



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

22 OCT -5 A10 :13

RECEIVED BY:

SENATE

S. No. 1364

Introduced by Senator Jinggoy Ejercito Estrada

AN ACT

AMENDING SECTIONS 22, 24, 25, 27, 28, 29, 30, 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, 188, 189, 190, 191, 194, 195, 196, 197, 198, AND 199; AND REPEALING SECTIONS 127, 175, 177, 178, 180, 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

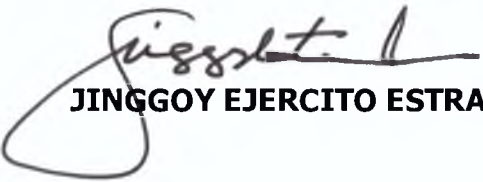
EXPLANATORY NOTE

The Passive Income and Financial Intermediary Taxation Act (PIFITA) is seen to complement the previously passed Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Law (TRAIN Law) to support recovery from the COVID-19 pandemic and attract foreign capital and investments, which in turn could finance infrastructure projects that could encourage sustainable and inclusive growth through job generation.

PIFITA seeks to streamline the taxation for passive income, financial services and transactions by reducing the number combinations of tax bases and rates from 80 to 36. The measure also seeks to harmonize the tax rates on interest, dividends, and capital gains to a standard fifteen percent (15%). Furthermore, this measure seeks to remove the Documentary Stamp Tax on non-monetary transactions.

The passage of this measure will continue the strong momentum brought in by measures in place that have contributed to the recovery of the economy due to the pandemic.

Hence, the immediate passage of this bill is earnestly requested.



JINGGOY EJERCITO ESTRADA



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

- 12 1. Promote and develop a tax system that provides neutrality in the tax
13 treatment across financial institutions and financial instruments;
- 14 2. Endeavor to simplify an otherwise complex tax system for easy compliance;

1 3. Ensure that the taxation of passive income and financial transactions is
2 equitable across all stakeholders and discourages arbitrage opportunities;
3 and

4 4. Promote capital market development and tax competitiveness within the
5 context of globalization, increased capital mobility, and financial inclusion.

6 Sec. 3. Section 22 of the National Internal Revenue Code of 1997, as amended,
7 is hereby amended to read as follows:

8 "Sec. 22. *Definitions.* – When used in this Title:

9 "(A) x x x

10 "(B) The term 'corporation' shall include partnerships,
11 no matter how created or organized, joint-stock companies,
12 joint accounts (*cuentas en participacion* **SUCH AS**
13 **COLLECTIVE INVESTMENT SCHEMES**), associations, or
14 insurance companies, but does not include general
15 professional partnerships and a joint venture or consortium
16 formed for the purpose of undertaking construction projects
17 or engaging in petroleum, coal, geothermal, and other energy
18 operations pursuant to an operating or consortium agreement
19 under a service contract with the Government. 'General
20 professional partnerships' are partnerships formed by persons
21 for the sole purpose of exercising their common profession,
22 no part of the income of which is derived from engaging in
23 any trade or business. **A COLLECTIVE INVESTMENT**
24 **SCHEME MAY OR MAY NOT BE REGISTERED WITH THE**
25 **SECURITIES AND EXCHANGE COMMISSION.**

26 "x x x

27 "(L) The term 'shares of stock' shall [~~include~~] **REFER**
28 **TO** shares of stock of a corporation, warrants and/or options,
29 **WHETHER TO BUY OR SELL SECURITIES, FUTURES**
30 **CONTRACTS, AND SUCH OTHER DERIVATIVE**
31 **SECURITIES LISTED AND TRADED IN A LOCAL**
32 **EXCHANGE OR AN ORGANIZED MARKETPLACE**, as well

1 as units of participation in a partnership (except general
2 professional partnerships), joint stock companies, joint
3 accounts **SUCH AS COLLECTIVE INVESTMENT**
4 **SCHEMES**, joint ventures taxable as corporations,
5 associations, and recreation or amusement clubs (such as
6 gold, polo, or similar clubs), and mutual funds certificates.

7 "(M) The term 'shareholder' shall include holders of a
8 share/s of stock, warrant/s, and/or option/s to purchase
9 shares of stock if a corporation **WHETHER TO BUY OR SELL**
10 **SECURITIES, FUTURES CONTRACTS, AND SUCH**
11 **OTHER DERIVATIVE SECURITIES LISTED AND**
12 **TRADED IN A LOCAL EXCHANGE OR AN ORGANIZED**
13 **MARKETPLACE**, as well as a holder of a unit of participation
14 in a partnership (except general professional partnerships), in
15 a joint stock company, a joint account **SUCH AS**
16 **COLLECTIVE INVESTMENT SCHEMES**, a taxable joint
17 venture, a member of an association, recreation or
18 amusement club (such as golf, polo, or similar clubs), and a
19 holder of a mutual fund certificate, a member in an
20 association, joint-stock company, or insurance company.

21 "x x x

22 "(T) The term 'securities' [~~means~~] **SHALL REFER TO**
23 ~~[shares of stock in a corporation, and rights to subscribe for~~
24 ~~or to receive such shares. The term includes bonds,~~
25 ~~debentures, notes or certificates, or other evidence of~~
26 ~~indebtedness, issued by any corporation, including those~~
27 ~~issued by a government or political subdivision thereof, with~~
28 ~~interest coupons or in registered form.]~~ **SHARES,**
29 **PARTICIPATION, OR INTERESTS IN A CORPORTION**
30 **OR IN A COMMERCIAL ENTERPRISE OR PROFIT-**
31 **MAKING VENTURE EVIDENCED BY A CERTIFICATE,**

1 **CONTRACT, INSTRUMENTS, WHETHER WRITTEN OR**
2 **ELECTRONIC IN CHARACTER. THESE INCLUDE:**

3 **"1. SHARES OF STOCK, BONDS, DEBENTURES,**
4 **NOTES, EVIDENCE OF INDEBTEDNESS, ASSET-**
5 **BACKED SECURITIES;**

6 **"2. INVESTMENT CONTRACTS, CERTIFICATES**
7 **OF INTEREST, OR PARTICIPATION IN A PROFIT-**
8 **SHARING AGREEMENT SUCH AS COLLECTIVE**
9 **INVESTMENT SCHEMES OR CERTIFICATE OF DEPOSIT**
10 **FOR A FUTURE SUBSCRIPTION;**

11 **"3. FRACTIONAL UNDIVIDED INTERESTS IN**
12 **OIL, GAS, OR OTHER MINERAL RIGHTS;**

13 **"4. CERTIFICATES OF ASSIGNMENTS,**
14 **CERTIFICATES OF PARTICIPATION, TRUST**
15 **CERTIFICATES, VOTING TRUST CERTIFICATES, OR**
16 **SIMILAR INSTRUMENTS;**

17 **"5. PROPRIETARY OR NON-PROPRIETARY**
18 **MEMBERSHIP CERTIFICATES IN CORPORATIONS;**
19 **AND,**

20 **"6. OTHER INSTRUMENTS AS MAY IN THE**
21 **FUTURE BE DETERMINED BY THE SECURITIES AND**
22 **EXCHANGE COMMISSION.**

23 "x x x

24 "(V) The term 'bank' [~~means every banking institution,~~
25 ~~as defined in Section 2 Republic Act No. 337, as amended,~~
26 ~~otherwise known as the General Banking Act. A bank may~~
27 ~~either be, a commercial bank, a thrift bank, a development~~
28 ~~bank, a rural bank, a specialized government bank, or a~~
29 ~~cooperative bank]~~ **AS DEFINED IN SECTION 3 OF**
30 **REPUBLIC ACT NO. 8791, OTHERWISE KNOWN AS THE**
31 **GENERAL BANKING LAW OF 2000, SHALL REFER TO**
32 **ENTITIES ENGAGED IN THE LENDING OF FUNDS**

1 **OBTAINED IN THE FORM OF DEPOSITS. BANKS SHALL**
2 **BE CLASSIFIED INTO UNIVERSAL BANKS,**
3 **COMMERCIAL BANKS, THRIFT BANKS COMPOSED OF:**
4 **(A) SAVINGS AND MORTGAGE BANKS; (B) STOCKS**
5 **SAVINGS AND LOAN ASSOCIATIONS; AND (C)**
6 **PRIVATE DEVELOPMENT BANKS, AS DEFINED IN**
7 **REPUBLIC ACT NO. 7906, OR THE THRIFT BANKS ACT;**
8 **RURAL BANKS, AS DEFINED IN REPUBLIC ACT NO.**
9 **7353 OF THE RURAL BANKS ACT; COOPERATIVE**
10 **BANKS, AS DEFINED IN REPUBLIC ACT NO. 6938 OR**
11 **THE COOPERATIVE CODE; ISLAMIC BANKS AS**
12 **DEFINED IN REPUBLIC ACT NO. 6484, OR THE**
13 **CHARTER OF AL AMANAH ISLAMIC INVESTMENT**
14 **BANK OF THE PHIIPPINES; AND OTHER**
15 **CLASSIFICATIONS OF BANKS AS DETERMINED BY**
16 **THE MONETARY BOARD OF THE *BANGKO SENTRAL NG***
17 ***PILIPINAS*.**

18 “(W) The term ‘non-bank financial intermediary’ means
19 **PERSONS OR ENTITIES ENGAGED IN THE**
20 **BORROWING OF FUNDS, FOR THE BORROWER’S OWN**
21 **ACCOUNT, THROUGH THE ISSUANCE, ENDORSEMENT,**
22 **OR ACCEPTANCE OF DEBT INSTRUMENTS OF ANY**
23 **KIND OTHER THAN DEPOSITS, OR THROUGH THE**
24 **ISSUANCE OF PARTICIPATIONS, CERTIFICATES OR**
25 **ASSIGNMENT, OR SIMILAR INSTRUMENTS WITH**
26 **RECOURSE, TRUST CERTIFICATES, OR OF**
27 **REPURCHASE AGREEMENTS, FROM TWENTY (20) OR**
28 **MORE LENDERS AT ANY ONE TIME, FOR PURPOSE OF**
29 **RELENDING OR PURCHASING OF RECEIVABLES AND**
30 **OTHER OBLIGATIONS, BUT DOES NOT INCLUDE**
31 **COMMERCIAL, INDUSTRIAL, AND OTHER NON-**
32 **FINANCIAL COMPANIES, WHICH BORROW FUNDS**

1 **THROUGH ANY OF THESE MEANS FOR THE LIMITED**
2 **PURPOSE OF FINANCING THEIR OWN NEEDS OF THE**
3 **NEEDS OF THEIR AGENTS OR DEALERS, OR** a financial
4 intermediary, as defined in [~~Section 2(D)(c) of~~] Republic Act
5 No. 337, as amended, otherwise known as the General
6 Banking Act, authorized by the *Bangko Sentral ng Pilipinas*
7 (BSP) to perform quasi-banking activities.

8 **“(X) THE TERM ‘QUASI-BANK’ SHALL REFER TO**
9 **ENTITIES ENGAGED IN THE BORROWING OF FUNDS**
10 **THROUGH THE ISSUANCE, ENDORSEMENT OR**
11 **ASSIGNMENT WITH RECOURSE OR ACCEPTANCE OF**
12 **DEPOSIT SUBSTITUTES, AS DEFINED IN SECTION 95**
13 **OF REPUBLIC ACT NO. 7653, OR THE NEW CENTRAL**
14 **BANKING ACT FOR PURPOSES OF RELENDING OR**
15 **PURCHASING OF RECEIVABLES AND OTHER**
16 **OBLIGATIONS.**

17 **“[(X)] (Y) The term ‘quasi-banking activities’ [means]**
18 **SHALL REFER TO** borrowing funds from twenty (20) or more
19 [~~personal~~] **INDIVIDUALS** or corporate lenders at any one
20 time through the issuance, endorsement, or acceptance of
21 debt instruments of any kind other than deposits for the
22 borrower’s own account, or through the issuance of
23 certificates of assignment or similar instruments, with
24 recourse, or of repurchase agreements for purposes of
25 releasing or purchasing receivables and other similar
26 obligations: *Provided, however,* That commercial, industrial
27 and other non-financial companies, which borrow funds
28 through any of these means for the limited purpose of
29 financing their own needs or the needs of their agents or
30 dealers, shall not be considered as performing quasi-banking
31 functions: **PROVIDED, FURTHER, THAT IF THE**
32 **INTENTION IS FOR THE DEBT INSTRUMENTS TO BE**

1 **HELD BY MORE THAN NINETEEN (19) HOLDERS**
2 **DURIN THE ENTIRE TERM OF THE DEBT INSTRUMENT**
3 **AND IF THE TENOR AND DENOMINATION ARE SUCH**
4 **THAT THEY CAN BE HELD BY MORE THAN NINETEEN**
5 **(19) LENDERS, THEN THE INSTRUMENT SHALL BE**
6 **CONSIDERED DEPOSIT SUBSTITUTES.**

7 “~~(A)~~ (Z) The term ‘**deposit substitutes**’ shall
8 ~~mean~~ **REFER TO** an alternative form of obtaining funds
9 from the public (the term ‘public’ means borrowing from
10 twenty (20) or more individual or corporate lenders at any
11 one time) other than deposits, through the issuance,
12 endorsement, or acceptance of debt instruments for the
13 borrowers own account, for the purpose of relending or
14 purchasing of receivables and other obligations, or financing
15 their own needs or the needs of their agent or dealers. These
16 instruments may include, but need not be limited to bankers’
17 acceptances, promissory notes, repurchase agreements,
18 ~~including~~ **EXCLUDING** reverse repurchase agreements
19 entered into by and between the *Bangko Sentral ng Pilipinas*
20 (BSP) and any authorized agent bank, certificates of
21 assignment or participation and similar instruments with
22 recourse. **DEBT INSTRUMENTS ISSUED BY THE**
23 **GOVERNMENT AND ANY OF ITS AGENCIES AND**
24 **INSTRUMENTALITIES, INCLUDING GOVERNMENT**
25 **FINANCIAL INSTITUTIONS SHALL BE DEEMED**
26 **ISSUED TO THE PUBLIC AND CONSIDERED DEPOSIT**
27 **SUBSTITUTES: *Provided, however,*** That debts instruments
28 issued for interbank call loans with maturity of not more than
29 five (5) days to cover deficiency in reserves against deposit
30 liabilities, including those between or among banks and quasi-
31 banks, shall not be considered as deposit substitute debt
32 instruments.

1 "~~[(Z)]~~ **(AA)** The term 'ordinary income' x x x.

2 "~~[(AA)]~~ **(BB)** The term 'rank and file employees' x
3 x x.

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

17 "~~[(CC)]~~ **(DD)** The term 'trade, business or
18 **profession'** x x x.

19 "~~[(DD)]~~ **(EE)** The term 'regional or area
20 **headquarters'** x x x.

21 "~~[(EE)]~~ **(FF)** The term 'regional operating
22 **headquarters'** x x x.

23 "~~[(FF)]~~ **(GG)** The term [~~long-term deposit or~~
24 ~~investment certificate'~~ shall refer to certificate of time deposit
25 ~~or investment in the form of savings, common, or individual~~
26 ~~trust funds, deposit substitutes, investment management~~
27 ~~accounts and other investments with a maturity period of not~~
28 ~~less than five (5) years, the form of which shall be prescribed~~
29 ~~by the *Bangko Sentral ng Pilipinas* (BSP) and issued by banks~~
30 ~~only (not by non-bank financial intermediaries and finance~~
31 ~~companies) to individuals in denominations of Ten thousand~~
32 ~~pesos (P10,000) and other denominations as may be~~

1 prescribed by the BSP.] **'FINANCIAL INSTITUTIONS' OR**
2 **'FINANCIAL INTERMEDIARIES' SHALL REFER TO**
3 **PERSONS OR ENTITIES WHOSE PRINCIPAL**
4 **FUNCTIONS INCLUDE THE BUSINESS OF LENDING,**
5 **FINANCING, INVESTING, OR PLACEMENT OF FUNDS**
6 **OR EVIDENCES OF INDEBTEDNESS OR EQUITY**
7 **DEPOSITED WITH THEM, ACQUIRED BY THEM, OR**
8 **OTHERWISE COURSED THROUGH THEM, EITHER FOR**
9 **THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF**
10 **OTHERS, AND ARE AUTHORIZED BY THE *BANGKO***
11 ***SENTRAL NG PILIPINAS* OR BY THE SECURITIES AND**
12 **EXCHANGE COMMISSION DEPENDING ON THE**
13 **GOVERNMENT AGENCY AUTHORIZED TO REGULATE**
14 **THEM. THESE SHALL INCLUDE BANKS, QUASI-BANKS,**
15 **TRUST ENTITIES ENGAGED IN COLLECTIVE**
16 **INVESTMENT SCHEMES, INVESTMENT HOUSES,**
17 **LENDING INVESTORS OR ENTITIES ENGAGED IN**
18 **FINANCIAL INTERMEDIATION ACTIVITIES, AND**
19 **OTHER TYPES OF BUSINESS THAT MAY BE**
20 **CLASSIFIED BY THE *BANGKO SENTRAL NG PILIPINAS***
21 **OR THE SECURITIES AND EXCHANGE COMMISSION**
22 **AS FINANCIAL INSTITUTIONS.**

23 **"LIFE AND NON-LIFE INSURANCE COMPANIES,**
24 **PRE-NEED COMPANIES AND HEALTH MAINTENANCE**
25 **ORGANIZATIONS ARE ALSO CONSIDERED FINANCIAL**
26 **INSTITUTIONS UNDER THE SUPERVISION OF THE**
27 **INSURANCE COMMISSION.**

28 **"[(GG)] (HH) The term 'statutory minimum wage'**
29 **x x x.**

30 **"[(HH)] (II) The term 'minimum wage earner' x x**
31 **x.**

1 “(JJ) THE TERM ‘COLLECTIVE INVESTMENT
2 SCHEMES’ OR ‘CIS’ SHALL REFER TO ANY
3 ARRANGEMENT WHEREBY FUNDS ARE SOLICITED
4 FROM THE INVESTING PUBLIC AND POOLED
5 TOGETHER FOR THE PURPOSE OF INVESTING, RE-
6 INVESTING, OR TRADING IN SECURITIES OR OTHER
7 ASSETS OR DIFFERENT CLASSES THEREOF AS
8 ALLOWED UNDER THE LAW, WHICH MAY EITHER
9 HAVE A CORPORATE STRUCTURE , SUCH AS AN
10 INVESTMENT COMPANY, OR A CONTRACTUAL
11 STRUCTURE, SUCH AS A UNIT INVESTMENT TRUST
12 FUND OR SIMILAR SCHEME HELD BY A TRUST
13 CORPORATION OR A SEPARATE ACCOUNT FUND
14 ESTABLISHED PURSUANT TO A VARIABLE UNIT
15 LINKED LIFE INSURANCE POLICY ISSUED BY AN
16 INSURANCE COMPANY, AND SUCH OTHER FORMS OF
17 COLLECTIVE INVESTMENT SCHEMES AS MAY BE
18 DETERMINED BY THE APPROPRIATE GOVERNMENT
19 REGULATORY AGENCIES SUCH AS THE *BANGKO*
20 *SENTRAL NG PILIPINAS*, THE SECURITIES AND
21 EXCHANGE COMMISSION, A CIS MAY EITHER BE
22 OPEN-END OR CLOSED-END, DEFINED AS FOLLOWS:

23 “*OPEN-END CIS* SHALL REFER TO A CIS WHERE
24 SECURITIES ARE OFFERED AND ARE ALWAYS
25 REDEEMABLE BY THE CIS; AND,

26 “*CLOSED-END CIS* SHALL REFER TO A CIS
27 WHERE A FIXED NUMBER OF SECURITIES ARE
28 OFFERED IN AN INITIAL PUBLIC OFFERING AND
29 THEREAFTER MAY BE TRADED IN AN ORGANIZED
30 MARKETPLACE AS DETERMINED BY THE SECURITIES
31 AND EXCHANGE COMMISSION, BUT MAY NOT BE
32 REDEEMED BY THE CIS. A CLOSED-END CIS SHALL

1 NOT BE ALLOWED TO INCREASE ITS NUMBER OF
2 SECURITIES.

3 "(KK) THE TERM 'UNIT LINKED INVESTMENT
4 INSTRUMENT' SHALL REFER TO A CONTRACTUAL CIS
5 ORGANIZED PURSUANT TO A CONTRACT, SUCH AS
6 TRUST INDENTURE, OR AS AN INVESTMENT
7 COMPONENT OF AN INSURANCE CONTRAXT,
8 ENGAGED OR HOLDS ITSELF OUT AS BEING ENGAGED,
9 OR PROPOSES TO ENGAGE, IN THE BUSINESS OF
10 INVESTING, REINVESTING, OR TRADING IN
11 SECURITIES OR OTHER INVESTMENT ASSETS, AND
12 ISSUES UNITS OF PARTICIPATION, EACH OF WHICH
13 REPRESENTS AN UNDIVIDED INTEREST IN A POOL OF
14 INVESTMENT ASSETS.

15 "(LL) THE TERM 'HOLDING COMPANY' SHALL
16 REFER TO ANY CORPORATION ORGANIZED TO HOLD
17 THE STOCK OF ANOTHER OR OTHER COPORATIONS,
18 AND OTHER FORMS OF HOLDING COMPANIES AS MAY
19 DETERMINED BY APPORPRIATE GOVERNMENT
20 REGULATORY AGENCIES.

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

1 BE DETERMINED BY APPROPRIATE GOVERNMENT
2 AGENCIES.

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

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

23 "(PP) THE TERM HEALTH MAINTENANCE
24 ORGANIZAITON (HMO PRODUCTS SHALL REFER TO
25 PRE-AGREED OR DESIGNATED HEALTH CARE
26 SERVICES TO THE ENROLLED MEMBERS FOR A FIXED
27 PRE-PAID FEE FOR A SPECIFIED PERIOD OF TIME
28 THROUGH THE USE OF SELECTED NETWORK OF
29 HEALTH CARE PROVIDERS. HMO PRODUCTS PROVIDE
30 A WIDE ARRAY OF MEDICAL, SURGICAL AND
31 HOSPITAL SERVICES THAT INCLUDE PREVENTIVE

1 **CARE AND WELLNESS PROGRAMS AND GENERALLY**
2 **HAVE NO CASH-OUT TRANSACTION.”**

3 Sec. 4. Section 24 (B) and (C) of the National Revenue Code of 1997, as
4 amended, is hereby amended to read as follows:

5 “Sec. 24. Income Tax Rates. –

6 “(A) Rates of Income Tax on Individual Citizen and
7 Individual Resident Alien of the Philippines –

8 “x x x

9 “(B) Rate of Tax on Certain Passive Income: –

10 “(1) Interests [~~;, Royalties, Prizes, and Other~~
11 ~~Winnings]. – A final tax at the rate of [twenty percent (20%)]~~
12 **FIFTEEN PERCENT (15%)** is hereby imposed upon the
13 amount of interest [~~from any currency bank deposit, and yield~~
14 ~~or any other monetary benefit from deposit substitutes, and~~
15 ~~from trust funds and similar arrangements; royalties, except~~
16 ~~on books, as well as other literary works and musical~~
17 ~~compositions, which shall be impose a final tax of ten percent~~
18 ~~(10%); prizes (except prizes amounting to Ten thousand~~
19 ~~pesos (P10,000) or less which shall be subject to tax under~~
20 ~~Subsection (A) of Section 24; and other winnings (except~~
21 ~~winnings amounting to Ten thousand pesos (P10,000) or less~~
22 ~~from the Philippine Charity Sweepstakes and Lotto which shall~~
23 ~~be exempt), derived from sources within the Philippines:]~~
24 **YIELD, OR ANY OTHER MONETARY BENEFIT EARNED**
25 **OR RECEIVED FROM BANK DEPOSIT, DEPOSIT**
26 **SUBSTITUTE, TRUST FUND, AND SIMILAR**
27 **ARRANGEMENTS. [~~Provided, however, That interest~~**
28 ~~income received by an individual taxpayer (except a non-~~
29 ~~resident individual) from a depository bank under the~~
30 ~~expanded foreign currency deposit system shall be subject to~~
31 ~~a final income tax at the rate of fifteen percent (15%) of such~~
32 ~~interest income: *Provided, further, That interest income from*~~

1 long-term deposit or investment in the form of savings,
2 common or individual trust funds, deposit substitutes,
3 investment management accounts and other investments
4 evidenced by certificates in such form prescribed by the
5 *Bangko Sentral ng Pilipinas (BSP)* shall be exempt from the
6 tax imposed under this Subsection: *Provided, finally,* That
7 should the holder of the certificate pre-terminate the deposit
8 or investment before the fifth (5th) year, a final tax shall be
9 imposed on the entire income and shall be deducted and
10 withheld by the depository bank from the proceeds of the
11 long-term deposit or investment certificate based on the
12 remaining maturity thereof:}]

13 “[Four (4) years to less than five (5) years —
14 5%;]”

15 “[Three (3) years to less than four (4) years —
16 12%; and]”

17 “[Less than three (3) years — 20%.]”

18 “(2) Cash and/or Property Dividends. – A final tax at
19 the rate of [ten percent (10%)] **FIFTEEN PERCENT (15%)**
20 shall be imposed upon the cash and/or property dividends
21 actually or constructively received by an individual from a
22 domestic corporation or from a joint stock company,
23 insurance or mutual fund companies, **ENTITIES ENGAGED**
24 **IN COLLECTIVE INVESTMENT SCHEMES**, and regional
25 operating headquarters of multinational companies, or on the
26 share of an individual in the distributable net income after tax
27 of a partnership (except a general professional partnership)
28 of which [he] **ONE** is a partner or on the share of an individual
29 in the net income after tax of an association, a joint account,
30 or a joint venture or consortium taxable as a corporation of
31 which [he] **ONE** is a member or co-venturer: **PROVIDED,**
32 **HOWEVER, THAT THE FIFTEEN PERCENT (15%) TAX**

1 ON DIVIDENDS SHALL APPLY ONLY ON INCOME
2 EARNED ON OR AFTER JANUARY 1, 2020. INCOME
3 FORMING PART OF RETAINED EARNINGS AS OF
4 DECEMBER 31, 2019, EVEN IF DECLARED OR
5 DISTRIBUTED ON OR AFTER JANUARY 1, 2020 SHALL
6 BE SUBJECT TO TEN PERCENT (10%) TAX.

7 "LIQUIDATING DIVIDEND SHALL BE SUBJECT
8 TO SECTION 24(A) BASED ON NET GAIN.

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

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

31 "JANUARY 1, 2021: FIVE-TENTH OF ONE
32 PERCENT (5/10 OF 1%)

1 **"JANUARY 1, 2022: FOUR-TENTH OF ONE**
2 **PERCENT (4/10 OF 1%)**

3 **"JANUARY 1, 2023: THREE-TENTH OF ONE**
4 **PERCENT (3/10 OF 1%)**

5 **"JANUARY 1, 2024: TWO-TENTH OF ONE**
6 **PERCENT (2/10 OF 1%)**

7 **"JANUARY 1, 2025: ONE-TENTH OF ONE**
8 **PERCENT (1/10 OF 1%)**

9 **"THE TAX VALUE SHALL BE BASED ON THE**
10 **GROSS SELLING PRICE OR GROSS VALUE IN MONEY**
11 **OF THE SHARES OF STOCK SOLD, BARTERED,**
12 **EXCHANGED, OR OTHERWISE DISPOSED OF, TO BE**
13 **PAID BY THE SELLER OR TRANSFEROR: *PROVIDED,***
14 **THAT EFFECTIVE JANUARY 1, 2026 EVERY SALE,**
15 **BARTER, EXCHANGE, OR ANY OTHER MODE OF**
16 **DISPOSITION OF SHARES OF STOCK LISTED AND**
17 **TRADED THROUGH A LOCAL STOCK EXCHANGE OR AN**
18 **ORGANIZED MARKETPLACE SHALL NOT BE SUBJECT**
19 **TO TAX UNDER SECTION 24 OF THIS CODE.**

20 **"ANY GAIN EARNED FROM SHARES OF STOCK**
21 **IN A DOMESTIC CORPORATION TRADED IN A**
22 **FOREIGN EXCHANGE, SHALL BE TAXED UNDER**
23 **SUBSECTION (A) OF THIS SECTION.**

24 **"ANY GAIN REALIZED FROM THE SALE,**
25 **EXCHANGE, BARTER, OR DISPOSITION OF SHARES OF**
26 **STOCK, LISTED OR UNLISTED, BY A DEALER IN**
27 **SECURITIES LICENSED BY THE APPROPRIATE**
28 **GOVERNMENT REGULATORY AGENCIES TO BUY AND**
29 **SELL IN SECURITIES, FOR THE DEALER'S OWN**
30 **ACCOUNT IN THE ORDINARY COURSE OF BUSINESS,**
31 **SHALL NOT BE SUBJECT TO TAX UNDER THIS**

1 **SUBSECTION BUT SUBSECTION (A) AS AN ORDINARY**
2 **INCOME.**

3 **“(5) CAPITAL GAINS FROM SALE, EXCHANGE,**
4 **TRANSFER, BARTER, DISPOSITION OF NON-LISTED**
5 **AND NON-TRADED DEBT INSTRUMENTS AND OTHER**
6 **SECURITIES NOT INCLUDED IN SECTION 24(B)(3)**
7 **AND (4). – A FINAL TAX AT THE RATE OF FIFTEEN**
8 **PERCENT (15%) SHALL BE IMPOSED ON THE NET**
9 **CAPITAL GAIN EARNED FROM A DEBT INSTRUMENT**
10 **AND OTHER SECURITIES NOT INCLUDED IN**
11 **SUBSECTIONS (B)(3) AND (4), ISSUED BY A CITIZEN**
12 **OR RESIDENT ALIEN, OR BY A DOMESTIC**
13 **CORPORATION, OR A RESIDENT FOREIGN**
14 **CORPORATION, OR BY THE GOVERNMENT OR ANY OF**
15 **ITS AGENCIES OR INSTRUMENTALITIES.**

16 **“(6) PRESUMPTIVE CAPITAL GAINS ON LISTED**
17 **AND TRADED DEBT INSTRUMENTS AND OTHER**
18 **SECURITIES NOT INCLUDED IN SECTION 24(B)(3)**
19 **AND (4) – A FINAL TAX AT THE RATE OF ONE-TENTH**
20 **OF ONE PERCENT (1/10 OF 1%) OF THE GROSS**
21 **SELLING PRICE OR GROSS VALUE IN MONEY OF THE**
22 **DEBT INSTRUMENT OR SECURITIES SOLD,**
23 **BARTERED, EXCHANGED, OR OTHERWISE DISPOSED**
24 **SHALL BE LEVIED, ASSESSED, AND COLLECTED ON**
25 **EVERY SALE, BARTER, EXCHANGE, OR OTHER**
26 **DISPOSITION OF DEBT INSTRUMENTS AND OTHER**
27 **SECURITIES, LISTED AND TRADED THROUGH A LOCAL**
28 **STOCK EXCHANGE OR A LICENSED ORGANIZED**
29 **MARKETPLACE, AND SHALL BE PAID BY THE SELLER**
30 **OR TRANSFEROR: *PROVIDED*, THAT EFFECTIVE**
31 **JANUARY 1, 2026 EVERY SALE, BARTER, EXCHANGE,**
32 **OR OTHER DISPOSITION OF DEBT INSTRUMENTS**

1 **AND OTHER SECURITIES, LISTED AND TRADED**
2 **THROUGH A LOCAL STOCK EXCHANGE OR A LICENSED**
3 **ORGANIZED MARKETPLACE SHALL NOT BE SUBJECT**
4 **TO TAX UNDER SECTION 24 OF THIS CODE. IF TRADED**
5 **IN A FOREIGN EXCHANGE, THE GAIN SHALL BE**
6 **SUBJECT TO TAX UNDER SUBSECTION (A) HEREOF.**

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

18 ~~"[(D)](7)~~ Capital Gains from Sale of Real Property. –
19 ~~[(1)](a)~~ In General. – ~~[The provisions of Section 39(B)~~
20 ~~notwithstanding,]~~ a final tax of six percent (6%) based on the
21 gross selling price or current fair market value as determined
22 in accordance with Section 6(E) of this Code, whichever is
23 higher, is hereby imposed upon capital gains presumed to
24 have been realized from the sale, exchange, or other
25 disposition of real property located in the Philippines,
26 classified as capital assets, including *pacto de retro* sales and
27 other forms of conditional sales, by individuals, including
28 estates and trusts: *Provided*, That the tax liability, if any, on
29 gains from sales or other dispositions of real property to the
30 government or any of its political subdivisions or agencies or
31 to government-owned or -controlled corporations shall be

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

3 ~~"[(2)](b)~~ Exception. – x x x

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

20 Sec. 5. Section 25(A) and (B) of the National Internal Revenue Code of 1997,
21 as amended, is hereby amended to read as follows:

22 "Sec. 25. Tax on Nonresident Alien Individual. –

23 "(A) Nonresident Alien Engaged in Trade of Business
24 Within the Philippines. –

25 ~~"[(1) In General. —]~~A nonresident alien individual
26 engaged in trade or business in the Philippines shall be subject
27 to ~~[an]~~ income tax **UNDER SECTION 24 OF THIS CODE** [~~;~~
28 ~~in the same manner as an individual citizen and a resident~~
29 ~~alien individual.~~] on taxable income received from all sources
30 within the Philippines. A nonresident alien individual who shall
31 come to the Philippines and stay therein for an aggregate
32 period of more than ~~[one hundred eighty (180)]~~ **ONE**

1 **HUNDRED EIGHTY-THREE (183)** days during any
2 calendar year shall be deemed a '**nonresident alien doing**
3 **business in the Philippines**', Section 22(G) of this Code
4 notwithstanding.

5 ~~"[(2) Cash and/or Property Dividends from a Domestic~~
6 ~~Corporation or Joint Stock Company, or Insurance or Mutual~~
7 ~~Fund Company or Regional Operating Headquarter or~~
8 ~~Multinational Company, or Share in the Distributable Net~~
9 ~~Income of a Partnership (Except a General Professional~~
10 ~~Partnership), Joint Account, Joint Venture Taxable as a~~
11 ~~Corporation or Association, Interests, Royalties, Prizes, and~~
12 ~~Other Winnings.— Cash and/or property dividends from a~~
13 ~~domestic corporation, or from a joint stock company, or from~~
14 ~~an insurance or mutual fund company or from a regional~~
15 ~~operating headquarter of multinational company, or the share~~
16 ~~of a nonresident alien individual in the distributable net~~
17 ~~income after tax of a partnership (except a general~~
18 ~~professional partnership) of which he is a partner, or the share~~
19 ~~of a nonresident alien individual in the net income after tax of~~
20 ~~an association, a joint account), or a joint venture taxable as~~
21 ~~a corporation of which he is a member or a co-venturer;~~
22 ~~interests; royalties (in any form); and prizes (except prizes~~
23 ~~amounting to Ten thousand pesos (P10,000) or less which~~
24 ~~shall be subject to tax under Subsection (B)(1) of Section 24);~~
25 ~~and other winnings (except Philippine Charity Sweepstakes~~
26 ~~and Lotto winnings), shall be subject to an income tax of~~
27 ~~twenty percent (20%) on the total amount thereof: *Provided,*~~
28 ~~*however,* That royalties on books as well as other literary~~
29 ~~works, and royalties on musical compositions shall be subject~~
30 ~~to a final tax of ten percent (10%) on the total amount~~
31 ~~thereof: *Provided, further,* That cinematographic films and~~
32 ~~similar works shall be subject to the tax provided under~~

1 Section 28 of this Code: *Provided, furthermore,* That interest
2 income from long-term deposit or investment in the form of
3 savings, common or individual trust funds, deposit
4 substitutes, investment management accounts and other
5 investments evidenced by certificates in such form prescribed
6 by the *Bangko Sentral ng Pilipinas* (BSP) shall be exempt from
7 the tax imposed under this Subsection: *Provided, finally,* That
8 should the holder of the certificate pre-terminate the deposit
9 or investment before the fifth (5th) years, a final tax shall be
10 imposed on the entire income and shall be deducted and
11 withheld by the depository banks from the proceeds of the
12 long-term deposit or investment certificate based on the
13 remaining maturity thereof:}]

14 “[Four (4) years to less than five (5) years — 5%;]

15 “[Three (3) years to less than four (4) years —
16 12%; and]

17 “[Less than three (3) years — 20%.]

18 “[~~(3)~~ Capital Gains. — Capital gains realized from sale,
19 barter or exchange of shares of stock in domestic corporations
20 not traded through the local stock exchange, and real
21 properties shall be subject to the tax prescribed under
22 Subsections (C) and (D) of Section 24.]

23 “(B) Nonresident Alien Individual Not Engaged in Trade
24 or Business Within the Philippines. — There shall be levied,
25 collected and paid for each taxable year upon the entire
26 income received from all sources within the Philippines by
27 every nonresident alien individual not engaged in trade or
28 business within the Philippines as [interest, cash and/or
29 property dividends,] rents, salaries, wages, premiums,
30 annuities, compensation, remuneration, emoluments, or
31 other fixed or determinable annual or periodic or casual gains,
32 profits, and income, [and capital gains] a **FINAL** tax equal to

1 twenty five percent (25%) of such income. Capital gains
2 realized by a nonresident alien individual not engaged in trade
3 or business in the Philippines from the sale of [~~shares of stock~~
4 ~~in any domestic corporation and~~] real property shall be
5 subject to the income tax prescribed under Subsection [~~s-(C)~~
6 ~~and-(D)~~] **(B)(7)** of Section 24.

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

12 "x x x."

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

15 "Sec. 27. Rates of Income tax on Domestic
16 Corporations. –

17 "(A) In General. – Except as otherwise provided in this
18 Code, an income tax rate of twenty-five percent (25%)
19 effective July 1, 2020, is hereby imposed upon the taxable
20 income derived during each taxable year from all sources
21 within and without the Philippines by every corporation, as
22 defined in Section 22(B) of this Code and taxable under this
23 Title as a corporation, organized in, or existing under the laws
24 of the Philippines.

25 "x x x

26 "(D) Rates of Tax on Certain Passive Incomes. –

27 "~~[(1) Interest from Deposits and Yield or any other~~
28 ~~Monetary Benefit from Deposit Substitutes and from Trust~~
29 ~~Funds and Similar arrangements, and Royalties.—A final tax~~
30 ~~at the rate of twenty percent (20%) is hereby imposed upon~~
31 ~~the amount of interest on currency bank deposit and yield or~~
32 ~~any other monetary benefit from deposit substitutes an from~~

1 trust funds and similar arrangements received by domestic
2 corporations, and royalties, derived from sources within the
3 Philippines: *Provided, however,* That interest income derived
4 by a domestic corporation from a depository bank under the
5 expanded foreign currency deposit system shall be subject to
6 a final income tax at the rate of fifteen percent (15%) of such
7 interest income.]

8 ~~“(2) Capital Gains from the Sale of Shares of Stock~~
9 ~~not Traded in the Stock Exchange.— A final tax at the rate of~~
10 ~~fifteen percent (15%) shall be imposed on net capital gains~~
11 ~~realized during the taxable year from the sale, exchange or~~
12 ~~other disposition of shares of stock in a domestic corporation~~
13 ~~except shares sold or disposed of through the stock~~
14 ~~exchange.]~~

15 ~~“(3) Tax on Income Derived under the Expanded~~
16 ~~Foreign Currency Deposit System.— Income derived by a~~
17 ~~depository bank under the expanded foreign currency deposit~~
18 ~~system from foreign currency transactions with nonresidents,~~
19 ~~offshore banking units in the Philippines local commercial~~
20 ~~banks including branches of foreign banks that may be~~
21 ~~authorized by the *Bangko Sentral ng Pilipinas* (BSP) to~~
22 ~~transact business with foreign currency deposit system shall~~
23 ~~be exempt from all taxes, except net income from such~~
24 ~~transaction as may be specified by the Secretary of Finance,~~
25 ~~upon recommendation by the Monetary Board to be subject~~
26 ~~to the regular income tax payable by banks: *Provided,*~~
27 ~~*however,* That interest income from foreign currency loans~~
28 ~~granted by such depository banks under said expanded~~
29 ~~system to residents other than offshore banking units in the~~
30 ~~Philippines or other depository banks under the expanded~~
31 ~~system, shall be subject to a final tax at the rate of ten percent~~
32 ~~(10%).]~~

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

4 ~~[(4) Intercorporate Dividends.— Dividends received by a~~
5 ~~domestic corporation from another domestic corporation shall~~
6 ~~not be subject to tax.]~~

7 **“(1) INTERESTS. – A FINAL TAX AT THE RATE OF**
8 **FIFTEEN PERCENT (15%) IS HEREBY IMPOSED UPON**
9 **THE AMOUNT OF INTEREST, YIELD, OR OTHER**
10 **MONETARY BENEFIT EARNED OR RECEIVED FROM A**
11 **BANK DEPOSIT, DEPOSIT SUBSTITUTE, TRUST FUND,**
12 **AND SIMILAR ARRANGEMENTS.**

13 **“(2) CASH AND/OR PROPERTY DIVIDENDS. –**
14 **INTERCORPORATE DIVIDENDS OR DIVIDENDS**
15 **RECEIVED FROM A DOMESTIC CORPORATION SHALL**
16 **NOT BE SUBJECT TO TAX IMPOSED UNDER THIS**
17 **SUBSECTION: *PROVIDED*, THAT NINETY-FIVE**
18 **PERCENT (95%) OF DIVIDENDS RECEIVED BY A**
19 **DOMESTIC CORPORATION FROM SUBSIDIARY**
20 **COMPANIES LOCATED OUTSIDE THE PHILIPPINES**
21 **SHALL NOT BE SUBJECT TO TAX: *PROVIDED*,**
22 ***FURTHER*, THAT THE DOMESTIC CORPORATION**
23 **HOLDS DIRECTLY OR INDIRECTLY AT LEAST TWENTY**
24 **PERCENT (20%) SHAREHOLDINGS OF THE**
25 **SUBSIDIARY COMPANY AND HAS HELD THE**
26 **SHAREHOLDINGS FOR A MINIMUM OF TWO (2)**
27 **YEARS AT THE TIME OF THE DIVIDENDS**
28 **DISTRIBUTION: *PROVIDED, FURTHERMORE*, THAT**
29 **THE SUBSIDIARY OPERATING COMPANY IS SUBJECT**
30 **TO AT LEAST TEN PERCENT (10%) INCOME TAX AND**
31 **TO WITHHOLDING TAX ON THE DIVIDENDS**
32 **DISTRIBUTED TO THE DOMESTIC CORPORATION,**

1 UNLESS OTHERWISE EXEMPT UNDER ITS LOCAL
2 LAWS: *PROVIDED, FINALLY*, THAT THE LIMITATIONS
3 UNDER SECTION 34(C) SHALL NOT BE OBSERVED IN
4 CONNECTION WITH ANY TAXES PAID OR ACCRUED IN
5 ANY FOREIGN COUNTRY IN RESPECT TO SUCH
6 DIVIDEND.

7 "LIQUIDATING DIVIDENDS SHALL BE SUBJECT
8 TO SECTION 27(A) AND BASED ON NET GAIN.

9 "(3) CAPITAL GAINS FROM THE SALE,
10 EXCHANGE, BARTER OR DISPOSITION OF SHARES OF
11 STOCK NOT TRADED IN THE STOCK EXCHANGE OR AN
12 ORGANIZED MARKETPLACE. – A FINAL TAX AT THE
13 RATE OF FIFTEEN PERCENT (15%) IS HEREBY
14 IMPOSED UPON THE NET CAPITAL GAINS REALIZED
15 DURING THE TAXABLE YEAR FROM THE SALE,
16 BARTER, EXCHANGE, OR OTHER MDOES OF
17 DISPOSITION OF SHARES OF STOCK IN A DOMESTIC
18 CORPORATION, EXCEPT SHARES SOLD, OR DISPOSED
19 OF THORUGH A LOCAL STOCK EXCHANGE OR AN
20 ORGANIZED MARKETPLACE.

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

1 **"JANUARY 1, 2021: FIVE-TENTH OF ONE**
2 **PERCENT (5/10 OF 1%)**

3 **"JANUARY 1, 2022: FOUR-TENTH OF ONE**
4 **PERCENT (4/10 OF 1%)**

5 **"JANUARY 1, 2023: THREE-TENTH OF ONE**
6 **PERCENT (3/10 OF 1%)**

7 **"JANUARY 1, 2024: TWO-TENTH OF ONE**
8 **PERCENT (2/10 OF 1%)**

9 **"JANUARY 1, 2025: ONE-TENTH OF ONE**
10 **PERCENT (1/10 OF 1%)**

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

22 **"ANY GAIN EARNED FROM SHARES OF STOCK**
23 **IN A DOMESTIC CORPORATION TRADED IN A**
24 **FOREIGN EXCHANGE, SHALL BE TAXED UNDER**
25 **SECTION 27(A) HEREOF.**

26 **"ANY GAIN REALIZED FROM THE SALE,**
27 **EXCHANGE, BARTER OR DISPOSITION OF SHARES OF**
28 **STOCK, LISTED OR UNLISTED, BY A DEALER IN**
29 **SECURITIES LICENSED BY THE APPROPRIATE**
30 **GOVERNMENT REGULATORY AGENCIES TO BUY AND**
31 **SELL IN SECURITIES, FOR THIS OWN ACCOUNT IN**
32 **THE ORDINARY COURSE OF BUSINESS, SHALL NOT BE**

1 **SUBJECT TO TAX UNDER THIS SUBSECTION BUT TO**
2 **SECTION 27(A) AS AN ORDINARY INCOME.**

3 **“(5) CAPITAL GAINS FROM SALE, EXCHANGE,**
4 **TRANSFER, BARTER, DISPOSITION OF NON-LISTED**
5 **AND NON-TRADED DEBT INSTRUMENTS AND OTHER**
6 **SECURITIES NOT INCLUDED IN SECTION 27(D)(3)**
7 **AND (4). – A FINAL TAX AT THE RATE OF FIFTEEN**
8 **PERCENT (15%) SHALL BE IMPOSED ON NET CAPITAL**
9 **GAINS EARNED FROM DEBT INSTRUMENT AND**
10 **OTHER SECURITIES NOT INCLUDED IN SECTION**
11 **27(D)(3) AND (4), ISSUED BY A CITIZEN OR**
12 **RESIDENT ALIEN, OR BY A DOMESTIC CORPORATION,**
13 **OR A RESIDENT FOREIGN CORPORATION, OR BY THE**
14 **GOVERNMENT OR ANY OF ITS AGENCIES OR**
15 **INSTRUMENTALITIES.**

16 **“(6) PRESUMPTIVE CAPITAL GAINS ON LISTED**
17 **AND TRADED DEBT INSTRUMENTS AND OTHER**
18 **SECURITIES NOT INCLUDED IN SECTION 27(D)(3)**
19 **AND (4) – A FINAL TAX AT THE RATE OF ONE-TENTH**
20 **OF ONE PERCENT (1/10 OF 1%) OF THE GROSS**
21 **SELLING PRICE OR GROSS VALUE IN MONEY OF THE**
22 **DEBT INSTRUMENT OR SECURITIES SOLD,**
23 **BARTERED, EXCHANGED, OR OTHERWISE DISPOSED**
24 **SHALL BE LEVIED, ASSESSED, AND COLLECTED ON**
25 **EVERY SALE, BARTER, EXCHANGE, OR OTHER**
26 **DISPOSITION OF DEBT INSTRUMENTS AND OTHER**
27 **SECURITIES, LISTED AND TRADED THROUGH A LOCAL**
28 **EXCHANGE OR AN ORGANIZED MARKETPLACE, AND**
29 **SHALL BE PAID BY THE SELLER OR TRANSFEROR:**
30 ***PROVIDED*, THAT EFFECTIVE JANUARY 1, 2026 EVERY**
31 **SALE, BARTER, EXCHANGE, OR OTHER DISPOSITION**
32 **OF DEBT INSTRUMENTS AND OTHER SECURITIES,**

1 LISTED AND TRADED THROUGH A LOCAL STOCK
2 EXCHANGE OR A LICENSED ORGANIZED
3 MARKETPLACE SHALL NOT BE SUBJECT TO TAX
4 UNDER SECTION 27 OF THIS CODE, IF TRADED IN A
5 FOREIGN EXCHANGE, THE GAIN SHALL BE SUBJECT
6 TO TAX UNDER SECTION 27(A) HEREOF.

7 "ANY GAIN REALIZED FROM THE SALE,
8 EXCHANGE, BARTER OR DISPOSITION OF DEBT
9 INSTRUMENTS AND OTHER SECURITIES, LISTED OR
10 UNLISTED, BY A DEALER IN SECURITIES OR OTHER
11 ENTITIES LICENSED BY THE APPROPRIATE
12 GOVERNMENT REGULATORY AGENCIES TO BUY AND
13 SELL IN DEBT INSTRUMENTS AND OTHER
14 SECURITIES, FOR THE DEALER'S OWN ACCOUNT IN
15 THE ORDINARY COURSE OF BUSINESS, SHALL NOT BE
16 SUBJECT TO TAX UNDER THIS SUBSECTION BUT TO
17 SECTION 27(A) AS AN ORDINARY INCOME.

18 "[~~(5)~~] (7) Capital Gains Realized from the Sale,
19 Exchange or Disposition of Lands and/or Buildings. – A final
20 tax of six percent (6%) is hereby imposed on the gain
21 presumed to have been realized on the sale, exchange or
22 disposition of lands and/or buildings which are not actually
23 used in the business of a corporation and are treated as
24 capital assets, based on the gross selling price or fair market
25 value as determined in accordance with Section 6(E) of this
26 Code, whichever is higher, of such lands and/or buildings.

27 "(E) ROYALTIES – A FINAL TAX AT THE RATE OF
28 TWENTY PERCENT (20%) IS HEREBY IMPOSED ON
29 ROYALTIES EARNED AS PASSIVE INCOME.

30 "[~~(E)~~] (F) Minimum Corporate Income Tax on
31 Domestic Corporations. –

32 "(1) Imposition of Tax. – x x x

- 1 “(2) Carry Forward of Excess Minimum Tax. – x x x
 2 “(3) Relief from the Minimum Corporate Income Tax
 3 Under Certain Conditions. – x x x
 4 “(4) Gross Income Defined. – x x x
 5 “x x x

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

18 Sec. 7. Section 28 (A) and (B) of the National Internal Revenue Code of 1997,
 19 as amended, is hereby amended to read as follows:

20 “Sec. 28. Rates of Income Tax on Foreign Corporations.

21 –

22 “(A) Tax on Resident Foreign Corporations. –

23 “(1) In General. – Except as otherwise provided in this
 24 Code, a corporation organized, authorized, or existing under
 25 the laws of any foreign country, engaged in trade or business
 26 within the Philippines, shall be subject to ~~[an]~~ income tax
 27 **UNDER SECTION 27 OF THIS CODE** ~~[equivalent to~~
 28 ~~twenty five percent (25%) of the]~~ **ON** taxable income derived
 29 in the preceding taxable year from all sources within the
 30 Philippines ~~[effective July 1, 2020].~~

31 “(2) Minimum Corporate Income Tax on Resident
 32 Foreign Corporations. – A minimum corporate income tax of

1 two percent (2%) of gross income, as prescribed under
2 Section 27(EF) of this Code, shall be imposed, under the same
3 conditions, on a resident foreign corporation taxable under
4 paragraph (1) of this Subsection: *Provided*, That effective July
5 1, 2020 until June 30, 2023, the rate shall be one percent
6 (1%).

7 “(3) International Carrier. – x x x

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

25 “(5) Regional or Area Headquarters and Regional
26 Operating Headquarters of Multinational Companies. – x x x

27 ~~“(6) Tax on Certain Incomes Received by a Resident~~
28 ~~Foreign Corporation.]~~

29 ~~“(a) Interest from Deposits and Yield or any other~~
30 ~~Monetary Benefit from Deposit Substitutes, Trust Funds and~~
31 ~~Similar Arrangements and Royalties. — Interest from any~~
32 ~~currency bank deposit and yield or any other monetary benefit~~

1 from deposit substitutes and from trust funds and similar
2 arrangements and royalties derived from sources within the
3 Philippines shall be subject to a final income tax at the rate of
4 twenty percent (20%) of such interest: *Provided, however,*
5 That interest income derived by a resident foreign corporation
6 from a depository bank under the expanded foreign currency
7 deposit system shall be subject to a final income tax at the
8 rate of fifteen percent (15%) of such interest income.]

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

28 ~~“(Any income of nonresidents, whether individuals or~~
29 ~~corporations, from transactions with depository banks under~~
30 ~~the expanded system shall be exempt from income tax.)]~~

31 ~~“(c) Capital Gains from Sale of Shares of Stock Not~~
32 ~~Traded in the Stock Exchange.— A final tax at the rates~~

1 prescribed below is hereby imposed upon the net capital gains
2 realized during the taxable year from the sale, barter,
3 exchange or other disposition of shares of stock in a domestic
4 corporation except shares sold or disposed of through the
5 stock exchange.]

6 ~~"[(d) Intercorporate Dividends.— Dividends received~~
7 ~~by a resident foreign corporation from a domestic corporation~~
8 ~~liable to tax under this Code shall not be subject to tax under~~
9 ~~this Title.]~~

10 "(B) Tax on Nonresident Foreign Corporation –

11 "(1) In General. – Except as otherwise provided in this
12 Code, a foreign corporation not engaged in trade or business
13 in the Philippines, effective January 1, 2021, shall pay a tax
14 equal to twenty-five percent (25%) of the gross income
15 received during each taxable year from all sources within the
16 Philippines, such as ~~[interests, dividends,]~~ rents, royalties,
17 salaries, premiums (except reinsurance premiums), annuities,
18 emoluments or other fixed or determinable annual, periodic
19 or casual gains, profits and income, and capital gains, except
20 capital gains subject to tax under subparagraph 5~~[(e)]~~.

21 "x x x

22 "(5) Tax on Certain Incomes Received by a Nonresident
23 Foreign Corporation. –

24 ~~"[(a) Interest on Foreign Loans.— A final withholding~~
25 ~~tax at the rate of twenty percent (20%) is hereby imposed on~~
26 ~~the amount of interest on foreign loans contracted on or after~~
27 ~~August 1, 1986;]~~

28 ~~"[(b) Intercorporate Dividends.— A final withholding~~
29 ~~tax at the rate of fifteen percent (15%) is hereby imposed on~~
30 ~~the amount of cash and/or property dividends received from~~
31 ~~a domestic corporation, which shall be collected and paid as~~
32 ~~provided in Section 57(A) of this Code, subject to the~~

1 condition that the country in which the nonresident foreign
2 corporation is domiciled, shall allow a credit against the tax
3 due from the nonresident foreign corporation taxes deemed
4 to have been paid in the Philippines equivalent to fifteen
5 percent (15%), which represents the difference between the
6 regular income tax and the fifteen percent (15%) tax on
7 dividends as provided in this subparagraph: *Provided, That*
8 *effective July 1, 2020, the credit against the tax due shall be*
9 *equivalent to the difference between the regular income tax*
10 *rate provided in Section 28(B)(1) of this Code and the fifteen*
11 *percent (15%) tax on dividends;]*

12 ~~“(c) Capital Gains from Sale of Shares of Stock not~~
13 ~~Traded in the Stock Exchange. — A final tax at the rate of~~
14 ~~fifteen percent (15%) is hereby imposed upon the net capital~~
15 ~~gains realized during the taxable year from the sale, barter,~~
16 ~~exchange or other disposition of shares of stock in a domestic~~
17 ~~corporation, except shares sold, or disposed of through the~~
18 ~~stock exchange.]”~~

19 Sec. 8. Section 32(B)(7)(g) and (h) of the National Internal Revenue Code of
20 1997, as amended, is hereby amended to read as follows:

21 “Sec. 32. Gross Income. — xxx

22 “(A) Exclusions from Gross Income. — The following
23 items shall not be included in gross income and shall be
24 exempt from taxation under this Title:

25 “x x x

26 “(7) Miscellaneous Items. —

27 “x x x

28 ~~“(g) Gains from the Sale of Bonds, Debentures or~~
29 ~~other Certificate of Indebtedness. — Gains realized from the~~
30 ~~same or exchange or retirement of bonds, debentures or~~
31 ~~other certificate of indebtedness with a maturity of more than~~
32 ~~five (5) years.]~~

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

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

20 “x x x.”

21 Sec. 9. Section 34(A), (B), (C), and (E) of the National Internal Revenue Code
22 of 1997, as amended, is hereby further amended to read as follows:

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

31 “(A) Expenses. –

1 “(1) Ordinary and Necessary Trade, Business or
2 Professional Expenses. –

3 “(a) In General. – There shall be allowed as deduction
4 from gross income all the ordinary and necessary expenses
5 paid or incurred during the taxable year in carrying on or
6 which are directly attributable to, the development,
7 management, operation and/or conduct of the trade, business
8 or exercise of a profession, including:

9 “x x x

10 “(b) Substantiation Requirements. – No deduction from
11 gross income shall be allowed under Subsection (A) hereof
12 unless the taxpayer shall substantiate with sufficient
13 evidence, such as official receipts or other adequate records:
14 (i) the amount of the expense being deducted, and (ii) the
15 direct connection or relation of the expense being deducted
16 to the development, management, operation and/or conduct
17 of the trade, business or profession of the taxpayer.

18 “(c) Bribes, Kickbacks and Other Similar Payments. –
19 No deduction from gross income shall be allowed under
20 Subsection (A) hereof for any payment made, directly or
21 indirectly, to an official or employee of the national
22 government, or to an official or employee of any local
23 government unit, or to an official or employee of a
24 government-owned or -controlled corporation, or to an official
25 or employee or representative of a foreign government, or to
26 a private corporation, general professional partnership, or a
27 similar entity, if the payment constitutes a bribe or kickback.

28 “x x x.

29 “(B) Interest. –

30 “(1) In General. – The amount of interest paid or
31 incurred within a taxable year on indebtedness in connection
32 with the taxpayer’s profession, trade or business shall be

1 allowed as deduction from gross income: *Provided, however,*
2 That the taxpayer's otherwise allowable deduction for interest
3 expense shall be reduced by twenty percent (20%) of the
4 interest income subjected to final tax: *Provided, finally,* That
5 if the interest income tax is adjusted in the future, the interest
6 expense reduction rate shall be adjusted accordingly based on
7 the prescribed standard formula as defined in the rules and
8 regulations to be promulgated by the Secretary of Finance,
9 upon the recommendation of the Commissioner of Internal
10 Revenue.

11 "(2) Exceptions. – No deduction shall be allowed in
12 respect of interest under the succeeding subparagraphs:

13 "(a) If within the taxable year an individual taxpayer
14 reporting income on the cash basis incurs an indebtedness on
15 which an interest is paid in advance through discount or
16 otherwise: *Provided,* That such interest shall be allowed as
17 deduction in the year the indebtedness is paid: *Provided,*
18 *further,* That if the indebtedness is payable in periodic
19 amortizations, the amount of interest which corresponds to
20 the amount of the principal amortized or paid during the year
21 shall be allowed as deduction in such taxable year; **OR**

22 "(b) If both the taxpayer and the person to whom the
23 payment has been made or is to be made are persons
24 specified under Section 36(B)~~[, or]~~.

25 "~~[(c) If the indebtedness is incurred to finance~~
26 ~~petroleum exploration.]~~

27 "(3) ~~[Optional]~~ Treatment of Interest Expense
28 **RELATED TO ACQUISITION OF ASSET.** – ~~[At the option~~
29 ~~of the taxpayer,]~~ interest **EXPENSE** incurred to acquire
30 properly used in trade, business or exercise of a profession
31 **THAT WILL BENEFIT THE BUSINESS LONGER THAN**
32 **ONE YEAR** ~~[may be allowed as a deduction or treated as a~~

1 capital—expenditure] **SHALL BE CAPITALIZED AND**
2 **THEREAFTER AMORTIZED OR DEPRECIATED AS PART**
3 **OF THE COST OF THE ASSET.**

4 "x x x.

5 "(D) Bad Debts. –

6 "(1) In General. – x x x.

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

26 "x x x."

27 Sec. 10. Section 37 (A) and (B) of the National Internal Revenue Code of 1997,
28 as amended, is hereby amended to read as follows:

29 "Sec. 37. *Special Provisions Regarding Income and*
30 *Deductions of Insurance Companies, Whether Domestic or*
31 *Foreign.* –

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

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

23 “x x x.”

24 Sec. 11. Section 38 (A) of the National Internal Revenue Code of 1997, as
25 amended, is hereby amended to read as follows:

26 “Sec. 38. *Losses from Wash Sales of Stock or*
27 *Securities.* –

28 “(A) In the case of any loss claimed to have been
29 sustained from any sale or other disposition of shares of stock
30 or securities where it appears that within a period beginning
31 thirty (30) days before the date of such sale or disposition and
32 ending thirty (30) days after such date, the taxpayer has

1 acquired (by purchase or by exchange upon which the entire
2 amount of gain or loss was recognized by law), or has entered
3 into a ~~[contract]~~ **CONTRACT** or option so **AS** to acquire,
4 substantially identical stock or securities, then no deduction
5 for the loss shall be allowed under Section 34 unless the claim
6 is made by a dealer in stock or securities **OR BY ANY**
7 **ENTITY OR FINANCIAL INTERMEDIARY DULY**
8 **LICENSED BY THE APPROPRIATE GOVERNMENT**
9 **REGULATORY AGENCIES TO BUY AND SELL IN**
10 **SECURITIES EITHER FOR THE ENTITY'S OWN**
11 **ACCOUNT OR FOR THE ACCOUNT OF OTHERS** and with
12 respect to a transaction made in the ordinary course of the
13 business of such dealer.

14 "x x x."

15 Sec. 12. Section 39 of the National Internal Revenue Code of 1997, as
16 amended, is hereby amended to read as follows:

17 "Sec. 39. *Capital Gains and Losses.* –

18 "(A) *Definitions.* – As used in this Title –

19 "x x x.

20 "~~[(B) Percentage Taken Into Account. – In the case of~~
21 ~~a taxpayer, other than a corporation, only the following~~
22 ~~percentages of the gain or loss recognized upon the sale or~~
23 ~~exchange of a capital asset shall be taken into account in~~
24 ~~computing net capital gain, net capital loss, and net income;]~~

25 "~~[(1) One hundred percent (100%) if the capital asset~~
26 ~~has been held for not more than twelve (12) months; and]~~

27 "~~[(2) Fifty percent (50%) if the capital asset has been~~
28 ~~held for more than twelve (12) months;]~~

29 "~~[(C)]~~ (B) *Limitation on Capital Losses.* – Losses from
30 sales or exchanges capital assets shall be allowed only to the
31 extent of the gains from such sales or exchanges. If a ~~[bank~~
32 ~~or trust company incorporated under the laws of the~~

1 Philippines, a substantial part of whose business is the receipt
2 of deposits,] **DEALER IN SECURITIES OR OTHER**
3 **ENTITIES OR FINANCIAL INTERMEDIARIES DULY**
4 **LICENSED BY THE APPROPRIATE GOVERNMENT**
5 **REGULATORY AGENCIES TO TRADE IN SECURITIES,**
6 sells any bond, debenture, note, or certificate or other
7 evidence of indebtedness issued by any corporation [(~~]~~
8 including one issued by a government or political subdivision
9 thereof [~~]~~], with interest coupons or in registered form, any
10 loss resulting from such sale shall not be subject to the
11 foregoing limitation and shall not be included in determining
12 the applicability of such limitation to other losses.

13 ~~"[(D) Net Capital Loss Carry-over. — If any taxpayer,~~
14 ~~other than a corporation, sustains in any taxable year a net~~
15 ~~capital loss, such loss (in an amount not in excess of the net~~
16 ~~income for such year) shall be treated in the succeeding~~
17 ~~taxable year as a loss from the sale or exchange of a capital~~
18 ~~asset held for not more than twelve (12) months.]~~

19 ~~"[(E)] (C) Retirement of Bonds, etc. — x x x~~

20 ~~"[(F) Gains or Losses from Short Sales, Etc. — For~~
21 ~~purposes of this Title —]~~

22 ~~"[(1) Gains or losses from short sales of property shall~~
23 ~~be considered as gains or losses from sales or exchanges of~~
24 ~~capital assets; and,]~~

25 ~~"[(2) Gains or losses attributable to the failure to~~
26 ~~exercise privileges or options to buy or sell property shall be~~
27 ~~considered as capital gains or losses.]"~~

28 Sec. 13. Section 42 (A) (1), (2) and (B) (2) of the National Internal Revenue
29 Code of 1997, as amended, is hereby amended to read as follows:

30 "Sec. 42. *Income from Sources Within the Philippines.*

31 —

1 “(A) *Gross Income from Sources Within the Philippines.*
2 - The following items of gross income shall be treated as
3 gross income from sources within the Philippines”

4 “(1) *Interests.* – Interests **AND YIELD** [~~derived from~~
5 ~~sources within the Philippines, and interest on~~] **FROM DEBT**
6 **INSTRUMENTS, BANK DEPOSITS, DEPOSIT**
7 **SUBSTITUTES, TRUST FUNDS, AND SIMILAR**
8 **ARRANGEMENTS SUCH AS** bonds, notes or other interest-
9 bearing obligation of residents, corporate or otherwise [~~;~~],
10 **INCLUDING DEBIT INSTRUMENTS OR DEBT**
11 **SECURITIES ISSUED BY THE GOVERNMENT OR ANY**
12 **OF ITS AGENCIES OR INSTRUMENTALITIES;**

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

14 “(a) From a domestic corporation; and,

15 “(b) From a foreign corporation, [~~unless less than~~]
16 **WITH AT LEAST** fifty percent (50%) of the gross income of
17 such foreign corporation for the three-year period ending with
18 the close of its taxable year preceding the declaration of such
19 dividends (or for such part of such period as the corporation
20 has been in existence) was derived from sources within the
21 Philippines as determined under the provisions of this Section;
22 but only in an amount which bears the same ratio to such
23 dividends as the gross income of the corporation for such
24 period derived from sources within the Philippines bears [~~to~~]
25 **ON** its gross income from all sources.

26 “x x x.

27 “(B) *Taxable Income from Sources Within the*
28 *Philippines.* –

29 “(1) *General Rule.* – x x x

30 “(2) *Exception.* – No deductions for interest paid or
31 incurred abroad shall be allowed from the item of gross
32 income specified in Subsection (A) unless indebtedness was

1 actually incurred to provide funds for use in connection with
2 the conduct or operation of trade or business in the
3 Philippines [-], **OR ON A TRADE OR BUSINESS OUTSIDE**
4 **THE PHILIPPINES: PROVIDED, THAT INCOME**
5 **GENERATED OR RECEIVED FROM THE USE OF SUCH**
6 **FUNDS IN CONNECTION WITH THE CONDUCT OR**
7 **OPERATION OF TRADE OR BUSINESS IN THE**
8 **PHILIPPINES IS A TAXABLE INCOME IN THE**
9 **PHILIPPINES."**

10 Sec. 14. Section 51(C)(2) of the National Internal Revenue Code of 1997, as
11 amended, is hereby amended to read as follows:

12 "Sec. 51. *Individual Return.* –

13 "(A) *Requirements.* – x x x

14 "(B) *Where to file.* – x x x

15 "(C) *When to file.* – x x x

16 "(1) x x x

17 "(2) Individuals subject to tax on capital gains:

18 "(a) From the sale or exchange of shares of stock **OR**
19 **DEBT INSTRUMENTS AND OTHER SECURITIES** not
20 traded [~~thru~~] **THROUGH** a local [~~stock~~] exchange **OR AN**
21 **ORGANIZED MARKETPLACE** as prescribed under Sections
22 24 [(€)] **(B)(3) AND (5), AND 25(A) AND (B)** [~~shall file~~]
23 a return **SHALL BE FILED** within thirty (30) days after each
24 transaction and a final consolidated return on or before April
25 15 of each year covering all stock transactions of the
26 preceding taxable year; [~~and,~~]

27 **"(B) FROM THE SALE, EXCHANGE, OR BARTER**
28 **OF SHARES OF STOCK OR DEBT INSTRUMENTS AND**
29 **OTHER SECURITIES TRADED THROUGH A LOCALE**
30 **EXCHANGE OR AN ORGANIZED MARKETPLACE AS**
31 **PRESCRIBED UNDER SECTIONS 25(B)(4) AND (6),**
32 **AND 25(A) AND (B), THE TAX SHALL BE COLLECTED BY**

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

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

16 Sec. 15. Section 52 (A) and (D) of the National Internal Revenue Code of 1997,
17 as amended, is hereby amended to read as follows:

18 “Sec. 52. *Corporation Returns.* –

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

31 “(1) Corporate profile and information;

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

4 “(3) Allowable deductions under this Code;

5 “(4) Taxable income as defined in Section 31 of this
6 Code; and,

7 “(5) Income tax due and payable.

8 “*Provided*, That the foregoing provisions shall not
9 affect the implementation of Republic Act No. 10708 or
10 TIMTA.

11 “x x x

12 “(D) *Return on Capital Gains Realized from Sale of*
13 *Shares of Stock, **DEBT INSTRUMENTS, AND OTHER***
14 ***SECURITIES** not Traded in the Local [*Støek*] Exchange **OR***
15 ***AN ORGANIZED MARKETPLACE.** – Every corporation*
16 *deriving capital gains from the sale or exchange of share of*
17 *stock, **DEBT INSTRUMENTS AND OTHER SECURITIES***
18 *not traded [~~thru~~] **THROUGH** a local [*støek*] exchange **OR***
19 ***AN ORGANIZED MARKETPLACE** as prescribed under*
20 *[~~Sections 24(C), 25(A)(3), 27(E)(2), 28(A)(8)(c) and~~*
21 *~~28(B)(5)(c)] **SECTIONS 27(D)(3), AND (5), AND 28** shall~~*
22 *file a return within thirty (30) days after each transaction and*
23 *a final consolidated return of all transactions during the*
24 *taxable year on or before the fifteenth (15th) day of the fourth*
25 *(4th) month following the close of the taxable year.*

26 “(E) ***RETURN ON CAPITAL GAINS REALIZED***
27 ***FROM SALE OF SHARES OF STOCK, DEBT***
28 ***INSTRUMENTS, AND OTHER SECURITIES TRADED IN***
29 ***A LOCAL EXCHANGE OR AN ORGANIZED***
30 ***MARKETPLACE.** – IT SHALL BE THE DUTY OF EVERY*
31 ***BROKER WHO EFFECTED A SALE OF SHARES OF***
32 ***STOCK, DEBT INSTRUMENTS AND OTHER SECURITIES***

1 **TRADED IN A LOCAL EXCHANGE OR AN ORGANIZED**
2 **MARKETPLACE, SUBJECT TO THE TAX IMPOSED**
3 **UNDER SECTION 27(D)(4) AND (6), AND 28, TO**
4 **COLLECT THE TAX DUE AND REMIT THE SAME TO THE**
5 **BUREAU OF INTERNAL REVENUE WITHIN FIVE (5)**
6 **BANKING DAYS FROM THE DATE OF COLLECTION**
7 **THEREOF, AND TO SUBMIT ON MONDAYS OF EACH**
8 **WEEK TO THE SECRETARY OF THE LOCAL EXCHANGE**
9 **OR ORGANIZED MARKETPLACE, OF WHICH THE**
10 **BORROWER IS A MEMBER, A TRUE AND COMPLETE**
11 **RETURN WHICH SHALL CONTAIN A DECLARATION OF**
12 **ALL THE TRANSACTIONS EFFECTED DURING THE**
13 **PRECEDING WEEK, AND TAXES COLLECTED AND**
14 **TURNED OVER TO THE BUREAU OF INTERNAL**
15 **REVENUE.”**

16 Sec. 16. Section 54 of the National Internal Revenue Code of 1997, as
17 amended, is hereby amended to read as follows:

18 “Sec. 54. *Returns of Receivers, Trustees, [in*
19 *Bankruptcy] or Assignees.* – ~~[In cases wherein] [f]~~**RECEIVERS,**
20 **ADMINISTRATORS,** trustees in **AN IRREVOCABLE**
21 **TRUST OR** bankruptcy, or ~~[assignees are]~~ **ANY OTHER**
22 **PERSON ASSIGNED OR IN CHARGE OF** operating the
23 property or business of [a] **ANOTHER PERSON OR**
24 corporation, subject to the tax **UNDER THIS CODE**
25 ~~[imposed by this Title, such receivers, trustees or assignees]~~
26 shall **BE IMPOSED WITH THE OBLIGATION TO FILE THE**
27 ~~[make]~~ returns **AND PAY THE TAXES FOR SUCH PERSON**
28 **OR CORPORATION IN THE SAME MANNER REQUIRED**
29 **UNDER THIS CODE.** ~~[of net income as and for such~~
30 ~~corporation, in the same manner and form as such~~
31 ~~organization is hereinbefore required to make returns, and]~~
32 any tax due on the income as returned by receivers,

1 **ADMINISTRATORS**, trustees or assignees shall be assessed
2 and collected in the same manner as if assessed directly
3 against the [organizations] **PERSON, ESTATE OR**
4 **ORGANIZATION** [of] whose businesses or properties they
5 have custody **OF** or control **OVER**.

6 **"THE TRUSTOR IN A REVOCABLE TRUST, NOT**
7 **THE TRUSTEE, SHALL BE RESPONSIBLE IN FILING THE**
8 **RETURNS REQUIRED UNDER THIS CODE AND IN**
9 **DECLARING THE INCOME RECEIVED FROM THE TRUST**
10 **IN ACCORDANCE WITH SECTION 24, 25, 27 AND 28**
11 **OF THIS CODE. INCOME OF THE TRUST SUBJECTED**
12 **TO FINAL TAX UNDER SECTION 24, 25, 27, 28 SHALL**
13 **NO LONGER BE SUBJECT TO TAX UPON**
14 **DISTRIBUTION OF THE INCOME TO THE TRUSTOR OR**
15 **BENEFICIARY, NOR SHALL THE TRUSTOR OR**
16 **BENEFICIARY BE REQUIRED TO DECLARE THE**
17 **INCOME AS PART OF ITS TAXABLE INCOME.**

18 **"ANY INCOME OF A REVOCABLE TRUST NOT**
19 **SUBJECTED TO FINAL TAX SHALL BE SUBJECT TO**
20 **CREDITABLE WITHHOLDING TAX UPON**
21 **DISTRIBUTION OF THE INCOME TO THE TRUSTOR OR**
22 **THE BENEFICIARY AT A RATE NOT EXCEEDING THE**
23 **HIGHEST RATE OF TAX IMPOSED ON INDIVIDUALS**
24 **UNDER SECTION 24 IN THE CASE OF INDIVIDUAL**
25 **TRUSTORS, OR THE CORPORATE INCOME TAX UNDER**
26 **SECTION 27 IN THE CASE OF CORPORATE**
27 **TRUSTORS."**

28 Sec. 17. Section 56 of the National Internal Revenue Code of 1997, as
29 amended, is hereby amended to read as follows:

30 *"Sec. 56. Payment and Assessment of Income Tax for*
31 *Individuals and Corporations. –*

32 *"(A) Payment of Tax. –*

1 "x x x.

2 "(3) *Payment of Capital Gains Tax.* –

3 "IN GENERAL - The total amount of tax imposed and
4 prescribed under SectionS 24 [(E)] (B)(3), (24) [(D)]
5 (B)(5), 24 (B)(7), 25, 27 [(E)(2)] (D)(3), 27(D)(5), 27
6 (D)(7), 28(A) [(8)(e)] and 28(B)(5) [(e)] shall be paid on the
7 date the return prescribed therefor is filed by the person liable
8 thereto: *Provided*, That if the seller submits proof of [his]
9 THE intention to avail [himself] of the benefit of exemption
10 of capital gains under existing special laws OR TAX TREATY,
11 no such payments shall be required: *Provided, further*, That
12 in case of failure to qualify for exemption under such special
13 laws, TAX TREATY and implementing rules and regulations,
14 the tax due on the gains realized from the original transaction
15 shall immediately become due and payable, and subject to
16 the penalties prescribed under applicable provisions of this
17 Code: *Provided, finally*, That if the seller, having paid the tax,
18 submits such proof of intent within six (6) months from the
19 registration of the document transferring the real property,
20 [he] THE SELLER shall be entitled to a refund of such tax
21 upon verification of [his] compliance with the requirements
22 for such exemption.

23 "x x x."

24 Sec. 18. Section 57 of the National Internal Revenue Code of 1997, as
25 amended, is hereby amended to read as follows:

26 "Sec. 57. *Withholding of Tax at Source.* –

27 "(A) *Withholding of Final Tax on Certain Incomes.* –

28 Subject to rules and regulations, the Secretary of Finance may
29 promulgate, upon the recommendation of the Commissioner,
30 requiring the filing of income tax return by certain income
31 payees, the tax imposed or prescribed [by] UNDER Sections
32 [24(B)(1), 24(B)(2), 24(C), 24(D)(1); 25(A)(2), 25(A)(3),

1 ~~25(B), 25(C), 25(D), 25(E); 27(D)(1), 27(D)(2), 27(D)(3),~~
2 ~~27(D)(5); 28(A)(4), 28(A)(5), 28(A)(7)(a), 28(A)(7)(b),~~
3 ~~28(A)(7)(c), 28(B)(1), 28(B)(2), 28(B)(3), 28(B)(4),~~
4 ~~28(B)(5)(a), 28(B)(5)(b), 28(B)(5)(c)] **24(B), 24(C), 25(A),**~~
5 ~~**25(B), 27(D), 27(E), 28(A), AND 28(B)(5);**~~ 33; and 282
6 of this Code on specified items of income **SUBJECT TO**
7 **FINAL TAX** shall be withheld by payor-corporation and/or
8 person and paid in the same manner and subject to the same
9 conditions as provided in Section 58 of this Code.

10 "(B) x x x

11 ~~"[(C) *Tax-free Covenant Bonds.*—In any case where~~
12 ~~bonds, mortgages, deeds of trust or other similar obligations~~
13 ~~of domestic or resident foreign corporations, contain a~~
14 ~~contract or provision by which the obligor agrees to pay any~~
15 ~~portion of the tax imposed in this Title upon the obligee or to~~
16 ~~reimburse the obligee for any portion of the tax or to pay the~~
17 ~~interest without deduction for any tax which the obligor may~~
18 ~~be required or permitted to pay thereon or to retain therefrom~~
19 ~~under any law of the Philippines, or any state or country, the~~
20 ~~obligor shall deduct and withhold a tax equal to thirty percent~~
21 ~~(30%) of the interest or other payments upon those bonds,~~
22 ~~mortgages, deeds of trust or other obligations, whether the~~
23 ~~interest or other payments are payable annually or at shorter~~
24 ~~or longer periods, and whether the bonds, securities or~~
25 ~~obligations had been or will be issued or marketed, and the~~
26 ~~interest or other payment thereon paid, within or without the~~
27 ~~Philippines, if the interest or other payment is payable to a~~
28 ~~nonresident alien or to a citizen or resident of the~~
29 ~~Philippines.]"~~

30 Sec. 19. Section 73 (A) of the National Internal Revenue Code of 1997, as
31 amended, is hereby amended to read as follows:

1 "Sec. 73. *Distribution of Dividends or Assets by*
2 *Corporations.* –

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

8 "Where a corporation distributes all of its assets in
9 complete liquidation or dissolution, the gain realized or loss
10 sustained by the stockholder, whether individual or corporate,
11 is a taxable income or a deductible loss, **UNDER SECTIONS**
12 **24(A), 25(B), 27(A) AND 28(B)**, as the case may be.

13 "(B) *Stock Dividend.* - x x x."

14 Sec. 20. Section 108 of the National Internal Revenue Code of 1997,
15 as amended, is hereby amended to read as follows:

16 "Sec. 108. *Value-added Tax on Sale of Service and*
17 *Use or Lease of Properties.* –

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

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

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

17 "x x x."

18 Sec. 21. Section 121 of the National Internal Revenue Code of 1997, as
19 amended, is hereby amended to read as follows:

20 "Sec. 121. *Tax on Banks and Non-Bank Financial*
21 *Intermediaries Performing Quasi-Banking Functions.* – There
22 shall be collected a tax on gross receipts derived from sources
23 within the Philippines by all banks and non-bank financial
24 intermediaries [~~in~~] **PERFORMING QUASI-BANKING**
25 **FUNCTIONS AT THE RATE OF FIVE PERCENT (5%) ON**
26 **INCOME SUCH AS INTEREST, COMMISSIONS, AND**
27 **DISCOUNTS FROM LENDING ACTIVITIES AS WELL AS**
28 **INCOME FROM FINANCIAL LEASING, ROYALTIES,**
29 **RENTALS OF PROPERTY, REAL OR PERSONAL,**
30 **PROFITS FROM SALE OR EXCHANGE INCLUDING**
31 **GAINS DERIVED FROM SALE OR TRANSFER OF REAL**
32 **PROPERTIES, NET TRADING GAINS WITHIN THE**

1 **TAXABLE YEARS OF FOREIGN CURRENCY, DEBT**
2 **SECURITIES, DERIVATIVES, AND OTHER SIMILAR**
3 **FINANCIAL INSTRUMENTS, AND ALL OTHER ITEMS**
4 **TREATED AS GROSS INCOME UNDER SECTION 32 OF**
5 **THIS CODE, EXCEPT DIVIDENDS AND EQUITY SHARES**
6 **AND NET INCOME OF SUBSIDIARIES WHICH SHALL**
7 **BE SUBJECT TO ZERO PERCENT (0%)** [~~in accordance~~
8 ~~with the following schedule~~]:

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

13 ~~"[Maturity period is five years or less —~~
14 ~~..... 5%]~~

15 ~~"[Maturity period is more than five years —~~
16 ~~..... 1%]~~

17 ~~"[(b) On dividends and equity shares and net income~~
18 ~~of subsidiaries —.....~~
19 ~~0%]~~

20 ~~"[(c) On royalties, rentals of property, real or personal,~~
21 ~~profits, from exchange and all other items treated as gross~~
22 ~~income under Section 32 of this Code —~~
23 ~~.....7%]~~

24 ~~"[(d) On net trading gains within the taxable year of~~
25 ~~foreign currency, debt securities, derivatives, and other~~
26 ~~similar — financial — instruments—~~
27 ~~.....7%]~~

28 ~~"[Provided, however, That in case the maturity period~~
29 ~~referred to in paragraph (a) is shortened thru pre-termination,~~
30 ~~then the maturity period shall be reckoned to end as of the~~
31 ~~date of pre-termination for purposes of classifying the~~

1 transaction and the correct rate of tax shall be applied
2 accordingly.]

3 "Provided, [*finally*,] That **FOR PURPOSES OF**
4 **COMPUTING THE GROSS RECEIPTS**, the generally
5 accepted accounting principles [~~as may be prescribed by the~~
6 ~~Bangko Sentral ng Pilipinas for the bank or non-bank financial~~
7 ~~intermediary performing quasi-banking functions shall~~
8 ~~likewise be the basis for the calculation of gross receipts.~~] **OF**
9 **RECORDING INCOME AS ADOPTED BY THE BANK**
10 **SHALL BE FOLLOWED: PROVIDED, THAT THE MERE**
11 **INCREASE OR DECREASE IN VALUE OF PROPERTY AS**
12 **A RESULT OF CHANGES IN MARKET VALUES SHALL**
13 **NOT BE CONSIDERED IN THE COMPUTATION OF**
14 **GROSS RECEIPTS: PROVIDED, FURTHER, THAT FOR**
15 **PURPOSES OF DETERMINING THE GROSS RECEIPTS,**
16 **NO DEDUCTION SHALL BE MADE ON THE INCOME**
17 **EXCEPT IN THE CASE OF GAINS FROM DEALING IN**
18 **PROPERTY AND TRADING, WHERE NET LOSS WITHIN**
19 **THE SAME BUSINESS ACTIVITY CAN BE OFFSET TO**
20 **DETERMINE THE NET GAIN SUBJECT TO THIS TAX:**
21 **PROVIDED, FURTHER, THAT SUCH OFFSETTING**
22 **SHALL BE ON A QUARTERLY BASIS, AND ANY NET**
23 **LOSS INCURRED IN A QUARTER CAN BE CARRIED**
24 **OVER AS DEDUCTION IN THE SUCCEEDING**
25 **QUARTERS: PROVIDED, FINALLY, THAT NET LOSS**
26 **INCURRED IN A TAXABLE YEAR CANNOT BE CARRIED**
27 **OVER TO THE SUCCEEDING TAXABLE YEAR.**

28 "x x x."

29 Sec. 22. Sec 122 of the National Internal Revenue Code of 1997, as amended,
30 is hereby amended to read as follows:

31 "Sec. 122. *Tax on Other Non-Bank Financial*
32 *Intermediaries.* – There shall be collected a tax of five percent

1 (5%) on the gross receipts derived by other non-bank
2 financial intermediaries doing business in the Philippines, from
3 interest, commissions, ~~[discounts]~~ **AND DISCOUNTS FROM**
4 **LENDING ACTIVITIES, AS WELL AS INCOME FROM**
5 **FINANCIAL LEASING, ROYALTIES, RENTALS OF**
6 **PROPERTY, REAL OR PERSONAL, PROFITS FROM SALE**
7 **OR EXCHANGE INCLUDING GAINS DERIVED FROM**
8 **SALE OR TRANSFER OF REAL PROPERTIES, NET**
9 **TRADING GAINS WITHIN THE TAXABLE YEAR OF**
10 **FOREIGN CURRENCY, DEBT SECURITIES,**
11 **DERIVATIVES, AND OTHER SIMILAR FINANCIAL**
12 **INSTRUMENTS, UNDERWRITING FEES, SERVICE**
13 **INCOME, AND ALL OTHER ITEMS TREATED AS GROSS**
14 **INCOME UNDER SECTION 32 OF THIS CODE, EXCEPT**
15 **DIVIDENDS AND EQUITY SHARES AND NET INCOME**
16 **OF SUBSIDIARIES WHICH SHALL BE SUBJECT TO**
17 **ZERO PERCENT (0%).** ~~[and all other items treated as gross~~
18 ~~income under this Code: *Provided,* That interests,~~
19 ~~commissions and discounts from lending activities, as well as~~
20 ~~income from financial leasing, shall be taxed on the basis of~~
21 ~~the remaining maturities of the instruments from which such~~
22 ~~receipts are derived, in accordance with the following~~
23 ~~schedule:]~~

24 "Maturity is five (5) years or less
25 5%]

26 "Maturity period is more than five (5) years
27 1%]

28 "[*Provided, however,* That in case the maturity period
29 is shortened thru pretermination, then the maturity period
30 shall be reckoned to end as of the date of pretermination for
31 purposes of classifying the transaction and the correct rate of
32 tax shall be applied accordingly.]

1 **"GROSS RECEIPTS SHALL BE COMPUTED IN THE**
2 **SAME MANNER PROVIDED UNDER SECTION 121.**

3 **"FINANCIAL INTERMEDIARIES SUBJECT TO TAX**
4 **UNDER THIS SECTION SHALL INCLUDE FINANCING**
5 **COMPANIES, FINANCE LEASING COMPANIES,**
6 **INVESTMENT HOUSES, PAWNSHOPS, FOREIGN**
7 **EXCHANGE DEALERS AND MONEY BROKERS, TRUST**
8 **ENTITIES, CREDIT CARD COMPANIES, LENDING**
9 **INVESTORS, SAVINGS AND LOAN ASSOCIATIONS,**
10 **AND OTHER FINANCIAL INTERMEDIARIES EXCEPT**
11 **BANKS AND NON-BANKS PERFORMING QUASI-**
12 **BANKING FUNCTIONS WHICH SHALL BE TAXED**
13 **UNDER SECTION 121 OF THIS CODE.**

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

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

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

14 "IN-HOUSE LENDING OR SELLER FINANCING
15 SHALL NOT BE SUBJECT TO TAX UNDER THIS
16 SUBSECTION. ANY INCOME EARNED OR RECEIVED
17 FROM IN-HOUSE LENDING OR SELLER FINANCING
18 SHALL BE SUBJECT TO THE SAME TAX APPLICABLE TO
19 THE PRINCIPAL BUSINESS ACTIVITY OR
20 TRANSACTION.

21 "HOLDING COMPANIES SHALL BE SUBJECT TO
22 EITHER VALUE ADDED TAX OR GROSS RECEIPTS TAX
23 DEPENDING ON THE NATURE OF THEIR BUSINESS
24 ACTIVITIES. IF UNDERTAKING FINANCING AND
25 OTHER SIMILAR ACTIVITIES, THEY SHALL BE
26 SUBJECT TO GROSS RECEIPTS TAX UNDER THIS
27 SECTION. INCOME DERIVED FROM THE SALE OF
28 GOODS, PROPERTIES AND OTHER SERVICES SHALL
29 BE SUBJECT TO VALUE ADDED TAX UNDER SECTION
30 105 OF THIS CODE.

31 "~~Provided, finally, That the generally accepted~~
32 ~~accounting principles as may be prescribed by the Securities~~

1 and Exchange Commission for other non-bank financial
2 intermediaries shall likewise be the basis for the calculation of
3 gross receipts.]

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

8 Sec. 23. Section 123 of the National Internal Revenue Code of 1997, as
9 amended, is hereby amended to read as follows:

10 "Sec. 123. *Tax on Life Insurance* **AND**
11 **REINSURANCE** Premiums. – There shall be collected from
12 every person, company or corporation, [(]except purely
13 cooperative companies or associations [)] doing life insurance
14 business of any sort in the Philippines, **A PREMIUM TAX AT**
15 **THE FOLLOWING RATES:**

16 **"(A) FOR LIFE INSURANCE INCLUDING HEALTH**
17 **INSURANCE AS A RIDER TO LIFE INSURANCE POLICY,**
18 a tax of two percent (2%) of the total premium collected,
19 whether such premiums are paid in money, notes, credits, or
20 any substitute for money; but premiums refunded within six
21 (6) months after payment on account of rejection of risk or
22 returned for other reason to a person insured shall not be
23 included in the taxable receipts; nor shall any tax be paid upon
24 reinsurance by a company **IF THE TAX [that]** has already
25 **BEEN** paid [the tax] **ON THE DIRECT PREMIUM;** nor upon
26 premiums collected or received by any branch of a domestic
27 corporation, firm or association doing business outside the
28 Philippines on account of any life insurance of the insured who
29 is a non-resident, if any tax on such premium is imposed by
30 the foreign country where the branch is established nor upon
31 premiums collected or received on account of any
32 reinsurance, if the insured, in case of personal insurance

1 resides outside the Philippines, if any tax on such premiums
2 is imposed by the foreign country where the original insurance
3 has been issued or perfected; nor upon that portion of the
4 premiums collected or received by the insurance companies
5 on variable contracts[.] **IN A CIS** in excess of the amounts
6 necessary to insure the lives of the variable contract
7 owners[.]: **PROVIDED, THAT THE CIS SHALL HAVE AT**
8 **LEAST TWO HUNDRED (200) OWNERS, INVESTORS**
9 **OR PARTICIPANTS, AND THAT ANY MINIMUM PUBLIC**
10 **OWNERSHIP, AS MAY BE REQUIRED BY**
11 **APPROPRIATE GOVERNMENT REGULATORY**
12 **AGENCIES SHALL BE COMPLIED WITH.**

13 **“(B) PERSONS DOING BUSINESS SIMILAR OR**
14 **AKIN TO LIFE AND HEALTH INSURANCE SUCH AS PRE-**
15 **NEED COMPANIES, PENSION FUND COMPANIES,**
16 **HEALTH MAINTENANCE ORGANIZATIONS AND OTHER**
17 **COMPANIES SIMILAR TO LIFE INSURANCE, AS MAY**
18 **BE DETERMINED BY THE APPROPRIATE**
19 **GOVERNMENT REGULATORY AGENCIES, SHALL BE**
20 **SUBJECT TO TAX UNDER THIS SUBSECTION AT THE**
21 **RATE OF TWO PERCENT (2%) OF THE GROSS**
22 **PREMIUM, PLAN PAYMENT, OR INSTALMENT**
23 **PAYMENTS COLLECTED WITHOUT ANY DEDUCTION**
24 **FOR THE AMOUNTS REQUIRED BY THE APPROPRIATE**
25 **GOVERNMENT REGULATORY AGENCIES TO BE**
26 **EARMARKED FOR THE BENEFIT OF THE INSURED, OR**
27 **PLANHOLDER.**

28 **“NOTHING IN THIS CODE SHALL PRECLUDE THE**
29 **COMMISSIONER FROM IMPOSING THE SAME TAX**
30 **HEREIN PROVIDED ON PERSONS PERFORMING**
31 **SIMILAR INSURANCE BUSINESS ACTIVITIES.**

1 **"LIFE REINSURANCE COMPANIES SHALL BE**
2 **SUBJECT TO PREMIUM TAX ON PREMIUMS**
3 **COLLECTED UNDER SUBSECTION (A) HEREOF.**
4 **HOWEVER, PREMIUMS COLLECTED ON**
5 **TRANSACTIONS WHERE THE TAX ON THE DIRECT**
6 **PREMIUM HAS ALREADY BEEN PAID BY THE DIRECT**
7 **INSURER SHALL BE EXCLUDED FROM THE GROSS**
8 **PREMIUM SUBJECT TO PREMIUM TAX.**

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

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

28 **"ANY INCOME, OTHER THAN RECEIPT OF**
29 **PREMIUM SUCH AS MANAGEMENT FEES, SERVICE**
30 **FEES, CHARGES, AND PENALTIES, COMMISSIONS,**
31 **INCOME FROM THE SALE OR TRANSFER OF GOODS,**
32 **PROPERTIES OR SERVICES, EARNED OR RECEIVED AS**

1 AN INCIDENT OF DOING THE BUSINESS OF LIFE,
2 NON-LIFE AND OTHER INSURANCE ACTIVITIES,
3 SHALL BE SUBJECT TO THE VALUE ADDED TAX UNDER
4 SECTION 105 OF THIS CODE: *PROVIDED*, THAT
5 INCOME RECEIVED FROM THE INVESTMENT AND
6 REINVESTMENT OF PREMIUMS EARNED SHALL NOT
7 BE SUBJECT TO VALUE ADDED TAX NOR TO THE
8 GROSS RECEIPTS TAX IMPOSED UNDER SECTIONS
9 121 AND 122 OF THIS CODE.

10 "A VARIABLE INSURANCE CONTRACT WHERE
11 AMOUNTS IN EXCESS OF INSURANCE COSTS ARE
12 COLLECTED AS PART OF THE PREMIUM AND WHERE
13 UNITS OF PARTICIPATION IN A POOLED FUND ARE
14 ISSUED TO THE INSURED REPRESENTING THEIR
15 RESPECTIVE SHARES IN THE POOLED FUND, IS A CIS.
16 THE AMOUNTS OF PREMIUM COLLECTED IN EXCESS
17 OF THE INSURANCE COST IS NOT SUBJECT TO
18 PREMIUM TAX UNDER THIS SECTION AND TO THE
19 GROSS RECEIPTS TAX IMPOSED UNDER SECTIONS
20 121 AND 122, OR TO ANY PERCENTAGE TAX IMPOSED
21 UNDER TITLE V AND TO VALUE ADDED TAX UNDER
22 SECTION 105, TITLE IV OF THIS CODE.

23 "Cooperative companies or associations are such as
24 are conducted by the members thereof with the money
25 collected from among themselves and solely for their own
26 protection and not for profit."

27 Sec. 24. Section 127 of the National Internal Revenue Code of 1997, as
28 amended is hereby repealed.

29 Sec. 25. Section 174 of the National Internal Revenue Code of 1997, as
30 amended, is hereby amended to read as follows:

31 "Sec. 174. *Stamp Tax on Original Issue of Shares of*
32 *Stock.* – On every original issue, whether on organization,

1 reorganization or for any lawful purpose, of shares of stock by
2 any association, company or corporation, **INCLUDING**
3 **SHARES OF STOCK OR UNITS OF PARTICIPATION IN**
4 **A COLLECTIVE INVESTMENT SCHEME**, there shall be
5 collected a documentary stamp tax of [~~Two pesos (P2.00) on~~
6 ~~each Two hundred pesos (P200), or fractional part thereof, of~~
7 ~~the par value.~~] **SEVENTY-FIVE PERCENT OF ONE**
8 **PERCENT (0.75%) OF THE PAR VALUE** of such shares of
9 stock: *Provided*, That in the case of the original issue of shares
10 of stock without par value, the amount of the documentary
11 stamp tax herein prescribed shall be based upon the actual
12 consideration for the issuance of such shares of stock:
13 *Provided, further*, That in the case of stock dividends, on the
14 actual value represented by each share[-] **PROVIDED,**
15 **FINALLY, THAT IN THE CASE OF COLLECTIVE**
16 **INVESTMENT SCHEMES WITHOUT PAR VALUE, THE**
17 **DOCUMENTARY STAMP TAX SHALL BE BASED ON THE**
18 **INITIAL NET ASSET VALUE PER UNIT."**

19 Sec. 26. Section 175 of the National Internal Revenue Code of 1997, as
20 amended, is hereby repealed.

21 Sec. 27. Section 176 of the National Internal Revenue Code of 1997, as
22 amended, is hereby amended to read as follows:

23 "Sec. 176. *Stamp Tax on Bonds, Debentures,*
24 *Certificate of Stock or Indebtedness Issued in Foreign*
25 *Countries.* - [~~On all~~] **A DOCUMENTARY STAMP TAX OF**
26 **SEVENTY-FIVE PERCENT OF ONE PERCENT (0.75%)**
27 **OF THE VALUE OF THE TRANSACTION SHALL BE**
28 **COLLECTED FROM A PERSON SELLING OR**
29 **TRANSFERRING** bonds, debentures, certificates of stock, or
30 certificates of indebtedness issued in any foreign country.[-]
31 ~~there shall be collected from the person selling or transferring~~
32 ~~the same in the Philippines, such tax as is required by law on~~

1 similar instruments when issued, sold or transferred in the
2 Philippines.]”

3 Sec. 28. Sections 177 and 178 of the National Internal Revenue Code of 1997,
4 as amended, are hereby repealed.

5 Sec. 29. Section 179 of the National Internal Revenue Code of 1997, as
6 amended, is hereby amended to read as follows:

7 “Sec. 179. *Stamp Tax on All Debt Instruments.* – On
8 every original issue of debt instruments, there shall be
9 collected a documentary stamp tax of [~~One peso and fifty~~
10 ~~centavos (P1.50) on each Two hundred pesos (P200), or~~
11 ~~fractional part thereof,]~~ **SEVENTY-FIVE PERCENT OF ONE**
12 **PERCENT (0.75%)** of the issue of any such debt
13 instruments: *Provided,* That for such debt instruments with
14 terms of less than one (1) year, the documentary stamp tax
15 to be collected shall be of a proportional amount in
16 accordance with the ratio of its term in number of days to
17 three hundred sixty-five (365) days: *Provided, further,* That
18 only one documentary stamp tax shall be imposed on either
19 loan agreement, or promissory notes issued to secure such
20 loan.

21 “For purposes of this section, the term debt instrument
22 shall mean instruments representing borrowing and lending
23 transactions including but not limited to debentures,
24 certificates of indebtedness, due bills, bonds, loan
25 agreements, including those signed abroad wherein the
26 object of contract is located or used in the Philippines,
27 instruments and securities issued by the government or any
28 of its instrumentalities, deposit substitute debt instruments,
29 certificates or other evidences of deposits that either drawing
30 interest significantly higher than the regular savings deposit
31 taking into consideration the size of the deposit and the risks
32 involved or drawing interest and having a specific maturity

1 date, [~~orders for payment of any sum of money otherwise~~
2 ~~than at sight or on demand,~~] promissory notes, whether
3 negotiable or non-negotiable, except bank notes issued for
4 circulation.”

5 Sec. 30. Section 180 of the National Internal Revenue Code of 1997, as
6 amended is hereby repealed.

7 Sec. 31. Sections 181, 182, 183, 184, 185, 186, and 187 of the National Internal
8 Revenue Code of 1997, as amended, are hereby amended to read as follows:

9 “Sec. 181. *Stamp Tax Upon Acceptance of Bills of*
10 *Exchange and Others.* – Upon any acceptance or payment of
11 any bill of exchange or order for the payment of money
12 purporting to be drawn in a foreign country but payable in the
13 Philippines, there shall be collected a documentary stamp tax
14 **OF THIRTY PERCENT OF ONE PERCENT (0.30%)** [~~Sixty~~
15 ~~centavos (P0.60) on each Two hundred pesos (P200), or~~
16 ~~fractional part thereof,~~] of the face value of any such bill of
17 exchange, or order, or the Philippine equivalent of such value,
18 if expressed in foreign currency.

19 “Sec. 182. *Stamp Tax on Foreign Bills of Exchange and*
20 *Letters of Credit.* – On all foreign bills of exchange and letter
21 of credit (including order, by telegraph or otherwise, for the
22 payment of money issued by express or steamship companies
23 or by any person or persons) drawn in but payable out of the
24 Philippines in a set of three (3) or more according to the
25 custom of merchants and bankers, there shall be collected a
26 documentary stamp tax **OF THIRTY PERCENT OF ONE**
27 **PERCENT (0.30%)** [~~Sixty centavos (P0.60) on each Two~~
28 ~~hundred pesos (P200) or fractional part thereof]~~ of the face
29 value of any such bill of exchange or letter of credit, or the
30 Philippine equivalent of such face value, if expressed in
31 foreign currency[-]; **PROVIDED, THAT A LETTER OF**
32 **CREDIT ON WHICH THE DOCUMENTARY STAMP TAX**

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

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

15 "If the amount of insurance does not exceed P100,000
16 – Exempt

17 "If the amount of insurance exceeds P100,000 but
18 does not exceed P300,000 – P20.00

19 "If the amount of insurance exceeds P300,000 but
20 does not exceed P500,000 – P50.00

21 "If the amount of insurance exceeds P500,000 but
22 does not exceed P750,000 – P100.00

23 "If the amount of insurance exceeds P750,000 but
24 does not exceed P1,000,000 – P150.00

25 "If the amount of insurance exceeds P1,000,000 –
26 P200.00

27 "Sec. 184. *Stamp Tax on Policies of Insurance Upon*
28 *Property.* – On all policies of insurance or other instruments
29 by whatever name the same may be called, by which
30 insurance shall be made or renewed upon property of any
31 description, including rents or profits, against peril by sea or
32 on inland waters, or by fire or lightning, there shall be

1 collected a documentary stamp tax [~~Fifty centavos (P0.50) on~~
2 ~~each Four pesos (P4.00), or fractional part thereof.~~] **TWELVE**
3 **AND ONE-HALF PERCENT (12.5%)** of the amount of
4 premium charged: *Provided, however,* That no documentary
5 stamp tax shall be collected on reinsurance contracts or on
6 any instrument by which cession or acceptance of insurance
7 risks under any reinsurance agreement is effected or
8 recorded, ***PROVIDED, FURTHER, THAT SUCH RATE***
9 ***SHALL BE REDUCED ACCORDING TO THE FOLLOWING***
10 ***SCHEDULE:***

11 **"JANUARY 1, 2021: ELEVEN AND ONE-HALF**
12 **PERCENT (11.5%),**

13 **"JANUARY 1, 2022: TEN AND ONE-HALF**
14 **PERCENT (10.5%),**

15 **"JANUARY 1, 2023: NINE AND ONE-HALF**
16 **PERCENT (9.5%),**

17 **"JANUARY 1, 2024: EIGHT AND ONE-HALF**
18 **PERCENT (8.5%),**

19 **"JANUARY 1, 2025: SEVEN AND ONE-HALF**
20 **PERCENT (7.5%).**

21 *"Sec. 185. Stamp Tax on Fidelity Bonds and Other*
22 *Insurance Policies. – On all policies of insurance or bonds or*
23 *obligations of the nature of indemnity for loss, damage or*
24 *liability made or renewed by any person, association,*
25 *company or corporation transacting the business of accident,*
26 *fidelity, employer's liability, plate glass, steam boiler, burglar,*
27 *elevator, automatic sprinkler, or other branch of insurance*
28 *(except life, marine, inland, and fire insurance), and all bonds,*
29 *undertakings, or recognizances, conditioned for the*
30 *performance of the duties of any officer or position, for the*
31 *doing or not doing of anything therein specified, and on all*
32 *obligations guaranteeing the validity or legality of any bond*

1 or other obligations issued by any province, city, municipality,
2 or other public body or organization, and on all obligations
3 guaranteeing the title to any real estate, or guaranteeing any
4 mercantile credits, which may be made or renewed by any
5 such person, company or corporation, there shall be collected
6 a documentary stamp tax of ~~[Fifty-centavos (P0.50) on each~~
7 ~~Four pesos (P4.00), or fractional part thereof,]~~ **TWELVE AND**
8 **ONE-HALF PERCENT (12.5%) OF THE PREMIUM**
9 **CHARGED[-]: PROVIDED, THAT SUCH RATE SHALL BE**
10 **REDUCED ACCORDING TO THE FOLLOWING**
11 **SCHEDULE:**

12 "JANUARY 1, 2021: ELEVEN AND ONE-HALF
13 PERCENT (11.5%),

14 "JANUARY 1, 2022: TEN AND ONE-HALF
15 PERCENT (10.5%),

16 "JANUARY 1, 2023: NINE AND ONE-HALF
17 PERCENT (9.5%),

18 "JANUARY 1, 2024: EIGHT AND ONE-HALF
19 PERCENT (8.5%),

20 "JANUARY 1, 2025: SEVEN AND ONE-HALF
21 PERCENT (7.5%).

22 "Sec. 186. *Stamp Tax on [Policies of Annuities, and]*
23 *Pre-Need Plans.* - ~~[On all policies of annuities, or other~~
24 ~~instruments by whatever name the same may be called,~~
25 ~~whereby an annuity may be made, transferred, or redeemed,~~
26 ~~there shall be collected a documentary stamp tax of One peso~~
27 ~~(P1.00) on each Two hundred pesos (P200), or fractional part~~
28 ~~thereof, of the premium or instalment payment on contract~~
29 ~~price collected.] On pre-need plans, [the documentary stamp~~
30 ~~tax shall be Forty centavos (P0.40) on each Two hundred~~
31 ~~pesos (P200), or fractional part thereof, of the premium or~~
32 ~~contribution collected.] **THERE SHALL BE COLLECTED A**~~

1 **DOCUMENTARY STAMP TAX OF TWENTY PERCENT OF**
2 **ONE PERCENT (0.20%) OF THE PREMIUM OR**
3 **INSTALLMENT PAYMENT ON CONTRACT PRICE, OR**
4 **CONTRIBUTION CHARGED.**

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

17 Sec. 32. Section 188 of the National Internal Revenue Code of 1997, as
18 amended, is hereby repealed.

19 Sec. 33. Sections 192 and 193 of the National Internal Revenue Code of 1997,
20 as amended, are hereby amended to read as follows:

21 Sec. 34. Sections 195, 198, and 199 of the National Internal Revenue Code of
22 1997, as amended, are hereby amended to read as follows:

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

1 be collected a documentary stamp tax [at the following
2 rates:]

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

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

8 **OF THIRTY PERCENT OF ONE PERCENT (0.30%) OF**
9 **THE AMOUNT SECURED.**

10 "x x x

11 "Sec. 198. *Stamp Tax on [Assignments and] Renewals*
12 *of Certain Instruments.* – Upon each and every [assignment
13 or transfer of any mortgage, lease or policy of insurance, or
14 the] renewal or continuance of any agreement, contract,
15 charter, or any evidence of obligation or indebtedness by **THE**
16 **EXTENSION OF THE TERM OR MATURITY BY [altering**
17 **or otherwise,] ALTERATION OF SUCH AGREEMENT,**
18 **CONTRACT OR CHARTER,** there shall be levied, collected,
19 and paid a documentary stamp tax, at the same rate as that
20 imposed on the original instrument.

21 "Sec. 199. *Documents and Papers Not Subject to*
22 *Stamp Tax.* – The provisions of Section 173 to the contrary
23 notwithstanding, the instruments, documents and papers
24 shall be exempt from the documentary stamp tax:

25 (a) "(a) Policies of insurance or annuities made or
26 granted by a fraternal or beneficiary society, order,
27 association or cooperative company, operated on the lodge
28 system or local cooperation plan and organized and
29 conducted solely by the members thereof for the exclusive
30 benefit of each member and not for profit.

31 "x x x

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

5 **“(O) REDEMPTION, SALE, BARTER, EXCHANGE,
6 OR OTHER MODES OF DISPOSITION OR EXCHANGE OF
7 SHARES OF STOCK OR UNITS OF PARTICIPATION IN
8 A COLLECTIVE INVESTMENT SCHEME OR OTHER CIS
9 SECURITIES LISTED AND TRADED IN A LOCAL
10 EXCHANGE OR AN ORGANIZED MARKETPLACE. THE
11 ORIGINAL ISSUANCE OF SHARES OR UNITS OF
12 PARTICIPATION IN A CIS SHALL NOT BE COVERED BY
13 THIS EXEMPTION.”**

14 Sec. 35. *Prospective Clause.* – The changes introduced under this Act shall
15 apply to transactions taking effect beginning January 1, 2020.

16 Sec. 36. *Implementing Rules and Regulations.* – The Department of Finance, in
17 consultation with the Securities and Exchange Commission, *Bangko Sentral ng*
18 *Pilipinas*, Insurance Commission, the Bureau of Treasury, and the Bureau of Internal
19 Revenue, shall issue the implementing rules and regulations for the effective
20 implementation of this Act.

21 Sec. 37. *Separability Clause.* – If, for any reason any article or provision of this
22 Act, or any portion thereof, or application of such article, provision, or portion thereof
23 to any person, group, or circumstance is declared invalid or unconstitutional, the
24 remainder of this Act shall not be affected by such decision or declaration.

25 Sec. 38. *Repealing Clause.* – The following laws or provisions of laws are hereby
26 repealed or modified accordingly and the persons and/or transactions affected herein
27 are hereby made subject to applicable taxes on interest income, dividends, and capital
28 gains, gross receipts tax, premium tax, and documentary stamp tax under the National
29 Internal Revenue Code of 1997, as amended:

30 (a) Section 9, insofar as the tax exemption on the issuance of bonds and
31 securities is concerned, of Presidential Decree 1648, known as

- 1 "Reorganizing the National Development Company and Establishing a
2 Revised Charter Therefor";
- 3 (b) Sections 6, 7, and 8, insofar as the tax exemptions on interest income,
4 capital gains, and documentary stamp tax and on the issuance of bonds are
5 concerned, of Executive Order 603, entitled "Creating a Light Rail Transit
6 Authority, Vesting the Same With Authority to Construct and Operate the
7 Light Rail Transit (LRT) Project and Providing Funds Therefor";
- 8 (c) Section 14, insofar as tax exemption on interest income, capital gains, and
9 documentary stamp tax is concerned, of Republic Act No. 7354, entitled "An
10 Act Creating the Philippine Postal Corporation, Defining Its Powers,
11 Functions and Responsibilities, Providing for Regulation of the Industry and
12 for Other Purposes Connected Therewith";
- 13 (d) Section 12, insofar as the tax exemptions on interest income, capital gains
14 and documentary stamp tax and on the issuance of bonds are concerned,
15 of Republic Act No. 4850, entitled "An Act Creating the Laguna Lake
16 Development Authority, Prescribing its Powers, Functions and Duties,
17 Providing Funds Therefor, and for Other Purposes";
- 18 (e) Number 8, insofar as tax exemption on interest income, capital gains, and
19 documentary stamp tax is concerned, of Presidential Decree 37, entitled
20 "Creating the Nayong Pilipino Foundation";
- 21 (f) Section 12, insofar as tax exemption on interest income, capital gains, and
22 documentary stamp tax is concerned, of Presidential Decree 205, entitled
23 "Creating and Establishing the Development Academy of the Philippines,
24 Defining its Powers, Functions, and Responsibilities, and for Other
25 Purposes";
- 26 (g) Article 202, insofar as tax exemption on interest income, capital gains,
27 documentary stamp tax, and premium tax is concerned, of Presidential
28 Decree 442 as amended, by Presidential Decree 626, entitled "Labor Code
29 of the Philippines";
- 30 (h) Sections 10 and 11, insofar as the tax exemptions on interest income, capital
31 gains, and documentary stamp tax of subsidiaries of Philippine Aerospace
32 Development Corporation and on the issuance of bonds are concerned, of

1 Presidential Decree 696, entitled "Revising Presidential Decree No. 286,
2 dated September 5, 1973, as amended, otherwise known as The Charter of
3 the Philippine Aerospace Development Corporation and for Other Purposes";
4 (i) Section 2(g), insofar as the tax exemption on interest income and on the
5 issuance of bonds are concerned, of Republic Act No. 85, as amended by
6 Republic Act No. 2081, entitled "An Act Creating the Rehabilitation Finance
7 Corporation";
8 (j) Sections 76, 77 and 98, insofar as tax exemption on interest income,
9 dividends, capital gains, and documentary stamp tax on bonds is concerned,
10 of Republic Act No. 3844 or The Agricultural Land Reform Code;
11 (k) Section 37, insofar as the tax exemption on interest income, capital gains,
12 gross receipts tax, and documentary stamp tax is concerned, of Republic
13 Act 6848 or The Charter of The Al-Amanah Islamic Investment Bank of the
14 Philippines;
15 (l) Sections 19, insofar as the tax exemptions on interest income and issuance
16 of bonds are concerned, of Republic Act No. 3591, as amended by Republic
17 Act No. 9576 or An Act Increasing the Maximum Deposit Insurance
18 Coverage, and in Connection Therewith, to Strengthen the Regulatory and
19 Administrative Authority, and Financial Capability of the Philippine Deposit
20 Insurance Corporation (PDIC), Amending for this Purpose Republic Act
21 Numbered Three Thousand Five Hundred Ninety-One, as amended,
22 otherwise known as The PDIC Charter, and for Other Purposes;
23 (m) Section 12, insofar as tax exemption on interest income, capital gains,
24 and documentary stamp tax and the issuance of bonds are concerned, of
25 Executive Order 1037, entitled "An Act Creating the Philippine Retirement
26 Park System, Providing Funds Therefor and for Other Purposes";
27 (n) Sections 5 and 19, insofar as the tax exemptions on the issuance of bonds,
28 interest income and documentary stamp tax are concerned, of Republic Act
29 No. 8763 or Home Guaranty Corporation Act of 2000;
30 (o) Sections 19 and 25, insofar as tax exemption on documentary stamp tax is
31 concerned, of Republic Act No. 7279 or The Urban Development and
32 Housing Act of 1992;

- 1 (p) Section 8(a), insofar as tax exemption on interest income, capital gains, and
2 documentary stamp tax of bonds is concerned, as provided under Section 1
3 of Republic Act No. 6395 or An Act Revising the Charter of the National
4 Power Corporation;
- 5 (q) Sections 9 and 15, insofar as the tax exemptions on the issuance of bonds,
6 interest income, capital gains, and documentary stamp tax are concerned,
7 of PD 334, entitled "Creating the Philippine National Oil Company, Defining
8 its Powers and Functions, Providing Funds Therefor, and for Other
9 Purposes";
- 10 (r) Section 16, insofar as tax exemption on interest income, capital gains, and
11 documentary stamp tax is concerned, of Presidential Decree 1467, entitled
12 "An Act Creating the Philippine Crop Insurance Corporation, Prescribing Its
13 Powers and Activities, Providing For Its Capitalization and for the Required
14 Government Premium Subsidy, and for Other Purposes";
- 15 (s) Section 3, insofar as the tax exemption on interest income, capital gains,
16 and documentary stamp tax of bonds is concerned, of Republic Act No.
17 3601, entitled "An Act Granting the National Irrigation Administration";
- 18 (t) Section 6 (a. xviii (2)), insofar as tax exemption on interest income and
19 documentary stamp tax is concerned, of PD 1485, as amended by PD 1770,
20 entitled "Reconstituting the National Grains Authority to the National Food
21 Authority, Broadening its Functions and Powers and for Other Purposes";
- 22 (u) Section 5 (c), insofar as tax exemption on interest income, capital gains,
23 and documentary stamp tax on bonds is concerned, of Republic Act No.
24 6260, entitled "An Act Instituting a Coconut Investment Fund and Creating
25 a Coconut Investment Company for the Administration Thereof";
- 26 (v) Section 9, insofar as tax exemption on interest income, capital gains, and
27 documentary stamp tax on bonds is concerned, of Republic Act No. 10744
28 or Credit Surety Fund Act of 2014;
- 29 (w) Section 20, insofar as tax on interest income, capital gains and
30 documentary stamp tax is concerned, of Republic Act No. 10693, entitled
31 "An Act Strengthening Nongovernment Organizations (NGOs) Engaged in
32 Microfinance Operations for the Poor";

- 1 (x) Section 7, insofar as tax exemption on documentary stamp tax and premium
2 tax is concerned, of Republic Act No. 7111, entitled "An Act Establishing the
3 Overseas Workers' Investment Fund to Provide Incentives to Overseas
4 Workers, Reduce the Foreign Debt Burden and for Other Purposes";
- 5 (y) Section 56, insofar as tax exemption on interest income, capital gains, and
6 documentary stamp tax is concerned, of Republic Act No. 10801, entitled
7 "An Act Governing the Operations and Administration of the Overseas
8 Workers Welfare Administration";
- 9 (z) Section 5, insofar as tax exemption on interest income is concerned, of
10 Republic Act No. 8367, entitled "An Act Providing for the Regulation of the
11 Organization and Operation of Non-Stock Savings and Loan Associations";
- 12 (aa) Section 28, insofar as tax exemption on capital gains on shares of stock
13 and documentary stamp tax is concerned, of Republic Act No. 9267 or the
14 "The Securitization Act of 2004";
- 15 (bb) Section 17, insofar as tax exemption on interest income, capital gains,
16 gross receipts tax and documentary stamp tax is concerned, of Republic Act
17 No. 7906, entitled "An Act Providing for the Regulation of the Organization
18 and Operations of Thrift Banks, and for Other Purposes";
- 19 (cc) Section 15, insofar as tax exemption on capital gains and documentary
20 stamp tax is concerned, of Republic Act No. 9182, as amended by Republic
21 Act No. 9343, entitled "An Act Granting Tax Exemptions and Fee Privileges
22 to Special Purpose Vehicles which Acquire or Invest in Non-Performing
23 Assets, Setting the Regulatory Framework Therefor, and for Other
24 Purposes";
- 25 (dd) Sections 13 and 14, insofar as tax exemption on DST and dividends is
26 concerned, of Republic Act No. 9586 or The Real Estate Investment Act of
27 2009;
- 28 (ee) Section 23, insofar as no deduction from gross income shall be allowed
29 in respect of any interest if the indebtedness is incurred to finance petroleum
30 exploration is concerned, of P.D. 87, entitled Amending Presidential Decree
31 No. 8 issued on October 2, 1972 and Promulgating an Amended Act to

1 Promote the Discovery and Production of Indigenous Petroleum and
2 Appropriate Funds Therefor;

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

6 (gg) Section 32, insofar as the tax exemptions on capital gains, interest
7 income and DST and issuance of bonds are concerned, of Republic Act No.
8 6424 or the Philippine Export Credit Insurance and Guarantee Corporation
9 Act.

10 Sec. 39. *Effectivity.* – This Act shall take effect on January 1, 2023, or fifteen
11 (15) days after its complete publication in the *Official Gazette* or in at least two (2)
12 newspapers of general circulation.

Approved,