REPUBLIC OF THE PHILIPPINE
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

July 3, 2007

REVENUE REGULATIONS NO. 8-2007

SUBJECT: Additional Compliance Requirements of Concerned Taxpayers in the Light of Mandatory Adoption of the Philippine Financial Reporting Standards.

TO : All Internal Revenue Officers and Others Concerned

SECTION 1. Scope – Pursuant to Section 244, in relation to Sec. 5, both of the National Internal Revenue Code (NIRC) of 1997, these Regulations are hereby issued to prescribe additional compliance requirements from taxpayers mandated to adopt the Philippine Financial Reporting Standards (PFRS) in recording business transactions and preparing financial statements.

SECTION 2. Additional Compliance Requirements of Concerned Taxpayers in the Light of Mandatory Adoption of the Philippine Financial Reporting Standards in Recording and Presenting Business Transactions and Results – The Philippines has adopted the International Financial Reporting Standards (IFRS) as the Philippine Financial Reporting Standards (PFRS) that should be observed by big corporate taxpayers in the recording of their business transactions and preparation of Financial Statements starting year 2005. Under the IFRS, the recording and the recognition of business transactions for financial accounting purposes, in a majority of situations, differ from the application of tax rules on the same transactions resulting to disparity of reports for financial accounting viv-a-vis tax accounting. Hence, there is a need to reconcile the disparity in a systematic and clear manner to avoid irritants between the taxpayer and the tax enforcer. Accordingly, concerned taxpayers are hereby mandated to maintain books and records that would reflect the reconciling items between Financial Statements figures and/or data with those reflected/presented in the filed Income Tax Return (ITR). The recording and presentation of the reconciling items in such books and records shall be done in such a manner that would facilitate the understanding by the examiners/auditors of the Bureau of Internal Revenue tasked to undertake audit/investigation functions, providing in sufficient detail the computation of the differences and the reasons therefore aimed at bringing into agreement the IFRS and ITR figures.

SECTION 3. Start of Keeping of Books and Records - The keeping of books and records for the reconciling items referred to in the preceding Section shall start for taxable year 2007. For this purpose *'taxable year 2007'* shall mean calendar year ending December 31, 2007 and all fiscal years ending not later than June 30, 2008.

SECTION 4 Repealing Clause – The provisions of internal revenue issuances inconsistent herewith are hereby repealed, modified or amended accordingly.

SECTION 5. Effectivity Clause – These regulations shall take effect after fifteen (15) days following publication in newspapers of general circulation.

(Original Signed)
MARGARITO B. TEVES
Secretary of Finance

Recommending Approval:

(Original Signed)
LILIAN B. HEFTI
OIC-Commissioner of Internal Revenue