

[BIR REGULATIONS NO. 4-95, June 15, 1995]

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

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.