

## Guidelines and Instructions BIR Form No. 1702-MX (June 2013)

### For Corporation, Partnership and Other Non-Individual Taxpayer with Mixed Income Subject to MULTIPLE INCOME TAX RATES

These instructions are designed to assist tax filers, or their representatives, with the preparation of the annual income tax return (ITR). If there are questions which are not adequately covered, please consult the local BIR office. If there appears to be any discrepancies between these instructions and the applicable laws and regulations, the laws and regulations take precedence.

#### What Form to Use:

BIR Form No.	Description
1702-RT	Corporation, Partnership and other Non-Individual Taxpayer Subject Only to <b>REGULAR</b> Income Tax Rate
1702-EX	Corporation, Partnership and Other Non-Individual Taxpayer <b>EXEMPT</b> under the Tax Code, as amended [Sec.30 and those exempted in Sec. 27(C)] and other Special Laws, with NO Other Taxable Income
1702-MX	Annual Income Tax Return For Corporation, Partnership and Other Non-Individual with <b>MIXED</b> Income Subject to Multiple Income Tax Rates or with Income Subject to <b>SPECIAL/PREFERENTIAL RATE</b>

#### Who Shall File BIR Form No. 1702-MX

This return shall be filed by every Corporation, Partnership and Other Non-Individual Taxpayer with **MIXED Income** subject to **MULTIPLE INCOME TAX RATES** or with income subject to **SPECIAL/PREFERENTIAL RATE**.

The return shall be filed by the president, vice-president or other principal officer, and shall be sworn to by such officer and by the treasurer or assistant treasurer.

#### When and Where to File and Pay

##### 1) For Electronic Filing and Payment System (eFPS)

**Taxpayer:** The return shall be e-filed and the tax shall be e-paid on or before the 15<sup>th</sup> day of the fourth month following the close of the taxpayer's taxable year using the eFPS facilities thru the BIR website [www.bir.gov.ph](http://www.bir.gov.ph).

##### 2) For Non-Electronic Filing and Payment System (Non-eFPS) Taxpayer:

The return shall be filed and the tax shall be paid on or before the 15<sup>th</sup> day of the fourth month following the close of the taxpayer's taxable year with any Authorized Agent Bank (AAB) located within the territorial jurisdiction of the Revenue District Office (RDO) where the taxpayer's principal office is registered. In places where there are no AABs, the return shall be filed and the tax shall be paid with the concerned Revenue Collection Officer (RCO) under the jurisdiction of the RDO.

Non-eFPS tax filer may opt to use the electronic format under "eBIRForms" (refer to [www.bir.gov.ph](http://www.bir.gov.ph)) for the preparation, generation and submission and/or payment of this return with greater ease and accuracy, upon availability of the same in the system.

**For NO PAYMENT RETURN:** The return shall be filed with the RDO where the taxpayer's principal office is registered or with the concerned RCO under the same RDO on or before the 15<sup>th</sup> day of the fourth month following the close of the taxpayer's taxable year.

#### How to Accomplish the Form

- Enter all required information in **CAPITAL LETTERS** using **BLACK INK**. Mark applicable boxes with an "X". Two copies **MUST** be filed with the BIR and one held by the taxpayer.
- Indicate TIN and registered name on each page;
- For all questions wherein an appropriate box is provided for a possible answer, mark the applicable box corresponding to the chosen answer with an "X";
- Required information wherein the space provided has a letter separator, the same must be supplied with **CAPITAL LETTERS** where each character (including comma or period) shall occupy one box and leave one space blank for every word. However, if the word is followed by a comma or period, there is no need to leave blank after the comma or period. Do **NOT** write "NONE" or make any other marks in the box/es; and
- Accomplish first the applicable schedules before accomplishing Parts II to V.**

This return is divided into Parts I to VIII with accompanying Schedules 1 to 14. Individual instructions as to the source of the information and the necessary calculations are provided on each line item.

PART NO.	PARTS	PAGE NO.
I	Background Information	1
II	Total Tax Payable	1
III	Details of Payment	1
IV	Basis of Tax Relief	2
V	Computation of Amount Payable per Tax Regime	2
VI	Information – External Auditor/Accredited Tax Agent	2
VII	Schedules 1- 14	3-14
VIII	Mandatory Attachments per Activity- Use this if there are <b>MORE THAN ONE Exempt and/or SPECIAL Tax Regime</b> . Accomplish as many Part VIII as there are activities/programs per tax regime. Consolidate the amounts of all Mandatory Attachments <b>PER TAX REGIME</b> and reflect the same to the corresponding schedules and columns under Schedules 1-8 of Part VII.	1m to 4m

SCHED NO.	SCHEDULES	PAGE NO.
1	Computation of Tax per Regime	3
2	Tax Relief Availment	3
3	Sales/Revenues/Receipts/Fees	4
3A	Cost of Sales (For those Engaged in Trading)	4
3B	Cost of Sales (For those Engaged in Manufacturing)	4
3C	Cost of Services	4
4	Other Taxable Income Not Subjected to Final Tax	5
5	Ordinary Allowable Itemized Deductions	5-6

## Guidelines and Instructions BIR Form No. 1702-MX (June 2013)

SCHED NO.	SCHEDULES	PAGE NO.
6	Special Allowable Itemized Deductions	6
7	Computation of Net Operating Loss Carry Over (NOLCO)	6
8	Tax Credits/Payments-Attach proof	6
9	Computation of Minimum Corporate Income Tax (MCIT)	7
10	Reconciliation of Net Income per Books Against Taxable Income	7
11	Balance Sheet	8
12	Stockholders/Partners/Members Information	8
13	Supplemental Information	9
14	Gross Income/Receipts Exempt from Income Tax	9

### For Items 1 to 5

**Item 1** Mark the applicable box with an “X”. This refers to the accounting period (Fiscal or Calendar year) upon the basis of which the net income is computed by the tax filer.

**Item 2** Indicate the taxable year ended covered by the return being filed.

**Item 3** Choose “Yes” if the tax return is one amending previous return filed, “No” if not.

**Item 4** Choose “Yes” if the return is made for a fractional part of a year (e.g. commencement, retirement or change in accounting period).

**Item 5** Indicate the appropriate ATC as shown in the Certificate of Registration (BIR Form No. 2303). If subject to Minimum Corporate Income Tax (MCIT) for this taxable period, mark the applicable box with an “X”.

### Part I (Items 6-15) Background Information

**Item 6 Taxpayer Identification Number (TIN):** Enter the TIN for the corporation, partnership or other non-individual taxpayer.

**Item 7 RDO Code:** Enter the appropriate code for the RDO per filed BIR Form Nos. 1903/2305.

**Item 8 Date of Incorporation/Organization:** Enter the date as shown in BIR Form No. 2303. It is the date when the corporation has been incorporated as per Certificate of Registration issued by the Securities and Exchange Commission (SEC)/other regulatory agencies like the Cooperative Development Authority, National Electrification Authority, etc.

**Item 9 Registered Name:** Enter taxpayer’s name as it was entered on BIR Form No. 2303 (Certificate of Registration).

**Item 10 Registered Address:** Enter Registered Address as indicated in BIR Form No. 2303. If taxpayer has moved since the previous filing and has NOT updated the registration, the taxpayer must update the registration by filing BIR Form No. 1905.

**Item 13 Main Line of Business:** Indicate the nature of the main line of business the company is engaged in per BIR Form No. 2303.

**Item 14 PSIC Code: Philippine Standard Industrial Classification (PSIC) Code:** Refer to [www.bir.gov.ph](http://www.bir.gov.ph) for the applicable PSIC or visit the local BIR Office.

**Item 15 Method of Deduction:** Itemized Deduction under Section 34(A-J), NIRC, as amended.

### Part II (Items 16-21) Total Tax Payable

Accomplish first Part V – Computation of Amount Payable per Tax Regime on page 2 and other schedules before accomplishing these items. Then transfer the applicable information from Part V to each of the items in Part II. Individual instructions as to the source of the information and the necessary calculations are provided on each line item.

**Signatory Lines:** When all the pages of the return are complete, sign the return in the place indicated, enter the number of pages filed. In Items 22-25, provide the required information and its details.

### Part III (Items 26-29) Details of Payment

Enter the information required and then file the original ITR plus two (2) copies to any AAB within the RDO where registered. Refer to [www.bir.gov.ph](http://www.bir.gov.ph) for the applicable AAB or visit the local BIR Office. For no payment returns, proceed with filing the ITR with the RDO where the tax filer is registered or the concerned RCO under the same RDO.

### Part IV (Items 30-36) – Basis of Tax Relief:

If there is only one activity/program per tax regime (exempt and/or special rate) fill up the required information in the applicable columns of Items 31 to 36.

If the taxpayer has more than one activities/programs per tax regime (exempt and/or special), put an “X” in the box in item 30 and accomplish only column C of Items 31 to 36 (Special Tax Relief under Regular/Normal Rate). Additionally, accomplish for each and every registered activity/program Part VIII-Mandatory Attachments per Activity. Thus, there shall be as many Part VIII-Mandatory Attachments per Activity, as necessary.

### Part V (Items 37-44) Computation of Amount Payable per Tax Regime

Complete first the appropriate schedules and then transfer the applicable amounts as instructed. Make the necessary calculations as directed and enter the totals.

If the amount of centavos is 49 or less, drop down the centavos (e.g., P100.49 = P100.00). If the amount is 50 centavos or more, round up to the next peso (e.g., P 100.50 = P 101.00).

# Guidelines and Instructions BIR Form No. 1702-MX (June 2013)

## Penalties shall be imposed and collected as part of the tax.

**Item 40** A surcharge of twenty five percent (25%) for each of the following violations:

1. Failure to file any return and pay the amount of tax or installment due on or before the due date;
2. Unless otherwise authorized by the Commissioner, filing a return with a person or office other than those with whom it is required to be filed;
3. Failure to pay the full or part of the amount of tax shown on the return, or the full amount of tax due for which no return is required to be filed on or before the due date;
4. Failure to pay the deficiency tax within the time prescribed for its payment in the notice of assessment.

A surcharge of fifty percent (50%) of the tax or of the deficiency tax shall be imposed in case of willful neglect to file the return within the period prescribed by the Tax Code and/or by rules and regulations or in case a false or fraudulent return is filed.

**Item 41 Interest** at the rate of twenty percent (20%) per annum, or such higher rate as may be prescribed by rules and regulations, on any unpaid amount of tax, from the date prescribed for the payment until it is fully paid.

**Item 42 Compromise penalty** pursuant to existing/applicable revenue issuances.

## Part VI (Items 45-51) – Information – External Auditor/Accredited Tax Agent

1) All returns filed by an accredited tax agent on behalf of a taxpayer shall bear the following information:

- a) For CPAs and others (individual practitioners and members of GPPs);

**Items 45 & 46:** Name and Taxpayer Identification Number (TIN);

**Items 49-51:** BIR Accreditation Number, Date of Issuance, and Expiry Date.

- b) For members of the Philippine Bar (i.e. individual practitioners, members of GPPs);

**Items 45 & 46:** Name and Taxpayer Identification Number (TIN);

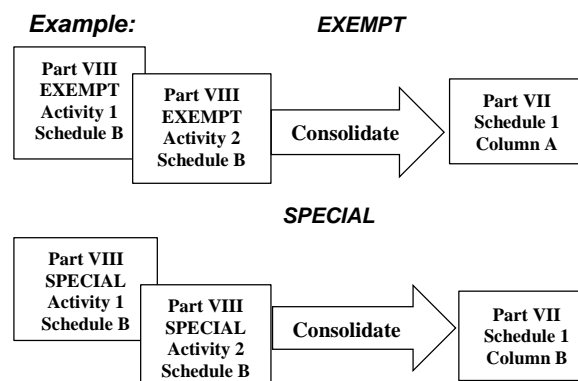
**Items 49-51:** Attorney's Roll Number or Accreditation Number, Date of Issuance, and Expiry Date.

## Part VII – Schedules

- Start filling-up column C for the transactions subject to Regular Tax Rate, if any.
- **If there is only one activity/program per tax regime** (exempt and/or special rate) accomplish columns A and/or B.
- **If there are more than one activities/programs per tax regime** (exempt and/or special rate), accomplish columns A and/or B only after accomplishing Part VIII-Schedules per Tax Regime. **Accomplish as many Part VIII as there are activities/programs per tax regime.** Consolidate the amounts PER TAX REGIME

under EXEMPT and/or SPECIAL from all of Part VIII-Mandatory Attachments which shall be reflected in columns A and/or B corresponding to the appropriate schedules and columns (Total Exempt/Total Special) under Schedules 1-8 of Part VII.

### Example:



**Finally, transfer the applicable Items in Part VII to Part II.**

**Schedule 1 (Items 1-17) Computation of Tax per Tax Regime:** Accomplish first the applicable schedules before accomplishing these items. Follow the necessary calculations as provided on each line item.

**Schedule 2 (Items 1-7) – Tax Relief Availment:** Taxpayer availing of any tax relief under the Tax Code must completely fill-up Items 1-7.

For ECOZONES: Gross income shall refer to gross sales or gross revenue derived from registered business activity within the zone, net of sales discounts, sales returns and allowances minus cost of sales or direct costs but before any deductions for administrative, marketing, selling, operating expenses or incidental losses during a given taxable period.

For BCDA: Gross income shall refer to gross sales or gross revenue derived from registered business activity within the zone, net of sales discounts, sales returns and allowances minus cost of sales or direct costs but before any deductions for administrative, marketing, selling, operating expenses or incidental losses during a given taxable period. For financial enterprises, gross income shall include interest income, gains from sales and other income net of costs of funds.

**Item 6: Special Tax Credit** refer to tax credits allowed under special laws, rules and issuances.

**Schedule 5 Ordinary Allowable Itemized Deductions (Attach additional sheets, if necessary):** Corporation, Partnership and Other Non-Individual with Mixed Income Subject to Multiple Income Tax Rates or with Income Subject to Special/Preferential Rate are **mandated to use the itemized deduction.** However, the use of itemized deductions shall not apply to juridical entities not allowed to claim any deductions (e.g., non-resident foreign international carriers).

There shall be allowed as deduction from gross income all the ordinary and necessary trade and business expenses paid or incurred during the taxable year in carrying on or which are directly attributable to the

## Guidelines and Instructions BIR Form No. 1702-MX (June 2013)

development, management, operation and/or conduct of the trade and business. Itemized deduction also includes interest, taxes, losses, bad debts, depreciation, depletion, charitable and other contributions, research and development and pension trust.

**Schedule 6 Special Allowable Itemized Deductions:** These refer to special allowable deductions from gross income in computing taxable income, in addition to the regular allowable itemized deduction, as provided under the existing regular and special laws, rules and issuances such as, but not limited to: Rooming-in and Breast-feeding Practices under R.A. 7600, Adopt-A-School Program under R.A. 8525, Free Legal Assistance under R.A. 9999, etc.

**Schedule 7 Computation of Net Operating Loss Carry Over (NOLCO):** Detailing the computation of available NOLCO (applied, unapplied and expired portion). Only net operating losses incurred by the qualified taxpayer may be carried over to the three (3) immediately succeeding taxable years following the year of such loss.

**Schedule 8 Tax Credits/Payments:** Indicate claimed Tax Credits/Payments and attach necessary proof.

**Schedule 9 Computation of Minimum Corporate Income Tax (MCIT):** MCIT of two percent (2%) of the gross income is imposed upon any domestic corporation and resident foreign corporation beginning on the fourth (4<sup>th</sup>) taxable year (whether calendar or fiscal year, depending on the accounting period employed) immediately following the taxable year in which such corporation commenced its business operation. The MCIT shall be imposed whenever the corporation has zero or negative taxable income or whenever the amount of minimum corporate income tax is greater than the normal income tax due from such corporation. Any excess of the MCIT over the normal income tax shall be carried forward and credited against the normal income tax for the three (3) immediate succeeding taxable years. The computation and the payment of MCIT shall apply each time a corporate income tax return is filed, whether quarterly or annual basis.

**Schedule 10 Reconciliation of Net Income per Books Against Taxable Income:** Indicate all the reconciling items to be added or subtracted from the net income reported in the financial statements to arrive at the taxable income reported in the income tax return. Fill-up the non-deductible expenses such as: allowance for bad debts not actually written off, amortization and others which are not deductible for taxation purposes. Also, add other taxable income such as: recovery of bad debts previously written off, adjustment to retained earnings, and other adjustments that are considered as income for tax purposes. *(Provide additional sheet/s, if necessary.)*

**Schedule 11 Balance Sheet:** Indicate the amounts as shown in the Audited Financial Statements.

**Schedule 12 Stockholders/Partners/Members Information:** Indicate only the Top 20 stockholders, partners or members showing the Registered Name, TIN, amount of

capital contribution and the percentage to the total ownership/equity.

**Schedule 13 Supplemental Information:** Indicate gross income subject to final tax: sale/exchange of real property; sale/exchange of shares of stocks; other income and the corresponding final withholding tax, if applicable.

**Schedule 14 Gross Income/Receipts Exempt from Income Tax:** Indicate personal/real properties received thru gifts, bequests, and devises; and other exempt income and receipts under Sec. 32(B) of the NIRC, as amended.

### Part VIII MANDATORY ATTACHMENTS PER ACTIVITY (Schedules per Tax Regime):

Use as many Part VIII - Mandatory Attachments per Activity, as necessary, if there are **more than one activities/programs under EXEMPT and/or SPECIAL Tax Regime. Accomplish as many Part VIII as there are activities/programs per tax regime.** Consolidate the amounts of all Mandatory Attachments PER TAX REGIME and reflect the same to the corresponding schedules and columns under Schedules 1-8 of Part VII.

### REQUIRED ATTACHMENTS

1. Certificate of independent CPA duly accredited by the BIR (The CPA Certificate is required if the gross quarterly sales, earnings, receipts or output exceed P 150,000).
2. Account Information Form (AIF) and/or Financial Statements (FS), including the following schedules prescribed under existing revenue issuances which must form part of the Notes to the Audited FS:
  - a. Taxes and Licenses
  - b. Other information prescribed to be disclosed in the notes to FS
3. Statement of Management's Responsibility (SMR) for Annual Income Tax Return.
4. Certificate of Income Payments not subjected to Withholding Tax (BIR Form No. 2304)
5. Certificate of Creditable Tax Withheld at Source (BIR Form No. 2307).
6. Duly approved Tax Debit Memo, if applicable.
7. Proof of prior years' excess credits, if applicable.
8. Proof of Foreign Tax Credits, if applicable.
9. For amended return, proof of tax payment and the return previously filed.
10. Certificate of Tax Treaty Relief/Entitlement issued by the concerned Investment Promotion Agency (IPA)
11. Summary Alpha list of Withholding Agents of Income Payments Subjected to Withholding Tax at Source (SAWT), if applicable.
12. Proof of other tax payment/credit, if applicable.