REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

April 12, 2004

REVENUE MEMORANDUM CIRCULAR NO. 22-2004

SUBJECT : Supplement to Revenue Memorandum Circular No. 44-2002 on Accounting Methods to be Used by Taxpayers for Internal Revenue Tax Purposes.

TO : All Internal Revenue Officers and Others Concerned.

I. Background.

From time to time, the Accounting Standard Council (ASC) approves and adopts certain generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS) which shall be used as the basis for recording financial transactions and preparing financial statements for businesses in the Philippines. It has been observed that the generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS) approved and adopted may from time to time be different from the provisions of the National Internal Revenue Code of 1997 (Tax Code) and the rules and regulations issued implementing said Tax Code. This Revenue Memorandum Circular is hereby issued to put forth the definitive rule in case there is differences between what is contained in the Tax Code and such rules and regulations issued in relation thereto, and that of the generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS) as approved and adopted by the ASC.

II. Provisions of Tax Code Shall Prevail.

All returns required to be filed by the Tax Code shall be prepared always in conformity with the provisions of the Tax Code, and the rules and regulations issued implementing said Tax Code. Taxability of income and deductibility of expenses shall be determined strictly in accordance with the provisions of the Tax Code and the rules and regulations issued implementing the said Tax Code. In case of difference between the provisions of the Tax Code and the rules and regulations implementing the Tax Code, on one hand, and the generally accepted

accounting principles (GAAP) and the generally accepted auditing standards (GAAS), on the other hand, the provisions of the Tax Code and the rules and regulations issued implementing the said Tax Code shall prevail.

Please be guided accordingly.

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