

## CLIENT ADVISORY BULLETIN NO. 2020-002E

1 September 2020

Gentlemen/Mesdames,

Please be informed that the Bureau of Internal Revenue (BIR) has issued **Revenue Regulations No. 20-2020**<sup>1</sup>, on 17 August 2020, amending Revenue Regulations (RR) No. 06-2008<sup>2</sup>, specifically on the Adjusted Net Asset (ANA) Method for determining the fair market value of the shares of stock not traded through a local stock exchange.

Previously, under RR No. 06-2008, as amended by RR No. 06-2013<sup>3</sup>, the ANA Method for determining the fair market value of the shares of stock not traded through a local stock exchange, shall either be of the following:

- (1) The fair market value as determined by the Commissioner, or
- (2) The fair market value as shown in the schedule of valued fixed by the Provincial and City Assessors, or
- (3) The fair market value as determined by Independent Appraiser.

With the issuance of RR No. 20-2020, the requirement of having an independent appraisal of the fair market value of real properties owned by the corporation at the time of sale, is no longer necessary. Thus, in determining the fair market value of said shares, the following rules will be considered:

- (1) For **common shares of stock**, 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, shall be considered as the *prima facie* fair market value.

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<sup>1</sup>[https://www.bir.gov.ph/images/bir\\_files/internal\\_communications\\_1/Full%20Text%20RR%202020/RR%20No.%2020-2020\\_copy.pdf](https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202020/RR%20No.%2020-2020_copy.pdf)

<sup>2</sup>[https://www.bir.gov.ph/images/bir\\_files/old\\_files/pdf/39882rr%20no.%206-2008.pdf](https://www.bir.gov.ph/images/bir_files/old_files/pdf/39882rr%20no.%206-2008.pdf)

<sup>3</sup>[https://www.bir.gov.ph/images/bir\\_files/old\\_files/pdf/70201RR%206-2013.pdf](https://www.bir.gov.ph/images/bir_files/old_files/pdf/70201RR%206-2013.pdf)

(2) For *preferred shares of stock*, 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, shall be considered as fair market value.

(3) 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.

In keeping with our commitment of providing our clients and the public with the best possible service we can, we will continue to provide you with relevant updates on issuances made by the various government agencies during the period of GCQ.

Keep safe.

Thank you very much.

  
DAMIAN M. PLACIDO, JR.  
Managing Partner

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