
Under Section 127 of the Tax Code of 1997, sale or other disposition of shares of stock are taxed at the rate of ½ of 1% of the gross selling price or gross value in money provided the shares are listed and traded through the exchange.

For shares that are not disposed of through the stock exchange, a final tax at either 5% or 10% is imposed on the net capital gains under Section 24(C), Section 25(A)(3), Section 25(B), Section 27(D)(2), Section 28(A)(7)(c) and Section 28(B)(5)(c) of the Tax Code.

In order to keep-up with modern developments and more importantly give emphasis on the economic as well as substantial aspect rather than on the formal aspect of the transaction, sale of shares of stock where the sale is prearranged or the buyer/s is predetermined is taxable under either Section 24(C), Section 25(A)(3), Section 25(B), Section 27(D)(2), Section 28(A)(7)(c) and Section 28(B)(5)(c) of the said Code notwithstanding the fact that the transaction passed through the Exchange or the said facility was used.

Accordingly, any transaction, which in effect excludes the public by any means from taking part in the trading, shall be taxed under the aforementioned relevant provisions of the Tax Code.