sold, or disposed of through
2 the stock exchange:

3
4 Not over P100,000..... 5%

5
6 On any amount in excess of P100,000..... 10%

7
8 **SEC. 8.** Section 29(A), (B) AND (C) of the National Internal Revenue Code of
9 1997, as amended, is hereby amended to read as follows:

10
11 **SEC. 29. Imposition of Improperly Accumulated Earnings Tax. -**

12
13 **(A) In General** - In addition to other taxes imposed by this Title, there
14 is hereby imposed for each taxable year on the improperly accumulated
15 taxable income of each corporation described in Subsection B hereof,
16 an improperly accumulated earnings tax equal to ~~ten~~ **FIFTEEN** percent
17 (~~10~~ **15%**) of the improperly accumulated taxable income.

18
19 **(B) Tax on Corporations Subject to Improperly Accumulated**
20 **Earnings Tax. -**

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

28
29 **(2) Exceptions.** - The improperly accumulated earnings tax as provided
30 for under this Section shall not apply to:

31
32 (a) Publicly-held corporations;

33
34 (b) Banks, ~~{and other}~~ nonbank financial intermediaries, **AND**
35 **OTHER FINANCIAL INSTITUTIONS AS MAY BE DETERMINED**
36 **BY THE APPROPRIATE GOVERNMENT REGULATORY**
37 **AGENCIES;** and

38
39 (c) Insurance companies, **SUCH AS LIFE AND NON-LIFE,**
40 **REINSURANCE COMPANIES, PRE-NEED, PENSION FUNDS, AND**
41 **OTHER ENTITIES DOING BUSINESS SIMILAR TO OR AKIN TO**
42 **INSURANCE.**

43
44 **(C) Evidence of Purpose to Avoid Income Tax. - THE FACT THAT**
45 **THE EARNINGS OR PROFITS OF A CORPORATION ARE**
46 **PERMITTED TO ACCUMULATE BEYOND THE REASONABLE NEEDS**
47 **OF THE BUSINESS SHALL BE DETERMINATIVE OF THE PURPOSE**
48 **TO AVOID THE TAX UPON ITS SHAREHOLDERS OR MEMBERS**

1 UNLESS THE CORPORATION, BY THE CLEAR PREPONDERANCE
2 OF EVIDENCE, SHALL PROVE TO THE CONTRARY.
3

4 ~~(1) *Prima Facie Evidence.* - The fact that any corporation is a mere~~
5 ~~holding company or investment company shall be *prima facie* evidence~~
6 ~~of a purpose to avoid the tax upon its shareholders or members.~~
7

8 ~~(2) *Evidence Determinative of Purpose.* - The fact that the earnings~~
9 ~~or profits of a corporation are permitted to accumulate beyond the~~
10 ~~reasonable needs of the business shall be determinative of the purpose~~
11 ~~to avoid the tax upon its shareholders or members unless the~~
12 ~~corporation, by the clear preponderance of evidence, shall prove to the~~
13 ~~contrary.~~
14

15 XXX XXX XXX
16

17 **SEC. 9.** Section 30(B) of the National Internal Revenue Code of 1997, as
18 amended, is hereby amended to read as follows:
19

20 **SEC. 30. Exemption from tax on Corporations.** - The following
21 organizations shall not be taxed under this Title in respect to income
22 received by them as such:
23

24 (A) Labor, agricultural or horticultural organization not organized
25 principally for profit;
26

27 ~~(B) Mutual savings bank not having a capital stock represented by~~
28 ~~shares, and cooperative bank without capital stock organized and~~
29 ~~operated for mutual purposes and without profit;~~
30

31 ~~(C)(B)~~ A beneficiary society, order or association, operating for the
32 exclusive benefit of the members such as a fraternal organization
33 operating under the lodge system, or a mutual aid association or a
34 nonstock corporation organized by employees providing for the payment
35 of life, sickness, accident, or other benefits exclusively to the members
36 of such society, order, or association, or nonstock corporation or their
37 dependents;
38

39 ~~(D)(C)~~ Cemetery company owned and operated exclusively for the benefit
40 of its members;
41

42 ~~(E)(D)~~ Nonstock corporation or association organized and operated
43 exclusively for religious, charitable, scientific, athletic, or cultural
44 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 (H)(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
27 Notwithstanding the provisions in the preceding paragraphs, the
28 income of whatever kind and character of the foregoing organizations
29 from any of their properties, real or personal, or from any of their
30 activities conducted for profit regardless of the disposition made of such
31 income, shall be subject to tax imposed under this Code.

32
33 XXX XXX XXX

34
35 **SEC. 10.** Section 32(B)(7)(g) and (h) of the National Internal Revenue Code of
36 1997, as amended, is hereby amended to read as follows:

37
38 **SEC. 32. Gross Income. -**

39
40 XXX XXX XXX

41
42 **(B) Exclusions from Gross Income. -** The following items shall not be
43 included in gross income and shall be exempt from taxation under this
44 Title;

45
46 XXX XXX XXX

47
48 **(7) Miscellaneous Items. -**

1 XXX XXX XXX

2
3 ~~[(g) Gains from the Sale of Bonds, Debentures or other Certificate~~
4 ~~of Indebtedness. - Gains realized from the same or exchange or~~
5 ~~retirement of bonds, debentures or other certificate of indebtedness~~
6 ~~with a maturity of more than five (5) years.]~~
7

8 (G) INTEREST INCOME FROM, AND GAINS FROM THE SALE,
9 TRANSFER, OR DISPOSITION OF, PROJECT SPECIFIC BONDS
10 THAT ARE ISSUED TO FINANCE CAPITAL EXPENDITURES OR
11 PROGRAMS COVERED BY THE PHILIPPINE DEVELOPMENT PLAN
12 OR ITS EQUIVALENT AND OTHER GOVERNMENT PROGRAMS
13 CONSIDERED TO BE OF HIGH-LEVEL PRIORITY OF THE
14 COUNTRY, PROVIDED THAT, THE EXEMPTION SHALL BE UPON
15 THE APPROVAL BY THE SECRETARY OF FINANCE.
16

17 (h) *Gains from Redemption of Shares OR UNITS OF PARTICIPATION*
18 *in Mutual-Fund COLLECTIVE INVESTMENT SCHEMES* - Gains
19 realized by the investor upon redemption, of shares of stock OR UNITS
20 OF PARTICIPATION IN A COLLECTIVE INVESTMENT SCHEME AS
21 DEFINED UNDER SECTION 22 OF THIS CODE.
22

23 FOR PURPOSES OF THIS EXEMPTION, A COLLECTIVE
24 INVESTMENT SCHEME SHALL HAVE AT LEAST 1,000 OWNERS,
25 INVESTORS, OR PARTICIPANTS, AND THAT THE MINIMUM PUBLIC
26 OWNERSHIP AS MAY BE REQUIRED BY APPROPRIATE
27 GOVERNMENT AGENCIES SHALL BE COMPLIED WITH.
28

29 XXX XXX XXX

30
31 **SEC. 11.** Section 34(B) and (E) of the National Internal Revenue Code of 1997,
32 as amended, is hereby further amended to read as follows:
33

34 **SEC. 34. Deductions from Gross Income.** - Except for taxpayers
35 earning compensation income arising from personal services rendered
36 under an employer-employee relationship where no deductions shall be
37 allowed under this Section, in computing taxable income subject to
38 income tax under Sections 24(A); 25(A); 26; 27(A), (B) and (C); and
39 28(A)(1), there shall be allowed the following deductions from gross
40 income:
41

42 **(A) Expenses.** -

43 **(1) Ordinary and Necessary Trade, Business or Professional**
44 **Expenses.** -
45

46 **(a) In General.** - There shall be allowed as deduction from gross
47 income all the ordinary and necessary expenses paid or incurred during
48 the taxable year in carrying on or which are directly attributable to, the

development, management, operation and/or conduct of the trade, business or exercise of a profession, including:

XXX XXX XXX

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

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

(D) EXPENSES RELATED TO INCOME NOT SUBJECT TO REGULAR TAX AND/OR EXEMPT INCOME. – NO DEDUCTION FROM GROSS INCOME SHALL BE ALLOWED UNDER SUBSECTION (A) HEREOF, ANY EXPENSE RELATED TO, OR IN CONNECTION WITH, THE GENERATION OF INCOME NOT SUBJECT TO SECTIONS 24(A), 25(A)(1), 27(A) AND (B), AND 28(A) OR ANY INCOME EXEMPT FROM INCOME TAX UNDER TITLE II OF THIS CODE. FOR EXPENSES THAT CANNOT BE SPECIFICALLY IDENTIFIED OR ARE COMMON, THE SECRETARY OF FINANCE SHALL PROVIDE IN A REGULATION A REASONABLE METHOD OF ALLOCATION BETWEEN OR AMONG INCOME SUBJECT TO REGULAR TAX UNDER SECTIONS 24(A), 25(A)(1), 27(A) AND (B) AND 28(A), EXEMPT INCOME, AND INCOME SUBJECT TO SPECIAL RATES, TAKING INTO CONSIDERATION SPECIFIC UNITS OF MEASUREMENT SUCH AS AREA, MANPOWER, BENEFIT RECEIVED, RISKS ASSUMED, AND OTHER CRITERIA.

XXX XXX XXX

(B) Interest. –

(1) In General. – The amount of interest paid or incurred within a taxable year on indebtedness in connection with the taxpayer's profession, trade or business shall be allowed as deduction from gross income: *Provided, however,* That the taxpayer's otherwise allowable deduction for interest expense shall be reduced by forty-two percent (42%) of the interest income subjected to final tax: *Provided, That*

effective January 1, 2009, the percentage shall be thirty-three percent (33%). **PROVIDED FURTHER, THAT EFFECTIVE JANUARY 1, 2019, THE PERCENTAGE SHALL BE FIFTY PERCENT (50%).**

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

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

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

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

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

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

XXX XXX XXX

(E) Bad Debts. -

(1) In General. - Debts due to the taxpayer actually ascertained to be worthless and charged off within the taxable year except those not connected with profession, trade or business and those sustained in a transaction entered into between parties mentioned under Section 36(B) of this Code: *Provided*, That recovery of bad debts previously allowed as deduction in the preceding years shall be included as part of the gross income in the year of recovery to the extent of the income tax benefit of said deduction.

(2) Securities Becoming Worthless. - If securities, as defined in Section 22(T), are ascertained to be worthless and charged off within the taxable year and are capital assets, the loss resulting therefrom

1 shall, in the case of a taxpayer other than a bank, A [or] trust company
2 ~~OR OTHER FINANCIAL INTERMEDIARY incorporated under the laws of~~
3 ~~the Philippines a substantial part of whose business is the receipt of~~
4 ~~deposits, for the purpose of this Title, be considered as a loss from the~~
5 ~~sale or exchange~~ **OF CAPITAL ASSETS**, on the last day of such taxable
6 ~~year[, of capital assets].~~ **SECURITIES HELD BY A DEALER IN**
7 **SECURITIES OR AN ENTITY LICENSED BY THE APPROPRIATE**
8 **REGULATORY AGENCY TO BUY AND SELL IN SECURITIES**
9 **INCLUDING BANKS, AND OTHER FINANCIAL INTERMEDIARIES**
10 **SHALL BE CONSIDERED AN ORDINARY ASSET AND SECURITIES**
11 **HELD THAT ARE ASCERTAINED TO BE WORTHLESS SHALL BE**
12 **CONSIDERED AN ORDINARY LOSS ALLOWED AS DEDUCTION**
13 **FROM TAXABLE INCOME.**

14
15 XXX XXX XXX

16
17 **SEC. 12.** Section 37(B) of the National Internal Revenue Code of 1997, as
18 amended, is hereby amended to read as follows:

19
20 **SEC. 37. *Special Provisions Regarding Income and Deductions of***
21 ***Insurance Companies, Whether Domestic or Foreign. -***

22
23 **(A) *Special Deductions Allowed to Insurance Companies.*** - In the
24 case of insurance companies, whether domestic or foreign doing
25 business in the Philippines, the net additions, if any, required by law to
26 be made within the year to reserve funds and the sums, other than
27 dividends, paid within the year on policy and annuity contracts may be
28 deducted from their gross income: *Provided, however,* That the released
29 reserve be treated as income for the year of release.

30
31 **(B) *Mutual Insurance Companies.*** - In the case of mutual LIFE, fire
32 and mutual employers' liability and mutual workmen's compensation
33 and mutual casualty insurance companies requiring their members to
34 make premium deposits to provide for losses and expenses, said
35 companies shall not INCLUDE [return] as income any portion of the
36 premium deposits returned to their policyholders, but shall INCLUDE
37 [return] as taxable income all income received by them from all other
38 sources plus such portion of the premium deposits as are retained by
39 the companies for purposes other than the payment of losses and
40 expenses and reinsurance reserves.

41
42 XXX XXX XXX

43
44 **SEC. 13.** Section 38 (A) of the National Internal Revenue Code of 1997, as
45 amended, is hereby amended to read as follows:

1
2 **SEC. 38. Losses from Wash Sales of Stock or Securities. -**
3

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

19
20 XXX XXX XXX

21
22 **SEC. 14.** Section 39 of the National Internal Revenue Code of 1997, as
23 amended, is hereby amended to read as follows:

24
25 **SEC. 39. Capital Gains and Losses. -**
26

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

29 XXX XXX XXX
30

31 ~~**(B) Percentage Taken Into Account. -** In the case of a taxpayer, other~~
32 ~~than a corporation, only the following percentages of the gain or loss~~
33 ~~recognized upon the sale or exchange of a capital asset shall be taken~~
34 ~~into account in computing net capital gain, net capital loss, and net~~
35 ~~income:~~
36

37 ~~(1) One hundred percent (100%) if the capital asset has been held for~~
38 ~~not more than twelve (12) months; and~~
39

40 ~~(2) Fifty percent (50%) if the capital asset has been held for more than~~
41 ~~twelve (12) months;~~
42

43 **(C) (B) Limitation on Capital Losses. -** Losses from sales or exchanges
44 of capital assets shall be allowed only to the extent of the gains from
45 such sales or exchanges. If a bank, [or] A trust company **IF A DEALER**
46 **IN SECURITIES OR OTHER ENTITIES OR FINANCIAL**
47 **INTERMEDIARIES DULY LICENSED BY THE APPROPRIATE**
48 **REGULATORY AGENCY TO TRADE IN SECURITIES**, sells any bond,
49 debenture, note, or certificate or other evidence of indebtedness issued

1 by any corporation (including one issued by a government or political
2 subdivision thereof), with interest coupons or in registered form, any
3 loss resulting from such sale shall not be subject to the foregoing
4 limitation and shall not be included in determining the applicability of
5 such limitation to other losses.

6
7 ~~(D) Net Capital Loss Carry-over.~~ - If any taxpayer, other than a
8 corporation, sustains in any taxable year a net capital loss, such loss
9 (in an amount not in excess of the net income for such year) shall be
10 treated in the succeeding taxable year as a loss from the sale or
11 exchange of a capital asset held for not more than twelve (12) months.

12
13 XXX XXX XXX

14
15 ~~[(F) Gains or Losses from Short Sales, Etc.]~~ - For purposes of this
16 Title-

17
18 (1) Gains or losses from short sales of property shall be considered as
19 gains or losses from sales or exchanges of capital assets; and

20
21 (2) Gains or losses attributable to the failure to exercise privileges or
22 options to buy or sell property shall be considered as capital gains or
23 losses.]

24
25 **SEC. 15.** Section 42(A)(2) and (B)(2) of the National Internal Revenue Code of
26 1997, as amended, is hereby amended to read as follows:

27
28 **SEC. 42. Income from Sources Within the Philippines. -**

29
30 **(A) Gross Income From Sources Within the Philippines. -** The
31 following items of gross income shall be treated as gross income from
32 sources within the Philippines:

33
34 **(1) Interests. -** Interests **AND YIELD** derived from sources within the
35 Philippines, and interests **FROM DEBT INSTRUMENTS, BANK**
36 **DEPOSIT, DEPOSIT SUBSTITUTES, AND SIMILAR ARRANGEMENTS**
37 **SUCH AS** bonds, notes or other interest-bearing obligations of
38 residents, corporate or otherwise, **INCLUDING DEBT INSTRUMENTS**
39 **OR DEBT SECURITIES ISSUED BY THE GOVERNMENT OR ANY OF**
40 **ITS AGENCIES OR INSTRUMENTALITIES;**

41
42 **(2) Dividends. -** The amount received as dividends:

43
44 (a) From a domestic corporation; and

45
46 (b) From a foreign corporation [~~unless less~~] **WITH MORE** than fifty
47 percent (50%) of the gross income of such foreign corporation for the
48 three-year period ending with the close of its taxable year preceding the
49 declaration of such dividends (or for such part of such period as the

corporation has been in existence) was derived from sources within the Philippines as determined under the provisions of this Section; but only in an amount which bears the same ratio to such dividends as the gross income of the corporation for such period derived from sources within the Philippines bears to its gross income from all sources;

XXX XXX XXX

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

(1) General Rule. -

XXX XXX XXX

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

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

SEC. 51. Individual Return. -

XXX XXX XXX

(C) When to File. -

(1) The return of any individual specified above shall be filed on or before the fifteenth (15th) day of April of each year covering income for the preceding taxable year.

(2) Individuals subject to tax on capital gains:

(a) From the sale or exchange of shares of stock **OR DEBT INSTRUMENTS AND OTHER SECURITIES** not traded thru a local stock exchange as prescribed under Section 24(C)(B) (3) and (4), 25(A)(1), shall file a return within thirty (30) days after each transaction. ~~and a final consolidated return on or before April 15 of each year covering all stock transactions of the preceding taxable year; and~~

(B) FROM THE SALE, EXCHANGE, OR BARTER OF SHARES OF STOCK OR DEBT INSTRUMENTS AND OTHER SECURITIES TRADED THRU A LOCAL STOCK EXCHANGE OR ORGANIZED MARKET AS PRESCRIBED UNDER SECTION 24(B)(3) AND (4), THE

1 TAX SHALL BE COLLECTED BY THE STOCK BROKER WHO
2 EFFECTED THE SALE AND SHALL REMIT THE SAME TO THE
3 BUREAU OF INTERNAL REVENUE WITHIN FIVE (5) BANKING DAYS
4 FROM THE DATE OF COLLECTION THEREOF AND TO SUBMIT ON
5 MONDAYS OF EACH WEEK TO THE SECRETARY OF THE STOCK
6 EXCHANGE, OF WHICH HE IS A MEMBER, A TRUE AND COMPLETE
7 RETURN WHICH SHALL CONTAIN A DECLARATION OF ALL THE
8 TRANSACTIONS EFFECTED THROUGH HIM DURING THE
9 PRECEDING WEEK AND OF TAXES COLLECTED BY HIM AND
10 TURNED OVER TO THE BUREAU OF INTERNAL REVENUE.

11
12 (b) (C) From the sale or disposition of real property under Section 24(D)
13 shall file a return within thirty (30) days following each sale or other
14 disposition.

15
16 **SEC. 17.** Section 52(D) of the National Internal Revenue Code of 1997, as
17 amended, is hereby amended to read as follows:

18
19 **SEC. 52. Corporation Returns. -**

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

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

39
40 *Provided, That the foregoing provisions shall not affect the*
41 *implementation of Republic Act No. 10708 or TIMTA.*

42
43 XXX XXX XXX

44
45 **(D) Return on Capital Gains Realized from Sale of Shares of Stock,**
46 **DEBT INSTRUMENT, AND OTHER SECURITIES not Traded in the**
47 **Local Stock Exchange. -** Every corporation deriving capital gains from
48 the sale or exchange of shares of stock not traded thru a local stock
49 exchange as prescribed under SECTION 27(D)(3)(a) and (4(a), Sections

24(C), 25(A)(3), 27(E)(2), 28(A)(8)(e) and 28(B)(5)(e), shall file a return within thirty (30) days after **THE END OF THE MONTH FOLLOWING THE** {each} transaction and a final consolidated return of all transactions during the taxable year on or before the fifteenth (15th) day of the fourth (4th) month following the close of the taxable quarter.

(E) RETURN ON CAPITAL GAINS REALIZED FROM SALE OF SHARES OF STOCK, DEBT INSTRUMENTS, AND OTHER SECURITIES LISTED IN THE LOCAL STOCK EXCHANGE. - IT SHALL BE THE DUTY OF EVERY STOCK BROKER WHO EFFECTED THE SALE SUBJECT TO THE TAX IMPOSED UNDER SECTION 27(D)(3) AND (4) TO COLLECT THE TAX DUE AND REMIT THE SAME TO THE BUREAU OF INTERNAL REVENUE WITHIN FIVE (5) BANKING DAYS FROM THE DATE OF COLLECTION THEREOF AND TO SUBMIT ON MONDAYS OF EACH WEEK TO THE SECRETARY OF THE STOCK EXCHANGE, OF WHICH HE IS A MEMBER, A TRUE AND COMPLETE RETURN WHICH SHALL CONTAIN A DECLARATION OF ALL THE TRANSACTIONS EFFECTED THROUGH HIM DURING THE PRECEDING WEEK AND OF TAXES COLLECTED BY HIM AND TURNED OVER TO THE BUREAU OF INTERNAL REVENUE.

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

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

THE TRUSTOR, NOT THE TRUSTEE, IN A REVOCABLE TRUST SHALL BE RESPONSIBLE IN FILING THE RETURNS REQUIRED UNDER THIS CODE AND DECLARE THE INCOME RECEIVED FROM THE TRUST IN ACCORDANCE WITH SECTIONS 24, 25, 26 AND 27 OF THIS CODE. INCOME OF THE TRUST SUBJECTED TO FINAL TAX UNDER SECTIONS 24, 25, 27 AND 28 OF THE SAME CODE SHALL NO LONGER BE SUBJECT TO TAX UPON DISTRIBUTION OF

1 THE INCOME TO THE TRUSTOR OR BENEFICIARY, NOR SHALL
2 THE TRUSTOR OR BENEFICIARY BE REQUIRED TO DECLARE THE
3 INCOME AS PART OF ITS TAXABLE INCOME.
4

5 ANY INCOME OF A REVOCABLE TRUST NOT SUBJECTED TO FINAL
6 TAX MAY BE SUBJECT TO A FINAL WITHHOLDING TAX UPON
7 DISTRIBUTION OF THE INCOME TO THE TRUSTOR OF
8 BENEFICIARY AT A RATE NOT EXCEEDING THE HIGHEST RATE
9 OF TAX IMPOSED ON INDIVIDUALS UNDER SECTION 24 IN THE
10 CASE OF INDIVIDUAL TRUSTORS, OR THE CORPORATE INCOME
11 TAX IN THE CASE OF CORPORATE TRUSTORS. SUCH TAX
12 WITHHELD SHALL BE CONSIDERED A FINAL TAX.
13

14 **SEC. 19.** Section 56 of the National Internal Revenue Code of 1997, as
15 amended, is hereby amended to read as follows:
16

17 **SEC. 56. *Payment and Assessment of Income Tax for Individuals***
18 ***and Corporations. -***
19

20 **(A) *Payment of Tax. -***
21

22 XXX XXX XXX
23

24 **(3) *Payment of Capital Gains Tax. -***
25

26 **A. IN GENERAL** - The total amount of tax imposed and prescribed
27 under Section 24(D), 25(A) AND (B), 28(A) [~~and 28(B)(5)(e)~~] shall be paid
28 on the date the return prescribed therefor is filed by the person liable
29 thereto: *Provided*, That if the seller submits proof of his intention to
30 avail himself of the benefit of exemption of capital gains under existing
31 special laws **OR TAX TREATY**, no such payments shall be required:
32 *Provided, further*, That in case of failure to qualify for exemption under
33 such special laws, **TAX TREATY** and implementing rules and
34 regulations, the tax due on the gains realized from the original
35 transaction shall immediately become due and payable, and subject to
36 the penalties prescribed under applicable provisions of this Code:
37 *Provided, finally*, That if the seller, having paid the tax, submits such
38 proof of intent within six (6) months from the registration of the
39 document transferring the real property, he shall be entitled to a refund
40 of such tax upon verification of his compliance with the requirements
41 for such exemption.
42

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

46 **SEC. 57. *Withholding of Tax at Source. -***
47

48 **(A) *Withholding of Final Tax on Certain Incomes. -*** Subject to rules
49 and regulations the Secretary of Finance may promulgate, upon the

1 recommendation of the Commissioner, requiring the filing of income tax
2 return by certain income payees, the tax imposed or prescribed by
3 **UNDER Sections 24(B), 24(C) AND 24(D); 25(A);(2), 25(A)(3) AND**
4 **25(B), 25(C), 25(D), 25(E); 27(D)(1), 27(D)(2), 27(D)(3), 27(D)(5); 28(A)(4),**
5 **28(A)(5), 28(A)(7)(a), 28(A)(7)(b), 28(A)(7)(e), 28(B)(1), 28(B)(2), 28(B)(3),**
6 **28(B)(4), 28(B)(5)(a), 28(B)(5)(b), 28(B)(5)(e); 33; and 282 of this Code on**
7 **specified items of income SUBJECT TO FINAL TAX** shall be withheld
8 by payor-corporation and/or person and paid in the same manner and
9 subject to the same conditions as provided in Section 58 of this Code.

10
11 (B) XXX XXX XXX

12
13 ~~[(C) Tax-free Covenant Bonds. — In any case where bonds, mortgages,~~
14 ~~deeds of trust or other similar obligations of domestic or resident~~
15 ~~foreign corporations, contain a contract or provision by which the~~
16 ~~obligor agrees to pay any portion of the tax imposed in this Title~~
17 ~~upon the obligee or to reimburse the obligee for any portion of the~~
18 ~~tax or to pay the interest without deduction for any tax which the~~
19 ~~obligor may be required or permitted to pay thereon or to retain~~
20 ~~therefrom under any law of the Philippines, or any state or country,~~
21 ~~the obligor shall deduct and withhold a tax equal to TEN thirty~~
22 ~~percent (10%) of the interest or other payments upon those bonds,~~
23 ~~mortgages, deeds of trust or other obligations, whether the interest~~
24 ~~or other payments are payable annually or at shorter or longer~~
25 ~~periods, and whether the bonds, securities or obligations had been~~
26 ~~or will be issued or marketed, and the interest or other payment~~
27 ~~thereon paid, within or without the Philippines, if the interest or~~
28 ~~other payment is payable to a nonresident alien or to a citizen or~~
29 ~~resident of the Philippines.]~~
30

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

33
34 **SEC. 73. Distribution of Dividends or Assets by Corporations. —**

35
36 **(A) Definition of Dividends. —** The term 'dividends' when used in this
37 Title means any distribution made by a corporation to its shareholders
38 out of its earnings or profits and payable to its shareholders, whether
39 in money or in other property.

40
41 Where a corporation distributes all of its assets in complete liquidation
42 or dissolution, the gain realized or loss sustained by the stockholder,
43 whether individual or corporate, is a taxable income or a deductible
44 loss, **UNDER SECTIONS 24(A), 25(A), 25(B), 27(A) AND 28(A)**, as the
45 case may be.

46
47 **(B) Stock Dividend. —** A stock dividend representing the transfer of
48 surplus to capital account shall not be subject to tax. However, if a
49 corporation cancels or redeems stock issued as a dividend at such time

1 and in such manner as to make the distribution and cancellation or
2 redemption, in whole or in part, essentially equivalent to the
3 distribution of a taxable dividend, the amount so distributed in
4 redemption or cancellation of the stock shall be considered as taxable
5 income to the extent that it represents a distribution of earnings or
6 profits.

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

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

13
14 **(A) Rate and Base of Tax. - XX XX XX**

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

42
43 XX XX XX

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

47
48 **SEC. 121. Tax on Banks and Non-Bank Financial Intermediaries**
49 **Performing Quasi-Banking Functions. -** There shall be collected a

1 tax on gross receipts derived from sources within the Philippines by all
2 banks and non-bank financial intermediaries **PERFORMING QUASI-**
3 **BANKING FUNCTIONS AT THE RATE OF 5% ON INCOME SUCH AS**
4 **INTEREST, COMMISSIONS, AND DISCOUNTS FROM LENDING**
5 **ACTIVITIES AS WELL AS INCOME FROM FINANCIAL LEASING,**
6 **ROYALTIES, RENTALS OF PROPERTY, REAL OR PERSONAL,**
7 **PROFITS FROM SALE OR EXCHANGE INCLUDING GAINS DERIVED**
8 **FROM SALE OR TRANSFER OF REAL PROPERTIES, NET TRADING**
9 **GAINS WITHIN THE TAXABLE YEAR OF FOREIGN CURRENCY,**
10 **DEBT SECURITIES, DERIVATIVES, AND OTHER SIMILAR**
11 **FINANCIAL INSTRUMENTS, AND ALL OTHER ITEMS TREATED AS**
12 **GROSS INCOME UNDER SECTION 32 OF THIS CODE, EXCEPT**
13 **DIVIDENDS AND EQUITY SHARES AND NET INCOME OF**
14 **SUBSIDIARIES WHICH SHALL BE SUBJECT TO 0%. [in accordance**
15 **with the following schedule:**

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

20
21 Maturity period is five years or less 5%

22
23 Maturity period is more than five years 1%

24
25 ~~(b) On dividends and equity shares and net income of subsidiaries~~
26 ~~..... 0%~~

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

31
32 ~~(d) On net trading gains within the taxable year of foreign currency, debt~~
33 ~~securities, derivatives, and other similar financial~~
34 ~~instruments 7%~~

35
36 ~~Provided, however, That in case the maturity period referred to in~~
37 ~~paragraph (a) is shortened thru pretermination, then the maturity~~
38 ~~period shall be reckoned to end as of the date of pretermination for~~
39 ~~purposes of classifying the transaction and the correct rate of tax shall~~
40 ~~be applied accordingly.]~~

41
42 ~~Provided, That~~ **FOR PURPOSES OF COMPUTING THE GROSS**
43 **RECEIPTS,** the generally accepted accounting principles **OF**
44 **RECORDING INCOME AS ADOPTED BY THE BANK SHALL BE**
45 **FOLLOWED. BANKS ON ACCRUAL BASIS OF FINANCIAL**
46 **REPORTING SHALL USE THE ACCRUAL METHOD IN COMPUTING**
47 **THE GROSS RECEIPTS, PROVIDED THAT, ONCE ADOPTED, IT**
48 **SHALL BE CONSISTENT FROM YEAR TO YEAR. PROVIDED**
49 **FURTHER THAT FOR PURPOSES OF DETERMINING THE GROSS**

1 RECEIPTS, NO DEDUCTION SHALL BE MADE ON THE INCOME
2 EXCEPT IN THE CASE OF GAINS FROM DEALINGS IN PROPERTY
3 AND TRADING GAINS, WHERE NET LOSS WITHIN THE SAME
4 BUSINESS ACTIVITY CAN BE OFFSET TO DETERMINE THE NET
5 GAIN SUBJECT TO THIS TAX. PROVIDED, FURTHER, THAT SUCH
6 OFFSETTING SHALL BE ON A MONTHLY BASIS, AND ANY NET
7 LOSS INCURRED IN A MONTH CAN BE CARRIED OVER AS
8 DEDUCTION IN THE SUCCEEDING MONTH/S. PROVIDED FINALLY,
9 THAT NET LOSS INCURRED IN A TAXABLE YEAR CANNOT BE
10 CARRIED OVER TO THE SUCCEEDING TAXABLE YEAR.

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

16
17 XXX XXX XXX

18
19 **SEC. 24.** Section 122 of the National Internal Revenue Code of 1997, as
20 amended, is hereby amended to read as follows:

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

42
43 Maturity is five years or less 5%

44
45 Maturity period is more than five years 1%

46
47 ~~**Provided, however, That in case the maturity period is shortened**~~
48 ~~**thru pretermination, then the maturity period shall be reckoned to**~~
49 ~~**end as of the date of pretermination for purposes of classifying the**~~

1 ~~transaction and the correct rate of tax shall be applied~~
2 ~~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 FUND, 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 TO VAT IMPOSED UNDER TITLE IV
24 OF THIS CODE. FOR PURPOSES OF THIS EXEMPTION, A CIS
25 SHALL HAVE AT LEAST 1,000 OWNERS, INVESTORS OR
26 PARTICIPANTS, AND THAT THE MINIMUM PUBLIC OWNERSHIP AS
27 MAY BE REQUIRED BY APPROPRIATE GOVERNMENT AGENCIES
28 SHALL BE COMPLIED WITH.

29
30 IF A PERSON OR COMPANY NOT LICENSED TO DO FINANCIAL
31 INTERMEDIATION BUT ENGAGES IN FINANCIAL INTERMEDIATION
32 SERVICES AS AN INCIDENT TO ITS MAIN BUSINESS ACTIVITY,
33 AND RECEIVING INCOME THEREFROM, SUCH INCOME FROM
34 FINANCIAL INTERMEDIATION SHALL BE SUBJECT TO THE TAX
35 IMPOSED ON ITS PRINCIPAL ACTIVITY. TO BE CONSIDERED
36 INCIDENTAL, THE INCOME FROM INTERMEDIATION SERVICES
37 SHALL NOT EXCEED 5% OF ITS TOTAL ANNUAL INCOME. IF MORE
38 THAN 5%, WITH AT LEAST SIX (6) TRANSACTIONS ENTERED INTO
39 DURING THE YEAR, THE TOTAL INCOME FROM FINANCIAL
40 INTERMEDIATION SHALL BE SUBJECT TO TAX UNDER THIS SUB-
41 SECTION.

42
43 IN-HOUSE LENDING OR SELLER FINANCING SHALL NOT BE
44 SUBJECT TO TAX UNDER THIS SUBSECTION. ANY INCOME
45 EARNED OR RECEIVED FROM IN-HOUSE LENDING OR SELLER
46 FINANCING SHALL BE SUBJECT TO THE SAME TAX APPLICABLE
47 TO THE PRINCIPAL BUSINESS ACTIVITY OR TRANSACTION.
48

1 **HOLDING COMPANIES SHALL BE SUBJECT TO EITHER VAT OR**
2 **GRT DEPENDING ON THE NATURE OF ITS BUSINESS ACTIVITIES.**
3 **IF DOING FINANCING AND OTHER SIMILAR ACTIVITIES, IT IS**
4 **SUBJECT TO GRT UNDER THIS SECTION. INCOME DERIVED FROM**
5 **THE SALE OF GOODS, PROPERTIES AND OTHER SERVICES SHALL**
6 **BE SUBJECT TO VAT UNDER SECTION 105 OF THIS CODE.**

7
8 ~~*(Provided finally, That the generally accepted accounting principles as*~~
9 ~~*may be prescribed by the Securities and Exchange Commission for*~~
10 ~~*other non-bank financial intermediaries shall likewise be the basis for*~~
11 ~~*the calculation of gross receipts.)*~~
12

13 Nothing in this Code shall preclude the Commissioner from imposing
14 the same tax herein provided on persons performing similar ~~(financing)~~
15 **FINANCIAL INTERMEDIATION** activities.

16
17 **SEC. 25.** Section 123 of the National Internal Revenue Code of 1997, as
18 amended, is hereby amended to read as follows:
19

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

26
27 (A) For life insurance including health insurance as a rider to life
28 insurance policy, a tax of two percent (2%) of the total premium
29 collected, whether such premiums are paid in money, notes, credits or
30 any substitute for money; but premiums refunded within six (6) months
31 after payment on account of rejection of risk or returned for other
32 reason to a person insured shall not be included in the taxable receipts;
33 nor shall any tax be paid upon reinsurance by a company **IF THE TAX**
34 ~~that~~ has already **BEEN** paid ~~(the tax)~~ **ON THE DIRECT PREMIUM;** nor
35 upon premiums collected or received by any branch of a domestic
36 corporation, firm or association doing business outside the Philippines
37 on account of any life insurance of the insured who is a nonresident, if
38 any tax on such premium is imposed by the foreign country where the
39 branch is established; nor upon premiums collected or received on
40 account of any reinsurance, if the insured, in case of personal
41 insurance, resides outside the Philippines, if any tax on such premiums
42 is imposed by the foreign country where the original insurance has been
43 issued or perfected; nor upon that portion of the premiums collected or
44 received by the insurance companies on variable contracts **IN A**
45 **COLLECTIVE INVESTMENT SCHEME OR CIS,** in excess of the
46 amounts necessary to insure the lives of the variable contract owners.
47 **PROVIDED THAT THE CIS SHALL HAVE AT LEAST 1,000 OWNERS,**
48 **INVESTORS OR PARTICIPANTS, AND THAT ANY MINIMUM PUBLIC**

1 OWNERSHIP AS MAY BE REQUIRED BY APPROPRIATE
2 GOVERNMENT AGENCIES SHALL BE COMPLIED WITH.

3
4 PERSONS DOING BUSINESS SIMILAR OR AKIN TO LIFE AND
5 HEALTH INSURANCE SUCH AS PRE-NEED COMPANIES, PENSION
6 FUND COMPANIES, HEALTH MAINTENANCE ORGANIZATIONS AND
7 OTHER COMPANIES SIMILAR TO LIFE INSURANCE, AS MAY BE
8 DETERMINED BY THE APPROPRIATE REGULATORY
9 GOVERNMENT AGENCY, SHALL BE SUBJECT TO TAX UNDER THIS
10 SUB-SECTION AT THE RATE OF TWO PERCENT (2%) OF THE
11 GROSS PREMIUM, PLAN PAYMENT, OR INSTALLMENT PAYMENTS
12 COLLECTED WITHOUT ANY DEDUCTION FOR THE AMOUNTS
13 REQUIRED BY THE APPROPRIATE REGULATORY AGENCY TO BE
14 EARMARKED FOR THE BENEFIT OF THE INSURED, OR
15 PLANHOLDER.

16
17 NOTHING IN THIS CODE SHALL PRECLUDE THE COMMISSIONER
18 FROM IMPOSING THE SAME TAX HEREIN PROVIDED ON PERSONS
19 PERFORMING SIMILAR INSURANCE BUSINESS ACTIVITIES.

20
21 (B) FOR NON-LIFE INSURANCE INCLUDING FIRE, PROPERTY,
22 MOTOR VEHICLE, MARINE, AND OTHER TYPES OF NON-LIFE
23 INSURANCE (EXCEPT COOPERATIVE INSURANCE COMPANIES), A
24 TAX OF FIVE PERCENT (5%) OF THE TOTAL PREMIUM
25 COLLECTED SHALL BE PAID, WHETHER SUCH PREMIUMS ARE
26 PAID IN MONEY, NOTES, CREDITS, OR ANY SUBSTITUTE FOR
27 MONEY; BUT PREMIUMS REFUNDED WITHIN SIX (6) MONTHS
28 AFTER PAYMENT ON ACCOUNT OF REJECTION OF RISK OR
29 RETURNED FOR OTHER REASON TO A PERSON INSURED SHALL
30 BE DEDUCTED FROM THE GROSS RECEIPTS ON THE MONTH IT
31 IS REFUNDED. NO TAX SHALL BE PAID UPON PREMIUMS ON
32 REINSURANCE IF THE TAX HAS ALREADY BEEN PAID ON THE
33 DIRECT PREMIUM; NOR UPON PREMIUMS COLLECTED OR
34 RECEIVED BY ANY BRANCH OF A DOMESTIC CORPORATION,
35 FIRM OR ASSOCIATION DOING BUSINESS OUTSIDE THE
36 PHILIPPINES ON ACCOUNT OF ANY NON-LIFE INSURANCE OF THE
37 INSURED WHO IS A NONRESIDENT, IF ANY TAX ON SUCH
38 PREMIUM IS IMPOSED BY THE FOREIGN COUNTRY WHERE THE
39 BRANCH IS ESTABLISHED; NOR UPON PREMIUMS COLLECTED OR
40 RECEIVED ON ACCOUNT OF ANY REINSURANCE, IF THE INSURED
41 RESIDES OUTSIDE THE PHILIPPINES, AND IF ANY TAX ON SUCH
42 PREMIUMS IS IMPOSED BY THE FOREIGN COUNTRY WHERE THE
43 ORIGINAL INSURANCE HAS BEEN ISSUED OR PERFECTED;

44
45 (C) PERSONS DOING BUSINESS SIMILAR OR AKIN TO NON-LIFE
46 INSURANCE AS MAY BE DETERMINED BY THE APPROPRIATE
47 GOVERNMENT REGULATORY AGENCY SHALL BE SUBJECT TO
48 TAX UNDER THIS SUB-SECTION AS A NON-LIFE INSURANCE
49 COMPANY.

1
2 **NOTHING IN THIS CODE SHALL PRECLUDE THE COMMISSIONER**
3 **FROM IMPOSING THE SAME TAX HEREIN PROVIDED ON PERSONS**
4 **PERFORMING SIMILAR NON-LIFE INSURANCE BUSINESS**
5 **ACTIVITIES.**

6
7 **REINSURANCE COMPANIES, WHETHER LIFE OR NON-LIFE, SHALL**
8 **BE SUBJECT TO PREMIUM TAX ON PREMIUMS COLLECTED**
9 **UNDER SUB-SECTIONS A OR B DEPENDING ON THE NATURE OF**
10 **THE INSURANCE ON WHICH THE INCOME ARISE. HOWEVER,**
11 **PREMIUMS COLLECTED WHERE THE TAX ON THE DIRECT**
12 **PREMIUM HAS ALREADY BEEN PAID BY THE DIRECT INSURER**
13 **SHALL BE EXCLUDED FROM THE GROSS PREMIUM SUBJECT TO**
14 **PREMIUM TAX. FOR THE PURPOSE OF CLAIMING EXEMPTION, A**
15 **CERTIFICATION IN A FORM TO BE PRESCRIBED IN A**
16 **REGULATION, ISSUED BY THE DIRECT INSURER THAT THE TAX**
17 **THEREON HAS ALREADY BEEN PAID, SHALL BE ATTACHED TO**
18 **THE QUARTERLY PREMIUM TAX RETURN TO BE FILED. ANY**
19 **MISREPRESENTATION SHALL SUBJECT THE DIRECT INSURER TO**
20 **PENALTIES UNDER SECTIONS 248, 253, 254, 255, 256, AND 257**
21 **OF THIS CODE.**

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

34
35 **A VARIABLE INSURANCE CONTRACT WHERE AMOUNTS IN**
36 **EXCESS OF INSURANCE COSTS ARE COLLECTED AS PART OF THE**
37 **PREMIUM AND WHERE UNITS OF PARTICIPATION IN A POOLED**
38 **FUND ARE ISSUED TO THE INSURED REPRESENTING ITS SHARE**
39 **IN THE POOLED FUNDS, IS A COLLECTIVE INVESTMENT SCHEME.**
40 **THE AMOUNTS OF PREMIUM COLLECTED IN EXCESS OF THE**
41 **INSURANCE COST IS NOT SUBJECT TO PREMIUM TAX UNDER**
42 **THIS SECTION AND TO THE GROSS RECEIPTS TAX IMPOSED**
43 **UNDER SECTIONS 121 AND 122, OR TO ANY PERCENTAGE TAX**
44 **IMPOSED UNDER TITLE V AND TO VAT UNDER SECTION 105,**
45 **TITLE IV OF THIS CODE.**

46
47 **SEC. 26.** Section 127 of the National Internal Revenue Code of 1997, as
48 amended, is hereby amended and deleted:
49

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

~~(A) Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange.~~ — There shall be levied, assessed and collected on every sale, barter, exchange, or other disposition of shares of stock listed and traded through the local stock exchange other than the sale by a dealer in securities, a tax at the rate of one-half of one percent ($\frac{1}{2}$ of 1%) of the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed which shall be paid by the seller or transferor.]

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

Up to twenty five percent (25%) 4%

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

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

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

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

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

~~(1) Stock Not Owned by Individuals.~~ — Stock owned directly or indirectly by or for a corporation, partnership, estate or trust shall be

1 considered as being owned proportionately by its shareholders,
2 partners or beneficiaries.

3
4 **(2) Family and Partnership Ownerships.** — An individual shall be
5 considered as owning the stock owned directly or indirectly, by or for
6 his family, or by or for his partner. For purposes of the paragraph, the
7 **'family of an individual'** includes only his brothers and sisters
8 (whether by whole or half blood), spouse, ancestors and lineal
9 descendants.

10
11 **(3) Option.** — If any person has an option to acquire stock, such stock
12 shall be considered as owned by such person. For purposes of this
13 paragraph, an option to acquire such an option and each one of a series
14 of options shall be considered as an option to acquire such stock.

15
16 **(4) Constructive Ownership as Actual Ownership.** — Stock
17 constructively owned by reason of the application of paragraph (1) or
18 (3) hereof shall, for purposes of applying paragraph (1) or (2), be treated
19 as actually owned by such person; but stock constructively owned by
20 the individual by reason of the application of paragraph (2) hereof shall
21 not be treated as owned by him for purposes of again applying such
22 paragraph in order to make another the constructive owner of such
23 stock}

24
25 **(C) Return on Capital Gains Realized from Sale of Shares of**
26 **Stocks.** —

27
28 **(1) Return on Capital Gains Realized from Sale of Shares of Stock**
29 **Listed and Traded in the Local Stock Exchange.** — It shall be the
30 duty of every stock broker who effected the sale subject to the tax
31 imposed herein to collect the tax and remit the same to the Bureau of
32 Internal Revenue within five (5) banking days from the date of collection
33 thereof and to submit on Mondays of each week to the secretary of the
34 stock exchange, of which he is a member, a true and complete return
35 which shall contain a declaration of all the transactions effected
36 through him during the preceding week and of taxes collected by him
37 and turned over to the Bureau of Internal Revenue.

38
39 **[(2) Return on Public Offerings of Shares of Stock.** — In case of
40 primary offering, the corporate issuer shall file the return and pay the
41 corresponding tax within thirty (30) days from the date of listing of the
42 shares of stock in the local stock exchange. In the case of secondary
43 offering, the provision of Subsection (C)(1) of this Section shall apply as
44 to the time and manner of the payment of the tax.]

45
46 **[(D) Common Provisions.** — **Any gain derived from the sale, barter,**
47 **exchange or other disposition of shares of stock under this Section**
48 **shall be exempt from the tax imposed in Sections 24(C), 27(D)(2),**
49 **28(A)(8)(e), and 28(B)(5)(e) of this Code and from the regular**

~~individual or corporate income tax. Tax paid under this Section shall not be deductible for income tax purposes.]~~

SEC. 27. Sections 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, and 199 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

SEC. 174. Stamp Tax on Original Issue of Shares of Stock. – On every original issue, whether on organization, reorganization or for any lawful purpose, of shares of stock by any association, company, or corporation, **INCLUDING SHARES OF STOCK OR UNITS OF PARTICIPATION IN A COLLECTIVE INVESTMENT SCHEME**, there shall be collected a documentary stamp tax **OF 0.75% OF THE PAR VALUE** ~~Two pesos (P2.00) on each Two hundred pesos (P200), or fractional part thereof, of the par value, of such shares of stock:~~ *Provided*, That in the case of the original issue of shares of stock without par value, the amount of the documentary stamp tax herein prescribed shall be based upon the actual consideration for the issuance of such shares of stock: *Provided, further*, That in the case of stock dividends, on the actual value represented by each share.

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

SEC 175 176. Stamp Tax on Bonds, Debentures, Certificates of Stock or Indebtedness Issued in Foreign Countries. – On all bonds, debentures, certificates of stock, or certificates of indebtedness issued in any foreign country, there shall be collected from the person selling or transferring the same in the Philippines, **A DOCUMENTARY STAMP TAX OF 0.75% OF THE VALUE OF THE TRANSACTION.** ~~such tax as is required by law on similar instruments when issued, sold or transferred in the Philippines.~~

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

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

SEC. 179-176. Stamp Tax on All Debt Instruments.— On every original issue of debt instruments, there shall be collected a documentary stamp tax **OF 0.75%** One peso and fifty centavos (P1.50) on each Two hundred pesos (P200), or fractional part thereof, of the issue price of any such debt instruments: *Provided*, That for such debt instruments with terms of less than one (1) year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to three hundred sixty-five (365) days: *Provided, further*, That only one documentary stamp tax shall be imposed on either loan agreement, or promissory notes issued to secure such loan

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

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

SEC. 181 177. Stamp Tax Upon Acceptance of Bills of Exchange and Others.— Upon any acceptance or payment of any bill of exchange or order for the payment of money purporting to be drawn in a foreign country but payable in the Philippines, there shall be collected a documentary stamp tax **OF 0.30%** ~~Sixty-centavos (P0.60) on each Two hundred pesos (P200), or fractional part thereof,~~ of the face value of any such bill of exchange, or order, or the Philippine equivalent of such value, if expressed in foreign currency.

SEC. 182 178. Stamp Tax on Foreign Bills of Exchange and Letters of Credit. — On all foreign bills of exchange and letter of credit (including orders, by telegraph or otherwise, for the payment of money issued by express or steamship companies or by any person or persons) drawn in but payable out of the Philippines in a set of three (3) or more according to the custom of merchants and bankers, there shall be collected a documentary stamp tax **OF 0.30%** ~~Sixty-centavos (P0.60) on each Two hundred pesos (P200), or fractional part thereof,~~ of the face value of any such bill of exchange or letter of credit, or the Philippine equivalent of such face value, if expressed in foreign currency.

PROVIDED THAT IN THE CASE OF A LETTER OF CREDIT ON WHICH THE DOCUMENTARY STAMP TAX IMPOSED UNDER THIS SECTION IS PAID UPON OPENING, THE SAME SHALL NOT BE SUBJECT AGAIN TO SECTION 195 UPON AVAILMENT OF THE TRUST RECEIPT LINE WHERE THE PROPERTY SUBJECT OF THE LETTER OF CREDIT IS MADE A SECURITY FOR PAYMENT.

SEC. 183 179. Stamp Tax on Life Insurance Policies. — On all policies of insurance or other instruments by whatever name the same may be called, whereby any insurance shall be made or renewed upon any life or lives **AND HEALTH OF PERSONS**, there shall be collected a one-time documentary stamp tax at the following rates:

If the amount of insurance does not exceed P100,000	- Exempt
If the amount of insurance exceeds P100,000 but does not exceed P300,000	- P20.00
If the amount of insurance exceeds P300,000 but does not exceed P500,000	- P50.00
If the amount of insurance exceeds P500,000 but does not exceed P750,000	- P100.00
If the amount of insurance exceeds P750,000 but does not exceed P1,000,000	- P150.00
If the amount of insurance exceeds P1,000,000	- P200.00

SEC. 184 180. Stamp Tax on Policies of Insurance Upon Property. — On all policies of insurance or other instruments by whatever name the same may be called, by which insurance shall be made or renewed upon property of any description, including rents or profits, against

1 peril by sea or on inland waters, or by fire or lightning, there shall be
2 collected a documentary stamp tax **OF 12.5%** ~~Fifty centavos (P0.50) on~~
3 ~~each Four pesos (P4.00), or fractional part thereof,~~ of the amount of
4 premium charged: *Provided, however,* That no documentary stamp tax
5 shall be collected on reinsurance contracts or on any instrument by
6 which cession or acceptance of insurance risks under any reinsurance
7 agreement is effected or recorded. **PROVIDED FURTHER THAT SUCH**
8 **RATE SHALL BE REDUCED ACCORDING TO THE FOLLOWING**
9 **SCHEDULE:**

10
11 **JANUARY 1, 2020: 11.5 PERCENT,**

12
13 **JANUARY 1, 2021: 10.5 PERCENT,**

14
15 **JANUARY 1, 2022: 9.5 PERCENT,**

16
17 **JANUARY 1, 2023: 8.5 PERCENT,**

18
19 **JANUARY 1, 2024: 7.5 PERCENT.**

20
21 **SEC. 185 181. Stamp Tax on Fidelity Bonds and Other Insurance**
22 **Policies.** – On all policies of insurance or bonds or obligations of the
23 nature of indemnity for loss, damage or liability made or renewed by
24 any person, association, company or corporation transacting the
25 business of accident, fidelity, employer's liability, plate, glass, steam
26 boiler, burglar, elevator, automatic sprinkler, or other branch of
27 insurance (except life, marine, inland, and fire insurance), and all
28 bonds, undertakings, or recognizances, conditioned for the
29 performance of the duties of any office or position, for the doing or not
30 doing of anything therein specified, and on all obligations guaranteeing
31 the validity or legality of any bond or other obligations issued by any
32 province, city, municipality, or other public body or organization, and
33 on all obligations guaranteeing the title to any real estate, or
34 guaranteeing any mercantile credits, which may be made or renewed
35 by any such person, company or corporation, there shall be collected a
36 documentary stamp tax **OF 12.5%** ~~Fifty centavos (P0.50) on each Four~~
37 ~~pesos (P4.00), or fractional part thereof,~~ of the premium charged.
38 **PROVIDED FURTHER THAT SUCH RATE SHALL BE REDUCED**
39 **ACCORDING TO THE FOLLOWING SCHEDULE:**

40
41 **JANUARY 1, 2020: 11.5 PERCENT,**

42
43 **JANUARY 1, 2021: 10.5 PERCENT,**

44
45 **JANUARY 1, 2022: 9.5 PERCENT,**

46
47 **JANUARY 1, 2023: 8.5 PERCENT,**

48
49 **JANUARY 1, 2024: 7.5 PERCENT.**

1
2 **SEC. 186-182. Stamp Tax on Policies of Annuities and Pre-Need**
3 **Plans.** – On all policies of annuities, or other instruments by whatever
4 name the same may be called, whereby an annuity may be made,
5 transferred or redeemed, there shall be collected a documentary stamp
6 tax **OF 0.5%** ~~One peso (P1.00) on each Two hundred pesos (P200), or~~
7 ~~fractional part thereof, of the premium or installment payment on~~
8 ~~contract price, OR CONTRIBUTION collected-CHARGED.~~ On pre-need
9 plans, **OR OTHER INSTRUMENTS BY WHATEVER NAME THE SAME**
10 **MAY BE CALLED, WHEREBY AN ANNUITY MAY BE MADE,**
11 **TRANSFERRED OR REDEEMED, THERE SHALL BE COLLECTED A**
12 **DOCUMENTARY STAMP TAX OF 0.2% OF THE PREMIUM OR**
13 **INSTALLMENT PAYMENT ON CONTRACT PRICE, OR**
14 **CONTRIBUTION CHARGED.** ~~Forty-centavos (P0.40) on each Two~~
15 ~~hundred pesos (P200), or fractional part thereof, of the premium or~~
16 ~~contribution collected.~~

17
18 **SEC. 187. 183. Stamp Tax on Indemnity Bonds.** – On all bonds for
19 indemnifying any person, firm or corporation who shall become bound
20 or engaged as surety for the payment of any sum of money or for the
21 due execution or performance of the duties of any office or position or
22 to account for money received by virtue thereof, and on all other bonds
23 of any description, except such as may be required in legal proceedings,
24 or are otherwise provided for herein, there shall be collected a
25 documentary stamp tax of ~~Thirty-centavos (P0.30) on each Four pesos~~
26 ~~(P4.00), or fractional part thereof, 7.5% OF THE PREMIUM CHARGED.~~

27
28 **SEC. 188. 184. Stamp Tax on Certificates NOTARIZED**
29 **DOCUMENTS.** – On each ~~certificate of damage or otherwise, and on~~
30 ~~every other certificate or document issued by any customs officer,~~
31 ~~marine surveyor, or other person acting as such, and on each certificate~~
32 ~~issued by a notary public, and on each certificate of any description~~
33 ~~required by law or by rules or regulations of a public office, or which is~~
34 ~~issued for the purpose of giving information, or establishing proof of a~~
35 ~~fact, and not otherwise specified herein, there shall be collected a~~
36 ~~documentary stamp tax of FIFTY PESOS (P50.00) Thirty pesos~~
37 ~~(P30.00).~~

38
39 **SEC. 189 185. Stamp Tax on Warehouse Receipts.** – On each
40 warehouse receipt for property held in storage in a public or private
41 warehouse or yard for any person other than the proprietor of such
42 warehouse or yard, there shall be collected a documentary stamp tax of
43 thirty pesos (P30.00): *Provided*, That no tax shall be collected on each
44 warehouse receipt issued to any one person in any one calendar month
45 covering property the value of which does not exceed two hundred pesos
46 (P200).

47
48 **SEC. 190. 186. Stamp Tax on Jai-alai, Horse Race Tickets, Lotto**
49 **or Other Authorized Numbers Games.** – On each jai-alai, horse race

1 ticket, lotto, or other authorized numbers games, there shall be
2 collected a documentary stamp tax of twenty centavos (P0.20): *Provided*,
3 That if the cost of the ticket exceed One peso (P1.00), an additional tax
4 of twenty centavos (P0.20) on every one peso (P1.00), or fractional part
5 thereof, shall be collected.

6
7 **SEC. 191. 187. Stamp Tax on Bills of Lading or Receipts.** – On each
8 set of bills of lading or receipts (except charter party) for any goods,
9 merchandise or effects shipped from one port or place in the Philippines
10 (except on ferries across rivers), or to any foreign port, there shall be
11 collected a documentary stamp tax of two pesos (P2.00), if the value of
12 such goods exceeds one hundred pesos (P100) and does not exceed one
13 thousand pesos (P1,000); twenty pesos (P20.00), if the value exceeds
14 one thousand pesos (P1,000); *Provided, however*, that freight tickets
15 covering goods, merchandise or effects carried as accompanied baggage
16 of passengers on land and water carriers primarily engaged in the
17 transportation of passengers are hereby exempt.

18
19 ~~**SEC. 192. Stamp Tax on Proxies.** – On each proxy for voting at any~~
20 ~~election of officers of any company or association, or for any other~~
21 ~~purpose, except proxies issued affecting the affairs of associations or~~
22 ~~corporations organized for religious, charitable or literary purposes;~~
23 ~~there shall be collected a documentary stamp tax of Thirty Pesos~~
24 ~~(P30.00).~~

25
26 ~~**SEC. 193. Stamp Tax on Powers of Attorney.** – On each power of~~
27 ~~attorney to perform any act whatsoever, except acts connected with the~~
28 ~~collection of claims due from or accruing to the Government of the~~
29 ~~Republic of the Philippines, or the government of any province, city or~~
30 ~~municipality, there shall be collected a documentary stamp tax of Ten~~
31 ~~pesos (P10.00).~~

32
33 **SEC. 194. 188 Stamp Tax on Leases and Other Hiring Agreements.**
34 – On each lease, agreement, memorandum, or contract for hire, use or
35 rent of any lands or tenements, or portions thereof, there shall be
36 collected a documentary stamp tax of Six pesos (P6.00) for the first two
37 thousand pesos (P2,000), or fractional part thereof, and an additional
38 two pesos (P2.00) for every one thousand pesos (P1,000) or fractional
39 part thereof, in excess of the first Two thousand pesos (P2,000) for each
40 year of the term of said contract or agreement.

41
42 **SEC. 195. 189. Stamp Tax on Mortgages, Pledges and Deeds of**
43 **Trust.** – On every mortgage or pledge of lands, estate, or property, real
44 or personal, heritable or movable, whatsoever, where the same shall be
45 made as a security for the payment of any definite and certain sum of
46 money lent at the time or previously due and owing or forborne to be
47 paid, being payable, and on any conveyance of land, estate, or property
48 whatsoever, in trust or to be sold, or otherwise converted into money
49 which shall be and intended only as security, either by express

1 stipulation or otherwise, there shall be collected a documentary stamp
2 tax **OF 0.3% OF THE AMOUNT SECURED.** ~~at the following rates:~~

3
4 ~~(a) — When the amount secured does not exceed Five thousand pesos~~
5 ~~(P5,000), Forty pesos (P40.00).~~

6
7 ~~(b) — On each Five thousand pesos (P5,000), or fractional part thereof~~
8 ~~in excess of Five thousand pesos (P5,000), an additional tax of Twenty~~
9 ~~pesos (P20.00).~~

10
11 On any mortgage, pledge, or deed of trust, where the same shall be
12 made as a security for the payment of a fluctuating account or future
13 advances without fixed limit, the documentary stamp tax on such
14 mortgage, pledge or deed of trust shall be computed on the amount
15 actually loaned or given at the time of the execution of the mortgage,
16 pledge or deed of trust. However, if subsequent advances are made on
17 such mortgage, pledge or deed of trust, additional documentary stamp
18 tax shall be paid which shall be computed on the basis of the amount
19 advanced or loaned at the rates specified above: *Provided, however,*
20 *That if the full amount of the loan or credit, granted under the*
21 *mortgage, pledge or deed of trust is specified in such mortgage, pledge*
22 *or deed of trust, the documentary stamp tax prescribed in this Section*
23 *shall be paid and computed on the full amount of the loan or credit*
24 *granted.*

25
26 **SEC. 196. 190. Stamp Tax on Deeds of Sale, Conveyances and**
27 **Donation of Real Property.** – On all conveyances, donations, deeds,
28 instruments, or writings, other than grants, patents or original
29 certificates of adjudication issued by the Government, whereby any
30 land, tenement, or other realty sold shall be granted, assigned,
31 transferred, donated or otherwise conveyed to the purchaser, or
32 purchasers, or to any other person or persons designated by such
33 purchaser or purchasers, or donee, there shall be collected a
34 documentary stamp tax, at the rates herein below prescribed, based on
35 the consideration contracted to be paid for such realty or on its fair
36 market value determined in accordance with Section 6(E) of this Code,
37 whichever is higher: *Provided, That when one of the contracting parties*
38 *is the Government, the tax herein imposed shall be based on the actual*
39 *consideration:*

40
41 (a) When the consideration, or value received or contracted to be
42 paid for such realty, after making proper allowance of any
43 encumbrance, does not exceed One thousand pesos (P1,000), Fifteen
44 pesos (P15.00).

45
46 (b) For each additional One thousand pesos (P1,000) or fractional
47 part thereof in excess of One thousand pesos (P1,000) of such
48 consideration or value, Fifteen pesos (P15.00).
49

Transfers exempt from donor's tax under Section 101(a) and (b) of this Code shall be exempt from the tax imposed under this Section.

When it appears that the amount of the documentary stamp tax payable hereunder has been reduced by an incorrect statement of the consideration in any conveyance, deed, instrument or writing subject to such tax the Commissioner, provincial or city Treasurer, or other revenue officer shall, from the assessment rolls or other reliable source of information, assess the property of its true market value and collect the proper tax thereon.

SEC. 197. 191. Stamp Tax on Charter Parties and Similar Instruments. – On every charter party, contract or agreement for the charter of any ship, vessel or streamer, or any letter or memorandum or other writing between the captain, master or owner, or other person acting as agent of any ship, vessel or steamer, and any other person or persons for or relating to the charter of any such ship, vessel or streamer, and on any renewal or transfer of such charter, contract, agreement, letter or memorandum, there shall be collected a documentary stamp tax at the following rates:

(a) If the registered gross tonnage of the ship, vessel or steamer does not exceed one thousand (1,000) tons, and the duration of the charter or contract does not exceed six (6) months, one thousand pesos (P1,000); and for each month or fraction of a month in excess of six (6) months, an additional tax of one hundred pesos (P100) shall be paid.

(b) If the registered gross tonnage exceeds one thousand (1,000) tons and does not exceed ten thousand (10,000) tons, and the duration of the charter or contract does not exceed six (6) months, two thousand pesos (P2,000); and for each month or fraction of a month in excess of six (6) months, an additional tax of two hundred pesos (P200) shall be paid.

(c) If the registered gross tonnage exceeds ten thousand (10,000) tons and the duration of the charter or contract does not exceed six (6) months, three thousand pesos (P3,000); and for each month or fraction of a month in excess of six (6) months, an additional tax of Three hundred pesos (P300) shall be paid.

SEC. 198. 192. Stamp Tax on Assignments and Renewals of Certain Instruments. – Upon each and every assignment or transfer of any mortgage, lease or policy of insurance, or the renewal or continuance of any agreement, contract, charter, or any evidence of obligation or indebtedness by **EXTENDING THE TERM OR MATURITY** BY altering or otherwise, there shall be levied, collected and paid a documentary stamp tax, at the same rate as that imposed on the original instrument.

SEC. 199. 193. Documents and Papers Not Subject to Stamp Tax.

- The provisions of Section 173 to the contrary notwithstanding, the following instruments, documents and papers shall be exempt from the documentary stamp tax:

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

XX XX XX

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

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

SEC. 28. Prospectivity Clause. - The changes introduced under this Act shall take effect on income and transactions beginning January 1, 2019. Any tax exemption on interest income and gains granted to long-term instruments and securities prior to the effectivity of this Act shall remain exempt.

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

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

SEC. 31. Repealing Clause. - The following laws or provisions of laws are hereby repealed or modified accordingly and the persons and/or transactions affected herein are hereby made subject to applicable taxes on interest income and capital gains, gross receipts tax, premium tax, and documentary stamps tax under the national internal revenue code, as amended:

1 (a) SECTION 9, INsofar AS THE TAX EXEMPTION ON THE
2 ISSUANCE OF BONDS AND SECURITIES IS CONCERNED, OF
3 PRESIDENTIAL DECREE 1648, KNOWN AS "REORGANIZING THE
4 NATIONAL DEVELOPMENT COMPANY AND ESTABLISHING A
5 REVISED CHARTER THEREFOR";
6

7 (b) SECTIONS 6, 7, AND 8, INsofar AS TAX EXEMPTION ON
8 INTEREST INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP
9 TAX IS CONCERNED, OF EXECUTIVE ORDER 603, ENTITLED
10 "CREATING A LIGHT RAIL TRANSIT AUTHORITY, VESTING THE
11 SAME WITH AUTHORITY TO CONSTRUCT AND OPERATE THE
12 LIGHT RAIL TRANSIT (LRT) PROJECT AND PROVIDING FUNDS
13 THEREFOR";
14

15 (c) SECTION 14, INsofar AS TAX EXEMPTION ON INTEREST
16 INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP TAX IS
17 CONCERNED, OF REPUBLIC ACT 7354, ENTITLED "AN ACT
18 CREATING THE PHILIPPINE POSTAL CORPORATION, DEFINING
19 ITS POWERS, FUNCTIONS AND RESPONSIBILITIES, PROVIDING
20 FOR REGULATION OF THE INDUSTRY AND FOR OTHER PURPOSES
21 CONNECTED THEREWITH";
22

23 (d) SECTION 12, INsofar AS TAX EXEMPTION ON INTEREST
24 INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP TAX IS
25 CONCERNED, OF REPUBLIC ACT 4850, ENTITLED "AN ACT
26 CREATING THE LAGUNA LAKE DEVELOPMENT AUTHORITY,
27 PRESCRIBING ITS POWERS, FUNCTIONS AND DUTIES, PROVIDING
28 FUNDS THEREFOR, AND FOR OTHER PURPOSES";
29

30 (e) NUMBER 8, INsofar AS TAX EXEMPTION ON INTEREST
31 INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP TAX IS
32 CONCERNED, OF PRESIDENTIAL DECREE 37, ENTITLED
33 "CREATING THE NAYONG PILIPINO FOUNDATION"
34

35 (f) SECTION 12, INsofar AS TAX EXEMPTION ON INTEREST
36 INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP TAX IS
37 CONCERNED, OF PRESIDENTIAL DECREE 205, ENTITLED
38 "CREATING AND ESTABLISHING THE DEVELOPMENT ACADEMY
39 OF THE PHILIPPINES, DEFINING ITS POWERS, FUNCTIONS, AND
40 RESPONSIBILITIES, AND FOR OTHER PURPOSES";
41

42 (g) ARTICLE 202, INsofar AS TAX EXEMPTION ON INTEREST
43 INCOME, CAPITAL GAINS, DOCUMENTARY STAMP TAX, AND
44 PREMIUM TAX IS CONCERNED, OF PRESIDENTIAL DECREE 442
45 AS AMENDED BY PRESIDENTIAL DECREE 626, ENTITLED "LABOR
46 CODE OF THE PHILIPPINES";
47

48 (h) SECTION 10, INsofar AS TAX EXEMPTION ON INTEREST
49 INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP TAX OF

1 SUBSIDIARIES OF PHILIPPINE AEROSPACE DEVELOPMENT
2 CORPORATION IS CONCERNED, OF PRESIDENTIAL DECREE 696,
3 ENTITLED "REVISING PRESIDENTIAL DECREE NO. 286, DATED
4 SEPTEMBER 5, 1973, AS AMENDED, OTHERWISE KNOWN AS THE
5 CHARTER OF THE PHILIPPINE AEROSPACE DEVELOPMENT
6 CORPORATION AND FOR OTHER PURPOSES";
7

8 (i) SECTION 2(G), INsofar AS TAX EXEMPTION ON INTEREST
9 INCOME IS CONCERNED, OF REPUBLIC ACT 85, AS AMENDED BY
10 REPUBLIC ACT 2081, ENTITLED "AN ACT CREATING THE
11 REHABILITATION FINANCE CORPORATION";
12

13 (j) SECTIONS 76, 77 AND 98, INsofar AS TAX EXEMPTION ON
14 INTEREST INCOME, DIVIDENDS, CAPITAL GAINS, AND
15 DOCUMENTARY STAMP TAX ON BONDS IS CONCERNED, OF
16 REPUBLIC ACT 3844 OR THE AGRICULTURAL LAND REFORM
17 CODE;
18

19 (k) SECTION 37, INsofar AS TAX EXEMPTION ON INTEREST
20 INCOME, CAPITAL GAINS, GROSS RECEIPTS TAX, AND
21 DOCUMENTARY STAMP TAX IS CONCERNED, OF REPUBLIC ACT
22 6848 OR THE CHARTER OF THE AL-AMANAH ISLAMIC
23 INVESTMENT BANK OF THE PHILIPPINES;
24

25 (l) SECTIONS 10, INsofar AS TAX EXEMPTION ON INTEREST
26 INCOME IS CONCERNED, OF REPUBLIC ACT 3591, AS AMENDED
27 BY REPUBLIC ACT 9576 OR AN ACT INCREASING THE MAXIMUM
28 DEPOSIT INSURANCE COVERAGE, AND IN CONNECTION
29 THEREWITH, TO STRENGTHEN THE REGULATORY AND
30 ADMINISTRATIVE AUTHORITY, AND FINANCIAL CAPABILITY OF
31 THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC),
32 AMENDING FOR THIS PURPOSE REPUBLIC ACT NUMBERED
33 THREE THOUSAND FIVE HUNDRED NINETY-ONE, AS AMENDED,
34 OTHERWISE KNOWN AS THE PDIC CHARTER, AND FOR OTHER
35 PURPOSES;
36

37 (m) SECTION 12, INsofar AS TAX EXEMPTION ON INTEREST
38 INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP TAX IS
39 CONCERNED, OF EXECUTIVE ORDER 1037, ENTITLED "AN ACT
40 CREATING THE PHILIPPINE RETIREMENT PARK SYSTEM,
41 PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES";
42

43 (n) SECTION 19, INsofar AS TAX EXEMPTION ON INTEREST
44 INCOME AND DOCUMENTARY STAMP TAX IS CONCERNED, OF
45 REPUBLIC ACT 8763 OR HOME GUARANTY CORPORATION ACT OF
46 2000;
47

1 (o) SECTION 19, INsofar AS TAX EXEMPTION ON
2 DOCUMENTARY STAMP TAX IS CONCERNED, OF REPUBLIC ACT
3 7279 OR THE URBAN DEVELOPMENT AND HOUSING ACT OF 1992;
4

5 (p) SECTION 8(A), INsofar AS TAX EXEMPTION ON INTEREST
6 INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP TAX OF
7 BONDS IS CONCERNED, AS PROVIDED UNDER SECTION 1 OF
8 REPUBLIC ACT 6395 OR AN ACT REVISING THE CHARTER OF THE
9 NATIONAL POWER CORPORATION;
10

11 (q) SECTION 15, INsofar AS TAX EXEMPTION ON INTEREST
12 INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP TAX IS
13 CONCERNED, OF PD 334, ENTITLED "CREATING THE PHILIPPINE
14 NATIONAL OIL COMPANY, DEFINING ITS POWERS AND
15 FUNCTIONS, PROVIDING FUNDS THEREFORE, AND FOR OTHER
16 PURPOSES";
17

18 (r) SECTION 16, INsofar AS TAX EXEMPTION ON INTEREST
19 INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP TAX IS
20 CONCERNED, OF PRESIDENTIAL DECREE 1467, ENTITLED "AN
21 ACT CREATING THE PHILIPPINE CROP INSURANCE
22 CORPORATION, PRESCRIBING ITS POWERS AND ACTIVITIES,
23 PROVIDING FOR ITS CAPITALIZATION AND FOR THE REQUIRED
24 GOVERNMENT PREMIUM SUBSIDY, AND FOR OTHER PURPOSES";
25

26 (s) SECTION 3, INsofar AS TAX EXEMPTION ON INTEREST
27 INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP TAX OF
28 BONDS IS CONCERNED, OF REPUBLIC ACT 3601, ENTITLED "AN
29 ACT GRANTING THE NATIONAL IRRIGATION ADMINISTRATION";
30

31 (t) SECTION 6 (A, XVIII (2)), IN SO FAR AS TAX EXEMPTION ON
32 INTEREST INCOME AND DOCUMENTARY STAMP TAX IS
33 CONCERNED, OF PD 1485, AS AMENDED BY PD 1770, ENTITLED
34 "RECONSTITUTING THE NATIONAL GRAINS AUTHORITY TO THE
35 NATIONAL FOOD AUTHORITY, BROADENING ITS FUNCTIONS AND
36 POWERS AND FOR OTHER PURPOSES";
37

38 (u) SECTION 5 (E), INsofar AS TAX EXEMPTION ON INTEREST
39 INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP TAX ON
40 BONDS IS CONCERNED, OF REPUBLIC ACT 6260, ENTITLED "AN
41 ACT INSTITUTING A COCONUT INVESTMENT FUND AND
42 CREATING A COCONUT INVESTMENT COMPANY FOR THE
43 ADMINISTRATION THEREOF";
44

45 (v) ARTICLES 60 AND 61, INsofar AS TAX EXEMPTION ON
46 INTEREST INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP
47 TAX IS CONCERNED, OF REPUBLIC ACT 6938, AS AMENDED BY
48 REPUBLIC ACT 9520, ENTITLED "AN ACT TO ORDAIN A
49 COOPERATIVE CODE OF THE PHILIPPINES";

1
2 (w) SECTION 9, INsofar AS TAX EXEMPTION ON INTEREST
3 INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP TAX ON
4 BONDS IS CONCERNED, OF REPUBLIC ACT 10744 OR CREDIT
5 SURETY FUND ACT OF 2014;

6
7 (x) SECTION 20, INsofar AS TAX ON INTEREST INCOME,
8 CAPITAL GAINS AND DOCUMENTARY STAMP TAX IS CONCERNED,
9 OF REPUBLIC ACT 10693, ENTITLED "AN ACT STRENGTHENING
10 NONGOVERNMENT ORGANIZATIONS (NGOS) ENGAGED IN
11 MICROFINANCE OPERATIONS FOR THE POOR";

12
13 (y) SECTION 7, INsofar AS TAX EXEMPTION ON
14 DOCUMENTARY STAMP TAX AND PREMIUM TAX IS CONCERNED,
15 OF REPUBLIC ACT 7111, ENTITLED "AN ACT ESTABLISHING THE
16 OVERSEAS WORKERS' INVESTMENT FUND TO PROVIDE
17 INCENTIVES TO OVERSEAS WORKERS, REDUCE THE FOREIGN
18 DEBT BURDEN AND FOR OTHER PURPOSES";

19
20 (z) SECTION 56, INsofar AS TAX EXEMPTION ON INTEREST
21 INCOME, CAPITAL GAINS, AND DOCUMENTARY STAMP TAX IS
22 CONCERNED, OF REPUBLIC ACT 10801, ENTITLED "AN ACT
23 GOVERNING THE OPERATIONS AND ADMINISTRATION OF THE
24 OVERSEAS WORKERS WELFARE ADMINISTRATION";

25
26 (aa) SECTION 5, INsofar AS TAX EXEMPTION ON INTEREST
27 INCOME IS CONCERNED, OF REPUBLIC ACT 8367, ENTITLED "AN
28 ACT PROVIDING FOR THE REGULATION OF THE ORGANIZATION
29 AND OPERATION OF NON-STOCK SAVINGS AND LOAN
30 ASSOCIATIONS";

31
32 (bb) SECTION 28, INsofar AS TAX EXEMPTION ON CAPITAL
33 GAINS ON SHARES OF STOCK AND DOCUMENTARY STAMP TAX IS
34 CONCERNED, OF REPUBLIC ACT 9267 OR THE SECURITIZATION
35 ACT OF 2004";

36
37 (cc) SECTION 17, INsofar AS TAX EXEMPTION ON INTEREST
38 INCOME, CAPITAL GAINS, GROSS RECEIPTS TAX AND
39 DOCUMENTARY STAMP TAX IS CONCERNED, OF REPUBLIC ACT
40 7906, ENTITLED "AN ACT PROVIDING FOR THE REGULATION OF
41 THE ORGANIZATION AND OPERATIONS OF THRIFT BANKS, AND
42 FOR OTHER PURPOSES";

43
44 (dd) SECTION 15, INsofar AS TAX EXEMPTION ON CAPITAL
45 GAINS AND DOCUMENTARY STAMP TAX IS CONCERNED, OF
46 REPUBLIC ACT 9182, AS AMENDED BY REPUBLIC ACT 9343,
47 ENTITLED "AN ACT GRANTING TAX EXEMPTIONS AND FEE
48 PRIVILEGES TO SPECIAL PURPOSE VEHICLES WHICH ACQUIRE
49 OR INVEST IN NON-PERFORMING ASSETS, SETTING THE

1 REGULATORY FRAMEWORK THEREFOR, AND FOR OTHER
2 PURPOSES”;

3
4 (ee) SECTIONS 13 AND 14, INsofar AS TAX EXEMPTION ON DST
5 AND DIVIDENDS IS CONCERNED, OF R.A. 9856 OR THE REAL
6 ESTATE INVESTMENT ACT OF 2209; AND

7
8 (ff) SECTION 23, INsofar AS NO DEDUCTION FROM GROSS
9 INCOME SHALL BE ALLOWED IN RESPECT OF ANY INTEREST IF
10 THE INDEBTEDNESS IS INCURRED TO FINANCE PETROLEUM
11 EXPLORATION IS CONCERNED, OF P.D. 87, ENTITLED AMENDING
12 PRESIDENTIAL DECREE NO. 8 ISSUED ON OCTOBER 2, 1972, AND
13 PROMULGATING AN AMENDED ACT TO PROMOTE THE
14 DISCOVERY AND PRODUCTION OF INDIGENOUS PETROLEUM AND
15 APPROPRIATE FUNDS THEREFOR.

16
17 **SEC. 32. Effectivity Clause.** - This Act shall take effect on January 1, 2019,
18 or fifteen (15) days after its complete publication in the Official Gazette or in
19 at least two (2) newspaper of general circulation, whichever comes earlier.

20
21 Approved,