

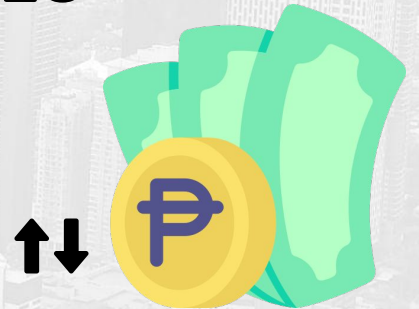


Refined DOF Proposal on the Package 4 of the Comprehensive Tax Reform Program

Presentation of the Department of Finance
Senate Committee on Ways and Means Hearing
12 February 2024

Goal of the Refined DOF Proposal

- **Frontloading** the implementation of the **revenue-increasing provisions** in 2024
- **Backloading** some of the administration of **revenue-eroding provisions** in 2028 when the country is in a better fiscal position



Summary of Proposed Tax Rates under Package 4

Taxes on Passive Income

Type of Tax	HB 4339	Old DOF Proposal (October 2023)	Refined DOF Proposal (February 2024)
1. Interest income [Secs. 24(B)(1), 25(A)(2), 25(B), 27(D)(1), 28(A)(7), 28(B)(1)]	20% regardless of the maturity or term, issuer, and currency Revenue (2024-2028): P30.8B	15% Revenue (2024-2028): -P109.3B	20% Revenue (2024-2028): P30.8B
a. Savings Deposits	20% Revenue (2024-2028): -P0.1B	Gradual reduction by 1% until it reaches 15% in 2028 Revenue (2024-2028): -P13.5B	20% Revenue (2024-2028): -P0.1B
b. Time Deposits	20% Revenue (2024-2028): P22.8B	Gradual reduction by 1% until it reaches 15% in 2028 Revenue (2024-2028): -P3.7B	20% Revenue (2024-2028): P22.8B
c. FCDUs	20% Revenue (2024-2028): P5.4B	Gradual reduction by 1% until it reaches 15% in 2028 Revenue (2024-2028): P3.3B	20% Revenue (2024-2028): P5.4B

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Taxes on Passive Income

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d. Deposit Substitutes	20% Revenue (2024-2028): -P1.2B	Gradual reduction by 1% until it reaches 15% in 2028 Revenue (2024-2028): -P2.8B	20% Revenue (2024-2028): -P1.2B
e. Long-term Negotiable Certificate of Deposits	20% Revenue (2024-2028): P3.8B	Gradual reduction by 1% until it reaches 15% in 2028 Revenue (2024-2028): P2.1B	20% Revenue (2024-2028): P3.8B
f. Treasury bills/bonds	20% Exempt from tax on interest income and gains from the transfer of project-specific bonds Revenue (2024-2028): P0.0B	Gradual reduction by 1% until it reaches 15% in 2028 Exempt from tax on interest income and gains from the transfer of project-specific bonds Revenue (2024-2028): -P75.6B	20% Exempt from tax on interest income and gains from the transfer of project-specific bonds Revenue (2024-2028): P0.0B

Summary of Proposed Tax Rates under Package 4

Taxes on Passive Income

Type of Tax	HB 4339	Old DOF Proposal (October 2023)	Refined DOF Proposal (February 2024)
g. Corporate bonds/ commercial bonds	20% Revenue (2024-2028): P0.0B	Gradual reduction by 1% until it reaches 15% in 2028 Revenue (2024-2028): -P19.1B	20% Revenue (2024-2028): P0.0B
2. Royalties [Secs. 24(B)(1), 25(A)(2), 25(B), 27(D)(1), 28(A)(7), 28(B)(1)]	2024 – 19% 2025 – 18% 2026 – 17% 2027 – 16% 2028 – 15% Revenue (2024-2028): -P6.6B	2024 – 19% 2025 – 18% 2026 – 17% 2027 – 16% 2028 – 15% Revenue (2024-2028): -P6.6B	Same as Tax Code until 2027 15% in 2028 Revenue (2028): -P2.7B
3. Prizes and Other Winnings [Secs. 24(B)(1), 25(A)(2)]	2024 – 19% 2025 – 18% 2026 – 17% 2027 – 16% 2028 – 15% Prizes amounting to P10,000 or less: PIT Revenue (2024-2028): -P8.6B	Same as Tax Code	Same as Tax Code

Summary of Proposed Tax Rates under Package 4

Taxes on Passive Income

Type of Tax	HB 4339	Old DOF Proposal (October 2023)	Refined DOF Proposal (February 2024)
4. PCSO Winnings [Secs. 24(B)(1), 25(A)(2)]	10% P10,000 or less: Exempt Revenue (2024-2028): -P6.2B	Same as Tax Code	Same as Tax Code
5. Dividend income [Secs. 24(B)(2), 25(A)(2), 25(B), 28(A)(6)(d), 28(B)(1)]	15% Revenue (2024-2028): P50.4B	15% Revenue (2024-2028): P50.4B	Same as Tax Code until 2027 10% in 2028 Revenue (2024-2028): -P6.6B
6. Stock Transaction Tax (Sec. 127(A))		2024 – 0.5% 2025 – 0.4% 2026 – 0.3% 2027 – 0.2% 2028 – 0.1%	Insertion of “OR LISTED AND TRADED IN BOTH A LOCAL AND FOREIGN STOCK EXCHANGE” (double listing). Revenue (2024-2028): -P28.7B

Summary of Proposed Tax Rates under Package 4

Taxes on Financial Intermediaries & Excise Tax on Pick-ups

Type of Tax	HB 4339	Old DOF Proposal (October 2023)	Refined DOF Proposal (February 2024)
1. Gross Receipts Tax (GRT) on banks and non-banks (Sec. 121)	5% of gross receipts from both lending and non-lending activities, regardless of maturity		Revenue (2024-2028): P27.2 billion (GRT on banks, non-banks, and NBFIs)
2. GRT on other non-bank financial intermediaries (Sec. 122)		5%	Revenue (2024-2028): P27.2 billion (GRT on banks, non-banks, and NBFIs)
3. GRT on lending investors [Sec. 108 (A)]		5% GRT	Revenue (2024-2028): -P1.4B
4. VAT on HMOs, pre-need, and pension funds (Sec. 123)		2% premium tax	Revenue (2024-2028): -P0.6 billion
1. Excise Tax on Pick-ups	Removed the exemption. The prevailing rates under the NIRC will apply. 4% to 50% depending on the net manufacturer's price/importer's selling.		Revenue (2024-2028): P33B

Summary of Proposed Tax Rates under Package 4

Taxes on Financial Transactions

Type of Tax	HB 4339	Old DOF Proposal (October 2023)	Refined DOF Proposal (February 2024)
1. Original issue of certificate of stocks (Sec. 174)	0.75%		
	Revenue (2024-2028): -P13.1 billion		
2. Sales, agreements to sell, memoranda of sales, deliveries or transfer of shares of or certificates of stock (Sec. 175)	Removed DST Revenue (2024-2028): -P2.6B	Removed DST Revenue (2024-2028): -P2.6B	Same as Tax Code until 2027, Removed in 2028 Revenue (2028): -P769M
3. Bonds, debentures, certificates of stock or indebtedness issued in any foreign country (Sec. 176)	0.75%		
4. Certificate of profits or interest of property or accumulations (Sec. 177)	Removed DST Revenue (2024-2028): -P17.01M		
5. Bank checks, drafts, certificates of deposit not bearing interest and other instruments (Sec. 178)	Removed DST Revenue (2024-2028): -P3.0B	Removed DST Revenue (2024-2028): -P3.0B	Same as Tax Code

Summary of Proposed Tax Rates under Package 4

Taxes on Financial Transactions

Type of Tax	HB 4339	Old DOF Proposal (October 2023)	Refined DOF Proposal (February 2024)
6. Debt instruments (Sec. 179)	0.75%		
7. All bills of exchange or drafts (Sec. 180)	Removed DST Revenue (2024-2028): -P1.2B	Removed DST Revenue (2024-2028): -P1.2B	Same as Tax Code until 2027, Removed in 2028 Revenue (2028): -P308M
8. Upon acceptance of bills of exchange and others (Sec. 181)	0.30%		
9. Foreign bills of exchange and letters of credit (Sec. 182)	0.30%		
10. Life insurance policies (Sec. 183)	No change in the tax rate. Transferred policies of annuities from Sec. 186. Revenue (2024-2028): -P1 thousand	No change in the tax rate. Transferred policies of annuities and pre-need plans from Sec. 186. Revenue (2024-2028): P0.3B	No change in the tax rate. Transferred policies of annuities and pre-need plans from Sec. 186. Revenue (2024-2028): P0.3B

Note: Green-filled cells contain differing provisions

Summary of Proposed Tax Rates under Package 4

Taxes on Financial Transactions

Type of Tax	HB 4339	Old DOF Proposal (October 2023)	Refined DOF Proposal (February 2024)
11. Policies of insurance upon property (Sec. 184)		2024 – 11.5% 2025 – 10.5% 2026 – 9.5% 2027 – 8.5% 2028 – 7.5% Revenue (2024-2028): -P16.1B	
12. Fidelity bonds and other insurance policies (Sec. 185)		2024 – 11.5% 2025 – 10.5% 2026 – 9.5% 2027 – 8.5% 2028 – 7.5% Revenue (2024-2028): -P1.4B	
13. Policies of annuities and pre-need plans (Sec. 186)	Transferred policies of annuities to Sec. 183 Policies of Pre-need: 0.2% Revenue (2024-2028): -P8 thousand	Transferred to life insurance policies (Sec. 183) Revenue (2024-2028): -P0.3B	Transferred to life insurance policies (Sec. 183) Revenue (2024-2028): -P0.3B

Note: Green-filled cells contain differing provisions

Summary of Proposed Tax Rates under Package 4

Taxes on Financial Transactions

Type of Tax	HB 4339	Old DOF Proposal (October 2023)	Refined DOF Proposal (February 2024)
14. Indemnity bonds (Sec. 187)	7.5%		
15. Certificates (Sec. 188)	Removed DST Revenue (2024-2028): -P8.1B	Removed DST Revenue (2024-2028): -P8.1B	Same as Tax Code until 2027, Removed in 2028 Revenue (2028): -P2.3B
16. Jai-alai, Horse-Racing Tickets, Lotto or Other Authorized Number Games (Sec. 190)	Same as Tax Code		
17. PCSO Lotto Tickets (Sec. 190)	10% Revenue (2024-2028): -P37.4B	Same as Tax Code	Same as Tax Code
18. Proxies for voting in any elections (Sec. 192)	Removed DST Revenue (2024-2028): -P1.4M		
19. Powers of attorney (Sec. 193)	Removed DST Revenue (2024-2028): -P72 thousand		

Summary of Proposed Tax Rates under Package 4

Taxes on Financial Transactions

Type of Tax	HB 4339	Old DOF Proposal (October 2023)	Refined DOF Proposal (February 2024)
20. Mortgages, pledges and deed of trust (Sec. 195)	0.3% Revenue (2024-2028): -P14.8B	0.3% Revenue (2024-2028): -P14.8B	Same as Tax Code 0.3% in 2028 Revenue (2024-2028): -P4.0B
21. Assignments and renewals of certain instruments (Sec. 198)	Same rate as imposed on the original document for renewals of instruments. Removed DST on assignments on certain instruments. Revenue (2024-2028): -P9.1M		

Preliminary Revenue Implications of Various P4 Proposals

Particulars	HB 4339						Original DOF Proposal						Refined DOF Proposal					
	Q3 2024	2025	2026	2027	2028	Total	Q3 2024	2025	2026	2027	2028	Total	Q3 2024	2025	2026	2027	2028	Total
Tax on passive income	6.0	9.0	7.8	5.7	2.5	31.0	1.8	-5.4	-16.3	-29.3	-45.2	-94.3	1.9	1.7	0.7	-0.5	-11.1	-7.3
Tax on financial intermediaries	2.5	6.9	7.9	9.2	10.6	37.1	2.5	6.9	7.9	9.2	10.6	37.1	2.5	6.9	7.9	9.2	10.6	37.1
Tax on financial transactions (DST)	-7.2	-17.4	-20.6	-24.3	-28.3	-97.8	-4.1	-10.3	-12.7	-15.2	-18.1	-60.4	-1.6	-4.7	-6.3	-8.1	-17.3	-38.1
Excise tax on pick-ups	2.9	6.4	7.1	7.9	8.7	33.0	2.9	6.4	7.1	7.9	8.7	33.0	2.9	6.4	7.1	7.9	8.7	33.0
Prospectivity	-1.6	-4.1	-4.8	-5.6	-6.5	-22.6	-1.6	-1.5	-0.3	1.4	3.6	1.6	-1.6	-4.1	-4.8	-5.6	3.6	-12.5
TOTAL	2.5	0.8	-2.6	-7.1	-12.9	-19.3	1.6	-3.9	-14.2	-26.1	-40.4	-83.0	4.0	6.1	4.6	2.9	-5.4	12.2



Thank you.

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