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

June 12, 2016

REVENUE MEMORANDUM ORDER NO. 25-2016

SUBJECT : Supplemental Rules on the Matter of Prescribing the Investigation of Parties in Transactions Involving the Transfer/Assignment/Sale of Properties.

TO : All Revenue Officials, Personnel and Others Concerned

This Revenue Memorandum Order is being issued as a supplement to the guidelines and procedure in the conduct of investigation on the capacity of a party/ies to acquire properties provided for in Revenue Memorandum Order No. 24-2016.

A paragraph shall be added to Section I Guidelines and Procedures (iii)(b) of Revenue Memorandum Order No. 24-2016 , and said subsection shall now read as follow:

"b. Financial capacity of the buyer to acquire the Subject Property shall be determined during the application of CARs and TCLs.

If the buyer/transferee is proven to have no financial capacity to acquire the Subject Property, the transaction is not a sale but a donation and donor's tax should be imposed and not capital gains tax, and a duly executed Deed of Donation shall be required.

However, if the seller/transferor/assignor is a corporation or is a stranger to the buyer/transferee of the Subject Property, and it is proven that the buyer/transferee/assignee does not have any financial capacity to purchase the Subject Property, it shall be presumed that the buyer/transferee/assignee have earned income that he/she/it did not declare and taxes due thereon where not paid. In addition to any tax due on the sale/transfer/assignment of the Subject Property, income taxes shall be assessed against the buyer/transferee/assignee on that amount of the consideration for which buyer/transferee/assignee cannot show proof that he/she/it has the financial capacity for, on the taxable year when the sale/transfer/assignment of the Subject Property occurred."

This Order shall take effect immediately.

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue
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