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“Section 1 (c): Representative or liaison office deals directly with the clients of the parent company but **does not derive income from the host country and is fully subsidized by its head office.** It undertakes activities such as but not **limited to information dissemination and promotion of the company’s products as well as quality control of products.**”¹ (Emphasis ours.)

The letter of the law is very clear that a representative office cannot derive any income from the host country. Where the law does not distinguish, neither should we distinguish.² Thus, the second sentence of the afore-quoted definition should, pursuant to the principle of *ejusdem generis*³, be interpreted to mean that any permissible act of a representative office should be akin to or resemble the same kind or class as those of information dissemination and promotion of the company’s products, or quality control for the parent company, or any other passive act that does not involve the earning of any income. To hold otherwise would run counter to the very nature of a representative or liaison office.

Thus, in a previous opinion⁴, the Commission opined that:

“In its application for the establishment of a Representative Office it is explicitly required to state therein the specific ‘purpose or purposes’ of the corporation which it intends to pursue in the transaction of its business in the Philippines. In your application and license, it is clearly stated therein that Makino Asia (Phils.) ‘proposes to establish a representative office in the Philippines to act as a liaison office for advertisement of its products.’”

Further, the implementing rules and regulations of Republic Act 7042, as amended, clearly defined a representative office or liaison office as distinguished from a branch office. The **former** deals directly with the client of the parent company **but does not derive income from the host country** and is fully subsidized by its head office while the latter carries out the business activities of the head office and derives income from the host country.

Thus, your query is answered in negative. **The functions of a foreign corporation are limited to what is stated in its license and specifically, a Representative Office cannot generate income and carry out the business activities** (which may include installation and warranty servicing of machines) of the head office from within the Philippines.” (Emphasis ours.)

A perusal of the corporate records of Inserve reveals that it was duly licensed with the Commission, merely as a representative office “*to act as communication office for Inserve Marine Technical Services Limited, and to promote and disseminate information about the company with marine insurance companies, insurance brokers*”

¹ Rule 1 Section 1 (c), IRR of FIA

² Land Bank v. De Leon, 437 Phil. 324 (2002)

³ Miranda v. Abaya, 370 Phil. 642 (1999)

⁴ SEC Opinion, dated 02 February 2001 addressed to Mr. Jaime Diaz

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and shipping companies in the Philippines", which purpose does not include investment in shares of stock.

From the foregoing, we do not confirm your position.

It shall be understood, however, that the foregoing opinion is rendered based solely on the facts and circumstances disclosed and relevant solely to the particular issue raised therein and shall not be used in the nature of a standing rule binding upon the Commission in other cases or upon the courts whether of similar or dissimilar circumstances.⁵ If, upon further inquiry and investigation, it will be disclosed that the facts relied upon are different, this opinion shall be rendered void.

Please be guided accordingly.

Very truly yours,


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⁵ Paragraph 7, SEC Memorandum Circular No.15, Series of 2003