

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

REVENUE REGULATIONS NO. 5-2014

**SUBJECT: Amending Revenue Regulations No. 17-2013 dealing with the
“Preservation of Books of Accounts and Other Accounting Records”**

TO : All Internal Revenue Officers and Others Concerned

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.

For each electronic storage system used, the taxpayer must maintain, and make available to the Bureau of Internal Revenue upon request, complete descriptions of: (a) the electronic storage system, including all procedures relating to its use; and (b) the indexing system. For purposes of these Revenue Regulations, an “indexing system” is a system that permits the identification and retrieval for viewing or reproducing of relevant books of accounts, subsidiary books and other accounting records maintained in an electronic storage system. For example, an indexing system might consist of assigning each electronically stored document a unique identification number and maintaining a separate database that contains descriptions of all electronically stored books and records along with their identification numbers. In addition, any system used to maintain, organize, or coordinate multiple electronic storage systems is treated as an indexing system under these Revenue Regulations. The requirement to maintain an indexing system will be satisfied if the indexing system is functionally comparable to a reasonable hardcopy filing system. The requirement to maintain an indexing system does not require that a separate electronically stored books and records description database be maintained if comparable results can be achieved without a separate description database. Reasonable controls must be undertaken to protect the indexing system against the unauthorized creation of, addition to, alteration of, deletion of, or deterioration of any entries.

The Revenue District Office who has jurisdiction over the taxpayer may periodically initiate tests of a taxpayer’s electronic storage system. These tests may include an evaluation (by actual use) of a taxpayer’s equipment and software, as well as the procedures used by a taxpayer to prepare, record, transfer, index, store, preserve, retrieve, and reproduce electronically stored documents. The Revenue District Office may choose to review the internal controls, security procedures, and documentation associated with the taxpayer’s electronic storage system. The Revenue Officer duly authorized to conduct the test must inform the taxpayer within three (3) days from the conclusion of the test the results thereof, otherwise, he shall be liable administratively for failure to inform the taxpayer. The taxpayer may appeal to the Regional Director within ten (10) days from receipt of any adverse findings derived from the tests conducted. The

Regional Director shall resolve the appeal within thirty (30) days from the submission of the appeal.

The aforementioned tests described in the immediately preceding paragraph do not qualify as an “examination” or “inspection” of the books and records within the meaning of Section 235 of the Tax Code of 1997 because these tests do not involve a determination of the tax liability of a taxpayer for a particular taxable period.

A taxpayer’s electronic storage system that fails to meet the requirements of this Section shall maintain and preserve the original hardcopy of their books of accounts, subsidiary books and other accounting records.

SECTION 3. REPEALING CLAUSE. – The provisions of all internal revenue issuances as well as rulings inconsistent herewith are hereby amended or revoked accordingly.

SECTION 4. EFFECTIVITY. – These Regulations shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

(Original Signed)
CESAR V. PURISIMA
Secretary of Finance

Recommending Approval:

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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