

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**

Date: November 07, 2012

**REVENUE REGULATIONS NO. 16-2012**

Subject: Tax Treatment of Sales, Barters, Exchanges or Other Dispositions of Shares of Stock of Publicly-listed Companies Whose Public Ownership Levels Fall Below the Mandatory Minimum Public Ownership (MPO) Level, Monitoring of these Companies and their Stock Transactions, and Amending Revenue Regulations No. 06-08 for the Purpose.

To : The Philippine Stock Exchange, Inc., All Publicly-Listed Companies, Internal Revenue Officials and Employees Concerned

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**SECTION 1. *Scope and Purpose.* –**

A) Rule on Minimum Public Ownership

Pursuant to the provisions of Sections 244 and 245, in relation to Sections 24(C), 25(A)(3), 25(B), 27(D)(2), 28(A)(7)(c), 28(B)(5)(c), 40, 127 and 175 of the National Internal Revenue Code (NIRC) of 1997, as amended, and Revenue Regulations (RR) Nos. 06-08 and 13-04, these Regulations are hereby promulgated to prescribe the tax treatment of sales, barters, exchanges or other dispositions of shares of stock of publicly-listed companies that meet or do not meet the minimum percentage of listed securities held by the public (or “public float”) of ten percent (10%) issued and outstanding shares, exclusive of any treasury shares or the minimum public ownership as required by the Securities and Exchange Commission (SEC) or Philippine Stock Exchange (PSE), whichever is higher (collectively referred to herein as the MPO).

All publicly-listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public (or “public float”) of the higher rate of ten percent (10%) of the publicly-listed companies’ issued and outstanding shares, exclusive of any treasury shares or at such percentage as may be prescribed by the SEC or PSE.

Publicly-listed companies which are non-compliant with the above-mentioned MPO as of December 31, 2011 and those whose public ownership levels subsequently fall below the above-mentioned MPO level at any time prior to December 31, 2012 may be allowed up to December 31, 2012 to comply with the MPO. The sale, barter, transfer and or assignment of publicly-listed companies that still fail to meet the MPO after the lapse of the *grace period* shall be subject to final tax at the rate of five percent (5%) or ten percent (10%) on the net capital gains imposed under Sections 24(C), 25(A)(3),

25(B), 27(D)(2), 28(A)(7)(c), and 28(B)(5)(c) of the NIRC, as amended and the documentary stamp tax (DST).

B) Reportorial Requirements

Pursuant to the provisions of Sections 244 and 245, in relation to Sections 5 of the NIRC, these Regulations are also hereby promulgated to prescribe reportorial requirements to effectively monitor the compliance with these Regulations by persons liable to the taxes imposed on the sale, barter, exchange or other disposition of shares of stock.

**SECTION 2. *Tax Treatment of Sales, Barters, Exchanges or Other Dispositions of Shares of Stock of a Publicly-listed Company that is Non-Compliant with the MPO.* –**

A) *Transactions up to December 31, 2012.* – There shall be levied, assessed and collected on every sale, barter, exchange or other disposition of shares of stock of a publicly-listed company which is non-compliant with the MPO mentioned herein, that is transacted up to December 31, 2012 under the Amended MPO Rule, a stock transaction tax at the rate of one-half of one percent ( $\frac{1}{2}$  of 1%) of the gross selling price or gross value in money of the shares of stock imposed under Section 127(A) of the NIRC, as amended.

B) *Transactions after December 31, 2012.* – There shall be levied, assessed and collected on every sale, barter, exchange or other disposition of shares of stock of a publicly-listed company which is non-compliant with the MPO, a final tax at either five percent (5%) or ten percent (10%) on the net capital gains imposed under Sections 24(C), 25(A)(3), 25(B), 27(D)(2), 28(A)(7)(c), and 28(B)(5)(c) of the NIRC, as amended.

**SECTION 3. *Persons Not Liable to the Tax.*** – The taxes imposed herein shall not apply to the following:

- A) Dealers in securities, as defined in Section 22(U) of the NIRC, *provided that*, they shall be subject to Value Added Tax (VAT) on the basis of their gross receipts and Income Tax from their sale or exchange of securities.
- B) Investors in shares of stock in a mutual fund company, as defined in Section 22(BB) of the NIRC, in connection with the gains realized by said investor upon redemption of said shares of stock in a mutual fund company pursuant to Section 32(B)(7)(h) of the NIRC; and
- C) All other persons, whether natural or juridical, who are specifically exempt from national internal revenue taxes under existing investment incentives and other special laws.

**SECTION 4. *Documentary Stamp Tax.*** – The transfers of shares of stocks under Section 2(B) hereof are subject to Documentary Stamp Tax (DST) imposed under Section 175 of the NIRC, as amended, as implemented by Revenue Regulations No. 13-2004, upon execution of the deed transferring ownership or rights thereto, or upon delivery, assignment or indorsement of such shares in favor of another. No transfer of shares of stock shall be recorded unless DST thereon has been duly paid for in accordance with Section 200 of the NIRC, as amended.

**SECTION 5. *Effect of Non-Payment of Tax.*** – No sale, exchange, transfer or similar transaction intended to convey ownership of, or title to any share of stock shall be registered in the books of the corporation unless the receipts of payment of the taxes herein imposed in the instances herein specified and the Certificate Authorizing Registration (CAR) and/or Tax Clearance Certificate (TCL) under pertinent Revenue Regulations and issuances are filed with, and recorded by the stock transfer agent or secretary of the corporation. It shall be the duty of the aforesaid persons to inform the Bureau of Internal Revenue (BIR) any case of non-payment of tax.

**SECTION 6. *Reportorial Requirements.*** – For proper monitoring of the compliance of these Regulations, the following lists and reports shall be forwarded to the BIR National Office, through the Office of the Assistant Commissioner, Large Taxpayers Service (Rm. 301, BIR National Office Building, BIR Road, Diliman, Quezon City):

A) Lists from the Philippine Stock Exchange, Inc. (PSE):

1. List of publicly-listed companies which are non-compliant with MPO as of December 31, 2011.
2. List of publicly-listed companies which are non-compliant with MPO thereafter up to December 31, 2012.
3. List of publicly-listed companies that become non-compliant with MPO as of January 1, 2013. This shall be forwarded by the PSE to the BIR within ten (10) calendar days after December 31, 2012.
4. Quarterly list of all publicly-listed companies indicating their public float or public ownership level. This shall be regularly forwarded by the PSE to the BIR on or before the month following the end of each quarter.
5. Quarterly List of publicly-listed companies that have become non-compliant with MPO after January 1, 2013. This shall be regularly forwarded by the PSE to the BIR on or before the month following the end of each quarter.
6. Other reports or lists that may be requested by the BIR pursuant to Section 5 of the NIRC.

B) All publicly-listed companies shall furnish the BIR a copy of the following:

1. *Quarterly Public Ownership Report* duly submitted to the PSE. This shall be submitted to the BIR within fifteen (15) calendar days after the end of each quarter.
2. Corporate disclosures involving block sale transactions duly submitted to the PSE. This shall be submitted to the BIR within three (3) calendar days after the disclosure was made to the PSE.

**SECTION 7. *Penal Provisions.*** – The following shall be punished in accordance with the provisions of Title X, Chapters I and II of the NIRC, as amended:

A) Any stock transfer agent or secretary of the corporation or the stockbroker who caused the registration of transfer of ownership or title on any share of stock without having been furnished with the receipts of the payment of the taxes due and corresponding CAR/TCL and/or has recorded the same;

B) Any responsible director, corporate officer, partner or employee who fails to submit the reports required under these Regulations.

**SECTION 8. *Repealing Clause.*** – All existing rules and regulations and other issuances or parts thereof which are inconsistent with the provisions of these Regulations are hereby modified, amended or revoked accordingly.

**SECTION 9. *Effectivity Clause.*** – These Regulations shall take effect fifteen (15) days following complete publication in a newspaper of general circulation in the Philippines.

(Original Signed)  
**CESAR V. PURISIMA**  
Secretary of Finance

Recommending approval:

(Original Signed)  
**KIM S. JACINTO-HENARES**  
Commissioner of Internal Revenue