



**BDB Law**

DU-BALADAD AND ASSOCIATES

# ADVISORY for FINANCIAL INSTITUTIONS

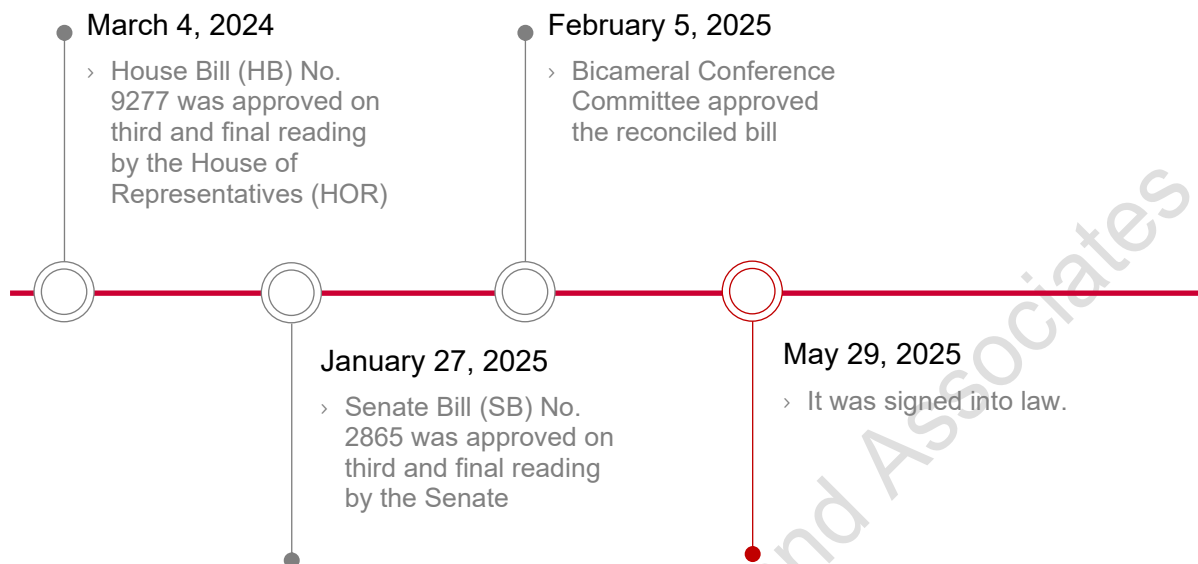
VOL. 1 • SERIES OF 2025

Amendments introduced by Capital  
Markets Efficiency Promotion Act  
or CMEPA

# CAPITAL MARKETS EFFICIENCY AND PROMOTION ACT

## Amendments

### I. Timeline



### II. Definitions

Terminologies	Current	Amendment
Deposit Substitute	Includes reverse repurchase agreements	<b>Excludes</b> reverse repurchase agreements
Securities	Expressly included shares, bonds, debentures, notes or certificates, or other evidence of indebtedness	<b>Expressly additionally</b> included: <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Asset backed securities</li> <li><input checked="" type="checkbox"/> Investment contracts, certificates of interest, or participation in profit-sharing agreement</li> <li><input checked="" type="checkbox"/> Fractional undivided interest</li> <li><input checked="" type="checkbox"/> Certificates of assignments and other similar instruments</li> <li><input checked="" type="checkbox"/> Proprietary/non-proprietary membership certificates</li> <li><input checked="" type="checkbox"/> Other similar instruments as determined by SEC</li> </ul>

### III. Gross Income and Deductions

Particulars	Current	Amendment
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## CAPITAL MARKETS EFFICIENCY AND PROMOTION ACT

Equity-based compensation at the time of exercise	Included in gross income at time of exercise but no express provision in the Tax Code	With express provision that it is included in gross income at time of exercise
Exclusions from gross income	Gains from sale or retirement of bonds, debentures, or other certificate of indebtedness with maturity of more than 5 years	Interest income and gains from sale, transfer or disposition of specific bonds issued by the Republic of the Philippines or any of its instrumentalities to finance capital expenditures or programs covered by the Philippine Development Plan and equivalent and other high-level priority programs of the national government
	Gains from redemption of shares in mutual funds	Gains from redemption of shares or units of participation in mutual funds and UITFs  <i>Condition: Final taxes on the realized gains have been previously withheld at the level of the underlying assets.</i>
Additional allowable deductions for Personal Equity and Retirement Account	Deductible	Deductible but with additional deduction of 50%

### IV. Taxation of Passive Income and Stock Transaction Tax

Particulars	Current	Amendment		
Withholding tax on interest from long-term deposits of individuals (Resident Citizen, Nonresident Citizen, Resident Alien, Nonresident Alien Engaged in Trade or Business)	Exempt, except if pre-terminated, in which case subject to tax, based on remaining maturity:	20%		
	<table border="1"> <thead> <tr> <th>Maturity</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>4 to less than 5 years</td> <td>5%</td> </tr> </tbody> </table>		Maturity	Rate
Maturity	Rate			
4 to less than 5 years	5%			

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Note: 25% tax for Nonresident Alien Not Engaged in Trade or Business remains the same	3 to less than 4 years	12%	
	Less than	20%	
Sale of unlisted and untraded shares subject to 15% capital gains tax	Sale of unlisted domestic shares not traded thru local stock exchange	Sale of unlisted domestic or foreign shares not traded thru local or foreign stock exchange	
Sale of listed and traded shares subject to stock transaction tax	Sale or exchange of shares of stock listed and traded through local stock exchange	Sale of shares of stock and other securities listed and traded through local or foreign stock exchange	
	Initial public offering	<i>Deleted</i>	
Stock transaction tax rate	0.60% of gross selling price	0.10% of gross selling price	
Duty to pay stock transaction tax	Stock broker	Stock broker. However, the remittance of the stock transaction tax on the sale of shares of domestic corporation (listed in local and foreign) will be in accordance with the RR promulgated by the Secretary of Finance	

### V. Documentary Stamp Taxes

Particulars	Current	Amendment								
Original issuance of shares	P2.00 on each P200.00 of the par value or actual consideration = 1%	75% of 1% of the par value or actual consideration, as the case may be = 0.75%								
Original issuance of debt instruments	P1.50 on each P200.00 of the par value or actual consideration = 0.75%	75% of 1% of the issue price = 0.75%								
Sale or transfer of bonds, debentures, certificates of stock or indebtedness issued in foreign countries  (sold or transferred in the Philippines)	<table border="1"> <thead> <tr> <th>Security</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>Stock w/ par</td> <td>P1.50 on each P200.00 = 0.75%</td> </tr> <tr> <td>Stock w/o par</td> <td>P1.00 on each P200.00 = 0.50%</td> </tr> <tr> <td>Debt</td> <td>Exempt (RR No. 13-2004)</td> </tr> </tbody> </table>	Security	Rate	Stock w/ par	P1.50 on each P200.00 = 0.75%	Stock w/o par	P1.00 on each P200.00 = 0.50%	Debt	Exempt (RR No. 13-2004)	75% of 1% of the value of the transaction (stock and debt) = 0.75%
	Security	Rate								
	Stock w/ par	P1.50 on each P200.00 = 0.75%								
Stock w/o par	P1.00 on each P200.00 = 0.50%									
Debt	Exempt (RR No. 13-2004)									

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	DST is collected from the person selling or transferring the instrument in the Philippines	
Original issuance of shares in mutual funds  <i>Mutual fund certificates are considered shares of stock under Section 22(L), Tax Code</i>	P2.00 on each P200.00 of the par value or actual consideration = 1%	Exempt
Redemption and other disposition of shares in mutual funds	Exempt	Exempt
Issuance of certificate or other evidence of participation in mutual fund or UITF	P30.00	Exempt
DST on loan agreement or promissory notes issued to secure such loan	One DST is imposed	One DST is imposed  Now includes promissory notes, mortgage, security interest over personal property and other contracts issued to secure such loan

### VI. Taxation of Investor Income from FCDU

Particulars	Current	Amendment
Interest income of resident investor	15% final tax	20% final tax
Interest income of nonresident investor	Exempt from income tax	NRC, NRAETB – 20% final tax  NRANETB, NRFC – 25% final tax  <i>Note: This was vetoed by the President.</i>
Other income of resident investor	RC, RA – 0% to 35%  DC, RFC – 25% RCIT	RC, RA – 0% to 35%  DC, RFC – 25% RCIT
Other income of nonresident investor	Exempt from income tax	NRC, NRAETB – 0% to 35%

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		<p>NRANETB, NRFC – 25% final tax</p> <p><i>Note: This was vetoed by the President.</i></p>
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Notes:

- ✓ Residents refer to: Resident Citizens (RC); Resident Aliens (RA); Domestic Corporations (DC); and Resident Foreign Corporations (RFC)
- ✓ Nonresidents refer to: Nonresident Citizens (NRC); Nonresident Aliens Engaged in Trade/Business (NRAETB); Nonresident Aliens Not Engaged in Trade/Business (NRANETB); and Nonresident Foreign Corporations (NRFC)

## VII. 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 issuance for the remaining maturity of relevant agreement.

## Learn more:

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