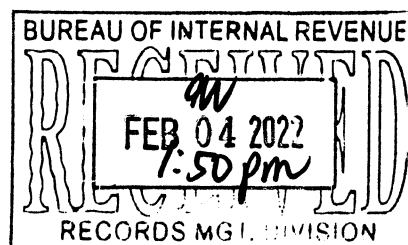


MANDATORY ACCOUNTING ENTRIES IN THE BOOKS OF THE TRANSFEROR/S AND TRANSFEREE IN TRANSFERS OF REAL PROPERTIES IN EXCHANGE FOR SHARES

| Particulars | Transferor's Book (The entry/ies shall be per individual transferor, as may be applicable) | Transferee's Book | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--|----------|-------------|--------|--|------------|--|--------|----|--|--|--------|--|----------|----------|-------------|--------|----|--|--|--------|----|-----|----|--------|
| Journal Entry to Record the Tax Free Exchange | <p>Investment in (transferee's name) xxx.xx PPE-Land & Improvement xxx.xx Gain on Property for Share Swap xxx.xx</p> <p>To record the tax-free exchange of real property/ies of (name of transferor/s) with aggregate fair market value of P_____ in exchange for (type and no. of share) of (name of transferee) with par value of P_____ per share.</p> | <p>PPE-Land & Improvement xxx.xx Capital Stock xxx.xx Additional Paid-In Capital xxx.xx</p> <p>To record the tax-free exchange of real property/ies of (name of transferor/s) with aggregate fair market value of P_____ in exchange for (type and no. of share) of (name of transferee) with par value of P_____ per share.</p> | | | | | | | | | | | | | | | | | | | | | | | | |
| Balance Sheet Notes Entry | <p>Investment includes (type and no. of share) with par value of P_____ in (name of transferee) resulting from the tax-free exchange of real property/ies covered by (TCT No/s.) which were acquired for the total cost of (substituted basis) and which have fair market value as of the date of exchange amounting to P_____.</p> | <p>Real property/ies was/were acquired through Deed of Exchange dated _____. The total acquisition cost/substituted cost to (name of transferee) of the real property/ies amounts to (Fair Market Value [FMV] at the time of exchange). The real properties were previously covered by TCT No/s. _____.</p> | | | | | | | | | | | | | | | | | | | | | | | | |
| Proforma Entries to Record Subsequent Sale/Transfer | <p>Cash or Accounts Receivables xxx.xx Investment in (Transferee) xxx.xx Gain on Sale of Investment xxx.xx</p> <p>To record subsequent sale / transfer of investment acquired thru tax-free exchange</p> <p>Current xxx.xx Tax Payable xxx.xx</p> <p>Provision for Tax as follows:</p> | <p>Cash or Accounts Receivables xxx.xx PPE-Land & Improvement xxx.xx Gain on Sale of Property/ies* xxx.xx</p> <p>To record subsequent sale/transfer of property/ies acquired thru tax-free exchange</p> <p>Current xxx.xx Tax Payable xxx.xx</p> <p>Provision for Tax as follows:</p> | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Tax Type</th> <th>Tax Rate</th> <th>Multiply by</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td></td> <td>CGT, or 6%</td> <td>FMV* of the property/-ies at the time of tax-free exchange</td> <td>xxx.xx</td> </tr> <tr> <td>1)</td> <td>Withholding TAX - ONETT 1.5% to 6% per RR No. 6-01</td> <td></td> <td>xxx.xx</td> </tr> </tbody> </table> | Tax Type | Tax Rate | Multiply by | Amount | | CGT, or 6% | FMV* of the property/-ies at the time of tax-free exchange | xxx.xx | 1) | Withholding TAX - ONETT 1.5% to 6% per RR No. 6-01 | | xxx.xx | <table border="1"> <thead> <tr> <th>Tax Type</th> <th>Tax Rate</th> <th>Multiply by</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>1)</td> <td>Withholding Tax - ONETT 1.5% to 6% per RR No. 6-01</td> <td>FMV** of the property/ies at the time of</td> <td>xxx.xx</td> </tr> <tr> <td>2)</td> <td>DST</td> <td>of</td> <td>xxx.xx</td> </tr> </tbody> </table> | Tax Type | Tax Rate | Multiply by | Amount | 1) | Withholding Tax - ONETT 1.5% to 6% per RR No. 6-01 | FMV** of the property/ies at the time of | xxx.xx | 2) | DST | of | xxx.xx |
| Tax Type | Tax Rate | Multiply by | Amount | | | | | | | | | | | | | | | | | | | | | | | |
| | CGT, or 6% | FMV* of the property/-ies at the time of tax-free exchange | xxx.xx | | | | | | | | | | | | | | | | | | | | | | | |
| 1) | Withholding TAX - ONETT 1.5% to 6% per RR No. 6-01 | | xxx.xx | | | | | | | | | | | | | | | | | | | | | | | |
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| 1) | Withholding Tax - ONETT 1.5% to 6% per RR No. 6-01 | FMV** of the property/ies at the time of | xxx.xx | | | | | | | | | | | | | | | | | | | | | | | |
| 2) | DST | of | xxx.xx | | | | | | | | | | | | | | | | | | | | | | | |



| | | | | |
|-------------------|---|---|---------------------------------------|--------|
| 2) | DST | 1.5% for every P1,000 and fractional part thereof | | xxx.xx |
| 3) | VAT, if applicable | 12% | | xxx.xx |
| 4) | CGT from sale of shares of stock not traded in the Stock Exchange | 15% | Gain realized on sale of investment** | xxx.xx |
| Total Tax Payable | | | | xxx.xx |

*FMV at the time of tax-free exchange refers to zonal value or the value reflected in the tax declaration, whichever is higher.

** Computation of Gain Realized on Subsequent Sale of Investment:

| | |
|---|--------|
| Selling Price | xxx.xx |
| Less: Cost (substituted basis)*** | xxx.xx |
| Net Capital Gain on sale of unlisted shares | xxx.xx |

***Per RMO No. 17-2016, the substituted basis of the stock or securities received by the transferor on a tax-free exchange shall be as follows: (1) The original basis of the property, stock or securities to be transferred; (2) Less: (a) money received, if any, and (b) the fair market value of the other property received, if any; (3) Plus: (a) the amount treated as dividend of the shareholder, if any, and (b) the amount of any gain that was recognized on the exchange, if any.

| | | | | |
|-------------------|-----|---|-----------------|--------|
| | | 1.5% for every P1,000 and fractional part thereof | subsequent sale | |
| 3) | VAT | 12% | | xxx.xx |
| Total Tax Payable | | | | xxx.xx |

*Gain on sale of property/ies is subject to Normal Corporate Income Tax (NCIT)

**FMV at the time of tax-free exchange refers to the selling price, zonal value or the value reflected in the tax declaration, whichever is highest.

