

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. **7005**



Introduced by **REP. NATHANIEL “Atty. Nat” M. ODUCCADO**

EXPLANATORY NOTE

The 1987 Constitution mandates the State to promote a sound and stable economy and to adopt policies that encourage investments, foster economic growth, and protect the interests of the people. A strong and efficient capital market is essential to this mandate, as it mobilizes savings, facilitates the productive allocation of capital, and enables both domestic and foreign investors to participate in national development.

Historically, the Philippine capital market has been burdened by high transaction taxes that have constrained market liquidity and discouraged investment. Prior to recent reforms, the stock transaction tax (STT) on shares listed and traded through the Philippine Stock Exchange stood at 0.6 percent of the gross selling price, one of the highest rates in the ASEAN region. This rate was six times higher than the 0.1 percent imposed in Indonesia and Vietnam, and significantly higher than the zero-rate regimes of Singapore and Thailand. Because the STT is imposed on gross value rather than on net gains, it applied even to loss-making transactions, disproportionately affecting retail investors and discouraging active trading.

Empirical evidence demonstrates the adverse effects of this tax structure. Net foreign outflows from the Philippine equity market exceeded ₱49 billion in 2023, reflecting declining investor confidence and reduced competitiveness. Market participation remains limited, with only about one in ten Filipino adults holding investment products. According to the OECD Capital Market Review of the Philippines (2024), the domestic equity market exhibits lower liquidity, thinner trading volumes relative to market capitalization, and limited market depth compared with regional peers.

These structural weaknesses are reflected in the performance of the Philippine Stock Exchange index (PSEi). While the index reached a historic peak of 9,058.62 in January 2018, it has since struggled to regain momentum. As of late 2025, the PSEi was trading in the 5,800 to 5,900 range, representing a decline of approximately 16.99 percent over the preceding twelve months and remaining roughly 28 percent below its all-time high. Reduced liquidity, high transaction costs, and limited capital inflows have amplified volatility and constrained price discovery.

Recognizing these challenges, the Capital Markets Efficiency Promotion Act (CMEPA) reduced the stock transaction tax from 0.6 percent to one-tenth of one percent (0.1 percent), an 83.3 percent reduction in transaction cost, effective July 1, 2025. For a ₱100 million equity transaction, this reform reduced the tax burden from ₱600,000 to ₱100,000, generating substantial savings for investors and market participants. International experience shows that such reductions

¹Bureau of Internal Revenue. (2025) Capital Markets Efficiency Promotion Act. Available at <https://bir-cdn.bir.gov.ph/BIR/pdf/Signed%20RA%2012214%20-%20CMEPA.pdf>

promote higher trading volumes, narrower bid-ask spreads, improved liquidity, and stronger participation by both retail and institutional investors.

However, high transfer taxes on unlisted shares and inherited shares continue to impede capital mobility and business succession in the Philippines. Transfers of unlisted shares remain subject to a 15 percent capital gains tax on net gains, in addition to documentary stamp tax based on par value. In the case of inherited shares, heirs must pay estate tax on the net estate and documentary stamp tax upon transfer, resulting in a form of double taxation that erodes family wealth and complicates succession planning, particularly for family-owned corporations where shares constitute the primary asset of the estate.

This bill seeks to address these constraints through a coherent and comprehensive approach to transfer taxation. It maintains and protects the competitive 0.1 percent stock transaction tax on listed shares, rationalizes the taxation of unlisted share transfers, and removes redundant documentary stamp taxes on inherited shares where estate tax has already been paid. These measures are consistent with international best practices and aligned with regional standards that prioritize market efficiency over excessive friction costs.

By reducing transaction costs and eliminating unnecessary tax burdens, this measure is expected to increase trading activity, improve market liquidity, attract both domestic and foreign investment, and facilitate orderly intergenerational wealth transfer. While the reduction in rates may result in short-term revenue adjustments, increased transaction volumes and broader economic activity are expected to offset these effects over time, as evidenced by projected revenue gains under CMEPA and comparable reforms in other jurisdictions.

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



REP. NATHANIEL “ATTY. NAT” M. ODUCADO
I Tahanan Party List

²DailyTribune (2025) “PSEi falls to lowest level since 2022.” Available at: <https://tribune.net.ph/2025/11/03/psei-falls-to-lowest-level-since-2022>

³OECD. (2025). OECD Capital Market Review of the Philippines 2024. Available at https://www.oecd.org/en/publications/oecd-capital-market-review-of-the-philippines-2024_80afb228-en.html (last accessed December 18, 2025)

⁴ Sato, Y., & Hamori, S. (2016). "Tax reforms and stock return volatility: The case of Japan." Journal of the Japanese and International Economies, 45, 1-14. Available at <https://www.sciencedirect.com/science/article/abs/pii/S1049007816300264>

⁵ Philippine Stock Exchange. Annual Report. Available at <https://ir.pse.com.ph/investor-relations/reports-and-disclosures/annual-reports/> (last accessed December 18, 2025)

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HOUSE BILL NO. **7005**

Introduced by **REP. NATHANIEL “ATTY. NAT” M. ODUCAO**

**AN ACT REDUCING TRANSFER TAXES ON THE SALE, TRANSFER, AND
INHERITANCE OF SHARES OF STOCK, AND AMENDING FOR THE PURPOSE
SECTIONS 24, 127, AND 175 OF THE NATIONAL INTERNAL REVENUE CODE
OF 1997, AS AMENDED**

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

SECTION 1. *Short Title.* – This Act shall be known as the “*Share Transfer Tax Reduction Act.*”

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to promote a competitive, efficient, and inclusive capital market; facilitate the orderly transfer of wealth across generations without imposing excessive or duplicative tax burdens; support the development and continuity of private and family-owned enterprises; maintain transaction costs that are competitive with regional and global markets; enhance market liquidity, price discovery, and capital allocation; and ensure that the tax system avoids double or redundant taxation on the same transaction or economic event.

SEC. 3. Section 127 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

**“SEC. 127. TAX ON SHARES OF STOCK SOLD OR EXCHANGED THROUGH
INITIAL PUBLIC OFFERING OR LOCAL STOCK EXCHANGE. –**

**(A) SHARES LISTED AND TRADED THROUGH THE LOCAL STOCK
EXCHANGE OR INITIAL PUBLIC OFFERING. – THERE SHALL BE LEVIED,
ASSESSED, AND COLLECTED ON EVERY SALE, BARTER, EXCHANGE, OR
OTHER DISPOSITION OF SHARES OF STOCK LISTED AND TRADED THROUGH
THE LOCAL STOCK EXCHANGE A TAX AT THE RATE OF ONE-TENTH OF ONE
PERCENT (0.1%) OF THE GROSS SELLING PRICE OR GROSS VALUE IN MONEY
OF THE SHARES, PAYABLE BY THE SELLER OR TRANSFEROR.**

THE TAX SHALL BE COLLECTED BY THE STOCKBROKER ON BEHALF OF THE CLIENT AND REMITTED TO THE BUREAU OF INTERNAL REVENUE WITHIN FIVE (5) BANKING DAYS FROM COLLECTION.

(B) DOMESTIC SHARES LISTED AND TRADED IN A FOREIGN STOCK EXCHANGE. – A TAX AT THE RATE OF ONE-TENTH OF ONE PERCENT (0.1%) OF THE GROSS SELLING PRICE OR GROSS VALUE SHALL BE IMPOSED ON THE SALE OR DISPOSITION OF SHARES ISSUED BY A DOMESTIC CORPORATION AND TRADED THROUGH A FOREIGN STOCK EXCHANGE, SUBJECT TO APPLICABLE TAX TREATIES AND INTERNATIONAL AGREEMENTS.

(C) SHARES NOT TRADED THROUGH A STOCK EXCHANGE. – SHARES SOLD OR EXCHANGED OUTSIDE A STOCK EXCHANGE SHALL BE SUBJECT TO SECTION 24(C) OF THIS CODE.”

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

"SEC. 24. INCOME TAX RATES. -

(C) CAPITAL GAINS FROM SALE OF SHARES OF STOCK NOT TRADED IN THE STOCK EXCHANGE. – A FINAL TAX OF TEN PERCENT (10%) IS HEREBY IMPOSED ON THE NET CAPITAL GAINS REALIZED FROM THE SALE, BARTER, EXCHANGE, OR OTHER DISPOSITION OF SHARES OF STOCK IN A DOMESTIC OR FOREIGN CORPORATION NOT TRADED THROUGH A STOCK EXCHANGE.

NET CAPITAL GAINS SHALL BE COMPUTED BY DEDUCTING FROM THE GROSS SELLING PRICE THE ACQUISITION COST OR ADJUSTED BASIS OF THE SHARES, REASONABLE BROKERAGE FEES, AND OTHER DOCUMENTED EXPENSES DIRECTLY RELATED TO THE SALE.”

SEC. 5. Section 175 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 175. STAMP TAX ON TRANSFERS OF SHARES OF STOCK. –

(A) A DOCUMENTARY STAMP TAX SHALL BE IMPOSED ON ORIGINAL ISSUANCES OF SHARES IN ACCORDANCE WITH EXISTING LAW.

(B) NO DOCUMENTARY STAMP TAX SHALL BE IMPOSED ON SECONDARY TRANSFERS OF SHARES LISTED AND TRADED THROUGH A LOCAL STOCK EXCHANGE, THE STOCK TRANSACTION TAX UNDER SECTION 127 BEING IN LIEU THEREOF.

(C) A DOCUMENTARY STAMP TAX OF ONE PESO AND FIFTY CENTAVOS (₱1.50) ON EACH TWO HUNDRED PESOS (₱200), OR FRACTIONAL PART THEREOF, OF PAR VALUE SHALL BE IMPOSED ON SECONDARY TRANSFERS OF UNLISTED SHARES, EXCEPT AS PROVIDED IN SUBSECTION (D).

(D) TRANSFERS OF SHARES BY REASON OF DEATH, UPON FULL PAYMENT OF THE ESTATE TAX AND ISSUANCE OF THE CORRESPONDING CERTIFICATE AUTHORIZING REGISTRATION BY THE BUREAU OF INTERNAL REVENUE, SHALL BE EXEMPT FROM DOCUMENTARY STAMP TAX.”

SEC. 6. *Tax Rate Stability and Protection Mechanism.* - The tax rates established under this Act shall be deemed maximum rates. Any proposal to modify the tax rates provided under this Act shall be supported by a comprehensive impact assessment and shall be subject to public consultation and appropriate committee hearings.

SEC. 7. *Simplification and Facilitation of Share Transfers.* - The Securities and Exchange Commission, in coordination with the Bureau of Internal Revenue, shall adopt streamlined, automated, and digital procedures for the processing of share transfers, particularly those involving inheritance and family-owned corporations, in order to reduce compliance costs and administrative delay.

SEC. 8. *Annual Capital Markets Development Report.* - The Securities and Exchange Commission, in coordination with the Department of Finance, the Bureau of Internal Revenue, and the Philippine Stock Exchange, shall submit to Congress an annual report on the state of the capital markets and the impact of this Act not later than March 31 of each year.

SEC. 9. *Implementing Rules and Regulations.* - The Secretary of Finance shall promulgate the necessary rules and regulations to implement this Act within sixty (60) days from its effectivity.

SEC. 10. *Separability Clause.* - If any provision of this Act is declared unconstitutional or invalid, the other provisions not affected thereby shall remain in full force and effect.

SEC. 11. *Repealing Clause.* - All laws, rules, regulations, and issuances inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 12. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,