

**REPUBLIKA NG PILIPINAS**  
**KAGAWARAN NG PANANALAPI**  
**KAWANIHAN NG RENTAS INTERNAS**  
Quezon City

August 15, 2006

**REVENUE REGULATIONS NO. 16-2006**

**SUBJECT** : *Submission by Taxpayers of Electronic Books of Accounts and Other Accounting Records in the Course of a Tax Audit/Investigation*

**TO** : *All Internal Revenue Officers and Others Concerned*

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***Background.***

Section 5 (A) of the National Internal Revenue Code (NIRC) of 1997 provides:

“SEC. 5. *Power of the Commissioner to Obtain Information, and to Summon, Examine, and Take Testimony of Persons.* – In ascertaining the correctness of any return, or in making a return when none has been made, or in determining the liability of any person for any internal revenue tax, or in collecting any such liability, or in evaluating tax compliance, the Commissioner is authorized:

(A) To examine any book, paper, record, or other data which may be relevant or material to such inquiry;

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This Section authorizes the Bureau of Internal Revenue (BIR) to examine the books and other accounting records of the taxpayer. The words “any book, paper, record, or other data” herein-mentioned would comprise both computerized and manual books of accounts and other accounting records. Thus, the BIR or its duly authorized Revenue Officers (ROs) may examine taxpayers’ computerized accounting books and records in the course of a tax audit or investigation pursuant thereto.

Moreover, Section 27 of RA No. 8792, otherwise known as the Electronic Commerce Act of 2000, mandates all government offices, including the Bureau of Internal Revenue ( BIR), to perform governmental functions using electronic documents.

With the authority granted and the requirements prescribed under the two aforementioned laws, these Regulations are issued to lay down the policies, guidelines and procedures on the submission by taxpayers of books of accounts and other accounting records in electronic form specifying:

- a. The manner and format in which such computerized accounting books/records shall be created, retained, filed and issued;

- b. When and how such computerized accounting books/records have to be signed or authenticated;
- c. The appropriate control processes and procedures to ensure integrity, security and confidentiality of computerized accounting books/records;
- d. Other attributes required of computerized accounting books/records; and
- e. The full or limited use of the documents and papers for compliance with the requirements of the BIR.

**SECTION 1. *Scope*** – Pursuant to the provisions of Section 244 in relation to Section 245 of the National Internal Revenue Code (NIRC) of 1997, these Regulations are hereby promulgated to prescribe the submission by registered computerized taxpayers of their books of accounts and other accounting records, in electronic form, during a tax audit or investigation, in accordance with the provisions of Sections 5 (A), 6 (A), 232 (A), 233, 235 and 237 of the NIRC of 1997 in relation to Section 27 of Republic Act (RA) No. 8792.

## **SECTION 2. *Definition of Terms***

- 2.1 Computerized Accounting Books/Records – refers to books of accounts and other accounting records in electronic form, such as electronic documents, transaction files, customer or vendor master files, and other files/databases maintained and used by a taxpayer in and under a computerized accounting system.
- 2.2 Electronic Document – refers to information or the representation of information, data, figures, symbols or other modes of written expression, described or however represented, by which a right is established or an obligation extinguished, or by which a fact may be proved and affirmed, which is received, recorded, transmitted, stored, processed, retrieved or produced electronically.
- 2.3 Electronic Signature – refers to any distinctive mark, characteristic and/or sound in electronic form, representing the identity of a person and attached to or logically associated with the electronic data message or electronic document or any methodology or procedures employed or adopted by a person and executed or adopted by such person with the intention of authenticating or approving an electronic data message or electronic document.
- 2.4 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.

- 2.5 CD-R (Compact Disc-Recordable) – 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).
- 2.6 DVD-R (Digital Video Disc- Recordable) – a new generation of optical disc storage technology which holds more data than the CD-R.
- 2.7 Database – refers to a stored collection of related electronic data used by organizations to meet their information processing requirements. It is normally associated with software to access and manipulate that data.
- 2.8 Data -a representation of information in a formalized manner suitable for communication, interpretation, or processing. Data consists of letters, numbers, or symbols.
- 2.9 File – a named collection of records stored or processed as an individual entity.
- 2.10 Records – a collection of related fields containing data items grouped for processing and considered sub-units of a file.
- 2.11 Field or data element– a specified area of a record used for storing a particular class of data. Fields are sub-units of a record.
- 2.12 Fixed length file – a file in which each record has the same number of characters.
- 2.13 File formats – a standard of organizing and storing the data in the file such that specific applications will be able to use the data. Common examples of file formats include -
- a. Dbase File Format – a format typically created from personal computer-based databases and has a \*.dbf file extension.
  - b. Delimited Format - a format composed of records in which the fields are not in a fixed position in the record. Instead, each field in the record is separated by a field separator character, such as a comma.
  - c. Flat File Format – a format wherein the data is stored in continuous lines of text similar to a Microsoft Word document that has been saved as “text only.” The records in flat file can be of fixed or variable length.
- 2.14 Authentication – a confirmation that the record is accurate, complete and appropriate to the actions taken. Methods of authenticating electronic records include authentication of a hard copy document that accompanies the electronic media, authentication of a label attached to the media, linking a digital signature to the electronic file/document and design of a unique location-specific procedure for authentication of electronic records.

**SECTION 3. *Examination of Computerized Books of Accounts and Other Accounting Records*** – The books of accounts and other accounting records, documents, schedules, and other information, submitted by a taxpayer in electronic form, collectively referred herein as computerized accounting books/records, may be examined by duly authorized Revenue Officers (ROs) and BIR officials in the course of a tax audit or investigation of the taxpayer, pursuant to Section 5 (A) of the NIRC of 1997.

At the time of examination, the retained computerized accounting books/records of the taxpayer must be capable of being retrieved from the computer system and converted to a standard format that would allow efficient examination and testing of such records using BIR audit tools during a tax examination, particularly in cases involving large volumes of transactions.

**SECTION 4. *Submission of Taxpayer Accounting Records in Electronic Form for BIR Examination*** – The books of accounts and other accounting records in electronic format that were submitted and registered with the concerned BIR office within thirty (30) days from the close of the taxable year pursuant to Revenue Memorandum Order (RMO) No. 29-2002 shall be provided to the BIR by the taxpayer upon audit/investigation. This does not preclude the BIR from requesting other transaction files which may contain information or transactions which occurred during the particular taxable year covered by the examination, which were not included in the original data submitted.

The required electronic or computerized accounting records should be submitted within the due date reflected on the document authorizing the audit(i.e. Letter of Authority, Audit Notice, etc). The number of days within which the computerized accounting records have to be submitted shall not exceed five (5) days from receipt of the document authorizing the investigation.

If the taxpayer maintains accounting books and records in both electronic and manual (hard-copy) formats, the Revenue Officers auditing said taxpayers may require the presentation of both electronic and manual books/records.

During verification process, the taxpayer is required to present the documents supporting the entries made in the Computerized Accounting System (CAS).

The computerized accounting books/records shall be submitted to the concerned Revenue Officers. Access to the computerized accounting books/records shall be restricted to the Revenue Officers assigned to handle the tax examination. After the report of investigation and the tax docket of the case has been reviewed and approved by the authorized Revenue Official, the Revenue Officers shall return to the taxpayer their computerized accounting books/records intact and in their original form. Nonetheless, if there are discrepancies found upon tax audit that results to tax assessments, the Revenue Officers/Examiners may request for certified true copies, in hard copy and/or electronic format, of the portion of the accounting books and pertinent accounting records that would serve as evidence or proof of the audit findings.

**SECTION 5. Requirements for Submission of Accounting Books/Records in Electronic Format** – The books of accounts and other accounting records, documents, schedules, files and other data or information that are required to be submitted by a taxpayer to the BIR under these regulations shall be those, but not limited to electronic books, reports, documents, files and data that had been produced using the computerized accounting system or components of a computerized accounting system that have previously been evaluated and approved by the Computerized Systems Evaluation Team (CSET), a team organized through RMO 29-2002 and shall be in electronic form, stored in recordable compact discs (CD-R), digital video discs (DVD-R) or other optical media, depending on the volume of the transactions or size of the business, and in a format that is readable by the BIR audit tools, as specified in the letter request for submission of data, e.g. in fixed length flat text, delimited or dBase format.

The CD-Rs, DVD-Rs or other optical media should be properly labeled with the name of taxpayer, taxable year, content description, serial number, volume number and such other information required under RMO No. 29-2002 and its amendatory issuances. To ensure that authorized users can identify, access and retrieve information stored on CDs, DVDs or other optical media, their external labels should, likewise, indicate the application system/software, including the version number of the application system/software used to create their contents. These should also be accompanied by a document describing the file attributes or layout, that is, the number of records in each data file; the control totals for each numeric field, where applicable; the record layouts and record lengths; and the documentation of key control information, including the transaction cutoff date and time.

A duly notarized certification in the form of an affidavit shall be executed by the taxpayer or his authorized representative, attesting the completeness, accuracy and appropriateness of the computerized accounting books/records, in accordance with the keeping of books of accounts and records for internal revenue tax purposes, and should be submitted together with the accounting books, records, etc., in electronic form. The CDs, DVDs or other optical media should also be properly authenticated and its label duly signed by the responsible official(s) of the company who are required to sign the tax returns under the Tax Code, using a permanent marker. The taxpayer may require the Revenue Officer to acknowledge receipt of the electronic files and documents.

The notarized certification shall be submitted in hard copy, as currently, legal documents are not yet prepared electronically in the Philippines. However, whenever this facility becomes available and acceptable in the country, notarized certification in electronic form may be allowed and submitted.

For the proper understanding of the taxpayer's business processes that were used to create and maintain the computerized accounting books and records, the taxpayer under investigation is required to provide the concerned Revenue Officers with an overview of the computerized accounting systems used during the taxable period under audit. It is understood that the computerized accounting system used or being used by the taxpayer has been previously approved by the BIR. In relation hereto, any subsequent change or enhancement to such computerized accounting system shall require approval of the BIR.

**SECTION 6. *Retention of Electronic Documents and Electronic Files*** – Pursuant to Section 13 of RA No. 8792, the books of accounts and other accounting records, documents, files, schedules and other information submitted by a taxpayer to the BIR in electronic form should be retained in their original form and:

- a.) Remain accessible so as to be usable for subsequent reference; and
- b.) Retained in the format in which it was generated, sent or received, or in a format which can be demonstrated to accurately represent the electronic document generated, sent or received.

The aforementioned books/records shall be retained in accordance with the rules on preservation of books of accounts and other accounting records provided in Section 235 in relation to Sections 203 and 222 of the NIRC of 1997.

**SECTION 7. *Legal Recognition of Electronic Document*** – In relation to Section 7 of RA No. 8792, electronic documents submitted for purposes of a tax audit or investigation shall have the legal effect, validity or enforceability as any other document or legal writing subject to the following conditions:

- a. If an electronic document is able to maintain its integrity and reliability through time and can be authenticated for subsequent reference, in that –
  - 1. The electronic document has remained complete and unaltered, apart from the addition of any endorsement and any authorized change, or any change which arises in the normal course of communication, storage and display; and
  - 2. The electronic document can be relied upon for the purpose for which it was generated and for all the relevant circumstances.
- b. If an electronic document has been presented or retained in its original form, in that -
  - 1. There exists a reliable assurance on the integrity of the document from the time when it was first generated in its final form; and
  - 2. That document is capable of being displayed to the person to whom it is to be presented.

Under existing laws and these regulations, an electronic document shall be the functional equivalent of a written document for evidentiary purposes.

**SECTION 8. *Compliance Enforcement*** – In instances where the taxpayer fails to comply with the provisions of these Regulations, the procedures prescribed in the issuance and enforcement of Subpoena Duces Tecum shall be followed.

**SECTION 9. *Penalty Clause*** – Any violation of the provisions of these Regulations shall be subject to the penalties provided for under the pertinent provisions of the NIRC.

**SECTION 10. *Repealing Clause*** – All existing revenue regulations and other issuances or portions thereof that are inconsistent herewith are hereby revoked, repealed or amended accordingly.

**SECTION 11. *Effectivity Clause*** – These Regulations shall take effect after fifteen (15) days following its publication in any newspaper of general circulation.

(Original Signed)  
**MARGARITO B. TEVES**  
Secretary of Finance

Recommending approval:

(Original Signed)  
**JOSE MARIO C. BUÑAG**  
Commissioner of Internal Revenue

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