REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

Secs. 24 (C), 98, and 175 of the National Internal Revenue Code of 1997, as amended
BIR Ruling No. 031-1999
[illegible]
MAR 1 1 2018

ARANETA & FAUSTINO
Unit 203 Le Metropole Building
Corner De La Costa and Tordesillas Streets
Salcedo Village, Makati City 1227

Attention: **ATTY. ALVIN T. PAGAYATAN**

ATTY. PATRICIA CONCEPCION A. SALANG

Gentlemen:

This refers to your letter dated October 20, 2017, requesting on behalf of your client, TWA, Inc. ("TWA" for brevity), for confirmation of your opinion that the assignment/transfer of shares of stock of a domestic corporation from the Trustee of such shares of stock to the Beneficial Owner, without monetary consideration, is exempt from capital gains tax ("CGT"), documentary stamp tax ("DST"), and donor's tax. Also, you request confirmation of your opinion that TWA's Corporate Secretary may transfer such shares to the Beneficial Owner upon the issuance of a favorable ruling without the necessity of securing a tax clearance.

Background:

TWA is a domestic corporation, duly organized and existing under and by virtue of the laws of the Republic of the Philippines, under Securities and Exchange Commission ("SEC") Company Registration No. and with principal office address at No. 47 D. Tuazon Street Quezon City.

In 1996, Ms. Ma. Jesica R. Raymundo, Filipino, of legal age, with postal address 34B Pascual, Obando, Bulacan, purchased 20,000 shares of stock of TWA. However, the shares were issued and registered in the name of Ramon F. Villavicencio, Filipino, of legal age, and with postal address at 18th Floor, La Isla Condominium, Pasig City, in his capacity as trustee, and covered by a Declaration of Trust executed on March 22, 1996 by Ramon F. Villavicencio and Ma. Jesica R. Raymundo.

Thereafter, Ma. Jesica R. Raymundo opted to substitute Mr. Rafaelito N. Villavicencio, Filipino, of legal age and with postal address at D-28 Casa Verde Townhouse, Valle Verde I, Pasig City, as trustee of the shares in lieu of Ramon F. Villavicencio. Thus, Rafaelito N. Villavicencio and Ma. Jesica R. Raymundo executed a Declaration of Trust dated July 22, 1996, covering the same shares.

Subsequently, in 1997, Ma. Jesica R. Raymundo decided to substitute Mr. Ricardo N. Villavicencio, Filipino, of legal age and with postal address at C20 Casa Verde Town Homes, Pasig City, as trustee of the shares in lieu of Rafaelito N. Villavicencio. Consequently, Ricardo N. Villavicencio and Ma. Jesica R. Raymundo executed a Declaration of Trust dated August 02, 1997, covering the same shares.

Then, in 1998, Ma. Jesica R. Raymundo elected to substitute Ms. Ma. Luisa B. Marquicias, Filipino, of legal age and with postal address at 196 Camella Street De Castro Subdivision, Valenzuela City, as trustee of the shares in lieu of Mr. Ricardo N. Villavicencio.

So, Ma. Luisa B. Marquicias and Ma. Jesica R. Raymundo executed a Declaration of Trust dated August 01, 1998, covering the same shares.

Afterwards, in 2001, Ma. Jesica R. Raymundo opted to substitute Mr. Ramon O. Rogel, Filipino, of legal age and with postal address at 288 Eleizegui Subdivision II, Calamba, Laguna, as trustee of the shares in lieu of Ma. Luisa B. Marquicias. Therefore, Ramon O. Rogel and Ma. Jesica R. Raymundo executed a Declaration of Trust dated July 31, 2001, covering the same shares.

The abovementioned Declarations of Trust for the shares of TWA stipulated that the said shares were placed in the name of the trustee for the convenience of Ma. Jesica R. Raymundo, the intent being that the trustee shall hold the shares, together with all its earnings and increments, in accordance with the instructions of, and for the benefit of and in trust for, Ma. Jesica R. Raymundo.

Ma. Jesica R. Raymundo now intends to have the shares of TWA registered in her name in the records of TWA and has instructed Ramon O. Rogel to transfer the shares to her. Thus, on October 10, 2017, pursuant to Ma. Jesica R. Raymundo's instruction, Ramon O. Rogel executed a Deed of Assignment of the shares of TWA in favor of Ma. Jesica R. Raymundo.

On the basis of the foregoing, you now respectfully request for confirmation of your opinion that the assignment/transfer of the shares from Ramon O. Rogel to Ma. Jesica R. Raymundo, without monetary consideration, is exempt from CGT, DST and donor's tax, and that the Corporate Secretary of TWA may transfer such shares to Ma. Jesica R. Raymundo upon the issuance of a favorable ruling, without the necessity of securing a tax clearance.

In reply thereto, please be informed that the transfer of the afore-stated shares of stock by Ramon O. Rogel in favor of the beneficiary, Ma. Jesica R. Raymundo, who is the beneficial owner thereof, is not subject to CGT imposed under Section 24 (D) (1) of the National Internal Revenue Code (NIRC) of 1997, as amended, considering that the conveyance is not motivated by a valuable consideration and merely acknowledges and confirms the legal title and beneficial ownership over the shares of stock in the name of Ma. Jesica R. Raymundo, the trustor.[1]

Likewise, is not subject to donor's tax imposed under Section 98 of the NIRC of 1997, as amended, since the transfer merely consolidates the legal title and beneficial ownership of the shares of stock purchased by Ma. Jesica R. Raymundo, the trustor.

In BIR Ruling No. 031-99 dated March 19, 1999, this Office has already ruled that:

> *"... the conveyance by the Trustee in favor of the Trustor of the subject properties which the former acquired by virtue of the Trust Agreement is not to be treated as another transfer separate and distinct from the sale between the original owner and the Trustee. The conveyance is merely to be treated as a continuation and confirmation of title in favor of the ultimate and real beneficiary of the subject properties."*

Moreover, the Deed of Assignment executed to terminate the trust relationship between Ramon O. Rogel and Ma. Jesica R. Raymundo and the transfer of ownership over the subject shares of stock is not subject to DST imposed under Section 196 of the NIRC of 1997, as amended. Nevertheless, the notarial acknowledgment to such instrument is subject to DST of P15.00[2] under Section 188 of the same Code.

It is, however, understood that this Ruling is never intended, and shall not be construed, as giving authority to the Corporate Secretary of TWA to effect transfer of the Certificate of

---

[1] BIR Ruling No. 051-2015 dated February 24, 2015

[2] Old rate was used since the transaction took place prior to the effectivity of Republic Act (RA) No. 10963.

Stocks in the name of Ma. Jesica R. Raymundo without the necessary 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 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 disclosed that the facts are different, then this ruling shall be considered null and void.

Very truly yours.

CAESAR R. DULAY
Commissioner of Internal Revenue

K-1-LMAT

033410