REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS

December 23, 2004

REVENUE REGULATIONS NO. 13-2004

SUBJECT : Implementing the Provisions of Republic Act No. 9243, An Act Rationalizing the Provisions on the Documentary Stamp Tax of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes.

TO : All Internal Revenue Officials and Others Concerned.

SECTION 1. ***Scope.*** **–**

Pursuant to the provisions of Section 4 of Republic Act No. 8424 and Section 244 of the National Internal Revenue Code of 1997 (Code), these Regulations are hereby promulgated to implement the provisions of Republic Act (R.A.) No. 9243, otherwise known as "An Act Rationalizing the Provisions on the Documentary Stamp Tax of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes."

SECTION 2. ***Renumbering of Sections Under Title VII (Documentary Stamp Tax) of the Code of 1997.*** **–**

As a result of the amendments introduced by R.A. No. 9243, the Sections under Title VII of the Code are now accordingly titled, numbered or renumbered and amended, and with affected Sections highlighted as follows:

"SEC. 173. *Stamp Taxes upon Documents, Loan Agreements, Instruments and Papers*."

"SEC. 174. ***Stamp Tax on Original Issue of Shares of Stock.***" **(Renumbered and amended)**

"SEC. 175. ***Stamp Tax on Sales, Agreements to Sell, Memoranda of Sales, Deliveries or Transfer of Shares or Certificates of Stock.***" **(Renumbered and amended)**

"SEC. 176. *Stamp Tax on Bonds, Debentures, Certificates of Stock or Indebtedness Issued in Foreign Countries.*" (Renumbered)

"SEC. 177. *Stamp Tax on Certificates of Profits or Interest in Property or Accumulations.*" (Renumbered)

"SEC. 178. *Stamp Tax on Bank Checks, Drafts, Certificates of Deposit not Bearing Interest, and other Instruments.*" (Renumbered)

"SEC. 179. *Stamp Tax on All Debt Instruments.*"(Renumbered and amended)

"SEC. 180. *Stamp Tax on All Bills of Exchange or Drafts.*" (Amended)

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

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

"SEC. 183. *Stamp Tax on Life Insurance Policies.*" (Amended)

"SEC. 184. *Stamp Tax on Policies of Insurance Upon Property.*"

"SEC. 185. *Stamp Tax on Fidelity Bonds and Other Insurance Policies.*"

"SEC. 186. *Stamp Tax on Policies of Annuities and Pre-Need Plans.*" (Amended)

"SEC. 187. *Stamp Tax on Indemnity Bonds.*"

"SEC. 188. *Stamp Tax on Certificates.*"

"SEC. 189. *Stamp Tax on Warehouse Receipts.*"

"SEC. 190. *Stamp Tax on Jai-alai, Horse Race Tickets, Lotto or Other Authorized Numbers Games.*"

"SEC. 191. *Stamp Tax On Bills of Lading or Receipts.*"

"SEC. 192. *Stamp Tax on Proxies.*"

"SEC. 193. *Stamp Tax on Powers of Attorney.*"

"SEC. 194. *Stamp Tax on Leases and Other Hiring Agreements*."

"SEC. 195. *Stamp Tax on Mortgages, Pledges and Deeds of Trust*."

"SEC. 196. *Stamp Tax on Deeds of Sale and Conveyances of Real Property*."

"SEC. 197. *Stamp Tax on Charter Parties and Similar Instruments*."

"SEC. 198. *Stamp Tax on Assignments and Renewals of Certain Instruments*."

"SEC. 199. *Documents and Papers Not Subject to Stamp Tax.*" (Amended)

SECTION 3. ***New Rate of DST on Original Issue of Shares of Stocks.*** –

"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 One peso (P1.00) on each Two hundred pesos (P200), or fractional part thereof, of the par value, of such shares of stock: Provided, that in 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: Provided, further, That in the case of stock dividends, on the actual value represented by each share."

Section 174 of the Code used to be Section 175. The rate of DST on the original issue of shares of stock was revised from One peso and fifty centavos (P1.50) on each Two hundred Pesos (P200) to **"<u>One peso (P1.00) on each Two hundred pesos (P200)</u>,"** or fractional part thereof, of the par value, of such shares of stock.

The DST under this Section is imposed on the privilege of issuing shares of stock. The shares are considered issued upon the acquisition of the stockholder of the attributes of ownership over the shares (the right to vote, the right to receive dividends, the right to dispose, etc. notwithstanding that restrictions on the exercise of any of these rights may be imposed by the Corporation's articles and/or by-laws, the Securities and Exchange Commission, stockholder agreement, court order, etc.), which acquisition of such attributes of ownership shall be manifested by the acceptance by the Corporation of the

stockholder's subscription to its shares of stock. The entire shares of stock subscribed are considered issued for purposes of the DST, even if not fully paid. The delivery of the certificates of stock to stockholders is not essential for the DST to accrue.

In all cases where the issued shares are with par value, the basis of the DST shall be the par value thereof. For shares of stock without par value, the basis shall be the actual consideration for the shares of stock. However, in a case where shares of stocks without par value are issued as stock dividends, the basis of the DST shall be the actual value represented by each share.

SECTION 4. ***New Rate of DST on Sales, Agreements to Sell, Memoranda of Sales, and Subsequent Transfer of Shares of Stocks.*** **–**

> *"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 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 Seventy-five centavos (P0.75) on each Two hundred pesos (P200), or fractional part thereof, of the par value of such stock: Provided, 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 Provided, further, That in case of stock without par value the amount of the documentary stamp tax herein prescribed shall be equivalent to twenty-five percent (25%) of the documentary stamp tax paid upon the original issue of said stock."*

Section 175 of the Code used to be Section 176 with the old tax rate of DST applicable on sales, agreements to sell, memoranda of sales, deliveries, or transfer of shares or certificates of stock is now revised from One peso and fifty centavos (P1.50) on each Two hundred Pesos (P200) to **"Seventy-five centavos (P0.75) on each Two hundred pesos (P200)**," or fractional part thereof, of the par value of such stock. Likewise, the documents described as "due bills" and "certificates of obligation", which were previously included in the old section, have been removed from the coverage of this renumbered and amended Section.

All transfer of shares of stocks of a domestic corporation are subject to the DST upon execution of the deed transferring ownership or rights thereto, or upon delivery, assignment or indorsement of such shares in favor of another. No transfer of shares of

stock shall be recorded unless DST thereon has been duly paid for in accordance with Section 201 of the Code.

For a sale or exchange to be taxable, there must be an actual or constructive transfer of beneficial ownership of the shares of stock from one person to another. Such transfer may be manifested by the clear exercise of attributes of ownership over such stocks by the transferee, or by an actual entry of a change in the name appearing in the certificate of stock or in the Stock and Transfer Book of the issuing corporation or by any entry indicating transfer of beneficial ownership in any form of registry *including those of a duly authorized scripless registry, such as those maintained for or by the Philippine Stock Exchange.* However, if by the transfer of certificates of stock from a resigned trustee to a newly appointed trustee such certificate of stock remain in the name of the *cestui que trust* or the resigned trustee so that the new trustee is constituted as mere depository of the stock, such transfer is not taxable. Provided, however, that transfer of shares to "nominees" to qualify them to sit in the board or to qualify them to perform any act in relation to the corporation shall not be subject to the DST provided herein only upon proof of a duly executed Nominee Agreement showing the purpose of the transfer; that the transfer is without consideration other than the undertaking of the nominee to only represent the beneficial owner of the stock; and the transfer is in trust.

Agreements to sell shares of stock are also subject to DST. It is not only actual sales or transfers that are taxable but also agreements to sell such stock or executory contracts for the sale or transfer of shares of stock. However, if the DST has been paid on the agreement to sell or memoranda of sale, the actual sale or transfer of the stocks pursuant to the agreement will no longer be subject to DST.

SECTION 5. New Rate of DST on All Debt Instruments. –

> *"SEC. 179. Stamp Tax on All Debt Instruments. – On every original issue of debt instruments, there shall collected a documentary stamp tax of One pesos (P1.00) on each Two hundred pesos (P200), or fractional part thereof, of the issue price of any such debt instrument : Provided, 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: Provided, further, That only one documentary stamp tax shall be imposed on either loan agreement, or promissory notes issued to secure such loan.*
>
> *"For purposes of this section, the term debt instrument shall mean instruments 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 instrument, 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."

Section 179 used to be Section 180 of the Code, and, as amended, it now covers all instruments representing borrowing and lending transaction under a single heading, i.e., "All Debt Instruments" and applying a new unitary tax rate thereon. Consequently, "debentures and certificates of indebtedness" found in the former Section 174 of the Code, and likewise "due bills and certificates of obligation" found in the former Section 176 of the Code, have been incorporated in this renumbered and amended Section.

"Debt Instrument" shall mean instruments representing borrowing and lending transaction including but not limited to:

a. debentures,
b. certificates of indebtedness,
c. due bills,
d. bonds,
e. loan agreements, including those signed abroad wherein the object of the contract is located or used in the Philippines,
f. instruments and securities issued by the government or any of its instrumentalities,
g. deposit substitute debt instruments,
h. certificates or other evidences of deposits that are drawing instrument significantly higher than the regular savings deposit taking into consideration the size of the deposit and the risks involved,
i. certificates or other evidences of deposits that are drawing interest and having a specific maturity date,
j. orders for payment of any sum of money otherwise than at sight or on demand,
k. promissory notes, whether negotiable or non-negotiable, except bank notes issued for circulation.

All such debt instruments are now subject to DST of "**One peso (P1.00) on each Two hundred pesos (P200)**," or fractional part thereof, of the issue price of any such debt instrument, from the previous varying rates of One peso and fifty centavos (P1.50) on each Two hundred Pesos (P200) under then Section 174 and Section 176, or Thirty centavos (P0.30) on each Two hundred pesos (P200) under then Section 180. The term "issue price" as used herein shall refer to the face value of the debt instrument.

The DST on all debt instruments shall be imposed only on every original issue and the tax shall be based on the issue price thereof. Hence, sale of a debt instrument in the secondary market will not be subject to the DST.

If the debt instrument has a term of less than one (1) year, the DST due shall be computed taking into consideration the number of days that the instrument is outstanding as a fraction of 365 days.

Example: A promissory note in the amount of Pesos: One hundred thousand (P100,000.00) is issued with a term of 90 days from issue date. The DST due is One Hundred Twenty Three Pesos and Twenty Nine Centavos (P123.30) computed as follows:

P100,000 / P200 = 500 x P1.00 = P500.00 x 90/365 = **P123.29 or P123.30**
(rounded off to the nearest centavo)

If the debt instrument has a term of one year or longer, the DST due shall be computed based on the issue price of the debt instrument.

Example: A promissory note is issued at a price of Pesos: One Hundred Thousand (P 100,000.00) with a term of two years. The DST due is Pesos: Five Hundred (P 500.00) computed as follows:

P 100,000.00)/ P200.00 = P500.00 x P1.00 = P 500.00

As is the treatment prevailing before the effectivity of R.A. No. 9243, all certificates or other evidences of deposit in banks drawing interest at such rate depending upon the amount deposited and having a specific maturity date *or where the interest earned varies depending on the duration/term (number of days) of the deposit,* shall be subject to the DST provided herein, irrespective of the nomenclature and whether covered by a certificate, passbook or any other evidence of deposit. Bank deposits of any kind which provide interest higher than the rate given to a regular savings/demand deposit account shall also be subject to the new rate of DST imposed herein. The exceptions are ordinary demand and savings deposits which are withdrawable upon demand by the depositor and earning rates of interest based on prevailing market rates for a regular saving/demand deposit account, irrespective of the amount deposited. The DST shall be due and payable upon the date such deposit is made.

For purposes of determining whether a certificate or document evidencing deposits is subject to DST imposed on debt instruments, the following rules shall apply:

1. Any deposit bearing interest, irrespective of the nomenclature and whether covered by a certificate, passbook or any other evidence of deposit, where the interest is significantly higher than the rate given to regular savings deposits, shall be subject to the new rate of DST imposed on debt instruments.

2. All type of deposit accounts with a higher interest yield than that given to savings deposit or where the interest rate earned by such deposit is reduced upon pre-termination, are likewise subject to the new rate of DST herein imposed.

3. All interest rate of a particular bank or financial institution shall be considered as "*significantly higher*" if it is at least fifty percent (50%) higher than the lowest interest rate given by that bank or financial institution on any of its deposit, whether the same be savings/demand deposit. A regular savings/demand deposit are those which are withdrawable upon demand by the depositor and is earning rates of interest at the rate prevailing for a regular savings/demand deposit, irrespective of the amount deposited.

4. Any deposit bearing interest, irrespective of the nomenclature and whether covered by a certificate, passbook or any other evidence of deposit is considered to be a with a maturity date, and subject to DST as imposed upon debt instruments, if:

    a. There is a predetermined or defined specific maturity or end date to the deposit as agreed to by the depositor; or

    b. Absent a specific maturity date, there is a defined program of enjoyment of higher interest rate or enjoyment of a privilege or other benefit (either monetary or in kind) to be extended by the bank or financial institution if the said deposit is to be maintained by the depositor for a defined period of time.

SECTION 6. DST on Domestic Bills of Exchange or Drafts.–

> *"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 Thirty centavos (P0.30) on each Two hundred pesos (P200), or fractional part thereof, of the face value of any such bill of exchange or draft."*

This is intended to complement the DST imposed on "all foreign bills of exchange" which are *"drawn in but payable out of the Philippines"* under Section 182 of the Code.

SECTION 7. ***New Documentary Stamp Tax Base for Life Insurance Policies.*** **–**

> *"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 collected a documentary stamp tax of Fifty centavos*

(P0.50) on each Two Hundred pesos (P200), or fractional part thereof, of the amount of premium collected."

Section 183 has been amended retaining the same DST rate of Fifty centavos (P0.50) on each Two Hundred pesos (P200) as before, but revising the tax base, from the previous base of *"amount insured by any such policy"* to the new tax base of ***"amount of premium collected."***

The DST provided for in this section shall be assessed only on life insurance policies that were issued on or after March 20, 2004, the day R.A. 9243 took effect. The DST due on life insurance policy shall be due and collected every time there is an insurance premium collection on such policy, including premiums paid/collected beyond the year the policy was taken out. Insurance premium collection as used herein shall include not only those premiums paid or remitted by the insured directly, but shall also include premiums paid for by applying cash surrender value, dividend earned, other modes of payment, whether on the original policy or amendments thereto. However, life insurance policies issued before the enactment of R.A. 9243 and included in the inventory required herein to be submitted shall be covered by the provisions of the old Section 183, and DST shall not be collected thereon as imposed in this amended Section if the DST due thereon as provided in the old Section 183 has already been fully paid. Provided, however, any increase in coverage from year to year or additional riders attached to existing policy shall be deemed a new issuance, and premium relating thereto whether paid or remitted by the insured directly, or by applying the cash surrender value or dividend earned are subject to DST.

As a consequence of the change in the DST tax base for life insurance policies, all insurance companies who are issuing life insurance policies shall submit in hard and soft copy, an inventory of all issued, outstanding and valid life insurance policies as of March 19, 2004, following the herein format.

Name of Life Insurance Company
Summary of Outstanding and Valid Life Insurance Policies
As of March 19, 2004

Product Type*Including Description of Existing Riders	Policy No.	Date Issued	Name of Insured	Annual Premium	Amount Insured Inclusive of the Existing Riders

The above mentioned listing of issued life insurance policies shall be submitted to the Revenue District Office/Large Taxpayers Service/Large Taxpayers District Office where the taxpayer is registered on or before January 31, 2005. The hard copy of the

above listing shall be made under oath as to the completeness, truth and accuracy thereof by a duly authorized officer or representative of the taxpayer. Failure to do so, or failure to submit the inventory required herein on the date stated herein, would make said life insurance policies subject to DST based on insurance premiums collected as imposed under the new law.

SECTION 8. ***New Stamp Tax Base and Rate for Policies of Annuities and Pre-Need Plans. –***

> *"SEC. 186. 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 Fifty centavos (P0.50) on each Two hundred pesos (P200), or fractional part thereof, of the premium or installment payment or contract price collected. On pre-need plans the documentary stamp tax shall be Twenty centavos (P0.20) on each Two hundred pesos (P200), or fractional part thereof, of the premium or contribution collected."*

Section 186 has been amended changing the tax base and imposing a revised DST rate on policies of annuities and pre-need plans. On policies of annuities, the old tax base of "capital of the annuity" or "annual income" has been removed and in its place, the tax is now based on the **"premium or installment payment or contract price collected."**

The DST rate has likewise been reduced and simplified, from the previous *"One peso and fifty centavos (P1.50) 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 pesos (P200) pesos, or fractional part thereof, of thirty three and one third (33 1/3) times the annual income*" to the new tax rate of **"Fifty centavos (P0.50) on each Two hundred pesos (P200)**" or fractional part thereof, of the premium or installment payment or contract price collected."

On pre-need plans, the DST is now based on the **"premium or contribution collected"** in lieu of the previous "value or amount of the plan". Likewise, the rate has been restated, from the previous Fifty centavos (P0.50) on each Five hundred pesos (P500), to the new rate of **"Twenty centavos (P0.20) on each Two hundred pesos (P200)**" of the premium or contribution collected.

The DST provided for in this section shall be assessed only on annuities and pre-need plans issued on or after March 20, 2004, the day R.A. 9243 took effect. The DST due on such annuities and pre-need plans shall be due and collected every time there is a premium collection on such annuities and pre-need plans, including those premium paid/collected beyond the year the annuities and pre-need plans were purchased. However, annuities and pre-need plans issued before the enactment of R.A. 9243 and listed in the inventory required herein to be submitted are subject to the rates and base

specified under the old Section 186, and no DST shall be due thereon as imposed in this section, if the DST due thereon as provided for in the old Section 186 has already been fully paid.

As a consequence of the change in the DST tax base for annuities and pre-need plans, all taxpayers issuing annuities and pre-need plans shall submit in hard and soft copy an inventory of all issued, outstanding and valid life annuities and pre-need plans as of March 19, 2004, following the herein format.

Name of Taxpayer
Summary of Outstanding and Valid Annuities and Pre-Need Plans
As of March 19, 2004

Product Type*Including Description of Existing Riders	Policy No.	Date Issued	Name of Insured	Annual Premium	Amount of Original Policy / Amount of Existing Riders

The above mentioned listing of issued annuities and pre-need plans shall be submitted to the Revenue District Office/Large Taxpayers Service/Large Taxpayers District Office where the taxpayer is registered on or before January 31, 2005. The hard copy of the above listing shall be made under oath as to the completeness, truth and accuracy thereof by a duly authorized officers or representative of the taxpayer. Failure to do so, or failure to submit the listings required in this section with the time required herein would make said annuities and pre-need plans subject to DST based on premium collected as imposed under the new law.

SECTION 9. Documents and Papers not Subject to DST. –

"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 DST:

(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.

(b) Certificates of oaths administered to any government official in his official capacity or of acknowledgment by any government official in

the performance of his official duties, written appearance in any courts by any government official, in his official capacity; certificates of the administration of oaths to any person as to the authenticity of any paper required to be filed in court by any person or party thereto, whether the proceedings be civil or criminal; papers and documents filed in courts by or for the national, provincial, city or municipal governments; affidavits of poor persons for the purpose of proving poverty; statements and other compulsory information required of persons or corporations by the rules and regulations of the national, provincial, city or municipal governments exclusively for statistical purposes and which are wholly for the use of the bureau or office in which they are filed, and not at the instance or for the use or benefit of the person filing them; certified copies and other certificates placed upon documents, instruments and papers for the national, provincial, city or municipal governments, made at the instance and for the sole use of some other branch of the national, provincial, city or municipal governments; and certificates of the assessed value of lands, not exceeding Two hundred pesos (P200) in value assessed, furnished by the provincial, city or municipal Treasurer to applicants for registration of title to land.

(c) Borrowing and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority: Provided, however, That any borrowing or lending of securities agreement as contemplated hereof shall be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority, and which agreement is duly registered and approved by the Bureau of Internal Revenue (BIR).

(d) Loan agreements or promissory notes, the aggregate of which does not exceed Two hundred fifty thousand pesos (P250,000), or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on installment for his personal use or that of his family and not for business or resale, barter or hire of a house, lot, motor vehicle, appliance or furniture: Provided, however, That the amount to be set by the Secretary of Finance shall be in accordance with a relevant price index but not to exceed ten percent (10%) of the current amount and shall remain in force at least for three (3) years.

(e) Sale, barter or exchange of shares of stock listed and traded through the local stock exchange for a period of five (5) years from the effectivity of this Act.

(f) 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, if there is no change in the maturity date or remaining period of coverage from that of the original instrument.

(g) Fixed income and other securities traded in the secondary market or through an exchange.

(h) Derivatives: Provided, That for purposes of this exemption, repurchase agreements and reverse repurchase agreements shall be treated similarly as derivatives.

(i) Interbranch or interdepartmental advances within the same legal entity.

(j) All forebearances arising from sales or service contracts including credit card and trade receivables: Provided, That the exemption be limited to those executed by the seller or service provider itself.

(k) Bank deposit accounts without a fixed term or maturity.

(l) All contracts, deeds, documents and transactions related to the onduct of business of the Bangko Sentral ng Pilipinas.

(m) Transfer of property pursuant to Section 40(C)(2) of the National Internal Revenue Code of 1997, as amended.

(n) Interbank call loans with maturity of not more than seven (7) days to cover deficiency in reserves against deposit liabilities, including those between or among banks and quasi-banks."

Section 199 has been amended to clearly identify what documents and instruments are not subject to DST. Items (c) to (n), except item (d) which was part of then Section 180 and incorporated in this amended Section, are new.

For clarity and to avoid confusion, Section 199(g) of the Code, as amended, shall refer exclusively to debt instruments.

Derivatives exempted from DST under Section 199 (h) of the Code, as amended, shall refer only to those derivatives issued by entities duly licensed by the Bangko Sentral ng Pilipinas (BSP) to issue and trade in derivatives, and whose issuance is duly authorized by the Bangko Sentral ng Pilipinas (BSP).

The exemption for bank deposit accounts without a fixed term or maturity provided under Section 199 (k) of the Code, as amended, shall apply only to deposit account which does not qualify under the provisions of Section 5 of these Regulations.

The exemption on transfer of property pursuant to Section 40(c)(2) of the National Internal Revenue Code of 1997, as amended, provided for under Section 199(m) refers to the DST due on the deed transferring the property. However, the shares of stocks issued in exchange for said property is subject to the DST due under Sections 174 if they are original issues.

For clarity and to avoid confusion, for interbank call loans with maturity of not more than seven (7) days, including those between or among banks and quasi-banks, the same must have been made strictly to cover deficiency in reserves against deposit liabilities for the same to be exempted from DST as provided for in Section 199(n) of the Code as amended.

SECTION 10. ***Applicability of the DST law on Electronic Documents.*** –

The DST rates as imposed under the Code, as amended by R.A. 9243 shall be applicable on all documents not otherwise expressly exempted by the said law, notwithstanding the fact that they are in electronic form. As provided for by R.A. 8792, otherwise known as the Electronic Commerce Act, electronic documents are the functional equivalent of a written document under existing laws, and the issuance thereof is therefore tantamount to the issuance of a written document, and therefore subject to DST.

SECTION 11. ***Repealing Clause.*** –

All existing rules and regulations or parts thereof, which are inconsistent with the provisions of these regulations, are hereby repealed, amended or modified accordingly.

SECTION 12. ***Effectivity.*** –

These regulations shall apply to all transactions made or to documents/instruments executed or issued as of March 20, 2004, the date when R. A. No. 9243 took effect.

(Original Signed)
JUANITA D. AMATONG
Secretary of Finance

Recommending Approval:

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue