

Advisory on Taxation of Disposition of Shares of Stock Held as Capital Assets

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**BIR REVENUE REGULATION NO. 20-2020
Amending the Rules on the Taxation of
Sale, Barter, Exchange or Other Disposition
of Shares of Stock Held as Capital Assets**

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20/F Chatham House
Valero cor. Rufino Sts.



Salcedo Village
Makati Zip Code



www.bdblaw.com.ph
info@bdblaw.com.ph



T: (632) 403-2001
F: (632) 403-2001 loc. 130



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AMENDMENT OF CERTAIN PROVISIONS ON TAXATION OF SALE, BARTER EXCHANGE, OR OTHER DISPOSITION OF SHARES OF STOCK HELD AS CAPITAL

The rules in the determination of “fair market value” (“FMV”) for **shares of stock not listed and traded in the local stock exchanges** are as follows:

Kinds of Shares of Stock	Valuation
Common shares	The FMV shall be the book value based on the latest available financial statements duly certified by an independent public accountant prior to the date of sale, but not earlier than the immediately preceding taxable year.
Preferred shares	The FMV shall be the liquidation value, which is equal to the redemption price of the preferred shares as of balance sheet date nearest to the transaction date, including any premium and cumulative preferred dividends in arrears.
In case there are both common and preferred shares	The book value per common share is computed by deducting the liquidation value of the preferred shares from the total equity of the corporation and dividing the result by the number of outstanding common shares as of balance sheet date nearest to the transaction date.

The book value of the common shares of stock or the liquidation value of the preferred shares of stock, need not be adjusted to include any appraisal surplus from any property of the corporation not reflected or included in the latest audited financial statements, in order to determine the FMV of the shares of stock. The latest audited financial statements shall be sufficient in determining the FMV of the shares of stock subject of the disposition.

Source:
BIR Revenue Regulations No. 20-2020