REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Secs. 27; 98; 106; 188 & 196
BIR Ruling No. 067-14
#338-2017
7-12-2017

JOHNNY Y. QUISUMBING
No. 17, Matahimik St. Sikatuna Village
Quezon City

Sir:

This refers to your letter dated March 7, 2016, requesting for confirmation of your opinion that the conveyance of the title of the property from the trustee to the trustor is not subject to the capital gains tax, income tax, donor's tax, value-added tax and documentary stamp tax imposed under the relevant provisions of the Tax Code of 1997, as amended.

Background

1. On March 16, 1989, Mr. Johnny Y. Quisumbing purchased two adjoining parcels of land which are located at Matahimik Street, Quezon City and covered by Transfer Certificates of Title (TCT) Nos. and (the "Subject Properties") at a price of Pesos (P for each lot or a total of 'esos (P .

2. The Subject Properties, though purchased by Mr. Johnny Y. Quisumbing (the "Trustor"), were registered under the name of the latter's family corporation, FR Realty and Development Corporation (the "Trustee Corporation"), to improve the Trustee Corporation's credit rating with the bank. Further, the funds used to purchase the Subject Properties came from the Trustor's personal funds and not from the Trustee Corporation since at the time the Subject Properties were bought, the subscribed capital of the Trustee Corporation was only Pesos (P), with Hundred Pesos (P) paid-up, thus, clearly showing that the Trustee Corporation has no capability to buy the Subject Properties.

3. The title of the Subject Properties were placed in the name of the Trustee Corporation with an understanding that the latter shall only hold the legal title to the Subject Properties and that the equitable title will remain with the Trustor.

4. Accordingly, to recognize that the Trustor is the real owner of the Subject Properties, the Trustee Corporation as represented by its then President, Fe Y. Quisumbing, and concurred by all of the stockholders of the Trustee Corporation, executed on March 17, 1989, a day after the Trustor bought the Subject Properties, a Memorandum of Agreement ("MOA"), whereby the Trustee Corporation acknowledged that Subject Properties were bought using the personal funds of the Trustor and not of the Trustee Corporation, and that Subject Properties are owned exclusively by the Trustor.

5. The MOA, which proves that the Trustee Corporation is merely holding the Subject Properties in trust for the Trustor, was authenticated before Notary Public Macarius S. Galutera of Quezon City and registered in his Notarial Book as Document No. 119, Page No. 25, Book No. VII, Series of 1989.

6. On August 18, 2004, the Trustee Corporation authorized the Trustor to exercise all the rights of an owner over the Subject Properties through a Board Resolution on even date and signed by all of the stockholders of the Trustee Corporation. The said authorization remains valid to date.

7. Thus, pursuant to the commitment of the Trustee Corporation, it executed a Deed of Conveyance dated October 8, 2015 so that the title over the Subject Properties can be transferred to the Trustor, being the real owner.

In reply, please be informed that since the transfer of the Subject Properties by FR Realty and Development Corporation, as the Trustee in favor of Mr. Johnny Y. Quisumbing, 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 ordinary income tax under Section 27(A), capital gains tax imposed under Section 27(D)(5), donor's tax under Section 98, and value-added tax under Section 106, all of the Tax Code of 1997, as amended. *(BIR Ruling No. 067-14 dated February 20, 2014)*

Furthermore, the said conveyance of the real property is not likewise subject to the documentary stamp tax imposed under Section 196 of the Tax Code of 1997, as amended. However, the notarial acknowledgment to the said deed is subject to the documentary stamp tax of P15.00 pursuant to Section 188 of the said Code.

This will authorize the Revenue District Officer (RDO) of the revenue district where the subject property is located to issue the corresponding Tax Clearance Certificate/Certificate Authorizing Registration with regard to the transfer by FR Realty and Development Corporation of the Subject Properties in favor of Mr. Johnny Y. Quisumbing