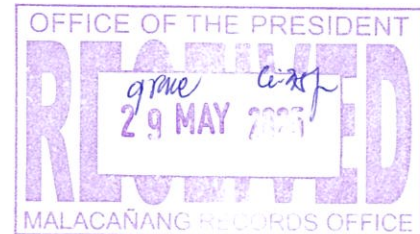




Office of the President
Malacañang

MAY 29 2025

REP. FERDINAND MARTIN G. ROMUALDEZ
Speaker of the House
House of Representatives
Batasan Hills, Quezon City



Mr. Speaker:

We respectfully transmit herewith two original copies of:

R. A. No. 12214 – “AN ACT AMENDING SECTIONS 22, 24, 25, 27, 28, 32, 34, 38, 39, 42, 51, 52, 56, 57, 127, 149, 174, 176, 179, 190, 199, AND 258 OF REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES,”

which was signed by President Ferdinand R. Marcos, Jr., together with his line-veto message in accordance with Article VI, Section 27(2) of the Constitution, which provides that “*the President shall have the power to veto any particular item or items in an appropriation, revenue, or tariff bill.*”

Best regards.

Very truly yours,


LUCAS P. BERSAMIN
Executive Secretary



Copy furnished:

Sen. Francis “Chiz” G. Escudero
Senate President
Senate of the Philippines
Pasay City

Secretary Mark Llandro L. Mendoza
Presidential Adviser on Legislative Affairs and Head
Presidential Legislative Liaison Office
2/F New Executive Building
Malacañang, Manila



BAGONG PILIPINAS



MALACAÑAN PALACE
MANILA

29 May 2025

THE HONORABLE SPEAKER
and Members of the House of Representatives
House of Representatives
Batasan Hills, Quezon City

Ladies and Gentlemen:

In order to enhance the efficiency of the country's financial and capital markets, I sign into law enrolled Senate Bill No. 2804 / House Bill No. 11230, entitled:

"AN ACT AMENDING SECTIONS 22, 24, 25, 27, 28, 32, 34, 38, 39, 42, 51, 52, 56, 57, 127, 149, 174, 176, 179, 190, 199, AND 258 OF REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES."

The Capital Markets Efficiency Promotions Act (CMEPA) marks a significant milestone in our government's broader fiscal reform agenda as it promotes a simpler, fairer, and more regionally competitive tax system. By harmonizing the taxation of passive income across financial instruments and reducing transaction costs, we will be able to attract investments and ensure wider public participation in the capital markets. This measure is also expected to increase our revenue base and contribute to fiscal sustainability with positive revenue gains.

As such, I commend the leadership of both Houses for passing this long-overdue and transformative measure.

Nonetheless, I am unable to fully support certain provisions of the bill that may undermine the clarity and coherence of our tax system, generate policy inconsistencies, and possibly result in adverse fiscal consequences that could defeat the genuine aims of this reform. We seek a tax policy that enhances investor confidence, preserves fiscal prudence, and builds public trust in our system. It is in this spirit that I am constrained to veto certain provisions in the enrolled bill.

THE PRESIDENT OF THE PHILIPPINES

I hereby register the following line-item vetoes in accordance with Article VI, Section 27(2) of the Constitution:

1. On the removal of the tax exemption on nonresidents' income from their transactions with Foreign Currency Deposit Units (FCDUs):

I veto the deletion of the following paragraph from Sections 27(D)(3) and 28(A)(6)(b) of the Tax Code under **Sections 6 and 7**, respectively, of the enrolled bill, and recommend its retention:

"Any income of nonresidents, whether individuals or corporations, from transactions with depository banks under the expanded system shall be exempt from income tax."

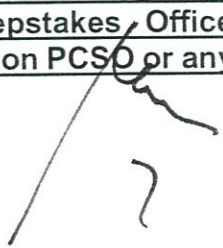
This paragraph embodies a long-recognized exemption, which has contributed to the country's financial openness, foreign currency liquidity, and capital market stability. Removing the exemption may dampen the country's competitiveness in attracting foreign capital. Thus, to ensure policy consistency and the continued effectiveness of the tax exemption for nonresident FCDU transactions, **I veto its deletion, thereby retaining the paragraph as part of the proposed amended Section 27(D)(2) and Section 28(A) of the tax Code under the enrolled bill.**

2. On the express imposition of documentary stamp tax (DST) on bettors in authorized number games:

I veto the last paragraph of **Section 22** of the bill, amending Section 190 of the Tax Code, to wit:

"SEC. 22. Section 190 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 190. Stamp Tax on Jai-Alai, Horse Racing Tickets, Lotto or Other Authorized Numbers Games. – On each jai-alai, horse race ticket, lotto, or other authorized numbers game, there shall be collected a documentary stamp tax of Twenty centavos (P0.20): *Provided*, That if the cost of the ticket exceeds One peso (P1.00), an additional tax of Twenty centavos (P0.20) on every One peso (P1.00), or fractional part thereof, shall be collected: *Provided, further, That the documentary stamp tax on lotto and other numbers games conducted by the Philippine Charity Sweepstakes Office (PCSO) shall be imposed on the bettor and not on PCSO or any of its funds.*" [underscoring supplied]



Our taxation system treats the DST as an indirect tax, which can be passed on. Expressly imposing the tax burden on particular persons may undermine its neutrality and potentially affect revenues from legal gaming activities and the revenue collection of government agencies, which serve as a funding source for critical programs.

3. On the repeal of the tax exemptions granted to the Philippine Guarantee Corporation (PHILGUARANTEE):

I veto **Section 27(m)** of the bill, to wit:

“SEC. 27. Repealing Clause. – The following laws or provisions of laws are hereby repealed or modified accordingly:

xxx

(m) Sections 5 and 19, in so far as the tax exemptions on interest income, documentary stamp tax, and on the issuance of bonds are concerned, of Republic Act No. 8763, otherwise known as the “Home Guaranty Corporation Act of 2000”;
[underscoring supplied]

PHILGUARANTEE's tax exemptions are necessary to fulfill its mandate to support low-cost socialized housing, which aligns with our national housing program without increasing direct expenditures. The retention of the exemption would maintain the provision of decent and affordable housing to underprivileged sectors.

The CMEPA enables a more equitable tax system that establishes an important foundation for financial inclusion that empowers the people to invest and participate in the nation's economic growth. With the refinement of this Act, we are able to balance the competitiveness of our capital markets and preserve fiscal stability, while averting the unintended reversals. May this legislation reaffirm our commitment to responsible fiscal management and lead to a stronger, more inclusive, and resilient economy.

Very truly yours,



Copy furnished:

SEN. FRANCIS "CHIZ" G. ESCUDERO
Senate President
Senate of the Philippines
Pasay City

SECRETARY MARK LLANDRO L. MENDOZA
Head
Presidential Legislative Liaison Office
2nd Floor, New Executive Building
Malacañang, Manila