



Bringing In Revenues
for Nation-Building

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
National Office Building
Quezon City



**BAGONG
PILIPINAS**
JAN 08 2025

REVENUE REGULATIONS NO. 002-2025

SUBJECT : Implementing the Tax Provisions of Republic Act No. 9267,
Otherwise Known as "The Securitization Act of 2004"

TO : All Internal Revenue Officers, Employees and Others Concerned

SECTION 1. Objective. – Pursuant to Section 244 of the National Internal Revenue Code of 1997, as amended ("Tax Code"), these Regulations are issued to implement the tax provisions of Sections 27 to 34 of Title IV of Republic Act (RA) No. 9267, otherwise known as "The Securitization Act of 2004."

SECTION 2. Definition of Terms. – When used in these Regulations, the following terms shall have the following meaning:

(a) "Securitization" means the process by which assets are sold on a without recourse basis by the Seller to a Special Purpose Entity (SPE) and the issuance of asset-backed securities (ABS) by the SPE which depend, for their payment, on the cash flow from the assets so sold and in accordance with the Securitization Plan.

(b) "Asset-backed securities (ABS)" refer to the certificates issued by an SPE, the repayment of which shall be derived from the cash flow of the assets in accordance with the Securitization Plan.

(c) "Assets," whether used alone or in the term "Asset-backed securities," refer to loans or receivables or other similar financial assets with an expected cash payment stream. The term "Assets" shall include, but shall not be limited to, receivables, mortgage loans and other debt instruments: Provided, That receivables that are to arise in the future and other receivables of similar nature shall be subject to approval by the Securities and Exchange Commission (SEC) or the Bangko Sentral ng Pilipinas (BSP), as the case may be: Provided, further, That the term "Assets" shall exclude receivables from future expectation of revenues by government, national or local, arising from royalties, fees or imposts.

(d) "Credit Enhancement" means any legally enforceable scheme intended to improve the marketability of the ABS and increase the probability that the holders of the ABS receive payment of amounts due them under the ABS in accordance with the Securitization Plan.

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(e) "Originator" means the person or entity which was the original obligee of the Assets, such as a financial institution that grants a loan or a corporation in the books of which the Assets were created in accordance with the Securitization Plan.

(f) "Securitization Plan" means the plan for securitization as approved by the Commission.

(g) "Seller" means the person or entity which conveys to the SPE the Assets forming the Asset Pool in accordance with the Securitization Plan. In most instances, the Seller may itself be the Originator.

SECTION 3. *Tax Exemption of Transfer of Assets.* – The sale or transfer of assets to the SPE, including sale or transfer of any and all security interest thereto, made in accordance with the Securitization Plan shall be exempted from value-added tax (VAT) and documentary stamp tax (DST), or any other taxes imposed in lieu thereof.

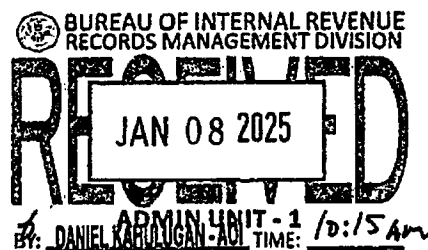
Moreover, pursuant to Section 28 of RA No. 9267, the transfer of assets by dation in payment (*dacion en pago*) by the obligor in favor of the obligee shall not be subject to capital gains tax as imposed under Section 27 (D)(5) of the Tax Code.

SECTION 4. *Tax Exemption on the Issuance and Transfer of Securities.* – The original issuance of ABS and other securities related solely to such securitization transaction, such as, but not limited to, seller's equity, subordinated debt instruments purchased by the originator, and other related forms of credit enhancement shall be exempt from VAT, or any other taxes imposed in lieu thereof, but shall be subject to DST.

Secondary trades and subsequent transfers of ABS, including all forms of credit enhancement in such instruments, shall be exempt from DST and VAT, or any other taxes imposed in lieu thereof.

SECTION 5. *Tax Treatment of Income from ABS.* – The yield or income from the ABS shall be subject to a twenty percent (20%) final withholding tax. However, the yield or income of investors from any low cost or socialized housing-related ABS shall be exempt from income tax.

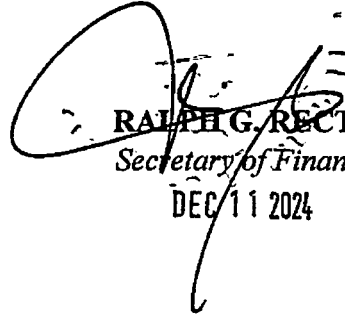
Such yield or income must come from the securitization of the mortgage and housing-related receivables of the government housing agencies. The low-cost or socialized housing-related ABS must be certified as such by the Department of Human Settlements and Urban Development¹ and the Department of Finance.



¹ Formerly Housing and Urban Development Coordinating Council

SECTION 6. *Repealing Clause.* – Any rules and regulations, issuances or parts thereof inconsistent with the provisions of these Regulations are revoked, repealed or amended accordingly.

SECTION 7. *Effectivity.* – These Regulations shall take effect fifteen (15) days following its publication in the BIR Official Website.


RALPH G. RECTO
Secretary of Finance
DEC 11 2024



Recommending Approval:




ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

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