REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

RA No. 11524; Sections 27 (D)(2), 98, 175 and 188 of the Tax Code, as amended; *Confederation of Coconut Farmers Organization of the Philippines vs. Aquino, et. al., COCOFED, et. al vs. Republic of the Philippines and Danilo. S. Ursua vs. Republic of the Philippines*;
BIR Ruling No. OT-016-2022
OT-422-2022
NOV 04 2022

Bureau of Treasury
Ayuntamiento Building,
Cabildo Street corner A. Soriano
Intramuros, 1002 Manila

Attention: Rosalia V. De Leon
Treasurer

Gentlemen:

This refers to your request on behalf of the **Bureau of Treasury** ("BTr"), for confirmation that the transfer of Coconut Levy Assets, specifically the following shares of stock in the Coconut Industry Investment Fund ("CIIF") Oil Mills Group, to the Republic of the Philippines ("ROP") is exempt from transfer taxes:

Name of Corporations	Number of Shares
Cagayan de Oro Oil Company, Inc.	150,167,387
Granexport Manufacturing Corp.	220,000,000
San Pablo Manufacturing Corp.	195,700,000
Legaspi Company, Inc.	320,000,000
Southern Luzon Coconut Oil Mills	142,714,449
Iligan Coconut Industries, Inc.	199,890

Section 6 of Republic Act ("RA") No. 11524[1] and its Implementing Rules and Regulations[2] ("IRR") instructs all government agencies and any person having Coconut Levy Assets and/or Fund in its administration, authority, custody or control to reconvey title to the ROP, deliver all stock certificates and other evidence of ownership to the BTr for safekeeping and transfer all cash Coconut Levy Assets to the trust fund.

Coconut Levy Assets, as defined under Section 3 (b) of RA No. 11524, refer to any kind of property which have been acquired through Coconut Levy Fund, including its fruits or income delivered therefrom. This also includes the CIIF-Oil Mills Group, which refers to the

[1] Coconut Farmers and Industry Trust Fund Act
[2] Joint Memorandum Circular No. 001-2021

CIIF Companies namely: Southern Luzon Coconut Oil Mills, Cagayan de Oro Oil Co., Inc., Iligan Coconut Industries, Inc., San Pablo Manufacturing Corp., Granexport Manufacturing Corp., and Legaspi Oil Co., Inc.

Moreover, the issuance of said shares is to give effect to and implement the Supreme Court's decisions in *Confederation of Coconut Farmers Organization of the Philippines vs. Aquino, et. al.*[3], *COCOFED, et. al vs. Republic of the Philippines*[4] *and Danilo. S. Ursua vs. Republic of the Philippines*[5].

In this regard, you now request confirmation of your opinion that that the transfer of all shares of stock in the CIIF Companies and the issuance of new stock certificates under the name of the ROP are not subject to capital gains tax (CGT), donor's tax and documentary stamp tax (DST).

In reply, we rule as follows:

Capital Gains Tax

Section 27(D)(2) of the National Internal Revenue Code of 1997 ("Tax Code"), as amended, provides that a final tax at the rate of fifteen percent (15%) shall be imposed on the net capital gains realized during the taxable year from the sale, exchange or other disposition of shares of stock in a domestic corporation.

The above-mentioned section of the Tax Code, as amended, finds no application in this case since the transfer of shares does not involve the sale, barter or exchange of shares contemplated under the said Code. Moreover, the transfer of the subject shares of the CIIF Companies is made pursuant to the directive under Section 6 of RA No. 11524 and its IRR, and pursuant to the decisions of the Supreme Court.

Accordingly, the transfer of the subject shares in favor of the ROP, without any monetary consideration is not subject to capital gains tax.

Donor's Tax

Section 98 of the Tax Code, as amended, provides that a donor's tax is generally imposed on the transfer by any person, resident or non-resident, of property by gift. The donor's tax applies, whether such transfer is in trust or otherwise, whether the gift is direct or indirect, and whether the property is real or personal, tangible or intangible. The essential elements of a valid donation are: (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 (*animus donandi*).

We note that based on the facts represented, there is no intention to donate on the part of the CIIF Companies as the transfer was made in compliance with RA No. 11524 and its IRR. The transfer of the legal title to the ROP is only a confirmation of its ownership over the said shares, and there is no donative intent or act of liberality involved on the part of the CIIF Companies.

[3] GR No. 217965, August 8, 2017
[4] GR No. 177857-58, January 24, 2012
[5] GR No. 178193, January 24, 2012

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Documentary Stamp Tax

The transfer of the subject shares in the name of the CIIF Companies in favor of the ROP is likewise not subject to DST imposed under ***Section 175 of the Tax Code, as amended***, considering that there is no sale, agreement to sell or memorandum of sale, or delivery or transfer as contemplated under Section 175 of the Tax Code, as amended.

This will, therefore, serve as authority for the concerned Revenue District Officer to issue the corresponding Certificate Authorizing Registration (CAR) so that the BTr can transfer the subject shares of stock from the CIIF Companies to the name of the ROP.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be disclosed 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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