

SEVENTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )



'16 JUL 20 P 4:29

SENATE  
S.B. No. 698

RECEIVED BY: 

---

Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

---

**AN ACT**  
**REDUCING THE CORPORATE INCOME TAX RATE, AMENDING SECTIONS 27 AND 28**  
**OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR**  
**OTHER PURPOSES**

**EXPLANATORY NOTE**

We are working towards a vision of the private sector where bustling local enterprises coexist, cooperate, and collaborate with foreign companies, all contributing to a fair, innovative, and socially conscious Philippine business environment.

Over the past years, macroeconomic factors suggest that we are on the right track with our stellar economic growth, much improved credit ratings, and the highest capital investment of US\$8.74 billion from inward FDI in the last six years with over 58,000 associated jobs created in 2015.

However, there is still a lot we can do to attract and retain foreign investors to stimulate even more economic growth and achieve prosperity for more Filipinos. Furthermore, we must seize the opportunity to be a leader in the ASEAN as we harmonize our economies as a region.

It is imperative that we evaluate our corporate tax system. At present, we have the highest corporate income tax rate in the ASEAN at 30%. When the ASEAN Economic Community Declaration was signed, most members began to lower their own corporate income tax rates. Thailand gradually reduced its corporate income tax rate from 30% to 23%, and now it stands at 20%. Vietnam also lowered its corporate income tax rate from 25% to 20%. The average corporate income tax rate in the ASEAN is at 23%.

For the Philippines to attract more investors and to lure in more capital, we must be able to compete with our peers. Though this may result in a lower revenue collection for the government, the multiplier effect of having more investment, expanding our tax base and increasing economic activities will be tremendous.

In view of the foregoing, immediate approval of this bill is earnestly sought.

  
Senator Paolo Benigno "Bam" A. Aquino IV

SEVENTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )



16 JUL 20 P 4:30

SENATE  
S.B. No. 698

RECEIVED BY: 

---

Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

---

**AN ACT**  
**REDUCING THE CORPORATE INCOME TAX RATE, AMENDING SECTIONS 27 AND 28**  
**OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR**  
**OTHER PURPOSES**

*Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:*

1           **SECTION 1.** Section 27 (A) of the National Internal Revenue Code of 1997, as  
2 amended, is hereby further amended to read as follows:

3                   "Sec. 27. Rates of Income Tax on Domestic Corporations. –

4                   " (A) In General. – Except as otherwise provided in this Code, an  
5 income tax of [thirty-five percent (35%)] **TWENTY-FIVE PERCENT (25%)**  
6 **BEGINNING JANUARY 1, 2017** is hereby imposed upon the taxable income  
7 derived during each taxable year from all sources within and without the  
8 Philippines by every corporation, as defined by Section 22 (B) of this Code  
9 and taxable under this Title as a corporation, organized in, or existing under  
10 the laws of the Philippines[: *Provided*, That effective January 1, 2009, the rate  
11 of income tax shall be thirty percent (30%).]"

12           **SEC. 2.** Section 28 of the National Internal Revenue Code of 1997, as  
13 amended, is hereby further amended to read as follows:

14                   "Sec. 28. Rates of Income Tax on Foreign Corporations. –

15                   "(A) Tax on Resident Foreign Corporations. –

16                   "(1) In General. – Except as otherwise provided in this Code, a  
17 corporation organized, authorized, or existing under the laws of any foreign  
18 country, engaged in trade or business within the Philippines, shall be subject  
19 to an income tax equivalent to [thirty-five percent (35%)] **TWENTY-FIVE**  
20 **PERCENT (25%) BEGINNING JANUARY 1, 2017** of the taxable income derived  
21 in the preceding taxable year from all sources within the Philippines[:  
22 *Provided*, That effective January 1, 2009, the rate of income tax shall be thirty  
23 percent (30%).

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41

X X X

“(B) Tax on Nonresident Foreign Corporations. –

“(1) In General. – Except as otherwise provided in this Code, a foreign corporation not engaged in trade or business in the Philippines shall pay a tax equal to [thirty-five percent (35%)] **TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2017** of the gross income received during each taxable year from all sources within the Philippines, such as interests, dividends, rents, royalties, salaries, premiums (except reinsurance premiums), annuities, emoluments or other fixed or determinable annual, periodic or casual gains, profits and income, and capital gains, except capital gains subject to tax under subparagraph 5(c)[*Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%).*”

X X X

“(5) Tax on Certain Incomes Received by a Nonresident Foreign Corporation. –

X X X

“(b) Intercorporate Dividends. – A final withholding tax at the rate of fifteen percent (15%) is hereby imposed on the amount of cash and/or property dividends received from a domestic corporation, which shall be collected and paid as provided in Section 57 (A) of this Code, subject to the condition that the country in which the nonresident foreign corporation is domiciled, shall allow a credit against the tax due from the nonresident foreign corporation taxes deemed to have been paid in the Philippines equivalent to [twenty percent (20%)] **TEN PERCENT (10%)**, which represents the difference between the regular income tax of [thirty-five percent (35%)] **TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2017** and the fifteen percent (15%) tax on dividends as provided in this subparagraph[*: Provided, That effective January 1, 2009, the credit against the tax due shall be equivalent to fifteen percent (15%), which represents the difference between the regular income tax of thirty percent (30%) and the fifteen percent (15%) tax on dividends.*”

**SEC. 3. *Implementing Rules and Regulations.*** – Within sixty (60) days from the effectivity of this Act, the Secretary of the Department of Finance (DoF) and the Commissioner of the Bureau of Internal Revenue (BIR) shall promulgate the necessary rules and regulations to implement the provisions of this Act shall promulgate the necessary rules and regulations for the effective implementation of the provisions of this Act.

**SEC. 4. *Separability Clause.*** – Should any provision herein be declared unconstitutional, the same shall not affect the validity of the other provisions of this Act.

1           **SEC. 5. *Repealing Clause.*** – All laws, orders, issuances, circulars, rules and  
2 regulations or parts thereof, which are inconsistent with the provisions of this Act  
3 are hereby repealed or modified accordingly.

4           **SEC. 6. *Effectivity.*** – This Act shall take effect on January 1, 2017 following its  
5 publication in the Official Gazette or at least two (2) newspapers of general  
6 circulation in the Philippines.

7           *Approved,*