

CLARIFYING TAX TREATMENT OF INTEREST INCOME EARNINGS ON LOANS THAT ARE NOT SECURITIZED, ASSIGNED OR PARTICIPATED OUT

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/801b09bb37f5/>

For the information and guidance of all concerned, this Circular is being issued to clarify the proper tax treatment of interest income earnings on loans that are not securitized, assigned or participated out.

Interest income received by banks from payors belonging to the Top Twenty Thousand (20,000) Corporations strictly arising from individual loans obtained from banks that are not securitized, assigned or participated out remains to be subject to Creditable Withholding Tax (CWT) at the rate of two percent (2%). Corollarily, interest income paid by banks designated as Top Twenty Thousand (20,000) Corporations strictly arising from loans made to such banks that are not securitized or participated out remains to be subject to CWT at the rate of two percent (2%). (Section 57[8] of the Tax Code, as amended, in relation to Section 2.57.2 [M] of Revenue Regulations No. 2-98, as amended)

The twenty percent (20%) Final Withholding Tax (FWT) and Creditable Withholding Tax (CWT) imposed under the Tax Code of 1997, as amended, and existing regulations cover interest arising from or paid out of debt securities. (Sections 24[B][1], 25[A][2], 27[D][1], and 28[A][7][a] of the Tax Code, as amended, in relation to 2.57.1 of Revenue Regulations No. 2-98, as amended; Section 57[B] of the Tax Code, as amended, in relation to Section 2.57. 2[Y] of Revenue Regulations No. 2-98, as amended).

All other issuances including rulings inconsistent herewith are hereby revoked or modified accordingly.

All revenue officers and employees are hereby enjoined to give this Circular as wide a publicity as possible

This Circular takes effect immediately.

(SGD.) KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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.