REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

April 3, 2006

REVENUE MEMORANDUM CIRCULAR NO. 20-2006

SUBJECT : TEMPORARY SUSPENSION OF THE REQUIRED ACCREDITATION OF EXTERNAL AUDITORS AS PROVIDED IN REVENUE REGULATIONS NO. 4-2005

TO : All Internal Revenue Officers and Others Concerned

Sub-paragraph 3.3 of Revenue Regulations No. 4-2005, implementing Section 1 of Bangko Sentral ng Pilipinas Circular No. 472 Series 2005 requiring all bank borrowers and co-makers to submit latest Income Tax Return and Financial Statement received by the Bureau of Internal Revenue, provides that starting 2005, only financial statements of taxpayers with total assets of more than P15 Million audited by external auditors accredited by the Securities and Exchange Commission (SEC) shall be acceptable.

The SEC, however, has informed the Bureau that under its Guidelines on Accreditation, only external auditors of public companies and those with secondary license are required to be accredited by the SEC. External auditors of all other entities are, therefore, not mandated to be accredited with the SEC. Aside from the fact that external auditors of ordinary corporations with assets of at least P15 Million are not covered by the SEC Circular on Accreditation, the number of SEC accredited external auditors is not proportionate to the number of corporations covered by RR No. 4-2005. As of March 14, 2006, the SEC has accredited only a total of two hundred ninety nine (299) individual external auditors and seventy three (73) auditing firms, which may be substantially insufficient to service the estimated number of companies with at least P15 Million total assets estimated to be about 7,000 companies based on its records. The SEC is, therefore, concerned that the Bureau may be rejecting a lot of tax returns this coming tax season due to the requirement of RR No. 4-2005.

In view of the foregoing, the requirement of RR No. 4-2005 that starting 2005, only financial statements of taxpayers with total assets of more than P15 Million audited

by external auditors accredited by the SEC shall be acceptable, is hereby temporarily suspended until further notice.

All internal revenue officials and others concerned are hereby enjoined to give this circular as wide a publicity as possible.

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

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