

[BIR REVENUE REGULATIONS NO. 5-2014, July 30, 2014]

AMENDING REVENUE REGULATIONS NO. 17-2013 DEALING WITH THE "PRESERVATION OF BOOKS OF ACCOUNTS AND OTHER ACCOUNTING RECORDS"

Adopted: 30 July 2014

Date Filed: 01 September 2014

SECTION 1. Section 2 of Revenue Regulations No. 17-2013 is hereby amended to read as follows:

"SECTION 2. RETENTION PERIODS. – All taxpayers are required to preserve their books of accounts, including subsidiary books and other accounting records, for a period of ten (10) years reckoned from the day following the deadline in filing a return, or if filed after the deadline, from the date of the filing of the return, for the taxable year when the last entry was made in the books of accounts: Provided that, within the first five (5) years reckoned from the day following the deadline in filing a return, or if filed after the deadline, from the date of the filing of the return, for the taxable year when the last entry was made in the books of accounts, the taxpayer shall retain hardcopies of the books of accounts, including subsidiary books and other accounting records. Thereafter, the taxpayer may retain only an electronic copy of the hardcopy (paper) of the books of accounts, subsidiary books and other accounting records in an electronic storage system which complies with the requirements set forth under Section 2-A hereof.

The term "other accounting records" includes the corresponding invoices, receipts, vouchers and returns, and other source documents supporting the entries in the book of accounts.

The term "last entry" refers to a particular business transaction or an item thereof that is entered or posted last or latest in the books of accounts when the same was closed.

The foregoing notwithstanding, if the taxpayer has any pending protest or claim for tax credit/refund of taxes, and the books and records concerned are material to the case, the taxpayer is required to preserve his/her/its books of accounts and other accounting records until the case is finally resolved.

Finally, unless a longer period of retention is required under the NIRC or other relevant laws, the independent Certified Public Accountant (CPA) who audited the records and certified the financial statements of the taxpayer, equally as the taxpayer, has the responsibility to maintain and

preserve electronic copies of the audited and certified financial statements including the audit working papers for a period of ten (10) years from the due date of filing the annual income tax return or the actual date of filing thereof, whichever comes later.

SECTION 2. A new Section is hereby inserted after Section 2 of Revenue Regulations No. 17-2013 to read as follows:

"SECTION 2-A. ELECTRONIC STORAGE SYSTEM. An electronic storage system to be used by the taxpayer or independent CPA for preserving books of accounts and other accounting records shall:

- 1) Ensure an accurate and complete transfer of the images of the hardcopy of the books of accounts, including subsidiary books and other accounting records to an electronic storage media; and
- 2) Index, store, preserve, retrieve, and reproduce the electronically stored images of the hardcopy of the books of accounts, subsidiary books and other accounting records.

The electronic storage system must include:

- 1) Reasonable controls to ensure the integrity, accuracy, and reliability of the electronic storage system;
- 2) Reasonable controls to prevent and detect any unauthorized creation of, addition to, alteration of, deletion of, or deterioration of electronically stored books of accounts, subsidiary books and other accounting records;
- 3) An inspection and quality assurance program evidenced by regular evaluations of the electronic storage system, including periodic checks of electronically stored books of accounts, subsidiary books and other accounting records;
- 4) A retrieval system that includes an indexing system; and
- 5) The ability to reproduce legible and readable hardcopies of electronically stored books of accounts, subsidiary books and other accounting records.

All books of accounts, subsidiary books and other accounting records reproduced by the electronic storage system must exhibit a high degree of legibility and readability when displayed on a video display terminal and when reproduced in hardcopy.

The term "legibility" means the observer must be able to identify all letters and numerals positively and quickly to the exclusion of all other letters or numerals.

The term "readability" means that the observer must be able to recognize a group of letters or numerals as words or complete numbers. The taxpayer must ensure that the reproduction process maintains the legibility and readability of the electronically stored books of accounts, subsidiary books and other accounting records.