Bringing In Revenues
for Nation-Building

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

BAGONG PILIPINAS

RA No. No. 11524; Sections 27 (D) (2), 98 and 196 of the Tax Code
BIR Ruling No. 058-2013
OT- 040-2025
MAR 13 2025

PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT
21st and 22nd Floors The JMT Condominium Corporation
27 ADB Ave., Ortigas Center, Brgy. San Antonio, Pasig City 1600

Attention: **ATTY. RAYMOND ANTHONY C. DILAG**
Commissioner-in-Charge, Legal Department

ATTY. ROSALINE O. ESCOBAR-LANDICHO
Interim Head, Legal Department

ATTY. FERDINAND V. JAVIER
Division Chief, Legal Research Division

Gentlemen:

This refers to your letter on behalf of Presidential Commission on Good Government ("**PCGG**") requesting for a confirmatory ruling that the transfer of the twenty percent (20%) equity of Independent Realty Corporation, Mid-Pasig Land Development Corporation and Performance Investment Corporation (collectively, the "**Corporations**") in Chemfields, Inc. to the Republic of the Philippines thru PCGG is exempt from capital gains tax ("**CGT**"), donor's tax, and documentary stamp tax ("**DST**").

Background:

1. On March 21, 1986, Mr. Jose Y. Campos surrendered to the Republic of the Philippines thru PCGG various companies including the Corporations.

2. The Corporations own the following equity in Chemfields, Inc.:

Corporation	Number of Shares	Equity
Independent Realty Corporation	2,800,000	20%
Mid-Pasig Land Development Corporation	2,800,000	20%
Performance Investment Corporation	2,800,000	20%
Total		**60%**

3. Chemfields, Inc. is a holding company whose sole business interest is managing its investment in Center of Excellence in Drug Research, Evaluation and Studies, Inc.

4. Under Administrative Order ("**AO**") No. 231 dated August 23, 1991, as amended by AO No. 241 dated October 4, 1991, PCGG is mandated to privatize all assets it recovered including those turned over by Jose Y. Campos.

5. On February 10, 2023, the Corporations approved the transfer to the Republic of the Philippines thru PCGG their respective shareholdings in Chemfields, Inc. Deeds of Assignment were executed by the Corporations to implement the said transfer.

In reply, please be informed as follows:

CGT

Section 27(D)(2) of the National Internal Revenue Code of 1997, as amended ("**Tax Code**"), provides that gains derived by a domestic corporation from the sale, exchange or other disposition of shares of stock not traded in the stock exchange shall be subject to fifteen percent (15%) final income tax, to *wit*:

> *"SEC. 27. — Rates of Income Tax on Domestic Corporations. —*
>
> xxx xxx xxx
>
> *(D) Rates of Tax on Certain Passive Incomes. —*
>
> xxx xxx xxx
>
> *(2) Capital Gains from the Sale of Shares of Stock Not Traded in the Stock Exchange — A final tax at the rate of fifteen percent (15%) shall be imposed on net capital gains realized during the taxable year* ***from the sale, exchange or other disposition of shares of stock in a domestic corporation except shares sold or disposed of through the stock exchange.*** " (Emphasis and underscoring supplied)

The foregoing provision does not apply to the instant case. Pursuant to AO No. 241, PCGG has the control and disposal responsibility over the assets, shares of stocks, and such other properties recovered from, turned over by, or pertaining to, Mr. Jose Y. Campos. In order to perform the obligations and functions of PCGG under AO Nos. 231 and 241, it is necessary to transfer the property/ies first to the National Government thru PCGG.

Consequently, since the transfer of shares of stock of the Corporations to the National Government thru PCGG is made in compliance with the directive under AO Nos. 231 and 241, there is no sale, barter or exchange of the shares of stock of the Corporations as contemplated in Section 27(D)(2) of the Tax Code.[1]

Such being the case, this Office is of the position that the transfer of shares from the Corporations to PCGG is not subject to CGT.

[1] BIR Ruling No. 058-2013, February 1, 2013; BIR Ruling No. 247-2012, April 13, 2012.

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Donor's Tax

Section 98 of the Tax Code provides that donor's tax shall be imposed upon the transfer by any person, resident or nonresident, of a property by gift or donation. Article 725 of the New Civil Code of the Philippines defines donation as "an act of liberality whereby a person disposes gratuitously of a thing or right in favor of another, who accepts it." Hence, to be a valid donation, it is essential that: (1) there is reduction of the patrimony of the donor; (2) there is increase in the patrimony of the donee; (3) the intent on the part of the donor to do an act of liberality (*animus donandi*); and (4) the donee accepts the gift.

Evaluating the facts of this case shows that, in transferring the shares of the stocks of the Corporations to PCGG, there was no donative intent on the part of Corporations but the same was pursued solely to comply with AO Nos. 231 and 241.

Thus, the transfer of shares of stocks of the Corporations to PCGG shall not be subject to donor's tax.

DST

The transfer of shares of stocks of the Corporations to PCGG is not subject to DST imposed under Section 196 of the Tax Code which provides that DST shall be imposed on all conveyances, donations of real properties. Please note that there is no sale or delivery or transfer of shares of stocks as contemplated under Section 196 of the Tax Code. To reiterate, the transfer of shares of stocks of the Corporation to PCGG is made in order to comply with the directive of AO Nos. 231 and 241.

Accordingly, this Office hereby rules that the transfer of shares of stocks of the Corporations to PCGG is not subject to DST.

This ruling is issued on the basis of the foregoing facts as represented. However, if upon investigation it shall be disclosed 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

K-1