February 4, 2021

BIR RULING NO. OT-017-21

Sec. 97; RR No. 12-2018; RMC No. 39-2015

De Leon & Desiderio
Suite 7c Belvedere Tower
San Miguel Avenue, Ortigas Center
Pasig City

Attention: *AAA*

Gentlemen :

This refer to your letters dated July 23, 2019 and October 2, 2020 requesting on behalf of your client, the Estate of BBB, for a ruling that will serve as basis for BIR Revenue District Office (RDO) No. 50, South Makati, to process the Supplemental Extra-judicial Settlement of Estate covering shares of stock in the name of the deceased even without the stock certificates thereof considering that said shareholdings were electronically traded for the deceased or what in stock market language is referred to as scripless shares.

Background:

The late BBB died intestate on July 11, 2012 leaving behind two (2) illegitimate children as her legal heirs. On May 8, 2014, an Extra-judicial Settlement of Estate covering real properties and cash were executed and filed with the BIR for processing. Consequently, Certificates Authorizing Registration (eCARs) bearing eCAR Nos. 201600017945 and 201300122870 were issued on January 11, 2017.

Thereafter, the heirs discovered that the deceased left behind cash and shares of stock as additional assets for which Supplemental Extra-judicial Settlement of Estate was executed by her heirs on June 1, 2017. When presented for processing to the BIR-RDO No. 50, the said office required the production of the stock certificates for the shareholdings. However, the stock brokerage holding the shares in trust for the deceased issued a certification that said shares are not covered by certificates as the same are electronically traded. Fearing more delays, the heirs decided to first process the cash component of the estate and accordingly,

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the same was processed for which eCAR No. C-2018-050-010752-M was issued on May 31, 2018.

Presently, there are seven (7) shareholdings left behind by BBB in the form of *scripless shares of stock* or shares traded electronically and thus, with no stock certificates. Said scripless shares are held in trust for the deceased by her stock broker IGC Securities, Inc. The only proof of the deceased's shareholdings is the Certification issued by IGC Securities, Inc. stating that BBB is the beneficial owner of the stocks in various investee companies, number of shares, unit price and market values of said stocks.

On October 6, 2020, additional documents were submitted in the form of Certifications issued by Stock Transfer Service, Inc. and BDO Unibank, Inc. certifying that BBB is a stockholder of various investee companies and stating the Certificate Number and number of shares.

In reply, please be informed that Section 97 of the National Internal Revenue Code (Tax Code) of 1997, as amended, provides, to wit:

> "SEC. 97. Payment of Tax Antecedent to the Transfer of Shares, Bonds or Rights. — There shall not be transferred to any new owner in the books of any corporation, *sociedad anonima*, partnership, business, or industry organized or established in the Philippines any share, obligation, bond or right by way of gift *inter vivos* or *mortis causa*, legacy or inheritance, unless a certification from the Commissioner that the taxes fixed in this Title and due thereon have been paid is shown."

From the afore-cited provision of the Tax Code of 1997, as amended, it is mandated that no transfer of any shares of stocks, by way of inheritance, to any new owner shall be made in the books of any corporation established in the Philippines, unless a certification from the Commissioner that the estate taxes due thereon have been paid is shown. The said certification is being issued in the form of an eCertificate Authorizing Registration (eCAR)/Tax Clearance Certificate (TCL). [1] Anent thereto, Revenue Memorandum Circular (RMC) No. 39-2015 dated December 11, 2014, otherwise known as the Updated BIR Citizen's Charter requires that for every transfer of shares of stock, a photocopy of the certificate of stock, among others, must be submitted.

In the instant case, the presentation of the Certification issued by IGC Securities, Inc., as well as the Certifications issued by Stock Transfer Service, Inc. and BDO Unibank, Inc., is sufficient compliance with the above requirement to process the issuance of eCAR/TCL for the transfer of the subject *scripless shares*.

This ruling is being issued on the basis of the foregoing facts as represented.

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However, if upon investigation, it will be disclosed that the facts as represented are different, then this ruling shall be considered null and void.

Very truly yours,

(SGD.) CAESAR R. DULAY
Commissioner of Internal Revenue

Footnotes

1. Section 10, RR No. 12-2018 dated January 25, 2018, as amended by RR No. 8-2019 dated April 15, 2019.

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