

**MATRIX ON PROPOSED AMENDMENTS UNDER PACKAGE 4 OF THE COMPREHENSIVE TAX REFORM PROGRAM:
PRESENT PROVISIONS VIS-À-VIS HOUSE BILL (HB) NO. 8645***

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| <p>SEC. 22. Definitions. – When used in this Title:</p> <p>(A) xxx xxx xxx</p> <p>(B) The term ‘<i>corporation</i>’ shall include partnerships, no matter how created or organized, joint-stock companies, joint accounts (<i>cuentas en participacion</i>), association, or insurance companies, but does not include general professional partnerships and a joint venture or consortium formed for the purpose of undertaking construction projects or engaging in petroleum, coal, geothermal and other energy operations pursuant to an operating consortium agreement under a service contract with the Government. ‘<i>General professional partnerships</i>’ are partnerships formed by persons for the sole purpose of exercising their common profession, no part of the income of which is derived from engaging in any trade or business.</p> <p>xxx xxx xxx</p> | <p>SEC. 3. Section 22 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 22. Definitions. – When used in this Title:</p> <p>(A) xxx xxx xxx</p> <p>(B) The term ‘<i>corporation</i>’ shall include partnerships, no matter how created or organized, joint-stock companies, joint accounts (<i>cuentas en participacion</i>) SUCH AS COLLECTIVE INVESTMENT SCHEMES, association, or insurance companies, but does not include general professional partnerships and a joint venture or consortium formed for the purpose of undertaking construction projects or engaging in petroleum, coal, geothermal and other energy operations pursuant to an operating consortium agreement under a service contract with the Government. ‘<i>General professional partnerships</i>’ are partnerships formed by persons for the sole purpose of exercising their common profession, no part of the income of which is derived from engaging in any trade or business. A COLLECTIVE INVESTMENT SCHEME MAY OR MAY NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION.</p> <p>xxx xxx xxx</p> | <p>Includes collective investment schemes (CIS) as an example of <i>cuentas en participacion</i> which falls within the definition of a corporation for income tax purposes.</p> <p>The inclusion of CIS and therefore, its tax treatment will avoid ambiguity in tax administration.</p> <p>As worded, a CIS is a form of <i>cuentas en participacion</i>. This wording should be revisited or clarified as they could be more appropriately be considered as two separate classifications.</p> <p>The provision should be revisited or further discussed as it may have negative implication requiring the CIS to be registered with the Bureau of Internal Revenue (BIR) and for it to be treated as a corporation for tax purposes and yet it is given the option to be registered or not with the Securities and Exchange Commission (SEC).</p> |

* Prepared by the Indirect Taxes Branch, Direct Taxes Branch and the Economics Branch, NTRC.

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| <p>(L) The term <i>'shares of stock'</i> 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.</p> | <p>(L) The term <i>'shares of stock'</i> shall include shares of stock of a corporation, warrants and/or options, WHETHER TO BUY OR SELL SECURITIES, FUTURES CONTRACTS, AND SUCH OTHER DERIVATIVE SECURITIES LISTED AND TRADED IN A LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE as well as units of participation in a partnership (except general professional partnerships), joint stock companies, joint accounts, SUCH AS COLLECTIVE INVESTMENT SCHEMES, joint ventures taxable as corporations, associations and recreation or amusement clubs (such as golf, polo or similar clubs), and mutual funds certificates.</p> | <p>If the policy is to harmonize the taxation of the three forms of CIS, then the registration with the SEC should be mandatory. On the other hand, said mandatory registration which effectively change the current contractual structure to corporate structure may have negative effect on investors and thus hampers the country's capital market development.</p> <p>Expands the definition of "shares of stock" to also include the activity of buying or selling securities, futures contracts, and such other derivative securities that are traded in a local exchange or an organized marketplace.</p> |
| <p>(M) The term <i>'shareholder'</i> shall include holders of a share/s of stock, warrant/s and/or option/s to purchase shares of stock of a corporation, as well as a holder of a unit of participation in a partnership (except general professional partnerships) in a joint stock company, a joint account, a taxable joint venture, a member of an association, recreation or amusement club (such as golf, polo or similar clubs) and a holder of a mutual fund certificate, a member in an association, joint-stock company, or insurance company.</p> <p style="text-align: right;">XXX XXX XXX</p> | <p>(M) The term <i>'shareholder'</i> shall include holders of a share/s of stock, warrant/s and/or option/s, WHETHER TO BUY OR SELL SECURITIES, FUTURES CONTRACTS, AND SUCH OTHER DERIVATIVE SECURITIES LISTED AND TRADED IN A LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE, as well as a holder of a unit of participation in a partnership (except general professional partnerships) in a joint stock company, a joint account SUCH AS COLLECTIVE INVESTMENT SCHEMES, a taxable joint venture, a member of an association, recreation or amusement club (such as golf, polo or</p> | <p>As worded, a CIS is cited as one example of joint accounts. This wording should be revisited or clarified as they could be more appropriately be considered as two separate classifications.</p> <p>Same as above.</p> |

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| <p>(T) The term 'securities' means shares of stock in a corporation and rights to subscribe for or to receive such shares. The term includes bonds, debentures, notes or certificates, or other evidence of indebtedness, issued by any corporation, including those issued by a government or political subdivision thereof, with interest coupons or in registered form.</p> <p>XXX XXX XXX</p> | <p>similar clubs) and a holder of a mutual fund certificate, a member in an association, joint-stock company, or insurance company.</p> <p>XXX XXX XXX</p> <p>(T) The term 'securities' means shares of stock in a corporation and rights to subscribe for or to receive such shares. The term includes bonds, debentures, notes or certificates, or other evidence of indebtedness, issued by any corporation, including those issued by a government or political subdivision thereof, with interest coupons or in registered form. SHARES, PARTICIPATION, OR INTERESTS IN A CORPORATION OR IN A COMMERCIAL ENTERPRISE OR PROFIT-MAKING VENTURE AND EVIDENCED BY A CERTIFICATE, CONTRACT, INSTRUMENT, WHETHER WRITTEN OR ELECTRONIC IN CHARACTER. IT INCLUDES:</p> <p>(1) SHARES OF STOCKS, BONDS, DEBENTURES, NOTES, EVIDENCES OF INDEBTEDNESS, ASSET-BACKED SECURITIES;</p> <p>(2) INVESTMENT CONTRACTS, CERTIFICATES OF INTEREST, OR PARTICIPATION IN A PROFIT SHARING AGREEMENT SUCH AS COLLECTIVE INVESTMENT SCHEMES, CERTIFICATE OF DEPOSIT FOR A FUTURE SUBSCRIPTION;</p> <p>(3) FRACTIONAL UNDIVIDED INTERESTS IN OIL, GAS, OR OTHER</p> | <p>Adopts the definition of "securities" under Section 3 of Republic Act (RA) No. 8799, otherwise known as "The Securities Regulation Code" but added CIS as a form of investment contracts, certificates of interest of participation in a profit sharing agreement. It is deemed appropriate in order to harmonize the definition with the basic law governing securities in the Philippines.</p> |

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| <p>(V) The term <i>'bank'</i> means every banking institution, as defined in Section 2 of Republic Act No. 337, as amended, otherwise known as the General Banking Act. A bank may either be a commercial bank, a thrift bank, a development bank, a rural bank or specialized government bank.</p> | <p>MINERAL RIGHTS; (4) DERIVATIVES LIKE OPTIONS AND WARRANTS; (5) CERTIFICATES OF ASSIGNMENTS, CERTIFICATES OF PARTICIPATION, TRUST CERTIFICATES, VOTING TRUST CERTIFICATES, OR SIMILAR INSTRUMENTS; (6) PROPRIETARY OR NON-PROPRIETARY MEMBERSHIP CERTIFICATES IN CORPORATIONS; AND (7) OTHER INSTRUMENTS AS MAY IN THE FUTURE BE DETERMINED BY THE SECURITIES AND EXCHANGE COMMISSION.</p> <p style="text-align: center;">XXX XXX XXX</p> <p>(V) The term <i>'bank'</i> means every banking institution, as defined in Section 2 of Republic Act No. 337, as amended, otherwise known as the General Banking Act. A bank may either be a commercial bank, a thrift bank, a development bank, a rural bank or specialized government bank AS DEFINED IN SECTION 3 OF REPUBLIC ACT NO. 8791, OTHERWISE KNOWN AS THE GENERAL BANKING LAW OF 2000, SHALL REFER TO ENTITIES ENGAGED IN THE LENDING OF FUNDS OBTAINED IN THE FORM OF DEPOSITS. UNIVERSAL BANKS, COMMERCIAL BANKS, THRIFT BANKS COMPOSED OF: (A) SAVINGS</p> | |
| | | <p>Adopts the definition of "bank" under Section 3 of RA 8791, otherwise known as "The General Banking Law of 2000".</p> |

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| <p>(W) The term <i>'non-bank financial intermediary'</i> means a financial intermediary, as defined in Section 2(D)(c) of Republic Act No. 337, as amended, otherwise known as the "General Banking Act," authorized by the Bangko Sentral ng Pilipinas (BSP) to perform quasi-banking activities.</p> | <p>AND MORTGAGE BANKS; (B) STOCK SAVINGS AND LOAN ASSOCIATIONS; AND (C) PRIVATE DEVELOPMENT BANKS, AS DEFINED IN REPUBLIC ACT NO. 7906, OR THE THRIFT BANKS ACT, RURAL BANKS, AS DEFINED IN REPUBLIC ACT NO. 7353 OF THE RURAL BANKS ACT; COOPERATIVE BANKS, AS DEFINED IN REPUBLIC ACT NO. 6938 OR THE COOPERATIVE CODE, ISLAMIC BANKS AS DEFINED IN REPUBLIC ACT NO. 6848, OR THE CHARTER OF AL AMANAH ISLAMIC INVESTMENT BANK OF THE PHILIPPINES, AND OTHER CLASSIFICATIONS OF BANKS AS DETERMINED BY THE MONETARY BOARD OF THE BANGKO SENTRAL NG PILIPINAS.</p> | <p>The word "OT" should be spelled as "OR".</p> |
| <p>(W) The term <i>'non-bank financial intermediary'</i> means a financial intermediary, as defined in Section 2(D)(c) of Republic Act No. 337, as amended, otherwise known as the "General Banking Act," authorized by the Bangko Sentral ng Pilipinas (BSP) to perform quasi-banking activities.</p> | <p>(W) The term <i>'non-bank financial intermediary'</i> means PERSONS OR ENTITIES ENGAGED IN THE BORROWING OF FUNDS, FOR THE BORROWER'S OWN ACCOUNT, THROUGH THE ISSUANCE, ENDORSEMENT, OR ACCEPTANCE OF DEBT INSTRUMENTS OF ANY KIND OTHER THAN DEPOSITS, OR THROUGH THE ISSUANCE OF PARTICIPATIONS, CERTIFICATES OF ASSIGNMENT, OR SIMILAR INSTRUMENTS WITH RECOURSE, TRUST CERTIFICATES, OR OF REPURCHASE AGREEMENTS, FROM TWENTY (20) OR MORE LENDERS AT ANY ONE TIME, FOR PURPOSES OF RELENDING OR PURCHASING OF RECEIVABLES AND OTHER OBLIGATIONS, BUT DOES NOT INCLUDE COMMERCIAL, INDUSTRIAL, AND OTHER NON-FINANCIAL COMPANIES, WHICH BORROW FUNDS THROUGH ANY OF</p> | <p>Expands the definition of the term "non-bank financial intermediary" as it combines the definitions of the terms 'quasi-banking functions and 'financial intermediaries' under Sections 2-D(b) and 2-D(c), respectively of RA 337, as amended by Presidential Decree (PD) No. 71 which was issued to effect reforms in the banking system and to render monetary and credit policies more responsive to the requirements of economic development.</p> |

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| <p>No existing definition under the NIRC of 1997, as amended.</p> <p>(X) The term <i>'quasi-banking activities'</i> means borrowing 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 lending or purchasing receivables and other similar obligations: <i>Provided, however,</i> That commercial, industrial and other non-financial companies, which borrow funds through any of these means for the limited purpose of financing their own needs or the needs of their agents or dealers, shall not be considered as performing quasi-banking functions.</p> | <p>THESE MEANS FOR THE LIMITED PURPOSE OF FINANCING THEIR OWN NEEDS OR THE NEEDS OF THEIR AGENTS OR DEALERS, OR a financial intermediary, as defined in Section 2(D)(e) of Republic Act No. 337, as amended, otherwise known as the General Banking Act, authorized by the Bangko Sentral ng Pilipinas (BSP) to perform quasi-banking activities.</p> <p>(X) THE TERM 'QUASI-BANK' SHALL REFER TO ENTITIES ENGAGED IN THE BORROWING OF FUNDS THROUGH THE ISSUANCE, ENDORSEMENT OR ASSIGNMENT WITH RECOURSE OR ACCEPTANCE OF DEPOSIT SUBSTITUTES, AS DEFINED IN SECTION 95 OF REPUBLIC ACT NO. 7653, OR THE NEW CENTRAL BANKING ACT FOR PURPOSES OF LENDING OR PURCHASING OF RECEIVABLES AND OTHER OBLIGATIONS.</p> <p>(Y) The term <i>'quasi-banking activities'</i> means borrowing funds from twenty (20) or more personal INDIVIDUAL 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 lending or purchasing receivables and other similar obligations: <i>Provided, however,</i> That commercial, industrial and other non-financial companies, which borrow funds through any of these means for the limited purpose of financing their own needs or the needs of their agents or dealers, shall not be considered as performing quasi-banking functions.</p> | <p>Provides a definition of the term 'quasi-bank' in the Tax Code. The definition is drawn from the last paragraph of Section 4 of RA 8791 or "The General Banking Law of 2000".</p> <p>Should indicate that the Section is re-lettered from Section 22(X) to Section 22(Y).</p> <p>Replaces the term 'personal' with INDIVIDUAL for consistency in the use of the latter term in the Tax Code.</p> |

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| <p>(Y) The term ‘<i>deposit substitutes</i>’ shall mean an alternative form of obtaining funds from the public (the term ‘public’ means borrowing from twenty (20) or more individual or corporate lenders at any one time) other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrowers own account, for the purpose of relending or purchasing of receivables and other obligations, or financing their own needs or the needs of their agent or dealer. These instruments may include, but need not be limited to bankers’ acceptances, promissory notes, repurchase agreements, including reverse repurchase agreements entered into by and between the Bangko Sentral ng Pilipinas (BSP) and any authorized agent bank, certificates of assignment and similar instruments with recourse: <i>Provided, however,</i></p> | <p>THE PHRASE “AT ANY ONE TIME” SHALL BE COUNTED AT THE TIME OF ORGANIZATION OR ISSUANCE OF THE DEBT INSTRUMENT.</p> <p>(Z) The term ‘<i>deposit substitutes</i>’ shall mean an alternative form of obtaining funds from the public (the term ‘public’ means borrowing from twenty (20) or more individual or corporate lenders at any one time) other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrowers own account, for the purpose of relending or purchasing of receivables and other obligations, or financing their own needs or the needs of their agent or dealer. These instruments may include, but need not be limited to bankers’ acceptances, promissory notes, repurchase agreements, including EXCLUDING reverse repurchase agreements entered into by and between the Bangko Sentral ng Pilipinas (BSP) and any authorized agent bank, certificates of assignment or participation and similar instruments with recourse.</p> | <p>Clarifies the phrase “at any one time” to lessen or avoid dispute on what the phrase means. This phrase has been a subject of a judicial dispute because of its ambiguity in the context of the financial markets. The phrase is susceptible to different interpretations to include: (a) its ordinary acceptance, i.e., at any given time, or during any particular point or moment of the day. Hence, it considers the existing number of lenders/ investors of such security at any moment in time, whether in the primary or secondary market; or (b) this only refers to transactions made in the primary market. This ambiguity has been settled by the Supreme Court (SC) in the case of BDO et. al. vs RCBC [GR No. 198756, August 16, 2016] where it is ruled that the determination of the phrase “at any one time” to determine the “20 or more lenders” is to be determined at the time of the original issuance. The clarification therefore under the bill is consistent with the said SC ruling.</p> <p>Should indicate that the Section is re-lettered from Section 22(Y) to Section 22(Z).</p> <p>Expressly excludes reverse repurchase (RRP) agreements entered into by and between the BSP and any authorized agent bank from the enumeration of ‘instruments’ for purposes of defining the term deposit substitutes. Under a ‘reverse repo’, the BSP acts as the seller of government securities, thus, the bank’s payment reduces its reserve account resulting in a contraction in the system’s money supply. The rationale for the exclusion of this instrument lies on the reasoning that a reverse repo is not a business venture but a monetary policy tool to control circulation of money.</p> |

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| <p>That debt instruments issued for interbank call loans with maturity of not more than five (5) days to cover deficiency in reserves against deposit liabilities, including those between or among banks and quasi-banks, shall not be considered as deposit substitute debt instruments.</p> | <p>DEBT INSTRUMENTS ISSUED BY THE GOVERNMENT AND ANY OF ITS AGENCIES AND INSTRUMENTALITIES, INCLUDING GOVERNMENT FINANCIAL INSTITUTIONS SHALL BE DEEMED ISSUED TO THE PUBLIC AND CONSIDERED DEPOSIT SUBSTITUTES. <i>Provided, however,</i> That debt instruments issued for interbank call loans with maturity of not more than five (5) days to cover deficiency in reserves against deposit liabilities, including those between or among banks and quasi-banks, shall not be considered as deposit substitute debt instruments.</p> <p>xxx xxx xxx</p> | <p>However, the exclusion of RRP agreement from the definition of the term "deposit substitutes" has to be revisited as this is not in accordance with the definition of the same under Section 95 of RA 7653 or "The New Central Bank Act".</p> <p>Clarifies that debt instruments issued by the government and any of its agencies and instrumentalities including government financial institutions are deemed issued to the public and are considered as deposit substitutes. Such clarification in the bill codifies the provision under Section 2 of BIR Revenue Regulations (RR) No. 14-2012 which provides that the mere issuance of government debt instruments and securities is deemed as falling within the coverage of 'deposit substitutes' irrespective of the number of lenders at the time of origination. The said RR uses the arguments under BIR Ruling No. 007-04 dated July 16, 2004 issued to the Bureau of Treasury which explains that since the object of the issuance is to obtain the required government funding, the issuance and subsequent distribution (exchange and trading) of government debt instruments and securities in the secondary market to other market participants, instruments and securities in the secondary market to other market participants, specifically, the investors, is in itself a public borrowing of the government. The financial assets (i.e., debt instruments and securities) in the hands of the investors represent a claim to future cash for which the borrowing entity, at maturity date, must have to pay. It is, however, in the secondary market that the investing public make the indirect investment in the borrowing entity, in this case, the Government.</p> <p>Section 22(Z) on the definition of ordinary income</p> |

(Z) The term 'ordinary income' x x x.

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| (AA) The term 'rank and file employees' x x x. | | should be re-lettered as Section 22(AA). |
| (BB) The term 'mutual fund company' shall mean an open-end and close-end investment company as defined under the Investment Company Act. | (BB) The term 'mutual fund company' shall mean ANY INVESTMENT COMPANY WHICH IS OR HOLDS ITSELF OUT AS BEING ENGAGED PRIMARILY, OR PROPOSES TO ENGAGE PRIMARILY IN THE BUSINESS OF POOLING TOGETHER MONEY FROM VARIOUS INVESTORS AND INVESTS, REINVESTS, OR TRADES THE SAME IN SECURITIES, WHETHER IN STOCKS, BONDS, MONEY-MARKET INSTRUMENTS, OTHER SECURITIES, CASH, OR ANY OTHER ASSET, OR an open-end and close-end investment company as defined under REPUBLIC ACT NO. 2629, ALSO KNOWN AS the Investment Company Act OF THE PHILIPPINES. | Section 22(AA) on the definition of rank and file employees should be re-lettered as Section 22(BB). Section 22(BB) should be re-lettered as Section 22(CC). Provides the definition of the term 'mutual fund company' as found in Rule 1 (27), of the SEC's Implementing Rules and Regulations of the Investment Company Act. (RA 2629) |
| (CC) The term 'trade, business or profession' x x x. | xxx xxx xxx xxx | Section 22(CC) on the definition of trade, business or profession should be re-lettered as Section 22(DD). |
| (DD) The term 'regional or area headquarters' x x x. | | Section 22(DD) on the definition of regional or area headquarters should be re-lettered as Section 22(EE). |
| (EE) The term 'regional operating headquarters' x x x. | | Section 22(EE) on the definition of regional operating headquarters should be re-lettered as Section 22(FF). |
| (FF) The term 'long-term deposit or investment certificate' shall refer to certificate of time deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments with a maturity period of not less than five (5) years, the form | (FF) The term 'long-term deposit or investment certificate' shall refer to certificate of time deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments with a maturity period of not less than five (5) years, the form | Section 22(FF) on the definition of financial institutions or financial intermediaries should be re-lettered as Section 22(GG). Deletes the provision on "long-term deposit or investment certificate" consistent with the removal of |

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| <p>of which shall be prescribed by the Bangko Sentral ng Pilipinas (BSP) and issued by banks only (not by non-bank financial intermediaries and finance companies) to individuals in denominations of Ten thousand pesos (P10,000) and other denominations as may be prescribed by the BSP.</p> <p>No existing definition of 'financial institutions' or 'financial intermediaries' under the NIRC of 1997, as amended.</p> | <p>of which shall be prescribed by the Bangko Sentral ng Pilipinas (BSP) and issued by banks only (not by non-bank financial intermediaries and finance companies) to individuals in denominations of Ten thousand pesos (P10,000) and other denominations as may be prescribed by the BSP. 'FINANCIAL INSTITUTIONS' OR 'FINANCIAL INTERMEDIARIES' SHALL MEAN PERSONS OR ENTITIES WHOSE PRINCIPAL FUNCTIONS INCLUDE THE BUSINESS OF LENDING, FINANCING, INVESTING, OR PLACEMENT OF FUNDS OR EVIDENCES 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, AND ARE AUTHORIZED BY THE BANGKO SENTRAL NG PILIPINAS OR BY THE SECURITIES AND EXCHANGE COMMISSION DEPENDING ON THE GOVERNMENT AGENCY AUTHORIZED TO REGULATE THEM. IT SHALL INCLUDE BANKS, QUASI-BANKS, TRUST ENTITIES, PAWNSHOPS, FOREIGN EXCHANGE DEALERS, MONEY BROKERS, CREDIT COOPERATIVES, FINANCING COMPANIES, FINANCE LEASING COMPANIES, INVESTMENT COMPANIES, AND OTHER COLLECTIVE INVESTMENT SCHEMES, INVESTMENT HOUSES, LENDING INVESTORS, AND OTHER TYPES OF BUSINESS THAT MAY BE CLASSIFIED BY THE BANGKO SENTRAL NG PILIPINAS OR THE SECURITIES AND EXCHANGE COMMISSION AS FINANCIAL INSTITUTIONS.</p> | <p>its tax exemption under Package 4 in order to provide a simpler and fairer system of taxation of capital income.</p> <p>Provides the definition of the terms 'financial institutions' or 'financial intermediaries' (FIs) and lists down what are considered as FIs.</p> <p>Clarification must be made, however, if the business of borrowing or accepting deposits is deliberately omitted or not applicable to the functions of financial institutions. Banks for instance are included in the term and they accept deposits.</p> |

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| <p>(GG) The term '<i>statutory minimum wage</i>' x x x</p> <p>(HH) The term '<i>minimum wage earner</i>' x x x</p> <p>No existing definition under the Tax Code.</p> | <p>LIFE AND NON-LIFE INSURANCE COMPANIES, PRE-NEED COMPANIES AND HEALTH MAINTENANCE ORGANIZATIONS ARE ALSO CONSIDERED FINANCIAL INSTITUTIONS UNDER THE SUPERVISION OF THE INSURANCE COMMISSION.</p> <p>(GG) The term '<i>statutory minimum wage</i>' x x x</p> <p>(HH) The term '<i>minimum wage earner</i>' x x x</p> <p>(I) THE TERM '<i>COLLECTIVE INVESTMENT SCHEMES</i>' OR '<i>CIS</i>' SHALL MEAN ANY ARRANGEMENT WHEREBY FUNDS ARE SOLICITED FROM THE INVESTING PUBLIC AND POOLED TOGETHER FOR THE PURPOSE OF INVESTING, RE-INVESTING, AND/OR TRADING IN SECURITIES OR OTHER ASSETS OR DIFFERENT CLASSES THEREOF AS ALLOWED UNDER THE LAW, WHICH MAY EITHER HAVE A CORPORATE STRUCTURE, SUCH AS AN INVESTMENT COMPANY, OR A CONTRACTUAL STRUCTURE, SUCH AS A UNIT INVESTMENT TRUST FUND OR SIMILAR SCHEME HELD BY A TRUST CORPORATION OR A SEPARATE ACCOUNT FUND ESTABLISHED PURSUANT TO A VARIABLE UNIT LINKED LIFE INSURANCE POLICY ISSUED BY AN INSURANCE COMPANY, AND SUCH OTHER FORMS OF COLLECTIVE INVESTMENT SCHEMES AS MAY BE DETERMINED BY THE APPROPRIATE GOVERNMENT</p> | <p>Clarifies that life and non-life insurance, pre-need companies and health maintenance organizations (HMOs) as also considered as financial institutions.</p> <p>Section 22(GG) on the definition of statutory minimum wage should be re-lettered as Section 22(HH).</p> <p>Section 22(HH) on the definition of minimum wage earner should be re-lettered as Section 22(IJ).</p> <p>Section 22(I) on the definition of collective investment schemes should be re-lettered as Section 22(JJ).</p> <p>Provides for a definition of the term 'collective investment schemes' and its two (2) types, i.e. open-end CIS and closed-end CIS. The same is deemed necessary given the popularity of various CIS as investment tools. There are in fact proposals in both Houses of Congress to enact a CIS law, similar to those which have long been enacted in more advanced markets in the Association of Southeast Asian Nations (ASEAN) like Singapore and Malaysia.</p> |

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| <p>No existing definition under the Tax Code.</p> | <p>REGULATORY AGENCIES SUCH AS THE BANGKO SENTRAL NG PILIPINAS, THE SECURITIES AND EXCHANGE COMMISSION AND THE INSURANCE COMMISSION. A CIS MAY EITHER BE OPEN-END OR CLOSED-END, DEFINED AS FOLLOWS:</p> <p>'OPEN-END CIS' MEANS A CIS WHERE SECURITIES ARE OFFERED AND ARE ALWAYS REDEEMABLE BY THE CIS; AND</p> <p>'CLOSED-END CIS' MEANS A CIS WHERE A FIXED NUMBER OF SECURITIES ARE OFFERED IN AN INITIAL PUBLIC OFFERING AND THEREAFTER MAY BE TRADED IN AN ORGANIZED MARKETPLACE AS DETERMINED BY THE SECURITIES AND EXCHANGE COMMISSION, BUT MAY NOT BE REDEEMED BY THE CIS. A CLOSED-END CIS SHALL NOT BE ALLOWED TO INCREASE ITS NUMBER OF SECURITIES.</p> <p>(JJ) THE TERM 'UNIT-LINKED INVESTMENT INSTRUMENT' SHALL MEAN A CONTRACTUAL CIS ORGANIZED PURSUANT TO A CONTRACT, SUCH AS TRUST INSTRUMENT, OR AS AN INVESTMENT COMPONENT OF AN INSURANCE CONTRACT, ENGAGED OR HOLDS ITSELF OUT AS BEING ENGAGED, OR PROPOSES TO ENGAGE, IN THE BUSINESS OF INVESTING, REINVESTING, AND/OR TRADING IN SECURITIES OR OTHER INVESTMENT ASSETS, AND ISSUES UNITS OF</p> | <p>Section 22(JJ) on the definition of unit-linked investment instrument should be re-lettered as Section 22(KK).</p> <p>Provides for a definition of the term "unit-linked investment instrument" which is a form or type of CIS.</p> |
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| <p>No existing definition under the Tax Code.</p> | <p>PARTICIPATION, EACH OF WHICH REPRESENTS AN UNDIVIDED INTEREST IN A POOL OF INVESTMENT ASSETS.</p> <p>(KK) THE TERM 'HOLDING COMPANY' SHALL REFER TO ANY CORPORATION ORGANIZED TO HOLD THE STOCK OF ANOTHER OR OTHER CORPORATIONS, AND OTHER FORMS OF HOLDING COMPANIES AS MAY BE DETERMINED BY APPROPRIATE GOVERNMENT REGULATORY AGENCIES.</p> | <p>Section 22(KK) on the definition of holding company should be re-lettered as Section 22(LL).</p> <p>Provides for a definition of the term 'holding company' which is drawn from the SEC's definition of the said term in its several opinions.</p> |
| <p>SEC. 179. Stamp Tax on All Debt Instruments. - x x</p> <p>For purposes of this section, the term 'debt instrument' shall mean debt instrument representing borrowing and lending transactions including but not limited to debentures, certificates of indebtedness, due bills, bonds, loan agreements, including those signed abroad wherein the object of contract is located or used in the Philippines, instruments and securities issued by the government or any of its instrumentalities, deposit substitute, debt instruments, certificates or other evidences of deposits that are either drawing interest significantly higher than the regular savings deposit taking into consideration the size of the deposit and the risks involved or drawing interest and having a specific maturity date, orders for payment of any sum of money otherwise than at sight or on demand, promissory notes, whether negotiable or non-negotiable, except bank notes issued for circulation.</p> | <p>(LL) THE TERM 'DEBT INSTRUMENT' SHALL REFER TO INSTRUMENTS REPRESENTING BORROWING AND LENDING TRANSACTIONS INCLUDING BUT NOT LIMITED TO DEBENTURES, CERTIFICATES OF INDEBTEDNESS, DUE BILLS, BONDS, LOAN AGREEMENTS, INSTRUMENTS, AND SECURITIES ISSUED BY THE GOVERNMENT OR ANY OF ITS INSTRUMENTALITIES, DEPOSIT SUBSTITUTES, DEBT INSTRUMENTS, CERTIFICATES OR OTHER EVIDENCES OF DEPOSITS, PROMISSORY NOTES, WHETHER NEGOTIABLE OR NON-NEGOTIABLE, OTHER SIMILAR INSTRUMENTS, AND OTHER INSTRUMENTS AS MAY BE DETERMINED BY APPROPRIATE GOVERNMENT AGENCIES.</p> | <p>Section 22(LL) on the definition of debt instruments should be re-lettered as Section 22(MM).</p> <p>Transfers the definition of the term 'debt instrument' under Section 179 to Section 22 of the Tax Code for easier reference.</p> |
| <p>No existing definition under the Tax Code.</p> | <p>(MM) THE TERM 'ORGANIZED MARKETPLACE' IS AN EXCHANGE, AN</p> | <p>Section 22(MM) on the definition of organized marketplace should be re-lettered as Section 22(NN).</p> |

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| <p>SEC. 127. Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange or through Initial Public Offering. - x x x</p> <p>(B) Tax on Shares of Stock Sold or Exchanged Through Initial Public Offering. - x x x</p> <p style="text-align: center;">xxx xxx xxx</p> <p>For purposes of this Section, the term '<i>closely held corporation</i>' means any corporation at least fifty percent (50%) in value of outstanding capital stock or at least fifty percent (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 twenty (20) individuals.</p> <p>For purposes of determining whether the corporation is a closely held corporation, insofar as such determination is based on stock ownership, the</p> | <p>OVER-THE-COUNTER TRADING MARKET, ALTERNATIVE AND LICENSED BY THE REGISTERED AND EXCHANGE COMMISSION SECURITIES AND EXCHANGE COMMISSION AS AN EXCHANGE UNDER REPUBLIC ACT NO. 8799, AS AMENDED, AND GOVERNED BY, AMONG OTHERS, TRANSPARENT AND BINDING RULES AND MARKET CONVENTIONS ON MEMBERSHIP, TRADING, PRICE TRANSPARENCY, TRADE REPORTING, MARKET MONITORING AND ORDERLY CONDUCT/OPERATION OF THE MARKET WHICH ARE ENFORCEABLE ON THE MEMBERS AND PARTICIPANTS.</p> <p>(NN) THE TERM 'CLOSELY HELD CORPORATION' MEANS ANY CORPORATION WITH AT LEAST FIFTY PERCENT (50%) IN VALUE OF OUTSTANDING CAPITAL STOCK OR AT LEAST FIFTY PERCENT (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 TWENTY (20) INDIVIDUALS.</p> <p>FOR PURPOSES OF DETERMINING WHETHER THE CORPORATION IS A CLOSELY HELD CORPORATION, INsofar</p> | <p>Provides for a definition of the term 'organized marketplace.'</p> <p>Section 22(NN) on the definition of closely held corporation should be re-lettered as Section 22(OO).</p> <p>Retains the definition of the term 'closely held corporation' and only transfers the same from Section 127(B) to Section 22 of the Tax Code.</p> <p>The grouping together of the definition of terms under Section 22 provides better comprehension of the Tax Code and ease of reference.</p> |

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| <p>following rules shall be applied:</p> <p>(1) <i>Stock Not Owned by Individuals.</i> – Stock owned directly or indirectly by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by its shareholders, partners or beneficiaries.</p> <p>(2) <i>Family and Partnership Ownerships.</i> – An individual shall be considered as owning the stock owned, directly or indirectly, by or for his family, or by or for his partner. For purposes of the paragraph, the <i>'family of an individual'</i> includes only his brothers and sisters (whether by whole or half-blood), spouse, ancestors and lineal descendants.</p> <p>(3) <i>Option.</i> – If any person has an option to acquire stock, such stock shall be considered as owned by such person. For purposes of this paragraph, an option to acquire such an option and each one of a series of options shall be considered as an option to acquire such stock.</p> | <p>AS SUCH DETERMINATION IS BASED ON STOCK OWNERSHIP, THE FOLLOWING RULES SHALL BE APPLIED:</p> <p>(1) <i>STOCK NOT OWNED BY INDIVIDUALS.</i> – STOCK OWNED DIRECTLY OR INDIRECTLY BY OR FOR A CORPORATION, PARTNERSHIP, ESTATE OR TRUST SHALL BE CONSIDERED AS BEING OWNED PROPORTIONATELY BY ITS SHAREHOLDERS, PARTNERS OR BENEFICIARIES.</p> <p>(2) <i>FAMILY AND PARTNERSHIP OWNERSHIPS.</i> – AN INDIVIDUAL SHALL BE CONSIDERED AS OWNING THE STOCK OWNED, DIRECTLY OR INDIRECTLY, BY OR FOR THE INDIVIDUAL'S FAMILY, OR PARTNER. FOR PURPOSES OF THE PARAGRAPH, THE 'FAMILY OF AN INDIVIDUAL' INCLUDES ONLY BROTHERS AND SISTERS (WHETHER BY WHOLE OR HALF-BLOOD), SPOUSE, ANCESTORS AND LINEAL DESCENDANTS.</p> <p>(3) <i>OPTION.</i> – IF ANY PERSON HAS AN OPTION TO ACQUIRE STOCK, SUCH STOCK SHALL BE CONSIDERED AS OWNED BY SUCH PERSON. FOR PURPOSES OF THIS PARAGRAPH, AN OPTION TO ACQUIRE SUCH AN OPTION AND EACH ONE OF A SERIES OF OPTIONS SHALL BE</p> | |

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| <p>(4) <i>Constructive Ownership as Actual Ownership.</i> – Stock constructively owned by reason of the application of paragraph (1) or (3) hereof shall, for purposes of applying paragraph (1) or (2), be treated as actually owned by such person; but stock constructively owned by the individual by reason of the application of paragraph (2) hereof shall not be treated as owned by him for purposes of again applying such paragraph in order to make another the constructive owner of such stock.</p> | <p>CONSIDERED AS AN OPTION TO ACQUIRE SUCH STOCK.</p> <p>(4) <i>CONSTRUCTIVE OWNERSHIP AS ACTUAL OWNERSHIP.</i> – STOCK CONSTRUCTIVELY OWNED BY REASON OF THE APPLICATION OF PARAGRAPH (1) OR (3) HEREOF SHALL, FOR PURPOSES OF APPLYING PARAGRAPH (1) OR (2), BE TREATED AS ACTUALLY OWNED BY SUCH PERSON; BUT STOCK CONSTRUCTIVELY OWNED BY THE INDIVIDUAL BY REASON OF THE APPLICATION OF PARAGRAPH (2) HEREOF SHALL NOT BE TREATED AS OWNED BY HIM FOR PURPOSES OF AGAIN APPLYING SUCH PARAGRAPH IN ORDER TO MAKE ANOTHER PERSON THE CONSTRUCTIVE OWNER OF SUCH STOCK.</p> | |
| <p>SEC. 24. Income Tax Rates. – (A) Rates of Income Tax on Individual Citizen and Individual Resident Alien of the Philippines. – XXX XXX XXX (B) Rate of Tax on Certain Passive Income. –</p> | <p>SEC. 4. Section 24 (B) and (C) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows: SEC. 24. Income Tax Rates. – (A) Rates of Income Tax on Individual Citizen and Individual Resident Alien of the Philippines. – XXX XXX XXX (B) Rate of Tax on Certain Passive Income. –</p> | |

| Present Provision | HB No. 8645 | Remarks |
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| <p>(1) Interests, Royalties, Prizes, and Other Winnings. – A final tax at the rate of twenty percent (20%) is hereby imposed upon the amount of interest from any currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements; royalties, except on books, as well as other literary works and musical compositions, which shall be imposed a final tax of ten percent (10%); prizes (except prizes amounting to Ten thousand pesos (P10,000) or less which shall be subject to tax under Subsection (A) of Section 24; and other winnings (except winnings amounting to Ten thousand pesos (P10,000) or less from Philippine Charity Sweepstakes and Lotto which shall be exempt), derived from sources within the Philippines: <i>Provided, however,</i> That interest income received by an individual taxpayer (except a nonresident individual) from a depository bank under the expanded foreign currency deposit system shall be subject to a final income tax at the rate of fifteen percent (15%) of such interest income: <i>Provided, further,</i> That interest income from long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the Bangko Sentral ng Pilipinas (BSP) shall be exempt from the tax imposed under this Subsection: <i>Provided, finally,</i> That should the holder of the certificate pre-terminate the deposit or investment before the fifth (5th) year, a final tax shall be imposed on the entire income and shall be deducted and withheld by the depository bank from the proceeds of the long-term deposit or investment certificate based on the remaining maturity thereof:</p> <p>Four (4) years to less than five (5) years – 5%;</p> | <p>(1) Interests, Royalties, Prizes, and Other Winnings. – A final tax at the rate of twenty percent (20%) FIFTEEN PERCENT (15%) is hereby imposed upon the amount of interest, YIELD, OR ANY OTHER MONETARY BENEFIT EARNED OR RECEIVED FROM DEBT INSTRUMENT, BANK DEPOSIT, DEPOSIT SUBSTITUTE, AND ANY OTHER FORM OF DEBT INSTRUMENT AND SIMILAR ARRANGEMENTS, from any currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements; royalties, except on books, as well as other literary works and musical compositions, which shall be imposed a final tax of ten percent (10%); prizes (except prizes amounting to Ten thousand pesos (P10,000) or less which shall be subject to tax under Subsection (A) of Section 24; and other winnings (except winnings amounting to Ten thousand pesos (P10,000) or less from Philippine Charity Sweepstakes and Lotto which shall be exempt), derived from sources within the Philippines: <i>Provided, however,</i> That interest income received by an individual taxpayer (except a nonresident individual) from a depository bank under the expanded foreign currency deposit system shall be subject to a final income tax at the rate of fifteen percent (15%) of such interest income: <i>Provided, further,</i> That interest income from long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the Bangko Sentral ng Pilipinas (BSP) shall be exempt from the tax imposed under this Subsection: <i>Provided, finally,</i> That should the holder of the certificate pre-terminate the deposit or investment before the fifth (5th) year, a final tax</p> | <p>Limits Section 24(B)(1) to the tax treatment of interests.</p> <p>Includes in the enumeration of passive income subject to final tax, the yield or any other monetary benefit from debt instruments.</p> <p>Adopts a uniform tax rate of 15% for all types of interest income regardless of currency, maturity, or term.</p> <p>The uniform taxation of interest income will simplify the tax system and lessen, if not eradicate, cases of arbitrage.</p> |

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| <p>Three (3) years to less than (4) years – 12%; and Less than three (3) years – 20%</p> | <p>shall be imposed on the entire income and shall be deducted and withheld by the depository bank from the proceeds of the long-term deposit or investment certificate based on the remaining maturity thereof:</p> <p>Four (4) years to less than five (5) years – 5%; Three (3) years to less than (4) years – 12%; and Less than three (3) years – 20%</p> | |
| <p>(2) Cash and/or Property Dividends. – A final tax at the rate of ten percent (10%) shall be imposed upon the cash and/or property dividends actually or constructively received by an individual from a domestic corporation or from a joint stock company, insurance or mutual fund operating headquarters of multinational companies, or on the share of an individual in the distributable net income after tax of a partnership (except a general professional partnership) of which he is a partner, or on the share of an individual in the net income after tax of an association, a joint account, or a joint venture or consortium taxable as a corporation of which he is a member or co-venturer.</p> | <p>(2) Cash and/or Property Dividends. – A final tax at the RATE OF FIFTEEN PERCENT (15%) ten percent (10%) shall be imposed upon the cash and/or property dividends actually or constructively received by an individual from a domestic corporation or from a joint stock company, insurance, or mutual fund companies, COLLECTIVE INVESTMENT SCHEMES, and regional operating headquarters of multinational companies, or on the share of an individual in the distributable net income after tax of a partnership (except a general professional partnership) of which he is a partner, or on the share of an individual in the net income after tax of an association, a joint account, or a joint venture or consortium taxable as a corporation of which he is a member or co-venturer; PROVIDED, HOWEVER, THAT THE FIFTEEN PERCENT (15%) TAX ON DIVIDENDS SHALL APPLY ONLY ON INCOME EARNED ON OR AFTER JANUARY 1, 2019. INCOME FORMING PART OF RETAINED EARNINGS AS OF DECEMBER 31, 2018, EVEN IF DECLARED OR DISTRIBUTED ON OR AFTER JANUARY 1, 2019, SHALL BE SUBJECT TO TEN PERCENT (10%) TAX.</p> <p>LIQUIDATING DIVIDEND SHALL BE SUBJECT TO SECTION 24(A) BASED ON NET</p> | <p>Increases the tax rate on cash and/or property dividends received by individuals from 10% to 15%.</p> <p>The tax rate on dividends is harmonized with the tax rate on interests. The increase in tax rate raises potential for more revenue.</p> <p>Includes CIS in the list of dividends-issuing entities.</p> <p>Provides for the prospective application of the 15% tax on dividends.</p> <p>The prospective application of increased tax rate clears implementation concerns.</p> <p>In the case of liquidating dividends, the bill provides that the tax applicable is the graduated tax rate of 0%-</p> |

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| <p>(C) <i>Capital Gains from Sale of Shares of Stock not Traded in the Stock Exchange.</i> – The provisions of Section 39(B) notwithstanding, a final tax at the rate of fifteen percent (15%) is hereby imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic corporation, except shares sold, or disposed of through the stock exchange.</p> | <p>GAIN.</p> | <p>35% based on net gains or the 8% tax based on gross sales or receipts and other non-operating income of not more than P3 million.</p> <p>The ordinary connotation of liquidating dividend involves the distribution of assets by a corporation to its stockholders upon dissolution. It is a payment for surrendered or relinquished stocks in a corporation in a complete liquidation. During liquidation, the transfer of property by the dissolving corporation to its stockholders by way of liquidating dividends is not a sale subject to income tax, creditable withholding tax (CWT) and documentary stamp tax (DST). However, it is a deemed sale transaction for value added tax (VAT) purposes. On the part of the stockholder, any liquidating gain shall be treated as capital gain subject to the regular income tax rates under the Tax Code, and not to capital gains tax (CGT). The liquidating gain is the difference between the adjusted cost basis of the shares and the fair market value (FMV) of the property received as liquidating dividends. The express inclusion of the tax treatment of liquidating dividends is supported because it will once and for all clarify one of the grey areas when it comes to taxation of liquidating dividends.</p> <p>The tax treatment of capital gains, whether derived from the sale of listed or unlisted shares of stock is integrated into one sub-paragraph under HB 8645.</p> <p>In the case of unlisted shares of stock, HB 8645 retains the single rate of 15% of the net capital gains under the TRAIN Law.</p> |
| <p>(C) <i>Capital Gains from Sale of Shares of Stock not Traded in the Stock Exchange.</i> – The provisions of Section 39(B) notwithstanding, a final tax at the rate of fifteen percent (15%) is hereby imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic corporation, except shares sold, or disposed of through the stock exchange.</p> | <p>(C)(3) Capital Gains from THE Sale, EXCHANGE, BARTER, OR DISPOSITION of Shares of Stock not Traded in the Stock Exchange OR ORGANIZED MARKETPLACE. – The provisions of Section 39(B) notwithstanding, a final tax at the rate prescribed below OF FIFTEEN PERCENT (15%) is hereby imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic</p> | <p>The tax treatment of capital gains, whether derived from the sale of listed or unlisted shares of stock is integrated into one sub-paragraph under HB 8645.</p> <p>In the case of unlisted shares of stock, HB 8645 retains the single rate of 15% of the net capital gains under the TRAIN Law.</p> |
| <p>(C) <i>Capital Gains from Sale of Shares of Stock not Traded in the Stock Exchange.</i> – The provisions of Section 39(B) notwithstanding, a final tax at the rate of fifteen percent (15%) is hereby imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic corporation, except shares sold, or disposed of through the stock exchange.</p> | <p>(C)(3) Capital Gains from THE Sale, EXCHANGE, BARTER, OR DISPOSITION of Shares of Stock not Traded in the Stock Exchange OR ORGANIZED MARKETPLACE. – The provisions of Section 39(B) notwithstanding, a final tax at the rate prescribed below OF FIFTEEN PERCENT (15%) is hereby imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic</p> | <p>The tax treatment of capital gains, whether derived from the sale of listed or unlisted shares of stock is integrated into one sub-paragraph under HB 8645.</p> <p>In the case of unlisted shares of stock, HB 8645 retains the single rate of 15% of the net capital gains under the TRAIN Law.</p> |

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| <p>SEC. 127. Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange or through Initial Public Offering.</p> <p>(A) Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange.- There shall be levied, assessed and collected on every sale, barter, exchange, or other disposition of shares of stock listed and traded through the local stock exchange other than the sale by a dealer in securities, a tax at the rate of one-half of one percent ($\frac{1}{2}$ of 1%) of the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed which shall be paid by the seller or transferor.</p> | <p>corporation, except shares sold, or disposed of through A LOCAL stock exchange OR AN ORGANIZED MARKETPLACE.</p> <p>Not over P 100,000.....5% On any amount in excess of P 100,00010%</p> <p>(4) PRESUMPTIVE CAPITAL GAINS FROM THE SALE, EXCHANGE, BARTER, OR DISPOSITION OF SHARES OF STOCK TRADED IN THE STOCK EXCHANGE OR AN ORGANIZED MARKETPLACE. - THERE SHALL BE LEVIED, ASSESSED AND COLLECTED ON EVERY SALE, BARTER, EXCHANGE, OR ANY OTHER MODE OF DISPOSITION OF SHARES OF STOCK LISTED AND TRADED THROUGH A LOCAL STOCK EXCHANGE OR AN ORGANIZED MARKETPLACE, A FINAL TAX AT THE RATE OF SIX-TENTH OF ONE PERCENT ($\frac{6}{10}$ OF 1%), AND SHALL BE REDUCED ACCORDING TO THE FOLLOWING SCHEDULE:</p> <p>JANUARY 1, 2020: FIVE-TENTH OF ONE PERCENT ($\frac{5}{10}$ OF 1%),</p> <p>JANUARY 1, 2021: FOUR-TENTH OF ONE PERCENT ($\frac{4}{10}$ OF 1%),</p> <p>JANUARY 1, 2022: THREE-TENTH OF ONE PERCENT ($\frac{3}{10}$ OF 1%),</p> <p>JANUARY 1, 2023: TWO-TENTH OF ONE PERCENT ($\frac{2}{10}$ OF 1%),</p> <p>JANUARY 1, 2024: ONE-TENTH OF ONE</p> | <p>Transfers the stock transaction tax from “Other Percentage Taxes” [Title V, Section 127(A)] to a Tax on Income (Title II) of the Tax Code and put under the heading “Presumptive Capital Gains from the Sale, Exchange, Barter, or Disposition of Shares of Stock Traded in the Stock Exchange or an Organized Marketplace”.</p> <p>One implication of the transfer of stock transaction tax (STT) from Section 127 to Section 24 of the Tax Code is that the income from the transaction shall now be covered by the tax treaty and entitled to preferential tax treaty rate and such was not considered during the treaty negotiation and the country may be giving away favor to treaty partners without assurance of reciprocity.</p> <p>The bill proposes for a gradual reduction of the STT rate by one percentage point starting January 1, 2020 until it reaches to 1/10 of 1% or 0.1% by January 1, 2024. The proposal is meant to not unduly affect the revenue of the government and also to put the Philippines at par with Indonesia and Vietnam. Further, stock market stakeholders support the thrust of Package 4 to bring down the STT to 0.1% which is quite competitive as compared with other countries, e.g. Taiwan and Korea have 10 basis points. Also, this lowers the friction cost on secondary transfers of listed shares stock.</p> |

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| <p>corporation, except shares sold, or disposed of through A LOCAL stock exchange OR AN ORGANIZED MARKETPLACE.</p> <p>Net over P 100,000.....5% On any amount in excess of P 100,000.....10%</p> <p>SEC. 127. Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange or through Initial Public Offering.</p> <p>(A) Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange.- There shall be levied, assessed and collected on every sale, barter, exchange, or other disposition of shares of stock listed and traded through the local stock exchange other than the sale by a dealer in securities, a tax at the rate of one-half of one percent (½ of 1%) of the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed which shall be paid by the seller or transferor.</p> | <p>Transfers the stock transaction tax from "Other Percentage Taxes" [Title V, Section 127(A)] to a Tax on Income (Title II) of the Tax Code and put under the heading "Presumptive Capital Gains from the Sale, Exchange, Barter, or Disposition of Shares of Stock Traded in the Stock Exchange or an Organized Marketplace".</p> <p>One implication of the transfer of stock transaction tax (STT) from Section 127 to Section 24 of the Tax Code is that the income from the transaction shall now be covered by the tax treaty and entitled to preferential tax treaty rate and such was not considered during the treaty negotiation and the country may be giving away favor to treaty partners without assurance of reciprocity.</p> <p>The bill proposes for a gradual reduction of the STT rate by one percentage point starting January 1, 2020 until it reaches to 1/10 of 1% or 0.1% by January 1, 2024. The proposal is meant to not unduly affect the revenue of the government and also to put the Philippines at par with Indonesia and Vietnam. Further, stock market stakeholders support the thrust of Package 4 to bring down the STT to 0.1% which is quite competitive as compared with other countries, e.g. Taiwan and Korea have 10 basis points. Also, this lowers the friction cost on secondary transfers of listed shares stock.</p> | <p>corporation, except shares sold, or disposed of through A LOCAL stock exchange OR AN ORGANIZED MARKETPLACE.</p> <p>Net over P 100,000.....5% On any amount in excess of P 100,000.....10%</p> <p>(4) PRESUMPTIVE CAPITAL GAINS FROM THE SALE, EXCHANGE, BARTER, OR DISPOSITION OF SHARES OF STOCK TRADED IN THE STOCK EXCHANGE OR AN ORGANIZED MARKETPLACE. - THERE SHALL BE LEVIED, ASSESSED AND COLLECTED ON EVERY SALE, BARTER, EXCHANGE, OR ANY OTHER MODE OF DISPOSITION OF SHARES OF STOCK LISTED AND TRADED THROUGH A LOCAL STOCK EXCHANGE OR AN ORGANIZED MARKETPLACE, A FINAL TAX AT THE RATE OF SIX-TENTH OF ONE PERCENT (6/10 OF 1%), AND SHALL BE REDUCED ACCORDING TO THE FOLLOWING SCHEDULE:</p> <p>JANUARY 1, 2020: FIVE-TENTH OF ONE PERCENT (5/10 OF 1%),</p> <p>JANUARY 1, 2021: FOUR-TENTH OF ONE PERCENT (4/10 OF 1%),</p> <p>JANUARY 1, 2022: THREE-TENTH OF ONE PERCENT (3/10 OF 1%),</p> <p>JANUARY 1, 2023: TWO-TENTH OF ONE PERCENT (2/10 OF 1%),</p> <p>JANUARY 1, 2024: ONE-TENTH OF ONE</p> |

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| | <p>PERCENT ($\frac{1}{10}$ OF 1%).</p> | <p>The term "organized marketplace" under Section 22 (LL) of the bill provides for a more generic description as it encompasses all possible trading venues for listed and unlisted shares of stock, debt instruments and other securities, including an exchange, over-the-counter (OTC) market, alternative trading system, or otherwise recognized as such by the SEC.</p> |
| | <p>THE TAX SHALL BE BASED ON THE GROSS SELLING PRICE OR GROSS VALUE IN MONEY OF THE SHARES OF STOCK SOLD, BARTERED, EXCHANGED, OR OTHERWISE DISPOSED OF, TO BE PAID BY THE SELLER OR TRANSFEROR.</p> | <p>No change in the STT base.</p> |
| | <p>ANY GAIN EARNED FROM SHARES OF STOCK IN A DOMESTIC CORPORATION TRADED IN A FOREIGN EXCHANGE, SHALL BE TAXED UNDER SUBSECTION (A) OF THIS SECTION.</p> | <p>Clarifies the tax treatment of gain earned from shares of stock in a domestic corporation traded in a foreign exchange by subjecting these to regular personal income tax.</p> |
| | <p>ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR DISPOSITION OF SHARES OF STOCK, LISTED OR UNLISTED, BY A DEALER IN SECURITIES LICENSED BY THE APPROPRIATE GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN SECURITIES, FOR THE DEALER'S OWN ACCOUNT IN THE ORDINARY COURSE OF BUSINESS, SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION BUT SUBSECTION (A) AS AN ORDINARY INCOME.</p> | <p>Sets clarity on the exemption of securities dealers from STT on income derived from the sale and exchange of securities but their trading gains shall be subject to regular income tax.</p> |
| <p>No existing provision.</p> | <p>(5) CAPITAL GAINS FROM SALE, EXCHANGE, TRANSFER, BARTER, DISPOSITION OF NON-</p> | <p>Presently, net gains on debt instruments not traded in local exchange is exempt for long-term instruments</p> |

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| | <p><i>LISTED AND NON-TRADED DEBT INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION 24(B)(3) AND (4). - ANY GAIN EARNED FROM A DEBT INSTRUMENT AND OTHER SECURITIES NOT INCLUDED IN SUBSECTIONS (B)(3) AND (4), ISSUED BY A CITIZEN OR RESIDENT ALIEN, OR BY A DOMESTIC CORPORATION, OR A RESIDENT FOREIGN CORPORATION, OR BY THE GOVERNMENT OR ANY OF ITS AGENCIES OR INSTRUMENTALITIES, SHALL BE SUBJECT TO A FINAL TAX AT THE RATE OF FIFTEEN PERCENT (15%) UPON THE NET CAPITAL GAINS REALIZED.</i></p> | <p>(more than 5 years) under Section 32(B)(7)(g) of the Tax Code. For short term debt instruments, net gains are subject to regular income tax. Under Package 4, net gains will be subject to 15% final tax regardless of maturity, similar to shares of stock.</p> |
| | <p><i>(6) PRESUMPTIVE CAPITAL GAINS ON LISTED AND TRADED DEBT INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION 24(B)(3) AND (4). - THERE SHALL BE LEVIED, ASSESSED, AND COLLECTED ON EVERY SALE, BARTER, EXCHANGE, OR OTHER DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES, LISTED AND TRADED THROUGH A LOCAL STOCK EXCHANGE OR A LICENSED ORGANIZED MARKETPLACE, A FINAL TAX AT THE RATE OF ONE-TENTH OF ONE PERCENT (1/10 OF 1%) OF THE GROSS SELLING PRICE OR GROSS VALUE IN MONEY OF THE DEBT INSTRUMENT OR SECURITIES SOLD, BARTERED, EXCHANGED, OR OTHERWISE DISPOSED, WHICH SHALL BE PAID BY THE SELLER OR TRANSFEROR. IF TRADED IN A FOREIGN EXCHANGE, THE GAIN SHALL BE SUBJECT TO TAX UNDER SUBSECTION (A) HEREOF.</i></p> | <p>Shifts the taxation of trading gains from debt instruments from regular income tax to final tax (FT), similar to shares of stock. The proposed 0.1% transaction tax (TT) is meant to cover "debt instruments and other securities" not subject to STT. The alignment of the taxation of debt instruments with equities is to achieve fairer competition in the capital market. This is in line also with the philosophy of neutrality of taxation of all forms of investment instruments particularly under common circumstances such as a listing in an organized exchange.</p> <p>Clarifies the tax treatment of gains earned from debt instruments and other securities traded in a foreign exchange by subjecting these to regular personal income tax. Similar to dealers of equities, the proposal intends to exempt trading of debt instruments by registered dealers from the proposed 0.1% TT but their trading income will be subject to regular income tax.</p> |

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| <p>SEC. 24. Income Tax Rates. – X X X</p> <p>(D) Capital Gains from Sale of Real Property. –</p> <p>(1) In General. – The provisions of Section 39(B) notwithstanding, a final tax of six percent (6%) based on the gross selling price or current fair market value as determined in accordance with Section 6(E) of this Code, whichever is higher, is hereby imposed upon capital gains presumed to have been realized upon sale, exchange, or other disposition of real property located in the Philippines, classified as capital assets, including <i>pacto de retro</i> sales and other forms of conditional sales, by individuals, including estates and trusts; <i>Provided</i>, That the tax liability, if any, on gains from sales or other dispositions of real property to the government or any of its political subdivisions or controlled agencies, or to government-owned or controlled corporations shall be determined either under Section</p> | <p>ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER OR DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES, LISTED OR UNLISTED, BY A DEALER IN SECURITIES OR OTHER ENTITIES LICENSED BY THE APPROPRIATE GOVERNMENT REGULATORY AGENCY TO BUY AND SELL IN DEBT INSTRUMENTS SECURITIES, WHETHER OR NOT UNDERTAKEN AS A PRIMARY BUSINESS UNDERTAKING FOR THE DEALER'S OWN ACCOUNT OR FOR THE ACCOUNT OF OTHERS, OR UNDERTAKEN IN A FIDUCIARY CAPACITY, SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION BUT TO SECTION 24(A) AS AN ORDINARY INCOME.</p> <p>(D)(7) Capital Gains from Sale of Real Property. –</p> <p>(1) In General. – The provisions of Section 39(B) notwithstanding, a A final tax of six percent (6%) based on the gross selling price or current fair market value as determined in accordance with Section 6(E) of this Code, whichever is higher, is hereby imposed upon capital gains presumed to have been realized from the sale, exchange, or other disposition of real property located in the Philippines, classified as capital assets, including <i>pacto de retro</i> sales and other forms of conditional sales, by individuals, including estates and trusts; <i>Provided</i>, That the tax liability, if any, on gains from sales or other dispositions of real property to the government or any of its political subdivisions or agencies or to government-owned or controlled corporations shall be determined either under Section 24 (A) or under this Subsection, at the option of the taxpayer;</p> | <p>Renumbering only of the subject provision, that is, from Section 24(D) to Section 24(B)(7).</p> |

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| <p>24 (A) or under this Subsection, at the option of the taxpayer;</p> <p>(2) Exception. – x x x.</p> <p>SEC. 24. Income Tax Rates. – x x x</p> <p>(B) Rate of Tax on Certain Passive Income. –</p> <p>(1) Interests, Royalties, Prizes, and Other Winnings. – A final tax at the rate of twenty percent (20%) is hereby imposed upon the amount of interest from any currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements; royalties, except on books, as well as other literary works and musical compositions, which shall be imposed a final tax of ten percent (10%); prizes (except prizes amounting to Ten thousand pesos (P10,000) or less which shall be subject to tax under Subsection (A) of Section 24; and other winnings (except winnings amounting to Ten thousand pesos (P10,000) or less from Philippine Charity Sweepstakes and Lotto which shall be exempt), derived from sources within the Philippines: x x x</p> | <p>(2) Exception. – x x x.</p> <p>(C) ROYALTIES, PRIZES, AND OTHER WINNINGS – A FINAL TAX AT THE RATE OF TWENTY PERCENT (20%) IS HEREBY IMPOSED ON THE FOLLOWING INCOME DERIVED FROM SOURCES WITHIN THE PHILIPPINES: (1) ROYALTIES EARNED AS PASSIVE INCOME, EXCEPT ROYALTIES FROM BOOKS, AS WELL AS OTHER LITERARY WORKS AND MUSICAL COMPOSITIONS WHICH SHALL BE SUBJECT TO A FINAL TAX OF TEN PERCENT (10%); (2) PRIZES (EXCEPT PRIZES AMOUNTING TO TEN THOUSAND PESOS (P10,000) OR LESS) WHICH SHALL BE SUBJECT TO TAX UNDER SECTION 24 (A); AND (3) OTHER WINNINGS (EXCEPT WINNINGS AMOUNTING TO PHP10,000 OR LESS FROM PHILIPPINE CHARITY SWEEPSTAKES AND LOTTO WHICH SHALL BE EXEMPT).</p> <p>SEC. 5. Section 25 (A) and (B) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 25. Tax on Nonresident Alien Individual. –</p> <p>(A) Nonresident Alien Engaged in Trade or Business Within the Philippines. – (1) In General.— A nonresident alien individual engaged in trade or</p> | <p>Provides a separate subsection for the taxation of royalties, prizes and other winnings for easier reference.</p> |
| <p>SEC. 25. Tax on Nonresident Alien Individual. –</p> <p>(A) Nonresident Alien Engaged in Trade or Business Within the Philippines. – (1) In General. – A nonresident alien individual engaged in trade or</p> | <p>SEC. 5. Section 25 (A) and (B) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 25. Tax on Nonresident Alien Individual. –</p> <p>(A) Nonresident Alien Engaged in Trade or Business Within the Philippines. – (1) In General.— A nonresident alien individual engaged in trade or</p> | <p>Subjects the taxable income of nonresident aliens engaged in trade or business (NRA/ETB) to the income tax imposed under Section 24 of the Tax</p> |

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| <p>business in the Philippines shall be subject to an income tax in the same manner as an individual citizen and a resident alien individual, on taxable income received from all sources within the Philippines. A nonresident alien individual who shall come to the Philippines and stay therein for an aggregate period of more than one hundred eighty (180) days during any calendar year shall be deemed a 'nonresident alien doing business in the Philippines'. Section 22 (G) of this Code notwithstanding.</p> | <p>business in the Philippines shall be subject to an income tax UNDER SECTION 24 OF THIS CODE in the same manner as an individual citizen and a resident alien individual; on taxable income received from all sources within the Philippines. A nonresident alien individual who shall come to the Philippines and stay therein for an aggregate period of more than one hundred eighty (180) days during any calendar year shall be deemed a 'nonresident alien doing business in the Philippines', Section 22 (G) of this Code notwithstanding.</p> | <p>Code.</p> |
| <p>(2) Cash and/or Property Dividends from a Domestic Corporation or Joint Stock Company, or Insurance or Mutual Fund Company or Regional Operating Headquarter or Multinational Company, or Share in the Distributable Net Income of a Partnership (Except a General Professional Partnership), Joint Account, Joint Venture Taxable as a Corporation or Association, Interests, Royalties, Prizes, and Other Winnings. — Cash and/or property dividends from a domestic corporation, or from a joint stock company, or from an insurance or mutual fund company or from a regional operating headquarter of multinational company, or the share of a nonresident alien individual in the distributable net income after tax of a partnership (except a general professional partnership) of which he is a partner, or the share of a nonresident alien individual in the net income after tax of an association, a joint account, or a joint venture taxable as a corporation of which he is a member or a co-venturer; interests; royalties (in any form); and prizes (except prizes amounting to Ten thousand pesos (P10,000) or less which shall be subject to tax under Subsection (B)(1) of Section 24) and other winnings (except Philippine Charity Sweepstakes and Lotto</p> | <p>(2) Cash and/or Property Dividends from a Domestic Corporation or Joint Stock Company, or Insurance or Mutual Fund Company or Regional Operating Headquarter or Multinational Company, or Share in the Distributable Net Income of a Partnership (Except a General Professional Partnership), Joint Account, Joint Venture Taxable as a Corporation or Association, Interests, Royalties, Prizes, and Other Winnings. — Cash and/or property dividends from a domestic corporation, or from a joint stock company, or from an insurance or mutual fund company or from a regional operating headquarter of multinational company, or the share of a nonresident alien individual in the distributable net income after tax of a partnership (except a general professional partnership) of which he is a partner, or the share of a nonresident alien individual in the net income after tax of an association, a joint account, or a joint venture taxable as a corporation of which he is a member or a co-venturer; interests; royalties (in any form); and prizes (except prizes amounting to Ten thousand pesos (P10,000) or less which shall be subject to tax under Subsection (B)(1) of Section 24) and other winnings (except Philippine Charity Sweepstakes and Lotto</p> | <p></p> |

| Present Provision | HB No. 8645 | Remarks |
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| <p>winnings); shall be subject to an income tax of twenty percent (20%) on the total amount thereof: <i>Provided, however,</i> that royalties on books as well as other literary works, and royalties on musical compositions shall be subject to a final tax of ten percent (10%) on the total amount thereof: <i>Provided, further,</i> That cinematographic films and similar works shall be subject to the tax provided under Section 28 of this Code: <i>Provided, furthermore,</i> That interest income from long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the Bangko Sentral ng Pilipinas (BSP) shall be exempt from the tax imposed under this Subsection: <i>Provided, finally,</i> that should the holder of the certificate pre-terminate the deposit or investment before the fifth (5th) year, a final tax shall be imposed on the entire income and shall be deducted and withheld by the depository bank from the proceeds of the long-term deposit or investment certificate based on the remaining maturity thereof:</p> <p>Four (4) years to less than five (5) years – 5%; Three (3) years to less than four (4) years – 12%; and Less than three (3) years – 20%.</p> <p>(3) Capital Gains. – Capital gains realized from sale, barter or exchange of shares of stock in domestic corporations not traded through the local stock exchange, and real properties shall be subject to the tax prescribed under Subsections (C) and (D) of Section 24.</p> <p>(B) Nonresident Alien Individual Not Engaged in</p> | <p>winnings); shall be subject to an income tax of twenty percent (20%) on the total amount thereof: <i>Provided, however,</i> that royalties on books as well as other literary works, and royalties on musical compositions shall be subject to a final tax of ten percent (10%) on the total amount thereof: <i>Provided, further,</i> That cinematographic films and similar works shall be subject to the tax provided under Section 28 of this Code: <i>Provided, furthermore,</i> That interest income from long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the Bangko Sentral ng Pilipinas (BSP) shall be exempt from the tax imposed under this Subsection: <i>Provided, finally,</i> that should the holder of the certificate pre-terminate the deposit or investment before the fifth (5th) year, a final tax shall be imposed on the entire income and shall be deducted and withheld by the depository bank from the proceeds of the long-term deposit or investment certificate based on the remaining maturity thereof:</p> <p>Four (4) years to less than five (5) years – 5%; Three (3) years to less than four (4) years – 12%; and Less than three (3) years – 20%.</p> <p>(3) Capital Gains. – Capital gains realized from sale, barter or exchange of shares of stock in domestic corporations not traded through the local stock exchange, and real properties shall be subject to the tax prescribed under Subsections (C) and (D) of Section 24.</p> <p>(B) Nonresident Alien Individual Not Engaged in</p> | |

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| <p><i>Trade or Business Within the Philippines.</i> – There shall be levied, collected and paid for each taxable year upon the entire income received from all sources within the Philippines by every nonresident alien individual not engaged in trade or business within the Philippines as interest, cash and/or property dividends, rents, salaries, wages, premiums, annuities, compensation, remuneration, emoluments, or other fixed or determinable annual or periodic or casual gains, profits, and income, and capital gains, a tax equal to twenty-five percent (25%) of such income. Capital gains realized by a nonresident alien individual not engaged in trade or business in the Philippines from the sale of shares of stock in any domestic corporation and real property shall be subject to the income tax prescribed under Subsections (C) and (D) of Section 24.</p> | <p><i>Trade or Business Within the Philippines.</i> – There shall be levied, collected and paid for each taxable year upon the entire income received from all sources within the Philippines by every nonresident alien individual not engaged in trade or business within the Philippines as interest, cash and/or property dividends, rents, salaries, wages, premiums, annuities, compensation, remuneration, emoluments, or other fixed or determinable annual or periodic or casual gains, profits, and income, and capital gains, a FINAL tax equal to twenty-five percent (25%) of such income. Capital gains realized by a nonresident alien individual not engaged in trade or business in the Philippines from the sale of shares of stock in any domestic corporation and real property shall be subject to the income tax prescribed under Subsections (C) and (D) (B) (7) of Section 24.</p> <p>INTEREST, DIVIDENDS AND CAPITAL GAINS ON SALE OF SHARES OF STOCK, DEBT INSTRUMENTS, AND OTHER SECURITIES SHALL BE SUBJECT TO TAX PRESCRIBED UNDER SECTION 24 (B), OR TO PROVISIONS OF APPLICABLE TAX TREATY.</p> | <p>Provides that interest, dividends and capital gains on sale of shares of stock, debt instruments, and other securities derived by a nonresident alien individual not engaged in trade or business (NRANETB) within the Philippines shall not be included in the gross income for purposes of computing the 25% tax on gross income. It shall be subject to a final tax of 15% similar with all other individuals or to the provisions of applicable tax treaty.</p> |
| <p><i>SEC. 27. Rates of Income Tax on Domestic Corporations.</i> – <i>(A) In General.</i> – X X X. XXX XXX XXX</p> | <p><i>SEC. 27. Rates of Income Tax on Domestic Corporations.</i> – <i>(A) In General.</i> – X X X. XXX XXX XXX</p> | <p>SEC. 6. Section 27 (D) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows: <i>SEC. 27. Rates of Income Tax on Domestic Corporations.</i> – <i>(A) In General.</i> – X X X. XXX XXX XXX</p> |

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| <p>(D) Rates of Tax on Certain Passive Incomes. –</p> <p>(1) Interest from Deposits and Yield or any other Monetary Benefit from Deposit Substitutes and from Trust Funds and Similar Arrangements, and Royalties. – A final tax at the rate of twenty percent (20%) is hereby imposed upon the amount of interest on currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements received by domestic corporations, and royalties, derived from sources within the Philippines: <i>Provided, however,</i> That interest income derived by a domestic corporation from a depository bank under the expanded foreign currency deposit system shall be subject to a final income tax at the rate of seven and one-half percent (7 1/2%) of such interest income.</p> | <p>(D) Rates of Tax on Certain Passive Incomes. –</p> <p>(1) Interest from Deposits and Yield or any other Monetary Benefit from Deposit Substitutes and from Trust Funds and Similar Arrangements, and Royalties. – A final tax at the rate of twenty percent (20%) is hereby imposed upon the amount of interest on currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements received by domestic corporations, and royalties, derived from sources within the Philippines: <i>Provided, however,</i> That interest income derived by a domestic corporation from a depository bank under the expanded foreign currency deposit system shall be subject to a final income tax at the rate of seven and one-half percent (7 1/2%) of such interest income.</p> | <p>Reformats the provisions under Section 27(D) of the Tax Code. The provision on sale of shares of stock either listed or non-listed is now covered by the same sub-section [Section 27(D)(3)].</p> |
| <p>(2) Capital Gains from the Sale of Shares of Stock Not Traded in the Stock Exchange. – A final tax at the rates prescribed below shall be imposed on net capital gains realized during the taxable year from the sale, exchange or other disposition of shares of stock in a domestic corporation except shares sold or disposed of through the stock exchange:</p> <p>Not over P 100,000 5% Amount in excess of P 100,000 10%</p> | <p>(2) Capital Gains from the Sale of Shares of Stock Not Traded in the Stock Exchange. – A final tax at the rates prescribed below shall be imposed on net capital gains realized during the taxable year from the sale, exchange or other disposition of shares of stock in a domestic corporation except shares sold or disposed of through the stock exchange:</p> <p>Not over P 100,000 5% Amount in excess of P 100,000 10%</p> | |
| <p>(3) Tax on Income Derived under the Expanded Foreign Currency Deposit System. – Income derived by a depository bank under the expanded foreign currency deposit system from foreign currency transactions with nonresidents, offshore banking units in the Philippines, local commercial banks including branches of foreign banks that may be authorized by</p> | <p>(3) Tax on Income Derived under the Expanded Foreign Currency Deposit System. – Income derived by a depository bank under the expanded foreign currency deposit system from foreign currency transactions with nonresidents, offshore banking units in the Philippines, local commercial banks including branches of foreign banks that may be authorized by</p> | |

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| <p>the Bangko Sentral ng Pilipinas (BSP) to transact business with foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the Monetary Board to be subject to the regular income tax payable by banks: <i>Provided, however,</i> That interest income from foreign currency loans granted by such depository banks under said expanded system to residents other than offshore banking units in the Philippines or other depository banks under the expanded system, shall be subject to a final tax at the rate of ten percent (10%).</p> <p>Any income of nonresidents, whether individuals or corporations, from transactions with depository banks under the expanded system shall be exempt from income tax.</p> <p>(4) <i>Intercorporate Dividends.</i> – Dividends received by a domestic corporation from another domestic corporation shall not be subject to tax.</p> | <p>the Bangko Sentral ng Pilipinas (BSP) to transact business with foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the Monetary Board to be subject to the regular income tax payable by banks: <i>Provided, however,</i> That interest income from foreign currency loans granted by such depository banks under said expanded system to residents other than offshore banking units in the Philippines or other depository banks under the expanded system, shall be subject to a final tax at the rate of ten percent (10%).</p> <p>Any income of nonresidents, whether individuals or corporations, from transactions with depository banks under the expanded system shall be exempt from income tax.</p> <p>(4) <i>Intercorporate Dividends.</i> – Dividends received by a domestic corporation from another domestic corporation shall not be subject to tax.</p> <p>(1) <i>INTERESTS.</i> – A FINAL TAX AT THE RATE OF FIFTEEN PERCENT (15%) IS HEREBY IMPOSED UPON THE AMOUNT OF INTEREST, YIELD, OR OTHER MONETARY BENEFIT EARNED OR RECEIVED FROM A DEBT INSTRUMENT, BANK DEPOSIT, DEPOSIT SUBSTITUTE, AND SIMILAR ARRANGEMENTS.</p> <p>(2) <i>CASH AND/OR PROPERTY DIVIDENDS.</i> – INTERCORPORATE DIVIDENDS OR DIVIDENDS RECEIVED FROM A DOMESTIC CORPORATION SHALL NOT BE SUBJECT TO</p> | <p>Provides the same tax treatment of interest of corporations as that of individuals, that is, 15% final tax. This feature of the bill will make the taxation of interest income simpler by imposing a uniform rate for all recipients of interest income. Also, the proposed uniform tax treatment will lessen, if not eradicate, cases of arbitrage.</p> <p>Retains exemption of intercorporate dividends.</p> |

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| | <p>TAX IMPOSED UNDER THIS SUBSECTION.</p> <p>LIQUIDATING DIVIDEND SHALL BE SUBJECT TO SECTION 27(A) AND BASED ON NET GAIN.</p> <p>(3) CAPITAL GAINS FROM THE SALE, EXCHANGE, BARTER OR DISPOSITION OF SHARES OF STOCK NOT TRADED IN THE STOCK EXCHANGE OR AN ORGANIZED MARKETPLACE. - A FINAL TAX AT THE RATE OF FIFTEEN PERCENT (15%) IS HEREBY IMPOSED UPON THE NET CAPITAL GAINS REALIZED DURING THE TAXABLE YEAR FROM THE SALE, BARTER, EXCHANGE, OR OTHER MODES OF DISPOSITION OF SHARES OF STOCK IN A DOMESTIC CORPORATION, EXCEPT SHARES SOLD, OR DISPOSED OF THROUGH A LOCAL STOCK EXCHANGE OR AN ORGANIZED MARKETPLACE.</p> <p>(4) PRESUMPTIVE CAPITAL GAINS FROM THE SALE, EXCHANGE, BARTER OR DISPOSITION OF SHARES OF STOCK TRADED IN THE STOCK EXCHANGE OR AN ORGANIZED MARKETPLACE, - THERE SHALL BE LEVIED, ASSESSED AND COLLECTED ON EVERY SALE, BARTER, EXCHANGE, OR OTHER DISPOSITION OF SHARES OF STOCK LISTED AND TRADED THROUGH A LOCAL STOCK EXCHANGE OR AN ORGANIZED MARKETPLACE, A FINAL TAX AT THE RATE OF SIX-TENTH OF ONE PERCENT (6/10 OF 1%), AND SHALL BE REDUCED ACCORDING TO THE</p> | <p>Retains the current tax rate on liquidating dividends received by a domestic corporation, that is, regular corporate income tax (CIT) rate of 30%.</p> <p>Retains the single rate of 15% final tax on the net capital gains realized by domestic corporations from the sale of shares of stock not traded in the stock exchange under the TRAIN Law.</p> <p>Maintains the 0.6% final tax based on the gross selling price or gross value in money of shares of stock sold, bartered, exchange, or otherwise disposed of, but with provision for its 0.1% reduction every year until it reaches 0.1% in 2024.</p> |

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| | <p>FOLLOWING SCHEDULE:</p> <p>JANUARY 1, 2020: FIVE TENTH OF ONE PERCENT ($\frac{5}{10}$ OF 1%);</p> <p>JANUARY 1, 2021: FOUR TENTH OF ONE PERCENT ($\frac{4}{10}$ OF 1%);</p> <p>JANUARY 1, 2022: THREE TENTH OF ONE PERCENT ($\frac{3}{10}$ OF 1%);</p> <p>JANUARY 1, 2023: TWO TENTH OF ONE PERCENT ($\frac{2}{10}$ OF 1%);</p> <p>JANUARY 1, 2024: ONE TENTH OF ONE PERCENT ($\frac{1}{10}$ OF 1 %);</p> <p>THE TAX SHALL BE BASED ON THE GROSS SELLING PRICE OR GROSS VALUE IN MONEY OF THE SHARES OF STOCK SOLD, BARTERED, EXCHANGED, OR OTHERWISE DISPOSED OF, TO BE PAID BY THE SELLER OR TRANSFEROR.</p> <p>ANY GAIN EARNED FROM SHARES OF STOCK IN A DOMESTIC CORPORATION TRADED IN A FOREIGN EXCHANGE, SHALL BE TAXED UNDER SECTION 27 (A) HEREOF.</p> <p>ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR DISPOSITION OF SHARES OF STOCK, LISTED OR UNLISTED, BY A DEALER IN SECURITIES LICENSED BY THE APPROPRIATE GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN SECURITIES, FOR HIS OWN</p> | <p>No change in the STT base.</p> <p>Provides that gains realized from shares of stock in a domestic corporation that is traded in foreign exchange shall be subject to the regular CIT rate of 30%.</p> <p>Sets clarity on the exemption of securities dealers from STT on income derived from the sale and exchange of security but their trading gains shall be subject to regular income tax.</p> |

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| | <p>ACCOUNT IN THE ORDINARY COURSE OF BUSINESS SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION BUT TO SECTION 27(A) AS AN ORDINARY INCOME.</p> <p>(5) CAPITAL GAINS FROM SALE, EXCHANGE, TRANSFER, BARTER, DISPOSITION OF NON-LISTED AND NON-TRADED DEBT INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION 27(D)(3) AND (4). - ANY GAIN EARNED FROM DEBT INSTRUMENT AND OTHER SECURITIES NOT INCLUDED IN SECTION 27(D)(3) AND (4), ISSUED BY A CITIZEN OR RESIDENT ALIEN, OR BY A DOMESTIC CORPORATION, OR A RESIDENT FOREIGN CORPORATION, OR BY THE GOVERNMENT OR ANY OF ITS AGENCIES OR INSTRUMENTALITIES, SHALL BE SUBJECT TO A FINAL TAX AT THE RATE OF FIFTEEN PERCENT (15%) UPON THE NET CAPITAL GAINS REALIZED.</p> <p>(6) PRESUMPTIVE CAPITAL GAINS ON LISTED AND TRADED DEBT INSTRUMENTS AND OTHER SECURITIES NOT INCLUDED IN SECTION 27(D)(3) AND (4) - THERE SHALL BE LEVIED, ASSESSED, AND COLLECTED ON EVERY SALE, BARTER, EXCHANGE, OR OTHER DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES, LISTED AND TRADED THROUGH A LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE, A FINAL TAX AT THE RATE OF ONE-TENTH OF ONE PERCENT (1/10 OF 1%) OF THE GROSS SELLING PRICE OR GROSS VALUE IN MONEY OF THE DEBT</p> | <p>Subjects to 15% final tax the net capital gains realized from the sale, barter, exchange or other disposition of unlisted debt instruments and other securities that is issued by a resident individual or citizen or by a domestic corporation.</p> <p>Subjects debt instruments and other securities that are listed and traded through a local stock exchange or an organized marketplace to 0.1% final tax based on the gross selling price or gross value in money of the debt instrument or securities sold, bartered, exchanged, or otherwise disposed.</p> <p>Provides that gains realized from debt instrument or securities that are traded in foreign exchange shall be subject to the regular CIT rate of 30%.</p> <p>The bill likewise proposes to subject domestic corporations to the 0.1% TT on listed and traded debt instruments and other securities not included in</p> |

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| <p>(5) Capital Gains Realized from the Sale, Exchange or Disposition of Lands and/or Buildings. – A final tax of six percent (6%) is hereby imposed on the gain presumed to have been realized on the sale, exchange or disposition of lands and/or buildings which are not actually used in the business of a corporation and are treated as capital assets, based on price of fair market value as determined in accordance with Section 6(E) of this Code, whichever is higher, of such lands and/or buildings.</p> | <p>INSTRUMENT OR SECURITIES SOLD, BARTERED, EXCHANGED, OR OTHERWISE DISPOSED, WHICH SHALL BE PAID BY THE SELLER OR TRANSFEROR. IF TRADED IN A FOREIGN EXCHANGE, THE GAIN SHALL BE SUBJECT TO TAX UNDER SECTION 27 (A) HEREOF.</p> <p>ANY GAIN REALIZED FROM THE SALE, EXCHANGE, BARTER, OR DISPOSITION OF DEBT INSTRUMENTS AND OTHER SECURITIES, LISTED OR UNLISTED, BY A DEALER IN SECURITIES OR OTHER ENTITIES LICENSED BY THE APPROPRIATE GOVERNMENT REGULATORY AGENCIES TO BUY AND SELL IN DEBT INSTRUMENTS SECURITIES, WHETHER OR NOT UNDERTAKEN AS A PRIMARY BUSINESS UNDERTAKING, FOR THE DEALER'S OWN ACCOUNT OR FOR THE ACCOUNT OF OTHERS, OR UNDERTAKEN IN A FIDUCIARY CAPACITY, SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION BUT TO SECTION 27(A) AS AN ORDINARY INCOME.</p> <p>(5)(7) Capital Gains Realized from the Sale, Exchange or Disposition of Lands and/or Buildings. – A final tax of six percent (6%) is hereby imposed on the gain presumed to have been realized on the sale, exchange or disposition of lands and/or buildings which are not actually used in the business of a corporation and are treated as capital assets, based on the gross selling price of fair market value as determined in accordance with Section 6(E) of this Code, whichever is higher, of such lands and/or buildings.</p> | <p>Section 27(D)(3) and (4), similar to resident individuals.</p> |
| | | <p>Re-numbering only of the subject provision that is from Section 27(D)(5) to Section 27(D)(7).</p> |

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| <p>Part of Section 27(D)(1) of the Tax Code.</p> <p>(E) <i>Minimum Corporate Income Tax on Domestic Corporations.</i> –</p> <p>xxx xxx xxx</p> <p>(4) <i>Gross Income Defined.</i> – x x x.</p> <p>xxx xxx xxx</p> <p>In the case of taxpayers engaged in the sale of service, '<i>gross income</i>' means gross receipts less sales returns, allowances, discounts and cost of services. '<i>Cost of services</i>' shall mean all direct costs and expenses necessarily incurred to provide the services required by the customers and clients including (A) salaries and employee benefits of personnel, consultants and specialists directly rendering the service and (B) cost of facilities directly utilized in providing the service such as depreciation or rental of equipment used and cost of supplies; <i>Provided, however,</i> That in the case of banks, '<i>cost of services</i>' shall include interest expense.</p> | <p>(E) <i>ROYALTIES – A FINAL TAX AT THE RATE OF TWENTY PERCENT (20%) IS HEREBY IMPOSED ON ROYALTIES EARNED AS PASSIVE INCOME.</i></p> <p>(E)(F) <i>Minimum Corporate Income Tax on Domestic Corporations.</i> –</p> <p>xxx xxx xxx</p> <p>(4) <i>Gross Income Defined.</i> – x x x.</p> <p>xxx xxx xxx</p> <p>In the case of taxpayers engaged in the sale of service, '<i>gross income</i>' means gross receipts less sales returns, allowances, discounts and cost of services. '<i>Cost of services</i>' shall mean all direct costs and expenses necessarily incurred to provide the services required by the customers and clients including (A) salaries and employee benefits of personnel, consultants and specialists directly rendering the service and (B) cost of facilities directly utilized in providing the service such as depreciation or rental of equipment used and cost of supplies; <i>Provided, however,</i> That in the case of banks AND OTHER FINANCIAL INTERMEDIARIES, '<i>cost of services</i>' shall include interest expense.</p> | <p>The provision on royalties received by a domestic corporation under the bill is not a new provision but was also culled from Section 27(D)(1) which under the proposal is made exclusive to tax on interest income.</p> <p>Includes "other financial intermediaries" aside from banks among domestic corporations that shall include interest expense in its 'cost of services.'</p> |
| <p><i>SEC. 28. Rates of Income Tax on Foreign Corporations.</i> –</p> | <p>SEC. 7. Section 28 (A) and (B) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p><i>SEC. 28. Rates of Income Tax on Foreign Corporations.</i> –</p> | |

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| <p>(A) Tax on Resident Foreign Corporations. –</p> <p>(1) In General. – Except as otherwise provided in this Code, a corporation organized, authorized, or existing under the laws of any foreign country, engaged in trade or business within the Philippines, shall be subject to an income tax equivalent to thirty-five percent (35%) of the taxable income derived in the preceding taxable year from all sources within the Philippines: <i>Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).</i></p> <p style="text-align: center;">xxx xxx xxx</p> | <p>(A) Tax on Resident Foreign Corporations. –</p> <p>(1) In General. – Except as otherwise provided in this Code, a corporation organized, authorized, or existing under the laws of any foreign country, engaged in trade or business within the Philippines, shall be subject to an income tax UNDER SECTION 27 OF THIS CODE, equivalent to thirty-five percent (35%) of the ON taxable income derived in the preceding taxable year from all sources within the Philippines: <i>Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).</i></p> <p style="text-align: center;">xxx xxx xxx</p> | <p>Refers the tax rate that will apply to the taxable income of resident foreign corporations from all sources within the Philippines to Section 27 of the Tax Code.</p> |
| <p>(2) Minimum Corporate Income Tax on Resident Foreign Corporations. – A minimum corporate income tax of two percent (2%) of gross income, as prescribed under Section 27 (E) of this Code, shall be imposed, under the same conditions, on a resident foreign corporation taxable under paragraph (1) of this Subsection.</p> <p>(3) International Carrier. – x x x.</p> | <p>(2) Minimum Corporate Income Tax on Resident Foreign Corporations. – A minimum corporate income tax of two percent (2%) of gross income, as prescribed under Section 27 (E)(F) of this Code, shall be imposed, under the same conditions, on a resident foreign corporation taxable under paragraph (1) of this Subsection.</p> <p>(3) International Carrier. – x x x.</p> | <p>Consistent with the reformatting of the provisions of the bill, the reference to minimum corporate income tax (MCIT) is changed from subsection (E) to subsection (F) of Section 27.</p> |
| <p>(4) Offshore Banking Units. – The provisions of any law to the contrary notwithstanding, income derived by offshore banking units authorized by the Bangko Sentral ng Pilipinas (BSP), from foreign currency transactions with nonresidents, other offshore banking units, local commercial banks, including branches of foreign banks that may be authorized by the Bangko Sentral ng Pilipinas (BSP) to transact business with offshore banking units shall be exempt from all taxes except net income from such transactions as may be specified by the Secretary of Finance, upon</p> | <p>(4) Offshore Banking Units. – The provisions of any law to the contrary notwithstanding, income derived by offshore banking units authorized by the Bangko Sentral ng Pilipinas (BSP), from foreign currency transactions with nonresidents, other offshore banking units, local commercial banks, including branches of foreign banks that may be authorized by the Bangko Sentral ng Pilipinas (BSP) to transact business with offshore banking units shall be exempt from all taxes except net income from such transactions as may be specified by the Secretary of Finance, upon</p> | <p>The whole section pertaining to the taxation of transactions of offshore banking units (OBUs) is proposed to be deleted. Hence, similar with depository banks under Expanded Foreign Currency Deposit System (EFCDs), the 10% preferential tax treatment on interest income of foreign currency loans with OBUs is removed, and the same will be subject to the single rate of 15%.</p> <p>The removal of this special provision for OBUs will promote equity in the tax system as OBUs will be</p> |

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| <p>recommendation of the Monetary Board which shall be subject to the regular income tax payable by banks; <i>Provided, however,</i> That any interest income derived from foreign currency loans granted to residents other than offshore banking units or local commercial banks, including local branches of foreign banks that may be authorized by the BSP to transact business with offshore banking units, shall be subject only to a final tax at the rate of ten percent (10%).</p> <p>Any income of nonresidents, whether individuals or corporations, from transactions with said offshore banking units shall be exempt from income tax.</p> | <p>recommendation of the Monetary Board which shall be subject to the regular income tax payable by banks; <i>Provided, however,</i> That any interest income derived from foreign currency loans granted to residents other than offshore banking units or local commercial banks, including local branches of foreign banks that may be authorized by the BSP to transact business with offshore banking units, shall be subject only to a final tax at the rate of ten percent (10%).</p> <p>Any income of nonresidents, whether individuals or corporations, from transactions with said offshore banking units shall be exempt from income tax.</p> | <p>taxed similarly with other FIs.</p> |
| <p>(5) Tax on Branch Profits Remittances. – Any profit remitted by a branch to its head office shall be subject to a tax of fifteen (15%) which shall be based on the total profits applied or earmarked for remittance without any deduction for the tax component thereof (except those activities which are registered with the Philippine Economic Zone Authority). The tax shall be collected and paid in the same manner as provided in Sections 57 and 58 of this Code: <i>Provided,</i> that interests, dividends, rents, royalties, including remuneration for technical services, salaries, wages premiums, annuities, emoluments or other fixed or determinable annual, periodic or casual gains, profits, income and capital gains received by a foreign corporation during each taxable year from all sources within the Philippines shall not be treated as branch profits unless the same are effectively connected with the conduct of its trade or business in the Philippines.</p> | <p>(5)(4) Tax on Branch Profits Remittances. – Any profit remitted by a branch to its head office shall be subject to a tax of fifteen (15%) which shall be based on the total profits applied or earmarked for remittance without any deduction for the tax component thereof (except those activities which are registered with the Philippine Economic Zone Authority). The tax shall be collected and paid in the same manner as provided in Sections 57 and 58 of this Code: <i>Provided,</i> that interests, dividends, rents, royalties, including remuneration for technical services, salaries, wages premiums, annuities, emoluments or other fixed or determinable annual, periodic or casual gains, profits, income and capital gains received by a foreign corporation during each taxable year from all sources within the Philippines shall not be treated as branch profits unless the same are effectively connected with the conduct of its trade or business in the Philippines.</p> | <p>Removes the exemption of activities which are registered with the Philippine Economic Zone Authority (PEZA) from the branch profit remittance tax (BPRT).</p> <p>The removal of the exemption of firms with registered activities with the PEZA will promote equity in the tax system as they will be taxed similarly with other entities.</p> |
| <p>(6) Regional or Area Headquarters and Regional Operating Headquarters of Multinational Companies. – x x x.</p> | <p>(6)(5) Regional or Area Headquarters and Regional Operating Headquarters of Multinational Companies. – x x x.</p> | <p>No proposed amendments under HB 8645, just a re-numbering.</p> |

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| <p>(7) Tax on Certain Incomes Received by a Resident Foreign Corporation. –</p> <p>(a) Interest from Deposits and Yield or any other Monetary Benefit from Deposit Substitutes, Trust Funds and Similar Arrangements and Royalties. – Interest from any currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements and royalties derived from sources within the Philippines shall be subject to a final income tax at the rate of twenty percent (20%) of such interest: <i>Provided, however,</i> That interest income derived by a resident foreign corporation from a depository bank under the expanded foreign currency deposit system shall be subject to a final income tax at the rate of seven and one-half percent (7 1/2%) of such interest income.</p> <p>(b) Income Derived under the Expanded Foreign Currency Deposit System. – Income derived by a depository bank under the expanded foreign currency deposit system from foreign currency transactions with nonresidents, offshore banking units in the Philippines, local commercial banks including branches of foreign banks that may be authorized by the Bangko Sentral ng Pilipinas (BSP) to transact business with foreign currency deposit system units, and other depository banks under the expanded foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the Monetary Board to be subject to the regular income tax payable by banks: <i>Provided, however,</i> That interest income from foreign currency loans granted by such depository banks under said expanded system to residents other than offshore</p> | <p>(7) Tax on Certain Incomes Received by a Resident Foreign Corporation. –</p> <p>(a) Interest from Deposits and Yield or any other Monetary Benefit from Deposit Substitutes, Trust Funds and Similar Arrangements and Royalties. – Interest from any currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements and royalties derived from sources within the Philippines shall be subject to a final income tax at the rate of twenty percent (20%) of such interest: <i>Provided, however,</i> That interest income derived by a resident foreign corporation from a depository bank under the expanded foreign currency deposit system shall be subject to a final income tax at the rate of seven and one-half percent (7 1/2%) of such interest income.</p> <p>(b) Income Derived under the Expanded Foreign Currency Deposit System. – Income derived by a depository bank under the expanded foreign currency deposit system from foreign currency transactions with nonresidents, offshore banking units in the Philippines, local commercial banks including branches of foreign banks that may be authorized by the Bangko Sentral ng Pilipinas (BSP) to transact business with foreign currency deposit system units, and other depository banks under the expanded foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the Monetary Board to be subject to the regular income tax payable by banks: <i>Provided, however,</i> That interest income from foreign currency loans granted by such depository banks under said expanded system to residents other than offshore</p> | <p>The taxation of certain incomes (interests, intercorporate dividends, capital gains from the sale of shares of stock not traded in the stock exchange, royalties) received by resident foreign corporations shall be subject to the rates prescribed on domestic corporations under Section 27(D) of the Tax Code.</p> |

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| <p>banking units in the Philippines or other depository banks under the expanded system shall be subject to a final tax at the rate of ten percent (10%).</p> <p>Any income of nonresidents, whether individuals or corporations, from transactions with depository banks under the expanded system shall be exempt from income tax.</p> | <p>banking units in the Philippines or other depository banks under the expanded system shall be subject to a final tax at the rate of ten percent (10%).</p> <p>Any income of nonresidents, whether individuals or corporations, from transactions with depository banks under the expanded system shall be exempt from income tax.</p> | |
| <p>(c) Capital Gains from Sale of Shares of Stock Not Traded in the Stock Exchange. – A final tax at the rates prescribed below is hereby imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic corporation except shares sold or disposed of through the stock exchange:</p> <p>Not over P 100,000 5% On any amount in excess of P 100,000 ... 10%</p> | <p>(c) Capital Gains from Sale of Shares of Stock Not Traded in the Stock Exchange.—A final tax at the rates prescribed below is hereby imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic corporation except shares sold or disposed of through the stock exchange:</p> <p>Not over P 100,000.....5% On any amount in excess of P 100,000 ... 10%</p> | |
| <p>(d) Intercorporate Dividends. – Dividends received by a resident foreign corporation from a domestic corporation liable to tax under this Code shall not be subject to tax under this Title.</p> | <p>(d) Intercorporate Dividends.—Dividends received by a resident foreign corporation from a domestic corporation liable to tax under this Code shall not be subject to tax under this Title.</p> | |
| <p>(B) Tax on Nonresident Foreign Corporation. –</p> | <p>(B) Tax on Nonresident Foreign Corporation. –</p> | |
| <p>(1) In General. – Except as otherwise provided in this Code, a foreign corporation not engaged in trade or business in the Philippines shall pay a tax equal to thirty-five percent (35%) of the gross income received during each taxable year from all sources within the Philippines, such as interests, dividends, rents, royalties, salaries, premiums (except reinsurance premiums), annuities, emoluments or other fixed or determinable annual, periodic or casual gains, profits</p> | <p>(1) In General. – Except as otherwise provided in this Code, a foreign corporation not engaged in trade or business in the Philippines shall pay a tax equal to thirty-five percent (35%) of the gross income received during each taxable year from all sources within the Philippines, such as interests, dividends, rents, royalties, salaries, premiums (except reinsurance premiums), annuities, emoluments or other fixed or determinable annual, periodic or casual gains, profits</p> | <p>Deletes "interests" and "dividends" among those items of income of nonresident foreign corporations subject to the regular CIT rate. Said items of income shall instead be subject to a 15% final tax and is</p> |

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| <p>and income, and capital gains, except capital gains subject to tax under subparagraph 5 (c): <i>Provided</i>, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).</p> <p>XXX XXX XXX</p> <p>(5) Tax on Certain Incomes Received by a Nonresident Foreign Corporation. –</p> <p>(a) Interest on Foreign Loans. – A final withholding tax at the rate of twenty percent (20%) is hereby imposed on the amount of interest on foreign loans contracted on or after August 1, 1986;</p> <p>(b) Intercorporate Dividends. – A final withholding tax at the rate of fifteen percent (15%) is hereby imposed on the amount of cash and/or property dividends received from a domestic corporation, which shall be collected and paid as provided in Section 57 (A) of this Code, subject to the condition that the country in which the nonresident foreign corporation is domiciled, shall allow a credit against the tax due from the nonresident foreign corporation taxes deemed to have been paid in the Philippines equivalent to twenty percent (20%), which represents the difference between the regular income tax of thirty-five percent (35%) and the fifteen percent (15%) tax on dividends as provided in this subparagraph: <i>Provided</i>, that effective January 1, 2009, the credit against the tax due shall be equivalent to fifteen percent (15%), which represents the difference between the regular income tax of thirty percent (30%) and the fifteen percent (15%) tax on dividends;</p> <p>(c) Capital Gains from Sale of Shares of Stock not</p> | <p>and income, and capital gains, except capital gains subject to tax under subparagraph 5(e): <i>Provided</i>, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).</p> <p>XXX XXX XXX</p> <p>(5) Tax on Certain CAPITAL Incomes Received by a Nonresident Foreign Corporation. –</p> <p>(a) Interest on Foreign Loans. – A final withholding tax at the rate of twenty percent (20%) is hereby imposed on the amount of interest on foreign loans contracted on or after August 1, 1986;</p> <p>(b) Intercorporate Dividends. – A final withholding tax at the rate of fifteen percent (15%) is hereby imposed on the amount of cash and/or property dividends received from a domestic corporation, which shall be collected and paid as provided in Section 57 (A) of this Code, subject to the condition that the country in which the nonresident foreign corporation is domiciled, shall allow a credit against the tax due from the nonresident foreign corporation taxes deemed to have been paid in the Philippines equivalent to twenty percent (20%), which represents the difference between the regular income tax of thirty-five percent (35%) and the fifteen percent (15%) tax on dividends as provided in this subparagraph: <i>Provided</i>, that effective January 1, 2009, the credit against the tax due shall be equivalent to fifteen percent (15%), which represents the difference between the regular income tax of thirty percent (30%) and the fifteen percent (15%) tax on dividends;</p> <p>(c) Capital Gains from Sale of Shares of Stock not</p> | <p>proposed to be transferred to Section 27(D)(5) of the Tax Code.</p> |

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| <p>Traded in the Stock Exchange. – A final tax at the rates prescribed below is hereby imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic corporation, except shares sold, or disposed of through the stock exchange:</p> <p>Not over P 100,0005% On any amount in excess of P 100,000 ... 10%</p> | <p>Traded in the Stock Exchange.—A final tax at the rates prescribed below is hereby imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic corporation, except shares sold, or disposed of through the stock exchange:</p> <p>Not over P 100,000.....5% On any amount in excess of P 100,000 ...10%</p> <p>INTERESTS AND CAPITAL GAINS FROM SALE, TRANSFER, BARTER, OR DISPOSITION OF SHARES OF STOCK, DEBT INSTRUMENTS, DEPOSIT SUBSTITUTES, AND OTHER SECURITIES SHALL BE SUBJECT TO TAX UNDER SECTION 27 (D)(1), (3), (4), (5) AND (6) OF THIS CODE, OR TO THE PROVISIONS OF THE APPLICABLE TAX TREATY.</p> <p>CASH AND/OR PROPERTY DIVIDENDS RECEIVED FROM A DOMESTIC CORPORATION SHALL BE SUBJECT TO A FINAL TAX OF FIFTEEN PERCENT (15%) OR TO THE PROVISIONS OF APPLICABLE TAX TREATY.</p> | <p>Subjects interests, dividends, and capital gains from sale, transfer, barter, or disposition of shares of stock, debt instruments, deposit substitutes, and other securities derived by nonresident foreign corporations to the same tax rates imposed on domestic corporations, which is 15% or to the applicable tax treaty rate.</p> |
| <p>SEC. 29. Imposition of Improperly Accumulated Earnings Tax. –</p> <p>(A) In General. – In addition to other taxes imposed</p> | <p>SEC. 8. Section 29 (A), (B) and (C) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 29. Imposition of Improperly Accumulated Earnings Tax. –</p> <p>(A) In General. – In addition to other taxes imposed</p> | |

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| <p>by this Title, there is hereby imposed for each taxable year on the improperly accumulated taxable income of each corporation described in Subsection B hereof, an improperly accumulated earnings tax equal to ten percent (10%) of the improperly accumulated taxable income.</p> <p>(B) Tax on Corporations Subject to Improperly Accumulated Earnings Tax. –</p> <p>(1) In General. – x x x.</p> <p>(2) Exceptions. – The improperly accumulated earnings tax as provided for under this Section shall not apply to:</p> <p>(a) Publicly-held corporations;</p> <p>(b) Banks and other nonbank financial intermediaries; and</p> <p>(c) Insurance companies.</p> <p>(C) Evidence of Purpose to Avoid Income Tax. –</p> | <p>by this Title, there is hereby imposed for each taxable year on the improperly accumulated taxable income of each corporation described in Subsection B hereof, an improperly accumulated earnings tax equal to ten FIFTEEN percent (40%) (15%) of the improperly accumulated taxable income.</p> <p>(B) Tax on Corporations Subject to Improperly Accumulated Earnings Tax. –</p> <p>(1) In General. – x x x.</p> <p>(2) Exceptions. – The improperly accumulated earnings tax as provided for under this Section shall not apply to:</p> <p>(a) Publicly-held corporations;</p> <p>(b) Banks, and other nonbank financial intermediaries, AND OTHER FINANCIAL INSTITUTIONS AS MAY BE DETERMINED BY THE APPROPRIATE GOVERNMENT REGULATORY AGENCIES; and</p> <p>(c) Insurance companies, SUCH AS LIFE AND NON-LIFE, REINSURANCE COMPANIES, PRE-NEED COMPANIES, PENSION FUNDS, HEALTH MAINTENANCE ORGANIZATIONS AND OTHER ENTITIES DOING BUSINESS SIMILAR TO OR AKIN TO INSURANCE.</p> <p>(C) Evidence of Purpose to Avoid Income Tax. –</p> | <p>Increases the rate of improperly accumulated earnings tax (IAET) from 10% to 15% to equate it with the tax on dividends.</p> <p>Provides that other financial institutions, in addition to banks, non-banks financial intermediaries shall be exempt from the IAET (as may be determined by appropriate government regulatory agencies). Furthermore, the bill lists down the type of insurance companies that are not subject to the IAET.</p> |

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| <p>(1) <i>Prima Facie Evidence.</i> – The fact that any corporation is a mere holding company or investment company shall be prima facie evidence of a purpose to avoid the tax upon its shareholders or members.</p> <p>(2) <i>Evidence Determinative of Purpose.</i> – The fact that the earnings or profits of a corporation are permitted to accumulate beyond the reasonable needs of the business shall be determinative of the purpose to avoid the tax upon its shareholders or members unless the corporation, by the clear preponderance of evidence, shall prove to the contrary.</p> <p style="text-align: center;">xxx xxx xxx</p> | <p>(1) <i>Prima Facie Evidence.</i> – The fact that any corporation is a mere holding company or investment company shall be prima facie evidence of a purpose to avoid the tax upon its shareholders or members.</p> <p>(2) <i>Evidence Determinative of Purpose.</i> – The fact that the earnings or profits of a corporation are permitted to accumulate beyond the reasonable needs of the business shall be determinative of the purpose to avoid the tax upon its shareholders or members unless the corporation, by the clear preponderance of evidence, shall prove to the contrary.</p> <p>THE FACT THAT THE EARNINGS OR PROFIT OF A CORPORATION ARE PERMITTED TO ACCUMULATE BEYOND THE REASONABLE NEEDS OF THE BUSINESS SHALL BE DETERMINATIVE OF THE PURPOSE TO AVOID THE TAX UPON ITS SHAREHOLDERS OR MEMBERS UNLESS THE CORPORATION, BY THE CLEAR PREPONDERANCE OF EVIDENCE, SHALL PROVE TO THE CONTRARY.</p> <p style="text-align: center;">xxx xxx xxx</p> | <p>Deletes the provision considering as prima facie</p> |
| <p>SEC. 30. Exemptions from Tax on Corporations. – The following organizations shall not be taxed under this Title in respect to income received by them as such:</p> | <p>SEC. 9. Section 30 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 30. Exemptions from Tax on Corporations. – The following organizations shall not be taxed under this Title in respect to income received by them as such:</p> | |

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| <p>(A) Labor, agricultural or horticultural organization not organized principally for profit;</p> <p>(B) Mutual savings bank not having a capital stock represented by shares, and cooperative bank without capital stock organized and operated for mutual purposes and without profit;</p> <p>(C) A beneficiary society, order or association, operating for the exclusive benefit of the members such as a fraternal organization operating under the lodge system, or mutual aid association or a nonstock corporation organized by employees providing for the payment of life, sickness, accident, or other benefits exclusively to the members of such society, order, or association, or nonstock corporation or their dependents;</p> <p>(D) Cemetery company owned and operated exclusively for the benefit of its members;</p> <p>(E) Nonstock corporation or association organized and operated exclusively for religious, charitable, scientific, athletic, or cultural purposes, or for the rehabilitation of veterans, no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person;</p> <p>(F) Business league chamber of commerce, or board of trade, not organized for profit and no part of the net income of which inures to the benefit of any stock-holder, or individual;</p> <p>(G) Civic league or organization not organized for profit but operated exclusively for the promotion of social welfare;</p> | <p>(A) Labor, agricultural or horticultural organization not organized principally for profit;</p> <p>(B) Mutual savings bank not having a capital stock represented by shares, and cooperative bank without capital stock organized and operated for mutual purposes and without profit;</p> <p>(C)(B) A beneficiary society, order or association, operating for the exclusive benefit of the members such as a fraternal organization operating under the lodge system, or mutual aid association or a nonstock corporation organized by employees providing for the payment of life, sickness, accident, or other benefits exclusively to the members of such society, order, or association, or nonstock corporation or their dependents;</p> <p>(D)(C) Cemetery company owned and operated exclusively for the benefit of its members;</p> <p>(E)(D) Nonstock corporation or association organized and operated exclusively for religious, charitable, scientific, athletic, or cultural purposes, or for the rehabilitation of veterans, no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person;</p> <p>(F)(E) Business league chamber of commerce, or board of trade, not organized for profit and no part of the net income of which inures to the benefit of any private stock-holder, or individual;</p> <p>(G)(F) Civic league or organization not organized for profit but operated exclusively for the promotion of social welfare;</p> | <p>Removes mutual savings bank not having a capital stock represented by shares, and cooperative bank without capital stock organized and operated for mutual purposes and without profit from the list of tax-exempt corporations.</p> |

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| <p>(H) A nonstock and nonprofit educational institution;</p> <p>(I) Government educational institution;</p> <p>(J) Farmers' or other mutual typhoon or fire insurance company, mutual ditch or irrigation company, mutual or cooperative telephone company, or like organization of a purely local character, the income of which consists solely of assessments, dues, and fees collected from members for the sole purpose of meeting its expenses; and</p> <p>(K) Farmers', fruit growers', or like association organized and operated as a sales agent for the purpose of marketing the products of its members and turning back to them the proceeds of sales, less the necessary selling expenses on the basis of the quantity of produce finished by them.</p> <p>Notwithstanding the provisions in the preceding paragraphs, the income of whatever kind and character of the foregoing organizations from any of their properties, real or personal, or from any of their activities conducted for profit regardless of the disposition made of such income, shall be subject to tax imposed under this Code.</p> | <p>(H)(G) A nonstock and nonprofit educational institution;</p> <p>(H)(H) Government educational institution;</p> <p>(H)(I) Farmers' or other mutual typhoon or fire insurance company, mutual ditch or irrigation company, mutual or cooperative telephone company, or like organization of a purely local character, the income of which consists solely of assessments, dues, and fees collected from members for the sole purpose of meeting its expenses; and</p> <p>(K)(J) Farmers', fruit growers', or like association organized and operated as a sales agent for the purpose of marketing the products of its members and turning back to them the proceeds of sales, less the necessary selling expenses on the basis of the quantity of produce finished by them.</p> <p>Notwithstanding the provisions in the preceding paragraphs, the income of whatever kind and character of the foregoing organizations from any of their properties, real or personal, or from any of their activities conducted for profit regardless of the disposition made of such income, shall be subject to tax imposed under this Code.</p> | |
| <p>SEC. 32. Gross Income. – x x x</p> <p>(B) Exclusions from Gross Income. – The following</p> | <p>SEC. 10. Section 32 (B) (7) (g) and (h) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 32. Gross Income. – x x x</p> <p>(B) Exclusions from Gross Income. – The following</p> | |

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| <p>items shall not be included in gross income and shall be exempt from taxation under this Title:</p> <p>XXX XXX XXX</p> <p>(7) Miscellaneous Items. –</p> <p>XXX XXX XXX</p> <p>(g) Gains from the Sale of Bonds, Debentures or other Certificate of Indebtedness. – Gains realized from the same or exchange or retirement of bonds, debentures or other certificate of indebtedness with a maturity of more than five (5) years.</p> | <p>items shall not be included in gross income and shall be exempt from taxation under this Title:</p> <p>XXX XXX XXX</p> <p>(7) Miscellaneous Items. –</p> <p>XXX XXX XXX</p> <p>(g) Gains from the Sale of Bonds, Debentures or other Certificate of Indebtedness. – Gains realized from the same or exchange or retirement of bonds, debentures or other certificate of indebtedness with a maturity of more than five (5) years.</p> | <p>Lifts the exemption of gains realized from the sale or exchange or retirement of bonds, debentures or other certificate of indebtedness with a maturity of more than five (5) years. They will be taxable at 15% based on net gain if not traded through the local exchange or to 0.1% of transaction value if listed and traded through the local exchange except for dealers of securities.</p> |
| <p>(h) Gains from Redemption of Shares in Mutual Fund. – Gains realized by the investor upon redemption of shares of stock in a mutual fund company as defined in Section 22 (BB) of this Code.</p> | <p>(G) INTEREST INCOME FROM, AND GAINS FROM THE SALE, TRANSFER, OR DISPOSITION OF, PROJECT SPECIFIC BONDS THAT ARE ISSUED TO FINANCE CAPITAL EXPENDITURES OR PROGRAMS COVERED BY THE PHILIPPINE DEVELOPMENT PLAN OR ITS EQUIVALENT AND OTHER GOVERNMENT PROGRAMS CONSIDERED TO BE OF HIGH-LEVEL PRIORITY OF THE COUNTRY, PROVIDED THAT, THE EXEMPTION SHALL BE UPON THE APPROVAL BY THE SECRETARY OF FINANCE.</p> | <p>Limits the exemption from income tax of interest income and gains derived from bonds, that is, the exemption applies only to project-specific bonds that are issued to finance capital expenditures or programs covered by the Philippine Development Plan or its equivalent and other high-level priority programs of the government. The bill provides, however, that the exemption shall be upon the approval of the Secretary of Finance.</p> |
| | <p>(h) Gains from Redemption of Shares OR UNITS OF PARTICIPATION in Mutual Fund COLLECTIVE INVESTMENT SCHEMES. – Gains realized by the investor upon redemption, of shares of</p> | <p>Provides for a broader coverage, that is collective investment schemes, in general, and not just mutual funds, with respect to the income tax exemption of gains realized from redemption of shares or units of</p> |

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| <p>stock in a mutual fund OR UNITS OF PARTICIPATION IN A COLLECTIVE INVESTMENT SCHEME as defined in UNDER Section 22 BB (II) of this Code.</p> <p>xxx xxx xxx</p> | <p>participation thereat.</p> <p>It is worth mentioning that the exemption from income tax of gains from redemption of shares in mutual fund was introduced under RA 8424 in order to eliminate the double taxation of income of mutual funds shareholders, that is, at the level of the mutual fund company and on its shareholders. The reform is said to have put in equal tax footing the shareholders of mutual funds with other investors who directly invest in instruments where mutual funds also invest, but who are only taxed once in their investments.</p> | |
| <p>SEC. 11. Section 34 (A), (B) (C) and (E) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 34. Deductions from Gross Income. - xxx;</p> <p>(A) Expenses. -</p> <p>(1) Ordinary and Necessary Trade, Business or Professional Expenses. -</p> <p>(a) In General. - xxx;</p> <p>(b) Substantiation Requirements. - xxx.</p> <p>(c) Bribes, Kickbacks and Other Similar Payments. - xxx.</p> <p>(2) Expenses Allowable to Private Educational Institutions. - xxx</p> | <p>SEC. 11. Section 34 (A), (B) (C) and (E) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 34. Deductions from Gross Income. - xxx;</p> <p>(A) Expenses. -</p> <p>(1) Ordinary and Necessary Trade, Business or Professional Expenses. -</p> <p>(a) In General. - xxx;</p> <p>(b) Substantiation Requirements. - xxx.</p> <p>(c) Bribes, Kickbacks and Other Similar Payments. - xxx.</p> <p>(D) EXPENSES RELATED TO OR IN CONNECTION WITH INCOME NOT SUBJECT TO REGULAR TAX UNDER SECTIONS 24(A), 25(A), 27(A) AND (B), AND</p> | <p>Presently, the allocation of costs and expenses for income tax reporting purposes among income earnings of banks and other financial institutions is provided in RR No. 4-2011. With the codification of</p> |

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| <p>(B) Interest. –</p> <p>(1) In General. – The amount of interest paid or incurred within a taxable year on indebtedness in connection with the taxpayer's profession, trade or business shall be allowed as deduction from gross income: <i>Provided, however,</i> That the taxpayer's otherwise allowable deduction for interest expense shall be reduced by forty-two percent (42%) of the interest income subjected to final tax: <i>Provided,</i> That effective January 1, 2009, the percentage shall be thirty-three percent (33%).</p> | <p>28(A) SHALL NOT BE ALLOWED AS DEDUCTIONS UNDER SUBSECTION (A) HEREOF. EXPENSES THAT CANNOT BE SPECIFICALLY IDENTIFIED OR ARE COMMON SHALL BE ALLOCATED BASED ON A REASONABLE METHOD OF MEASUREMENT AS PROVIDED IN A REGULATION ISSUED BY THE SECRETARY OF FINANCE: PROVIDED, THAT INTEREST EXPENSES SUBJECT TO THE LIMITATION UNDER SECTION 34(B)(1) SHALL BE EXCLUDED FROM THIS SECTION.</p> <p>xxx xxx xxx xxx</p> <p>(B) Interest. –</p> <p>(1) In General. – The amount of interest paid or incurred within a taxable year on indebtedness in connection with the taxpayer's profession, trade or business shall be allowed as deduction from gross income: <i>Provided, however,</i> That the taxpayer's otherwise allowable deduction for interest expense shall be reduced by forty-two percent (42%) of the interest income subjected to final tax: <i>Provided,</i> That effective January 1, 2009, the percentage shall be thirty-three percent (33%). PROVIDED FURTHER, THAT EFFECTIVE JANUARY 1, 2019, THE PERCENTAGE SHALL BE FIFTY PERCENT (50%).</p> | <p>the cost allocation provision such rule will now be applicable not only for banks and other financial institutions but for all other industries.</p> <p>The Commissioner of Internal Revenue has the primary mandate to implement the provisions of the Tax Code, hence it would be reasonable if his recommendation will be a prerequisite for the Secretary of Finance's issuance of regulations for this purpose.</p> |
| <p>(B) Interest. –</p> <p>(1) In General. – The amount of interest paid or incurred within a taxable year on indebtedness in connection with the taxpayer's profession, trade or business shall be allowed as deduction from gross income: <i>Provided, however,</i> That the taxpayer's otherwise allowable deduction for interest expense shall be reduced by forty-two percent (42%) of the interest income subjected to final tax: <i>Provided,</i> That effective January 1, 2009, the percentage shall be thirty-three percent (33%).</p> | <p>Adjusts the reduction in the allowable deduction for interest expense starting January 1, 2019, that is, from 33% to 50% of the interest income subjected to final tax. This is based on the current CIT rate of 30% and the proposed 15% final tax on interest income. Should a new CIT rate be approved ahead of this proposal the new CIT rate will be used in calculating the interest expenses limitation.</p> | <p>Adjusts the reduction in the allowable deduction for interest expense starting January 1, 2019, that is, from 33% to 50% of the interest income subjected to final tax. This is based on the current CIT rate of 30% and the proposed 15% final tax on interest income. Should a new CIT rate be approved ahead of this proposal the new CIT rate will be used in calculating the interest expenses limitation.</p> |

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| <p>(2) Exceptions. – No deduction shall be allowed in respect of interest under the succeeding subparagraphs:</p> <p>(a) x x x;</p> <p>(b) x x x; or</p> <p>(c) If the indebtedness is incurred to finance petroleum exploration.</p> | <p>ANY DIVIDEND DISGUISED AS AN INTEREST AND CLAIMED AS A DEDUCTION UNDER THIS SUBSECTION SHALL NOT BE ALLOWED AS A DEDUCTIBLE INTEREST EXPENSE.</p> <p>(2) Exceptions. – No deduction shall be allowed in respect of interest under the succeeding subparagraphs:</p> <p>(a) x x x;</p> <p>(b) x x x; or</p> <p>(c) If the indebtedness is incurred to finance petroleum exploration.</p> | <p>Disallows the deductibility of interest expense if any dividend is disguised as an interest. In this regard, there may be a need to provide a mechanism by which interest claimed as deduction but which is actually a dividend will be proven. The provision needs to clearly state the debt-to-equity ratio or the thin capitalization rules in order to discourage or minimize abusive tax planning practices by related entities. The provision may also refer to the authority of the Commissioner of Internal Revenue to allocate income and expenses under Section 50 of the Tax Code.</p> |
| <p>(3) Optional Treatment of Interest Expense. – At the</p> | <p>(3) Optional Treatment of Interest Expense</p> | <p>Provides that interest incurred from indebtedness to finance petroleum exploration may already be claimed as an allowable deduction. Such provision is deemed consistent with the thrust of the government to continuously promote petroleum exploration in the country.</p> <p>The deletion in effect repeals Section 23 of PD 87 (The Oil Exploration and Development Act of 1972) which provides that in ascertaining the taxable net income, no deduction from gross income shall be allowed in respect of any interest or other consideration paid or suffered in respect of the financing of its petroleum operations.</p> <p>Details the provision on optional treatment of interest</p> |

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| <p>option of the taxpayer, interest incurred to acquire property used in trade, business or exercise of a profession may be allowed as a deduction or treated as a capital expenditure.</p> <p>xxx xxx xxx</p> <p>(E) <i>Bad Debts.</i> –</p> <p>(1) <i>In General.</i> – x x x.</p> <p>(2) <i>Securities Becoming Worthless.</i> – If securities, as defined in Section 22(T), are ascertained to be worthless and charged off within the taxable year and are capital assets, the loss resulting therefrom shall, in the case of a taxpayer other than a bank or trust company incorporated under the laws of the Philippines a substantial part of whose business is the receipt of deposits, for the purpose of this Title, be considered as a loss from the sale or exchange, on the last day of such taxable year, of capital assets.</p> <p>xxx xxx xxx</p> | <p>RELATED TO ACQUISITION OF ASSET. – At the option of the taxpayer, interest expense incurred to acquire property used in trade, business or exercise of a profession THAT WILL BENEFIT THE BUSINESS LONGER THAN ONE YEAR SHALL [may] BE CAPITALIZED AND THEREAFTER AMORTIZED OR DEPRECIATED AS PART OF THE COST OF THE ASSET.</p> <p>xxx xxx xxx</p> <p>(E) <i>Bad Debts.</i> –</p> <p>(1) <i>In General.</i> – x x x.</p> <p>(2) <i>Securities Becoming Worthless.</i> – If securities, as defined in Section 22(T), are ascertained to be worthless and charged off within the taxable year and are capital assets, the loss resulting therefrom shall, in the case of a taxpayer other than a bank or trust company, incorporated under the laws of the Philippines a substantial part of whose business is the receipt of deposits, for the purpose of this Title, be considered as a loss from the sale or exchange OF CAPITAL ASSETS, on the last day of such taxable year, of capital assets. SECURITIES HELD BY A DEALER IN SECURITIES OR AN ENTITY LICENSED BY THE APPROPRIATE GOVERNMENT REGULATORY AGENCY TO BUY AND SELL IN SECURITIES INCLUDING BANKS, AND OTHER FINANCIAL INTERMEDIARIES SHALL BE CONSIDERED ORDINARY ASSETS, AND SECURITIES HELD THAT ARE ASCERTAINED TO BE WORTHLESS SHALL BE CONSIDERED</p> | <p>In order for the subject interest expense to be deductible, it has to be incurred in the acquisition of property that is used in trade, business or exercise of profession that will be beneficial for the business for more than one (1) year. This provision only ensures that the deduction claimed from gross income for interest expense on an asset acquired is truly beneficial and of use to the taxpayer's business or profession, and is not used as a means to reduce income tax liability.</p> <p>Provides for more specific details as regards the deductibility (as an ordinary loss) of securities that are ascertained to be worthless and that these are those held by a dealer in securities or an entity licensed by the appropriate regulatory agency to buy and sell in securities including banks, and other financial intermediaries.</p> |

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| <p>ORDINARY LOSSES THAT ARE ALLOWED AS DEDUCTION FROM TAXABLE INCOME.</p> <p>XXX XXX XXX</p> | <p>ORDINARY LOSSES THAT ARE ALLOWED AS DEDUCTION FROM TAXABLE INCOME.</p> <p>XXX XXX XXX</p> | |
| <p>SEC. 12. Section 37 (B) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 37. Special Provisions Regarding Income and Deductions of Insurance Companies, Whether Domestic or Foreign. –</p> <p>(A) Special Deductions Allowed to Insurance Companies. – X X X.</p> <p>(B) Mutual Insurance Companies. – In the case of mutual fire and mutual employers' liability and mutual workmen's compensation and mutual casualty insurance companies requiring their members to make premium deposits to provide for losses and expenses, said companies shall not INCLUDE return as income any portion of the premium deposits returned to their policyholders, but shall INCLUDE return as taxable income all income received by them from all other sources plus such portion of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves.</p> <p>XXX XXX XXX</p> | <p>SEC. 12. Section 37 (B) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 37. Special Provisions Regarding Income and Deductions of Insurance Companies, Whether Domestic or Foreign. –</p> <p>(A) Special Deductions Allowed to Insurance Companies. – X X X.</p> <p>(B) Mutual Insurance Companies. – In the case of MUTUAL LIFE, mutual fire and mutual workmen's compensation and mutual casualty insurance companies requiring their members to make premium deposits to provide for losses and expenses, said companies shall not INCLUDE return as income any portion of the premium deposits returned to their policyholders, but shall INCLUDE return as taxable income all income received by them from all other sources plus such portion of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves.</p> <p>XXX XXX XXX</p> | <p>Makes specific the reference to mutual insurance companies to refer to "mutual life" insurance companies.</p> <p>Provides that mutual insurance companies shall not include as income any portion of the premium deposits made by its members to provide for losses and expenses, which are eventually returned to the policyholders.</p> |
| <p>SEC. 37. Special Provisions Regarding Income and Deductions of Insurance Companies, Whether Domestic or Foreign. –</p> <p>(A) Special Deductions Allowed to Insurance Companies. – X X X.</p> <p>(B) Mutual Insurance Companies. – In the case of mutual fire and mutual employers' liability and mutual workmen's compensation and mutual casualty insurance companies requiring their members to make premium deposits to provide for losses and expenses, said companies shall not INCLUDE return as income any portion of the premium deposits returned to their policyholders, but shall INCLUDE return as taxable income all income received by them from all other sources plus such portion of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves.</p> <p>XXX XXX XXX</p> | <p>SEC. 13. Section 38 (A) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> | |

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| <p>SEC. 38. Losses from Wash Sales of Stock or Securities. –</p> <p>(A) In the case of any loss claimed to have been sustained from any sale or other disposition of shares of stock or securities where it appears that within a period beginning thirty (30) days before the date of such sale or disposition and ending thirty (30) days after such date, the taxpayer has acquired (by purchase or by exchange upon which the entire amount of gain or loss was recognized by law), or has entered into a contact or option so to acquire, substantially identical stock or securities, then no deduction for the loss shall be allowed under Section 34 unless the claim is made by a dealer in stock or securities and with respect to a transaction made in the ordinary course of the business of such dealer.</p> <p style="text-align: center;">XXX XXX XXX</p> | <p>SEC. 38. Losses from Wash Sales of Stock or Securities. –</p> <p>(A) In the case of any loss claimed to have been sustained from any sale or other disposition of shares of stock or securities where it appears that within a period beginning thirty (30) days before the date of such sale or disposition and ending thirty (30) days after such date, the taxpayer has acquired (by purchase or by exchange upon which the entire amount of gain or loss was recognized by law), or has entered into a contact or option so AS to acquire, substantially identical stock or securities, then no deduction for the loss shall be allowed under Section 34 unless the claim is made by a dealer in stock or securities OR BY AN ENTITY OR A FINANCIAL INTERMEDIARY DULY LICENSED BY THE APPROPRIATE GOVERNMENT REGULATORY AGENCY TO BUY AND SELL IN SECURITIES EITHER FOR HIS OWN ACCOUNT OR FOR THE ACCOUNT OF OTHERS and with respect to a transaction made in the ordinary course of the business of such dealer.</p> <p style="text-align: center;">XXX XXX XXX</p> | <p>Provides that claim for deduction of loss from wash sales of stock or securities may also be allowed if this is made by an entity of a financial intermediary duly licensed by the appropriate government regulatory agency to buy and sell in securities either for his own account or for the account of others. This provision provides clarification on entities who may be entitled to the said type of deduction.</p> |
| <p>SEC. 39. Capital Gains and Losses. –</p> <p>(A) <i>Definitions.</i> – As used in this Title –</p> <p style="text-align: center;">XXX XXX XXX</p> | <p>SEC. 14. Section 39 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 39. Capital Gains and Losses. –</p> <p>(A) <i>Definitions.</i> – As used in this Title –</p> <p style="text-align: center;">XXX XXX XXX</p> | |

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| <p>(B) Percentage Taken into Account – In the case of a taxpayer, other than a corporation, only the following percentages of the gain or loss recognized upon the sale or exchange of a capital asset shall be taken into account in computing net capital gain, net capital loss, and net income.</p> | <p>(B) Percentage Taken into Account—In the case of a taxpayer, other than a corporation, only the following percentages of the gain or loss recognized upon the sale or exchange of a capital asset shall be taken into account in computing net capital gain, net capital loss, and net income.</p> | <p>Deleted the provision that takes into account the holding period of the capital asset.</p> |
| <p>(1) One hundred percent (100%) if the capital asset has been held for not more than twelve (12) months; and</p> | <p>(1) One hundred percent (100%) if the capital asset has been held for not more than twelve (12) months; and</p> | |
| <p>(2) Fifty percent (50%) if the capital asset has been held for more than twelve (12) months;</p> | <p>(2) Fifty percent (50%) if the capital asset has been held for more than twelve (12) months;</p> | |
| <p>(C) Limitation on Capital Losses. – Losses from sales or exchange capital assets shall be allowed only to the extent of the gains from such sales or exchanges. If a bank or trust company incorporated under the laws of the Philippines, a substantial part of whose business is the receipt of deposits, sells any bond, debenture, note, or certificate or other evidence of indebtedness issued by any corporation (including one issued by a government or political subdivision thereof), with interest coupons or in registered form, any loss resulting from such sale shall not be subject to the foregoing limitation and shall not be included in determining the applicability of such limitation to other losses.</p> | <p>(C)(B) Limitation on Capital Losses. – Losses from sales or exchange capital assets shall be allowed only to the extent of the gains from such sales or exchanges. If a bank or trust company DEALER IN SECURITIES OR OTHER ENTITIES OR FINANCIAL INTERMEDIARIES DULY LICENSED BY THE APPROPRIATE REGULATORY AGENCY TO TRADE IN SECURITIES, sells any bond, debenture, note, or certificate or other evidence of indebtedness issued by any corporation (including one issued by a government or political subdivision thereof), with interest coupons or in registered form, any loss resulting from such sale shall not be subject to the foregoing limitation and shall not be included in determining the applicability of such limitation to other losses.</p> | <p>The phrase “incorporated under the laws of the Philippines, a substantial part of whose business is the receipt of deposits” is missing under HB 8645. If the intention of the bill to delete the phrase, then it should be indicated in the bill with a strikethrough of the phrase.</p> |
| <p>(D) Net Capital Loss Carry-Over. – If any taxpayer, other than a corporation, sustains in any taxable year a net capital loss, such loss (in an amount not in excess of the net income for such year) shall be treated in the</p> | <p>(D) Net Capital Loss Carry-Over.—If any taxpayer, other than a corporation, sustains in any taxable year a net capital loss, such loss (in an amount not in excess of the net income for such year) shall be treated in the</p> | |

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| <p>succeeding taxable year as a loss from the sale or exchange of a capital asset held for not more than twelve (12) months.</p> <p>(E) Retirement of Bonds, Etc. – x x x</p> <p>(F) Gains or losses from Short Sales, Etc. – For purposes of this Title –</p> <p>(1) Gains or losses from short sales of property shall be considered as gains or losses from sales or exchanges of capital assets; and</p> <p>(2) Gains or losses attributable to the failure to exercise privileges or options to buy or sell property shall be considered as capital gains or losses.</p> | <p>succeeding taxable year as a loss from the sale or exchange of a capital asset held for not more than twelve (12) months.</p> <p>(E)(C) Retirement of Bonds, Etc. – x x x</p> <p>(F) Gains or losses from Short Sales, Etc. – For purposes of this Title –</p> <p>(1) Gains or losses from short sales of property shall be considered as gains or losses from sales or exchanges of capital assets; and</p> <p>(2) Gains or losses attributable to the failure to exercise privileges or options to buy or sell property shall be considered as capital gains or losses.</p> | |
| <p>SEC. 42. Income from Sources Within the Philippines. –</p> <p>(A) Gross Income from Sources Within the Philippines. – The following items of gross income shall be treated as gross income from sources within the Philippines:</p> <p>(1) Interests. – Interests derived from sources within the Philippines, and interests on bonds, notes or other interest-bearing obligation of residents, corporate or otherwise;</p> | <p>SEC. 15. Section 42 (A) (1), (2) and (B) (2) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 42. Income from Sources Within the Philippines. –</p> <p>(A) Gross Income from Sources Within the Philippines. – The following items of gross income shall be treated as gross income from sources within the Philippines:</p> <p>(1) Interests. – Interests AND YIELD derived from sources within the Philippines, and interests FROM DEBT INSTRUMENTS, BANK DEPOSIT, DEPOSIT SUBSTITUTES, AND SIMILAR ARRANGEMENTS SUCH AS bonds, notes or other interest-bearing obligations of residents, corporate or</p> | <p>Provides for a more detailed provision on where 'interests' and 'yield' are derived from.</p> |

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| <p>succeeding taxable year as a loss from the sale or exchange of a capital asset held for not more than twelve (12) months.</p> <p>(E) Retirement of Bonds, Etc. – x x x</p> <p>(F) Gains or losses from Short Sales, Etc. – For purposes of this Title –</p> <p>(1) Gains or losses from short sales of property shall be considered as gains or losses from sales or exchanges of capital assets; and</p> <p>(2) Gains or losses attributable to the failure to exercise privileges or options to buy or sell property shall be considered as capital gains or losses.</p> | <p>succeeding taxable year as a loss from the sale or exchange of a capital asset held for not more than twelve (12) months.</p> <p>(E)(C) Retirement of Bonds, Etc. – x x x</p> <p>(F) Gains or losses from Short Sales, Etc. – For purposes of this Title –</p> <p>(1) Gains or losses from short sales of property shall be considered as gains or losses from sales or exchanges of capital assets; and</p> <p>(2) Gains or losses attributable to the failure to exercise privileges or options to buy or sell property shall be considered as capital gains or losses.</p> | |
| <p>SEC. 42. Income from Sources Within the Philippines. –</p> <p>(A) Gross Income from Sources Within the Philippines. – The following items of gross income shall be treated as gross income from sources within the Philippines:</p> <p>(1) Interests. – Interests derived from sources within the Philippines, and interests on other interest-bearing obligation of residents, corporate or otherwise;</p> | <p>SEC. 15. Section 42 (A) (1), (2) and (B) (2) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 42. Income from Sources Within the Philippines. –</p> <p>(A) Gross Income from Sources Within the Philippines. – The following items of gross income shall be treated as gross income from sources within the Philippines:</p> <p>(1) Interests. – Interests AND YIELD derived from sources within the Philippines, and interests FROM DEBT INSTRUMENTS, BANK DEPOSIT, ARRANGEMENTS SUCH AS bonds, notes or other interest-bearing obligations of residents, corporate or</p> | <p>Provides for a more detailed provision on where 'interests' and 'yield' are derived from.</p> |

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| <p>otherwise, INCLUDING DEBT INSTRUMENTS OR DEBT SECURITIES ISSUED BY THE GOVERNMENT OR ANY OF ITS AGENCIES OR INSTRUMENTALITIES;</p> <p>(2) <i>Dividends.</i> – The amount received as dividends:</p> <p>(a) From a domestic corporation; and</p> <p>(b) From a foreign corporation, unless less than fifty percent (50%) of the gross income of such foreign corporation for the three-year period ending with the close of its taxable year preceding the declaration of such dividends or for such part of such corporation has been in existence) was derived from sources within the Philippines as determined under the provisions of this Section; but only in an amount which bears the same ratio to such gross income of the corporation for such period derived from sources within the Philippines bears to its gross income from all sources;</p> <p>XXX XXX XXX</p> <p>(B) <i>Taxable Income from Sources Within the Philippines.</i> –</p> <p>(1) <i>General Rule.</i> – XXX</p> <p>XXX XXX XXX</p> <p>(2) <i>Exception.</i> – No deductions for interest paid or incurred abroad shall be allowed from the item of gross income specified in Subsection (A) unless indebtedness was actually incurred to provide fund for</p> | <p>otherwise, INCLUDING DEBT INSTRUMENTS OR DEBT SECURITIES ISSUED BY THE GOVERNMENT OR ANY OF ITS AGENCIES OR INSTRUMENTALITIES;</p> <p>(2) <i>Dividends.</i> – The amount received as dividends:</p> <p>(a) From a domestic corporation; and</p> <p>(b) From a foreign corporation, unless less WITH MORE than fifty percent (50%) of the gross income of such foreign corporation for the three-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence) was derived from sources within the Philippines as determined under the provisions of this Section; but only in an amount which bears the same ratio to such dividends as the gross income of the corporation for such period derived from sources within the Philippines bears ON its gross income from all sources;</p> <p>XXX XXX XXX</p> <p>(B) <i>Taxable Income from Sources Within the Philippines.</i> –</p> <p>(1) <i>General Rule.</i> –</p> <p>XXX XXX XXX</p> <p>(2) <i>Exception.</i> – No deductions for interest paid or incurred abroad shall be allowed from the item of gross income specified in Subsection (A) unless indebtedness was actually incurred to provide funds</p> | <p>Replaces the phrase “unless less” with “with more” for clarity.</p> |

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| <p>use in connection with the conduct or operation of trade or business in the Philippines.</p> <p>xxx xxx xxx</p> | <p>for use in connection with the conduct or operation of trade or business in the Philippines OR ON A TRADE OR BUSINESS OUTSIDE THE PHILIPPINES PROVIDED THAT INCOME GENERATED OR RECEIVED FROM THE USE OF SUCH FUNDS IN CONNECTION WITH THE CONDUCT OR OPERATION OF TRADE OR BUSINESS IN THE PHILIPPINES IS A TAXABLE INCOME IN THE PHILIPPINES.</p> | <p>Provides that interest on indebtedness incurred on a trade or business outside the Philippines may be considered as a deduction from gross income under Section 42(A) of the Tax Code provided that the income generated or received from the use of such funds is a taxable income in the Philippines.</p> |
| <p>SEC. 51. Individual Return. –</p> <p>(A) Requirements. – x x x</p> <p>(B) Where to File. – x x x</p> <p>(C) When to File. –</p> <p>(1) x x x.</p> <p>(2) Individuals subject to tax on capital gains;</p> <p>(a) From the sale or exchange of shares of stock not traded thru a local stock exchange as prescribed under Section 24(C) shall file a return within thirty (30) days after each transaction and a final consolidated return on or before April 15 of each year covering all stock transactions of the preceding taxable year; and</p> | <p>SEC. 16. Section 51 (C) (2) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 51. Individual Return. –</p> <p>(A) Requirements. – x x x</p> <p>xxx xxx xxx</p> <p>(C) When to File. –</p> <p>xxx xxx xxx</p> <p>(2) Individuals subject to tax on capital gains;</p> <p>(a) From the sale or exchange of shares of stock OR DEBT INSTRUMENTS AND OTHER SECURITIES not traded thru THROUGH a local stock exchange OR AN ORGANIZED MARKETPLACE as prescribed under Sections 24(C)(3), (4) AND (5), AND 25(A) AND (B), shall file a return SHALL BE FILED within thirty (30) days after each transaction. and a final consolidated return on or before April 15 of each year covering all stock transactions of the preceding taxable year; and</p> | <p>Includes in the enumeration of capital gains subject to tax, for purposes of filing the returns on such income, debt instruments and other securities that are not traded through a local exchange or an organized marketplace. The bill likewise deems sufficient the filing of a return within thirty (30) days after each transaction and thus, no longer requires the filing of a final consolidated return on or before April 15 of each year.</p> |

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| <p>(b) From the sale or disposition of real property under Section 24(D) shall file a return within thirty (30) days following each sale or other disposition.</p> <p>xxx xxx xxx</p> | <p>(B) FROM THE SALE, EXCHANGE, OR BARTER OF SHARES OF STOCK OR DEBT INSTRUMENTS AND OTHER SECURITIES TRADE THRU A LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE AS PRESCRIBED UNDER SECTIONS 24 (B)(4) AND (6), AND 25(A) AND (B), THE TAX SHALL BE COLLECTED BY THE BROKER WHO EFFECTED THE SALE AND SHALL BE REMITTED TO THE BUREAU OF INTERNAL REVENUE WITHIN FIVE (5) BANKING DAYS FROM THE DATE OF COLLECTION THEREOF. THE BROKER SHALL LIKEWISE SUBMIT ON MONDAYS OF EACH WEEK TO THE SECRETARY OF THE LOCAL EXCHANGE OR ORGANIZED MARKETPLACE OF WHICH THE BROKER IS A MEMBER, A TRUE AND COMPLETE RETURN WHICH SHALL CONTAIN A DECLARATION OF ALL THE TRANSACTIONS EFFECTED DURING THE PRECEDING WEEK, AND OF ALL TAXES COLLECTED AND TURNED OVER TO THE BUREAU OF INTERNAL REVENUE.</p> | <p>Provides that the tax on the income from the sale, exchange, or barter of shares of stock or debt instruments and other securities traded thru a local exchange or an organized marketplace as prescribed under Sections 24 (B)(4) and (6), and 25(A) and (B) shall be collected by the broker who effected the sale and remit the same to the BIR within five (5) banking days from the date of collection thereof. The bill also provides that it is the role of the broker to submit weekly to the Secretary of the local exchange or organized marketplace of which he/she is a member, a true and complete return containing a declaration of all the transactions effected during the preceding week and of all taxes collected and remitted to the BIR.</p> <p>This is substantially lifted from Section 127 (C)(1) of the Tax Code, as amended.</p> |
| <p>SEC. 52. Corporation Returns. –</p> | <p>(b)(C) From the sale or disposition of real property under Section 24(D) (B)(7) shall file a return within thirty (30) days following each sale or other disposition.</p> | <p>Renumbered Section 24(D) to Section 24(B)(7).</p> |
| <p>SEC. 52. Corporation Returns. –</p> | <p>SEC. 17. Section 52 (A) and (D) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 52. Corporation Returns. –</p> | |

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| <p>(A) Requirements. – Every corporation subject to the tax herein imposed, except foreign corporations not engaged in trade or business in the Philippines, shall render, in duplicate, a true and accurate quarterly income tax return and final or adjustment return in accordance with the provisions of Chapter XII of this Title. The income tax return shall consist of a maximum four (4) pages in paper form or electronic form, be filed by the principal officer, and shall be sworn to by such officer and by the treasurer or assistant treasurer, and shall only contain the following information:</p> <p style="text-align: center;">xxx xxx xxx</p> | <p>(A) Requirements. – Every corporation AS DEFINED UNDER SECTION 22(B) OF THIS CODE, AND subject to the tax herein imposed, except foreign corporations not engaged in trade or business in the Philippines, shall render, in duplicate, a true and accurate quarterly income tax return and final or adjustment return in accordance with the provisions of Chapter XII of this Title. The income tax return shall consist of a maximum of four (4) pages in paper form or electronic form, be filed by the president, vice-president or other principal officer, and shall be sworn to by such officer and by the treasurer or assistant treasurer, and shall only contain the following information:</p> <p style="text-align: center;">xxx xxx xxx</p> | <p>Makes reference to the new definition of the term 'corporation' under Section 22(B) of the Tax Code, which now explicitly includes collective investment schemes.</p> |
| <p>(D) Return on Capital Gains Realized from Sale of Shares of Stock not Traded in the Local Stock Exchange. – Every corporation deriving capital gains from the sale or exchange of shares of stock not traded thru a local stock exchange as prescribed under Sections 24(C), 25(A)(3), 27(E)(2), 28(A)(8)(c) and 28 (B)(5)(c) shall file a return within thirty (30) days after each transactions and a final consolidated return of all transactions during the taxable year on or before the fifteenth (15th) day of the fourth (4th) month following the close of the taxable year.</p> | <p>(D) Return on Capital Gains Realized from Sale of Shares of Stock, DEBT INSTRUMENT, AND OTHER SECURITIES not Traded in the Local Stock Exchange OR AN ORGANIZED MARKETPLACE. – Every corporation deriving capital gains from the sale or exchange of shares of stock, DEBT INSTRUMENT, AND OTHER SECURITIES not traded thru THROUGH a local stock exchange OR AN ORGANIZED MARKETPLACE as prescribed under SECTIONS 27(D)(3), AND 5, AND 28 Sections 24(C), 25(A)(3), 27(E)(2), 28(A)(8)(c) and 28 (B)(5)(c) shall file a return within thirty (30) days after each transaction, and a final consolidated return of all transactions during the taxable year on or before the fifteenth (15th) day of the fourth (4th) month following the close of the taxable year.</p> | <p>Similar to individual returns, HB 8645 includes in the enumeration of capital gains subject to tax, for purposes of filing the returns on such income, debt instruments and other securities that are not traded through a local exchange or an organized marketplace. The bill likewise deems sufficient the filing of a return within thirty (30) days after each transaction and thus, no longer requires the filing of a final consolidated return on or before April 15 of each year.</p> |
| <p>No existing provision.</p> | <p>(E) RETURN ON CAPITAL GAINS REALIZED</p> | <p>Provides that the tax on the income from the sale,</p> |

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| <p>SEC. 54. Returns of Receivers, Trustees in Bankruptcy or Assignees. – In cases wherein receivers, trustees in bankruptcy or assignees are operating the property or business of a corporation, subject to the tax imposed by this Title, such receivers, trustees or assignees shall make returns of net income as and for such corporation, in the same manner and form as such organization is hereinbefore</p> | <p>FROM SALE OF SHARES OF STOCK, DEBT INSTRUMENTS, AND OTHER SECURITIES TRADED IN THE LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE. – IT SHALL BE THE DUTY OF EVERY BROKER WHO EFFECTED THE SALE, SUBJECT TO THE TAX IMPOSED UNDER SECTION 27(D)(4) AND (6), AND 28, TO COLLECT THE TAX DUE AND REMIT THE SAME TO THE BUREAU OF INTERNAL REVENUE WITHIN FIVE (5) BANKING DAYS FROM THE DATE OF COLLECTION THEREOF, AND TO SUBMIT ON MONDAYS OF EACH WEEK TO THE SECRETARY OF THE LOCAL EXCHANGE OR ORGANIZED MARKETPLACE, OF WHICH THE BORROWER IS A MEMBER, A TRUE AND COMPLETE RETURN WHICH SHALL CONTAIN A DECLARATION OF ALL THE TRANSACTIONS EFFECTED DURING THE PRECEDING WEEK, AND TAXES COLLECTED AND TURNED OVER TO THE BUREAU OF INTERNAL REVENUE.</p> | <p>exchange, or barter of shares of stock or debt instruments and other securities traded thru a local exchange or an organized marketplace as prescribed under Sections 27(D)(4) and (6), and 28 shall be collected by the broker who effected the sale and remit the same to the BIR within five (5) banking days from the date of collection thereof. The bill also provides that it is the role of the broker to submit weekly to the Secretary of the local exchange or organized marketplace of which he/she is a member, a true and complete return containing a declaration of all the transactions effected during the preceding week and of all taxes collected and remitted to the BIR.</p> <p>This is substantially lifted from Section 127(C)(1) of the Tax Code, as amended.</p> |
| <p>SEC. 54. Returns of Receivers, Trustees in Bankruptcy or Assignees. – In cases wherein receivers, trustees in bankruptcy or assignees are operating the property or business of a corporation, subject to the tax imposed by this Title, such receivers, trustees or assignees shall make returns of net income as and for such corporation, in the same manner and form as such organization is hereinbefore</p> | <p>SEC. 18. Section 54 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 54. Returns of Receivers, Trustees, in Bankruptcy or Assignees. – In cases wherein Receivers, ADMINISTRATORS, trustees in AN IRREVOCABLE TRUST OR bankruptcy, or ANY OTHER PERSON ASSIGNED OR assignees-are IN-CHARGE OF operating the property or business of a ANOTHER PERSON OR corporation subject to the tax UNDER THIS CODE imposed by this Title,</p> | <p>Provides for details as regards the obligation to file, and pay the taxes of receivers, administrators, trustees in an irrevocable trust.</p> |

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| <p>required to make returns, and any tax due on the income as returned by receivers, trustees or assignees shall be assessed and collected in the same manner as if assessed directly against the organizations of whose businesses or properties they have custody or control.</p> | <p>such receivers, trustees or assignees shall BE IMPOSED WITH THE OBLIGATION TO FILE make THE RETURNS AND PAY THE TAXES FOR SUCH PERSON OR CORPORATION IN THE SAME MANNER REQUIRED UNDER THIS CODE, of net income as and for such corporation, in the same manner and form as such organization is hereinbefore required to make returns, and Any tax due on the income as returned by receivers, ADMINISTRATORS, trustees or assignees shall be assessed and collected in the same manner as if assessed directly against the organizations PERSON, ESTATE OR ORGANIZATION of whose businesses or properties they have custody or control.</p> | <p>In the case of a revocable trust, HB 8645 provides that the trustor and not the trustee, shall be the one responsible in filing the returns and in declaring the income received from the trust per Sections 24, 25, 27 and 28 of the Tax Code.</p> <p>In the case of income of the trust subjected to final tax, when distributed to the trustor or beneficiary shall already be free from tax and trustor or beneficiary is not required to declare the income as part of its taxable income.</p> |
| | <p>THE TRUSTOR IN A REVOCABLE TRUST, NOT THE TRUSTEE, SHALL BE RESPONSIBLE IN FILING THE RETURNS REQUIRED UNDER THIS CODE AND IN DECLARING THE INCOME RECEIVED FROM THE TRUST IN ACCORDANCE WITH SECTIONS 24, 25, 27 AND 28 OF THIS CODE. INCOME OF THE TRUST SUBJECTED TO FINAL TAX UNDER SECTIONS 24, 25, 27 AND 28 SHALL NO LONGER BE SUBJECT TO TAX UPON DISTRIBUTION OF THE INCOME TO THE TRUSTOR OR BENEFICIARY, NOR SHALL THE TRUSTOR OR BENEFICIARY BE REQUIRED TO DECLARE THE INCOME AS PART OF ITS TAXABLE INCOME.</p> <p>ANY INCOME OF A REVOCABLE TRUST NOT SUBJECT TO FINAL TAX SHALL BE SUBJECT TO CREDITABLE WITHHOLDING TAX UPON DISTRIBUTION OF THE INCOME TO THE TRUSTOR OR THE BENEFICIARY AT</p> | <p>In the case of the income of a revocable trust that is not subjected to final tax, HB 8645 provides that such may be subject to creditable withholding tax in the hand of the trustor or beneficiary at a rate not exceeding the highest tax rate imposed under Section</p> |

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| <p>SEC. 56. Payment and Assessment of Income Tax for Individuals and Corporations. –</p> <p>(A) Payment of Tax. –</p> <p>(1) <i>In General.</i> – x x x</p> <p>(2) <i>Installment of Payment.</i> – x x x</p> <p>(3) <i>Payment of Capital Gains Tax.</i> – The total amount of tax imposed and prescribed under Section 24 (c), 24(D), 27(E)(2), 28(A)(8)(c) and 28(B)(5)(c) shall be paid on the date the return prescribed therefor is filed by the person liable thereto: <i>Provided,</i> That if the seller submits proof of his intention to avail himself of the benefit of exemption of capital gains under existing special laws, no such payments shall be required: <i>Provided, further,</i> That in case of failure to qualify for exemption under such special laws and regulations, the tax due on the gains realized from the original transaction shall immediately become due and payable, subject to the penalties prescribed under</p> | <p>A RATE NOT EXCEEDING THE HIGHEST RATE OF TAX IMPOSED ON INDIVIDUALS UNDER SECTION 24 IN THE CASE OF INDIVIDUAL TRUSTORS, OR THE CORPORATE INCOME TAX UNDER SECTION 27 IN THE CASE OF CORPORATE TRUSTORS.</p> <p>SEC. 19. Section 56 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 56. Payment and Assessment of Income Tax for Individuals and Corporations. –</p> <p>(A) Payment of Tax. –</p> <p>xxx xxx xxx</p> <p>(3) <i>Payment of Capital Gains Tax. –</i></p> <p>A. IN GENERAL – The total amount of tax imposed and prescribed under Sections 24(C)(B)(3), 24(D)(B)(5), 24(B)(7), 25, 27(E)(D)(3), 27(D)(5), 27(D)(7), 28(A)(8)(c) and 28(B)(5)(c) shall be paid on the date the return prescribed therefor is filed by the person liable thereto: <i>Provided,</i> That if the seller submits proof of his intention to avail himself of the benefit of exemption of capital gains under existing special laws OR TAX TREATY, no such payments shall be required: <i>Provided, further,</i> That in case of failure to qualify for exemption under such special laws, TAX TREATY and implementing</p> | <p>24 of the Tax Code in the case of individual trustors, or the CIT under Section 27 in the case of corporate trustors.</p> <p>The deletion is in order consistent with the deletion of the cited subsection of Sections 24, 27 and 28 of the Tax Code.</p> <p>Provides that in the payment of capital gains tax, a seller may also avail himself of the benefits of exemption from the tax under a tax treaty.</p> |

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| <p>applicable provisions of this Code: <i>Provided, finally.</i> That if the seller, having paid the tax, submits such proof of intent within six (6) months from the registration of the document transferring the real property, he shall be entitled to a refund of such tax upon verification of his compliance with the requirements for such exemption.</p> <p>xxx xxx xxx</p> <p>(B) Assessment and Payment of Deficiency Tax. – xxx</p> | <p>rules and regulations, the tax due on the gains realized from the original transaction shall immediately become due and payable, and subject to the penalties prescribed under applicable provisions of this Code: <i>Provided, finally.</i> That if the seller, having paid the tax, submits such proof of intent within six (6) months from the registration of the document transferring the real property, he shall be entitled to a refund of such tax upon verification of his compliance with the requirements for such exemption.</p> <p>xxx xxx xxx</p> | |
| <p>(B) Assessment and Payment of Deficiency Tax. – xxx</p> <p>SEC. 57. Withholding of Tax at Source. –</p> <p>(A) Withholding of Final Tax on Certain Incomes. – Subject to rules and regulations the Secretary of Finance may promulgate, upon the recommendation of the Commissioner, requiring the filing of income tax return by certain income payees, the tax imposed or prescribed by Sections 24(B)(1), 24(B)(2), 24(C), 24(D)(1), 25(A)(2), 25(A)(3), 25(B), 25(C), 25(D), 25(E), 27(D)(1), 27(D)(2), 27(D)(3), 27(D)(5), 28 (A)(4), 28(A)(5), 28(A)(7)(a), 28(A)(7)(b), 28(A)(7)(c), 28(B)(1), 28(B)(2), 28(B)(3), 28(B)(4), 28(B)(5)(a), 28(B)(5)(b), 28(B)(5)(c), 33; and 282 of this Code on specified items of income shall be withheld by payor-corporation and/or person and paid in the same conditions as provided in Section 58 of this Code.</p> | <p>SEC. 20. Section 57 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 57. Withholding of Tax at Source. –</p> <p>(A) Withholding of Final Tax on Certain Incomes. – Subject to rules and regulations the Secretary of Finance may promulgate, upon the recommendation of the Commissioner, requiring the filing of income tax return by certain income payees, the tax imposed or prescribed by UNDER Sections 24(B), 24(C), 25(A), 25(B), 27(D), 27(E), 28(A) AND 28(B)(5) (2), 25(A)(3) AND 25(B), 25(C), 25(D), 25(E), 27(D)(1), 27(D)(2), 27(D)(3), 27(D)(5), 28(A)(4), 28(A)(5), 28(A)(7)(a), 28(A)(7)(b), 28(A)(7)(c), 28(B)(1), 28(B)(2), 28(B)(3), 28(B)(4), 28(B)(5)(a), 28(B)(5)(b), 28(B)(5)(c), 33; and 282 of this Code on specified items of income SUBJECT TO FINAL TAX shall be withheld by payor- corporation and/or person and paid in the same manner and subject to the</p> | <p>Given the aforementioned amendments in the Tax Code of the subject bills, the references in the Tax Code pertaining to final tax on certain incomes were</p> |

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| <p>(B) x x x</p> <p>(C) <i>Tax-free Covenant Bonds.</i> – In any case where bonds, mortgages, deeds of trust or other similar obligations of domestic or resident foreign corporations, contain a contract or provisions by which the obligor agrees to pay any portion of the tax imposed in this Title upon the obligee or to reimburse the obligee for any portion of the tax or to pay the interest without deduction for any tax which the obligor may be required or permitted to pay thereon or to retain therefrom under any law of the Philippines, or any state or country, the obligor shall deduct bonds, mortgages, deeds of trust or other obligations, whether the interest or other payments are payable annually or at shorter or longer periods, and whether the bonds, securities or obligations had been or will be issued or marketed, and the interest or other payment thereon paid, within or without the Philippines, if the interest or other payment is payable to a nonresident alien or to a citizen or resident of the Philippines.</p> | <p>same conditions as provided in Section 58 of this Code.</p> <p>(B) x x x</p> <p>(C) <i>Tax-free Covenant Bonds.</i> – In any case where bonds, mortgages, deeds of trust or other similar obligations of domestic or resident foreign corporations, contain a contract or provisions by which the obligor agrees to pay any portion of the tax imposed in this Title upon the obligee or to reimburse the obligee for any portion of the tax or to pay the interest without deduction for any tax which the obligor may be required or permitted to pay thereon or to retain therefrom under any law of the Philippines, or any state or country, the obligor shall deduct bonds, mortgages, deeds of trust or other obligations, whether the interest or other payments are payable annually or at shorter or longer periods, and whether the bonds, securities or obligations had been or will be issued or marketed, and the interest or other payment thereon paid, within or without the Philippines, if the interest or other payment is payable to a nonresident alien or to a citizen or resident of the Philippines.</p> | <p>already deleted.</p> <p>Deletes the provision on tax-free covenant bonds.</p> |
| <p>SEC. 73. <i>Distribution of Dividends or Assets by Corporations.</i> –</p> <p>(A) <i>Definition of Dividends.</i> – The term ‘dividends’ when used in this Title means any distribution made by a corporation to its shareholders out of its earnings</p> | <p>SEC. 21. Section 73 (A) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:</p> <p>SEC. 73. <i>Distribution of Dividends or Assets by Corporations.</i> –</p> <p>(A) <i>Definition of Dividends.</i> – The term ‘dividends’ when used in this Title means any distribution made by a corporation to its shareholders out of its earnings</p> | |

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| <p>or profits and payable to its shareholders, whether in money or in other property.</p> <p>Where a corporation distributes all of its assets in complete liquidation or dissolution, the gain realized or loss sustained by the stockholder, whether individual or corporate, is a taxable income or a deductible loss, as the case may be.</p> <p>(B) Stock Dividend. – x x x.</p> | <p>or profits and payable to its shareholders, whether in money or in other property.</p> <p>Where a corporation distributes all of its assets in complete liquidation or dissolution, the gain realized or loss sustained by the stockholder, whether individual or corporate, is a taxable income or a deductible loss, UNDER SECTIONS 24(A), 25(A), 25(B), 27(A), 28(A) AND 28(B) as the case may be.</p> <p>(B) Stock Dividend. – x x x.</p> | <p>Provides for the codal reference as regards taxation of liquidating dividends.</p> |
| <p>SEC. 108. Value-added Tax on Sale of Services and Use or Lease of Properties. –</p> <p>(A) Rate and Base of Tax. – x x x</p> <p>The phrase 'sale or exchange of services' means the performance of all kinds of services in the Philippines for others for a fee, remuneration or consideration, including those performed or rendered by construction and service contractors; stock, real estate, commercial, customs and immigration brokers; lessors of property, whether personal or real; warehousing services; lessors or distributors of cinematographic films; persons engaged in milling, processing, manufacturing or repacking goods for others; proprietors, operators or keepers of hotels, motels, resthouses, pension houses, inns, resorts; proprietors or operators of restaurants, refreshment parlors, cafes and other eating places, including clubs and caterers;</p> | <p>SEC. 22. Section 108 of the National Internal Revenue Code of 1997, is hereby amended as follows:</p> <p>SEC. 108. Value-added Tax on Sale of Services and Use or Lease of Properties. –</p> <p>(A) Rate and Base of Tax. – x x x</p> <p>The phrase 'sale or exchange of services' means the performance of all kinds of services in the Philippines for others for a fee, remuneration or consideration, including those performed or rendered by construction and service contractors; stock, real estate, commercial, customs and immigration brokers; lessors of property, whether personal or real; warehousing services; lessors or distributors of cinematographic films; persons engaged in milling, processing, manufacturing or repacking goods for others; proprietors, operators or keepers of hotels, motels, resthouses, pension houses, inns, resorts; proprietors or operators of restaurants, refreshment parlors, cafes and other eating places, including clubs and caterers;</p> | <p>Removes lending investors from the coverage of the VAT.</p> <p>Under Section 4.108-3(g) of RR No. 16-2005, lending investor includes all persons other than banks, non-bank financial intermediaries, finance companies and other financial intermediaries not performing quasi-banking functions who make a practice of lending money for themselves or others at interest.</p> <p>Under the bill, other non-bank financial intermediaries including lending investors will be subject to 5% gross receipts tax (GRT) under Section 122 of the Tax Code, as amended.</p> |

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| <p>dealers in securities; lending investors; transportation contractors on their transport of goods or cargoes, including persons who transport goods or cargoes for hire and other domestic common carriers by land relative to their transport of goods or cargoes; common carriers by air and sea relative to their transport of passengers, goods or cargoes from one place in the Philippines to another place in the Philippines; sales of electricity by generation companies, transmission by any entity, and distribution companies, including electric cooperatives; services of franchise grantees of electric utilities, telephone and telegraph, radio and television broadcasting and all other franchise grantees except those under Section 119 of this Code and non-life insurance companies (except their crop insurances), including surety, fidelity, indemnity and bonding companies; and similar services regardless of whether or not the performance thereof calls for the exercise or use of the physical or mental faculties. The phrase 'sale or exchange of services' shall likewise include:</p> <p style="text-align: center;">XXX XXX XXX</p> | <p>dealers in securities; lending investors; transportation contractors on their transport of goods or cargoes, including persons who transport goods or cargoes for hire and other domestic common carriers by land relative to their transport of goods or cargoes; common carriers by air and sea relative to their transport of passengers, goods or cargoes from one place in the Philippines to another place in the Philippines; sales of electricity by generation companies, transmission, by any entity and distribution companies, including electric cooperatives; services of franchise grantees of electric utilities, telephone and telegraph, radio and television broadcasting and all other franchise grantees except those under Section 119 of this Code and non-life insurance companies (except their crop insurances), including surety, fidelity, indemnity and bonding companies; and similar services regardless of whether or not the performance thereof calls for the exercise or use of the physical or mental faculties. The phrase 'sale or exchange of services' shall likewise include:</p> <p style="text-align: center;">XXX XXX XXX</p> | <p>Subjecting lending investors to the GRT will harmonize its taxation with other lending institutions such as banks and other non-bank financial intermediaries. However, the removal of lending investors from the imposition of the VAT will deny them the ability to claim input tax on their VATable purchases. If VAT effective rate of lending investors is more than 5%, then the proposal should translate to lower lending interest rates. On the other hand, if it is less than 5% then that could increase business cost which in turn will put pressure on lending investors to raise their lending interest rates.</p> <p>Retaining non-life insurance companies under the ambit of the VAT will sustain the revenue productivity of the VAT and prevent the breaking of the VAT chain which could lead to higher costs and prices.</p> <p>Likewise, the VAT has a self-policing mechanism in the sense that it provides an audit trail that enables government tax authorities to verify the accuracy of output tax payments against input tax payments and thus, reduce the incidence of tax evasion. However, there must be a mechanism in place to monitor the VAT zero-rated and exempt transactions on non-life insurance.</p> |
| <p>SEC. 121. Tax on Banks and Non-Bank Financial Intermediaries Performing Quasi-Banking</p> | <p>SEC. 23. Section 121 of the National Internal Revenue Code of 1997 is hereby amended as follows:</p> <p>SEC. 121. Tax on Banks and Non-Bank Financial Intermediaries Performing Quasi-Banking</p> | |

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| <p>Functions. – There shall be collected a tax on gross receipts derived from sources within the Philippines by all banks and non-bank financial intermediaries in accordance with the following schedule:</p> | <p>Functions. – There shall be collected a tax on gross receipts derived from sources within the Philippines by all banks and non-bank financial intermediaries PERFORMING QUASI-BANKING FUNCTIONS AT THE RATE OF 5% ON INCOME SUCH AS INTEREST, COMMISSIONS, AND DISCOUNTS FROM LENDING ACTIVITIES AS WELL AS INCOME FROM FINANCIAL LEASING, ROYALTIES, RENTALS OF PROPERTY, REAL OR PERSONAL, PROFITS FROM SALE OR EXCHANGE INCLUDING GAINS DERIVED FROM SALE OR TRANSFER OF REAL PROPERTIES, NET TRADING GAINS WITHIN THE TAXABLE YEAR OF FOREIGN CURRENCY, DEBT SECURITIES, DERIVATIVES, AND OTHER SIMILAR FINANCIAL INSTRUMENTS, AND ALL OTHER ITEMS TREATED AS GROSS INCOME UNDER SECTION 32 OF THIS CODE, EXCEPT DIVIDENDS AND EQUITY SHARES AND NET INCOME OF SUBSIDIARIES WHICH SHALL BE SUBJECT TO 0%, in accordance with the following schedule:</p> | <p>Replaces the multiple rates (5%, 1%, 7%) of GRT on banks and non-bank financial intermediaries performing quasi-banking functions with a single rate of 5% except on dividends and equity shares and net income of subsidiaries which shall remain to be subject to 0%. This will simplify the tax on banks and non-bank financial intermediaries performing quasi-banking functions.</p> |
| <p>(a) 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:</p> <p>Maturity period is five years or less..... 5% Maturity period is more than five years 1%</p> | <p>(a) 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:</p> <p>Maturity period is five years or less 5% Maturity period is more than five years 1%</p> | <p>The tax rate on interest, commissions and discounts from lending activities as well as income from financial leasing with maturity period of more than five years will increase from 1% to 5%.</p> |
| <p>(b) On dividends and equity shares and net income of subsidiaries 0%</p> <p>(c) On royalties, rentals of property, real or personal,</p> | <p>(b) On dividends and equity shares and net income of subsidiaries..... 0%</p> <p>(c) On royalties, rentals of property, real or personal;</p> | <p>The tax rate on royalties, rentals of property, real or</p> |

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| <p>profits, from exchange and all other items treated as gross income under Section 32 of this Code..... 7%</p> <p>(d) On net trading gains within the taxable year on foreign currency, debt securities, derivatives, and other similar financial instruments..... 7%</p> <p><i>Provided, however,</i> That in case the maturity period referred to in paragraph (a) is shortened thru pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate of tax shall be applied accordingly.</p> | <p>profits, from exchange and all other items treated as gross income under Section 32 of this Code..... 7%</p> <p>(d) On net trading gains within the taxable year of foreign currency, debt securities, derivatives, and other similar financial instruments..... 7%</p> <p><i>Provided, however,</i> That in case the maturity period referred to in paragraph (a) is shortened thru pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate of tax shall be applied accordingly.</p> | <p>personal, profits, from exchange and all other items treated as gross income under Section 32 of the NIRC, as amended, and on net trading gains within the taxable year of foreign currency, debt securities, derivatives, and other similar financial instruments will decrease from 7% to 5%.</p> <p>Same as Section 122. Deleted since the proposed tax is not dependent on maturity. The provision will become irrelevant due to the imposition of a single rate.</p> |
| <p><i>Provided, finally,</i> That the generally accepted accounting principles as may be prescribed by the Bangko Sentral ng Pilipinas for the bank or non-bank financial intermediary performing quasi-banking functions shall likewise be the basis for the calculation of gross receipts.</p> <p>Nothing in this Code shall preclude the Commissioner from imposing the same tax herein provided on persons performing similar banking activities.</p> | <p><i>Provided,</i> That FOR PURPOSES OF COMPUTING THE GROSS RECEIPTS, the generally accepted accounting principles OF RECORDING INCOME AS ADOPTED BY THE BANK SHALL BE FOLLOWED. BANKS USING THE ACCRUAL BASIS OF FINANCIAL REPORTING SHALL USE THE ACCRUAL METHOD IN COMPUTING THE GROSS RECEIPTS; PROVIDED, THAT, ONCE ADOPTED, IT SHALL BE CONSISTENT FROM YEAR TO YEAR. PROVIDED, FURTHER, THAT FOR PURPOSES OF DETERMINING THE GROSS RECEIPTS, NO DEDUCTION SHALL BE MADE ON THE INCOME EXCEPT IN THE CASE OF GAINS FROM DEALINGS IN PROPERTY AND TRADING GAINS, WHERE NET LOSS WITHIN THE SAME BUSINESS ACTIVITY CAN BE OFFSET TO DETERMINE THE NET GAIN SUBJECT TO THIS TAX. PROVIDED, FURTHER, THAT SUCH OFFSETTING SHALL BE ON A QUARTERLY</p> | <p>A new provision is inserted clarifying the computation of the gross receipts under the proposals.</p> <p>The Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS) are the new sets of Generally Accepted Accounting Principles (GAAP) issued by the Accounting Standards Council (ASC) to govern the preparation of financial statements. These standards are patterned after the revised International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB).</p> <p>The Bangko Sentral ng Pilipinas (BSP) pronounced its adoption of the PFRS/PAS effective the annual financial statements beginning 1 January 2005 in its Memorandum to All Banks and Other BSP Supervised Financial Institutions dated 11 January 2005. The adoption of the new set of standards is aimed at promoting fairness, transparency and</p> |

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| <p>Present Provision</p> | <p>HB No. 8645</p> <p>BASIS, AND ANY NET LOSS INCURRED IN A QUARTER CAN BE CARRIED OVER AS DEDUCTION IN THE SUCCEEDING QUARTERS. PROVIDED, FINALLY, THAT NET LOSS INCURRED IN A TAXABLE YEAR CANNOT BE CARRIED OVER TO THE SUCCEEDING TAXABLE YEAR. as may be prescribed by the Bangko Sentral ng Pilipinas for the bank or non-bank financial intermediary performing quasi-banking functions shall likewise be the basis for the calculation of gross receipts.</p> <p>xxx xxx xxx</p> | <p>accuracy in financial reporting.</p> |
| <p>SEC. 122. Tax on Other Non-Bank Financial Intermediaries. – There shall be collected a tax of five percent (5%) on the gross receipts derived by other non-bank financial intermediaries doing business in the Philippines, from interest, commissions, discounts and all other items treated as gross income under this code: <i>Provided,</i> that interest, commissions and discounts from lending activities, as well as income from financial leasing, shall be taxed on the basis of remaining maturities of the instruments from which such receipts are derived, in accordance with the following schedule:</p> | <p>SEC. 24. Section 122 of the National Internal Revenue Code of 1997 is hereby amended as follows:</p> <p>SEC. 122. Tax on Other Non-Bank Financial Intermediaries. – There shall be collected a tax of five percent (5%) on the gross receipts derived by other non-bank financial intermediaries doing business in the Philippines, from interest, commissions AND discounts FROM LENDING ACTIVITIES, AS WELL AS INCOME FROM FINANCIAL LEASING, ROYALTIES, RENTALS OF PROPERTY, REAL OR PERSONAL, PROFITS FROM SALE OR EXCHANGE INCLUDING GAINS DERIVED FROM SALE OR TRANSFER OF REAL PROPERTIES, NET TRADING GAINS WITHIN THE TAXABLE YEAR OF FOREIGN CURRENCY, DEBT SECURITIES, DERIVATIVES, AND OTHER SIMILAR FINANCIAL INSTRUMENTS, UNDERWRITING FEES, SERVICE INCOME, AND ALL OTHER ITEMS TREATED AS</p> | <p>Replaces the 5% or 1% GRT depending on the maturity on other non-bank financial intermediaries with a single rate of 5% except on dividends and equity shares and net income of subsidiaries which shall remain to be subject to 0%.</p> <p>The proposed single-rate will harmonize the taxation of other non-bank financial intermediaries with the taxation of banks and non-bank financial institutions performing quasi-banking functions.</p> |

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| <p>Maturity period is five years or less..... 5% Maturity period is more than five years 1%</p> <p><i>Provided, however,</i> That in case the maturity period is shortened thru pretermination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate shall be applied accordingly.</p> | <p>GROSS INCOME UNDER SECTION 32 OF THIS CODE EXCEPT DIVIDENDS AND EQUITY SHARES AND NET INCOME OF SUBSIDIARIES WHICH SHALL BE SUBJECT TO ZERO (0%), and all other items treated as gross income under this Code: <i>Provided,</i> that interests, commissions and discounts from lending activities, as well as income from financial leasing, shall be taxed on the basis of the remaining maturities of the instruments from which such receipts are derived, in accordance with the following schedule:</p> <p>Maturity is five years or less 5% Maturity period is more than five years 1%</p> <p><i>Provided, however,</i> That in case the maturity period is shortened thru pretermination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate of tax shall be applied accordingly.</p> <p>GROSS RECEIPTS SHALL BE COMPUTED IN THE SAME MANNER PROVIDED UNDER SECTION 121.</p> <p>FINANCIAL INTERMEDIARIES SUBJECT TO TAX UNDER THIS SECTION SHALL INCLUDE FINANCING COMPANIES, FINANCE-LEASING COMPANIES, INVESTMENT HOUSES, PAWNSHOPS, FOREIGN EXCHANGE DEALERS AND MONEY BROKERS, TRUST ENTITIES, CREDIT CARD COMPANIES, LENDING INVESTORS, SAVINGS AND LOAN ASSOCIATIONS, AND OTHER FINANCIAL INTERMEDIARIES</p> | <p>Same as Section 121. Deleted since the proposed tax is not dependent on maturity. The provision will become irrelevant due to the imposition of a single rate.</p> <p>RR No. 10-2004 included pawnshops under the classification of other non-bank financial intermediaries subject to the GRT.</p> <p>The BSP Manual of Regulations for Banks, and for Non-Bank Financial Institutions (NBFIs) defines NBFIs as those referring to investment houses, finance companies, trust entities, insurance companies, securities dealers/brokers, credit card companies, non-stock savings and loan associations</p> |

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| | <p>EXCEPT BANKS AND NON-BANKS PERFORMING QUASI-BANKING FUNCTIONS WHICH SHALL BE TAXED UNDER SECTION 121 OF THIS CODE.</p> <p>COLLECTIVE INVESTMENT SCHEMES SUCH AS MUTUAL FUNDS, UNIT-LINKED INVESTMENT TRUST FUND, UNIT-LINKED VARIABLE INSURANCE, AND OTHER COLLECTIVE INVESTMENT SCHEMES AS MAY BE DETERMINED BY APPROPRIATE GOVERNMENT REGULATORY AGENCIES SHALL NOT BE SUBJECT TO GROSS RECEIPTS TAX AND OTHER PERCENTAGE TAXES IMPOSED UNDER TITLE V AND TO VALUE ADDED TAX IMPOSED UNDER TITLE IV OF THIS CODE. FOR PURPOSES OF THIS EXEMPTION, A CIS SHALL HAVE AT LEAST ONE THOUSAND (1,000) OWNERS, INVESTORS OR PARTICIPANTS, AND SHALL HAVE COMPLIED WITH THE MINIMUM PUBLIC OWNERSHIP REQUIREMENT OF THE APPROPRIATE GOVERNMENT REGULATORY AGENCIES.</p> <p>IF A PERSON OR COMPANY NOT LICENSED TO DO FINANCIAL INTERMEDIATION BUT ENGAGES IN FINANCIAL INTERMEDIATION SERVICES AS AN INCIDENT TO ITS MAIN BUSINESS ACTIVITY, AND RECEIVING INCOME THEREFROM, SUCH INCOME FROM FINANCIAL INTERMEDIATION SHALL BE SUBJECT TO THE TAX IMPOSED</p> | <p>(NSSLAs), holding companies, investment companies, government NBFIs, asset management companies, insurance agencies/brokers, venture capital corporations, FX dealers, money changers, lending investors, pawnshops, fund managers, mutual building and loan associations, remittance agents and all other NBFIs without quasi-banking functions.</p> <p>At present, income of the fund from CIS is subject to a final tax depending on the nature of the investment income (e.g. final tax on interest earned, STT or CGT on sale of shares of stock). Meanwhile, income not subject to final tax is taxable to the investment company as ordinary income subject to 30% CIT, unless it is exempt under certain laws (e.g., trading gains from long-term securities, redemption gains in mutual funds).</p> <p>The proposed 1,000 owners, investors or participants benchmark on CIS is patterned after the real estate investment trust (REIT) Law.</p> <p>Inserted for clarity.</p> |

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| | <p>ON ITS PRINCIPAL ACTIVITY. TO BE CONSIDERED INCIDENTAL, THE INCOME FROM INTERMEDIATION SERVICES SHALL NOT EXCEED FIFTY PERCENT (50%) OF ITS TOTAL ANNUAL INCOME, IF MORE THAN FIFTY PERCENT (50%), WITH AT LEAST SIX (6) TRANSACTIONS ENTERED INTO DURING THE YEAR, THE TOTAL INCOME FROM FINANCIAL INTERMEDIATION SHALL BE SUBJECT TO TAX UNDER THIS SUBSECTION.</p> <p>IN-HOUSE LENDING OR SELLER FINANCING SHALL NOT BE SUBJECT TO TAX UNDER THIS SUBSECTION. ANY INCOME EARNED OR RECEIVED FROM IN-HOUSE LENDING OR SELLER FINANCING SHALL BE SUBJECT TO THE SAME TAX APPLICABLE TO THE PRINCIPAL BUSINESS ACTIVITY OR TRANSACTION.</p> <p>HOLDING COMPANIES SHALL BE SUBJECT TO EITHER VALUE ADDED TAX OR GROSS RECEIPTS TAX DEPENDING ON THE NATURE OF ITS BUSINESS ACTIVITIES. IF UNDERTAKING FINANCING AND OTHER SIMILAR ACTIVITIES, IT SHALL BE SUBJECT TO GROSS RECEIPTS TAX UNDER THIS SECTION. INCOME DERIVED FROM THE SALE OF GOODS, PROPERTIES AND OTHER SERVICES SHALL BE SUBJECT TO VALUE ADDED TAX UNDER SECTION 105 OF THIS CODE.</p> | <p>A holding company has been defined by the SEC in several opinions. It has been aptly defined as "a corporation organized to hold the stock of another or other corporations". Its essential feature is that it holds stock. The term "holding company" is equivalent to a parent corporation, having such an interest in another corporation, or power of control, that it may elect its directors and influence its management.</p> <p>As a general rule, the primary purpose of the corporation determines its classification. However, where the corporation actually engages in one of its secondary purposes, it may also be classified in accordance with said secondary purpose. It is the</p> |

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| <p><i>Provided, finally,</i> That the generally accepted accounting principles as may be prescribed by the Securities and Exchange Commission for other non-bank financial intermediaries shall likewise be the basis for the calculation of gross receipts.</p> <p>Nothing in this Code shall preclude the Commissioner from imposing the same tax herein provided on persons performing similar financing activities.</p> | <p><i>Provided finally,</i> That the generally accepted accounting principles as may be prescribed by the Securities and Exchange Commission for other non-bank financial intermediaries shall likewise be the basis for the calculation of gross receipts.</p> <p>Nothing in this Code shall preclude the Commissioner from imposing the same tax herein provided on persons performing similar financing FINANCIAL INTERMEDIATION activities.</p> | <p>corporation's purpose clause that confers, as well as limits, the powers that a corporation may exercise and the character of a corporation is usually determined by the objects of its formation and the nature of its business as stated in the articles.</p> <p>Deleted. The computation of the gross receipts will be in the same manner provided under Section 121.</p> <p>The word "financing" was changed to "financial intermediation."</p> |
| <p>SEC. 123. Tax on Life Insurance Premiums. – There shall be collected from every person, company or corporation (except purely cooperative companies or associations) doing life insurance business of any sort in the Philippines a tax of two percent (2%) of the total premium collected, whether such premiums are paid in money, notes, credits or any substitute for money; but premiums refunded within six (6) months after payment on account of rejection of risk or returned for other reason to a person insured shall not be included in the taxable receipts; nor shall any tax be paid upon reinsurance by a company that has already paid the tax; nor upon premiums collected or received by any branch of a domestic corporation, firm or association</p> | <p>SEC. 25. Section 123 of the National Internal Revenue Code of 1997, as amended, is hereby amended as follows:</p> <p>SEC. 123. Tax on Life AND REINSURANCE Premiums. – There shall be collected from every person, company or corporation, (except purely cooperative companies or associations) doing life insurance business of any sort in the Philippines A PREMIUM TAX AT THE FOLLOWING RATES:</p> <p>(A) FOR LIFE INSURANCE INCLUDING HEALTH INSURANCE AS A RIDER TO LIFE INSURANCE POLICY, a tax of two percent (2%) of the total premium collected, whether such premiums are paid in money, notes, credits or any substitute for money; but premiums refunded within six (6) months after payment on account of rejection of risk or</p> | <p>Retains the 2% premium tax on life insurance companies. It also changed the taxation of pre-need companies and HMOs from VAT to the 2% premium tax.</p> |

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| <p>doing business outside the Philippines on account of any life insurance of the insured who is a nonresident, if any tax on such premium is imposed by the foreign country where the branch is established nor upon premiums collected or received on account of any reinsurance, if the insured, in case of personal insurance, resides outside the Philippines, if any tax on such premiums is imposed by the foreign country where the original insurance has been issued or perfected; nor upon that portion of the premiums collected or received by the insurance companies on variable contract owners.</p> | <p>returned for other reason to a person insured shall not be included in the taxable receipts; nor shall any tax be paid upon reinsurance by a company IF THE TAX that has already BEEN paid the tax ON THE DIRECT PREMIUM; nor upon premiums collected or received by any branch of a domestic corporation, firm or association doing business outside the Philippines on account of any life insurance of the insured who is a nonresident, if any tax on such premium is imposed by the foreign country where the branch is established; nor upon premiums collected or received on account of any reinsurance, if the insured, in case of personal insurance, resides outside the Philippines, if any tax on such premiums is imposed by the foreign country where the original insurance has been issued or perfected; nor upon that portion of the premiums collected or received by the insurance companies on variable contracts IN A COLLECTIVE INVESTMENT SCHEME in excess of the amounts necessary to insure the lives of the variable contract owners. PROVIDED, THAT THE CIS SHALL HAVE AT LEAST ONE THOUSAND (1,000) OWNERS, INVESTORS OR PARTICIPANTS, AND THAT ANY MINIMUM PUBLIC OWNERSHIP AS MAY BE REQUIRED BY APPROPRIATE GOVERNMENT REGULATORY AGENCIES SHALL BE COMPLIED WITH.</p> <p>(B) PERSONS DOING BUSINESS SIMILAR OR AKIN TO LIFE AND HEALTH INSURANCE SUCH AS PRE-NEED COMPANIES, PENSION FUND COMPANIES, HEALTH MAINTENANCE ORGANIZATIONS AND OTHER COMPANIES SIMILAR TO LIFE INSURANCE, AS MAY BE DETERMINED BY</p> | <p>The proposed 1,000 owners, investors or participants benchmark on CIS is patterned after the REIT Law.</p> <p>To capture new kinds of insurance products (including hybrids) that may come out in the market.</p> <p>At present, pre-need companies and HMOs are subject to the 12% VAT. Under the bill, they will be taxed similar to life and health insurance at 2% premium tax.</p> |

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| | <p>THE APPROPRIATE REGULATORY GOVERNMENT AGENCIES, SHALL BE SUBJECT TO TAX UNDER THIS SUBSECTION AT THE RATE OF TWO PERCENT (2%) OF THE GROSS PREMIUM, PLAN PAYMENT, OR INSTALLMENT PAYMENTS COLLECTED WITHOUT ANY DEDUCTION FOR THE AMOUNTS REQUIRED BY THE APPROPRIATE REGULATORY AGENCY TO BE EARMARKED FOR THE BENEFIT OF THE INSURED, OR PLANHOLDER.</p> | |
| | <p>NOTHING IN THIS CODE SHALL PRECLUDE THE COMMISSIONER FROM IMPOSING THE SAME TAX HEREIN PROVIDED ON PERSONS PERFORMING SIMILAR INSURANCE BUSINESS ACTIVITIES.</p> | <p>Same essence as the last paragraph of Sections 121 and 122.</p> |
| | <p>LIFE REINSURANCE COMPANIES SHALL BE SUBJECT TO PREMIUM TAX ON PREMIUMS COLLECTED UNDER SUB-SECTION (A) HEREOF. HOWEVER, PREMIUMS COLLECTED WHERE THE TAX ON THE DIRECT PREMIUM HAS ALREADY BEEN PAID BY THE DIRECT INSURER SHALL BE EXCLUDED FROM THE GROSS PREMIUM SUBJECT TO PREMIUM TAX.</p> | <p>To clarify the taxation of reinsurance on life and non-life insurance. Under the bill, no tax shall be paid upon premiums on reinsurance if the tax has already been paid by the direct insurer on the premiums. It is noted, however, that since Section 123 applies to the taxation of life insurance, any provision relative to non-life insurance should be deleted in this Section</p> |
| | <p>NON-LIFE REINSURANCE COMPANIES SHALL BE SUBJECT TO VALUE ADDED TAX ON PREMIUMS COLLECTED UNDER SECTION 108 OF THIS CODE. HOWEVER, PREMIUMS COLLECTED WHERE THE TAX ON THE DIRECT PREMIUM HAS ALREADY BEEN PAID BY THE DIRECT INSURER SHALL BE EXECUTED FROM THE GROSS PREMIUM</p> | |

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| | <p>SUBJECT TO VALUE ADDED TAX.</p> <p>FOR THE PURPOSE OF CLAIMING EXEMPTION, A CERTIFICATION AND A SUMMARY REPORT TO BE PRESCRIBED IN A REGULATION, ISSUED BY THE DIRECT INSURER THAT THE TAX THEREON HAS ALREADY BEEN PAID, SHALL BE ATTACHED TO THE QUARTERLY PREMIUM TAX RETURN OR VALUE ADDED TAX RETURN TO BE FILED. ANY MISREPRESENTATION SHALL SUBJECT THE DIRECT INSURER TO PENALTIES UNDER SECTIONS 248, 253, 254, 255, 256, AND 257 OF THIS CODE.</p> <p>ANY INCOME, OTHER THAN RECEIPT OF PREMIUM SUCH AS MANAGEMENT FEES, SERVICE FEES, CHARGES, AND PENALTIES, COMMISSIONS, INCOME FROM THE SALE OR TRANSFER OF GOODS, PROPERTIES OR SERVICES, EARNED OR RECEIVED AS AN INCIDENT OF DOING THE BUSINESS OF LIFE, NON-LIFE AND OTHER INSURANCE ACTIVITIES, SHALL BE SUBJECT TO THE VALUE ADDED TAX UNDER SECTION 105 OF THIS CODE; PROVIDED, THAT INCOME RECEIVED FROM THE INVESTMENT AND REINVESTMENT OF PREMIUMS EARNED SHALL NOT BE SUBJECT TO VALUE ADDED TAX NOR TO THE GROSS RECEIPTS TAX IMPOSED UNDER SECTIONS 121 AND 122 OF THIS CODE.</p> | <p>Under Revenue Memorandum Circular (RMC) No. 59-2008, management fees, rental income, or income earned by the life insurance company from services which can be pursued independently of the insurance business activity, are not subject to the 5% (now 2%) premium tax imposed under Section 123 but, rather, the same are treated as income for services that are subject to the VAT under Section 108 of the Tax Code, as amended, or to the percentage tax imposed under Section 116 of the same Tax Code, as the case may be.</p> <p>Nevertheless, re-issuance fees, reinstatement fees, renewal fees as well as penalties paid to the life insurance company are likewise considered as income of the life insurance company for services rendered to customers and therefore subject to the VAT under Section 108 or Percentage Tax under Section 116, whichever is applicable.</p> |

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| | <p>A VARIABLE INSURANCE CONTRACT WHERE AMOUNTS IN EXCESS OF INSURANCE COSTS ARE COLLECTED AS PART OF THE PREMIUM AND WHERE UNITS OF PARTICIPATION IN A POOLED FUND ARE ISSUED TO THE INSURED REPRESENTING ITS SHARE IN THE POOLED FUNDS, IS A COLLECTIVE INVESTMENT SCHEME. THE AMOUNTS OF PREMIUM COLLECTED IN EXCESS OF THE INSURANCE COST IS NOT SUBJECT TO PREMIUM TAX UNDER THIS SECTION AND TO THE GROSS RECEIPTS TAX IMPOSED UNDER SECTIONS 121 AND 122, OR TO ANY PERCENTAGE TAX IMPOSED UNDER TITLE V AND TO VALUE ADDED TAX UNDER SECTION 105, TITLE IV OF THIS CODE.</p> | <p>Likewise, under RMC No. 49-2010, the investment income earned by the life insurance companies from investing premiums received in marketable securities, bonds and other financial instruments is considered exempt from the further imposition of business tax since the premiums which have been the source of the funds invested have already been subject to the imposition of the 5% (now 2%) premium tax imposed under Section 123 of the Tax Code, as amended.</p> <p>Inserted to clarify income from pooled funds in variable insurance contracts to address existing issue.</p> <p>Under RMC 59-2008, the income earned by the life insurance company whereby it uses the funds solicited and pooled from its policy holders to invest in various marketable securities, instruments, other financial products and in real estate, which funds are recognized as liabilities by the life insurance company and which can be withdrawn by the policy holders anytime is considered an income earned from performing a quasi-banking activities or similar banking activities, thus, subject to the GRT imposed under Section 121 of the Tax Code, as amended.</p> <p>Likewise, under RMC 30-2008, as amended by RMC 59-2008, the investment income that is exempt from the imposition of business tax only pertains to that portion of investment income where the source of the funds used in the investment activities comes from the owned funds (i.e., premiums earned) of the life insurance company.</p> <p>For that portion of investment income whereby the source of the funds used was solicited from the policy holders for purposes other than the payment of the</p> |

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| <p>Cooperative companies or associations are such as are conducted by the members thereof with the money collected from among themselves and solely for their own protection and not for profit.</p> | | <p>current premiums due to the life insurance company and where such funds solicited are treated by the life insurance company as liabilities, such income is considered to have been earned from performing quasi-banking activities or similar banking activities, and therefore, subject to the imposition of GRT pursuant to Section 121 of the Tax Code, as amended.</p> <p>How about the definition of cooperative companies or associations? Is it still part of Section 123? If yes, Section should contain XXX at the end of the amendments to indicate that the present provision after the amendment still stands.</p> |
| <p>SEC. 127. Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange or through Initial Public Offering. –</p> <p>(A) Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange. – There shall be levied, assessed and collected on every sale, barter, exchange, or other disposition of shares of stock listed and traded through the local stock exchange other than the sale by a dealer in securities, a tax at the rate of one-half of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed which shall be paid by the seller or transferor.</p> <p>(B) Tax on Shares of Stock Sold or Exchanged</p> | <p>SEC. 26. Section 127 of the National Internal Revenue Code of 1997, is hereby amended and deleted:</p> <p>SEC. 127. Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange or through Initial Public Offering. –</p> <p>(A) Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange. – There shall be levied, assessed and collected on every sale, barter, exchange, or other disposition of shares of stock listed and traded through the local stock exchange other than the sale by a dealer in securities, a tax at the rate of one-half of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed which shall be paid by the seller or transferor.</p> <p>(B) Tax on Shares of Stock Sold or Exchanged</p> | <p>The provision of the STT under “Other Percentage Taxes” is to be deleted under the bill as it is proposed to be moved to “Income Tax” under Section 24(B) and Section 27(D) of the Tax Code. Said tax is considered as a tax on presumed gains from the sale, barter, or exchange of listed and traded shares of stock.</p> <p>Removing the initial public offering (IPO) tax will</p> |

| Present Provision | HB No. 8645 | Remarks |
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| <p>Through Initial Public Offering. – There shall be levied, assessed and collected on every sale, barter, exchange or other disposition through initial public offering of shares of stock in closely held corporations, as defined herein, a tax at the rates provided hereunder based on the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed in accordance with the proportion of shares of stock sold, bartered, exchanged or otherwise disposed to the total outstanding shares of stock after the listing in the local stock exchange:</p> <p>Up to twenty-five percent (25%)4%</p> <p>Over twenty-five percent (25%) but not over thirty-three and one third percent (33 1/3%)2%</p> <p>Over thirty-three and one third percent (33 1/3%)1%</p> <p>The tax herein imposed shall be paid by the issuing corporation in primary offering or by the seller in secondary offering.</p> <p>For purposes of this Section, the term 'closely held corporation' means any corporation at least fifty percent (50%) in value of outstanding capital stock or at least fifty percent (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 twenty (20) individuals.</p> <p>For purposes of determining whether the corporation is a closely held corporation, insofar as such determination is based on stock ownership, the</p> | <p>Through Initial Public Offering. There shall be levied, assessed and collected on every sale, barter, exchange or other disposition through initial public offering of shares of stock in closely held corporations, as defined herein, a tax at the rates provided hereunder based on the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed in accordance with the proportion of shares of stock sold, bartered, exchanged or otherwise disposed to the total outstanding shares of stock after the listing in the local stock exchange:</p> <p>Up to twenty-five percent (25%)4%</p> <p>Over twenty-five percent (25%) but not over thirty-three and one third percent (33 1/3%)2%</p> <p>Over thirty-three and one third percent (33 1/3%)1%</p> <p>The tax herein imposed shall be paid by the issuing corporation in primary offering or by the seller in secondary offering.</p> <p>For purposes of this Section, the term 'closely held corporation' means any corporation at least fifty percent (50%) in value of outstanding capital stock or at least fifty percent (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 twenty (20) individuals.</p> <p>For purposes of determining whether the corporation is a closely held corporation, insofar as such determination is based on stock ownership, the</p> | <p>simplify the taxes imposed in the country's stock exchange and will allow the BIR to concentrate its collection effort on major taxes. Currently, only the Philippines and Indonesia impose a tax on IPO. Indonesia imposes a 0.6% tax on share value of founder shares at the time of an IPO.</p> <p>The definition of "closely held corporation" was transferred to Section 22 (NN).</p> |

| Present Provision | HB No. 8645 | Remarks |
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| <p>following rules shall be applied:</p> <p>(1) <i>Stock Not Owned by Individuals.</i> – Stock owned directly or indirectly by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by its shareholders, partners or beneficiaries.</p> <p>(2) <i>Family and Partnership Ownerships.</i> – An individual shall be considered as owning the stock owned directly or indirectly, by or for his family, or by or for his partner. For purposes of the paragraph, the “family of an individual” includes only his brothers and sisters (whether by whole or half-blood), spouse, ancestors and lineal descendants.</p> <p>(3) <i>Option.</i> – If any person has an option to acquire stock, such stock shall be considered as owned by such person. For purposes of this paragraph, an option to acquire such an option and each one of a series of options shall be considered as an option to acquire such stock.</p> <p>(4) <i>Constructive Ownership as Actual Ownership.</i> – Stock constructively owned by reason of the application of paragraph (1) or (3) hereof shall, for purposes of applying paragraph (1) or (2), be treated as actually owned by such person; but stock constructively owned by the individual by reason of the application of paragraph (2) hereof shall not be treated as owned by him for purposes of again applying such paragraph in order to make another the constructive owner of such stock.</p> <p>(C) <i>Return on Capital Gains Realized from Sale of Shares of Stocks.</i> –</p> | <p>following rules shall be applied:</p> <p>(1) Stock Not Owned by Individuals.— Stock owned directly or indirectly by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by its shareholders, partners or beneficiaries.</p> <p>(2) Family and Partnership Ownerships.— An individual shall be considered as owning the stock owned directly or indirectly, by or for his family, or by or for his partner. For purposes of the paragraph, the “family of an individual” includes only his brothers and sisters (whether by whole or half-blood), spouse, ancestors and lineal descendants.</p> <p>(3) Option.— If any person has an option to acquire stock, such stock shall be considered as owned by such person. For purposes of this paragraph, an option to acquire such an option and each one of a series of options shall be considered as an option to acquire such stock.</p> <p>(4) Constructive Ownership as Actual Ownership.— Stock constructively owned by reason of the application of paragraph (1) or (3) hereof shall, for purposes of applying paragraph (1) or (2), be treated as actually owned by such person; but stock constructively owned by the individual by reason of the application of paragraph (2) hereof shall not be treated as owned by him for purposes of again applying such paragraph in order to make another the constructive owner of such stock.</p> <p>(C) Return on Capital Gains Realized from Sale of Shares of Stocks.—</p> | |
| <p>following rules shall be applied:</p> <p>(1) <i>Stock Not Owned by Individuals.</i> – Stock owned directly or indirectly by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by its shareholders, partners or beneficiaries.</p> <p>(2) <i>Family and Partnership Ownerships.</i> – An individual shall be considered as owning the stock owned directly or indirectly, by or for his family, or by or for his partner. For purposes of the paragraph, the “family of an individual” includes only his brothers and sisters (whether by whole or half-blood), spouse, ancestors and lineal descendants.</p> <p>(3) <i>Option.</i> – If any person has an option to acquire stock, such stock shall be considered as owned by such person. For purposes of this paragraph, an option to acquire such an option and each one of a series of options shall be considered as an option to acquire such stock.</p> <p>(4) <i>Constructive Ownership as Actual Ownership.</i> – Stock constructively owned by reason of the application of paragraph (1) or (3) hereof shall, for purposes of applying paragraph (1) or (2), be treated as actually owned by such person; but stock constructively owned by the individual by reason of the application of paragraph (2) hereof shall not be treated as owned by him for purposes of again applying such paragraph in order to make another the constructive owner of such stock.</p> <p>(C) <i>Return on Capital Gains Realized from Sale of Shares of Stocks.</i> –</p> | | |

| Present Provision | HB No. 8645 | Remarks |
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| <p>(1) Return on Capital Gains Realized from Sale of Shares of Stock Listed and Traded in the Local Stock Exchange. – It shall be the duty of every stock broker who effected the sale subject to the tax imposed herein to collect the tax and remit the same to the Bureau of Internal Revenue within five (5) banking days from the date of collection thereof and to submit on Mondays of each week to the secretary of the stock exchange, of which he is a member, a true and complete return which shall contain a declaration of all the transactions effected through him during the preceding week and of taxes collected by him and turned over to the Bureau of Internal Revenue.</p> | <p>(1) Return on Capital Gains Realized from Sale of Shares of Stock Listed and Traded in the Local Stock Exchange.— It shall be the duty of every stock broker who effected the sale subject to the tax imposed herein to collect the tax and remit the same to the Bureau of Internal Revenue within five (5) banking days from the date of collection thereof and to submit on Mondays of each week to the secretary of the stock exchange, of which he is a member, a true and complete return which shall contain a declaration of all the transactions effected through him during the preceding week and of taxes collected by him and turned over to the Bureau of Internal Revenue.</p> | |
| <p>(2) Return on Public Offerings of Shares of Stock. – In case of primary offering, the corporate issuer shall file the return and pay the corresponding tax within thirty (30) days from the date of listing of the shares of stock in the local stock exchange. In the case of secondary offering, the provision of Subsection (C)(1) of this Section shall apply as to the time and manner of the payment of the tax.</p> | <p>(2) Return on Public Offerings of Shares of Stock. – In case of primary offering, the corporate issuer shall file the return and pay the corresponding tax within thirty (30) days from the date of listing of the shares of stock in the local stock exchange. In the case of secondary offering, the provision of Subsection (C)(1) of this Section shall apply as to the time and manner of the payment of the tax.</p> | |
| <p>(D) Common Provisions. – Any gain derived from the sale, barter, exchange or other disposition of shares of stock under this Section shall be exempt from the tax imposed in Sections 24(C), 27(D)(2), 28(A)(8)(c), and 28(B)(5)(c) of this Code and from the regular individual or corporate income tax. Tax paid under this Section shall not be deductible for income tax purposes.</p> | <p>(D) Common Provisions.— Any gain derived from the sale, barter, exchange or other disposition of shares of stock under this Section shall be exempt from the tax imposed in Sections 24(C), 27(D)(2), 28(A)(8)(c), and 28(B)(5)(c) of this Code and from the regular individual or corporate income tax. Tax paid under this Section shall not be deductible for income tax purposes.</p> | |
| | <p>SEC. 27. Section 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, and 199 of the</p> | <p>Simplifies the DST structure by expressing the rates in percent (%). This way, the computation of the DST will be easier and the rates will be readily comparable.</p> |

| Present Provision | HB No. 8645 | Remarks |
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| <p>SEC. 174. Stamp Tax on Original Issue of Shares of Stock. – On every original issue, whether on organization, reorganization or for any lawful purpose, of shares of stock by any association, company, or corporation; there shall be collected a documentary stamp tax of Two pesos (P2.00) on each Two hundred pesos (P200), or fractional part thereof, of the par value, of such shares of stock; <i>Provided</i>, That in the case of stock without par value, the amount of the original issue of such shares of stock; <i>Provided</i>, That in the case of stock dividends, on the actual value represented by each share.</p> | <p>National Internal Revenue Code of 1997, is hereby amended as follows:</p> <p>SEC. 174. Stamp Tax on Original Issue of Shares of Stock. – On every original issue, whether on organization, reorganization or for any lawful purpose, of shares of stock by any association, company, or corporation, INCLUDING SHARES OF STOCK OR UNITS OF PARTICIPATION IN A COLLECTIVE INVESTMENT SCHEME, there shall be collected a documentary stamp tax OF SEVENTY-FIVE PERCENT OF ONE PERCENT (0.75%) OF THE PAR VALUE Two pesos (P2.00) on each Two hundred pesos (P200), or fractional part thereof, of the par value, of such shares of stock; <i>Provided</i>, That in the case of the original issue of shares of stock without par value, the amount of the documentary stamp tax herein prescribed shall be based upon the actual consideration for the issuance of such shares of stock; <i>Provided</i>, That in the case of stock dividends, on the actual value represented by each share, PROVIDED, FINALLY, THAT IN THE CASE OF COLLECTIVE INVESTMENT SCHEMES WITHOUT PAR VALUE, THE DOCUMENTARY STAMP TAX SHALL BE BASED ON THE INITIAL NET ASSET VALUE PER UNIT.</p> | <p>Sections which are to be amended should be separate from those to be repealed.</p> <p>Lowers the DST rate from 1.0% to 0.75% to be at par with the DST rate on debt instruments. Also, the bill intends to subject original issuance of units of participation in a contractual CIS to the 0.75% DST based on initial net asset value.</p> <p>Key stakeholders opined that the proposed imposition of 0.75% DST on original issuance of units of participation in a CIS would discourage long-term investment and affect capital market development. Thus, they recommend that their present DST of PhP30 under Section 188 of the Tax Code of 1997, as amended by RA 10963, be retained. However, currently, financial institutions with trust authority only send SMS/email to clients to serve as confirmation on the number of units they have purchased in a fund. Thus, they no longer pay the PhP30 DST since they have stopped issuing Confirmation of Participation (COP) to investors.</p> <p>The bill aims to harmonize the DST liability of all CIS products to 0.75%. Presently, mutual fund (MF) are liable to 1.0% DST under Section 174, variable universal life (VUL) to a graduated fixed DST from exempt to PhP200 under Section 183, and PhP30 for unit investment trust fund (UITF) under Section 188.</p> <p>The proposed removal of the DST on secondary transfer of unlisted shares of stock aims to equate it with the DST exemption of fixed income and other securities traded in the secondary market or through an exchange as provided under Section 199(g) of the Tax Code of 1997, as amended.</p> |
| <p>SEC. 175. Stamp Tax on Sales, Agreements to Sell, Memoranda of Sales, Deliveries or Transfer of Shares or Certificates of Stock. – On all sales, or agreements to sell, or memoranda of sales, or deliveries, or transfer of shares or certificates of stock in any association, company, or corporation, or</p> | <p>SEC. 175. Stamp Tax on Sales, Agreements to Sell, Memoranda of Sales, Deliveries or Transfer of Shares or Certificates of Stock.—On all sales, or agreements to sell, or memoranda of sales, or deliveries, or transfer of shares or certificates of stock in any association, company, or corporation, or</p> | <p>The proposed removal of the DST on secondary transfer of unlisted shares of stock aims to equate it with the DST exemption of fixed income and other securities traded in the secondary market or through an exchange as provided under Section 199(g) of the Tax Code of 1997, as amended.</p> |

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| <p>transfer of such securities by assignment in blank, or by delivery, or by any paper or agreement, or memorandum or other evidences of transfer or sale whether entitling the holder in any manner to the benefit of such stock, or to secure the future payment of money, or for the future transfer of any stock, there shall be collected a documentary stamp tax of One peso and fifty centavos (P1.50) on each Two hundred pesos (P200), or fractional part thereof, of the par value of such stock; <i>Provided</i>, That only one tax shall be collected on each sale or transfer of stock from one person to another, regardless of whether or not a certificate of stock is issued, indorsed, or delivered in pursuance of such sale or transfer; and <i>Provided, further</i>, That in the case of stock without par value the amount of the documentary stamp tax herein prescribed shall be equivalent to fifty percent (50%) of the documentary stamp tax paid upon the original issue of said stock.</p> | <p>transfer of such securities by assignment in blank, or by delivery, or by any paper or agreement, or memorandum or other evidences of transfer or sale whether entitling the holder in any manner to the benefit of such stock, or to secure the future payment of money, or for the future transfer of any stock, there shall be collected a documentary stamp tax of One peso and fifty centavos (P1.50) on each Two hundred pesos (P200), or fractional part thereof, of the par value of such stock; <i>Provided</i>, That only one tax shall be collected on each sale or transfer of stock from one person to another, regardless of whether or not a certificate of stock is issued, indorsed, or delivered in pursuance of such sale or transfer; and <i>Provided, further</i>, That in the case of stock without par value the amount of the documentary stamp tax herein prescribed shall be equivalent to fifty percent (50%) of the documentary stamp tax paid upon the original issue of said stock.</p> | |
| <p>SEC. 176. Stamp Tax on Bonds, Debentures, Certificate of Stock or Indebtedness Issued in Foreign Countries. – On all bonds, debentures, certificates of stock, or certificates of indebtedness issued in any foreign country, there shall be collected from the person selling or transferring the same in the Philippines, such as tax as is required by law on similar instruments when issued, sold or transferred in the Philippines.</p> | <p>SEC. 176 175. Stamp Tax on Bonds, Debentures, Certificates of Stock or Indebtedness Issued in Foreign Countries. – On all bonds, debentures, certificates of stock, or certificates of indebtedness issued in any foreign country, there shall be collected from the person selling or transferring the same in the Philippines, A DOCUMENTARY STAMP TAX OF SEVENTY-FIVE PERCENT OF ONE PERCENT (0.75%) OF THE VALUE OF THE TRANSACTION, such tax as is required by law on similar instruments when issued, sold or transferred in the Philippines.</p> | <p>The bill intends to explicitly provide for the DST rate to be imposed on said instruments to preclude confusion. Presently, Section 176 makes reference to Sections 174 (original issuance of shares of stock) and 179 (debt instruments) with regard to the applicable DST to be collected thereon. It may be noted that the bill proposes to equate the DST on equity and debt instruments by reducing the former from 1.0% to 0.75%.</p> |
| <p>SEC. 177. Stamp Tax on Certificates of Profits or Interest in Property or Accumulations. – On all certificates of profits, or any certificate or</p> | <p>SEC. 177. Stamp Tax on Certificates of Profits or Interest in Property or Accumulations. – On all certificates of profits, or any certificate or</p> | <p>Removes “nuisance” provisions with low revenue take.</p> |

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| <p>memorandum showing interest in the property or accumulations of any association, company or corporation, and on all transfers of such certificates or memoranda, there shall be collected a documentary stamp tax of One peso (P1.00) on each Two hundred pesos (P200), or fractional part thereof, of the face value of such certificate or memorandum.</p> <p>SEC. 178. Stamp Tax on Bank Checks, Drafts, Certificates of Deposit not Bearing Interest, and Other Instruments. – On each bank check, draft, or certificate of deposit not drawing interest, or order for the payment of any sum of money drawn upon or issued by any bank, trust company, or any person or persons, companies or corporations, at sight or on demand, there shall be collected a documentary stamp tax of Three pesos (P3.00).</p> | <p>memorandum showing interest in the property or accumulations of any association, company or corporation, and on all transfers of such certificates or memoranda, there shall be collected a documentary stamp tax of One peso (P1.00) on each Two hundred pesos (P200), or fractional part thereof, of the face value of such certificate or memorandum.</p> <p>SEC. 178. Stamp Tax on Bank Checks, Drafts, Certificates of Deposit not Bearing Interest, and Other Instruments. – On each bank check, draft, or certificate of deposit not drawing interest, or order for the payment of any sum of money drawn upon or issued by any bank, trust company, or any person or persons, companies or corporations, at sight or on demand, there shall be collected a documentary stamp tax of Three pesos (P3.00).</p> | <p>Removes “nuisance” provisions with low revenue take.</p> |
| <p>SEC. 179. Stamp Tax on All Debt Instruments. – On every original issue of debt instruments, there shall be collected documentary stamp tax of One peso and Fifty centavo (P1.50) on each Two hundred pesos (P200), or fractional part thereof, of the issue price of any such debt instrument: <i>Provided</i>, That for such debt instruments with terms of less than one year, the proportional stamp tax to be collected shall be of terms in number of days to three hundred sixty days: <i>Provided, further</i>, That only one documentary stamp tax shall be imposed on either loan agreement, or promissory notes issued to secure such loan.</p> <p>For purposes of this section, the term debt instrument shall mean instruments representing borrowing and</p> | <p>SEC. 479 176. Stamp Tax on All Debt Instruments. – On every original issue of debt instruments, there shall be collected a documentary stamp tax OF SEVENTY-FIVE PERCENT OF ONE PERCENT (0.75%) One peso and fifty-centavos (P1.50) on each Two hundred pesos (P200), or fractional part thereof, of the issue price of any such debt instruments: <i>Provided</i>, That for such debt instruments with terms of less than one (1) year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to three hundred sixty-five (365) days: <i>Provided, further</i>, That only one documentary stamp tax shall be imposed on either loan agreement, or promissory notes issued to secure such loan.</p> <p>For purposes of this section, the term debt instrument shall mean instruments representing borrowing and</p> | <p>Retains the equivalent ad valorem rate on all debt instruments. In the definition of debt instruments, the “order for payment of any sum of money otherwise than at sight or on demand” is proposed to be deleted.</p> <p>Section 179 is renumbered as Section 176.</p> |

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| <p>lending transactions including but not limited to debentures, certificates of indebtedness, due bills, bonds, loan agreements, including those signed abroad wherein the object of contract is located or used in the Philippines, instruments and securities issued by the government or any of its instrumentalities, deposit substitute debt instruments, certificates or other evidences of deposits that are either drawing interest significantly higher than the regular savings deposit taking into consideration the size of the deposit and the risks involved or drawing interest and having a specific maturity date, orders for payment of any sum of money otherwise than at sight or on demand, promissory notes, whether negotiable or non-negotiable, except bank notes issued for circulation.</p> <p>SEC. 180. Stamp Tax on All Bills of Exchange or Drafts. – On all bill of exchange (between points within the Philippines) or drafts, there shall be collected a documentary stamp tax of sixty centavos (P0.60) on each Two hundred peso (P200), or fractional part thereof, of the face value of any such bill of exchange or draft.</p> <p>SEC. 181. Stamp Tax Upon Acceptance of Bills of Exchange and Others. – Upon any acceptance or payment of any bill of exchange or order for the payment of money purporting to be drawn in a foreign country but payable in the Philippines, there shall be collected a documentary stamp tax of Sixty centavos (P0.60) on each Two hundred pesos (P200), or fractional part thereof, of the face value of any such bill of exchange, or order, or the Philippine equivalent to such value, if expressed in foreign currency.</p> | <p>lending transactions including but not limited to debentures, certificates of indebtedness, due bills, bonds, loan agreements, including those signed abroad wherein the object of contract is located or used in the Philippines, instruments and securities issued by the government or any of its instrumentalities, deposit substitute debt instruments, certificates or other evidences of deposits that are either drawing interest significantly higher than the regular savings deposit taking into consideration the size of the deposit and the risks involved or drawing interest and having a specific maturity date, orders for payment of any sum of money otherwise than at sight or on demand, promissory notes, whether negotiable or non-negotiable, except bank notes issued for circulation.</p> <p>SEC. 180. Stamp Tax on All Bills of Exchange or Drafts.—On all bills of exchange (between points within the Philippines) or drafts, there shall be collected a documentary stamp tax of Sixty centavos (P0.60) on each Two hundred pesos (P200) or fractional part thereof, of the face value of any such bill of exchange or draft.</p> <p>SEC. 181. Stamp Tax Upon Acceptance of Bills of Exchange and Others. – Upon any acceptance or payment of any bill of exchange or order for the payment of money purporting to be drawn in a foreign country but payable in the Philippines, there shall be collected a documentary stamp tax OF THIRTY PERCENT OF ONE PERCENT (0.30%) Sixty centavos (P0.60) on each Two hundred pesos (P200), or fractional part thereof, of the face value of any such bill of exchange, or order, or the Philippine equivalent of such value, if expressed in foreign currency.</p> | <p>The word “than” was omitted in HB 8645.</p> <p>To be deleted to promote financial inclusion.</p> <p>Retains the DST on both inbound and outbound remittances. However, remittances of overseas Filipino workers (OFWs) upon showing of the proof of entitlement by the OFW, their beneficiaries or recipients are exempt from the DST pursuant to RA 10022.</p> |

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| <p>SEC. 182. Stamp Tax on Foreign Bills of Exchange and Letters of Credit. – On all foreign bills of exchange and letters of credit (including orders, by telegraph or otherwise, for the payment of money issued by express or steamship companies or by any person or persons) drawn in but payable out of the Philippines in a set of three (3) or more according to the custom of merchants and bankers, there shall be collected a documentary stamp tax of Sixty centavos (P0.60) on each Two hundred pesos (P200), or fractional part thereof, of the face value of any such bill of exchange or letter of credit, or the Philippine equivalent of such face value, if expressed in foreign currency.</p> | <p>SEC. 182 178. Stamp Tax on Foreign Bills of Exchange and Letters of Credit. – On all foreign bills of exchange and letter of credit (including orders, by telegraph or otherwise, for the payment of money issued by express or steamship companies or by any person or persons) drawn in but payable out of the Philippines in a set of three (3) or more according to the custom of merchants and bankers, there shall be collected a documentary stamp tax OF THIRTY PERCENT OF ONE PERCENT (0.30%) Sixty centavos (P0.60) on each Two hundred pesos (P200), or fractional part thereof, of the face value of any such bill of exchange or letter of credit, or the Philippine equivalent of such face value, if expressed in foreign currency: PROVIDED, THAT IN THE CASE OF A LETTER OF CREDIT ON WHICH THE DOCUMENTARY STAMP TAX IS PAID UPON OPENING, THE SAME SHALL NOT BE SUBJECT AGAIN TO SECTION 195 UPON AVAILMENT OF THE TRUST RECEIPT LINE WHERE THE PROPERTY SUBJECT OF THE LETTER OF CREDIT IS MADE A SECURITY FOR PAYMENT.</p> | <p>Section 182 is renumbered as Section 178.</p> <p>In order to eliminate the imposition of multiple DST on a single importation, it provides that in the case of a letter of credit (LC) under said Section such will no longer be liable to the DST under Section 195 with respect to the availment of a trust receipt line where the property subject of the LC is made a security for payment. This would reduce friction cost.</p> <p>Reference to Section 195 should be changed to Section 189 due to renumbering of Sections.</p> |
| <p>SEC. 183. Stamp Tax on Life Insurance Policies. – On all policies of insurance or other instruments by whatever name the same may be called, whereby any insurance shall be made or renewed upon any life or lives, there shall be collected a one-time documentary stamp tax at the following rates:</p> <p>If the amount of insurance does not exceed P100,000 Exempt</p> | <p>SEC. 183 179. Stamp Tax on Life Insurance Policies. – On all policies of insurance or other instruments by whatever name the same may be called, whereby any insurance shall be made or renewed upon any life or lives: AND HEALTH OF PERSONS, there shall be collected a one-time documentary stamp tax at the following rates:</p> <p>If the amount of insurance does not exceed P100,000 Exempt</p> | <p>Retains the DST rate of life insurance and added health insurance under the category. There is confusion though on whether HMO should be subject to DST under this Section since there is no sum insured on such contract, hence, no tax base.</p> <p>The DST rate under Section 182 (Pre-need Plans) may be more applicable to HMO contracts.</p> |

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| <p>If the amount of insurance exceeds P100,000 but does not exceed P300,000</p> <p>If the amount of insurance exceeds P300,000 but does not exceed P500,000</p> <p>If the amount of insurance exceeds P150,000 but does not exceed P750,000</p> <p>If the amount of insurance exceeds P750,000 but does not exceed P1,000,000</p> <p>If the amount of insurance exceeds P1,000,000</p> | <p>If the amount of insurance exceeds P100,000 but does not exceed P300,000</p> <p>If the amount of insurance exceeds P300,000 but does not exceed P500,000</p> <p>If the amount of insurance exceeds P150,000 but does not exceed P750,000</p> <p>If the amount of insurance exceeds P750,000 but does not exceed P1,000,000</p> <p>If the amount of insurance exceeds P1,000,000</p> | <p>P20.00</p> <p>P50.00</p> <p>P100.00</p> <p>P150.00</p> <p>P200.00</p> |
| <p>SEC. 184. Stamp Tax on Policies of Insurance Upon Property. – On all policies of insurance or other instruments by whatever name the same may be called, by which insurance shall be made or renewed upon property of any description, including rents or profits, against peril by sea or on inland waters, or by fire or lightning, there shall be collected a documentary stamp tax of Fifty centavos (P0.50) on each Four pesos (P4.00), or fractional part thereof, of the premium charged: <i>Provided, however,</i> That no documentary stamp tax shall be collected on reinsurance contracts or on any instrument by which reinsurance agreement is effected or recorded.</p> | <p>SEC. 184-180. Stamp Tax on Policies of Insurance Upon Property. – On all policies of insurance or other instruments by whatever name the same may be called, by which insurance shall be made or renewed upon property of any description, including rents or profits, against peril by sea or on inland waters, or by fire or lightning, there shall be collected a documentary stamp tax OF TWELVE AND ONE-HALF PERCENT (12.5%) Fifty-centavos-(P0.50)-on-each Four-pesos-(P4.00),-or-fractional-part-thereof, of the amount of premium charged: <i>Provided, however,</i> That no documentary stamp tax shall be collected on reinsurance contracts or on any instrument by which reinsurance agreement is effected or recorded. PROVIDED, FURTHER, THAT SUCH RATE SHALL BE REDUCED ACCORDING TO THE</p> | <p>For simplicity and uniformity of DST treatment, all non-life products are proposed to be unified. Thus, the DST on policies of insurance upon property will be reduced gradually by one percentage point annually until it reaches 7.5% by 2024 to equate with indemnity bonds.</p> |

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| <p>SEC. 185. Stamp Tax on Fidelity Bonds and Other Insurance Policies. – On all policies of insurance or bonds or obligations of the nature of indemnity for loss, damage or liability made or renewed by any person, association, company or corporation transacting the business of accident, fidelity, employer’s liability, plate, glass, steam, boiler, burglar, elevator, automatic sprinkler, or other branch of insurance (except life, marine, inland, and fire insurance), and all bonds, undertakings, or recognizances, conditioned for the performance of the duties of any office or position, for the doing or not doing of anything therein specified, and on all obligations guaranteeing the validity or legality of any bond or other obligations issued by any province, city, municipality, or other public body or organization, and on all obligations guaranteeing the title to any real estate, or guaranteeing any mercantile credits, which may be made or renewed by any such person, company</p> | <p>FOLLOWING SCHEDULE:</p> <p>JANUARY 1, 2020: ELEVEN AND ONE-HALF PERCENT (11.5%),</p> <p>JANUARY 1, 2021: TEN AND ONE-HALF PERCENT (10.5%),</p> <p>JANUARY 1, 2022: NINE AND ONE-HALF PERCENT (9.5%),</p> <p>JANUARY 1, 2023: EIGHT AND ONE-HALF PERCENT (8.5%),</p> <p>JANUARY 1, 2024: SEVEN AND ONE-HALF PERCENT (7.5%).</p> | |
| <p>SEC. 185. Stamp Tax on Fidelity Bonds and Other Insurance Policies. – On all policies of insurance or bonds or obligations of the nature of indemnity for loss, damage or liability made or renewed by any person, association, company or corporation transacting the business of accident, fidelity, employer’s liability, plate, glass, steam, boiler, burglar, elevator, automatic sprinkler, or other branch of insurance (except life, marine, inland, and fire insurance), and all bonds, undertakings, or recognizances, conditioned for the performance of the duties of any office or position, for the doing or not doing of anything therein specified, and on all obligations guaranteeing the validity or legality of any bond or other obligations issued by any province, city, municipality, or other public body or organization, and on all obligations guaranteeing the title to any real estate, or guaranteeing any mercantile credits, which may be made or renewed by any such person, company</p> | | <p>For simplicity and uniformity, the DST on fidelity bonds and other insurance policies shall be gradually reduced by one percentage point annually until it reaches 7.5% by 2024 to equate with indemnity bonds.</p> |

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| <p>or corporation, there shall be collected a documentary stamp tax of Fifty centavos (P0.50) on each Four pesos (P4.00), or fractional part thereof, of the premium charged.</p> | <p>or corporation, there shall be collected a documentary stamp tax OF TWELVE AND ONE- HALF PERCENT (12.5%) Fifty-centavos (P0.50) on each Four pesos (P4.00), or fractional part thereof, of the premium charged. PROVIDED, FURTHER, THAT SUCH RATE SHALL BE REDUCED ACCORDING TO THE FOLLOWING SCHEDULE:</p> <p>JANUARY 1, 2020: ELEVEN AND ONE- HALF PERCENT (11.5%),</p> <p>JANUARY 1, 2021: TEN AND ONE-HALF PERCENT (10.5%),</p> <p>JANUARY 1, 2022: NINE AND ONE-HALF PERCENT (9.5%),</p> <p>JANUARY 1, 2023: EIGHT AND ONE-HALF PERCENT (8.5%),</p> <p>JANUARY 1, 2024: SEVEN AND ONE-HALF PERCENT (7.5%).</p> | |
| <p>SEC. 186. Stamp Tax on Policies of Annuities and Pre-Need Plans. – On all policies of annuities, or instruments by whatever name the same may be called, whereby an annuity may be made, transferred or redeemed, there shall be collected a documentary stamp tax of One peso (P1.00) on each Two hundred pesos (P200) or fractional part thereof, of the capital of the annuity, or should this be unknown, then on each Two hundred (P200) pesos, or fractional part thereof, of the premium or installment payment or contract price collected. On pre-need plans, the documentary stamp tax shall be forty centavos (P0.40) on each Two</p> | <p>SEC. 182. Stamp Tax on Policies of Annuities and Pre-Need Plans. – On all policies of annuities, or other instruments by whatever name the same may be called, whereby an annuity may be made, transferred or redeemed, there shall be collected a documentary stamp tax OF ONE-HALF OF ONE PERCENT (0.5%) One peso (P1.00) on each Two hundred pesos (P200), or fractional part thereof, of the premium or installment payment on contract price, OR CONTRIBUTION collected CHARGED. On pre-need plans, OR OTHER INSTRUMENTS BY WHATEVER NAME THE SAME MAY BE</p> | <p>Retains the current DST rates on policies of annuities and pre-need plans.</p> <p>The insertion of “OR CONTRIBUTION CHARGED” and deletion of “collected” as one of the tax bases is only meant to emphasize that regardless whether there is an actual cash involved or not, the transaction is still chargeable with DST.</p> <p>The inclusion of “or other instruments by whatever name the same may be called...” is to make sure that new products akin to annuities and pre-need would be</p> |

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| <p>hundred pesos (P200), or fractional part thereof, of the premium or contribution collected.</p> | <p>CALLED, WHEREBY AN ANNUITY MAY BE MADE, TRANSFERRED OR REDEEMED, THERE SHALL BE COLLECTED A DOCUMENTARY STAMP TAX OF TWENTY PERCENT OF ONE PERCENT (0.2%) OF THE PREMIUM OR INSTALLMENT PAYMENT ON CONTRACT PRICE, OR CONTRIBUTION CHARGED. Forty-centavos (P0.40) on each Two hundred pesos (P200), or fractional part thereof, of the premium or contribution collected.</p> | <p>covered under this section. The DST on HMO contracts under Section 179 (Life Insurance) should be transferred under this Section.</p> |
| <p>SEC. 187. Stamp Tax on Indemnity Bonds. – On all bonds for indemnifying any person, firm or corporation who shall become bound or engaged as surety for the payment of any sum of money or for the due execution or performance of the duties of any office or position or to account for money received by virtue thereof, and on all other bonds of any description, except such as may be required in legal proceedings, or are otherwise provided for herein, there shall be collected a documentary stamp tax of Thirty centavos (P0.30) on each Four pesos (P4.00), or fractional part thereof, of the premium charged.</p> | <p>SEC. 187.183. Stamp Tax on Indemnity Bonds. – On all bonds for indemnifying any person, firm or corporation who shall become bound or engaged as surety for the payment of any sum of money or for the due execution or performance of the duties of any office or position or to account for money received by virtue thereof, and on all other bonds of any description, except such as may be required in legal proceedings, or are otherwise provided for herein, there shall be collected a documentary stamp tax of Thirty centavos (P0.30) on each Four pesos (P4.00), or fractional part thereof. SEVEN AND ONE-HALF PERCENT (7.5%) OF THE PREMIUM CHARGED.</p> | <p>Retains the current DST on indemnity bonds.</p> |
| <p>SEC. 188. Stamp Tax on Certificates. – On each certificate of damages or otherwise, and on every certificate or document issued by any customs officer, marine surveyor, or other person acting as such, and on each certificate issued by a notary public, and on each certificate of any description required by law or by rules or regulations of a public office, or which is issued for the purpose of giving information, or establishing proof of a fact, and not otherwise specified herein, there shall be collected a</p> | <p>SEC. 188 184. Stamp Tax on Certificates. – On each certificate of damage or otherwise, and on every other certificate or document issued by any customs officer, marine surveyor, or other person acting as such, and on each certificate issued by a notary public, and on each certificate of any description required by law or by rules or regulations of a public office, or which is issued for the purpose of giving information, or establishing proof of a fact, and not otherwise specified herein, there shall be collected a</p> | <p>Increases the DST rate from PhP30 to PhP40 per certificate.</p> |

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| <p>documentary stamp tax of thirty pesos (P30.00).</p> <p>SEC. 189. Stamp Tax on Warehouse Receipts. – x x</p> | <p>documentary stamp tax of Thirty FORTY pesos (P340.00).</p> | <p>Retains the current DST rate. This is not part of Package 4.</p> |
| <p>SEC. 190. Stamp Tax on <i>Jai-Alai, Horse Racing Tickets, Lotto or Other Authorized Numbers Games.</i> – x x x.</p> | <p>SEC. 189 185. Stamp Tax on Warehouse Receipts. – x x x.</p> <p>SEC. 190 186. Stamp Tax on <i>Jai-Alai, Horse Racing Tickets, Lotto or Other Authorized Numbers Games.</i> – x x x.</p> | <p>Retains the current DST rate. This is not part of Package 4.</p> |
| <p>SEC. 191. Stamp Tax on Bills of Lading or Receipts. – x x x.</p> | <p>SEC. 191 187. Stamp Tax on Bills of Lading or Receipts. – x x x.</p> | <p>Retains the current DST rate. This is not part of Package 4.</p> |
| <p>SEC. 192. Stamp Tax on Proxies. – On each proxy for voting at any election for officers of any company or association, or for any other purpose, except proxies issued affecting the affairs of associations or corporations organized for religious, charitable or literary purposes, there shall be collected a documentary stamp tax of Thirty pesos (P30.00).</p> | <p>SEC. 192. Stamp Tax on Proxies.—On each proxy for voting at any election of officers of any company or association, or for any other purpose, except proxies issued affecting the affairs of associations or corporations organized for religious, charitable or literary purposes, there shall be collected a documentary stamp tax of Thirty Pesos (P30.00).</p> | <p>To be deleted to simplify the DST structure by removing “nuisance” provisions with low revenue take.</p> |
| <p>SEC. 193. Stamp Tax on Powers of Attorney. – On each power of attorney to perform any act whatsoever, except acts connected with the collection of claims due from or accruing to the Government of the Republic of the Philippines, or the government of any province, city or municipality, there shall be collected a documentary stamp tax of Thirty pesos (P30.00).</p> | <p>SEC. 193. Stamp Tax on Powers of Attorney.—On each power of attorney to perform any act whatsoever, except acts connected with the collection of claims due from or accruing to the Government of the Republic of the Philippines, or the government of any province, city or municipality, there shall be collected a documentary stamp tax of Ten pesos (P10.00).</p> | <p>To be deleted to simplify the DST structure by removing “nuisance” provisions with low revenue take.</p> |
| <p>SEC. 194. Stamp Tax on Lease and Other Hiring Agreements. – x x x.</p> | <p>SEC. 194 188. Stamp Tax on Lease and Other Hiring Agreements. – x x x.</p> | <p>Retains the current DST rate. This is not part of Package 4.</p> |
| <p>SEC. 195. Stamp Tax on Mortgages, Pledges and Deeds of Trust. – On every mortgage or pledge of lands, estate, or property, real or personal, heritable or movable, whatsoever, where the same shall be made</p> | <p>SEC. 195 189. Stamp Tax on Mortgages, Pledges and Deeds of Trust. – On every mortgage or pledge of lands, estate, or property, real or personal, heritable or movable, whatsoever, where the same shall be made</p> | <p>Reduces the DST rate to 0.3% of amount secured. The bill seeks to exempt letters of credit if the DST under Section 178 (DST on foreign bills of exchange and letters of credit) thereof has already been paid upon</p> |

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| <p>as a security for the payment of any definite and certain sum of money lent at the time or previously due and owing of forborne to be paid, being payable and on any conveyance of land, estate, or property whatsoever, in trust or to be sold, or otherwise converted into money which shall be and intended only as security, either by express stipulation or otherwise, there shall be collected a documentary stamp tax at the following rates:</p> <p>(a) When the amount secured does not exceed Five thousand pesos (P5,000), Forty pesos (P40.00).</p> <p>(b) On each Five thousand pesos (P5,000), or fractional part thereof in excess of Five thousand pesos (P5,000), an additional tax of Twenty pesos (P20.00).</p> <p style="text-align: center;">xxx xxx xxx</p> <p>SEC. 196. Stamp tax on Deeds of Sale and Conveyances of Real Property. - x x x.</p> <p>SEC. 197. Stamp Tax on Charter Parties and Similar Instruments. - x x x.</p> <p>SEC. 198. Stamp Tax on Assignments and Renewals of Certain Instruments. - Upon each and every assignment or transfer of any mortgage, lease or policy of insurance, or the renewal or continuance of any agreement, contract, charter, or any evidence of obligation or indebtedness by altering or otherwise, there shall be levied, collected and paid a documentary stamp tax, at the same rate as that imposed on the</p> | <p>as a security for the payment of any definite and certain sum of money lent at the time or previously due and owing or forborne to be paid, being payable, and on any conveyance of land, estate, or property whatsoever, in trust or to be sold, or otherwise converted into money which shall be and intended only as security, either by express stipulation or otherwise, there shall be collected a documentary stamp tax OF THIRTY PERCENT OF ONE PERCENT (0.3%) OF THE AMOUNT SECURED. at the following rates:</p> <p>(a) When the amount secured does not exceed Five thousand pesos (P5,000), Forty pesos (P40.00).</p> <p>(b) On each Five thousand pesos (P5,000), or fractional part thereof in excess of Five thousand pesos (P5,000), an additional tax of Twenty pesos (P20.00).</p> <p style="text-align: center;">xxx xxx xxx</p> <p>SEC. 196 190. Stamp tax on Deeds of Sale and Conveyances of Real Property. - x x x.</p> <p>SEC. 197, 191. Stamp Tax on Charter Parties and Similar Instruments. - x x x.</p> <p>SEC. 198. 192. Stamp Tax on Assignments and Renewals of Certain Instruments. - Upon each and every assignment or transfer of any mortgage, lease or policy of insurance, or the renewal or continuance of any agreement, contract, charter, or any evidence of obligation or indebtedness by THE EXTENSION OF THE TERM OR MATURITY BY altering or otherwise; ALTERATION OF SUCH</p> | <p>opening from the DST under this section upon availment of the trust receipt line where the property subject of the LC is made a security for payment. The proposal aims to reduce friction cost.</p> <p>Retains the current DST rate. This is not part of Package 4.</p> <p>Retains the current DST rate. This is not part of Package 4.</p> <p>Removes DST on assignments of certain documents as they have been already subjected to DST upon their original issuance. It also clarifies that the DST will only be imposed on evidence of obligation or indebtedness if the alteration is to extend its term or maturity.</p> |

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| <p>original instrument.</p> <p>SEC. 199. Documents and Papers Not Subject to Stamp Tax. – The provisions of Section 173 to the contrary notwithstanding, the following instruments, documents and papers shall be exempt from the documentary stamp tax:</p> <p>(a) Policies of insurance or annuities made or granted by a fraternal or beneficiary society, order, association or cooperative company, operated on the lodge system or local cooperation plan and organized and conducted solely by the members thereof for the exclusive benefit of each member and not for profit.</p> <p>xxx xxx xxx</p> <p>(n) Interbank call loans with maturity of not more than seven (7) days to cover deficiency in reverses against deposit liabilities including those between or among banks and quasi-banks</p> | <p>AGREEMENT, CONTRACT OR CHARTER, there shall be levied, collected and paid a documentary stamp tax, at the same rate as that imposed on the original instrument.</p> <p>SEC. 499 193. Documents and Papers Not Subject to Stamp Tax. – The provisions of Section 173 to the contrary notwithstanding, the following instruments, documents and papers shall be exempt from the documentary stamp tax:</p> <p>(a) Policies of insurance or annuities made or granted by a fraternal or beneficiary society, order, association or cooperative company, operated on the lodge system or local cooperation plan and organized and conducted solely by the members thereof for the exclusive benefit of each member and not for profit.</p> <p>xxx xxx xxx</p> <p>(n) Interbank call loans with maturity of not more than seven-(7) FIVE (5) days to cover deficiency in reserves against deposit liabilities, including those between or among banks and quasi-banks.</p> <p>(o) REDEMPTION, SALE, BARTER, EXCHANGE, OR OTHER MODES OF DISPOSITION OR EXCHANGE OF SHARES OF STOCK OR UNITS OF PARTICIPATION IN A COLLECTIVE INVESTMENT SCHEME OR OTHER CIS SECURITIES LISTED AND TRADED IN A LOCAL EXCHANGE OR AN ORGANIZED MARKETPLACE. THE ORIGINAL ISSUANCE OF SHARES OR UNITS OF</p> | <p>Shortens interbank call loans (IBCL) maturity from seven to five days. This would harmonize the definition of IBCL under Section 22 (Y) of the Tax Code.</p> <p>The proposed exemption is in order since the DST on secondary trading of shares of stock under Section 175 is likewise being proposed to be exempt. It is clarified, however, that the DST on original issuance of share or units of participation in a CIS shall be liable to DST as provided under Section 174.</p> |

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| | <p>PARTICIPATION IN A CIS SHALL NOT BE COVERED BY THIS EXEMPTION.</p> | |
| | <p>SEC. 31. Repealing Clause. – The following laws or provisions of laws are hereby repealed or modified accordingly and the persons and/or transactions affected herein are hereby made subject to applicable taxes on interest income and capital gains, gross receipts tax, premium tax, and documentary stamps tax under the national internal revenue code, as amended:</p> | |
| | <p>(a) Section 9, insofar as the tax exemption on the issuance of bonds and securities is concerned, of Presidential Decree 1648, known as “Reorganizing the National Development Company and Establishing a Revised Charter Therefor”;</p> | <p>Repeals the tax exemption on the issuance of bonds and securities.</p> |
| | <p>(b) Sections 6, 7, and 8, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Executive Order 603, entitled “Creating a Light Rail Transit Authority, Vesting the same with Authority to Construct and Operate the Light Rail Transit (LRT) Project and Providing Funds Therefor”;</p> | <p>Repeals the tax exemption on interest income, capital gains, and DST.</p> |
| | <p>(c) Section 14, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Republic Act 7354, entitled “An Act Creating the Philippine Postal Corporation, Defining Its Powers, Functions and Responsibilities, providing for Regulation of the Industry and for Other Purposes Connected Therewith”;</p> | <p>Repeals the tax exemption on interest income, capital gains, and DST.</p> |

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| | <p>(d) Section 12, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Republic Act 4850, entitled "An Act Creating the Laguna Lake Development Authority, Prescribing Its Powers, Functions and Duties, Providing Funds Therefor, and for Other Purposes";</p> <p>(e) Number 8, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Presidential Decree 37, entitled "Creating the Nayong Pilipino Foundation";</p> <p>(f) Section 12, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Presidential Decree 205, entitled "Creating and Establishing the Development Academy of the Philippines, Defining Its Powers, Functions, and Responsibilities, and for Other Purposes";</p> <p>(g) Article 202, insofar as tax exemption on interest income, capital gains, documentary stamp tax, and premium tax is concerned, of Presidential Decree 442 as Amended by Presidential Decree 626, entitled "Labor Code of the Philippines";</p> <p>(h) Section 10, insofar as tax exemption on interest income, capital gains, and documentary stamp tax of subsidiaries of Philippine Aerospace Development Corporation is concerned, of Presidential Decree 696, entitled "Revising Presidential Decree No. 286, dated September 5, 1973, as Amended, Otherwise Known as the Charter of the Philippine Aerospace Development Corporation and for Other</p> | <p>Repeals the tax exemption on interest income, capital gains, and DST.</p> <p>Repeals the tax exemption on interest income, capital gains, and DST.</p> <p>Repeals the tax exemption on interest income, capital gains, and DST.</p> <p>Repeals the tax exemption on interest income, capital gains, DST and premium tax.</p> <p>Repeals the tax exemption on interest income, capital gains, and DST.</p> |

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| | <p>Purposes”;</p> <p>(i) Section 2(G), insofar as tax exemption on interest income is concerned, of Republic Act 85, as Amended by Republic Act 2081, entitled “An Act Creating the Rehabilitation Finance Corporation”;</p> <p>(j) Sections 76, 77 and 98, insofar as tax exemption on interest income, dividends, capital gains, and documentary stamp tax on bonds is concerned, of Republic Act 3844 or The Agricultural Land Reform Code;</p> <p>(k) Section 37, insofar as tax exemption on interest income, capital gains, gross receipts tax, and documentary stamp tax is concerned, of Republic Act 6848 or The Charter of the Al-Amanah Islamic Investment Bank of the Philippines;</p> <p>(l) Sections 10, insofar as tax exemption on interest income is concerned, of Republic Act 3591, as Amended by Republic Act 9576 or An Act Increasing the Maximum Deposit Insurance Coverage, and in Connection Therewith, to Strengthen the Regulatory and Administrative Authority, and Financial Capability of the Philippine Deposit Insurance Corporation (PDIC), Amending for this Purpose Republic Act Numbered Three Thousand Five Hundred Ninety-One, as Amended, Otherwise Known as the PDIC Charter, and for Other Purposes;</p> <p>(m) Section 12, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Executive Order 1037, entitled “An Act Creating the Philippine</p> | <p>Repeals the tax exemption on interest income.</p> <p>Repeals the tax exemption on interest income, dividends, capital gains, and DST on bonds.</p> <p>Repeals the tax exemption on interest income, capital gains, GRT, and DST.</p> <p>Repeals the tax exemption on interest income.</p> <p>Repeals the tax exemption on interest income, capital gains, and DST.</p> |

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| | Retirement Park System, Providing Funds Therefor and for Other Purposes”; | |
| (n) | Section 19, insofar as tax exemption on interest income and documentary stamp tax is concerned, of Republic Act 8763 or Home Guaranty Corporation Act of 2000; | Repeals the tax exemption on interest income and DST. |
| (o) | Section 19, insofar as tax exemption on documentary stamp tax is concerned, of Republic Act 7279 or The Urban Development and Housing Act of 1992; | Repeals the tax exemption on DST. |
| (p) | Section 8(a), insofar as tax exemption on interest income, capital gains, and documentary stamp tax of bonds is concerned, as provided under Section 1 of Republic Act 6395 or an Act Revising the Charter of the National Power Corporation; | Repeals the tax exemption on interest income, capital gains, and DST. |
| (q) | Section 15, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of PD 334, entitled “Creating the Philippine National Oil Company, Defining Its Powers and Functions, Providing Funds Therefore, and for Other Purposes”; | Repeals the tax exemption on interest income, capital gains, and DST. |
| (r) | Section 16, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Presidential Decree 1467, entitled “An Act Creating the Philippine Crop Insurance Corporation, Prescribing Its Powers and Activities, Providing for Its Capitalization and for the Required Government Premium Subsidy, and for Other Purposes”; | Repeals the tax exemption on interest income, capital gains, and DST. |
| (s) | Section 3, insofar as tax exemption on interest | Repeals the tax exemption on interest income, capital |

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| | <p>income, capital gains, and documentary stamp tax on bonds is concerned, of Republic Act 3601, entitled "An Act Granting the National Irrigation Administration";</p> <p>(t) Section 6 (a, xviii (2)), insofar as tax exemption on interest income and documentary stamp tax is concerned, of PD 1485, as Amended by PD 1770, entitled "Reconstituting the National Grains Authority to the National Food Authority, Broadening Its Functions and Powers and for Other Purposes";</p> <p>(u) Section 5 (c), insofar as tax exemption on interest income, capital gains, and documentary stamp tax on bonds is concerned, of Republic Act 6260, entitled "An Act Instituting a Coconut Investment Fund and Creating a Coconut Investment Company for the Administration Thereof";</p> <p>(v) Section 9, insofar as tax exemption on interest income, capital gains, and documentary stamp tax on bonds is concerned, of Republic Act 10744 or Credit Surety Fund Act of 2014;</p> <p>(w) Section 20, insofar as tax on interest income, capital gains and documentary stamp tax is concerned, of Republic Act 10693, entitled "An Act Strengthening Nongovernment Organizations (NGOs) Engaged in Microfinance Operations for the Poor";</p> <p>(x) Section 7, insofar as tax exemption on documentary stamp tax and premium tax is concerned, of Republic Act 7111, entitled "An Act Establishing the Overseas Workers'</p> | <p>gains, and DST.</p> <p>Repeals the tax exemption on interest income and DST.</p> <p>Repeals the tax exemption on interest income, capital gains, and DST on bonds.</p> <p>Repeals the tax exemption on interest income, capital gains, and DST on bonds.</p> <p>Repeals the tax exemption on interest income, capital gains, and DST.</p> <p>Repeals the tax exemption on interest income, capital gains, and DST.</p> <p>Repeals the tax exemption on DST and premium tax.</p> |

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| | <p>Investment Fund to Provide Incentives to Overseas Workers, Reduce the Foreign Debt Burden and for Other Purposes”;</p> | |
| (y) | <p>Section 56, insofar as tax exemption on interest income, capital gains, and documentary stamp tax is concerned, of Republic Act 10801, entitled “An Act Governing the Operations and Administration of the Overseas Workers Welfare Administration”;</p> | <p>Repeals the tax exemption on interest income, capital gains, and DST.</p> |
| (z) | <p>Section 5, insofar as tax exemption on interest income is concerned, of Republic Act 8367, entitled “An Act Providing for the Regulation of the Organization and Operation of Non-Stock Savings and Loan Associations”;</p> | <p>Repeals the tax exemption on interest income.</p> |
| (aa) | <p>Section 28, insofar as tax exemption on capital gains on shares of stock and documentary stamp tax is concerned, of Republic Act 9267 or The Securitization Act of 2004”;</p> | <p>Repeals the tax exemption on capital gains on shares of stock, and DST.</p> |
| (bb) | <p>Section 17, insofar as tax exemption on interest income, capital gains, gross receipts tax and documentary stamp tax is concerned, of Republic Act 7906, entitled “An Act Providing for the Regulation of the Organization and Operations of Thrift Banks, and for Other Purposes”;</p> | <p>Repeals the tax exemption on interest income, capital gains, GRT and DST.</p> |
| (cc) | <p>Section 15, insofar as tax exemption on capital gains and documentary stamp tax is concerned, of Republic Act 9182, as Amended by Republic Act 9343, entitled “An Act Granting Tax Exemptions and Fee Privileges to Special Purpose Vehicles which Acquire or Invest in Non-Performing Assets, Setting the Regulatory Framework Therefor, and for Other Purposes”;</p> | <p>Repeals the tax exemption on capital gains, and DST.</p> |

| Present Provision | HB No. 8645 | Remarks |
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| | <p>(dd) Sections 13 and 14, insofar as tax exemption on DST and dividends is concerned, of R.A. 9856 or The Real Estate Investment Act of 2209; and</p> <p>(ee) Section 23, insofar as no deduction from gross income shall be allowed in respect of any interest if the indebtedness is incurred to finance petroleum exploration is concerned, of P.D. 87, entitled Amending Presidential Decree No. 8 Issued on October 2, 1972, and Promulgating an Amended Act to Promote the Discovery and Production of Indigenous Petroleum and Appropriate Funds Therefor.</p> | <p>Repeals the tax exemption on DST and dividends.</p> <p>Repeals the no deduction from gross income shall be allowed in respect of any interest if the indebtedness is incurred to finance petroleum exploration.</p> |