**REPUBLIKA NG PILIPINAS**
**KAGAWARAN NG PANANALAPI**
# KAWANIHAN NG RENTAS INTERNAS

March 19, 2005

**REVENUE MEMORANDUM CIRCULAR NO. 9 – 2005**

**SUBJECT : Clarifying the Term "Financial Statement" as Defined in Revenue Regulations No. 4 – 2005**

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

---

On January 26, 2005, the Monetary Board issued Circular No. 472, Series of 2005, mandating all banks and financial institutions, including non-banks financial institution, under the regulation and supervision of the Bangko Sentral ng Pilipinas (BSP) to require all applicant to submit, among others, Income Tax Returns (ITR) and Financial Statements (FS) which were submitted to the Bureau of Internal Revenue. In relation thereto, Revenue Regulations No. 4-2005 was issued to facilitate the implementation of the above-mentioned Circular. Revenue Regulations No. 4-2005 defined "financial statements" to include "the balance sheet, statement of income, statement of changes in equity, and the statement of cash flows, together with all notes to the statements." It further states that "starting 2005 and for taxpayers with total assets of more than 15 Million, only financial statements audited by external auditors accredited by the Securities and Exchange Commissioner (SEC) shall be acceptable."

For clarification, the financial statements referred to shall be "the balance sheet, statement of income, statement of changes in equity, and the statement of cash flows, together with all notes to the statements" duly prepared and certified correct by an independent external auditor qualified under Revenue Regulations No. 15-99, as amended, which was filed with and duly stamped received by the LTS/LTDO/RDO or offices of the Bureau having jurisdiction over the taxpayer. Therefore, for purposes of Revenue Regulations No. 4-2005, the requirement that the financial statements submitted to the LTS/LTDO/RDO concern must be prepared by an external auditor accredited by the SEC shall not apply to financial statements prepared for periods covering 2004 and earlier.

However, in line with coordinating the action of all agencies and instrumentalities of the government, and to minimize the cost of doing business, starting with financial statements for the period covering 2005, for taxpayers with total assets of more than Fifteen Million Pesos, we enjoined all taxpayers to have their financial statements prepared by external auditors who are accredited both with the SEC and the BIR, in the meantime that Revenue Regulations No. 15-99 has not been amended to automatically accredit for BIR purposes, external auditors duly accredited by the SEC.

All revenue officials and employees are enjoined to give this circular as wide a publicity as possible.

(Original Signed)
**GUILLERMO L. PARAYNO, JR.**
Commissioner of Internal Revenue