

**[ BIR REGULATIONS NO. 11-2004, December 15, 2004 ]**

**RULES AND REGULATIONS ON THE ACCREDITATION,  
REGISTRATION AND USE OF CASH REGISTER MACHINES (CRM),  
POINT-OF-SALE (POS) MACHINES AND/OR BUSINESS  
MACHINES GENERATING RECEIPTS/INVOICES**

**1.0**

**Background**

In recent years, the requirement for the inspection, evaluation and registration of Cash Register Machines (CRMs) and Point-of-Sale Machines (POSs) prior to their use, has posed increasing difficulties both to business establishments, and to the Bureau. In particular, administrative requirements and expenses have proved increasingly detrimental to the cost-effectiveness of the process, a cause for concern at a time when government is implementing austerity measures.

More importantly, the compliance burden imposed by the inspection-evaluation-registration process on taxpayer-establishments has become cumbersome for taxpayers. In addition, the increasing complexity of the CRM-POS registration process has negated its ultimate objective of having reliable data and records against which to assess the correctness of tax payments and the degree of tax compliance.

In this regard, these Regulations are being issued to:

- Re-focus the goals and objectives of the CRM-POS registration process to the effective supervision and control by the Bureau of the use of such machines,
- Simplify the registration process, and reduce the administrative requirements for the issuance of permits to use CRMs and/or POSs, thereby reducing the compliance burden shouldered by establishments submitting their CRMs and/or POSs to the process;
- Reduce administrative costs that may be incurred by the Bureau in the implementation of the registration process; and

- Ensure the speedy and efficient collation of accurate data on the transactions recorded through CRMs/POSs by the user-establishments.

## **2.0 Coverage**

These Regulations shall cover all business machines utilized - in the conduct of business- to record sales transactions, and shall include Cash Register Machines, Point of Sales Machines, Taximeters, Handheld or Mobile Devices.

## **3.0 Definition of Terms**

For purposes of these Regulations, the words and phrases herein provided shall be understood to mean as follows:

**3.1 Cash Register Machine (CRM)** - is a machine that has a memory and can record the sale/transfer of merchandise or services rendered, in lieu of a registered sales invoice or official receipt. A CRM uses a firmware, which is installed in a Electronic Programmable Read Only Memory (EPROM) chip. In electronic engineering, the term "firmware" is understood to mean a program which is burned on a non-volatile memory and which is used for the organization of an exactly-defined field of application. A machine-near program code ensures the shortest execution times, as well as highest operation and data security. Compared with traditional PC-systems, the hardware of firmware-controlled machines is usually structured to enable the machine to take ergonomic requirements into consideration.

**3.2 Point-of Sale (POS) Machine** - is a computerized replacement for the CRM. The POS is much more complex than the CRM, inasmuch as the POS system has the capability to record and track customer orders, process and debit credit card accounts, link to other systems in the establishment's network, and manage inventory. Generally, a POS terminal has in its core a personal computer, which is provided with application-specific programs and input/output (I/O) devices for the particular environment in which it will be utilized. A POS system for a restaurant, for example, is likely to have all menu items stored in a database that can be queried for information in several ways. POS terminals are used in most industries that have a point-of-sale, such as a service desk; among the enterprises that use POS terminals are restaurants, lodging, entertainment establishments, museums, etc.

**3.3 CRM/POS Machines Linked to Computerized Accounting System (CAS)** - Cash Register Machines/Point-of-Sale machines that are electronically connected to a CAS, or are connected to a CAS through a central server via network as described in RMO No. 29-2002.

**3.4 Computerized Accounting System (CAS)** - It is the integration of an establishment's various accounting components, to generate a computerized Books of Accounts and computer-generated accounting records and documents.

**3.5 Stand-Alone CRM/POS machine** - are those machines that run independently and is not linked or connected to any other machine or system.

**3.6 System Enhancement** - Any change or modification in the system software or architecture components of a computerized application system that will change, add value or further improve the system.

**3.7 Volatile Memory** - Memory that loses its content when the power is turned off.

**3.8 Non-Volatile Memory** - Types of memory that retain their contents when power is turned off .

**3.9 Sales Machine** - is a machine or device that dispenses receipt/invoice for purposes of tendering sales transaction.

## **4.0 General Provisions**

The following general policies and guidelines shall be observed by taxpayer-establishments who intend to make use of CRMs and/or POSs:

**4.1 New Permits for Use of CRMs, POS and Similar Machines** - Upon effectivity of these Regulations, only those CRMs/POSs that are found to be compliant with the machine specifications stated in Section 5.0, and have been duly registered in accordance with Section 9.0 hereof, shall be issued "Permits to Use", and shall be utilized to generate invoices/receipts required under Section 6.0.

**4.2 Validity of Previous Permits to Covering Machine Currently in Use** - All Business Taxpayers are encouraged to switch to machines that are compliant with the provisions of these Regulations, particularly Sections 5.0 and 6.0 hereof, the soonest.

Cognizant of the fact that an immediate change over may not be possible for all establishments, all duly existing Permits to use CRMs/POSs issued prior to the effectivity of these Regulations shall remain valid until revoked by the Commissioner of Internal Revenue: Provided, That the establishments making use of such machines shall comply with the reportorial requirements to be prescribed by a separate Revenue Regulations.

**4.3 Immediate use of CRM/POS Machines** - CRMs/POSs may be used immediately by a business establishment without the need for prior inspection and authorization by the Bureau, provided the following conditions are met:

4.3.1 The machine/system model is among those already accredited by the Bureau following the accreditation system described under Section 7.0.

4.3.2 The supplier of the machine model has already registered the machine with the Bureau *on behalf of the user-business firm*, in accordance with the registration procedure described under Section 9.0.

4.3.3 If the concerned machine/system model has not been previously accredited in accordance with Paragraph 2.3.1 of this Section, but it is nonetheless fully compliant with the specifications of machines/systems as provided for under Sections 5.0 and 6.0 the manager/owner of the business establishment may himself register the machine/system, in

accordance with the provisions of Section 9.0 hereof. The manager/owner shall then be issued a provisional authority to use the machines/system.

4.3.4 The Bureau reserves the right to inspect any machine/system registered under these Regulations at any time during store hours, to verify compliance with the specifications of a valid machine/system the data requirements of the generated invoice, the conditions for use of machines as well as other regulations that may be subsequently issued governing use of machines. Store personnel are thus required, under the authority granted for the use of the machine/system, to present the machine for inspection and reading by the concerned revenue personnel.

4.3.5 Any machine availing of the "immediate use" provisions of this Section that shall later be found to be non-compliant following inspection may be considered subject to seizure.

## **5.0**

### **Machine Control Specifications/Features**

To qualify for accreditation, registration and use, CRMs/POSs and similar business machines, must comply with the specifications enumerated below, to which compliance the machine manufacturer/dealer/distributor/vendor must attest thru a sworn declaration:

#### **5.1 General Specifications/Features**

5.1.1 The machine must have a non-resettable accumulating grand total. The accumulating grand total sales must have at least ten (10) digit (or 12 digits, including decimal points). The taxpayer must secure advance approval of the next accumulating grand total from the concerned Revenue District Office within thirty (30) days before full consumption or utilization of the previously reported accumulating grand total.

A CRM must be equipped with a reset counter that advances by one (1) every time the accumulating grand total sales is reset to zero, POS machines and other types of similar machines must be capable of generating a unique sequential number for each transaction entered.

5.1.2 The machine must be tamper-free. It must **not be switchable to "training mode" or to "no-sale transaction mode" or of other manipulations that will avoid the recording of a sale transaction.** Further, the words "THIS IS NOT AN OFFICIAL RECEIPT." must be boldly printed on the paper tapes dispensed by the machine.

5.1.3 The machine and/or the central server must be able to generate a report showing the reading of daily sales and the accumulated grand total recorded therein;

5.1.4 The machine must have a non-volatile memory or must be equipped with a recovery/back-up system;

5.1.5 The machine must reflect and/or store information such as sales discounts, refunds, etc.

5.1.6 The machine must be capable of clearly indicating separately, in words, sales of taxable (VAT) and non-taxable (Non-VAT) items, in cases where the machine-user is engaged in both taxable and non-taxable business activities. Moreover, the machine must be capable of generating a report summarizing all VAT sales, and a separate report summarizing Non-VAT sales, to facilitate the review of each type of sales transactions.

## **5.2 For Cash Register Machines:**

The machine must be equipped with two (2) rollers or their equivalent, one for the audit journal tape intended for audit and internal revenue tax purposes, and the other for the customers' tape copies which are issued as itemized and consecutively numbered receipts: *Provided*, that all tape receipts issued, and the data printed on the receipts, are of a quality that can be preserved for a period within which the Commissioner is authorized to make an assessment and collection of the taxes, as prescribed in Sections 203 and 222 of the National Internal Revenue Code (NIRC), as amended. Moreover, a safety mechanism must be installed that will prevent the operation of the machine if only one of the rollers is used.

When the machine is punched for the purpose of recording sales discounts, refunds, etc, the amount of sales discounts, refunds, etc., should automatically be printed on the customer's tape receipt and on the audit journal tape or its equivalent.

## **5.3 For POS machines:**

For POS machines that are connected to a server, all sales per POS must be automatically and completely recorded in the central server, where the stored data shall be preserved for a period within which the Commissioner is authorized to make an assessment and collection of the taxes pursuant to Sections 203 and 222 of the NIRC, as amended.

No machine model shall be accredited unless the distributor/dealer/vendor of the machine shall attest that the Bureau can view, validate and verify from the machine the sales/receipts summaries that will be submitted by the taxpayer pursuant to Section 6.0 of these Regulations. Monitoring controls and verification techniques must be disclosed by the distributor/dealer/vendor to the Bureau so that it can identify, among others, voided sales and actual sales not recorded in the proprietor's accounting records.

## **6.0**

### **Receipt/Invoice Data Requirements/Structure**

The sales machine shall generate receipts or invoices, which must show, among others, the data enumerated in Items a to k of this Section. Items a to d, however, should be uniformly provided in the Official Receipt Header. A sample design of the receipt shall be submitted upon application for accreditation.

- a. Business Name;
- b. Registered Taxpayer's Name with BIR;
- c. Taxpayer's Identification Number (12 Digits including Branch Code);
- d. Address where the machine will be used;
- e. Receipt/Invoice Number (Minimum of 6 Digits)