

[PRESIDENTIAL DECREE NO. 1738, September 17, 1980]

DECLARING THE BANKING INDUSTRY AS INDISPENSABLE TO THE GROWTH OF NATIONAL ECONOMY AND FOR OTHER PURPOSES.

WHEREAS, it is recognized that the attainment of development goals for industry and agriculture depends, to a large extent, on the capability of banks to sustain the investment and credit requirements of industrial and agricultural projects;

WHEREAS, to insure that funds are available for investment and credit requirements, there is a need to increase the resources of banks; and

WHEREAS, to create the ideal climate conducive to the increased capitalization of banks, certain changes in the fiscal regime appeal warranted;

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

SECTION 1. The banking industry is hereby declared as indispensable to the growth of national economy and, the provisions of the National Internal Revenue Code to the contrary notwithstanding, gain realized from the following sales or exchanges of property for a period of five years from the date of approval of this Decree shall not be subject to tax:

- a. Gains arising from merger or consolidation whereby: (i) a bank, a non-bank financial intermediary or a finance company exchanges property solely for stock in another bank, a non-bank financial intermediary or a corporation organized primarily for the purpose of owning equity in banks and (ii) a shareholder exchanges stocks in a bank, a non-bank financial intermediary or a finance company solely for the stocks of another bank, a non-bank financial intermediary or a corporation organized primarily for the purpose of owning equity in banks: *Provided*, That the shares of stocks which are subject of the exchanges are not disposed of, transferred, assigned or conveyed, except in cases of transmission on account of death, within a period of five (5) years from the date of issue; otherwise all the taxes due including interest on the gains realized from the original transfer, sale or disposition of the assets shall immediately become due and payable, subject to the provisions of Section 51 (d) of the National Internal Revenue Code.
- b. Gains arising from the disposition of property, real or personal, that corresponds to the portion of the proceeds of the sale that is invested, within six (6) months from the date the gains were realized, in new issues of capital stock of banks, non-bank financial intermediaries existing as of the date approval of this Decree, or a corporation organized primarily for the purpose of owning equity in banks; *Provided*, (i) That the disposition and the investment of the proceeds thereof are registered with the Central Bank and the Bureau of Internal Revenue; and (ii) that the shares of stock representing the investments are not disposed of, transferred, assigned or conveyed, except in cases of transmission on account of death, within a period of five (5) years from the date of issue otherwise all the taxes due including interest on the gains realized from the original transfer, sale or disposition of the assets shall