Guidelines and Instructions for BIR Form No. 1707 [January 2018 (ENCS)]
Capital Gains Tax Return
(For Onerous Transfer of Shares of Stock Not Traded Through the Local Stock Exchange)

Who shall file

This return shall be filed in triplicate by every natural or juridical person, resident or non-resident, for sale, barter, exchange or other onerous disposition of shares of stock in a domestic corporation, classified as capital assets, not traded through the local stock exchange.

The Buyer/Transferee shall withhold from the seller and shall deduct from the agreed selling price and/or consideration the tax due on net capital gains realized.

The term “Capital Asset” shall mean property held by the taxpayer (whether or not connected with his trade or business), but does not include stock in trade of the taxpayer or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or property held primarily for sale to customers in the ordinary course of trade or business, or property used in the trade or business of a character which is subject to the allowance for depreciation, or real property used in trade or business.

When and Where to File and Pay

The return shall be filed and paid within thirty (30) days after each sale, barter, exchange or other disposition of shares of stock not traded through the local stock exchange with any Authorized Agent Bank (AAB) under the jurisdiction of the Revenue District Office (RDO) where the seller/transferor is required to register.

In case of installment sale where the taxpayer is legally allowed to pay the tax by installment under certain conditions and requirements, the return shall be filed and paid within thirty (30) days after the receipt of their first down payment and within thirty (30) days after receipt of each subsequent installment payment with any Authorized Agent Bank (AAB) under the jurisdiction of the Revenue District Office (RDO) where the seller/transferor is required to register.

When the return is filed with an AAB, taxpayer must accomplish and submit BIR-prescribed deposit slip, which the bank teller shall machine validate as evidence that payment was received by the AAB. The AAB receiving the tax return shall stamp mark the word “Received” on the return and also machine validate the return as proof of filing the return and payment of the tax by the taxpayer, respectively. The machine validation shall reflect the date of payment, amount paid and transactions code, the name of the bank, branch code, teller’s code and teller’s initial. Bank debit memo number and date should be indicated in the return for taxpayers paying under the bank debit system.

Payments may also be made thru the eayment channels of AABs thru either their online facility, credit/debit/prepaid cards, and mobile payments.

Rate and Basis of Tax

A final tax at the rates prescribed below shall be computed based on the net capital gains realized from the sale, barter, exchange or other disposition of shares of stocks in a domestic corporation, classified as capital assets, not traded through the local stock exchange:

A. For Individual
   15 %
B. For Corporation
   B.1 Domestic
      15 %
   B.2 Foreign
      B.2.1 Not Over P100,000
         5.0 %
      B.2.2 On any amount excess of P100,000
         10 %

Penalties

There shall be imposed and collected as part of the tax:

1. A surcharge of twenty-five percent (25%) in the following violations:
   a. Failure to file any return and pay the amount of tax or installment due on or before the due date;
   b. Filing a return with a person or office other than those with whom it is required to be filed, unless otherwise authorized by the Commissioner;
   c. Failure to pay the full or part of the amount of tax shown on the return, or the full amount of tax due for which no return is required to be filed on or before the due date;
   d. Failure to pay the deficiency tax within the time prescribed for its payment in the notice of assessment.

2. A surcharge of fifty percent (50%) of the tax or of the deficiency tax, in case any payment has been made on the basis of such return before the discovery of the falsity or fraud, for each of the following violations:
   a. Willful neglect to file the return within the period prescribed by the Code or by rules and regulations;
   b. In case a false or fraudulent return is willfully made.

3. Interest at the rate of double the legal interest rate for loans or forbearance of any money in the absence of an express stipulation as set by the Bangko Sentral ng Pilipinas from the date prescribed for payment until the amount is fully paid.

4. Compromise penalty as provided under applicable rules and regulations.

For purposes of securing the electronic Certificate Authorizing Registration, the following requirements shall be submitted by the taxpayer to the concerned Revenue District Office:

Mandatory:

1. Taxpayer Identification Number (TIN) of Seller/s and Buyer/s
2. Notarized Original Deed of Absolute Sale/Document of Transfer
3. Stock certificate
4. Proof of acquisition cost [i.e. Deed of Sale; Fair Market value (FMV) at the time of acquisition]
5. Validated return and Original Official Receipt/Deposit Slip as proof of payment; for no payment return, copy of Acknowledgement Receipt of return filed thru eBIRForms
6. Notarized Original Special Power of Attorney (SPA) for the transacting party if the person signing is not one of the parties to the Deed of Transfer
7. Secretary’s Certificate or Board Resolution, approving the sale/transfer of the shares of stocks and indicating the name and position of the authorized signatory to the Deed of Sale/Assignment, if the seller/transferor is a corporation

Additional Requirements, if applicable:

- For claiming expenses of sale - Proof of claimed deductions such as official receipt and/or invoices
- For shares of stocks not listed/not traded - Latest Audited Financial Statement of the issuing corporation with computation of the book value per share
- For shares of stocks listed/traded - Price index from the PSE/latest FMV published in the newspaper at the time of transaction
- For club shares - Price published in newspapers on the transaction date or nearest to the transaction date
- Notarized Original SPA, if the person transacting/processing the transfer is not a party to the transaction
- Certificate of Exemption/BIR Ruling issued by the Commissioner of Internal Revenue or his authorized representative, if tax exempt
- Such other documents as may be required by law/rulings/regulations/etc.

Note: All background information must be properly filled up.

- The last 5 digits of the 14-digit TIN refers to the branch code
- All returns filed by an accredited tax agent on behalf of a taxpayer shall bear the following information:
  A. For Individual (CPAs, members of GPPs, and others)
     a.1 TIN; and
    a.2 BIR Accreditation Number, Date of Issue, and Date of Expiry
  B. For members of the Philippine Bar (Lawyers)
    b.1 TIN;  b.2 Attorney’s Roll Number;
    b.3 Mandatory Continuing Legal Education Compliance Number; and
    b.4 BIR Accreditation Number, Date of Issue, and Date of Expiry.

- Onerous Transfer means transfer for value.

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