

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

**Eighteenth Congress
First Regular Session**

House Bill No. 2399



**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 sizeable 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 treatment 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 administrative 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.

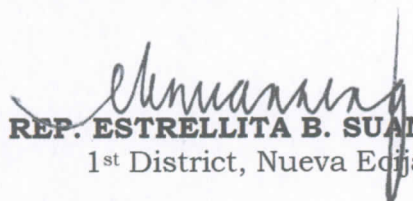
d. Removal or minimization of barriers to capital market development – IPO tax, which is found to be detrimental to capital market development is removed.

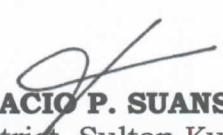
Overall, the DST of the financial sector is being rationalized to promote capital mobility.

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.

This bill is originally filed during the 17th Congress and has been approved on third and final reading.


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AN ACT

AMENDING SECTIONS 22, 24, 25, 27, 28, 29, 30, 32, 34, 37, 38, 39, 42, 51, 52, 54, 56, 57, 73, 108, 121, 122, 123, 174, 176, 179, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 194, 195, 196, 197, 198, AND 199; AND REPEALING SECTIONS 127, 175, 177, 178, 180, 192, AND 193; ALL UNDER REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

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

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

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

12 1. The State shall promote and develop a tax system that provides
13 neutrality in the tax treatment across financial institutions and financial
14 instruments.

15 2. The State shall endeavor to simplify an otherwise complex tax system
16 for easy compliance.

17 3. The State shall ensure that the taxation of passive income and financial
18 transactions is equitable across all stakeholders and discourage arbitrage
19 opportunities.

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

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

6 **SEC. 22. Definitions.** – When used in this Title”

7 (A) xxx

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 the
13 purpose of undertaking construction projects or engaging in petroleum,
14 coal, geothermal and other energy operations pursuant to an operating or
15 consortium agreement under a service contract with the Government.
16 ‘**General professional partnerships**’ are partnerships formed by persons
17 for the sole purpose of exercising their common profession, no part of the
18 income of which is derived from engaging in any trade or business. **A**
19 **COLLECTIVE INVESTMENT SCHEME MAY OR MAY NOT BE**
20 **REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

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

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

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

11 (1) **SHARES OF STOCK, BONDS, DEBENTURES, NOTES,**
12 **EVIDENCES OF INDEBTEDNESS, ASSET-BACKED SECURITIES;**

13 (2) **INVESTMENT CONTRACTS, CERTIFICATES OF INTEREST, OR**
14 **PARTICIPATION IN A PROFIT SHARING AGREEMENT SUCH AS**
15 **COLLECTIVE INVESTMENT SCHEMES, CERTIFICATE OF DEPOSIT**
16 **FOR A FUTURE SUBSCRIPTION;**

17 (3) **FRACTIONAL UNDIVIDED INTERESTS IN OIL, GAS, OR OTHER**
18 **MINERAL RIGHTS;**

19 (4) **DERIVATIVES LIKE OPTIONS AND WARRANTS;**

20 (5) **CERTIFICATES OF ASSIGNMENTS, CERTIFICATES OF**
21 **PARTICIPATION, TRUST CERTIFICATES, VOTING TRUST**
22 **CERTIFICATES, OR SIMILAR INSTRUMENTS;**

23 (6) **PROPRIETARY OR NON-PROPRIETARY MEMBERSHIP**
24 **CERTIFICATES IN CORPORATIONS; AND**

25 (7) **OTHER INSTRUMENTS AS MAY IN THE FUTURE BE**
26 **DETERMINED BY THE SECURITIES AND EXCHANGE COMMISSION.**

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28 (V) The term '**bank**' [means every banking institution, as defined in Section
29 2 Republic Act No. 337, as amended, otherwise known as the General
30 Banking Act. A bank may either be, a commercial bank, a thrift bank, a
31 development bank, a rural bank, a specialized government bank, or a
32 cooperative bank] **AS DEFINED IN SECTION 3 OF REPUBLIC ACT NO.**
33 **8791, OTHERWISE KNOWN AS THE GENERAL BANKING LAW OF**
34 **2000, SHALL REFER TO ENTITIES ENGAGED IN THE LENDING OF**
35 **FUNDS OBTAINED IN THE FORM OF DEPOSITS. BANKS SHALL BE**
36 **CLASSIFIED INTO UNIVERSAL BANKS, COMMERCIAL BANKS,**
37 **THRIFT BANKS COMPOSED OF: (A) SAVINGS AND MORTGAGE**
38 **BANKS; (B) STOCK SAVINGS AND LOAN ASSOCIATIONS; AND (C)**
39 **PRIVATE DEVELOPMENT BANKS, AS DEFINED IN REPUBLIC ACT NO.**
40 **7906, OR THE THRIFT BANKS ACT, RURAL BANKS, AS DEFINED IN**

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

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

26 **(X) THE TERM 'QUASI-BANK' SHALL REFER TO ENTITIES ENGAGED**
27 **IN THE BORROWING OF FUNDS THROUGH THE ISSUANCE,**
28 **ENDORSEMENT OR ASSIGNMENT WITH RECOURSE OR ACCEPTANCE**
29 **OF DEPOSIT SUBSTITUTES, AS DEFINED IN SECTION 95 OF**
30 **REPUBLIC ACT NO. 7653, OR THE NEW CENTRAL BANKING ACT FOR**
31 **PURPOSES OF RELENDING OR PURCHASING OF RECEIVABLES AND**
32 **OTHER OBLIGATIONS.**

33 (Y) The term '*quasi-banking activities*' means borrowing funds from
34 twenty (20) or more [personal] **INDIVIDUAL** or corporate lenders at any
35 one time through the issuance, endorsement, or acceptance of debt
36 instruments of any kind other than deposits for the borrower's own
37 account, or through the issuance of certificates of assignment or similar
38 instruments, with recourse, or of repurchase agreements for purposes of
39 relending or purchasing receivables and other similar obligations:
40 *Provided, however,* That commercial, industrial and other non-financial
41 companies, which borrow funds through any of these means for the limited
42 purpose of financing their own needs or the needs of their agents or
43 dealers, shall not be considered as performing quasi-banking functions.
44 **THE PHRASE "AT ANY ONE TIME" SHALL BE COUNTED AS THE TIME**
45 **OF ORIGATION OR ISSUANCE OF THE DEBT INSTRUMENT.**

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

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

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

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

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

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

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

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

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

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

42 '*CLOSED-END CIS*' MEANS A CIS WHERE A FIXED NUMBER OF
43 SECURITIES ARE OFFERED IN AN INITIAL PUBLIC OFFERING AND

1 **THEREAFTER MAY BE TRADED IN AN ORGANIZED**
2 **MARKETPLACE AS DETERMINED BY THE SECURITIES AND**
3 **EXCHANGE COMMISSION, BUT MAY NOT BE REDEEMED BY THE**
4 **CIS. A CLOSED-END CIS SHALL NOT BE ALLOWED TO INCREASE**
5 **ITS NUMBER OF SECURITIES.**

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

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

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

31 **(MM) THE TERM 'ORGANIZED MARKETPLACE' IS AN EXCHANGE, AN**
32 **OVER-THE-COUNTER MARKET, ALTERNATIVE TRADING SYSTEM,**
33 **REGISTERED AND LICENSED BY THE SECURITIES AND EXCHANGE**
34 **COMMISSION AS AN EXCHANGE UNDER REPUBLIC ACT NO. 8799, AS**
35 **AMENDED, AND GOVERNED BY, AMONG OTHERS, TRANSPARENT**
36 **AND BINDING RULES AND MARKET CONVENTIONS ON MEMBERSHIP,**
37 **TRADING, PRICE TRANSPARENCY, TRADE REPORTING, MARKET**
38 **MONITORING AND ORDERLY CONDUCT/OPERATION OF THE**
39 **MARKET WHICH ARE ENFORCEABLE ON THE MEMBERS AND**
40 **PARTICIPANTS.**

41 **(NN) THE TERM 'CLOSELY HELD CORPORATION' MEANS ANY**
42 **CORPORATION WITH AT LEAST FIFTY PERCENT (50%) IN VALUE OF**
43 **OUTSTANDING CAPITAL STOCK OR AT LEAST FIFTY PERCENT (50%)**

1 OF THE TOTAL COMBINED VOTING POWER OF ALL CLASSES OF
2 STOCK ENTITLED TO VOTE IS OWNED DIRECTLY OR INDIRECTLY BY
3 OR FOR NOT MORE THAN TWENTY (20) INDIVIDUALS.

4 FOR PURPOSES OF DETERMINING WHETHER THE CORPORATION
5 IS A CLOSELY HELD CORPORATION, INsofar AS SUCH
6 DETERMINATION IS BASED ON STOCK OWNERSHIP, THE
7 FOLLOWING RULES SHALL BE APPLIED:

8 (1) *STOCK NOT OWNED BY INDIVIDUALS.* - STOCK OWNED
9 DIRECTLY OR INDIRECTLY BY OR FOR A CORPORATION,
10 PARTNERSHIP, ESTATE OR TRUST SHALL BE CONSIDERED AS
11 BEING OWNED PROPORTIONATELY BY ITS SHAREHOLDERS,
12 PARTNERS OR BENEFICIARIES.

13 (2) *FAMILY AND PARTNERSHIP OWNERSHIPS.* - AN INDIVIDUAL
14 SHALL BE CONSIDERED AS OWNING THE STOCK OWNED,
15 DIRECTLY OR INDIRECTLY, BY OR FOR THE INDIVIDUAL'S
16 FAMILY, OR PARTNER. FOR PURPOSES OF THE PARAGRAPH,
17 THE 'FAMILY OF AN INDIVIDUAL' INCLUDES ONLY BROTHERS
18 AND SISTERS (WHETHER BY WHOLE OR HALF-BLOOD),
19 SPOUSE, ANCESTORS AND LINEAL DESCENDANTS.

20 (3) *OPTION.* - IF ANY PERSON HAS AN OPTION TO ACQUIRE
21 STOCK, SUCH STOCK SHALL BE CONSIDERED AS OWNED BY
22 SUCH PERSON. FOR PURPOSES OF THIS PARAGRAPH, AN
23 OPTION TO ACQUIRE SUCH AN OPTION AND EACH ONE OF A
24 SERIES OF OPTIONS SHALL BE CONSIDERED AS AN OPTION
25 TO ACQUIRE SUCH STOCK.

26 (4) *CONSTRUCTIVE OWNERSHIP AS ACTUAL OWNERSHIP.* -
27 STOCK CONSTRUCTIVELY OWNED BY REASON OF THE
28 APPLICATION OF PARAGRAPH (1) OR (3) HEREOF SHALL, FOR
29 PURPOSES OF APPLYING PARAGRAPH (1) OR (2), BE TREATED
30 AS ACTUALLY OWNED BY SUCH PERSON; BUT STOCK
31 CONSTRUCTIVELY OWNED BY THE INDIVIDUAL BY REASON OF
32 THE APPLICATION OF PARAGRAPH (2) HEREOF SHALL NOT BE
33 TREATED AS OWNED BY HIM FOR PURPOSES OF AGAIN
34 APPLYING SUCH PARAGRAPH IN ORDER TO MAKE ANOTHER
35 PERSON THE CONSTRUCTIVE OWNER OF SUCH STOCK.

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

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

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

41 XXX XXX XXX

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

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

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

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

33 Less than three (3) years – 20%.]

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 an
37 individual from a domestic corporation or from a joint stock company,
38 insurance, [or] mutual fund companies, **COLLECTIVE INVESTMENT**
39 **SCHEMES,** and regional operating headquarters of multinational
40 companies, or on the share of an individual in the distributable net income
41 after tax of a partnership (except a general professional partnership) of
42 which he is a partner, or on the share of an individual in the net income
43 after tax of an association, a joint account, or a joint venture or consortium

taxable as a corporation of which he is a member or co-venturer:
**PROVIDED, HOWEVER, THAT THE FIFTEEN PERCENT (15%) TAX ON
DIVIDENDS SHALL APPLY ONLY ON INCOME EARNED ON OR AFTER
JANUARY 1, 2020. INCOME FORMING PART OF RETAINED EARNINGS
AS OF DECEMBER 31, 2019, EVEN IF DECLARED OR DISTRIBUTED
ON OR AFTER JANUARY 1, 2020, SHALL BE SUBJECT TO TEN
PERCENT (10%) TAX.**

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

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

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

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

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

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

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

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

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

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

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

1 **ANY GAIN EARNED FROM SHARES OF STOCK IN A DOMESTIC**
2 **CORPORATION TRADED IN A FOREIGN EXCHANGE SHALL BE TAXED**
3 **UNDER SUBSECTION (A) OF THIS SECTION.**

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

11 **(5) CAPITAL GAINS FROM SALE, EXCHANGE, TRANSFER, BARTER,**
12 **DISPOSITION OF NON-LISTED AND NON-TRADED DEBT INSTRUMENTS**
13 **AND OTHER SECURITIES NOT INCLUDED IN SECTION 24(B)(3) AND (4).**
14 **- ANY GAIN EARNED FROM A DEBT INSTRUMENT AND OTHER**
15 **SECURITIES NOT INCLUDED IN SUBSECTIONS (B)(3) AND (4), ISSUED**
16 **BY A CITIZEN OR RESIDENT ALIEN, OR BY A DOMESTIC**
17 **CORPORATION, OR A RESIDENT FOREIGN CORPORATION, OR BY**
18 **THE GOVERNMENT OR ANY OF ITS AGENCIES OR**
19 **INSTRUMENTALITIES, SHALL BE SUBJECT TO A FINAL TAX AT THE**
20 **RATE OF FIFTEEN PERCENT (15%) UPON THE NET CAPITAL GAINS**
21 **REALIZED.**

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

35 **ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER OR**
36 **DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES**
37 **LISTED OR UNLISTED, BY A DEALER IN SECURITIES OR OTHER**
38 **ENTITIES LICENSED BY THE APPROPRIATE GOVERNMENT**
39 **REGULATORY AGENCY TO BUY AND SELL IN DEBT INSTRUMENTS**
40 **SECURITIES, WHETHER OR NOT UNDERTAKEN AS A PRIMARY**
41 **BUSINESS UNDERTAKING FOR THE DEALER'S OWN ACCOUNT OR**
42 **FOR THE ACCOUNT OF OTHERS, OR UNDERTAKEN IN A FIDUCIARY**
43 **CAPACITY, SHALL NOT BE SUBJECT TO TAX UNDER THIS**
44 **SUBSECTION BUT TO SECTION 24(A) AS AN ORDINARY INCOME.**

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

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

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

35 **(C) ROYALTIES, PRIZES, AND OTHER WINNINGS. – A FINAL TAX AT**
36 **THE RATE OF TWENTY PERCENT (20%) IS HEREBY IMPOSED ON THE**
37 **FOLLOWING INCOME DERIVED FROM SOURCES WITHIN THE**
38 **PHILIPPINES: (1) ROYALTIES EARNED AS PASSIVE INCOME, EXCEPT**
39 **ROYALTIES FROM BOOKS, AS WELL AS OTHER LITERARY WORKS**
40 **AND MUSICAL COMPOSITIONS WHICH SHALL BE SUBJECT TO A**
41 **FINAL TAX OF TEN PERCENT (10%); (2) PRIZES (EXCEPT PRIZES**
42 **AMOUNTING TO TEN THOUSAND PESOS (P10,000) OR LESS) WHICH**
43 **SHALL BE SUBJECT TO A TAX UNDER SECTION 24 (A); AND (3)**
44 **OTHER WINNINGS (EXCEPT WINNINGS AMOUNTING TO PHP10,000**

1 **OR LESS FROM PHILIPPINE CHARITY SWEEPSTAKES AND LOTTO**
2 **WHICH SHALL BE EXEMPT).**

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

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

6 **(A) Nonresident Alien Engaged in Trade or Business Within the**
7 **Philippines. – [(1) In General. –]** A nonresident alien individual engaged
8 in trade or business in the Philippines shall be subject to [an] income tax
9 **UNDER SECTION 24 OF THIS CODE**, in the same manner as an
10 individual citizen and a resident alien individual,] on taxable income
11 received from all sources within the Philippines. A nonresident alien
12 individual who shall come to the Philippines and stay therein for an
13 aggregate period of more than one hundred eighty (180) days during any
14 calendar year shall be deemed a ‘nonresident alien doing business in the
15 Philippines’, Section 22(G) of this Code notwithstanding.

16 [(2) *Cash and/or Property Dividends from a Domestic Corporation or Joint*
17 *Stock Company, or Insurance or Mutual Fund Company or Regional*
18 *Operating Headquarter or Multinational Company, or Share in the*
19 *Distributable Net Income of a Partnership (Except a General Professional*
20 *Partnership), Joint Account, Joint Venture Taxable as a Corporation or*
21 *Association, Interests, Royalties, Prizes, and Other Winnings. –* Cash and/or
22 property dividends from a domestic corporation, or from a joint stock
23 company, or from an insurance or mutual fund company or from a regional
24 operating headquarter of multinational company, or the share of a
25 nonresident alien individual in the distributable net income after tax of a
26 partnership (except a general professional partnership) of which he is a
27 partner, or the share of a nonresident alien individual in the net income
28 after tax of an association, a joint account, or a joint venture taxable as a
29 corporation of which he is a member or a co-venturer; royalties (in any
30 form); and prizes (except prizes amounting to Ten thousand pesos
31 (P10,000) or less which shall be subject to tax under Subsection (B)(1) of
32 Section 24; and other winnings (except Philippine Charity Sweepstakes
33 and Lotto winnings), shall be subject to an income tax of twenty percent
34 (20%) on the total amount thereof; *Provided, however,* That royalties on
35 books as well as other literary works, and royalties on musical
36 compositions shall be subject to a final tax of ten percent (10%) on the total
37 amount thereof: *Provided, further,* That cinematographic films and similar
38 works shall be subject to the tax provided under Section 28 of this Code:
39 [*Provided, furthermore,* That interest income from long-term deposit or
40 investment in the form of savings, common or individual trust funds,
41 deposit substitutes, investment management accounts and other
42 investments evidenced by certificates in such form prescribed by the
43 Bangko Sentral ng Pilipinas (BSP) shall be exempt from the tax imposed
44 under this Subsection: *Provided, finally,* That should the holder of the

certificate pre-terminate the deposit or investment before the fifth (5th) year, a final tax shall be imposed on the entire income and shall be deducted and withheld by the depository bank from the proceeds of the long-term deposit or investment certificate based on the remaining maturity thereof:]

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

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

[Less than three (3) years – 20%.]

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

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

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

xxx xxx xxx

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

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

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

(D) Rates of Tax on Certain Passive Incomes.

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

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

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

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

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

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

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

1 (1) **INTERESTS. - A FINAL TAX AT THE RATE OF FIFTEEN PERCENT**
2 **(15%) IS HEREBY IMPOSED UPON THE AMOUNT OF INTEREST,**
3 **YIELD, OR OTHER MONETARY BENEFIT EARNED OR RECEIVED**
4 **FROM A DEBT INSTRUMENT, BANK DEPOSIT, DEPOSIT SUBSTITUTE,**
5 **AND SIMILAR ARRANGEMENTS.**

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

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

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

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

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

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

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

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

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

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

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

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

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

21 (6) PRESUMPTIVE CAPITAL GAINS ON LISTED AND TRADED DEBT
22 INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION
23 27(D)(3) AND (4). - THERE SHALL BE LEVIED, ASSESSED, AND
24 COLLECTED ON EVERY SALE, BARTER, EXCHANGE, OR OTHER
25 DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES,
26 LISTED AND TRADED THROUGH A LOCAL STOCK EXCHANGE OR AN
27 ORGANIZED MARKETPLACE, A FINAL TAX AT THE RATE OF ONE-
28 TENTH OF ONE PERCENT (1/10 OF 1%) OF THE GROSS SELLING
29 PRICE OR GROSS VALUE IN MONET OF THE DEBT INSTRUMENT OR
30 SECURITIES SOLD, BARTERED, EXCHANGED, OR OTHERWISE
31 DISPOSED, WHICH SHALL BE PAID BY THE SELLER OR
32 TRANSFEROR. IF TRADED IN A FOREIGN EXCHANGE, THE GAIN
33 SHALL BE SUBJECT TO TAX UNDER SECTION 27 (A) HEREOF.

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

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

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

[(E)](F) Minimum Corporate Income Tax on Domestic Corporations. –

(1) Imposition of tax. – x x x

xxx xxx xxx

(4) Gross Income Defined. – x x x

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] **ON** taxable income derived in the preceding taxable year from all sources within the Philippines[: *Provided,* That effective January 1, 2009, the rate of income tax shall be thirty percent (30%)].

xxx xxx xxx

1 **(2) Minimum Corporate Income Tax on Resident Foreign Corporation.**

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

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

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

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

25 **[(5)] (4) Tax on Branch Profits Remittances.** – Any profit remitted by a
26 branch to its head office shall be subject to tax of fifteen percent (15%)
27 which shall be based on the total profits applied or earmarked for
28 remittance without any deduction for the tax component thereof [(except
29 those activities which are registered with the Philippine Economic Zone
30 Authority)]. The tax shall be collected and paid in the same manner as
31 provided in Sections 57 and 58 of this Code: *Provided,* That interests,
32 dividends, rents, royalties, including remuneration for technical services,
33 salaries, wages, premiums, annuities, emoluments or other fixed or
34 determinable annual, periodic or casual gains, profits, income and capital
35 gains received by a foreign corporation during each taxable year from all
36 sources within the Philippines shall not be treated as branch profits unless
37 the same are effectively connected with the conduct of its trade or business
38 in the Philippines.

39 **[(6)](5) Regional or Area Headquarters and Regional Operating**
40 **Headquarters of Multinational Companies. – x x x**

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

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

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

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

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

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

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

37 [(d) *Intercompany Dividends.* – Dividends received by a resident foreign
38 corporation from a domestic corporation liable to tax under this Code shall
39 not be subject to tax under this Title.]

40 **(B) Tax on Nonresident Foreign Corporation. –**

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

xxx xxx xxx

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

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

[(b) Intercompany 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 similar disposition of shares of stock in a domestic corporation, except shares sold, or disposed of through the stock exchange:]

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

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

INTERESTS AND CAPITAL GAINS FROM SALE, TRANSFER, BARTER, OR DISPOSITION OF SHARES OF STOCK, DEBT INSTRUMENTS, DEPOSIT SUBSTITUTES, AND OTHER SECURITIES

1 **SHALL BE SUBJECT TO TAX UNDER SECTION 27(D)(1), (3), (4), (5) AND**
2 **(6) OF THIS CODE, OR TO THE PROVISIONS OF THE APPLICABLE TAX**
3 **TREATY.**

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

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

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

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

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

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

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

25 (a) Publicly-held corporations;

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

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

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

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

37 **[(2) Evidence Determinative of Purpose.** – The fact that the earnings or
38 profits of a corporation are permitted to accumulate beyond the reasonable

needs of the business shall be determinative of the purpose to avoid the tax upon its shareholders or members unless the corporation, by the clear preponderance of evidence, shall prove to the contrary.]

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

xxx xxx xxx

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 **SEC. 32. Gross Income. – xxx**

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

22 xxx xxx xxx

23 **(7) Miscellaneous Items. –**

24 xxx xxx xxx

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

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

37 **(h) Gains from Redemption of Shares OR UNITS OF PARTICIPATION**
38 **in [Mutual Fund] COLLECTIVE INVESTMENT SCHEMES. –** Gains
39 realized by the investor upon redemption of shares of stock [in a mutual

fund] **OR UNITS OF PARTICIPATION IN A COLLECTIVE INVESTMENT SCHEME** as defined [in] **UNDER** Section 22 [BB] **(II)** of this Code.

xxx xxx xxx

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

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

(A) Expenses. -

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

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

xxx xxx xxx

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

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

(D) EXPENSES RELATED TO OR IN CONNECTION WITH INCOME NOT SUBJECT TO REGULAR TAX UNDER SECTIONS 24(A), 25(A), 27(A) AND (B), AND 28(A) SHALL NOT BE ALLOWED AS

1 **DEDUCTIONS UNDER SUBSECTION (A) HEREOF. EXPENSES**
2 **THAT CANNOT BE SPECIFICALLY IDENTIFIED OR ARE**
3 **COMMON SHALL BE ALLOCATED BASED ON A REASONABLE**
4 **METHOD OF MEASUREMENT AS PROVIDED IN A REGULATION**
5 **ISSUED BY THE SECRETARY OF FINANCE: PROVIDED, THAT**
6 **INTEREST EXPENSES SUBJECTED TO THE LIMITATION**
7 **UNDER SECTION 34(B)(1) SHALL BE EXCLUDED FROM THIS**
8 **SECTION.**

9 xxx xxx xxx

10 **(B) Interest. –**

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

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

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

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

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

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

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

1 **AMORTIZED OR DEPRECIATED AS PART OF THE COST OF THE**
2 **ASSET.**

3 xxx xxx xxx

4 **(E) Bad Debts. –**

5 **(1) In General. – xxx**

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

21 xxx xxx xxx

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

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

26 **(A) Special Deductions Allowed to Insurance Companies. – xxx**

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

37 xxx xxx xxx

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

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

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

xxx xxx xxx

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

SEC. 39. Capital Gains and Losses. –

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

xxx xxx xxx

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

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

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

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

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

6 **[(C)](C) Retirement of Bonds, etc.** – xxx

7 **[(F) Gains or Losses from Short Sales, Etc.** – For purposes of this Title
8 -]

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

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

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

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

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

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

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

28 (a) From a domestic corporation; and

29 (b) From foreign corporation [unless less] **WITH MORE** than fifty percent
30 (50%) of the gross income of such foreign corporation for the three-year
31 period ending with the close of its taxable year preceding the declaration
32 of such dividends (or for such part of such period as the corporation has
33 been in existence) was derived from sources within the Philippines as
34 determined under the provisions of this Section; but only in an amount
35 which bears the same ratio to such dividends as the gross income of the
36 corporation for such period derived from sources within the Philippines
37 bears [to] **ON** its gross income from all sources;

38 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 IN A TRADE OR BUSINESS OUTSIDE THE PHILIPPINES PROVIDED THAT INCOME GENERATED OR RECEIVED FROM THE USE OF SUCH FUNDS IN CONNECTION WITH THE CONDUCT OR OPERATION OF TRADE OR BUSINESS IN THE PHILIPPINES IS A TAXABLE INCOME IN THE PHILIPPINES.**

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

SEC. 51. Individual Return. -

(A) Requirements. - x x x

xxx xxx xxx

(C) When to File. -

xxx xxx xxx

(2) Individuals subject to tax on capital gains:

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

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

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

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

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

9 **SEC. 52. Corporation Returns. –**

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

20 (1) Corporate profile and information;

21 (2) Gross sales, receipts or income from services rendered, or
22 conduct of trade or business, except income subject to final tax as
23 provided under this Code;

24 (3) Allowable deductions under this Code;

25 (4) Taxable income as defined in Section 31 of this Code; and

26 (5) Income tax due and payable.

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

29 xxx xxx xxx

30 **(D) Return on Capital Gains Realized from Sale of Shares of Stock,**
31 **DEBT INSTRUMENT, AND OTHER SECURITIES not Traded in the Local**
32 **[Stock] Exchange OR AN ORGANIZED MARKETPLACE. –** Every
33 corporation deriving capital gains from the sale or exchange of shares of
34 stock, **DEBT INSTRUMENTS AND OTHER SECURITIES** not traded
35 through a local [stock] exchange **OR AN ORGANIZED MARKETPLACE** as
36 prescribed under [Sections 24(C), 25(A)(3), 27(E)(2), 28(A)(8)(c) and
37 28(B)(5)(c),] **SECTIONS 27(D)(3), AND (5), AND 28** shall file a return within
38 thirty (30) days after 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 TRADED IN THE LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE. - IT SHALL BE THE DUTY OF EVERY BROKER WHO EFFECTED THE SALE, SUBJECT TO THE TAX IMPOSED UNDER SECTIONS 27(D)(4) AND (6), AND 28, TO COLLECT THE TAX DUE AND REMIT THE SAME TO THE BUREAU OF INTERNAL REVENUE WITHIN FIVE (5) BANKING DAYS FROM THE DATE OF COLLECTION THEREOF, AND TO SUBMIT ON MONDAYS OF EACH WEEK TO THE SECRETARY OF THE LOCAL EXCHANGE OR ORGANIZED MARKETPLACE, OF WHICH THE BORROWER IS A MEMBER, A TRUE AND COMPLETE RETURN WHICH SHALL CONTAIN A DECLARATION OF ALL THE TRANSACTIONS EFFECTED DURING THE PRECEDING WEEK, AND TAXES COLLECTED AND TURNED OVER TO THE BUREAU OF INTERNAL REVENUE.

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

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

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

1 **REQUIRED TO DECLARE THE INCOME AS PART OF ITS TAXABLE**
2 **INCOME.**

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

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

12 **SEC. 56. Payment and Assessment of Income Tax for Individuals and**
13 **Corporations. -**

14 **(A) Payment of Tax. -**

15 xxx xxx xxx

16 **(3) Payment of Capital Gains Tax. -**

17 **A. IN GENERAL. -** The total amount of tax imposed and prescribed under
18 Section ~~S~~ 24[(C)](B)(3), 24[(D)](B)(5), **24(B)(7), 25, 27[(E)(2)] (D)(3),**
19 **27(D)(5),** 28(A)[(8)(c)] and 28(B)(5)[(c)] shall be paid on the date the return
20 prescribed therefor is filed by the person liable thereto: *Provided*, That if
21 the seller submits proof of his intention to avail himself of the benefit of
22 exemption of capital gains under existing special laws **OR TAX TREATY**,
23 no such payments shall be required: *Provided, further*, That in case of
24 failure to qualify for exemption under such special laws, **TAX TREATY** and
25 implementing rules and regulations, the tax due on the gains realized from
26 the original transaction shall immediately become due and payable, and
27 subject to the penalties prescribed under applicable provisions of this
28 Code: *Provided, finally*, That if the seller, having paid the tax, submits such
29 proof of intent within six (6) months from the registration of the document
30 transferring the real property, he shall be entitled to a refund of such tax
31 upon verification of his compliance with the requirements for such
32 exemption.

33 xxx xxx xxx

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

36 **SEC. 57. Withholding of Tax at Source. -**

37 **(A) Withholding of Final Tax on Certain Incomes. -** Subject to rules
38 and regulations the Secretary of Finance may promulgate, upon the
39 recommendation of the Commissioner, requiring the filing of income tax

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

(B) xxx xxx xxx

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

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

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

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

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

(B) Stock Dividend. – x x x

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

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

(A) Rate and Base of Tax. – x x x

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

xxx xxx xxx

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

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

1 **OF THIS CODE, EXCEPT DIVIDENDS AND EQUITY SHARES AND NET**
2 **INCOME OF SUBSIDIARIES WHICH SHALL BE SUBJECT TO ZERO**
3 **PERCENT (0%) [in accordance with the following schedule]:**

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

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

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

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

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

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

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

22 *Provided, That* **FOR PURPOSES OF COMPUTING THE GROSS**
23 **RECEIPTS,** the generally accepted accounting principles **OF RECORDING**
24 **INCOME AS ADOPTED BY THE BANK SHALL BE FOLLOWED. BANKS**
25 **USING THE ACCRUAL BASIS OF FINANCIAL REPORTING SHALL USE**
26 **THE ACCRUAL METHOD IN COMPUTING THE GROSS RECEIPTS:**
27 **PROVIDED, THAT, ONCE ADOPTED, IT SHALL BE CONSISTENT FROM**
28 **YEAR TO YEAR: PROVIDED, FURTHER, THAT FOR PURPOSES OF**
29 **DETERMINING THE GROSS RECEIPTS, NO DEDUCTION SHALL BE**
30 **MADE ON THE INCOME EXCEPT IN THE CASE OF GAINS FROM**
31 **DEALINGS IN PROPERTY AND TRADING GAINS, WHERE NET LOSS**
32 **WITHIN THE SAME BUSINESS ACTIVITY CAN BE OFFSET TO**
33 **DETERMINE THE NET GAIN SUBJECT TO THIS TAX: PROVIDED,**
34 **FURTHER, THAT SUCH OFFSETTING SHALL BE ON A QUARTERLY**
35 **BASIS, AND ANY NET LOSS INCURRED IN A QUARTER CAN BE**
36 **CARRIED OVER AS DEDUCTION IN THE SUCCEEDING QUARTER/S:**
37 **PROVIDED, FINALLY, THAT NET LOSS INCURRED IN A TAXABLE**
38 **YEAR CANNOT BE CARRIED OVER TO THE SUCCEEDING TAXABLE**
39 **YEAR.**

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

xxx xxx xxx

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

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

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

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

[*Provided, however*, That in case the maturity period is shortened thru pretermination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate of tax shall be applied accordingly.]

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

FINANCIAL INTERMEDIARIES SUBJECT TO TAX UNDER THIS SECTION SHALL INCLUDE FINANCING COMPANIES, FINANCE LEASING COMPANIES, INVESTMENT HOUSES, PAWNSHOPS, FOREIGN EXCHANGE DEALERS AND MONEY BROKERS, TRUST ENTITIES, CREDIT CARD COMPANIES, LENDING INVESTORS, SAVINGS AND LOAN ASSOCIATIONS, AND OTHER FINANCIAL INTERMEDIARIES EXCEPT BANKS AND NON-BANKS PERFORMING

1 QUASI-BANKING FUNCTIONS WHICH SHALL BE TAXED UNDER
2 SECTION 121 OF THIS CODE.

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

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

27 IN-HOUSE LENDING OR SELLER FINANCING SHALL NOT BE SUBJECT
28 TO TAX UNDER THIS SUBSECTION. ANY INCOME EARNED OR
29 RECEIVED FROM IN-HOUSE LENDING OR SELLER FINANCING SHALL
30 BE SUBJECT TO THE SAME TAX APPLICABLE TO THE PRINCIPAL
31 BUSINESS ACTIVITY OR TRANSACTION.

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

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

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

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

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

(A) FOR LIFE INSURANCE INCLUDING HEALTH INSURANCE AS A RIDER TO LIFE INSURANCE POLICY, a tax of two percent (2%) of the total premium collected, whether such premiums are paid in money, notes, credits or any substitute for money; but premiums refunded within six (6) months after payment on account of rejection of risk or returned for other reason to a person insured shall not be included in the taxable receipts; nor shall any tax be paid upon reinsurance by a company **IF THE TAX [that] has already BEEN paid [the tax] ON THE DIRECT PREMIUM;** nor upon premiums collected or received by any branch of a domestic corporation, firm or association doing business outside the Philippines on account of any life insurance of the insured who is a nonresident, if any tax on such premium is imposed by the foreign country where the branch is established; nor upon premiums collected or received on account of any reinsurance, if the insured, in case of personal insurance, resides outside the Philippines, if any tax on such premiums is imposed by the foreign country where the original insurance has been issued or perfected; nor upon that portion of the premiums collected or received by the insurance companies on variable contracts **IN A COLLECTIVE INVESTMENT SCHEME** in excess of the amounts necessary to insure the lives of the variable contract owners: **PROVIDED, THAT THE CIS SHALL HAVE AT LEAST ONE THOUSAND (1,000) OWNERS, INVESTORS OR PARTICIPANTS, AND THAT ANY MINIMUM PUBLIC OWNERSHIP AS MAY BE REQUIRED BY APPROPRIATE GOVERNMENT REGULATORY AGENCIES SHALL BE COMPLIED WITH.**

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

1 EARMARKED FOR THE BENEFIT OF THE INSURED, OR
2 PLANHOLDER.

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

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

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

18 FOR THE PURPOSE OF CLAIMING EXEMPTION, A CERTIFICATION
19 AND A SUMMARY REPORT TO BE PRESCRIBED IN A REGULATION,
20 ISSUED BY THE DIRECT INSURER, THAT THE TAX THEREON HAS
21 ALREADY BEEN PAID, SHALL BE ATTACHED TO THE QUARTERLY
22 PREMIUM TAX RETURN OR VALUE-ADDED TAX RETURN TO BE
23 FILED. ANY MISREPRESENTATION SHALL SUBJECT THE DIRECT
24 INSURER TO PENALTIES UNDER SECTIONS 248, 253, 254, 255, 256,
25 AND 257 OF THIS CODE.

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

37 A VARIABLE INSURANCE CONTRACT WHERE AMOUNTS IN EXCESS
38 OF INSURANCE COSTS ARE COLLECTED AS PART OF THE PREMIUM
39 AND WHERE UNITS OF PARTICIPATION IN A POOLED FUND ARE
40 ISSUED TO THE INSURED REPRESENTING ITS SHARE IN THE
41 POOLED FUNDS, IS A COLLECTIVE INVESTMENT SCHEME. THE
42 AMOUNTS OF PREMIUM COLLECTED IN EXCESS OF THE INSURANCE
43 COST IS NOT SUBJECT TO PREMIUM TAX UNDER THIS SECTION AND

TO THE GROSS RECEIPTS TAX IMPOSED UNDER SECTIONS 121 AND 122, OR TO ANY PERCENTAGE TAX IMPOSED UNDER TITLE V AND TO VALUE-ADDED TAX UNDER SECTION 105, TITLE IV OF THIS CODE.

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

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

[(A) Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange. - There shall be levied, assessed and collected on every sale, barter, exchange, or other disposition of shares of stock listed and traded through the local stock exchange other than the sale by a dealer in securities, a tax at the rate of one-half of one percent ($1/2$ 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 **[(1) Stock Not Owned by Individuals.** – Stock owned directly or
2 indirectly by or for a corporation, partnership, estate or trust shall be
3 considered as being owned proportionately by its shareholders, partners
4 or beneficiaries.]

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

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

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

21 **[(C) Return on Capital Gains Realized from Sale of Shares of Stocks.**
22 **–]**

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

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

39 **[(D) Common Provisions.** – Any gain derived from the sale, barter,
40 exchange or other disposition of shares of stock under this Section shall
41 be exempt from the tax imposed in Sections 24(C), 27(D)(2), 28(A)(8)(c),
42 and 28(B)(5)(c) of this Code and from the regular individual or corporate

1 income tax. Tax paid under this Section shall not be deductible for income
2 tax purposes.]

3 **SEC. 27.** Sections 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186,
4 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198 and 199 of the National
5 Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

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

40 **SEC. [176]175. Stamp Tax on Bonds, Debentures, Certificates of Stock**
41 **or Indebtedness Issued in Foreign Countries.** – On all bonds,
42 debentures, certificates of stock, or certificates of indebtedness issued in
43 any foreign country, there shall be collected from the person selling or
44 transferring the same in the Philippines, **A DOCUMENTARY STAMP TAX**

1 **OF SEVENTY-FIVE PERCENT OF ONE PERCENT (0.75%) OF THE**
2 **VALUE OF THE TRANSACTION.** [such tax as is required by law on similar
3 instruments when issued, sold or transferred in the Philippines.]

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

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

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

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

42 **[SEC. 180. Stamp Tax on All Bills of Exchange or Drafts.** – On all bills
43 of exchange (between points within the Philippines) or drafts, there shall

1 be collected a documentary stamp tax of Sixty centavos (P0.60) on each
2 Two hundred pesos (P200) or fractional part thereof, of the face value of
3 any such bill of exchange or draft.]

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

12 **SEC. [182]178. Stamp Tax on Foreign Bills of Exchange and Letters of**
13 **Credit.** – On all foreign bills of exchange and letter of credit (including
14 orders, by telegraph or otherwise, for the payment of money issued by
15 express or steamship companies or by any person or persons) drawn in
16 but payable out of the Philippines in a set of three (3) or more according to
17 the custom of merchants and bankers, there shall be collected a
18 documentary stamp tax **OF THIRTY PERCENT OF ONE PERCENT**
19 **(0.30%)** [Sixty centavos (P0.60) on each Two hundred pesos (P200), or
20 fractional part thereof,] of the face value of any such bill of exchange or
21 letter of credit, or the Philippine equivalent of such face value, if expressed
22 in foreign currency: **PROVIDED, THAT, IN THE CASE OF A LETTER OF**
23 **CREDIT ON WHICH THE DOCUMENTARY STAMP TAX IMPOSED**
24 **UNDER THIS SECTION IS PAID UPON OPENING, THE SAME SHALL**
25 **NOT BE SUBJECT AGAIN TO SECTION 195 UPON AVAILMENT OF THE**
26 **TRUST RECEIPT LINE WHERE THE PROPERTY SUBJECT OF THE**
27 **LETTER OF CREDIT IS MADE A SECURITY FOR PAYMENT.**

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

33	If the amount of insurance does not exceed P100,000	- Exempt
34	If the amount of insurance exceeds P100,000	
35	but does not exceed P300,000	- P20.00
36	If the amount of insurance exceeds P300,000	
37	but does not exceed P500,000	- P50.00
38	If the amount of insurance exceeds P500,000	
39	but does not exceed P750,000	- P100.00
40	If the amount of insurance exceeds P750,000	
41	but does not exceed P1,000,000	- P150.00

If the amount of insurance exceeds P1,000,000 - P200.00

SEC. [184]180. Stamp Tax on Policies of Insurance Upon Property. –

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

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

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

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

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

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

SEC. [185]181. Stamp Tax on Fidelity Bonds and Other Insurance

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

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

1 **JANUARY 1, 2022: TEN AND ONE-HALF PERCENT (10.5%),**
2 **JANUARY 1, 2023: NINE AND ONE-HALF PERCENT (9.5%),**
3 **JANUARY 1, 2024: EIGHT AND ONE-HALF PERCENT (8.5%),**
4 **JANUARY 1, 2025: SEVEN AND ONE-HALF PERCENT (7.5%).**

5 **SEC. [186]182. Stamp Tax on Policies of Annuities and Pre-Need Plans.**

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

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

30 **SEC. [188]184. Stamp Tax on Certificates.** – On each certificate of
31 damage or otherwise, and on every other certificate or document issued by
32 any customs officer, marine surveyor, or other person acting as such, and
33 on each certificate issued by a notary public, an on each certificate of any
34 description required by law or by rules or regulations of a public office, or
35 which is issued for the purpose of giving information, or establishing proof
36 of a fact, and not otherwise specified herein, there shall be collected a
37 documentary stamp tax of [Thirty] **FORTY** pesos (P[3]40.00).

38 **SEC. [189]185. Stamp Tax on Warehouse Receipts.** – xxx

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

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

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

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

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

SEC. [195]189. Stamp Tax on Mortgages, Pledges and Deeds of Trust.
– On every mortgage or pledge of lands, estate, or property, real or personal, heritable or movable, whatsoever, where the same shall be made as a security for the payment of any definite and certain sum of money lent at the time or previously due and owing or forborne to be paid, being payable, and on any conveyance of land, estate, or property, whatsoever, in trust or to be sold, or otherwise converted into money which shall be and intended only as security, either by express stipulation or otherwise, there shall be collected a documentary stamp tax **OF THIRTY PERCENT OF ONE PERCENT (0.3%) OF THE AMOUNT SECURED.** [at the following rates:]

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

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

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

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

SEC. [198]192. Stamp Tax on [Assignments and] Renewals of Certain Instruments. – Upon each and every [assignment or transfer of any mortgage, lease or policy of insurance, or the] renewal or continuance of any agreement, contract, charter, or any evidence of obligation or indebtedness by **THE EXTENSION OF THE TERM OR MATURITY BY**

[altering or otherwise,] **ALTERATION OF SUCH AGREEMENT, CONTRACT OR CHARTER**, there shall be levied, collected and paid a documentary stamp tax, at the same rate as that imposed on the original instrument.

SEC. [199]193. Documents and Papers Not Subject to Stamp Tax. – The provisions of Section 173 to the contrary notwithstanding, the following instruments, documents and papers shall be exempt from the documentary stamp tax:

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

xxx xxx xxx

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

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

SEC. 28. Propectivity Clause. – The changes introduced under this Act shall take effect on income and transactions beginning January 1, 2020. Any tax exemption on interest income and gains granted to long-term instruments and securities prior to the 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 transaction affected herein

1 are hereby made subject to applicable taxes on interest income, dividends, and
2 capital gains, gross receipts tax, premium tax, and documentary stamp tax under
3 the National Internal Revenue Code of 1997, as amended:

4 (a) Section 9, insofar as the tax exemption on the issuance of bonds and
5 securities is concerned, of Presidential Decree 1648, known as :”Reorganizing The
6 National Development Company and Establishing A Revised Charter Therefor”;

7 (b) Sections 6, 7, and 8, insofar as tax exemption on interest income,
8 capital gains, and documentary stamp tax is concerned, of Executive Order 603,
9 entitled “Creating A Light Rail Transit Authority, Vesting The Same With Authority
10 To Construct And Operated The Light Rail Transit (LRT) Project And Providing Funds
11 Therefor”;

12 (c) Section 14, insofar as tax exemption on interest income, capital gains,
13 and documentary stamp tax is concerned, of Republic Act 7354, entitled “An Act
14 Creating The Philippine Postal Corporation, Defining Its Powers, Functions And
15 Responsibilities, Providing For Regulation of The Industry and for Other Purposes
16 Connected Therewith”;

17 (d) Section 12, insofar as tax exemption on interest income, capital gains,
18 and documentary stamp tax is concerned, of Republic Act 4850, entitled “An Act
19 Creating The Laguna Lake Development Authority, Prescribing its Powers, Functions
20 and Duties, Providing Funds Therefor, and for Other Purposes”;

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

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

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

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

37 (i) Section 2(g), insofar as tax exemption on interest income is concerned,
38 of Republic Act 85, as amended by Republic Act 2081, entitled “An Act Creating The
39 Rehabilitation Finance Corporation”;

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

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

7 (l) Section 10, insofar as tax exemption on interest income is concerned,
8 of Republic Act 3591, as amended by Republic Act 9576 or An Act Increasing The
9 Maximum Deposit Insurance Coverage, and in Connection Therewith, To Strengthen
10 The Regulatory And Administrative Authority, And Financial Capability of The
11 Philippine Deposit Insurance Corporation (PDIC), Amending for this Purpose
12 Republic Act Numbered Three Thousand Five Hundred Ninety-One, as amended,
13 otherwise known as The PDIC Charter, and for Other Purposes;

14 (m) Section 12, insofar as tax exemption on interest income, capital gains,
15 and documentary stamp tax is concerned, of Executive Order 1037, entitled "An Act
16 Creating The Philippine Retirement Park System, Providing Funds Therefor and for
17 Other Purposes";

18 (n) Section 19, insofar as tax exemption on interest income and
19 documentary stamp tax is concerned, of Republic Act 8763 or Home Guaranty
20 Corporation Act Of 2000;

21 (o) Section 19, insofar as tax exemption on documentary stamp tax is
22 concerned, of Republic Act 7279 or The Urban Development and Housing Act Of
23 1992;

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

27 (q) Section 15, insofar as tax exemption on interest income, capital gains,
28 and documentary stamp tax is concerned, of PD 334, entitled "Creating The
29 Philippine National Oil Company, Defining its Powers and Functions, Providing
30 Funds Therefore, and for Other Purposes";

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

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

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

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

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

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

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

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

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

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

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

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

1 (dd) Sections 13 and 14, insofar as tax exemption on documentary stamp
2 tax and dividends is concerned, of Republic Act 9856 or The Real Estate Investment
3 Act of 2009; and

4 (ee) Section 23, insofar as no deduction from gross income shall be allowed
5 in respect of any interest if the indebtedness is incurred to finance petroleum
6 exploration is concerned, of PD 87, entitled "Amending Presidential Decree No. 8
7 Issued on October 2, 1972, and Promulgating an Amended Act to Promote The
8 Discovery and Production Of Indigenous Petroleum and Appropriate Funds
9 Therefor".

10 **SEC. 32. Effectivity Clause.** – This Act shall take effect on January 1, 2020, or
11 fifteen (15) days after its complete publication in the *Official Gazette* or in at least two
12 (2) newspapers of general circulation, whichever comes earlier.

Approved,