

TWENTIETH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES

*Introduced by Representative Rufus B. Rodriguez and
Representative Maximo B. Rodriguez, Jr.*

House Bill No. 3800

EXPLANATORY NOTE

Last May 29, 2025, Republic Act No. 12214 or Capital Markets Efficiency Promotion Act (CMEPA), was enacted into law. While the measure was intended to streamline and standardize the taxation of passive income, it has, in effect, placed an even heavier burden on the majority of Filipino depositors whose interest earnings are already minimal. One new provision of CMEPA is that Long-Term Time Deposits in Philippine Pesos are now subject to 20% Final Withholding Tax

According to the Bangko Sentral ng Pilipinas (BSP), as of the latest financial inclusion report, only about 56% of Filipino adults have a formal account in a bank or other regulated institution. Among these, a significant portion maintain balances of less than ₱5,000. These are not large investors — they are workers, pensioners, farmers, market vendors, and micro-entrepreneurs who deposit small amounts regularly in the hope of slowly building a financial safety net.

In times of economic uncertainty, such as during the pandemic, Filipinos turned to their savings for survival. But for many, the growth of those savings had been stunted over the years by this very tax. Instead of encouraging people to keep their money in formal financial institutions where it is safe and traceable, we risk driving them towards informal saving methods like keeping cash at home, or engaging in risky, unregulated investment schemes.

The thrift banking sector has stated that imposing a 20% tax on long-term deposits could have a negative impact on middle-income savers and retirees, “who often rely on this income to supplement pensions and cover essential expenses such as medical needs”. Another possible effect is that it could drive Filipinos to riskier investments which promise higher returns.

In view of the foregoing, immediate approval of this measure is earnestly requested.


RUFUS B. RODRIGUEZ


MAXIMO B. RODRIGUEZ, JR.

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AN ACT

AMENDING REPUBLIC ACT NO. 12214 OR THE CAPITAL MARKETS EFFICIENCY PROMOTION ACT (CMEPA), SPECIFICALLY TO REMOVE, IN SOME INSTANCES, THE 20% FINAL WITHHOLDING TAX UPON THE AMOUNT OF INTEREST, YIELD, OR ANY OTHER MONETARY BENEFIT EARNED FROM ANY CURRENCY BANK DEPOSIT OR DEPOSIT SUBSTITUTE, TRUST FUNDS, AND OTHER SIMILAR ARRANGEMENTS, AND FOR OTHER PURPOSES

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

SECTION 1. Section 4 of Republic Act No. 12214 or the Capital Markets Efficiency Promotion Act is hereby amended to read as follows:

SEC. 4. Section 24 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 24. Income Tax Rates. -

XXX

(B) Rates of Tax on Certain Passive Income. -

(1) Interests, Prizes, and Other Winnings. - A final tax at the rate of twenty percent (20%) is hereby imposed upon the amount of interest, yield, or any other monetary benefit earned from any currency bank deposit or deposit substitute, trust funds, and other similar arrangements: **PROVIDED THAT, THOSE EARNING LESS THAN ₱5,000 IN ANNUAL INTEREST INCOME IN SHORT TERM SAVINGS DEPOSIT; AND ₱20,000 IN LONG TERM DEPOSITS (MORE THAN 5 YEARS) ARE EXEMPT FROM THIS TAX ;** prizes (except prizes amounting to Ten thousand pesos (P10,000) or less which shall be subject to tax under Subsection (A) of Section 24); and other winnings (except winnings amounting to Ten thousand pesos (P10,000) or less from Philippine Charity Sweepstakes and Lotto which shall be exempt), derived from sources within the Philippines.

SECTION 2. Repealing Clause. – All laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SECTION 3. Effectivity Clause. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,