August 30, 2019

BIR RULING NO. 475-19

Secs. 24 (C), 98 and 175 of the NIRC of 1997,
as amended; BIR Ruling No. 031-1999

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

Attention: *AAA*
BBB

Gentlemen :

This refers to your letter dated June 28, 2017, requesting on behalf of your client, **Treasure-House Holdings Corporation ("Treasure-House" 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 **Treasure-House'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:

Treasure-House is a domestic investment holding 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. CS200409194 and with principal office address at Unit 106 Le Metropole Bldg., Tordesillas cor. Dela Costa Sts., Salcedo Village, Makati City.

On June 14, 2004, CCC (Filipino, of legal age, with postal address at _____) and DDD (Filipino, of legal age, with postal address at _____) (hereinafter referred to as "Trustees") and EEE (Malaysian, of legal age, and with postal address at _____) (hereinafter referred to as the

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"Beneficial Owner") executed Deeds of Trust covering 30,000 and 29,999 shares of stock of Treasure-House, respectively.

The Deeds of Trust for the shares of stock of Treasure-House stipulated that the said shares were purchased and paid for by the Beneficial Owner and that all dividends as well as all kinds of income, fruits, interests and other distributions accruing on or arising from any or all of the shares of stock of Treasure-House are and shall be similarly held in trust by the Trustees for the Beneficial Owner.

Subsequently, Treasure-House increased its Authorized Capital Stock and declared stock dividends as evidenced by SEC Certificate of Approval of Increase of Capital Stock dated March 28, 2014. Of the said increase/stock dividends, stock dividends covering 420,007 and 419,993 shares of stock were respectively declared in the name of the Trustees, and were similarly held in trust by the Trustees in favor of the Beneficial Owner.

The Beneficial Owner now intends to have the shares of stock of Treasure-House registered in the name of the Trustees, totaling 450,007 and 449,992 shares respectively, transferred to his name.

On the basis of the foregoing, you now request for confirmation of your opinion that the assignment/transfer of the shares of stock from the trustees totaling 450,007 and 449,992 shares respectively, without monetary consideration, is exempt from CGT, DST, and donor's tax, and that the Corporate Secretary of Treasure-House may transfer such shares to the Beneficial Owner 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 CCC and DDD in favor of the beneficiary, EEE, who is the beneficial owner thereof, is not subject to CGT imposed under Section 24 (D) (1) of the National Internal Revenue Code 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 EEE, the trustor. ***(BIR Ruling No. 051-2015 dated February 24, 2015)***

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."*

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Moreover, the Deed of Assignment executed to terminate the trust relationship between CCC and DDD and EEE and the transfer of ownership over the subject shares of stock is a conveyance without monetary consideration, and as such not subject to the DST imposed under Section 196 of the National Internal Revenue Code of 1997, as amended. Nevertheless, the notarial acknowledgment to such instrument is subject to the DST of P15.00 [1] under Section 188 of the same Code.

Furthermore, the conveyance of the shares of stock to EEE without any monetary consideration is not subject to donor's tax imposed under Section 98 of the National Internal Revenue Code of 1997, as amended, since there is no donative intent on the part of EEE, the trustee.

It is, however, understood that this Ruling is never intended, and shall not be construed, as giving authority to the Corporate Secretary of Treasure-House to effect transfer of the Certificate of Stocks in the name of EEE 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,

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

Footnotes

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

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