REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Secs. 24 (D) (1), 188 & 196 of the Tax Code of 1997, as amended
BIR Ruling No. 067-2014
BIR Ruling No. 779-18
OT - 294 - 2022

JUN 14 2022

W.TAN LAW GROUP
67 Fifth Street, New Manila
1112 Quezon City
Metro Manila

Attention: **PEARLYN S. TAN**

Gentlemen:

This refers to your request for confirmation that the reconveyance of properties to the Trustor from the Trustees is not subject to capital gains tax (CGT) and documentary stamp tax (DST) imposed under Section 24(D)(1) and Section 196 of the National Internal Revenue Code (Tax Code) of 1997, as amended.

It is represented that Mr. Rolando V. Tongco (the "Trustor") entered into a Trust Agreement with his children Raymond Misael V. Tongco, Rosalie Michell T. Gomez, Regina Monica T. Salazar and Rowena Mabelle V. Tongco (the "Trustees"), for the purpose of holding only legal title to the properties that he was in the process of purchasing covered by Transfer Certificates of Title (TCT) Nos. and

Pursuant to the Trust Agreement, a Deed of Absolute Sale was entered into by and between Spouses Jose G. Go and Marie Y. Go and Lim Bee Hua with the Trustees on July 28, 2010. Said properties were transferred and registered in the names of the Trustees under TCT Nos. and .

Under the Trust Agreement, the Trustees confirmed that they merely held legal title to the properties and acknowledged their status as Trustees. Further, under the said Trust Agreement, the parties agreed that either party may terminate said agreement for any reason upon prior written notice to the other.

On November 19, 2019, the Trustor gave due notice to the Trustees that he intended to terminate the Trust Agreement, and thereafter executed a Cancellation of Trust and Deed of Conveyance which was signed by all the parties. In the said document,

OT- 2 9 4 - 2 0 2 2
JUN 1 4 2022

the Trustees agreed to cancel the Trust Agreement and to convey the properties held by them in trust back to the Trustor. All the parties acknowledged that based on the Trust Agreement, the Trustor has been the true and beneficial owner of the property, and so the conveyance back to the Trustor was made without any monetary consideration.

In reply, please be informed that Section 24 (D) (1) of the Tax Code of 1997, as amended, provides that:

SEC. 24. Income Tax Rates. –

xxx xxx xxx

(D) Capital Gains from Sale of Real Property. –

(1) In General. – The provisions of Section 39(B) notwithstanding, a final tax of six percent (6%) based on the gross selling price or current fair market value as determined in accordance with Section 6(E) of this Code, whichever is higher, is hereby imposed upon capital gains presumed to have been realized from the sale, exchange, or other disposition of real property located in the Philippines, classified as capital assets, including pacto de retro sales and other forms of conditional sales, by individuals, including estates and trusts: Provided, That the tax liability, if any, on gains from sales or other dispositions of real property to the government or any of its political subdivisions or agencies or to government-owned or controlled corporations shall be determined either under Section 24(A) or under this Subsection, at the option of the taxpayer.

Since the transfer of the subject properties by the Trustees in favor of the Trustor, as the true and beneficial owner is without monetary consideration and is merely a confirmation of title in favor of the beneficial owner thereof, the same is not subject to the CGT imposed under Section 24 (D) (1) of the Tax Code of 1997, as amended.

Moreover, the said conveyance of the real properties is not likewise subject to the DST imposed under Section 196 of the Tax Code of 1997. However, the notarial acknowledgment to the said deed is subject to the DST of P30.00 pursuant to Section 188 of the said Code.

Furthermore, in BIR Ruling No. 031-99 dated March 19, 1999, this Office has already ruled that:

"...the conveyance by the Trustee in favor of the Trustor of the subject properties 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 owner and the Trustee. The conveyance is merely to be treated as a continuation and confirmation of title in favor of the ultimate and real beneficiary of the subject properties."

OT-294-2022
JUN 14 2022

It is, however, understood that this Ruling is never intended, and shall not be construed, as giving authority to the concerned Register of Deeds to effect transfer of the land titles in the name of the Trustor without the necessary Certificate Authorizing Registration (CAR) issued by this Bureau. In this regard, this Ruling shall be presented to the Revenue District Office concerned in order for the latter to issue the CAR after submission of the requirements provided under Revenue Memorandum Order (RMO) No. 15-2003, as amended.

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,

CAESAR R. DULAY
Commissioner of Internal Revenue

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