

**REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE**

February 18, 2003

**REVENUE MEMORANDUM CIRCULAR NO. 16-2003**

**SUBJECT: Defining the Term “Certificate of Deposit” for the Purpose of Clarifying its Taxability Under Section 180 of the National Internal Revenue Code (Tax Code) of 1997**

**TO : All Internal Revenue Officials, Employees and Others Concerned**

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Pursuant to Section 180 of the Tax Code, a documentary stamp tax (DST) of Thirty Centavos (P0.30) on each Two Hundred Pesos (P200) or fractional part thereof, of the face value of the **“certificate of deposit”** is imposed. What constitutes a certificate of deposit taxable under the aforesaid Section posed a big problem in the imposition of the tax. Accordingly, this circular is issued to clarify the definition of this particular document and address the major issue relating to its taxability.

**“Certificate of Deposit”** is defined as a *“written acknowledgement by a bank of the receipt of money on deposit which the bank promises to pay to the depositor, bearer or to some other person or order. No particular form is necessary to constitute a certificate of deposit. The clear and unmistakable language of Section 180 of the Tax Code imposes a tax on certificates of deposits drawing interest, orders for the payment of any sum of money otherwise than at sight or on demand.”*

**“Time deposit”** on the other hand, is another form of a *Certificate of Deposit* in a bank. The term **“time deposit”** refers to a *deposit account paying interest for a fixed term, with the understanding that funds cannot be withdrawn before maturity without giving advance notice.* (Barron’s Dictionary of Banking Terms) *“It is so called because in theory (though no longer in practice) a person must await a certain amount of time after notice of his or her desire to withdraw part or all of his or her savings before the scheduled maturity date. Certificates of deposits or time deposits usually carry penalties for early withdrawal.”* (Black’s Law Dictionary, 6<sup>th</sup> Edition)

From the aforestated definitions, the essential elements of a certificate of deposit are as follows:

1. The bank receives money for deposit;

2. The bank acknowledges the receipt of the deposit through the issuance of a written document;
3. The bank promises to pay to the depositor or bearer or to some other person or order the deposit upon maturity; and
4. The bank imposes an early withdrawal penalty in case of withdrawal prior to maturity which comes in the form of reduced interest.

From a technical point of view, a ***Certificate of Deposit*** has the following distinct features:

1. Minimum deposit requirement;
2. Stated maturity period;
3. Interest rate is higher than the ordinary savings account;
4. Not payable on sight or demand, but upon maturity or in case of pre-termination, prior notice is required; and
5. Early withdrawal penalty in the form of partial loss or total loss of interest in case of pre-termination.

If a written instrument or document meets the above-mentioned essential elements/features then such instrument will be considered a “**certificate of deposit**” for which a documentary stamp tax under Section 180 of the National Internal Revenue Code of 1997 shall be imposed.

All revenue personnel are enjoined to give this Circular as wide a publicity as possible.

(Original Signed)  
**GUILLERMO L. PARAYNO, JR.**  
Commissioner of Internal Revenue