Analysis of Tax Revenues on Passive Income and Financial Intermediation: 2008 - 2017 *

I. INTRODUCTION

The fourth package of the Comprehensive Tax Reform Program (CTRP) of the Duterte Administration seeks to reform the taxation of passive income and financial intermediation to make it simpler, fairer and more efficient. The goal is to introduce reforms that will simplify the complex tax structure of the financial sector, ensure neutrality in the tax treatment across financial institutions and their products, improve equity across investors and savers, minimize arbitrage opportunities and promote capital market development within the context of financial globalization, and increased international mobility and financial inclusion.

Package 4 covers the following taxes under the National Internal Revenue Code (NIRC) of 1997, as amended : (a) taxes on passive income such as the tax on interests and dividends, and capital gains tax (CGT) on the sale , exchange or disposition of shares of stock not traded through the local stock exchange (LSE); (b) stock transaction tax (STT) on the sale or exchange of shares of stock listed and traded in the LSE, and initial public offering (IPO) tax; (c) taxes on financial intermediaries such as the gross receipts tax (GRT) on banks and non-bank financial intermediaries (NBFIs), premium tax on life insurance and value-added tax (VAT) on dealers in securities, lending investors and non-life insurance, among others; and (d) documentary stamp tax (DST) on financial transactions and products.

This paper analyzes the revenue performance of these taxes from 2008 to 2017 and determines the factors that contributed thereto. It likewise presents the proposed reforms under Package 4 of the CTRP. The tax performance analysis could serve as invaluable input to policy makers in the deliberation of Package 4 proposals.

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* Prepared by Edrei Y. Udaundo, Statistician III, reviewed and approved by Jonah P. Tibubos, Statistician V, Tax Statistics Branch, NTRC.

II. GROSS VALUE-ADDED (GVA) IN FINANCIAL INTERMEDIATION: 2008-2017

The financial sector plays a significant role in the long-term growth and development of the country's economy. One basic function of the sector is to mobilize savings in order to provide capital investments to finance large-scale projects including the Build, Build, Build Program of the government.

From 2008 to 2017, financial intermediation expanded from P500 billion in 2008 to P1.3 trillion in 2017 or an average annual growth of 11 percent. Likewise, the sector's contribution to gross domestic product (GDP) displayed continuous growth from 6.5 to 8.2 percent during the same period. (See Table 1 and Figure 1.)

Table 1
Gross Value Added in Financial Intermediation by Subsector: 2008-2017
At current prices and in billion pesos

Year	Total FI	Banking Institutions	Non-bank Financial Intermediation	Insurance	Activities Auxiliary to Financial Intermediation
2008	500	221	166	83	30
2009	545	251	174	87	33
2010	622	291	197	99	36
2011	684	309	224	113	38
2012	764	340	253	128	43
2013	885	392	289	153	50
2014	989	441	323	172	54
2015	1,064	476	345	184	59
2016	1,169	530	371	203	64
2017	1,297	598	408	220	71

Source of basic data: PSA

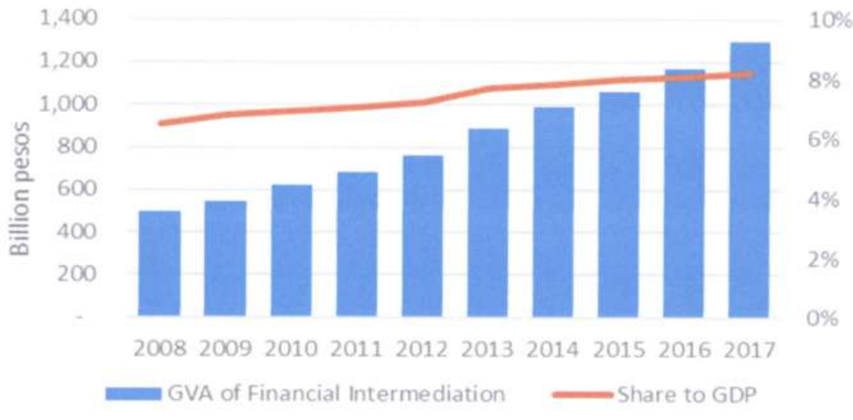

Figure 1. Gross Value Added in Financial Intermediation (at current prices) 2008-2017

Of the subsectors, the banks registered the highest average increase at 12 percent year-on-year, followed by insurance industry at 11 percent. Meanwhile, NBFIs and activities auxiliary to financial intermediation posted a 10 percent average annual growth during the period. (See Table 2)

The largest contributor to GVA of the sector are banking institutions which shared an average of 45 percent of the total, followed by NBFIs at 32 percent. The insurance subsector shared 17 percent while the activities auxiliary to financial intermediation contributed 6 percent of the total. (See Table 3)

Table 2
Growth Rates of GVA in Financial Intermediation by Subsector: 2008-2017
In percent

Year	Total FI	Banking Institutions	Non-bank Financial Intermediation	Insurance	Activities Auxiliary to Financial Intermediation
2008	11.2	17.9	6.3	5.5	9.0
2009	8.9	13.6	4.8	4.5	8.9
2010	14.3	15.9	13.1	14.0	9.1
2011	9.9	6.2	13.8	13.9	7.9
2012	11.6	10.0	13.0	13.1	12.6
2013	15.9	15.4	14.3	20.0	16.5
2014	11.7	12.3	11.7	11.9	6.5
2015	7.6	8.0	7.0	7.0	9.1
2016	9.9	11.4	7.5	10.6	9.5
2017	11.0	12.8	9.9	8.6	10.4
Average	**11.2**	**12.4**	**10.2**	**10.9**	**9.9**

Table 3
Percent Distribution of GVA in Financial Intermediation by Subsector: 2008-2017
In percent

Year	Total FI	Banking Institutions	Non-bank Financial Intermediation	Insurance	Activities Auxiliary to Financial Intermediation
2008	100.0	44.2	33.1	16.7	6.0
2009	100.0	46.1	31.9	16.0	6.0
2010	100.0	46.8	31.6	15.9	5.7
2011	100.0	45.2	32.7	16.5	5.6
2012	100.0	44.5	33.1	16.7	5.7
2013	100.0	44.3	32.6	17.3	5.7
2014	100.0	44.6	32.6	17.4	5.4
2015	100.0	44.8	32.5	17.3	5.5
2016	100.0	45.4	31.8	17.4	5.5
2017	100.0	46.1	31.5	17.0	5.5
Average	**100.0**	**45.2**	**32.3**	**16.8**	**5.7**

III. ANALYSIS OF TAX REVENUES ON PASSIVE INCOME AND FINANCIAL INTERMEDIATION: 2008-2017

A. Total Collection

The financial sector is a significant source of tax revenues. The taxes on passive income, financial intermediaries and financial transactions provided the government huge amount of revenues which increased as the tax base continued to expand. From 2008 to 2017, total tax revenues from the financial sector generally displayed an upward trend from P123.7 billion in 2008 to P214.3 billion in 2017 except in 2014 when collection declined by almost P11 billion as most of the taxes generated from the sector dropped. In fact, only the final withholding tax on dividends and the premium tax on life insurance posted increases in 2014. Nonetheless, total revenues registered an over-all growth of more than 70 percent during the 10-year period, where notable increases were seen in 2011 and 2012, with total collection increasing by P20 billion and P30 billion, respectively.

By type, the taxes on passive income contributed, on the average, more than half of total collection; the DST on financial transactions, 23 percent; and taxes on financial intermediaries, around 20 percent during the 10-year period. (See Table 4)

Its share to total BIR collection ranged from 15 to 17 percent in 2008-2013 before declining to 12 to 13 percent in 2014-2017. Its ratio to GDP ranged from 1.5 to 1.7 percent in 2008-2013 but likewise recorded its low point at 1.4 percent in the last four years. (See Table 5)

Table 4
Tax Collection on Passive Income and Financial Intermediation: 2008-2017
In billion pesos

Particulars	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average	
											Amount	% share
Tax on passive income	**75.6**	**78.1**	**79.7**	**89.0**	**115.6**	**108.3**	**102.2**	**104.9**	**106.6**	**107.2**	**96.7**	**57.8**
Interest income	59.4	54.3	55.1	60.7	72.1	65.1	61.8	64.0	62.4	64.8	62.0	37.6
Dividends	9.8	13.2	15.0	18.0	24.3	19.9	21.5	24.2	26.4	27.9	20.0	11.6
Capital gains, STT, IPO tax	6.4	10.6	9.7	10.2	19.2	23.3	19.0	16.7	17.8	14.5	14.7	8.6
Tax on financial intermediaries	**23.8**	**25.4**	**27.3**	**28.6**	**31.1**	**35.1**	**33.8**	**37.4**	**40.8**	**47.9**	**33.1**	**19.6**
Gross receipts tax	17.6	19.0	21.3	21.9	23.5	26.5	25.2	27.3	30.2	34.1	24.7	14.6
Premium tax	1.8	2.0	1.1	0.8	0.8	1.0	1.2	1.3	1.4	1.6	1.3	0.8
VAT	**4.4**	**4.3**	**4.9**	**5.8**	**6.8**	**7.5**	**7.4**	**8.8**	**9.2**	**12.2**	**7.1**	4.1
Lending investors/ Dealers in securities	2.4	2.1	2.3	2.6	3.0	3.6	3.6	4.6	4.4	5.9	3.5	2.0
Non-life insurance	1.5	1.8	2.1	2.7	3.2	3.2	3.2	3.5	4.0	5.1	3.0	1.7
Pre-need	0.4	0.4	0.4	0.4	0.5	0.6	0.5	0.6	0.7	1.1	0.6	0.3
Pension fund	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1
DST on financial transactions	**24.4**	**22.8**	**25.9**	**35.5**	**36.0**	**41.1**	**37.7**	**50.0**	**57.2**	**59.2**	**39.0**	**22.6**
Total	**123.7**	**126.3**	**133.0**	**153.1**	**182.8**	**184.5**	**173.6**	**192.3**	**204.7**	**214.3**	**168.8**	**100.0**

Source: BIR

Table 5

Ratio of Tax Collection on Passive Income and Financial Intermediation to Total BIR Collection and GDP: 2008-2017

Amounts in billion pesos

Particulars	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GDP (at current prices)	7,721	8,026	9,003	9,708	10,561	11,538	12,634	13,322	14,481	15,798
Total BIR collection	779	750	823	924	1,058	1,217	1,335	1,442	1,576	1,781
Tax collection on passive income and financial intermediation	124	126	133	153	183	185	174	192	205	214
Ratio to GDP (%)	1.6	1.6	1.5	1.6	1.7	1.6	1.4	1.4	1.4	1.4
Ratio to BIR collection (%)	15.9	16.8	16.2	16.6	17.3	15.2	13.0	13.3	13.0	12.0

Sources of basic data: BIR and PSA

B. Taxes on Passive Income

The taxes on passive income include final withholding tax (FWT) on interest income and dividends, CGT and STT on the sale/exchange of shares of stock, and the IPO tax. The collection on passive income averaged P96.7 billion from 2008 to 2017. Nearly two-thirds of the collection on passive income came from the tax on interest income. It is noted however, that over the years, its share to total collection started to decline while collection from the tax on dividends started to rise. On the average, the tax on dividends shared 20 percent of the total while taxes on the sale/exchange of shares of stocks and IPO tax contributed 15 percent. (See Figure 2 and Table 6)

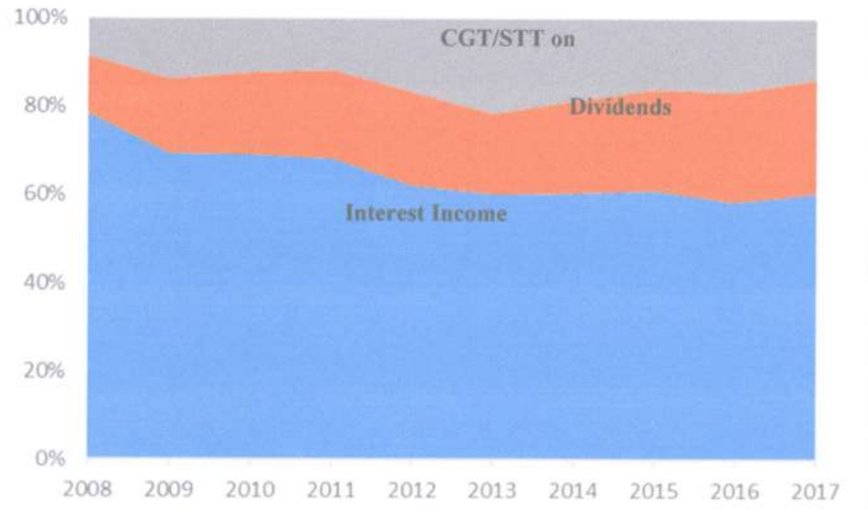

Figure 2. Distribution of Taxes on Passive Income by Type 2008-2017

Table 6
Tax Collection on Passive Income by Type: 2008-2017
In billion pesos

Particulars	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average	
											Amount	% share
FWT on interest income	59.4	54.3	55.1	60.7	72.1	65.1	61.8	64.0	62.4	64.8	62.0	64.8
FWT on dividends	9.8	13.2	15.0	18.0	24.3	19.9	21.5	24.2	26.4	27.9	20.0	20.3
CGT/STT on stocks	6.4	10.6	9.7	10.2	19.2	23.3	19.0	16.7	17.8	14.5	14.7	14.9
Total	**75.6**	**78.1**	**79.7**	**89.0**	**115.6**	**108.3**	**102.2**	**104.9**	**106.6**	**107.2**	**96.7**	**100.0**

1. FWT on Interest Income

Final withholding taxes are imposed on interest income from bank deposits, government securities, commercial papers and other interest income which includes interest on the following: (a) foreign loans payable to nonresident foreign corporations (NRFCs); (b) foreign currency transactions/loans payable to offshore banking units (OBUs); (c) foreign currency transactions/loans payable to foreign currency deposit units (FCDUs); and (d) tax-free covenant bonds, mortgages, deeds of trust, or other similar obligations.

Total collection on FWT on interest income averaged P62 billion during the period under review, registering a low of P54.3 billion in 2009 and high of P72.1 billion in 2012. On the average, half of the total collection on interest income came from government securities and commercial papers; 41 percent from bank deposits; and 9 percent from other interest income. (See Table 7)

Table 7
FWT Collection on Interest Income by Type: 2008-2017
In billion pesos

Particulars	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average	
											Amount	% share
Bank deposits	25.9	24.9	25.5	31.1	30.7	22.9	20.8	23.0	23.1	24.3	25.2	40.9
Government securities and commercial papers	31.7	27.2	27.1	26.0	35.2	34.0	33.6	33.3	31.4	31.7	31.1	50.2
Other interest income	1.8	2.3	2.4	3.7	6.1	8.2	7.4	7.7	7.9	8.7	5.6	8.9
Total	**59.4**	**54.3**	**55.1**	**60.7**	**72.1**	**65.1**	**61.8**	**64.0**	**62.4**	**64.8**	**62.0**	**100.0**

a. Bank Deposits

Bank deposits that are subject to the income tax can be either under the regular banking unit (RBU), or the foreign currency deposit unit/expanded foreign currency deposit unit (FCDU/EFCDU) and are classified into: (1) savings deposits; (2) time deposits; (3) long-term negotiable certificate of deposits (LTNCDs); (4) deposit substitutes; and (5) other deposits, which include demand deposits and negotiable orders of withdrawal (NOW). In general, interest income from bank deposits is subject to 20 percent. However, interest income from long-term deposits or investments are exempt[1] except if pre-terminated before the fifth year, in which case the tax rates of 5 percent, 12 percent and 20 percent will apply depending on remaining maturity. Moreover, interest income on deposits from FCDUs/EFCDUs are subject to a tax rate of 15 percent except non-residents which are exempt and resident foreign corporations which are still subject to 7.5 percent under the TRAIN law. (Please see Annex A for the detailed schedule of FWT on interest income)

Data gathered from the Bangko Sentral ng Pilipinas (BSP) show that total bank deposits grew from P5.2 trillion in 2010 to P12 trillion in 2017. On the average, 83 percent of the total bank deposits were peso accounts while only 17 percent were foreign currency accounts. By type of bank deposit, 47 percent were savings deposits; 30 percent were time deposits; while 20 percent were other forms of deposits. LTNCDs and deposit substitutes made up only about 3 percent, on the average. (See Tables 8 and 9)

It is also worthy to note that 67 percent of savings/investments were deposited in savings, demand (checking) and NOW accounts which have very short maturities. On the other hand, time deposits and LTNCDs accounted for 30 percent and 1 percent, respectively, of total bank deposits.

Table 8
Volume of Bank Deposits by Currency: 2010-2017
In trillion pesos

Currency	2010	2011	2012	2013	2014	2015	2016	2017	Average	
									Amount	% share
Peso Account	4.1	4.4	4.8	6.6	7.3	8.0	9.0	10.1	6.8	82.7
FCDU/EFCDU	1.1	1.1	1.0	1.2	1.4	1.5	1.8	2.0	1.4	17.3
Total	**5.2**	**5.5**	**5.8**	**7.8**	**8.7**	**9.5**	**10.8**	**12.0**	**8.2**	**100.0**

Source: BSP

Table 9
Volume of Bank Deposits by Type: 2010-2017
In trillion pesos

Type of Deposit	2010	2011	2012	2013	2014	2015	2016	2017	Average	
									Amount	% share
Savings deposits	2.4	2.6	2.8	3.6	4.0	4.5	5.2	5.6	3.8	46.9
Time deposits	1.7	1.7	1.8	2.4	2.6	2.6	2.8	3.3	2.4	29.5
LTNCDs	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.1	1.1
Deposit substitutes	0.0	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.2	2.0
Other deposits	0.9	1.1	1.2	1.6	1.8	2.0	2.3	2.7	1.7	20.5
Total	**5.2**	**5.5**	**5.8**	**7.8**	**8.7**	**9.5**	**10.8**	**12.0**	**8.2**	**100.0**

Note. 0.0 – less than P50 billion

[1] The exemption applies only to interest income received by citizens, resident aliens and non-resident aliens engaged in trade or business in the Philippines. Non-resident aliens not engaged in trade or business in the Philippines and non-resident corporations are subject to 25 percent and 30 percent, respectively or applicable tax treaty rate. Domestic and resident foreign corporations are subject to 20 percent.

In terms of growth, savings deposits reached P5.6 trillion in 2017 from only P2.4 trillion in 2010. On the other hand, a flatter growth was observed for time deposits which grew from P1.7 trillion to P3.3 trillion during the same period. Nonetheless, the higher interest rates on time deposits relative to savings deposits contributed to the higher FWT collection on the former. (**Figure 3**) In fact, more than half (53 percent) of total collection from FWT on bank deposits came from time deposits. Meanwhile, savings deposits contributed 25.5 percent; deposit substitutes, 17.3 percent; and the remaining 4 percent, from foreign currency deposits and pre-terminated long-term deposits/investments. (See Table 10)

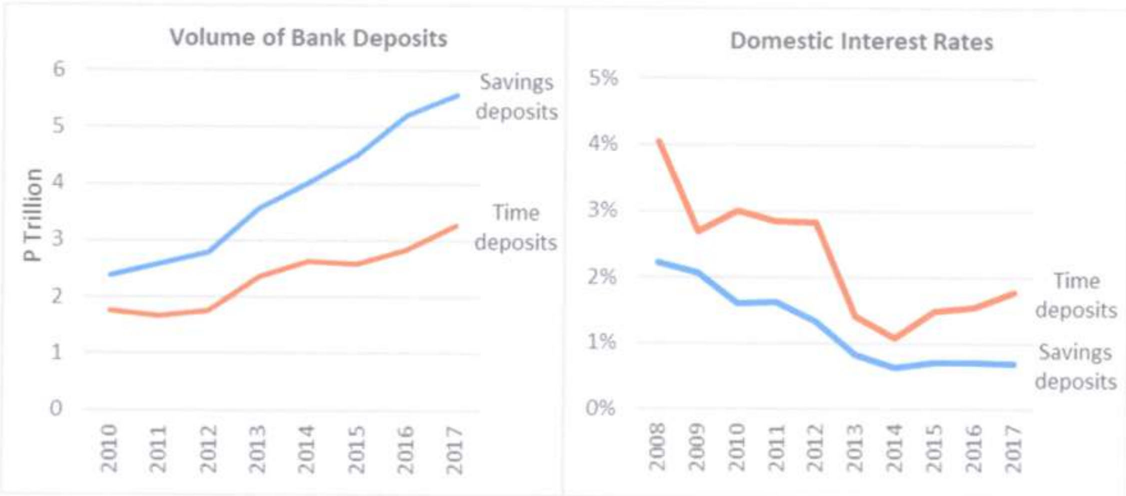

Figure 3. Volume of Bank Deposits and Domestic Interest Rates[2]
Source: BSP

Total FWT collection on bank deposits averaged P25.2 billion from 2008-2017, displaying an irregular growth trend with high amounts in 2011-2012 at around P31 billion before it declined by P8 billion in 2013. Thereafter, collection settled within the range of P20 billion in 2014 to P24 billion in 2017. The drop in the collection on bank deposits in 2013 was due to the sudden decrease to P12.9 billion in collection from time deposits from P20.8 billion in the previous year. The halving of the interest rates on time deposits from a weighted average of 2.8 percent in 2012 to 1.4 percent in 2013 triggered the drop in said collection. (See Table 10 and Figure 3)

[2] Weighted average interest rates per annum. Time deposits include all maturities.

Table 10
Tax Collection on Interest Income on Bank Deposits by Type: 2008-2017
In billion pesos

Type of Deposit	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average	
											Amount	% share
Savings deposits	6.3	6.3	5.9	6.1	5.4	5.0	5.9	7.2	7.3	7.9	6.3	25.5
Time deposits	15.1	13.7	14.9	20.2	20.8	12.9	9.0	9.5	9.7	10.2	13.6	52.9
Deposit substitute/others	3.0	3.8	3.9	3.9	3.7	4.0	4.9	5.3	5.0	5.0	4.3	17.3
Long-term deposits	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1	0.1	0.1	0.1	0.3
Foreign currency deposits	1.5	1.1	0.9	0.8	0.8	0.8	0.8	0.9	1.0	1.2	1.0	4.0
Total	**25.9**	**24.9**	**25.5**	**31.1**	**30.7**	**22.9**	**20.8**	**23.0**	**23.1**	**24.3**	**25.2**	**24.3**

b. Government Securities and Commercial Papers

Interest income from government securities and commercial papers is subject to 20 percent FWT.[3] Data gathered from the Bureau of Treasury (BTr) show that the value of outstanding treasury bills was in a decline while the value of selected treasury bonds was generally on an uptrend. In terms of yield rates, the trend for treasury bills was downward until 2013, before recovering during the period 2014-2017. Yield rates of treasury bonds show the same downward trend until 2014 but with varying periods of recovery for different maturities. (See Figure 4)

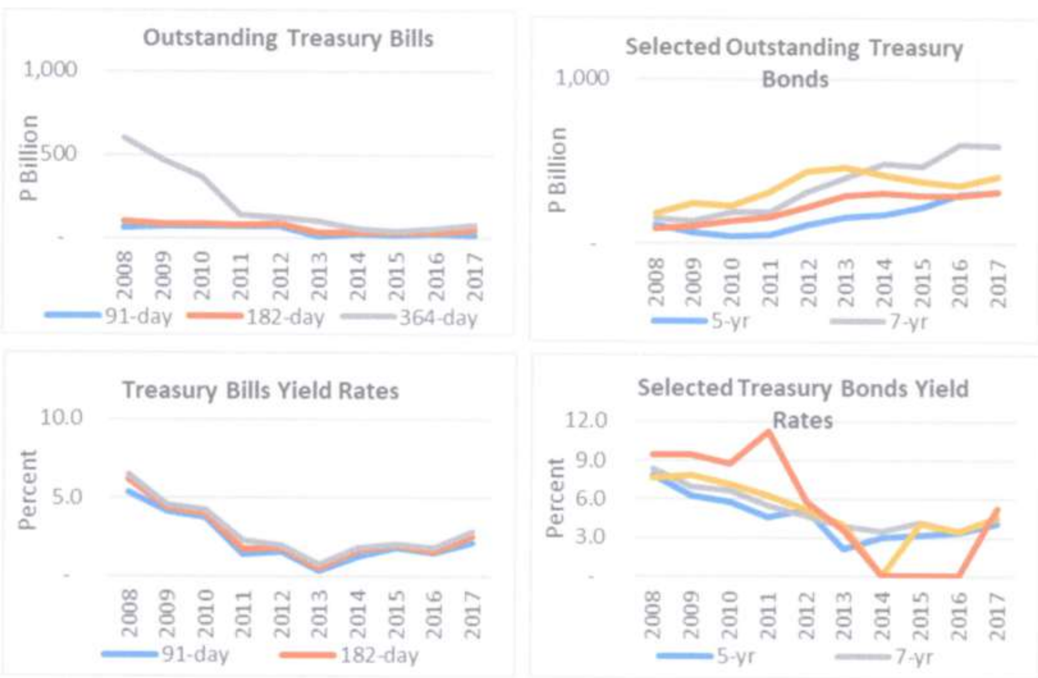

Figure 4. Annual Outstanding Government Securities and Yield Rates: 2008-2017
Source of basic data: BTr

[3] Except for non-resident aliens not engaged in trade or business which are subject to 25 percent and non-resident foreign corporations which are subject to 30 percent, or applicable tax treaty rate.

Total collection on interest income from government securities (treasury bills and bonds) and commercial papers averaged P31 billion from 2008 to 2017. Nearly all of this amount were from government securities, as collection from commercial papers only averaged P84 million during the period. Collection on government securities reached over P30 billion annually in seven (7) of the 10 years under review, registering the highest of P35 billion in 2012. (See Table 11)

Table 11
Tax Collection on Treasury Bills/Bonds and Commercial Papers: 2008-2017
In billion pesos

Particulars	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average	
											Amount	% share
Government Securities	31.6	27.1	26.9	26.0	35.2	34.0	33.6	33.2	31.3	31.7	31.1	99.7
Commercial Papers	0.1	0.2	0.2	0.1	0.1	0.0	0.0	0.1	0.1	0.0	0.1	0.3
Total	**31.7**	**27.2**	**27.1**	**26.0**	**35.2**	**34.0**	**33.6**	**33.3**	**31.4**	**31.7**	**31.1**	**100.0**

Note. 0.0 - less than P50 million

c. Other Interest Income

The collection on other interest income includes (a) 20 percent FWT on interest on foreign loans payable to NRFCs;[4] (b) 10 percent FWT on interest and other income payments on foreign currency transactions/loans payable to OBUs;[5] (c) 10 percent FWT on foreign currency transactions/loans payable to FCDUs;[6] and, (d) 30 percent final tax on interest/other payments upon tax-free covenant bonds, mortgages, deeds of trust, or other similar obligations.[7] The combined collection from these final taxes averaged P5.6 billion during the period and ranged from a low collection of P1.8 billion in 2008 to a high collection of P8.2 billion in 2013. In particular, the collection from interest on foreign loans payable to NRFCs expanded from P482 million in 2008 to P6.3 billion in 2017. Its annual share to total collection on other interest income during the period was 58 percent. On the other hand, the collection from interest on foreign currency transactions and foreign loans payable to FCDUs accounted for 32 percent of the total collection on other interest income. (See Table 12)

[4] Section 28 (B)(5)(a) of the NIRC of 1997, as amended.

[5] Section 28 (A)(4)

[6] Section 27 (D)(3) and Section 28 (A)(7)(b)

[7] Section 57 (C)

Table 12
Tax Collection on Other Interest Income: 2008-2017
In billion pesos

Particulars	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average	
											Amount	% share
On foreign loans payable to NRFCs	0.5	0.7	1.0	2.1	3.5	5.9	5.6	5.7	5.6	6.3	3.7	57.8
On foreign currency transactions/ loans payable to OBUs	0.3	0.3	0.5	0.5	0.9	0.9	0.2	0.1	0.2	0.2	0.4	9.3
On foreign currency transactions/ loans payable to FCDUs	1.0	1.3	0.9	1.1	1.7	1.4	1.6	1.7	2.1	2.1	1.5	32.0
Upon tax-free covenant bonds, mortgages, deeds of trust or other obligations under Sec. 57(C) of the NIRC of 1997	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1	0.1	0.9
Total	**1.8**	**2.3**	**2.4**	**3.7**	**6.1**	**8.2**	**7.4**	**7.7**	**7.9**	**8.7**	**5.6**	**100.0**

Note. 0.0 – less than P50 million

2. FWT on dividend payments

Under current system, the taxation of dividends paid by domestic corporations varies depending on the recipient of dividends. Dividends received by citizens and resident aliens are levied a final tax of 10 percent; non-resident aliens engaged in trade/business in the Philippines (NRAETB), 20 percent; while those not engaged in trade/business (NRANETB) are taxed at 25 percent. In terms of intercorporate dividends, a tax of 30 percent is levied on NRFCs or 15 percent under tax sparing rule while domestic and resident foreign corporations are exempt from the tax.

Tax revenues from dividends increased by almost threefold from P9.8 billion in 2008 to P28 billion in 2017. There was a steady growth in collection during the period with the highest increase recorded in 2012, i.e. an increase of over P6 billion compared to the previous year. By recipient, collection was mainly contributed by NRFCs in the earlier years but collections from citizens and resident alien individuals eventually came close. In 2017, of the P28 billion total collection, P14.7 billion came from NRFCs while P13.2 billion were from citizens/resident aliens. By type of dividend, collections mainly came from cash dividends comprising 97 percent of the total. (See Tables 13 and 14)

Table 13
Collection on Final Tax on Dividends by Recipient: 2008-2017
In billion pesos

Recipient	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average	
											Amount	% share
Citizens/Resident aliens	2.4	2.7	3.6	4.0	6.4	5.4	7.0	9.0	10.4	13.2	6.4	30.0
NRAETB	0.1	0.0	0.1	0.1	0.0	0.0	0.1	0.0	0.5	0.0	0.1	0.5
NRFCs	7.4	10.5	11.3	14.0	17.9	14.5	14.4	15.1	15.5	14.7	13.5	69.5
Total	**9.8**	**13.2**	**15.0**	**18.0**	**24.3**	**19.9**	**21.5**	**24.2**	**26.4**	**27.9**	**20.0**	**100.0**

Notes. 0.0 - less than P50 million
Includes both cash and property dividends

Table 14
Collection on Final Tax on Dividends by Type of Dividend and by Recipient: 2008-2017
In billion pesos

Recipient	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average	
											Amount	% share
Cash dividends	**9.6**	**10.8**	**14.9**	**18.0**	**22.8**	**19.0**	**21.4**	**23.9**	**26.2**	**27.9**	**19.4**	**96.6**
Citizens/resident aliens	2.4	2.6	3.6	3.9	5.2	4.9	7.0	8.9	10.2	13.2	6.2	29.2
NRAETB	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.5	0.0	0.1	0.4
NRFCs	7.2	8.1	11.3	13.9	17.6	14.0	14.3	14.9	15.5	14.7	13.1	67.0
Property dividends	**0.2**	**2.4**	**0.1**	**0.1**	**1.5**	**0.9**	**0.1**	**0.3**	**0.2**	**0.0**	**0.6**	**3.4**
Citizens/resident aliens	0.0	0.0	0.0	0.0	1.2	0.5	0.0	0.0	0.1	0.0	0.2	0.9
NRAETB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NRFCs	0.2	2.4	0.0	0.0	0.3	0.5	0.1	0.3	0.1	0.0	0.4	2.5
Total	**9.8**	**13.2**	**15.0**	**18.0**	**24.3**	**19.9**	**21.5**	**24.2**	**26.4**	**27.9**	**20.0**	**100.0**

Note. 0.0 - less than P50 million

3. Tax on the Sale/Exchange of Shares of Stock and IPO Tax

The taxation of the sale or exchange of shares of stocks is differentiated between shares that are listed and traded through the local stock exchange (LSE) and stocks that are unlisted or non-traded through the LSE. For listed and traded stocks, a stock transaction tax of 6/10 of 1 percent is imposed on the gross selling price of shares of stock. On the other hand, the gains on the sale of shares of stock not traded through the LSE are subject to a tax of 15 percent based on net except resident foreign corporations and non-resident foreign corporations which are still subject to 5-10 percent capital gains tax (CGT) under the TRAIN law.

a. Capital Gains Tax on the Sale of Shares of Stock Not Traded in the Stock Exchange

Revenue collection on CGT on shares of stock not traded through the LSE averaged P7.4 billion from 2008 to 2017. From a collection of P3.6 billion in 2008, it grew to P10 billion to P12 billion in 2012-2014. However, it started to decline in the next three years with a collection of P5.6 billion only in 2017. (See Table 15)

Table 15
Tax Collection on the Sale/Exchange of Shares of Stock: 2008-2017
In billion pesos

Particulars	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average	
											Amount	% share
CGT on sale/exchange of unlisted shares of stock	3.6	6.6	4.5	4.1	11.2	11.7	9.9	7.4	9.0	5.6	7.4	50.0
STT on sale/exchange of listed shares of stock	2.7	4.0	5.2	6.1	8.0	11.6	9.0	9.3	8.8	8.9	7.4	50.0
Total	**6.4**	**10.6**	**9.7**	**10.2**	**19.2**	**23.3**	**19.0**	**16.7**	**17.8**	**14.5**	**14.7**	**100.0**

b. Stock Transaction Tax on Sale of Shares of Stock Listed and Traded through the Local Stock Exchange (LSE) and IPO Tax

The collection on STT[8] averaged P7.4 billion in 2008-2017. From only P2.7 billion in 2008, the collection steadily rose and peaked at P11.6 billion in 2013. However, it tapered off to an average of about P9 billion from 2014 to 2017. As the STT is based on gross value in money of the shares of stock, the collection therefrom moves with the level of the value of stock traded at the Philippine Stock Exchange (PSE). **(Table 15 and Figure 5)**

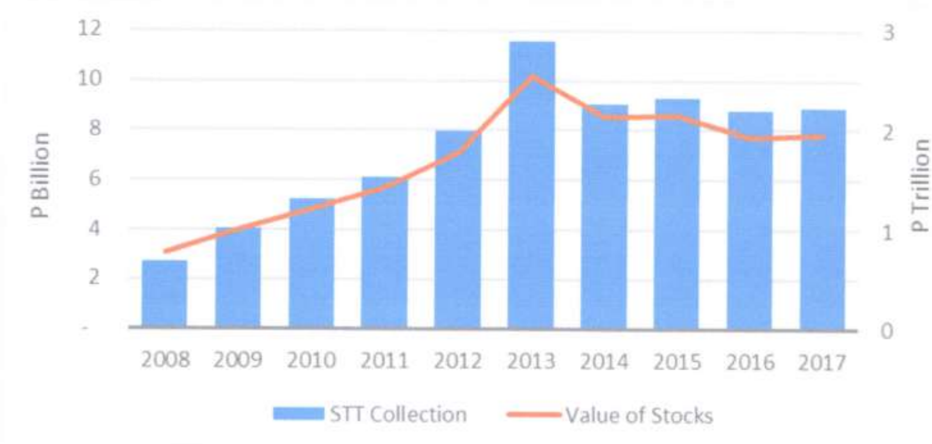

Figure 5. Stock Transaction Tax Collection and Value of Stock Traded at the PSE: 2008-2017
Source of basic data: BIR and PSE

C. Taxes on Financial Intermediaries

Taxes on financial intermediaries include the gross receipts tax (GRT) imposed on banks and NBFIs; premium tax on life insurance; and the VAT on non-life insurance, pre-need activities, pension fund management, and securities dealers and lending investors.

Total tax collection on financial intermediaries averaged P33.1 billion from 2008 to 2017. On the average, P24.7 billion or nearly 75 percent came from GRT on banks and NBFIs, 21 percent from VAT and 4 percent from premium tax on life insurance. In terms of growth, total collection doubled from P23.8 billion in 2008 to P47.9 billion in 2017. **(Figure 6 and Table 16)**

[8] Includes collection from IPO tax which is insignificant, i.e. P419.8 million in 2017; No collection in 2015-2016; P126.3 million in 2014.

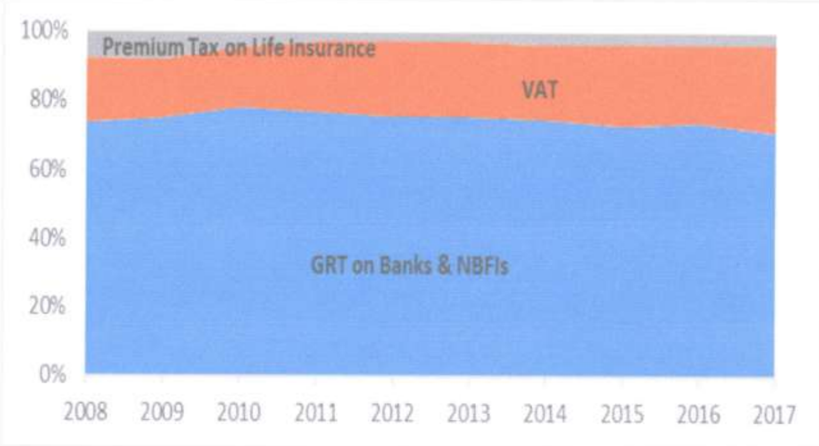

Figure 6. Distribution of Tax on Financial Intermediaries by Type: 2008-2017

Table 16
Tax Collection on Financial Intermediaries by Type of Tax: 2008-2017
In billion pesos

Particulars	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average	
											Amount	% share
GRT on banks and NBFIs	17.6	19.0	21.3	21.9	23.5	26.5	25.2	27.3	30.2	34.1	24.7	74.8
VAT	4.4	4.3	4.9	5.8	6.8	7.5	7.4	8.8	9.2	12.2	7.1	21.0
Premium tax	1.8	2.0	1.1	0.8	0.8	1.0	1.2	1.3	1.4	1.6	1.3	4.2
Total	**23.8**	**25.4**	**27.3**	**28.6**	**31.1**	**35.1**	**33.8**	**37.4**	**40.8**	**47.9**	**33.1**	**100.0**

1. Gross Receipts Tax on Banks and NBFIs

At present, income derived by banks and NBFIs with quasi-banking function (QBF) is subject to GRT at the following schedule:

- On interests, commissions & discounts from lending activities and income from financial leasing based on remaining maturity:
  - 5 years and below — 5%
  - More than 5 years — 1%
- On dividends and equity shares and net income of subsidiaries — 0%
- On royalties, rentals of property, profits from exchange and other items treated as gross income — 7%
- On net trading gains on foreign currency, debt securities, derivatives and other financial instruments — 7%

On the other hand, income derived by other NBFIs without QBF is subject to GRT at the following schedule:

- On interests, commissions & discounts from lending activities and income from financial leasing based on remaining maturity:
  - 5 years and below 5%
  - More than 5 years 1%
- From all other items treated as gross income under the Tax Code 5%

As can be noted, the GRT varies according to type of income and maturity of financial instrument.

In terms of revenue performance, total GRT collection averaged P24.7 billion in 2008-2017, 94 percent of which came from banks and NBFIs with QBF and the remaining from other NBFIs without QBF. (See Table 17)

Table 17
GRT Collection on Banks, NBFIs and Other NBFIs: 2008-2017
In billion pesos

Particulars	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average	
											Amount	% share
Bank and NBFIs with quasi-banking functions	16.7	18.2	20.5	20.8	22.1	25.1	23.7	25.3	27.8	31.3	23.1	94.0
Other NBFIs without quasi-banking functions	0.9	0.8	0.8	1.2	1.4	1.4	1.5	2.0	2.4	2.8	1.5	6.0
Total GRT	**17.6**	**19.0**	**21.3**	**21.9**	**23.5**	**26.5**	**25.2**	**27.3**	**30.2**	**34.1**	**24.7**	**100.0**

Collection from banks and NBFIs with QBF nearly doubled from P16.7 billion in 2008 to P31.3 billion in 2017. While a slight dip in collection was noted in 2014 due to the P2.1 billion dip in the collection on net trading gains, continuous increases were seen in the succeeding years.

By type of income, collection from these institutions came mostly from interests, commissions and discounts from lending activities averaging 58 percent of the total. Collection from royalties, rentals of property and all other items treated as gross income shared 27 percent while net trading gains on foreign currency, debt securities, etc. shared 16 percent. On interests, commissions and discounts, the collection came mainly from short term (5 years and less) financial instruments. (See Table 18)

Table 18
GRT Collection on Banks and NBFIs with QBF by Type of Income: 2008-2017
In billion pesos

Particulars	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average	
											Amount	% share
Interests, commissions and discounts:	9.4	10.3	10.8	11.2	11.5	12.8	13.9	15.8	18.1	20.6	13.4	57.5
- 5 years and less	9.1	9.9	10.3	10.7	10.8	12.1	13.0	14.8	17.0	19.4	12.7	54.4
- More than 5 years	0.3	0.4	0.5	0.6	0.7	0.7	0.9	1.0	1.1	1.3	0.7	3.1
Royalties, rentals, etc.	4.7	4.9	5.7	5.6	6.4	7.2	6.7	6.2	6.5	7.0	6.1	26.5
Net trading gains	2.5	3.0	3.9	4.0	4.3	5.2	3.1	3.3	3.3	3.7	3.6	15.9
Total	**16.7**	**18.2**	**20.5**	**20.8**	**22.1**	**25.1**	**23.7**	**25.3**	**27.8**	**31.3**	**23.1**	**100.0**

Collection from other NBFIs without QBF is relatively small, averaging only 6 percent of the total collection from GRT. From less than a billion collected in 2008, the revenues rose to P2.8 billion in 2017. The collection came mainly from tax on interests, commissions and discounts on short-term financial instruments. (See Table 19)

Table 19
GRT Collection on Other NBFIs without QBF by Type of Income: 2008-2017
In billion pesos

Particulars	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average	
											Amount	% share
Interests, commissions and discounts:	0.8	0.7	0.6	0.9	1.0	0.9	1.1	1.3	1.4	1.8	1.1	71.9
- 5 years and less	0.8	0.7	0.6	0.8	1.0	0.9	1.0	1.3	1.4	1.8	1.0	70.5
- More than 5 years	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4
All other income	0.1	0.1	0.2	0.3	0.4	0.5	0.5	0.7	0.9	1.0	0.5	28.1
Total	**0.9**	**0.8**	**0.8**	**1.2**	**1.4**	**1.4**	**1.5**	**2.0**	**2.4**	**2.8**	**1.5**	**100.0**

Note. 0.0 - less than P50 million

2. Premium Tax on Life Insurance

Revenue collection from premium tax on life insurance averaged P1.3 billion from 2008 to 2017. The impact of the passage of RA 10001[9], which reduced the tax rate on life insurance premiums from 5 to 2 percent, is evident as collection significantly dipped from P2 billion in 2009 to only P1.1 billion in 2010 and further to P800 million in 2011. Revenues started to recover in the last few years with collection in 2017 reaching P1.6 billion. (See Figure 7)

[9] "An Act Reducing the Taxes on Life Insurance Policies, Amending for this Purpose Sections 123 and 183 of the National Internal Revenue Code of 1997, as Amended", effective April 1, 2010.

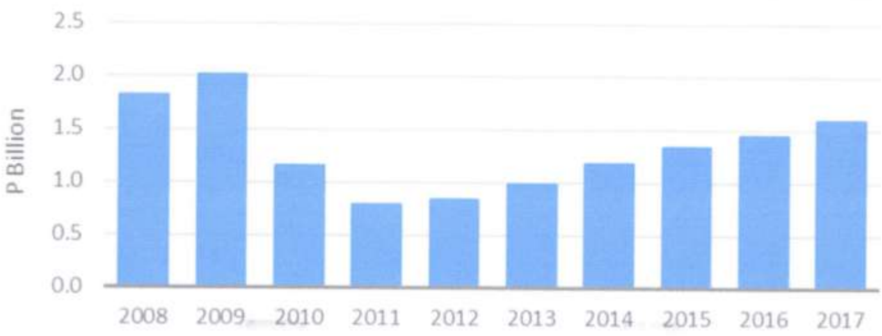

Figure 7. Premium Tax Collection on Life Insurance: 2008-2017

3. VAT on Lending Investors/Dealers in Securities, Non-Life Insurance, Pre-Need and Pension Funding

Unlike life insurance which is subject to the premium tax, other financial intermediaries doing business related to insurance such as non-life insurance, pension funding and pre-need companies are subject to the 12 percent VAT. Others that are subject to the VAT are lending investors and dealers in securities.

The combined VAT collection from these FIs increased threefold from P4.4 billion in 2008 to P12.2 billion in 2017. On the average, it is mostly made up of the combined collection from lending investors and dealers in securities, and non-life insurance with an average share of 49 percent and 42 percent, respectively. In terms of growth, collection from lending investors and dealers in securities grew from P2.4 billion in 2008 to P5.9 billion in 2017. For non-life insurance, VAT collection increased from P1.5 billion to P5.1 billion during the same period. In contrast, collection from pre-need activities only grew from P423 million in 2008 to P1.1 billion in 2017; while for pension funding, from only P55 to P153 million in the same period. (See Table 20)

Table 20
VAT Collection on Financial Intermediaries: 2008-2017
In billion pesos

Particulars	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average	
											Amount	% share
Lending investors and dealers in securities*	2.4	2.1	2.3	2.6	3.0	3.6	3.6	4.6	4.4	5.9	3.5	48.6
Non-life insurance	1.5	1.8	2.1	2.7	3.2	3.2	3.2	3.5	4.0	5.1	3.0	42.4
Pension funding	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	1.2
Pre-need activities	0.4	0.4	0.4	0.4	0.5	0.6	0.5	0.6	0.7	1.1	0.6	7.8
Total VAT	**4.4**	**4.3**	**4.9**	**5.8**	**6.8**	**7.5**	**7.4**	**8.8**	**9.2**	**12.2**	**7.1**	**100.0**

Notes. *No available breakdown
0.0 - less than P50 million

D. DST on Financial Transactions

Of the 25 sections pertaining to documentary stamp taxes under the Tax Code, 16 are impositions on financial transactions/instruments/documents. This includes DST on the sale of shares of stock, debt instruments and bank deposits, bills of exchange and trust receipts, life and non-life insurance, and other miscellaneous-related transactions.

In terms of revenue performance, total DST collection which includes both financial and non-financial transactions, averaged P64 billion from 2010-2017. During the period, revenues doubled from P42.6 billion in 2010 to P85.9 billion in 2017.

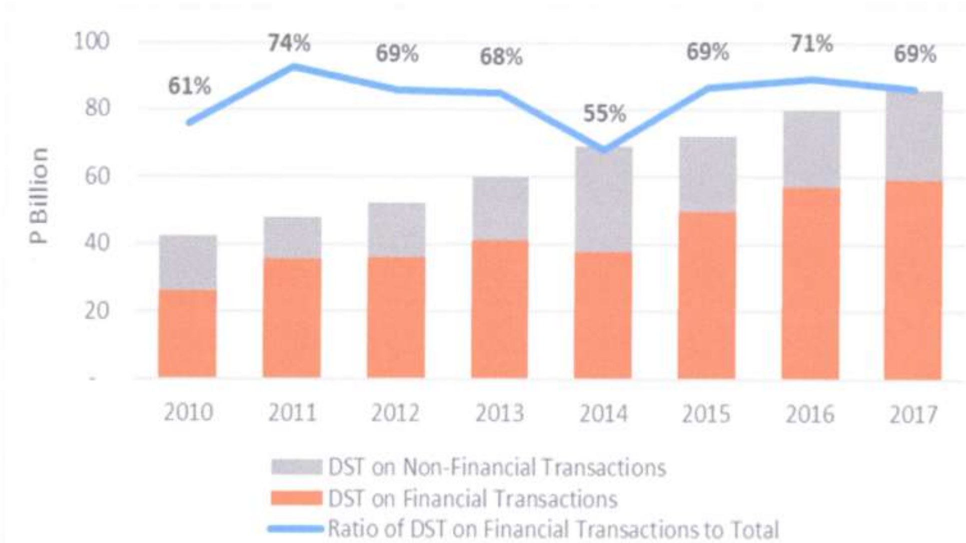

Figure 8. Ratio of DST on financial transactions to total DST collection: 2010-2017

Based on BIR data on DST collection by type of transaction from 2010 to 2017, it is estimated that an average of 67 percent of the total DST collection during the period came from financial transactions. This ratio ranged from a low of 55 percent in 2014 to a high of 74 percent in 2011. In terms of amount, collection from financial transactions grew from P25.9 billion in 2010 to P59.2 billion in 2017, registering consistent increases except in 2014 when it dipped by about P3 billion. (See Figure 8)

Bulk of the collection from DST on financial transactions came from debt instruments with an average share of 73 percent. In 2017, out of the total collection of P59.2 billion, P42.5 billion came from debt instruments. This is followed by policies of insurance upon property with an average share of 14.2 percent; original issue of certificate of stocks with 3.8 percent; mortgages, pledges and deeds of trust, 2.6 percent; and foreign bills of exchange & letters of credit, 2.4 percent. The DST collection from eleven other types of transactions represent 4.2 percent of the total on the average. (See Table 21)

Table 21
DST Collection on Financial Transactions by Section of the Tax Code: 2010-2017
In billion pesos

	Particulars	2010	2011	2012	2013	2014	2015	2016	2017	Average	
										Amount	% share
179	Debt instruments	20.3	26.6	25.7	29.5	26.8	35.1	41.6	42.5	31.0	72.7
184	Policies of insurance upon property	3.0	5.1	5.6	5.7	5.5	7.6	7.8	8.9	6.2	14.2
174	Original issue of certificate of stocks	0.3	0.7	1.3	2.0	1.7	2.7	2.7	2.4	1.7	3.8
195	Mortgages, pledges and deed of trust	0.5	0.9	1.0	1.1	1.1	1.3	1.6	1.6	1.1	2.6
182	Foreign bills of exchange and letters of credit	0.7	0.9	0.9	1.0	0.9	1.1	1.2	1.2	1.0	2.4
	Other financial transactions [10]	1.4	1.7	1.9	2.1	2.0	3.0	3.1	3.3	2.3	4.2
	Total	**25.9**	**35.5**	**36.0**	**41.1**	**37.7**	**50.0**	**57.2**	**59.2**	**42.8**	**100.0**

IV. PROPOSED REFORMS UNDER PACKAGE 4 OF THE CTRP

Package 4 of the CTRP proposes the following reforms: (a) adoption of a uniform tax rate on interest, dividends and capital gains and removal of special rates and exemptions; (b) harmonization of business taxes on financial intermediaries (FIs) by imposing uniform tax on FIs providing similar financial services; (c) removal or minimization of barriers to capital market development; and (d) adoption of a regionally competitive tax system. Table 22 presents in detail the proposed tax changes under Package 4 of the CTRP.

Table 22
Proposed Tax Changes under Package 4

Type of Tax	Package 4 Proposal
A. Tax on Passive Income	
Final tax on interest income	- A uniform rate of 15 percent FT regardless of type of taxpayer, currency, term or maturity and type of issuer.
Final tax on dividends	- A uniform rate of 15 percent FT regardless of type of recipient - Retain exemption of intercorporate dividends.
Capital gains tax/transaction tax on the sale/exchange of shares of stock	- A single rate of 15 percent FT regardless of type of taxpayer for non-listed and non-traded shares of stock - Gradual reduction by 0.1 percentage point every year until rate reaches 0.1 percent in 2024 for listed and traded shares of stock except for dealers in securities
IPO Tax	- Removal

[10] Other financial transactions include acceptance of bills of exchange or order for payment of money (Sec. 181); fidelity bonds and other insurance policies (Sec. 185); bank checks, drafts, certificates of deposits not bearing interest and other instruments (Sec. 178); all bills of exchange or drafts (Sec.180); sales, agreements to sell, memo, etc. (Sec. 175); life insurance policies (Sec. 183); policies of annuities and pre-need (Sec. 186); bonds, debentures, certificates of indebtedness issued in any foreign country (Sec. 176); indemnity bonds (Sec. 187); certificate of profits or interest of property or accumulations (Sec. 177); and assignment and renewals of certain instruments (Sec. 198).

Type of Tax	Package 4 Proposal
Capital gains tax/transaction tax on the sale/exchange of debt instruments and other securities	- A single rate of 15 percent FT of net capital gains for non-listed and non-traded debt instruments - A transaction tax of 0.1 percent FT of the gross selling price/gross value in money for listed and traded debt instruments except for dealers in securities
B. Tax on Financial Intermediaries	
Gross receipts tax on banks and NBFIs	- A uniform rate of 5 percent GRT regardless of nature of income and term of maturity of instrument - Retain the 0 percent tax on dividends and equity shares and net income of subsidiaries
Premium tax on life insurance	- Retain the 2 percent premium tax - Shift the taxation of entities doing business similar to life and health insurance such as pre-need and pension fund companies and health maintenance organizations from 12 percent VAT to 2 percent premium tax
Tax on non-life insurance	- Retain the 12 percent VAT
C. DST on Financial Transactions	
	- Reduce the rate on the following: • Original issue of shares of stock from 1.0 to 0.75 percent of par value • Policies of insurance upon property, from 12.5 percent of premium to be reduced by 1 percentage point every year until it reaches 7.5 percent in 2024 • Fidelity bonds and other insurance policies, from 12.5 percent of premium to be reduced by 1 percentage point every year until it reaches 7.5 percent in 2024 - Remove the DST on the following: • Sales, agreements to sell, memoranda of sales, deliveries, or transfer of shares or certificates of stock • Certificates of profits or interest in property or accumulations • Bank checks, drafts, etc. • All bills of exchange or drafts • Proxies • Powers of attorney • Assignments or transfer or mortgage, lease or policy of insurance - Increase the DST rate on certificates from P30.00 to P40.00 per certificate - Simplify the DST on mortgages, pledges etc. to a single ad valorem rate of 0.3 percent of the amount secured

As of this writing, the estimates of the impact of Package 4 reforms show that an incremental revenue of P5.6 billion can be expected during the first year of implementation. This, however, is estimated to decrease to P3.1 billion in the following year. Revenues will begin to taper off in the succeeding years as the unified and lower tax rates are fully set in place. (See Table 23)

Loss in revenues will come from final tax on interest income ranging from P14.9 billion in 2019 to P25 billion in 2022 due to the reduction of the tax rate from 20 to 15 percent. Moreover, the gradual reduction of stock transactions tax, removal of the IPO tax, and removal or reduction of DST on most financial transactions will contribute to the reduction in revenues.

The said revenue loss, however, will be offset by the revenue gains from the increase in the tax rate on dividends (P9.1 billion in 2019 to P15.3 billion in 2022), the new tax on trading gains on debt instruments (P1.9 billion to P2.2 billion), and the imposition of the single GRT rate on banks and NBFIs (P3.7 billion to P6.7 billion). Moreover, an addition of over P10 billion in revenue each year is expected as a result of the repeal of a number of exemptions in the Tax Code[11] and certain special laws.

Table 23
Revenue Impact of Package 4 Reforms
In billion pesos

Type of Tax	2019	2020	2021	2022
Tax on Passive Income	**-4.0**	**-7.7**	**-11.6**	**-15.4**
Interest income	-14.9	-18.1	-21.6	-25.0
Dividends	9.1	10.8	12.8	15.3
Capital gains, STT, and IPO tax	0.0	-2.4	-5.0	-7.9
Trading gains on debt instruments	1.9	2.0	2.1	2.2
Tax on financial intermediaries	**3.6**	**4.5**	**5.5**	**6.6**
Gross receipts tax	3.7	4.6	5.6	6.7
Premium tax on life insurance	-0.1	-0.1	-0.1	-0.1
Tax on non-life and pre-need and others	0.0	0.0	0.0	0.0
DST on financial transactions	**-3.3**	**-4.3**	**-5.3**	**-6.5**
Repeal of NIRC provisions	**10.3**	**10.6**	**10.8**	**11.1**
Repeal of special laws	**1.2**	**1.3**	**1.4**	**1.4**
Grand total	**7.9**	**4.4**	**0.7**	**-2.8**
Grand total (at 70% efficiency)	**5.6**	**3.1**	**0.5**	**-2.0**

Notes. 1. STT goes down by 0.1 ppt annually from 0.6 percent until it reaches 0.1 percent.
2. DST on property insurance, and fidelity bonds and other insurance policies goes down by 1 ppt annually from 12.5 percent until it reaches 7.5 percent.
3. Excludes DSTs in Section 189,190, 191, 192, 193, 194, 196, and 197 of the NIRC as they are non-financial in nature.

[11] Repeal of the following exemptions are proposed: (a) mutual savings bank and cooperative bank, Sec. 30 of the Tax Code, as amended; (b) OBUs and FCDUs, Sec. 28(A)(4) and 28(A)(7)(b); and (c) gains from sale of bonds, debentures or other certificates of indebtedness with maturity of more than 5 years, Sec. 32(B)(7)(g).

V. CONCLUSION AND RECOMMENDATIONS

The following proposed reforms under Package 4 of the CTRP are fully supported:

a. Unification of tax rates for interest income, dividends and CGT on non-traded shares of stock to simplify the tax system;

b. Removal of tax exemption/preferential tax rates on certain transactions or financial instruments to broaden the tax base;

c. Alignment of tax rates with those of other ASEAN countries for a competitive tax system;

d. Gradual reduction of the STT and removal of the IPO tax to promote capital market development;

e. Imposition of a single rate of GRT on banks and NBFIs regardless of type of income and maturity of financial instruments to simplify the tax system of the industry;

f. Harmonization of the taxation of pre-need, pension, life and HMO insurance and gradual reduction of the DST on non-life insurance in support of the insurance industry; and

g. Imposition of DST only upon original issuance of shares of stock, debt instruments and other securities and not in the secondary market to lessen friction costs, support capital market development and promote capital mobility.

Annex A. Schedule of Final Taxes on Interest Income

Type of Interest Income	Philippine Citizens		Aliens			Corporations		
	Resident	Non resident	Resident	NRAETB	NRANETB	Domestic	Resident Foreign	Nonresident Foreign
1. Interest (any currency bank, deposit, yield on deposit substitutes, from trust fund or similar arrangements)	20% FT	20% FT	20% FT	20% FT	25% FT	20% FT	20% FT	30% FT
2. Interest from a depository bank under the Expanded Foreign Currency Deposit System (EFCDS)	15% FT	Exempt	15% FT	Exempt	Exempt	15% FT	7.5% FT	Exempt
3. Interest on long term (>5 years) deposits, deposit substitutes, and other investments as prescribed by the BSP	Exempt	Exempt	Exempt	Exempt	25% FT	20% FT	20% FT	30% FT
Pre-terminated (>= 4 years & < 5 years)	5% FT	5% FT	5% FT	5% FT	25% FT	20% FT	20% FT	30% FT
Pre-terminated (>= 3 years & < 4 years)	12% FT	12% FT	12% FT	12% FT	25% FT	20% FT	20% FT	30% FT
Pre-terminated (< 3 years)	20% FT	20% FT	20% FT	20% FT	25% FT	20% FT	20% FT	30% FT
4. Other interest income derived within the Philippines	0-35% PIT	0-35% PIT	0-35% PIT	0-35% PIT	25% FT	30% CIT	30% CIT	30% FT
5. Other interest income derived outside the Philippines	0-35% PIT	Exempt	Exempt	Exempt	Exempt	30% CIT	N/A	N/A
6. Interest income on foreign loans contracted on or after August 1, 1986	N/A	N/A	N/A	N/A	N/A	N/A	N/A	20% FT
7. Interest income received by a FCDU: income derived by a depository banks from foreign currency transactions with nonresidents, offshore banking units (OBUs), local commercial banks authorized by the BSP	N/A	N/A	N/A	N/A	N/A	Exempt	Exempt	N/A
8. Interest income received by a FCDU: interest income from foreign currency loans to residents other than OBUs	N/A	N/A	N/A	N/A	N/A	10% FT	10% FT	N/A
9. Interest income received by an OBU: interest derived by a depository bank from foreign currency transactions with nonresidents, OBUs, local commercial banks authorized by the BSP	N/A	N/A	N/A	N/A	N/A	N/A	Exempt	N/A
10. Interest income received by an OBU: interest income from foreign currency loans granted to residents other than OBUs or local commercial banks	N/A	N/A	N/A	N/A	N/A	N/A	10% FT	N/A