

What's Inside...

INSIGHTS is a monthly publication of BDB LAW to inform, update and provide perspectives to our clients and readers on significant tax-related court decisions and regulatory issuances (includes BIR, SEC, BSP and various government agencies).

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HIGHLIGHTS for JULY 2025

HIGHLIGHTS

COURT OF TAX APPEALS DECISIONS

- Though the CTA generally has jurisdiction over decisions of the CIR on assailed assessments, the CTA cannot assume authority over intra-governmental disputes. (***National Museum of the Philippines vs. Commissioner of Internal Revenue CTA Case No. 11946, July 4, 2025***)
- An assessment that fails to provide a definite amount, or that is based on a due date that has already lapsed, deprives the taxpayer of the opportunity to be informed and violated the fundamental requirements of due process. (***I-Cyberworld Biz, Inc. vs. Bureau of Internal Revenue CTA Case No. 10827, July 10, 2025***)
- No court shall act upon an initiatory pleading unless it is accompanied by an electronic transmittal. If such electronic transmittal is not completed within the prescribed 24-hour period, the initiatory pleading shall be deemed not filed. (***Syndtite Construction Corporation vs. Commissioner of Internal Revenue, CTA Case No. 11964, July 11, 2025***)
- To determine the duration of the suspension vis-a-vis the prescriptive period to collect from 2020-2022, consideration should be given to the quarantine restrictions imposed from 01 June 2020 up to 15 March 2022. (***Eagle's Wings Construction Phils. Inc. vs. Commissioner of Internal Revenue CTA Case No. 11776 July 16, 2025***)

BIR ISSUANCES

- **RMC No. 065-2025, July 2, 2025** – This provides for the registration of Books of Accounts of new business registrants.
- **RMC No. 066-2025, July 2, 2025** – This provides for clarifications in issues pertaining to compliance with documentary requirements for local suppliers when providing goods or services to Registered Business Enterprise (RBE)-buyers that export goods/services.
- **RMO No. 034-2025, July 4, 2025** – This provides for the issuance of CTCs of CIR's Decisions.

SEC ISSUANCES

- **SEC OGC Opinion No. 25-10, dated 7 July 2025** – Foreigners may be nominated and elected to two (2) out of five (5) seats in the Boards of Directors of a condominium corporation.

COURT OF TAX APPEALS

DECISION HIGHLIGHTS

Though the CTA generally has jurisdiction over decisions of the Commissioner of Internal Revenue on assailed assessments, the CTA cannot assume authority over intra-governmental disputes.

The taxpayer, a trust of the government and is classified as a national government agency, filed a Verified Appeal praying that the Court reverse and set aside BIR's Decision regarding the assessment for deficiency taxes against the taxpayer.

Though the CTA generally has jurisdiction over decisions of the CIR on assailed assessments, the CTA cannot assume authority over intra-governmental disputes. Considering that the commissioner of the BIR is a government authority, the case at bar is an intra-governmental dispute.

Such disputes must instead be brought before the Department of Justice, the Office of the Solicitor General, or the Office of Government Corporate Counsel, as the case may be.

Thus, the Court consequently lacks jurisdiction over the case. (*National Museum of the Philippines vs. Commissioner of Internal Revenue CTA Case No. 11946, July 4, 2025*)

An assessment that fails to provide a definite amount, or that is based on a due date that has already lapsed, deprives the taxpayer of the opportunity to be informed and the fundamental requirements of due process.

On February 13, 2019, the taxpayer received a Formal Letter of Demand dated February 11, 2019 and a Final Assessment Notices issued on January 3, 2019 indicating a due date of January 31, 2019.

The Court categorically held that a FAN must contain a definite amount of tax liability and a clear demand for payment within a specific period. An assessment that fails to provide a definite amount, or that is based on a due date that has already lapsed, deprives the taxpayer of the opportunity to be informed and violated the fundamental requirements of due process. Here, the FAN issued on January 3, 2019 indicated a due date of January 31, 2019 was only received on February 12, 2019. The BIR cannot set a due date that has already lapsed by the time the assessment is received.

Hence, the FLD and FAN are void for violating the taxpayer's right to due process. (*I-Cyberworld Biz, Inc. vs. Bureau of Internal Revenue CTA Case No. 10827, July 10, 2025*)

COURT OF TAX APPEALS DECISION HIGHLIGHTS

No court shall act upon an initiatory pleading unless it is accompanied by an electronic transmittal. If such electronic transmittal is not completed within the prescribed 24-hour period, the initiatory pleading shall be deemed not filed.

On May 29, 2025, the taxpayer filed a Petition for Review, praying that the CTA declare void the assessment issued against it. The CTA's Judicial Records Division certified that the taxpayer failed to submit an email or soft copy of the Petition for Review within twenty-four (24) hours from the filing of the hard or paper copy on May 29, 2025, in violation of Section 2, paragraph 2 of En Banc Resolution No. 8-2024, adopting A.M. No. 10-3-7-SC and A.M. No. 11-9-4-SC (eFiling Guidelines).

In addition to the CTA's adoption of the eFiling Guidelines through En Banc Resolution No. 8-2024, the Supreme Court's Resolution dated 26 November 2024 on Rule 13-A of the Rules of Court (ROC), as amended, or the "Interim Rule on the Electronic Filing and Service of Pleadings Judgment, and Other Papers in Civil Cases" (Interim Rule), which took effect on 01 December 2024, provides that no court shall act upon an initiatory pleading unless it is accompanied by an electronic transmittal. If such electronic transmittal is not completed within the prescribed 24-hour period, the initiatory pleading shall be deemed not filed.

Thus, for the taxpayer's failure to comply with the electronic transmittal requirement within the prescribed 24-hour period, the Petition for Review is deemed not filed. (*Syndtite Construction Corporation vs. Commissioner of Internal Revenue*, CTA Case No. 11964, July 11, 2025)

To determine the duration of the suspension vis-a-vis the prescriptive period to collect from 2020-2022, consideration should be given to the quarantine restrictions imposed from 01 June 2020 up to 15 March 2022.

On March 15, 2019, the BIR issued a FLD. In response, the taxpayer filed a Protest by way of a request for reconsideration on May 4, 2019. Subsequently, the BIR issued a FDDA on January 21, 2020, prompting the taxpayer to file a motion for reconsideration before the CIR. Upon receipt of the CIR's Decision on February 3, 2025, the taxpayer filed a Petition for Review with the CTA.

Since the FLD was issued on 15 March 2019 with no allegation of a false or fraudulent return with intent to evade tax. Counting 3 years therefrom, the BIR had until 15 March 2022 to collect the deficiency taxes. Pursuant to Revenue Regulations (RR) Nos. 11-2020 and 12-2020, for purposes of computing the BIR's period to collect, the days when the affected areas were placed under quarantines of enhanced community quarantine (ECQ) and modified enhanced community quarantine (MECQ) must be excluded.

COURT OF TAX APPEALS DECISION HIGHLIGHTS

To determine the duration of the suspension vis-a-vis the prescriptive period to collect from 2020-2022, consideration should be given to the quarantine restrictions imposed from 01 June 2020 up to 15 March 2022 to compute the total number of days (to exclude in the running of the statute of limitations). In this case, a total of 412 days should be excluded in determining the new prescription period to collect. Counting from 15 March, 2022, BIR's right to collect the deficiency taxes now fell on 01 May 2023. However, in this case, no WDL was served on the taxpayer within the said period and only filed an Answer to the Petition for Review on 02 June 2025.

Hence, the assessments and collection of the subject deficiency taxes are void. (*Eagle's Wings Construction Phils. Inc. vs. Commissioner of Internal Revenue* CTA Case No. 11776 July 16, 2025)

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BIR ISSUANCES

HIGHLIGHTS

RMC No. 065-2025, July 2, 2025 – This provides for the guidelines for the registration of Books of Accounts of new business registrants.

This provides for the guidelines for the registration of Books of Accounts of new business registrants.

New business registrants with no existing TIN or who already have an existing TIN, can register any of the following types of Books of Accounts:

1. Manual Books of Accounts;
2. Loose-leaf Books of Accounts (LLBA); or
3. Computerized Books of Accounts (CBA).

<u>Types of Books of Accounts</u>	<u>Requirement</u>
Manual Books of Accounts	<ul style="list-style-type: none"> • Required to register Manual Books of Accounts
Loose-leaf Books of Accounts (LLBA)	<ul style="list-style-type: none"> • Required to secure a Permit to Use (PTU) for LLBA • This can only issued after a TIN has been issued • Taxpayer shall be liable for failure to make entries or recordings upon commencement of business operations, without approved PTU
Computerized Accounting System (CAS)	<ul style="list-style-type: none"> • Required to secure an Acknowledgment Certificate (AC) • This can only issued after a TIN has been issued • Taxpayer shall be liable for failure to make entries or recordings upon commencement of business operations, without approved AC

BIR ISSUANCES

HIGHLIGHTS

RMC No. 066-2025, July 2, 2025 – This provides clarifications in issues pertaining to compliance with documentary requirements for local suppliers when providing goods or services to Registered Business Enterprise (RBE)-buyers that export goods/services.

The submission of a sworn declaration by the RBE-buyer to their local suppliers, stating that purchased goods/services were used directly and exclusively for export is no longer required to avail of the zero percent (0%) VAT Rate.

Consequently, the VAT Zero Rate Certificate issued by the relevant Investment Promotion Agency (IPA) is now the primary documentary basis needed to qualify purchases for the 0% VAT rate, without prejudice to the BIR's authority to conduct post-audit verification to ensure that the purchases are directly attributable to the registered project or activity of the qualified RBE.

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BIR ISSUANCES HIGHLIGHTS

RMO No. 034-2025, July 4, 2025 – This provides guidelines for the issuance of CTCs of CIR’s Decisions.

This provides guidelines for the issuance of the Certified True Copy (CTC) of the following Decisions of the CIR:

1. Decision on administrative appeal against a FDDA; and
2. Denial of the claims for refund of VAT and excise tax.

Documentary Requirements

<u>Types of Taxpayer</u>	<u>Requirement</u>
Individual taxpayers	<ul style="list-style-type: none"> • Written request for a CTC of the CIR’s Decision which includes the following: <ul style="list-style-type: none"> ○ taxpayer’s name ○ taxable year involved ○ signature of the taxpayer or its authorized representative • Photocopy of 1 government-issued ID showing the taxpayer’s name, picture and signature • If transacting through a representative: <ul style="list-style-type: none"> ○ 1 original copy of Special Power of Attorney indicating the purpose and name of authorized representative ○ Photocopy of 1 government-issued ID for both the taxpayer and the authorized representative • Proof of payment of Certification Fee • Payment of DST
Corporations/non-individual taxpayers	<ul style="list-style-type: none"> • Written request for a CTC of the CIR’s Decision which includes the following: <ul style="list-style-type: none"> ○ taxpayer’s name ○ taxable year involved ○ signature of the taxpayer or its authorized representative • If transacting through a representative: <ul style="list-style-type: none"> ○ 1 original copy of Board Resolution of Secretary’s Certificate indicating the purpose and name of authorized representative ○ Photocopy of 1 government-issued ID for both the signatory and the authorized representative • Proof of payment of Certification Fee • Payment of DST

BIR ISSUANCES

HIGHLIGHTS

Procedures:

1. Submit the written request along with applicable proof of identification and authorization;
2. Pay the applicable fee of P100.00 per CTC and DST;
3. Present proof of payment and the loose DST to the Appellate Division; and
4. Receive the CTC of the CIR's Decision.

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SEC ISSUANCES

HIGHLIGHTS

SEC OGC Opinion No. 25-10, dated 7 July 2025 – Foreigners may be nominated and elected to two (2) out of five (5) seats in the Boards of Directors of a condominium corporation.

The condominium corporation requested confirmation that foreigners may be nominated and elected to two (2) out of the five (5) seats in the Boards of Directors (BOD), regardless of the actual percentage of foreign ownership in the corporation.

As to which between actual or allowable participation or share in the capital is the basis for the determination of the number of seats allowed for foreigners in the BOD of partially nationalized corporation, the Department of Justice, in DOJ Opinion No. 40, Series of 2023, opined that “only those corporations that considered “public utilities” under Republic Act No. 11659, or engaged in the advertising industry, are covered by the limitation that the participation of foreign investors in the board of directors is limited to their actual participation or share in the capital of such entities. For all other corporations with foreign equity engaged in a partially-nationalized activity, and subject to existing capitalization requirements and ownership of stocks, or those corporations engaged in regular activity, the participation of foreigners is limited by their allowable participation or share in the capital of such entities, as provided for in Section 2-A of the Anti-Dummy Law.”

Thus, considering that the condominium corporation is neither a public utility nor an advertising corporation, foreigners may be nominated and elected to two (2) out of the five (5) seats in the Boards of Directors (BOD), regardless of the actual percentage of foreign ownership in the corporation, since condominium corporations are allowed by law to be 40% owned by foreigners.

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Business Mirror

Tax Law for Business



ISSUANCE AND TRANSFERS OF SHARES OF STOCK: TAXATION AS MODIFIED BY CMEPA

By Atty. Fulvio D. Dawilan

The effectivity of Republic Act No. 12214 or the Capital Markets Efficiency Promotion Act (CMEPA) yesterday, July 1, 2025, signaled the implementation of the various changes in the taxation of the capital markets and the products and transactions that come with them. The new law modified the taxation of passive income – interests, dividends, capital gains, and royalties – to make it simpler, fairer, more efficient, and more competitive.

Among those affected by the changes are the taxes imposed on the original issuance of shares of stock and their subsequent sale or transfers.

Documentary Stamp Tax (DST). DST is a tax that is levied without any purpose other than raising revenue. Nonetheless, it is still imposed in our jurisdiction. Among those subject to DST are the issuance and transfers of shares of stock. Since its initial imposition, the rates have been changing. But with the enactment of CMEPA, original issue of shares of stock is now subject to DST at the rate of 75% of 1% (0.75%) of the par value of shares or on the actual consideration for shares of stock issued without par value. This was reduced from the previous rate of P2.00 for every P200.00 of the par value of shares or on the actual consideration.

The DST on the sale or transfer of shares has not changed. It remains to be P1.50 for every P200.00 of the par value of the stock, or 50% of the DST paid upon the original issue for stocks sold without par value.

ISSUANCE AND TRANSFERS OF SHARES OF STOCK: TAXATION AS MODIFIED BY CMEPA

By Atty. Fulvio D. Dawilan

Differently treated for DST purposes are the original issuance, redemption, and other dispositions of shares in a mutual fund company. The new law specifically exempts these transactions from the imposition of DST.

Capital Gains Tax (CGT). The rate of CGT remains at 15%, which is imposed on the net capital gains derived from the sale, exchange, or other disposition of shares of stock. This 15% tax rate is uniformly applied regardless of the classification of the taxpayer, unless there are exemptions that can be availed - such as the extension of tax treaty benefits for residents of countries where the Philippines has existing tax treaties.

Perhaps, one of the significant changes in the imposition of CGT are the transactions that are (a) included and (c) excluded in its coverage. This used to be imposable only on shares of stock issued by domestic corporations. Sale or transfer of shares of stock issued by foreign corporations was not subject to this type of tax. Taxable gains were then subjected to the regular income tax rates. With the change introduced by CMEPA, gains derived from the disposition of shares issued by foreign corporations may also be covered by this tax.

Shares sold or disposed of through a stock exchange remain to be excluded from the coverage of this tax, as these are subject to the stock transaction tax discussed below. But this exclusion – which used to apply only to stocks sold in a local stock exchange – was extended to stocks sold in a foreign stock exchange. With the change introduced by CMEPA, shares of stock listed and traded in both local and foreign exchanges are outside the coverage of the CGT.

In essence, gains derived from the sale or transfer of shares of stock issued by domestic and foreign corporations, except those listed and traded through local and foreign exchanges, are subject to CGT at the rate of 15%, which is imposed on the gains realized from the sale.

Stock Transaction Tax (STT). This is a type of tax that does not know where it belongs – whether it is an income tax or a percentage tax. Anyway, that will be the subject of a discussion in a separate column.

Sale or transfer of shares listed and traded through stock exchanges are taxed differently from the shares that are not listed. Instead of the CGT, the STT applies. The STT rate used to be $\frac{1}{2}$ of 1% (0.05%) of the gross selling price or gross value in money of the shares of stock sold. This tax rate was increased by the TRAIN Law (RA 10963) to $\frac{6}{10}$ of 1% (0.60%). CMEPA further modified this by fixing the rate to $\frac{1}{10}$ of 1% (0.10%) of the gross selling price or gross value in money of the shares sold. This new rate is lower than the previous one, but still higher than the rate prior to the TRAIN Law.

ISSUANCE AND TRANSFERS OF SHARES OF STOCK: TAXATION AS MODIFIED BY CMEPA

By Atty. Fulvio D. Dawilan

Aside from the change in the tax rate, there is also a change in the shares of stock covered by the STT. The STT used to be imposed only on the sale or disposition of shares of stock listed and traded through a local stock exchange. Shares of stock listed and traded through foreign stock exchanges were not subject to the STT. Gains from said transactions were either subject to the capital gains tax or to the regular income tax. This was modified by CMEPA. Sale of shares of stock listed and traded through a foreign stock exchange shall also be subject to the STT at the new rate of 0.10%.

In short, beginning July 1, 2025, sale or other dispositions of shares of stock issued by domestic and foreign corporations which are listed and traded through local stock exchanges and sale or other dispositions of shares of stock issued by domestic corporations which are listed and traded through a foreign stock exchange are subject to the STT at the rate of 0.10%, which is imposed on the gross selling price on gross value in money of said shares.

The rules noted above, however, do not apply if the seller is regularly involved in the trading of securities. The income derived from the sale of shares of stock by a dealer in securities licensed by the appropriate government agency to buy and sell securities for his/its own account and done in the ordinary course of business is considered ordinary income. Being income derived from the regular business activities, such income is subject to the regular income tax.

As the new law envisions, we hope that these changes in the taxation of shares of stock would help in the development of the capital markets. Added to that, of course, is the implementation of compliance and administrative rules that promote – rather than discourage - the issuance and transfer of shares.

For inquiries on the article, you may call or email

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Glossary of Common Terms, Abbreviations, and Acronyms

AN	-	Assessment Notices
BIR	-	Bureau of Internal Revenue
BOC	-	Bureau of Customs
CIR	-	Commissioner of Internal Revenue
COC	-	Commissioner of Customs
CTA	-	Court of Tax Appeals
CWT	-	Creditable Withholding Tax
CY	-	Calendar Year
DST	-	Documentary Stamp Tax
EB	-	<i>En Banc</i>
ET	-	Excise Tax
EWT	-	Expanded Withholding Tax
FWT	-	Final Withholding Tax
FY	-	Fiscal Year
LGC	-	Local Government Code
LOA	-	Letter of Authority
FAN	-	Final Assessment Notice
FDDA	-	Formal Decision on Disputed Assessment
FLD	-	Formal Letter of Demand
IT	-	Income Tax
MR	-	Motion for Reconsideration
NIC	-	Notice of Informal Conference
NIRC	-	National Internal Revenue Code
PAN	-	Preliminary Assessment Notice
Petition	-	Petition for Review
Protest	-	Protest to the Final Assessment Notice/Formal Letter of Demand
PD	-	Presidential Decree
PT	-	Percentage Tax
Reply	-	Reply to the Preliminary Assessment Notice
RA	-	Republic Act
RDO	-	Revenue District Office
RMC	-	Revenue Memorandum Circular
RMO	-	Revenue Memorandum Order
RR	-	Revenue Regulations
RTC	-	Regional Trial Court
SC	-	Supreme Court
TPI	-	Third Party Information
TY	-	Taxable Year
VAT	-	Value-Added Tax
WDL	-	Warrant of Dstraint and/or Levy
WG	-	Warrant of Garnishment
WTC	-	Withholding Tax on Compensation