

Tax Assessment of the Stock Transaction Tax as Amended by Republic Act No. 10963*

I. INTRODUCTION

Section 39 of Republic Act (RA) No. 10963,¹ also known as the “Tax Reform for Acceleration and Inclusion (TRAIN)” Law, which took effect on January 1, 2018, amended Section 127(A) of the National Internal Revenue Code (NIRC) of 1997, as amended, by increasing the Stock Transaction Tax (STT) rate from 0.50% to 0.60% of the gross selling price (GSP) or gross value (GV) in money of the shares of stock sold, bartered, exchanged, or otherwise disposed of through the local stock exchange which the seller or transferor shall pay. Said increase in the STT rate was implemented by Revenue Regulations (RR) No. 9-2018.²

This paper assesses the revenue performance of the STT rate as amended by RA 10963 to serve as input to fiscal policymakers.

II. HISTORICAL DEVELOPMENTS IN THE STT RATES³

The STT is a percentage tax imposed on every sale, barter, or exchange of shares of stock listed or traded through the local stock exchange. It is collected by the stock broker from the seller/transferor upon confirmation of the sale and remitted to the Bureau of Internal Revenue (BIR) within five banking days from the collection date. Prior to the enactment of RA 10963, the STT had undergone several amendments.

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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”.

² Entitled, “Rules and Regulations Implementing the Increase in the Stock Transfer Tax under Republic Act No. 10963, Otherwise Known as the “Tax Reform for Acceleration and Inclusion (TRAIN) Law”, (February 26, 2018).

³ Annex A presents the historical changes in the STT rates from RA 6141 (1970) to RA 10963 (2018).

The STT was first imposed in 1970 via RA 6141⁴ at the rate of 2% of the GSP or GV in money of shares of stock, exchanged, or transferred primarily to support the creation of a Peace and Order Special Account in the General Fund to finance the activities and functions of the then Police Commission (now known as the National Police Commission or NAPOLCOM) and certain police activities of the National Bureau of Investigation. It was imposed on both stocks traded and not traded through a stock exchange. For stocks traded through a stock exchange, the stock broker was mandated to collect, on behalf of the government, the tax due from the seller or transferor upon the issuance of the confirmation of sale. On the other hand, for stocks not traded through a stock exchange, the stock transfer agent or the secretary of the corporation collected the tax due before recording the transfer of stock in the stock and transfer book.

As provided under Presidential Decree (PD) No. 10,⁵ the imposition of a 2% tax on stock adversely affected stock transactions and slowed down various industries' operations. Hence, the percentage tax imposed on stock transactions was reduced by the issuance of PD 10 in 1972 to a more reasonable rate of 1/4 of 1% or 0.25% of the GSP or GV in money of shares of stock, exchanged, or transferred.

Beginning January 1, 1976, capital gains arising from the sale, barter, or exchange of shares of stock derived from sources within the Philippines were subjected to the graduated Capital Gains Tax (CGT) from 10% to 25%, depending on the amount of gain therefrom as provided under PD 779.⁶ However, non-resident investors buying and/or selling shares of stock of Philippine corporations listed in the dollar or any acceptable foreign currency board of any stock exchange were still liable to the 0.25% STT. A year after, PD 1116⁷ indefinitely suspended the effectivity of PD 779 to generate more capital for economic development, and it was effective retroactively from January 1, 1976.

With the codification of all internal revenue laws under PD 1158⁸ in 1977, the 0.25% STT under PD 10 was reinstated. The same rate was reiterated under Batas Pambansa Bilang

⁴ Entitled, "An Act to Create a Peace and Order Special Account in the General Fund to Finance the Activities and Functions of the Police Commission as Defined in the Police Act of 1966 and Certain Police Activities of the National Bureau of Investigation and for Other Purposes", (November 4, 1970).

⁵ Entitled, "Reducing the Percentage Tax on Stock Transactions", (October 2, 1972).

⁶ Entitled, "Amending Sec. 34 and Inserting Sub-Sec. 34 (g) of the National Internal Revenue Code, as Amended, by Imposing a Capital Gains Tax on Stock Transactions and Extending the Deadline of the Stock Transaction Tax to December 31, 1975, Under Republic Act No. 6141, as Amended by Presidential Decree No. 10", (August 25, 1975).

⁷ Entitled, "Indefinitely Suspending the Effectivity of Presidential Decree No. 779 which Imposes a Schedular Capital Gains Tax on Stock Transactions", (April 15, 1977).

⁸ Entitled, "A Decree to Consolidate and Codify All the Internal Revenue Laws of the Philippines", (June 3, 1977).

(BP Blg.) 221⁹ in 1982 and Executive Order (EO) 37¹⁰ in 1986. In 1994, given the need to generate more revenues, RA 7717¹¹ increased the STT on a staggered basis from 0.25% to 0.375% for one year and 0.50% thereafter and was carried over by RA 8424,¹² otherwise known as the “NIRC of 1997.”

After two decades, the STT rate was adjusted to 0.60% under the TRAIN Law. In hindsight, the STT was not initially included in the original TRAIN Law bill. As legislators adopted a different version of the TRAIN Law bill, the STT increase was among the “offsetting” measures included in the TRAIN Law to meet the revenue goal of the government after the individual income tax was lowered to boost the net take-home pay of the average Filipino. The STT increase was necessary to raise additional revenue to support the government’s priority social and infrastructure programs.

III. HISTORICAL STOCK MARKET TRANSACTIONS¹³ AND STT COLLECTION

Figure 1 shows that the series of adjustments in the STT rates did not strongly influence the stock market’s performance. In fact, substantial evidence likely pointed to other factors that might have a greater impact on stock market performance, e.g., the slowdown in economic activity brought about by the economic/financial crisis, and political instability, among others.

⁹ Entitled, “An Act Revising the Rates of Capital Gains Tax on Certain Sales of Shares of Stock and the Manner of Assessing and Collecting the Same, Further Amending for the Purpose of the National Internal Revenue Code of 1977, as Amended”, (March 25, 1982).

¹⁰ Entitled, “Further Amending Certain Provisions of the National Internal Revenue Code, as Amended”, (July 31, 1986).

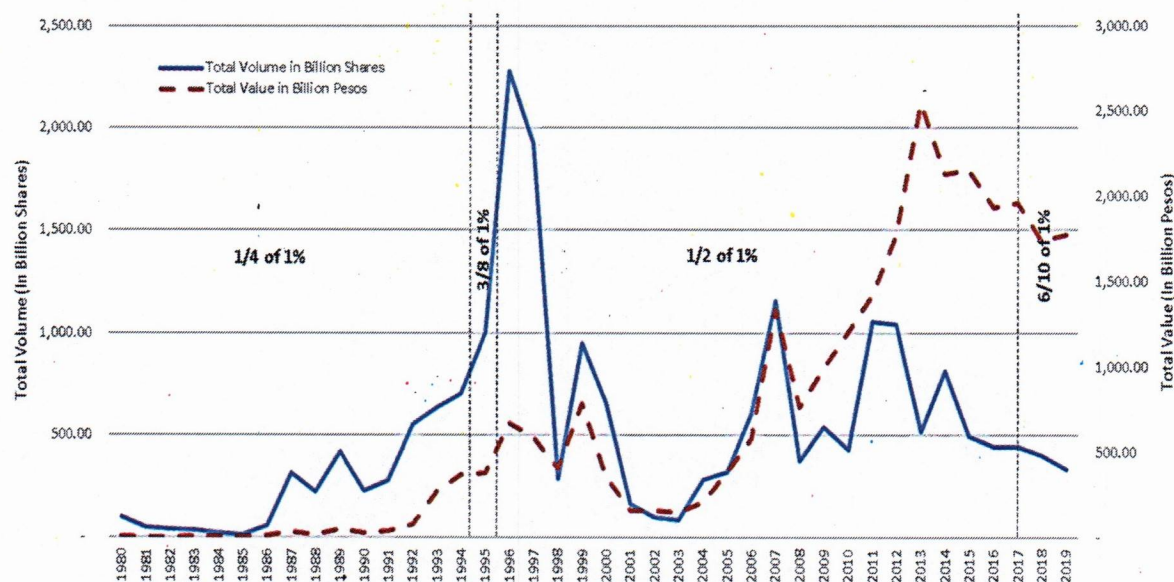
¹¹ Entitled, “An Act Imposing a Tax on the Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange or Through Initial Public Offering, Amending for the Purpose the National Internal Revenue Code, as Amended, by Inserting a New Section and Repealing Certain Subsections Thereof”, (May 5, 1994).

¹² Entitled, “An Act Amending the National Internal Revenue Code, as Amended, and for Other Purposes”, (January 1, 1998).

¹³ Annex B presents the historical volume and value of shares of stock traded from 1980-2019.

Figure 1

Total Volume and Value of Shares of Stock Traded at the Philippine Stock Exchange (PSE), CYs 1980 – 2019



Note. Bangko Sentral ng Pilipinas (BSP). (n.d.). *Statistics – other real sector accounts* [Data Set]. Retrieved from <https://www.bsp.gov.ph/SitePages/Statistics/OtherRealSectorAccounts.aspx?TabId=7>

Although the STT rate increased from 0.25% to 0.375% starting in May 1994 and to 0.50% in May 1995, the volume and value of shares of stock traded increased by 10.80%, 42.90%, and 126.00% in 1994, 1995, and 1996, respectively. Said growths were brought about by higher trading of all sectors, as well as the active participation of foreign fund managers and the increased awareness of new investors in stock trading. (PSE, 1995) On the other hand, the volatility experienced by the country's stock market in 1998 was caused by the 1997 global financial crisis, which was aggravated by the presidential election uncertainties and a high inflation rate of 7.4%. Thus, saw the volume and value of shares of stock traded dropping by 85.00% and 30.50%, respectively. (PSE, 1998)

As shown in Table 1, declines in the volume and value of shares of stock traded were observed in 2001, 2003, 2008, and 2016, resulting in simultaneous decreases in the STT collection.

Table 1

Stock Market Transactions and STT Collection, CYs 2000-2017
(Volume in Billion Shares; Value of Shares, and STT Collections in Billion Pesos)

Year	Amount			Growth rate (%)		
	Stocks traded ^{1/}		STT collections ^{2/}			
	Volume	Value		Volume	Value	STT collections
2000	659.42	357.66	1.97	-	-	-
2001	164.43	159.55	0.89	(75.06)	(55.39)	(54.90)
2002	99.85	159.73	1.08	(39.28)	0.11	21.37
2003	85.97	145.35	0.98	(13.90)	(9.00)	(8.83)
2004	284.34	206.56	0.93	230.76	42.11	(5.67)
2005	317.64	383.52	2.77	11.71	85.67	197.63
2006	601.09	572.63	2.32	89.24	49.31	(16.12)
2007	1,157.83	1,338.25	4.02	92.59	133.70	73.16
2008	373.01	763.90	2.72	(67.78)	(42.92)	(32.22)
2009	540.82	994.15	4.03	44.99	30.14	48.02
2010	429.57	1,207.38	5.23	(20.57)	21.45	29.90
2011	1,056.60	1,422.59	6.14	145.97	17.82	17.24
2012	1,043.12	1,771.71	7.98	(1.28)	24.54	30.09
2013	515.13	2,546.18	11.57	(50.62)	43.71	44.88
2014	815.19	2,130.12	9.04	58.25	(16.34)	(21.88)
2015	493.26	2,151.41	9.33	(39.49)	1.00	3.24
2016	442.27	1,929.50	8.79	(10.34)	(10.31)	(5.77)
2017	440.55	1,958.36	8.91	(0.39)	1.50	1.35
Average	528.89	1,122.14	4.93	20.87	18.65	18.91

Notes. ^{1/} Bangko Sentral ng Pilipinas. (n.d.). *Statistics – other real sector accounts* [Data Set]. Retrieved from <https://www.bsp.gov.ph/SitePages/Statistics/OtherRealSectorAccounts.aspx?TabId=7>

^{2/} BIR (official communication, various years).

The STT collections included Initial Public Offering (IPO) tax since no breakdown is available. Per an interview with an official of the PSE, 90% of the STT collection is from secondary trading of shares of stock, while the remaining 10% is from the IPO.

In 2001, the total volume of stocks traded plummeted to 164.43 billion shares or 75.06% lower compared to the previous year's 659.42 billion shares. The steep decline in stock market transactions during the said year was mainly caused by the global economic slowdown, resulting in the country's weak economy. Further, political protests against then President Joseph E. Estrada, which led to his downfall, and the September 11, 2001 terrorist attacks in the US affected the performance of the Philippine stock market (Ho & Odhiambo, 2014 & 2015). Simultaneously, the bearish market brought about by said external factors resulted in a 54.90% decline in STT collection.

In 2003, the 8.83% drop in STT collection was mainly brought about by the 13.90% and 9.00% decline in the volume and value of stocks traded, respectively, due generally to the looming global uncertainties such as the conflict between the US and Iraq and Severe Acute Respiratory Syndrome (SARS) epidemic, peace and order concerns, and political uncertainties in the country (PSE, 2003).

In 2008, the global financial crisis, slowdown in the US economy, and the bankruptcy of Lehman Brothers, Inc. were reported as major reasons for the sluggish stock market performance. High inflation, a projected slower gross domestic product (GDP) growth rate, and an increase in global crude oil prices in the same year affected the investors' confidence which likewise affected stock market performance during the year (PSE, 2008). These economic disturbances resulted in declines by 67.78% and 42.92% in the volume and value of stocks, respectively, traded in said year which led to the 32.22% reduction in STT collection.

In 2013, the severe weather disturbance named "Yolanda" as well as the crisis in the Eurozone resulted in a sharp slip in the volume of shares of stock. However, the value of shares of stock traded increased by 43.71% compared to the previous year. This resulted in an increase in STT collection by 44.88% since the tax base likewise increased. However, the domestic and global environment uncertainties like the heightened political risks and diplomatic issues, among others, affected the PSE's performance in 2016. Despite these uncertainties, the government remained stable. It was able to put in place positive economic fundamentals that led to the attainment of robust GDP growth, low and stable inflation, and a strong fiscal position which cushioned the negative uncertainties on the performance of the country's stock market, thereby posting a mere 10.31% decline in stocks trading (BSP, 2016) and resulted to a 5.77% fall in STT collection in said year.

Overall, the STT increased from P1.97 billion in 2000 to P8.91 billion in 2017, with an annual average of P4.93 billion during the same period.

IV. TAX ASSESSMENT

Upon the implementation of RA 10963 in 2018, the annual volume and value of shares of stock traded declined by 8.33% and 11.31%, respectively, due mainly to several economic and political issues. Despite this, the STT collection increased from P8.91 billion in 2017 to P9.74 billion in 2018 or by 9.36% due to the imposition of a higher STT rate of 0.60% under the TRAIN Law. In 2019, even with the decline in the volume of shares traded by 17.72%, the value of shares of stock traded improved by 2.06%. Thus, the STT collection increased to P10.10 billion in 2019 from P9.74 billion in 2018 or by 3.70%. (See Table 2.)

Table 2

Vis-à-Vis Stock Market Transactions and STT Collection, CYs 2018-2019
(Volume in Billion Shares; Value of Shares and STT Collections in Billion Pesos)

Year	Amount			Growth rate (%)		
	Stocks traded ^{1/}		STT collections ^{2/}			
	Volume	Value		Volume	Value	STT collections
2018	403.85	1,736.82	9.74	(8.33)	(11.31)	9.36
2019	332.30	1,772.58	10.10	(17.72)	2.06	3.70
Average	368.08	1,754.70	9.92	(13.02)	(4.63)	6.53

Notes. ^{1/}BSP. (n.d.). *Statistics – Other real sector accounts* [Data Set]. Retrieved from <https://www.bsp.gov.ph/SitePages/Statistics/OtherRealSectorAccounts.aspx?TabId=7>

^{2/} BIR (official communication, various years).

The STT collections included IPO tax since no breakdown is available. Per an interview with an official of the PSE, 90% of the STT collection is from secondary trading of shares of stock, while the remaining 10% is from the IPO.

The volume of shares of stock gradually increased in the first quarter of 2018 due to investors' bullish outlook on the Philippine economy, the implementation of RA 10963, and the possible entry of a third player in the telecommunications industry (BSP, ca. 2018). These translated to higher volume and value of shares of stock traded which brought higher STT collection during the same quarter. However, in the second quarter, several economic and political issues, such as rising domestic inflation, the looming trade war between the US and some of its trading partners, and fresh geopolitical tensions between the US and Iran, dampened investors' sentiments (BSP, ca. 2018). Mirroring the decline in the volume and value of shares of stock traded, the STT collection fell by 25.15% in April and 3.39% in May but increased by 6.89% in June.

Although the volume and value of shares of stock traded gradually increased from July to August 2018, concerns over rising inflation, trade tensions, and slower economic growth resulted in the downward trend of stock trading in September of the same year (BSP, ca. 2018). Thus, the STT collection declined in August by 24.39% and further dipped in September by 7.46%.

The bearish market sentiment continued in the fourth quarter, except in November when stock trading performance improved shortly due to the state visit of Chinese President Xi Jinping, which was anticipated to bring in a number of loan and investment agreements. However, the market again plummeted as mainly caused by the delay in the approval of the Philippine government's 2019 budget (BSP, ca. 2018). This lowered the STT collection by 21.71% in December 2018.

In 2019, external factors, such as the delay in the ratification of the annual national budget, concerns over a global economic slowdown, trade uncertainty between the United States and China, fears of a no-deal UK exit from the EU, and heightened geopolitical tensions in Hong Kong and the Middle East, had put pressure to the local stock market. In turn, the

value and volume of stocks traded in the said year, on average, posted negative growth rates (BSP, ca. 2019). On a monthly basis, the STT collections posted negative growth rates, with the lowest decline recorded in December by 54.06%.

Table 3

Monthly Volume and Value of Stocks Traded and STT Collections, CYs 2018 to 2019
(Volume in Million Shares; Value and STT Collections in Million Pesos)

Year	Month	Volume ^{1/}	Value ^{1/}	STT collections ^{2/}	Growth rates (%)		
					Volume	Value	STT collections
2018	Jan	22,887.50	179,615.24	838.48	-	-	-
	Feb	64,930.38	167,939.77	901.28	183.69	(6.50)	7.49
	Mar	88,550.87	173,369.60	974.30	36.38	3.23	8.10
	Apr	34,510.26	131,138.94	729.29	(61.03)	(24.36)	(25.15)
	May	22,002.45	137,944.72	704.54	(36.24)	5.19	(3.39)
	Jun	20,890.98	125,459.41	753.06	(5.05)	(9.05)	6.89
	Jul	21,627.49	110,368.93	937.94	3.53	(12.03)	24.55
	Aug	31,520.51	133,763.61	709.22	45.74	21.20	(24.39)
	Sep	19,999.70	117,143.30	656.33	(36.55)	(12.43)	(7.46)
	Oct	19,178.91	111,828.07	614.92	(4.10)	(4.54)	(6.31)
	Nov	26,095.81	212,745.90	1,079.46	36.07	90.24	75.55
	Dec	31,652.31	135,504.87	845.16	21.29	(36.31)	(21.71)
Average		33,653.93	144,735.20	812.00	16.70	1.33	3.11
2019	Jan	42,190.08	190,845.47	946.36	33.29	40.84	11.97
	Feb	46,397.72	158,774.88	801.41	9.97	(16.80)	(15.32)
	Mar	29,849.47	139,324.36	849.47	(35.67)	(12.25)	6.00
	Apr	22,020.35	124,152.18	664.97	(26.23)	(10.89)	(21.72)
	May	23,190.40	167,661.87	896.06	5.31	35.05	34.75
	Jun	23,082.00	152,180.19	741.07	(0.47)	(9.23)	(17.30)
	Jul	31,548.39	148,385.92	878.55	36.68	(2.49)	18.55
	Aug	31,393.58	153,654.00	785.92	(0.49)	3.55	(10.54)
	Sep	31,781.75	140,152.10	764.50	1.24	(8.79)	(2.73)
	Oct	17,465.16	139,077.27	936.49	(45.05)	(0.77)	22.50
	Nov	18,606.78	130,935.57	1,254.21	6.54	(5.85)	33.93
	Dec	14,778.52	127,435.12	576.13	(20.57)	(2.67)	(54.06)
Average		27,692.02	147,714.91	841.26	-2.95	0.81	(0.54)

Notes. ^{1/} BSP. (n.d.). *Statistics – other real sector accounts* [Data Set]. Retrieved from <https://www.bsp.gov.ph/SitePages/Statistics/OtherRealSectorAccounts.aspx?TabId=7>

^{2/} BIR (official communication, various years).

Based on the 2018 Annual Report of the Department of Finance (DOF), the TRAIN Law incremental revenue for 2018 from total financial taxes, which include the final tax on foreign currency deposit unit, CGT on non-traded stock, and the STT, totaled P5.30 billion. In 2019, the TRAIN Law incremental revenue collected from the STT alone amounted to P900 million (Development Budget Coordination Committee, 2020).

All ASEAN member countries, except Brunei Darussalam, have stock markets that facilitate capital formation and the development of more investment avenues. Among the ASEAN member-countries, Indonesia was the first to establish a stock exchange, followed by the Philippines, Malaysia, Singapore, and Thailand. Meanwhile, Vietnam, Lao PDR, Cambodia, and Myanmar had only recently established their respective stock exchanges.

However, the performance of the PSE lags behind the ASEAN member-countries based on several matrices, which include market capitalization, number of listed companies, and number of IPOs. In 2020, the PSE had the second lowest market capitalization at \$272.80 billion in the ASEAN region, higher than the \$176.80 billion of Ho Chi Minh Stock Exchange (HOSE) but a far cry from the \$652.60 billion of the Singapore Exchange (SGX). During the same year, the PSE also had the lowest number of listed companies and number of new listing through IPOs at 271 and 3, respectively, among the ASEAN stock exchanges. (See Table 4.)

Table 4

Performance of Selected ASEAN Stock Exchanges, CY 2020

Country	Symbol	Year established/ operated	Market capitalization (In million US dollar)	Number of listed companies	No. of new listing through IPOs
Indonesia	IDX	1912	496,086.05	713	51
Malaysia	KLSE	1964	436,537.87	934	18
Philippines	PSE	1927	272,790.29	271	3
Singapore	SGX	1973	652,614.66	696	6
Thailand	SET	1975	543,164.60	743	26
Vietnam	HOSE	2000	176,809.23	392	18

Note. World Federation of Exchanges. (2020). *Statistics portal* [Data Set]. Retrieved from <https://statistics.world-exchanges.org/Account/Login>

In the ASEAN region, the Philippines and Indonesia impose a transaction tax of 0.60% and 0.10%, respectively, on the sale of shares of stock listed in their respective local exchanges. On the other hand, the sale of shares of stock in a local exchange is exempt from tax in Lao PDR, Singapore, Thailand, and Malaysia.¹⁴ In Cambodia, all other gains, including capital gains, are treated as income and, therefore, subject to the regular income tax. In contrast, capital

¹⁴ Capital gains are not taxed in Malaysia, except for gains derived from the disposal of real property or on the sale of shares in a real property company.

gains from the transfer of shares of stock in Myanmar are subject to 10% tax. In Vietnam, gains derived from trading securities, including shares of stock, are subject to 0.10% of the gross sales proceeds. (See Table 5.)

Table 5

Summary of Tax on Capital Gains/Transaction Tax on Listed Shares

Country	Tax
Philippines	0.6% STT
Brunei	n.a.
Cambodia	20% CIT
Indonesia	0.1% Transfer Tax
Lao PDR	Exempt
Malaysia	Exempt
Myanmar	10% capital gains tax
Singapore	Exempt
Thailand	Exempt
Vietnam	a. Individual – 0.1% tax for non-residents. b. Corporations - 20% CIT

Notes. Deloitte. (2019, January). Cambodia international tax Cambodia highlights 2019. Retrieved June 19, 2020, from <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-cambodiahighlights-2019.pdf?nc=1>

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Given the foregoing, there is a need to improve the competitiveness of the country's stock exchange to help encourage more domestic and foreign investors. A well-functioning stock exchange supports economic growth and development by mobilizing financial resources, i.e., bringing together those who need capital to innovate and grow with those who have financial resources to invest (Cleary, Alderighi, Fenner, Miller, & Somerville, 2017). It also

serves as a barometer of a nation's fiscal health which tells the ups, downs, trends, and shifts that are benchmarks of a society's financial infrastructure (Parekh, 2017).

The present government is pushing for the passage of the remaining tax reforms under the Comprehensive Tax Reform Program. Package 4, or the "Passive Income and Financial Intermediary Taxation Act" (PIFITA), aims to make the taxation of passive income, financial intermediaries, and financial transactions simpler, fairer, and more efficient. The House of Representatives already approved Package 4 on third and final reading as House Bill (HB) No. 304 on September 9, 2019, and has already been transmitted to the Senate. The Senate had already conducted two public hearings in February 2020. However, further deliberation on HB 304 was put on hold to give way to economic bills that provided support to frontliners and businesses affected by the COVID-19 pandemic.

V. CONCLUSION

The increase in the STT rate successfully achieved its objective of generating additional revenue for the government to compensate for the revenue loss from lowering the individual income tax and finance the government's priority social and infrastructure programs. During the initial year of implementation of RA 10963 in 2018, the STT collection increased to P9.74 billion, or by 9.36%, from P8.91 billion in 2017 and continued to grow to P10.10 billion, or by 3.70% in 2019. It was also reported that the TRAIN Law incremental revenues from the STT amounted to P900 million in 2019.

Historical evidence showed that the country's stock market performance was generally more susceptible to external factors than any change in the STT rate. However, in the international arena, the country's high transaction tax imposed on stock trading affects the competitiveness of the Philippine stock market as the STT increases friction cost. Package 4 offers a solution to the lackluster performance of the country's stock exchange by gradually reducing the current STT rate to put the Philippines at par with its neighboring countries and to increase market participation which will lead to a higher volume of stock transactions, hence, widening the tax base and raise more revenue for the government.

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Annex A.*Historical STT Rates: 1970 – Present*

Statutory Basis	Tax Rate/Base	Rationale/Remarks
1. Section 4 of RA 6141 amending Section 195-B of the NIRC, as amended, approved November 4, 1970	2% of GSP or GV in money for a period of five years. Imposed on stocks traded and not traded through a stock exchange.	As one of the financial sources of the Peace and Order Special Account in the General Fund to finance the activities and function of the Police Commission.
2. Paragraph 3(1) of PD 10 amending RA 6141 signed October 02, 1972.	1/4 of 1% of GSP or GV in money	Reduced to a more reasonable rate as the imposition of a 2 percent tax adversely affected stock transactions and consequently slowed down operations of various industries.
3. PD 779 further amending RA 6141 as amended by PD 10, approved on August 25, 1975.	The STT rate of ¼ of 1% was extended until December 31, 1975. Beginning January 1, 1976, capital gains from the sale, barter, or exchange of shares of stock derived from sources within the Philippines was subjected to schedular rates of 10%-25%. However, the ¼ of 1% STT continued to be collected on non-resident investors.	Persons investing in shares of the stock were subjected to a lesser rate of CGT to encourage more capital investment.
4. Section 1 of PD 1116, - suspending the effectivity of PD 779, was signed on April 15, 1977.		The imposition of the schedular capital gains tax under PD 779 adversely affected trading in shares of stock, thus, suspended indefinitely to encourage transactions in shares of stock to generate more capital for economic development.
5. Section 21(d)(2) (for individuals), Section 24(e)(2)(B) (for	1/4 of 1% of GSP or GV in money of the shares of stock	Codification of all internal revenue laws.

Statutory Basis	Tax Rate/Base	Rationale/Remarks
corporations), and Section 25(a)(6)(C)(ii) (for foreign corporations), and Section 25(b)(5)(C)(ii) (for non-resident foreign corporations) of the PD 1158 or NIRC of 1977, signed on June 3, 1977.	listed and traded through a local stock exchange.	
6. Section 1 of BP Blg. 221 amending Section 34(B) of NIRC of 1977, as amended, approved March 25, 1982.	Subjected the net capital gains realized during each taxable year by individuals or corporations from the sale or exchange of shares of stock to 10% and 20%.	-
7. Sections 2, 3, 5, 6 of EO 37 amending Sections 21(d)(2), 24(e)(2)(B), Section 25(a)(6)(C)(ii) and Section 25(b)(5)(C)(ii) of PD 1158, signed on July 31, 1986	The tax on the sale of shares of stock listed and traded through a local stock exchange remained at $\frac{1}{4}$ of 1% of GSP of the share/s of stock sold.	-
8. Section 1 of RA 7717 inserting Section 124- A in the NIRC, as amended, signed May 05, 1994	$\frac{3}{8}$ of 1% of GSP or GV in money (1994-1995) $\frac{1}{2}$ of 1% of GSP or GV in money (1995-onwards)	To generate more revenue.
9. Section 127(A) of RA 8424, signed on December 11, 1997	$\frac{1}{2}$ of 1% of GSP or GV in money	Rationalization of the Philippine Internal Revenue Tax System.
10. Section 39 of RA 10963 amending Section 127(A) of the NIRC of 1997, as amended, signed December 19, 2017	$\frac{6}{10}$ of 1% of GSP or GV in money	To augment the revenue that will be raised from the TRAIN Law.

Annex B.

*Total Volume and Value of Stocks Traded in the Philippine Stock Exchange, CYs 1980-2018
(Volume in Billion Shares; Value in Billion Pesos)*

Year	STT Rate	Total Volume	Growth Rate (%)	Total Value	Growth Rate (%)
1980		101.51	-	4.65	-
1981		51.68	(49.09)	1.29	(72.24)
1982		41.31	(20.07)	1.21	(5.93)
1983		37.11	(10.16)	5.36	341.60
1984		23.63	(36.34)	2.08	(61.17)
1985		11.64	(50.73)	2.07	(.75)
1986	0.25%	58.60	403.48	11.47	454.90
1987		315.03	437.58	31.35	173.25
1988		221.25	(29.77)	18.25	(41.77)
1989		417.63	88.76	50.73	177.95
1990		226.77	(45.70)	28.57	(43.68)
1991		279.58	23.29	39.41	37.94
1992		551.23	97.16	77.03	95.48
1993		635.49	15.29	267.22	246.90
1994	0.375%	704.27	10.82	364.48	36.398
1995		1,006.23	42.87	378.98	3.98
1996		2,273.83	125.98	668.82	76.48
1997		1,923.99	(15.39)	586.17	(12.36)
1998		287.77	(85.04)	407.28	(30.52)
1999		948.96	229.76	780.96	91.75
2000		659.42	(30.51)	357.66	(54.20)
2001		164.43	(75.06)	159.55	(55.39)
2002		99.85	(39.28)	159.73	0.11
2003		85.97	(13.9)	145.35	(8.999)
2004		284.34	230.76	206.56	42.11
2005		317.64	11.71	383.52	85.67
2006	0.50%	601.09	89.26	572.63	49.31
2007		1,157.83	92.59	1,338.25	133.7
2008		373.01	(67.78)	763.90	(42.92)
2009		540.82	44.99	994.15	30.14
2010		429.57	(20.57)	1,207.38	21.45
2011		1,056.60	145.97	1,422.59	17.82
2012		1,043.12	(1.28)	1,771.71	24.54
2013		515.13	(50.62)	2,546.18	43.71
2014		815.19	58.25	2,130.12	(16.34)
2015		493.26	(39.49)	2,151.41	1.00
2016		442.27	(10.34)	1,929.50	(10.31)
2017		440.55	(.39)	1,958.36	1.50
2018		403.85	(8.33)	1,736.82	(11.31)
2019	0.6%	332.30	(17.72)	1,772.58	2.06

Note. BSP. (n.d.). *Statistics – Other real sector accounts* [Data Set]. Retrieved from <https://www.bsp.gov.ph/SitePages/Statistics/OtherRealSectorAccounts.aspx?TabId=7>
PSE (official communication, various years).