DoF expecting to file tax amnesty bill this year

FINANCE Secretary Ralph G. Recto said the government is studying a new general tax amnesty (GTA) measure, with the possibility of an estate-tax extension.

"We are also studying the possibility of enacting a General Tax Amnesty and online gambling tax laws," Mr. Recto said in his speech at the Economic Journalists Association of the Philippines Economic Forum on Monday.

The proposed tax amnesty will involve an amnesty charge set at a yet-to-be-determined percentage of the outstanding unpaid tax, in exchange for immunity from civil, criminal, and administrative penalties.

Mr. Recto said the GTA will be submitted to Congress this year, subject to the approval of President Ferdinand R. Marcos, Jr. and the cabinet.

"There's a call to extend the Estate Tax amnesty. We'll include it here," Mr. Recto said.

Two months ago, the Bureau of Internal Revenue moved the deadline for the filing, approval and payment of estate tax amnesty application to June 16 as June 14 landed on a weekend.

Republic Act No. 11956 extended the period for availing of the estate tax amnesty for another two years or until June 14, 2025, from the previous deadline of June 15, 2023.

This grants beneficiaries, transferees, or legal heirs sufficient time to settle taxes on inherited assets, particularly for estates of individuals who died on or before May 31, 2022.

"It's not going to be the same bill passed by Congress then that was vetoed. This is just a General Tax Amnesty. This will be a simple amnesty bill," he said.

In 2019, President Rodrigo R. Duterte vetoed the GTA provisions of Republic Act No. 11213 but retained the estate tax amnesty provisions.

Asked for further details of the bill and possible proposed deviations from the previous bill, Mr. Recto said: "No details yet. (The drafting is) being started right now."

Mr. Recto told reporters the government is open to the idea of barring state-run firms from investing in businesses related to online gambling, after the Government Service Insurance System (GSIS) purchased DigiPlus Interactive Corp. shares.

"We'll look into it. I agree. The Maharlika (Investment Corp.) will not invest in this," he said, referring to the sovereign wealth fund. Mr. Recto also serves as Maharlika chairman.

GSIS President and General Manager Jose Arnulfo Veloso is currently under preventive suspension over the pension fund's investment decisions. The GSIS had also purchased Alternergy Holdings Corp. shares, allegedly without adhering to the pension fund's prescribed internal approval procedures.

Mr. Recto is proposing to deter gambling addiction by taxing the online gambling industry, while other parts of the government crack down on electronic wallet use in online gambling.

"This is a whole-of-government approach. Even the President has said he will call for a semi-summit to discuss the issue," Mr. Recto said. — **Aubrey Rose A. Inosante**

Online gambling could be reined in via KYC, minimum bets, Go says

By Justine Irish D. Tabile
Reporter

SECRETARY Frederick D. Go, the special assistant to the President for investment and economic affairs, said restrictions on online gambling could take the form of more comprehensive know-your-customer (KYC) rules.

"There are a few things that are possible there. Number one is to be stricter on the KYC, meaning all the platforms can be stricter to ensure that nobody below 21, for example, is allowed to gamble," Mr. Go said on Monday at the Economic Journalists Association of the Philippines Economic Forum.

He sees KYC as an effective means of determining whether an individual should be barred from gambling.

"A regulation that I believe should be seriously considered is raising the minimum bet and raising the minimum entry point," he added.

He said raising the minimum bet is likely to reduce betting frequency.

He noted that Singapore casinos also require an entry fee, a practice that could be adopted by online gambling operators.

"For example, there's a minimum entry level, let's say P1,000, and a minimum bet of P100. That way you don't have somebody coming in with P100 and betting everything he has on one bet," he said.

INDIAN MARKET

Separately, Mr. Go said India has become a major trading, investment, and tourism partner of the Philippines.

However, he said the Philippines, with only 70,000 or so Indian visitors last year, is far behind its Southeast Asian neighbors.

"The number of Indian visitors to our Southeast Asian neighbors is in the hundreds of thousands, if not in the millions of visitors a year," he said.

"I kept pushing for this within the sectoral groups to ensure that we allow easy entry for Indian tourists," he added.

He said a recent positive development is that Indians with US, Japanese, Australian, Canadian, Schengen, Singaporean, or UK visas can now enter the Philippines visa-free for 14 days.

Regarding the launch of Air India direct service connecting New Delhi and Manila in October, he said: "I'm not even sure when the last time we had a direct flight to India was. But with access now to 1.5 billion people, I think we can be looking at major tourism numbers, major trade numbers, and major investment numbers coming from India," he said.

He said the Philippine delegation led by President Ferdinand R. Marcos, Jr. to India last week obtained $446 million in firm investment commitments, with the potential to grow to about $4.5 billion if other letters of interest come through.

PHL fiscal support limited in face of tariff turmoil — BMI

THE National Government's (NG) budget deficit is expected to widen to 6% of economic output this year as escalating trade tensions weigh on fiscal consolidation, Fitch Solutions unit BMI said.

"We maintain our Philippine fiscal deficit forecast at 6% in 2025 as a more challenging external environment will challenge fiscal consolidation efforts," it said in a report.

"The economy will need fiscal support to offset global headwinds, but policymakers will have very limited room to maneuver given already high public debt levels."

BMI's forecast is higher than the 5.5% deficit ceiling set by the Development Budget Coordination Committee for this year.

"This signals a clear slowdown in fiscal consolidation efforts and reinforces our view that the government faces growing constraints in reducing its budget shortfall over the medium term," BMI said.

In the first six months, the NG budget deficit widened 24.69% to P765.5 billion.

The budget gap remained relatively within target as it was 0.63% above the projected P760.7 billion for the first half.

The government is hoping to bring the deficit down to 4.3% of GDP by 2028.

However, BMI said "escalating US trade protectionism" remains a key risk to this outlook.

In late July, US President Donald J. Trump imposed a 19% duty on many goods from five members of the Association of Southeast Asian Nations (ASEAN) — the Philippines, Cambodia, Malaysia, Thailand and Indonesia, which took effect Aug. 7.

"If fully implemented, this would further dampen external demand and add to existing structural weaknesses. In turn, this increases pressure on the government to provide economic support."

BMI estimates indicate that government spending would need to increase by around 1 percentage point to meet the 6% medium-term growth target.

However, this would be "fiscally unfeasible."

"The Philippines' public finances remain fragile, with the debt-to-GDP ratio having risen to around 60% from the pre-pandemic level of 40%. This places the country among the regional laggards in fiscal recovery," it said.

The NG's outstanding debt as a share of GDP rose to 63.1% at the end of June, the highest since 2005.

This was also higher than the first quarter's 62% and the year-earlier 60.9%. It is also above the 60% debt-to-GDP threshold considered by multilateral lenders to be manageable for developing economies.

"Elevated borrowing costs and a narrow revenue base further limit Manila's ability to deliver large-scale fiscal support without compromising debt sustainability," it added.

On the other hand, BMI noted that the impact of the tariffs may be "less severe than feared."

"The full impact of rising trade fragmentation — driven by geopolitical tensions and supply chain realignment — remains difficult to quantify."

"Furthermore, policymakers are unlikely to rely solely on fiscal spending. Instead, we expect a more balanced policy response that includes monetary easing, targeted subsidies and efforts to diversify trade partners, particularly within ASEAN and the Indo-Pacific region."

BMI said that the Philippines must either "accept structurally slower GDP growth or prolong the fiscal adjustment timeline."

"With limited fiscal headroom and rising external risks, the government's ability to strike a sustainable balance will be tested in the years ahead." — **Luisa Maria Jacinta C. Jocson**

PHL, Canada agree to collaborate on plant health, regulatory dev't

THE Department of Agriculture (DA) said talks with the Canadian government produced an agreement to collaborate on plant health.

In a statement, the DA said the Bureau of Plant Industry and the Canadian Food Inspection Agency signed an agreement focusing on plant health, capacity-building, scientific and regulatory advancement, and the exchange of innovations.

The deal emerged from a meeting between Agriculture Secretary Francisco P. Tiu Laurel, Jr. and Canadian Agriculture and Agri-Food Minister Heath Macdonald last week.

Officials also discussed Canada's pursuit of a trade agreement with members of the Association of Southeast Asian Nations, the DA said.

The talk "raised the prospect of a bilateral FTA to broaden market access and diversification," the DA said. Canada and the Philippines in December 2024 announced exploratory discussions for a potential bilateral free trade agreement (FTA).

"We remain committed to the successful and timely conclusion of these negotiations," the DA said.

The DA noted growing bilateral agri-fishery trade between Canada and the Philippines that hit $2.39 billion between 2020 and 2024.

Philippine agri-fishery exports to Canada grew to $148 million in 2024 from $109 million in 2020, "the strongest performance in five years." — **Kyle Aristophere T. Atienza**

OPINION

CMEPA: From law to implementation

LET'S TALK TAX
MA. LOURDES POLITADO-ACLAN

On July 1, the Capital Markets Efficiency Promotion Act (CMEPA), or Republic Act No. 12214, took effect. As specifically provided in the law, the State recognizes the necessity of a simpler, fairer, more efficient, and regionally competitive passive income tax system to encourage savings, as well as develop and deepen capital markets. Thus, CMEPA was signed into law to encourage broader investment in the capital markets and promote inclusive growth.

While the intent of the law is clear, misinformation surfaced when the law took effect in July. Viral social media posts circulated claiming that bank deposits in the Philippines will be taxed at 20%. Though these claims are inaccurate and misleading, many were quick to believe the claims. Further posts even advocated just keeping money at home, or spending, instead of saving.

The Department of Finance (DoF) and Malacañang have refuted these posts, clarifying that taxation applies not to the savings themselves, but solely to the interest earned from those savings. Furthermore, the Bureau of Internal Revenue (BIR) released the necessary rules and revenue regulations for the implementation of CMEPA on Aug. 5. Among these are Revenue Regulations (RR) No. 20-2025 and 21-2025.

RR Nos. 20-2025 and 21-2025 were issued to implement the amendments of CMEPA to the taxation of certain passive income.

INTEREST INCOME

Effective July 1, all interest income earned by Filipino citizens, resident foreigners, and non-resident foreigners engaged in trade or business, domestic and resident foreign corporations, from both peso and foreign-currency bank deposits or deposit substitutes, trust funds and other similar arrangements, regardless of their nature or tenure, are now subject to 20% final withholding tax. Interest income of nonresident foreigners not engaged in trade or business and nonresident foreign corporations will still be subject to a 25% final withholding tax or tax treaty rate. Income of non-residents, whether individuals or corporations, from transactions with depositary banks under the expanded system, remain exempt from income tax.

Interest income from project-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 or its equivalent and other high-level priority programs of the National Government, as determined by the Secretary of Finance, are exempt from income tax.

GAINS FROM SALE, TRANSFER, OR DISPOSITION OF INVESTMENTS

Except in the case of non-resident foreign corporations, capital gains from the sale, exchange or other disposition of shares of stock in a domestic or foreign corporation not traded in a local or foreign stock exchange are subject to 15% capital gains tax, regardless of the classification and status of the seller (individual or corporation). For non-resident foreign corporations, only capital gains from the sale, exchange or other dispositions of shares of stock of a domestic corporation, not traded in a local or foreign stock exchange, are subject to 15% capital gains tax.

Shares in a domestic corporation sold or disposed of through a local or foreign stock exchange are subject to stock transaction tax (STT) of 1/10 of 1% effective July 1. Similarly, shares in a foreign corporation sold or disposed of through a local stock exchange are subject to the same STT. As specifically provided in RR No. 21-2025, STT is in lieu already of capital gains tax.

Since individuals, other than resident citizens and resident foreign corporations, are subject to Philippine income tax on their Philippine sourced income only, we hope the BIR issues further guidance on the treatment of sale of shares in a foreign corporation for these non-residents.

Gains realized from the sale, exchange, or retirement of bonds, debentures, or other certificates of indebtedness, including those with a maturity period of more than five years, are now subject to income tax effective July 1. If traded through a local or foreign stock exchange, the sale is subject to Stock Transaction Tax (STT).

Gains realized by the investor upon redemption of shares of stock in a mutual fund company, or units of participation in a Mutual Fund or Unit Investment Trust Fund are not subject to income tax provided, that prior to such redemption, final taxes due on realized gains were previously withheld at the level of the underlying assets.

INVESTMENTS PRIOR TO JULY 1

Since CMEPA took effect on July 1, any tax exemption and preferential rate on financial instruments issued or transacted prior to July 1 are subject to the prevailing tax rate at the time of its issuance for the remaining maturity of the relevant agreement.

As provided in the implementing rules and regulations, the following conditions must be complied with for the prevailing rate or tax exemption prior to July 1 to apply:

1. The financial instrument was issued or transacted prior to July 1, as evidenced by the instrument itself or any other relevant agreement either in written or electronic format;

2. The instrument itself or agreement provides for the maturity period of the financial instrument as agreed upon or stated in the instrument which is beyond July 1; and

3. There is no change in the maturity date or remaining period of coverage from that of the original document or agreement, and no renewal or issuance of new instrument to replace the old ones, starting July 1.

While the implementing rules and regulations outlined the conditions for exemptions or preferential rates to apply to financial instruments issued prior to July 1, further clarity from the BIR is needed regarding the tax treatment of gains from the sale of instruments that were previously exempt from income tax. For example, are gains realized from the sale of long-term instruments — originally exempt because they were issued before July 1, but sold on or after that date — still considered exempt?

Although initial confusion around the taxation of savings deposits has since been addressed, and the BIR has released the implementing rules and regulations, the early uncertainty caused by CMEPA's amendments underscores the critical importance of clear and timely communication of the implementation of the changes brought about by new tax laws. Ensuring that the public is well-informed about tax changes is essential.

Ideally, the effective implementation of new laws relies on the availability of comprehensive rules and regulations before those laws come into force. At the end of the day, a law, no matter how well-crafted, is only as effective as its implementation. We laud the DoF and BIR effort in ensuring that the required implementing rules and regulations are issued within the deadline set by the law. However, the effectivity of the new tax laws must consider the time required of government agencies to frame, consult and issue the implementing regulations. This ensures that the intended objectives are achieved, and compliance from taxpayers is seamless.

Let's Talk Tax is a weekly newspaper column of P&A Grant Thornton that aims to keep the public informed of various developments in taxation. This article is not intended to be a substitute for competent professional advice.

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