

2010 – 2015
TAXATION BAR EXAM QUESTIONS
ON
DOCUMENTARY STAMP TAX

In a civil case for Annulment of Contract of Sale, plaintiff Ma. Reklamo presented in evidence the Contract of Sale which she sought to be annulled. No documentary stamp tax on the Contract of Sale was paid because according to plaintiff Ma. Reklamo, there was no need to pay the same since

the sale was not registered with the Register of Deeds. Plaintiff Ma. Reklamo is now offering the Contract of Sale as her evidence. Is the Contract of Sale admissible? (2014 Bar Question)

SUGGESTED ANSWER:

No. The Contract of Sale cannot be admitted in evidence. The document is clearly taxable because the law imposes a documentary stamp tax (DST) on Sales and Agreements to Sell, and Memoranda of Sale (*Section 175, NIRC*). Since the DST thereon is not paid, the effect is that the instrument, document or paper which require by law to be stamped and which has been signed, issues, accepted and transferred without being duly stamped shall not be recorded, nor shall it be used in evidence in any court until the requisite stamp or stamps shall have been affixed thereto and cancelled (*Section 201, NIRC*). In the case at bar, no documentary stamp tax was paid on the Contract of Sale, hence, it cannot be used as her evidence in court.