

REPUBLIC OF THE PHILIPPINES }
CONGRESS OF THE PHILIPPINES }
 Second Regular Session

H. No. 9187
S. No. 1127

REPUBLIC ACT NO. 7717

AN ACT IMPOSING A TAX ON THE SALE, BARTER OR EXCHANGE OF SHARES OF STOCK LISTED AND TRADED THROUGH THE LOCAL STOCK EXCHANGE OR THROUGH INITIAL PUBLIC OFFERING, AMENDING FOR THE PURPOSE THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, BY INSERTING A NEW SECTION AND REPEALING CERTAIN SUBSECTIONS THEREOF

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. A new section is hereby inserted in the National Internal Revenue Code, as amended, as Section 124-A, which shall read as follows:

SEC. 124-A. *Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange or through Initial Public Offering.* – (a) Tax on sale, barter or exchange of shares of stock listed and traded through the local stock exchange. – There shall be levied, assessed, and collected on every sale, barter, exchange, or other disposition of shares of stock listed and traded through the local stock exchange other than the sale by a dealer in securities, a tax at the rate of one-half of one percent (1/2 of 1%) of the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged, or otherwise disposed which shall be paid by the seller or transferor.

It shall be the duty of every stock broker who effected the sale subject to the tax imposed herein to collect the tax and remit the same to the Bureau of Internal Revenue in five (5) banking days from the date of collection thereof and to submit on Mondays of each week to the secretary of the stock exchange, of which he is a member, a true and complete return which shall contain a declaration of all the transactions effected through him during

the preceding week and of taxes collected by him and turned over to the Bureau of Internal Revenue.

(b) Tax on shares of stock sold or exchanged through initial public offering. – There shall be levied, assessed, and collected on every sale, barter, exchange, or other disposition through initial public offering of shares of stock in closely held corporations, as defined herein, a tax at the rates provided hereunder based on the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged, or otherwise disposed in accordance with the proportion of shares of stock sold, bartered, exchanged, or otherwise disposed to the total outstanding shares of stock after the listing in the local stock exchange:

33 1/3% or below	4%
Over 33 1/3% but below 50%	2%
Over 50%	1%

The tax herein imposed shall be paid by the issuing corporation in primary offering or by the seller in secondary offering.

For purposes of this section, the term "closely held corporation" means any corporation at least fifty percent (50%) in value of the outstanding capital stock or at least fifty percent (50%) of the total combined voting power of all classes of stock entitled to vote is owned directly or indirectly by or for not more than twenty (20) individuals.

For purposes of determining whether the corporation is a closely held corporation, insofar as such determination is based on stock ownership, the following rules shall be applied:

(1) Stock not owned by individuals. - Stock owned directly or indirectly by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries.

(2) Family and partnership ownerships. - An individual shall be considered as owning the stock owned, directly or indirectly, by or for his family, or by or for his partner. For

purposes of this paragraph, the family of an individual includes only his brothers and his sisters (whether by the whole or half-blood), spouse, ancestors, and lineal descendants.

(3) Option. - If any person has an option to acquire stock, such stock shall be considered as owned by such person. For purposes of this paragraph, an option to acquire such an option and each one of a series of options shall be considered as an option to acquire such stock.

(4) Constructive ownership as actual ownership. - Stock constructively-owned by reason of the application of paragraph (1) or (3) shall, for purposes of applying paragraph (1) or (2), be treated as actually owned by such person; but stock constructively owned by the individual by reason of the application of paragraph (2) hereof shall not be treated as owned by him for purposes of again applying such paragraph in order to make another the constructive owner of such stock.

In case of primary offering, the corporate issuer shall file the return and pay the corresponding tax within thirty (30) days from the date of listing of the shares of stock in the local stock exchange. In the case of secondary offering, the provision of subsection (a) of this section shall apply as to the time and manner of the payment of the tax.

(c) Common provisions. - Any gain derived from the sale, barter, exchange, or other disposition of shares of stock under this section shall be exempt from the tax imposed in Sections 21(d), 24(e)(2), 25(a)(6)(C), and 25(b)(5)(C) of this Code and from the regular individual or corporate income tax. Tax paid under this section shall not be deductible for income tax purposes.

SEC. 2. For a period of one (1) year after the effectivity of this Act, the tax imposed on the sale, barter, exchange, or other disposition of stock listed and traded through the local stock exchange shall be three-eighths of one percent ($3/8$ of 1%).

SEC. 3. Sections 21(d)(2), 24(e)(2)(B), 25(a)(6)(C)(ii), and 25(b)(5)(C)(ii) of the National Internal Revenue Code, as amended, are hereby repealed.

SEC. 4. The Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue, shall within ninety (90) days from the effectivity of this Act promulgate such rules and regulations as may be necessary for the effective implementation hereof.

SEC. 5. This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in at least two (2) national newspapers of general circulation whichever comes earlier.

Approved, May 5, 1994.