

Tax Assessment of the Documentary Stamp Tax as Amended by Republic Act No. 10963*

I. INTRODUCTION

Republic Act (RA) No. 10963¹, also known as the “Tax Reform for Acceleration and Inclusion (TRAIN)” law, which took effect on January 1, 2018, amended the provisions of the documentary stamp tax (DST) in the National Internal Revenue Code (NIRC) of 1997, as amended, by increasing majority of the DST rates. Said increase in the DST rates was implemented by the Bureau of Internal Revenue (BIR) through Revenue Memorandum Circular (RMC) No. 3-2018² and Revenue Regulations (RR) No. 4-2018³.

This study presents the historical DST rates and assesses the revenue performance of the DST pursuant to RA 10963 to serve as input to fiscal policymakers.

II. HISTORICAL DST RATES⁴

The DST is a tax levied upon documents, instruments, loan agreements, and papers evidencing the acceptance, assignment, sale, or transfer of an obligation, right, or property incident thereto and in respect of the transaction so had or accomplished. The DST is in the nature of an excise tax. It is levied on the exercise by persons of certain privileges conferred

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¹ Entitled, “An Act Amending Sections 5, 6, 24, 25, 27, 31, 32, 33, 34, 51, 52, 56, 57, 58, 74, 79, 84, 86, 90, 91, 97, 99, 100, 101, 106, 107, 108, 109, 110, 112, 114, 116, 127, 128, 129, 145, 148, 149, 151, 155, 171, 174, 175, 177, 178, 179, 180, 181, 182, 183, 186, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 232, 236, 237, 249, 254, 264, 269, and 288; Creating New Sections 51-A, 148-A, 150-A, 150-B, 237-A, 264-A, 264-B, and 265-A; and Repealing Sections 35, 62, and 89; All Under Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code of 1997, As Amended, and For Other Purposes”, approved on December 19, 2017.

² Entitled, “Transition Procedures for All Taxpayers Affected by the Revised Tax Rates on Documentary Stamp Tax Pursuant to the Provisions of Republic Act (RA) No. 10963, Otherwise Known as the Tax Reform for Acceleration and Inclusion (TRAIN)”, issued on January 9, 2018.

³ Entitled, “Rules and Regulations Implementing the Documentary Stamp Tax Rate Adjustment Under Republic Act No. 10963, Otherwise Known as the “Tax Reform For Acceleration and Inclusion (TRAIN) Law”, issued on January 15, 2018.

⁴ Annex A presents the summary of historical changes in DST rates from 1997 to present.

by law for the creation, revision, or termination of specific legal relationships through the execution of specific instruments. At present, there are 25 major categories of documents/instruments/transactions that are taxed at varying rates under Sections 174 to 198 of the NIRC of 1997, as amended.

The initial codification of the DST was made as early as 1904 upon the enactment of Act No. 1189⁵. Through the years, various amendatory laws were passed, but the major restructuring of the DST rates were made by the following laws:

- a. **RA 7660**⁶ - introduced major changes in the DST such as renumbering of sections, rewording of the categories, increasing the DST rates, and the imposition of the DST on pre-need plans at 0.10%, among others;
- b. **RA 8424**⁷ - the DST sections were renumbered but generally retained the rates for most documents/instruments/transactions under RA 7660. The category “bonds, debentures and certificates of indebtedness” was renamed and collectively categorized as “debentures and certificates of indebtedness”.

The DST on policies of insurance upon property, and fidelity bonds and other insurance policies had the highest ad valorem rate at 12.50%, followed by jai-alai and horse race tickets at 10%, and indemnity bonds at 7.50%. The lowest DST rate was imposed on pre-need plans at 0.10%. For the fixed amount of DST, certificates, warehouse receipts, and proxies had the highest DST at P15.00 per instrument, followed by powers of attorney at P5.00, and bank checks at P1.50.

- c. **RA 9243**⁸ - the DST structure was again rationalized in 2004. The law deleted the DST on debentures and certificates of indebtedness under RA 8424 and included it under the DST on all debt instruments. It also introduced the DST on all bills of exchange or drafts. Moreover, the tax base of DST on life insurance policies was changed from amount insured to amount of premium collected. Likewise, the sale, barter, or exchange of shares of stock listed and traded through the local stock exchange was given a 5-year exemption on DST payment from the effectivity of the said Act.

It likewise lowered the DST rates on: (1) original issue of shares of stock from 1.00% to 0.50%; (2) sales, agreements to sell, memoranda of sales, deliveries or transfer of shares or certificates of stock from 0.75% to 0.375%; and (4) policies of annuities from 0.75% to 0.25%.

⁵ Entitled, “An Act to Provide for the Support of the Insular, Provincial and Municipal Governments, by Internal Taxation”, effective August 1, 1904.

⁶ Entitled, “An Act Rationalizing Further the Structure and Administration of the Documentary Stamp Tax, Amending for the Purpose Certain Provisions of the National Internal Revenue Code, as Amended, Allocating Funds for Specific Programs, and for Other Purposes”, approved on December 23, 1993.

⁷ Entitled, “An Act Amending the National Internal Revenue Code, as Amended, and for Other Purposes”, approved on December 11, 1997.

⁸ Entitled, “An Act Rationalizing the Provisions on the Documentary Stamp Tax of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes”, approved on February 17, 2004.

Meanwhile, in the same year, RA 9267⁹ granted DST exemption on the sale or transfer of assets to the Special Purpose Entity, which included the sale or transfer of any and all security interest thereto.

- d. **RA 9648**¹⁰ - exempted the sale, barter, or exchange of shares of stock listed and traded through the local exchange from the DST.
- e. **RA 10001**¹¹ - reverted the tax base of DST on life insurance policies from amount of premium collected to amount of insurance, and subjected them to a one-time DST payment. Life insurance policies amounting to P100,000 and below are exempted from the DST while those amounting to more than P100,000 are liable to the DST ranging from P10 to P100.

In the same year, remittance of overseas Filipino workers was exempted from the DST upon the passage of RA 10022¹².

- f. **RA 10963** - increased all DST rates by 100.00% except the DST on debt instruments, which was only increased by 50.00%, and retained the rates on policies of insurance upon property, fidelity bonds and other insurance policies, indemnity bonds, and conveyances of real properties. Likewise, the donation of real property became subject to the DST and was placed under the same section of deeds of sale and conveyances of real property. However, the TRAIN law provides exemption from the DST on transfers of real property that are exempt from the donor's tax under Section 101(a) and Section 101(b) of the NIRC of 1997, as amended. With the doubling of the tax rates, the DST on jai-alai, horse-race tickets, lotto, or other authorized numbers games now has the highest rate at 20.00%, followed by non-life insurance and fidelity bonds at 12.50%, and indemnity bonds at 7.50%. Also, the DST on debt instruments increased to 0.75%, and the DST on original issuance of shares of stock increased to 1.00%.

⁹ Entitled, "An Act Providing the Regulatory Framework for Securitization and Granting for the Purpose Exemptions from the Operations of Certain Laws", approved on March 19, 2004.

¹⁰ Entitled, "An Act Exempting from Documentary Stamp Tax Any Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Stock Exchange, Further Amending for the Purpose Section 199 of the National Internal Revenue Code of 1997, As Amended by Republic Act No. 9243, and for Other Purposes", approved on June 30, 2009.

¹¹ Entitled, "An Act Reducing Taxes on Life Insurance Policies, Amending for This Purpose Sections 123 and 183 of the National Internal Revenue Code of 1997, as Amended", approved on February 23, 2010.

¹² Entitled, "An Act Amending Republic Act No. 8042, Otherwise Known as the Migrant Workers and Overseas Filipinos Act of 1995, as Amended, Further Improving the Standard of Protection and Promotion of the Welfare of Migrant Workers, Their Families and Overseas Filipinos in Distress, and for Other Purposes", approved on March 8, 2010.

III. HISTORICAL DST COLLECTION

The DST is considered to be a steady and reliable source of government revenue as it is relatively easy to collect and enforce. The DST collection increased remarkably by 41 times the collection in 1990, or by 4,023% from P3.54 billion in 1990 to P145.97 billion in 2019. The DST collection showed an annual average of 4.95% of the BIR's total collection covering the period under review. (See Figure 1 and Table 1.)

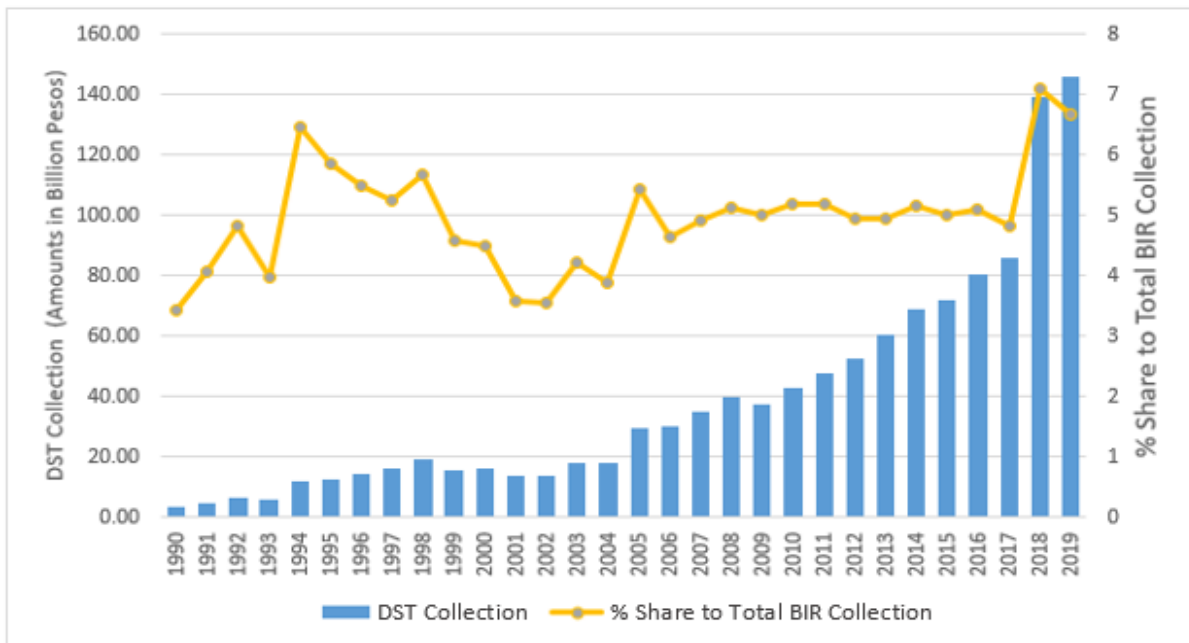


Figure 1. Total DST Collection, CYs 1990 to 2019 (Amounts in Billion Pesos)

Table 1

DST Collection, CYs 1990 – 2019 (Amounts in Billion Pesos)

Year	DST Collection	Increase/Decrease (%)	% Share to Total BIR Collection
1990	3.54	n.a.	3.44
1991	4.68	32.14	4.07
1992	6.42	37.07	4.84
1993	5.74	-10.66	3.97
1994	12.03	109.83	6.47
1995	12.40	3.03	5.86
1996	14.29	15.27	5.48
1997	16.48	15.29	5.24
1998	19.08	15.80	5.66
1999	15.68	-17.82	4.59
2000	16.17	3.13	4.48

Year	DST Collection	Increase/Decrease (%)	% Share to Total BIR Collection
2001	13.92	-13.91	3.58
2002	14.06	1.03	3.56
2003	17.92	27.42	4.21
2004	18.17	1.37	3.88
2005	29.43	62.00	5.42
2006	30.29	2.91	4.64
2007	35.15	16.04	4.93
2008	40.05	13.96	5.14
2009	37.48	-6.42	5.00
2010	42.63	13.73	5.18
2011	47.88	12.32	5.18
2012	52.46	9.56	4.96
2013	60.36	15.06	4.96
2014	69.04	14.38	5.17
2015	72.07	4.40	5.00
2016	80.15	11.21	5.09
2017	85.92	7.19	4.82
2018	139.17	61.98	7.09
2019	145.97	4.89	6.68

Note. Basic data gathered from the BIR.

From 1990 to 2019, the DST collection only declined four times, i.e., in 1993, 1999, 2001, and 2009. One possible reason for the 17.80% decline in 1999 was the after effects of the financial turbulence in the Asian economies, which was evident in the slow growth of the financial sector at 8.50% in 1999 from 13.80% in 1998. Banking activities, which contributed 70.00% of the financial sector, declined to 7.50% in 1999 from 14.10% in 1998 (*BIR Annual Report 1999*, n.d.). In 2001, the DST collection fell by 13.90% due to the lower volume of transactions as a result of the global and national economic slowdown, and the low remittance from certain entities adopting “paperless” transactions (*BIR Annual Report 2001*, n.d.). Meanwhile, there were lesser transactions subject to the DST in 2009 that resulted to a 6.40% decrease in collection (*BIR Annual Report 2009*, n.d.). These included capital gains wherein the number of DST forms filed in the said year was lower by 18,524 returns or 3.20%, and lower programmed DST on government securities attributable to lower issuance (*BIR Annual Report 2009*, n.d.). However, in 2018, the DST collection grew significantly by 62.00% due to the doubling of most of the DST rates in the TRAIN law.

By section, from 2013 to 2019, the DST collection on debt instruments had the biggest annual average contribution of 48.50% to total DST collection, followed by the DST on policies of insurance upon properties at 8.50%, and DST on jai-alai, horse race tickets, lotto, etc., at 6.30%. In 2019, the DST on debt instruments had the biggest collection at P81.34 billion. (See Table 2.)

Table 2

DST Collection by Section, CYs 2013 to 2019 (Amounts in Billion Pesos)

Section	Description	2013	2014	2015	2016	2017	2018	2019	Average % Share
	TOTAL DST	60.36	69.04	72.07	80.15	85.92	139.17	145.97	100.00
174	Original issue of certificate of stocks	2.00	1.75	2.72	2.66	2.37	5.97	4.59	3.38
175	Sales, agreements to sell, memo, etc.	0.14	0.08	0.12	0.19	0.15	0.58	0.84	0.32
176	Bonds, debentures, cert of indebtedness issued in any foreign country	0.01	0.01	0.01	0.01	0.00	0.19	0.11	0.05
177	Certificates of profits or interest of property or accumulations	0.00	0.00	0.01	0.02	0.02	0.05	0.05	0.02
178	Bank checks, drafts, certificates of deposit not bearing interest, and other instruments	0.28	0.25	0.28	0.32	0.37	0.55	0.57	0.40
179	Debt instruments	29.51	26.80	35.06	41.63	42.50	59.79	81.34	48.51
180	All bills of exchange or drafts	0.13	0.09	0.08	0.08	0.16	0.13	0.10	0.12
181	Acceptance of bills of exchange or order for payment of money	0.59	0.66	0.80	0.84	0.90	1.82	1.92	1.15
182	Foreign bills of exchange and letters of credit	1.05	0.94	1.06	1.20	1.21	2.82	2.59	1.67
183	Life insurance policies	0.09	0.09	0.13	0.10	0.10	0.17	0.22	0.14
184	Policies of insurance upon property	5.72	5.48	7.64	7.84	8.94	9.20	10.90	8.54
185	Fidelity bonds and other insurance policies	0.44	0.41	0.75	0.77	0.75	0.89	0.92	0.76
186	Policies of annuities and pre-need plans	0.02	0.02	0.02	0.02	0.07	0.04	0.05	0.04
187	Indemnity bonds	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
188	Certificates	0.02	0.14	0.26	0.38	0.42	0.82	1.00	0.47
189	Warehouse receipts	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.01
190	Jai-alai, horse-race tickets, lotto, etc.	2.05	3.98	4.20	4.60	5.80	11.93	8.33	6.26

Section	Description	2013	2014	2015	2016	2017	2018	2019	Average % Share
191	Bills of lading or receipts	0.04	0.04	0.04	0.04	0.04	0.10	0.12	0.06
192	Proxies for voting of any elections	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
193	Powers of attorney	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
194	Leases and other hiring agreements	0.13	0.19	0.25	0.26	0.28	0.54	0.79	0.37
195	Mortgages, pledges and deeds of trust	1.12	1.09	1.30	1.55	1.62	4.21	4.40	2.34
196	Deeds of sale, conveyances, and donation of real property	3.51	3.84	4.37	4.85	6.98	9.51	6.79	6.11
197	Charter parties and similar instruments	0.00	0.00	0.00	0.01	0.01	0.02	0.05	0.01
198	Assignment and renewals of certain instruments	0.00	0.01	0.00	0.00	0.02	0.00	0.01	0.01
	Not elsewhere classified (NEC)	13.51	23.16	12.95	12.75	13.17	29.81	20.25	19.24

Notes. Basic data gathered from BIR.
Total may not add up due to rounding off.
Zero amounts are those with less than P5 million.

IV. ASSESSMENT OF THE DST UNDER THE TRAIN LAW

In general, RA 10963 effected the increase of almost all the DST rates by 100.00%, specifically, those provided under Sections 174, 175, 177, 178, 180, 181, 182, 183, 186, 188, 189, 190, 191, 192, 193, 194, 195, and 197, while the DST under Section 179 was only increased by 50.00%. On the other hand, the DST rates under Sections 184, 185, 187, and 196 remained unchanged. Table 3 summarizes the changes of DST rates under the TRAIN law. (See Table 3.)

Table 3

Summary of DST rates Pre-TRAIN vis-à-vis TRAIN

Section	Description	Tax Rate	
		Pre-TRAIN	TRAIN
174	Original issue of certificate of stocks	0.50%	1.00%
175	Sales, agreements to sell, memoranda of sales, deliveries or transfer of shares or certificates of stock	0.375%	0.75%
	In case of stock issued without par value	0.25%	0.50%
	Listed and Traded through local stock exchange	Exempt	Exempt
176	Bonds, debentures, cert of indebtedness issued in any foreign country	Tax as required by law	Tax as required by law
177	Certificates of profits or interest of property or accumulations	0.25%	0.50%
178	Bank checks, drafts, certificates of deposit not bearing interest, and other instruments	P1.50	P3.00
179	Debt instruments	0.50%	0.75%
180	All bills of exchange or drafts	0.15%	0.30%
181	Acceptance of bills of exchange or order for payment of money	0.15%	0.30%
182	Foreign bills of exchange and letters of credit	0.15%	0.30%
183	Life insurance policies	P10.00- P100.00	P20.00-P200.00
184	Policies of insurance upon property	12.50%	12.50%
185	Fidelity bonds and other insurance policies	12.50%	12.50%
186	Policies of annuities and pre-need plans	0.25%	0.50%
		0.10%	0.20%
187	Indemnity bonds	7.50%	7.50%
188	Certificates	P15.00	P30.00
189	Warehouse receipts	P15.00	P30.00
190	Jai-alai, horse-race tickets, lotto, etc.	10.00%	20.00%
191	Bills of lading or receipts	P1.00/P10.00	P2.00/P20.00
192	Proxies for voting of any elections	P15.00	P30.00
193	Powers of attorney	P5.00	P10.00
194	Leases and other hiring agreements	0.15%/ 0.10%	0.30%/0.20%
195	Mortgages, pledges and deeds of trust	0.40%/ 0.20%	0.80%/0.40%
196	Deeds of sale, conveyances and donation of real property ¹	1.50%	1.50%
197	Charter parties and similar instruments	P500.00 - P1,500.00	P1,000.00 - P3,000.00
198	Assignment and renewals of certain instruments	Same rate as original	Same rate as original

Note. ^{1/} DST on donation of real property was added under the TRAIN Law.

Among the tax measures under the TRAIN law, the DST is considered as one of the biggest gainers in terms of revenue generation as it achieved 116.20% of its revenue goal or was above the target by P4.70 billion given higher transaction value and better collection efficiency by the BIR in 2018 (Department of Finance, 2019). In 2019, the DST TRAIN revenue was above its target by P1.40 billion or achieved 103.70% of its revenue goal (Development Budget Coordination Committee, 2020). (See Table 4.)

Table 4

Summary of DST TRAIN Revenues, CYs 2018-2019 (Amounts in Billion Pesos)

Year	Actual	Target	Actual to Target Ratio (%)
2018	33.80	29.10	116.20
2019	38.60	37.20	103.70

Notes. 2018 data gathered from the DOF Annual Report 2018.
2019 data gathered from the FY 2019 Annual Fiscal Report of the Development Budget Coordination Committee.

The total DST collection increased from P85.92 billion in 2017 to P139.17 billion in 2018 or by 61.98%. In 2018, among those doubled DST rates, the DST on sales, agreements to sell, memoranda of sales, deliveries or transfer of shares or certificates of stock had the highest growth from P154 million in 2017 to P580 million or by 277.24%, followed by the DST on mortgages, pledges, and deeds of trust at 159.20%, and the DST on original issue of shares of stock at 152.26%. Meanwhile, the collection from DST on debt instruments, which rate increased by 50.00%, increased from P42.50 billion in 2017 to P60.0 billion in 2018 or by 41.80%. (See Table 5.)

For 2019, among those doubled DST rates, the DST on charter parties and similar instruments had the highest growth from P17.14 billion in 2018 to P48.76 billion or by 184.49%, followed by the DST on powers of attorney at 51.73%, and leases and other hiring agreements at 47.45%. The DST on debt instruments, which rate was increased by 50.00%, grew by 35.56% from P60.00 billion in 2018 to P81.34 billion in 2019. (See Table 5.)

Table 5

DST Collection per Transaction for 2017-2019 (Amounts in Million Pesos)

Section	Description	Amounts			Growth Rates (%)	
		2017	2018	2019	2018	2019
	Total DST	85,915.93	139,168.18	145,970.09	61.98	4.89
A. Doubled						
174	Original issue of certificate of stocks	2,374.74	5,990.50	4,589.15	152.26	-23.39
175	Sales, agreements to sell, memo, etc.	153.76	580.04	841.76	277.24	45.12
177	Certificates of profits or interest of property or accumulations	22.03	51.84	53.93	135.32	4.03
178	Bank checks, drafts, certificates of deposit not bearing interest, and other instruments	372.75	546.26	568.89	46.55	4.14
180	All bills of exchange or drafts	155.09	132.83	102.63	-14.35	-22.73
181	Acceptance of bills of exchange or order for payment of money	903.62	1,821.15	1,917.01	101.54	5.26
182	Foreign bills of exchange and letters of credit	1,212.15	2,817.16	2,587.82	132.41	-8.14
183	Life insurance policies	96.8	166.3	219.44	71.80	31.96
186	Policies of annuities and pre-need plans	65.52	41.01	47.85	-37.41	16.68
188	Certificates	415.08	821.94	995.16	98.02	21.07
189	Warehouse receipts	11.08	20.5	19.94	85.02	-2.75
190	Jai-alai, horse-race tickets, lotto, etc.	5,798.51	11,930.97	8,334.02	105.76	-30.15
191	Bills of lading or receipts	44.55	95.88	121.03	115.22	26.23
192	Proxies for voting of any elections	0.26	0.50	0.65	93.98	29.15
193	Powers of attorney	0.03	0.03	0.05	11.54	48.05
194	Leases and other hiring agreements	282.71	538.15	793.51	90.35	47.45
195	Mortgages, pledges, and deed of trust	1,622.45	4,205.32	4,397.84	159.20	4.58
197	Charter parties and similar instruments	12.59	17.14	48.76	36.14	184.49
B. 50% Increase						
179	Debt instruments	42,498.62	60,001.61	81,340.69	41.18	35.56
C. No change						
176	Bonds, debentures, cert of indebtedness issued in any foreign country	2.07	132.91	112.14	6,320.77	-15.62
184	Policies of insurance upon property	8,936.38	9,202.61	10,901.09	2.98	18.46
185	Fidelity bonds and other insurance policies	751.68	887.51	917.57	18.07	3.39
187	Indemnity bonds	11.96	7.13	6.31	-40.38	-11.50
196	Deeds of sale, conveyances, and donation of real property	6,975.00	9,505.63	6,785.46	36.28	-28.62
198	Assignment and renewals of certain instruments	22.74	3.26	9.24	-85.66	183.44

Note. Basic data gathered from BIR.

The increase in DST rates under RA 10963 was not initially included in the original TRAIN bill and was only introduced in the Senate version. This amendment was carried over into the final version of the bill which was signed into law. The DST rates were already due for updating since these were set two decades ago just like the personal income tax rates. Also, this would improve the progressivity of the TRAIN law as this would mostly affect the rich who have the ability to pay additional taxes (Senate of the Philippines, 2017).

The DST structure is viewed by some as having several deficiencies such as: (a) very complicated structure; (b) high rates which increase friction cost to transactions; (c) imposition of multiple DST on a single document; (d) imposition of multiple DST on a single continuous transaction; and (e) varied rates for similar documents/ instruments/transactions.

To address certain deficiencies of the DST structure, Package 4 of the Comprehensive Tax Reform Program of the present administration seeks to rationalize it with the following guiding principles: (a) Express all DST in percent instead of differentiated tax bases and tax rates (e.g., P2.00 for every P200.00 or fractional part thereof, P0.50 on each P4.00, etc.) which are not readily comparable; (b) Equalize DST on debt and equity; (c) Unify all non-life insurance rates; (d) Remove DST on domestic money transfers to support financial inclusion; (e) Remove the DST on non-monetary transactions (e.g., diploma, birth certificate, etc.); and (e) Remove “nuisance” provisions with low revenue take. Table 6 summarizes the proposed rationalization in the DST structure under Package 4.

Table 6

Summary of Package 4 proposed reforms on DST structure

Section	Transaction	Tax base	Current	Ad valorem	Proposal
174	Original issue of shares of stock	Par value	P2.00 on each P200.00, or fractional part thereof	1.00%	0.75%
175	Sales, agreements to sell, memoranda of sales, deliveries, or transfer of shares or certificates of stock				
	With par value	Par value	P1.50 on each P200.00 or fractional part thereof	0.75%	Remove
	Without par value	DST paid upon the original issue of said stock	50.00%	50.00%	Remove

Section	Transaction	Tax base	Current	Ad valorem	Proposal
176	Bonds, debentures, certificates of stock, or certificates of indebtedness issued in any foreign country	Face value	Tax as required by law	0.75%	0.75%
177	Certificates of profits or interest in property or accumulations	Face value	P1.00 on each P200.00, or fractional part thereof	0.50%	Remove
178	Bank checks, drafts, certificates of deposit not bearing interest, and other instruments	Per instrument	P3.00	NA	Remove
179	Debt instruments	Issue price; if term is less than 1 year, a proportional amount based on a ratio of its term to 365 days	P1.50 on each P200.00, or fractional part thereof	0.75%	0.75%
180	Bills of exchange or drafts	Face value	P0.60 on each P200.00 or fraction thereof	0.30%	Remove
181	Acceptance of bill of exchange and others	Face value	P0.60 on each P200 or fraction thereof	0.30%	0.30%
182	Foreign bills of exchange and letters of credit drawn in but payable outside the Philippines	Face value	P0.60 on each P200.00 or fraction thereof	0.30%	0.30%
183	Life and health insurance, and HMOs	a. If the amount of insurance does not exceed P100,000.00 b. Exceeds P100,000.00 but does not exceed P300,000.00 c. Exceeds P300,000.00 but does not exceed P500,000.00	Exempt P20.00 P50.00	NA	No change

Section	Transaction	Tax base	Current	Ad valorem	Proposal
		d. Exceeds P500,000.00 but does not exceed P750,000.00	P100.00		
		e. Exceeds P750,000.00 but does not exceed P1 million	P150.00		
		f. Exceeds P1 million	P200.00		
184	Policies of insurance upon property	Premium charged	P0.50 on each P4.00 or fraction thereof	12.50%	2020 – 12.50% 2021 – 11.50% 2022 – 10.50% 2023 – 9.50% 2024 – 8.50% 2025 – 7.50%
185	Fidelity bonds and other insurance property	Premium charged	P0.50 on each P4.00 or fraction thereof	12.50%	
186	Pre-need plans	Premium or contribution collected	P0.40 on each P200.00, or fraction thereof	0.20%	No change
187	Indemnity bonds	Premium charged	P0.30 on each P4.00 or fraction thereof	7.50%	7.50%
188	Certificates	Per instrument	P30.00	NA	Remove
192	Proxies	Per instrument	P30.00	NA	Remove
193	Powers of attorney	Per instrument	P10.00	NA	Remove
195	Mortgages, pledges, and deeds of trust	Amount secured P5,000.00 or less On each P5,000.00 or fraction thereof in excess of P5,000.00	P40.00 P20.00	NA	0.30% of amount secured, exempt if DST already imposed on promissory note
198	Assignments and renewals of certain instruments		Same as that of the original instrument	NA	Remove for assignment and retain for renewals

Note. NA – not applicable.

As noted, the DST has a very complicated structure since it is composed of 25 major categories of instruments/documents/transactions with either ad valorem tax rate, which is based on value, or fixed rate. In order to resolve the said deficiency, some DST rates will be expressed in percent instead of using different taxable units with different tax bases (e.g., P2.00 per P200.00 of the tax base) to make the computation easier and the rates comparable, and some DST will be removed to streamline the structure and support financial inclusion.

Package 4 also aims to address the imposition of multiple DST on single continuous transaction. A single continuous transaction refers to transactions consisting of a single act and purpose but may have, as its component, more than one taxable transaction if taken separately. An illustration of this is a single importation that undergoes two transactions, namely letter of credit and trust receipt, which are both subject to DST. Under Package 4, a condition shall be imposed that in case of a letter of credit in which the DST is levied under Section 182 is paid upon opening, the same shall not be subject again to DST under Section 195 on mortgages, pledges, and deeds of sale upon availing of the trust receipt line where the property subject of the letter of credit is made a security for payment.

V. CONCLUSION

The doubling of DST pursuant to RA 10963 successfully achieved its objective of generating additional revenue for the government to compensate for the loss from the lowering of the personal income tax rates and to finance government's priority social and infrastructure programs. The DST TRAIN revenues exceeded its target by P4.70 billion given higher transaction value and better collection efficiency by the BIR in 2018. In 2019, the DST TRAIN revenue continued to exceed its target by P1.40 billion.

Package 4 of the CTRP, on the other hand, will greatly simplify the DST structure, and promote equity and fairness in the tax treatment of equivalent and/or comparable products and/or transactions.



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Annex A

Historical changes in in the DST Rates from 1997 to Present

Section	Description	Tax Base	Tax Rates				
			RA 8424	RA 9243	RA 9648	RA 10001	RA 10963
174	Original issue of certificate of stocks	Par value	1.00%	0.50%	0.50%	0.50%	1.00%
175	Sales, agreements to sell, memoranda of sales, deliveries or transfer of shares or certificates of stock	Par value	0.75%	0.375%	0.375%	0.375%	0.75%
	In case of stock issued without par value	DST paid on the original issue of shares of stock	0.25%	0.25%	0.25%	0.25%	0.50%
	Traded through local stock exchange			Exempt for 5 years	Exempt	Exempt	Exempt
176	Bonds, debentures, certificate of stock or indebtedness issued in foreign country	Face value	Tax as required by law	Tax as required by law	Tax as required by law	Tax as required by law	Tax as required by law
177	Certificate of profits or interest in property or accumulation	Face value	0.25%	0.25%	0.25%	0.25%	0.50%
178	Bank checks, drafts, certificates of deposit not bearing interest and other instruments	Per instrument	P1.50	P1.50	P1.50	P1.50	P3.00
179	Debt instruments	Issue price	0.15%	0.50%	0.50%	0.50%	0.75%
180	All bills of exchange or drafts	Face value	0.15%	0.15%	0.15%	0.15%	0.30%
181	Acceptance of bills of exchange and others	Face value	0.15%	0.15%	0.15%	0.15%	0.30%
182	Foreign bills of exchange and letters of credit	Face value	0.15%	0.15%	0.15%	0.15%	0.30%
183	Life insurance policies	Amount Insured	0.25%	0.25% ¹	0.25%	P10.00-P100.00	P20.00-P200.00

Section	Description	Tax Base	Tax Rates				
			RA 8424	RA 9243	RA 9648	RA 10001	RA 10963
184	Policies of insurance upon property	Premium	12.50%	12.50%	12.50%	12.50%	12.50%
185	Fidelity bonds and other insurance policies	Premium	12.50%	12.50%	12.50%	12.50%	12.50%
186	Policies of annuities and pre-need plans	Face Value Premium	0.75% 0.10%	0.25% 0.10%	0.25% 0.10%	0.25% 0.10%	0.50% 0.20%
187	Indemnity bonds	Premium	7.50%	7.50%	7.50%	7.50%	7.50%
188	Certificates	Per certificate	P15.00	P15.00	P15.00	P15.00	P30.00
189	Warehouse receipts	Per receipt	P15.00	P15.00	P15.00	P15.00	P30.00
190	Jai-alai, horse-race tickets, lotto, or other authorized numbers games	Ticket Price	10.00%	10.00%	10.00%	10.00%	20.00%
191	Bills of lading or receipts	Value	P1.00/ P10.00	P1.00/ P10.00	P1.00/ P10.00	P1.00/ P10.00	P2.00/ P20.00
192	Proxies	Per instrument	P15.00	P15.00	P15.00	P15.00	P30.00
193	Powers of attorney	Per instrument	P5.00	P5.00	P5.00	P5.00	P10.00
194	Leases and other hiring agreements	Value	0.15%/ 0.10%	0.15%/ 0.10%	0.15%/ 0.10%	0.15%/ 0.10%	0.30%/ 0.20%
195	Mortgages, pledges, and deeds of trust	Amount secured	0.40%/ 0.20%	0.40%/ 0.20%	0.40%/ 0.20%	0.40%/ 0.20%	0.80%/ 0.40%
196	Deeds of sale, conveyances and donation of real property ²	Consideration	1.50%	1.50%	1.50%	1.50%	1.50%
197	Charter parties and similar instruments	Gross tonnage	P500.00- P1,500.00	P500.00- P1,500.00	P500.00- P1,500.00	P500.00- P1,500.00	P1,000.00 - P3,000.00
198	Assignment and renewals of certain instruments	Same base as original instruments	Same rate as original	Same rate as original	Same rate as original	Same rate as original	Same rate as original

Notes. ^{1/} Based on the amount of premium collected.

^{2/} DST on donation of real property was added only under the TRAIN Law.