

**[BIR REVENUE MEMORANDUM ORDER NO. 41-92,
November 18, 1992]**

**PRESCRIBING THE USE AND GUIDELINES FOR ACCOMPLISHING
BIR FORM NO. 1702 H - (INFORMATION RETURN ON
TRANSACTIONS WITH RELATED FOREIGN PERSONS)**

1. *Objective* - This order prescribes the use of BIR FORM 1702 H (refer to Annex A^{*}) containing information on transactions with related foreign person(s). This form shall be accomplished in triplicate and attached to the Corporation/Partnership Annual Income Tax Return (BIR Form No. 1702).

2. *Coverage* - BIR Form 1702 H must be accomplished by persons enumerated on the next paragraphed in reporting certain transactions with related foreign person(s).

Reporting persons are any of the following: (1) domestic corporations that "control" or are "controlled" by a related foreign person(s); (2) foreign corporations that are engaged in trade or business in the Philippines and are "controlled" by a related foreign person(s), or; (3) agents in the Philippines of related foreign person(s).

Related foreign person(s) are those which control or are controlled by the reporting person(s) and who are any of the following: (1) individual who is not a citizen or resident of the Philippines; (2) partnership, association, company or corporation that was not created or organized under the laws of the Philippines; (3) foreign trust or estate; (4) foreign government agency or its instrumentality, or; (5) Philippine branch of a corporation organized in a foreign country. The transactions that must be reported in the form are those listed in Annex B^{*}. Transactions during a taxable year adding up to one hundred thousand pesos (P100,000.00) or more for each category of reportable transactions, as enumerated in Annex B (see *below*), are to be indicated in BIR Form 1702H. Furthermore, only the totals of these transactions for all categories are to be indicated in just one form.

Control, as used in this order, is defined as a situation wherein a reporting person owns or is owned by a foreign to the extent of at least 20% of the value of the outstanding stock or capital as of the calendar/fiscal year.

3. *Illustrations* – The following examples illustrate the use and accomplishment of BIR Form No. 1702 H:

Example 1

Domestic Co. A has the following transaction with Related Foreign Person B for the year 19XX:

Royalties 1-23-XX P55,000.00

Paid:

3-27-XX	35,000.00

Total	P90,000.00
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In the example above, there will be no reportable transaction since the total of these transactions does not exceed P100,000.00.

Example 2

Domestic Co. C has the following transaction with Related Foreign Person D for the year 19XX:

Interests

Paid:

2-23-XX	P55,000.00
4-27-XX	30,000.00
6-16-XX	60,000.00

Total	P145,000.00
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In the example above, the reportable transaction to be indicated in BIR FORM 1702 H would be the total interests paid amounting to P145,000.00. The amount is to be indicated in line 24 of the form.

Example 3

Resident Foreign Corporation E has the following transaction with Related Foreign Person F for the year 19XX:

Sale of Stock: in Trade	2-23-XX	P 55,000.00
	4-27-XX	30,000.00
	6-16-XX	110,000.00

Total		P195,000.00
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In the example above, the reportable transaction to be indicated in BIR FORM 1702 H would be the sale of stock in trade adding up to P195,000.00. The total amount of P195,000.00 is to be indicated in line 1 of the form.

Example 4

Domestic Co. G has the following transaction with Related Foreign Persons H for the year 19XX:

Interests Paid		Royalties Paid	
2-23-XX	P40,000.00	3-13-XX	P55,000.00
4-27-XX	45,000.00	5-20-XX	20,000.00

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Total	P85,000.00	Total	P75,000.00
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In the example above, there will be no reportable transactions to be indicated in BIR FORM 1702 H since the totals for each category does not exceed P100,000.00 for either the interest or royalty category.

Example 5

Domestic Co. J has the following transaction with Related Foreign Person K for the year 19XX:

Interests Received

2-23-XX	P 55,000.00
4-27-XX	90,000.00

Total	<u>P145,000.00</u>
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Royalties Received

3-13-XX	P40,000.00
5-20-XX	10,000.00

Total	<u>P50,000.00</u>
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In the example above, the reportable transaction to be indicated in BIR FORM 1702 H is the interest received in the amount of P145,000.00. This should be reported in line 14 of the form. The royalties received amounting to P50,000.00 should not be reported inasmuch as these do not exceed the P100,000.00 minimum requirement for that category.

Example 6

Domestic Co. L has the following transaction with Related Foreign Person M and N for the year 19XX:

Royalties Received

Foreign Person M

Foreign Person N

1-23-XX	P20,000.00	3-13-XX	P30,000.00
3-27-XX	40,000.00	6-20-XX	50,000.00
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