

**[BIR REVENUE REGULATIONS NO. 9-2009,
December 23, 2009]**

**MAINTENANCE, RETENTION, AND SUBMISSION OF ELECTRONIC
RECORDS**

SECTION 1. Purpose

1.1 The purpose of these regulations are to define the requirements, obligations and responsibilities imposed on taxpayers for electronic record keeping and maintenance of electronic books of accounts, electronic records, and other sources of information under the National Internal Revenue Code of the Philippines (NIRC), as amended.

1.2 It is also the purpose of these regulations to address the requirements for retention of records thru various processes and systems, including but not limited to, computer electronic and imaging processes.

1.3 These regulations also provide the requirements for the access and submission of electronic records to the BIR.

1.4 The regulations shall make it mandatory for Large Taxpayers classified under Revenue Regulations No. 1-98 to maintain and/or adopt a Computerized Accounting Systems (CAS).

SECTION 2. Definitions -

2.1 For purposes of this regulation, these terms shall be defined as follows:

2.1.1 "Database Management System" means a software system that controls, relates, retrieves, and provides accessibility to data stored in a database.

2.1.2 "Electronic data interchange" or "EDI technology" means the computer-to-computer exchange of business transactions in a standardized structured electronic format.

2.1.3 "Hard copy" means any documents, records, reports or other data printed on paper.

2.1.4 "Electronic record" means a collection of related information in an electronically readable format. Electronic records do not include hard-copy records that are created or recorded on paper or stored in or by an imaging system such as microfilm, micro-fiche, or storage-only imaging systems.

2.1.5 "Electronically readable format" means information supported by a system capable of producing an **accessible** and **useable** copy.

a. Accessible copy means that the taxpayer must provide an acceptable copy of the electronic records in an electronically readable and useable format to Bureau of Internal Revenue Tax Auditors (examiners/investigators) to permit them to process and analyze the electronic records on BIR equipment.

b. A copy is useable if the electronic records can be processed and analyzed with BIR audit software.

c. The useable copy must be in a non-proprietary, commonly used data interchange format that is compatible with BIR software.

d. Electronic files retained in an encrypted or proprietary backup format must be able to be restored at a later date to an accessible and useable state to meet BIR requirements.

2.1.6 "Storage-only imaging system" means a system of computer hardware and software that provides for the storage, retention and retrieval of documents originally created on paper. It does not include any system, or part of a system, that manipulates or processes any information or data contained on the document in any manner other than to reproduce the document in hardcopy or as an optical image.

2.1.7 "Taxpayer" as used in this regulation means Corporations, Companies, Partnerships or Persons required to Keep Books of Accounts necessary to a determination of tax liability.

2.1.8 "Electronic record keeping" means those electronic business systems that create, process, store, maintain and provide access to the financial records of a person, including but not limited to custom and commercial accounting software, Point of Sale systems and Internet-based electronic commerce business systems.

2.1.9 "Media" refers to the physical forms of recorded information. This includes paper, film, computer disks, computer tapes, and any other materials on which information can be recorded.

2.1.10 "CD-R (Compact Disc-Recordable)" means an optical data storage written and read using lasers that can be read or viewed only but cannot be modified, deleted, or written over with new data. Recordable CDs are WORM (Write Once, Read Multiple).

2.1.11 "DVD-R (Digital Video Disc-Recordable)" refers to a new generation of optical disc storage technology which holds more data than the CD-R.

SECTION 3. Electronic Recordkeeping Requirements - General

3.1 A taxpayer shall maintain all records that are necessary for the determination of

the correct tax liability under Section 232 of the NIRC. All required records must be made available on request by the Commissioner of Internal Revenue or its authorized representatives.

3.2 If a taxpayer retains records required to be kept under this regulation in both electronic and hard-copy formats, the taxpayer shall make the records available to the Bureau of Internal Revenue in electronic format upon request of the Commissioner or its authorized representative.

3.3 Nothing in this regulation shall be construed to prohibit a taxpayer from demonstrating tax compliance with traditional hard-copy documents or reproductions thereof, in whole or in part, whether or not such taxpayer also has retained or has the capability to retain records on electronic or other storage media in accordance with this regulation. However, this subsection shall not relieve the taxpayer of the obligation to comply with subsection 3.2 of this regulation.

SECTION 4. Electronic Recordkeeping Requirements for Large Taxpayers -

4.1 All Large Taxpayers classified under Revenue Regulations No. 1-98 are required to maintain Computerized Accounting Systems (CAS) or components thereof. Accordingly, all books of accounts and accounting records shall be in electronic formats.

4.2 All Large Taxpayers who are currently maintaining their books of accounts and accounting records in manual form are required to register their Computerized Accounting Systems not later than December 31, 2009.

4.3 A Large Taxpayer using commercial and/or customized software to keep books and records electronically is not relieved of the responsibility to keep adequate electronic records because of deficiencies in the software.

SECTION 5. Electronic Recordkeeping Requirements - Electronic Records

5.1 General Requirements

5.1.1 Electronic records used to establish tax compliance shall contain sufficient transaction-level detail information so that the details underlying the electronic records can be identified and made available to the Bureau of Internal Revenue upon request. A taxpayer has discretion to discard duplicated records and redundant information provided its responsibilities under this regulation are met.

5.1.2 At the time of an examination, the retained records must be capable of being retrieved and converted to a standard record format in accordance with Revenue Regulations No. 16-2006.

5.1.3 Taxpayers are not required to construct electronic records other than those created in the ordinary course of business. A taxpayer who does not create the electronic equivalent of a traditional paper document in the ordinary course of business is not required to construct such a record for tax purposes.

5.2 Electronic Data Interchange Requirements

5.2.1 Where a taxpayer uses electronic data interchange processes and technology, the level of record detail, in combination with other records related to the transactions, must be equivalent to that contained in an acceptable paper record. For example, the retained records should contain such information as vendor name, invoice date, product description, quantity purchased, price, amount of tax, indication of tax status, shipping detail, etc. Codes may be used to identify some or all of the data elements, provided that the taxpayer shall provide a method which would allow the Bureau of Internal Revenue to convert the coded information into an auditable data.

5.2.2 The taxpayer may capture the information necessary to satisfy section 5.2.1 at any level within the accounting system and need not retain the original EDI transaction records provided the audit trail, authenticity, and integrity of the retained records can be established. For example, a taxpayer using electronic data interchange technology receives electronic invoices from its suppliers. The taxpayer decides to retain the invoice data from completed and verified EDI transactions in its accounts payable system rather than to retain the EDI transactions themselves. Since neither the EDI transaction nor the accounts payable system captures information from the invoice pertaining to product description and vendor name (i.e., they contain only codes for that information), the taxpayer also retains other records, such as its vendor master file and product code description lists and makes them available to the Bureau of Internal Revenue. In this example, the taxpayer need not retain its EDI transaction for tax purposes.

5.3 Electronic Data Processing Systems Requirements

5.3.1 The requirements for an electronic data processing accounting system should be similar to that of a manual accounting system, in that an adequately designed accounting system should incorporate methods and records that will satisfy the requirements of this regulation.

5.3.2 The information that is required to re-create a sequence of events related to a business transaction, must include sufficient detail to substantiate summarized information. The electronic records must show an audit trail from the source document(s), whether paper or electronic, to the summarized financial accounts. In addition the trail may also include a number of links to other associated processes and events such as front-end systems (e-commerce, Point of Sale), receipts, payments, and stock inventories, all of which may have their own system audit trails. For example, in Internet based e-commerce transactions, other records such as web logs, emails when used as part of the transaction (e.g., invoice and confirmations) or security measures such as digital signatures could be an important part of the audit trail. Transactions covered by a trading partner agreement of electronic data interchange (EDI), the electronic record(s) including functional acknowledgments have to be kept. It is the taxpayer's responsibility to ensure the reliability and readability of these transaction records.

5.3.3 Taxpayers keeping electronic records must also retain source documents. A **source document** includes items such as sales invoices, purchase invoices, cash register receipts, formal written contracts, credit card receipts, delivery slips, deposit slips, work orders, dockets, cheques, bank statements, tax returns, and could also include emails, and other general correspondence where relevant for tax purposes.

5.4 Business Process Information

5.4.1 Upon the request of the Commissioner of Internal Revenue or its authorized representative, the taxpayer shall provide a description of the business process that created the retained records. Such description shall include the relationship between the records and the tax documents prepared by the taxpayer and the measures employed to ensure the integrity of the records.

5.4.2 The taxpayer shall be capable of demonstrating, among others, the following:

- (a) the functions being performed as they relate to the flow of data through the system;
- (b) the internal controls used to ensure accurate and reliable processing; and
- (c) the internal controls used to prevent unauthorized addition, alteration, or deletion of retained records

5.4.3 The documentation required for electronic records retained shall, among others, include the following :

- (a) record formats or layouts;
- (b) field definitions (including the meaning of all codes used to represent information);
- (c) file descriptions (e.g., dataset name); and
- (d) detailed charts of accounts and account descriptions.

5.4.4 The following fields are mandatory for the following:

A. General Ledger

- a. Date
- b. Reference
- c. Brief Description/Explanation
- d. Account Title (Or Account Code if Chart of Accounts Master File ¹ is available)
- e. Debits
- f. Credits

B. General Journal