REVENUE MEMORANDUM ORDER NO. 32-2001 issued December 5, 2001 prescribes the guidelines on the monitoring of the basis of the property transferred and shares of stock received in a tax-free exchange transaction, as well as revises and updates the requirements and conditions precedent to the non-recognition of gain or loss in said transactions.

The application for Certification/Ruling on the tax consequence of the exchange of properties described in the Order shall be filed with the BIR Law Division using the form provided for the purpose, together with a transmittal letter containing a brief overview of the transaction and three (3) copies of each of the documents specified in the Order.

In the case of executed and/or completed transactions, either original executed and notarized copies or certified true copies of the specified documents must be submitted, together with a proof of payment of the applicable Documentary Stamp Taxes (DST) on the transactions. In the case of issuance of shares/unit of participation by the transferee, the due dates for the payment of the corresponding DST prescribed under RMO No. 8-98, as amended, shall apply.

Soft copy of the form of request for ruling and certification is available at the Taxpayers Information and Education Division and Law Division of the BIR. It may also be downloaded from the BIR website at www.bir.gov.ph.

If the application is to be signed and submitted not by the taxpayer himself, but only by his authorized representative, the appropriate special power of attorney shall be submitted with the application for a certification-ruling. In the case of a juridical person, the corporate secretary shall issue a sworn statement that the signing officer has been authorized by the Board of Directors to represent the company and has personal knowledge of the facts of the exchange transaction.

Before filing the request for certification-ruling, the taxpayer/applicant shall pay first the applicable processing and certification fee as provided in RR No. 18-2001. Said fee shall be adjusted accordingly if additional transfer certificates of title/condominium certificates of title/certificates of stock are submitted for processing.

The Certificate Authorizing Registration/Tax Clearance for the real property or share of stock/unit of participation/interest involved in the exchange shall be issued by the Revenue District Officer or by the authorized Internal Revenue Officer, on the basis of the certification-ruling issued by the Commissioner or his duly authorized representative to the effect that the transaction qualifies as a tax-free exchange or corporate reorganization.