

**[ BIR REVENUE MEMORANDUM CIRCULAR NO. 40-92, July 27, 1992 ]**

**APPLICABLE FOREIGN EXCHANGE CONVERSION RATE FOR THE  
COLLECTION OF WITHHOLDING TAXES FROM FOREIGN  
CURRENCY DENOMINATED INCOME PAYMENTS,  
SUPPLEMENTING REVENUE MEMORANDUM CIRCULAR NO. 77-89**

The following rules are hereby prescribed to govern the conversion of foreign currency denominated income payments to Philippines Peso for the purpose of collection of withholding taxes due thereon.

The foreign currency denominated income payment shall first be converted into Philippine Peso equivalence, using the applicable foreign exchange conversion rate prevailing at the time such income, which is subject to withholding, is payable or paid. This can either be one of the following:

1. The interbank reference rate at the time such income is payable or paid when this does not involve any foreign exchange transactions and consist merely of an accrual recording in the books of account;
2. The bank conversion rate (buying or selling rate, whichever is applicable) at time such income payment shall have been transacted in the authorized agent bank in the Philippines.

In both instances, the foreign exchange conversion rate shall be the same rate used in recording the income payment (expense) in the books of account of the withholding agent.

The withholding tax liability arising from such transactions shall then be settled in Philippine currency.

All previous revenue issuances are hereby amended or modified accordingly.

Adopted: 27 July 1992

(SGD.) JOSE U. ONG  
*Commissioner of Internal Revenue*

