REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
National Office Building
Quezon City

Secs. 24(C), 175 & 176, Tax Code, as amended
BIR Ruling No. OT-0653-2020 BIR Ruling No. OT-0421-21 BIR Ruling No. 39-97
OT- 014 - 2023
MAR 09 2023

PLDT INC.
Ramon Cojuangco Building, Makati Avenue
Makati City, Metro Manila

Attention: **Atty. Ma Criselda B. Guhit**
First Vice President & Head- Tax Management & Advocacy

Gentlemen:

This refers to your request for confirmatory ruling on the exemption from payment of taxes on PLDT's transfer of Manila Polo Club ("MPC") membership from one officer to another, specifically that:

1. The transfer of the proprietary membeship certificate representing one (1) share of MPC beneficially owned by PLDT is not subject to capital gains tax (CGT) because it does not involve any monetary consideration and is merely a transfer of legal title of the proprietary share from one nominee, Mr. Christopher H. Young ("Mr. Young"), to another nominee, Mr. Jeremiah M. de la Cruz ("Mr. de la Cruz");

2. The transfer from Mr. Young to Mr. de la Cruz is not subject to donor's tax; and

3. The transfer is not subject to documentary stamp tax (DST) under Section 175 of the National Internal Revenue Code (Tax Code) of 1997, as amended, but only to the DST under Section 188 of the same Tax Code.

Background

PLDT is a corporation duly created, organized and existing under the laws of the Philippines and was established to provide telecommunications services through trending and constantly evolving technologies and innovative products and services.

In 2002, PLDT has purchased a prop rietary share of the MPC and identified Mr. Young, as corporate nominee of the share as evidenced by MPC Proprietary Membership Certificate No. issued in the name of Mr. Young. In 2022, the PLDT Board transferred the share in favor of Mr. de la Cruz, as the new-designated nominee. As a policy of MPC, MPC shares should be under the name of individuals to enable the individuals to avail of the facilities of the MPC. Mr. de la Cruz acknowledges PLDT's absolute ownership of the share and that he does not have title, right, claim or interest whatsoever over the said share. The transfer does not involve any monetary consideration and is merely a transfer of legal title of the proprietary share to said designated nominee. PLDT will continue to record the share as an asset in the books of accounts of the corporation.

Discussion/Ruling

The transfer of MPC share from the Transferor to the Transferee is not subject to CGT.

A declaration of trust has been defined as an act by which a person acknowledges that the property, title to which he holds, is held by him for the use of another.[1]

In the Declaration of Trust which the declarant/appointee executed, he acknowledged that the transfer did not give him any kind of right, claim, or interest whatsoever in the MPC shares and that he is holding only the legal ownership of the same with the beneficial ownership pertaining to the Company. Here, the Trustor is the Company while the Trustee is the declarant/appointee.

In the case of *Sime Darby Pilipinas, Inc. v. Mendoza*[2], Sime Darby acquired a Class "A" club share in Alabang Country Club ("ACC") in 1987, but being a corporation which was expressly disallowed by ACC's By-Laws to acquire and register the club share under its name, registered the share under the name of respondent Mendoza, Sime Darby's sales manager at the time. The Supreme Court held that a trust arrangement existed between Sime Darby and Mendoza and while the share was bought by Sime Darby and placed under the name of Mendoza, the latter's title was only limited to the use and enjoyment of the club's facilities and privileges while employed with the company.

In the instant case, PLDT, the purchaser of the MPC share, intends to give the legal title to its Trustee-appointee, which entitles the Trustee-appointee (Mr. de la Cruz) only to the use and enjoyment of the club's facilities since under the Articles of Incorporation and By-laws of MPC only natural persons may become registered members. Thus, the transfer of the legal title of the MPC share from the former Trustee-appointee (Mr. Young) to the new Trustee-appointee, is not subject to CGT under Section 24 (C) of the Tax Code of 1997, as amended, considering that the transfer involves neither monetary consideration nor change in beneficial ownership.

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[1] Resurreccion de Leon, et al. v. Emiliano Molo-Peckson, et al., G.R. No. L-17809, December 29, 1962.
[2] G.R. No. 202247, June 19, 2013.

The Transfer is not subject to donor's tax.

Well-settled in our jurisprudence is the fact that the essential elements of a valid donation are: (1) the reduction of the patrimony of the donor; (2) the increase in the patrimony of the donee; and (3) the intent to do an act of liberality (*animus donandi*).

Clearly, there is no intention on the part of PLDT to donate to the new Trustee-appointee the MPC share since the transaction is purely for a legitimate business purpose. Thus, the transfer will not be subject to donor's tax since there is no intention to donate, and the transaction is a *bona fide* transaction effected solely for business reasons.

The Transfer is not subject to (DST).

The transfer is not subject to DST under Section 175 of the Tax Code of 1997, as amended. The rule in this jurisdiction is that the assignment of shares of stock of a domestic corporation is subject to DST upon execution of the deed transferring ownership or rights thereto, or upon delivery, assignment or indorsement of such shares in favor of another.

Revenue Regulations (RR) No. 13-2004, implementing the provisions of Republic Act (RA) No. 9243, otherwise known as "An Act Rationalizing Further the Structure and Administration of the Documentary Stamp Tax" qualified this rule by stating that for a sale or exchange to be taxable, there must be an actual or constructive transfer of beneficial ownership of the shares of stock from one person to another. Section 4 thereof provides:

"For a sale or exchange to be taxable, there must be an actual or constructive transfer of beneficial ownership of the shares of stock from one person to another. Such transfer may be manifested by the clear exercise of attributes of ownership over such stocks by the transferee, or by an actual entry of a change in the name appearing in the certificate of stock or in the Stock and Transfer Book of the issuing corporation or by any entry indicating transfer of beneficial ownership in any form of registry including those of a duly authorized scripless registry, such as those maintained for or by the Philippine Stock Exchange. However, if by the transfer of certificates of stock from a resigned trustee to a newly appointed trustee such certificate of stock remain in the name of the *cestui que trust* or the resigned trustee so that the new trustee is constituted as mere depository of the stock, such transfer is not taxable. Provided, however, that transfer of shares to "nominees" to qualify them to sit in the board or to qualify them to perform any act in relation to the corporation shall not be subject to the DST provided herein only upon proof of a duly executed Nominee Agreement showing the purpose of the transfer; that the transfer is without consideration other than the undertaking of the nominee to only represent the beneficial owner of the stock; and the transfer is in trust." (Underscoring supplied)

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Therefore, the herein transfer cannot be subject to DST as there is no transfer or conveyance to the new Trustee-appointee of the beneficial ownership of any right, claim or interest over the MPC share or over the asset of MPC. There being no new conveyance to speak of in this case, there is no new exercise of a privilege upon which DST may be imposed. However, the notarial acknowledgment to the Deed of Declaration of Trust is subject to DST imposed under Section 185 of the Tax Code, as amended.

It is, however, understood that this Ruling shall not serve as authority to the Corporate Secretary of PLDT to effect the transfer of the MPC share in the name of the new Trustee-appointee without the necessary Tax Clearance (TCL) and/or Certificate Authorizing Registration (CAR) issued by this Bureau. In this regard, this Ruling shall be presented to the Revenue District Office (RDO) concerned in order for the latter to issue the TCL/CAR as prescribed in Revenue Memorandum Circular (RMC) No. 37-2012.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be ascertained that the facts are different, then this ruling shall be considered null and void.

Very truly yours,

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue
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