



102072018002186

**SECURITIES AND EXCHANGE COMMISSION**

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Company Information

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Company Type Stock Corporation

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COVER SHEET

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SEC Registration
Number

MARCVENTURES HOLDINGS, INC.
(FORMERLY AJO NET HOLDINGS, INC

(Company's Full Name)

4TH FLR. CITI CENTER 8741
PASEO DE ROXAS, MAKATI
CITY

(Business Address: No., Street City / Town / Province)

Diane Madelyn C. Ching

Contact Person

831-4479

Company Telephone Number

1 2 3 1

Month Day
Fiscal Year
Meeting

FORM TYPE

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Month Day
Annual

SEC FORM 17-C
(MERGER)
-AMENDED

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)
Feb 6, 2018
2. SEC Identification Number
12942
3. BIR Tax Identification No.
000-104-320-000
4. Exact name of issuer as specified in its charter
Marcventures Holdings Inc.
5. Province, country or other jurisdiction of incorporation
Manila, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
4th Floor Citibank Center, Paseo de Roxas, Makati City
Postal Code
1227
8. Issuer's telephone number, including area code
(+632)831-4479 or (+632)831-4483
9. Former name or former address, if changed since last report
n/a
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	1,844,088,599
11. Indicate the item numbers reported herein
-

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

Marcventures Holdings, Inc.

MARC

PSE Disclosure Form 4-23 - Mergers and Consolidations
References: SRC Rule 17 (SEC Form 17-C) and
Section 4.4 and/or Section 5 of the Revised Disclosure Rules

Subject of the Disclosure

Merger of Marcventures Holdings Inc., Asia Pilot Mining Phils. Corp. and BrightGreen Resources Holdings Inc. with Marcventures Holdings Inc. as the surviving entity

Background/Description of the Disclosure

Merger of Marcventures Holdings Inc., Asia Pilot Mining Phils. Corp. and BrightGreen Resources Holdings Inc. with Marcventures Holdings Inc. as the surviving entity

Date of Approval by Board of Directors	Sep 8, 2017
Date of Approval by Stockholders	Oct 23, 2017
Other Relevant Regulatory Agency, if applicable	BIR
Date of Approval by Relevant Regulatory Agency	Jan 29, 2018
Date of Approval by Securities and Exchange Commission	Dec 29, 2017

Rationale for the transaction including the benefits which are expected to be accrued to the Issuer as a result of the transaction

APMPC is the owner of Alumina Mining Philippines Inc. (AMPI) and Bauxite Resources Inc. (BARI). AMPI holds MPSA 179-2002 VIII (SBMR) with an area of 6,694 Hectares located in Motiong, San Jose De Buan and Wright, Province of Samar issued on December 5, 2002. On the other hand, BARI holds MPSA 180-2002 VIII (SBMR) with an area of 5,435 Hectares located in Gandara, San Jose de Buan and Wright, Province of Samar issued on December 5, 2002. The merger with APMPC will allow MHI to gain control of AMPI and BARI, whose mineral resource is Bauxite Ore-- the main raw material of aluminium. The merger will allow MHI to grow its business, diversify its products and expand its source of income. Bauxite has been observed to be more stable in prices as compared to other commodities even during the slump of metal prices.

BHI is the owner of BrightGreen Resources Corp. ("BRC") which holds MPSA 015-93-XIII approved on 01 July 1993, covering approximately 4,860 hectares of Carrascal and Cantilan, Surigao del Sur. The mining tenement is contiguous to the mining tenement of MHI's wholly-owned subsidiary, Marcventures Mining and Development Corp. (MMDC). MHI's objective in merging with BHI is to gain control of BRC in order to increase the nickel reserves of MHI's owned nickel mines pursuant to a possible venture into Nickel Processing.

Description of the transaction including the timetable for implementation and related regulatory requirements, if any

Merger of Marcventures Holdings Inc. (MHI), Asia Pilot Mining Phils. Corp. (APMPC) and BrightGreen Resources Holdings Inc. (BHI) with Marcventures Holdings Inc. as the surviving entity.

The timetable for implementation of the merger cannot be fixed as the same is subject to shareholders' and regulatory approvals.

Identities of the parties to the transaction

Name	Nature of Business	Nature of any material relationship with the Issuer, their directors/officers or any of their affiliates
Marcventures Holdings Inc.	Holding Company	Issuer
BrightGreen Resources Holdings Inc.	Holding Company	MARC and BHI have certain common shareholders, officers or directors. Mr. Isidro C. Alcantara, Jr. holds interest in both MARC and BHI through Caulfield Heights Inc., where he, his wife and sons are directors and shareholders. He is the President of MARC, Vice Chairman of MMDC, Chairman of BHI and BRC. Mr. Anthony M. Te, the son of MHI director Macario U. Te is a shareholder and director of MMDC, BHI and BRC. Rolando Santos and Atty. Diane Madelyn Ching are both officers of MARC and BHI
Asia Pilot Mining Philippines Corp.	Mining Company	none

Terms and conditions of the transaction

Plan of merger

As consideration for the merger, MARC will issue a total of 1,125,000,000 new shares or 675,000,000 new shares in favor of Asia Pilot shareholders and 450,000,000 new shares in favor of BHI shareholders at an issue price of Php 1.00 per share. Asia Pilot shareholders will receive 675 new MARC shares in exchange for 1 Asia Pilot share and BHI shareholders will receive 18 new MARC shares in exchange for 1 BHI share.

Ratio of exchange of shares

As consideration for the merger, MARC will issue a total of 1,125,000,000 new shares or 675,000,000 new shares in favor of Asia Pilot shareholders and 450,000,000 new shares in favor of BHI shareholders at an issue price of Php 1.00 per share. Asia Pilot shareholders will receive 675 new MARC shares in exchange for 1 Asia Pilot share and BHI shareholders will receive 18 new MARC shares in exchange for 1 BHI share.

Basis upon which the exchange ratio was determined

Audited Financial Statements of APMPC and BHI as of June 30, 2017.

Number of shares subject of the merger

As consideration for the merger, the Company shall issue 675,000,000 shares in favor of APMPC shareholders and 450,000,000 shares in favor of BHI shareholders or a total of 1,125,000,000 shares at a par value of PhP 1.00 per share.

Timetable

The timetable for implementation of the merger cannot be fixed as the same is subject to shareholders' and regulatory approval. The Parties, however, are expecting to complete the transaction by the end of the year.

Conditions precedent to closing of the transaction, if any

Approval of the shareholders of MARC, APMPC and BHI, approval of the SEC of the Merger and increase in capital stock, issuance of BIR ruling

Procedures for exchange

Upon SEC approval of the increase in capital stock and merger of the three entities as well as BIR's issuance of a ruling, MARC shall issue 675,000,000 shares in favor of APMPC shareholders and 450,000,000 shares in favor of BHI shareholders or a total of 1,125,000,000 shares at a par value of PhP 1.00 per share.

Description of the company subject of the transaction

Nature and business

Mining Company

Discussion of major projects and investments

APMPC is the owner of Alumina Mining Philippines Inc. (AMPI) and Bauxite Resources Inc. (BARI). AMPI holds MPSA 179-2002 VIII (SBMR) with an area of 6,694 Hectares located in Motiong, San Jose De Buan and Wright, Province of Samar issued on December 5, 2002. On the other hand, BARI holds MPSA 180-2002 VIII (SBMR) with an area of 5,435 Hectares located in Gandara, San Jose de Buan and Wright, Province of Samar issued on December 5, 2002.

BHI is the owner of BrightGreen Resources Corp. ("BRC") which holds MPSA 015-93-XIII approved on 01 July 1993, covering approximately 4,860 hectares of Carrascal and Cantilan, Surigao del Sur. The mining tenement of BRC is contiguous to the mining tenement of MHI's wholly-owned subsidiary, Marcventures Mining and Development Corp. (MMDC).

List of subsidiaries and affiliates, with percentage holdings

Name	% Ownership
Alumina Mining Philippines Inc. (subsidiary of APMPC)	100
Bauxite Resources Inc. (subsidiary of APMPC)	100
BrightGreen Resources Corp. (subsidiary of BHI)	100
Marcventures Mining and Development Corp. (subsidiary of MHI)	100

Capital structure

Authorized capital stock

Type of Security /Stock Symbol	Amount	Number of Shares
Common/ APMPC	100000000	1,000,000
Common/BHI	25000000	25,000,000
Common/MARC	2000000000	2,000,000,000

Subscribed Shares

Type of Security /Stock Symbol	Amount	Number of Shares
Common/APMPC	100000000	1,000,000
Common/BHI	25000000	25,000,000

Common/MARC	1844088599	1,844,088,599
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Paid-Up Capital

Amount	100000000
Number of Shares	1,000,000

Issued Shares

Type of Security /Stock Symbol	Amount	Number of Shares
Common/APMPC	100000000	1,000,000
Common/BHI	25000000	25,000,000
Common/MARC	1844088599	1,844,088,599

Outstanding Shares

Type of Security /Stock Symbol	Amount	Number of Shares
Common/APMPC	100000000	1,000,000
Common/BHI	25000000	25,000,000
Common/MARC	1844088599	1,844,088,599

Par Value

Type of Security /Stock Symbol	Amount
Common/ APMPC	100.00
Common/BHI	1.00
Common/MARC	1.00

Ownership Structure (including percentage holdings)

Name	Number of Shares	% Ownership
Please see attach	0	0

Board of Directors

Name	(Regular or Independent)
Please see attach	please see attach

Principal Officers

Name	Position/Designation
please see attach	please see attach

Effect(s)/impact on the business, financial condition and operations of the Issuer

The merger with APMPC will allow MHI to gain control of AMPI and BARI, whose mineral resource is Bauxite Ore-- the main raw material of aluminium. The merger will allow MHI to grow its business, diversify its products and expand its source of income. Bauxite has been observed to be more stable in prices as compared to other commodities even during the slump of metal prices.

BHI is the owner of BrightGreen Resources Corp. ("BRC") which holds MPSA 015-93-XIII approved on 01 July 1993, covering approximately 4,860 hectares of Carrascal and Cantilan, Surigao del Sur. The mining tenement is contiguous to the mining tenement of MHI's wholly-owned subsidiary, Marcventures Mining and Development Corp. (MMDC). MHI's objective in merging with BHI is to gain control of BRC in order to increase the nickel reserves of MHI's owned nickel mines pursuant to a possible venture into Nickel Processing.

Other Relevant Information

Amended the disclosure to reflect the date of BIR approval by BIR Ruling which we received today.

2/6/2018

[Amend-6] Mergers and Consolidations

Filed on behalf by:

Name

Amll
Diane Madelyn Ching

Designation

Asst. Corporate Secretary/Compliance Officer



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

Sec. 40(C)(2), NIRC
BIR Ruling Nos. 214-12, 100-2017

#075-2018
1-29-2018

**CASTILLO LAMAN TAN PANTALEON
& SAN JOSE LAW FIRM**

The Valero Tower, 122 Valero St., Salcedo Village
1227 Makati City

Attention: **Ma. Guillermina G. Totanes**

Mabel L. Buted

Gentlemen:

This refers to your letter dated December 11, 2017 requesting, on behalf of your client, **Marcventures Holdings, Inc. ("MHI")** for confirmation of your opinion that the statutory merger of MHI, as the surviving corporation, with **Asia Pilot Mining Phils. Corp. ("APMPC")** and **Brightgreen Resources Holdings, Inc. ("BHI")**, as the absorbed corporations, is a tax-free transfer/exchange pursuant to Section 40(C)(2) in relation to Section 40(C)(6)(b) of the National Internal Revenue Code of 1997, as amended (the "Tax Code").

MHI is a publicly-listed holding corporation organized and existing under Philippine laws, with business address at 4th Floor, Citibank Center, 8741 Paseo de Roxas Avenue, Makati City, and registered with this Bureau with Tax Identification Number (TIN) 000-104-320-000. It is engaged in dealing with properties of every kind and description to the extent permitted by law without engaging in the business of an investment company or acting as a securities broker or dealer. It wholly owns Marcventures Mining and Development Corporation, a corporation organized and existing under Philippine laws, which is primarily engaged in the business of extracting, mining, smelting, refining and converting mineral ores.

On the other hand, APMPC is a corporation organized and existing under Philippine laws, with principal office at Ground Floor, 31 Bingo Street, Sta. Mesa Heights, Quezon City, and registered with the BIR with TIN 008-383-802. It is engaged in the business of operating coal mines and prospecting, exploring, mining, milling, concentrating, converting, smelting, treating, refining, preparing for market, manufacturing, buying, selling, exchanging, and otherwise producing and dealing in all kinds of ore, metal and minerals, hydrocarbons, acids and chemicals, and in the products and by-products of every kind and description and by whatever process, the same can be or may thereafter be produced.

BHI is a financial holding corporation organized and existing under Philippine laws, with principal office at the 4th Floor, Citibank Center, 8741 Paseo de Roxas Avenue, Makati City, and registered with the BIR with TIN 009-522-577-000.

APMPC, BHI and MHI (hereinafter collectively referred to as the "Parties") believe that the combination of the resources, capabilities, clientele, and operations of MHI, APMPC and BHI via a statutory merger will bring about a bigger, stronger, and more competitive mining entity, thereby contributing to the further growth and strength of the merged entity in particular and the mining industry and the national economy in general, which will pave the way towards giving MHI, the surviving corporation, the ability to compete on a global scale. For these reasons, the Parties agreed to merge, with MHI as the surviving corporation, as a consequence of which, properties of APMPC and BHI will be exchanged with the shares of stock of MHI, by way of original issue, and without any intention to donate.

The Plan of Merger and Articles of Merger were approved by a majority of the Board of Directors of MHI on December 15, 2016 and by a majority of the Board of Directors of APMPC and BHI on September 8, 2017. After their Board of Directors approved the merger, the relevant resolutions were authorized, approved, ratified, and confirmed by at least two-thirds (2/3) of the outstanding capital stock of MHI on October 23, 2017 and by at least (2/3) of the outstanding capital stock of APMPC and BHI on September 8, 2017. Thereafter, on October 24, 2017, the Parties entered into a Merger Agreement.

Pursuant to the Plan of Merger, APMPC and BHI shall transfer all their assets and liabilities to MHI as a consequence of the merger, for which MHI, by way of original issue, shall issue a total of **675,000,000** common shares to the stockholders of APMPC, with a par value of ₱1.00 per share, and **450,000,000** common shares to the stockholders of BHI, also with a par value of ₱1.00 per share.

The authorized capital stock, issued and outstanding capital stock of APMPC, BHI and MHI as set forth in their respective General Information Sheets are as follows:

APMPC (Prior to the Effective Date of Merger)

Type of Share	Authorized	Issued and outstanding	Par value	No. of shares	Amount
Common	1,000,000 shares	1,000,000 shares	PHP 100.00	1,000,000	PHP 100,000,000

BHI (Prior to the Effective Date of Merger)

Type of Share	Authorized	Issued and outstanding	Par value	No. of shares	Amount
Common	100,000,000 shares	25,000,000 shares	PHP 1.00	25,000,000	PHP 25,000,000.00

MHI (Prior to the Effective Date of Merger)

Type of Share	Authorized	Issued and outstanding	Par value	No. of shares	Amount
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Common	2,000,000,000 shares	1,844,088,599 shares	PHP 1.00	1,844,088,599	PHP 1,844,088,599.00
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Beginning the Effective Date of Merger, the authorized capital stock and issued and outstanding capital stock of MHI shall be as follows:

MHI (Beginning the Effective Date of Merger)

Type of Share	Authorized	Issued and outstanding	Par value	No. of shares	Amount
Common	4,000,000,000 shares	2,969,088,599 shares	PHP 1.00	2,969,088,599	PHP 2,969,088,599.00

Per representations and documents submitted, the assets and liabilities of BHI and APMPC are as follows:

1. BHI

Nature of Properties	Amount	Liabilities	Amount
Assets			
Current (Cash)	PhP 73,806.00	Current Liabilities	PhP 493,231.00
Non-Current (Investment)	458,386,720.00	Equity	457,967,295.00
Total	PhP458,460,526.00		PhP458,460,526.00

2. APMPC

Nature of Properties	Amount	Liabilities	Amount
Assets			
Current (Cash)	PhP 39,520.00	Current Liabilities	PhP 50,000.00
Non-Current (Investment & Advances)	677,404,513.00	Equity	677,394,033.00
Total	PhP677,444,033.00		PhP677,444,033.00

Based on the foregoing representations, you now request for a ruling that:

- A. The statutory merger among MHI, APMPC and BHI, whereby all the assets and liabilities of BHI and APMPC will be transferred in exchange for shares in MHI is a merger within the contemplation of Section 40 (C)(2)(a) and (b) in relation to Section 40(C)(6)(b) of the Tax Code, as amended. As such, the transaction qualifies as a tax-free exchange and no gain or loss should be recognized by the parties;

- B. The substituted bases of the shares of stock of MHI received by both APMPC and BHI shall be determined in accordance with Section 40(C)(5)(a) of the 1997 Tax Code, as amended;
- C. The substituted bases of the properties received by MHI from both APMPC and BHI shall be determined in accordance with Section 40(C)(5)(b) of the 1997 Tax Code, as amended;
- D. The transfer of properties by BHI and APMPC to MHI (a) shall not be subject to output value-added tax (VAT) and (b) any unutilized input VAT of APMPC and BHI shall be transferred to and absorbed by MHI in accordance with Section 4.106-8(b)(3) of Revenue Regulations (RR) No. 16-2005;
- E. The transfer by APMPC and BHI of their properties to MHI as well as the surrender of the shares of their stockholders in exchange for the common shares of MHI are not subject to donor's tax in the absence of donative intent;
- F. The surrender of the shares of stock by the stockholders of APMPC and BHI shall not be subject to DST. However, the original issuance of MHI shares to the stockholders of APMPC and BHI as a consequence of the merger shall be subject to DST in accordance with Section 174 of the Tax Code;
- G. The excess and unutilized creditable withholding taxes (CWT) of APMPC and BHI shall be transferred to MHI which may be applied as a tax credit by MHI against its income tax due for the succeeding taxable years or may be the subject of a claim for refund or issuance of a tax credit certificate (TCC);
- H. Pursuant to Section 27(E)(2) of the Tax Code, MHI may carry forward and credit any excess and unexpired minimum corporate income tax (MCIT) credits against its normal income taxes due for the three (3) immediately succeeding taxable years; and
- I. Any excess and unexpired net operating loss carry-over (NOLCO) of APMPC and BHI shall not form part of their assets to be transferred to MHI pursuant to the merger.

In reply thereto, please be informed as follows:

A, B & C. The foregoing merger of APMPC, BHI and MHI is a merger within the contemplation of Section 40(C)(2)(a) in relation to Section 40(C)(6)(b) of the Tax Code because MHI shall acquire/assume all the assets and liabilities of APMPC and BHI and the same is advisable, expedient and in the best interest of the merging corporations and their respective stockholders since the purpose of the merger is to combine the resources, capabilities, clientele, and operations of MHI, APMPC and BHI to bring about a bigger, stronger, and more competitive mining entity able to compete on a global scale. Hence, the merger of MHI, APMPC and BHI is being undertaken for a *bona fide* business purpose and not for the purpose of escaping the burden of taxation.

The merger of APMPC, BHI and MHI qualifies for non-recognition of gain or loss for income tax purposes in accordance with Section 40(C)(2) of the Tax Code, where no gain or loss shall be recognized by APMPC and BHI, as the transferors of all assets and liabilities, to MHI pursuant to the Plan of Merger.

Accordingly, no gain or loss shall be recognized by MHI, as the transferee, on its receipt of the asset and liabilities of APMPC and BHI pursuant to and as a consequence of the merger.

The basis of shares of stocks received by APMPC and BHI Shareholders upon the exchange shall be the same as the basis of the properties, stocks, or securities exchanged, decreased by (1) the money received and (2) the fair market value of the property/ies received, and increased by (a) the amount treated as dividend of the shareholders and (b) the amount of any gain that was recognized in the exchange. (Section 40(C)(5)(a) of the Tax Code of 1997, as amended)

The basis of the property transferred in the hands of the transferee (MHI) shall be the same as it would be in the hands of the transferors (APMPC and BHI) increased by the amount of the gain, if any, recognized to the transferors on the transfer. (Section 40(C)(5)(b), *supra*)

Finally, if the amount of the liabilities assumed plus the amount of the liabilities to which the property is subject exceed the total of the adjusted basis of the property transferred pursuant to such exchange, then such excess shall be considered as a gain from the sale or exchange of a capital asset or of property which is not a capital asset, as the case may be. (Section 40(C)(4)(b), *supra*)

The substituted bases of the properties transferred by APMPC and BHI to MHI should strictly comply with the rule that cash and other cash items will be excluded from the computation of the adjusted bases of the properties transferred for purposes of determining whether liabilities assumed and to which the property is subject do not exceed the adjusted basis of the property transferred, pursuant to No. IV(A) (2) of Revenue Memorandum Ruling (RMR) No. 2-2002 dated June 10, 2002.

Moreover, the transferors shall observe the provisions of Revenue Regulations No. 06-13 in the determination of the fair market value of the properties/assets transferred.

D. No VAT shall be due on the transfer made pursuant to the Plan of Merger following Section 4.106-8(b)(3) of RR No. 16-2005, as amended.

E. Well-settled in our jurisprudence is the fact that the essential elements of a valid donation are: (1) the reduction of the patrimony of the donor, (2) the increase in the patrimony of the donee, and (3) the intent to do an act of liberality (*animus donandi*).

Clearly, there is no intention on the part of any of the transferors, APMPC and BHI to donate to MHI its assets since the transaction is purely for legitimate business purposes.

Thus, the aforesaid merger will not be subject to donor's tax since there is no intention to donate, and the transaction is a *bona fide* merger effected solely for business reasons.

F. No DST is due on the transfer made pursuant to the Plan of Merger under Section 199(m) of the Tax Code, as amended by Republic Act No. 9243, in relation to Section 40(C)(2) of the Tax Code, as amended.

However, DST shall be imposed on the original issuance of shares by MHI to the stockholders of APMPC and BHI as a consequence of the merger as provided under Section 174 of the Tax Code, as amended.

G. Following BIR Ruling No. 100-2017, dated March 02, 2017, the excess and unutilized creditable withholding taxes (CWT) of the absorbed corporations, APMPC and BHI as of the Effective Date of Merger, which form part of the assets to be transferred by the absorbed corporations to the surviving corporation as a consequence of the merger, may be applied as a tax credit by MHI against its income tax due for succeeding taxable years, or may be subject of a claim for refund or issuance of a TCC.

H. Any excess and unexpired MCIT of the absorbed corporations, as of the Effective Date of the Merger shall be carried forward and credited against the normal income tax of the surviving corporation, MHI, for the three (3) immediately succeeding taxable years pursuant to Section 27(E)(2) of the 1997 Tax Code. Since the excess and unexpired MCITs of the absorbed corporations are among its rights, privileges, property and/or interest, the excess and unexpired MCIT of the latter shall be transferred and vested in MHI on the Effective Date of the Merger. Thus, APMPC and BHI's excess and unexpired MCIT shall be carried forward and credited against the normal corporate income tax of MHI subject to the three-year-carry-forward period reckoned from the date of payment by the absorbed corporations of their MCITs.

I. The net loss carry-over (NOLCO) under Section 34(D)(3) of the Tax Code, as amended, and as implemented by Revenue Regulations No. 14-2001, of the absorbed corporations is not one of the assets of the latter that can be transferred and absorbed by the surviving corporation as this privilege or deduction can be availed of merely by the absorbed corporations. Accordingly, the tax-free merger between APMPC, BHI and MHI does not cover any NOLCO of the former as part of the assets that can be transferred and absorbed by the latter corporation.

However, in order that the above-described reorganization can be considered as merger under Section 40 (C)(2) and (6)(b) of the Tax Code of 1997, the parties to the merger should comply with the following requirements set forth under Revenue Regulations No. 18-2001:

- A. The plan of reorganization should be adopted by each of the corporations, parties thereto, the adoption being shown by the acts of its duly constituted responsible officers and appearing upon the official records of the corporation. Each corporation, which is a party to the reorganization, shall file, as part of its return for the taxable year within which the

reorganization occurred a complete statement of all facts pertinent to the non-recognition of gain or loss in connection with the reorganization, including:

- (1) A copy of the plan of reorganization, together with a statement executed under the penalties of perjury, showing in full the purposes thereof and in detail all transactions incident thereto, or pursuant to the plan;
 - (2) A complete statement of all cost or other basis of all property, including all stocks or securities, transferred incident to the plan;
 - (3) A statement of the amount of stock or securities and other property or money received from the exchange, including a statement of all distribution of other disposition made thereof. The amount of each kind of stock or securities and other property received shall be stated on the basis of the fair market value thereof at the date of the exchange;
 - (4) A statement of the amount and nature of any liabilities assumed upon the exchange, and the amount and nature of any liabilities to which any of the property acquired in the exchange is subject.
- B. Every taxpayer, other than a corporation, party to the reorganization, who received stock or securities and other property or money upon a tax-free exchange in connection with a corporate reorganization shall incorporate in his income tax return for the taxable year in which the exchange takes place a complete statement of all facts pertinent to the non-recognition of gain or loss upon such exchange, including:
- (1) A statement of the cost or other basis of the stock or securities transferred in the exchange; and
 - (2) A statement in full of the amount of stock or securities and other property or money received from the exchange, including any liabilities assumed upon the exchange, and any liabilities to which property received is subject. The amount of each kind of stock or securities and other property (other liabilities assumed upon the exchange) received shall be set forth upon the basis of the fair market value thereof at the date of the exchange.
- C. Records in substantial form shall be kept by every taxpayer who participates in a tax-free exchange in connection with a corporate reorganization showing the cost or other basis of the transferred property or money received (including any liabilities assumed on the exchange, or any liabilities to which any of the properties received were subject), in order to facilitate the determination of gain or loss from subsequent disposition of such stock or securities and other property received from the exchange.

In addition to the foregoing requirements, the parties shall enclose with their respective income tax returns for the taxable year in which the tax-free exchange occurred a copy of the request for ruling filed with, and the corresponding ruling issued by the Bureau of Internal


075-2018
1-29-2018

Revenue, both duly stamped received by the appropriate office of the Bureau of Internal Revenue. Such persons shall include as a note to their respective audited financial statements for the taxable year in which the exchange occurred a statement to the effect that they hold such assets/shares acquired in a tax-free exchange and the year in which such exchange occurred, and in the taxable years until the subject properties are subsequently transferred to another transferee.

The parties shall cause to annotate, at the back of the Transfer Certificates of Title and Certificates of Stock, the date the deed of exchange was executed, the original or historical cost of acquisition of the properties or shares of stock involved, and the fact that no gain or loss was recognized as a result of such exchange; provided, however, that any violation by the Corporate Secretary of this condition shall be penalized under Section 275 of the same Code. It is further required that within ninety (90) days from receipt of this ruling, the parties to the transaction must submit to the Law and Legislative Division, Bureau of Internal Revenue, certified true copies by the Corporate Secretary, of duly annotated Certificates of Stock, in respect to the shares of stock of the transferee corporation, including the revised allocation of shares and re-computation of the substituted bases of the properties which shall be in accordance with RMR No. 2-2002.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be disclosed that the facts are different, then this ruling shall be considered null and void.

Very truly yours,


CAESAR R. DULAY
Commissioner of Internal Revenue
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