
There shall be collected tax on gross receipts from sources within the Philippines by all banks and non-bank financial intermediaries performing quasi-banking functions in accordance with the following schedule:

(a) On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

- Maturity period of 5 years or less 5%
- Maturity period is more than 5 years 1%

(b) On dividends and equity shares in the net income of subsidiaries 0%

(c) On royalties, rentals of property, real or personal, profit from exchange and all other items treated as gross income under Section 32 of the Code 5%

(d) On net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments 5%

In computing for the net trading gain within the taxable year on items of income provided in (d) above, the figure to be reported in the monthly percentage tax return (GRT) shall be the cumulative total of the net trading gain/loss since the first month of the applicable taxable year less the figures already reflected in the previous months of the same taxable year. Provided, that net trading loss on items of income provided in (d) above may only be deducted from net trading gain on items of income provided in (d) above, but not from any other items of gross receipt to arrive at the total monthly gross receipts tax due.

Gross receipts of other non-bank financial intermediaries (non-bank financial intermediary not performing quasi-banking functions) doing business in the Philippines shall be subject to GRT at rates and on items of income provided hereunder:

(a) From interest, commissions, discounts and all other items treated as gross income under the Code 5%

(b) On interests, commissions and discounts from lending activities as well as income
from financial leasing, on the basis of remaining maturities of the instruments from which such receipts are derived:

- Maturity period is 5 years or less ------------ 5%
- Maturity period is more than 5 years-------- 1%

In the case of financial leasing, the taxable gross receipts shall consist only of interest income. However, in the case of transactions under operating lease agreements, the gross receipts is the gross rental amount. Whether the lease transaction is “finance lease” or “operating lease” shall be determined by the contents of the document evidencing the lease agreement or, in short, the substance of the agreement rather than the form used to evidence such agreement between the lessor and the lessee.

Provided, however, that in case the maturity period is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the application of the correct tax rate.

Provided, further, that the generally accepted accounting principles as may be prescribed by the Bangko Sentral ng Pilipinas (for banks or non-bank financial intermediaries performing quasi-banking functions) and Securities and Exchange Commission (for other non-bank financial intermediaries not performing quasi-banking functions) shall be the basis for the calculation of the taxable gross receipts.

Provided, finally, that the financial statements from which the basis for deriving the taxable gross receipts is determined must be prepared likewise in accordance with the generally accepted accounting principles as may be prescribed by the Bangko Sentral ng Pilipinas or Securities and Exchange Commission, as the case may be.

In case of pre-termination, the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and applying the correct rate of tax. Any adjustment in tax due caused by pre-terminations of existing agreements shall be reflected as a separate item in the GRT return covering all transactions of the month in which the pre-terminations take place.