



Bangko Sentral ng Pilipinas

OFFICE OF THE DEPUTY GOVERNOR SUPERVISION AND EXAMINATION SECTOR

CIRCULAR LETTER NO. CL-2009-⁰¹⁹_____

To : **All Authorized Agent Banks**

Subject: **Documentary Stamp Tax on the Sale,
Barter or Exchange of Shares of Stock**

Pursuant to the Memorandum of Agreement ("MOA") dated March 17, 2009 between the Department of Finance and the Philippine Stock Exchange, Inc. ("PSE"), with the conformity of the Bureau of Internal Revenue ("BIR") (copy attached), all authorized agent banks ("AABs") are hereby informed that:

I. Collection of DST

From March 20, 2009 to June 30, 2009 or any earlier date of enactment by Congress of the Philippines ("Congress") of the Documentary Stamp Tax ("DST") Law ("Period of Coverage"), brokers-taxpayers shall file the DST returns and remit to the BIR through any of the AABs the DST at the rate of seventy-five centavos (₱ 0.75) for every two hundred pesos (₱ 200.00) or fractional part thereof of the par value on the sale of shares listed and traded through the PSE ("DST on Secondary Trading"). Further, in the case of shares of stock without par value, the amount of DST shall be twenty-five percent (25%) of the DST paid upon the original issue of said shares.

The total DST on Secondary Trading collected by the AABs shall be placed in a separate AAB account to be disposed of in accordance with the MOA. The AABs and brokers-taxpayers shall maintain a record of all the names of the brokers-taxpayers and the corresponding DST amounts that have been remitted during the Period of Coverage. The brokers-taxpayers shall agree with their respective AABs on the other terms of the separate account, including the interest that will be earned by the amount deposited therein.

PANANALAPING MATATAG, BANSANG PANATAG

II. Authority to Refund DST

In the event that by June 30, 2009, Congress does not pass a new law exempting from DST the sale of listed shares through the PSE or the law that is passed does not provide for any retroactive effect, the AABs shall immediately turn over the total collections of DST on Secondary Trading to the BIR, including interest accruing on said collections.

In case a new law is passed on or before June 30, 2009, exempting from DST the sale of listed shares through the PSE with retroactive application from March 20, 2009, AABs are duly authorized under the MOA to refund the DST on Secondary Trading collected during the Period of Coverage, including any interest earned, to the respective brokers-taxpayers, as follows:

- a. The PSE shall issue a circular ("PSE Circular") announcing that the new law has been passed by Congress and that pursuant to the MOA, the brokers-taxpayers may file their claims for refund with the AABs concerned;
- b. The brokers-taxpayers shall submit a letter to the AABs to claim a refund of the DST on Secondary Trading that they remitted during the Period of Coverage, accompanied by a copy of the PSE Circular duly certified by the PSE; and
- c. Immediately upon receipt of the claim for refund, AABs shall refund the DST on Secondary Trading, together with any interest earned thereon, to the respective brokers-taxpayers.

III. Liability for DST

In accordance with law and regulations, the concerned broker-taxpayer shall be solidarily liable and responsible for any deficiency DST on the sale of listed shares through the PSE.

IV. Further Action and Cooperation

The Department of Finance and the PSE agree to take any and all actions that may be necessary to carry out the purposes of the MOA.

For your guidance and strict compliance.


NESTOR A. ESPENILLA, JR.
Deputy Governor

19 March 2009

Att: A/S

Quezon City

Annex A

**MEMORANDUM OF AGREEMENT BETWEEN
DEPARTMENT OF FINANCE
AND
THE PHILIPPINE STOCK EXCHANGE, INC.**

This Memorandum of Agreement (the "Agreement") is entered into this 17th day of March 2009 between:

- (1) **Department of Finance (DOF)**, with office at the 6th floor, DOF Building, Roxas Boulevard corner Pablo Ocampo St., Manila, represented herein by **Secretary Margarito B. Teves**; and
- (2) **The Philippine Stock Exchange, Inc. (PSE)**, a corporation duly organized under the laws of the Philippines, with principal office at Philippine Stock Exchange Centre, Exchange Road, Ortigas Centre, Pasig City, represented herein by **Francisco Ed. Lim**, President & CEO;

(herein collectively referred to as the "Parties"), outlines the framework for a collaborative undertaking.

WHEREAS:

(A) The sale, barter or exchange of shares of stock listed and traded through the local stock exchange is exempt from documentary stamp tax (DST) for a period of five (5) years from March 20, 2004 when Republic Act No. 9243 took effect or until March 20, 2009;

(B) The House of Representatives passed on second reading the abolition of DST on the aforesaid stock exchange transactions to take effect "beginning March 20, 2009 or immediately upon the expiration of the five (5)-year exemption period"; and

(C) The common objective of the Parties is to create an enabling environment to stimulate investments and trading activities despite the global financial crisis.

Now, therefore, the Parties have reached an agreement on mutual cooperation as outlined herein:

I. Collection of DST

From March 20, 2009 to June 30, 2009 or any earlier date of enactment by Congress of the DST law ("Period of Coverage"), the brokers-taxpayers shall file the DST returns and remit to the Bureau of Internal Revenue ("BIR") through any of the authorized agent banks ("AABs") the DST at the rate of P0.75 for every P200 or fractional part thereof of the par value on the sale of shares listed and traded through the PSE ("DST on Secondary Trading"). Further, in the case of stocks without par value, the amount of the DST shall be equivalent to twenty-five percent (25%) of the DST paid upon the original issue of said stock.

The total DST on Secondary Trading collected by the AABs shall be placed in a separate AAB account to be disposed of in accordance with this MOA. The AAB and the brokers-taxpayers shall maintain a record of all the names of the brokers-taxpayers and the corresponding DST amounts that have been remitted during the Period of Coverage. The brokers-taxpayers shall agree with their respective AAB on the other terms of the separate account, including the interest that will be earned by the amount deposited therein.

II. Authority to Refund DST

In the event that by June 30, 2009, Congress does not pass a new law exempting from DST the sale of listed shares through the PSE or the law that is passed does not provide for any retroactive effect, the AAB shall immediately turn over the total collections of DST on Secondary Trading to the BIR, including all interests accruing on said collections.

In case a new law is passed on or before June 30, 2009 exempting from DST the sale of listed shares through the stock exchange with retroactive application to March 20, 2009, the AABs are hereby duly authorized to refund the DST on Secondary Trading collected during the Period of Coverage, including any interest earned, to the respective brokers-taxpayers, as follows:

- a. The PSE shall issue a circular ("PSE Circular") announcing that the new law has been passed by Congress and that pursuant to this Agreement, the brokers-taxpayers may file their claims for refund with the concerned AABs;
- b. The brokers-taxpayers shall submit a letter to the AABs to claim a refund of the DST on Secondary Trading that they remitted during the Period of Coverage. The claim for refund shall be accompanied by a copy of the PSE Circular duly certified by the PSE;
- c. Immediately upon receipt of the claim for refund, the AABs shall refund the DST on Secondary Trading, together with any interest earned thereon, to the respective brokers-taxpayers.

III. Liability for DST

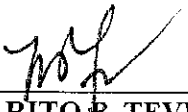
In accordance with law and regulations, the concerned broker-taxpayer shall be solidarily liable and responsible for any deficiency DST on the sale of listed shares through the PSE.

IV. Further Action and Cooperation

The parties agree to take any and all actions that may be necessary to carry out the purposes of this Agreement.

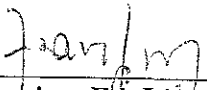
IN WITNESS WHEREOF, this Agreement has been signed by the Parties through their authorized representatives herein below, on the above mentioned day, month and year.

DEPARTMENT OF FINANCE


MARGARITO B. TEVES
Secretary

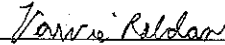
007596

THE PHILIPPINE STOCK EXCHANGE


Francisco Ed. Lim
President & CEO

CONFORME:


SIXTO S. ESQUIVIAS IV
Commissioner of Internal Revenue

Witness 

Witness 