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

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RECORDS MGT. DIVISION

July 21, 2021

REVENUE MEMORANDUM CIRCULAR NO. 94-2021

SUBJECT : Clarifying the Computation of Donor's Tax in Case the Heir Waives/Renounces His Share from the Specific Property Forming Part of the Estate of the Decedent

TO : All Revenue Officers and Employees and Others Concerned

General renunciation of an heir on his share from the inheritance is not subject to Donor's Tax. However, there are instances where in the settlement of the estate of the decedent, instead of all the heirs receiving their respective shares in all the properties of the decedent, the heirs will agree among themselves for a specific property that each one of them will receive. In this scenario, there will definitely be an heir who will receive a share lower or higher than the value of what should have been his rightful share in all the properties of the decedent. In this case, there is actually a partial renunciation of inheritance since the heir is waiving his share to only identified properties but not to the entire properties of the decedent. Hence, donor's tax shall be imposed on the value forgone as a result of such waiver/renunciation.

For uniformity, below is an illustrative example of the manner of computation of donor's tax involving the above-scenario:

Assuming Decedent A left the following properties to three legal heirs, namely, Heir X, Heir Y and Heir Z and at the time of the execution of the Extrajudicial Settlement of the Estate, the properties' Fair Market Value (FMV) per Tax Declaration and Zonal Value (ZV) are as follows:

Classification of Property	FMV	ZV
1. Residential Land	P 1,000,000.00	P 3,000,000.00
2. Commercial Land	1,500,000.00	2,400,000.00
3. Agricultural Land	500,000.00	2,100,000.00

Heir X waived his share from the commercial and agricultural land. Heir Y waived his share from the residential and agricultural land, while Heir Z waived his share from the residential and commercial land. In this case, there is partial renunciation of inheritance where the net value of inheritance waived shall be imposed donor's tax. Net value of inheritance is the difference between the value of the supposed rightful share of the heir as against the value of property he actually received from the estate of the decedent. Here is how the donor's tax shall be computed:

	Value to be Used	Heir X	Heir Y	Heir Z
Supposed share:				
Residential Land	P3,000,000.00	P 1,000,000.00	P 1,000,000.00	P 1,000,000.00
Commercial Land	2,400,000.00	800,000.00	800,000.00	800,000.00
Agricultural Land	2,100,000.00	700,000.00	700,000.00	700,000.00
Total Value of supposed share	P7,500,000.00	P 2,500,000.00	P 2,500,000.00	P2,500,000.00
Value of Property Received as a result of the partial renunciation	7,500,000.00	3,000,000.00	2,400,000.00	2,100,000.00
Value subject to Donor's Tax		(500,000.00)	100,000.00	400,000.00
Exclusions from Donor's Tax			(250,000.00)	(250,000.00)
Amount subject to Donor's Tax			(150,000.00)	150,000.00
Rate of Donor's Tax				6%
Donor's Tax				P 9,000.00

The above computation shall be applied consistently throughout all offices processing One-Time Transactions involving estate of decedent.

All are enjoined to give this Circular a wide publicity as possible.

This Circular shall take effect immediately.

CAESAR R. DULAY
Commissioner of Internal Revenue

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