REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
Quezon City
BUREAU OF INTERNAL REVENUE

September SEP 30 2020

REVENUE REGULATIONS NO. 25-2020

SUBJECT: Rules and Regulations Implementing Section 4 (bbbb) of Republic Act No. 11494, otherwise known as the "Bayanihan to Recover as One Act" Relative to Net Operating Loss Carry-Over (NOLCO) Under Section 34 (D)(3) of the NIRC, As Amended

To: All Internal Revenue Officers and Others Concerned

SECTION 1. Scope. – Pursuant to the provisions of Section 244 of the National Internal Revenue Code (NIRC), as amended, these Regulations are hereby promulgated to implement Section 4 (bbbb) of Republic Act (R.A.) No. 11494, otherwise known as "Bayanihan to Recover as One Act", to wit:

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(bbbb) Notwithstanding the provision of existing laws to the contrary, the net operating loss of the business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss; Provided, That this subsection shall remain in effect even after the expiration of this Act;"

SECTION 2. Coverage. These Regulations shall cover the deduction from gross income of the Net Operating Loss Carry-Over (NOLCO) incurred by businesses or enterprises for taxable years 2020 and 2021 pursuant to Section 4 (bbbb) of Republic Act (R.A.) No. 11494.

SECTION 3. Definition of Terms. - For purposes of these Regulations, the words and phrases herein provided shall mean as follows:

3.1 ***Gross Income*** — means the pertinent items of income referred to in Section 32(A) of the Tax Code of 1997, as amended, which are required to be declared in the taxpayer's Income Tax Return for purposes of computing its taxable income as defined in Section 31 of the same Code. Exempt income and all other items of income subject to final tax shall not form part of the gross income.

3.2 ***Allowable Deductions*** — means the items of deduction enumerated under Section 34(A) to (J) of the Tax Code of 1997, as amended, including the special deductions allowed to insurance companies under Section 37 of the same Code but excluding NOLCO and any item of incentive deduction allowable under any special law that does not actually involve cash outlay.

3.3 ***Net Operating Loss*** — means the excess of allowable deduction over gross income of the business in a taxable year.

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3.4 ***Taxable Income*** — means the excess amount of the pertinent items of gross income over the allowable deductions authorized under the Tax Code of 1997, as amended, or under any special law.

3.5 ***Taxable Year*** – means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the net income is computed under Title II of the Tax Code of 1997, as amended. Taxable year includes, in the case of a return made for a fractional part of a year, the period for which such return is made.

3.6 ***Fiscal Year*** – means an accounting period of twelve (12) months ending on the last day of any month other than December. Taxable year 2020 and 2021 shall include all those corporations with fiscal years ending on or before June 30, 2021, and June 30, 2022, respectively.

SECTION 4. Five (5) Year Period of Entitlement to Deduct Net Operating Loss Incurred for Taxable Years 2020 and 2021. — Unless otherwise disqualified from claiming the deduction, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of RA No. 11494 provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.

SECTION 5. Presentation of NOLCO in Tax Return and Unused NOLCO in the Income Statement. — The NOLCO shall be separately shown in the taxpayer's income tax return (also shown in the Reconciliation Section of the Tax Return) while the unused NOLCO shall be presented in the Notes to the Financial Statements showing, in detail, the taxable year in which the net operating loss was sustained or incurred, and any amount thereof claimed as NOLCO deduction within five (5) consecutive years immediately following the year of such loss. The NOLCO for taxable years 2020 and 2021 shall be presented in the Notes to the Financial Statements separately from the NOLCO for other taxable years. Failure to comply with this requirement will disqualify the taxpayer from claiming the NOLCO.

SECTION 6. Repealing Clause. All revenue rules and regulations and other revenue issuances or parts thereof, which are inconsistent with these Regulations are hereby repealed or modified accordingly.

SECTION 7. Effectivity. – These Regulations shall take effect immediately.

The Office of the National Administrative Registrar (ONAR) of the U.P. Law Center shall be provided with three (3) certified copies of this Revenue Regulations.

CARLOS G. DOMINGUEZ
Secretary of Finance

SEP 28 2020

Recommending Approval:

CAESAR R. DULAY
Commissioner of Internal Revenue

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