REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Secs. 24(D)(1), 98, 105, & 196, Tax Code
BIR Ruling No. 546-19
OT- 409-2022
OCT 07 2022

BDO PRIVATE BANK
BDO Equitable Tower
8751 Paseo de Roxas
Makati City 1226

Attention: **Maria Vilma D. Fabian**
Vice President
Jaime T. Reyes II
Assistant Vice President

Gentlemen:

This refers to your request for confirmation of your opinion that the re-conveyance of property, as a result of the termination of a trust agreement, by BDO Private Bank, Inc. to the beneficial owners is not subject to internal revenue taxes.

Background

1. On February 28, 2013, siblings **YVETTE MARIE H. ALMENDRAL** and **STEPHANIE L. HAGEDORN** ("Trustors") entered into a Trust Agreement with BDO - Wealth Advisory and Trust Group ("BDOPB") by virtue of which Trust Account No. was established. The Trustors conveyed to BDOPB an amount in cash in trust nevertheless reserving unto themselves the right to revoke, amend, annul, and cancel the trust created thereby.

2. Pursuant to the terms of the Trust Agreement, BDOPB purchased, with the funds transferred to it in trust, a parcel of land consisting of ( ) square meters, together with the improvements existing thereon, situated at No. 159 Sarangani Street, Ayala Alabang Village, Muntinlupa City covered by Transfer Certificate of Title No. f the Registry of Deeds for the City of Muntinlupa (the "Property"). Since BDOPB is the trustee and legal title holder, the title was registered in the name of BDO Private Bank, Inc., as Trustee for the Trust Account No.

3. The Trustors now want the trust *res*, particularly the Property, to be transferred to their names. To give full effect to the Trustors' intention, BDOPB and the Trustors executed a Deed of Conveyance so that the legal and beneficial title will be consolidated in the Trustors' names. There was no monetary or valuable consideration for this consolidation of title.

In reply thereto, please be informed as follows:

The transfer of title over the Property by the Trustee, BDOPB in favor of the Trustors, Yvette Marie H. Almendral and Stephanie L. Hagedorn, who are the actual owners thereof is not subject to capital gains tax imposed under Section 24 (D) (1) of the National Internal Revenue Code of 1997 (Tax Code), as amended, nor to the creditable withholding tax prescribed in Revenue Regulations (RR) No. 2-98, as amended, considering that the transfer and re-conveyance is not motivated by a valuable consideration and merely acknowledges, confirms and consolidates the legal title and actual ownership over the Property in the name of the Trustor.

Furthermore, the conveyance by the Trustee in favor of the Trustors of the Property 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 owners and the Trustee. The conveyance is merely to be treated as a continuation and confirmation of title in favor of the ultimate and real beneficiaries of the Property.

Likewise, the transfer of the Property to the Trustors is not subject to the 12% value-added tax because the aforesaid property is not held primarily for sale to customers or for lease in the ordinary course of trade or business.

The transfer and re-conveyance of the Property to the Trustors without any monetary consideration is not subject to gift tax imposed under Section 98 of the Tax Code, as amended, since there is no donative intent on the part of the Trustee.

Finally, the Deed of Conveyance executed to terminate the trust relationship between the Trustors and the Trustee, and the consolidation of the legal title and actual ownership over the Property is a transfer and re-conveyance without monetary consideration, and as such not subject to the documentary stamp tax (DST) imposed under Section 196 of the same Tax Code, as amended. However, the notarial acknowledgment to such deed is subject to the DST of ₱30.00[1] under Section 188 of the Tax Code, as amended.

It is, however, understood that this Ruling is never intended, and shall not be construed, as giving authority to BDOPB to effect transfer of the Property in the name of the **YVETTE MARIE H. ALMENDRAL** and **STEPHANIE L. HAGEDORN** without the necessary

[1] The new rate was used since the transaction took place after the effectivity of R.A. No. 10963 (TRAIN Law).

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 ascertained that the facts are different, then this ruling shall be considered null and void.

Very truly yours,

LILIA CATRIS GUILLERMO
Commissioner of Internal Revenue

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