S. No. 2865
H. No. 9277

Republic of the Philippines

Congress of the Philippines

Metro Manila

Nineteenth Congress

Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-second day of July, two thousand twenty-four.

[REPUBLIC ACT NO. 12214]

AN ACT AMENDING SECTIONS 22, 24, 25, 27, 28, 32, 34, 38, 39, 42, 51, 52, 56, 57, 127, 149, 174, 176, 179, 190, 199, AND 258 OF 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:

SECTION 1. *Short Title.* – This Act shall be known as the "Capital Markets Efficiency Promotion Act".

SEC. 2. *Declaration of Policy.* – The financial sector plays a significant role in the long-term growth of the national economy. A key policy consideration is to allow capital markets to develop as efficiently as possible, with the least intervention. The optimal taxation of capital markets, and the products and transactions that come with them, is an essential element in developing capital markets. Towards this end, the State

recognizes the necessity of a simpler, fairer, more efficient, and regionally competitive passive income tax system to encourage savings, as well as develop and deepen capital markets.

In the same vein, the State recognizes tax administration as a driver of economic growth, and the equitable taxation of similar products as an essential aspect of progressive taxation. By making tax compliance easier and more equitable, progressivity is ensured, tax effort is improved, discretion is eliminated, and trust in the taxation system is enhanced. Accordingly, the State adopts the following policies:

(a) The State shall endeavor to simplify an otherwise complex tax system for easy compliance;

(b) The State shall ensure that the taxation of passive income is equitable across all stakeholders and discourages arbitrage opportunities;

(c) The State shall promote the development and tax competitiveness of capital markets within the context of globalization, increased capital mobility, and financial inclusion;

(d) The State shall promote and incentivize investment in the trading of equity and debt securities; and

(e) The State shall aid the capacity of corporate entities to raise capital through capital markets.

SEC. 3. 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

(L) The term 'shares of stock' shall refer to shares of stock of a corporation, warrants, options, as well as units of participation in partnerships (except general professional partnerships), joint stock companies, joint accounts, joint ventures taxable as corporations, associations, and recreation or amusement clubs (such as golf, polo or similar clubs), and mutual fund certificates.

(M) The term 'shareholder' shall refer to a holder of shares of stock, warrants, options, as well as a holder of a unit of participation in a partnership (except general professional partnerships), joint stock company, joint account, taxable joint venture, and holder of a mutual fund certificate, joint stock company, or insurance company, or member in an association, recreation, or amusement club, such as golf, polo, or similar clubs.

x x x

(T) The term 'securities' shall refer to shares, participation, or interest in a corporation, commercial enterprise, or profit-making venture evidenced by a certificate, contract, or instrument, whether written or electronic in character, which shall include:

(1) Shares of stock, bonds, debentures, notes, evidence of indebtedness, and asset-backed securities;

(2) Investment contracts, certificates of interest, or participation in a profit-sharing agreement, such as certificates of deposit for a future subscription;

(3) Fractional undivided interests in oil, gas, or other mineral rights;

(4) Certificates of assignment, certificates of participation, trust certificates, voting trust certificates, or similar instruments;

(5) Proprietary or non-proprietary membership certificates in corporations; and

(6) Other similar instruments as may be determined by the Securities and Exchange Commission.

x x x

(Y) The term 'deposit substitute' shall refer to an alternative form of obtaining funds from the public other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrower's own account, for the purpose of relending or purchasing of receivables and other obligations: *Provided,* That the term 'public' shall

mean twenty (20) or more individual or corporate lenders at any given time. These instruments may include, but need not be limited to, bankers' acceptances, promissory notes, repurchase agreements, 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: *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.

x x x

(MM) The term 'passive income' shall refer to any income that is earned from sources that do not require a taxpayer's active pursuit and performance of trade or business and is not subject to value-added tax imposed in this Code."

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.* –

x x x

(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; 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.

(2) *Cash and/or Property Dividends.* – A final tax at the rate of ten percent (10%) shall be imposed upon the cash and/or property dividends actually or constructively received by an individual from a domestic corporation or from a joint stock company, insurance or mutual fund company, or on the share of an individual in the distributable net income after tax of a partnership (except a general professional partnership), of which the individual is a partner, or on the share of an individual in the net income after tax of an association, a joint account, or a joint venture or consortium taxable as a corporation of which the individual is a member or co-venturer.

(3) *Capital Gains from the Sale, Exchange, or Disposition of Shares of Stock not Traded in a Local or Foreign Stock Exchange.* The provisions of Section 39(B) notwithstanding, a final tax at the rate of fifteen percent (15%) is hereby imposed upon the net capital gains realized during the taxable year from the sale, exchange, or other disposition of shares of stock in a domestic or foreign corporation, except shares sold or disposed of through a local or foreign stock exchange subject to stock transaction tax under Section 127(A) and (B) of this Code.

(4) *Capital Gains from Sale of Real Property.* –

x x x

(5) *Royalties.* – A final tax at the rate of twenty percent (20%) is hereby imposed on royalties earned as passive income: *Provided,* That royalties on books, as well as other literary works and musical compositions, shall be subject to a final tax of ten percent (10%)."

SEC. 5. Section 25 of the National Internal Revenue Code of 1997, as amended, is hereby further 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 income tax under Section 24 of this Code 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) days during any calendar year shall be deemed a 'nonresident alien doing business in the Philippines', Section 22(G) of this Code notwithstanding.

(2) *Cash and/or Property Dividends from a Domestic Corporation or Joint Stock Company, or Insurance or Mutual Fund Company or Share in the Distributable Net Income of a Partnership (Except a General Professional Partnership), Joint Account, Joint Venture Taxable as a Corporation or Association.* – Cash and/or property dividends from a domestic corporation, joint stock company, insurance or mutual fund company, or the share of a nonresident alien individual in the distributable net income after tax of a partnership (except a general professional partnership) of which he is a partner, or the share of a nonresident alien individual in the net income after tax of an association, joint account, or joint venture taxable as a corporation of which he is a member or a co-venturer shall be subject to an income tax of twenty percent (20%) on the total amount thereof.

(3) *Nonresident Cinematographic Film Owner, Lessor, or Distributor.* – Cinematographic films and similar works shall be subject to the tax provided under Section 28 of this Code.

(B) *Nonresident Alien Individual Not Engaged in Trade or Business Within the Philippines.* – There shall be levied, collected and paid for each taxable year upon the entire income received from all sources within the Philippines by every nonresident alien individual not engaged in trade or business within the Philippines, such as interest, cash and/or property dividends, rents, salaries, wages, premiums, annuities, compensation, remuneration, emoluments, or other fixed or determinable annual or periodic or casual gains, profits, and income, a final tax equal to twenty-five percent (25%) of such income. Capital gains realized by a nonresident alien

individual not engaged in trade or business in the Philippines from the sale, exchange, or other disposition of shares of stock not traded in a local or foreign stock exchange and real property shall be subject to the income tax prescribed under Subsections (B)(3) and (B)(4) of Section 24.

x x x."

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

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

x x x

(D) *Rates of Tax on Certain Passive Income.* –

(1) *Interests.* – A final tax of twenty percent (20%) is hereby imposed upon the amount of interest, yield, or other monetary benefit earned or received from any currency bank deposit, deposit substitute, trust fund, or other similar arrangements.

(2) *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 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%).

(3) *Intercorporate Dividends.* – x x x

(4) *Capital Gains from the Sale, Exchange, or Disposition of Shares of Stock Not Traded in a Local or Foreign Stock Exchange.* – A final tax at the rate of fifteen percent (15%) is hereby imposed upon the net capital gains realized during the taxable year from the sale, exchange, or other modes of disposition of shares of stock of a domestic or foreign corporation, except shares sold or disposed of through a local or foreign stock exchange subject to stock transaction tax under Section 127(A) and (B) of this Code.

(5) *Capital Gains Realized from the Sale, Exchange, or Disposition of Lands and/or Buildings.* – x x x

(6) *Royalties.* – A final tax of twenty percent (20%) is hereby imposed on royalties earned as passive income.

x x x."

SEC. 7. 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.* –

(1) *In General.* – x x x

The corporate income tax rate shall be applied on the amount computed by multiplying the number of months covered by the new rate within the fiscal year by the taxable income of the corporation for the period, divided by twelve.

Interest, intercorporate dividends, capital gains on sale, exchange, or other disposition of shares of stock not traded in a local or foreign stock exchange, and royalties shall be subject to the applicable taxes prescribed under Section 27(D) of this Code.

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%).

(7) *Offshore Gaming Licenses.* – x x x

(B) *Tax on Nonresident Foreign Corporations.* –

(1) *In General.* – Except as otherwise provided in this Code, a foreign corporation not engaged in trade or business in the Philippines, effective January 1, 2021, shall pay a tax equal to twenty-five percent (25%) 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 Section 28(A)(1).

x x x

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

x x x

(c) *Capital Gains from Sale of Shares of Stock not Traded in a Local or Foreign Stock Exchange.* – A final tax at the rate of fifteen percent (15%) is hereby imposed upon the net capital gains realized during the taxable year from the sale, exchange, or other disposition of shares of stock in a domestic corporation, except shares sold, or disposed of through a local or foreign stock exchange."

SEC. 8. Section 32 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 32. *Gross Income.* –

(A) *General Definition.* – Except when otherwise provided in this Title, gross income means all income derived from whatever source, including (but not limited to) the following items:

(1) Compensation for services in whatever form paid, including, but not limited to fees, salaries, wages, commissions, equity-based compensation, such as stock options, restricted stock units, stock appreciation rights, and similar items: *Provided,* That equity-based compensation shall be included in the gross income at the time of exercise;

x x x

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

x x x

(7) *Miscellaneous Items.* –

x x x

(g) *Interest Income and Gains from the Sale, Transfer, or Disposition of Project-Specific Bonds.* – Specific bonds that are issued by the Republic of the Philippines or any of its instrumentalities to finance capital expenditures or programs covered by the Philippine Development Plan or its equivalent and other high-level priority programs of the national

government, as determined by the Secretary of Finance.

(h) *Gains from Redemption of Shares or Units of Participation in Mutual Fund and Unit Investment Trust Fund.* – Gains realized by the investor upon redemption of shares of stock in a mutual fund company as defined in Section 22(BB) of this Code, or units of participation in a Mutual Fund or Unit Investment Trust Fund: *Provided,* That prior to such redemption, final taxes due on realized gains have been previously withheld at the level of the underlying assets.

x x x."

SEC. 9. Section 34 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 34. *Deductions from Gross Income.* –
x x x

(E) *Bad Debts.* –

(1) *In General.* – x x x

(2) *Securities Becoming Worthless.* – If securities, as defined in Section 22(T), are ascertained to be worthless and charged off within the taxable year and are capital assets, the loss resulting therefrom shall be considered as a loss from the sale or exchange of capital assets, on the last day of such taxable year. Securities held by a dealer in securities or an entity licensed by the appropriate government regulatory agencies to buy and sell securities either for the entity's own account or for the account of others, including banks and other financial intermediaries, shall be considered ordinary assets, as such securities held that are ascertained to be worthless shall be considered as ordinary losses that are allowed as deduction from taxable income.

x x x

(M) An additional deduction of fifty percent (50%) of the employer's actual contributions made to personal equity and retirement accounts

under Republic Act No. 9505, otherwise known as 'Personal Equity and Retirement Account (PERA) Act of 2008,' shall be granted to private employers that contribute at least equal to the contributions of their employees, subject to the maximum allowable contribution under Republic Act No. 9505: *Provided*, That only private employers that contribute to all of their employees' PERA accounts shall be eligible for the additional allowable deduction."

SEC. 10. Section 38 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

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

(A) In the case of any loss claimed to have been sustained from any sale or other disposition of shares of stock or securities, where it appears that within a period beginning thirty (30) days before the date of such sale or disposition and ending thirty (30) days after such date, the taxpayer has acquired (by purchase or by exchange upon which the entire amount of gain or loss was recognized by law), or has entered into a contract or option to acquire substantially identical stock or securities, then no deduction for the loss shall be allowed under Section 34, unless the claim is made by a dealer in stock or securities or by any entity or financial intermediary duly licensed by the appropriate government regulatory agencies to buy and sell securities either for the entity's own account or for the account of others and with respect to a transaction made in the ordinary course of the business of such dealer, entity, or financial intermediary.

x x x."

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

"SEC. 39. *Capital Gains and Losses.* -

x x x

(C) *Limitation on Capital Losses.* – Losses from sales or exchanges of capital assets shall be allowed only to the extent of the gains from such sales or exchanges. If a dealer in securities, or other entity or financial intermediary duly licensed by the appropriate government regulatory agencies to trade in securities, sells any bond, debenture, note, or certificate or other evidence of indebtedness issued by any corporation (including one issued by a government or political subdivision thereof), with interest coupons or in registered form, any loss resulting from such sale shall not be subject to the foregoing limitation and shall not be included in determining the applicability of such limitation to other losses.

x x x."

SEC. 12. Section 42 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

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

(A) *Gross Income from Sources Within the Philippines.* – x x x

(1) *Interests.* – Interests or yield from debt instruments, bank deposits, deposit substitutes, trust funds, and other similar arrangements, such as bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, including debt instruments or debt securities issued by the government or any of its agencies or instrumentalities;

x x x."

SEC. 13. Section 51 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 51. *Individual Return.* –

x x x

(C) *When to File.* –

(1) x x x

(2) Individuals subject to tax on capital gains:

(a) From the sale or exchange of shares of stock not traded through a local or foreign stock exchange as prescribed under Section 24(B)(3), a return shall be filed within thirty (30) days after each transaction and a final consolidated return on or before April 15 of each year covering all stock transactions of the preceding taxable year; and

(b) From the sale or disposition of real property under Section 24(B)(4), a return shall be filed within thirty (30) days following each sale or other disposition.

x x x."

SEC. 14. Section 52 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"SEC. 52. *Corporation Returns.* –

x x x

(D) *Return on Capital Gains Realized from Sale of Shares of Stock not Traded in the Local or Foreign Stock Exchange.* – Every corporation deriving capital gains from the sale or exchange of shares of stock, not traded through a local or foreign stock exchange as prescribed under Sections 27(D)(4), 28(A)(1), and 28(B)(5)(c), shall file a return within thirty (30) days after each transaction and a final consolidated return of all transactions during the taxable year on or before the fifteenth (15^{th}) day of the fourth (4^{th}) month following the close of the taxable year."

SEC. 15. Section 56 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 56. *Payment and Assessment of Income Tax for Individuals and Corporations.* –

(A) *Payment of Tax.* –

x x x

(3) *Payment of Capital Gains Tax.* – The total amount of tax imposed and prescribed under Sections 24(B)(3), 24(B)(4), 25(A)(1), 27(D)(4), 27(D)(5), 28(A)(1) and 28(B)(5)(c) shall be paid on the date the return prescribed therefor is filed by the person liable thereto: *Provided,* That if the seller submits proof of the intention to avail of the benefit of exemption of capital gains under existing special laws or tax treaties, no such payments shall be required: *Provided, further,* That in case of failure to qualify for exemption under such special laws, tax treaties, and implementing rules and regulations, the tax due on the gains realized from the original transaction shall immediately become due and payable, 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, the seller shall be entitled to a refund of such tax upon verification of compliance with the requirements for such exemption.

x x x."

SEC. 16. 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 under Sections 24(B), 25(A), 25(B), 27(D), 28(A)(1), 28(A)(4), 28(A)(6), 28(B), 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.

x x x."

SEC. 17. Section 127 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 127. *Tax on Sale or Exchange of Shares of Stock Listed and Traded through a Local or Foreign Stock Exchange.* –

(A) *Tax on Sale or Exchange of Shares of Stock Listed and Traded through a Local Stock Exchange.* – There shall be levied, assessed and collected on every sale, exchange, or other disposition of shares of stock and other securities listed and traded through a local stock exchange, other than the sale by a dealer in securities, in lieu of capital gains tax, a tax at the rate of one-tenths of one percent (1/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold, exchanged, or otherwise disposed which shall be paid by the seller or transferor.

Any gain realized from the sale, exchange, or disposition of listed shares of stock by a dealer in securities licensed by the appropriate government regulatory agencies to buy and sell securities, for the individual's own account in the ordinary course of business, shall be considered ordinary income.

(B) *Tax on Sale or Exchange of Shares of Stock Listed and Traded Through a Foreign Stock Exchange.* – There shall be levied, assessed, and collected on every sale, exchange, or other disposition of shares of stock of a domestic corporation listed and traded through a foreign stock exchange, other than the sale by a dealer in securities, in lieu of capital gains tax, a tax at the rate of one-tenths of one percent (1/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold, exchanged, or otherwise disposed which shall be paid by the seller or transferor.

(C) *Return on Sale of Shares of Stock and Other Securities Listed and Traded in a Local or Foreign Stock Exchange.* – It shall be the duty of every stock broker who effected the sale subject to the tax imposed herein to collect the tax and remit the same to the Bureau of Internal Revenue within five (5) banking days from the date of collection

thereof and to submit on Mondays of each week to the secretary of the stock exchange, of which the taxpayer is a member, a true and complete return which shall contain a declaration of all the transactions effected through the taxpayer during the preceding week and of taxes collected by the said taxpayer and turned over to the Bureau of Internal Revenue: *Provided,* That for return on sales of shares of stock of a domestic corporation listed and traded in both local and foreign stock exchanges, the collection and remittance of the above tax shall be in accordance with the rules promulgated by the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue: *Provided, further,* That the remittance of the said tax shall be made within a period not exceeding ten (10) banking days.

(D) *Common Provisions.* – x x x."

SEC. 18. Section 149 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 149. *Automobiles.* – There shall be levied, assessed and collected an *ad valorem* tax on automobiles based on the manufacturer's or importer's selling price, net of excise and value-added tax, in accordance with the following schedule:

x x x

Provided, That hybrid vehicles shall be subject to fifty percent (50%) of the applicable excise tax rates on automobiles under this section: *Provided, further,* That purely electric vehicles shall be exempt from excise tax on automobiles.

x x x."

SEC. 19. Section 174 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 174. *Stamp Tax on Original Issue of Shares of Stock.* – On every original issue, whether on organization, reorganization or for any lawful purpose, of shares of stock by any association,

company or corporation, there shall be collected a documentary stamp tax of seventy-five percent of one percent (75% of 1%) of the par value of such shares of stock: *Provided,* That in the case of the original issue of shares of stock without par value, the amount of the documentary stamp tax herein prescribed shall be based upon the actual consideration for the issuance of such shares of stock: *Provided, further,* That in the case of stock dividends, on the actual value represented by each share."

SEC. 20. Section 176 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 176. *Stamp Tax on Bonds, Debentures, and Certificates of Stock or Indebtedness Issued in Foreign Countries.* – A documentary stamp tax of seventy-five percent of one percent (75% of 1%) of the value of the transaction shall be collected from the person selling or transferring bonds, debentures, certificates of stock, or certificates of indebtedness issued in any foreign country."

SEC. 21. Section 179 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 179. *Stamp Tax on All Debt Instruments.* – On every original issue of debt instruments, there shall be collected a documentary stamp tax of seventy-five percent of one percent (75% of 1%) of the issue price of any such debt instrument: *Provided,* That for such debt instruments with terms of less than one (1) year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to three hundred sixty-five (365) days: *Provided, further,* That only one documentary stamp tax shall be imposed on the loan agreement and promissory notes, mortgage, security interest over personal property, and other contracts issued to secure such loan.

For purposes of this section, the term 'debt instrument' shall mean instruments representing

borrowing and lending transactions, including but not limited to debentures, certificates of indebtedness, due bills, bonds, loan agreements, including those signed abroad wherein the object of contract is located or used in the Philippines, instruments and securities issued by the government or any of its instrumentalities, deposit substitutes, debt instruments, certificates or other evidences of deposits that are either drawing interest significantly higher than the regular savings deposit taking into consideration the size of the deposit and the risks involved or drawing interest and having a specific maturity date, promissory notes, whether negotiable or non-negotiable, except bank notes issued for circulation."

SEC. 22. Section 190 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read 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 game, 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. 23. Section 199 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"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:

x x x

(e) Sale, exchange, redemption, or other disposition of shares of stock listed and traded through a local or foreign stock exchange.

x x x

(o) Original issuance, redemption, or other disposition of shares in a mutual fund company.

(p) Issuance of certificate or other evidence of participation in a mutual fund or unit investment trust fund."

SEC. 24. Section 258 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 258. *Unlawful Pursuit of Business.* – Any person who carries on any business without registering the same in accordance with Section 236 shall, upon conviction for each act or omission, be punished by a fine of not less than Five thousand pesos (P5,000) but not more than Twenty thousand pesos (P20,000) and imprisonment of not less than six (6) months but not more than two (2) years: *Provided,* That in the case of a person engaged in the business of distilling, rectifying, repacking, compounding, or manufacturing any article subject to excise tax, he shall, upon conviction for each act or omission, be punished by a fine of not less than Thirty thousand pesos (P30,000) but not more than Fifty thousand pesos (P50,000) and imprisonment of not less than two (2) years but not more than four (4) years."

SEC. 25. *Implementing Rules and Regulations.* – Within sixty (60) calendar days from the effectivity of this Act, the Department of Finance, in consultation with the Securities and Exchange Commission, Bangko Sentral ng Pilipinas, Bureau of Treasury, and Bureau of Internal Revenue, after due consultation with the private sector, shall issue rules and regulations for the effective implementation of this Act.

SEC. 26. *Separability Clause.* – If, for any reason, any article or provision of this Act, or any portion hereof, or application of such article, provision, or portion 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. 27. *Repealing Clause.* – The following laws or provisions of laws are hereby repealed or modified accordingly:

(a) Section 9, insofar as the tax exemption on the issuance of bonds and securities is concerned, of Presidential Decree No. 1648, otherwise known as "Reorganizing the National Development Company and Establishing a Revised Charter Therefor";

(b) Sections 6, 7, and 8, insofar as the tax exemptions on interest income, capital gains and documentary stamp tax, and on the issuance of bonds are concerned, of Executive Order No. 603, otherwise known as "Creating a Light Rail Transit Authority, Vesting the Same with Authority to Construct and Operate the Light Rail Transit (LRT) Project and Providing Funds Therefor";

(c) Section 14, insofar as tax exemptions on interest income, capital gains, and documentary stamp tax are concerned, of Republic Act No. 7354, otherwise known as "An Act Creating the Philippine Postal Corporation, Defining its Powers, Functions and Responsibilities, Providing for Regulation of the Industry and for Other Purposes Connected Therewith";

(d) Section 12, insofar as the tax exemptions on interest income, capital gains, and documentary stamp tax, and on the issuance of bonds are concerned, of Republic Act No. 4850, otherwise known as "An Act Creating the Laguna Lake Development Authority, Prescribing its Powers, Functions and Duties, Providing Funds Therefor, and for Other Purposes";

(e) Number 8, insofar as tax exemptions on interest income, capital gains, and documentary stamp tax are concerned, of Presidential Decree No. 37, otherwise known as "Creating the Nayong Pilipino Foundation";

(f) Section 12, insofar as tax exemptions on interest income, capital gains, and documentary stamp tax are

concerned, of Presidential Decree No. 205, otherwise known as "Creating and Establishing the Development Academy of the Philippines, Defining its Powers, Functions, and Responsibilities, and for Other Purposes";

(g) Article 204, insofar as tax exemption of the state insurance fund on capital gains is concerned, of Presidential Decree No. 442, otherwise known as the "Labor Code of the Philippines", as amended;

(h) Sections 10 and 11, insofar as the tax exemptions on interest income, capital gains, and documentary stamp tax of subsidiaries of Philippine Aerospace Development Corporation and on the issuance of bonds are concerned, of Presidential Decree No. 696, otherwise known as "Revising Presidential Decree No. 286, Dated September 5, 1973, as Amended, Otherwise Known as 'The Charter of The Philippine Aerospace Development Corporation and for Other Purposes'";

(i) Section 2(g), insofar as the tax exemptions on interest income and on the issuance of bonds are concerned, of Republic Act No. 85, as amended by Republic Act No. 2081, otherwise known as "An Act Creating the Rehabilitation Finance Corporation";

(j) Sections 76, 77, and 98, insofar as tax exemptions on interest income, dividends, capital gains, and the documentary stamp tax on bonds are concerned, of Republic Act No. 3844, as amended by Republic Act No. 6389, otherwise known as the "Agricultural Land Reform Code";

(k) Section 24, insofar as the tax exemptions on interest income and on the issuance of bonds are concerned, of Republic Act No. 3591, as amended by Republic Act No. 9576 and Republic Act No. 10846, otherwise known as "An Act Increasing the Maximum Deposit Insurance Coverage, and in Connection Therewith, to Strengthen the Regulatory and Administrative Authority, and Financial Capability of the Philippine Deposit Insurance Corporation (PDIC), Amending for this Purpose Republic Act Numbered Three Thousand Five Hundred Ninety-One, as Amended, Otherwise Known as The PDIC Charter, and for Other Purposes";

(l) Section 12, insofar as tax exemptions on interest income, capital gains, and documentary stamp tax, and on the issuance of bonds are concerned, of Executive Order No. 1037, otherwise known as "Creating the Philippine Retirement Park System, Providing Funds Therefor and for Other Purposes";

(m) Sections 5 and 19, insofar as the tax exemptions on interest income, documentary stamp tax, and on the issuance of bonds are concerned, of Republic Act No. 8763, otherwise known as the "Home Guaranty Corporation Act of 2000";

(n) Section 8(a), insofar as tax exemptions on interest income, capital gains, and documentary stamp tax of bonds are concerned, as provided under Section 1 of Republic Act No. 6395, otherwise known as "An Act Revising the Charter of the National Power Corporation";

(o) Sections 9 and 15, insofar as the tax exemptions on interest income, capital gains, documentary stamp tax, and on the issuance of bonds are concerned, of Presidential Decree No. 334, as amended by Presidential Decree No. 572, otherwise known as "Creating the Philippine National Oil Company, Defining its Powers and Functions, Providing Funds Therefore, and for Other Purposes";

(p) Section 16, insofar as tax exemption on capital gains is concerned, of Presidential Decree No. 1467, otherwise known as "Creating the Philippine Crop Insurance Corporation, Prescribing its Powers and Activities, Providing for its Capitalization and for the Required Government Premium Subsidy, and for Other Purposes";

(q) Section 56, insofar as tax exemption on capital gains is concerned, of Republic Act No. 10801, otherwise known as "An Act Governing the Operations and Administration of the Overseas Workers Welfare Administration";

(r) Section 28, insofar as tax exemption on documentary stamp tax is concerned, of Republic Act No. 9267, otherwise known as the "Securitization Act of 2004";

(s) Section 6 of Republic Act No. 6426, otherwise known as the "Foreign Currency Deposit Act of the Philippines, as amended";

(t) Section 16(b), insofar as tax exemptions on interest income, dividends, and capital gains are concerned, of Republic Act No. 9497, otherwise known as "An Act Creating the Civil Aviation Authority of the Philippines, Authorizing the Appropriation of Funds Therefor, and for Other Purposes";

(u) Section 21, insofar as tax exemptions on interest income, dividends, and capital gains are concerned, of Republic Act No. 7356, otherwise known as "An Act Creating the National Commission for Culture and the Arts, Establishing a National Endowment Fund for Culture and the Arts, and for Other Purposes";

(v) Section 23(a), insofar as tax exemptions on interest income, dividends, and capital gains are concerned, of Republic Act No. 10086, otherwise known as "An Act Strengthening Peoples' Nationalism through Philippine History by Changing the Nomenclature of the National Historical Institute into the National Historical Commission of the Philippines, Strengthening its Powers and Functions, and for Other Purposes";

(w) Section 11, insofar as tax exemptions on interest income, dividends, and capital gains are concerned, of Presidential Decree No. 1201, series of 1977, otherwise known as "Creating the Philippine Institute for Development Studies";

(x) Section 11, insofar as tax exemptions on interest income, dividends, and capital gains are concerned, of Republic Act No. 2640, as amended by Batas Pambansa Bilang 35, otherwise known as "An Act to Create a Public Corporation to be Known as the Veterans Federation of the Philippines, Defining its Powers, and for Other Purposes";

(y) Section 12, insofar as tax exemptions on interest income, dividends, and capital gains are concerned, of Republic Act No. 4156, as amended by Republic Act No. 6366, otherwise known as "An Act Creating the Philippine National Railways, Prescribing its Powers, Functions and Duties, and Providing for the Necessary Funds for its Operation"; and

(z) Section 15, insofar as tax exemptions on capital gains and documentary stamp are concerned, of Republic Act No. 9182, as amended by Republic Act No. 9343, otherwise

known as "An Act Granting Tax Exemptions and Fee Privileges to Special Purpose Vehicles which Acquire or Invest in Non-Performing Assets, Setting the Regulatory Framework Therefor, and for Other Purposes".

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. 28. *Transitory Provision.* – Any tax exemption and preferential rate on financial instruments issued or transacted prior to July 1, 2025 shall be subject to the prevailing tax rate at the time of its issuance for the remaining maturity of the relevant agreement.

SEC. 29. *Effectivity.* – This Act shall take effect on July 1, 2025, following its complete publication in the *Official Gazette* or in at least one (1) newspaper of general circulation.

Approved,

FERDINAND MARTIN G. ROMUALDEZ
Speaker of the House of Representatives

FRANCIS "CHIZ" G. ESCUDERO
President of the Senate

This Act, which is a consolidation of Senate Bill No. 2865 and House Bill No. 9277, was passed by the Senate of the Philippines and the House of Representatives on February 5, 2025.

REGINALD S. VELASCO
Secretary General
House of Representatives

RENATO N. BANTUG JR.
Secretary of the Senate

Approved: MAY 2 9 2025

FERDINAND ROMUALDEZ MARCOS JR.
President of the Philippines

REPUBLIC OF THE PHILIPPINES

PBBM008994

o

MALACAÑAN PALACE
MANILA

MAY 29 2025

THE HONORABLE SPEAKER
and Members of the House of Representatives
House of Representatives
Batasan Hills, Quezon City

Ladies and Gentlemen:

In order to enhance the efficiency of the country's financial and capital markets, I sign into law enrolled Senate Bill No. 2865 / House Bill No. 9277, entitled:

"AN ACT AMENDING SECTIONS 22, 24, 25, 27, 28, 32, 34, 38, 39, 42, 51, 52, 56, 57, 127, 149, 174, 176, 179, 190, 199, AND 258 OF REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES."

The Capital Markets Efficiency Promotions Act (CMEPA) marks a significant milestone in our government's broader fiscal reform agenda as it promotes a simpler, fairer, and more regionally competitive tax system. By harmonizing the taxation of passive income across financial instruments and reducing transaction costs, we will be able to attract investments and ensure wider public participation in the capital markets. This measure is also expected to increase our revenue base and contribute to fiscal sustainability with positive revenue gains.

As such, I commend the leadership of both Houses for passing this long-overdue and transformative measure.

Nonetheless, I am unable to fully support certain provisions of the bill that may undermine the clarity and coherence of our tax system, generate policy inconsistencies, and possibly result in adverse fiscal consequences that could defeat the genuine aims of this reform. We seek a tax policy that enhances investor confidence, preserves fiscal prudence, and builds public trust in our system. It is in this spirit that I am constrained to veto certain provisions in the enrolled bill.

I hereby register the following line-item vetoes in accordance with Article VI, Section 27(2) of the Constitution:

1. **On the removal of the tax exemption on nonresidents' income from their transactions with Foreign Currency Deposit Units (FCDUs):**

   I veto the deletion of the following paragraph from Sections 27(D)(3) and 28(A)(6)(b) of the Tax Code under **Sections 6 and 7,** respectively, of the enrolled bill, and recommend its retention:

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

   This paragraph embodies a long-recognized exemption, which has contributed to the country's financial openness, foreign currency liquidity, and capital market stability. Removing the exemption may dampen the country's competitiveness in attracting foreign capital. Thus, to ensure policy consistency and the continued effectiveness of the tax exemption for nonresident FCDU transactions, **I veto its deletion, thereby retaining the paragraph as part of the proposed amended Section 27(D)(2) and Section 28(A) of the tax Code under the enrolled bill.**

2. **On the express imposition of documentary stamp tax (DST) on bettors in authorized number games:**

   I veto the last paragraph of **Section 22** of the bill, amending Section 190 of the Tax Code, to wit:

   > **"SEC. 22. Section 190 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read 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 numbers game, 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 numbers games conducted by the Philippine Charity Sweepstakes Office (PCSO) shall be imposed on the bettor and not on PCSO or any of its funds."** [underscoring supplied]

Our taxation system treats the DST as an indirect tax, which can be passed on. Expressly imposing the tax burden on particular persons may undermine its neutrality and potentially affect revenues from legal gaming activities and the revenue collection of government agencies, which serve as a funding source for critical programs.

3. **On the repeal of the tax exemptions granted to the Philippine Guarantee Corporation (PHILGUARANTEE):**

I veto **Section 27(m)** of the bill, to wit:

> **"SEC. 27. *Repealing Clause.* – The following laws or provisions of laws are hereby repealed or modified accordingly:**
>
> **xxx**
>
> **(m) Sections 5 and 19, in so far as the tax exemptions on interest income, documentary stamp tax, and on the issuance of bonds are concerned, of Republic Act No. 8763, otherwise known as the "Home Guaranty Corporation Act of 2000";** [underscoring supplied]

PHILGUARANTEE's tax exemptions are necessary to fulfill its mandate to support low-cost socialized housing, which aligns with our national housing program without increasing direct expenditures. The retention of the exemption would maintain the provision of decent and affordable housing to underprivileged sectors.

The CMEPA enables a more equitable tax system that establishes an important foundation for financial inclusion that empowers the people to invest and participate in the nation's economic growth. With the refinement of this Act, we are able to balance the competitiveness of our capital markets and preserve fiscal stability, while averting the unintended reversals. May this legislation reaffirm our commitment to responsible fiscal management and lead to a stronger, more inclusive, and resilient economy.

Very truly yours,

REPUBLIC OF THE PHILIPPINES

PBBM008939

Copy furnished:

SEN. FRANCIS "CHIZ" G. ESCUDERO
Senate President
Senate of the Philippines
Pasay City

SECRETARY MARK LLANDRO L. MENDOZA
Head
Presidential Legislative Liaison Office
2nd Floor, New Executive Building
Malacañang, Manila