



Bringing In Revenues  
for Nation-Building

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**

NATIONAL OFFICE BUILDING  
QUEZON CITY



AUG 05 2025

REVENUE REGULATIONS NO. **021-2025**

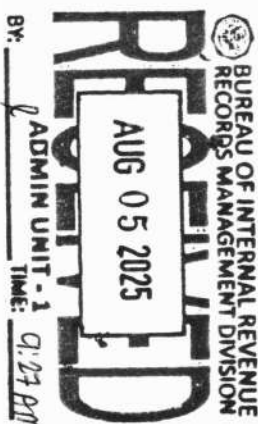
**SUBJECT :** Implementing the Amendments Introduced by Republic Act No. 12214, Otherwise Known as the "Capital Markets Efficiency Promotion Act" on Sections 22, 24, 25, 27, 28, 32, 34, 38, 39, and 42 of the National Internal Revenue Code of 1997, as Amended

**TO :** All Internal Revenue Officials, Employees and Others Concerned

**SECTION 1. SCOPE.** — Pursuant to Sections 244 and 245 of the National Internal Revenue Code of 1997, as amended (Tax Code), in relation to Sections 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, and 25 of Republic Act (RA) No. 12214, or the "*Capital Markets Efficiency Promotion Act*" (CMEPA), these Regulations are hereby promulgated to implement the amendments to Sections 22, 24, 25, 27, 28, 32, 34, 38, 39, and 42 of the Tax Code.

**SECTION 2. DEFINITION OF TERMS.** — For purposes of these Regulations, the following terms shall be taken to mean as follows:

- a. **Shares of stock** – refer to shares of stock of a corporation, warrants, options, as well as units of participation in partnerships (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.
- b. **Shareholder** – refers to a holder of shares of stock, warrants, options, as well as holder of a unit of participation in a partnership (except general professional partnerships), joint stock company, joint account, taxable joint venture, and holder of a mutual fund certificate, joint-stock company, or insurance company, or member in an association, recreation, or amusement club, such as golf, polo, or similar clubs.
- c. **Securities** – refer to shares, participation, or interest in a corporation, commercial enterprise, or profit-making venture evidenced by a certificate, contract, or instrument, whether written or electronic in character, which shall include:



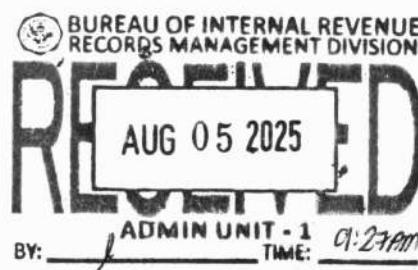
1. Shares of stock, bonds, debentures, notes, evidence of indebtedness, and asset-backed securities;
2. Investment contracts, certificates of interest, or participation in a profit-sharing agreement, such as certificates of deposit for a future subscription;
3. Fractional undivided interests in oil, gas, or other mineral rights;
4. Certificates of assignment, certificates of participation, trust certificates, voting trust certificates, or similar instruments;
5. Proprietary or non-proprietary membership certificates in corporations; and
6. Other similar instruments as may be determined by the Securities and Exchange Commission.

**d. Deposit substitute** – refers to an alternative form of obtaining funds from the public other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrower's own account, for the purpose of relending or purchasing of receivables and other obligations.

*Provided, that the term 'public' shall mean twenty (20) or more individual or corporate lenders at any given time. These instruments may include, but need not be limited to bankers' acceptances, promissory notes, repurchase agreements, 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.*

*Provided, however, 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.*

- e. Passive income** – refers to any income that is earned from sources that do not require a taxpayer's active pursuit and performance of trade or business and is not subject to value-added tax imposed in the Tax Code.
- f. Equity-based compensation** – covers all types of employee equity schemes that come in different forms such as stock options, restricted stock units, stock appreciation rights, and restricted share awards, which may or may not pertain



to the shares of stock of the grantor itself, but which all have the common feature of being granted to existing employees of the grantor as a performance incentive for services rendered by the employees and are typically dependent on performance, outstanding business achievements and, exemplary organizational, technical or business accomplishments.

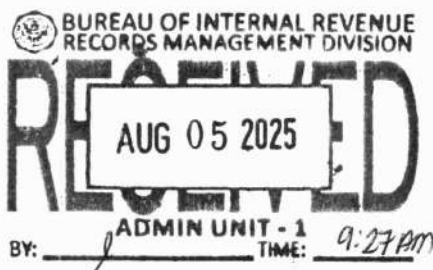
- g. **Stock options** – merely entitles the employee to purchase shares at a future date. Thus, unless the options are exercised, the employees do not become shareholders. The period between the grant of stock options and the date when they become exercisable represents the vesting period.
- h. **Restricted stock units** – stock units may or may not be subject to a vesting period, as will be specified in the grant. Settlement of vested stock may be made in the form of (i) shares, (ii) cash or (iii) a combination of shares and cash.
- i. **Stock appreciation rights** – the terms and conditions are similar to stock options. However, under the stock appreciation rights, the optionee may receive (i) shares, (ii) cash or (iii) a combination of shares and cash, as determined by the grantor.
- j. **Mutual Fund Company** – an open-end and close-end company as defined under the Investment Company Act.
- k. **Unit Investment Trust Fund** – an open-ended pooled trust fund denominated in peso or any acceptable currency, which is established, operated, and administered by a trust entity and made available by participation.

**SECTION 3. CERTAIN PASSIVE INCOME.** — The coverage of the uniform rates of tax on certain passive income pursuant to Sections 24, 25, 27 and 28 of the Tax Code, as further amended by the CMEPA, is as follows:

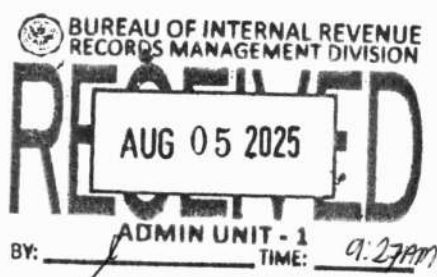
**INDIVIDUAL**  
(Effective July 1, 2025)

**A. Citizen, Resident Alien, and Non- Resident Alien Engaged in Trade or Business**

Sections of the Tax Code	Particulars	Income Tax Rate
Sections 24(B)(1) and 25(A)(1), in relation to the last paragraph of Section 27(D)(2)	Interest, yield, or any other monetary benefit earned from any currency bank deposit or deposit substitute, trust funds and other similar arrangements, regardless of their nature or tenure, except income of	20%



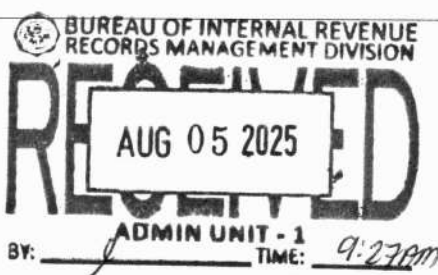
	non-residents, whether individuals or corporations, from transactions with depositary banks under the expanded system which shall be exempt from income tax	
Sections 24(B)(1) and 25(A)(1)	Prizes (except prizes amounting to P10,000 or less which shall be subject to graduated tax rates under Section 24[A] of the Tax Code)	20%
Sections 24(B)(1) and 25(A)(1)	Other Winnings (except winnings amounting to P10,000 or less from Philippine Charity Sweepstakes and Lotto which shall be exempt)	20%
Sections 24(B)(2) and 25(A)(2)	Cash and/or Property Dividends	10% - except for Non-Resident Alien Engaged in Trade or Business which is subject to income tax rate of 20%
Sections 24(B)(3) and 25(A)(1)	Capital Gains – Sale, exchange or other disposition of shares of stock in a domestic or foreign corporation <u>not traded</u> in a local or foreign stock exchange  (Note: Shares of a domestic corporation sold or disposed of through a local or foreign stock exchange are subject to stock transaction tax, in lieu of capital gains tax, under Section 127 (A) and (B) of the Tax Code)	15%
Sections 24(B)(4) and 25(A)(1)	Capital Gains from Sale of Real Property	6% on gains presumed to have been realized from the sale, exchange, or other disposition of real property (capital assets)
Sections 24(B)(5)	Royalties earned as Passive Income	20%



and 25(A)(1)		
Sections 24(B)(5) and 25(A)(1)	Royalties on books, as well as other literary works and musical compositions	10%
Section 25(A)(3), in relation to Section 28	Cinematographic films and similar works by a Non-Resident Cinematographic Film Owner, Lessor or Distributor	25%
Section 27(D)(2)	Any income of non-residents from transactions with depositary banks under the expanded system	Exempt

**B. Non- Resident Alien Not Engaged in Trade or Business**

Sections of the Tax Code	Particulars	Income Tax Rate
Section 25(B), in relation to Section 27(D)(2)	Interest, yield, or any other monetary benefit earned from any currency bank deposit or deposit substitute, trust funds and other similar arrangements, regardless of their nature or tenure, except income from transactions with depositary banks under the expanded system which shall be exempt from income tax	25% <i>(or the tax treaty rate)</i>
Section 25(B)	Cash and/or Property Dividends	25% <i>(or the tax treaty rate)</i>
Section 25(B)	Rents, royalties, salaries, wages, premiums, annuities, compensation, remuneration, emoluments, or other fixed or determinable annual or periodic or casual gains, profits, and income.	25% <i>(or the tax treaty rate on royalties)</i>
Section 25(B), in relation to Section 24(B)(3)	Capital Gains – Sale, exchange or other disposition of shares of stock <u>not traded</u> in a local or foreign stock exchange  <i>(Note: Shares sold or disposed of through a local or foreign stock exchange are subject to stock transaction tax, in lieu of capital gains tax, under Section 127 (A) and (B) of the Tax Code)</i>	15% <i>(or the tax treaty rate)</i>
Section 25(B), in relation to Section 24(B)(4)	Sale of real property	6% on gains presumed to have been realized from the sale, exchange, or other

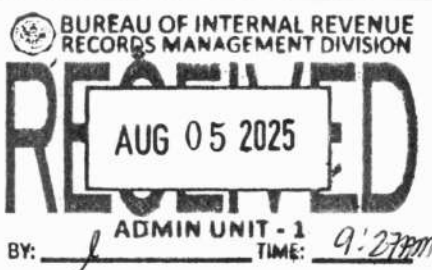


		disposition of real property (capital assets)
Section 27(D)(2)	Any income of non-residents from transactions with depositary banks under the expanded system	Exempt

**CORPORATIONS**  
(Effective July 1, 2025)

**A. Domestic and Resident Foreign Corporations**

Sections of the Tax Code	Particulars	Income Tax Rate
Sections 27(D)(1) and 28(A)(1)	Interest, yield, or any other monetary benefit earned from any currency bank deposit or deposit substitute, trust funds and other similar arrangements, regardless of their nature or tenure	20%
Sections 27(D)(2) and 28(A)(6)	Income derived by a depositary 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 depositary banks under the expanded foreign currency deposit system, <i>except net income from such transactions as may specified by the Secretary of Finance, upon recommendation by the Monetary Board to be subject to the regular income tax payable by banks</i>	Exempt from all taxes
Sections 27(D)(2) and 28(A)(6)	Interest income from foreign currency loans granted by such depositary banks under said expanded systems to residents other than offshore banking units in the Philippines or other depositary banks under the expanded system	10%

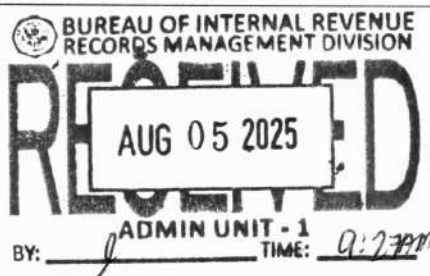




Sections 27(D)(3) and 28(A)(1)	Intercompany dividends received from a domestic corporation	Exempt
Section 27(D)(4)	Capital Gains – Sale, exchange or other dispositions of shares of stock of a domestic or foreign corporation <u>not traded</u> in a local or foreign stock exchange (Note: shares sold or disposed of through a local or foreign stock exchange are subject to stock transaction tax, in lieu of capital gains tax, under Section 127 (A) and (B) of the Tax Code)	15%
Section 27(D)(5)	Capital Gains Realized from the Sale, Exchange, or Disposition of Land and/or Buildings (for Domestic Corporations)	6% on the gain presumed to have been realized on the sale, exchange or disposition of lands and/or buildings (capital assets)
Sections 27(D)(6) and 28(A)(1)	Royalties earned as Passive Income	20%

**B. Non-Resident Foreign Corporations**

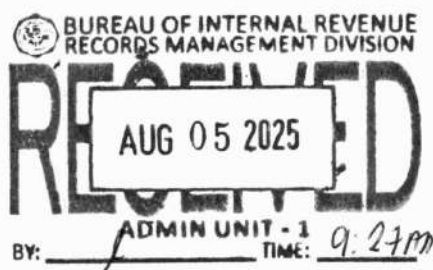
Sections of the Tax Code	Particulars	Income Tax Rate
Section 28(B)(1), in relation to Section 28(A)(6)	Interest, yield, or any other monetary benefit earned from any currency bank deposit or deposit substitute, trust funds and other similar arrangements, regardless of their nature or tenure, except income from transactions with depositary banks under the expanded system which shall be exempt from income tax	25% <i>(or the tax treaty rate)</i>
Section 28(B)(5)(b)	Cash and/or Property Dividends received from a domestic corporation	15% subject to the condition that the country of residence of the corporate



		shareholder allows a credit of 10% tax deemed to have been paid in the Philippines or that the country of residence of the corporate shareholder does not impose any tax on the dividends ( <i>or the tax treaty rate</i> )
Section 28(B)(1)	Rents, royalties, salaries, premiums (except reinsurance premiums) annuities, compensation, emoluments, or other fixed or determinable annual, periodic or casual gains, profits, and income, and capital gains, except capital gains subject to tax under Sec 28 (A)(1)	25% ( <i>or the tax treaty rate on royalties</i> )
Section 28(B)(5)(c)	Capital Gains – Sale, exchange or other dispositions of shares of stock of a domestic corporation <u>not traded</u> in a local or foreign stock exchange  ( <b>Note:</b> Shares sold or disposed of through a local or foreign stock exchange are subject to stock transaction tax, in lieu of capital gains tax, under Section 127 (A) and (B) of the Tax Code)	15% ( <i>or the tax treaty rate</i> )
Section 28(A)(6)(b)	Any income of non-resident corporations from transactions with depository banks under the expanded system	Exempt

If the income is generated in the active pursuit and performance of the corporation's primary purposes, the same is not passive income.<sup>1</sup> For VAT purposes, in the course of trade or business includes transactions incidental thereto. Also, the rule of regularity to the contrary

<sup>1</sup> Chamber of Real Estate and Builders' Associations, Inc. v. Executive Secretary, G.R. No. 160756, March 9, 2010, En Banc.





notwithstanding, the following shall be considered as being rendered in the course of trade or business in the Philippines and, thus, subject to VAT:<sup>2</sup>

1. Services rendered in the Philippines by non-resident foreign persons; and
2. Digital services delivered by non-resident digital service providers consumed in the Philippines.

**SECTION 4. INCLUSION IN THE GROSS INCOME.** — As provided in Section 8 of the CMEPA, amending Section 32 of the Tax Code, the following items are included as part of the gross income. These are:

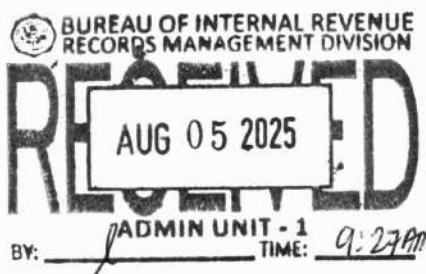
- (1) Equity-based compensation, such as stock options, restricted stock units, stock appreciation rights, and similar items: *Provided*, that equity-based compensation shall be included in the gross income at the time of exercise.<sup>3</sup>
- (2) Gains realized from the sale or exchange or retirement of bonds, debentures or other certificate of indebtedness including those with a maturity period of more than five (5) years. Thus, if traded thru a local or foreign stock exchange, subject to stock transaction tax (STT) under Section 127 of the Tax Code; otherwise, subject to ordinary income tax (graduated rates) for individual and regular corporate income tax for corporation.

**SECTION 5. EXCLUSION FROM GROSS INCOME.** — Pursuant to Section 8 of the CMEPA, amending Section 32(B)(7) of the Tax Code, there are additional items excluded from gross income, which means that these items are also exempt from income tax. These are:

- (1) **Interest Income and Gains from the Sale, Transfer, or Disposition of Project-Specific Bonds.** — Specific bonds that are issued by the Republic of the Philippines or any of its instrumentalities to finance capital expenditures or programs covered by the Philippine Development Plan or its equivalent and other high-level priority programs of the national government, as determined by the Secretary of Finance.
- (2) **Gains from Redemption of Shares or Units of Participation in Mutual Fund and Unit Investment Trust Fund.** — Gains realized by the investor upon redemption of shares of stock in a mutual fund company as defined in Section 22 (BB) of the Tax Code, or units of participation in a Mutual Fund or Unit Investment Trust Fund: *Provided*, that prior to such redemption, final

<sup>2</sup> Sections 105 and 114 (C) of the Tax Code, as amended by RA 12023 entitled as “An Act Amending Sections 105, 108, 109, 110, 113, 114, 115, 128, 236, And 288 And Adding New Sections 108-A and 108-B of The National Internal Revenue Code of 1997, as Amended”.

<sup>3</sup> The tax treatment of equity-based compensation is set forth in Revenue Regulations (RR) No. 13-2022, as further clarified in Revenue Memorandum Circular (RMC) No. 143-2022, which are being adopted in these Regulations for purposes of this Section.



taxes due on realized gains have been previously withheld at the level of the underlying assets.

**SECTION 6. ADDITIONAL ALLOWABLE DEDUCTIONS.** — Section 9 of the CMEPA, amending Section 34 of the Tax Code, provides that, in the case of securities held by a dealer in securities or an entity licensed by the appropriate government regulatory agencies to buy and sell securities either for the entity's own account or for the account of others, including banks and other financial intermediaries, said securities will be considered as ordinary assets and if ascertained to be worthless, such instruments will be considered as ordinary losses that are allowed as deduction from the taxable income.

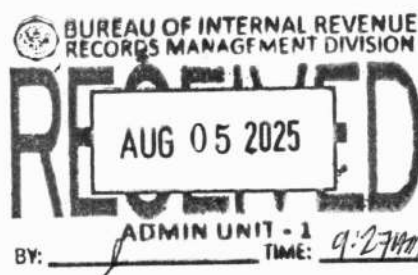
Section 9 of the CMEPA likewise provides that fifty percent (50%) of the employer's actual contribution made to Personal Equity and Retirement Accounts (PERA) under RA No. 9505 shall be an additional deduction from gross income, subject to compliance with the requirements set forth therein.

**SECTION 7. ENTITIES ALLOWED TO CLAIM LOSSES FROM WASH SALES OF STOCK OR SECURITIES AS AN ALLOWABLE DEDUCTION.** — As provided in Section 10 of the CMEPA, amending Section 38 of the Tax Code, aside from dealer in stock or securities, any entity or financial intermediary duly licensed by the appropriate government regulatory agencies to buy and sell securities either for the entity's own account or for the account of others can likewise claim deduction under Section 34 of the Tax Code for the loss from wash sales of stocks or securities provided that such loss arises out of transactions made in the ordinary course of the business of such dealer, entity, or financial intermediary.

**SECTION 8. NON-APPLICABILITY OF THE LIMITATION ON CAPITAL LOSSES TO DEALER IN SECURITIES OR OTHER FINANCIAL INTERMEDIARY.** — Pursuant to Section 11 of the CMEPA, amending Section 39 of the Tax Code, the limitation of capital losses under Section 39 (C) of the Tax Code does not apply to dealer in securities or other entity or financial intermediary duly licensed by the appropriate government regulatory agencies to trade in securities that 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.

**SECTION 9. SOURCES OF INTEREST INCOME IN THE PHILIPPINES.** — Pursuant to Section 12 of the CMEPA, amending Section 42 of the Tax Code, interest income from debt instruments, bank deposits, deposit substitutes, trust funds, and other similar arrangements, such as bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, regardless of the place of execution of said instruments, including debt instruments or debt securities issued by the government or any of its agencies or instrumentalities, are also considered sourced within the Philippines.

**SECTION 10. TRANSITORY PROVISION.** — Any tax exemption and preferential rate on financial instruments issued or transacted prior to July 1, 2025, shall be subject to the prevailing tax rate at the time of its issuance for the remaining maturity of the relevant agreement.



The prevailing rate or tax exemption prior to July 1, 2025 shall apply only for the remaining maturity of the relevant agreement if the following conditions are present:

1. The financial instrument was issued or transacted prior to July 1, 2025 as evidenced by the instrument itself or any other relevant agreement either in written or electronic format;
2. The instrument itself or agreement provides for the maturity period of the financial instrument as agreed upon or stated in the instrument which is beyond July 1, 2025; and
3. There is no change in the maturity date or remaining period of coverage from that of the original document or agreement, and no renewal or issuance of new instrument to replace the old ones, starting July 1, 2025.

**SECTION 11. SEPARABILITY CLAUSE.** — If any of the provisions of these Regulations is subsequently declared invalid or unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

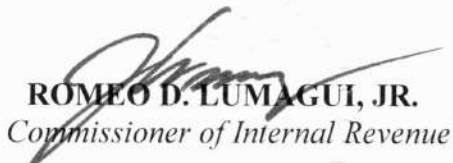
**SECTION 12. REPEALING CLAUSE.** — All other issuances and rules and regulations or parts thereof which are contrary to and inconsistent with the provisions of these Regulations are hereby repealed, amended or modified accordingly.

**SECTION 13. EFFECTIVITY CLAUSE.** — These Regulations shall take effect on July 1, 2025, following its publication in the Official Gazette or the Bureau of Internal Revenue's official website, whichever comes first.

  
**RALPH G. RECTO**  
Secretary of Finance  
JUL 29 2025



**Recommending Approval:**

  
**ROMEO D. LUMAGUI, JR.**  
Commissioner of Internal Revenue

