REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Bringing In Revenues for Nation-Building

BAGONG PILIPINAS

REVENUE MEMORANDUM CIRCULAR NO. 072-2026

SUBJECT : *Clarifying the Tax Treatment of Transfers of Proprietary Club Shares Held Under Nominee or Trust Agreements, Dispensing with Prior Confirmatory Ruling Subject to Post-Audit Verification*

TO : *All Internal Revenue Officials, Employees and Others Concerned*

DATE : JUN 30 2026

I. BACKGROUND

Many corporations acquire proprietary club shares (e.g., Manila Polo Club shares) to provide their officers with access to club facilities. Since these proprietary club shares typically require that ownership be registered in the name of natural persons, corporations register these shares in the name of a "nominee" or "trustee" officer. Upon the officer's retirement or replacement, the legal title is transferred to a new nominee. Historically, taxpayers sought confirmation from the Bureau of Internal Revenue (BIR) rulings for such transfers to confirm that these are not subject to capital gains tax (CGT), documentary stamp tax (DST) and donor's tax.

This Circular shall apply only to transfers of shares under nominee or trustee arrangements in which the corporation is the established beneficial owner of the shares, as supported by contemporaneous documentary evidence and consistent accounting treatment recognizing the shares as corporate assets.

II. TAX TREATMENT

Pursuant to established jurisprudence and existing tax regulations, the BIR clarifies the following:

The transfer is not subject to CGT

A trust is a legal relationship between one person who holds equitable ownership of property and another person who holds the legal title to such property, the equitable ownership of the former entitling him to the performance of certain duties and the exercise of certain powers by the latter.[1] A declaration of trust has been defined as an act by which

[1] Efraim D. Daniel v. Nancy O. Magkaisa et al., G.R. No. 203815, 07 December 2020.

a person acknowledges that the property, title to which he holds, is held by him for the use of another.[2]

In the case of *Sime Darby Pilipinas, Inc. v. Mendoza*,[3] Sime Darby acquired a Class "A" club share in Alabang Country Club (ACC) in 1987, but being a corporation, which was expressly disallowed by ACC's By-Laws to acquire and register the club share under its name, registered the share under the name of respondent Mendoza, Sime Darby's sales manager at the time. The Supreme Court held that a trust arrangement existed between Sime Darby and Mendoza and while the share was bought by Sime Darby and placed under the name of Mendoza, the latter's title was only limited to the use and enjoyment of the club's facilities and privileges while employed with the company.

Accordingly, the transfer of legal title from one nominee-trustee to another shall not be subject to CGT under Section 24(B)(3) of the National Internal Revenue Code of 1997, as amended (Tax Code), provided that there is no sale, exchange, or other disposition involving the transfer of beneficial ownership, and the trustor-corporation remains to be the beneficial owner of the share, with the transfer constituting merely a change in legal title that does not alter the economic ownership, control, or enjoyment of the share.

The existence of a trust arrangement must be established by clear and convincing evidence, such as a duly executed trust agreement or other contemporaneous documentation showing that the nominee merely holds the share for the benefit of the corporation, including proof that the consideration for the share was paid by the corporation, recognition of the share as a corporate asset in its books, and the absence of any personal beneficial interest on the part of the nominee.

The Transfer is not subject to DST

The transfer shall not be subject to DST under Section 175 of the Tax Code, provided that there is no transfer of beneficial ownership and the trustor-corporation remains to be the beneficial owner of the share, consistent with the principle that DST is imposed only on documents evidencing a transfer of ownership or rights or the exercise of a taxable privilege.

The rule is that the assignment of shares of stock of a domestic corporation is subject to DST upon execution of a deed transferring ownership or rights thereto, or upon delivery, assignment or indorsement of such shares in favor of another.

Revenue Regulations (RR) No. 13-2004[4] qualified this rule by stating that for a sale or exchange to be taxable, there must be an actual or constructive transfer of beneficial ownership of the shares of stock from one person to another. Section 4 of RR No. 13-2004 provides, to wit:

---

[2] Resurreccion de Leon, et al. v. Emiliana Molo-Peckson, et al., G.R. No. L-17809, 29 December 1962.
[3] G.R. No. 202247, 19 June 2013.
[4] Implementing the Provisions of Republic Act No. 9243, An Act Rationalizing the Provisions on the Documentary Stamp Tax of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes dated December 23, 2004.

"SECTION 4. New Rate of DST on Sales, Agreements to Sell, Memoranda of Sales, and Subsequent Transfer of Shares of Stocks. –

xxx xxx xxx

For a sale or exchange to be taxable, there must be an actual or constructive transfer of beneficial ownership of the shares of stock from one person to another. Such transfer may be manifested by the clear exercise of attributes of ownership over such stocks by the transferee, or by an actual entry of a change in the name appearing in the certificate of stock or in the Stock and Transfer Book of the issuing corporation or by any entry indicating transfer of beneficial ownership in any form of registry including those of a duly authorized scripless registry, such as those maintained for or by the Philippine Stock Exchange. ***However, if by the transfer of certificates of stock from a resigned trustee to a newly appointed trustee such certificate of stock remains in the name of the cestui que trust or the resigned trustee so that the new trustee is constituted as mere depository of the stock, <u>such transfer is not taxable.</u>*** *Provided, however, that transfer of shares to 'nominees' to qualify them to sit in the board or to qualify them to perform any act in relation to the corporation shall not be subject to the DST provided herein only upon proof of a duly executed Nominee Agreement showing the purpose of the transfer; that the transfer is without consideration other than the undertaking of the nominee to only represent the beneficial owner of the stock; and the transfer is in trust."* (Emphasis and underscoring supplied)

In view thereof, the transfer shall not be subject to DST as there is no transfer or conveyance of the beneficial ownership or any right, claim or interest over the share. There being no new conveyance to speak of, there is no new exercise of a privilege upon which DST may be imposed.

The Transfer is not subject to Donor's Tax

Article 725 of the New Civil Code describes donation as follows:

"Article 725. Donation is an act of liberality whereby a person disposes gratuitously of a thing or right in favor of another, who accepts it."

Donation has three indispensable elements: (1) the reduction of the patrimony of the donor; (2) the increase in the patrimony of the donee; and (3) the intent to do an act of liberality or *animus donandi.*[5]

[5] Dioscoro Poliño Bacala v. Heirs of Spouses Juan Poliño and Corazon Rom, G.R. No. 200608, 10 February 2021.

In the context of nominee arrangements over proprietary club shares, the third element is conspicuously absent. Corporations commonly acquire proprietary club shares to provide their officers with access to club facilities. Since proprietary club shares' by-laws restrict registered ownership to natural persons, the corporation, as the true and beneficial owner, holds these shares as company assets but register them in the name of a "nominee" or "trustee" officer. In such an arrangement, the corporation parts with neither ownership nor beneficial ownership. Clearly, there is no intention to donate the subject share in favor of a "nominee" or "trustee".

Accordingly, in the absence of *animus donandi* and where the corporation remains the beneficial owner, there is no gratuitous transfer subject to donor's tax under Section 98 of the Tax Code, there being no depletion of the corporation's patrimony nor corresponding enrichment of the nominee.

III. RULING REQUIREMENT

In the interest of reducing unnecessary regulatory burden and consistent with the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 (Republic Act [RA] No.11032), the Bureau hereby dispenses with the requirement of securing a prior confirmatory ruling for the transfer of proprietary club shares held under a nominee or trust arrangement, without prejudice to the Bureau's authority to conduct post-audit verification to determine compliance with applicable tax laws and regulations, and subject to the application of the substance-over-form doctrine and other anti-tax avoidance principles, provided that for such transfer the following conditions are strictly met:

1. The corporation remains the beneficial owner;
2. The transfer is documented by a Declaration of Trust or Trust Agreement;
3. The share is recorded as a corporate asset in the company's books; and
4. The transfer is made without any monetary or non-monetary consideration, directly or indirectly, in favor of the outgoing or incoming nominee.

Any misrepresentation or failure to comply with the foregoing conditions shall subject the transaction to the applicable taxes, penalties, and surcharges under the Tax Code and existing revenue issuances, including possible recharacterization of the transaction based on its true nature.

IV. COMPLIANCE FOR eCAR ISSUANCE

Taxpayers or their duly authorized representatives may file an application for the issuance of an electronic Certificate Authorizing Registration (eCAR) directly with the Revenue District Office (RDO) having jurisdiction over the issuer of the share. The application shall be initiated through the formal submission of a complete set of documentary requirements to the One-Time Transaction (ONETT) Section of the RDO, to wit:

1. Notarized Deed of Assignment/Transfer executed between the outgoing and incoming nominee-trustees;
2. Original Declaration of Trust or Trust Agreement covering the outgoing nominee, and a new Declaration of Trust or Trust Agreement covering the incoming nominee;
3. Proof that the corporation paid for the share and that it is carried and maintained as a corporate asset in the company's books of accounts; and
4. Secretary's Certificate or Board Resolution confirming that the transfer is without monetary consideration and does not involve transfer of beneficial ownership over the share.

The concerned RDO shall conduct a completeness check of the submitted documents within the prescribed timelines under RA No. 11032, and process the application accordingly, without prejudice to post-audit verification.

V. PENDING APPLICATIONS FOR RULING

All applications for confirmatory ruling pertaining to the transfer of proprietary club shares held under a nominee or trust arrangement that are currently pending before the BIR shall no longer be acted upon. The applicants in such pending cases may proceed directly to the RDO having jurisdiction over the transaction for the processing of the eCAR, subject to compliance with the documentary requirements and conditions prescribed under this Circular.

This Circular shall take effect immediately.

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

[redacted]

CHARLITO MARTIN R. MENDOZA
Commissioner of Internal Revenue

K-1-ffr

00000357
BUREAU OF INTERNAL REVENUE
RECORDS MANAGEMENT DIVISION
RECEIVED
JUN 30 2026
ADMIN UNIT - 2
BY: TIME: 3:03 pm