

BIR Form No. 1709

RR 19-2020 and RMC 76-2020



Rationale for the issuance of RR No. 19-2020

For the BIR to be able to...

perform transfer
pricing risk
assessment

make an informed
decision whether or
not to conduct a
thorough review/audit
of a particular entity or
transaction

How will the information in BIR Form 1709 be used?

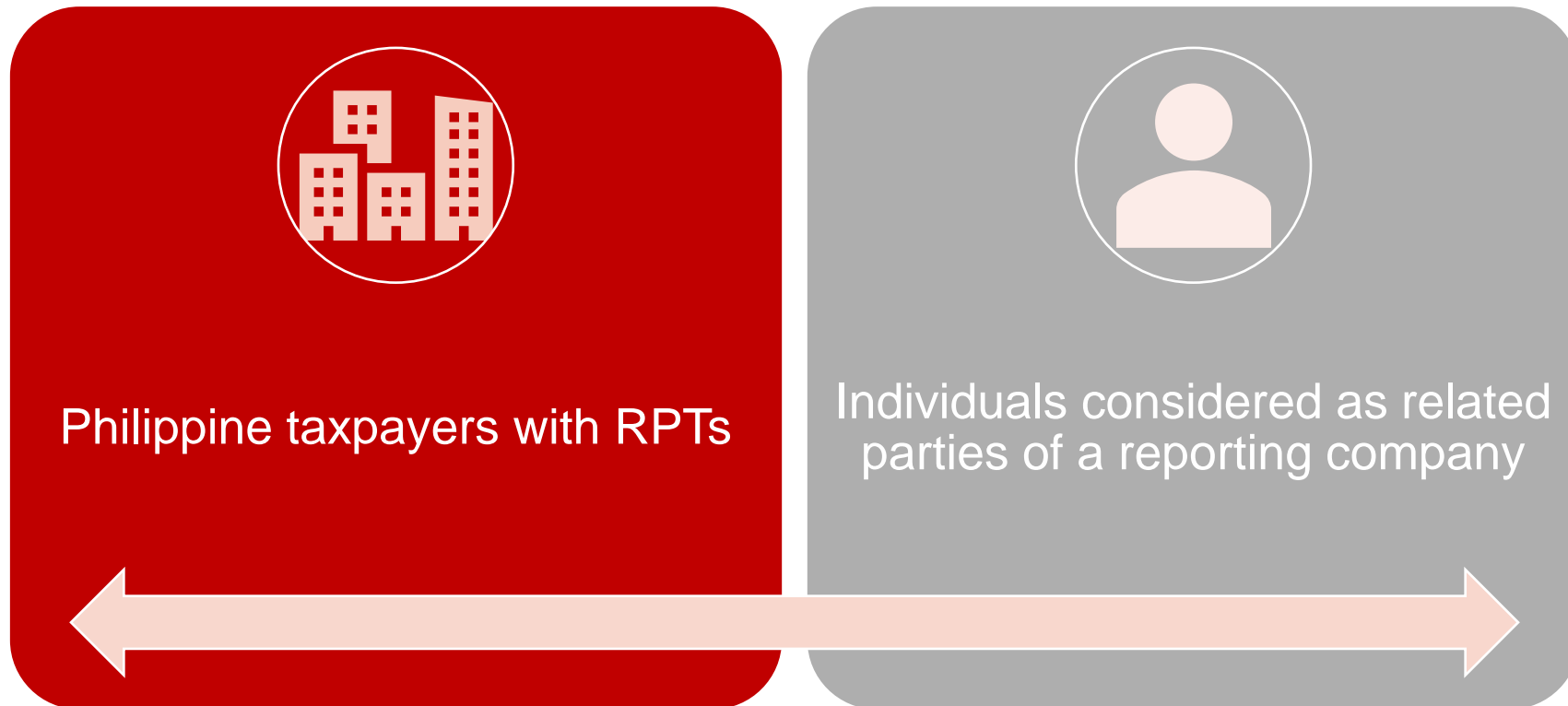
Initial assessment of

- Total gross amounts of RPTs per relationship type
- Countries involved in the RPTs and details on the foreign related party

Detailed transfer pricing analysis based on

- Functional Analysis
- Comparability Analysis

Who needs to complete BIR Form 1709?



Who needs to complete BIR Form 1709?

A person or close member of the person's family is related to a reporting entity...

Related parties
under
RR No. 19-2020

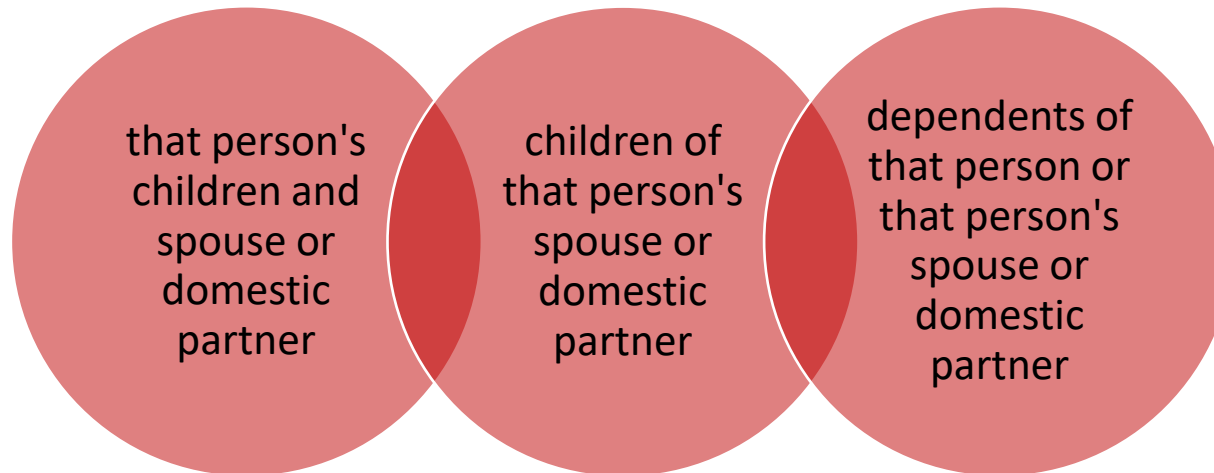
Control or joint
control

Member of key
management
personnel

Significant influence

Who needs to complete BIR Form 1709?

"Close members of the family of a person" are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity and include



This list is not exhaustive and does not preclude **other family members** from being considered as close members of the family of a person. Consequently, other family members, including parents or grandparents, could qualify as close members of the family depending on the assessment of specific facts and circumstances.

Who are related parties under RR No. 19-2020?

Entities are related if

Related parties
under
RR No. 19-2020

Members
of the
same
group

One is an
associate
or JV of
the other

Both are
JVs of the
same 3rd
party

One is a
JV and the
other is an
associate
of the
same 3rd
party

Post-
employe
nt benefit
plan

Controlled
or jointly
controlled

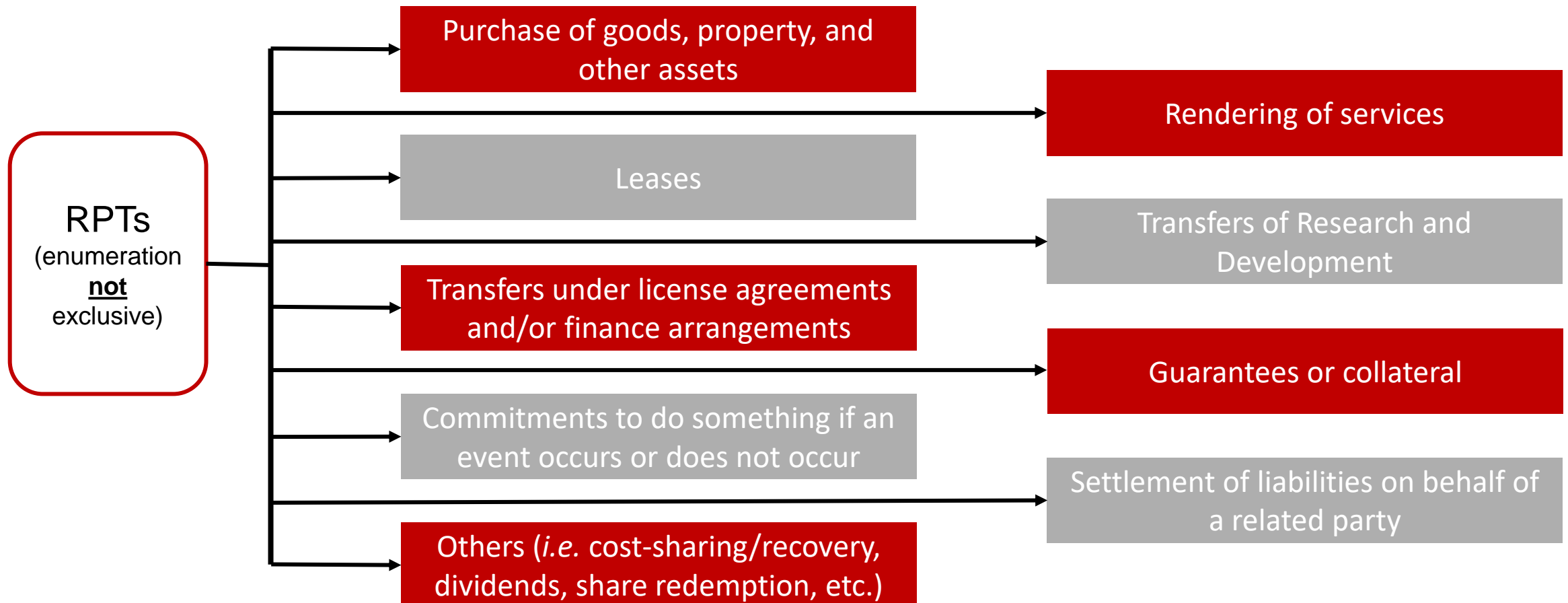
Significant
influence
or a key
managem
ent
personnel

Provides
key
managem
ent
services

Who needs to complete BIR Form 1709?

- Non-stock, non-profit corporations with related party transactions are likewise required to comply with RR No. 19-2020 and file BIR Form 1709

What are the related party transactions under RR No. 19-2020?



Effectivity of the reporting requirement

2020
03 MARCH

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

- Required starting fiscal year ending **MARCH 31, 2020**, irrespective of the date of filing of the AITR
- For FY ending March 31, 2020, compliance is extended for two (2) months from July 30, 2020, or until September 30, 2020

Filing of BIR Form 1709

Filing Guidelines

To be filed manually

No need to resubmit AITR if already filed; Photocopy is sufficient

Due date for manual filing: September 30, 2020

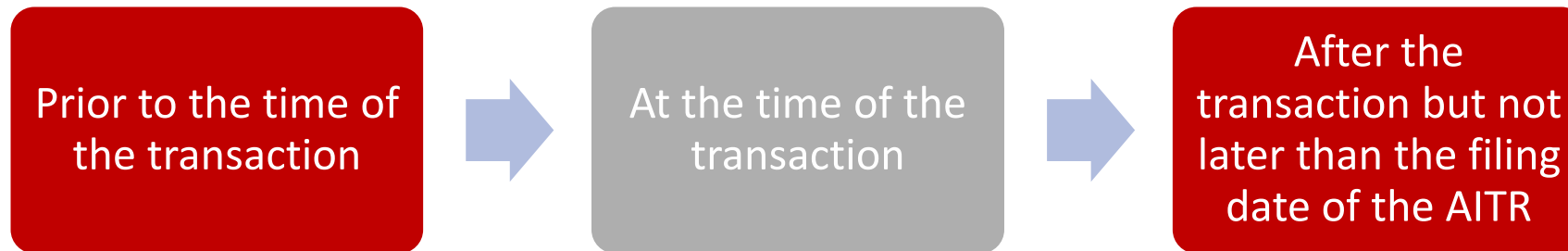
Due date for eFPS: w/in 15 days from statutory due date or actual date of electronic filing of AITR, w/c ever comes later

Additional sheets may be used depending on the number of RPTs

Transfer Pricing Documentation is required to be attached

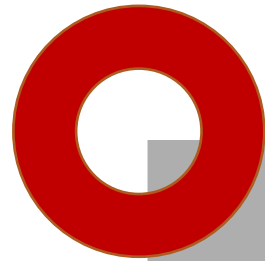
Submission of Transfer Pricing Documentation

- The BIR requires the submission of TPD prepared...



- A subsidiary may use the TPD of a parent company (for transactions covered by the TPD) if the subsidiary **relied** upon such TPD. The **Master File** may be submitted but the **Local File** is preferred.

Yearly updating of Transfer Pricing Documentation



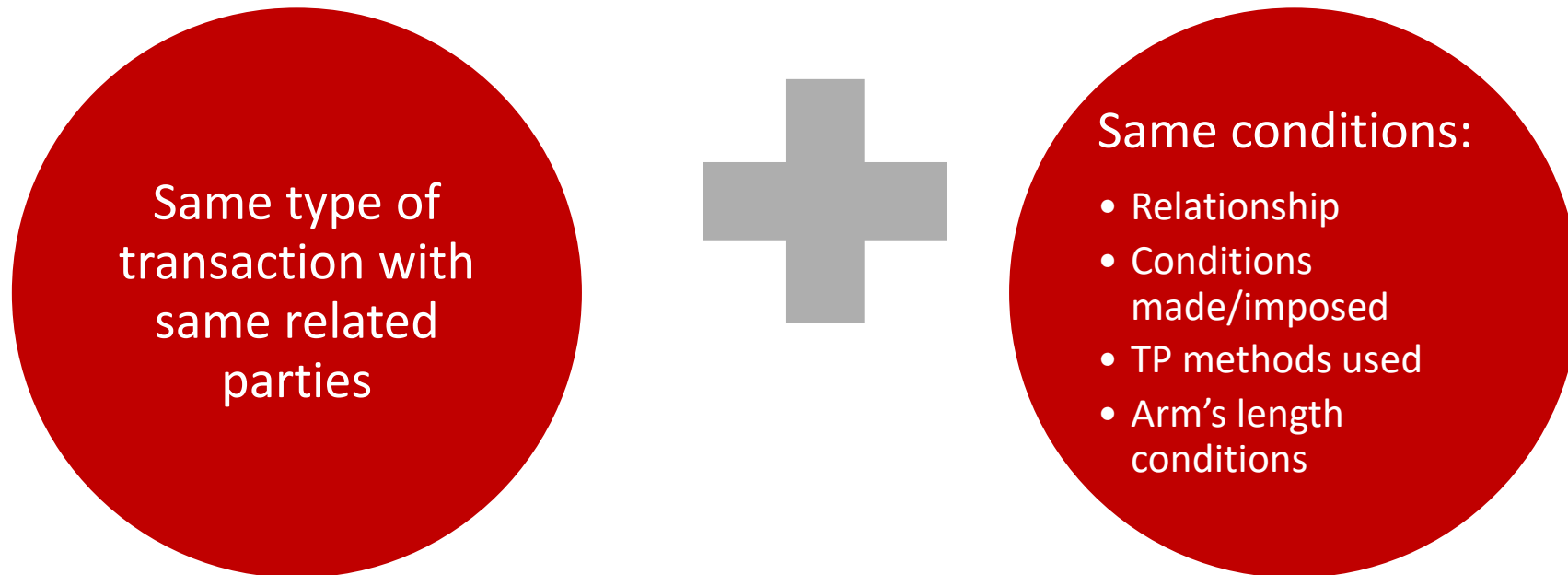
If there are significant changes in the business model and nature of the RPTs



If there are **NO** significant changes

Use of prior year's Transfer Pricing Documentation

TPD for the immediately preceding year may apply to subsequent RPTs if



PAS 24 vis-à-vis RR No. 19-2020

RR No. 19-2020 requires more details than PAS 24 (Related Party Disclosures), specifically in Parts II and III of BIR Form 1709

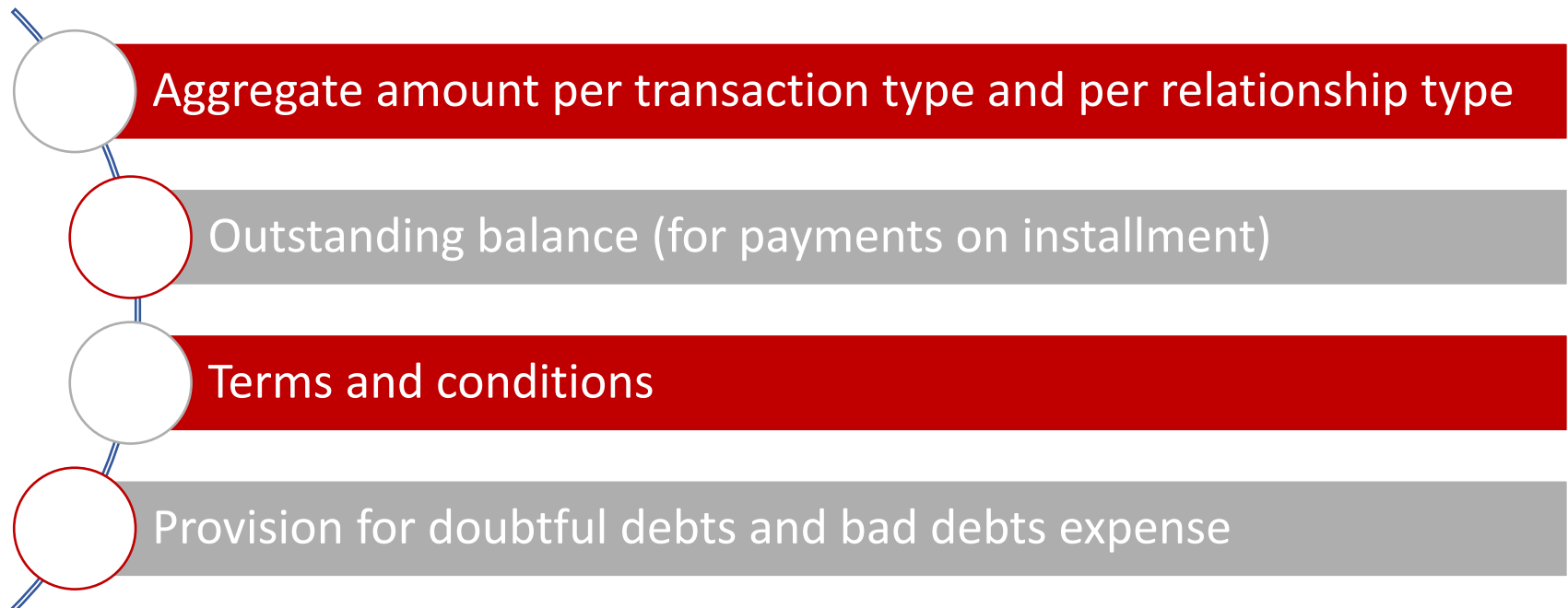
PART II

- Registered name, address, and TIN of related party
- Summary of RPTs per nature of transaction
- Amount of tax paid and withheld to foreign related parties
- Declaration of any avilment of treaty benefits

PAS 24 vis-à-vis RR No. 19-2020

RR No. 19-2020 requires more details than PAS 24 (Related Party Disclosures), specifically in Parts II and III of BIR Form 1709

PART III



Required documentation to be attached to BIR Form 1709

In general, **all contracts** are required to be attached, **regardless of volume**, and shall serve as primary proof. Principal and supplementary receipts are only supporting evidence.

In lieu of hard copies, the following may be observed:

Submission of a DVD-R (as Annex A) containing the scanned copies of the original copies

Scanned copies in PDF format and renamed as follows:

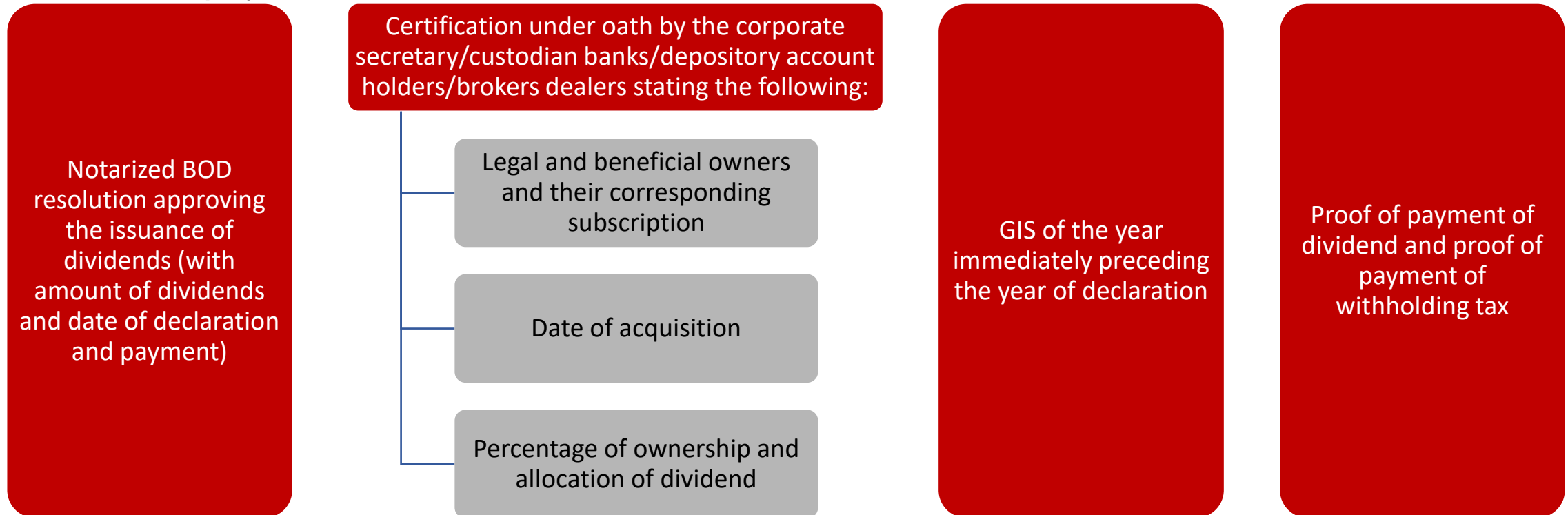
Registered name_type of document_taxable year

In case of multiple contracts: registered name of related party_name of contract

Sworn certification duly signed by the authorized representative (who has custody of the originals or was involved in its execution) that the scanned copies are complete and the exact copies shall be made available during audit

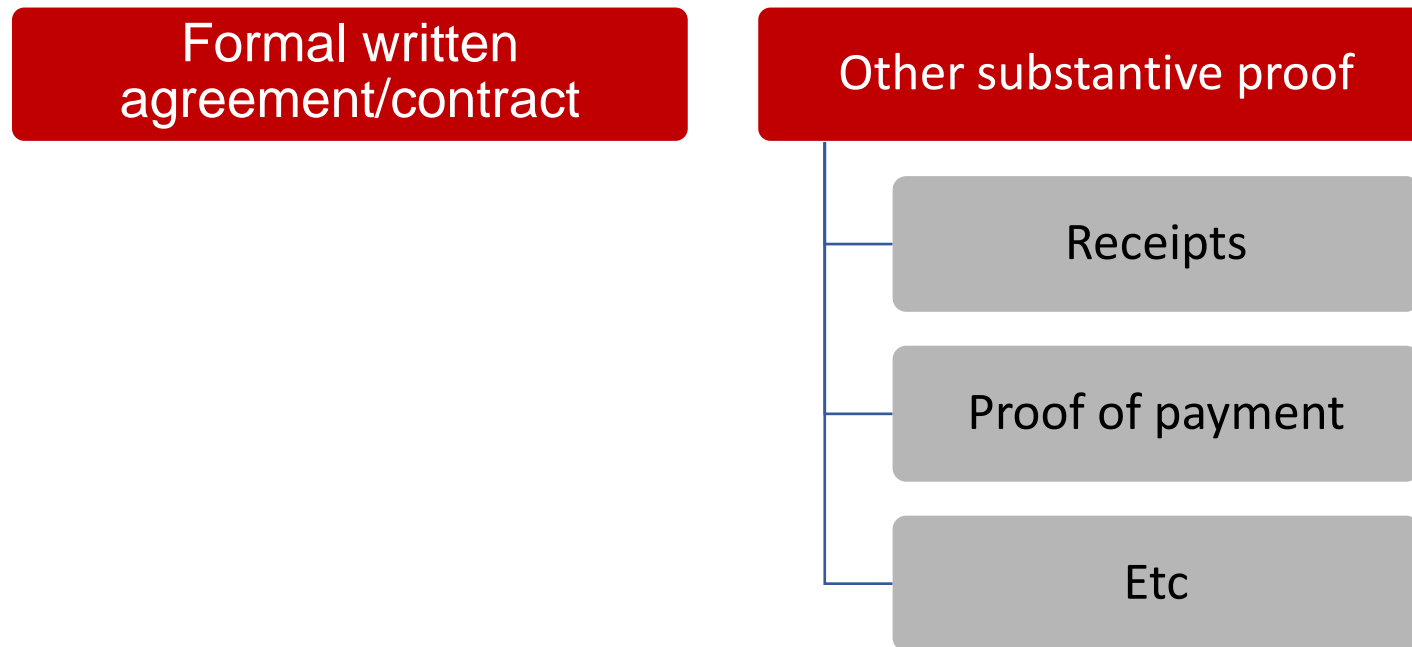
Required documentation to be attached to BIR Form 1709

For dividend payments:

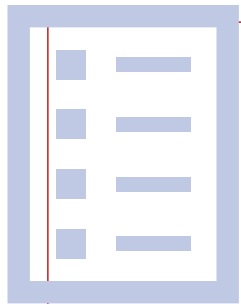


Required documentation to be attached to BIR Form 1709

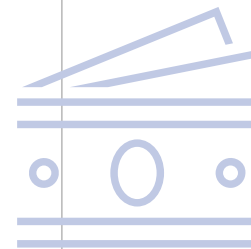
For cost-sharing arrangements:



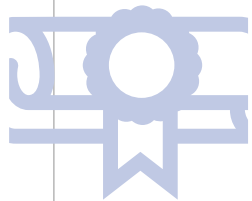
Payment of foreign taxes to be included in BIR Form 1709



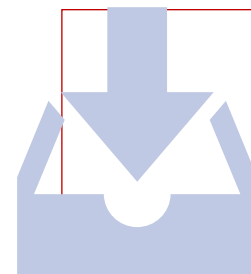
Any taxes paid to a foreign country by a Philippine taxpayer must be declared in, and the proof of payment thereof must be attached to BIR Form 1709.



If the foreign tax has not yet been paid upon filing of BIR Form 1709, the taxpayer still has to declare the income and indicate that it did not pay the corresponding withholding taxes. Proof of subsequent payment must be presented upon audit.



Proof of payment of foreign taxes issued by the relevant foreign tax authority must be duly authenticated or apostilled



The TTRAs indicated in BIR Form 1709 must be those filed with the ITAD

RR No. 19-2020 *vis-à-vis* Bank Secrecy Law

The BSL cannot be used to justify the non-submission of the required documents since the BIR is not examining, inquiring, or looking into deposits of whatever nature with banks or banking institutions.

RR No. 19-2020 only requires the banks to fully disclose their RPTs and to prove that the same were conducted at arm's length.

Penalties for non-compliance

Violation	Penalty
Failure to file BIR Form 1709 and its attachment due to reasonable cause and not to wilfull neglect (<i>First offense</i>)	Penalty of not less than P1,000 but not more than P25,000
Failure to file BIR Form 1709 and its attachment due to reasonable cause and not to wilfull neglect (<i>Repetition</i>)	Maximum penalty of P25,000
Failure to produce the attachments despite being served summons	Imprisonment of not less than 1 year but nor more than 2 years AND fine of not less than P5,000 but not more than P10,000

THANK YOU

