

Republic of the Philippines
House of Representatives
Quezon City



18TH CONGRESS
First Regular Session

HOUSE BILL NO. 2958

Introduced by Representative Michael L. Romero

EXPLANATORY NOTE

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

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

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

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

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

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

- d. ***Inequitable distribution of tax burden*** – Investments in equity and some forms of long-term instruments are subject to lower tax rates. Hence, those who have more money to place in these kinds of investment tend to pay lower taxes compared to working class individuals who are content with placing their funds in short-term investments or savings deposit with higher taxes.
- e. ***Uncompetitive tax system*** – A comparison of taxes on capital income in ASEAN nations shows that Philippine tax on capital income remains the highest in the region. Considering this, the Philippine capital market remains shallow and uncompetitive, and continues to lag behind ASEAN neighbors.
- f. ***High administrative and compliance cost*** – The complicated structure of the current tax system makes administration and compliance difficult and costly. For instance, firms have to pay different taxes that are derived from the same tax base.
- g. ***Not supportive of capital market development*** – There are a number of taxes on financial transactions that hinder capital market development. Initial public offering (IPO) tax, for instance, is essentially a tax on capital, and does not take into consideration income generation.

1 Such an imposition serves as a deterrent to public listing. This results in
2 the Philippine Stock Exchange (PSE) lagging behind other ASEAN
3 countries in terms of market capitalization.
4

5 The inclusion of the capital income and financial services in the current
6 administration's comprehensive tax reform program provides a window of
7 opportunity to achieve the much-needed reform in the financial sector. The
8 taxation of the financial system should indeed be viewed as a major component
9 of these reforms, an ingredient that could fuel and direct the movement of
10 capital rightly to where they are most needed, so that higher, sustainable, and
11 more inclusive growth can be achieved.
12

13 And so, this bill seeks to reform the taxation of capital income and financial
14 services in the country, by redesigning the financial sector taxation into a
15 simpler, fairer, more efficient, and a revenue neutral tax system. This bill aims
16 to achieve the following objectives:
17

- 18 a. Provide neutrality in the tax treatment across financial institutions and
19 financial instruments.
20
- 21 b. Simplify what has become a complex tax system.
22
- 23 c. Improve equity across investors and savers.
24
- 25 d. Minimize arbitrage opportunities.
26
- 27 e. Promote capital market development and tax competitiveness within the
28 context of financial globalization, increased capital mobility, and
29 financial inclusion.
30

31 To achieve these, this bill proposes the following reforms:
32

- 33 a. Reduction in the number of rates of withholding taxes - Due to the
34 difficulties posed by various tax rates on interest income, distinctions are
35 removed, such that a more uniform tax treatment is imposed on interest
36 income regardless of currency, maturity, issuer, and other differentiating
37 factors. Likewise, special rates and exemptions are removed.
38
- 39 b. Unification of tax rates for interests, dividends, and capital gains -
40 Considering the complicated tax system on capital income, a more
41 unified rate of tax is imposed for interests, dividends, and capital gains.
42
- 43 c. Harmonization of business taxes - A single GRT rate for all FIs, excluding
44 premium tax on insurance, is imposed. For further harmonization of
45 taxes, distinction between lending and non-lending activities, as well as

1 the term of maturity of an instrument, is removed. A single rate of 5% is
2 imposed.

3
4 Pre-need, pension, life, and HMO insurance are all taxed similarly at a
5 2% premium tax rate. Meanwhile, non-life insurance is subject to 12%
6 value-added tax.

- 7
8 d. Removal or minimization of barriers to capital market development - IPO
9 tax, which is found to be detrimental to capital market development is
10 removed.

11
12 Overall, the DST of the financial sector is being rationalized to promote
13 capital mobility.

- 14
15 e. Adoption of a regionally competitive tax system - Considering that
16 Philippine taxes on capital income is the highest in the ASEAN region,
17 measures are taken towards the adoption of tax rates comparable to
18 those of neighboring ASEAN nations and their best practices. With the
19 reform, the proposed rates would be at par with the rates imposed in
20 ASEAN to ensure competitiveness of the domestic capital market.

21
22 Financial sector taxation is indeed ripe for reform. The approval of this bill is
23 earnestly sought so we can compete better in attracting capital and investment,
24 which is urgently needed to finance infrastructure, create more and better jobs,
25 and boost the inclusive and sustainable growth of the economy.

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30 **MICHAEL L. ROMERO Ph.D.**
31

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

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

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

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

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

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

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

(A) xxx

xxx xxx xxx

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

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

xxx xxx xxx

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

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

30
31 Three (3) years to less than (4) years – 12%; and
32

33 Less than three (3) years – 20%.]
34

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

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

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

xxx xxx xxx

(V) The term '**bank**' means every banking institution, as defined in Section 2 Republic Act No. 337, as amended, otherwise known as the General Banking Act. A bank may either be, a commercial bank, a thrift bank, a development bank, a rural bank, a specialized government bank, or a cooperative bank] **AS DEFINED IN SECTION 3 OF REPUBLIC ACT NO. 8791, OTHERWISE KNOWN AS THE GENERAL BANKING LAW OF 2000, SHALL REFER TO ENTITIES ENGAGED IN THE LENDING OF FUNDS OBTAINED IN THE FORM OF DEPOSITS. BANKS SHALL BE CLASSIFIED INTO UNIVERSAL BANKS, COMMERCIAL BANKS,**

1 THRIFT BANKS COMPOSED OF: (A) SAVINGS AND MORTGAGE
2 BANKS; (B) STOCK SAVINGS AND LOAN ASSOCIATIONS; AND (C)
3 PRIVATE DEVELOPMENT BANKS, AS DEFINED IN REPUBLIC ACT NO.
4 7906, OR THE THRIFT BANKS ACT, RURAL BANKS, AS DEFINED IN
5 REPUBLIC ACT NO. 7353 OT THE RURAL BANKS ACT; COOPERATIVE
6 BANKS, AS DEFINED IN REPUBLIC ACT NO. 6938 OR THE
7 COOPERATIVE CODE, ISLAMIC BANKS AS DEFINED IN REPUBLIC
8 ACT NO. 6848,OR THE CHARTER OF AL AMANAH ISLAMIC
9 INVESTMENT BANK OF THE PHILIPPINES, AND OTHER
10 CLASSIFICATIONS OF BANKS AS DETERMINED BY THE MONETARY
11 BOARD OF THE BANGKO SENTRAL NG PILIPINAS.
12

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

32 (X) THE TERM '*QUASI-BANK*' SHALL REFER TO ENTITIES ENGAGED
33 IN THE BORROWING OF FUNDS THROUGH THE ISSUANCE,
34 ENDORSEMENT OR ASSIGNMENT WITH RECOURSE OR
35 ACCEPTANCE OF DEPOSIT SUBSTITUTES, AS DEFINED IN
36 SUBSECTION (Z) HEREOF FOR PURPOSES OF RELENDING OR
37 PURCHASING OF RECEIVABLES AND OTHER OBLIGATIONS.
38

39 (Y) The term '*quasi-banking activities*' means borrowing funds from
40 twenty (20) or more [personal]INDIVIDUAL or corporate lenders at any one
41 time through the issuance, endorsement, or acceptance of debt
42 instruments of any kind other than deposits for the borrower's own
43 account, or through the issuance of certificates of assignment or similar
44 instruments, with recourse, or of repurchase agreements for purposes of
45 relending or purchasing receivables and other similar obligations:
46 *Provided, however,* That commercial, industrial and other non-financial

companies, which borrow funds through any of these means for the limited purpose of financing their own needs or the needs of their agents or dealers, shall not be considered as performing quasi-banking functions. **PROVIDED FURTHER THAT IF THE INTENTION IS FOR THE DEBT INSTRUMENTS TO BE HELD BY MORE THAN 19 HOLDERS DURING THE ENTIRE TERM OF THE DEBT INSTRUMENT AND IF THE TENOR AND DENOMINATION ARE SUCH THAT THEY CAN BE HELD BY MORE THAN 19 LENDERS, THEN THE INSTRUMENT SHALL BE CONSIDERED DEPOSIT SUBSTITUTES.**

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

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

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

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2
3 **(FF)** The term [‘long-term deposit or investment certificate’ shall refer to
4 certificate of time deposit or investment in the form of savings, common or
5 individual trust funds, deposit substitutes, investment management
6 accounts and other investments with a maturity period of not less than
7 five (5) years, the form of which shall be prescribed by the Bangko Sentral
8 ng Pilipinas (BSP) and issued by banks only (not by nonbank financial
9 intermediaries and finance companies) to individuals in denominations of
10 Ten thousand pesos (P10,000) and other denominations as may be
11 prescribed by the BSP.] **‘FINANCIAL INSTITUTIONS’ OR ‘FINANCIAL**
12 **INTERMEDIARIES’ SHALL MEAN PERSONS OR ENTITIES WHOSE**
13 **PRINCIPAL FUNCTIONS INCLUDE THE BUSINESS OF LENDING,**
14 **FINANCING, INVESTING, OR PLACEMENT OF FUNDS OR EVIDENCES**
15 **OF INDEBTEDNESS OR EQUITY DEPOSITED WITH THEM, ACQUIRED**
16 **BY THEM, OR OTHERWISE COURSED THROUGH THEM, EITHER FOR**
17 **THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF OTHERS, AND ARE**
18 **AUTHORIZED BY THE BANGKO SENTRAL NG PILIPINAS OR BY THE**
19 **SECURITIES AND EXCHANGE COMMISSION DEPENDING ON THE**
20 **GOVERNMENT AGENCY AUTHORIZED TO REGULATE THEM. IT**
21 **SHALL INCLUDE BANKS, QUASI-BANKS, TRUST ENTITIES,**
22 **PAWNSHOPS, FOREIGN EXCHANGE DEALERS, MONEY BROKERS,**
23 **CREDIT COOPERATIVES, FINANCING COMPANIES, FINANCE LEASING**
24 **COMPANIES, INVESTMENT COMPANIES, AND OTHER ENTITIES**
25 **ENGAGED IN COLLECTIVE INVESTMENT SCHEMES, INVESTMENT**
26 **HOUSES, LENDING INVESTORS OR ENTITIES ENGAGED IN**
27 **FINANCIAL INTERMEDIATION ACTIVITIES, AND OTHER TYPES OF**
28 **BUSINESS THAT MAY BE CLASSIFIED BY THE BANGKO SENTRAL NG**
29 **PILIPINAS OR THE SECURITIES AND EXCHANGE COMMISSION AS**
30 **FINANCIAL INSTITUTIONS.**

31
32 **LIFE AND NON-LIFE INSURANCE COMPANIES, PRE-NEED**
33 **COMPANIES AND HEALTH MAINTENANCE ORGANIZATIONS ARE**
34 **ALSO CONSIDERED FINANCIAL INSTITUTIONS UNDER THE**
35 **SUPERVISION OF THE INSURANCE COMMISSION.**

36
37 (GG) The term **‘statutory minimum wage’** x x x.

38
39 (HH) The term **‘minimum wage earner’** x x x.

40
41 **(II) THE TERM ‘COLLECTIVE INVESTMENT SCHEMES’ OR ‘CIS’ SHALL**
42 **MEAN ANY ARRANGEMENT WHEREBY FUNDS ARE SOLICITED FROM**
43 **THE INVESTING PUBLIC AND POOLED TOGETHER FOR THE**
44 **PURPOSE OF INVESTING, RE-INVESTING, AND/OR TRADING IN**
45 **SECURITIES OR OTHER ASSETS OR DIFFERENT CLASSES THEREOF**
46 **AS ALLOWED UNDER THE LAW, WHICH MAY EITHER HAVE A**

1 CORPORATE STRUCTURE, SUCH AS AN INVESTMENT COMPANY, OR
2 A CONTRACTUAL STRUCTURE, SUCH AS A UNIT INVESTMENT TRUST
3 FUND OR SIMILAR SCHEME HELD BY A TRUST CORPORATION OR A
4 SEPARATE ACCOUNT FUND ESTABLISHED PURSUANT TO A
5 VARIABLE UNITLINKED LIFE INSURANCE POLICY ISSUED BY AN
6 INSURANCE COMPANY, AND SUCH OTHER FORMS OF COLLECTIVE
7 INVESTMENT SCHEMES AS MAY BE DETERMINED BY THE
8 APPROPRIATE GOVERNMENT REGULATORY AGENCIES SUCH AS
9 THE BANGKO SENTRAL NG PILIPINAS, THE SECURITIES AND
10 EXCHANGE COMMISSION AND THE INSURANCE COMMISSION. A CIS
11 MAY EITHER BE OPEN-END OR CLOSED-END, DEFINED AS
12 FOLLOWS:

13
14 **'OPEN-END CIS'** MEANS A CIS WHERE SECURITIES ARE
15 OFFERED AND ARE ALWAYS REDEEMABLE BY THE CIS; AND
16

17 **'CLOSED-END CIS'** MEANS A CIS WHERE A FIXED NUMBER OF
18 SECURITIES ARE OFFERED IN AN INITIAL PUBLIC OFFERING
19 AND THEREAFTER MAY BE TRADED IN AN ORGANIZED
20 MARKETPLACE AS DETERMINED BY THE SECURITIES AND
21 EXCHANGE COMMISSION, BUT MAY NOT BE REDEEMED BY
22 THE CIS. A CLOSED-END CIS SHALL NOT BE ALLOWED TO
23 INCREASE ITS NUMBER OF SECURITIES.
24

25 **(JJ) THE TERM 'UNITLINKED INVESTMENT INSTRUMENT'** SHALL
26 MEAN A CONTRACTUAL CIS ORGANIZED PURSUANT TO A
27 CONTRACT, SUCH AS TRUST INDENTURE, OR AS AN INVESTMENT
28 COMPONENT OF AN INSURANCE CONTRACT, ENGAGED OR HOLDS
29 ITSELF OUT AS BEING ENGAGED, OR PROPOSES TO ENGAGE, IN THE
30 BUSINESS OF INVESTING, REINVESTING, AND/OR TRADING IN
31 SECURITIES OR OTHER INVESTMENT ASSETS, AND ISSUES UNITS
32 OF PARTICIPATION, EACH OF WHICH REPRESENTS AN UNDIVIDED
33 INTEREST IN A POOL OF INVESTMENT ASSETS.
34

35 **(KK) THE TERM 'HOLDING COMPANY'** SHALL REFER TO ANY
36 CORPORATION ORGANIZED TO HOLD THE STOCK OF ANOTHER OR
37 OTHER CORPORATIONS, AND OTHER FORMS OF HOLDING
38 COMPANIES AS MAY BE DETERMINED BY APPROPRIATE
39 GOVERNMENT REGULATORY AGENCIES.
40

41 **(LL) THE TERM 'DEBT INSTRUMENT'** SHALL REFER TO
42 INSTRUMENTS REPRESENTING BORROWING AND LENDING
43 TRANSACTIONS INCLUDING BUT NOT LIMITED TO DEBENTURES,
44 CERTIFICATES OF INDEBTEDNESS, DUE BILLS, BONDS, LOAN
45 AGREEMENTS, INSTRUMENTS, AND SECURITIES ISSUED BY THE
46 GOVERNMENT OR ANY OF ITS INSTRUMENTALITIES, DEPOSIT

1 SUBSTITUTES, CERTIFICATES OR OTHER EVIDENCES OF
2 DEPOSITS, PROMISSORY NOTES, WHETHER NEGOTIABLE OR NON-
3 NEGOTIABLE, OTHER SIMILAR INSTRUMENTS, AND OTHER
4 INSTRUMENTS AS MAY BE DETERMINED BY APPROPRIATE
5 GOVERNMENT AGENCIES.

6
7 (MM) THE TERM 'ORGANIZED MARKETPLACE' IS AN EXCHANGE, AN
8 OVER-THE-COUNTERMARKET, ALTERNATIVE TRADING SYSTEM,
9 RECOGNIZED AS SUCH BY THE SECURITIES AND EXCHANGE
10 COMMISSION AS AN EXCHANGE UNDER REPUBLIC ACT NO. 8799, AS
11 AMENDED, AND GOVERNED BY, AMONG OTHERS, TRANSPARENT
12 AND BINDING RULES AND MARKET CONVENTIONS ON
13 MEMBERSHIP, TRADING, PRICE TRANSPARENCY, TRADE
14 REPORTING, MARKET MONITORING AND ORDERLY
15 CONDUCT/OPERATION OF THE MARKET WHICH ARE ENFORCEABLE
16 ON THE MEMBERS AND PARTICIPANTS.

17
18 (NN) HEALTH INSURANCE PRODUCTS ARE THOSE THAT ARE BEING
19 OFFERED AND SOLD BY INSURANCE COMPANIES, EITHER LIFE OR
20 NON-LIFE, WHEREIN THERE IS A LIST OF COVERED ILLNESSES OF
21 WHICH THE COMPANIES ASSUME RISKS AND INDEMNIFY LOSSES
22 BROUGHT BY THE SAID COVERED ILLNESSES.

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

32
33 **SEC. 4.** Section 24 (B) and (C) of the National Internal Revenue Code of 1997, as
34 amended, is hereby amended to read as follows:

35
36 **SEC. 24. Income Tax Rates. -**

37
38 **(A) *Rates of Income Tax on Individual Citizen and Individual***
39 ***Resident Alien of the Philippines. -***

40
41 XXX XXX XXX

42
43 **(B) *Rate of Tax on Certain Passive Income: -***

44
45 **(1) *Interests[, Royalties, Prizes, and Other Winnings.] -*** A final tax at
46 the rate of [twenty percent (20%)]**FIFTEEN PERCENT (15%)** is hereby

1 PERCENT (15%) TAX ON DIVIDENDS SHALL APPLY ONLY ON INCOME
2 EARNED ON OR AFTER JANUARY 1, 2020. INCOME FORMING PART
3 OF RETAINED EARNINGS AS OF DECEMBER 31, 2019, EVEN IF
4 DECLARED OR DISTRIBUTED ON OR AFTER JANUARY 1, 2020,
5 SHALL BE SUBJECT TO TEN PERCENT (10%) TAX.
6

7 LIQUIDATING DIVIDEND SHALL BE SUBJECT TO SECTION 24(A)
8 BASED ON NET GAIN.
9

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

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

30 JANUARY 1, 2021: FIVE-TENTH OF ONE PERCENT (5/10 OF 1%),
31

32 JANUARY 1, 2022: FOUR-TENTH OF ONE PERCENT (4/10 OF 1%),
33

34 JANUARY 1, 2023: THREE-TENTH OF ONE PERCENT (3/10 OF 1%),
35

36 JANUARY 1, 2024: TWO-TENTH OF ONE PERCENT (2/10 OF 1%),
37

38 JANUARY 1, 2025: ONE-TENTH OF ONE PERCENT (1/10 OF 1%).
39

40 THE TAX SHALL BE BASED ON THE GROSS SELLING PRICE OR
41 GROSS VALUE IN MONEY OF THE SHARES OF STOCK SOLD,

1 **BARTERED, EXCHANGED, OR OTHERWISE DISPOSED OF, TO BE**
2 **PAID BY THE SELLER OR TRANSFEROR.**

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

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

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

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

41
42 **ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER OR**
43 **DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES,**
44 **LISTED OR UNLISTED, BY A DEALER IN SECURITIES OR OTHER**
45 **ENTITIES LICENSED BY THE APPROPRIATE**
46 **GOVERNMENTREGULATORY AGENCY TO BUY AND SELL IN DEBT**

1 **INSTRUMENTS SECURITIES, FOR THE DEALER'S OWN ACCOUNT IN**
2 **THE ORDINARY COURSE OF BUSINESS, SHALL NOT BE SUBJECT TO**
3 **TAX UNDER THIS SUBSECTION BUT TO SECTION 24(A) AS AN**
4 **ORDINARY INCOME.**

5
6 **[(D)](7) *Capital Gains from Sale of Real Property.* -**
7

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

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

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

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

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

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

15
16 **(A) Nonresident Alien Engaged in Trade or Business Within the**
17 **Philippines. - [(1) In General. -]**A nonresident alien individual engaged
18 in trade or business in the Philippines shall be subject to [an]income tax
19 **UNDER SECTION 24 OF THIS CODE**[, in the same manner as an
20 individual citizen and a resident alien individual,] on taxable income
21 received from all sources within the Philippines. A nonresident alien
22 individual who shall come to the Philippines and stay therein for an
23 aggregate period of more than one hundred eighty**THREE (183)** days
24 during any calendar year shall be deemed a 'nonresident alien doing
25 business in the Philippines', Section 22(G) of this Code notwithstanding.

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

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

15
16 [Four (4) years to less than five (5) years – 5%;]

17
18 [Three (3) years to less than four (4) years – 12%; and]

19
20 [Less than three (3) years – 20%.]

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

26
27 **(B) *Nonresident Alien Individual Not Engaged in Trade or Business***
28 ***Within the Philippines***.– There shall be levied, collected and paid for
29 each taxable year upon the entire income received from all sources within
30 the Philippines by every nonresident alien individual not engaged in trade
31 or business within the Philippines as [interest, cash and/or property
32 dividends,] rents, salaries, wages, premiums, annuities, compensation,
33 remuneration, emoluments, or other fixed or determinable annual or
34 periodic or casual gains, profits, and income,[and capital gains,]a **FINAL**
35 tax equal to twenty five percent (25%) of such income. Capital gains
36 realized by a nonresident alien individual not engaged in trade or business
37 in the Philippines from the sale of [shares of stock in any domestic
38 corporation and] real property shall be subject to the income tax
39 prescribed under Subsection[s (C) and (D)]**(B) (7)** of Section 24.

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

45
46 XXX XXX XXX

1
2 **SEC. 6.** Section 27 (D) of the National Internal Revenue Code of 1997, as
3 amended, is hereby amended to read as follows:
4

5 **SEC. 27. Rates of Income Tax on Domestic Corporations. –**
6

7 **(A) In General.** – Except as otherwise provided in this Code, an income
8 tax of thirty-five percent (35%) is hereby imposed upon the taxable income
9 derived during each taxable year from all sources within and without the
10 Philippines by every corporation, as defined in Section 22(B) of this Code
11 and taxable under this Title as a corporation, organized in, or existing
12 under the laws of the Philippines: *Provided*, That effective January 1, 2009,
13 the rate of income tax shall be thirty percent (30%).
14

15 xxx xxx xxx

16
17 **(D) Rates of Tax on Certain Passive Incomes.**
18

19 **[(1) Interest from Deposits and Yield or any other Monetary Benefit**
20 **from Deposit Substitutes and from Trust Funds and Similar**
21 **Arrangements, and Royalties.** – A final tax at the rate of twenty percent
22 (20%) is hereby imposed upon the amount of interest on currency bank
23 deposit and yield or any other monetary benefit from deposit substitutes
24 and from trust funds and similar arrangements received by domestic
25 corporations, and royalties, derived from sources within the Philippines:
26 *Provided, however*, That interest income derived by a domestic corporation
27 from a depository bank under the expanded foreign currency deposit
28 system shall be subject to a final income tax at the rate of fifteen percent
29 of such interest income.]
30

31 **[(2) Capital Gains from the Sale of Shares of Stock Not Traded in the**
32 **Stock Exchange.** –A final tax at the rate of fifteen percent (15%) shall
33 be imposed on net capital gains realized during the taxable year from the
34 sale, exchange or other disposition of shares of stock in a domestic
35 corporation except shares sold or disposed of through the stock exchange.]
36

37 **[(3) Tax on Income Derived under the Expanded Foreign Currency**
38 **Deposit System.** – Income derived by a depository bank under the
39 expanded foreign currency deposit system from foreign currency
40 transactions with nonresidents, offshore banking units in the Philippines,
41 local commercial banks, including branches of foreign banks that may be
42 authorized by the Bangko Sentral ng Pilipinas (BSP) to transact business
43 with foreign currency depository system units and other depository banks
44 under the expanded foreign currency deposit system shall be exempt from
45 all taxes, except net income from such transactions as may be specified by
46 the Secretary of Finance, upon recommendation by the Monetary Board to

1 be subject to the regular income tax payable by banks: *Provided, however,*
2 That interest income from foreign currency loans granted by such
3 depository banks under said expanded system to residents other than
4 offshore banking units in the Philippines or other depository banks under
5 the expanded system, shall be subject to a final tax at the rate of ten
6 percent (10%).
7

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

12 **[(4) *Intercorporate Dividends.*—** Dividends received by a domestic
13 corporation from another domestic corporation shall not be subject to tax.]
14

15 **(1) *INTERESTS.* —A FINAL TAX AT THE RATE OF FIFTEEN PERCENT**
16 **(15%) IS HEREBY IMPOSED UPON THE AMOUNT OF INTEREST,**
17 **YIELD, OR OTHER MONETARY BENEFIT EARNED OR RECEIVED**
18 **FROM A DEBT INSTRUMENT, BANK DEPOSIT, DEPOSIT SUBSTITUTE,**
19 **TRUST FUND, AND SIMILAR ARRANGEMENTS.**
20

21 **(2) *CASH AND/OR PROPERTY DIVIDENDS.* - INTERCORPORATE**
22 **DIVIDENDS OR DIVIDENDS RECEIVED FROM A DOMESTIC**
23 **CORPORATION SHALL NOT BE SUBJECT TO TAX IMPOSED UNDER**
24 **THIS SUBSECTION.**
25

26 **LIQUIDATING DIVIDEND SHALL BE SUBJECT TO SECTION 27(A) AND**
27 **BASED ON NET GAIN.**
28

29 **(3) *CAPITAL GAINS FROM THE SALE, EXCHANGE, BARTER OR***
30 ***DISPOSITION OF SHARES OF STOCK NOT TRADED IN THE STOCK***
31 ***EXCHANGE OR AN ORGANIZED MARKETPLACE.* A FINAL TAX AT THE**
32 **RATE OF FIFTEEN PERCENT (15%) IS HEREBY IMPOSED UPON THE**
33 **NET CAPITAL GAINS REALIZED DURING THE TAXABLE YEAR FROM**
34 **THE SALE, BARTER, EXCHANGE, OR OTHER MODES OF**
35 **DISPOSITION OF SHARES OF STOCK IN A DOMESTIC CORPORATION,**
36 **EXCEPT SHARES SOLD, OR DISPOSED OF THROUGH A LOCAL**
37 **STOCK EXCHANGE OR AN ORGANIZED MARKETPLACE.**
38

39 **(4) *PRESUMPTIVE CAPITAL GAINS FROM THE SALE, EXCHANGE,***
40 ***BARTER OR DISPOSITION OF SHARES OF STOCK TRADED IN THE***
41 ***STOCK EXCHANGE OR AN ORGANIZED MARKETPLACE.* —THERE**
42 **SHALL BE LEVIED, ASSESSED AND COLLECTED ON EVERY SALE,**
43 **BARTER, EXCHANGE, OR OTHER DISPOSITION OF SHARES OF**
44 **STOCK LISTED AND TRADED THROUGH A LOCAL STOCK EXCHANGE**
45 **OR AN ORGANIZED MARKETPLACE, A FINAL TAX AT THE RATE OF**

1 SIX-TENTH OF ONE PERCENT (6/10 OF 1%), AND SHALL BE
2 REDUCED ACCORDING TO THE FOLLOWING SCHEDULE:

3
4 JANUARY 1, 2021: FIVE-TENTH OF ONE PERCENT (5/10 OF 1%),

5
6 JANUARY 1, 2022: FOUR-TENTH OF ONE PERCENT (4/10 OF 1%),

7
8 JANUARY 1, 2023: THREE-TENTH OF ONE PERCENT (3/10 OF 1%),

9
10 JANUARY 1, 2024: TWO-TENTH OF ONE PERCENT (2/10 OF 1%),

11
12 JANUARY 1, 2025: ONE-TENTH OF ONE PERCENT (1/10 OF 1%).

13
14 THE TAX SHALL BE BASED ON THE GROSS SELLING PRICE OR
15 GROSS VALUE IN MONEY OF THE SHARES OF STOCK SOLD,
16 BARTERED, EXCHANGED, OR OTHERWISE DISPOSED OF, TO BE
17 PAID BY THE SELLER OR TRANSFEROR.

18
19 ANY GAIN EARNED FROM SHARES OF STOCK IN A DOMESTIC
20 CORPORATION TRADED IN A FOREIGN EXCHANGE, SHALL BE
21 TAXED UNDER SECTION 27 (A) HEREOF.

22
23 ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR
24 DISPOSITION OF SHARES OF STOCK, LISTED OR UNLISTED, BY A
25 DEALER IN SECURITIES LICENSED BY THE APPROPRIATE
26 GOVERNMENTREGULATORY AGENCIES TO BUY AND SELL IN
27 SECURITIES, FOR HIS OWN ACCOUNT IN THE ORDINARY COURSE
28 OF BUSINESS SHALL NOT BE SUBJECT TO TAX UNDER THIS
29 SUBSECTION BUT TO SECTION 27(A) AS AN ORDINARY INCOME.

30
31 (5) CAPITAL GAINS FROM SALE, EXCHANGE, TRANSFER, BARTER,
32 DISPOSITION OF NON-LISTED AND NON-TRADED DEBT
33 INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION
34 27(D)(3) AND (4). -ANY GAIN EARNED FROM DEBT INSTRUMENT AND
35 OTHER SECURITIESNOT INCLUDED IN SECTION 27(D)(3) AND (4),
36 ISSUED BY A CITIZEN OR RESIDENT ALIEN, OR BY A DOMESTIC
37 CORPORATION, OR A RESIDENT FOREIGN CORPORATION, OR BY
38 THE GOVERNMENT OR ANY OF ITS AGENCIES OR
39 INSTRUMENTALITIES, SHALL BE SUBJECT TO A FINAL TAX AT THE
40 RATE OF FIFTEEN PERCENT(15%) UPON THE NET CAPITAL GAINS
41 REALIZED.

42
43 (6) PRESUMPTIVE CAPITAL GAINSON LISTED AND TRADED DEBT
44 INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION
45 27(D)(3) AND (4) - THERE SHALL BE LEVIED, ASSESSED, AND
46 COLLECTED ON EVERY SALE, BARTER, EXCHANGE, OR OTHER

DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES, LISTED AND TRADED THROUGH A LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE, A FINAL TAX AT THE RATE OF ONE-TENTH OF ONE PERCENT (1/10 OF 1%) OF THE GROSS SELLING PRICE OR GROSS VALUE IN MONEY OF THE DEBT INSTRUMENT OR SECURITIES SOLD, BARTERED, EXCHANGED, OR OTHERWISE DISPOSED, WHICH SHALL BE PAID BY THE SELLER OR TRANSFEROR. IF TRADED IN A FOREIGN EXCHANGE, THE GAIN SHALL BE SUBJECT TO TAX UNDER SECTION 27 (A) HEREOF.

ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES, LISTED OR UNLISTED, BY A DEALER IN SECURITIES OR OTHER ENTITIES LICENSED BY THE APPROPRIATE GOVERNMENTREGULATORY AGENCIES TO BUY AND SELL IN DEBT INSTRUMENTS SECURITIES, FOR THE DEALER'S OWN ACCOUNT IN THE ORDINARY COURSE OF BUSINESS, SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION BUT TO SECTION 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. — xxx

xxx xxx xxx

In the case of taxpayers engaged in the sale of service, '**gross income**' means gross receipts less sales returns, allowances, discounts and cost of services. '**Cost of services**' shall mean all direct costs and expenses necessarily incurred to provide the services required by the customers and clients including (A) salaries and employee benefits of personnel,

consultants and specialists directly rendering the service and (B) cost of facilities directly utilized in providing the service such as depreciation or rental of equipment used and cost of supplies: *Provided, however,* That in the case of banks **AND OTHER FINANCIAL INTERMEDIARIES**, ‘cost of services’ shall include interest expense.

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

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

(A) Tax on Resident Foreign Corporations. –

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

xxx xxx xxx

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

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

(3) International Carrier. – x x x

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

1 offshore banking units, shall be subject only to a final tax at the rate of
2 ten percent (10%).]

3
4 [Any income of nonresidents, whether individuals or corporations, from
5 transactions with said offshore banking units shall be exempt from income
6 tax.]

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

22
23 **[(6)](5)Regional or Area Headquarters and Regional Operating**
24 **Headquarters of Multinational Companies.** – x x x

25
26 **[(7) Tax on Certain Incomes Received by a Resident Foreign Corporation. –]**

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

38
39 **[(b) Income Derived under the Expanded Foreign Currency Deposit System -**
40 **Income derived by a depository bank under the expanded foreign currency**
41 **deposit system from foreign currency transactions with nonresidents,**
42 **offshore banking units in the Philippines, local commercial banks**
43 **including branches of foreign banks that may be authorized by the Bangko**
44 **Sentral ng Pilipinas (BSP) to transact business with foreign currency**
45 **deposit system units and other depository banks under the expanded**

foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the Monetary Board to be subject to the regular income tax payable by banks: Provided, however That interest income from foreign currency loans granted by such depository banks under the said expanded system to residents other than offshore banking units in the Philippines or other depository banks under the expanded system shall be subject to a final tax at the rate of ten percent (10%)

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

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

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

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

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

(B) Tax on Nonresident Foreign Corporation. -

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

xxx xxx xxx

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

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

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

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

30
31 [Not over P100,000..... 5%]

32
33 [On any amount in excess of P100,000..... 10%]

34
35 **INTERESTS AND CAPITAL GAINS FROM SALE, TRANSFER, BARTER,**
36 **OR DISPOSITION OF SHARES OF STOCK, DEBT INSTRUMENTS,**
37 **DEPOSIT SUBSTITUTES, AND OTHER SECURITIES SHALL BE**
38 **SUBJECT TO TAX UNDER SECTION 27(D)(1), (3), (4), (5) AND (6) OF**
39 **THIS CODE, OR TO THE PROVISIONS OF THE APPLICABLE TAX**
40 **TREATY, PROVIDED THAT ANY INCOME OF NONRESIDENTS,**
41 **WHETHER INDIVIDUALS OR CORPORATIONS, FROM TRANSACTIONS**
42 **WITH DEPOSITORY BANKS UNDER THE EXPANDED SYSTEM AND**
43 **OFFSHORE BANKING UNITS SHALL BE EXEMPT FROM INCOME TAX.**

44
45 **CASH AND/OR PROPERTY DIVIDENDS RECEIVED FROM A**
46 **DOMESTIC CORPORATION SHALL BE SUBJECT TO A FINAL TAX OF**

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

3
4 **SEC. 8.** Section 29(A), (B) AND (C) of the National Internal Revenue Code of 1997,
5 as amended, is hereby amended to read as follows:
6

7 **SEC. 29. Imposition of Improperly Accumulated Earnings Tax. –**
8

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

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

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

24 **(2) Exceptions.**–The improperly accumulated earnings tax as provided for
25 under this Section shall not apply to:
26

27 (a) Publicly-held corporations;
28

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

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

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

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

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

1 tax upon its shareholders or members unless the corporation, by the clear
2 preponderance of evidence, shall prove to the contrary.]

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

10
11 xxx xxx xxx

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

15
16 **SEC. 30. Exemption from tax on Corporations.** - The following
17 organizations shall not be taxed under this Title in respect to income
18 received by them as such:

19
20 (A) Labor, agricultural or horticultural organization not organized
21 principally for profit;

22
23 [(B) Mutual savings bank not having a capital stock represented by shares,
24 and cooperative bank without capital stock organized and operated for
25 mutual purposes and without profit;]

26
27 [(C)](B) A beneficiary society, order or association, operating for the
28 exclusive benefit of the members such as a fraternal organization
29 operating under the lodge system, or a mutual aid association or a
30 nonstock corporation organized by employees providing for the payment
31 of life, sickness, accident, or other benefits exclusively to the members of
32 such society, order, or association, or nonstock corporation or their
33 dependents;

34
35 [(D)](C) Cemetery company owned and operated exclusively for the benefit
36 of its members;

37
38 [(E)](D) Nonstock corporation or association organized and operated
39 exclusively for religious, charitable, scientific, athletic, or cultural
40 purposes, or for the rehabilitation of veterans, no part of its net income or

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

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

7
8 **[(G)](F)** Civic league or organization not organized for profit but operated
9 exclusively for the promotion of social welfare;

10
11 **[(H)](G)** A nonstock and nonprofit educational institution;

12
13 **[(I)](H)** Government educational institution;

14
15 **[(J)](I)** Farmers' or other mutual typhoon or fire insurance company,
16 mutual ditch or irrigation company, mutual or cooperative telephone
17 company, or like organization of a purely local character, the income of
18 which consists solely of assessments, dues, and fees collected from
19 members for the sole purpose of meeting its expenses; and

20
21 **[(K)](J)** Farmers', fruit growers', or like association organized and operated
22 as a sales agent for the purpose of marketing the products of its members
23 and turning back to them the proceeds of sales, less the necessary selling
24 expenses on the basis of the quantity of produce finished by them;

25
26 Notwithstanding the provisions in the preceding paragraphs, the income
27 of whatever kind and character of the foregoing organizations from any of
28 their properties, real or personal, or from any of their activities conducted
29 for profit regardless of the disposition made of such income, shall be
30 subject to tax imposed under this Code.

31
32 **SEC. 10.** Section 32(B)(7)(g) and (h) of the National Internal Revenue Code of
33 1997, as amended, is hereby amended to read as follows:

34
35 **SEC. 32. Gross Income. -xxx**

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

40
41 xxx xxx xxx

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

44
45 xxx xxx xxx

1
2 **[(g) Gains from the Sale of Bonds, Debentures or other Certificate of**
3 **Indebtedness.** – Gains realized from the same or exchange or retirement
4 of bonds, debentures or other certificate of indebtedness with a maturity
5 of more than five (5) years.]
6

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

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

23 xxx xxx xxx
24

25 **SEC. 11.** Section 34(A), (B), (C) and (E) of the National Internal Revenue Code of
26 1997, as amended, is hereby further amended to read as follows:
27

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

35 **(A) Expenses. –**
36

37 **(1) Ordinary and Necessary Trade, Business or Professional**
38 **Expenses. –**
39

40 **(a) In General.** – There shall be allowed as deduction from gross
41 income all the ordinary and necessary expenses paid or incurred
42 during the taxable year in carrying on or which are directly
43 attributable to, the development, management, operation and/or
44 conduct of the trade, business or exercise of a profession, including:
45

46 xxx xxx xxx

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

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

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

31 XXX XXX XXX

32
33 **(B) Interest.-**
34

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

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

4
5 **(2) Exceptions.** - No deduction shall be allowed in respect of interest
6 under the succeeding subparagraphs:
7

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

17 (b) If both the taxpayer and the person to whom the payment has been
18 made or is to be made are persons specified under Section 36(B); or
19

20 [(c) If the indebtedness is incurred to finance petroleum exploration.]
21

22 **(3) [Optional] Treatment of Interest Expense RELATED TO**
23 **ACQUISITION OF ASSET.** - [At the option of the
24 taxpayer,]I[i]nterest**EXPENSE** incurred to acquire property used in trade,
25 business or exercise of a profession **THAT WILL BENEFIT THE BUSINESS**
26 **LONGER THAN ONE YEAR SHALL[may] BE CAPITALIZED AND**
27 **THEREAFTER AMORTIZED OR DEPRECIATED AS PART OF THE**
28 **COST OF THE ASSET.**
29

30 xxx xxx xxx
31

32 **(E) Bad Debts.** -
33

34 **(1) In General.** -xxx
35

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

1 **INTERMEDIARIES, SHALL BE CONSIDERED ORDINARY ASSETS, AND**
2 **SECURITIES HELD THAT ARE ASCERTAINED TO BE WORTHLESS**
3 **SHALL BE CONSIDERED ORDINARY LOSSES THAT ARE ALLOWED AS**
4 **DEDUCTION FROM TAXABLE INCOME.**

5
6 XXX XXX XXX

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

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

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

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

33
34 XXX XXX XXX

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

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

40
41 (A) In the case of any loss claimed to have been sustained from any sale or
42 other disposition of shares of stock or securities where it appears that
43 within a period beginning thirty (30) days before the date of such sale or
44 disposition and ending thirty (30) days after such date, the taxpayer has
45 acquired (by purchase or by exchange upon which the entire amount of
46 gain or loss was recognized by law), or has entered into a contract or option

1 so **AS** to acquire, substantially identical stock or securities, then no
2 deduction for the loss shall be allowed under Section 34 unless the claim
3 is made by a dealer in stock or securities, **OR BY ANY ENTITY'S OR A**
4 **FINANCIAL INTERMEDIARY DULY LICENSED BY THE APPROPRIATE**
5 **GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN**
6 **SECURITIES EITHER FOR THE ENTITIES OWN ACCOUNT OR FOR**
7 **THE ACCOUNT OF OTHERS** and with respect to a transaction made in
8 the ordinary course of the business of such dealer.

9
10 xxx xxx xxx

11
12 **SEC. 14.** Section 39 of the National Internal Revenue Code of 1997, as amended,
13 is hereby amended to read as follows:

14
15 **SEC. 39. Capital Gains and Losses. -**

16
17 **(A) Definitions. -** As used in this Title -

18
19 xxx xxx xxx

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

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

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

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

44
45 **[(D) Net Capital Loss Carry-over. -** If any taxpayer, other than a
46 corporation, sustains in any taxable year a net capital loss, such loss (in

1 an amount not in excess of the net income for such year) shall be treated
2 in the succeeding taxable year as a loss from the sale or exchange of a
3 capital asset held for not more than twelve (12) months.]

4
5 **~~[(E)](C)Retirement of Bonds, etc.~~ - x x x**

6
7 **~~[(F) Gains or Losses from Short Sales, Etc.~~ - For purposes of this Title**
8 **-**

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

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

16
17 **SEC. 15.** Section 42(A)(1), (2) and (B)(2) of the National Internal Revenue Code
18 of 1997, as amended, is hereby amended to read as follows:

19
20 **SEC. 42. Income from Sources Within the Philippines. -**

21
22 **(A) Gross Income From Sources Within the Philippines.-** The following
23 items of gross income shall be treated as gross income from sources within
24 the Philippines:

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

33
34 **(2) Dividends.-** The amount received as dividends:

35
36 (a) From a domestic corporation; and

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

1 income of the corporation for such period derived from sources within the
2 Philippines bears [to]ON its gross income from all sources;

3
4 XXX XXX XXX

5
6 **(B) Taxable Income From Sources Within the Philippines. -**

7
8 **(1) General Rule. -**

9
10 XXX XXX XXX

11
12 **(2) Exception. -** No deductions for interest paid or incurred abroad shall
13 be allowed from the item of gross income specified in Subsection (A) unless
14 indebtedness was actually incurred to provide funds for use in connection
15 with the conduct or operation of trade or business in the Philippines **OR**
16 **ON A TRADE OR BUSINESS OUTSIDE THE PHILIPPINES PROVIDED**
17 **THAT INCOME GENERATED OR RECEIVED FROM THE USE OF SUCH**
18 **FUNDSIN CONNECTION WITH THE CONDUCT OR OPERATION OF**
19 **TRADE OR BUSINESS IN THE PHILIPPINESIS A TAXABLE INCOME IN**
20 **THE PHILIPPINES.**

21
22 **SEC. 16.** Section 51(C)(2) of the National Internal Revenue Code of 1997, as
23 amended, is hereby amended to read as follows:

24
25 **SEC. 51. Individual Return. -**

26
27 **(A) Requirements. -** x x x

28
29 XXX XXX XXX

30
31 **(C) When to File. -**

32
33 XXX XXX XXX

34
35 (2) Individuals subject to tax on capital gains:

36
37 (a) From the sale or exchange of shares of stock **OR DEBT INSTRUMENTS**
38 **AND OTHER SECURITIES** not traded [thru]THROUGH a local [stock]
39 exchange **OR AN ORGANIZED MARKETPLACE**as prescribed under
40 SectionS 24[(C)](B) (3) and [(4)](5),AND 25(A)AND (B), [shall file] a
41 return**SHALL BE FILED** within thirty (30) days after each transaction.
42 [and a final consolidated return on or before April 15 of each year covering
43 all stock transactions of the preceding taxable year; and]

44
45 **(B) FROM THE SALE, EXCHANGE, OR BARTER OF SHARES OF STOCK**
46 **OR DEBT INSTRUMENTS AND OTHER SECURITIES TRADED**

1 THROUGH A LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE
2 AS PRESCRIBED UNDER SECTIONS 24(B)(4) AND (6), AND 25(A) AND
3 (B), THE TAX SHALL BE COLLECTED BY THE BROKER WHO
4 EFFECTED THE SALE, AND SHALL BE REMITTED TO THE BUREAU
5 OF INTERNAL REVENUE WITHIN FIVE (5) BANKING DAYS FROM THE
6 DATE OF COLLECTION THEREOF. THE BROKER SHALL
7 LIKEWISE SUBMIT ON MONDAYS OF EACH WEEK TO THE
8 SECRETARY OF THE LOCAL EXCHANGE OR ORGANIZED
9 MARKETPLACE OF WHICH THE BROKER IS A MEMBER, A TRUE AND
10 COMPLETE RETURN WHICH SHALL CONTAIN A DECLARATION OF
11 ALL THE TRANSACTIONS EFFECTED DURING THE PRECEDING
12 WEEK, AND OF ALL TAXES COLLECTED AND TURNED OVER TO THE
13 BUREAU OF INTERNAL REVENUE.

14
15 [(b)] (C) From the sale or disposition of real property under Section
16 24[(D)](B) (7) shall file a return within thirty (30) days following each sale
17 or other disposition.

18
19 **SEC. 17.** Section 52(A) and (D) of the National Internal Revenue Code of 1997,
20 as amended, is hereby amended to read as follows:

21
22 **SEC. 52. Corporation Returns. –**

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

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

42
43 *Provided,* That the foregoing provisions shall not affect the implementation
44 of Republic Act No. 10708 or TIMTA.
45

2
3 **(D) Return on Capital Gains Realized from Sale of Shares of Stock, DEBT INSTRUMENT, AND OTHER SECURITIES not Traded in the Local [Stock] Exchange OR AN ORGANIZED MARKETPLACE.** – Every
4
5 corporation deriving capital gains from the sale or exchange of shares of
6 stock, **DEBT INSTRUMENTS AND OTHER SECURITIES** not traded thru
7 a local [stock] exchange **OR AN ORGANIZED MARKETPLACE** as
8 prescribed under **SECTIONS 27(D)(3), AND (5), AND 28**[Sections 24(C),
9 25(A)(3), 27(E)(2), 28(A)(8)(c) and 28(B)(5)(c),] shall file a return within
10 thirty (30) days after each transaction.[and a final consolidated return of
11 all transactions during the taxable year on or before the fifteenth (15th) day
12 of the fourth (4th) month following the close of the taxable quarter.]
13

14
15 **(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
16
17 EFFECTED THE SALE, SUBJECT TO THE TAX IMPOSED UNDER
18 SECTION 27(D)(4) AND (6), AND 28, TO COLLECT THE TAX DUE AND
19 REMIT THE SAME TO THE BUREAU OF INTERNAL REVENUE WITHIN
20 FIVE (5) BANKING DAYS FROM THE DATE OF COLLECTION
21 THEREOF, AND TO SUBMIT ON MONDAYS OF EACH WEEK TO THE
22 SECRETARY OF THE LOCALEXCHANGE OR ORGANIZED
23 MARKETPLACE, OF WHICH THE BORROWER IS A MEMBER, A TRUE
24 AND COMPLETE RETURN WHICH SHALL CONTAIN A DECLARATION
25 OF ALL THE TRANSACTIONS EFFECTED DURING THE PRECEDING
26 WEEK, AND TAXES COLLECTED AND TURNED OVER TO THE BUREAU
27 OF INTERNAL REVENUE.
28
29

30
31 **SEC. 18.** Section 54 of the National Internal Revenue Code of 1997, as amended,
32 is hereby amended to read as follows:
33

34 **SEC. 54. Returns of Receivers, Trustees, [in Bankruptcy] or Assignees.** –[In cases wherein r]Receivers, **ADMINISTRATORS**, trustees
35 in **AN IRREVOCABLE TRUST OR** bankruptcy, or **ANY OTHER PERSON**
36 **ASSIGNED OR**[assignees are]**IN-CHARGE OF** operating the property or
37 business of [a]**ANOTHER PERSON OR** corporation subject to the tax
38 **UNDER THIS CODE**[imposed by this Title, such receivers, trustees or
39 assignees] shall **BE IMPOSED WITH THE OBLIGATION TO FILE [make]**
40 **THE** returns **AND PAY THE TAXES FOR SUCH PERSON OR**
41 **CORPORATION IN THE SAME MANNER REQUIRED UNDER THIS**
42 **CODE.** [of net income as and for such corporation, in the same manner
43 and form as such organization is hereinbefore required to make returns,
44 and] Any tax due on the income as returned by receivers,
45 **ADMINISTRATORS**, trustees or assignees shall be assessed and collected
46

1 in the same manner as if assessed directly against the
2 [organizations]PERSON, ESTATE OR ORGANIZATION[of] whose
3 businesses or properties they have custody or control.
4

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

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

23
24 **SEC. 19.** Section 56 of the National Internal Revenue Code of 1997, as amended,
25 is hereby amended to read as follows:
26

27 **SEC. 56. *Payment and Assessment of Income Tax for Individuals and***
28 ***Corporations.* -**

29
30 **(A) *Payment of Tax.* -**

31
32 xxx xxx xxx

33
34 **(3) *Payment of Capital Gains Tax.* -**

35
36 **A. IN GENERAL** - The total amount of tax imposed and prescribed under
37 Section **S 24[(C)](B)(3), 24[(D)](B)(5), 24(B)(7), 25, 27[(E)(2)](D)(3), 27(D)(5),**
38 **27(D)(7), 28(A)[(8)(c)] and 28(B)(5)[(c)]** shall be paid on the date the return
39 prescribed therefor is filed by the person liable thereto: *Provided*, That if
40 the seller submits proof of his intention to avail himself of the benefit of
41 exemption of capital gains under existing special laws **OR TAX TREATY**,
42 no such payments shall be required: *Provided, further*, That in case of
43 failure to qualify for exemption under such special laws, **TAX TREATY**
44 and implementing rules and regulations, the tax due on the gains realized
45 from the original transaction shall immediately become due and payable,
46 and subject to the penalties prescribed under applicable provisions of this

Code: *Provided, finally*, That if the seller, having paid the tax, submits such proof of intent within six (6) months from the registration of the document transferring the real property, he shall be entitled to a refund of such tax upon verification of his compliance with the requirements for such exemption.

x x x

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

SEC. 57. Withholding of Tax at Source. -

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

(B) xxxxxxx 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.

]

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

3
4 **SEC. 73. *Distribution of Dividends or Assets by Corporations.* -**

5
6 **(A) *Definition of Dividends.*** - The term '**dividends**' when used in this
7 Title means any distribution made by a corporation to its shareholders out
8 of its earnings or profits and payable to its shareholders, whether in money
9 or in other property.

10
11 Where a corporation distributes all of its assets in complete liquidation or
12 dissolution, the gain realized or loss sustained by the stockholder, whether
13 individual or corporate, is a taxable income or a deductible loss, **UNDER**
14 **SECTIONS 24(A), 25(A), 25(B), 27(A), 28(A) AND 28 (B)**, as the case may
15 be.

16
17 **(B) *Stock Dividend.*** - x x x

18
19 **SEC. 22.** Section 108 of the National Internal Revenue Code of 1997, as
20 amended, is hereby amended to read as follows:

21
22 **SEC. 108. *Value-added Tax on Sale of Services and Use or Lease of***
23 ***Properties.*** -

24
25 **(A) *Rate and Base of Tax.*** - xx x

26
27 The phrase 'sale or exchange of services' means the performance of all
28 kinds of services in the Philippines for others for a fee, remuneration or
29 consideration, including those performed or rendered by construction and
30 service contractors; stock, real estate, commercial, customs and
31 immigration brokers; lessors of property, whether personal or real;
32 warehousing services; lessors or distributors of cinematographic films;
33 persons engaged in milling, processing, manufacturing or repacking goods
34 for others; proprietors, operators or keepers of hotels, motels, resthouses,
35 pension houses, inns, resorts; proprietors or operators of restaurants,
36 refreshment parlors, cafes and other eating places, including clubs and
37 caterers; dealers in securities; [lending investors ;] transportation
38 contractors on their transport of goods or cargoes, including persons who
39 transport goods or cargoes for hire and other domestic common carriers
40 by land relative to their transport of goods or cargoes; common carriers by
41 air and sea relative to their transport of passengers, goods or cargoes from
42 one place in the Philippines to another place in the Philippines; sales of
43 electricity by generation companies, transmission, by any entity and
44 distribution companies, including electric cooperatives; services of
45 franchise grantees of electric utilities, telephone and telegraph, radio and
46 television broadcasting and all other franchise grantees except those

1 under Section 119 of this Code and non-life insurance companies (except
2 their crop insurances), including surety, fidelity, indemnity and bonding
3 companies ; and similar services regardless of whether or not the
4 performance thereof calls for the exercise or use of the physical or mental
5 faculties. The phrase 'sale or exchange of services'shall likewise include:
6

7 xxx xxx xxx
8

9 **SEC. 23.** Section 121 of the National Internal Revenue Code of 1997, as
10 amended, is hereby amended to read as follows:
11

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

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

3
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
8 [Maturity period is five years or less 5%]

9
10 [Maturity period is more than five years 1%]

11
12 [(b) On dividends and equity shares and net income of subsidiaries
13 0%]

14
15 [(c) On royalties, rentals of property, real or personal, profits, from
16 exchange and all other items treated as gross income under Section 32 of
17 this Code 7%]

18
19 [(d) On net trading gains within the taxable year of foreign currency, debt
20 securities, derivatives, and other similar financial
21 instruments..... 7%]

22
23 [*Provided, however, That in case the maturity period referred to in*
24 *paragraph (a) is shortened thru pre-termination, then the maturity period*
25 *shall be reckoned to end as of the date of pre-termination for purposes of*
26 *classifying the transaction and the correct rate of tax shall be applied*
27 *accordingly.]*

28
29 *Provided, That* **FOR PURPOSES OF COMPUTING THE GROSS**
30 **RECEIPTS,** the generally accepted accounting principles **OF RECORDING**
31 **INCOME AS ADOPTED BY THE BANK SHALL BE**
32 **FOLLOWED. PROVIDED THAT MERE INCREASE OR DECREASE IN**
33 **VALUE OF PROPERTY AS A RESULT OF CHANGES IN MARKET**
34 **VALUES SHALL NOT BE CONSIDERED IN THE COMPUTATION OF**
35 **GROSS RECEIPTS.: PROVIDED, FURTHER, THAT FOR PURPOSES OF**
36 **DETERMINING THE GROSS RECEIPTS, NO DEDUCTION SHALL BE**
37 **MADE ON THE INCOME EXCEPT IN THE CASE OF GAINS FROM**
38 **DEALINGS IN PROPERTY AND TRADING GAINS, WHERE NET LOSS**
39 **WITHIN THE SAME BUSINESS ACTIVITY CAN BE OFFSET TO**
40 **DETERMINE THE NET GAIN SUBJECT TO THIS TAX: PROVIDED,**
41 **FURTHER, THAT SUCH OFFSETTING SHALL BE ON A**
42 **QUARTERLY BASIS, AND ANY NET LOSS INCURRED IN A**
43 **QUARTER CAN BE CARRIED OVER AS DEDUCTION IN THE**
44 **SUCCEEDING QUARTER/S: PROVIDED FINALLY, THAT NET LOSS**

1 **INCURRED IN A TAXABLE YEAR CANNOT BE CARRIED OVER TO THE**
2 **SUCCEEDING TAXABLE YEAR.**

3
4 [as may be prescribed by the Bangko Sentral ng Pilipinas for the bank or
5 non-bank financial intermediary performing quasi-banking functions shall
6 likewise be the basis for the calculation of gross receipts.]

7
8 XXX XXX XXX

9
10 **SEC. 24.** Section 122 of the National Internal Revenue Code of 1997, as
11 amended, is hereby amended to read as follows:

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

32
33 [Maturity is five years or less 5%]

34
35 [Maturity period is more than five years 1%]

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

41
42 **GROSS RECEIPTS SHALL BE COMPUTED IN THE SAME MANNER**
43 **PROVIDED UNDER SECTION 121.**

44
45 **FINANCIAL INTERMEDIARIES SUBJECT TO TAX UNDER THIS**
46 **SECTION SHALL INCLUDE FINANCING COMPANIES,**

1 FINANCELEASING COMPANIES, INVESTMENT HOUSES, PAWNSHOPS,
2 FOREIGN EXCHANGE DEALERS AND MONEY BROKERS, TRUST
3 ENTITIES, CREDIT CARD COMPANIES, LENDING INVESTORS,
4 SAVINGS AND LOAN ASSOCIATIONS, AND OTHER FINANCIAL
5 INTERMEDIARIES EXCEPT BANKS AND NON-BANKS PERFORMING
6 QUASI-BANKING FUNCTIONS WHICH SHALL BE TAXED UNDER
7 SECTION 121 OF THIS CODE.

8
9 COLLECTIVE INVESTMENT SCHEMES SUCH AS MUTUAL FUNDS,
10 UNITLINKED INVESTMENT TRUST FUNDS, UNITLINKED VARIABLE
11 INSURANCE, AND OTHER COLLECTIVE INVESTMENT SCHEMES AS
12 MAY BE DETERMINED BY APPROPRIATE GOVERNMENT
13 REGULATORY AGENCIES SHALL NOT BE SUBJECT TO GROSS
14 RECEIPTS TAX AND OTHER PERCENTAGE TAXES IMPOSED UNDER
15 TITLE V, AND THEVALUE ADDED TAX IMPOSED UNDER TITLE IV OF
16 THIS CODE.FOR PURPOSES OF THIS EXEMPTION, A CIS SHALL
17 HAVE AT LEAST ONE THOUSAND (1,000) OWNERS, INVESTORS OR
18 PARTICIPANTS, AND SHALL HAVE COMPLIED WITHTHE MINIMUM
19 PUBLIC OWNERSHIP REQUIREMENT OF THE APPROPRIATE
20 GOVERNMENT REGULATORY AGENCIES.

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

34
35 IN-HOUSE LENDING OR SELLER FINANCING SHALL NOT BE SUBJECT
36 TO TAX UNDER THIS SUBSECTION. ANY INCOME EARNED OR
37 RECEIVED FROM IN-HOUSE LENDING OR SELLER FINANCING SHALL
38 BE SUBJECT TO THE SAME TAX APPLICABLE TO THE PRINCIPAL
39 BUSINESS ACTIVITY OR TRANSACTION.

40
41 HOLDING COMPANIES SHALL BE SUBJECT TO EITHER VALUE
42 ADDED TAXOR GROSS RECEIPTS TAX DEPENDING ON THE NATURE
43 OF ITS BUSINESS ACTIVITIES. IF UNDERTAKINGFINANCING AND
44 OTHER SIMILAR ACTIVITIES, IT SHALL BESUBJECT TO GROSS
45 RECEIPTS TAXUNDER THIS SECTION. INCOME DERIVED FROM THE
46 SALE OF GOODS, PROPERTIES AND OTHER SERVICES SHALL BE

1 **SUBJECT TO VALUE ADDED TAX UNDER SECTION 105 OF THIS**
2 **CODE.**

3
4 *[Provided finally,* That the generally accepted accounting principles as may
5 be prescribed by the Securities and Exchange Commission for other non-
6 bank financial intermediaries shall likewise be the basis for the calculation
7 of gross receipts.]

8
9 Nothing in this Code shall preclude the Commissioner from imposing the
10 same tax herein provided on persons **OR ENTITIES** performing similar
11 [financing] **FINANCIAL INTERMEDIATION** activities.

12
13 **SEC. 25.** Section 123 of the National Internal Revenue Code of 1997, as
14 amended, is hereby amended to read as follows:

15
16 **SEC. 123. Tax on Life Insurance AND REINSURANCE Premiums[,] . -**
17 There shall be collected from every person, company or corporation,
18 (except purely cooperative companies or associations) doing life insurance
19 business of any sort in the Philippines **A PREMIUM TAX AT THE**
20 **FOLLOWING RATES:**

21
22 **(A) FOR LIFE INSURANCE INCLUDING HEALTH INSURANCE AS**
23 **A RIDER TO LIFE INSURANCE POLICY,** a tax of two percent (2%)
24 of the total premium collected, whether such premiums are paid in
25 money, notes, credits or any substitute for money; but premiums
26 refunded within six (6) months after payment on account of rejection
27 of risk or returned for other reason to a person insured shall not be
28 included in the taxable receipts; nor shall any tax be paid upon
29 reinsurance by a company **IF THE TAX** [that] has already **BEEN** paid
30 [the tax] **ON THE DIRECT PREMIUM;** nor upon premiums collected
31 or received by any branch of a domestic corporation, firm or
32 association doing business outside the Philippines on account of
33 any life insurance of the insured who is a nonresident, if any tax on
34 such premium is imposed by the foreign country where the branch
35 is established; nor upon premiums collected or received on account
36 of any reinsurance, if the insured, in case of personal insurance,
37 resides outside the Philippines, if any tax on such premiums is
38 imposed by the foreign country where the original insurance has
39 been issued or perfected; nor upon that portion of the premiums
40 collected or received by the insurance companies on variable
41 contracts **IN A COLLECTIVE INVESTMENT SCHEME** in excess of
42 the amounts necessary to insure the lives of the variable contract
43 owners: **PROVIDED, THAT THE CIS SHALL HAVE AT LEAST ONE**
44 **THOUSAND (1,000) OWNERS, INVESTORS OR PARTICIPANTS,**
45 **AND THAT ANY MINIMUM PUBLIC OWNERSHIP AS MAY BE**

1 **REQUIRED BY APPROPRIATE GOVERNMENT REGULATORY**
2 **AGENCIES SHALL BE COMPLIED WITH.**

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

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

21
22 **LIFE REINSURANCE COMPANIES SHALL BE SUBJECT TO PREMIUM**
23 **TAX ON PREMIUMS COLLECTED UNDER SUBSECTION (A) HEREOF.**
24 **HOWEVER, PREMIUMS COLLECTED WHERE THE TAX ON THE**
25 **DIRECT PREMIUM HAS ALREADY BEEN PAID BY THE DIRECT**
26 **INSURER SHALL BE EXCLUDED FROM THE GROSS PREMIUM**
27 **SUBJECT TO PREMIUM TAX.**

28
29 **NON-LIFE REINSURANCE COMPANIES SHALL BE SUBJECT TO VALUE**
30 **ADDED TAX ON PREMIUMS COLLECTED UNDER SECTION 108 OF**
31 **THIS CODE. HOWEVER, PREMIUMS COLLECTED WHERE THE TAX**
32 **ON THE DIRECT PREMIUM HAS ALREADY BEEN PAID BY THE**
33 **DIRECT INSURER SHALL BE EXCLUDED FROM THE GROSS**
34 **PREMIUM SUBJECT TO VALUE ADDED TAX.**

35
36 **FOR THE PURPOSE OF CLAIMING EXEMPTION ON REINSURANCE**
37 **PREMIUMS, THE SECRETARY OF FINANCE, UPON THE**
38 **RECOMMENDATIONS OF THE COMMISSIONER OF INTERNAL**
39 **REVENUE AND INSURANCE COMMISSIONER, SHALL PROMULGATE**
40 **THE REQUIRED REPORTS TO BE SUBMITTED TO THE BUREAU OF**
41 **INTERNAL REVENUE. ANY MISREPRESENTATION SHALL SUBJECT**
42 **THE DIRECT INSURER AND/OR REINSURER TO PENALTIES UNDER**
43 **SECTIONS 248, 249, 253, 254, 255, 256, AND 257 OF THIS CODE.**

44
45 **ANY INCOME, OTHER THAN RECEIPT OF PREMIUM SUCH AS**
46 **MANAGEMENT FEES, SERVICE FEES, CHARGES, AND PENALTIES,**

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

10
11 A VARIABLE INSURANCE CONTRACT WHERE AMOUNTS IN EXCESS
12 OF INSURANCE COSTS ARE COLLECTED AS PART OF THE PREMIUM
13 AND WHERE UNITS OF PARTICIPATION IN A POOLED FUND ARE
14 ISSUED TO THE INSURED REPRESENTING ITS SHARE IN THE
15 POOLED FUNDS, IS A COLLECTIVE INVESTMENT SCHEME. THE
16 AMOUNTS OF PREMIUM COLLECTED IN EXCESS OF THE INSURANCE
17 COST IS NOT SUBJECT TO PREMIUM TAX UNDER THIS SECTION AND
18 TO THE GROSS RECEIPTS TAX IMPOSED UNDER SECTIONS 121 AND
19 122, OR TO ANY PERCENTAGE TAX IMPOSED UNDER TITLE V AND
20 TO VALUE ADDED TAXUNDER SECTION 105, TITLE IV OF THIS
21 CODE.

22
23 **SEC. 26.** Section 127 of the National Internal Revenue Code of 1997, as
24 amended, is hereby deleted:

25
26 **[SEC. 127. *Tax on Sale, Barter or Exchange of Shares of Stock Listed***
27 ***and Traded through the Local Stock Exchange or through Initial***
28 ***Public Offering. -]***

29
30 **[(A) *Tax on Sale, Barter or Exchange of Shares of Stock Listed and***
31 ***Traded through the Local Stock Exchange. -*** There shall be levied,
32 assessed and collected on every sale, barter, exchange, or other disposition
33 of shares of stock listed and traded through the local stock exchange other
34 than the sale by a dealer in securities, a tax at the rate of six-tenths of
35 one percent (6/10 of 1%) of the gross selling price or gross value in money
36 of the shares of stock sold, bartered, exchanged or otherwise disposed
37 which shall be paid by the seller or transferor.]

38
39 **[(B) *Tax on Shares of Stock Sold or Exchanged through Initial Public***
40 ***Offering. -*** There shall be levied, assessed and collected on every sale,
41 barter, exchange or other disposition through initial public offering of
42 shares of stock in closely-held corporations, as defined herein, a tax at the
43 rates provided hereunder based on the gross selling price or gross value in
44 money of the shares of stock sold, bartered, exchanged or otherwise
45 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 ⅓%) 2%]

[Over thirty-three and one third percent (33 ⅓%) ... 1%

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

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

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

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

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

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

[(4) Constructive Ownership as Actual Ownership. – Stock constructively owned by reason of the application of paragraph (1) or (3) hereof shall, for purposes of applying paragraph (1) or (2), be treated as actually owned by such person; but stock constructively owned by the individual by reason of the application of paragraph (2) hereof shall not be

1 treated as owned by him for purposes of again applying such paragraph
2 in order to make another the constructive owner of such stock]

3
4 **[(C) Return on Capital Gains Realized from Sale of Shares of Stocks.**
5 **-]**

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

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

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

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

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

1 **PROVIDED, FINALLY, THAT IN THE CASE OF COLLECTIVE**
2 **INVESTMENT SCHEMES WITHOUT PAR VALUE, THE DOCUMENTARY**
3 **STAMP TAX SHALL BE BASED ON THE INITIAL NET ASSET VALUE**
4 **PER UNIT.**

5
6 **SEC 28.** Section 175 of the National Internal Revenue Code of 1997, as amended,
7 is hereby repealed.

8
9 **[SEC. 175. Stamp Tax on Sales, Agreements to Sell, Memoranda of**
10 **Sales, Deliveries or Transfer of Shares or Certificates of Stock.** – On
11 all sales, or agreements to sell, or memoranda of sales, or deliveries, or
12 transfer of shares or certificates of stock in any association, company, or
13 corporation, or transfer of such securities by assignment in blank, or by
14 delivery, or by any paper or agreement, or memorandum or other evidences
15 of transfer or sale whether entitling the holder in any manner to the benefit
16 of such stock, or to secure the future payment of money, or for the future
17 transfer of any stock, there shall be collected a documentary stamp tax of
18 One peso and fifty centavos (P1.50) on each Two hundred pesos (P200), or
19 fractional part thereof, of the par value of such stock: *Provided*, That only
20 one tax shall be collected on each sale or transfer of stock from one person
21 to another, regardless of whether or not a certificate of stock is issued,
22 indorsed, or delivered in pursuance of such sale or transfer: and *Provided*,
23 *further*, That in the case of stock without par value the amount of the
24 documentary stamp tax herein prescribed shall be equivalent to fifty
25 percent (50%) of the documentary stamp tax paid upon the original issue
26 of said stock.]

27
28 **SEC. 29.** Section 176 of the National Internal Revenue Code of 1997, as
29 amended, is hereby amended to read as follows:

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

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

42
43 **[SEC. 177. Stamp Tax on Certificates of Profits or Interest in**
44 **Property or Accumulations.** – On all certificates of profits, or any
45 certificate or memorandum showing interest in the property or
46 accumulations of any association, company or corporation, and on all

1 transfers of such certificates or memoranda, there shall be collected a
2 documentary stamp tax of One peso (P1.00) on each Two hundred pesos
3 (P200), or fractional part thereof, of the face value of such certificates or
4 memorandum.]

5
6 **[SEC. 178. Stamp Tax on Bank Checks, Drafts, Certificates of**
7 **Deposit not Bearing Interest, and Other Instruments.** – On each bank
8 check, draft, or certificate of deposit not drawing interest, or order for the
9 payment of any sum of money drawn upon or issued by any bank, trust
10 company, or any person or persons, companies or corporations, at sight
11 or on demand, there shall be collected a documentary stamp tax of Three
12 pesos (P3.00).]

13
14 **SEC 31.** Section 179 of the National Internal Revenue Code of 1997, as
15 amended, is hereby amended to read as follows:

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

28
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
34 securities issued by the government or any of its instrumentalities, deposit
35 substitute debt instruments, certificates or other evidences of deposits
36 that are either drawing interest significantly higher the regular savings
37 deposit taking into consideration the size of the deposit and the risks
38 involved or drawing interest and having a specific maturity date, [orders
39 for payment of any sum of money otherwise than at sight or on demand,]
40 promissory notes, whether negotiable or non-negotiable, except bank
41 notes issued for circulation.

42
43 **SEC 32.** Section 180 of the National Internal Revenue Code of 1997, as
44 amended, is hereby repealed.

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

6
7 **SEC 33.** Sections 181, 182, 183 184, 185, 186, 187 and 188 of the National
8 Internal Revenue Code of 1997, as amended, are hereby amended to read as
9 follows:

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

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

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

43
44 If the amount of insurance does not exceed P100,000 - Exempt
45 If the amount of insurance exceeds P100,000
46 but does not exceed P300,000 - P20.00

1 If the amount of insurance exceeds P300,000
2 but does not exceed P500,000 - P50.00
3 If the amount of insurance exceeds P500,000
4 but does not exceed P750,000 - P100.00
5 If the amount of insurance exceeds P750,000
6 but does not exceed P1,000,000 - P150.00
7 If the amount of insurance exceeds P1,000,000 - P200.00
8

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

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

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

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

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

27 **JANUARY 1, 2025: SEVEN AND ONE-HALF PERCENT (7.5%).**
28
29
30
31
32

33 **SEC. 185. Stamp Tax on Fidelity Bonds and Other Insurance Policies.**

34 – On all policies of insurance or bonds or obligations of the nature of
35 indemnity for loss, damage or liability made or renewed by any person,
36 association, company or corporation transacting the business of accident,
37 fidelity, employer's liability, plate, glass, steam boiler, burglar, elevator,
38 automatic sprinkler, or other branch of insurance (except life, marine,
39 inland, and fire insurance), and all bonds, undertakings, or recognizances,
40 conditioned for the performance of the duties of any office or position, for
41 the doing or not doing of anything therein specified, and on all obligations
42 guaranteeing the validity or legality of any bond or other obligations issued
43 by any province, city, municipality, or other public body or organization,
44 and on all obligations guaranteeing the title to any real estate, or
45 guaranteeing any mercantile credits, which may be made or renewed by
46 any such person, company or corporation, there shall be collected a

documentary stamp tax **OF TWELVE AND ONE-HALF PERCENT(12.5%)**[Fifty centavos (P0.50) on each Four pesos (P4.00), or fractional part thereof,] of the premium charged:**PROVIDED, FURTHER, THAT SUCH RATE SHALL BE REDUCED ACCORDING TO THE FOLLOWING SCHEDULE:**

JANUARY 1, 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.186. Stamp Tax on [Policies of Annuities, and] Pre-Need Plans– [On all policies of annuities, or other instruments by whatever name the same may be called, whereby an annuity may be made, transferred or redeemed, there shall be collected a documentary stamp tax One peso (P1.00) on each Two hundred pesos (P200), or fractional part thereof, of the premium or installment payment on contract price, collected.] On pre-need plans, **THERE SHALL BE COLLECTED A DOCUMENTARY STAMP TAX OF TWENTY PERCENT OF ONE PERCENT (0.2%) OF THE PREMIUM OR INSTALLMENT PAYMENT ON CONTRACT PRICE, OR CONTRIBUTION CHARGED.**[Forty centavos (P0.40) on each Two hundred pesos (P200), or fractional part thereof, of the premium or contribution collected.]

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

SEC. 188. Stamp Tax on Certificates. – On each certificate of damage or otherwise, and on every other certificate or document issued by any customs officer, marine surveyor, or other person acting as such, and on each certificate issued by a notary public, and on each certificate of any description required by law or by rules or regulations of a public office, or which is issued for the purpose of giving information, or establishing proof

1 of a fact, and not otherwise specified herein, there shall be collected a
2 documentary stamp tax of [Thirty]**FORTY** pesos (P[3]**40.00**).
3

4 **SEC 34.** Sections 192 and 193 of the National Internal Revenue Code of 1997, as
5 amended, are hereby repealed.
6

7 **[SEC. 192. Stamp Tax on Proxies.** – On each proxy for voting at any
8 election of officers of any company or association, or for any other purpose,
9 except proxies issued affecting the affairs of associations or corporations
10 organized for religious, charitable or literary purposes, there shall be
11 collected a documentary stamp tax of Thirty Pesos (P30.00).]
12

13 **[SEC. 193. Stamp Tax on Powers of Attorney.**– On each power of
14 attorney to perform any act whatsoever, except acts connected with the
15 collection of claims due from or accruing to the Government of the
16 Republic of the Philippines, or the government of any province, city or
17 municipality, there shall be collected a documentary stamp tax of Ten
18 pesos (P10.00).]
19

20 **SEC 35.** Sections 195, 198, and 199 of the National Internal Revenue Code of
21 1997, as amended, are hereby amended to read as follows:
22

23 **SEC. 195. Stamp Tax on Mortgages, Pledges and Deeds of Trust.** – On
24 every mortgage or pledge of lands, estate, or property, real or personal,
25 heritable or movable, whatsoever, where the same shall be made as a
26 security for the payment of any definite and certain sum of money lent at
27 the time or previously due and owing or forborne to be paid, being payable,
28 and on any conveyance of land, estate, or property whatsoever, in trust or
29 to be sold, or otherwise converted into money which shall be and intended
30 only as security, either by express stipulation or otherwise, there shall be
31 collected a documentary stamp tax **OF THIRTY PERCENT OF ONE**
32 **PERCENT(0.3%) OF THE AMOUNT SECURED.** [at the following rates:]
33

34 [(a) When the amount secured does not exceed Five thousand pesos
35 (P5,000), Forty pesos (P40.00).]
36

37 [(b) On each Five thousand pesos (P5,000), or fractional part thereof in
38 excess of Five thousand pesos (P5,000), an additional tax of Twenty pesos
39 (P20.00).]
40

41 xxx xxx xxx
42

43 **SEC. 198. Stamp Tax on [Assignments and] Renewals of Certain**
44 **Instruments.** – Upon each and every [assignment or transfer of any
45 mortgage, lease or policy of insurance, or the] renewal or continuance of
46 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. 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. 36. Prospectivity 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. 37. 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. 38. 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

1 unconstitutional, the remainder of this Act shall not be affected by such decision
2 or declaration.

3
4 **SEC. 39. *Repealing Clause.*** – The following laws or provisions of laws are
5 hereby repealed or modified accordingly and the persons and/or transactions
6 affected herein are hereby made subject to applicable taxes on interest income,
7 dividends, and capital gains, gross receipts tax, premium tax, and documentary
8 stamp tax under the National Internal Revenue Code of 1997, as amended:

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

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

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

26
27 (d) Section 12, insofar as tax exemption on interest income, capital
28 gains, and documentary stamp tax is concerned, of Republic Act 4850,
29 entitled “An Act Creating The Laguna Lake Development Authority,
30 Prescribing its Powers, Functions and Duties, Providing Funds Therefor,
31 and for Other Purposes”;

32
33 (e) Number 8, insofar as tax exemption on interest income, capital
34 gains, and documentary stamp tax is concerned, of Presidential Decree 37,
35 entitled “Creating The Nayong Pilipino Foundation”

36
37 (f) Section 12, insofar as tax exemption on interest income, capital
38 gains, and documentary stamp tax is concerned, of Presidential Decree
39 205, entitled “Creating and Establishing The Development Academy of The
40 Philippines, Defining Its Powers, Functions, and Responsibilities, and for
41 Other Purposes”;

42
43 (g) Article 202, insofar as tax exemption on interest income, capital
44 gains, documentary stamp tax, and premium tax is concerned, of
45 Presidential Decree 442 as amended by Presidential Decree 626, entitled
46 “Labor Code Of The Philippines”;

1
2 (h) Section 10, insofar as tax exemption on interest income, capital
3 gains, and documentary stamp tax of subsidiaries of Philippine Aerospace
4 Development Corporation is concerned, of Presidential Decree 696, entitled
5 "Revising Presidential Decree No. 286, dated September 5, 1973, as
6 amended, otherwise known as The Charter of The Philippine Aerospace
7 Development Corporation and for Other Purposes";
8

9 (i) Section 2(g), insofar as tax exemption on interest income is
10 concerned, of Republic Act 85, as amended by Republic Act 2081, entitled
11 "An Act Creating The Rehabilitation Finance Corporation";
12

13 (j) Sections 76, 77 and 98, insofar as tax exemption on interest income,
14 dividends, capital gains, and documentary stamp tax on bonds is
15 concerned, of Republic Act 3844 or The Agricultural Land Reform Code;
16

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

22 (l) Sections 10, insofar as tax exemption on interest income is
23 concerned, of Republic Act 3591, as amended by Republic Act 9576 or An
24 Act Increasing The Maximum Deposit Insurance Coverage, and in
25 Connection Therewith, To Strengthen The Regulatory And Administrative
26 Authority, And Financial Capability of The Philippine Deposit Insurance
27 Corporation (Pdic), Amending for this Purpose Republic Act Numbered
28 Three Thousand Five Hundred Ninety-One, as amended, otherwise known
29 as The PDIC Charter, and for Other Purposes;
30

31 (m) Section 12, insofar as tax exemption on interest income, capital
32 gains, and documentary stamp tax is concerned, of Executive Order 1037,
33 entitled "An Act Creating The Philippine Retirement Park System,
34 Providing Funds Therefor and for Other Purposes";
35

36 (n) Section 19, insofar as tax exemption on interest income and
37 documentary stamp tax is concerned, of Republic Act 8763 or Home
38 Guaranty Corporation Act of 2000;
39

40 (o) Section 19, insofar as tax exemption on documentary stamp tax is
41 concerned, of Republic Act 7279 or The Urban Development and Housing
42 Act Of 1992;
43

44 (p) Section 8(a), insofar as tax exemption on interest income, capital
45 gains, and documentary stamp tax of bonds is concerned, as provided

1 under Section 1 of Republic Act 6395 or An Act Revising The Charter of
2 The National Power Corporation;
3

4 (q) Section 15, insofar as tax exemption on interest income, capital
5 gains, and documentary stamp tax is concerned, of PD 334, entitled“
6 Creating The Philippine National Oil Company, Defining its Powers and
7 Functions, Providing Funds Therefore, and for Other Purposes”;

8
9 (r) Section 16, insofar as tax exemption on interest income, capital
10 gains, and documentary stamp tax is concerned, of Presidential Decree
11 1467, entitled “An Act Creating The Philippine Crop Insurance
12 Corporation, Prescribing Its Powers And Activities, Providing For Its
13 Capitalization and for The Required Government Premium Subsidy, and
14 for Other Purposes”;

15
16 (s) Section 3, insofar as tax exemption on interest income, capital gains,
17 and documentary stamp tax of bonds is concerned, of Republic Act 3601,
18 entitled “An Act Granting The National Irrigation Administration”;

19
20 (t) Section 6 (a, xviii (2)), in so far as tax exemption on interest income
21 and documentary stamp tax is concerned, of PD 1485, as amended by PD
22 1770, entitled“ Reconstituting The National Grains Authority to The
23 National Food Authority, Broadening its Functions and Powers and for
24 Other Purposes”;

25
26 (u) Section 5 (e), insofar as tax exemption on interest income, capital
27 gains, and documentary stamp tax on bonds is concerned, of Republic Act
28 6260, entitled “An Act Instituting A Coconut Investment Fund and
29 Creating A Coconut Investment Company for the Administration Thereof”;

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

34
35 (w) Section 20, insofar as tax on interest income, capital gains and
36 documentary stamp tax is concerned, of Republic Act 10693, entitled“ An
37 Act Strengthening Nongovernment Organizations (NGOs) Engaged in
38 Microfinance Operations for the Poor”;

39
40 (x) Section 7, insofar as tax exemption on documentary stamp tax and
41 premium tax is concerned, of Republic Act 7111, entitled “An Act
42 Establishing The Overseas Workers’ Investment Fund to Provide
43 Incentives to Overseas Workers, Reduce the Foreign Debt Burden and for
44 Other Purposes”;

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

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

9
10 (aa) Section 28, insofar as tax exemption on capital gains on shares of
11 stock and documentary stamp tax is concerned, of Republic Act 9267 or
12 The Securitization Act Of 2004”;

13
14 (bb) Section 17, insofar as tax exemption on interest income, capital
15 gains, gross receipts tax and documentary stamp tax is concerned, of
16 Republic Act 7906, entitled “An Act Providing for the Regulation of the
17 Organization and Operations Of Thrift Banks, and for Other Purposes”;

18
19 (cc) Section 15, insofar as tax exemption on capital gains and
20 documentary stamp tax is concerned, of Republic Act 9182, as amended
21 by Republic Act 9343, entitled “An Act Granting Tax Exemptions and Fee
22 Privileges to Special Purpose Vehicles which Acquire or Invest in Non-
23 Performing Assets, Setting The Regulatory Framework Therefor, and for
24 Other Purposes”;

25
26 (dd) Sections 13 and 14, insofar as tax exemption on DST and dividends
27 is concerned, of R.A. 9856 or The Real Estate Investment Act of 2009; and

28
29 (ee) Section 23, insofar as no deduction from gross income shall be
30 allowed in respect of any interest if the indebtedness is incurred to finance
31 petroleum exploration is concerned, of P.D. 87, entitled Amending
32 Presidential Decree No. 8 Issued On October 2, 1972, and Promulgating
33 an Amended Act To Promote The Discovery and Production of Indigenous
34 Petroleum and Appropriate Funds Therefor.

35
36 (ff) Section 6, insofar as tax exemption on interest income, dividends
37 and capital gains are concerned, of RA 6426, as amended.

38
39 **SEC. 40. Effectivity Clause** - This Act shall take effect on January 1, 2020, or
40 fifteen (15) days after its complete publication in the Official Gazette or in at least
41 two (2) newspaper of general circulation, whichever comes earlier.

42
43 Approved,