

FURTHER AMENDING CERTAIN SECTIONS OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, SO AS TO IMPOSE A FINAL TAX ON THE INTEREST DERIVED FROM EVERY COMMERCIAL PAPER ISSUED IN TH...

PRESIDENTIAL DECREE NO. 1154, June 03, 1977

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/1f742038b445/>

WHEREAS, there is a need to improve the administrative provisions of the National Internal Code so as to ensure the collection of the tax on interest derived from commercial papers issued in the primary market as principal instrument.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree:

SECTION 1. The National Internal Revenue Code, as amended, is hereby further amended by adding a new section thereto read as follows:

"SEC.195-C. Tax on certain interest.-There shall be levied, assessed, collected and paid on every commercial paper issued in the primary market as principal instrument, a transaction tax equivalent to thirty-five per cent (35%) based on the gross amount of interest thereto as defined hereunder, which shall be paid by the borrower/issuer: Provided, however, that in the case of a long-term commercial paper whose maturity exceeds more than one year, the borrower shall pay the tax based on the amount of interest corresponding to one year, and thereafter shall pay the tax upon accrual or actual payment (whichever is earlier) of the untaxed portion of the interest which corresponds to a period not exceeding one year.

" For purposes of this tax-

" (a) "Commercial paper" shall be defined as an instrument evidencing indebtedness or any person or entity, including banks and non-banks performing quasi-banking functions, which is issued, endorsed, sold, transferred or in any manner conveyed to another person or entity, either with or without recourse and irrespective of maturity. Principally, commercial papers are promissory notes and/or similar instrument issued in the primary market and shall not include repurchase agreements, certificates of assignments, certificates of participations, and such other debt instrument issued in the secondary market.

" (b) The term "interest" shall mean the difference between what the principal borrower received and the amount it paid upon maturity of the commercial paper which shall, in no case, be lower than the interest rate prevailing at the time of the issuance or renewal of the commercial paper. Interest shall be deemed synonymous will discount and shall include all fees, commissions, premiums and other payments which form integral parts of the charges imposed as a consequence of the use of money.

" In all cases, where no interest rate is stated or if the rate stated is lower than the prevailing interest rate at the time of the issuance or renewal of commercial paper, the Commissioner of Internal Revenue, upon consultation with the Monetary Board of the Central Bank of the Philippines, shall adjust the interest rate in accordance herewith and assess the tax on the basis thereof.

" The tax herein imposed shall be remitted by the borrower to the Commisioner of Internal Revenue or his Collection Agent in the municipality where such borrower has its principal place of business within five (5) working days from the issuance of the commercial paper. In the case of long term commercial paper, the tax upon the untaxed portion of the interest which corresponds to a period not exceeding one year shall be paid upon accrual payment, whichever is earlier."

SEC. 2. Section 29 (b) of the National Internal Revenue Code, as amended, is hereby further amended by adding a new paragraph thereto read as follows:

" SEC. 29 (b). Exclusions from gross income.-

" (8) Interest earned on commercial papers issued in the primary market as principal instrument subjected to the final tax under Section 195-C.

SEC. 3. Section 77 of the National Internal Revenue Code, as amended is hereby further amended by adding a new paragraph thereto to read as follows:

"SEC. 77. Information at source as to payments of one thousand eight hundred pesos or more.-

"However, such information return shall not be required in case of payment of interest on commercial papers, regardless of amount, upon which the transaction tax imposed under Section 195-C has been paid."

SEC. 4. Upon the recommendation of the Commissioner of Internal Revenue and in consultation with the Monetary Board of the Central Bank of the Philippines, the Secretary of Finance shall promulgate rules and regulations to implement the provisions of this Decree.

SEC. 5. This Decree shall take effect and shall be applicable to paid or accrued interest on commercial papers issued on or after approval of this Decree.

Done in the City of Manila, this 3rd day of June, in the year of Our Lord, nineteen hundred and seventy-seven.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(Sgd.) JUAN C. TIVERA
Presidential Assistant

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.