REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

August 3, 2012

REVENUE MEMORANDUM CIRCULAR NO. 37-2012

SUBJECT : Clarifying Section 11 of Revenue Regulations No. 06-08

TO : All Revenue Officials, Employees and Others Concerned

This Circular is issued to clarify Section 11 of Revenue Regulations (RR) No. 06-08 or the "*Consolidated Regulations Prescribing the Rules on the Taxation of Sale, Barter, Exchange or Other Disposition of Shares of Stock Held as Capital Assets*."

BACKGROUND

Revenue Memorandum Order (RMO) No. 15-03 dated May 8, 2003 prescribes the policies, guidelines, and procedures, including the documentary requirements, in the issuance of Certificates Authorizing Registration (CARs) for transactions subject to capital gains tax on the sale, barter, transfer, or assignment of shares of stock not traded in the Stock Exchange. Accordingly, a CAR is necessary before any transfer of shares of stock not traded in the Stock Exchange may be transferred in the books of a corporation.

On the other hand, Section 11 of RR No. 06-08 only mentions the filing with and recording by the stock transfer agent or secretary of the corporation of the receipts of payment of the tax in effecting the transfer of shares in the books of the corporation. The provision reads:

> "SECTION 11. *Effect of Non-Payment of Tax*. — No sale, exchange, transfer or similar transaction intended to convey ownership of, or title to any share of stock shall be registered in the books of the corporation unless **the receipts of payment of the tax herein imposed is filed with and recorded by the stock transfer agent or secretary of the corporation**. It shall be the duty of the aforesaid persons to inform the Bureau of Internal Revenue in case of non-payment of tax. Any stock transfer agent or secretary of the corporation or the stockbroker, who caused the registration of transfer of ownership or title on any share of stock in violation of the aforementioned requirements shall be punished in accordance with the provisions of Title X, Chapters I and II of the Tax Code, as amended." (Emphasis supplied)

The above provision has caused some confusion whether a CAR is still necessary before shares of stock not traded in the Stock Exchange may be transferred.

CLARIFICATION

In order to transfer ownership of shares of stock not traded in the Stock Exchange, it is necessary to secure a CAR pursuant to the process laid down in RMO No. 15-03. The receipts of the payment of the tax should also be filed with and recorded by the secretary of the corporation pursuant to Section 11 of RR No. 06-08.

All other issuance inconsistent herewith are hereby repealed or modified accordingly.

All concerned revenue officials and employees are hereby enjoined to give this Circular as wide a publicity as possible.

This Circular takes effect immediately.

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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