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 175 of the Tax Code
BIR Ruling No. OT-422-2022
OT- 041-2025
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. CHARMAGNE R. PEDROZO-TAN
Attorney V, Legal Department

Gentlemen:

This refers to your letter on behalf of Presidential Commission on Good Government ("**PCGG**") requesting for a confirmatory ruling that the transfer of Coco Levy Assets, particularly the shares of stock in Top Frontier Investment Holdings, Inc. ("**TFIHI**") registered under the PCGG in Trust for the Comprehensive Agrarian Reform Program ("**PCGG in Trust for CARP**") to the Republic of the Philippines ("**ROP**") is exempt from stock transfer tax and other related taxes.

Background:

1. PCGG is the registered owner of) shares of stock of San Miguel Corporation ("**SMC**") in the name of "PCGG in Trust for CARP."

2. The Board of Directors of SMC declared as property dividends its shareholdings in TFIHI in favor of the registered SMC common stockholders as of November 5, 2013, making all common shareholders of SMC entitled to receive one (1) TFIHI common share for every ten (10) SMC common shares. The PCGG received , TFIHI common shares registered in the name of PCGG in Trust for CARP (the "**Shares**").

3. The PCGG and the Bureau of Treasury executed a Deed of Assignment and Transfer of Title on January 16, 2024 for the transfer to the ROP the Shares. In this regard, your Office is to apply for the issuance of eCAR (Certificate Authorizing

Registration) by the Bureau of Internal Revenue to facilitate the issuance of new stock certificates in the name of ROP.

In reply, please be informed as follows:

Capital Gains Tax

Relevant provisions of Republic Act ("RA") No. 11524 states:

"IV

Reconveyance of Coconut Levy Assets and/or Funds

SECTION 6. Reconveyance. — Within one (1) year upon the effectivity of this Act, all government agencies, except the BTr, and any person having any Coconut Levy Asset and/or Fund in its administration, authority, custody, or control which have been finally declared by the Supreme Court as belonging to the government, shall perform or cause the performance of the following:

(1) Reconvey title to the Republic of the Philippines;

(2) Deliver all stock certificates and other evidence of ownership to the BTr for safekeeping; and

(3) Transfer all cash Coconut Levy Assets to the Trust Fund.

They shall likewise perform or cause the performance of the aforementioned acts on Coconut Levy Assets that may hereafter be recovered as belonging to the government to the benefit of the coconut farmers and the development of the coconut industry.

No temporary restraining order (TRO) or any injunction order can be issued on the aforementioned acts except by the Supreme Court.

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V
Coconut Farmers and Industry Trust Fund

SECTION 7. The Coconut Farmers and Industry Trust Fund. — There is hereby created a Trust Fund to be known as the "Coconut Farmers and Industry Trust Fund," referred to in this Act as the "Trust Fund," which shall be capitalized, managed, invested, utilized and accounted for in the manner provided in this Act.

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The Trust Fund shall thereafter be augmented with all proceeds of privatization or disposition of the Coconut Levy Assets remitted directly thereto by the BTr, Privatization and Management Office (PMO), or other DDEs in accordance with this Act, including any and all forms of income, interests, earnings, yields, or any monetary benefit derived prior to the privatization or disposition of any of the Coconut Levy Assets, and any and all forms of income, interests, earnings, yields, or any monetary benefits derived from retained Coconut Levy Assets. All

Coconut Levy Assets in the name of the Philippine Government shall be sold within the period of five (5) years after the effectivity of this Act, and all other Coconut Levy Assets that may hereafter be recovered shall likewise be disposed of within five (5) years from the time it is declared as belonging to the government, and the proceeds shall be transferred to the Trust Fund for the benefit of the coconut farmers.

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VI
Disposition of Non-Cash Coconut Levy Assets

SECTION 13. Disposition of Non-Cash Coconut Levy Assets. — Coconut Levy Assets defined in Section 3 hereof, which are assigned by the Trust Fund Management Committee to DDEs shall be privatized or disposed subject to the regulatory approvals as required by law within the period of five (5) years from the effectivity of this Act.

This Act shall in no case exempt Coconut Levy Assets from the respective jurisdictions of the various applicable regulators, particularly the Governance Commission for Government-owned or -controlled corporations (GCG), the Bangko Sentral ng Pilipinas (BSP), the Philippine Deposit Insurance Corporation (PDIC), and the Insurance Commission (IC)." (Underscoring supplied)

Based on the afore-quoted provisions, it is evident that it is imperative that Coconut Levy Assets, such as the Shares be transferred to the ROP.

Section 27 (D) (2) of the National Internal Revenue Code of 1997, as amended ("**Tax Code**"), provides that 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.

While the transfer or disposition of Shares appears to fall under Section 27(D)(2) of the Tax Code, please note that the said transfer is pursuant to the directive under Sections 6 of RA No. 11524. In BIR Ruling No. [illegible], this Office ruled, among others, that since the transfer of shares was made in compliance with the directive under RA No. 11524, the same shall not be subject to internal revenue taxes.

Such being the case, this Office hereby rules that the transfer or disposition of Shares (as contemplated under RA No. 11524) is not subject to capital gains tax.

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 to ROP, there was no donative intent on the part of PCGG but the same was pursued solely to comply with Section 6 of RA No. 11524.

Thus, the transfer of Shares to ROP shall not be subject to donor's tax.

Documentary Stamp Tax

The transfer of Shares by PCGG to ROP is not subject to DST imposed under Section 175 of the Tax Code which provides that DST shall be imposed on all conveyances of shares in any corporation. Please note that there is no sale or delivery or transfer of shares of stocks as contemplated under Section 175 of the Tax Code. To reiterate, the transfer of shares of stocks of the Corporation to PCGG is made in order to comply with Section 6 of RA No. 11524.

Accordingly, this Office hereby rules that the transfer of Shares by PCGG to ROP 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

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