

Chapter IV

OTHER PERCENTAGE TAXES²⁰⁴

Percentage taxes of varying rates are imposed on the persons or activities enumerated below and are payable within 25 days after the end of each taxable quarter, unless otherwise specified. Every person liable to the percentage taxes may, at his option, file a separate return for each branch or place of business or a consolidated return for all branches or places of business with the authorized agent bank, Revenue District Officer, Collection Agent or duly authorized Treasurer of the city or municipality where the business or principal place of business is located, as the case may be.²⁰⁵

The percentage taxes are:

A. TAX ON PERSONS EXEMPT FROM VALUE ADDED TAX (VAT)²⁰⁶

On the gross quarterly sales or receipts of persons who are otherwise subject to the VAT but whose annual sales or gross receipts do not exceed PhP1,919,500²⁰⁷ – 3%, except cooperatives.

²⁰⁴ Title V, NIRC, as amended by RAs 7716, 7717, 8241, 8424, 9238, 9337 and 10378.

²⁰⁵ Sec. 128, *supra*.

²⁰⁶ Sec. 116, *supra*.

²⁰⁷ The amount of the threshold was increased from PhP1,500,000 under RA 9337 to PhP1,919,500 using 2010 CPI effective January 1, 2012. The amount shall be adjusted to its present value using the CPI, as published by the NSO, every three (3) years thereafter and the adjustment shall be published through revenue regulations to be issued not later than March 31 of each year. (RR 16-2011)

B. PERCENTAGE TAX ON DOMESTIC CARRIERS AND KEEPERS OF GARAGE²⁰⁸

On the quarterly gross receipts of cars for rent or hire driven by the lessee; transportation contractors, including persons who transport passengers for hire, and other domestic carriers by land²⁰⁹ for the transport of passengers, except owners of bancas, and owners of animal-drawn two-wheeled vehicles and keepers of garages – 3%.

The gross receipts of common carriers derived from their incoming and outgoing freight shall not be subject to the local taxes imposed under RA 7160, otherwise known as the Local Government Code of 1991.

The following shall be considered the minimum quarterly gross receipts in each particular case:²¹⁰

Jeepney for hire:

Manila and other cities	PhP2,400
Provincial	PhP1,200

Public Utility Bus:

Not exceeding 30 passengers	PhP3,600
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²⁰⁸ Sec. 117, *supra*.

²⁰⁹ Domestic transport of passengers by air and water is subject to VAT under RA 9337. Likewise, under RMC 70-2015, transport network companies, such as but not limited to the likes of UBER, GRAB TAXI, their Partners/suppliers and similar arrangements, which are holders of a valid and current Certificate of Public Convenience are known as common carriers subject to the 3% common carriers tax under Sec. 117. Otherwise, they are classified as land transportation service contractors subject to the 12% VAT.

²¹⁰ The BIR issued RR 9-2007 on 4 July 2007, prescribing the updated minimum monthly/quarterly gross receipts in computing the percentage tax of domestic carriers and keepers of garages. However, Senate Committee Report No. 37 (dated 11 February 2008) recommended for the suspension of RR 9-2007 since public consultation with all sectors purportedly affected by the proposed increase was not first undertaken before the imposition.

Exceeding 30 but not exceeding 50 passengers	PhP6,000
Exceeding 50 passengers	PhP7,200
Taxi:	
Manila and other cities	PhP3,600
Provincial	PhP2,400
Car for hire (with chauffeur)	PhP3,000
Car for hire (without chauffeur)	PhP1,800

C. PERCENTAGE TAX ON INTERNATIONAL CARRIERS²¹¹

On the gross quarterly receipts derived from transport of cargo from the Philippines to another country of international air carriers and international shipping carriers doing business in the Philippines – 3%.²¹²

D. FRANCHISE TAX²¹³

On the annual gross receipts derived by the franchise grantees of:

1. Gas and water utilities from the business covered by the law granting the franchise – 2%²¹⁴.
2. Radio and/or television broadcasting companies whose annual gross receipts of the preceding year do not exceed PhP10 million – 3%²¹⁵.

²¹¹ Sec. 118, *supra*.

²¹² International transport of passengers by air and shipping carriers are now exempt from VAT under RA 10378.

²¹³ Sec. 119, *supra*.

²¹⁴ Electric utilities are subject to VAT under RA 9337.

²¹⁵ Companies whose annual gross receipts of the preceding year exceed PhP10 million are subject to VAT.

Said company may opt to be registered as a VAT taxpayer. The option, once exercised, cannot be revoked.

3. National Grid Corporation on all its gross receipts derived from its operation covered by the law granting the franchise – 3% ²¹⁶.

E. OVERSEAS COMMUNICATION TAX²¹⁷

On the amount paid on every overseas dispatch, message or conversation transmitted from the Philippines by telephone, telegraph, telewriter exchange, wireless and other communication equipment services – 10%.

The tax shall be payable by the person paying for the services rendered and shall be paid to the person rendering the services who is required to collect and pay the tax within twenty (20) days after the end of each quarter.

The tax does not apply to the amounts paid for messages transmitted by:

1. The Government, its political subdivisions or instrumentalities;
2. Diplomatic services;
3. Public international organizations or any of their agencies based in the Philippines; and
4. News services.

²¹⁶ Sec. 9, RA 9511. RA 9511 imposed a 3% franchise tax on all gross receipts derived by the National Grid Corporation from its transmission operation, in effect, amending the VAT on transmission companies under RA 9337 by reverting the taxation of transmission companies to the franchise tax.

²¹⁷ Sec. 120, *supra*.

F. TAX ON BANKS²¹⁸ AND NON-BANK FINANCIAL INTERMEDIARIES²¹⁹ PERFORMING QUASI-BANKING FUNCTIONS²²⁰

On the gross receipts derived by all banks and non-bank financial intermediaries.²²¹

Kind of Income	Rates
1. On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:	

²¹⁸ “*Banks or banking institutions*” shall refer to those entities as defined under Section 3 of RA 8791, otherwise known as the General Banking Law of 2000, or more specifically, to entities engaged in the lending of funds obtained in the form of deposits. [Sec. 3.1, RR 8-2008]

²¹⁹ “*Non-bank financial intermediaries*” shall refer to persons or entities whose principal function include the lending, investing or placement of funds or evidence of indebtedness or equity deposited with them, acquired by them, or otherwise coursed through them, either for their own account or for the account of others. [Sec. 3.2, RR 8-2008]

²²⁰ “*Quasi-banking functions*” shall refer to the borrowing of funds from twenty (20) or more personal or corporate lenders at any one time, through the issuance, endorsement or acceptance of debt instruments of any kind, other than deposits, for the borrower’s own account or through the issuance of certificates of assignment or similar instruments, with recourse, or of repurchase agreements for purposes of relending or purchasing receivables or other similar obligations. [Sec. 3.3, RR 8-2008]

²²¹ Sec. 121, *supra*, as amended by RA 9337. It is noted that income or revenue realized by the BSP from its transactions undertaken in pursuit of its legally-mandated functions and all rural banks created and organized under the provision of RA 7353, and rural banks already in operation as of the date of the approval of the Act on April 2, 1993 for a period of 5 years from the date of commencement of operations or from approval of the Act as the case may be are exempt from the GRT imposed under Sec. 121 of the Code. (Sec. 5, RR 8-2008 and Sec. 15, RA 7353)

Kind of Income	Rates
a. Maturity period is five (5) years or less	5%
b. Maturity period is more than five (5) years	1%
2. On dividends and equity shares and net income of subsidiaries	0%
3. On royalties, rentals of property, real or personal, profits from exchange and all other items treated as gross income under Section 32 of the Tax Code	7%
4. On net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments	7%

G. TAX ON OTHER NON-BANK FINANCIAL INTERMEDIARIES²²²

On the gross receipts derived by other non-bank financial intermediaries doing business in the Philippines, from interests, commissions, discounts and all other items treated as gross income under the Tax Code – 5%.

On interest, commissions and discounts from lending activities, as well as income from financial leasing, on the basis of remaining maturities of the instruments from which such receipts are derived, the tax shall be:

Remaining Maturity of Instrument	Rates
1. Maturity period is five (5) years or less	5%
2. Maturity period is more than five (5) years	1%

²²² Sec. 122, *supra*.

H. TAX ON LIFE INSURANCE PREMIUMS²²³

On gross premium collected from every person, company or corporation (except purely cooperative companies or associations) doing life insurance business of any sort in the Philippines – 2%.²²⁴

I. TAX ON AGENTS OF FOREIGN INSURANCE COMPANIES²²⁵

1. On gross premium collected on agents of foreign insurance companies – 4%²²⁶
2. On premiums paid by owners of property who obtained insurance directly from foreign companies – 5%

J. TAX ON AMUSEMENT ACTIVITIES²²⁷

On gross receipts from/of:²²⁸

²²³ Sec. 123, *supra*.

²²⁴ RA 10001 reduced the tax on life insurance premiums from 5% to 2%. However, the 2% shall apply only to insurance policies that will be issued after the effectivity of the Act on April 1, 2010. For insurance policies taken out before the effectivity of the Act but the premiums are not yet fully paid, the rate of 2% shall be applied to the remaining balance and for the remaining years. (Secs. 1 and 2, RA 10001)

²²⁵ Sec. 124, *supra*.

²²⁶ Tax is equal to twice the tax imposed in Sec. 123, *supra*.

²²⁷ Sec. 125, *supra*.

²²⁸ The term ‘gross receipts’ embraces all the receipts of the proprietor, lessee or operator of the amusement place. Said gross receipts also include income from television, radio and motion picture rights, if any. In the case of jai-alai and race tracks, the tax shall be based on gross receipts irrespective of whether or not any amount is charged for admission.

Cockpits, cabarets, night or day clubs ²²⁹	18%
Boxing exhibitions ²³⁰	10%
Professional basketball games	15%
Jai-alai and race tracks	30%

K. TAX ON WINNINGS²³¹

On “dividends” or winnings in horse races	10%
On winnings from double, forecast/ <i>quinella</i> and <i>trifecta</i> bets in horse races	4%
On the prize of owners of winning race horses	10%

²²⁹ With the advent of modern interactive entertainment, along with recorded music (and/or music video) using a microphone and public address system, the proprietors/lessees or operators of cabarets, night or day clubs have pursued a new form of lounge and club entertainment. Thus, the “terms” night and day clubs and cabarets have become passé. Amusement places which offer the same pleasurable diversion entertainment and function now include videoke bars, karaoke bars, karaoke television, karaoke boxes and music lounges. As such, the proprietors, lessees or operators of the aforementioned establishments are deemed subject to the 18% amusement tax and not to the 12% VAT on gross receipts. (RMC 18-2010)

²³⁰ Boxing exhibitions wherein World or Oriental Championships in any division is at stake shall be exempt from amusement tax if at least one of the contenders for World or Oriental Championships is a citizen of the Philippines and said exhibitions are promoted by a citizen/s of the Philippines or by a corporation or association at least sixty percent of the capital of which is owned by such citizens.

²³¹ Sec. 126, *supra*.

L. TAX ON SALE OF SHARES OF STOCKS LISTED AND TRADED THROUGH THE LOCAL STOCK EXCHANGE OR THROUGH INITIAL PUBLIC OFFERINGS²³²

1. On every sale, barter or exchange of shares of stock²³³ listed and traded through the local stock exchange²³⁴ (other than the sale by a dealer in securities²³⁵) – ½ of 1% of the gross selling price²³⁶ or gross value in money²³⁷ of the shares of stock sold, bartered, exchanged or otherwise disposed which shall be paid by the seller or transferor.

²³² Sec. 127, *supra*.

²³³ “*Shares of stock*” shall include shares of stock of a corporation; warrants and/or options to purchase shares of stock; as well as units of participation in a partnership (except general professional partnerships), joint stock companies, joint accounts, joint ventures taxable as corporations, associations, and recreation or amusement clubs (such as golf, polo or similar clubs); and mutual fund certificates. [Sec. 2 (c), RR 6-2008]

²³⁴ “*Local stock exchange*” refers to any domestic organization, association, or group of persons, whether incorporated or unincorporated, licensed or unlicensed, which constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of stocks, and includes the market place and the market facilities maintained by such exchange. [Sec. 2 (g), RR 6-2008]

²³⁵ “*Dealer in securities*” means a merchant of stocks or securities, whether an individual, partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and the resale thereof to customers; that is one, who as merchant buys securities and re-sells them to customers with a view to the gains and profits that may be derived therefrom. [Sec. 2 (b), RR 6-2008]

²³⁶ “*Gross selling price*” refers to the total amount of money or its equivalent which the purchaser pays the seller as consideration for the shares of stock. [Sec. 2 (h), RR 6-2008]

²³⁷ “*Gross value in money*” means the “fair market value”. In the case of shares traded thru the stock exchange, “*fair market value*” shall consist of the actual selling price at which the transaction was executed in the trading system and/or facilities of the Local Stock Exchange. [Sec. 2 (i), RR 6-2008]

Every stock broker²³⁸ who effected the sale shall collect the tax and remit the same to the Bureau of Internal Revenue within 5 banking days from the date of collection thereof. The said stockbroker is also required to submit on Mondays of each week to the secretary of the stock exchange, of which he/she is a member, a true and complete return which shall contain a declaration of all the transactions effected through him/her during the preceding week and of taxes collected by him/her, and turned over to the Bureau of Internal Revenue.

2. On every sale, barter, exchange or other disposition through initial public offering²³⁹ of shares of stock in closely-held corporations²⁴⁰, a tax based on the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed of in accordance with the following schedule:

Proportion of shares of stock disposed of to total outstanding shares of stock after the listing in the local stock exchange:

	Rate of Tax
Up to 25%	4%
Over 25% but not over 33 1/3%	2%
Over 33 1/3%	1%

²³⁸ “*Stockbroker*” includes all persons whose business is, for other brokers, to negotiate purchases or sales of stocks, or engaged in the business of effecting transactions in securities for the account of others but does not include a bank or underwriters for one or more investment companies as defined in the Investment Company Act. [Sec. 2 (f), RR 6-2008]

²³⁹ “*Initial public offering (IPO)*” refers to public offering of shares of stock made for the first time in the Local Stock Exchange. [Sec. 2 (j), RR 6-2008]

²⁴⁰ “*Closely-held Corporation*” means corporation at least 50% in value of the outstanding capital stock or at least 50% of the total combined voting power of all classes of stock entitled to vote is owned directly or indirectly by or for not more than 20 individuals. [Sec. 2 (q), RR 6-2008]

The tax shall be paid by the issuing corporation in primary offering²⁴¹ or by the seller in secondary offering²⁴².

Any gain derived from the disposition of shares of stock subject to the aforementioned tax shall be exempt from the tax imposed under Sec. 24(C), Sec. 27(D)(2), Sec. 28(A)(8)(c) and Sec. 28(B)(5)(c) and from the regular individual or corporate income tax. The tax paid shall not be deductible for income tax purposes.



²⁴¹ “*Primary offering*” refers to the original sale made to the investing public by the issuer corporation of its unissued Shares of Stock. [Sec. 2 (k), RR 6-2008]

²⁴² “*Secondary offering*” refers to an offer for sale to the investing public by the existing shareholders of their securities which is conducted during an IPO or a follow-on/follow-through offering. [Sec. 2 (l), RR 6-2008]