REVENUE MEMORANDUM CIRCULAR NO. 6-2022 issued on January 18, 2022 clarifies the Documentary Stamp Tax imposed under Section 175 of the 1997 Tax Code, as amended, on transfer of shares of stocks.

The Documentary Stamp Tax (DST) is levied on the exercise by a person of certain privileges conferred by law for the creation, revision, or termination of specific legal relationships through execution of specific instruments. It is in the nature of an Excise Tax. Thus, the following transfers of shares of stock shall also be subject to DST under Section 175 of the 1997 Tax Code, as amended:

a. Transfer pursuant to a Deed of Donation;
b. Transfer pursuant to a Will of the Decedent as approved by the probate court in a Judicial Settlement of Estate; and,
c. Generally, transfer of shares of stock from the decedent's estate to the heirs thru intestate succession (without a Will) is not subject to DST under Section 175 of the 1997 Tax Code, as amended, as ownership of such shares is transferred to the heirs via succession by operation of law. However, it would be different if, in case of a Judicial Settlement of Estate as approved by the probate court or an Extra-Judicial Settlement of Estate (both without a Will), the heir/s specifically waive/s or renounce/s his or her share over the inheritance (i.e., shares of stocks left by the decedent), then, in such a situation, the renounced/waived shares of stock to be transferred to another heir/s shall also be subject to DST pursuant to Section 175 of the 1997 Tax Code, as amended. In this case, the rules set forth in Revenue Memorandum Circular No. 94-2021 apply.