



UPDATES

2025 SPECIAL ISSUE

A special publication by the Tax & Legal Subcommittee of FINEX Advocacy

Republic Act No. 12214

CAPITAL MARKETS EFFICIENCY PROMOTION ACT (CMEPA)

This special issue aims to inform all concerned on the amendments to the Tax Code introduced by Republic Act No. 12214 or the Capital Markets Efficiency Promotion Act (CMEPA).

The State, through CMEPA, endeavors to simplify an otherwise complex tax system for easy compliance; ensure that the taxation of passive income is equitable across all stakeholders and discourages arbitrage opportunities; promote the development and tax competitiveness of capital markets within the context of globalization, increased capital mobility, and financial inclusion; promote and incentivize investment in the trading of equity and debt securities; and aid the capacity of corporate entities to raise capital through capital markets.

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Check out here the full details of the Capital Markets Efficiency Promotion Act (CMEPA)

[Republic Act No. 12214 signed by the President on May 29, 2025 and published at the Manila Bulletin on June 4, 2025](#)



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WHAT'S INSIDE?

Significant amendments to the NIRC as introduced by CMEPA

DISCLAIMER:

The contents of this UPDATES are summaries of selected issuances from various government agencies, Court decisions and articles written by our experts. They are intended for guidance only and as such should not be regarded as a substitute for professional advice.

Below are the significant amendments to the National Internal Revenue Code (NIRC) as introduced by CMEPA:

Particulars	Before CMEPA	CMEPA
Definition of deposit substitutes	The term 'deposit substitutes' xxx may include, but need not be limited to bankers' acceptances, promissory notes, repurchase agreements, including 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 xxx.	The term 'deposit substitute' xxx 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 xxx.
Definition of passive income	The term was not specifically defined.	The term shall refer 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.
Definition of gross income from compensation	Gross income includes compensation for services in whatever form paid, including, but not limited to fees, salaries, wages, commissions, and similar items.	Gross income includes compensation for services in whatever form paid, including, but not limited to fees, salaries, wages, commissions, and 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.
Exclusions from gross income	Gains realized from the sale or exchange or retirement of bonds, debentures or other certificate of indebtedness with a maturity of more than five (5) years are excluded from gross income.	Gains realized from the sale or exchange or retirement of bonds, debentures or other certificate of indebtedness with a maturity of more than five (5) years are no longer excluded from gross income.
	Gains from redemption of shares in mutual funds are excluded from gross income.	Gains upon redemption of shares of stock in a mutual fund company, or units of participation in a Mutual Fund or Unit Investment Trust Fund (UITF) are excluded from gross income; Provided that prior to such redemption, final taxes due on realized gains have been previously withheld at the level of the underlying assets.





<p>Allowable deductions for employer's contribution to Personal Equity and Retirement Account (PERA) of employees</p>	<p>A qualified employer's contribution to the employee's PERA can be claimed as a deduction from its gross income, but only to the extent of its contribution that would complete the maximum allowable PERA contribution.</p>	<p>An additional deduction of fifty percent (50%) of the employer's actual contributions made to PERA shall be granted to private employers that contribute at least equal to the contributions of their employees, subject to the maximum allowable contribution under Republic Act No. 9505; Provided, that only private employers that contribute to all of their employees' PERA accounts shall be eligible for the additional allowable deduction.</p>
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<p>Withholding tax on interest on long-term deposits with a maturity period of not less than five (5) years of individuals</p>	<p>Interest income from long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the Bangko Sentral ng Pilipinas (BSP) shall be exempt from the twenty (20%) final withholding tax, unless pre-terminated before the fifth (5th) year, and shall be subject to final withholding tax based on the remaining maturity thereof:</p> <ul style="list-style-type: none"> • Four (4) years to less than five (5) years - 5%; • Three (3) years to less than (4) years - 12%; and • Less than three (3) years - 20% 	<p>The exemption was repealed. Interest income from long-term deposits/investments of individuals is subject to twenty (20%) final withholding tax.</p>
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<p>Exemption from income tax of any income of nonresidents, whether individuals or corporations, from transactions with depository banks under the expanded foreign currency deposit system</p>	<p>Any income of nonresidents, whether individuals or corporations, from transactions with depository banks under the expanded system shall be exempt from income tax.</p>	<p>The exemption was repealed. However, the repeal was vetoed by the President since it may dampen the country's competitiveness in attracting foreign capital.</p> <p>Hence, income of nonresidents, whether individuals or corporations, from transactions with depository banks under the expanded system are still exempt from income tax.</p>
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<p>Interest income from foreign currency deposits</p>	<p>Interest income by individuals and corporations (except non-residents) from a depository bank under the expanded foreign currency deposit system shall be subject to a final income tax at the rate of fifteen percent (15%).</p>	<p>This is now subject to twenty percent (20%) final withholding tax.</p>
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<p>Capital Gains Tax (CGT) from sale of shares not traded in the stock exchange</p>	<p>Individual Citizen, Individual Resident Alien, and Non-Resident Alien, Domestic Corporation, Resident foreign corporation - Fifteen percent (15%) CGT is imposed on the net capital gains realized during the taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic corporation, except shares sold, or disposed of through the stock exchange.</p>	<p>CGT now covers sale of shares in foreign corporation. Shares must not be traded in local or foreign stock exchange.</p> <p>Fifteen percent (15%) CGT is imposed on the net capital gains realized during the taxable year from the sale, exchange, or other modes of disposition of shares of stock of a domestic or foreign corporation, except shares sold or disposed through a local or foreign stock exchange subject to stock transaction tax.</p>
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	Non-resident foreign corporation-same as above.	A final tax at the rate of fifteen percent (15%) is hereby imposed upon the net capital gains realized during the taxable year from the sale, exchange, or other disposition of shares of stock in a domestic corporation , except shares sold, or disposed of through a local or foreign stock exchange.
Stock Transaction Tax (STT) on listed and traded shares through a local stock exchange	There shall be levied, assessed and collected on every sale, barter, exchange, or other disposition of shares of stock listed and traded through the local stock exchange other than the sale by a dealer in securities, a tax at the rate of six-tenths of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed which shall be paid by the seller or transferor.	STT rate was lowered from 0.6% to 0.1%.
Stock Transaction Tax (STT) on listed and traded shares through a foreign stock exchange	No provision.	There shall be levied, assessed and collected on every sale, exchange, or other disposition of shares of stock in domestic corporation listed and traded through a foreign stock exchange, other than the sale by a dealer in securities, in lieu of capital gains tax, a tax at the rate of one-tenths of one percent (1/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold, exchanged, or otherwise disposed which shall be paid by the seller or transferor.
DST on original issuance of shares	Php2.00 on each Php200.00 (or 1%), or fractional part thereof, of the par value, of such shares of stock, or actual consideration in case of no-par shares.	DST of 75% of 1% of the par value of such shares of stock, or actual consideration in case of no-par shares, or the actual value represented by each share in case of stock dividends.
DST on bonds, debentures, Certificates of stock or indebtedness issued in a foreign country	Same DST on similar instruments issued in the Philippines.	A documentary stamp tax of seventy-five percent of one percent (75% of 1%) of the value of the transaction shall be collected from the person selling or transferring bonds, debentures, certificates of stock, or certificates of indebtedness issued in any foreign country.
DST on debt instruments	PhP1.50 on each P200 or a fractional part of the issue price Only one DST shall be imposed on either loan agreement or promissory notes issued to secure such loan.	75% of 1% of the issue price Only one DST shall be imposed on the loan agreement and promissory notes, <u>mortgage, security interest over personal property, and other contracts issued</u> to secure such loan.
DST exemption of listed and traded shares	Sale, barter or exchange of shares of stock listed and traded through the local stock exchange are exempt from DST.	Sale, exchange, redemption , or other disposition of shares of stock listed and traded through a local or foreign stock exchange are exempt from DST.



DST on original issuance of shares in mutual funds	No provision.	The original issuance, redemption, or other disposition of shares in a mutual fund company is exempt from DST.
DST on issuance of certificate or other evidence of participation in a mutual fund or UITF	No provision.	Issuance of certificate or other evidence of participation in a mutual fund or UITF is exempt from DST.
DST on bonds, debentures, and certificates of stock or indebtedness issued in foreign countries	DST as required by law on similar instruments when issued, sold or transferred in the Philippines shall be collected from the person selling or transferring the same in the Philippines.	DST of 75% of 1% of the value of the transaction shall be collected from the person selling or transferring bonds, debentures, certificates of stock, or certificates of indebtedness issued in any foreign country.
DST on lotto and other numbers games by PCSO	No provision on the party on whom the DST will be imposed.	DST on lotto and other numbers games by PCSO shall be imposed on the bettor and not on PCSO. However, this repeal was vetoed by the President for undermining the neutrality of DST as an indirect tax.

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