REPUBLIC ACT NO. 7906, OTHERWISE KNOWN AS THE THRIFT BANKS ACT OF 1995, PROVIDING FOR THE REGULATION OF THE ORGANIZATION AND OPERATIONS OF THRIFT BANKS AND FOR OTHER PURPOSES

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SECTION 1. Scope - Pursuant to Section 245 in relation to Section 4 of the National Internal Revenue Code (NIRC) as amended, these regulations are hereby promulgated to implement the provisions of Sections 17, 19 and 20 of R.A. 7906 granting tax exemptions to thrift banks.

SECTION 2. Taxes Covered by the Exemption -

A. All thrift banks created and organized under the provisions of the Act and thrift banks already in operation as of the date of effectivity thereof on March 18, 1995 shall be exempt from the payment of all taxes, fees and charges of whatever nature and description, except the corporate income taxes and local taxes, fees and charges. (Sec. 17, R.A. 7906).

The corporate income taxes which thrift banks are liable to pay are the following:

a. 35% corporate income tax as provided for under Section 24 (a) of the NIRC;

b. 20% final withholding tax (FWT) on interest income derived from Philippine currency bank deposits and yield or any other monetary benefit from deposit substitutes, trust funds and similar arrangements, and royalties derived from sources within the Philippines. [Section 24 (e)(1), NIRC];

c. Creditable expanded withholding tax (EWT), on sales, exchanges or transfers of real properties (whether classified as ordinary or capital asset) by Thrift Banks consummated on/or after January 1, 1990 (Revenue Regulations No. 6-85 as amended by Revenue Regulations Nos. 1-90 and 12-94);

d. Capital gains tax (CGT) on capital gains realized from the sale, exchange or disposition of (i) shares of stock in any domestic corporation under Section 24 (e)(2), NIRC; and (ii) as statutory seller of acquired real property through mortgage foreclosure sales, whether judicial or extra-judicial under Revenue Memorandum Order No. 6-92 dated January 15, 1992, the creditor-thrift bank representing the owner-mortgagor of the real property becomes liable to pay the capital gains tax due on such foreclosure sale based on the bid price in the auction sale; and

e. All other income taxes as provided for and imposed under Title II of the NIRC.

B. Exemption from gross receipts tax - All Thrift banks are exempt from the tax (GRT) imposed under Section 119 of the NIRC on gross receipts derived from sources within the Philippines.

C. Exemption from documentary stamp tax - Thrift banks are exempt from the documentary stamp taxes collectible under existing laws on any loan or transaction extended by them in an amount not exceeding fifty thousand pesos (P50,000) or such amount as the Secretary of Finance upon recommendation of the Monetary Board may prescribe as may be necessary to promote and expand the economy.

c.1 Any metropolitan, municipal, or municipal circuit trial court judge in his capacity as notary public

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ex-officio shall administer the oath to or acknowledge the instrument of any thrift bank and its borrowers or mortgagors, free from all charges, fees and documentary stamp tax collectible under existing laws relative to any loan or transaction not exceeding fifty thousand pesos (P50,000).

c.2 Any Register of Deeds shall accept from any thrift bank and its borrowers and mortgagors for registration, free from all charges, fees and documentary stamp tax collectible under existing laws any instrument, whether voluntary or involuntary relating to loans or transactions extended by any thrift bank in an amount not exceeding fifty thousand pesos (P50,000).

SECTION 3. Liability of Thrift Banks to Documentary Stamp Tax - All Thrift Banks shall be liable to the payment of documentary stamp tax on that portion of the loaned amount in excess of fifty thousand pesos (P50,000). On instruments related to assignments of several mortgages consolidated in a single deed, if any, the documentary stamp tax shall be levied and collectible only on the amount in excess of P50,000 of the consideration in the assignment of each mortgage, or such amount as the Secretary of Finance, upon recommendation of the Monetary Board, may prescribe as may be necessary to promote and expand the economy. Such tax shall be paid by the person making, signing, issuing, accepting, transferring the document, and at the same time such act is done or transaction had provided, that whenever one party to the taxable document enjoys exemption from the documentary stamp tax herein imposed, the other party thereto who is not exempt shall be the one directly liable for the tax.

SECTION 4. Thrift Banks as Witholding Agents - A Thrift Bank shall be constituted as withholding agent for the government if it acts as an employer and its employees received compensation income subject to the withholding tax under Section 72 (a), Chapter 10, Title II of the NIRC as amended and as implemented by Revenue Regulations No. 6-82, as amended, or if it makes income payments to persons subject to the creditable expanded withholding tax under Section 50(b) of the Tax Code, as amended, and as implemented by Revenue Regulations No. 6-85, as amended.

SECTION 5. Liability of any Metropolitan, Municipal or Municipal Circuit Trial Court Judge or Register of Deeds - Any metropolitan, municipal or municipal trial court judge or register of deeds who shall demand or accept, directly or indirectly, any gift, fee, commission or any other form of compensation in connection with the service, or shall arbitrarily and without reasonable cause delay the acknowledgment or administration of oath or the registration of documents required to be performed by said judge or by said register of deeds shall be punished by a fine of not more than one thousand pesos (P1,000.00) or by imprisonment for not more than one (1) year, or both, at the discretion of the court.

SECTION 6. Period of Exemption - All thrift banks created and organized under the provisions of the Act shall be exempt from the payment of all taxes, fees and charges of whatever nature and description, except the corporate income tax imposed under Title II of the NIRC and as specified in Section 2(A) of these regulations for a period of five (5) years from the date of commencement of operations; while for thrift banks which are already existing and operating as of the date of effectivity of the Act (March 18, 1995), the tax exemption shall be for a period of five (5) years reckoned from the date of such effectivity.

For purposes of these regulations, "date of commencement of operations" shall be understood to mean the date when the thrift bank was registered with the Securities and Exchange Commission or the date when the Certificate of Authority to operate was issued by the Monetary Board of the Bangko Sentral ng Pilipinas, whichever comes later.

However, R.A. 7906 although approved on February 23, 1995 was published in two (2) newspapers of general circulation on March 2, 1995; hence said Act took effect only after fifteen (15) days following its publication or

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on March 18, 1995, pursuant to Article 2 of the New Civil Code of the Philippines and in line with the Supreme Court decision in the case of Tañada, et. al. vs. Tuvera, 146 SCRA 446.

SECTION 7. Repealing Clause - All regulations, orders and other issuances, or portions thereof, contrary to or inconsistent with the provisions of these regulations are hereby modified, amended and/or revoked accordingly.

SECTION 8. Effectivity - These regulations shall take effect fifteen (15) days after publication in a newspaper of general circulation.

Adopted: 15 June 1995

(SGD.) ROBERTO F. DE OCAMPO
Secretary of Finance

Recommending Approval:

(SGD.) RENE G. BAÑEZ
Acting Commissioner

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