REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS
Quezon City

REVENUE REGULATIONS NO. 9-2009

December 23, 2009
(Date)

SUBJECT : *Maintenance, Retention, and Submission of Electronic Records*

TO : *All Internal Revenue Officers and Others Concerned*

SECTION 1. PURPOSE

1.1 The purpose of these regulations are to define the requirements, obligations and responsibilities imposed on taxpayers for electronic record keeping and maintenance of electronic books of accounts, electronic records, and other sources of information under the National Internal Revenue Code of the Philippines (NIRC), as amended.

1.2 It is also the purpose of these regulations to address the requirements for retention of records thru various processes and systems, including but not limited to, computer electronic and imaging processes.

1.3 These regulations also provide the requirements for the access and submission of electronic records to the BIR.

1.4 The regulations shall make it mandatory for Large Taxpayers classified under Revenue Regulations No. 1-98 to maintain and/or adopt a Computerized Accounting Systems (CAS).

SECTION 2. DEFINITIONS

2.1 For purposes of this regulation, these terms shall be defined as follows:

2.1.1 "Database Management System" means a software system that controls, relates, retrieves, and provides accessibility to data stored in a database.

2.1.2 "Electronic data interchange" or "EDI technology" means the computer-to-computer exchange of business transactions in a standardized structured electronic format.

2.1.3 "Hard copy" means any documents, records, reports or other data printed on paper.

2.1.4 "Electronic record" means a collection of related information in an electronically readable format. Electronic records do not include hard-copy records that are created or recorded on paper or stored in or by an imaging system such as microfilm, micro-fiche, or storage-only imaging systems.

2.1.5 "Electronically readable format" means information supported by a system capable of producing an **accessible** and **useable** copy.

(a) Accessible copy means that the taxpayer must provide an acceptable copy of the electronic records in an electronically readable and useable format to Bureau of Internal Revenue Tax Auditors (examiners/investigators) to permit them to process and analyze the electronic records on BIR equipment.
(b) A copy is useable if the electronic records can be processed and analyzed with BIR audit software.
(c) The useable copy must be in a non-proprietary, commonly used data interchange format that is compatible with BIR software.
(d) Electronic files retained in an encrypted or proprietary backup format must be able to be restored at a later date to an accessible and useable state to meet BIR requirements.

2.1.6 "Storage-only imaging system" means a system of computer hardware and software that provides for the storage, retention and retrieval of documents originally created on paper. It does not include any system, or part of a system, that manipulates or processes any information or data contained on the document in any manner other than to reproduce the document in hardcopy or as an optical image.

2.1.7 "Taxpayer" as used in this regulation means Corporations, Companies, Partnerships or Persons required to Keep Books of Accounts necessary to a determination of tax liability.

2.1.8 "Electronic record keeping" means those electronic business systems that create, process, store, maintain and provide access to the financial records of a person, including but not limited to custom and commercial accounting software, Point of Sale systems and Internet-based electronic commerce business systems.

2.1.9 "Media" refers to the physical forms of recorded information. This includes paper, film, computer disks, computer tapes, and any other materials on which information can be recorded.

2.1.10 "CD-R (Compact Disc-Recordable)" means an optical data storage written and read using lasers that can be read or viewed only but cannot be modified, deleted, or written over with new data. Recordable CDs are WORM (Write Once, Read Multiple).

2.1.11 "DVD-R (Digital Video Disc- Recordable)" refers to a new generation of optical disc storage technology which holds more data than the CD-R.

SECTION 3. ELECTRONIC RECORDKEEPING REQUIREMENTS - GENERAL

3.1 A taxpayer shall maintain all records that are necessary for the determination of the correct tax liability under Section 232 of the NIRC. All required records must be made available on request by the Commissioner of Internal Revenue or its authorized representatives.

3.2 If a taxpayer retains records required to be kept under this regulation in both electronic and hard-copy formats, the taxpayer shall make the records available to the Bureau

of Internal Revenue in electronic format upon request of the Commissioner or its authorized representative.

3.3 Nothing in this regulation shall be construed to prohibit a taxpayer from demonstrating tax compliance with traditional hard-copy documents or reproductions thereof, in whole or in part, whether or not such taxpayer also has retained or has the capability to retain records on electronic or other storage media in accordance with this regulation. However, this subsection shall not relieve the taxpayer of the obligation to comply with subsection 3.2 of this regulation.

SECTION 4. ELECTRONIC RECORDKEEPING REQUIREMENTS FOR LARGE TAXPAYERS

4.1 All Large Taxpayers classified under Revenue Regulations No. 1-98 are required to maintain Computerized Accounting Systems (CAS) or components thereof. Accordingly, all books of accounts and accounting records shall be in electronic formats.

4.2 All Large Taxpayers who are currently maintaining their books of accounts and accounting records in manual form are required to register their Computerized Accounting Systems not later than December 31, 2009.

4.3 A Large Taxpayer using commercial and/or customized software to keep books and records electronically is not relieved of the responsibility to keep adequate electronic records because of deficiencies in the software.

SECTION 5. ELECTRONIC RECORDKEEPING REQUIREMENTS - ELECTRONIC RECORDS

5.1 General Requirements

5.1.1 Electronic records used to establish tax compliance shall contain sufficient transaction-level detail information so that the details underlying the electronic records can be identified and made available to the Bureau of Internal Revenue upon request. A taxpayer has discretion to discard duplicated records and redundant information provided its responsibilities under this regulation are met.

5.1.2 At the time of an examination, the retained records must be capable of being retrieved and converted to a standard record format in accordance with Revenue Regulations No. 16-2006.

5.1.3 Taxpayers are not required to construct electronic records other than those created in the ordinary course of business. A taxpayer who does not create the electronic equivalent of a traditional paper document in the ordinary course of business is not required to construct such a record for tax purpose s.

5.2 Electronic Data Interchange Requirements

5.2.1 Where a taxpayer uses electronic data interchange processes and technology, the level of record detail, in combination with other records related to the transactions, must be equivalent to that contained in an acceptable paper record. For example, the retained records should contain such information as vendor name,

invoice date, product description, quantity purchased, price, amount of tax, indication of tax status, shipping detail, etc. Codes may be used to identify some or all of the data elements, provided that the taxpayer shall provide a method which would allow the Bureau of Internal Revenue to convert the coded information into an auditable data.

5.2.2 The taxpayer may capture the information necessary to satisfy section 5.2.1 at any level within the accounting system and need not retain the original EDI transaction records provided the audit trail, authenticity, and integrity of the retained records can be established. For example, a taxpayer using electronic data interchange technology receives electronic invoices from its suppliers. The taxpayer decides to retain the invoice data from completed and verified EDI transactions in its accounts payable system rather than to retain the EDI transactions themselves. Since neither the EDI transaction nor the accounts payable system captures information from the invoice pertaining to product description and vendor name (i.e., they contain only codes for that information), the taxpayer also retains other records, such as its vendor master file and product code description lists and makes them available to the Bureau of Internal Revenue. In this example, the taxpayer need not retain its EDI transaction for tax purposes.

5.3 Electronic Data Processing Systems Requirements

5.3.1 The requirements for an electronic data processing accounting system should be similar to that of a manual accounting system, in that an adequately designed accounting system should incorporate methods and records that will satisfy the requirements of this regulation.

5.3.2 The information that is required to re-create a sequence of events related to a business transaction, must include sufficient detail to substantiate summarized information. The electronic records must show an audit trail from the source document(s), whether paper or electronic, to the summarized financial accounts. In addition the trail may also include a number of links to other associated processes and events such as front-end systems (e-commerce, Point of Sale), receipts, payments, and stock inventories, all of which may have their own system audit trails. For example, in Internet based e-commerce transactions, other records such as web logs, emails when used as part of the transaction (e.g., invoice and confirmations) or security measures such as digital signatures could be an important part of the audit trail. Transactions covered by a trading partner agreement of electronic data interchange (EDI), the electronic record(s) including functional acknowledgments have to be kept. It is the taxpayer's responsibility to ensure the reliability and readability of these transaction records.

5.3.3 Taxpayers keeping electronic records must also retain source documents. A **source document** includes items such as sales invoices, purchase invoices, cash register receipts, formal written contracts, credit card receipts, delivery slips, deposit slips, work orders, dockets, cheques, bank statements, tax returns, and could also include emails, and other general correspondence where relevant for tax purposes.

5.4 Business Process Information

5.4.1 Upon the request of the Commissioner of Internal Revenue or its authorized representative, the taxpayer shall provide a description of the business process that created the retained records. Such description shall include the relationship between the records and the tax documents prepared by the taxpayer and the measures employed to ensure the integrity of the records.

5.4.2 The taxpayer shall be capable of demonstrating, among others, the following:

(a) the functions being performed as they relate to the flow of data through the system;
(b) the internal controls used to ensure accurate and reliable processing; and
(c) the internal controls used to prevent unauthorized addition, alteration, or deletion of retained records

5.4.3 The documentation required for electronic records retained shall, among others, include the following:

(a) record formats or layouts;
(b) field definitions (including the meaning of all codes used to represent information);
(c) file descriptions (e.g., dataset name); and
(d) detailed charts of accounts and account descriptions.

5.4.4 The following fields are mandatory for the following:

A. General Ledger
   a. Date
   b. Reference
   c. Brief Description/Explanation
   d. Account Title (Or Account Code if Chart of Accounts Master file[1] is available)
   e. Debits
   f. Credits
B. General Journal
   a. Date
   b. Reference
   c. Brief Description/Explanation
   d. Account Title (Or Account Code if Chart of Accounts Master file is available)
   e. Debits
   f. Credits
C. Sales Journal
   a. Date
   b. Customers' TIN
   c. Customers Name (Or Customer Code if Customer Master file[2] is available)
   d. Address (Not necessary if Customer Master file is available)
   e. Description
   f. Reference/Document No./Sales Invoice

[1] Contains fields such as Account Code, Account Title or Name, etc
[2] Contains Code, TIN, Name, Address, etc

g. Amount
h. Discount
i. VAT Amount (Output tax)
j. Net Sales

D. Purchase Journal
   a. Date
   b. Suppliers' TIN
   c. Vendors' Name (Or Vendor s' Code if Vendor Master file[3] is available)
   d. Address (Not necessary if Vendors' Master file is available)
   e. Description
   f. Reference/Document No./Sales Invoice
   g. Amount
   h. Discount
   i. VAT Amount (Input tax)
   j. Net Purchases

E. Inventory Book
   a. Date
   b. Product Name (Or Product Code if Product Description Master file is available)
   c. Description
   d. Unit
   e. Price per unit
   f. Amount

The Commissioner of Internal Revenue, or its authorized representative, can prescribe additional fields when needed.

5.5 Transaction integrity and security systems controls

5.5.1 A taxpayer carrying on a business with an electronic business system must ensure that adequate controls are in place, which safeguards the accuracy, security, and integrity of the electronic records processed and kept in that system. These can include:

(a) access controls to ensure that only authorized users can have access to a computer system to process data;
(b) input and output controls that ensure the accuracy and security of the information created, received and transmitted;
(c) processing controls that protect and ensure the integrity of the information processed by the system;
(d) back-up controls that guarantee the retention of back-up copies of electronic records, computer programs, system documentation and the recovery of electronic records in case of system failure;
(e) and controls to ensure there is no accidental or intentional editing or deletion of recorded or completed transactions. Changes to any recorded transaction must be made by journal entry, be adequately documented, and include the following:
   (a) person making modifications;

[3] Contains Code, TIN, Name, Address, etc

(b) date of change;
(c) previous transaction details;
(d) current transaction details; and
(e) reason for the change or deletion

5.6 Changes to Business Systems

5.6.1 If changes to the operating and/or electronic business system occur the capability to access and retrieve data must be preserved. The changes must not result in a loss, destruction, or alteration of information and data relevant to the determination of taxes payable, collected, or withheld. Adequate documentation must be retained to preserve an accurate chronological record of the changes including any changes to software or systems and the format of the files. These changes must be reported to the BIR before implementation of such changes.

5.6.2 Before implementing a new business system the taxpayer must ensure that:

(a) sufficient detail will be captured and produced to ensure proper determination of internal revenue taxes administered by the BIR;
(b) the audit trail of each transaction will be preserved to allow BIR auditors to verify accuracy of internal revenue taxes determined by the taxpayer;
(c) adequate internal controls are incorporated in the system to ensure that all transactions are being recorded accurately and completely;
(d) the system ensures transaction integrity and security;
(e) the system will capture and save in a readable format the information required by the BIR;
(f) BIR auditors will have access to all information produced by the system and required by the BIR to verify the filed returns;
(g) adequate back-up and restore procedures will be in place to safeguard information required by the BIR; and
(h) the system will continue to offer the capacity to export the required information into a commonly used non-proprietary format.

SECTION 6. ELECTRONIC RECORDS MAINTENANCE AND LOCATION REQUIREMENTS

6.1 Maintenance.

6.1.1 The taxpayer's computer hardware or software shall accommodate the extraction and conversion of retained electronic records in accordance with Revenue Regulations No. 16-2006.

6.1.2 Records that are retained by copying or backing up the data to another medium must be done so in accordance with the media manufacturers' suggested procedures with particular attention given to the suggested shelf life of the medium. Information recorded on rewritable media such as computer hard disks must be backed up on CD-R/DVD-R, tape or other suitable medium to avoid accidental loss, deletion, or erasure of the recorded information. The media containing the recorded

information must be stored in an environment free from hazards that could affect the media, such as magnetic fields, direct light, excessive moisture, and temperature extremes.

6.1.3 It is the taxpayer's responsibility to ensure that current and/or prior period data files have been archived or backed up properly and adequately to meet books and recordkeeping obligations.

6.1.4 When backups of electronic files are being used as a method of record retention, procedures must be put in place to:

(a) Ensure that the backed up data files can be restored in a format that will be accessible and useable by the BIR.
(b) Ensure that the intended data is actually being written to the medium being used.
(c) Ensure that the backup procedure does not overwrite prior period backups or logs, destroying them.
(d) Ensure that the medium is uniquely labeled in a readily identifiable manner.
(e) Ensure that a log is prepared to identify what records and data have been recorded on such medium.
(f) Ensure that the log states how long this medium is to be retained before it can be overwritten or discarded.
(g) Ensure that the name of the software and the version number used to create the records are noted on the medium label and in the log.
(h) Ensure that the proper electronic business system software and operating system are available to restore the backed up files to their original environment.
(i) Ensure that there is periodic testing of backed up records to verify that the backed up records can be restored into an electronically readable format.

6.2 Location

6.2.1 Records must be kept at the taxpayer's place of business in the Philippines or another place designated by the Commissioner of Internal Revenue and must, upon request, be made available to Revenue Officers of the BIR for audit purposes during business hours. Records kept outside the Philippines and accessed electronically from the Philippines are not considered to be records in the Philippines. However, where records are maintained electronically in a location outside the Philippines, the BIR may accept a copy of the records, provided these are made available in the Philippines in an electronically readable and useable format for BIR officials and they contain adequate details to support the tax returns filed with the BIR.

6.2.2 All retained records must be clearly labeled and stored in a secure environment in the Philippines. Authorization to maintain records elsewhere may be granted, subject to such terms and conditions as the Commissioner of Internal Revenue may specify in writing. These terms and conditions which are identical to records maintained in the Philippines and which apply to electronic records, specify that records stored outside the Philippines are to be made available to officials of the BIR for audit purposes during business hours in accordance with the provision of

National Internal Revenue Code as amended and this Revenue Regulations. The authorization may be obtained by writing to Office of the Commissioner of Internal Revenue or its authorized representative.

6.2.3 Normally a back-up of the electronic records are stored at a site other than the business location for security and precautionary purposes (in case of fire, flood, theft, or other cause), the BIR requires this business practice and back-up copies must be maintained at a location within the Philippines.

6.2.4 It is the taxpayer's responsibility to produce the records for inspection no matter where those records are located.

6.2.5 Businesses that operate via the Internet and are hosted on a server located outside of the Philippines should be cognizant of their responsibility to maintain their records within the Philippines. Internet based businesses have the same responsibilities related to record retention as all other business operations.

6.3 Use of Third-Party for Electronic Records maintenance

6.3.1 A taxpayer may engage the services of a third-party to provide custodial and/or management services of the records and shall notify the BIR prior to such arrangement. Such utilization of a third-party shall not relieve the taxpayer of its obligations under these regulations.

SECTION 7. ACCESS AND SUBMISSION OF ELECTRONIC RECORDS

7.1 The manner in which the BIR is provided access to electronic records as required in subsection 3.2 of this regulation may be satisfied through a variety of means that shall take into account taxpayer's facts and circumstances through consultation with the taxpayer.

7.2 Such access will be provided in one or more of the following manners:

7.2.1 The taxpayer may arrange to provide the BIR with the hardware, software and personnel resources to access the electronic records.

7.2.2 The taxpayer may arrange for a third-party to provide the hardware, software and personnel resources necessary to access the electronic records.

7.2.3 The taxpayer may convert the electronic records to a standard record format specified by Revenue Regulations No. 16-2006, including copies of files, on a magnetic medium that is agreed to by the BIR. The original files (unconverted format or files in its native format) should also be submitted along with the copies of the converted files.

7.2.4 The taxpayer and the BIR may agree on other means of providing access to the electronic records.

SECTION 8. ALTERNATIVE STORAGE MEDIA

8.1 For purposes of storage and retention, taxpayers may convert hardcopy documents received or produced in the normal course of business and required to be retained under this regulation to microfilm, microfiche or other storage-only imaging systems and may discard the original hard-copy documents, provided the conditions hereunder enumerated are met. Documents which may be stored on these media include, but are not limited to general books of account, journals, voucher registers, general and subsidiary ledgers, and supporting records of details, such as sales invoices, purchase invoices, exemption certificates, and credit memoranda.

8.2 Microfilm, microfiche and other storage-only imaging systems shall comply, among others, with the following requirements:

8.2.1 Documentation establishing the procedures for converting the hard-copy documents to micro-film, microfiche or other storage-only imaging system must be maintained and made available on request. Such documentation shall, at a minimum, contain a sufficient description to allow an original document to be followed through the conversion system as well as internal procedures established for inspection and quality assurance.

8.2.2 Procedures must be established for the effective identification, processing, storage, and preservation of the stored documents and for making them available for the period they are required to be retained under section 10.

8.2.3 A person in authority within the organization has confirmed in writing that the program will be part of the usual and ordinary activity of the organization's business. Said person must execute a sworn statement that the original source documents have been converted strictly in accordance with the standards and verified to insure its integrity and completeness.

8.2.4 Upon request by the *Commissioner of Internal Revenue or its duly Authorized Representative*, a taxpayer must provide facilities and equipment for reading, locating, and reproducing any documents maintained on microfilm, microfiche or other storage-only imaging system.

8.2.5 When displayed on such equipment or reproduced on paper, the documents must exhibit a high degree of legibility and readability. For this purpose, legibility is defined as the quality of a letter or numeral that enables the observer to identify it positively and quickly to the exclusion of all other letters or numerals. Readability is defined as the quality of a group of letters or numerals being recognizable as words or complete numbers.

8.2.6 All data stored on microfilm, microfiche or other storage-only imaging systems must be maintained and arranged in a manner that permits the location of any particular record.

8.2.7 A logbook shall be maintained to include, among others, the following information

(a) the date of the imaging;
(b) the signatures of the persons authorizing and performing the imaging
(c) a description of the records imaged; and
(d) whether source documents are destroyed or disposed of after imaging, and the date a source document was destroyed or disposed of;

8.2.8 There is no substantial evidence that the microfilm, microfiche or other storage-only imaging system lacks authenticity or integrity otherwise, such converted documents may be wholly or partially disregarded by the BIR during tax audits/investigations and shall resort to other evidence best obtainable to establish the correct tax liabilities of the taxpayer.

8.3 Prior permit from the BIR is required before use of Microfilm, microfiche and other storage-only imaging systems

SECTION 9. EFFECT ON HARD-COPY RECORDKEEPING REQUIREMENTS

9.1 Except as otherwise provided in this section, the provisions of this regulation do not relieve taxpayers of the responsibility to retain hard-copy records that are created or received in the ordinary course of business as required by existing law and regulations. Hard-copy records may be retained on a recordkeeping medium as provided in section 8 of this regulation.

9.2 If hard-copy records are not produced or received in the ordinary course of transacting business (e.g., when the taxpayer uses electronic data interchange technology), such hard-copy records need not be created.

9.3 Hard-copy records generated at the time of a transaction using a credit or debit card must be retained unless all the details necessary to determine correct tax liability relating to the transaction are subsequently received and retained by the taxpayer in accordance with this regulation. Such details include those listed in subsection 5.2.1.

9.4 Computer printouts that are created for validation, control, or other temporary purposes need not be retained.

9.5 Nothing in this section shall prevent the BIR from requesting hard-copy printouts in lieu of retained electronic records at the time of examination.

SECTION 10. ELECTRONIC RECORDS RETENTION - TIME PERIOD

10.1 All records required to be retained under this regulation shall be preserved pursuant to *Section 235 of the NIRC* unless the *BIR* has provided in writing that the records are no longer required.

SECTION 11. REGISTRATION REQUIREMENTS

11.1 All computerized books of accounts, electronic record keeping, electronic business systems and components thereof shall be registered with the Bureau of Internal Revenue in accordance with Revenue Memorandum Order No. 29-2002 and all other pertinent issuances.

SECTION 12. PENALTY CLAUSE

12.1 Any violation of the provisions of these Regulations may result to prosecution of the taxpayer by the Bureau of Internal Revenue. Upon conviction, the taxpayer shall be held liable to the penalties provided under Section 255 of the NIRC, in addition to any other penalties otherwise payable.

SECTION 13. REPEALING CLAUSE

13.1 All existing revenue regulations and other issuances or portions thereof that are inconsistent herewith are hereby revoked, repealed or amended accordingly. Provided that if any provision or section of this regulation is held invalid, the other provisions or sections shall not be affected thereby.

SECTION 14. EFFECTIVITY CLAUSE

14.1 These Regulations shall take effect after fifteen (15) days following its publication in any newspaper of general circulation.

(Original Signed)
MARGARITO B. TEVES
Secretary of Finance

RECOMMENDING APPROVAL:

(Original Signed)
JOEL TAN-TORRES
Commissioner of Internal Revenue