

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 2652



Introduced by **HON. KENNETH T. GATCHALIAN**

EXPLANATORY NOTE

The passage of **Republic Act No. 12214 (Capital Market Efficiency Promotion Act)** shows the government's commitment to strengthening the Philippine capital market.

This bill builds on CMEPA's progress by addressing current problems in taxing passive income and financial intermediaries, such as a **complex tax structure** with multiple rates and bases, **unfair tax burdens** due to different rules for similar financial products and **high compliance costs** from complicated regulations and Documentary Stamp Taxes.

To solve these issues, the bill proposes **simplifying and redesigning financial sector taxation** to make it fairer, more efficient, and easier to comply with. To achieve this end, this measure specifically proposes the following reforms in the Tax Code:

1. Harmonization of business taxes of financial intermediaries such as banks, non-bank financial intermediaries performing quasi-banking functions, and other non-bank financial intermediaries, by imposing uniform tax on financial intermediaries providing similar financial services;
2. Alignment of tax-treatment of life insurance, health-related insurance and other business with similar nature such as pre-need companies, pension fund companies and health maintenance organizations;
3. Rationalization of the documentary stamp taxes; and
4. Repeal of antiquated provisions on the imposition of documentary stamp taxes.

In view of the foregoing, the immediate passage of this measure is earnestly sought.


KENNETH T. GATCHALIAN

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AN ACT

AMENDING SECTIONS 22, 25, 27, 28, 37, 54, 73, 108, 109, 121, 122, 123, 130, 175, 180, 181, 182, 183, 184, 185, 187, 188, 190, 194, 195, 198, 204, 222, 255, 256, 257, 261, 263, 264, 266, AND 275; AND REPEALING SECTIONS 177, 186, 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 the House of Representatives of the Philippines in Congress assembled:

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

"SEC. 22. Definitions. – When used in this Title:

"x x x

"(E) The term '*non-resident citizen*' means:

"(1) x x x

"x x x

"(3) A citizen of the Philippines who works and derives income from abroad and whose employment thereat requires ~~[him to be]~~ **BEING** physically present abroad ~~[most of the time]~~ **FOR ONE HUNDRED EIGHTY-THREE (183) DAYS OR MORE** during the taxable year.

"(4) A citizen who has been previously considered as **A** nonresident citizen and who arrives in the Philippines at any time during the taxable year to reside permanently in the Philippines shall likewise be treated as a nonresident citizen for ~~[the taxable]~~ **SUCH** year ~~[in which he arrives]~~ **OF ARRIVAL** in the Philippines with respect to ~~[his]~~ income derived from sources abroad until the date of his arrival in the Philippines.

~~[(5)]~~ **A** ~~[The]~~ taxpayer shall submit proof to the Commissioner to show ~~[his]~~ **THE** intention of leaving the Philippines to reside permanently abroad or to return to and reside in the Philippines, as the case may be for purposes of this Section.

"x x x

~~“(V) The term [*bank*] ‘**BANKS**’ [means every banking institution, as defined in Section 2 of 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 or specialized government bank]~~ **SHALL REFER TO ENTITIES ENGAGED IN THE LENDING OF FUNDS OBTAINED IN THE FORM OF DEPOSITS AS DEFINED AND CLASSIFIED IN SECTION 3 OF REPUBLIC ACT NO. 8791, OTHERWISE KNOWN AS THE ‘GENERAL BANKING LAW OF 2000.’**

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

~~“(X) THE TERM ‘*QUASI-BANK*’ SHALL REFER TO A NON-BANK FINANCIAL INSTITUTION AUTHORIZED BY THE BANGKO SENTRAL NG PILIPINAS TO ENGAGE IN QUASI-BANKING FUNCTIONS AND TO BORROW FUNDS FROM TWENTY (20) OR MORE OR MORE LENDERS THROUGH THE ISSUANCE, ENDORSEMENT OR ASSIGNMENT WITH RECOURSE OR ACCEPTANCE OF DEPOSIT SUBSTITUTES FOR PURPOSES OF RELENDING OR PURCHASING OF RECEIVABLES AND OTHER OBLIGATIONS.~~

~~“[(X)] (Y) The term ‘*quasi-banking activities*’ [means]~~ **SHALL REFER TO borrowing OF funds from twenty (20) or more [personal] INDIVIDUALS or corporate lenders at any one time through the issuance, endorsement, or acceptance of debt instruments of any kind other than deposits for the borrower’s own account, or through the issuance of certificates of assignment or similar instruments, with recourse, or of repurchase agreements for purposes of relending or purchasing receivables and other similar obligations: *Provided, however,* That commercial, industrial, and other non-financial companies[;] which borrow funds through any of these means for the limited purpose of**

financing their own needs or the needs of their agents or dealers, shall not be considered as **ENTITIES** performing quasi-banking functions.

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

"(OO) THE TERM 'HEALTH MAINTENANCE ORGANIZATION PRODUCTS' SHALL REFER TO PRE-AGREED OR DESIGNATED HEALTH CARE SERVICES TO THE ENROLLED MEMBERS FOR A FIXED PREPAID FEE FOR A SPECIFIED PERIOD OF TIME THROUGH THE USE OF SELECTED NETWORK OF HEALTH CARE PROVIDERS. HEALTH MAINTENANCE ORGANIZATION (HMO) PRODUCTS PROVIDE A WIDE ARRAY OF MEDICAL, SURGICAL, AND HOSPITAL SERVICES THAT INCLUDE PREVENTIVE CARE AND WELLNESS PROGRAMS AND GENERALLY HAVE NO CASH-OUT TRANSACTIONS."

SEC. 2. Section 25 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 25. Tax on Nonresident Alien Individual. —

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

"X X X"

SEC. 3. Section 27 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 27. Rates of Income Tax on Domestic Corporations. — x x x

"x x x

"(D) Rates of Tax on Certain Passive Income. —

"x x x

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

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

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

"x x x

"(E) *Minimum Corporate Income Tax on Domestic Corporations.* –

"x x x

"(4) *Gross Income Defined.* –

"x x x

"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.

"x x x"

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

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

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

x x x

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

x x x."

SEC. 5. Section 37 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

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

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

"x x x."

(E) INSURANCE COMPANIES AND REINSURANCE COMPANIES – PREMIUMS CEDED BY AN INSURANCE COMPANY TO ANOTHER INSURANCE OR REINSURANCE COMPANY, WHETHER DOMESTIC OR FOREIGN, FOR REINSURANCE PURPOSES SHALL NOT BE INCLUDED IN THE GROSS INCOME SUBJECT TO WITHHOLDING TAX UNDER THIS TITLE.

SEC. 6. Section 54 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

~~[organizations]~~ **PERSON, ESTATE OR ORGANIZATION** ~~[of]~~ whose businesses or properties they have custody **OF** or control **OVER.**"

THE TRUSTOR IN A REVOCABLE TRUST, NOT THE TRUSTEE, SHALL BE RESPONSIBLE IN FILING THE RETURNS REQUIRED UNDER THIS CODE AND IN DECLARING THE INCOME RECEIVED FROM THE TRUST IN ACCORDANCE WITH SECTIONS 24, 25, 27 AND 28 OF THIS CODE.

SEC. 7. Section 73 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

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

~~[Where a corporation distributes all of its assets in complete liquidation or dissolution, the gain realized or loss sustained by the stockholder, whether individual or corporate, is a taxable income or a deductible loss, as the case may be.]~~

"(B) *Stock Dividend.* – x x x

"(C) *LIQUIDATING DIVIDENDS.* – LIQUIDATING DIVIDENDS ARE DIVIDENDS REPRESENTING THE REMAINING GAINS REALIZED OR LOSS SUSTAINED BY THE STOCKHOLDER IN A COMPLETE ~~[OR PARTIAL]~~ LIQUIDATION OR DISSOLUTION BY A CORPORATION AND SHALL BE CONSIDERED AS TAXABLE INCOME OR A DEDUCTIBLE LOSS, UNDER SECTIONS 24(A), 25(A), 25(B), 27(A), 28(A), AND 28(B), AS THE CASE MAY BE.

~~[(C)](D) *Dividends Distributed are Deemed Made from Most Recently Accumulated Profits.* – x x x~~

~~[(D)](E) *Net Income of a Partnership Deemed Constructively Received by Partners.* – x x x~~

"x x x."

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

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

"(A) *Rate and Base of Tax.* – x x x

"The phrase '*sale or exchange of services*' means the performance of all kinds of services in the Philippines for others for a fee, remuneration or consideration, including those performed or rendered by construction and service contractors; stock, real estate, commercial, customs and immigration brokers; lessors of property, whether personal or real; warehousing services; lessors or distributors of cinematographic films; persons engaged in milling processing, manufacturing or repacking goods for others; proprietors, operators or keepers of hotels, motels, resthouses, pension houses, inns, resorts; proprietors or operators of restaurants, refreshment parlors, cafes and other eating places, including clubs and caterers; dealers in securities; ~~[lending investors];~~ transportation contractors on their transport of goods or cargoes,

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

"x x x."

SEC. 9. Section 109 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 109. *Exempt Transactions.* –

(1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from the value-added tax:

"(A) x x x

"x x x"

"(DD) REINSURANCE PREMIUMS COLLECTED BY NON-LIFE INSURANCE AND REINSURANCE COMPANIES.

"x x x."

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

"SEC. 121. *Tax on Banks and Non-Bank Financial Intermediaries Performing Quasi-Banking Functions.* – There shall be collected a tax on gross receipts derived from sources within the Philippines by all banks and non-bank financial intermediaries **PERFORMING QUASI-BANKING FUNCTIONS AT THE RATE OF FIVE PERCENT (5%) ON INCOME SUCH AS INTEREST, COMMISSIONS, AND DISCOUNTS FROM LENDING ACTIVITIES AS WELL AS INCOME FROM FINANCIAL LEASING, ROYALTIES, RENTALS OF PROPERTY, REAL OR PERSONAL, PROFITS FROM SALE OR EXCHANGE INCLUDING GAINS DERIVED FROM SALE OR TRANSFER OF REAL PROPERTIES, NET TRADING GAINS WITHIN THE TAXABLE YEAR OF FOREIGN CURRENCY, DEBT SECURITIES, DERIVATIVES, AND OTHER SIMILAR FINANCIAL INSTRUMENTS, AND ALL OTHER ITEMS TREATED AS GROSS INCOME UNDER SECTION 32 OF THIS CODE, EXCEPT DIVIDENDS, EQUITY SHARES, AND NET INCOME OF SUBSIDIARIES WHICH SHALL BE SUBJECT TO ZERO PERCENT (0%) TAX** [in accordance with the following schedule]:

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

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

[Maturity period is more than five years1%]

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

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

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

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

~~"Provided, [finally,] That the generally accepted accounting principles [as may be] prescribed by the Bangko Sentral ng Pilipinas for the bank or non-bank financial intermediary performing quasi-banking functions shall [likewise] be the basis for the calculation of gross receipts.~~

~~"x x x."~~

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

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

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

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

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

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

"FINANCIAL INTERMEDIARIES SUBJECT TO TAX UNDER THIS SECTION SHALL INCLUDE FINANCING COMPANIES, FINANCE LEASING COMPANIES, INVESTMENT HOUSES, PAWNSHOPS, FOREIGN EXCHANGE DEALERS AND MONEY BROKERS, TRUST ENTITIES, CREDIT CARD COMPANIES, LENDING INVESTORS, AND OTHER FINANCIAL INTERMEDIARIES EXCEPT BANKS AND NON-BANKS PERFORMING QUASI-BANKING FUNCTIONS WHICH SHALL BE TAXED UNDER SECTION 121 OF THIS CODE.

"THE INCOME OF A PERSON OR COMPANY NOT LICENSED TO DO FINANCIAL INTERMEDIATION BUT WHICH ENGAGES IN FINANCIAL INTERMEDIATION SERVICES RELATED AND INCIDENTAL TO ITS MAIN ACTIVITY, AND DERIVES INCOME THEREFROM, SHALL BE SUBJECT TO THE TAX IMPOSED ON ITS PRINCIPAL ACTIVITY. TO BE CONSIDERED INCIDENTAL, THE INCOME FROM INTERMEDIATION SERVICES SHALL NOT EXCEED FIFTY PERCENT (50%) OF THE PERSON'S OR THE COMPANY'S TOTAL ANNUAL INCOME. IF THE TOTAL INCOME RECEIVED FROM FINANCIAL INTERMEDIATION IS MORE THAN FIFTY PERCENT (50%), THE TOTAL INCOME FROM SUCH FINANCIAL INTERMEDIATION SHALL BE SUBJECT TO TAX UNDER THIS SUBSECTION.

"Provided, finally, That the generally accepted accounting principles as may be prescribed by the Securities and Exchange Commission, **INSURANCE COMMISSION, BANGKO SENTRAL NG PILIPINAS, OR OTHER APPROPRIATE GOVERNMENT AGENCIES, AS THE CASE MAY BE,** for other non-bank financial intermediaries shall likewise be the basis for the calculation of gross receipts.

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

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

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

"(A) FOR LIFE INSURANCE, a tax of two percent (2%) of the total premium collected, whether such premiums are paid in money, notes, credits or any substitute for money; but premiums refunded within six (6) months after payment on account of rejection of risk or returned for other reason to a person insured shall not be included in the taxable receipts; nor shall any tax be paid upon reinsurance by a company **IF THE TAX** ~~[that]~~ has already **BEEN** paid ~~[the tax]~~; nor upon premiums

collected or received by any branch of a domestic corporation, firm or association doing business outside the Philippines on account of any life insurance of the insured who is a nonresident, if any tax on such premium is imposed by the foreign country where the branch is established nor upon premiums collected or received on account of any reinsurance, if the insured, in case of personal insurance, resides outside the Philippines, if any tax on such premiums is imposed by the foreign country where the original insurance has been issued or perfected; nor upon that portion of the premiums collected or received by the insurance companies on variable contracts **AS DEFINED UNDER REPUBLIC ACT NO. 10607, OTHERWISE KNOWN AS THE 'INSURANCE CODE OF THE PHILIPPINES**, in excess of the amounts necessary to insure the lives of the variable contract owners.

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

"x x x."

SEC. 13. Section 130 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 130. Filing of Return and Payment of Excise Tax on Domestic Products. –

"(A) Persons Liable To File A Return, Filing Of Return On Removal And Payment Of Tax:

"(1) Persons Liable To File A Return. X X X

"(2) Time For Filing Of Return And Payment Of The Tax. X X X

*"(3) Place ~~[of]~~ **FOR** Filing of **THE** Return and Payment of the Tax. X X X*

"(4) Exceptions:

"(a) X X X

"(b) X X X

"x x x."

SEC. 14. Section 175 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

SEC. 175. Stamp Tax on Sales, Agreements to Sell, Memoranda of Sales, Deliveries or Transfer of Shares or Certificates of Stock. — On all sales, or agreements to sell, or memoranda of sales, or deliveries, or transfer of shares or certificates of stock in any association, company, or corporation, or transfer of such securities by assignment in blank, or by delivery, or by any paper or agreement, or memorandum or other evidences of transfer or sale whether entitling the holder in any manner to the benefit of such stock, or to secure the future payment of money,

or for the future transfer of any stock, there shall be collected a documentary stamp tax of ~~[One peso and fifty centavos (P1.50) on each Two hundred pesos (P200), or fractional part thereof, of the par value of]~~ **SEVENTY-FIVE PERCENT OF ONE PERCENT (75% of 1%) OF THE PAR VALUE** (such stock: *Provided*, That only one tax shall be collected on each sale or transfer of stock from one person to another, regardless of whether or not a certificate of stock is issued, indorsed, or delivered in pursuance of such sale or transfer: and *Provided, further*, That in the case of stock without par value the amount of the documentary stamp tax herein prescribed shall be equivalent to fifty percent (50%) of the documentary stamp tax paid upon the original issue of said stock, **PROVIDED, FINALLY, THAT, BEGINNING JANUARY 1, 2028, THE SAID INSTRUMENTS, DOCUMENTS AND PAPERS SHALL BE EXEMPT FROM THE DOCUMENTARY STAMP TAX.**

SEC. 15. Section 177 of the National Internal Revenue Code of 1997, as amended, is hereby repealed.

SEC. 16. Section 180 of the National Internal Revenue Code of 1997, as amended is hereby amended to read as follows:

SEC. 180. *Stamp Tax on All Bills of Exchange or Drafts.* — On all bills of exchange (between points within the Philippines) or drafts, there shall be collected a documentary stamp tax of **THIRTY PERCENT OF ONE PERCENT (30% OF 1%)** ~~[Sixty centavos (P0.60) on each Two hundred pesos (P200), or fractional part thereof,]~~ of the face value of any such bill of exchange or draft: **PROVIDED, THAT, BEGINNING JANUARY 01, 2028, NO TAX SHALL BE IMPOSED UNDER THIS SECTION.**

SEC. 17. Section 181 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

SEC. 181. *Stamp Tax Upon Acceptance of Bills of Exchange and Others.* — Upon any acceptance or payment of any **NEGOTIABLE** bill of exchange ~~[or order for the payment of money]~~ purporting to be drawn in a foreign country but payable in the Philippines, there shall be collected a documentary stamp tax **OF THIRTY PERCENT OF ONE PERCENT (30% OF 1%)** ~~[Sixty centavos (P0.60) on each Two hundred pesos (P200), or fractional part thereof,]~~ of the face value of any such bill of exchange ~~[, or order, or the Philippine equivalent of such value, if expressed in foreign currency]."~~

SEC. 18. Section 182 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

SEC. 182. *Stamp Tax on Foreign Bills of Exchange and Letters of Credit.* — On all foreign bills of exchange and ~~[letter]~~ **LETTERS** of credit ~~[(including orders, by telegraph or otherwise, for the payment of money issued by express or steamship companies or by any person or persons)]~~ drawn in but payable out of the Philippines ~~[in a set of three (3) or more according to the custom of merchants and bankers]~~, there shall be collected a documentary stamp tax **OF THIRTY PERCENT OF ONE PERCENT (30% OF 1%)** ~~[Sixty centavos (P0.60) on each Two hundred pesos (P200), or fractional part thereof,]~~ of the face value of

any such bill of exchange or letter of credit, or the Philippine equivalent of such face value, if expressed in foreign currency[-]: **PROVIDED, THAT A LETTER OF CREDIT ON WHICH THE DOCUMENTARY STAMP TAX IMPOSED UNDER THIS SECTION IS PAID UPON OPENING SHALL NOT BE SUBJECT AGAIN TO THE TAX IMPOSED BY SECTION 195 UPON AVAILMENT OF THE TRUST RECEIPT LINE WHERE THE PROPERTY SUBJECT OF THE LETTER OF CREDIT IS MADE A SECURITY FOR PAYMENT.**"

SEC. 19. Section 183 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 183. *Stamp Tax on Life AND HEALTH Insurance Policies[-], ON ANNUITIES, PRE-NEED, AND HEALTH MAINTENANCE ORGANIZATION PRODUCTS.* – On all policies of insurance or other instruments by whatever name the same may be called, whereby any insurance, **POLICY ON ANNUITY, PRE-NEED, OR HEALTH MAINTENANCE ORGANIZATION PRODUCT** shall be made or renewed upon any life or lives **AND HEALTH OF PERSONS**, there shall be collected a one-time documentary stamp tax at the following rates:

"If the amount of insurance **OR OTHER INSTRUMENTS** does not exceed ₱~~[100,000]~~ **320,000** - Exempt

"If the amount of insurance **OR OTHER INSTRUMENTS** exceeds ₱~~[100,000]~~ **320,000** but does not exceed ₱~~[300,000]~~ **960,000** - ₱20.00

"If the amount of insurance **OR OTHER INSTRUMENTS** exceeds ₱~~[300,000]~~ **960,000** but does not exceed ₱~~[500,000]~~ **1,600,000** - ₱50.00

"If the amount of insurance **OR OTHER INSTRUMENTS** exceeds ₱~~[500,000]~~ **1,600,000** but does not exceed ₱~~[750,000]~~ **2,400,000** - ₱100.00

"If the amount of insurance **OR OTHER INSTRUMENTS** exceeds ₱~~[750,000]~~ **2,400,000** but does not exceed ₱~~[1,000,000]~~ **3,200,000** - ₱150.00

"If the amount of insurance **OR OTHER INSTRUMENTS** exceeds ₱~~[1,000,000]~~ **3,200,000** - ₱200.00

SEC. 20. Section 184 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 184. *Stamp Tax on Policies of Insurance Upon Property.* – On all policies of insurance or other instruments by whatever name the same may be called, ~~[by which insurance shall be]~~ made or renewed upon property of any description, including rents or profits, against peril by sea or on inland waters, or by fire or lightning, there shall be collected a documentary stamp tax of ~~[Fifty centavos (₱0.50) on each Four pesos (₱4.00), or fractional part thereof,]~~ **TWELVE AND ONE-HALF PERCENT (12.5%)** of the amount of premium charged: *Provided, however,* That no documentary stamp tax shall be collected on reinsurance contracts or on any instrument by which cession or acceptance of insurance risks under any reinsurance agreement is effected or recorded: **PROVIDED, FURTHER, THAT SUCH TAX RATE**

SHALL BE IMPOSED ACCORDING TO THE FOLLOWING SCHEDULE:

EFFECTIVITY	DOCUMENTARY STAMP TAX RATE ON PROPERTY INSURANCE POLICIES
JANUARY 1, 2026	ELEVEN AND ONE-HALF PERCENT (11.5%)
JANUARY 1, 2027	TEN AND ONE-HALF PERCENT (10.5%)
JANUARY 1, 2028	NINE AND ONE-HALF PERCENT (9.5%)
JANUARY 1, 2029	EIGHT AND ONE-HALF PERCENT (8.5%)
JANUARY 1, 2030	SEVEN AND ONE-HALF PERCENT (7.5%)

SEC. 21. Section 185 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

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

EFFECTIVITY	DOCUMENTARY STAMP TAX RATE ON FIDELITY BONDS AND OTHER INSURANCE POLICIES
JANUARY 1, 2026	ELEVEN AND ONE-HALF PERCENT (11.5%)
JANUARY 1, 2027	TEN AND ONE-HALF PERCENT (10.5%)
JANUARY 1, 2028	NINE AND ONE-HALF PERCENT (9.5%)
JANUARY 1, 2029	EIGHT AND ONE-HALF PERCENT (8.5%)
JANUARY 1, 2030	SEVEN AND ONE-HALF PERCENT (7.5%)

SEC. 22. Section 186 of the National Internal Revenue Code of 1997, as amended, is hereby repealed.

SEC. 23. Section 187 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"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. 24. Section 188 of the National Internal Revenue Code of 1997, as amended as follows:

"SEC. 188. *Stamp Tax on Certificates.* - On each certificate of damages or otherwise, and on every other certificate or document issued by any customs officer, marine surveyor, or other person acting as such, and on each certificate issued by a notary public, and on each certificate of any description required by law or by rules or regulations of a public office, or which is issued for the purpose of giving information, or establishing proof of a fact, and not otherwise specified herein, there shall be collected a documentary stamp tax of Thirty pesos (P30.00): **PROVIDED, THAT, BEGINNING JANUARY 01, 2028, STAMP TAX IMPOSED UNDER THIS SECTION SHALL BE EXEMPT.**"

SEC. 25. Section 190 of the National Internal Revenue Code of 1997, as amended, is hereby further amended as follows:

"SEC. 190. *Stamp Tax on Jai-Alai, Horse Racing Tickets, Lotto or Other Authorized Numbers Games.* - On each jai-alai, horse race ticket, lotto, or other authorized number games, there shall be collected a documentary stamp tax of Twenty centavos (P0.20): *Provided,* That if the cost of the ticket exceeds One peso (P1.00), an additional tax of Twenty centavos (P0.20) on every One peso (P1.00), or fractional part thereof, shall be collected: **PROVIDED, FURTHER, THAT THE DOCUMENTARY STAMP TAX ON LOTTO AND OTHER NUMBER GAMES CONDUCTED BY THE PHILIPPINE CHARITY SWEEPSTAKES OFFICE (PCSO) SHALL BE IMPOSED ON THE BETTOR AND NOT ON PCSO OR ANY OF ITS FUNDS.**"

SEC. 26. Section 192 of the National Internal Revenue Code of 1997, as amended, is hereby repealed.

SEC. 27. Section 193 of the National Internal Revenue Code of 1997, as amended, is hereby repealed.

SEC. 28. Section 194 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 194. *Stamp Tax on Leases and Other Hiring Agreements.* — On each lease, agreement, memorandum, or contract for hire, use or rent of any lands or tenements, or portions thereof, there shall be collected a documentary

stamp tax of ~~[Six pesos (P6.00) for the first Two thousand pesos (P2,000), or fractional part thereof, and an additional Two pesos (P2.00) for every One thousand pesos (P1,000) or fractional part thereof, in excess of the first Two thousand pesos (P2,000)]~~ **TWENTY PERCENT OF ONE PERCENT (20% OF 1%) FOR EACH YEAR OF THE TERM OF SAID CONTRACT OR AGREEMENT: PROVIDED, THAT, IF THE CONTRACT OR AGREEMENT STIPULATES A FIXED LEASE VALUE, THE DOCUMENTARY STAMP TAX SHALL BE COLLECTED** for ~~[each year of]~~ the **ENTIRE** term of said contract or agreement: **PROVIDED, FURTHER, THAT, IF THE CONTRACT OR AGREEMENT STIPULATES A VARIABLE LEASE VALUE OR BOTH A FIXED LEASE VALUE AND A VARIABLE LEASE VALUE, THE DOCUMENTARY STAMP TAX COMPUTED USING THE VARIABLE LEASE VALUE SHALL BE COLLECTED, INSTEAD, ON A MONTHLY BASIS: PROVIDED, FINALLY, THAT ANY ADVANCE RENT PAID SHALL AUTOMATICALLY BE SUBJECT TO DOCUMENTARY STAMP TAX, REGARDLESS OF WHETHER SUCH ADVANCE RENT IS COMPUTED ON THE BASIS OF A FIXED LEASE VALUE OR VARIABLE LEASE VALUE.**

"FOR PURPOSES OF THIS SECTION, THE TERM 'FIXED LEASE VALUE' REFERS TO A FIXED RENT AMOUNT, AS STIPULATED IN THE CONTRACT OR AGREEMENT, WHILE THE TERM 'VARIABLE LEASE VALUE' REFERS TO RENT COMPUTED AS A PERCENTAGE OF A BASE AGREED TO BY THE PARTIES, SUCH AS GROSS SALES, NET SALES, GROSS INCOME, NET INCOME AND THE LIKE."

SEC. 29. Section 195 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 195. Stamp Tax on Mortgages, Pledges and Deeds of Trust. – On every mortgage or pledge of lands, estate, or property, real or personal, heritable or movable, whatsoever, where the same shall be made as a security for the payment of any definite and certain sum of money lent at the time or previously due and owing or forborne to be paid, being payable, and on any conveyance of land, estate, or property whatsoever, in trust or to be sold, or otherwise converted into money which shall be and intended only as security, either by express stipulation or otherwise, there shall be collected a documentary stamp tax ~~[at the following rates:]~~ **OF THIRTY PERCENT OF ONE PERCENT (0.30%) OF THE AMOUNT SECURED.**

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

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

~~"x x x."~~

SEC. 30. Section 198 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 198. Stamp Tax on [Assignments and] Renewals of Certain Instruments. – Upon each and every ~~[assignment or transfer of any mortgage, lease or policy of insurance, or the]~~ renewal or continuance of any agreement, contract, charter, or any evidence of obligation or

indebtedness **SUBJECT TO DOCUMENTARY STAMP TAX UNDER THIS TITLE** by **THE EXTENSION OF THE TERM OR MATURITY** [~~altering or otherwise,~~] **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. 31. Section 204 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 204. *Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes.* – The Commissioner may –

"(A) Compromise the payment of any internal revenue tax, when:

"x x x

"Where the basic tax involved exceeds [~~One million pesos (P1,000,000)]~~ **THREE MILLION PESOS (P3,000,000)** or where the settlement offered is less than the prescribed minimum rates, the compromise shall be subject to the approval of the Evaluation Board which shall be composed of the Commissioner and the four (4) Deputy Commissioners.

"x x x."

SEC. 32. Section 222 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 222. *Exceptions as to Period of Limitation of Assessment and Collection of Taxes.* –

"(a) x x x

"(b) If before the expiration of the time prescribed in Section 203 for the assessment of the tax, [~~both the Commissioner and~~] the taxpayer [~~have agreed~~] **APPLIES WITH THE COMMISSIONER** in writing [~~to its~~] **FOR** assessment [~~after such time~~], the tax may be assessed within the period [~~agreed upon~~] **SPECIFIED IN THE APPLICATION WHICH SHALL NOT EXCEED SIX (6) MONTHS AT ANY GIVEN TIME.** [~~The~~] **SUCH** period [~~so agreed upon~~] may be extended by subsequent written [~~agreement~~] **APPLICATION** made before the expiration of the period previously [~~agreed upon~~] **APPLIED FOR.**

"x x x."

SEC. 33. Section 255 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 255. *Failure to File Return, Supply Correct and Accurate Information, Pay Tax, Withhold and Remit Tax and Refund Excess Taxes Withheld on Compensation.* – Any person required under this Code or by rules and regulations promulgated thereunder to pay any tax, make a return, keep any record, or supply correct and accurate information, who willfully fails to pay such tax, make such return, keep such record, or supply such correct and accurate information, or withhold or remit taxes withheld, or refund excess taxes withheld on compensation, at the time or times required by law or rules and regulations shall, in addition to other penalties provided by law, upon conviction thereof, be punished by a fine of not less than [~~Ten thousand pesos (P10,000)]~~ **FORTY THOUSAND PESOS (P40,000)** and [~~suffer~~] imprisonment of not less than one (1) year but not more than ten (10) years.

"Any person who attempts to make it appear for any reason that ~~[he]~~ **THE TAXPAYER** or another has in fact filed a return or statement, or actually files a return or statement and subsequently withdraws the same return or statement after securing the official receiving seal or stamp of receipt of an internal revenue office wherein the same was actually filed shall, upon conviction therefor, be punished by a fine of not less than ~~[Ten thousand pesos (P10,000) but not more than Twenty thousand pesos (P20,000)]~~ **FORTY THOUSAND PESOS (P40,000) BUT NOT MORE THAN EIGHTY THOUSAND PESOS (P80,000)** and ~~[suffer]~~ imprisonment of not less than one (1) year but not more than three (3) years."

SEC. 34. Section 256 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 256. *Penal Liability of Corporations.* – Any corporation, association or general co-partnership liable for any of the acts or omissions penalized under this Code, in addition to the penalties imposed herein upon the responsible corporate officers, partners, or employees shall, upon conviction for each act or omission, be punished by a fine of not less than ~~[Fifty thousand pesos (P50,000) but not more than One hundred thousand pesos (P100,000)]~~ **TWO HUNDRED THOUSAND PESOS (P200,000) BUT NOT MORE THAN TWO MILLION EIGHT HUNDRED THOUSAND PESOS (P2,800,000).**"

SEC. 35. Section 257 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 257. *Penal Liability for Making False Entries, Records or Reports, or Using Falsified or Fake Accountable Forms.* –

"(A) Any financial officer or independent Certified Public Accountant engaged to examine and audit books of accounts of taxpayers under Section 232(A) and any person under his direction who:

"x x x

"(B) Any person who:

"(1) Not being an independent Certified Public Accountant according to Section 232(B) or a financial officer, examines and audits books of accounts of taxpayers; or

"x x x

"(8) Willfully attempts in any manner to evade or defeat any tax imposed under this Code, or knowingly uses fake or falsified revenue official receipts, Letters of Authority, certificates authorizing registration, Tax Credit Certificates, Tax Debit Memoranda and other accountable forms shall, upon conviction for each act or omission, be punished by a fine of not less than ~~[Fifty thousand pesos (P50,000) but not more than One hundred thousand pesos (P100,000)]~~ **ONE HUNDRED THIRTY THOUSAND PESOS (P130,000) BUT NOT MORE THAN TWO HUNDRED SEVENTY THOUSAND PESOS (P270,000)** and ~~[suffer]~~ imprisonment of not less than two (2) years but not more than six (6) years.

"If the offender is a Certified Public Accountant, ~~[his]~~ **THE OFFENDER'S** ~~[certificate as a Certified Public Accountant]~~ **LICENSE TO**

PRACTICE THE ACCOUNTING PROFESSION AND CERTIFICATE OF REGISTRATION shall be automatically revoked or cancelled upon conviction.

"In the case of foreigners, conviction under this Code shall result in ~~[his]~~ **THEIR** immediate deportation after serving sentence, without further proceedings for deportation."

SEC. 36. Section 261 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 261. *Unlawful Use of Denatured Alcohol.* – Any person who for the purpose of manufacturing any beverage, uses denatured alcohol or alcohol specially denatured to be used for motive power or withdrawn under bond for industrial uses or alcohol knowingly misrepresented to be denatured to be unfit for oral intake or who knowingly sells or offers for sale any beverage made in whole or in part from such alcohol or who uses such alcohol for the manufacture of liquid medicinal preparations taken internally, or knowingly sells or offers for sale such preparations containing as an ingredient such alcohol, shall, upon conviction for each act or omission be punished by a fine of not less than ~~[Twenty thousand pesos (P20,000) but not more than One hundred thousand pesos (P100,000)]~~ **FIVE HUNDRED SIXTY THOUSAND PESOS (P560,000) BUT NOT MORE THAN TWO MILLION EIGHT HUNDRED THOUSAND PESOS (P2,800,000)** and ~~[suffer]~~ imprisonment for a term of not less than six (6) years and one (1) day but not more than twelve (12) years.

"x x x."

SEC. 37. Section 263 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 263. *Unlawful Possession or Removal of Articles Subject to Excise Tax without Payment of the Tax.* – Any person who owns and/or is found in possession of imported articles subject to excise tax, the tax on which has not been paid in accordance with law, or any person who owns and/or is found in possession of imported tax-exempt articles other than those to whom they are legally issued shall be punished by:

"(a) A fine of not less than ~~[One hundred thousand pesos (P100,000.00)]~~ **THIRTY THOUSAND PESOS (P30,000)** but not more than ~~[Two hundred thousand pesos (P200,000.00)]~~ **THREE MILLION PESOS (P3,000,000)** and imprisonment of not less than sixty (60) days but not more than one hundred (100) days if the appraised value, to be determined in the manner prescribed in Republic Act No. 10863, otherwise known as the 'Customs Modernization and Tariff Act (CMTA)', including duties and taxes, of the articles does not exceed ~~[Two hundred fifty thousand pesos (P250,000.00)]~~ **TWO MILLION PESOS: Provided,** That if the appraised value, including duties and taxes, does not exceed ~~[Ten thousand pesos (P10,000.00)]~~ **TWENTY THOUSAND PESOS**, the penalty shall only be a fine in the amount of Twelve thousand pesos (P12,000.00);

(b) A fine of not less than [~~One million pesos (P1,000,000.00)~~] **THREE MILLION PESOS (P3,000,000)** but not more than [~~Two million pesos (P2,000,000.00)~~] **THIRTY MILLION PESOS (P30,000,000)** and imprisonment of not less than two (2) years but not more than four (4) years if the appraised value, to be determined in the manner prescribed in Republic Act No. 10863, otherwise known as the 'Customs Modernization and Tariff Act (CMTA)' including duties and taxes, of the articles exceeds [~~Two hundred fifty thousand pesos (P250,000.00)~~] **TWO MILLION PESOS** but does not exceed [~~Five hundred thousand pesos (P500,000.00)~~] **TWENTY MILLION PESOS;**

(c) A fine of not less than [~~Three million pesos (P3,000,000.00)~~] **THIRTY MILLION PESOS (P30,000,000)** but not more than [~~Four million pesos (P4,000,000.00)~~] **ONE HUNDRED FIFTY MILLION PESOS (P150,000,000)** and imprisonment of not less than four (4) years but not more than six (6) years, if the appraised value, to be determined in the manner prescribed in Republic Act No. 10863, otherwise known as the 'Customs Modernization and Tariff Act (CMTA)', including duties and taxes of the articles is more than [~~Five hundred thousand pesos (P500,000.00)~~] **TWENTY MILLION PESOS** but does not exceed [~~One million pesos (P1,000,000.00)~~] **ONE HUNDRED MILLION PESOS;**

(d) A fine of not less than [~~Ten million pesos (P10,000,000.00)~~] **ONE HUNDRED FIFTY MILLION PESOS (P150,000,000)** but not more than [~~Twenty million pesos (P20,000,000.00)~~] **THREE HUNDRED MILLION PESOS (P300,000,000)** and imprisonment of not less than ten (10) years but not more than twelve (12) years, if the appraised value, to be determined in the manner prescribed in Republic Act No. 10863, otherwise known as the 'Customs Modernization and Tariff Act (CMTA)', including duties and taxes, of the articles [~~exceeds One million pesos (P1,000,000.00)~~] **MORE THAN ONE HUNDRED MILLION PESOS (P100,000,000) BUT DOES NOT EXCEED TWO HUNDRED MILLION PESOS (P200,000,000);**

"(E) A FINE OF NOT LESS THAN THREE HUNDRED MILLION PESOS (P300,000,000) BUT NOT MORE THAN TWICE THE APPRAISED VALUE OF THE ARTICLE, AND IMPRISONMENT OF NOT LESS THAN SIX (6) YEARS AND ONE (1) DAY BUT NOT MORE THAN TWELVE (12) YEARS, IF THE APPRAISED VALUE, TO BE DETERMINED IN THE MANNER PRESCRIBED IN REPUBLIC ACT NO. 10863, OTHERWISE KNOWN AS THE CUSTOMS MODERNIZATION AND TARIFF ACT, INCLUDING DUTIES AND TAXES, OF THE ARTICLES IS MORE THAN TWO HUNDRED MILLION PESOS (P200,000,000);

"x x x."

SEC. 38. Section 264 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 264. Failure or Refusal to Issue Receipts or Sales or Commercial Invoices, Violations Related to the Printing of such Receipts or Invoices and Other Violations. –

"(a) Any person who, being required under Section 237 to issue receipts or sales or commercial invoices, fails or refuses to issue such receipts or invoices, issues receipts or invoices that do not truly reflect and/or contain all the information required to be shown therein, or uses multiple or double receipts or invoices, shall, upon conviction for each act or omission, be punished by a fine of not less than [~~One thousand pesos (P1,000)~~ but not more than ~~Fifty thousand pesos (P50,000)~~] **THIRTY THOUSAND PESOS (P30,000) BUT NOT MORE THAN ONE MILLION FOUR HUNDRED THOUSAND PESOS (P1,400,000)** and [~~suffer~~] imprisonment of not less than two (2) years but not more than four (4) years.

"x x x."

SEC. 39. Section 266 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"**SEC. 266. Failure to Obey Summons.** – Any person who, **AFTER HAVING BEEN** [~~being~~] duly summoned to appear to testify, or to appear and produce books of accounts, records, memoranda or other papers, or to furnish information as required under the pertinent provisions of this Code, neglects to appear or to produce such books of accounts, records, memoranda or other papers, or to furnish such information, shall, upon conviction, be punished by a fine of not less than [~~Five thousand pesos (P5,000)~~] **ONE HUNDRED THOUSAND PESOS (P100,000)** but not more than [~~Ten thousand pesos (P10,000)~~] **THREE HUNDRED THOUSAND PESOS (P300,000)** and [~~suffer~~] imprisonment of not less than one (1) year but not more than two (2) years."

SEC. 40. Section 275 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"**SEC. 275. Violation of Other Provisions of this Code or Rules and Regulations in General.** – Any person who **WILFULLY** violates any provision of this Code or any rule or regulation promulgated by the Department of Finance, for which no specific penalty is provided by law, shall, upon conviction for each act or omission, be punished by a fine of not more than [~~One thousand pesos (P1,000)~~] **THIRTY THOUSAND PESOS (P30,000)** or [~~suffer~~] imprisonment of not more than [~~six (6) months,~~] **TWO (2) YEARS**, or both."

SEC. 41. Implementing Rules and Regulations. – Within ninety (90) calendar days from the effectivity of this Act, 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, after due consultation with the private sector, shall issue rules and regulations for the effective implementation of this Act.

SEC. 42. Separability Clause. – If, for any reason any article or provision of this Act, or any portion thereof, or application of such article, provision, or portion thereof to any person, group, or circumstance is declared invalid or unconstitutional, the remainder of this Act shall not be affected by such decision or declaration.

SEC. 43. Repealing Clause. – The following laws or provisions are hereby repealed or modified accordingly and the persons and/or transactions affected herein

are hereby made subject to applicable taxes under the National Internal Revenue Code of 1997, as amended:

a) Section 3, insofar as the tax exemption on interest income, capital gains, and documentary stamp tax of bonds is concerned, of Republic Act No. 3601, entitled "*An Act Granting the National Irrigation Administration*"; and

b) Section 5(e), insofar as tax exemption on interest income, capital gains, and documentary stamp tax on bonds is concerned, of Republic Act No. 6260, entitled "*An Act Instituting a Coconut Investment Fund and Creating a Coconut Investment Company for the Administration Thereof*".

All laws, decrees, executive orders, implementing rules and regulations, issuances, or any part thereof inconsistent with the provisions of this Act are deemed repealed, amended, or modified accordingly.

SEC. 44. *Transitory Provision.* - The changes introduced under this Act shall apply to financial instruments issued on and transactions entered into on or after January 1, 2026. Any tax exemption and preferential rates on financial instruments issued or transactions entered into prior to the effectivity of this Act shall remain valid for the remaining maturity of the relevant agreement.

SEC. 45. *Effectivity.* – This Act shall take effect on January 1, 2026, following its complete publication in the *Official Gazette* or in at least one (1) newspaper of general circulation.

Approved,