

REVENUE REGULATIONS NO. 34-2020 issued on December 21, 2020 prescribes the guidelines and procedures on the submission of BIR Form No. 1709 [Related Party Transactions (RPT Form)], Transfer Pricing Documentation (TPD) and other supporting documents, amending for this purpose pertinent provisions of Revenue Regulations (RR) Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010.

The following are required to file and submit the RPT Form, together with the Annual Income Tax Return (AITR):

- a. Large Taxpayers;
- b. Taxpayers enjoying tax incentives, i.e. Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential Income Tax rate;
- c. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
- d. A related party, as defined under Section 3 of RR No. 19-2020, which has transactions with (a), (b) or (c). For this purpose, key management personnel (KMP), as defined under Section 3(7) of RR No. 19-2020, shall no longer be required to file and submit the RPT Form, nor shall there be any requirement to report any transaction between KMP and the reporting entity/parent company of the latter in the RPT Form.

When short period AITRs are required by law or existing issuances to be filed, the RPT Form shall still be accomplished regardless of the reason for filing the said short period return. However, compliance herewith shall only be mandatory for short period returns filed in 2021 and subsequent years.

The preparation and submission of TPDs under RR No. 02-2013 (Transfer Pricing Guidelines) and all other relevant issuances, shall be mandatory for taxpayers enumerated above who meet the following materiality thresholds:

- a. Annual gross sales revenue for the subject taxable period exceeding One Hundred Fifty Million Pesos (₱ 150,000,000) and the total amount of related party transactions with foreign and domestic related parties exceeds Ninety Million Pesos (₱ 90,000,000).

In computing the above threshold, the following items shall be included:

- i. Amounts received and or receivable from related parties or paid and or payable to related parties during the taxable year but excluding compensation paid to key management personnel, dividends and branch profit remittances; and
- ii. Outstanding balances of loans and non-trade amounts due from/to all related parties.

Related party transactions covered by an Advance Pricing Agreement (APA) need not be disclosed in the RPT Form but shall nonetheless be included in the computation of the amount of related party transactions following the prescribed formula; or

- b. Related party transactions meeting the following materiality threshold:
 - i. If involving sale of tangible goods in the aggregate amount exceeding Sixty Million Pesos (₱ 60,000,000) within the taxable year;
 - ii. If involving service transaction, payment of interest, utilization of intangible goods or other related party transaction in the aggregate amount exceeding Fifteen Million Pesos (₱ 15,000,000.00) within the taxable year; or

- c. If TPD was required to be prepared during the immediately preceding taxable period for exceeding either (a) or (b) above.

The TPDs and other supporting documents set out in Section 6 of RR No. 19-2020 shall no longer be attached to the RPT Form but shall be submitted within thirty (30) calendar days upon receipt of request by the Commissioner or his/her duly authorized representatives, pursuant to a duly issued Letter of Authority covering all internal revenue taxes, subject to non-extendible period of 30 calendar days based on meritorious grounds.

In addition to the requirements provided under RR No. 21-2002, as amended by RR No. 15-2010, taxpayers who are not covered under Section 2 of the Regulations are required to disclose in the Notes to the Financial Statements that they are not covered by the requirements and procedures for related party transactions provided under the Regulations.

The simplified version of the RPT Form (BIR Form No. 1709) shall be used in lieu of the old form.