



HOUSE OF REPRESENTATIVES

H. No. 304

BY REPRESENTATIVES SALCEDA, VILLAFUERTE, CUA, SUANSING (E.), SUANSING (H.), GARIN (S.), ROMERO, HOFER, TAMBUNTING, DELOSO-MONTALLA, CABREDO, DALOG, ONG (R.), BAUTISTA, CANAMA, JAVIER, SAVELLANO, PINEDA, SINGSON-MEEHAN, AMATONG, BAUTISTA-BANDIGAN, BARBERS, BOLILIA, BRAVO, CAMINERO, CHUNGALAO, DEFENSOR (M.), GATO, MACAPAGAL ARROYO, MANGAOANG, ROBES, SACDALAN, TALLADO, ORTEGA, PLAZA, VALMAYOR, GATCHALIAN, DY (F.), UY (J.), ACOSTA, AGARAO, BARZAGA, BILLONES, FARIÑAS (R.C.), GULLAS, LAGON, MANGUDADATU, MENDOZA, MOMO, NOGRALES (J.J.), ONG (J.), REYES, ROMUALDO, SALO, SANCHEZ, SUNTAY, VARGAS, ABUEG-ZALDIVAR, ARBISON, ARENAS, AUMENTADO, CALDERON, DIMAPORO (M.K.), ECLEO, GUICO, HERRERA-DY, MARQUEZ, LIM, MATUGAS, PIMENTEL, REMULLA, ROMUALDEZ (Y.M.), SIAO, TULFO, VARGAS ALFONSO, CHIPECO, NAVA, PALMA, TAN (A.S.), ALBANO (A.), ALBANO (R.), FLORES, GUYA, LACSON (V.), PADIERNOS, SUAREZ (A.), DIMAPORO (A.), VILLANUEVA (N.), ANDAYA, BABASA, COLLANTES, DEL MAR, GARCIA (P.J.), SILVERIO, JALOSJOS, ALMARIO, BULUT, ENVERGA, ESTRELLA, FONGWAN, BUSTOS, NIETO, PACQUIAO (R.), EBCAS, CASTRO (F.H.), ROMUALDEZ (F.M.), DELOS SANTOS, DUTERTE, LARA, UY (R.), TY, DY (F.M.C.), LIMKAICHONG, MARCOLETA, CARI AND ZAMORA (R.)

AN ACT

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

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

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

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

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

9
10 **SEC. 3.** Section 22 of the National Internal Revenue Code of 1997, as amended, is
11 hereby amended to read as follows:

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

13 (A) xxx

14 xxx xxx xxx

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

24 (M) The term '*shareholder*' shall [include] **REFER TO** holders of a share/s of
25 stock, warrant/s and/or option/s [to purchase shares of stock of a corporation],
26 **WHETHER TO BUY OR SELL SECURITIES, FUTURES CONTRACTS, AND**
27 **SUCH OTHER DERIVATIVE SECURITIES LISTED AND TRADED IN A**
28 **LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE**, as well as a
29 holder of a unit of participation in a partnership (except general professional
30 partnerships), in a joint stock company, a joint account, **A COLLECTIVE**
31 **INVESTMENT SCHEME**, a taxable joint venture, a member of an association,
32 recreation or amusement club (such as golf, polo, or similar clubs), and a holder of a

1 mutual fund certificate, a member in an association, joint-stock company, or insurance
2 company.

3 XXX XXX XXX

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

- 13 (1) **SHARES OF STOCK, BONDS, DEBENTURES, NOTES,**
14 **EVIDENCES OF INDEBTEDNESS, ASSET-BACKED**
15 **SECURITIES;**
- 16 (2) **INVESTMENT CONTRACTS, CERTIFICATES OF INTEREST, OR**
17 **PARTICIPATION IN A PROFIT SHARING AGREEMENT SUCH**
18 **AS COLLECTIVE INVESTMENT SCHEMES OR CERTIFICATE**
19 **OF DEPOSIT FOR A FUTURE SUBSCRIPTION;**
- 20 (3) **FRACTIONAL UNDIVIDED INTERESTS IN OIL, GAS, OR**
21 **OTHER MINERAL RIGHTS;**
- 22 (4) **CERTIFICATES OF ASSIGNMENTS, CERTIFICATES OF**
23 **PARTICIPATION, TRUST CERTIFICATES, VOTING TRUST**
24 **CERTIFICATES, OR SIMILAR INSTRUMENTS;**
- 25 (5) **PROPRIETARY OR NON-PROPRIETARY MEMBERSHIP**
26 **CERTIFICATES IN CORPORATIONS; AND**
- 27 (6) **OTHER INSTRUMENTS AS MAY BE DETERMINED BY THE**
28 **SECURITIES AND EXCHANGE COMMISSION.**

29 XXX XXX XXX

30 (V) The term '*bank*' [means every banking institution, as defined in Section 2
31 Republic Act No. 337, as amended, otherwise known as the "General Banking Act."
32 A bank may either be, a commercial bank, a thrift bank, a development bank, a rural
33 bank or specialized government bank] **AS DEFINED IN SECTION 3 OF**
34 **REPUBLIC ACT NO. 8791, OTHERWISE KNOWN AS THE GENERAL**

1 BANKING LAW OF 2000, SHALL REFER TO ENTITIES ENGAGED IN THE
2 LENDING OF FUNDS OBTAINED IN THE FORM OF DEPOSITS. BANKS
3 SHALL BE CLASSIFIED INTO UNIVERSAL BANKS, COMMERCIAL
4 BANKS, AND THRIFT BANKS COMPOSED OF: (A) SAVINGS AND
5 MORTGAGE BANKS; (B) STOCK SAVINGS AND LOAN ASSOCIATIONS;
6 AND (C) PRIVATE DEVELOPMENT BANKS, AS DEFINED IN REPUBLIC
7 ACT NO. 7906, OR THE THRIFT BANKS ACT; RURAL BANKS, AS
8 DEFINED IN REPUBLIC ACT NO. 7353 OF THE RURAL BANKS ACT;
9 COOPERATIVE BANKS, AS DEFINED IN REPUBLIC ACT NO. 6938 OR
10 THE COOPERATIVE CODE; ISLAMIC BANKS AS DEFINED IN REPUBLIC
11 ACT NO. 6848, OR THE CHARTER OF AL AMANAH ISLAMIC
12 INVESTMENT BANK OF THE PHILIPPINES; AND OTHER
13 CLASSIFICATIONS OF BANKS AS DETERMINED BY THE MONETARY
14 BOARD OF THE BANGKO SENTRAL NG PILIPINAS.

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

32 (X) THE TERM '*QUASI-BANK*' SHALL REFER TO ENTITIES
33 ENGAGED IN THE BORROWING OF FUNDS THROUGH THE ISSUANCE,
34 ENDORSEMENT OR ASSIGNMENT WITH RECOURSE OR ACCEPTANCE

1 **OF DEPOSIT SUBSTITUTES, AS DEFINED IN SUBSECTION (Z) HEREOF**
2 **FOR PURPOSES OF RELENDING OR PURCHASING OF RECEIVABLES**
3 **AND OTHER OBLIGATIONS.**

4 [(X)] (Y) The term '**QUASI-BANKING ACTIVITIES**' [means] **SHALL**
5 **REFER TO** borrowing funds from twenty (20) or more [personal] **INDIVIDUALS** or
6 corporate lenders at any one time through the issuance, endorsement, or acceptance of
7 debt instruments of any kind other than deposits for the borrower's own account, or
8 through the issuance of certificates of assignment or similar instruments, with recourse,
9 or of repurchase agreements for purposes of relending or purchasing receivables and
10 other similar obligations: *Provided, however,* That commercial, industrial and other
11 non-financial companies, which borrow funds through any of these means for the
12 limited purpose of financing their own needs or the needs of their agents or dealers,
13 shall not be considered as performing quasi-banking functions. **PROVIDED,**
14 **FURTHER, THAT IF THE INTENTION IS FOR THE DEBT INSTRUMENTS**
15 **TO BE HELD BY MORE THAN NINETEEN (19) HOLDERS DURING THE**
16 **ENTIRE TERM OF THE DEBT INSTRUMENT AND IF THE TENOR AND**
17 **DENOMINATION ARE SUCH THAT THEY CAN BE HELD BY MORE THAN**
18 **NINETEEN (19) LENDERS, THEN THE INSTRUMENT SHALL BE**
19 **CONSIDERED DEPOSIT SUBSTITUTES.**

20 [(Y)] (Z) The term '*deposit substitutes*' shall [mean] **REFER TO** an alternative
21 form of obtaining funds from the public (the term 'public' means borrowing from twenty
22 (20) or more individual or corporate lenders at any one time) other than deposits,
23 through the issuance, endorsement, or acceptance of debt instruments for the borrowers
24 own account, for the purpose of relending or purchasing of receivables and other
25 obligations, or financing their own needs or the needs of their agent or dealer. These
26 instruments may include, but need not be limited to bankers' acceptances, promissory
27 notes, repurchase agreements, [including] **EXCLUDING** reverse repurchase
28 agreements entered into by and between the Bangko Sentral ng Pilipinas (BSP) and any
29 authorized agent bank, certificates of assignment or participation and similar
30 instruments with recourse. **DEBT INSTRUMENTS ISSUED BY THE**
31 **GOVERNMENT AND ANY OF ITS AGENCIES AND INSTRUMENTALITIES,**
32 **INCLUDING GOVERNMENT FINANCIAL INSTITUTIONS SHALL BE**
33 **DEEMED ISSUED TO THE PUBLIC AND CONSIDERED DEPOSIT**
34 **SUBSTITUTES. *Provided, however,*** That debt instruments issued for interbank call

1 loans with maturity of not more than five (5) days to cover deficiency in reserves against
2 deposit liabilities, including those between or among banks and quasi-banks, shall not
3 be considered as deposit substitute debt instruments.

4 [(Z)] (AA) The term '*ordinary income*' xxx xxx xxx

5 [(AA)] (BB) The term '*rank and file employees*' xxx xxx xxx

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

16 [(CC)] (DD) The term '*trade, business or profession*' xxx xxx xxx

17 [(DD)] (EE) The term '*regional or area headquarters*' xxx xxx xxx

18 [(EE)] (FF) The term '*regional operating headquarters*' xxx xxx xxx

19 [(FF)] (GG) The term ['long-term deposit or investment certificate' shall refer
20 to certificate of time deposit or investment in the form of savings, common or individual
21 trust funds, deposit substitutes, investment management accounts and other investments
22 with a maturity period of not less than five (5) years, the form of which shall be
23 prescribed by the Bangko Sentral ng Pilipinas (BSP) and issued by banks only (not by
24 non-bank financial intermediaries and finance companies) to individuals in
25 denominations of Ten thousand pesos (P10,000) and other denominations as may be
26 prescribed by the BSP.] '*FINANCIAL INSTITUTIONS*' OR '*FINANCIAL*
27 *INTERMEDIARIES*' SHALL REFER TO PERSONS OR ENTITIES WHOSE
28 PRINCIPAL FUNCTIONS INCLUDE THE BUSINESS OF LENDING,
29 FINANCING, INVESTING, OR PLACEMENT OF FUNDS OR EVIDENCES
30 OF INDEBTEDNESS OR EQUITY DEPOSITED WITH THEM, ACQUIRED
31 BY THEM, OR OTHERWISE COURSED THROUGH THEM, EITHER FOR
32 THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF OTHERS, AND ARE
33 AUTHORIZED BY THE BANGKO SENTRAL NG PILIPINAS OR BY THE

1 SECURITIES AND EXCHANGE COMMISSION DEPENDING ON THE
2 GOVERNMENT AGENCY AUTHORIZED TO REGULATE THEM. THESE
3 SHALL INCLUDE BANKS, QUASI-BANKS, TRUST ENTITIES,
4 PAWNSHOPS, FOREIGN EXCHANGE DEALERS, MONEY BROKERS,
5 CREDIT COOPERATIVES, FINANCING COMPANIES, FINANCE LEASING
6 COMPANIES, INVESTMENT COMPANIES, AND OTHER ENTITIES
7 ENGAGED IN COLLECTIVE INVESTMENT SCHEMES, INVESTMENT
8 HOUSES, LENDING INVESTORS OR ENTITIES ENGAGED IN FINANCIAL
9 INTERMEDIATION ACTIVITIES, AND OTHER TYPES OF BUSINESS
10 THAT MAY BE CLASSIFIED BY THE BANGKO SENTRAL NG PILIPINAS
11 OR THE SECURITIES AND EXCHANGE COMMISSION AS FINANCIAL
12 INSTITUTIONS.

13 LIFE AND NON-LIFE INSURANCE COMPANIES, PRE-NEED
14 COMPANIES AND HEALTH MAINTENANCE ORGANIZATIONS ARE
15 ALSO CONSIDERED FINANCIAL INSTITUTIONS UNDER THE
16 SUPERVISION OF THE INSURANCE COMMISSION.

17 [(GG)] (HH) The term '*statutory minimum wage*' xxx xxx xxx

18 [(HH)] (II) The term '*minimum wage earner*' xxx xxx xxx

19 (JJ) THE TERM '*COLLECTIVE INVESTMENT SCHEMES*' OR '*CIS*'
20 SHALL REFER TO ANY ARRANGEMENT WHEREBY FUNDS ARE
21 SOLICITED FROM THE INVESTING PUBLIC AND POOLED TOGETHER
22 FOR THE PURPOSE OF INVESTING, RE-INVESTING, OR TRADING IN
23 SECURITIES OR OTHER ASSETS OR DIFFERENT CLASSES THEREOF AS
24 ALLOWED UNDER THE LAW, WHICH MAY EITHER HAVE A
25 CORPORATE STRUCTURE, SUCH AS AN INVESTMENT COMPANY, OR A
26 CONTRACTUAL STRUCTURE, SUCH AS A UNIT INVESTMENT TRUST
27 FUND OR SIMILAR SCHEME HELD BY A TRUST CORPORATION OR A
28 SEPARATE ACCOUNT FUND ESTABLISHED PURSUANT TO A VARIABLE
29 UNIT LINKED LIFE INSURANCE POLICY ISSUED BY AN INSURANCE
30 COMPANY, AND SUCH OTHER FORMS OF COLLECTIVE INVESTMENT
31 SCHEMES AS MAY BE DETERMINED BY THE APPROPRIATE
32 GOVERNMENT REGULATORY AGENCIES SUCH AS THE BANGKO
33 SENTRAL NG PILIPINAS, THE SECURITIES AND EXCHANGE

1 COMMISSION AND THE INSURANCE COMMISSION. A CIS MAY EITHER
2 BE OPEN-END OR CLOSED-END, DEFINED AS FOLLOWS:

3 '*OPEN-END CIS*' SHALL REFER TO A CIS WHERE SECURITIES
4 ARE OFFERED AND ARE ALWAYS REDEEMABLE BY THE CIS; AND

5 '*CLOSED-END CIS*' SHALL REFER TO A CIS WHERE A FIXED
6 NUMBER OF SECURITIES ARE OFFERED IN AN INITIAL PUBLIC
7 OFFERING AND THEREAFTER MAY BE TRADED IN AN ORGANIZED
8 MARKETPLACE AS DETERMINED BY THE SECURITIES AND
9 EXCHANGE COMMISSION, BUT MAY NOT BE REDEEMED BY THE CIS.
10 A CLOSED-END CIS SHALL NOT BE ALLOWED TO INCREASE ITS
11 NUMBER OF SECURITIES.

12 (KK) THE TERM '*UNIT LINKED INVESTMENT INSTRUMENT*'
13 SHALL REFER TO A CONTRACTUAL CIS ORGANIZED PURSUANT TO A
14 CONTRACT, SUCH AS TRUST INDENTURE, OR AS AN INVESTMENT
15 COMPONENT OF AN INSURANCE CONTRACT, ENGAGED OR HOLDS
16 ITSELF OUT AS BEING ENGAGED, OR PROPOSES TO ENGAGE, IN THE
17 BUSINESS OF INVESTING, REINVESTING, OR TRADING IN SECURITIES
18 OR OTHER INVESTMENT ASSETS, AND ISSUES UNITS OF
19 PARTICIPATION, EACH OF WHICH REPRESENTS AN UNDIVIDED
20 INTEREST IN A POOL OF INVESTMENT ASSETS.

21 (LL) THE TERM '*HOLDING COMPANY*' SHALL REFER TO ANY
22 CORPORATION ORGANIZED TO HOLD THE STOCK OF ANOTHER OR
23 OTHER CORPORATIONS, AND OTHER FORMS OF HOLDING
24 COMPANIES AS MAY BE DETERMINED BY APPROPRIATE
25 GOVERNMENT REGULATORY AGENCIES.

26 (MM) THE TERM '*DEBT INSTRUMENT*' SHALL REFER TO
27 INSTRUMENTS REPRESENTING BORROWING AND LENDING
28 TRANSACTIONS INCLUDING BUT NOT LIMITED TO DEBENTURES,
29 CERTIFICATES OF INDEBTEDNESS, DUE BILLS, BONDS, LOAN
30 AGREEMENTS, INSTRUMENTS, AND SECURITIES ISSUED BY THE
31 GOVERNMENT OR ANY OF ITS INSTRUMENTALITIES, DEPOSIT
32 SUBSTITUTES, CERTIFICATES OR OTHER EVIDENCES OF DEPOSITS,
33 PROMISSORY NOTES, WHETHER NEGOTIABLE OR NON-NEGOTIABLE,

1 OTHER SIMILAR INSTRUMENTS, AND OTHER INSTRUMENTS AS MAY
2 BE DETERMINED BY APPROPRIATE GOVERNMENT AGENCIES.

3 (NN) THE TERM 'ORGANIZED MARKETPLACE' SHALL REFER TO
4 AN EXCHANGE, AN OVER-THE-COUNTER MARKET, OR AN
5 ALTERNATIVE TRADING SYSTEM RECOGNIZED AS SUCH BY THE
6 SECURITIES AND EXCHANGE COMMISSION AS AN EXCHANGE UNDER
7 REPUBLIC ACT NO. 8799, AS AMENDED, AND GOVERNED BY, AMONG
8 OTHERS, TRANSPARENT AND BINDING RULES AND MARKET
9 CONVENTIONS ON MEMBERSHIP, TRADING, PRICE TRANSPARENCY,
10 TRADE REPORTING, MARKET MONITORING AND ORDERLY CONDUCT
11 OF THE MARKET WHICH ARE ENFORCEABLE ON THE MEMBERS AND
12 PARTICIPANTS.

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

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

28
29 SEC. 4. Section 24 (B) and (C) of the National Internal Revenue Code of 1997, as
30 amended, is hereby amended to read as follows:

31 SEC. 24. **Income Tax Rates.** –
32 (A) *Rates of Income Tax on Individual Citizen and Individual Resident Alien*
33 *of the Philippines.* –

34 XXX XXX XXX

1 (B) *Rate of Tax on Certain Passive Income:* –

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

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

27 Three (3) years to less than (4) years – 12%; and

28 Less than three (3) years – 20%.]

29 (2) *Cash and/or Property Dividends.* – A final tax at the rate of [ten percent
30 (10%)] **FIFTEEN PERCENT (15%)** shall be imposed upon the cash and/or property
31 dividends actually or constructively received by an individual from a domestic
32 corporation or from a joint stock company, insurance or mutual fund companies,
33 **ENTITIES ENGAGED IN COLLECTIVE INVESTMENT SCHEMES,** and
34 regional operating headquarters of multinational companies, or on the share of an

1 individual in the distributable net income after tax of a partnership (except a general
2 professional partnership) of which [he] ONE is a partner, or on the share of an
3 individual in the net income after tax of an association, a joint account, or a joint venture
4 or consortium taxable as a corporation of which [he] ONE is a member or co-venturer:
5 **PROVIDED, HOWEVER, THAT THE FIFTEEN PERCENT (15%) TAX ON**
6 **DIVIDENDS SHALL APPLY ONLY ON INCOME EARNED ON OR AFTER**
7 **JANUARY 1, 2020. INCOME FORMING PART OF RETAINED EARNINGS**
8 **AS OF DECEMBER 31, 2019, EVEN IF DECLARED OR DISTRIBUTED ON**
9 **OR AFTER JANUARY 1, 2020, SHALL BE SUBJECT TO TEN PERCENT**
10 **(10%) TAX.**

11 **LIQUIDATING DIVIDEND SHALL BE SUBJECT TO SECTION 24(A)**
12 **BASED ON NET GAIN.**

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

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

30 JANUARY 1, 2021: FIVE-TENTH OF ONE PERCENT (5/10 OF 1%),
31 JANUARY 1, 2022: FOUR-TENTH OF ONE PERCENT (4/10 OF 1%),
32 JANUARY 1, 2023: THREE-TENTH OF ONE PERCENT (3/10 OF 1%),
33 JANUARY 1, 2024: TWO-TENTH OF ONE PERCENT (2/10 OF 1%),
34 JANUARY 1, 2025: ONE-TENTH OF ONE PERCENT (1/10 OF 1%).

1 THE TAX SHALL BE BASED ON THE GROSS SELLING PRICE OR
2 GROSS VALUE IN MONEY OF THE SHARES OF STOCK SOLD,
3 BARTERED, EXCHANGED, OR OTHERWISE DISPOSED OF, TO BE PAID
4 BY THE SELLER OR TRANSFEROR: PROVIDED, THAT EFFECTIVE
5 JANUARY 1, 2026, EVERY SALE, BARTER, EXCHANGE, OR ANY OTHER
6 MODE OF DISPOSITION OF SHARES OF STOCK LISTED AND TRADED
7 THROUGH A LOCAL STOCK EXCHANGE OR AN ORGANIZED
8 MARKETPLACE SHALL NOT BE SUBJECT TO TAX UNDER SECTION 24
9 OF THIS CODE.

10 ANY GAIN EARNED FROM SHARES OF STOCK IN A DOMESTIC
11 CORPORATION TRADED IN A FOREIGN EXCHANGE, SHALL BE TAXED
12 UNDER SUBSECTION (A) OF THIS SECTION.

13 ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR
14 DISPOSITION OF SHARES OF STOCK, LISTED OR UNLISTED, BY A
15 DEALER IN SECURITIES LICENSED BY THE APPROPRIATE
16 GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN
17 SECURITIES, FOR THE DEALER'S OWN ACCOUNT IN THE ORDINARY
18 COURSE OF BUSINESS, SHALL NOT BE SUBJECT TO TAX UNDER THIS
19 SUBSECTION BUT SUBSECTION (A) AS AN ORDINARY INCOME.

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

30 (6) *PRESUMPTIVE CAPITAL GAINS ON LISTED AND TRADED DEBT*
31 *INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION*
32 *24(B)(3) AND (4)* - A FINAL TAX AT THE RATE OF ONE-TENTH OF ONE
33 PERCENT (1/10 OF 1%) OF THE GROSS SELLING PRICE OR GROSS
34 VALUE IN MONEY OF THE DEBT INSTRUMENT OR SECURITIES SOLD,

1 BARTERED, EXCHANGED, OR OTHERWISE DISPOSED SHALL BE
2 LEVIED, ASSESSED, AND COLLECTED ON EVERY SALE, BARTER,
3 EXCHANGE, OR OTHER DISPOSITION OF DEBT INSTRUMENTS AND
4 OTHER SECURITIES, LISTED AND TRADED THROUGH A LOCAL STOCK
5 EXCHANGE OR A LICENSED ORGANIZED MARKETPLACE, AND SHALL
6 BE PAID BY THE SELLER OR TRANSFEROR: PROVIDED, THAT
7 EFFECTIVE JANUARY 1, 2026, EVERY SALE, BARTER, EXCHANGE, OR
8 OTHER DISPOSITION OF DEBT INSTRUMENTS AND OTHER
9 SECURITIES, LISTED AND TRADED THROUGH A LOCAL STOCK
10 EXCHANGE OR A LICENSED ORGANIZED MARKETPLACE SHALL NOT
11 BE SUBJECT TO TAX UNDER SECTION 24 OF THIS CODE. IF TRADED IN
12 A FOREIGN EXCHANGE, THE GAIN SHALL BE SUBJECT TO TAX UNDER
13 SUBSECTION (A) HEREOF.

14 ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER OR
15 DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES,
16 LISTED OR UNLISTED, BY A DEALER IN SECURITIES OR OTHER
17 ENTITIES LICENSED BY THE APPROPRIATE GOVERNMENT
18 REGULATORY AGENCY TO BUY AND SELL IN DEBT INSTRUMENTS
19 AND OTHER SECURITIES FOR THE DEALER'S OWN ACCOUNT IN THE
20 ORDINARY COURSE OF BUSINESS, SHALL NOT BE SUBJECT TO TAX
21 UNDER THIS SUBSECTION BUT TO SECTION 24(A) AS AN ORDINARY
22 INCOME.

23 [(D)](7) *Capital Gains from Sale of Real Property.* –

24 [(1)] (a) *In General.* – [The provisions of Section 39(B) notwithstanding, a] A
25 final tax of six percent (6%) based on the gross selling price or current fair market value
26 as determined in accordance with Section 6(E) of this Code, whichever is higher, is
27 hereby imposed upon capital gains presumed to have been realized from the sale,
28 exchange, or other disposition of real property located in the Philippines, classified as
29 capital assets, including *pacto de retro* sales and other forms of conditional sales, by
30 individuals, including estates and trusts: *Provided*, That the tax liability, if any, on gains
31 from sales or other dispositions of real property to the government or any of its political
32 subdivisions or agencies or to government-owned or -controlled corporations shall be

1 determined either under Section 24(A) or under this Subsection, at the option of the
2 taxpayer.

3 [(2)] (b) *Exception.* – xxx xxx xxx

4 (C) ROYALTIES, PRIZES, AND OTHER WINNINGS - A FINAL TAX
5 AT THE RATE OF TWENTY PERCENT (20%) IS HEREBY IMPOSED ON
6 THE FOLLOWING INCOME DERIVED FROM SOURCES WITHIN THE
7 PHILIPPINES: (1) ROYALTIES EARNED AS PASSIVE INCOME, EXCEPT
8 ROYALTIES FROM BOOKS, AS WELL AS OTHER LITERARY WORKS
9 AND MUSICAL COMPOSITIONS WHICH SHALL BE SUBJECT TO A
10 FINAL TAX OF TEN PERCENT (10%); (2) PRIZES (EXCEPT PRIZES
11 AMOUNTING TO TEN THOUSAND PESOS (P10,000) OR LESS) WHICH
12 SHALL BE SUBJECT TO TAX UNDER SECTION 24 (A); AND (3) OTHER
13 WINNINGS (EXCEPT WINNINGS AMOUNTING TO TEN THOUSAND
14 PESOS (P10,000) OR LESS FROM PHILIPPINE CHARITY SWEEPSTAKES
15 AND LOTTO WHICH SHALL BE EXEMPT).

16
17 SEC. 5. Section 25 (A) and (B) of the National Internal Revenue Code of 1997, as
18 amended, is hereby amended to read as follows:

19 SEC. 25. *Tax on Nonresident Alien Individual.* –

20 (A) *Nonresident Alien Engaged in Trade or Business Within the Philippines.*

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

29 [(2) *Cash and/or Property Dividends from a Domestic Corporation or Joint*
30 *Stock Company, or Insurance or Mutual Fund Company or Regional Operating*
31 *Headquarter or Multinational Company, or Share in the Distributable Net Income of a*
32 *Partnership (Except a General Professional Partnership), Joint Account, Joint Venture*
33 *Taxable as a Corporation or Association, Interests, Royalties, Prizes, and Other*

1 *Winnings.* – Cash and/or property dividends from a domestic corporation, or from a
2 joint stock company, or from an insurance or mutual fund company or from a regional
3 operating headquarter of multinational company, or the share of a nonresident alien
4 individual in the distributable net income after tax of a partnership (except a general
5 professional partnership) of which he is a partner, or the share of a nonresident alien
6 individual in the net income after tax of an association, a joint account), or a joint
7 venture taxable as a corporation of which he is a member or a co-venturer; interests;
8 royalties (in any form); and prizes (except prizes amounting to Ten thousand pesos
9 (P10,000) or less which shall be subject to tax under Subsection (B)(1) of Section 24);
10 and other winnings (except Philippine Charity Sweepstakes and Lotto winnings), shall
11 be subject to an income tax of twenty percent (20%) on the total amount thereof:
12 *Provided, however,* That royalties on books as well as other literary works, and royalties
13 on musical compositions shall be subject to a final tax of ten percent (10%) on the total
14 amount thereof: *Provided, further,* That cinematographic films and similar works shall
15 be subject to the tax provided under Section 28 of this Code: *Provided, furthermore,*
16 That interest income from long-term deposit or investment in the form of savings,
17 common or individual trust funds, deposit substitutes, investment management
18 accounts and other investments evidenced by certificates in such form prescribed by
19 the Bangko Sentral ng Pilipinas (BSP) shall be exempt from the tax imposed under this
20 Subsection: *Provided, finally,* That should the holder of the certificate pre-terminate the
21 deposit or investment before the fifth (5th) year, a final tax shall be imposed on the entire
22 income and shall be deducted and withheld by the depository bank from the proceeds
23 of the long-term deposit or investment certificate based on the remaining maturity
24 thereof:]

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

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

27 [Less than three (3) years – 20%.]

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

32 **(B) Nonresident Alien Individual Not Engaged in Trade or Business Within**
33 ***the Philippines.*** – There shall be levied, collected and paid for each taxable year upon
34 the entire income received from all sources within the Philippines by every nonresident

1 alien individual not engaged in trade or business within the Philippines as [interest, cash
2 and/or property dividends,] rents, salaries, wages, premiums, annuities, compensation,
3 remuneration, emoluments, or other fixed or determinable annual or periodic or casual
4 gains, profits, and income, [and capital gains,]a **FINAL** tax equal to twenty five percent
5 (25%) of such income. Capital gains realized by a nonresident alien individual not
6 engaged in trade or business in the Philippines from the sale of [shares of stock in any
7 domestic corporation and] real property shall be subject to the income tax prescribed
8 under Subsection[s (C) and (D)] **(B) (7)** of Section 24.

9 **INTEREST, DIVIDENDS AND CAPITAL GAINS ON SALE OF**
10 **SHARES OF STOCK, DEBT INSTRUMENTS, AND OTHER SECURITIES**
11 **SHALL BE SUBJECT TO TAX PRESCRIBED UNDER SECTION 24 (B), OR**
12 **TO THE PROVISIONS OF APPLICABLE TAX TREATY.**

13 xxx xxx xxx

14
15 **SEC. 6.** Section 27 (D) of the National Internal Revenue Code of 1997, as amended, is
16 hereby amended to read as follows:

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

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

24 xxx xxx xxx

25 **(D) Rates of Tax on Certain Passive Incomes.**

26 **[(1) Interest from Deposits and Yield or any other Monetary Benefit from**
27 **Deposit Substitutes and from Trust Funds and Similar Arrangements, and Royalties.**

28 – A final tax at the rate of twenty percent (20%) is hereby imposed upon the amount of
29 interest on currency bank deposit and yield or any other monetary benefit from deposit
30 substitutes and from trust funds and similar arrangements received by domestic
31 corporations, and royalties, derived from sources within the Philippines: *Provided*,
32 *however*, That interest income derived by a domestic corporation from a depository

1 bank under the expanded foreign currency deposit system shall be subject to a final
2 income tax at the rate of fifteen percent (15%) of such interest income.]

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

8 [(3) *Tax on Income Derived under the Expanded Foreign Currency Deposit*
9 *System.* – Income derived by a depository bank under the expanded foreign currency
10 deposit system from foreign currency transactions with nonresidents, offshore banking
11 units in the Philippines, local commercial banks including branches of foreign banks
12 that may be authorized by the Bangko Sentral ng Pilipinas (BSP) to transact business
13 with foreign currency deposit system units and other depository banks under the
14 expanded foreign currency deposit system shall be exempt from all taxes, except net
15 income from such transactions as may be specified by the Secretary of Finance, upon
16 recommendation by the Monetary Board to be subject to the regular income tax payable
17 by banks: *Provided, however,* That interest income from foreign currency loans granted
18 by such depository banks under said expanded system to residents other than offshore
19 banking units in the Philippines or other depository banks under the expanded system
20 shall be subject to a final tax at the rate of ten percent (10%).]

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

24 [(4) *Intercorporate Dividends.* – Dividends received by a domestic corporation
25 from another domestic corporation shall not be subject to tax;]

26 (1) **INTERESTS.** – A FINAL TAX AT THE RATE OF FIFTEEN
27 PERCENT (15%) IS HEREBY IMPOSED UPON THE AMOUNT OF
28 INTEREST, YIELD, OR OTHER MONETARY BENEFIT EARNED OR
29 RECEIVED FROM A BANK DEPOSIT, DEPOSIT SUBSTITUTE, TRUST
30 FUND, AND SIMILAR ARRANGEMENTS.

31 (2) **CASH AND/OR PROPERTY DIVIDENDS.** - INTERCORPORATE
32 DIVIDENDS OR DIVIDENDS RECEIVED FROM A DOMESTIC
33 CORPORATION SHALL NOT BE SUBJECT TO TAX IMPOSED UNDER
34 THIS SUBSECTION: *PROVIDED,* THAT NINETY-FIVE PERCENT (95%) OF

1 DIVIDENDS RECEIVED BY A DOMESTIC CORPORATION FROM
2 SUBSIDIARY COMPANIES LOCATED OUTSIDE THE PHILIPPINES
3 SHALL NOT BE SUBJECT TO TAX: *PROVIDED, FURTHER*, THAT THE
4 DOMESTIC CORPORATION HOLDS DIRECTLY OR INDIRECTLY AT
5 LEAST TWENTY PERCENT (20%) SHAREHOLDINGS OF THE
6 SUBSIDIARY COMPANY AND HAS HELD THE SHAREHOLDINGS FOR A
7 MINIMUM OF TWO (2) YEARS AT THE TIME OF THE DIVIDENDS
8 DISTRIBUTION: *PROVIDED, FURTHERMORE*, THAT, THE SUBSIDIARY
9 OPERATING COMPANY IS SUBJECT TO AT LEAST TEN PERCENT (10%)
10 INCOME TAX AND TO WITHHOLDING TAX ON THE DIVIDENDS
11 DISTRIBUTED TO THE DOMESTIC CORPORATION, UNLESS
12 OTHERWISE EXEMPT UNDER ITS LOCAL LAWS: *PROVIDED, FINALLY*,
13 THAT, THE LIMITATIONS UNDER SECTION 34(C) SHALL NOT BE
14 OBSERVED IN CONNECTION WITH ANY TAXES PAID OR ACCRUED IN
15 ANY FOREIGN COUNTRY IN RESPECT TO SUCH DIVIDEND.

16 LIQUIDATING DIVIDENDS SHALL BE SUBJECT TO SECTION 27(A)
17 AND BASED ON NET GAIN.

18 (3) *CAPITAL GAINS FROM THE SALE, EXCHANGE, BARTER OR*
19 *DISPOSITION OF SHARES OF STOCK NOT TRADED IN THE STOCK*
20 *EXCHANGE OR AN ORGANIZED MARKETPLACE - A FINAL TAX AT THE*
21 *RATE OF FIFTEEN PERCENT (15%) IS HEREBY IMPOSED UPON THE*
22 *NET CAPITAL GAINS REALIZED DURING THE TAXABLE YEAR FROM*
23 *THE SALE, BARTER, EXCHANGE, OR OTHER MODES OF DISPOSITION*
24 *OF SHARES OF STOCK IN A DOMESTIC CORPORATION, EXCEPT*
25 *SHARES SOLD, OR DISPOSED OF THROUGH A LOCAL STOCK*
26 *EXCHANGE OR AN ORGANIZED MARKETPLACE.*

27 (4) *PRESUMPTIVE CAPITAL GAINS FROM THE SALE, EXCHANGE,*
28 *BARTER OR DISPOSITION OF SHARES OF STOCK TRADED IN THE STOCK*
29 *EXCHANGE OR AN ORGANIZED MARKETPLACE. - A FINAL TAX AT THE*
30 *RATE OF SIX-TENTH OF ONE PERCENT (6/10 OF 1%) SHALL BE LEVIED,*
31 *ASSESSED AND COLLECTED ON EVERY SALE, BARTER, EXCHANGE,*
32 *OR OTHER DISPOSITION OF SHARES OF STOCK LISTED AND TRADED*
33 *THROUGH A LOCAL STOCK EXCHANGE OR AN ORGANIZED*

1 MARKETPLACE, AND SHALL BE REDUCED ACCORDING TO THE
2 FOLLOWING SCHEDULE:

3 JANUARY 1, 2021: FIVE-TENTH OF ONE PERCENT (5/10 OF 1%),
4 JANUARY 1, 2022: FOUR-TENTH OF ONE PERCENT (4/10 OF 1%),
5 JANUARY 1, 2023: THREE-TENTH OF ONE PERCENT (3/10 OF 1%),
6 JANUARY 1, 2024: TWO-TENTH OF ONE PERCENT (2/10 OF 1%),
7 JANUARY 1, 2025: ONE-TENTH OF ONE PERCENT (1/10 OF 1%).

8 THE TAX SHALL BE BASED ON THE GROSS SELLING PRICE OR
9 GROSS VALUE IN MONEY OF THE SHARES OF STOCK SOLD,
10 BARTERED, EXCHANGED, OR OTHERWISE DISPOSED OF, TO BE PAID
11 BY THE SELLER OR TRANSFEROR: PROVIDED, THAT EFFECTIVE
12 JANUARY 1, 2026, EVERY SALE, BARTER, EXCHANGE, OR ANY OTHER
13 MODE OF DISPOSITION OF SHARES OF STOCK LISTED AND TRADED
14 THROUGH A LOCAL STOCK EXCHANGE OR AN ORGANIZED
15 MARKETPLACE SHALL NOT BE SUBJECT TO TAX UNDER SECTION 27
16 OF THIS CODE.

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

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

27 (5) *CAPITAL GAINS FROM SALE, EXCHANGE, TRANSFER, BARTER,*
28 *DISPOSITION OF NON-LISTED AND NON-TRADED DEBT INSTRUMENTS*
29 *AND OTHER SECURITIES NOT INCLUDED IN SECTION 27(D)(3) AND (4). –*
30 *A FINAL TAX AT THE RATE OF FIFTEEN PERCENT (15%) SHALL BE*
31 *IMPOSED ON NET CAPITAL GAINS EARNED FROM DEBT INSTRUMENT*
32 *AND OTHER SECURITIES NOT INCLUDED IN SECTION 27(D)(3) AND (4),*
33 *ISSUED BY A CITIZEN OR RESIDENT ALIEN, OR BY A DOMESTIC*

1 CORPORATION, OR A RESIDENT FOREIGN CORPORATION, OR BY THE
2 GOVERNMENT OR ANY OF ITS AGENCIES OR INSTRUMENTALITIES..

3 (6) *PRESUMPTIVE CAPITAL GAINS ON LISTED AND TRADED DEBT*
4 *INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION*
5 *27(D)(3) AND (4)* - A FINAL TAX AT THE RATE OF ONE-TENTH OF ONE
6 PERCENT (1/10 OF 1%) OF THE GROSS SELLING PRICE OR GROSS
7 VALUE IN MONEY OF THE DEBT INSTRUMENT OR SECURITIES SOLD,
8 BARTERED, EXCHANGED, OR OTHERWISE DISPOSED SHALL BE
9 LEVIED, ASSESSED, AND COLLECTED ON EVERY SALE, BARTER,
10 EXCHANGE, OR OTHER DISPOSITION OF DEBT INSTRUMENTS AND
11 OTHER SECURITIES, LISTED AND TRADED THROUGH A LOCAL
12 EXCHANGE OR AN ORGANIZED MARKETPLACE, AND SHALL BE PAID
13 BY THE SELLER OR TRANSFEROR: PROVIDED, THAT EFFECTIVE
14 JANUARY 1, 2026, EVERY SALE, BARTER, EXCHANGE, OR OTHER
15 DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES,
16 LISTED AND TRADED THROUGH A LOCAL STOCK EXCHANGE OR A
17 LICENSED ORGANIZED MARKETPLACE SHALL NOT BE SUBJECT TO
18 TAX UNDER SECTION 27 OF THIS CODE. IF TRADED IN A FOREIGN
19 EXCHANGE, THE GAIN SHALL BE SUBJECT TO TAX UNDER SECTION
20 27 (A) HEREOF.

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

30 [(5)] (7) *Capital Gains Realized from the Sale, Exchange or Disposition of*
31 *Lands and/or Buildings.* - A final tax of six percent (6%) is hereby imposed on the
32 gain presumed to have been realized on the sale, exchange or disposition of lands and/or
33 buildings which are not actually used in the business of a corporation and are treated as
34 capital assets, based on the gross selling price or fair market value as determined in

1 accordance with Section 6(E) of this Code, whichever is higher, of such lands and/or
2 buildings.

3 (E) **ROYALTIES - A FINAL TAX AT THE RATE OF TWENTY**
4 **PERCENT (20%) IS HEREBY IMPOSED ON ROYALTIES EARNED AS**
5 **PASSIVE INCOME.**

6 [(E)(F) *Minimum Corporate Income Tax on Domestic Corporations -*

7 (1) *Imposition of Tax. - x x x*

8 (2) *Carry Forward of Excess Minimum Tax. - x x x*

9 (3) *Relief from the Minimum Corporate Income Tax under Certain*
10 *Conditions. - x x x*

11 (4) *Gross Income Defined. - x x x*

12 xxx xxx xxx

13 In the case of taxpayers engaged in the sale of service, 'gross income' means
14 gross receipts less sales returns, allowances, discounts and cost of services. 'Cost of
15 services' shall mean all direct costs and expenses necessarily incurred to provide the
16 services required by the customers and clients including (A) salaries and employee
17 benefits of personnel, consultants and specialists directly rendering the service and (B)
18 cost of facilities directly utilized in providing the service such as depreciation or rental
19 of equipment used and cost of supplies: *Provided, however,* That in the case of banks
20 **AND OTHER FINANCIAL INTERMEDIARIES,** 'cost of services' shall include
21 interest expense.

22
23 **SEC. 7.** Section 28 (A) and (B) of the National Internal Revenue Code of 1997, as
24 amended, is hereby amended to read as follows;

25 **SEC. 28. Rates of Income Tax on Foreign Corporations. -**

26 (A) **Tax on Resident Foreign Corporations. -**

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

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

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

(3) International Carrier. — x x x

[(4) *Offshore Banking Units.* — The provisions of any law to the contrary notwithstanding, income derived by offshore banking units authorized by the Bangko Sentral ng Pilipinas (BSP), from foreign currency transactions with nonresidents, other offshore banking units, local commercial banks, including branches of foreign banks that may be authorized by the Bangko Sentral ng Pilipinas (BSP) to transact business with offshore banking units shall be exempt from all taxes except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation of the Monetary Board which shall be subject to the regular income tax payable by banks: *Provided, however,* That any interest income derived from foreign currency loans granted to residents other than offshore banking units or local commercial banks, including local branches of foreign banks that may be authorized by the BSP to transact business with offshore banking units, shall be subject only to a final tax at the rate of ten percent (10%).]

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

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

1 **[(6)](5) Regional or Area Headquarters and Regional Operating**
2 **Headquarters of Multinational Companies. – x x x**

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

4 [(a) *Interest from Deposits and Yield or any other Monetary Benefit from*
5 *Deposit Substitutes, Trust Funds and Similar Arrangements and Royalties. - Interest*
6 *from any currency bank deposit and yield or any other monetary benefit from deposit*
7 *substitutes and from trust funds and similar arrangements and royalties derived from*
8 *sources within the Philippines shall be subject to a final income tax at the rate of twenty*
9 *percent (20%) of such interest. Provided, however, That interest income derived by a*
10 *resident foreign corporation from a depository bank under the expanded foreign*
11 *currency deposit system shall be subject to a final income tax at the rate of seven and*
12 *one-half percent (7 1/2%) of such interest income.]*

13 [(b) *Income Derived under the Expanded Foreign Currency Deposit System. -*
14 *Income derived by a depository bank under the expanded foreign currency deposit*
15 *system from foreign currency transactions with nonresidents, offshore banking units in*
16 *the Philippines, local commercial banks including branches of foreign banks that may*
17 *be authorized by the Bangko Sentral ng Pilipinas (BSP) to transact business with*
18 *foreign currency deposit system units and other depository banks under the expanded*
19 *foreign currency deposit system shall be exempt from all taxes, except net income from*
20 *such transactions as may be specified by the Secretary of Finance, upon*
21 *recommendation by the Monetary Board to be subject to the regular income tax payable*
22 *by banks. Provided, however, That interest income from foreign currency loans granted*
23 *by such depository banks under said expanded system to residents other than offshore*
24 *banking units in the Philippines or other depository banks under the expanded system*
25 *shall be subject to a final tax at the rate of ten percent (10%).]*

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

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

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

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

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

6 **(B) Tax on Nonresident Foreign Corporation. –**

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

15 xxx xxx xxx

16
17 **(5) Tax on Certain Incomes Received by a Nonresident Foreign Corporation.**

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

21 **(b) Intercorporate Dividends.** – A final withholding tax at the rate of fifteen
22 percent (15%) is hereby imposed on the amount of cash and/or property dividends
23 received from a domestic corporation, which shall be collected and paid as provided in
24 Section 57(A) of this Code, subject to the condition that the country in which the
25 nonresident foreign corporation is domiciled, shall allow a credit against the tax due
26 from the nonresident foreign corporation taxes deemed to have been paid in the
27 Philippines equivalent to twenty percent (20%), which represents the difference
28 between the regular income tax of thirty-five percent (35%) and the fifteen percent
29 (15%) tax on dividends as provided in this subparagraph. *Provided,* That effective
30 January 1, 2009, the credit against the tax due shall be equivalent to fifteen percent
31 (15%), which represents the difference between the regular income tax of thirty percent
32 (30%) and the fifteen percent (15%) tax on dividends;]

33 **(c) Capital Gains from Sale of Shares of Stock not Traded in the Stock**
34 **Exchange.** – A final tax at the rates prescribed below is hereby imposed upon the net

1 capital gains realized during the taxable year from the sale, barter, exchange or other
2 disposition of shares of stock in a domestic corporation, except shares sold, or disposed
3 of through the stock exchange:]

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

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

6
7 **INTERESTS AND CAPITAL GAINS FROM SALE, TRANSFER,**
8 **BARTER, OR DISPOSITION OF SHARES OF STOCK, DEBT**
9 **INSTRUMENTS, DEPOSIT SUBSTITUTES, AND OTHER SECURITIES**
10 **SHALL BE SUBJECT TO TAX UNDER SECTION 27(D)(1), (3), (4), (5) AND (6)**
11 **OF THIS CODE, OR TO THE PROVISIONS OF THE APPLICABLE TAX**
12 **TREATY.**

13 **CASH AND/OR PROPERTY DIVIDENDS RECEIVED FROM A**
14 **DOMESTIC CORPORATION SHALL BE SUBJECT TO A FINAL TAX OF**
15 **FIFTEEN PERCENT (15%) OR TO THE PROVISIONS OF THE**
16 **APPLICABLE TAX TREATY.**

17
18 **SEC. 8.** Section 29 (A), (B) AND (C) of the National Internal Revenue Code of 1997,
19 as amended, is hereby amended to read as follows:

20 **SEC. 29. *Imposition of Improperly Accumulated Earnings Tax.* –**

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

26 **(B) *Tax on Corporations Subject to Improperly Accumulated Earnings Tax.***

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

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

1 (a) Publicly-held corporations;

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

5 (c) Insurance companies[.] **SUCH AS LIFE AND NON-LIFE,**
6 **REINSURANCE COMPANIES, PRE-NEED COMPANIES, PENSION FUNDS,**
7 **AND OTHER ENTITIES DOING BUSINESS SIMILAR TO INSURANCE.**

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

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

12 [(2) *Evidence Determinative of Purpose.* – The fact that the earnings or profits
13 of a corporation are permitted to accumulate beyond the reasonable needs of the
14 business shall be determinative of the purpose to avoid the tax upon its shareholders or
15 members unless the corporation, by the clear preponderance of evidence, shall prove to
16 the contrary.]

17 **THE FACT THAT THE EARNINGS OR PROFITS OF A**
18 **CORPORATION ARE PERMITTED TO ACCUMULATE BEYOND THE**
19 **REASONABLE NEEDS OF THE BUSINESS SHALL BE DETERMINATIVE**
20 **OF THE PURPOSE TO AVOID THE TAX UPON ITS SHAREHOLDERS OR**
21 **MEMBERS UNLESS THE CORPORATION, BY THE CLEAR**
22 **PREPONDERANCE OF EVIDENCE, SHALL PROVE TO THE CONTRARY.**

23 xxx xxx xxx

24
25 **SEC. 9.** Section 32(B)(7)(g) and (h) of the National Internal Revenue Code of 1997, as
26 amended, is hereby amended to read as follows:

27 **SEC. 32. Gross Income. –** xxx

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

30 xxx xxx xxx

31 **(7) Miscellaneous Items. –**

32 xxx xxx xxx

33 [(g) *Gains from the Sale of Bonds, Debentures or other Certificate of*
34 *Indebtedness.* – Gains realized from the same or exchange or retirement of bonds,

1 debentures or other certificate of indebtedness with a maturity of more than five (5)
2 years.]

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

12
13
14 (h) *Gains from Redemption of Shares OR UNITS OF PARTICIPATION in*
15 [*Mutual Fund.*] *COLLECTIVE INVESTMENT SCHEMES* – Gains realized by the
16 investor upon redemption of shares of stock [in a mutual fund company] **OR UNITS**
17 **OF PARTICIPATION IN A COLLECTIVE INVESTMENT SCHEME** as defined
18 [in] **UNDER** Section 22 [BB] (JJ) of this Code.

19 xxx xxx xxx

20
21 **SEC. 10.** Section 34(A), (B), (C) and (E) of the National Internal Revenue Code of
22 1997, as amended, is hereby further amended to read as follows:

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

29 (A) *Expenses.* –

30 (1) *Ordinary and Necessary Trade, Business or Professional Expenses.* –

31 (a) *In General.* – There shall be allowed as deduction from gross income
32 all the ordinary and necessary expenses paid or incurred during the taxable year in

1 carrying on or which are directly attributable to, the development, management,
2 operation and/or conduct of the trade, business or exercise of a profession, including:

3 xxx xxx xxx

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

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

17 xxx xxx xxx

18 (B) **Interest.** –

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

27 (2) **Exceptions.** – No deduction shall be allowed in respect of interest under the
28 succeeding subparagraphs:

29 (a) If within the taxable year an individual taxpayer reporting income on the
30 cash basis incurs an indebtedness on which an interest is paid in advance through
31 discount or otherwise: *Provided,* That such interest shall be allowed as a deduction in
32 the year the indebtedness is paid: *Provided, further,* That if the indebtedness is payable
33 in periodic amortizations, the amount of interest which corresponds to the amount of

1 the principal amortized or paid during the year shall be allowed as deduction in such
2 taxable year;

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

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

6 (3) [Optional] *Treatment of Interest Expense RELATED TO ACQUISITION*
7 *OF ASSET*. – [At the option of the taxpayer, interest] **INTEREST EXPENSE** incurred
8 to acquire property used in trade, business or exercise of a profession **THAT WILL**
9 **BENEFIT THE BUSINESS LONGER THAN ONE YEAR** [may be allowed as a
10 deduction or treated as a capital expenditure] **SHALL BE CAPITALIZED AND**
11 **THEREAFTER AMORTIZED OR DEPRECIATED AS PART OF THE COST**
12 **OF THE ASSET.**

13 XXX XXX XXX

14 (E) *Bad Debts*. –

15 (1) *In General*. – XXX

16 (2) *Securities Becoming Worthless*. – If securities, as defined in Section 22(T),
17 are ascertained to be worthless and charged off within the taxable year and are capital
18 assets, the loss resulting therefrom shall, [in the case of a taxpayer other than a bank or
19 trust company incorporated under the laws of the Philippines a substantial part of whose
20 business is the receipt of deposits, for the purpose of this Title,] be considered as a loss
21 from the sale or exchange, **OF CAPITAL ASSETS**, on the last day of such taxable
22 year[, of capital assets]. **SECURITIES HELD BY A DEALER IN SECURITIES**
23 **OR AN ENTITY LICENSED BY THE APPROPRIATE GOVERNMENT**
24 **REGULATORY AGENCIES TO BUY AND SELL IN SECURITIES**
25 **INCLUDING BANKS, AND OTHER FINANCIAL INTERMEDIARIES,**
26 **SHALL BE CONSIDERED ORDINARY ASSETS, AND SECURITIES HELD**
27 **THAT ARE ASCERTAINED TO BE WORTHLESS SHALL BE CONSIDERED**
28 **ORDINARY LOSSES THAT ARE ALLOWED AS DEDUCTION FROM**
29 **TAXABLE INCOME.**

30 XXX XXX XXX

31
32 **SEC. 11.** Section 37 (A) and (B) of the National Internal Revenue Code of 1997, as
33 amended, is hereby amended to read as follows:

1 limitation and shall not be included in determining the applicability of such limitation
2 to other losses.

3 [(D) *Net Capital Loss Carry-over.* – If any taxpayer, other than a corporation,
4 sustains in any taxable year a net capital loss, such loss (in an amount not in excess of
5 the net income for such year) shall be treated in the succeeding taxable year as a loss
6 from the sale or exchange of a capital asset held for not more than twelve (12) months.]

7 [(E)](C) *Retirement of Bonds, etc.* – x x x

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

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

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

13
14
15 **SEC. 14.** Section 42(A)(1), (2) and (B)(2) of the National Internal Revenue Code of
16 1997, as amended, is hereby amended to read as follows:

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

18 (A) ***Gross Income from Sources Within the Philippines.*** – The following items
19 of gross income shall be treated as gross income from sources within the Philippines:

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

27 (2) ***Dividends.*** – The amount received as dividends:

28 (a) From a domestic corporation; and

29 (b) From a foreign corporation, [unless less] **WITH AT LEAST** [than] fifty
30 percent (50%) of the gross income of such foreign corporation for the three-year period
31 ending with the close of its taxable year preceding the declaration of such dividends (or
32 for such part of such period as the corporation has been in existence) was derived from
33 sources within the Philippines as determined under the provisions of this Section; but

1 only in an amount which bears the same ratio to such dividends as the gross income of
2 the corporation for such period derived from sources within the Philippines bears [to]
3 ON its gross income from all sources.

4 XXX XXX XXX

5 (B) *Taxable Income from Sources Within the Philippines.* –

6 (1) *General Rule.* –

7 XXX XXX XXX

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

17 **SEC. 15.** Section 51(C)(2) of the National Internal Revenue Code of 1997, as amended,
18 is hereby amended to read as follows:

19 **SEC. 51. Individual Return.** –

20 (A) *Requirements.* – x x x

21 (B) *Where to file.* – x x x

22 (C) *When to File.* – x x x

23 (1) x x x

24 (2) Individuals subject to tax on capital gains:

25 (a) From the sale or exchange of shares of stock **OR DEBT INSTRUMENTS**
26 **AND OTHER SECURITIES** not traded [thru] **THROUGH** a local [stock] exchange
27 **OR AN ORGANIZED MARKETPLACE** as prescribed under [Section] **SECTIONS**
28 **24[(C)](B) (3) AND (5), AND 25(A) AND (B), [shall file] a return SHALL BE FILED**
29 within thirty (30) days after each transaction and a final consolidated return on or before
30 April 15 of each year covering all stock transactions of the preceding taxable year; and

31 **(B) FROM THE SALE, EXCHANGE, OR BARTER OF SHARES OF**
32 **STOCK OR DEBT INSTRUMENTS AND OTHER SECURITIES TRADED**
33 **THROUGH A LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE**

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

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

16 **SEC. 16.** Section 52(A) and (D) of the National Internal Revenue Code of 1997, as
17 amended, is hereby amended to read as follows:

18 **SEC. 52. Corporation Returns. –**

19 (A) **Requirements.** – Every corporation **AS DEFINED UNDER SECTION**
20 **22(B) OF THIS CODE, AND** subject to the tax herein imposed, except foreign
21 corporations not engaged in trade or business in the Philippines, shall render, in
22 duplicate, a true and accurate quarterly income tax return and final or adjustment return
23 in accordance with the provisions of Chapter XII of this Title. The income tax return
24 shall consist of a maximum of four (4) pages in paper form or electronic form, be filed
25 by the president, vice-president or other principal officer, shall be sworn to by such
26 officer and by the treasurer or assistant treasurer, and shall only contain the following
27 information:

28 (1) Corporate profile and information;

29 (2) Gross sales, receipts or income from services rendered, or conduct of trade
30 or business, except income subject to final tax as provided under this Code;

31 (3) Allowable deductions under this Code;

32 (4) Taxable income as defined in Section 31 of this Code; and

33 (5) Income tax due and payable.

1 **SEC. 54. Returns of Receivers, Trustees, [in Bankruptcy] or Assignees.** – [In
2 cases wherein receivers] **RECEIVERS, ADMINISTRATORS,** trustees in **AN**
3 **IRREVOCABLE TRUST OR** bankruptcy, or **ANY OTHER PERSON ASSIGNED**
4 **OR** [assignees are] **IN CHARGE OF** operating the property or business of
5 [a]**ANOTHER PERSON OR** corporation, subject to the tax **UNDER THIS CODE**
6 [imposed by this Title, such receivers, trustees or assignees] shall **BE IMPOSED**
7 **WITH THE OBLIGATION TO FILE** [make] **THE** returns **AND PAY THE**
8 **TAXES FOR SUCH PERSON OR CORPORATION IN THE SAME MANNER**
9 **REQUIRED UNDER THIS CODE.** [of net income as and for such corporation, in
10 the same manner and form as such organization is hereinbefore required to make
11 returns, and any] **ANY** tax due on the income as returned by receivers,
12 **ADMINISTRATORS,** trustees or assignees shall be assessed and collected in the same
13 manner as if assessed directly against the [organizations] **PERSON, ESTATE OR**
14 **ORGANIZATION** [of] whose businesses or properties they have custody **OF** or
15 control **OVER.**

16 **THE TRUSTOR IN A REVOCABLE TRUST, NOT THE TRUSTEE,**
17 **SHALL BE RESPONSIBLE IN FILING THE RETURNS REQUIRED UNDER**
18 **THIS CODE AND IN DECLARING THE INCOME RECEIVED FROM THE**
19 **TRUST IN ACCORDANCE WITH SECTIONS 24, 25, 27 AND 28 OF THIS**
20 **CODE. INCOME OF THE TRUST SUBJECTED TO FINAL TAX UNDER**
21 **SECTIONS 24, 25, 27 AND 28 SHALL NO LONGER BE SUBJECT TO TAX**
22 **UPON DISTRIBUTION OF THE INCOME TO THE TRUSTOR OR**
23 **BENEFICIARY, NOR SHALL THE TRUSTOR OR BENEFICIARY BE**
24 **REQUIRED TO DECLARE THE INCOME AS PART OF ITS TAXABLE**
25 **INCOME.**

26 **ANY INCOME OF A REVOCABLE TRUST NOT SUBJECTED TO**
27 **FINAL TAX SHALL BE SUBJECT TO CREDITABLE WITHHOLDING TAX**
28 **UPON DISTRIBUTION OF THE INCOME TO THE TRUSTOR OR THE**
29 **BENEFICIARY AT A RATE NOT EXCEEDING THE HIGHEST RATE OF**
30 **TAX IMPOSED ON INDIVIDUALS UNDER SECTION 24 IN THE CASE OF**
31 **INDIVIDUAL TRUSTORS, OR THE CORPORATE INCOME TAX UNDER**
32 **SECTION 27 IN THE CASE OF CORPORATE TRUSTORS.**

33

1 specified items of income **SUBJECT TO FINAL TAX** shall be withheld by payor-
2 corporation and/or person and paid in the same manner and subject to the same
3 conditions as provided in Section 58 of this Code.

4 (B) xxx xxx xxx

5 [(C) *Tax-free Covenant Bonds.* – In any case where bonds, mortgages, deeds of
6 trust or other similar obligations of domestic or resident foreign corporations, contain a
7 contract or provision by which the obligor agrees to pay any portion of the tax imposed
8 in this Title upon the obligee or to reimburse the obligee for any portion of the tax or to
9 pay the interest without deduction for any tax which the obligor may be required or
10 permitted to pay thereon or to retain therefrom under any law of the Philippines, or any
11 state or country, the obligor shall deduct and withhold a tax equal to thirty percent
12 (30%) of the interest or other payments upon those bonds, mortgages, deeds of trust or
13 other obligations, whether the interest or other payments are payable annually or at
14 shorter or longer periods, and whether the bonds, securities or obligations had been or
15 will be issued or marketed, and the interest or other payment thereon paid, within or
16 without the Philippines, if the interest or other payment is payable to a nonresident alien
17 or to a citizen or resident of the Philippines.]

18
19 **SEC. 20.** Section 73 (A) of the National Internal Revenue Code of 1997, as amended,
20 is hereby amended to read as follows:

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

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

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

29 (B) *Stock Dividend.* – x x x

30
31 **SEC. 21.** Section 108 of the National Internal Revenue Code of 1997, as amended, is
32 hereby amended to read as follows:

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

3 **(A) Rate and Base of Tax. – x x x**

4 The phrase ‘sale or exchange of services’ means the performance of all kinds of
5 services in the Philippines for others for a fee, remuneration or consideration, including
6 those performed or rendered by construction and service contractors; stock, real estate,
7 commercial, customs and immigration brokers; lessors of property, whether personal
8 or real; warehousing services; lessors or distributors of cinematographic films; persons
9 engaged in milling, processing, manufacturing or repacking goods for others;
10 proprietors, operators or keepers of hotels, motels, resthouses, pension houses, inns,
11 resorts; proprietors or operators of restaurants, refreshment parlors, cafes and other
12 eating places, including clubs and caterers; dealers in securities; [lending investors ;]
13 transportation contractors on their transport of goods or cargoes, including persons who
14 transport goods or cargoes for hire and other domestic common carriers by land relative
15 to their transport of goods or cargoes; common carriers by air and sea relative to their
16 transport of passengers, goods or cargoes from one place in the Philippines to another
17 place in the Philippines; sales of electricity by generation companies, transmission by
18 any entity, and distribution companies, including electric cooperatives; services of
19 franchise grantees of electric utilities, telephone and telegraph, radio and television
20 broadcasting and all other franchise grantees except those under Section 119 of this
21 Code and non-life insurance companies (except their crop insurances), including surety,
22 fidelity, indemnity and bonding companies ; and similar services regardless of whether
23 or not the performance thereof calls for the exercise or use of the physical or mental
24 faculties. The phrase ‘sale or exchange of services’ shall likewise include:

25 xxx xxx xxx

26
27 **SEC. 22.** Section 121 of the National Internal Revenue Code of 1997, as amended, is
28 hereby amended to read as follows:

29 **SEC. 121. Tax on Banks and Non-Bank Financial Intermediaries**
30 **Performing Quasi-Banking Functions.** – There shall be collected a tax on gross
31 receipts derived from sources within the Philippines by all banks and non-bank
32 financial intermediaries [in] **PERFORMING QUASI-BANKING FUNCTIONS AT**
33 **THE RATE OF FIVE PERCENT (5%) ON INCOME SUCH AS INTEREST,**
34 **COMMISSIONS, AND DISCOUNTS FROM LENDING ACTIVITIES AS**

1 WELL AS INCOME FROM FINANCIAL LEASING, ROYALTIES, RENTALS
2 OF PROPERTY, REAL OR PERSONAL, PROFITS FROM SALE OR
3 EXCHANGE INCLUDING GAINS DERIVED FROM SALE OR TRANSFER
4 OF REAL PROPERTIES, NET TRADING GAINS WITHIN THE TAXABLE
5 YEAR OF FOREIGN CURRENCY, DEBT SECURITIES, DERIVATIVES, AND
6 OTHER SIMILAR FINANCIAL INSTRUMENTS, AND ALL OTHER ITEMS
7 TREATED AS GROSS INCOME UNDER SECTION 32 OF THIS CODE,
8 EXCEPT DIVIDENDS AND EQUITY SHARES AND NET INCOME OF
9 SUBSIDIARIES WHICH SHALL BE SUBJECT TO ZERO PERCENT (0%) [in
10 accordance with the following schedule]:

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

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

15 [Maturity period is more than five years -.....1%]

16 [(b) On dividends and equity shares and net income of subsidiaries-
17 0%]

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

20 [(d) On net trading gains within the taxable year of foreign currency, debt
21 securities, derivatives, and other similar financial instruments-
22 7%]

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

27 *Provided, [finally,]* That **FOR PURPOSES OF COMPUTING THE GROSS**
28 **RECEIPTS**, the generally accepted accounting principles [as may be prescribed by the
29 Bangko Sentral ng Pilipinas for the bank or non-bank financial intermediary performing
30 quasi-banking functions shall likewise be the basis for the calculation of gross receipts.]
31 **OF RECORDING INCOME AS ADOPTED BY THE BANK SHALL BE**
32 **FOLLOWED: PROVIDED, THAT THE MERE INCREASE OR DECREASE IN**
33 **VALUE OF PROPERTY AS A RESULT OF CHANGES IN MARKET VALUES**
34 **SHALL NOT BE CONSIDERED IN THE COMPUTATION OF GROSS**

1 RECEIPTS: *PROVIDED, FURTHER,* THAT FOR PURPOSES OF
2 DETERMINING THE GROSS RECEIPTS, NO DEDUCTION SHALL BE
3 MADE ON THE INCOME EXCEPT IN THE CASE OF GAINS FROM
4 DEALINGS IN PROPERTY AND TRADING, WHERE NET LOSS WITHIN
5 THE SAME BUSINESS ACTIVITY CAN BE OFFSET TO DETERMINE THE
6 NET GAIN SUBJECT TO THIS TAX: *PROVIDED, FURTHER,* THAT SUCH
7 OFFSETTING SHALL BE ON A QUARTERLY BASIS, AND ANY NET LOSS
8 INCURRED IN A QUARTER CAN BE CARRIED OVER AS DEDUCTION IN
9 THE SUCCEEDING QUARTERS: *PROVIDED FINALLY,* THAT NET LOSS
10 INCURRED IN A TAXABLE YEAR CANNOT BE CARRIED OVER TO THE
11 SUCCEEDING TAXABLE YEAR.

12 xxx xxx xxx

13
14 **SEC. 23.** Section 122 of the National Internal Revenue Code of 1997, as amended, is
15 hereby amended to read as follows:

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

1 of the instruments from which such receipts are derived, in accordance with the
2 following schedule:]

3 [Maturity is (5) five years of less 5%]

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

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

9 **GROSS RECEIPTS SHALL BE COMPUTED IN THE SAME MANNER**
10 **PROVIDED UNDER SECTION 121.**

11 **FINANCIAL INTERMEDIARIES SUBJECT TO TAX UNDER THIS**
12 **SECTION SHALL INCLUDE FINANCING COMPANIES, FINANCE**
13 **LEASING COMPANIES, INVESTMENT HOUSES, PAWNSHOPS, FOREIGN**
14 **EXCHANGE DEALERS AND MONEY BROKERS, TRUST ENTITIES,**
15 **CREDIT CARD COMPANIES, LENDING INVESTORS, SAVINGS AND**
16 **LOAN ASSOCIATIONS, AND OTHER FINANCIAL INTERMEDIARIES**
17 **EXCEPT BANKS AND NON-BANKS PERFORMING QUASI-BANKING**
18 **FUNCTIONS WHICH SHALL BE TAXED UNDER SECTION 121 OF THIS**
19 **CODE.**

20 **COLLECTIVE INVESTMENT SCHEMES SUCH AS MUTUAL FUNDS,**
21 **UNIT LINKED INVESTMENT TRUST FUNDS, UNIT LINKED VARIABLE**
22 **INSURANCE, AND OTHER COLLECTIVE INVESTMENT SCHEMES AS**
23 **MAY BE DETERMINED BY APPROPRIATE GOVERNMENT**
24 **REGULATORY AGENCIES SHALL NOT BE SUBJECT TO GROSS**
25 **RECEIPTS TAX AND OTHER PERCENTAGE TAXES IMPOSED UNDER**
26 **TITLE V, AND THE VALUE ADDED TAX IMPOSED UNDER TITLE IV OF**
27 **THIS CODE. FOR PURPOSES OF THIS EXEMPTION, A CIS SHALL HAVE**
28 **AT LEAST TWO HUNDRED (200) OWNERS, INVESTORS OR**
29 **PARTICIPANTS, AND SHALL HAVE COMPLIED WITH THE MINIMUM**
30 **PUBLIC OWNERSHIP REQUIREMENT OF THE APPROPRIATE**
31 **GOVERNMENT REGULATORY AGENCIES.**

32 **THE INCOME OF A PERSON OR COMPANY NOT LICENSED TO DO**
33 **FINANCIAL INTERMEDIATION BUT WHICH ENGAGES IN FINANCIAL**
34 **INTERMEDIATION SERVICES AS AN INCIDENT TO ITS MAIN BUSINESS**

1 ACTIVITY, AND DERIVES INCOME THEREFROM, SHALL BE SUBJECT
2 TO THE TAX IMPOSED ON ITS PRINCIPAL ACTIVITY. TO BE
3 CONSIDERED INCIDENTAL, THE INCOME FROM INTERMEDIATION
4 SERVICES SHALL NOT EXCEED FIFTY PERCENT (50%) OF THE PERSON
5 OR THE COMPANY'S TOTAL ANNUAL INCOME. IF THE TOTAL INCOME
6 RECEIVED FROM FINANCIAL INTERMEDIATION IS MORE THAN FIFTY
7 PERCENT (50%), AND THE PERSON OR COMPANY HAS ENTERED INTO
8 AT LEAST SIX (6) TRANSACTIONS DURING THE YEAR, THE TOTAL
9 INCOME FROM SUCH FINANCIAL INTERMEDIATION SHALL BE
10 SUBJECT TO TAX UNDER THIS SUBSECTION.

11 IN-HOUSE LENDING OR SELLER FINANCING SHALL NOT BE
12 SUBJECT TO TAX UNDER THIS SUBSECTION. ANY INCOME EARNED OR
13 RECEIVED FROM IN-HOUSE LENDING OR SELLER FINANCING SHALL
14 BE SUBJECT TO THE SAME TAX APPLICABLE TO THE PRINCIPAL
15 BUSINESS ACTIVITY OR TRANSACTION.

16 HOLDING COMPANIES SHALL BE SUBJECT TO EITHER VALUE
17 ADDED TAX OR GROSS RECEIPTS TAX DEPENDING ON THE NATURE
18 OF THEIR BUSINESS ACTIVITIES. IF UNDERTAKING FINANCING AND
19 OTHER SIMILAR ACTIVITIES, THEY SHALL BE SUBJECT TO GROSS
20 RECEIPTS TAX UNDER THIS SECTION. INCOME DERIVED FROM THE
21 SALE OF GOODS, PROPERTIES AND OTHER SERVICES SHALL BE
22 SUBJECT TO VALUE ADDED TAX UNDER SECTION 105 OF THIS CODE.

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

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

29
30 **SEC. 24.** Section 123 of the National Internal Revenue Code of 1997, as amended, is
31 hereby amended to read as follows:

32 **SEC. 123. Tax on Life Insurance AND REINSURANCE Premiums .** – There
33 shall be collected from every person, company or corporation, [(except purely

1 cooperative companies or associations[]] doing life insurance business of any sort in
2 the Philippines, **A PREMIUM TAX AT THE FOLLOWING RATES:**

3 **(A) FOR LIFE INSURANCE INCLUDING HEALTH INSURANCE AS A**
4 **RIDER TO LIFE INSURANCE POLICY**, a tax of two percent (2%) of the total
5 premium collected, whether such premiums are paid in money, notes, credits or any
6 substitute for money; but premiums refunded within six (6) months after payment on
7 account of rejection of risk or returned for other reason to a person insured shall not be
8 included in the taxable receipts; nor shall any tax be paid upon reinsurance by a
9 company **IF THE TAX** [that] has already **BEEN** paid [the tax] **ON THE DIRECT**
10 **PREMIUM**; nor upon premiums collected or received by any branch of a domestic
11 corporation, firm or association doing business outside the Philippines on account of
12 any life insurance of the insured who is a nonresident, if any tax on such premium is
13 imposed by the foreign country where the branch is established nor upon premiums
14 collected or received on account of any reinsurance, if the insured, in case of personal
15 insurance, resides outside the Philippines, if any tax on such premiums is imposed by
16 the foreign country where the original insurance has been issued or perfected; nor upon
17 that portion of the premiums collected or received by the insurance companies on
18 variable contracts[,] **IN A CIS** in excess of the amounts necessary to insure the lives
19 of the variable contract owners[: **PROVIDED, THAT THE CIS SHALL HAVE AT**
20 **LEAST TWO HUNDRED (200) OWNERS, INVESTORS OR PARTICIPANTS,**
21 **AND THAT ANY MINIMUM PUBLIC OWNERSHIP AS MAY BE REQUIRED**
22 **BY APPROPRIATE GOVERNMENT REGULATORY AGENCIES SHALL BE**
23 **COMPLIED WITH.**

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

1 NOTHING IN THIS CODE SHALL PRECLUDE THE
2 COMMISSIONER FROM IMPOSING THE SAME TAX HEREIN PROVIDED
3 ON PERSONS PERFORMING SIMILAR INSURANCE BUSINESS
4 ACTIVITIES.
5

6 LIFE REINSURANCE COMPANIES SHALL BE SUBJECT TO
7 PREMIUM TAX ON PREMIUMS COLLECTED UNDER SUBSECTION (A)
8 HEREOF. HOWEVER, PREMIUMS COLLECTED ON TRANSACTIONS
9 WHERE THE TAX ON THE DIRECT PREMIUM HAS ALREADY BEEN PAID
10 BY THE DIRECT INSURER SHALL BE EXCLUDED FROM THE GROSS
11 PREMIUM SUBJECT TO PREMIUM TAX.

12 NON-LIFE REINSURANCE COMPANIES SHALL BE SUBJECT TO
13 VALUE ADDED TAX ON PREMIUMS COLLECTED UNDER SECTION 108
14 OF THIS CODE. HOWEVER, PREMIUMS COLLECTED ON
15 TRANSACTIONS WHERE THE TAX ON THE DIRECT PREMIUM HAS
16 ALREADY BEEN PAID BY THE DIRECT INSURER SHALL BE EXCLUDED
17 FROM THE GROSS PREMIUM SUBJECT TO VALUE ADDED TAX.

18 FOR THE PURPOSE OF CLAIMING EXEMPTION ON
19 REINSURANCE PREMIUMS, THE SECRETARY OF FINANCE, UPON THE
20 RECOMMENDATIONS OF THE COMMISSIONER OF INTERNAL
21 REVENUE AND INSURANCE COMMISSIONER, SHALL PROMULGATE
22 THE REQUIRED REPORTS TO BE SUBMITTED TO THE BUREAU OF
23 INTERNAL REVENUE. ANY MISREPRESENTATION SHALL SUBJECT
24 THE DIRECT INSURER OR REINSURER TO PENALTIES UNDER
25 SECTIONS 248, 249, 253, 254, 255, 256, AND 257 OF THIS CODE.

26 ANY INCOME, OTHER THAN RECEIPT OF PREMIUM SUCH AS
27 MANAGEMENT FEES, SERVICE FEES, CHARGES, AND PENALTIES,
28 COMMISSIONS, INCOME FROM THE SALE OR TRANSFER OF GOODS,
29 PROPERTIES OR SERVICES, EARNED OR RECEIVED AS AN INCIDENT
30 OF DOING THE BUSINESS OF LIFE, NON-LIFE AND OTHER INSURANCE
31 ACTIVITIES, SHALL BE SUBJECT TO THE VALUE ADDED TAX UNDER
32 SECTION 105 OF THIS CODE: *PROVIDED*, THAT INCOME RECEIVED
33 FROM THE INVESTMENT AND REINVESTMENT OF PREMIUMS

1 EARNED SHALL NOT BE SUBJECT TO VALUE ADDED TAX NOR TO THE
2 GROSS RECEIPTS TAX IMPOSED UNDER SECTIONS 121 AND 122 OF THIS
3 CODE.

4
5
6 A VARIABLE INSURANCE CONTRACT WHERE AMOUNTS IN
7 EXCESS OF INSURANCE COSTS ARE COLLECTED AS PART OF THE
8 PREMIUM AND WHERE UNITS OF PARTICIPATION IN A POOLED FUND
9 ARE ISSUED TO THE INSURED REPRESENTING THEIR RESPECTIVE
10 SHARES IN THE POOLED FUND, IS A CIS. THE AMOUNTS OF PREMIUM
11 COLLECTED IN EXCESS OF THE INSURANCE COST IS NOT SUBJECT TO
12 PREMIUM TAX UNDER THIS SECTION AND TO THE GROSS RECEIPTS
13 TAX IMPOSED UNDER SECTIONS 121 AND 122, OR TO ANY
14 PERCENTAGE TAX IMPOSED UNDER TITLE V AND TO VALUE ADDED
15 TAX UNDER SECTION 105, TITLE IV OF THIS CODE.

16 Cooperative companies or associations are such as are conducted by the
17 members thereof with the money collected from among themselves and solely for their
18 own protection and not for profit.

19
20 **SEC. 25.** Section 127 of the National Internal Revenue Code of 1997, as amended, is
21 hereby repealed.

22
23 **SEC. 26.** Section 174 of the National Internal Revenue Code of 1997, as amended, is
24 hereby amended to read as follows:

25 **SEC. 174. Stamp Tax on Original Issue of Shares of Stock.** – On every original
26 issue, whether on organization, reorganization or for any lawful purpose, of shares of
27 stock by any association, company, or corporation, **INCLUDING SHARES OF**
28 **STOCK OR UNITS OF PARTICIPATION IN A COLLECTIVE INVESTMENT**
29 **SCHEME**, there shall be collected a documentary stamp tax of [Two pesos (P2.00) on
30 each Two hundred pesos (P200), or fractional part thereof, of the par value,]
31 **SEVENTY-FIVE PERCENT OF ONE PERCENT (0.75%) OF THE PAR**
32 **VALUE** of such shares of stock: *Provided*, That in the case of the original issue of
33 shares of stock without par value, the amount of the documentary stamp tax herein
34 prescribed shall be based upon the actual consideration for the issuance of such shares

1 of stock: *Provided, further*, That in the case of stock dividends, on the actual value
2 represented by each share[.]: **PROVIDED, FINALLY, THAT IN THE CASE OF**
3 **COLLECTIVE INVESTMENT SCHEMES WITHOUT PAR VALUE, THE**
4 **DOCUMENTARY STAMP TAX SHALL BE BASED ON THE INITIAL NET**
5 **ASSET VALUE PER UNIT.**

6 **SEC 27.** Section 175 of the National Internal Revenue Code of 1997, as amended, is
7 hereby repealed.

8
9 **SEC. 28.** Section 176 of the National Internal Revenue Code of 1997, as amended, is
10 hereby amended to read as follows:

11 **SEC 176. Stamp Tax on Bonds, Debentures, Certificates of Stock or**
12 **Indebtedness Issued in Foreign Countries.** – [On all] **A DOCUMENTARY STAMP**
13 **TAX OF SEVENTY-FIVE PERCENT OF ONE PERCENT (0.75%) OF THE**
14 **VALUE OF THE TRANSACTION SHALL BE COLLECTED FROM A**
15 **PERSON SELLING OR TRANSFERRING** bonds, debentures, certificates of stock,
16 or certificates of indebtedness issued in any foreign country.[, there shall be collected
17 from the person selling or transferring the same in the Philippines, such tax as is
18 required by law on similar instruments when issued, sold or transferred in the
19 Philippines.]

20
21 **SEC 29.** Sections 177 and 178 of the National Internal Revenue Code of 1997, as
22 amended, are hereby repealed.

23
24 **SEC 30.** Section 179 of the National Internal Revenue Code of 1997, as amended, is
25 hereby amended to read as follows:

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

1 For purposes of this section, the term debt instrument shall mean instruments
2 representing borrowing and lending transactions including but not limited to
3 debentures, certificates of indebtedness, due bills, bonds, loan agreements, including
4 those signed abroad wherein the object of contract is located or used in the Philippines,
5 instruments and securities issued by the government or any of its instrumentalities,
6 deposit substitute debt instruments, certificates or other evidences of deposits that are
7 either drawing interest significantly higher the regular savings deposit taking into
8 consideration the size of the deposit and the risks involved or drawing interest and
9 having a specific maturity date, [orders for payment of any sum of money otherwise
10 than at sight or on demand,] promissory notes, whether negotiable or non-negotiable,
11 except bank notes issued for circulation.
12

13 **SEC 31.** Section 180 of the National Internal Revenue Code of 1997, as amended, is
14 hereby repealed.
15

16 **SEC 32.** Sections 181, 182, 183, 184, 185, 186, and 187 of the National Internal
17 Revenue Code of 1997, as amended, are hereby amended to read as follows:

18 **SEC. 181. Stamp Tax Upon Acceptance of Bills of Exchange and Others.—**

19 Upon any acceptance or payment of any bill of exchange or order for the payment of
20 money purporting to be drawn in a foreign country but payable in the Philippines, there
21 shall be collected a documentary stamp tax **OF THIRTY PERCENT OF ONE**
22 **PERCENT (0.30%)** [Sixty centavos (P0.60) on each Two hundred pesos (P200), or
23 fractional part thereof,] of the face value of any such bill of exchange, or order, or the
24 Philippine equivalent of such value, if expressed in foreign currency.

25 **SEC. 182. Stamp Tax on Foreign Bills of Exchange and Letters of Credit. —**

26 On all foreign bills of exchange and letter of credit (including orders, by telegraph or
27 otherwise, for the payment of money issued by express or steamship companies or by
28 any person or persons) drawn in but payable out of the Philippines in a set of three (3)
29 or more according to the custom of merchants and bankers, there shall be collected a
30 documentary stamp tax **OF THIRTY PERCENT OF ONE PERCENT (0.30%)**
31 [Sixty centavos (P0.60) on each Two hundred pesos (P200), or fractional part thereof,]
32 of the face value of any such bill of exchange or letter of credit, or the Philippine
33 equivalent of such face value, if expressed in foreign currency[.]: **PROVIDED, THAT,**
34 **A LETTER OF CREDIT ON WHICH THE DOCUMENTARY STAMP TAX**

1 **IMPOSED UNDER THIS SECTION IS PAID UPON OPENING SHALL NOT**
2 **BE SUBJECT AGAIN TO THE TAX IMPOSED BY SECTION 195 UPON**
3 **AVAILMENT OF THE TRUST RECEIPT LINE WHERE THE PROPERTY**
4 **SUBJECT OF THE LETTER OF CREDIT IS MADE A SECURITY FOR**
5 **PAYMENT.**

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

| | |
|--|-----------|
| 12 If the amount of insurance does not exceed P100,000 | - Exempt |
| 13 If the amount of insurance exceeds P100,000 | |
| 14 but does not exceed P300,000 | - P20.00 |
| 15 If the amount of insurance exceeds P300,000 | |
| 16 but does not exceed P500,000 | - P50.00 |
| 17 If the amount of insurance exceeds P500,000 | |
| 18 but does not exceed P750,000 | - P100.00 |
| 19 If the amount of insurance exceeds P750,000 | |
| 20 but does not exceed P1,000,000 | - P150.00 |
| 21 If the amount of insurance exceeds P1,000,000 | - P200.00 |

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

1 **JANUARY 1, 2021: ELEVEN AND ONE-HALF PERCENT (11.5%),**
2 **JANUARY 1, 2022: TEN AND ONE-HALF PERCENT (10.5%),**
3 **JANUARY 1, 2023: NINE AND ONE-HALF PERCENT (9.5%),**
4 **JANUARY 1, 2024: EIGHT AND ONE-HALF PERCENT (8.5%),**
5 **JANUARY 1, 2025: SEVEN AND ONE-HALF PERCENT (7.5%).**
6

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

23 **JANUARY 1, 2021: ELEVEN AND ONE-HALF PERCENT (11.5%),**
24 **JANUARY 1, 2022: TEN AND ONE-HALF PERCENT (10.5%),**
25 **JANUARY 1, 2023: NINE AND ONE-HALF PERCENT (9.5%),**
26 **JANUARY 1, 2024: EIGHT AND ONE-HALF PERCENT (8.5%),**
27 **JANUARY 1, 2025: SEVEN AND ONE-HALF PERCENT (7.5%).**

28 **SEC. 186. Stamp Tax on [Policies of Annuities, and] Pre-Need Plans.** – [On
29 all policies of annuities, or other instruments by whatever name the same may be called,
30 whereby an annuity may be made, transferred or redeemed, there shall be collected a
31 documentary stamp tax of One peso (P1.00) on each Two hundred pesos (P200), or
32 fractional part thereof, of the premium or installment payment on contract price
33 collected.] On pre-need plans, [the documentary stamp tax shall be Forty centavos
34 (P0.40) on each Two hundred pesos (P200), or fractional part thereof, of the premium

1 or contribution collected.] **THERE SHALL BE COLLECTED A**
2 **DOCUMENTARY STAMP TAX OF TWENTY PERCENT OF ONE PERCENT**
3 **(0.2%) OF THE PREMIUM OR INSTALLMENT PAYMENT ON CONTRACT**
4 **PRICE, OR CONTRIBUTION CHARGED.**

5
6 **SEC. 187. *Stamp Tax on Indemnity Bonds.*** – On all bonds for indemnifying
7 any person, firm or corporation who shall become bound or engaged as surety for the
8 payment of any sum of money or for the due execution or performance of the duties of
9 any office or position or to account for money received by virtue thereof, and on all
10 other bonds of any description, except such as may be required in legal proceedings, or
11 are otherwise provided for herein, there shall be collected a documentary stamp tax of
12 [Thirty centavos (P0.30) on each Four pesos (P4.00), or fractional part thereof,]
13 **SEVEN AND ONE-HALF PERCENT (7.5%)** of the premium charged.

14
15 **SEC 33.** Section 188 of the National Internal Revenue Code of 1997, as amended, is
16 hereby repealed.

17
18 **SEC 34.** Sections 192 and 193 of the National Internal Revenue Code of 1997, as
19 amended, are hereby repealed.

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

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

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

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

1 OF THIRTY PERCENT OF ONE PERCENT (0.3%) OF THE AMOUNT
2 SECURED.

3 XXX XXX XXX

4
5 **SEC. 198. Stamp Tax on [Assignments and] Renewals of Certain**
6 **Instruments.** – Upon each and every [assignment or transfer of any mortgage, lease or
7 policy of insurance, or the] renewal or continuance of any agreement, contract, charter,
8 or any evidence of obligation or indebtedness by **THE EXTENSION OF THE TERM**
9 **OR MATURITY BY** [altering or otherwise,] **ALTERATION OF SUCH**
10 **AGREEMENT, CONTRACT OR CHARTER**, there shall be levied, collected and
11 paid a documentary stamp tax, at the same rate as that imposed on the original
12 instrument.

13 **SEC. 199. Documents and Papers Not Subject to Stamp Tax.** – The provisions
14 of Section 173 to the contrary notwithstanding, the following instruments, documents
15 and papers shall be exempt from the documentary stamp tax:

16 (a) Policies of insurance or annuities made or granted by a fraternal or
17 beneficiary society, order, association or cooperative company, operated on the lodge
18 system or local cooperation plan and organized and conducted solely by the members
19 thereof for the exclusive benefit of each member and not for profit.

20 XXX XXX XXX

21 (n) Interbank call loans with maturity of not more than [seven (7)] **FIVE (5)**
22 days to cover deficiency in reserves against deposit liabilities, including those between
23 or among banks and quasi-banks.

24 **(O) REDEMPTION, SALE, BARTER, EXCHANGE, OR OTHER**
25 **MODES OF DISPOSITION OR EXCHANGE OF SHARES OF STOCK OR**
26 **UNITS OF PARTICIPATION IN A COLLECTIVE INVESTMENT SCHEME**
27 **OR OTHER CIS SECURITIES LISTED AND TRADED IN A LOCAL**
28 **EXCHANGE OR AN ORGANIZED MARKETPLACE. THE ORIGINAL**
29 **ISSUANCE OF SHARES OR UNITS OF PARTICIPATION IN A CIS SHALL**
30 **NOT BE COVERED BY THIS EXEMPTION.**

31
32 **SEC. 36. Prospectivity Clause.** – The changes introduced under this Act shall apply to
33 transactions taking effect beginning January 1, 2020.

1 **SEC. 37. *Implementing Rules and Regulations.*** – The Department of Finance, in
2 consultation with the Securities and Exchange Commission, Bangko Sentral ng Pilipinas,
3 Insurance Commission, the Bureau of the Treasury, and the Bureau of Internal Revenue, shall
4 issue the implementing rules and regulations for the effective implementation of this Act.

5 **SEC. 38. *Separability Clause.*** – If, for any reason any article or provision of this Act,
6 or any portion thereof, or application of such article, provision, or portion thereof to any person,
7 group, or circumstance is declared invalid or unconstitutional, the remainder of this Act shall
8 not be affected by such decision or declaration.

9
10 **SEC. 39. *Repealing Clause.*** – The following laws or provisions of laws are hereby
11 repealed or modified accordingly and the persons and/or transactions affected herein are hereby
12 made subject to applicable taxes on interest income, dividends, and capital gains, gross receipts
13 tax, premium tax, and documentary stamp tax under the National Internal Revenue Code of
14 1997, as amended:

15 (a) Section 9, insofar as the tax exemption on the issuance of bonds and
16 securities is concerned, of Presidential Decree 1648, known as “Reorganizing the
17 National Development Company and Establishing a Revised Charter Therefor”;

18 (b) Sections 6, 7, and 8, insofar as the tax exemptions on interest income,
19 capital gains, and documentary stamp tax and on the issuance of bonds are concerned,
20 of Executive Order 603, entitled “Creating a Light Rail Transit Authority, Vesting the
21 Same With Authority to Construct and Operate the Light Rail Transit (LRT) Project
22 and Providing Funds Therefor”;

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

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

1 (e) Number 8, insofar as tax exemption on interest income, capital gains,
2 and documentary stamp tax is concerned, of Presidential Decree 37, entitled “Creating
3 the Nayong Pilipino Foundation”;

4
5
6 (f) Section 12, insofar as tax exemption on interest income, capital gains,
7 and documentary stamp tax is concerned, of Presidential Decree 205, entitled “Creating
8 and Establishing the Development Academy of the Philippines, Defining its Powers,
9 Functions, and Responsibilities, and for Other Purposes”;

10 (g) Article 202, insofar as tax exemption on interest income, capital gains,
11 documentary stamp tax, and premium tax is concerned, of Presidential Decree 442 as
12 amended by Presidential Decree 626, entitled “Labor Code of the Philippines”;

13 (h) Sections 10 and 11, insofar as the tax exemptions on interest income,
14 capital gains, and documentary stamp tax of subsidiaries of Philippine Aerospace
15 Development Corporation and on the issuance of bonds are concerned, of Presidential
16 Decree 696, entitled “Revising Presidential Decree No. 286, dated September 5, 1973,
17 as amended, otherwise known as The Charter of The Philippine Aerospace
18 Development Corporation and for Other Purposes”;

19 (i) Section 2(g), insofar as the tax exemptions on interest income and on the
20 issuance of bonds are concerned, of Republic Act 85, as amended by Republic Act
21 2081, entitled “An Act Creating the Rehabilitation Finance Corporation”;

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

25 (k) Section 37, insofar as the tax exemption on interest income, capital
26 gains, gross receipts tax, and documentary stamp tax is concerned, of Republic Act
27 6848 or The Charter of The Al-Amanah Islamic Investment Bank of the Philippines;

28 (l) Sections 19, insofar as the tax exemptions on interest income and
29 issuance of bonds are concerned, of Republic Act 3591, as amended by Republic Act
30 9576 or An Act Increasing the Maximum Deposit Insurance Coverage, and in
31 Connection Therewith, to Strengthen the Regulatory and Administrative Authority, and
32 Financial Capability of the Philippine Deposit Insurance Corporation (PDIC),
33 Amending for this Purpose Republic Act Numbered Three Thousand Five Hundred

1 Ninety-One, as amended, otherwise known as The PDIC Charter, and for Other
2 Purposes;

3 (m) Section 12, insofar as tax exemption on interest income, capital gains,
4 and documentary stamp tax and the issuance of bonds are concerned, of Executive
5 Order 1037, entitled "An Act Creating the Philippine Retirement Park System,
6 Providing Funds Therefor and for Other Purposes";

7 (n) Sections 5 and 19, insofar as the tax exemptions on the issuance of
8 bonds, interest income and documentary stamp tax are concerned, of Republic Act 8763
9 or Home Guaranty Corporation Act of 2000;

10 (o) Sections 19 and 25, insofar as tax exemption on documentary stamp tax
11 is concerned, of Republic Act 7279 or The Urban Development and Housing Act of
12 1992;

13 (p) Section 8(a), insofar as tax exemption on interest income, capital gains,
14 and documentary stamp tax of bonds is concerned, as provided under Section 1 of
15 Republic Act 6395 or An Act Revising the Charter of the National Power Corporation;

16 (q) Sections 9 and 15, insofar as the tax exemptions on the issuance of
17 bonds, interest income, capital gains, and documentary stamp tax are concerned, of PD
18 334, entitled "Creating the Philippine National Oil Company, Defining its Powers and
19 Functions, Providing Funds Therefore, and for Other Purposes";

20 (r) Section 16, insofar as tax exemption on interest income, capital gains,
21 and documentary stamp tax is concerned, of Presidential Decree 1467, entitled "An Act
22 Creating the Philippine Crop Insurance Corporation, Prescribing Its Powers and
23 Activities, Providing For Its Capitalization and for the Required Government Premium
24 Subsidy, and for Other Purposes";

25 (s) Section 3, insofar as the tax exemption on interest income, capital gains,
26 and documentary stamp tax of bonds is concerned, of Republic Act 3601, entitled "An
27 Act Granting the National Irrigation Administration";

28 (t) Section 6 (a, xviii (2)), in so far as tax exemption on interest income and
29 documentary stamp tax is concerned, of PD 1485, as amended by PD 1770, entitled
30 "Reconstituting the National Grains Authority to the National Food Authority,
31 Broadening its Functions and Powers and for Other Purposes";

32 (u) Section 5 (e), insofar as tax exemption on interest income, capital gains,
33 and documentary stamp tax on bonds is concerned, of Republic Act 6260, entitled "An

1 Act Instituting a Coconut Investment Fund and Creating a Coconut Investment
2 Company for the Administration Thereof”;

3 (v) Section 9, insofar as tax exemption on interest income, capital gains, and
4 documentary stamp tax on bonds is concerned, of Republic Act 10744 Or Credit Surety
5 Fund Act of 2014;

6
7 (w) Section 20, insofar as tax on interest income, capital gains and
8 documentary stamp tax is concerned, of Republic Act 10693, entitled “An Act
9 Strengthening Nongovernment Organizations (NGOs) Engaged in Microfinance
10 Operations for the Poor”;

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

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

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

22 (aa) Section 28, insofar as tax exemption on capital gains on shares of stock
23 and documentary stamp tax is concerned, of Republic Act 9267 or The Securitization
24 Act of 2004”;

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

29 (cc) Section 15, insofar as tax exemption on capital gains and documentary
30 stamp tax is concerned, of Republic Act 9182, as amended by Republic Act 9343,
31 entitled “An Act Granting Tax Exemptions and Fee Privileges to Special Purpose
32 Vehicles which Acquire or Invest in Non-Performing Assets, Setting the Regulatory
33 Framework Therefor, and for Other Purposes”;

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

3 (ee) Section 23, insofar as no deduction from gross income shall be allowed
4 in respect of any interest if the indebtedness is incurred to finance petroleum exploration
5 is concerned, of P.D. 87, entitled Amending Presidential Decree No. 8 issued on
6 October 2, 1972, and Promulgating an Amended Act to Promote the Discovery and
7 Production of Indigenous Petroleum and Appropriate Funds Therefor;

8 (ff) Section 6, insofar as tax exemption on interest income, dividends and
9 capital gains are concerned, of RA 6426 or the Foreign Currency Deposit Act of the
10 Philippines, as amended; and

11 (gg) Section 32, insofar as the tax exemptions on capital gains, interest
12 income and DST and issuance of bonds are concerned, of RA 6424 or the Philippine
13 Export Credit Insurance and Guarantee Corporation Act.

14
15 **SEC. 40. Effectivity** - This Act shall take effect on January 1, 2020, or fifteen (15) days
16 after its complete publication in at least two (2) newspapers of general circulation.

17
18 Approved,